

Property developers' perspectives on urban adaptation to climate change

Industry summary report

Bruce Taylor, Ben Harman, Sonja Heyenga and Ryan McAllister

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Summary

Adaptation to climate change in urban areas requires the engagement of public and private actors in governing complex problems in conditions of uncertainty. The urban development industry is a major private actor in terms of its financial, political and technical capital. To date, the potential contribution of this industry, in terms of its preferences, capabilities and perceptions, is under-researched.

This report presents findings from survey of, and discussions with, Australian urban property developers and their representative bodies. Amongst other themes we focus here on participation and capacity; effectiveness of current policies; risks and opportunities and cost-sharing considerations as perceived by that sector.

Survey responses and focus group discussions indicate the sector recognises they now hold an expanded level of responsibility and risk-sharing due to the demands of adapting their business practice and the built environment to climate change. This is coupled with a strong preference for greater levels of joint decision-making with governments on adaptation policy.

This raises key questions about what forums are best suited to public-private deliberations on urban adaptation, and, how more partnership-based approaches to policy implementation can be balanced with necessary regulatory controls.

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Contact:

Bruce Taylor
Social and Economic Sciences Program
CSIRO Sustainable Ecosystems, Brisbane

Bruce.Taylor@csiro.au

Phone 07 3214 2638

1. Background and aims

This report presents the findings from a research project that examines the preferences and perspectives of the property development industry on issues related to responding to climate change. This includes how the industry sees its role, both now and into the future, in relation to the roles of governments and communities. The research draws on results from a survey of, and discussions with, Australian urban property developers and their representative bodies.

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The research aims to:

1. describe current and future contributions of the property development sector to the challenge of adapting to climate change impacts in urban areas;
2. provide this information to the industry to assist in policy and planning on this issue; and,
3. use this understanding to define future social research in this area.

The study gathered information and explored questions on the following topics:

1. level of awareness around climate change issues and how responding to climate change compares to other priority issues for industry members;
2. perceived risks and opportunities climate change presents for companies;
3. factors that may either encourage or hinder industry to act on climate change;
4. the relative merit of different policy instruments or strategies; and,
5. perceptions of current and preferred levels of involvement in decision-making on adaptation, industry responsibility and cost-sharing.

It is important to note that the findings presented here are not intended as recommendations arising from the study. Instead the key findings represent issues, opportunities and risks as perceived by members of the industry.

2. Why the property development sector?

The Australian urban development sector is central to the question of private sector roles in governing climate adaptation. This is for three reasons. One, while the public policy debate on climate adaptation in Australia is still relatively new, national and regional policy signals suggest a growing government interest in initiating a dialogue with the private sector¹ (e.g. Australian Government 2009; 2010). A recent national discussion paper for example emphasises the expectation that business and communities are 'best placed to manage their own risks' and must share the responsibilities and costs of adaptation:

It is not feasible for governments to bear all of the costs of adapting to the impacts of climate change. It would also be inefficient for governments to make decisions about how to adapt to climate change impacts on behalf of individuals and businesses that are better placed to manage their own risks (Australian Government, 2010:8).

Two, the urban development sector is sufficiently exposed to climate change risks such that it can benefit from adaptation, yet has the necessary financial and technical capacity required to deploy adaptation strategies (e.g. Economic Impact of the Development Industry in Queensland 2008). Third, the sector has identified climate change as a national policy priority requiring attention alongside issues such as housing affordability, land supply, tax and charges, provision and cost of infrastructure, and planning system reform and consistency (UDIA 2009).

3. Methods

An on-line survey was administered to all developer members of the Urban Development Institute of Australia (UDIA) in three States: Queensland, Victoria and Western Australia in May 2010. The survey was distributed using email distribution lists managed by the three State offices. Reminder invitations to participate were emailed after seven days as part of regular 'member updates'. The survey was accessible for three weeks and individual respondents could, if desired, sign-off and complete the survey at a later stage. We estimate² some 180 companies engaged in property development received the survey, of which 51 surveys were returned. The largest number of responses were received from industry representatives in Queensland (56%), followed by Victoria (31%) and Western Australia (13%).

¹ Australian Government (2009). Climate change risks to Australia's coast: A first pass national assessment, Department of Climate Change. Australian Government (2010). Adapting to Climate Change in Australia: An Australian Government Position Paper, Department of Climate Change.

² This estimate is based on the total number of developer members on the three States membership lists minus an estimate of the number of companies that operate in all three states.

Responses were broadly representative of the urban development industry in these three states. For instance, there was a wide range in the size of developers that participated in the survey. Some 39% of respondents worked for companies operating only within a given metropolitan area or region, 48% worked for larger organisations operating either within or across Australian states, and 14% for companies with activities in multiple countries including Australia. Survey respondents also represented a good cross-section of organisational type, with 62% from commercial and residential property developers and 38% from technical and advisory services, including surveying, engineering and urban planning.

