SHELTER
NEW SOUTH WALES

Land supply and housing affordability in Sydney – a background paper

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Any opinions expressed in this briefing paper are those of the author and do not necessarily reflect the views of the board of directors of Shelter New South Wales.

The purpose of this briefing paper is to present information, so that Shelter's constituencies can better access public policy debates.

Contents

THERE HAS BEEN MUCH PUBLIC DEBATE about the relation of land supply to housing affordability in Sydney, especially following the 2003 state election. This debate was heightened by the 2003 state budget, which relied on stamp duty on home purchase as a key source of revenue independent of the Commonwealth, and by the June quarter 2003 issue of the Housing Industry Association – Commonwealth Bank *Housing Report*, which reported a 6.5% drop in housing affordability in Sydney and 9.6% in the rest of New South Wales.

In this period the federal Labor leader, Simon Crean, withdrew his party's support for a new international airport at Badgerys Creek. Kitney (2003) argued that the absence of any suitable location for a new airport in the Sydney basin was part of wide and growing crisis around land supply, housing affordability, failing public infrastructure, and environmental dangers. Also in this period, media reports commented on the over-use of water and electricity supplies by the city's residents. To top it off, the federal government referred the availability and affordability of home ownership to first home buyers to the Productivity Commission for inquiry.[1]

There are a number of reasons for the high cost of home purchase in Sydney, and the supply of raw land is *one* of them – the city has some 'natural' limits because of geography and topography, and is desirable for a number of social and economic reasons. Typical market laws of demand and supply suggest a direct causality between land availability and price inflation.

Land is one of the factors of production for housing.[2] Raw (undeveloped) land can contribute between about 10% and 22% of production cost. (See *Table 1: Indicative costs of production at the Sydney urban fringe*[3], and *Table 2: Residential land costs ($ per lot): an illustration from Blacktown, 2002*). Land costs are the most volatile cost element over the life cycle of the dwelling (Cardew, Parnell and Randolph 2000).

[1] The inquiry's terms of reference require the Commission to:

- identify and analyse all components of the cost and price of housing, including new and existing housing for those endeavouring to become first home owners;
- identify mechanisms to improve the efficiency of the supply of housing and associated infrastructure; and
- identify any impediments to first home ownership, and assess the feasibility and implications of reducing or removing such impediments.

The reference requires the Commission to give particular attention to the following matters (among others) as they affect the cost and availability of residential land and housing in both metropolitan and rural areas: the identification, release and development of land and the provision of basic related infrastructure; and the efficiency, structure and role of the land development industry and its relationship with the dwelling construction industry and how this may be affected by government regulations.

[2] Cardew, Parnell and Randolph (2000, p.18) distinguish undeveloped, or raw, land from developed, or serviced, land: the latter includes physical services, which might form a substantial part of the market price. Raw land might be zoned, zoned and not released, or zoned and released.

[3] The authors of this table advise that comparison is indicative only as costs vary between developers, land parcels, and differences in costs structures between land developers and builders operating separately, and a builder also undertaking land development (Cardew, Parnell and Randolph 2000, p.18).

Table 1: Indicative costs of production at the Sydney urban fringe

	Detached dwelling, 500 square meters, 12 dph gross	Detached/attached dwelling, small lot, 15 dph gross	Multi-story unit, 25 dph gross
Land:			
Raw land	37,500	30,000	18,000
Professional fees	2,000	2,000	2,000
Development	37,000	31,000	18,000
Finance	4,500	5,000	7,000
Project management	2,000	2,000	2,000
Building:			
First 100 m^2	60,000	60,000	80,000
Finance	1,400	1,600	4,000
Sales and marketing	14,000	12,000	15,000
Profit	15,000	14,000	18,000
Total	173,400	157,600	164,000

Source: Adapted from Cardew, Parnell and Randolph (2000, p.19).

Table 2: Residential land costs ($ per lot): an illustration from Blacktown, 2002

	Amount ($)	Percentage of land cost (%)
Acquisition (raw land)	73,700	46
Direct servicing	25,250	16
External and indirect authority requirements	2,000	1
Government taxes and charges	31,750	20
Financial and management	18,800	12
Selling costs	7,880	5
Total development costs	159,380	100
Net selling price	191,256	
GST	11,795	
		Percentage of package (%)
Gross land price	203,051	60
House price	135,000	40
House and land package	338,051	100

Source: ACIL Consulting (2002, p.8). Note: The authors use what they describe as a 'typical home' for this table. They use the 'Owen' built by New Harvest Homes; it has a total area of 177.8m^2, 4 bedrooms, 2 bathrooms, a family room and an integrated double garage.

