

# Ensuring a liveability dividend from growth: A new Urban Renewal Community Compact

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## An unprecedented paradigm for infill development in Sydney and Melbourne

Sydney and Melbourne are experiencing historically high rates of population growth and housing development. Sydney has added 79,800<sup>1</sup> people and approximately 26,800<sup>2</sup> dwellings per year over the last three years, while Melbourne has grown by 91,800<sup>3</sup> people and 31,800<sup>4</sup> dwellings per year in the same time. By contrast London, New York and Paris have recently added 26,800<sup>5</sup>, 19,700<sup>6</sup> and 30,600<sup>7</sup> dwellings per year respectively (five year trends). These cities are roughly double the size of Sydney and Melbourne, with approximately 9 million in London, 8.5 million in New York and 12 million in Paris. Despite being half the size, Sydney has produced the same number of dwellings per year as London. As Rowley, Gurran and Phibbs (2017) recently pointed out Sydney and Melbourne are world beaters in terms of housing construction and supply<sup>8</sup>.

The big historical shift in the provision of this new housing in Sydney and Melbourne has been the recent infill or 'established area' focus. Where these cities used to grow outwards in 'greenfield' new release areas on the city's fringes, an increasing share is now within the established areas. While Sydney has typically had anywhere between 70 percent and up to 90 percent of its recent housing built in established areas over the last 20 years, Melbourne is now catching up, with around 70 per cent of all new housing built in established areas since 2014<sup>9</sup>.

Typically the land supply for this recent era of infill development has come from industrial sites converting to residential to generate significant yields. However, well located old industrial areas capable of conversion are declining as an infill supply option. The expectation is that corridors with existing rail transport and traditional inner or middle ring suburban residential subdivision patterns will provide much more of the infill development in future. Incremental and relatively ad hoc higher density redevelopment of existing subdivided areas continues to occur, but A Plan for Growing Sydney and Plan Melbourne highlight the centres and transport corridors in established areas for a much greater role.

Figure 1 shows the key strategy map for Sydney with rail corridors highlighted for infill development. The accompanying Action 2.2.2 aims to 'Undertake urban renewal in transport corridors which are being transformed by investment, and around strategic centres'<sup>10</sup>. Direction 2.2 in the 'refreshed' Plan Melbourne aims to 'Deliver more housing closer to jobs and public transport' including in:

- urban renewal precincts
- areas identified for residential growth
- areas identified for greyfield renewal
- areas designated as national employment and innovation clusters
- metropolitan activity centres and major activity centres
- neighbourhood activity centres—especially if they have good public transport connections
- areas near existing and proposed railway stations that can support transit-oriented development.<sup>11</sup>



<sup>1</sup>Department of Planning and Environment (2017) *Metropolitan Housing Monitor Sydney Region*

<sup>2</sup>Department of Planning and Environment (2017) *Metropolitan Housing Monitor Sydney Region*

<sup>3</sup>Department of Energy, Land Water and Planning (2016) *Victoria in Future 2016*.

<sup>4</sup>Department of Energy, Land, Water and Planning (2015, 2014, 2013, 2012, 2011) *Urban Development Program*

<sup>5</sup>Mayor of London (2015) *Housing in London 2015*, Office of National Statistics.

<sup>6</sup>United State Census Bureau (2015, 2010) *QuickFacts: New York*

<sup>7</sup>L'Institut national de la statistique et des études économiques (INSEE) (2014) *Nombre de logements commencés - Cumul sur douze mois - Total - Ville de Paris - Estimations en date réelle*.

