Barriers to Development in Sydney: A realistic role for infill

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1. The Compact City – the dominant planning orthodoxy for our cities
2. Urban renewal at higher densities – the major challenge for the next thirty years
3. But the outcomes so far have been less than impressive. The numbers have not materialised
4. Why – the strategies have failed to understand how property markets actually work, and the barriers to effective renewal, or the interventions needed to support renewal
5. Major problem in the west of Sydney – lower value areas.
6. Why – what are the barriers?
7. Possible policy options – *targeted policy integration* is the key to renewal
The new planning orthodoxy: Market led compact renewal - 2m new flats?

<table>
<thead>
<tr>
<th>City</th>
<th>Preferred form</th>
<th>New dwellings targets</th>
<th>Renewal/infill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne (2002/8)</td>
<td>Hierarchy of centres Urban Activity Centres/TODs</td>
<td>550,000 by 2026</td>
<td>Inc to 50% (244,00) ?</td>
</tr>
<tr>
<td>SEQ (2004/5)</td>
<td>Hierarchy of centres Activity Centres</td>
<td>620,000 by 2030</td>
<td>67% (426,000)</td>
</tr>
<tr>
<td>Sydney (2005-10)</td>
<td>Hierarchy of activity centres Higher density corridors</td>
<td>740,000 by 2035</td>
<td>60-70% (570,000) ?</td>
</tr>
<tr>
<td>Adelaide (2010)</td>
<td>Multi-use centres Transit corridors/interchanges</td>
<td>250,000 by 2040</td>
<td>50 to 70% (170,000)</td>
</tr>
<tr>
<td>Perth (2009)</td>
<td>Network of activity centres Hierarchy of centres</td>
<td>328,000 by 2031</td>
<td>55% (180,000)</td>
</tr>
<tr>
<td>Auckland (2007)</td>
<td>Higher density centres and transport corridors</td>
<td>700,000 by 2041</td>
<td>70% (490,000)</td>
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</tbody>
</table>
Sydney Metropolitan Strategy 2010: A New City of Cities
Sydney Metropolitan Strategy 2010
A Hierarchy of Activity Centres
Sydney Metropolitan Strategy 2010: The task is substantial

<table>
<thead>
<tr>
<th>Subregion</th>
<th>2006–2036 Dwelling Target</th>
</tr>
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<tbody>
<tr>
<td>Sydney City</td>
<td>61,000</td>
</tr>
<tr>
<td>East</td>
<td>23,000</td>
</tr>
<tr>
<td>South</td>
<td>58,000</td>
</tr>
<tr>
<td>Inner West</td>
<td>35,000</td>
</tr>
<tr>
<td>Inner North</td>
<td>44,000</td>
</tr>
<tr>
<td>North</td>
<td>29,000</td>
</tr>
<tr>
<td>North East</td>
<td>29,000</td>
</tr>
<tr>
<td>West Central</td>
<td>96,000</td>
</tr>
<tr>
<td>North West</td>
<td>169,000 (incl. 87,000 in new release areas)</td>
</tr>
<tr>
<td>South West</td>
<td>155,000 (incl. 138,000 in new release areas)</td>
</tr>
<tr>
<td>Central Coast*</td>
<td>70,000 (incl. 29,000 in greenfield areas)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>769,000</strong></td>
</tr>
</tbody>
</table>

*The Central Coast is subject to a separate regional strategy. Dwelling targets are for the combined greenfield and existing urban area.*
Revised total of **770,000 new dwellings to be delivered in Sydney by 2035**

**50-70%** (385,000-540,000) will be located within the existing urban area (16,000 - 21,000 p.a.?) – will the new State Coalition government really change this?

Mechanism: **Medium density urban renewal** with a focus on **rebuilding existing centres** around transport nodes and along major corridors. Plus “**New Urbanist**” fringe communities

The development, timing and style of development will be **market led**, facilitated through higher density zoning surrounding defined activity centres and good design guidance/bonuses

But **implementation** over the last 5 years has proved the major hurdle – and latest fringe releases are only a short term solution.
Presses all the buttons: its encourages people to walk and use public transport (assuming its there), uses existing infrastructure, creates “vibrancy” and only affects 10% of the city.

