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# Socially Inclusive Urban Renewal in Low Value Suburbs: A Synopsis of Issues and an Agenda for Action

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**Publication details:**
City Futures Research Centre Issues Paper No. 6

**Publication Date:**
2008

**DOI:**
https://doi.org/10.26190/unsworks/562

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Prof Bill Randolph

July 2008

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City Future Research Centre

Faculty of the Built Environment

University of New South Wales

Sydney NSW 2052

## CITY FUTURES RESEARCH CENTRE

City Futures is a University Research Centre dedicated to developing a better understanding of our cities, their people, the policies that manage their growth the issues they face, and the impacts they make on our environment and economy.

Based in the Faculty of the Built Environment, City Futures is interdisciplinary in outlook and activity. It draws on the skills and knowledge of those within the Faculty whose knowledge encompasses the physical and spatial aspects of urban living, as well as those in other Faculties in the University whose interests coincide with our focus on the city.

The core activity for City Futures is research. It offers a place where scholars can pursue research on aspects of urban development and change. But it also focuses outwards, engaging with the wider audience beyond the University. Wherever possible, City Futures works in partnership with the community, government and business to contribute to growing the evidence base on the issues that impacts on urban region sand how we can better manage their dynamic progress.

City Futures will also strongly focus on the training of the next generation of urban research scholars through an active postgraduate research program. We are committed to expanding the skills and capacity of young urban researchers and to communicating the value of good research to those involved in making policies that impact on the city.

Together with colleagues in other institutions who share our focus and passion, City Futures is committed to research and training that will contribute to better urban outcomes for Australia and beyond.

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# Socially Inclusive Urban Renewal in Low Value Suburbs: A Synopsis of Issues and an Agenda for Action

## 1.1 Introduction

***"Without significant public intervention and investment to share risk and pump prime market activity in order to reduce the renewal gap, urban renewal will fail to get off the ground I the lower value suburbs of our cities, and certainly not in a socially inclusive way"***

It's good that the penny has now dropped with all those concerned with driving the Sydney Metro Strategy forward that urban renewal, in all its guises, is the main game in town for the foreseeable future. Forget the Growth Centres – that will be child's play compared to the challenge of meeting dwelling targets in urban renewal areas.

The proposals in the Sydney Metro Strategy for 420,000 new higher density brownfield dwellings represent the most significant planned re-structuring Sydney will have faced in 100 years. Its impact will be long lasting and substantial – and the solution to Sydney's environmental sustainability will largely lie with the urban renewal of our older areas. This number does not include the numbers of existing homes that will need to be demolished to make way for this targeted new output. The actual target will be in excess of half a million new homes in existing areas.

But having made some heroic statements about the numbers needed to meet predicted housing demand for the next 25 years, the lack of any real strategic thinking in Sydney Metro as to how these might be delivered on the ground is beginning to be felt.

While development is problematic across the city at present, the real question is how renewal will happen west of Strathfield – in those lower value middle suburban town centres and suburbs in the Central West of Sydney. This is possibly *the* critical region for the Metro Strategy. Under the Strategy, around 100,000 new higher density homes will need to be delivered in the Central West of Sydney – Auburn, Paramatta, Bankstown, Canterbury, Fairfield, Holroyd. This will be the heart of the new Sydney in many ways, but it is also the region least capable of delivering good quality and inclusive higher density renewal out of all the Metro regions. Why? Because these are the areas of Sydney where some of the most intractable social and economic problems are concentrated. As a result, land and property values are at their Metropolitan lowest. And therein lies the rub.

With the possible exception of Parramatta and Sydney Olympic Park and one or two other locations, property values are currently too low to generate anything but the lowest quality higher density housing. Put simply, the gap in value between required outcomes and current market capacity in these areas is too large. The trick will be to find a mechanism of overcoming that value gap and stimulating good quality and sustainable renewal. *Most importantly, these are areas where public housing is not the dominant tenure: in fact, they are overwhelmingly privately owned*. While this paper is Sydney-centric in its focus,

these issues are relevant to many other comparable areas of other Australian cities. ***This is, therefore, a nationally relevant issue.***

No one in their right minds wants to get this wrong – certainly not the local communities or local councils who will have to pick up the social costs down the track. And I also suggest neither does the State planning authority, or the development industry.

## 1.2 What's the problem?

Let's rehearse some of the problems in these areas.

*First*, and foremost, the people here include some of the poorest in the City. And in relative terms, they are getting poorer – the latest Census confirms that. These middle suburban private housing markets are the places where Sydney's flexible low wage workforce lives. That's the basis of housing demand in the region.