The land development industry uses an aggregate concept of 'land' when complaining about the cost of land, i.e. the cost of developed land with relevant government charges; so, in the example in Table 2, the cost of raw land is only 46% of total land cost. That is why so much of their campaign is focussed on government taxes (ACIL Consulting 2002; Housing Industry Association 2003).

Cardew, Parnell and Randolph (2000) refer to a 1999 study done by Spiller Gibbins Swan for the former NSW Department of Urban Affairs and Planning, which found *no fault* with the conventional hypothesis that a greater supply of land would lead to lower prices, but found *insufficient empirical evidence to base a policy conclusion*. Land prices could be affected by diverse factors such as whether developers amass land banks, whether the land has been planned and serviced, the rate of return expected by volume land developers, the mix of developer types, the sizes of land parcels, the extent of competition in the market and barriers to market entry, and the stage of the property cycle. Cardew, Parnell and Randolph concluded that there did not appear to be an immediate problem of land supply *overall*, because there were still quantities of surplus government land and obsolescent industrial land awaiting release within the urban area, and the middle suburbs had yet to be explored comprehensively for development opportunities.

Way back in 1991 the National Housing Strategy, in an issues paper on the efficient supply of affordable land and housing, identified a number of questions about whether housing development on the urban fringe would represent an efficient use of the available land. The matters it suggested were important to consider were (National Housing Strategy 1991, pp.19-20):

- *specific user costs*, i.e. the cost of developing and providing resources to such land causing undue increases in the purchase price of dwellings, especially detached dwellings on large blocks;
- *social opportunity costs*, i.e. the loss of alternative benefits to society arising from the use of the land for non-residential purposes, such as parks, nature reserves, industrial estates, market gardens or farmland;
- *infrastructure costs*, i.e. the pressures on scarce public funds of having to provide billions of dollars worth of infrastructure to such residential land, including the diseconomies of scale arising from low-density development;
- *environmental costs*, in particular, air pollution arising from excessive private motor vehicle use in travelling across the urban sprawl, and water pollution caused by run-off into rivers and water-supply catchment areas.

The current situation in Sydney

Problems with land supply and housing affordability are particularly acute in Sydney because of a number of factors.

- The city already covers an extensive land area and has some natural geographic barriers and environmental barriers (e.g. ocean winds carry CBD smog to outer areas); opportunities for developing infill sites in current built-up locations are running out, and release of land for new urban development (greenfield sites) presents a number of environmental, social and economic problems.
- The costs of physical infrastructure to service any new urban development in new *land releases areas* are high.[4]
- The city's population is growing (especially from immigration – immigrants from overseas comprise 80% of the 50,000 annual increase in Sydney's population), and the city is divided along class/socio-economic lines (with such divisions overlaid by ethnicity); in addition, average household size is declining.

Some 56,000 people settle in Sydney each year. Evan Jones, Planning NSW's director of Sydney strategy, said: 'Sydney is facing a significant growth issue. That

[4] A release area is land that is not currently zoned for residential or other urban purposes but which the state planning agency has designated for this purpose after provision of necessary physical infrastructure and rezoning by the local government council.

is what is driving these sorts of programs.' Sydney's growth has far outstripped expectations and a population of 4.15 million, once expected by 2021, is now forecast for 2010. (Nicholls 2003)

The mega-metro region (conurbation) of Sydney houses 25% of Australia's people. The major component of its growth is in the form of continuing suburbanization and an extension of urbanised area into peri-urban regions (the hinterlands, more than 60 km from the city center).[5] While population growth rates in the city core (focused on the Sydney CBD) increased in the 1990s, rates of population growth in the inner- and middle-ring suburbs are still below those in the outer suburbs.

Table 3: Annual average rates of population growth (%) in Sydney, 1994–1995

Core	Inner	Middle	Outer	Fringe	All zones
1.9	1.0	1.0	1.6	0.9	1.4

Source: Newton (2001), online at <http://ea.gov.au/soe/2001/settlements/settlements02-2a.html>.

Analysts have now identified the attraction of certain outer-ring suburbs in western Sydney to wealthier (and mainly Anglo–Celtic-Australian) 'aspirational' residents (Gleeson and Randolph 2001, 2002; Randolph 2002; Randolph and Holloway 2003; Healy and Birrell 2003).

The major development sites in inner- and middle-ring suburbs will be developed for housing within 7-10 years. See *Table 4: Housing development sites (Sydney)*, on page 5.