But will it work?
Higher density is hardly new …..

Infill dwellings as a % of total dwelling output 1981 – 2010, Sydney

….. But are the easy to redevelop and larger sites drying up?
And how do we redevelop existing town/neighbourhood centres?
But achieving the targets is proving difficult ......

Total strata schemes registered 2005 to 2011 by month in Sydney (3,672)

Data: NSW Land and Property Management Agency
The centres approach is failing

.... and is missing the mark

<table>
<thead>
<tr>
<th>STRATEGIC CENTRES</th>
<th>Global City</th>
<th>20,639</th>
<th>21</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regional Cities</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Specialised Centres</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Centres</td>
<td>10,021</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

| LOCAL CENTRES          | Towns             | 30,991 | 31   | 52  |
|                        | Villages          |        |      |     |
|                        | Neighbourhood     |        |      |     |
|                        | Centres           |        |      |     |

| OUTSIDE CENTRES        | Suburban Area     | 38,762 | 39   | 18  |
|                        | (not near centres)|        |      |     |

Urban Renewal outcomes since 2001

“A concerted effort will be required to increase this proportion [located in the centres]” (Metro Strategy 2010, p63). But how?
What's been delivered so far?
43,278 new strata lots registered: 8,655 p.a. 2006 - 2010

But the 25 year target = 16-21,000 p.a.

Data: NSW Land and Property Management Agency
What's been delivered so far?
43,278 new strata lots registered: 8,655 p.a. 2006 - 2010

25 year target = 16-21,000 p.a.

Data: NSW Land and Property Management Agency
What's been delivered so far: Why is renewal missing the mark?

...there's too much stuff in the way already!

Data: NSW Land and Property Management Agency
Bridging the Renewal Gap: Why higher density does not seem to work in the West....
Bridging the *Renewal Gap* in West Central Sydney: What are the Barriers?

1. Strata Renewal – concentrated around existing transport nodes
2. Site Amalgamation – fragmented ownership inhibits redevelopment
3. Land costs – town centres are already built over
4. Development finance has been scarce
5. Complexity of planning add to costs and risks
6. New higher density unit prices are comparable to existing houses in lower value areas – higher density costs more to build

The result is either a product few in the area can afford..... or if they can, then they can buy a house with a yard for not much more

“You have land costs, development costs, holding costs and you need to sell the units for more than $350k, but you can buy the original house for $240k. That is the scenario.”

(Developer, Fairfield - 2008)
The basic issue is mismatch between the price points the market needs to make development viable and the local incomes that underpin housing demand.

i.e. There is no real demand for new higher density housing in the west of Sydney.

The reviewed Metro Strategy must address this issue directly if targets are to be achieved.

Data: NSW Valuer General’s Department

Copyright City Futures / ABS (2007)
Income polarization: drives residential prices in Sydney – it's all about demand

Median household income levels by suburb, Sydney 2006

Source: ABS Census 2011/2006
Different locations – different styles – different markets

The following analysis focuses on market provision only – excludes public housing
The Strata Market is a Segmented Market

Multi-factor analysis of 2006 Census data for units in Sydney and Melbourne

<table>
<thead>
<tr>
<th>Factor Group (Overall)</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically Engaged</td>
<td>44%</td>
</tr>
<tr>
<td>Battlers</td>
<td>15%</td>
</tr>
<tr>
<td>Apartment Elite</td>
<td>10%</td>
</tr>
<tr>
<td>Residentially Retired</td>
<td>7%</td>
</tr>
<tr>
<td>Achieving Education</td>
<td>5%</td>
</tr>
</tbody>
</table>
A tale of two differentially segmented high density cities

<table>
<thead>
<tr>
<th>Five sub-markets</th>
<th>Sydney %</th>
<th>Melbourne %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Battlers</td>
<td>38%</td>
<td>10%</td>
</tr>
<tr>
<td>2. The Economically Engaged</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>3. Apartment Elite</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>4. Residually Retired</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>5. Achieving Education</td>
<td>6%</td>
<td>30%</td>
</tr>
</tbody>
</table>

2006 Census data analysis: Strikingly different profile of residents between the two cities

Melbourne’s higher density market is driven by very different dynamics
High density in Sydney: different markets in different places.
Life Style Aspirations: do people actually like living in higher density?