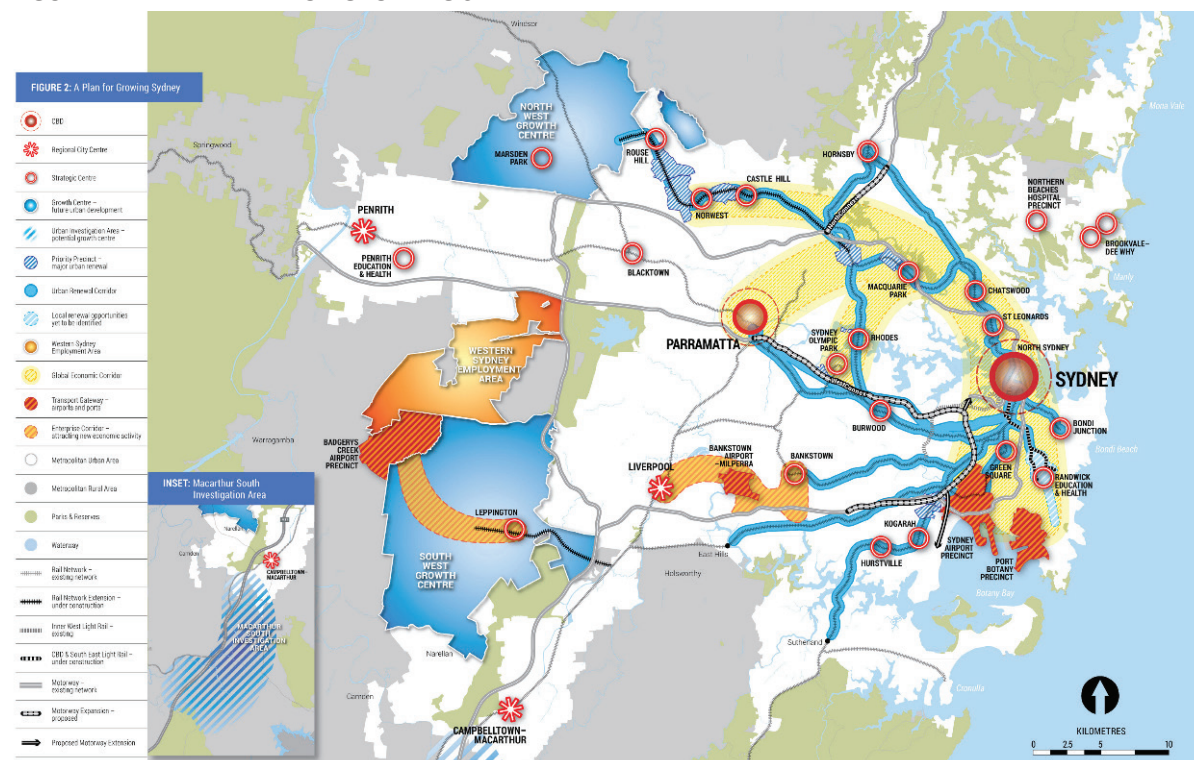
<sup>8</sup>Rowley, S, Gurran, N, Phibbs, P. (2017) 'Australia's almost a world leader in home building, so that isn't a fix for affordability'. *The Conversation*. 7 March. <https://theconversation.com/australias-almost-a-world-leader-in-home-building-so-that-isnt-a-fix-for-affordability-73514>

<sup>9</sup>Victorian Government (2017) *Plan Melbourne 2017-2050*, Housing distribution between established areas and growth area greenfields, Outcome 2, p.47

<sup>10</sup>Department of Planning and Environment (2014) *A Plan for Growing Sydney*, p.70

<sup>11</sup>Victorian Government (2017) *Plan Melbourne 2017-2050*, p.50

**FIGURE 1. A PLAN FOR GROWING SYDNEY**



Source: NSW Department of Planning and Environment, 2014

This significant shift in the settlement geography of our cities, at the scale proposed, is without precedent, certainly in Australia and probably anywhere in cities in the contemporary post-industrial era. It could be argued that it is occurring without much forethought as to what it means for equity, productivity, liveability and sustainability outcomes.

### **An insufficient current commitment to productivity, liveability and sustainability outcomes in renewal area planning**

The concerns of incumbent communities where this sort of infill development is occurring are sometimes dismissed as NIMBYISM. Petty complaints about the impacts of modest redevelopment are often motivated by narrow self-interest. However, for some suburbs the renewal proposals represent a wholesale ‘reworking’ at much higher densities with hundreds of new dwellings per year. In these cases the concerns of communities about what the redevelopment means, how the traffic and transport networks will cope, how street level amenity will be affected, whether there will be sufficient open space and whether schools and other social infrastructure provision will be sufficient, are entirely reasonable.