A focus group convened and conducted with Natural Resources and Environment Committee (Qld) in April 2010 and a review of industry and government policies were used to help design and then interpret the survey findings. A summary report of the focus group discussions is also available however key findings are included in the results and discussion below.

4. Results

The results from our survey indicate that in relative terms climate change is less important to the industry than other priority issues. Respondents ranked planning for climate change as a relatively low priority for their company, with 18% ranking this as 'very low', and 23% as 'low' (Table 1a). Respondents tended to disagree with the statement that the future benefits of adaptation outweigh the short term cost (Table 2). Yet, while climate change has a lower priority to other issues (e.g. funding for infrastructure, assess to finance, Table 1a), various parts of the survey analysis point to climate change being relevant. For example, 5% 'strongly disagree' and 49% disagreeing with the statement 'It is not the job of industry to protect communities from future climate change risks' (Table 2).

Overall, 28% of respondents stated that their companies have a written policy on environmental sustainability, and another 5% were currently in the process of preparing one. However, only 16% of organisations have a written policy on climate change. Factors associated with climate change perceived to present the highest relative risks to developers were costs of upgraded building design standards for extreme weather events, increased costs of insurance and unavailability of insurance decreasing property values (Table 1b). The more influential impediments to industry action on climate change were a lack of customer demand, uncertainty of financial return and confusion in the climate policy environment (Table 1e). This is supported by focus group participants who stressed that barriers to adaptation for the industry are not technical but cultural and market-based.³

Government regulation is major factor motivating developers to act on climate change, with 35% rating this as a 'high' influence (Table 1d). Focus group participants highlighted

³ Focus group transcripts 27th April 2010, Brisbane.

innovation and competition as factors that motivate improved industry performance. Further they point to experience of existing regulation and development approval processes which they believe restricts the expression of these drivers.

Despite improved efficiency of the planning approval process being the highest priority issue for developers (Table 1a), and citing reduced approval times as, on average the most effective approach for encouraging climate ready developments (1f), responses indicate that 'streamlining development approvals' is the benefit least likely to accrue to developers from adopting climate friendly practices (Table 1c). Conversely whilst 'stronger planning controls' has very mixed support as a possible approach to improve development outcomes (1f) it is amongst the most influential motivating factors (1d).

Developers recognise the rapidly growing expectations of communities and increasing pressure from governments to act on climate change, with 89% of respondents expecting regulatory costs to the industry to either 'increase' or 'rapidly increase' (Table 3a). Some 69% of respondents anticipate community expectations to either 'increase' or 'rapidly increase' (Table 3a). This is despite 45% of respondents being very highly influenced by the view that 'Customers are not ready to pay for greener buildings and developments' (Table 1e).

Respondents believe that a realistic timeframe for their company to respond to climate risk is now (30%) or within the next 5-10 years (49%) rather than longer timeframes⁴. Focus group participants stated that the capacity for industry 'to move quicker' than governments was seen as a comparative advantage for adaptation, however it was also stated that the industry is still unclear what specific practices it is expected to do to address climate change impacts and risks.

Respondents identified that the dominant current model of industry involvement with government on climate issues is that of government informing industry (50%, Table 3). The industry's preferred model is one where 'Government involves industry directly in the process' (47% Table 3). Some 29% of respondents' preferred model is 'Decisions are made jointly by government and industry', yet no respondents believe this to be the current model. In support of this preference for a shift towards joint decision-making there was strong agreement that responding to climate change risks requires industry to work closer with government, and the importance of industry 'say' on how climate risks are managed (Table 2c and g). Focus group participants describe government decision making as 'ad hoc' and piecemeal and proposed adopting a partnership approach between industry and government based on up-front discussion rather than a reactive decision-making. The frequency of interactions with the different tiers of government on sustainability-related issues was highest with local

⁴ Not tabulated

government, with 31% reporting constant interactions (Table 3b). In contrast 38% of respondents 'never' interacted with federal government.

There is a fair degree of variation in the perceived levels of industry responsibility for existing opposed to new developments, and variation in the level of responsibility between the different sectors/stakeholders (Table 4). However, critically, 16% of respondents believe that industry and business should have the greatest share of responsibility in ensuring new developments are climate-ready (Table 4).

