AHURI Research & Policy Bulletin

Planning and the characteristics of housing supply in Melbourne

TO ACHIEVE THE GOALS OF STRATEGIC PLANNING ON DENSITY, THE MIX OF NEW DWELLINGS, LOCATION AND IMPROVING HOUSING SUPPLY, STRATEGIC PLANNING AND PLANNING POLICY REQUIRE INCENTIVES AND REGULATORY CHANGES.

KEY POINTS

- Victoria Planning Provisions (VPPs) were introduced to standardise planning across the metropolitan area but the time taken to develop vacant land varies significantly between municipal areas and the VPPs did not necessarily streamline planning approvals.

- The objectives of the Melbourne metropolitan strategy *Melbourne 2030*—to increase residential densities, provide a greater mix of housing types, and locate a greater proportion of housing closer to jobs, activity centres and public transport—have not been fully realised.

- Houses have on average become larger, with an increase in median floor space of 25 per cent between 1990 and 2007. This trend has been most noticeable in the growth areas nominated for *Melbourne 2030*. Median dwelling sizes in all areas have increased, with the exception of the inner area, where median floor spaces have decreased by 24 per cent.

- While there has been an increase in higher density forms of housing, this has primarily been in the inner suburbs and not in the growth areas.

- The amount of new housing constructed within one kilometre of a principal or major activity centre or a train station did not

*This bulletin is based on research by **Associate Professor Robin Goodman, Ms Elizabeth Taylor** and **Professor Gavin Wood** of the AHURI RMIT Research Centre, **Professor Michael Buxton** of the RMIT School of Global Studies, Social Science & Planning and **Associate Professor Prem Chhetri** of the RMIT School of Business, IT and Logistics. The research examined the relationship between planning policy and the density and location of housing supply in Melbourne.*

AHURi
Australian Housing
and Urban Research Institute

increase following the introduction of *Melbourne 2030*.

- Developers are risk averse and it is their perception of market demand which is the primary influence on location and housing form, rather than government planning policies.

CONTEXT

The Victoria Planning Provisions (VPPs), introduced in 1996, brought in a range of standardised state-wide provisions aimed at increasing efficiency and reducing variation in regulation between municipalities. In particular, it was hoped that by standardising provisions, it would make planning processing times quicker.

The major metropolitan strategic plan, *Melbourne 2030: Planning for sustainable growth*, introduced in October 2002, sought to increase residential densities, provide a greater mix of housing types, and locate a greater proportion of housing closer to jobs, activity centres and public transport. It introduced a hierarchy of designated activity centres as appropriate locations for further development and imposed an Urban Growth Boundary (UGB) to limit outward expansion.

This research examines the efficacy of both the VPPs and *Melbourne 2030* in achieving these goals.

RESEARCH METHOD

This project used quantitative and qualitative approaches to determine the impact of planning policy on housing supply. For the quantitative analysis, a number of different databases at the level of individual properties and transactions were integrated including property valuations, property sales records, and VicMap spatial reference data. The merged database was used to identify the characteristics of housing constructed between 1990 and 2008 in Melbourne.

Much of the data was analysed according to area, with the metropolitan area divided into four distinct regions, based on local government areas (LGAs);

inner suburban, middle suburban, outer suburbs not designated growth areas, and outer growth areas as defined by the metropolitan strategy. Logistic regression techniques were also used to analyse the impact of planning regime controlling for a range of factors.

The qualitative research involved nine detailed semi-structured interviews with key leaders from private development corporations, local government planning departments and state planning authorities.

KEY FINDINGS

How did the VPPs affect development?

The VPPs were introduced in 1990 to standardise strategic planning powers and streamline residential development to decrease variation between municipalities. Contrary to these expectations, the analysis suggests that after 1990 there was a slower pace of development (the proportion of lots developed within two years dropped) and in fact a *greater* variation in the time lapse between sale and building between municipalities. The research found that VPPs did not diminish municipal variation in the time taken to develop vacant land and that other factors play a part.

How has the Melbourne 2030 plan affected residential development?

The Victorian Government introduced *Melbourne 2030* in 2002 to improve outcomes across a range of criteria, including diversifying the range of housing types and sizes and ensuring that development was located in areas well serviced by transport and other amenities.