A relevant case study in this new urban renewal frontier is the Sydenham to Bankstown corridor in Sydney. This rail corridor is to be transformed with a new Metro rail configuration providing much higher frequency single deck trains and more rapid access to the Sydney city centre, with plans to be operational by 2024. The corridor is the subject of an October 2015<sup>12</sup> land use framework plan by the NSW Department of Planning and Environment that identifies areas for different levels of density from high nearest to stations to lower about 800 metres from stations. An additional 46,000 dwellings to

2036 are anticipated, translating at a conservative occupancy of 2.2 people per household into about 100,000 residents in 20 years, the equivalent of a new medium sized town (twice the size of Bathurst, half that of Wollongong).

While an infrastructure schedule has been prepared, the timing (and presumably the location) is ‘to be determined as the corridor develops’ and the mechanism is assigned to the state government line agency or local council through a ‘Section 94 contributions plan’. The implication is that ‘business as usual’, incremental infrastructure provision, segmented amongst state government agencies and local government will deliver outcomes that meet the amenity and liveability aspirations of the communities that will emerge in these locations as well as the wider productivity and sustainability aims that underpin metropolitan strategic planning.

Comprehensive planning in greenfield areas has a much longer and more rigorous history. While far from perfect, the precinct planning that occurs in greenfield development typically includes some integration with local and state agencies for infrastructure provision and community development. In NSW a guide to precinct planning in new release areas<sup>13</sup> at least promised to:

- bring together government agencies and local councils to consider a Precinct’s development potential and coordinate efficient delivery of key infrastructure for water, sewerage, power, roads, public transport, education and other services
- work with the relevant local council to decide the future zoning and development controls for that Precinct by looking at factors such as conservation, housing, town centres, employment areas and key transport routes, and
- prepare a draft Precinct Planning package which is placed

<sup>12</sup>[http://www.planning.nsw.gov.au/Plans-for-Your-Area/Priority-Growth-Areas-and-Precincts/Sydenham-to-Bankstown-Urban-Renewal-Corridor/~/\\_media/CSA71CB412194A4F92A94B5081A930FE.aspx](http://www.planning.nsw.gov.au/Plans-for-Your-Area/Priority-Growth-Areas-and-Precincts/Sydenham-to-Bankstown-Urban-Renewal-Corridor/~/_media/CSA71CB412194A4F92A94B5081A930FE.aspx)

<sup>13</sup>The NSW Department of Planning document was entitled A Guide to Precinct Planning and was located in the Growth Centres area of the Department’s website. It was viewed in August 2016 but has since been removed.



on public exhibition that sets out proposed road patterns, future land uses, the mix and type of housing, and the location of schools and local open space.

A process or commitment to improve outcomes in major renewal precincts is only just now starting to be discussed. A recent NSW Government announcement<sup>14</sup> for an expanded priority precinct program around rail stations, noted that “when we go to communities and say there is going to be an increase in population.... we have a compact with them that says we will build the schools, we will build the roads, we will build the infrastructure that goes with this”. Plan Melbourne includes a Policy (2.2.4) which highlights that the redevelopment of ‘greyfield areas’ (older, existing residential areas with redevelopment potential) has ‘been generally uncoordinated and unplanned’ and that this ‘must change’.<sup>15</sup>

Large increases in population should not be proposed without integrated infrastructure planning and provision, and enhancements to general neighbourhood amenity. Otherwise, it is likely that the average quality of life for residents in a redeveloped precinct will decline over time.

### The potential scope for a new Urban Renewal Community Compact

Unless infill renewal is undertaken with regard to outcomes for existing and new residents, and its contribution to overall metropolitan strategic aims for equity, productivity, sustainability and liveability, we risk community resistance on a much greater scale than the more recent outbreaks of so-called NIMBYISM. We risk the advantage derived from Australia’s reputation for liveable cities and we risk our ability to meet international commitments we have signed up to such as the United Nation’s Sustainable Development Goals.