Respondents generally had the view that a clear national industry position on climate change was lacking. They also reported a lack of governments support to progress this agenda from within industry. Specifically, no respondents reported that they 'strongly agreed' that 'Australia's property development industry, as a whole, has the support of governments to drive forward innovative responses to climate change', and only 5% 'strongly agreed' 'Australia's property development industry, as a whole, has a clear national position on climate change' (Table 2). While our survey did not seek to identify or propose specific climate adaptation policies, 56% of respondents strongly agreed with the statement 'It is important that the costs of adaptation are clearly defined, including who pays' (Table 2). The statement 'Industry requires greater certainty in development policy and regulation relating to climate change' was strongly agreed to by 47% of respondents.

Table 1. Perceived priorities and influences in sector adaptation

a) Priority of different issues for developers (n = 39)	Very low (%)	Low	Moderate	High	Very high	Mean
Improved efficiency of planning approval process	0	0	0	21	79	4.79
Funding for infrastructure and services	0	3	18	36	44	4.21
Lower property taxes and charges	3	13	15	36	33	3.85
Access to finance	3	10	18	38	31	3.85
Housing affordability	10	8	10	46	26	3.69
Industry image	5	8	33	38	15	3.51
Increased incentives for green developers	13	10	33	28	15	3.23
Planning for climate change impacts	18	23	33	10	15	2.82
b) Perceived risks that different aspects of climate change present for developer companies (n = 38)	Very low	Low	Moderate	High	Very high	Mean
Upgrading of building design standards	11	24	26	34	5	3.00
Increased insurance cost	8	32	37	18	5	2.82
Loss of property value due to insurance unavailability	16	34	32	16	3	2.55
Extreme weather disrupting transport to site	21	42	21	13	3	2.34
Infrastructure affected by severe weather	21	42	26	11	0	2.26
Excessive heat affecting construction workforce	24	35	32	8	0	2.24
c) Likelihood company will realise the following benefits from adopting more climate-friendly practices (n = 36)	Not at all likely	Unlikely	Somewhat likely	Likely	Highly likely	Mean
Improving community support for developments	6	22	31	28	14	3.22
Reduce water, energy and materials operating costs	8	19	36	19	17	3.17
Increase competitiveness through differentiation	9	31	23	26	11	3.00
Attracting green/ethical investors	11	28	25	33	3	2.89
Access to new or expanding markets	17	19	44	17	3	2.69
Streamlining development approvals	28	25	17	19	11	2.61
d) Influence of factors in motivating developers to act on climate change issues (n = 38)	None	Minor	Moderate	High	Very high	Mean
Regulation	11	14	24	35	16	3.32
Senior executives' directions	18	11	29	18	24	3.18
Customer demand	13	16	26	34	11	3.13
Corporate reputation	13	11	39	26	11	3.11
Financial incentives provided by government	22	19	19	30	22	2.89
Access to relevant knowledge and skills	18	26	21	29	5	2.76
Protection of property assets	21	24	29	18	8	2.68
Reducing risk of future litigation	29	21	26	21	3	2.47
Membership of industry bodies or forums	21	32	37	8	3	2.39
e) Influence of factors in impeding developers from acting on climate change issues (n = 38)	None	Minor	Moderate	High	Very high	Mean
Customer not ready to pay for green developments	11	8	16	21	45	3.82
High capital outlay for uncertain returns	13	0	18	34	34	3.76
Confusion over climate change policies	8	8	16	37	32	3.76
Lack of long term policy clarity	16	8	11	37	29	3.55
Regulatory uncertainty	13	16	11	39	21	3.39
Lack of mature technologies	13	11	29	29	18	3.29
Uncertainty over what constitutes best practice	5	24	37	21	13	3.13
Difficulty in changing employees' behaviour	21	34	29	11	5	2.45
f) How beneficial are the following approaches for encouraging climate-ready developments and properties in Australia (n = 39)	No benefit	Limited benefit	Moderate benefit	Mostly beneficial	Very beneficial	Mean
Reduced approval times	5	5	13	26	51	4.13
Financial incentives	8	3	23	28	38	3.87
Investment in new energy infrastructure	7	13	15	26	38	3.74
Support for technology innovation	10	10	15	41	23	3.56
Consumer education	10	13	26	23	28	3.46
Mandatory standards (e.g. for energy efficiency)	10	21	13	33	23	3.38
Industry-driven standards and certification	8	26	23	26	18	3.21
Stronger planning controls	18	21	18	28	15	3.03

Table 2. Perceptions of the industry’s role in climate change adaptation (% of responses)