Median selling prices for houses have been rapidly increasing since a price slump in September 2000. See *Figure 1: Trends in median sales price for all dwellings, Sydney, 1999–2002*, on page 6. Prices are noticeably higher in inner-ring suburbs of Sydney than in middle- and outer-ring suburbs or in the rest of the greater metropolitan area (Wollongong, Newcastle, and Lake Macquarie). See *Figure 2: Median prices ($'000s) for strata dwellings, greater metropolitan region of New South Wales, 1999–2002*, on page 6.

[5] Bunker and Holloway (2001) give a neat division of the rural–urban fringe of Sydney into:

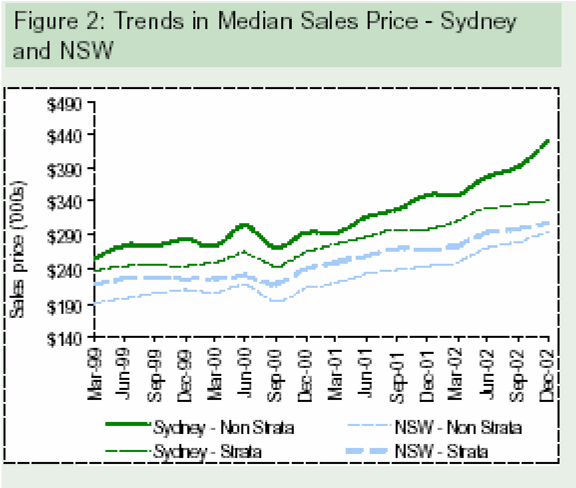
- a periphery, comprising the local government areas of Wyong, Gosford, Hawkesbury, Blue Mountains, and Wollondilly; and
- the inner edge of the fringe, comprising the local government areas of Baulkham Hills, Blacktown, Camden, Campbelltown, Fairfield, Hornsby, Liverpool, Penrith and Sutherland.

Table 4: Housing development sites (Sydney)

Location	Number of dwellings	Timeframe
Infill		
Breakfast Point	940 units and villas	
Chatswood station	1,000 units	
Ermington naval stores	700 units and villas	
Green Square and South Sydney	11,500 units	By 2013
Holroyd	4,130 units and houses	
Hurstville	3,111 units	
Liverpool CBD/Oasis development	2,500	500 in next 5 years
Mascot station	500 units	
Meadowbank	900 units	
North Arncliffe	2,000 units	By 2013
Parramatta CBD	1,400 units	
Prince Henry Hospital site	900 houses and units	
Pyrmont	2,000 units	By 2008
Randwick army land	660 houses	
Redfern/Darlington	1,150 units	
Newington (Olympic Park)	1,300 units	
St Leonards station	800 units	
Sydney – southern CBD	5,000 units	By 2008
Rhodes	4,000	1,845 by 2008; rest 2013
New release		
Baulkham Hills (Balmoral Road)	4,000 lots	Late 2004-2005
Blacktown (Second Ponds Creek)	5,500	2004
Camden – Elderslie	2,000 lots	2004-2005
Camden – Spring Farm	3,000 lots	2004-2005
Campbelltown – Glenfield Road	1,000 lots	2004
Campbelltown – Menangle Park	3,800 lots	2006
Liverpool – Hoxton Park	1,600 lots	Late 2003
Liverpool – Yarrunga	1,800 lots	2005 or later
St Marys – ADI site	6,900 lots	1,900 lots in 2004-2005; remainder in the future

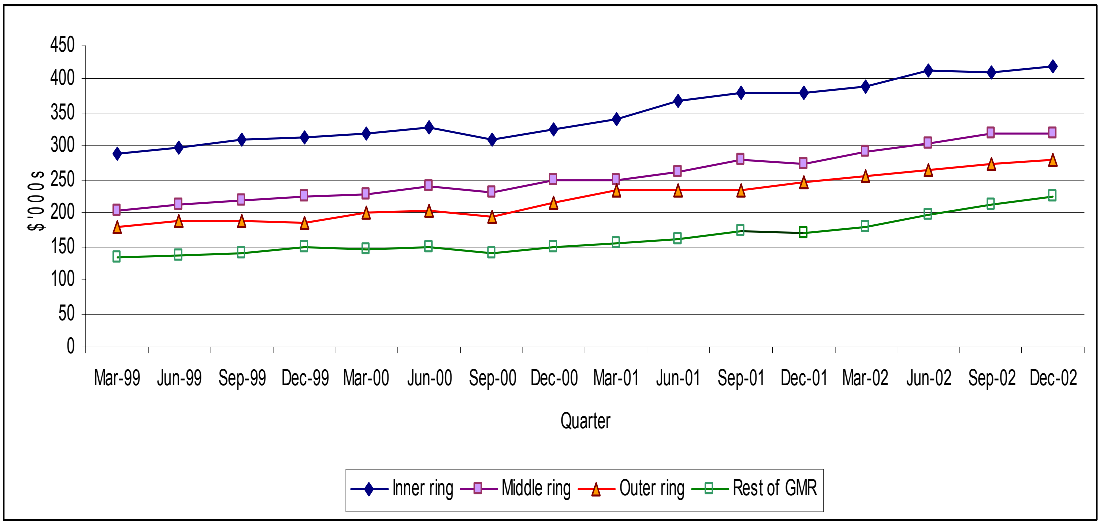
Source: Davies (2003a).