The way to ‘bring people along’ is to show a dividend from growth and ensure that while the quality and character of life might be different, overall it will be better, not worse, than before.

A new ‘Urban Renewal Community Compact’ is suggested. This would have a **local** focus, on the assumption that alternative or equivalent processes for metropolitan, district or subregional physical and social infrastructure planning (for secondary school places or hospital beds for example) are in place or also established. The ‘Urban Renewal Community Compact’ would involve:

- declaring an Urban Renewal Community Compact Area where significant change is anticipated (there are no hard and fast thresholds but areas expected to grow at well above average rates, say at two to five percent per annum, and anticipating a population of say 8,000 to 10,000 or above at ‘build out’, would be candidates)
- establishing a formal governance arrangement including relevant state agencies, local government and genuine community representation in declared renewal areas (some suggestions for governance roles are discussed later)
- developing outcomes and indicators for ‘liveability’ in precincts slated for major renewal

- undertaking baseline measurements for each of the indicators
- making a commitment to the community, for example in the form of a Memorandum of Understanding, that through more effective integrated planning and intra-agency cooperation outcomes against these indicators post development will be measurably maintained or enhanced
- developing a robust funding and implementation framework.

For this Urban Renewal Community Compact ‘liveability’ represents a short hand for triple bottom line outcomes across multiple dimensions – economic, social and environmental- as implied by the following definition:

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### Defining liveability

**Liveability can be broadly defined as the well-being of a community and represents the characteristics that make a place where people want to live now and in the future. It is the sum of the aspects that add up to the quality of life of a place, including its economy, amenity, accessibility, environmental sustainability, health and wellbeing, equity, education and learning, and leadership.**

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For any particular precinct the actual indicators and measurable outcomes are likely to vary depending on the baseline provision, but a Compact might ultimately include commitments to, for example:

- Increasing the area/quality/accessibility of active open space assets
- Increasing the ratio of accessible community/cultural facilities with capacity
- Increasing the length of dedicated bike paths and safe and ‘off-road’ pedestrian paths
- Increasing the ratio of accessible public education places to primary school age children
- Appropriate housing diversity to respond to the changing composition of households
- Increasing the share of social and affordable dwellings
- Increasing the share of accessible metropolitan jobs through local transport infrastructure improvements linked to metropolitan networks
- Reducing car dependence
- Improving the environmental performance of the precinct in terms of:
  - Energy usage
  - CO2 emissions
  - Water consumption
  - runoff (WSUD)
  - waste
  - heat stress
  - biodiversity.

This may seem an ambitious list but only because of the systemic absence of such aims in renewal area planning. These are reasonable expectations in rapidly growing, economically strong cities and the alternative of anticipating that ‘average’ liveability across these dimensions is expected to deteriorate over time should be unacceptable. It also not realistic to

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<sup>14</sup>SMH, More density around rail stations and new schemes for renters: NSW housing plan, 20 March 2017

<sup>15</sup>Victorian Government (2017) *Plan Melbourne 2017-2050*, p.51

assume either that ‘business as usual’ top down planning and facilities programming by state government line agencies or local area infrastructure planning by councils will be adequate to generate these local level improvements. There is scant evidence that this will produce the coherent place based outcomes that an incumbent or incoming community might be entitled to expect in a renewal area.

SGS Economics and Planning produced a study for the Southern Sydney Regional Organisation of Councils (SSROC) in 2016 which identified indicators that might be used to represent various dimensions of liveability at a District level, as reproduced in Table 1. This work informed District level mapping of the indicators that, for example, highlighted the paucity of open space provision in the Canterbury Road corridor in southern Sydney (see Figure 2). While this framework has a District rather than local level of application, as proposed for the Urban Renewal Community Compact, it helps to illustrate the logic of outcomes, benchmarks and indicators for each dimension.

Table 1 provides an idea of the potential scope of a liveability indicators framework at a District level. However, the characteristics of the precinct under consideration for significant renewal will determine which are the relevant local level benchmarks and indicators. Outcomes should be related

to the wellbeing of the community across economic, social and environmental dimensions. The indicator should relate to a physical planning or transport outcome with the related benchmark providing the existing quantifiable measure. With refinement and testing in multiple locations a framework that is universally applicable could be expected to emerge.

