 NETWORK CITY – COMMUNITY PLANNING STRATEGY

Thank you for the opportunity to comment on the September 2004 version of “Network city: community planning strategy for Perth and Peel”.

About the Property Council of Australia

The Property Council of Australia is the peak industry body representing property owners, developers, managers and agents, as well as service providers to the industry, in Australia.

Network city – strategic planning – concerns with status quo

Cities need a strategic plan to manage change of the built environment as the needs of our communities and businesses evolve over time.

For the previous 50 years, we have had a planning framework in the metropolitan region scheme that has served us reasonably well in Perth. We have a State Planning Strategy and more localised Metropolitan Development Programme.

However, pressures are emerging with these approaches to strategic planning in Perth.

One often unacknowledged weakness with the current planning schemes is the perceived lack of legitimacy of the existing planning framework when issues emerge in public debate. The “dialogue with the city” process is clearly an attempt to address this perceived deficiency and give the strategic plan a legitimacy derived from its formulation.

A second key weakness with our current system is the vulnerability of the established plans to changes in political decision making that creates considerable uncertainty for property owners and the community in general. The Western Australian Parliament, in our system of Government, must retain the ultimate power to determine strategic planning in our State. But continual changes to major planning strategies coinciding with changes in Government creates considerable uncertainty and imposes large costs on our community under the current planning system. As one example, and irrespective of the arguments as to the location of the southern rail link, the community has had to bear considerable cost of undoing work to bridges and stations that was completed under the previous Government as a result of the realignment of the rail route. Another clear example of planning uncertainty arises under the Fremantle Eastern Bypass, where the current Opposition has indicated that it will reinstate the road extension if it is elected.
Another problem with the current planning system is the lack of consistency with the delivery of planning goals at Federal, State and local governments and between agencies and staff within the 3 different levels of Government. The inconsistent approaches impose costs on property development and property purchasers – affecting affordability and responsiveness in our residential and commercial property markets.

It is clear that the property industry is leading the way to demonstrate more sustainable outcomes to other stakeholders in many developments. However, our planning system has failed to adequately address the broad suite of ‘sustainability’ concerns. One example of this is car dependence in Perth. The costs of excessive car dependency are well known, but we add that the significance of the issue appears likely to grow as fossil fuel costs increase as oil supplies reduce in the approaching decades. A new approach to our planning strategies is required to address this growing problem confronting our community.

A further concern with our current planning system is the disproportionate impact that it can have on individual property owners where their existing property rights are restricted. To earn legitimacy in public debate, any rights that are removed should be adequately and fairly compensated. An example of this is heritage regulation, where development rights can be limited or removed, without there necessarily being any compensation paid whatsoever to the affected property owner. If the community seeks the benefit of a planning or heritage restriction, it should be prepared to fund it.

The current planning strategies are also struggling to facilitate adequate infrastructure levels to meet modern standards. Communities expect a full array of public services that meet high standards. We need a planning framework that makes the most efficient use of the huge investment already made in existing infrastructure. There have been concerns raised with so called ‘leap frog’ developments which can impose additional burdens on the public purse for infrastructure.

Closely tied to these concerns with the utilisation of infrastructure is the failure of the current planning system to deliver higher density development in existing areas compared to cities elsewhere. Higher density development in existing areas can provide strong benefits for our community – cheaper infrastructure costs, more affordable housing, less car dependency and more housing choices for the community. However, the current planning scheme is allowing “nimbyism” – the “not in my back yard” philosophy – to dominate over broader planning considerations. The recent rejection of high density developments at Scarborough, Leighton and Cottesloe evidences these problems.

**Network city strengths**

Network city takes positive steps to address some of these deficiencies with the existing planning framework. It cannot solve all the challenges facing our community, nor should it seek to. Nevertheless, Network City can address some of these to secure better outcomes as our population grows.

**Community legitimacy**

The extensive consultative process undertaken to formulate the strategy will enhance the perceived legitimacy of the strategies developed in the community. The involvement of a broad range of individuals from different sectors of the community ensured active members contributed to the ideas underpinning the proposals.
**Centres policies**

The strategy (see page 16) proposes “activity centres” to recognise a connected network of centres of different scales and types. This recommendation is supported as a crucial step to underpin the achievement of many of the objectives of the report. However, these centres must be defined in a way that recognises the previous investment in many existing centres – a point recognised at paragraph (v) on page 16. An implication is that existing shopping centre investments should be fully utilised. Public transport, community facilities at these sites, and road links to these existing centres should be reinforced and enhanced where possible.

