

Planning Reform – a Driver of Economic Growth

Policy paper



dpti.sa.gov.au/planning/planning_reform_paper_feb_2014

Minister's foreword



The careful development of our urban centres, metropolitan and regional, is essential to the future of our communities and our people. It directs where and how we establish suburbs and residential developments, roads and schools. Just as a family strategically plans where it will live, in what size house and with what amenities nearby, so governments must develop according to plans that prepare an area for the lasting growth of its community.

This government has taken this future-focused role very seriously. Our commitment is evident in our nominating a 'vibrant city' as one of our seven priorities, and reflected in reforms that have safeguarded the Barossa and McLaren Vale from urban sprawl, achieved targets for identifying suitable land for affordable housing and produced a master plan for the Riverbank Precinct that will bring new and envied life to central Adelaide.

Now, two years since Premier Jay Weatherill brought three aspects of development—planning, transport and infrastructure—into one department, we are embarking on a series of activities that will craft attractive, liveable urban areas capable of handling the growth that independent commentators tell us we must expect.

These activities adhere to certain principles. First, we cannot afford to continue sprawling north and south of what is already an elongated metropolitan footprint, and must look instead to urban renewal as the means of finding spaces and places. Scientific and anecdotal evidence is mounting that the costs of urban sprawl are too high, both from a government and individual household perspective. Housing affordability statistics are available today that consider factors such as transport; in Adelaide, the combined housing and transport cost for a family to live in the outer metropolitan area for the next 20 years is \$735,000, compared to \$578,500 in the inner city – that's a difference of 37 per cent. This calculation doesn't even consider environmental costs, financial or otherwise.

Second, people are choosing to live in inner-city housing. In the cities talked about as being bright and exciting models of successful development—such as Copenhagen, Vancouver and Singapore—young people are actively selecting inner-city apartments and townhouses instead of the suburban homes of their childhoods. They are living examples of the trend identified by demographic commentator Bernard Salt, that Australian living patterns are no longer dictated by income, but by 'value preferences'. Put another way: as always, the young want to be where the action is.

Accordingly our vision is to refocus Adelaide's future growth away from avoidable urban sprawl and protect our valuable farmlands and natural landscapes while also keeping housing affordable and providing avenues for jobs growth and investment.

John Rau
Minister for Planning

Context

Adelaide is consistently rated as among the world’s most liveable cities. This hasn’t come about by accident. It has been the result of good planning by state governments over many decades.

Our **affordable and relaxed lifestyle** is a major competitive advantage for the State and will be vital in ensuring we can **attract the jobs** of the future that will **keep younger generations living and working here**.

Historically, the growth of Adelaide’s suburbs and satellite townships has helped us to deliver an affordable lifestyle and support jobs growth. Evidence is now emerging that this model of growth will not serve our State in the future.

Continuing urban sprawl is likely to come with real long-term costs for the community. It **encroaches on valuable farmlands and natural landscapes**, increases congestion, adds to **cost-of-living pressures** for new homebuyers and young families and leaves a hefty **infrastructure bill** for taxpayers.

The state government wants to **reduce urban sprawl** and increasingly **focus new development within our existing urban footprint**. By doing this, we will help create opportunities for housing choice, reduce costs to new homebuyers, protect our iconic agricultural landscapes, ensure jobs are available and accessible and reduce the burden on taxpayers for future infrastructure.



Setting limits to urban sprawl



Land available in the right places and at the right time provides certainty to the property industry; stabilises land markets; supports population growth; and allows for the growth of sustainable and healthy communities with a range of housing that meets people's needs.

To achieve these outcomes the government targets a 15 year supply of zoned urban land on both the fringe and through infill and renewal opportunities. This ensures that land supply is responsive to housing demand and to avoid spikes in house prices that impact upon affordability and the State's competitive advantage. It also recognises the timeframe required to bring land to market.

Analysis of emerging trends and evidence suggests that greater numbers of people are choosing to live closer to where they work in varied forms of housing. This has meant that there is less pressure than assumed in *The 30-Year Plan for Greater Adelaide* for the rezoning of additional land on the fringe and in townships. In fact growth in Adelaide's **middle and inner suburbs already accounts for approximately 60 per cent** of population growth and this is growing.

