

**URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA
(WA DIVISION)**



**SUBMISSION RESPONSE TO DRAFT *NETWORK CITY: COMMUNITY PLANNING
STRATEGY FOR PERTH AND PEEL***

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Urban Development Institute of Australia

Submission response to draft *Network City: Community Planning Strategy for Perth and Peel*

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1.0 Introduction

This submission has been prepared by the Urban Development Institute of Australia (Western Australian Division) (UDIA) in response to the draft *Network City: Community Planning Strategy for Perth and Peel*.

UDIA is the peak body representing the property development industry in Western Australia.

UDIA supported the Dialogue with the City process and has had representation on the Industry Liaison Team and Transport and Infrastructure working group throughout the preparation of the draft Network City strategy.

We value this representation however UDIA has a number of concerns and comments to make on the draft strategy document which are outlined in this submission.

UDIA has commissioned independent consultants Syme Marmion to examine some of the key issues of concern to the development industry regarding the Network City Strategy. These include the following questions:

- Are infill developments a more effective and sustainable form of urban development?
- Are developer contributions for development infrastructure beyond the urban front appropriate?
- Do developer contributions impact on housing affordability?

The findings of this study form the basis of the 'General Issues' section of this submission.

The submission also provides a response to specific strategies and actions outlined in the Network City document.

2.0 General Issues

2.1 Are Infill developments a more effective and sustainable form of urban development?

UDIA supports the more efficient use of existing urban areas for new residential development however there is a need to ensure that an increased focus on growth from urban consolidation does not lead to inadequate planning for expansion.

The principles of the Network City model in regards to infrastructure can still be developed and applied in new centres (in outer areas) as well as in inner locations.

In some outer areas there is an equal or greater opportunity to more efficiently use infrastructure and it may be commercially and politically easier than in inner areas, with similar overall results being achieved for sustainability. We therefore believe that there is a need for the strategy to place increased emphasis on innovative and sustainable forms of Greenfield development.

A fundamental concern of UDIA members in regards to the Network City strategy relates to the assumption underpinning the document that the provision of housing in existing urban areas is more efficient and effective mechanism for managing urban growth than Greenfield development.

The Syme Marmion study has found a growing body of work that suggests that urban consolidation should not be seen as a solution to all of the urban policy issues that face a 21st Century city.

Concerns have grown regarding the capacity of aging infrastructure networks to handle increases in residential density and populations. One of the pervasive arguments for infill development is based on the notion that it is restoring residential areas originally settled in the post war period to their previous residential populations. However,

there are two issues that need to be considered when making this argument. First, the demands on services such as electricity, telecommunication, sewer and water were considerably less in the nineteen forties and fifties to what they are now. The use of electrical appliances has increased exponentially and telecommunications have become much more sophisticated. Households consume more water through the use of washing machines, dish washers and swimming pools.

Even if there is excess capacity within the current system, the age of the infrastructure is an area of concern. Much of the infrastructure in inner and middle distance suburbs is reaching the end of its economic life. The replacement of such infrastructure within an existing urban area is both expensive and disruptive. There is already considerable project experience of delays to urban infill projects in Perth inner and inner/ middle areas while necessary utilities infrastructure upgrades catch up.

Concerns about the impact of urban consolidation on traffic congestion are often cited in studies considering Sydney and Melbourne. Older areas have transportation infrastructure that reflects an era when car ownership was not the norm. Today the majority of households own a car with many having more than one.

Another issue identified by Syme Marmion and to be considered in relation to urban consolidation is related to the displacement of economic activity, either through the redevelopment of existing industrial sites or through the forcing out of incompatible land uses. Ironically, this flies in the face of the intention of Network City with its emphasis on the creation of job opportunities near residential areas.

Urban consolidation is not easy to achieve. There is reluctance at a local level to support increase densities. Even at a State level there is often an unwillingness to tackle to a successful conclusion to difficult consolidation areas sometimes with a deferral to perceptions of community attitudes.

The critical issue in this debate is the effective use of land. Greenfield development sites offer tremendous opportunities to develop land in an effective manner, provide graduating densities appropriately located along transportation routes and integrating economic activity with residential development.

Opportunities to create transport oriented developments exist in Greenfield sites along both northern and southern railways. The careful coordination of the provision of station sites, in conjunction with the development program, offer a once in a lifetime opportunity to easily achieve some of the Network City Principles. The Western Australian planning system supports this, including sophisticated and complex planning tools such as the *Liveable Neighbourhoods Code*¹.