These centres must be well defined, because problems can arise when competing businesses commence in areas not zoned for those activities. The emergence of retail activities in mixed use and industrial zoned land is evidence of this. The problems with these retail developments in industrial areas arise due to retail uses in areas without the existence of infrastructure and requirements that apply to existing retail properties under the current Metropolitan Centres Policy. This creates an ‘uneven playing field’ for new retail industry participants. Retailers in new areas where retail is permitted have an unfair rent advantage. It is important that the ‘ground rules’ for major investments are clear and as unambiguous as possible.

It is noted that on page 14 the strategy recognises the need to protect industrial zoned land from encroachment by other uses (presumably residential), but the strategy does not explicitly recognise the need to protect retail areas from retail competition in land not zoned for retail.

The activity centres also need to ensure that there is sufficient availability of land for commercial uses. Sydney in particular is experiencing a shortage of sites to facilitate expected demand for commercial activities.

The centres policy proposed has the added benefit of identifying major urban redevelopment opportunities. These may require the creation or operation of a redevelopment authority to deliver the desired outcomes of the Network City strategy and oversee shared infrastructure provision. Private sector developer involvement in the location and operation of these redevelopment sites would strengthen outcomes from this process.

**Urban growth boundaries**

Network City takes a mature and considered approach to addressing the outward growth of urban development.

The Perth Metropolitan Area is the envy of many other cities around Australia and indeed around the world, not just for its wonderful river front recreation areas, its retained bushland in Regional Open Space, its coastal protection and public access, but also a well structured road system with emerging public transport infrastructure which provides easy movement throughout the metropolitan area.

Perth is also the envy of many other planning authorities for the excellent urban design outcomes now being achieved throughout the metropolitan area.

There has long been debate about whether or not Perth is suffering from urban sprawl. The success of Perth’s development to date suggests that the Gordon Stephenson Plan established a sensible and robust framework with capacity for flexibility and change, setting out the growth corridors and necessary transport infrastructure to support them in the 1960’s.

One of the principles behind that plan was protection of two major water mounds to service the potable water needs of a thriving city. Protection of the Gnangara Mound and the Jandakot Mound, together
with natural bush land and previously identified Regional Open Space to protect coastal wetlands, set
Perth on a growth pattern that configured a less compact city and a wider spread of urbanisation than
might otherwise have been contemplated without protection of these natural assets.

Our city has grown on the back of significant exploitation of natural resources in our regional centres,
with population growth generally maintained in the 2-3% per annum range. This is a very significant
growth profile for one of the world’s most remote modern cities. The arguments about urban sprawl
simply do not base themselves in appreciation of the protection of natural assets that must be retained
in order for Perth to maintain its unique urban environment. Furthermore, the growth of the city has
relied upon a substantial flow of interstate migration, focused on families relocating from the east coast
to west coast, and they only do that when they have secure employment opportunities. In the last
decade, interstate migration has gradually been overshadowed by overseas migration, still with an
employment prospects focus, but more heavily outweighed by outstanding lifestyle attributes.

Affordability has been a key plank in the successful growth of Western Australia’s economy.
Affordability coupled with good employment prospects has largely driven one of the fundamental
growth factors for population in the Perth Metropolitan Area.

An urban growth boundary, a line drawn on a plan, that is most likely outdated from the very moment
any such a plan is published, would have been a significant mistake. Experience shows that when an
urban growth boundary was implemented in Melbourne, broadacre prices rose by 30% in a 6 month
period and those price increases immediately flowed to the retail value of individual lots, significantly
disenfranchising younger people and growing families from establishing their first home.

The Metropolitan Region Scheme administered by the State Government (and supported by Local
Town Planning schemes approved by Local Government Authorities) is a generally rigorous and
transparent planning system. Development does not proceed until careful assessment of any
environmental impact and overall strategic planning issues have been scrutinised. This is followed by
detailed planning assessment prior to Local Town Planning Schemes being amended.

We have the elements of a sophisticated urban growth management system already in place and many
town planners and urban designers visit Perth to study our planning system and enjoy its results in built
form and urban design that sets the platform for our lifestyle.