The 30-Year Plan assumed that an average of 400 hectares of broadhectare land would be consumed annually, however the **average annual consumption has only been 320 hectares** over the past six years and below 300 hectares per annum since 2010-11.

Decisive action by government over the last four years we now have considerably in excess of **15 years of zoned broadhectare land**. Of this, **almost 18,000 lots are ready to be developed across metropolitan Adelaide**.

This includes 2,800 allotments at Playford Alive, 480 at Blackwood Park, 2,000 at Northgate and 2,750 at Seaford, to name a few.

On this basis, there is sufficient land designated for greenfield development.

The government will continue to monitor and regularly report on land supply across the state to ensure that supply is maintained into the future to sustain affordability and our competitive advantage.



What have we done so far?

Protection Legislation

In January 2013, the *Character Preservation (Barossa Valley) Act 2012* and the *Character Preservation (McLaren Vale) Act 2012*, came into operation to protect the Barossa Valley and McLaren Vale districts from urban sprawl.

The legislation protects and enhances the significant agricultural, environmental and tourism assets from encroachment from additional housing to restrict urban sprawl from the north and south of Adelaide.

This creates opportunities for new affordable lifestyle choices close to employment, shops, educational choices and entertainment options that encourage young people to stay and come back to South Australia.

Structure Planning Program

The comprehensive structure planning program recently completed for the Playford Growth Project, a joint initiative of the state government, Playford and Salisbury councils has ensured a sufficient supply of urban land, whilst protecting key agricultural assets like the Virginia food bowl.

These planning changes allow for a mix of residential and commercial development and the provision of key social services over the next 20 to 30 years. The recently approved rezonings allow for:

- up to 4,400 new homes and as many as 13,000 more residents at Angle Vale
- up to 3,080 new homes and 8,300 more residents at Playford North
- up to 840 new homes and 2,268 more residents at Virginia.

A structure planning process for the southern growth corridor has commenced and will inform growth in key urban renewal areas in the south.

Setting an agenda for urban renewal

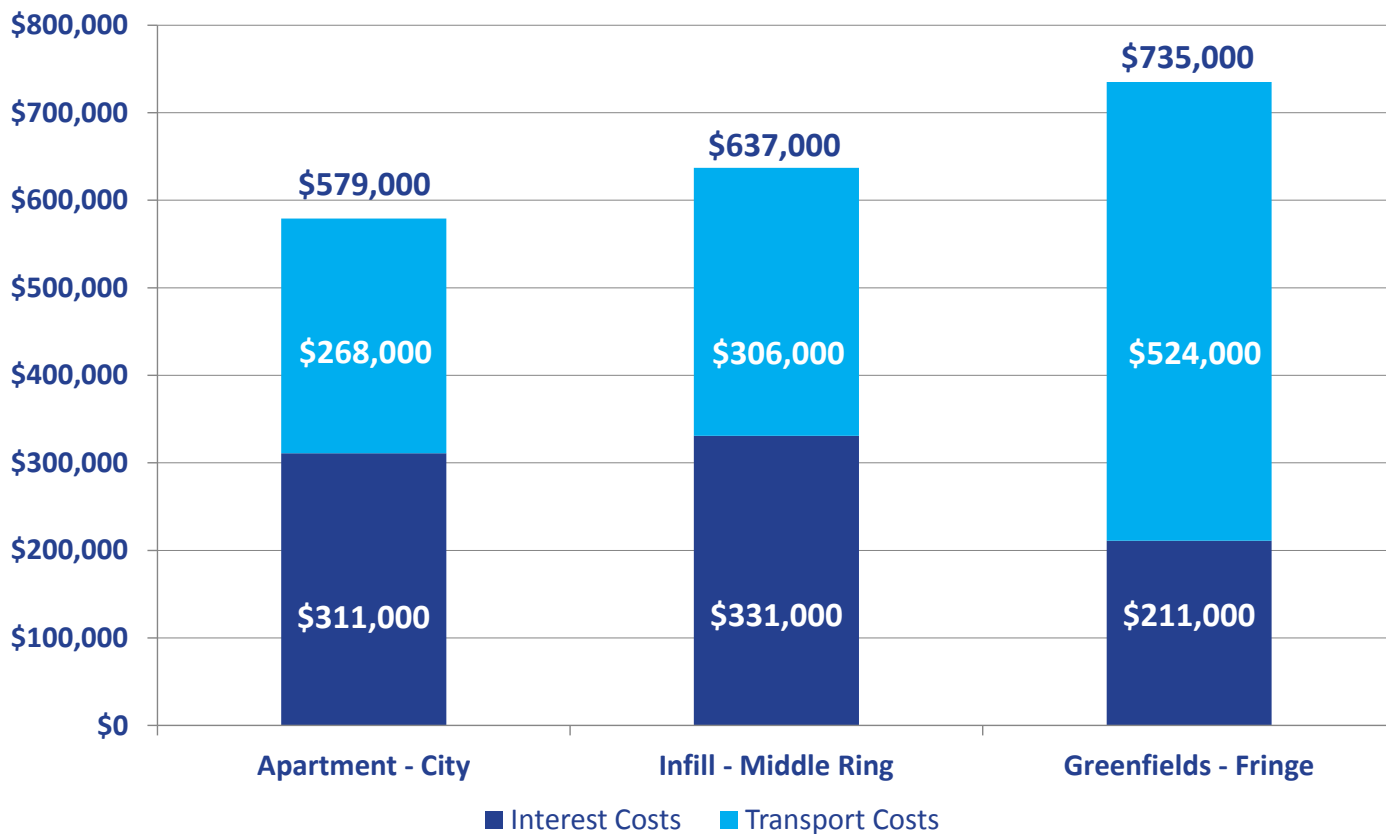
Adelaide now has Australia's **cheapest middle ring homes located between 5 – 20 kilometres from the CBD**. It also has a **significant capacity to grow the supply of infill development opportunities** to meet this future demand.