	Strongly disagree	Disagree	Neither	Agree	Strongly agree	Mean
Costs of adaptation need to be clearly defined, including who pays	0	0	3	41	56	4.54
Industry requires greater certainty in development policy and regulation	0	3	8	42	47	4.34
It is important for industry to have a say on how climate risks are managed	0	3	11	41	46	4.30
Current policies decrease investment certainty	0	5	22	35	38	4.05
Industry practices need to change over time	5	0	18	58	18	3.84
Industry needs more flexibility in implementing government requirements	3	11	21	44	21	3.71
Responding to climate change risks means working closer with government	5	5	16	65	8	3.65
Costs of adaptation are currently carried by industry alone	13	8	21	26	32	3.55
Industry should not wait for government and take leadership role	8	13	34	26	18	3.34
Future benefits outweigh short term costs of changing development practices	19	19	27	19	16	2.95
It is up to government not industry to set climate policy agenda	24	24	21	26	5	2.66
Industry, as a whole, has a clear position on climate change	13	33	33	15	5	2.63
It is not industry’s job to protect communities from climate risks	5	49	32	5	8	2.62
Industry, as a whole, has government support to respond to climate change	13	41	31	15	0	2.48

Table 3. Expectations, interactions with government and extent of involvement

a) Anticipated changes in regulatory costs and community expectations to respond to climate change in next five years (n = 39)	Rapidly increase (%)	Increase	Stay the same	Decrease	Don't know
Changes in regulatory costs to industry	33	56	8	3	0
Changes in community expectations	15	56	18	10	0
b) Current frequency of interaction between company and the different levels of government (n = 38)	Never	Very rarely	Occasionally	Regularly	Constantly
Local government	11	13	21	24	31
State / Territory government	11	31	18	24	16
Federal government	38	30	16	11	5
c) Industry's current and preferred mode of involvement with government on climate change issues (n = 38)	None	Government informs	Government consults	Government involves	Decisions jointly made
Current involvement	24	47	18	11	0
Preferred involvement	8	3	11	50	29

Table 4. Perceived level of responsibility for ensuring new and existing developments are climate-ready

		None	Minor	Moderate	High	Full
Federal government	Existing	24	8	24	32	13
	New	13	16	29	32	11
State government	Existing	21	3	29	37	11
	New	13	11	26	42	8
Local government	Existing	18	8	39	29	5
	New	16	3	29	39	13
Industry	Existing	26	21	21	29	3
	New	8	5	32	39	16
NGOs	Existing	30	35	24	8	3
	New	24	39	24	5	8
Tenants / residents	Existing	24	16	22	30	8
	New	29	16	37	13	5

5. Summary of key findings

5.1 Industry preparedness

- Industry members recognise they have a responsibility for managing additional climate change risks to their own businesses, to new developments, and, to communities more broadly.
- Respondents recognise rapidly growing community expectations of their business to respond to climate change, and the likelihood that costs associated with regulatory compliance for climate change will also increase rapidly.
- Most companies surveyed expect to respond to climate change risks within the next 5-10 years or sooner. Few companies indicated they had a written policy on climate change. Most considered a clear national policy response by both industry and government to be lacking at the present time.

5.2 Engagement in climate policy and decision-making

- There is a clear desire amongst industry members to be engaged more directly and more meaningfully in the development and discussion of public policy and planning for climate change and adaptation. This would require, in their view, a shift from the current model where governments 'inform' or 'consult' with industry to a more inclusive, anticipatory and productive dialogue between governments and industry.

5.3 Incentives and regulation

- Reduced development approval times and financial incentives are cited as the two most preferred strategies to promote climate-ready development in the industry. However the first of these is seen as the least likely to accrue.
- Conversely 'stronger planning controls' were viewed as the least beneficial approach to encourage climate-ready development, yet 'regulation' was still recognised as the most influential factor in motivating companies to act on climate change.

5.4 Further research and next steps

- When the three issues identified above are considered together: recognition of shared responsibility, calls for greater involvement and dialogue with governments, and a pragmatic view of incentives and regulation – two clear questions arise:

1. *How might the existing regulatory system accommodate, or be balanced with, improved process for public-private dialogue on the development and implementation of climate adaptation policies?*

This requires a more detailed assessment of which parts of the policy making, planning and development assessment process can be more flexible to encourage greater innovation, efficiency and sustainable development practices whilst ensuring the public interest and clarity in regulatory requirements.

2. *Are local, regional or national forums the most appropriate spaces for more effective and strategic partnerships on climate adaptation? What are the comparative advantages of industry-government collaboration at these different levels?*

A series of case studies that examine the benefits and limitations of industry-government, and industry-community dialogue in a variety of local, regional or national planning and policy forums could be conducted. These case studies would identify best practice principles for public-private interaction on adaptation.

3. *What value do self-regulatory approaches such as industry standards offer as a vehicle for promoting productive discussion and action on climate adaptation amongst governments, business and local communities?*

Addressing this question could involve interviews and workshops with developers and related stakeholders to understand the benefits gained from adopting industry-developed environmental standards on specific development projects.



Contact Us

Phone: 1300 363 400

+61 3 9545 2176

Email: enquiries@csiro.au

Web: www.csiro.au

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