Where rail stations are well located with pleasant and secure walking routes, especially in a town centre, they can have a substantial effect on land values and therefore on the ability to support high levels of density. However, this is only possible in the short term if the rail infrastructure is in place at the time that development occurs. A key issue is the confidence of developers in the timing of the installation of key infrastructure and therefore their ability to translate this into market acceptance. Once a project is underway, the developer time frame is relatively short. The time from planning to sale is typically in the order of 2 – 5 years. Developers are unlikely to be able to sell their land product on the promise of a future railway station if it cannot be realised in their time frame. Without a degree of certainty with the staging of the infrastructure, these opportunities will be lost.

Consultation with UDIA members undertaken by Syme Marmion found that they are keen to become involved with making more effective use of land in new development areas. They identify the DHW's Landstart program, particularly the joint venture opportunities, as critical to the successful demonstration of better

¹ Western Australian Planning Commission (2004) *Liveable Neighbourhoods Code* (Draft 3)

patterns of urban growth, with a very good track record of leading edge development.

Recommendation 1: *It is essential that the opportunities to make more effective use of land on the urban fringe are recognised and that the Government works with the industry to ensure that housing outcomes (affordability, appropriateness and choice) are positive for all residents regardless of location.*

2.2 Are increased developer contributions for development beyond the urban front appropriate?

One of the primary concerns of our members has been that the Network City Strategy will impose inappropriately high levels of developer contributions for development that occurs in frontal areas or in areas beyond the urban front as a means of controlling urban form.

UDIA does not believe that it is appropriate to use developer contributions to influence the patterns of urban growth. Adopting a charging regime that seeks to modify developer behaviour that does not reflect a real cost is only distorting the market and causing inefficiencies in the system.

The Syme Marmion study has found that, in general UDIA developer members have suggested that prefunding arrangements between the state government and developers for the provision of major, necessary infrastructure works, particularly main arterial services may be appropriate (when a case can be made that the service was to be provided but not right now).

However UDIA members believe that the cost of that service extension should eventually be paid for by the responsible agencies or will be ultimately borne by individual households.

Members clarified their comments with the statement that any development that developed out of turn needed to be of the scale that supported a range of community infrastructure on services.

Recommendation 2: *There is a general industry view that prefunding arrangements for the provision of major, necessary infrastructure works to developments beyond the urban front are appropriate. These arrangements should clearly relate to the costs associated with service extensions and should be for prefunding only – the cost should eventually be borne by the responsible agency.*

2.3 Do developer contributions impact on housing affordability?

UDIA has been concerned that imposing additional developer contributions on frontal development, or development beyond the urban front will have a detrimental impact on housing affordability.

Housing in frontal areas and areas beyond the urban front provide some of the most affordable housing options in the Perth metropolitan region. Imposing additional levies on development in these areas could severely impact on the supply of affordable housing in Perth.

Syme Marmion also examined this issue on behalf of UDIA and this research has concluded that developer contributions do impact on housing affordability however the level of impact depends on a number of factors. These include the:

- timeframe over which the land has been held by the developer,
- scale of development,
- competitiveness of the industry,
- nature of the charge;
- timing of the charge; and
- appropriateness of the charge.

The total cost of providing all of the services and access to social infrastructure is ultimately paid by the consumer (the householder).

The cost depends solely on the extent and quality of the infrastructure provided. There has been a trend towards the provision of more and better quality infrastructure up front in new developments. Community expectations of what is a basic level of infrastructure have increased over time. Historically, governments provided and maintained nearly all infrastructure services. These were funded through a combination of borrowings, taxation revenue, fees and charges. These costs were met, directly or indirectly, by the general public (the consumer).

As development processes became more sophisticated, the responsibility for providing infrastructure within a subdivision has become the responsibility of the developer.

In the main these costs are relatively straight forward, easy to identify and easy to assign responsibility for. The benefit of these services accrues directly to the purchaser of the final lot and the value of the provision of the services will be reflected in the final market value of the lot.

For a given set of infrastructure and services applied to a block of land, the end consumer will always pay in some form or other. This may be at the time of purchase of the developed site, or via rates and taxes or, as is usual, in a combination of these.

The question is therefore not whether any developer contribution is borne by the ultimate consumer but at what time and in what form is it paid. In fact there is a complex mix of household taxes, rates and charges on the one hand and development costs on the other that go towards the long term provision of urban infrastructure. These are crystallised in the final cost of home ownership to the consumer. These costs include the cost of the land, the cost of the house, rates

and taxes that are applied by all three spheres of governments, costs of utilities (water, gas and electricity) cost of transport etc.