Over the past decade the issue of affordable living has tended to focus on the cost of mortgage repayments and the impact on household expenditure. When measuring affordability, transport costs are the second largest component of household expenditure and must be considered.

The total 20 year cost per household (factoring interest payments and travel costs) is significantly higher for a family living in the outer metropolitan area compared to those living in inner and middle rim suburbs:

- Greenfield \$735,000
- Infill – Middle Ring \$637,000
- Apartment – City \$579,000

TOTAL 20 YEAR COST PER HOUSEHOLD



Source: Adapted from Urban Infill vs Greenfield Development, infraPlan, December 2013

Note: Assumptions are based on metropolitan averages relating to transport include: average weekly running costs of small to large vehicles as per RAA sources (for locations where more than 50 per cent of householders own 2 or more cars), metro public transport ticket costs, 'Journey to Work' information relating to average journey distances to work by LGA, the value of time (private) based on the RTA Economic Analysis Manual (Road Transport Authority, 2011). The housing analysis is based on 'interest payable' scenarios applied to median house price (averages) for new apartments (city), new homes (infill – middle ring), and house and land packages (greenfield, fringe) as observed at the time of the investigation. The 'Principal' component of home loans has been omitted given that investment decisions vary widely and that capital growth has been observed to be higher for inner and middle ring housing over the past decade. These assumptions can vary widely across the metropolitan area on a case by case basis.



What have we done so far?

Urban Renewal Legislation

The Urban Renewal Act provides for a new urban renewal planning process. The Act will allow a special precinct development process, operating as an alternative to the normal planning system, to enable urban renewal to be kickstarted on a precinct-wide basis at selected locations.

South Australia's *Development Act 1993* has traditionally been geared towards a greenfield development model as the easiest way to accommodate population growth. Redevelopment of infill locations through urban renewal has not been readily accommodated within the system and has relied on the rezoning process.

While rezoning of infill locations will significantly change our urban form over time, redevelopment is a process that takes many years to unfold. Alone, rezoning will not be sufficient to engineer the kind of urban renewal required to create the vibrant, liveable city the 30-Year Plan envisages. Consequently the 30-Year Plan identifies the need for new statutory mechanisms to support the roll-out of transit-oriented development at key nodes such as the Bowden urban village being undertaken by the Renewal SA.

In line with processes used across Australia, precinct planning is intended to assist urban renewal projects and is available for Renewal SA and council led projects. In essence a precinct planning process substitutes for the conventional rezoning and development approval processes under the *Development Act 1993*.

It is a rigorous process, which requires consultation with the community, identifies assets or infrastructure required and sets out proposed arrangements for service provision by the council including details on any agreement with the council.

