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Day Two Session (3.15pm): The Sad State of Metropolitan Planning

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SOLVING THE HUMUNGOUS PROBLEM OF AFFORDABLE HOUSING

MAIN POINTS

1. *True Scale of the Problem*
2. *Radical Solutions*
3. *Political and Industry Attitudes*

1. *True Scale of the Problem*

In the run-up to the 2007 federal election, both political parties targeted housing affordability as a major issue. One year on, it now seems to be generally agreed that the basic problem is broader and more complex than this being primarily one of insufficient supply, not just in terms of meeting the needs of first-home buyers but equally importantly in relation to renters, low-income earners, the poor, the chronically ill, the homeless, indigenous communities and guest workers of various kinds.

In other words, there is a national housing problem that governments at every level in Australia are deliberately avoiding for what, in my view, are basically crass political reasons.

The underlying cause of this deplorable and unnecessary situation goes back three decades to the gradual withdrawal from all forms of 'public interest' planning by state and federal governments from the mid-1970's onwards, particularly their deep-seated reluctance to invest in urban infrastructure on which the availability of developable land, and hence the supply of new housing, is critically dependant, a reluctance that shows no signs of relenting.

In Australia during the ten years between 1965 and 1975, metropolitan planning methods underwent fundamental changes, reflecting similar shifts in so-called strategic urban planning overseas, particularly in Britain, Western Europe and the United States. The most basic change was a reduced focus on the regulation of land use by means of statutory zoning in favour of an emphasis on urban systems, that is, the hydraulic and transport infrastructure, education and health facilities that are critical components for achieving balanced and sustainable urban development.

Starting in Perth, Sydney and Canberra in the early 1960's, by 1975 every state government had published capital city 'future growth and change' planning schemes based on end-of-the-century forecasts of population and employment growth and the quantities of land and urban infrastructure necessary to meet social and economic imperatives. These so-called 'strategic' plans spelled out:

- The location and extent of future large-scale urban development.
- Estimated levels of state government budget appropriations that would need to be allocated in stages so as to meet demands for essential services – water,

sewerage, stormwater drainage, highways, passenger and freight railways, communications and energy, schools, hospitals and community facilities.

- District development plans and staged construction programs in order to ensue the implementation of the strategic plan in a timely manner.

This radically different focus on urban systems was largely a consequence of the introduction of US-style land use/transportation study techniques the purpose of which was to define quantitatively the nature and extent of future metropolitan highway (freeway) networks sufficient to ensure unimpeded travel to and from central business districts and sub-metropolitan employment (office and retail) centres. Not only did these transportation studies produce a dramatic picture of multi-million dollar metropolitan freeway programs, but the application of similar forecasting and evaluation techniques to future land supply, hydraulic head works amplifications and increased public transport capacity, showed that of the order of 50% of future state budgets would have to be assigned to such works over the next quarter of a century in highly coordinated and programmed ways that would be without precedent.

However, such methods soon became anathema to politicians of the two main political parties and so it didn't take long before state governments and treasury departments began to stifle the explicitness of metropolitan spatial strategies, designated future development areas and forward programs for the associated infrastructure all of which would be necessary to achieve the desirable aim of "*comprehensively planned and coordinated urban development*".

Since then, even though every ten years or so revised metropolitan strategies have been published for most state capital cities, each later version has been more vague and non-committal than its predecessor. The content of these plans, especially the latest versions, have been based on loosely generalised forecasts of future social and economic needs, sketchy metropolitan expansion plans, unrealistically optimistic 'urban consolidation' policies and with very few explicit infrastructure or public funding commitments.

After more than three decades of repudiation of the very 'idea' of planning as a fundamental aspect of public policy, today's chronic shortage of housing stock is mainly a shortage of developable land and urban infrastructure that both the federal and state governments are now thrashing around trying to determine what should be done, when and by whom.

In summary, what we have is a planning failure coupled with a failure of insufficient investment in urban infrastructure leading to a residential land supply failure, all of which brings in its train gross inflation of housing prices and an affordability crisis that will certainly take many years to rectify.

What nobody seems to be willing to acknowledge is the sheer scale of the problem and its complexity, as the following indicators are showing:

- According to the 2007 US Demographic Survey, Australian homes are among the least affordable in the world. 'Unaffordable' is defined as a house acquisition cost greater than 3 times annual household income. 'Severely Unaffordable' is more than 5 times annual household income and on the scale of world affordability rankings Australian cities fare very badly where Sydney (8.6), Perth (7.6), Melbourne (7.3) rank as the 11th, 19th and 22nd most unaffordable cities in the world from a housing purchase standpoint.