*Second*, the quality of housing is among the poorest in Sydney – a mix of poor quality housing (think fibro) or, in the target town centres scheduled for higher density renewal, the outcome of forty years of knuckleheaded urban consolidation – street after street of 3-4 story gun-barrel walk-ups.

*Third*, 70% of the low value housing stock in these areas is rental and its relatively cheap. But this population has nowhere else to go. While many are on public housing waiting list, there is limited opportunity to house them there (and it's not located in these areas). Remove this rental stock through urban renewal and these households may face real housing problems, or they will have to stay in the area paying higher rents, with the resulting increase in unaffordability problems.

*Fourth*, contrary to the experience in the apartment market elsewhere in Sydney, and in contrast to the basic tenants of the Metro Strategy – that all we need are high density flats for all those childless households that will arrive in the next 20 years – between 40% and 50% of household in these flats have children. Accommodating families in the renewed stock is going to stretch the imagination of most developers.

*Fifthly*, while some of these town centres have good transport linkages, in practice, most of the jobs available to this population are either in local suburbs or dispersed throughout Western Sydney. Some may travel into Sydney for work, but the vast majority do not. There is no guarantee that higher density renewal will ever generate the increased demand for existing public transport infrastructure that is hoped for by the planners. Most will simply crowd onto already overcrowded suburban roads, especially for non-work trips.

Similarly, the basic social infrastructure deficit that this region has suffered for many years still persists. There is therefore an infrastructure deficit to make good even before the new higher density population is accommodated. We start well behind the eight ball as far as infrastructure is concerned. And low values means there is little in the kitty to provide for this.

*Sixthly*, large scale urban renewal is out of the question in most of these areas. With sub-divisions fixed years ago in the form of traditional suburban lots, sixty years of home ownership means land holding are highly fragmented. Putting sites together that might deliver good quality urban design outcomes is going to be hard, if not impossible, if left to the market. This was the failure of the past urban consolidation policies of blanket higher density zoning – the gun-barrel blocks are a legacy of these short sighted ad hoc approaches of the past. We don't need to, indeed, can't, repeat those problems.

And *finally*, strata titling has virtually robbed us of any effective means for clearing and rebuilding the exiting higher density areas that are slated for most redevelopment. And if we think strata reforms to allow a majority of owners to vote for termination will save the day, then just factor in the 30% of owners who are residents (as opposed to renters) and try to imagine how they will feel being pressured to move out of their homes, however inadequate, by owners corporations run by investors in league with developers. The potential for conflict is such that it will make 'Save our Suburbs' look like a vicar's tea party.

## 1.3 What can be done?

The Sydney Metropolitan Strategy is a radical plan. It plans to transform Sydney into a better balanced city with population, jobs and infrastructure more aligned, and to deliver sustainable outcomes well beyond the next generation. .

It therefore demands radical policies to assist in delivering this plan. Most importantly, for our low value middle suburbs, where 100,000 new dwellings will be needed in the next 25 years, the market is unlikely to deliver socially acceptable or sustainable outcomes at prevailing land values and within current planning frameworks without assistance.

I suggest we need an integrated approach that harnesses the market with innovative public interventions so far largely untested in the context of these predominantly private sector areas.

Firstly, we need to develop a much better understanding of the drivers of housing supply and demand in these areas. It is remarkable how little we know about why households come to live in these areas and what they seek in terms of long term housing options, or why investors invest in these poor quality homes, or what might be done to persuade them to invest in better and more affordable housing. Why? We've never asked them.

We therefore need a better knowledge of the processes reshaping these areas. We need to start to ask ourselves the question of what kinds of communities will be generated by renewal in these areas. We need to integrate a strategic understanding of the regional drivers of housing market change into local planning for these areas. All too often, local planning decisions are made within frameworks set by local government boundaries, but are driven by processes operating at a regional level. Local government planners have been slow to look beyond their own limited horizons to understand the process of change driving their local markets.

But secondly, to become pro-active in planning for a higher density future in the middle suburbs, we also need to address a number of interconnected issues. These include:

- The physical replacement and upgrading of private housing that is reaching the end of its life, without widespread displacement and loss of more affordable housing. Gentrification won't work anyway – there are not enough gentrifiers to go around in Sydney.

- The need for a more effective use of underutilized or redundant space, including densification of existing housing, but also poor quality commercial property.

- The problems caused by uncoordinated and incremental intensification of land uses in low amenity areas with land in multiple and fragmented ownership is the key issue facing many of these older middle suburbs. There is a need to devise mechanisms to address the issue of site assembly to allow more thoughtful and integrated renewal of fragmented residential areas with good urban design outcomes.

- We need to have a longer term mechanism to deal with strata title blocks in multiple ownership that need replacement or upgrading which does not simply rely on abandonment or the creation of a 'mini-slum' before the site can be renewed. This is likely to be a major long term issue for many areas of the middle suburbs of our cities.