A precinct can be declared for the purposes of urban renewal, the provision of land for commercial, industrial or residential purposes, the establishment of new industries or the renewal or redevelopment of an area that promotes the purposes of the Planning Strategy.



Park Lands

Over time, the city and inner metropolitan area will be redeveloped, allowing for significantly more people. Through their use as walking and cycling trails the Park Lands can reduce the pressure on our roads and public transport; by including more facilities for organised and informal sport and exercise, they can improve our health; and by fulfilling their role as the cooling and cleansing green lungs of our city they can become even more important as changing climate impacts are felt.

This is particularly important in areas that have a growing population, but a relatively low proportion of open space such as the Unley and Prospect council areas, which respectively have 8m² and 11m² per person of open space, compared to the Adelaide average of 80m² per person.

The government is committed to working with local councils and the community to realise a new vision for one of our greatest assets – the Adelaide Park Lands. For Adelaide to be recognised as one of the most desirable cities in the world, we must re-examine and update the role of this invaluable asset to meet the needs of an increasingly sophisticated community, including:

- more places to meet and have fun
- a revitalised environment that is connected with nature
- better pathways and more information to help you find your way and explore.

To kick start the upgrade of the Park Lands to a higher standard, the government has committed \$20 million over four years, to be spent in cooperation with the city and inner rim councils and the Park Lands Authority.

Using planning reform to drive economic growth and jobs



Modelling of the economic impact of development (per 1000 dwellings) found compared to greenfield development, infill development would:

- create 4812 **more** jobs
- contribute \$375 million **greater** return to the state economy in labour and capital
- \$197 million **greater** increase in gross wages and incomes paid to building sector employees.

What have we done so far?

Greater choice of housing opportunities close to the city

Recent planning reforms in and around the city have unlocked hundreds of millions of dollars in new investment by allowing for a new style of inner and near city living that gives people a greater choice of housing options than ever before in all price ranges.

Recent rezonings in the city and within 1km of the Park Lands have unlocked the potential to provide for up to 40,000 additional dwellings.

16 privately funded projects to the value of \$580 million are currently under construction in the city with a further 19 approved by the Development Assessment Commission since the planning reforms were introduced in March 2012, to the value of \$734 million.

Urban Design Focus

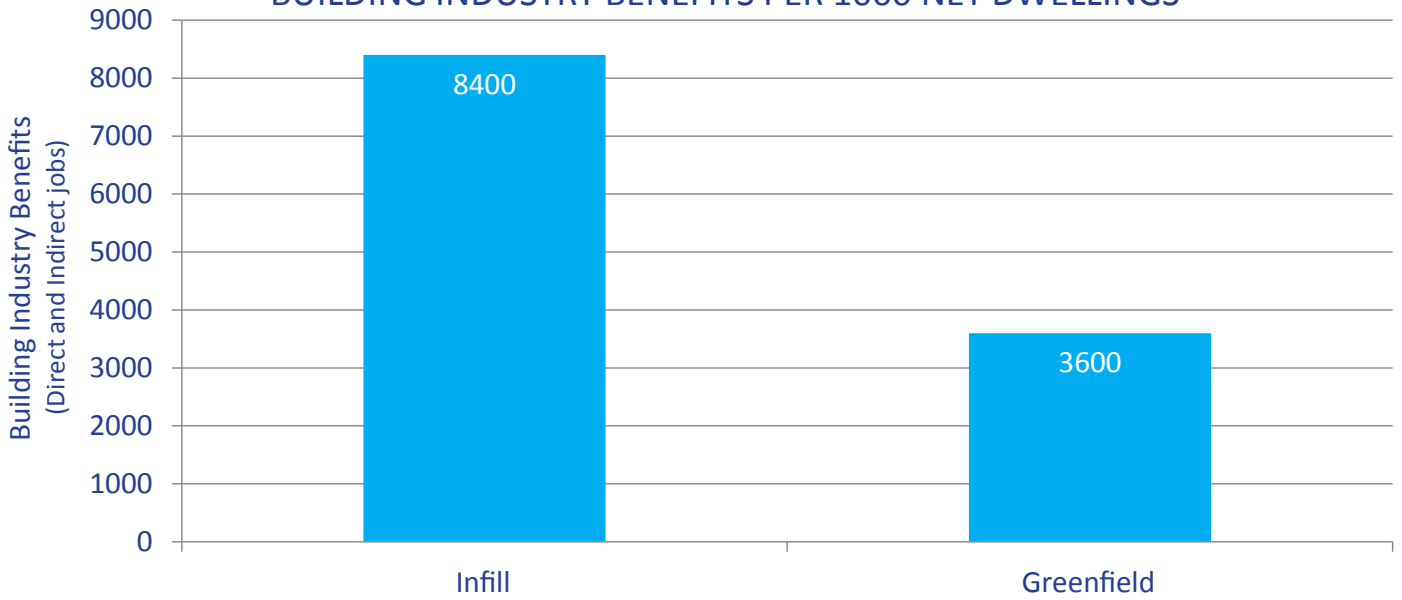
It is clear that communities will only accept urban renewal if it is based on the highest standards of urban design. It is for this reason that the government introduced a statutory assessment role for the Government Architect supported by a design review panel for city proposals over \$10 million in value and has recently extended this role to the inner rim areas for development over four storeys.