- There are more than 100,000 homeless people "adrift in Australia's cities and towns" (Hugh Mackay).
- In its 2007 report to the Federal Government the National Centre for Economic Modelling (University of Canberra) estimates that 1.1 million low and middle-income households are experiencing housing stress. Three years previously this figure was only 320,000. There are 575,000 families with children and 112,000 elderly households experiencing worsening degrees of housing stress, both of which have more than doubled in the last three years.
- In NSW the public housing stock in 2007 was 127,600 dwelling units, a figure that has barely changed in the last twenty years. The current waiting list has over 40,000 applicants. The figures for other State and Territory public housing systems are much the same and generally display an ingrained reluctance on the part of state governments to improve the availability and quality of their public housing portfolio. For example, since 1995 the total stock of public housing places in NSW has declined by more than 37,000 dwelling units.
- According to figures published by the HIA Economics Group (Oct. 2007), investment in new house construction throughout Australia for the present decade (2001-2010) is likely to remain static at around \$33 billion per annum, with a similar level of investment in housing renovations and enlargements. This lack of growth in housing investment is very significant as it implies incipient decline in the numbers of skilled building workers at a time when metropolitan population growth rates are reviving.

To illustrate this last point, according to a recent report in the Australian Financial Review (4.3.08) Melbourne is "bursting at the seams". In 2006 alone, Melbourne's population grew by 62,306, which was double Sydney's rate of 36,823. During the previous five years to 2006 "the number of residents in Melbourne increased by 272,700 people due to a combination of higher birth rates coupled with inward migration from the rest of Victoria, other parts of Australia and overseas". These figures show that actual growth exceeds the Victorian Government's forecasts by 30%, with serious implications for every category of public infrastructure, education, health and essential utility services, as well as for all forms of housing.

Melbourne's experience is a salutary one in other respects as it blows a hole in the validity of the 'Melbourne 2030' metropolitan planning strategy that envisages 60-70% of new housing being located in existing suburban areas with the remainder occurring in designated outer-metropolitan 'greenfields' locations that are intended to be the focus of public and private sector infrastructure provision in line with estimated settlement rates. In fact 61% of new housing completions are in the metropolitan fringe, which is twice the rate that the plan envisages, and there is scant new infrastructure, either state or local government, keeping pace with population build-up, apart perhaps from water supply and sewerage.

In an address last month to the Urban Development Institute of Australia, the Premier of Victoria, John Brumby, announced that the Government intends to initiate urgent releases of more outer-metropolitan development land and the fast tracking of local government zoning and subdivision approvals in order to facilitate a major acceleration of new housing

starts. The Premier was silent, however, on the acceleration of collateral infrastructure provision, especially water supply, sewerage, stormwater, main highways and public transport, schools and hospitals so as to make these new housing areas socially and economically sustainable.

In the case of Sydney, the situation is much the same as Melbourne's, however, the difference is that the NSW Government is not conceding that its "2005 City of Cities" metropolitan strategy is also failing. This plan requires local councils in the designated metropolitan region to accommodate 190,000 new dwellings by way of redevelopment and 'infill' housing but without any financial support from the state to fund consequential upgrades to main roads, public transport, hydraulic services (especially stormwater), recreation facilities or consequential local government works and community services.

At the same time, the NSW Government is increasing the amount and number of development levies that land purchasers and developers are required to pay as a prior condition of obtaining land development and home building approvals. The most recent impost was a \$40,000 per residential allotment in relation to new subdivisions bringing the total levy to as much as \$165,000 per median price house lot, which has turned out to be the 'straw that broke the camel's back' as developers have simply stopped buying land and have withdrawn from the outer-metropolitan housing market (e.g. Stockland Corp.) because the overall cost of land acquisition and servicing is more than the consumer can bear. The static housing investment patterns referred to earlier for NSW and for Australia as a whole, are a tangible indication of the overwhelming shortages in the rates of all types of housing supply.

The scale and complexity of Australia's housing problems was summarised succinctly by Professor Julian Disney at last year's National Forum on Affordable Housing (Melbourne, April 19th 2007) as follows:-

"Housing affordability in Australia has deteriorated substantially over the last two decades, especially during the latter half:

- *Average house prices relative to income have almost doubled*
- *Average monthly payments on new loans have risen more than 50%*
- *The proportion of low-rent homes has fallen by more than 15%*
- *The opportunities to rent public housing have reduced by at least 30%*

The severe shortage of all types of housing that can be classed as 'affordable' is not just cyclical and is worse than in many other developed countries".

Julian Disney concluded that even with the best endeavours on the part of state and federal governments in active partnership with private enterprise, it is likely to take at least 20 years of sustained effort to overcome the worsening supply backlogs. In other words, fundamentally new arrangements will need to be put in place before there can be reasonable prospects of success.

