The divide between the ‘haves’ and the ‘have nots’ is ever more entrenched in Australian cities, with lower income households consigned to live in poor, low density, new outer suburbs. Professor Michael Buxton says the solution is to return to integrated and more regulated land use – but that time is running out.

Land use planning is a potentially powerful tool for increasing housing affordability. However, in Australia it remains largely unused for this purpose. The current deregulated planning systems in fact decrease affordability and increase spatial inequality. Everyone wants improved housing affordability but it remains an orphan.

Development companies and their lobby groups have developed the dominant affordability paradigm. Their spatial narrative has convinced governments through consistent lobbying, publicity and scare tactics. Simply put, this narrative is that housing affordability is directly related to outer urban land supply, that governments control the supply of land and any regulatory intervention to redirect or otherwise control demand and supply of land, or housing performance or type, will raise house-land costs. Governments therefore must make large areas available for housing on a continuing basis or suffer serious electoral implications.

Every element of this paradigm is false. Well targeted regulation can reduce land and house price and increase affordability. Some European countries have used land use regulation and economic policies to minimise differences between outer and inner urban land prices. Some key United States studies show that land use regulation, such as the use of urban growth boundaries (UGBs), does not increase land price where land is available in a wide number of locations such as greenfield and brownfield sites, or where policies achieved higher average land densities and varied house sizes and types. Some US cities have accompanied urban containment with proactive affordable housing policies such as inclusionary zoning and housing programs, and mandated increased minimum density targets. Similarly, the 2002 introduction of a Melbourne UGB could not have caused any increase in outer urban land price.

The costs of outer urban living
Infrastructure costs grow disproportionately as cities spread, adding considerably to land price. In Australia, although governments designate land for future urban use, a small number of developers control land release, generally restricting outer urban land supply and creating artificial scarcities. Land release, not the overall supply designated, is the major price determinant. Outer urban density and house types are critical elements in affordability and, again, these are controlled by development companies. A range of lot densities would lower average land price, force development companies to redesign housing types to match smaller lot sizes and reduce the cost of both land and housing. This approach would have other beneficial impacts, such as more efficient and cost effective infrastructure provision, better social and environmental outcomes, and higher densities concentrated within walking distance to public transport and services.

Average Australian outer urban house and lot sizes are the world’s largest, with little diversity apparent. There is now a major mismatch between average household size (2.6 people per household) and dwelling size (Australian homes now have the largest average floor size in the world, 245.3 square metres in 2008-09, with an average 3.1 bedrooms per dwelling). Again, because of a failure of government, development companies determine the prevailing pattern of urban design. This conventionally takes the form of large detached houses in single use subdivisions poorly served by public transport, kilometres from retail and other services, and long distances from employment. This has major implications for housing consumers.

Firstly, relatively large, uniform housing and land products cost more to buy. Secondly, the dominant urban form of Australian outer suburbs leads to high social and other costs to residents. Outer urban household operating costs are rising alarmingly. Home energy costs are significant and will increase substantially. For many people, transport costs in new car-based suburbs are the second highest household operating cost.

Development companies and their lobbyists constantly speak of housing affordability in terms of comparative price. They argue that average house-land packages in outer urban land areas costing almost half the price of a two-bedroom apartment and between one third and one sixth of a comparative housing product in the established city proves affordability. The dominant development model for Australian cities – outer urban sprawl and inner urban intensification – has led to dramatic price variability between outer suburbs and inner-middle ring suburbs. In the 1970s, and even into the 1980s in Melbourne, house/land prices between inner, middle ring and some outer urban areas were generally comparable. But no longer.

Some developers claim that building costs are responsible for high inner/middle ring apartment costs. Although partly true, deregulation is adding to higher prices and lower affordability also in the middle and inner ring suburbs. In particular, the lack of controls on density, height and building type is leading to unprecedented levels of inner and middle ring land speculation and higher developer costs which are passed onto consumers. Rising inner and outer urban land-dwelling prices and spatial price disparity, therefore, are being fuelled by exactly the same governance model.

**DEEPENING DISPARITIES**

Spatial characteristics powerfully reinforce social difference whenever deregulated statutory planning systems are left to determine urban form. Australian cities are increasingly being characterised by two city types as a result of the private sector determining the shape of cities, the type and scale of housing and other uses, the rate of development and ultimately the way cities function. Higher income, tertiary educated, professionally employed households are concentrated in service rich, higher density, inner and middle ring suburbs of Australian capital cities and selected outer urban areas, while lower income households without tertiary qualifications are concentrated primarily in service poor, low density, new outer suburban areas. A range of other public policy measures, such as taxation and incentive programs, have reinforced the disparities in wealth across different areas of cities.

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The former Victorian Labor Government’s metropolitan planning policy, Melbourne 2030, attempted to exercise a fundamental change to the operation of housing markets by reducing the proportion of outer urban housing from 38 per cent to 31 per cent. Eventually, the government intended to shift almost 50 per cent of the trend rate of outer urban housing to the established city, mainly to over 100 ‘activity centres’. But the government had no idea how to implement its plan. It expanded the urban growth boundary three times, contradicting the plan’s fundamental intent.

Its 2010 expansion of the designated urban area by 41,000 hectares was the result of panic principally by the Labor architect of deregulation, Premier John Brumby, and his advisers. They accepted the fiction of the developer narrative and returned to business-as-usual outer growth precisely at the time outer urban growth rates were starting to collapse in Melbourne. Outer growth has remained stagnant and, as a result, some large developers are finally beginning to include a range of smaller lot sizes and even new matching house types. This combination of higher densities and housing and lot diversity is precisely what was needed instead of further growth boundary expansion. It is starting to happen now – almost 20 years after the Kennett government removed the Cain government regulation for higher outer densities – because development companies finally would rather change their business model than go broke.

Victorian State government planning policy has been deliberately non-interventionist and vague. It contains pronouncements about housing affordability that no one in government intended to implement, such as ‘housing affordability will be improved by increasing choice in housing type, tenure and cost to meet the needs of households as they move through life cycle changes and to support diverse communities’.

The current metropolitan development model is rapidly making Melbourne dysfunctional. Lower income groups will finally be driven out of the inner city by rampant redevelopment which will destroy Melbourne’s best economic asset – its heritage of pre-1945 buildings. Many outer urban areas will become places of last resort beset by unaffordable living costs, traffic congestion, and poor access to employment, educational and other services. The solution is to return to integrated and more regulated land use, and social, economic and environmental planning. This is not a radical solution. The true radicals are those who have smashed the tradition of a strong government role aimed at achieving socially equitable and properly functioning cities and communities. There is still time to return to this model, but time is running out.

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NATIONAL PLANNING ‘CONSISTENCIES’

A remarkable consistency exists between Australian state deregulated planning systems, including an exclusion of broader social and environmental agendas, a narrow, short term approach to decision making, and the legislated transfer of power and control to the private sector.

At a national level, state and territory planning ministers in 2005 endorsed the Leading Practice model developed by the Development Assessment Forum which comprises representatives of governments, the development industry and professions. This model emphasised increased private sector involvement through self assessment of applications and planning scheme amendments, certification of compliance and decision making under delegation, substantial reductions in third party rights, and professional determination of applications through the use of codes.

States are progressively introducing these principles into planning systems.