New design guidelines will also be prepared with industry and the community to assist in harmonising new developments with their established surroundings.

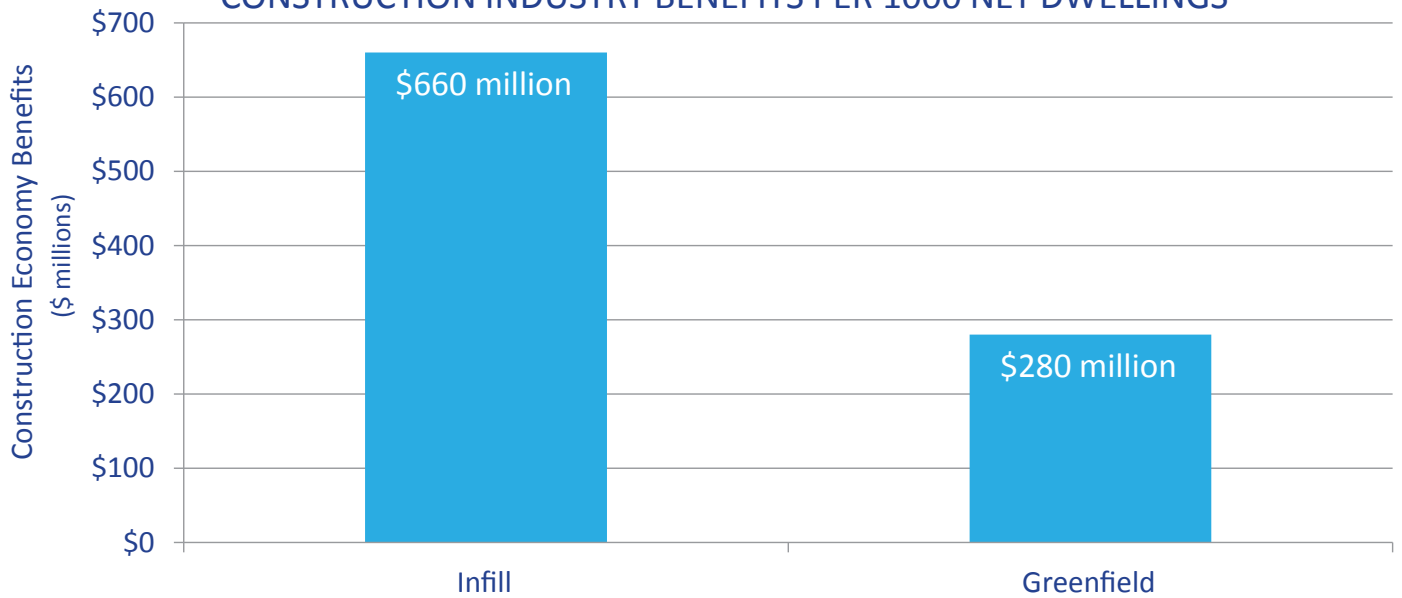
Stamp Duty Relief

To support investment in the inner rim, the government has also recently expanded the stamp duty relief to people who buy apartments off-the-plan, saving purchasers up to \$21,330. This concession already exists in the city, Bowden and Gilberton and can cover the entire cost of stamp duty on a property to the value of \$500 000.