An urban growth boundary is a simplistic proposal from a minority who simply want to promote anti-
development views and do not understand the complexity and sophistication of our existing planning
system. Town planning is not an exact science, in fact it is an art, one which requires flexibility and
vision.

We understand that there are concerns with ‘leap frog’ development and that this will be addressed
through increased infrastructure costs that will be placed on the property purchasers of these properties.

High density development

An obvious answer to the ongoing pressure for outward growth of the city is to facilitate
redevelopment in existing areas – which is appropriately recognised in the recommendations on page
19 of the strategy.

There is demand for increased housing variety and choice in popular locations – eg Cottesloe,
Scarborough, Applecross, Mt Pleasant, Fremantle, and South Perth. There has already been some
successful ‘infill’ development – Subi Centro, Burswood, and East Perth are some examples.

Network’s recognition of the need for high density development is a clear strength of Network City.
Multi-unit residential title reform

Positively, Network City proposes that the maintenance and improvement of multi-unit residential properties needs to be addressed in the context of the system of titles (see page 34). This is a worthwhile and important initiative, because WA faces a need to facilitate the upgrade and redevelopment of strata titled properties.

Many of the first residential and commercial strata buildings are now over thirty years old. While many have been well maintained, the quality of others has deteriorated over time. Most of us are aware of dated strata properties in need of redevelopment.

There are a variety of reasons for this situation. One reason is that most owners do not expect to occupy a building for the full term of its life, they may believe it is in their interests to defer any financial contribution from which they do not expect to benefit, either in the use of the building or in maintaining the property’s value. This has a longer term cost to the WA community.

The current provisions for termination of a strata scheme require application to the District Court and offer the opportunity for a single unit holder to readily oppose the progress of a redevelopment.

The Property Council of Australia believes there is a need to reform the Strata Titles Act 1985 (WA) to better facilitate redevelopments of strata titled properties in Western Australia and would appreciate the opportunity to provide a more detailed submission on this issue.

There is also a need to introduce community or master titles to facilitate modern project development, and also to introduce leasehold strata arrangements.

Governance

The strategy acknowledges the need for a plan direct decision making under Network City – see page 24, action 2-1(b). However, the implementation strategy is still loosely defined – of most importance is that a plan should allocate specific responsibilities to identified agencies.

Network city weaknesses

As highlighted above, Network City takes positive steps to address some of these deficiencies with the existing planning system. However, there are some weaknesses of the strategy as it stands, which are outlined immediately below.

Political will needed

Central to the strategy is the more effective utilisation of existing activity centres – see pages 14, 16, and 19. To implement these reforms political support will be needed from State and Local Governments.

But the strategy remains remarkably quiet in relation to how the Government will ensure that higher density targets are achieved. A key recommendation is Action 1.2(e) on page 19:

“Investigate what further measures could be taken to encourage development within existing built areas.”
It is expected that State Government intervention with existing local government regulation on densities would be required to achieve higher densities in some areas.

The current Government would be well aware of the community sensitivity from active and vocal local residents who react to proposals for more intensive urban development. It will take considerable political determination and sensitivity to deliver higher densities. The report does not suggest any solution to an absence of political support in specific local areas.

The current obsession with height is another problem that needs to be addressed in the strategy because it limits the scope for high density developments and is likely to result in sub-optimal planning outcomes. A low rise approach will encourage property owners to build a row of block style developments to justify their investments. A preferable approach would be to see flexibility in height, and allow high rise development in identified nodes along the coast and around the city, that are linked to mixed use areas with strong public transport services.

An example of an unbalanced approach to height limits was a public statement by the Minister for Planning and Infrastructure, the Hon Alannah MacTiernan MLA, who recommended a 4-8 story limit at Scarborough following controversy associated with two high density proposals. Scarborough is an area serviced by infrastructure that is identified in Network City as an activity centre with transport linkages. The views of local residents in that case have not resulted in a good outcome for public transport, affordable housing, or employment.

It is important that the “Not In My Back Yard” or “NIMBY” lobby not be given excessive priority or weight in the planning processes. The role of local ‘dialogues’ (see page 28) is not well defined, nor is the proposed community consultation unit clear in its objectives at this stage.

**Financing and resourcing**

There are numerous references to the need for infrastructure funding in the Network City document.