City Futures telephone interviews with 1,200 HD residents in Sydney and Melbourne
How satisfied are people with strata living?

(City Futures Survey Sydney and Melbourne 2008).

<table>
<thead>
<tr>
<th>Group</th>
<th>Very satisfied</th>
<th>Fairly satisfied</th>
<th>Neither satisfied nor dissatisfied</th>
<th>Slightly dissatisfied</th>
<th>Very dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residually retired</td>
<td>54%</td>
<td>36%</td>
<td>4%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Apartment elite</td>
<td>29%</td>
<td>54%</td>
<td>6%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Economically engaged Factor group</td>
<td>21%</td>
<td>56%</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Battlers</td>
<td>25%</td>
<td>51%</td>
<td>6%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Achieving education</td>
<td>13%</td>
<td>55%</td>
<td>7%</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>
What are people satisfied with?
(City Futures Survey Sydney and Melbourne 2008).

**Most satisfied:** size (over 60% of all groups satisfied) and design of apartment (over 60% of all groups satisfied).

**Least satisfied:** shared open space and management of the apartment building (varied considerably by factor group).
Apartment lifestyle
(City Futures Survey Sydney and Melbourne 2008)

68% said apartment living suited their current lifestyle ....
....but only 43% said apartment living as preferred long term option (outright owners, older people and singles)

89% thought access to public transport good or ideal....
....but only 35% used public transport on a daily basis (higher than 2006 Census findings that 19% of total Sydney population used public transport to get to work)
A new form of mass residential ownership and control: Strata Title
The emerging role of strata

- Driven by investors, not home buyers
- By 2035, 40% of Sydney’s housing could be strata
- Increasingly complex – larger and multi-use schemes
- The 4th level of governance – the emergence of *block and precinct level government*
- New forms of domestic property ownership and rights
- New patterns of social interaction and behaviour
- Is there consumer resistance to buying into strata living?
- No one has worked out how to get rid of a block of flats easily
Complex structure of formal relationships between key stakeholders

- Commercial tenants
- Residential tenants
- Lettings agents
- Invester owners (residential)
- Resident owners
- Maintenance & repair companies
- Resident unit manager / site manager
- Owners
- Owners' corporation / body corporate
- Executive committee
- Strata manager
Then there’s the public: What do they really think?
Urban density: how much can a good citizen take?

Well, we haven’t got there yet.......

**Sydney Morning Herald Readers’ Poll, 12 April 2011**
“Do you think that we are overdeveloping our cities?”
- Yes: 40%
- No: 60%
Total votes: 3,457.

**The Age Readers’ Poll, 1 April 2011**
“Should the Ballieu government curb Melbourne’s growth?”
- Yes: 66%
- No: 34%
Total votes 5,860
But local communities are revolting – from the leafy suburbs............

AUSTRALIAN children are becoming like battery hens as high-density living takes over Australia, says entrepreneur Dick Smith.
......to the inner city

Multi-storey towers & supermarket mall planned for your neighbourhood

No Lewisham Towers
Act now to stop overdevelopment in your neighbourhood
Getting the models to work
The Sydney Model: New principles in practice

The 400 mtr ped-shed….

….activated in the Ku-ring-gai LEP:
Turramurra

5 minute walk

Density bonuses for good design
Why not for affordable housing?
Transforming suburban shopping strips: will up-zoning make a difference?

The reality now......

