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Directions 2031 and Beyond
Central Metropolitan Perth Sub-regional Strategy
Western Australian Planning Commission
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Perth WA 6000

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The Project Officer

Central Metropolitan Perth Sub-Regional Strategy

The Urban Development Institute of Australia (UDIA WA) is pleased to present this submission on the *Central Metropolitan Perth Sub-Regional Strategy*. The strategy provides the detail to implement *Directions 2031 and Beyond* with a particular emphasis on housing and land supply. *Directions 2031* promotes a Connected City model for future growth and sets a target of 47% or 154,000 of the required 328,000 dwellings as infill development. The model encourages activity centres for local jobs and services, protection of the natural environment and scarce resources and builds on the system of regional open space.

UDIA welcomes the release of the *Directions 2031* and the sub-regional strategies and supports the key elements and principles upon which the documents are based. The Connected City model will be successfully delivered where there is a balance of infill and greenfield development with quality urban outcomes achieved by both forms of development. From the point of view of the development industry, the key concern is to ensure there is sufficient flexibility in *Directions 2031* and the strategies to accommodate future housing land needs and preferences. Housing land supply is inextricably linked to affordability. An adequate supply of future urban land is necessary to keep housing land prices down, and to ensure affordable land for future generations.

UDIA is pleased that the Western Australian Planning Commission has responded favourably to a number of the recommendations made in our response to the draft *Directions 2031*. Of particular note was the need for 35,000ha of future urban land, a longer than 20 year planning horizon and other elements of the ten point urban growth management strategy. This submission addresses some of the key questions for the development industry arising from the Central Metropolitan Perth sub-regional strategy.

Should you require further comment, please do not hesitate to contact me.

Yours sincerely

Debra Goostrey
Chief Executive Officer

Central Metropolitan Perth Sub-Regional Strategy

1. Population Projections are Underestimated

Directions 2031 has adopted population growth projections for Perth to 2031 of 2.2 million based on low estimates of net migration which are below the lowest ABS projection of 2.4 - 2.9 million. The document assumes a population increase of 30,000 per annum compared with the ABS scenarios of 31,000 (low), 41,000 (medium) and 55,000 (high).

Western Australia is growing faster than any other state (ABS 2010, 1367.5) with 65% of the growth attributed to overseas migration. Current population growth is fuelled by a relatively strong state economy underpinned by committed major resource projects in oil and gas developments, iron ore and a range of diverse commodities. WA Treasury has forecast population to grow by 2.6% in 2009-10, 2.3% in 2010-11 before stabilising at 2.2% from 2012-14 and is confident of a strong economic and employment outlook.

In the longer term, WA's population is projected to double to 4.6 million by 2056 under the medium growth projection (ABS, 3222.0) with Perth projected to experience the highest percentage growth (116%) of Australia's capital cities, increasing to 3.4 million in 2056. It will attract a higher proportion of the state's population (78% in 2056 compared to 74% in 2007).

UDIA queries why *Directions 2031* is committed to the *WA Tomorrow* (2005) figures when more recent data indicate significantly higher growth rates than *WA Tomorrow* whose data are based on a conventional demographic projection model and do not take into account the economic drivers that are having a resounding impact on the state's growth rates. Underestimation of future growth will have a significant effect on land supply requirements as the targets sets in *Directions 2031* will be reached earlier than anticipated.

2. Infill Targets

An increase in infill development has been an unrealised goal of planning policy since *Network City* was launched in 2004 which had a target of 60% of all new development to fall within the existing urban footprint. *Directions 2031 and Beyond* has reduced the infill target to 47% but this will require a significant leap in the delivery of infill in the absence of supportive strategies or incentives to facilitate the outcome. UDIA's view is that a 47% infill rate is unrealistic as current trends suggest an infill rate of 30% - 35%.