It was positive that the report recognised that “much of the cost to provide infrastructure is borne by developers who pay for connection to services via development contributions”. It should also have recognised that developers initially pay for these costs – and that end purchasers ultimately shoulder the burden of many of these costs. Many property owners and builders are on the urban fringe and contain a higher than normal proportion of first home buyers.

In relation to infrastructure funding, the strategy should acknowledge that Government debt is a viable way to fund infrastructure in WA. The recently released Government Mid-year Financial Projections Statement reported that:

> “The net debt to revenue ratio is estimated to be a low 34.2% in 2004-05 and peak at 42.5% in 2006-07, remaining comfortably below the Government’s 47% upper limit in each year.”

This suggests that there is scope for additional public debt to be used to fund infrastructure investment and meet current upper limits.

Research by the Allen Consulting Group has backed the use of public debt to fund infrastructure.

The Allen Consulting Group identified a raft of options used to finance the recapitalising of our cities’ infrastructure. These include borrowing, general taxation, PPPs, user charges, and developer levies. The strengths and weaknesses of these options have been examined in a qualitative and quantitative sense according to a range of criteria including effectiveness, economic efficiency, equity, simplicity, reliability, certainty and political sensitivities.
Based on its analysis in New South Wales, the Allen Consulting Group has identified the best financing options available to fund local urban infrastructure (in the vicinity of $200 million) as well as major state infrastructure projects (in the vicinity of $5 billion). Each option has been examined in terms of their impact on Gross State Output, employment, and consumption.

Developer levies rated very poorly as a financing option for infrastructure, affirming the Property Council of Australia’s view that developer levies are bad public policy. Developer levies directly threaten jobs, investment and housing affordability in Western Australia, as they:

- are inefficient – affecting investment and employment in WA by eroding profits on property investment or increasing the risk levels of development projects;
- impose costs on property purchasers and tenants, making housing less affordable;
- are generally regressive – affecting most those who seek house and land packages in ‘fringe’ areas;
- are the most inefficient method of funding infrastructure – see the Allen Consulting Group report, “Funding Urban Public Infrastructure – Approaches Compared” of August 2003;
- increase the excessive reliance of the Government on property based revenues;
- blatantly target property – while other industries which indirectly create a demand for a public good are not similarly levied (eg. car manufacturers are not levied to contribute to roads);
- take no account of the fact that urban development generates revenue for governments through taxes and other charges. In WA, there are already a Metropolitan Region Improvement Tax and a Perth Parking Levy, which are effectively infrastructure levies on property owners;
- often provide an uncertain revenue base – delivery of the infrastructure item becomes dependant on levy income, especially problematic when property and construction cycles are in a downturn;
- are ineffective – levies only have the capacity to fund small to modest scale infrastructure; and
- fail to take advantage of the most efficient form of infrastructure finance – Government debt.

Government borrowing, on the other hand, delivers infrastructure up front and spreads cost across time, in line with the benefits that accrue as a result of the infrastructure investment. This ‘buy now – pay later’ factor means that the cost of investing in infrastructure is not only shared across the entire community, but also across generations. This intergenerational affect is extremely efficient and fair.

Copies of the report can be obtained from the Property Council website at www.propertyoz.com.au.

Thus, Network City should seek to avoid developer levies and prefer public debt financed infrastructure investment to support the goals outlined in the draft strategy.

Infrastructure should also be delivered in accordance with a long term vision for the city’s needs. *We recommend that the strategy be amended to adopt a timetable of funded infrastructure to compliment other Network City recommendations.*

**Concluding comments**
The plan is to be commended for tackling serious policy issues that confront our society as the WA population grows over the next twenty years. There is a need for a renewed approach to planning, as deficiencies have emerged with our current planning framework. Network City offers a way forward to better utilise our infrastructure, achieve a greater choice of housing stock, plan for commercial land and implement sustainability goals for our community. However, the plan will take political leadership and resourcing to deliver these outcomes.

The comments in this submission are broad in their nature. The views expressed are not exhaustive of Property Council policies on the matters raised by the strategy. In some areas, more investigation and evaluation would be required before the Property Council could give any more definitive positions.

If you or your staff have any queries, please contact me at any time on 08 9426 1204 or 0417 501 974.

Yours sincerely

Mr Geoff Cooper

DEPUTY EXECUTIVE DIRECTOR