Planning efforts that have this suggested scope will inevitably involve the greater involvement of state agencies, and ultimately the preparation of more detailed accompanying infrastructure provision plans and schedules. Achieving the anticipated outcomes will require innovative thinking about, for example, land dedications for new open space provision and pedestrian connections, the shared use of existing and new community facilities, the integration of new social and affordable housing, mixed use development and vertical formats including dedicating podiums for education and community infrastructure, or centralised car parking, and the re-allocation of road space for a greater variety of transport modes including cycling and car share. Better local public transport connections may be required to ensure residents have enhanced access to jobs. This is not conventional two dimensional structure planning. Achieving such outcomes would require enhanced ‘joined up’ thinking across infrastructure, service provision, planning and design disciplines.



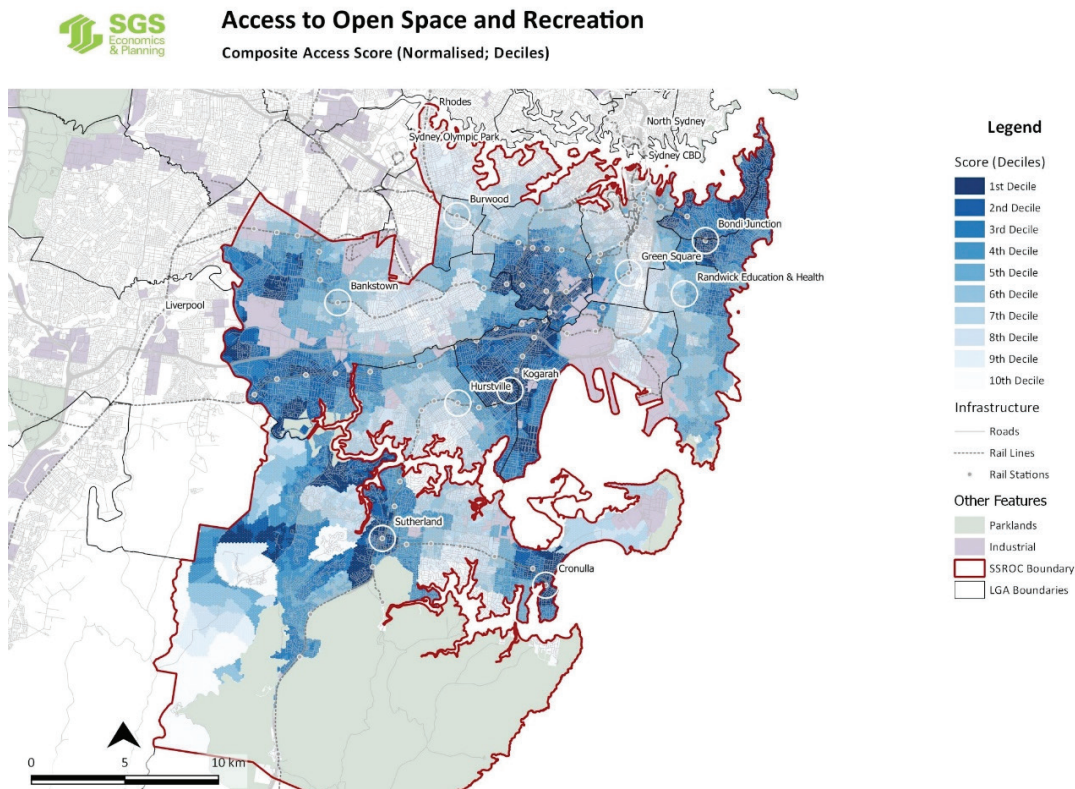
**TABLE 1. SSROC LIVEABILITY BENCHMARKS AND INDICATORS**