The government argues that *Directions 2031 and Beyond* is a move away from the business as usual model and that it sets Perth on a different trajectory to previous planning frameworks. This is not apparent in the document and the strong emphasis on urban infill appears to be based on an underlying assumption that infill provides better outcomes than greenfield development. UDIA objects to this view as masterplanned communities provide high grade facilities and infrastructure in new communities and the communities themselves are supported by the developers as they grow and mature. The focus should be on quality residential development outcomes with both forms of development offering a diverse mix of housing types, sizes and price points supported by sustainable infrastructure at a scale of development that facilitates strong community development and a sense of place.

The perceived benefits of infill are that it provides mature public infrastructure such as schools, universities, hospitals, public open space and recreation facilities; the use of existing infrastructure; reduced car dependence; more efficient land use and higher population densities to support local businesses. However infill development has its own set of challenges which accounts for the current rate of infill being a relatively low 30% - 35% and which will make the 47% target difficult to achieve.

Barriers to infill range from obstructive and lengthy regulatory processes; community resistance to increased density; consumer preference and housing cost/affordability factors because of the higher raw land cost in established areas; fragmented land ownership which results in sub-optimal outcomes; less demographic diversity as a result of gentrification, and the capacity of existing water, power and telecommunications infrastructure to support higher densities. Where infrastructure is inadequate, the cost to upgrade or retrofit can be prohibitive and this will impact on industry's capacity to deliver the 47% infill target without significant government commitment and incentives to make projects viable.

3. The capacity of infrastructure to support increased density

The role of infrastructure in making a more compact urban form possible cannot be overstated. *The Central Metropolitan Perth Sub-Regional Strategy* details potential capital works projects to support the required rate of infill in the sub-region, however there is little in the way of policy mechanisms and no financial commitment from Treasury or from the infrastructure providers themselves to facilitate greater density. Higher rates of infill cannot be achieved without extensive upgrading of existing infrastructure and cross government commitment to support the planning framework.

The cost to retrofit infrastructure to cope with increased density is a very real barrier with the existing waste water treatment plants at capacity and with no physical space for additional buffers. The 20th century electricity network was not designed for our 21st century Wii and plasma TV lifestyle and the expectation of uninterrupted power for our computers. The existing power provision of 2-3 Kva per household designed in the 1960's does not meet demand for higher household power consumption of 5 Kva, or higher for high rise dwellings. People are installing solar panels which feed back into a grid that was not designed for multidirectional flow of electricity. It all leads to an increasingly complex environment for utilities.

The *Central Metropolitan Sub-Regional Strategy* provides scant detail on how the infrastructure to support increased densities will be provided with the energy element an obvious omission in Section 10.2 Essential Infrastructure. There is also no firm indication of which agency will take the lead role to coordinate implementation. It is UDIA's view that the WAPC and the Infrastructure Coordinating Committee must play a more visible and accountable role in leading and coordinating infrastructure provision to ensure better outcomes. Treasury should undertake a cost-benefit analysis of the sub-regional strategy in order that the State's capital investment program for service infrastructure be set against timeframes and priorities and that these support the framework to deliver the stated targets.

4. Incentives required to achieve infill target

Medium and high density developments have proven to be more expensive than low density greenfield development and will need incentives to offset the higher construction and risk costs. The National Housing Supply Council (2010) acknowledges the barriers to delivering infill, particularly that it is more expensive, and risky, to build in infill developments than in greenfield areas.

Incentives could include tax incentives for purchasers such as reducing or removing the stamp duty payable for 'off the plan' medium and high density development where stamp duty is paid on the land and building as opposed to house and land packages where stamp duty is payable only for the land component. Other forms of incentives are density bonuses which may render projects more viable and reduce risk. Government policies across a range of agencies should be aligned to support *Directions 2031* and any disincentives or barriers to more compact development be removed.