BUILDING INDUSTRY BENEFITS PER 1000 NET DWELLINGS



CONSTRUCTION INDUSTRY BENEFITS PER 1000 NET DWELLINGS



Source: Adapted from *Urban Infill vs Greenfield Development*, infraPlan, December 2013

Note: The methodology applied is based on study *Stimulating South Australia, Public Housing in SA - the wider impact of the Australian Government's stimulus package* (University of Adelaide, August 2009). The parameters and assumptions are those applied by its authors at the time of the study. The construction cost components are based on examples presented by the National Housing Supply Council (Urbis, May 2011) as 'typical' development for every capital city. The 'net' infill replacement rate per 1000 dwellings is based on minor and major infill development types applying an average yield based on the HELSP Report (Department of Planning and Local Government, 2010).

Transparency of infrastructure costs

The cost of providing infrastructure on the fringe is significantly higher than providing infrastructure within our existing urban footprint. We cannot afford to continue sprawling north and south of what is already an elongated metropolitan footprint.

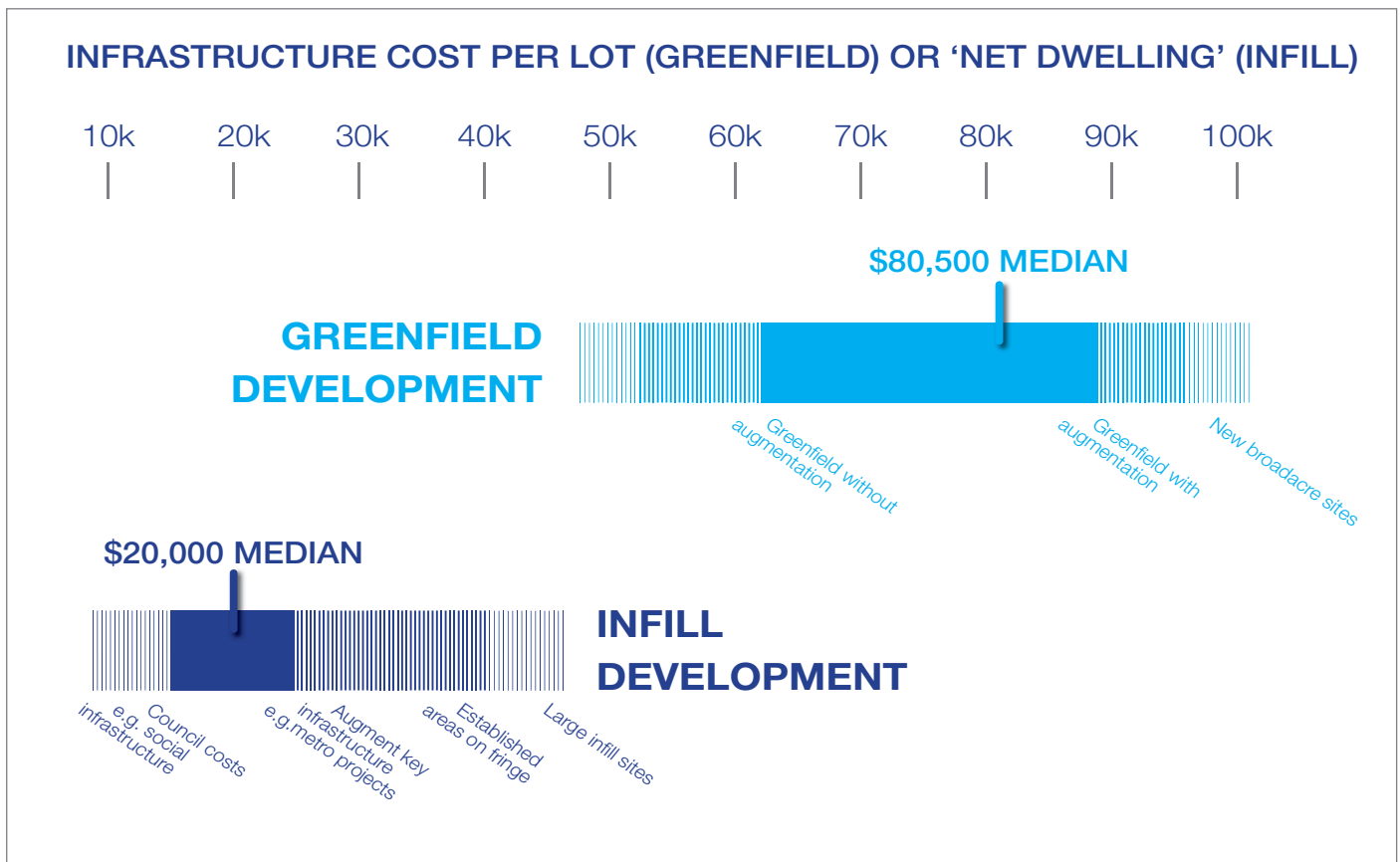
In other words, fringe development hits present and future tax-payers much harder than infill.