The issue is what should be the relative mix of charges for the provision of infrastructure. The provision of some infrastructure is more appropriately paid for through fees and charges whilst other infrastructure is better paid for upfront or through general taxation revenue.

The recent Inquiry undertaken by the Public Accounts Committee found that developer contributions do not impact on house prices, but rather impact on englobo land prices.

Examination of this finding by Syme Marmion has found that, given the complexity of the market, this assumption is too simplistic.

They found that the impact of developer contributions on the price of residential land is very complex however there are few occasions where cost increases, through developer contributions, result in a reduction of englobo land prices.

The more usual reaction is a reduction of the supply of developed residential land via delaying projects until a new, higher equilibrium market price is reached. Through this mechanism developer costs, including developer contributions, are passed on to the end purchaser.

Recommendation 3: *Developer contributions do impact on housing affordability. There is a need to ensure that house and land prices and supply are not adversely impacted by introducing increased developer contributions for frontal development or development beyond the urban front.*

3.0 SPECIFIC ISSUES

3.1 Chapter One: Spatial Plan and Strategy

Strategy 1: Foster land use and transport integration to form a Network City

Comments on Actions:

- UDIA supports the proposed selection of a development corridor as a demonstration project.
- UDIA concurs that a review of the Statement of Planning Policy – Metropolitan Centres will be required as a priority action. We believe that there is a need for new economic anchors to be established in key locations if the network city model is to be implemented successfully.

Strategy 2: Manage urban growth to limit urban sprawl through staging of development

Comments on Actions:

- UDIA believes that Western Australia has an effective strategic planning system that provides order and certainty for both industry and government. The Metropolitan Region Scheme provides a good planning framework and is effective in controlling and planning for growth in the Perth Metropolitan Region. UDIA does not believe that there is any need to duplicate or replicate this system by developing a staging strategy or any alternative mechanism to control growth such as an urban growth boundary.
- The urban development industry responds well to certainty and orderly planning. In this regard UDIA supports the Metropolitan Development Program and agrees with the

recommendation that the MDP is strengthened through Cabinet endorsement.

However there are concerns that, despite this process the provision of infrastructure can lag behind the planning process.

We believe that it is partially due to the lack of private industry input into the Infrastructure Coordinating Committee. Private industry clearly plays a very large role in development and infrastructure provision and it is therefore very important that private developers are involved in the infrastructure planning process.

Strategy 3: Provide 60 per cent of required dwellings in existing urban areas and 40 per cent in new growth areas

Comments on Actions:

- UDIA supports the listed actions to undertake detailed appraisals of opportunities to provide additional homes and jobs within existing urban areas; determine housing and job targets by local government areas and sub regions and to access current vacant land stocks to assess priority for development or redevelopment.

However industry members have requested additional clarification regarding which areas would be considered 'existing urban areas' and what areas would be 'new growth areas' and how these areas will relate to land currently zoned urban or urban deferred in the Metropolitan Region Scheme.

3.2 Chapter Two: Implementation: Governance and Process

Strategy 5: Create an effective state and local government partnership that includes agreement to a process of setting targets and providing the means to achieve them

Comments on Actions:

- UDIA supports the priority action to develop a partnership between state and local government, ensure a whole-of-government view with shared objectives and a clear understanding of roles and responsibilities.
- The processes that have been established to work with existing landowners and developers in regards to land currently zoned urban or urban deferred and potential compensation of landowners whose property rights are adversely impacted by the Strategy.

Strategy 5: Create an effective state and local government partnership that includes agreement to a process of setting targets and providing the means to achieve them

Comments on Actions:

- UDIA supports improved co-ordination between state and local planning for the Perth metropolitan region. In this regard we believe that there are opportunities for improved delineation of planning and development approvals roles between the WAPC and local authorities to avoid overlap and inefficiencies for example by:
 - Amending the MRS to stipulate that if a development approval must be referred to the WAPC then the WAPC is the only decision making authority and the proponent does not also need to obtain development approval from the local authority.
 - Enabling developers to initiate Scheme amendments or, alternatively, provide developers with a right of appeal if local authorities make a decision not to initiate a scheme amendment.

Strategy 6: Institutionalise the engagement of community and industry with government to implement the *Network City* strategy

Comments on Actions:

- UDIA strongly supports the priority action for additional industry and community consultation.
- UDIA believes that the model for 'local dialogues' should be developed through a consultation process with local authorities, industry and other key stakeholders to ensure that there is support for the process among all stakeholders.
- UDIA supports the establishment of a community consultation unit to support local and state government and industry in the implementation of this strategy. However it is important that this unit forms part of the strategic planning unit to ensure the integration of community and industry views in the preparation of the strategy.