Dimension	Outcome/s sought	Benchmark/s	Indicators/s
<b>District open space and recreation</b>	No net loss in the area of available active recreational space (including playing fields) in the South and Central Districts	Existing levels of playing field provision and usage represent the minimum benchmark due to council advice that usage is already at capacity across the district.	Area and number of playing fields available in the district (by sport) (annually)
	Increased availability and utilisation of playing field assets	Existing levels of availability and programmed usage represent the minimum benchmark Existing level of available playing field hours	Number of days' fields closed / unavailable for use (annually). Available playing field hours per sport per participant
	Increased range of active recreational opportunities	To be determined based on a needs assessment of existing and new residents	Completion and adoption of the recreational needs assessment
<b>Housing affordability</b>	Increase in supply of affordable rental accommodation for low income households	30 percent of renewal stock to be affordable rental housing.	Affordable housing to make up an increased share of total dwelling stock.
<b>Access to centres and employment</b>	Increase in average accessibility to district centres and employment	Averaged private AND public travel times to district centre not to exceed 30 minutes from new renewal project sites	Project catchments to be determined by Travel time matrices on Journey to Work and social trips patterns
	Local centre social infrastructure to be accessible (20 minutes)	Average travel time to key community infrastructure (20minutes)	Project catchments to be determined by Travel time matrices on social trips patterns and network analysis
<b>Schools and other education facilities</b>	Provision of local primary schools	Achieving the nominal provision rates	Measure of school population by accessible catchment population
	Optimise efficiency of use and maintenance structure for school infrastructure (between schools).	Usability and availability of opportunities for shared use of external facilities for confined schools	Shared facilities audit to assess comparable access to facilities between different school models
<b>Hospitals and other health facilities</b>	Provision of hospital beds and other health facilities to meet demand created by population growth and change.	The availability of suitably zoned and serviced space for supporting health facilities / enterprises associated with major hospitals and health centres	Audit of land supply in parallel with health and allied industry needs assessment
	Lower average travel times to key health facilities by public transport and walking	Improved accessibility of key health facilities by public transport and walking to the standards of the '20 minute city'	Catchments to be determined by Travel time matrices and network analysis
<b>Community and cultural facilities, including childcare</b>	Response to a needs based assessment for types of community and cultural facilities targeting new and existing residents	Improving existing ratios of population per community and/or cultural facility for those facilities at capacity	Preparation and implementation of a needs assessment
	Improving population access to community facilities	Ensuring access to the full range of community facilities within 20 minutes by public transport	Project catchments to be determined by Travel time matrices on social trips patterns and network analysis
<b>Precinct sustainability</b>	Environmental costs to be minimised and the environmental performance of a precinct to be improved overall as a result of new development and growth.	Establish precinct specific environmental targets for energy, CO2, water, runoff (WSUD), waste, local access, heat stress and biodiversity	Apply most relevant precinct sustainability measurement instrument (i.e. PRECINX, Green Star), shaded public spaces

Source: SGS Economics and Planning (2015) Liveability Benchmarks for Central and Southern Sydney, 'for SSROC' (Unpublished)



**FIGURE 2. ACCESS TO OPEN SPACE AND RECREATION, SSROC**



Source: SSROC (2016) SSROC Liveability Indicator Mapping, prepared by SGS Economics and Planning

## Governance and funding

Clearly a governance framework needs to be established which will give the Compact meaning. For any identified renewal precinct this would involve a coordinating state agency (e.g. Landcom or the GSC in Sydney, or the VPA in Melbourne), the relevant local council, key government agencies (e.g. with responsibility for planning, transport and education), and ideally, local community representatives. More work would be required to consider their configuration but Neighbourhood Development Corporations<sup>16</sup> could be established to create genuine partnerships with affected communities. As well as involving the community in planning, these could assist in providing guidance or assistance to land owners in brokering deals with property developers. The Minister for Planning in NSW has recently suggested that Landcom could play such a role in priority renewal precincts in Greater Sydney.

Along with improved governance arrangements, sufficient resources for new analytical and diagnostic techniques, as well as the development of new planning skills, will be required to service each Compact area. The anticipated 'payback', however, in terms of enhanced value and neighbourhood quality is significant.