.....The vision for the future
Rob Adam’s Melbourne Urban Vision – matching renewal to transport corridors

- Limits development to tram & road corridors
- Links activity centres together
- Leaves low density suburbs as ‘green lungs’
- Limits renewal to just 6% of the urban area
- But ignores the practical social outcomes entirely

Source: Transforming Australian Cities 2009
Discussion
Basic requirements for socially inclusive higher density renewal

- *Renewal plans must be context specific* - Different approaches for different places
- ‘Ped-shed planning’ is unlikely to deliver sustainable outcomes across the city.
- *Planning for higher densities must recognise the differential drivers of demand across the city* – and allow flexible planning solutions to suit the context
- *Building design quality and dwelling mix* – part of the mix for successful higher density renewal – but this is far from assured in lower value locations
- *Housing affordability* – to retain local communities and encourage social mix across the city, but how can planning achieved this on its own?
- But the political context for urban renewal renewal is changing in Sydney, Melbourne and Perth, plus the COAG urban policy reform agenda
New Locally Inclusive Planning Frameworks for Renewal?

Based on social sustainability principles – including good urban design, as well as balanced dwelling mix and affordability

Renewal Master Planning Schemes for each centre: to set the vision, coordinate consolidation of sites and plan for adequate infrastructure provision (hard and soft)

More flexible local planning frameworks: mixed densities, mixed tenure, mixed community outcomes, 30% family homes, Universal Design for all ages/capacities

Locally determined and integrated neighbourhood planning will be needed – not broad brush permissive rezoning. We will need more and better local planning and stronger and targeted policy packages to support the market where it isn’t working

‘Switched On’ Planning – careful phasing of centres ready for renewal

Managed approach to strata buy-outs and town centre site assembly: ‘Inclusive Acquisition’ at fair value or profit share plus local re-housing opportunities
New Flexible and Local Integrated Planning Strategies

*Formal Urban Renewal Partnerships:* public, private and non-profits; locally accountable with performance criteria and expectations

Part funded by *Revolving Renewal Investment Funds* – to allow re-investment of proceeds into succeeding phases

*Site amalgamation program via State Land Development Agencies*

*BUT land retained in long term public ownership* and long leased for development - via *Community Land Trusts?*

*Retained Affordable Housing component (25% minimum):* Funded through

- *Targeted subsidies* (NRAS,HAF) via Community non-profit housing providers
- *Creative use of public land assets:* valued as social not financial assets
- *Tax and rating concessions and planning agreement bonuses* for development proposals compliant with Master Plan principles
- *Private funding* or equity inputs from partner agencies
- *Local Housing Associations/Companies* in partnership with private sector
Integrated Policy Frameworks: a virtuous triangle driving outcomes

Housing policies
- Targeted affordable housing incentives
- Mixed tenure outcomes
- Private funding with new financial products
- Use of public land and assets
- Non-profit provision

Planning policies
- Affordable urban renewal targets
- Context specific flexible local master plans
- Planning concessions and other incentives
- Good urban design criteria
- Revolving renewal funds

Infrastructure
- Transport integration/upgrades
- Site-specific hard infrastructure packages to underwrite renewal activity
- Place based social infrastructure initiatives
- Targeting on renewal sites
- Assisting in value up-lift – tax increment financing to support public debt

Federal, State/Territory and local policy domains need to work in concert through a COAG Urban Agenda.

But where is Federal government on all this?
Final Comments

1. Will a TOD-centric/Ped Shed model actually be delivered?
2. Good urban design – necessary, but not sufficient
3. Why accept a focus on only 10% of the city – surely a city plan should plan for the city as a whole?
4. Housing renewal is driven by demand – but what about the places where there is no marketable demand?
5. Key issue is how to built in lower value areas and to retain affordability for those who need it – *integrated planning, infrastructure and housing policy*
6. So is urban renewal beyond us? No, but under current policy frameworks and funding mentalities we need to be realistic about what is achievable the policy support we need to ensure it happens
7. When does the informed debate on renewal start?
Barriers to Development in Sydney: A realistic role for infill

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