Recent studies have shown that infrastructure cost per allotment for **greenfield developments range from \$60,000 – \$90,000**, compared to **infill developments where infrastructure cost can range from as little as \$15,000 – \$45,000 per allotment.**

These statistics are backed up by a recent report from the University of Ottawa, which outlines the hidden costs of suburban sprawl that will cost cities and its taxpayers much more than the revenue and income it produces.

The study found that while suburban mortgages might look cheaper than inner-city ones, they bring about extra hidden costs for government and taxpayers in out-years due to the need for additional infrastructure such as roads, public transport, street lighting, recreation facilities, garbage collection, policing, fire stations and community buildings such as libraries and medical centres. It seems cheap now because a huge burden of taxation is imposed in the future.

These reports **do not mean that everyone has to live in higher density options** in the city centre, but rather that state and local governments need to continue to provide opportunities for denser, healthier and more liveable urban projects through greater infill opportunities and renewal of existing suburbs.



Source: Adapted from *Urban Infill vs Greenfield Development*, infraPlan, December 2013

Note: Infrastructure costs vary widely across the metropolitan area depending on their location, area specific factors and capacity of significant infrastructure items (roads, sewerage processing, sub-stations etc). The analysis is based on current case studies in the Greater Adelaide Metropolitan area and a benchmarking against other Australian cities. The solid lines represent ranges of greater certainty based on data. The broken lines are indicative based on estimates and available information.

What have we done so far?

Structure Planning and Rezoning

A comprehensive structure planning and rezoning program, led by the Department of Planning, Transport and Infrastructure, in collaboration with councils, has provided the framework necessary to guide the rezoning of land in the inner and middle rim suburbs as well as the fringe that has occurred over the last four years.

Importantly this government will not rezone major greenfield areas without appropriate infrastructure deeds being in place.

This includes the rezonings at Playford North, Angle Vale and Virginia, which has resulted in one of the most significant land releases on the fringe since the 1970s. The government has planned for growth in these areas as they provide a logical extension to the **existing** urban boundary, can capitalise on existing infrastructure capacity, and **minimised encroachment** into **existing** agricultural and tourism areas.

Re-zoning of employment land at Greater Edinburgh Parks is also proposed to support jobs growth near these newly developing areas.

These rezoned areas are underpinned by legal infrastructure agreements that commit the developer (or land owner), local councils and the state government to the provision of timely infrastructure to support new communities, with no burden on the taxpayer.

Significant rezonings have also recently occurred in key renewal sites, with infrastructure capacity such as Bowden, Tonsley, Woodville, West Lakes, Magill as well as significant planning reforms in the city and key corridors in the inner rim. Based on conservative estimates we currently have **well in excess of 30 years of land available for infill development.**

Integrated Transport and Land Use Plan

The state government in consultation with planning and transport industries and interest groups has drafted the State's first *Integrated Transport and Land Use Plan*. The Plan identifies new ways of connecting people to the places they want to be – from the weekday commute, to weekend sports matches, shopping, entertainment and time with friends and family.

The Plan provides for greater travel choices, including an extensive tram network and inter-connected cycling and walking networks that support more people living and working within the CBD and inner rim. It also provides for a road network and electrified rail system that encourages connected communities that are vibrant, safe, affordable, sustainable and prosperous.

The *Integrated Transport and Land Use Plan*, when read with *The 30-Year Plan for Greater Adelaide*, and the *Strategic Infrastructure Plan for South Australia* provides a comprehensive and integrated plan for land use, infrastructure and transport for the coming 30 years.