A share of the cost of anticipated local infrastructure associated with new development can be the subject of local infrastructure funding plans, using existing statutory provisions and subject to relevant guidelines as to the items to be included. Funding for most state level infrastructure would be expected to be provided through line agency budgeting. However, achieving affordable and mixed housing outcomes,

increased rates of open space provision and environmental management improvements for example, may require additional sources of funding and in this regard 'value capture' could have a significant role.

The fairest way to implement a value capture scheme in renewal precincts is to adopt the approach outlined in the recent SGS Occasional Paper, "Development licence fees to fund infrastructure and affordable housing"<sup>17</sup> which argues that those granted access to additional regulated development rights should pay a licence fee. This mechanism flows from a conceptualisation of planning as, in part, a market in development rights, regulated to achieve a net community benefit. The recent Floor Area Uplift and Community Benefit provisions of Amendment C270 to the City of Melbourne Planning Scheme are premised on these principles<sup>18</sup>.

In NSW a \$200 per square metre of Gross Floor Area Special Infrastructure Charge (SIC) has been suggested as a mechanism to fund a light rail link from Parramatta to Sydney Olympic Park (a decision on Stage 2 of this link has recently been deferred). This appears relatively arbitrary, though is perhaps calibrated to what landowners or developers have suggested they would be able to bear from a financial perspective, but it is similar in concept to the development licence fee idea.

However, as conceived for the Urban Renewal Community Compact, the development licence fee would be more closely linked to the change in underlying land value 'pre' and 'post' rezoning in renewal precincts. A broad based licence fee would need to be calibrated so as to be non-distortive – that is, it should be low enough not to deter land owners from

<sup>16</sup>Grattan 2011 Getting the Housing We Want, <https://grattan.edu.au/report/getting-the-housing-we-want/>

<sup>17</sup> <https://www.sgsep.com.au/about/latest-news/development-licence-fees-fund-infrastructure-and-affordable-housing>, March 2017

<sup>18</sup><https://www.planning.vic.gov.au/policy-and-strategy/planning-reform/central-city-built-form-review>

selling their sites to developers as and when required. The 'licence fee' in any particular corridor would vary depending on an estimate of the underlying land value uplift per square metre of development in any use class. The licence fee would complement rather than duplicate or overlap with mandated local infrastructure charges or development contributions.

We note that a \$200 per square metre SIC for 46,000 dwellings at say 90 square metres on average (i.e. \$18,000 per dwelling) in the Bankstown to Sydenham corridor would yield \$828 million (undiscounted). This is likely to be conservative. SGS assisted in the preparation of the Georges River Planning Agreements policy which identifies the Residual Land Value (RLV) per square metres of residential floor space in the Hurstville and Kogarah town centre precincts at between \$2500 and \$3000. A licence fee could be set at 50 percent of the pre and post rezoning value consistent with the aim for it to be 'non-distortive' as discussed above. Amendment C270 to the City of Melbourne Planning Scheme, referenced above, requires the provision of public benefits in the CBD equivalent to the value of 'floor area uplift' set at 10% of the Gross Realisation Values of between \$6500 and \$9000 per residential square metre for floorspace granted above an identified 'floor area ratio'. Notwithstanding the different contexts, by comparison the \$200 per square metre SIC suggested in Sydney for the Parramatta to Olympic Park corridor appears modest.

However, the intention to apply a value capture funding mechanism such as that outlined has to be signalled early. If land values rise in anticipation of future additional redevelopment potential without such a signal, then it will be more difficult to fund public benefit works anticipated by and committed through any Urban Renewal Community Compact.

## Conclusion

Sydney and Melbourne are growing at unprecedented rates, including significant development in established areas. State governments are right to try to focus this renewal in transport corridors but conventional structure planning of established areas with historical subdivision patterns and existing communities, followed by 'catch-up' infrastructure provision, will not be sufficient to ensure that quality of life standards are maintained, let alone enhanced.

For areas expected to see significant change, a new Urban Renewal Community Compact is required which identifies existing standards across economic, social and environmental performance and promises the maintenance of, or improvements to, these on average through coordinated and integrated land use and infrastructure planning, meaningful community engagement, and coherent funding and implementation arrangements.



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