Harry Triguboff writing in the Sydney Morning Herald (4.3.08): *"Even if we were to start production tomorrow of thousands of new houses and flats it would take many years to reach the levels of housing demand".*

Ross Gittins, writing in the Sydney Morning Herald (19.11.07), makes the chilling observation that the present housing crisis has emerged during a period of virtually unprecedented prosperity. He also points to a formidable barrier, namely, the fact that

governments in Australia generally, regardless of political persuasion, over the past few decades have shown a clear determination not to take direct action to improve housing supply and quality, preferring instead to tinker with subsidies and any other fiscal manipulations they can think of rather than face the possibility of political unpopularity and the burden of large-scale government investment in urban infrastructure.

2.Radical Solutions

Leaving aside for one moment the undoubted attitudinal difficulties that commentators such as Gittins and Disney refer to, the solution to what is really a national housing problem is bound to be radical, however, it is not a solution that is unknown to us.

We know that, on the basis of thirty years post-war planning experience (1945-75) in Australia during an era of sustained high population growth rates, the most efficient way of producing serviced land, housing and associated urban infrastructure in sufficient quantity and quality, is via the medium of well-funded comprehensive planning and development corporations that have total control over the designated area during the whole of the development period of typically 25 years or so. In my view this is the best and probably the only practical way to cope with our present and mounting difficulties.

A contemporary version of such a course of action would need to involve the following steps: -

- Clarification of Contemporary and Future Social, Economic and Environmental Needs
- Government (COAG) Commitment to Specific Urban Development Objectives
- Precise Delineation of Metropolitan Development Corridors
- Establishment of Statutory or Private Enterprise (PE) Urban Development Corporations
- Staged Metropolitan Infrastructure Implementation Programs
- Empowerment of Local or Regional Councils to Plan and Implement Comprehensive Urban Renewal Projects
- Special Commonwealth and State Funding to Restore and Amplify Municipal Infrastructure
- Fundamental Revision and Simplification of Statutory Town Planning Procedures, a system that is a pervasive obstruction to the achievement of efficient urban development and protection of the natural environment.

The two most important initial steps in relation to outer-metropolitan or 'greenfields' residential development are, (a) to define the spatial configuration of the designated growth corridors and, (b) to set up governmental or private enterprise development corporations with appropriate powers and resources to plan, develop, construct, manage and dispose of land and facilities on a business-like or charitable basis, as the situation demands. Ultimately public infrastructure constructed by the corporation would be disbursed to state and local government authorities upon the winding-up of its operations.

The statutory corporation model is the only practical and proven way of overcoming the innate fragmentation of government and inter-governmental administration that bedevils large-scale urban development projects. It is also the best system of management for achieving the sophisticated level of comprehensive planning and development coordination that the carrying out of long-term, large-scale urban development projects is critically dependant upon.

Inner-area renewal or redevelopment or infill projects are a completely different proposition and again, post-war experience in Australian and overseas cities has shown that the necessary approach has to be cautious, consultative, well informed, adaptive, carefully and cleverly designed and its implementation skilful and time-consuming. The present method of state governments, which is to 'shoe horn' into established residential areas unwanted, poorly designed and poorly built apartment buildings despite the objections of established inner-suburban communities, is progressively destroying much of the 'garden city' character that makes the intermediate ring of pre-1940's residential development in Australian cities so attractive.

The critical over-arching issue, which is firmly in the hands of state governments and their departments and authorities, is public transport, its operation, inter-modal coordination, modernisation and customer pricing. The viability of affordable housing is critically dependant upon access to bus and passenger rail services, particularly for renters and first-home buyers, yet so little is being done to address the issue. Like housing, the scale of the metropolitan public transport problem in Australia is enormous.

More particularly, 'corridor' expansion and the decentralisation of office and retail employment to outer-metropolitan areas, which are basic principles in all of the published capital city planning strategies, are not feasible without the timely extension of commuter rail services.

All of the capital city strategic plans acknowledge the importance of modernising and extending existing passenger rail networks, however, Perth's 'Network City' plan for the metropolitan region is the only situation where a program of upgrades and extensions to stations, track and rolling stock is actually being implemented as a top priority.

The worst situation, on the other hand is Sydney where more than 50% of CBD office and retail employees have a journey to work of more than 1 hour while 35,000 (and growing) Central Coast commuters spend up to 3 hours per trip or 30 hours per week just getting to and from work. Commuting stress and its associated economic costs is now a significant cause of social isolation, dissatisfaction and unhappiness in Sydney, Melbourne and Brisbane (SE Queensland) and getting worse.