Strategy 7: Guide and monitor progress on the *Network City* so implementation is accountable and transparent

Comments on Actions:

- UDIA supports the establishment of a WAPC committee and targeted working groups to oversee the implementation of the strategy. UDIA would welcome the opportunity to nominate industry members to sit on these working groups.

3.3 Chapter Three: Planning for a Liveable City

Strategy 8: Plan for local places to develop identify and pride, and to increase social and cultural capital, by engaging the community in decision-making

- UDIA supports the action to develop cultural identity and sustainability programs.
- UDIA strongly believes that there is a need to consider the impacts of housing targets, infrastructure targets and staging strategies on housing affordability. We believe that any report on housing affordability impacts should be undertaken independently and should incorporate consultation with a wide range of stakeholders including the urban development industry.

Strategy 9: Promote and facilitate increased housing diversity to match the changing housing needs of the Perth population in locations which provide equitable access to lifestyle opportunities

Comments on Actions:

- UDIA supports the proposed action for housing diversity through increased densities in targeted locations however we believe that the implementation of the strategy should be closely aligned and integrated with the implementation of Liveable Neighbourhoods as policy.
- UDIA would welcome the opportunity to be involved in developing innovative strategies to encourage investment in housing diversity.

Strategy 10: Promote and facilitate increased housing diversity to match the changing housing needs of the Perth population in locations which provide equitable access to lifestyle opportunities

Comments on Actions:

- UDIA members would welcome the opportunity to be involved in demonstration projects of underused and vacant public land to show the potential for redevelopment in established areas.
- UDIA supports the increased emphasis on Transit Oriented development however we believe that the implementation of this action needs to be closely tied to the implementation of the Liveable Neighbourhoods policy.

Strategy 11: Encourage the local mixing of uses to reduce the overall need for people to travel between their places of residence, employment and recreation

Comments on Actions:

- UDIA believes that a 'handbook' to promote mixed use development could be a useful tool, however it is very important that the role of the handbook is clearly defined within or integrated with statutory planning requirements and guidelines and does not create an additional layer in the planning process.

3.4 Chapter Four: Economy and Employment

Strategy 14: Build new and revitalize existing employment centres

Comments on Actions:

- The provision of new employment opportunities within new residential developments is a complex issue which has received considerable attention from both industry and government in recent years. In this regard we believe that there is a need for the urban development industry to have direct involvement in both the development of demonstration projects and preparation of planning policies for the provision

of employment land in broad scale residential land development.

3.5 Chapter Five: Environment and Heritage

Strategy 16: Refocus planning decision on sustainability principles

Comments on Actions:

- Significant work has already been undertaken by the WAPC to develop a process whereby sustainability principles are integrated with decision making through the planning process. It is important that any actions identified through Network City are integrated within this existing process.

Strategy 17: Protect biodiversity and areas of environmental significance

Comments on Actions:

- Western Australia already has comprehensive and complex environmental planning and legislation, regulations and policy initiatives aimed at the protection of biodiversity and areas of environmental and heritage significance. UDIA would not support the duplication of this system through the establishment of additional databases or guidelines. While we support the early consideration of conservation issues in the development process it is important that any actions to achieve this do not add additional layers to the existing planning and environmental approvals process.
- UDIA would not support any further extension of Bush Forever without a commitment from the State Government that all impacted landowners would receive compensation for their land at full market value.

Strategy 19: Empower local government and communities to protect environment and heritage

Comments on Actions:

- UDIA supports the involvement of local communities in identifying and protecting local environmental and heritage assets. However we believe that it is important that appropriate funding is provided for conservation and heritage initiatives to ensure that any impacted landowners are properly compensated and ensure that there is not an ongoing expectation among local government or local communities that these types of initiatives will be funded by the development industry or individual landowners.

3.6 Chapter Six: Transport

Strategy 21: Integrate local and longer distance transport needs to support the Network City with a view to decreasing car dependency

Comments on Actions:

- The urban development industry can achieve infrastructure efficiencies associated with increased density, particularly where there are opportunities to take advantage of well located transport corridors and public transport systems. UDIA therefore supports the proposal to prepare a comprehensive transport strategy for Perth, Mandurah and Murray however we stress that for this strategy to be successful there will need to be a substantial and long term commitment by the state government to improve public transportation in all areas, particularly in regards to east west links.