- Programs for the improvement of local amenities and public open spaces are needed, such as streetscaping and enveloping schemes, especially in and around secondary retailing areas.

- The lack of incentives to make these areas attractive to upwardly mobile households – to encourage them to stay in the area to retain higher incomes and build a mixed community rather than move away to the fringe.

- The lack of appropriate agencies and the level of resources needed to implement integrated renewal programs in these areas and manage the process as well as hold onto the social assets generated.

- The failure to effectively integrate land use planning and social interventions to tackle the problems of urban disadvantage – concentrations of poverty and high levels of community stress.

- The lack of integrated economic regeneration strategies that can bring in new employment opportunities or link these areas more effectively into job-rich areas across the region.

## 1.4 What are the policy options?

What I am proposing is not a hands-off, *laisser faire* "let the market do its thing" approach. Quite the opposite.

The solutions for higher density urban renewal in low value suburbs will require much higher levels of intervention and active planning, working with both the market and the local community to deliver the kinds of outcomes that will result in positive change. Importantly, in order to address these issues and get renewal happening here we need to radically rethink our approach to planning and housing policy. The key issue will be how to stimulate *reinvestment* in lower value areas where ownership is fragmented and incentives for quality and affordable renewal are few.

Renewal in these areas is likely to be high risk, protracted, and will take place over a long time span. If we need private sector participation, how can the risk be shared and investment produce a return without producing poor quality outcomes? And what kind of development partners would be interested in doing the work? What kinds of incentives are required to bridge the '**renewal gap**' – the difference between current and required development returns?

Given that many households leave these areas for new or higher value housing options elsewhere, then there could be a local market for middle income housing which would help bind the community, slow the turnover of population, and improve the housing stock at the same time. It is only by arresting the exodus to the aspirational fringe suburbs that mixed income communities can be retained in these locations.

In order to achieve integrated renewal strategies we would need to link the development of new market priced *and* affordable housing options – through interventions to replace the poor quality housing stock or to assist landlords and home owners to reinvest or improve their properties – with active planning polices that target declining areas to encourage better quality housing and amenity improvements and that offer incentives for this kind of activity.

But who could deliver such a renewal program? Public housing authorities, community housing providers, local councils, the private sector, other agencies – or partnerships between all these actors? And what role should local government play – facilitators or active leaders? How would physical renewal be tied into the delivery of social and economic renewal initiatives? And who would fund it? Is this a purely government matter, or will the private sector, both for development skills and financial investment, play a role? The answer is, of course, a wide range of actors need to be involved.

But we urgently need to develop a range of innovative approaches to address these issues that bring the relevant skills and actors together. At the level of the renewal process itself, we need to reformulate a nexus of housing and planning policy initiatives to underpin a strategic approach. Then we need a range of agencies and consortia who will be tasked to plan, implement, fund, deliver and then manage outcomes long term.

I suggest that a range of key components would be needed to effectively launch integrated local solutions for higher density urban renewal in these areas.

*Firstly*, on the planning side, we need to develop integrated **Local Renewal Strategies** as part of the local planning process in areas targeted for renewal. These Strategies would link together both land use and social/economic interventions as part of an overall approach to tackling the integrated "whole of government" issues of poor housing, poor local amenity, poor social outcomes and poor access to jobs and services that characterize these areas. Models for this kind of community based social intervention already exist in several States.

*Secondly*, we need to explore the potential for **Local Renewal Masterplans**. Master planning is deemed appropriate for new suburbs and for the revitalization of older industrial areas and town centers. So why shouldn't councils develop integrated master plans to guide the redevelopment of declining residential areas, backed by appropriate planning tools?

Most importantly, local government needs to be much more proactive in determining the kinds of communities it wants to support and setting out a planning strategy to achieve this in the context of sub-regional plans and the Metro Strategy objectives. It should then invite the public, non-government or private sectors to offer options to achieve these outcomes.

Importantly, innovative planning frameworks will be needed that take us beyond simplistic zoning approaches prevalent in State planning systems. Local renewal strategies will need flexible planning frameworks, working to explore renewal potential of designated areas, able to set overall guidance for lot by lot renewal, working to identify opportunities for rezoning where appropriate. This will involve a level of planning intervention that local authorities have hitherto been unwilling or unable to take on. Again, there are now examples where such a more closely interventionist approach is being undertaken to put together renewal projects in several States.