A major review of the Sydney metropolitan rail network in 2001 by Ron Christie, a former Director-General of Public Works, concluded that "*the system is rapidly approaching gridlock*", which is virtually what has happened. Christie, in order to highlight the scale of the problem, estimated that in the 15-year period 2002-17 the cost of essential maintenance would amount to \$20 billion and overdue extensions would be an additional \$30 billion, that is a total of \$3.5 billion per year for the next 15 years.

Neither state nor federal governments have shown the slightest willingness to acknowledge the nature and scale of Australia's metropolitan rail transport problem, much less begin to do

something about fixing it. What makes things worse is the fact that there is a nexus between the affordable housing problem, the national housing problem, the problem of metropolitan expansion, the national highways problem and the national public transport problem, that governments are refusing to recognise and none of which - by its very nature - can be solved in isolation. As a nation the collective attitude is wrong, basically we are not viewing things honestly and in a proper light.

3. Political and Industry Attitudes

The first item on the above list of radical courses of action, is the clarification of housing needs. Julian Disney's definition of 'needy' groups is a useful starting point, namely:

- Households whose annual income is below \$1000,000 and can no longer afford today's required rate of mortgage repayments
- Households that cannot afford to pay today's heightened rent levels and are accordingly being forced to locate in the outer-metropolitan areas removed from accessibility to employment and welfare support services
- The perennially poor who are heavily reliant on public housing and non-profit housing institutions
- The chronically-ill, the mentally-disturbed, those affected by alcohol and substance abuse who require a combination of shelter, medical help, counselling and financial assistance
- Homeless youth, students, the aged and the unemployed
- Tertiary students, guest-workers and people living away from home for work or study reasons

It is certain that an increasing number, and possibly even as much as two-thirds of Australian households, have fallen into one of the above categories since the start of housing boom five years ago. It is this two-thirds that private enterprise is not normally equipped to deal with and so the initiative falls largely into the hands of state and federal politicians and their respective public service administrations to cope with and – putting it bluntly – they are not doing it nearly well enough. The underlying causes of this failure are mainly attitudinal.

The required shift in political, public service and business attitudes and behaviour may be summarised in roughly the following order of priority, leading ultimately to the course of action aimed at attacking the land, housing and infrastructure supply problems highlighted above:

1. Government responses to global economy challenges under the broad heading of 'competition policy' ought to be re-thought. In particular the blind faith in market mechanisms and private enterprise prowess needs to be substantially modified now that the unpalatable downsides are becoming increasingly apparent and it is clear that the private sector of its own volition cannot redress the problem of house price inflation, soaring rentals, land supply shortages, planning bottlenecks, infrastructure backlogs, failing public transport services and degradation of the natural environment.
2. State and federal government housing and urban development programs are being and will continue to be hamstrung by the de-skilling of their respective public services during the decades of the Hawke, Keating and Howard governments. Their fatal

emphasis on so-called policy formulation rather than on achieving material outcomes, coupled with the export of public sector jobs to the private sector by way of privatisation and contracting out, has led to a massive loss of technical, engineering and scientific personnel with their corporate memory and intellectual capital that no amount of private enterprise endeavour can substitute for. In short, the public service at both federal and state levels and their various specific statutory agencies needs to be reorganised and re-skilled with a renewed focus on direct involvement in the production of tangible public facilities and services, including collaborative arrangements with profit-making private firms.

3. Governments need to recognise that they have taken the principle of 'user pays' to unrealistic extremes, which comes down unfairly on those segments of Australian society that are least able to afford the consequences. This has been to the detriment of every government activity that is denoted by the prefix 'public' – public transport, public housing, public health, public education, public recreation and so forth. More fundamentally, politicians and the business world have turned their backs on traditional notions of 'the public interest' as an important philosophical underpinning to our British-based systems of government and civil administration in favour of 'let the market rule'. In light of the special and innate character of our culture and the Australian continent, a mixed economy of business and government enterprise is what best meets our needs and we need, as a matter of urgency, to get back to it.
4. There are serious shortcomings in the ranks of the urban planning and design professions that also need to be redressed. The professions of engineering, architecture, town planning, property lawyers and tertiary educators have made scant contribution to the solving of urban and environmental problems as the quality of the built environment gets worse before our very eyes. Equally importantly and as a direct consequence of their output inadequacies, these professions are no longer recognised as a reliable source of informed and wise advice to governments and public administrators on how best to tackle mounting urban problems and what the possible solutions might be. Professional offices of urban practitioners in Australia today have become first and foremost profit maximising enterprises before they strive to be objective, well-balanced and environmentally ethical professionals.

There really is a lot to think about, however, the first step is to get the scale right. Affordable housing is really a national housing and metropolitan development problem. It is much larger, more complex and requires a lot more allocation of the nation's wealth than governments and business seem willing to recognise.

AJP