The *Central Sub-Regional Strategy* identifies "growth areas" with redevelopment potential in the inner-suburbs (p.29 and Appendix 3). The dwelling yields provided are those that are currently planned, there appears to be nothing strategic about future infill growth areas or where they should be located. Projected dwelling yields are forecast for growth areas based on consultation with local government, but to our knowledge not with the development industry. The concern is the projected infill development yields will be adopted as a rule and will further delay, frustrate and increase the costs of development and impact on the industry's ability to deliver quality, affordable infill housing. The high risk of medium and high density development will need to be offset if the target of 47% infill housing is to be met.

Low density dwellings constitute two thirds of all recent building approvals in Perth and the proportion has barely changed in the last decade despite state government goals for higher urban density. Since 2001 approvals for flats, units and apartments have increased by only 3% while medium density dwellings have not increased at all (ABS 2010, 1367.5 WA Statistical Indicators). Until the barriers to infill development are reduced, it is reasonable to expect that the majority of future urban development in Perth will continue to occur on the city's urban fringe at relatively low densities.

5. Affordability

Affordability is not adequately addressed in the sub-regional strategy and it will require a firm commitment on the part of the government to ensure affordable options are available to the market in infill areas. Affordability is impacted by the higher land and construction costs particularly in developments of over three storeys as indicated in Table 1. Whilst the land area per dwelling is less in infill areas the cost per square metre is significantly higher.

Table 1: Comparison of Construction Costs of Single and Multi-Storey Dwellings

Type of Dwelling	Construction Cost	Price per m2	Dwelling size
Single Storey	$ 250,000	$ 800	313 m2
Double Storey	$ 250,000	$ 1,200	208 m2
3 Storey Walk up	$ 250,000	$ 2,600	96 m2
10 Storey Apartments	$ 250,000	$ 4,000	63 m2
Over 10 Storey Apartments	$ 250,000	$ 6,000	42 m2

Source: UDIA

Medium and high density land values tend to be higher due to the proximity to desired levels of amenity such as the CBD, transport, the river and coast or entertainment areas.

Incentives such as reduction of stamp duty or density bonuses that apply to developments offering a proportion of affordable housing have proven to be an effective instrument in the delivery of affordable housing in appropriate locations.

The successful delivery of affordable housing can only be achieved through a whole-of government approach with the Department of Premier and Cabinet taking a lead role. Real change will only be brought about if all government agencies involved in the provision of housing and infrastructure understand, and resolve to improve, how their policies impact on affordability.

Demonstration projects of more compact and affordable typologies are required to show that affordable housing and quality housing are not mutually exclusive.

6. Public Transit

It is disappointing that the public transportation plan for Perth is not completed and integrated into the Central Perth strategy. Transit routes will create opportunities for TOD nodes and influence the location of potential infill nodes. The strategy refers to the need for rapid transit between activity centres and a light rail system provides an efficient form of transit that generates potential nodal development in appropriate locations. There is extensive evidence that commercial and residential development opportunities are created around light rail networks. Infill development relies on access to good public transport and the public transportation plan must be finalised and integrated into the strategy to maximise the development of infill nodes and TODs.

Summary of Issues

UDIA supports the principles and objectives of *Directions 2031* and the *Central Perth Sub-Regional Strategy* and acknowledge that there is a need to increase infill development to sustainably accommodate future population. It is our view that the 47% infill target is over estimated and unlikely to be achieved without appropriate mechanisms, such as tax incentives or density bonuses, to attract developers to higher risk infill projects. We are also concerned that slavish adherence to the 47% target will result in delays and increased costs which will impact on housing affordability.

A higher rate of infill will remain an unrealised goal without cross government support and commitment from Treasury. The cost to upgrade and retrofit infrastructure to cope with increased density and modern standards of power provision is a very real barrier to achieving a more compact urban form and this is not adequately addressed in the documents. The WAPC through the Infrastructure Coordinating Committee must take control and be accountable for the provision of infrastructure to support higher densities.

The vision for Perth and Peel is for a vibrant, more compact, green, liveable and accessible city with a unique sense of place that offers a high quality of life to all its residents. UDIA supports the vision and encourages the government to provide the policy and financial resources to realise it.