But to implement these plans we need to go further. *Thirdly*, therefore, we need new forms of local agency to bring resources and actors together to achieve these preferred outcomes. Bureaucratic, top-down, state agencies are not well suited to deliver integrated and flexible local outcomes. Local government may lack the resources at present to take on the task. To fill the gap we should consider developing local non-profit **Urban Renewal Trusts** charged with bringing forward integrated plans for these areas, working across the private, public and non-profit sectors. Not PPPs on the current model, where private financial concerns dominate the structure and focus is on revenue, these would be non-profit, locally constituted and controlled, and arms-length from government, but suitably regulated and publicly accountable. They would act at the local level to deliver outcomes, working with local communities, government and the private sector to implement Renewal Masterplans over the long term. They would need appropriate powers to allow site assembly, and access to funding to build strategic land holdings to facilitate coordinated renewal in line with the local masterplan.

In Sydney, **Landcom** (and comparable agencies in other states) could be refocused to concentrate on the task of site assemble and delivery, with properties managed by local community housing providers in the interim to

provide short term but decent homes for many being displaced in the renewal process. Local council land holdings and other public lands, especially those from the Department of Housing, who have many fragmented property assets throughout these areas, could form a core land resource in each area. Compulsory land and property acquisition will be a pre-requisite for this. Site assembly and buying-out old and decaying strata blocks will need to be undertaken, and managed in an appropriate and sensitive manner. The kind of community consultation and involvement used in the Bonnyrigg estate renewal project provides a lead there. A model of inclusive acquisition could be used that involves current owners with the renewal scheme, giving them options to sell out up-front at fair valuation, or engage with the renewal itself for a fair share in the development uplift. Again, models of this exist in the Australian urban land system and could be drawn on.

But the problem of who would own the land and property long term needs to be addressed. It is not proposed that this land be appropriated, then parceled up and sold on to private developers. Instead, the land assets released for amalgamation and redevelopment should be held in perpetuity by a new form of social land ownership, modeled on the **Community Land Trust** concept, created and charged with stewardship of the land into the future, with appropriate long leasing arrangements to private and other interests to undertake agreed development within the master planned framework, but to ensure that the public interest in the land purchased is retained for future re-use. In this way, the social market would build up substantial assets across our urban areas, a store of asset wealth to leverage on into the future. In this way, we would build up a publically accountable asset base, comparable to what the church sector has done with the free land grants they were given by governments in earlier times.

*Fourthly*, the issue of resources will be critical. What funding arrangements would be needed to leverage both public and private funds into these kinds of areas? And how much public resourcing would we need? There will almost certainly need to be public investment, but the aim would be to work in partnership with private sector interests to bring about change.

Some form of **Local Renewal Investment Fund** will therefore need to be factored in to assist in leveraging other investment and, in effect, sharing the risk with the private and non-government sectors. Targeted at local infrastructure and local amenity upgrades, as well as long term land assembly, this is the critical key to achieving a coordinated approach to Local Renewal Masterplan delivery. The key for this nationally will be the creation of Federally funded scheme, as in other countries, but it would not be impossible to set up such a fund at State level.

How much would be needed? The potential need is, of course, significant and what is clear is that this requirement will not be insubstantial. But it could be seen in terms of a long term “Future Fund”, possibly with an ethical investment rationale, for urban renewal purposes. Importantly, two kinds of funding might be needed. First, a short term development fund, used to build land holdings over the period of the renewal process, but recyclable as development takes place either back to government or reinvested into succeeding stages of the development. The second would be long term funds to provide a subsidy structure for both the affordable housing component and to underwrite the land

acquisition process to allow the build-up of the long term social asset base of the new Community Land Trusts.

As part of this process, a key component would be a properly funded and supported **Affordable Housing Initiative**, working with the private sector to support redevelopment, in effect, underwriting a proportion, say, 25%, of the new stock to re-house those displaced in good standard housing for either rent or low cost sale. The new **National Rental Affordability Scheme** and **Housing Affordability Fund** offer opportunities here, suitably modified and targeted. In this way, affordable housing can be retained and the risk of development is shared with the private sector. Local Environmental Plans would need to be revised to allow such approaches, with *social inclusion* a key principle embedded in local planning frameworks.

The point is, without significant public intervention and investment to share risk and pump prime market activity in order to reduce the renewal gap, urban renewal will fail to get off the ground in the lower value suburbs of our cities, and certainly not in a socially inclusive way. The possibility is that these suburbs will continue a spiral into social and economic decline with the attendant longer term negative social outcomes that are already beginning to be evident. With our larger public housing estates now facing concerted renewal and dispersal programs, the new urban underclass will find itself increasingly corralled into poor quality private housing markets in our older suburban areas.

We have a chance to both head off this social crisis and also to deliver socially sustainable housing outcomes that can meet strategic planning targets. It is time to work out these solutions and get the structures in place to deliver.