- The railway system provides an obvious example of opportunities for transit oriented development and the timely provision and upgrade of stations in conjunction with urban development presents opportunities for well integrated, denser development outcomes.

3.7 Chapter Seven: Infrastructure

Strategy 25: Use the provision of infrastructure to influence the timing and location of growth.

Comments on Actions:

- UDIA believes that the Metropolitan Region Scheme (MRS) is the most effective mechanism available to influence the timing and location of growth and that using infrastructure provision to achieve this is inappropriate and would be akin to the 'tail wagging the dog'.

There is therefore a need to ensure that infrastructure planning and provision through the Metropolitan Development Program and strategic planning for urban development through the MRS are integrated. Where land is identified for development through the MRS there is a need to ensure the timely provision of appropriate infrastructure.

Strategy 26: Maximise service efficiency and equity through better utilisation and co-ordination

Comments on Actions:

- UDIA supports the proposed actions to promote more public private partnerships to maximize infrastructure provision.
- As previously stated in the 'General Issues' section of this submission, UDIA has some concerns regarding the capacity of existing urban infrastructure to accommodate

infill development. We therefore support the proposal to undertake a review of existing infrastructure capacity as a priority.

Strategy 28: Minimise infrastructure costs by managing urban growth and encouraging stakeholder partnerships

Comments on Actions:

- As outlined in the 'General Issues' section of this submission research by consultants Syme Marmion has found that increased developer contributions for physical and social infrastructure can have an impact on housing affordability.

Developers in Western Australia already provide very substantial contributions to infrastructure provision which commonly account for well over 70% over the total development cost per lot – and this cost is directly reflected in lot prices. We believe that increasing the level of contributions for development beyond the urban front could distort the market and cause inefficiencies in the system.

As outlined in the 'General Issues' section of this submission, there is a general industry view that prefunding arrangements for the provision of major, necessary infrastructure works to developments beyond the urban front are appropriate. However these arrangements should clearly relate to the costs associated with service extensions and should be for prefunding only – the cost should eventually be borne by the responsible agency.

4.0 Conclusions & Recommendations

This submission has been prepared by the Urban Development Institute of Western Australia in response to the draft *Network City: Community Planning Strategy for Perth and Peel*.

UDIA generally supports the Network City strategy however we believe that there is a need for further investigation into some of the key issues influencing the strategy as well as further consideration of some of the actions identified for implementation.

In this regard, the key recommendations of UDIA are that:

1. It is essential that the opportunities to make more effective use of land on the urban fringe are recognised and that the Government works with the industry to ensure that housing outcomes (affordability, appropriateness and choice) are positive for all residents regardless of location.
2. There is a general industry view that prefunding arrangements for the provision of major, necessary infrastructure works to developments beyond the urban front are appropriate. These arrangements should clearly relate to the costs associated with service extensions and should be for prefunding only – the cost should eventually be borne by the responsible agency.
3. Developer contributions do impact on housing affordability. There is a need to ensure that house and land prices and land supply are not adversely impacted by introducing increased developer contributions for frontal development or development beyond the urban front.

In regards to specific actions and strategies identified in the Network City document, UDIA makes the following key comments:

- UDIA believes that Western Australia has an effective strategic planning system that provides order and certainty for both industry and government. The Metropolitan Region Scheme provides a good planning framework and is effective in controlling and planning for growth in the Perth Metropolitan Region. UDIA does not believe that there is any need to duplicate or replicate this system by developing a staging strategy or any alternative mechanism to control growth such as an urban growth boundary.
- Western Australia already has comprehensive and complex environmental planning and legislation, regulations and policy initiatives aimed at the protection of biodiversity and areas of environmental and heritage significance.

UDIA would not support the duplication of this system through the establishment of additional databases or guidelines. While we support the early consideration of conservation issues in the development process it is important that any actions to achieve this do not add additional layers to the existing planning and environmental approvals process.

- UDIA would not support any further extension of Bush Forever without a commitment from the State Government that all impacted landowners would receive compensation for their land at full market value.
- UDIA supports the involvement of local communities in identifying and protecting local environmental and heritage assets. However we believe that it is important that appropriate funding is provided for conservation and heritage initiatives to ensure that any impacted landowners are properly compensated and ensure that there is not an ongoing expectation among local government or local communities that these types of initiatives will be funded by the development industry or individual landowners.

Thank you for your consideration of the issues raised in this submission. UDIA would welcome the opportunity to be involved in any future activities to refine or implement the Network City Strategy.

We thank the Western Australian Planning Commission and the Department for Planning and Infrastructure for the opportunity to comment on the Strategy. We look forward to your response.