1. Housing size and type

Melbourne 2030 sought to decrease the average lot size of new housing to improve efficient use of land and sustainability outcomes and also encourage a diversity of housing types to meet the diverse needs of the population. However, the outcomes have been mixed:

- A decline of 14 per cent in median lot sizes in the

growth areas, down from 661 square metres in 1990 to 572 square metres in 2007.

- A clear trend in the growth in the median floor size of new housing with an increase in median floor space of 25 per cent, from 132 square metres in 1990 to 165 square metres in 2007. Growth areas have the largest median floor space with the vast majority (over 90%) having three or more bedrooms. The exception to this increase in dwelling size is in the inner suburbs where median floor spaces have shrunk by 24 per cent.

- An increase in attached and other higher density forms of housing. However, this has not occurred across all sections of the metropolitan area. In the growth areas, detached housing makes up around 90 per cent of new houses built. By contrast, detached housing has been in the minority of new houses built in the inner suburbs.

Interviews with planners, government and industry representatives suggested that developers determine housing form according to their understanding of market preferences rather than government planning policy. Developers are likely to be conservative and risk averse rather than innovative in the range of housing forms they offer. The tendency for new housing to match existing types of housing in each region is consistent with this evidence.

2. Location of building activity

An intention of *Melbourne 2030* was that developers would locate new residential development in particular areas close to public transport in order to maximise sustainability outcomes.

- The proportion of new housing constructed within one kilometre of a principal or major activity centre did not increase and the likelihood of development in these areas is almost half that in areas which are more than three kilometres from an activity centre.

- Similarly, there was no increase in the proportion of new housing constructed in proximity to public transport. The percentage of houses built within one kilometre of a train station has declined since 1997.

What are the issues with the planning system?

The quantitative evidence suggests that changes to both the statutory planning system and strategic planning policy have had only a limited impact on built form outcomes. Interviews with planners and industry representatives suggest:

- *Poor implementation*: Planners were aware of their limited ability to implement strategic policy and bring about changes considered desirable, such as increasing the range of housing types and sizes available. Planners identified the vague and general language used in planning policy and regulatory instruments as problematic.

- *Lack of targeted investment*: One interviewee indicated that *Melbourne 2030* was 'policy alone without targeted investment to back it up'. The lack of government investment in transport infrastructure made it more difficult to locate new housing near train stations in growth areas, as they were 'few and far between'.

- *Lack of coordination*: Planners complained of a lack of coordination and contradictory requirements when dealing with different agencies within the state government.

Where the system was effective, there was a clear financial incentive mechanism put in place. For example, some expressed a view that charges on development altered the form of housing, and one planner linked the decrease in lot sizes that were observed to the charges developers are obliged to pay.

Planners generally believed that the introduction of the UGB had not unduly affected land price. The most common explanation for land price rises was not a lack of land supply brought about by the UGB, but the control by a relatively few development companies of most land inside the UGB.

AHURI Research & Policy Bulletin

POLICY IMPLICATIONS

Planning interventions are effective if: they are enforced, they have credibility with those affected, and if all agencies affected are working in concert.

Strategic planning policies require system-wide approaches to target infrastructure development and more specific planning policies to facilitate land supply to designated areas, activity centres and public transport nodes. Previous AHURI research (Gurran et al 2008) supports this research finding that a range of initiatives are needed to support these outcomes: urban renewal authorities, strategic transport, land development, and mechanisms for incentives and penalties such as planning bonuses or concessions on development standards, inclusionary zoning and faster approvals for preferred development.

Housing affordability is compromised by the increasing house size and lack of diversity of house types being constructed in the growth areas. This might be addressed through graduated planning standards, planning bonuses or concessions on development standards for designated affordable housing and fast track approvals.

Demonstration projects show how varied house types, styles and price points could be attractive to the market and therefore saleable for developers.

FURTHER INFORMATION

This bulletin is based on AHURI project 30590, *Planning and the characteristics of housing supply in Melbourne*.

Gurran, N, Milligan, V, Bugg, L, Baker, D (2008) *International practice in planning for affordable housing.*

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

ahuri.edu.au

AHURi
Australian Housing
and Urban Research Institute