Figure 1: Trends in median sales price for all dwellings, Sydney, 1999–2002



Source: *Rent and Sales Report*, no.63.

Figure 2: Median prices ($'000s) for strata dwellings, greater metropolitan region of New South Wales, 1999–2002



Source: *Rent and Sales Reports*.

Land prices for dwellings in Sydney have – not unexpectedly – been rising in recent years, though not as dramatically as house prices. Table 5 gives data on increases in land values for a ‘typical’ site of residential land in Sydney, from 1996 to 2002.[6] Table 6 gives data on increases in land values for rural home sites in greater Sydney, from 1996 to 2002.

[6] Table 5 and Table 6 come from the website of Land and Property Information New South Wales (LPI), a business unit of the NSW Department of Lands, at <http://www.lpi.nsw.gov.au>. The site explains (at <http://www.lpi.nsw.gov.au/facts/realestatevalues.html>): ‘The value expressed in all instances is the Land Value of a typical property. The value is the actual value determined by the Valuer-General for a property considered to be typical of the category. In many of the localities listed there are a wide variety of land types, sizes and landforms. The selected property is considered to be representative for that locality and will indicate the market trend. It is emphasised that it is the market trends that are identified by the tables and not the values of specific properties at a given date. The tables for rural properties are now land value only and not the previous cleared, fenced and watered or ex. buildings valuation basis. The current series of tables starts from 1996. The typical property that has been selected is not necessarily the same as the previous property shown for that location in that table. Consequently, the values shown may differ from those in the previously published table. All tables include an indice that commences from the base year of 1996. The index for 1996 is 100 and subsequent years are indexed to the base year.’

Table 5: Representative land values for dwellings, Sydney metropolitan area, 1996–2002 ($)

Suburb	**Dimensions (meters)**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**% change**
AUBURN	12x40	124000	130000	162000	171000	188000	188000	218000	0.16
BALMAIN	5x19	166000	166000	174000	208000	208000	239000	300000	0.26
BANKSTOWN	15x46	152000	159000	182000	209000	229000	251000	288000	0.15
BELLEVUE HILL	15x40	661000	1050000	1125000	975000	875000	900000	1025000	0.14
BELROSE	27x38	219000	238000	261000	261000	274000	315000	346000	0.1
BLAXLAND	19x44	80000	96000	109000	131000	157000	157000	188000	0.2
BONDI	15x50	361000	541000	570000	580000	540000	570000	660000	0.16
BURWOOD	15x50	302000	377000	452000	474000	497000	521000	599000	0.15
CAMPBELLTOWN	17x33	66600	66600	66600	79900	83800	85000	127000	0.49
CAMPSIE	12x40	158000	173000	198000	227000	238000	249000	286000	0.15
CARLINGFORD	18x34	160000	168000	210000	231000	277000	294000	340000	0.16
CASTLE HILL	22x41	166000	174000	208000	228000	250000	276000	335000	0.21
CHATSWOOD	15x50	314000	329000	368000	368000	404000	424000	466000	0.1
CHESTER HILL	15x48	110000	121000	139000	152000	159000	174000	208000	0.2
CRONULLA	14x40	302000	332000	365000	438000	481000	529000	597000	0.13
DRUMMOYNE	12x39	210000	252000	289000	332000	348000	382000	458000	0.2
EARLWOOD	15x50	258000	296000	355000	390000	409000	429000	514000	0.2
ENGADINE	27x29	126000	138000	158000	189000	207000	217000	260000	0.2
ERMINGTON	15x43	138000	165000	189000	207000	238000	238000	280000	0.18
ERSKINEVILLE	4x32	105000	178000	195000	195000	195000	215000	236000	0.1
GORDON	20x67	385000	404000	424000	453000	511000	562000	651000	0.16
GUILDFORD	12x49	86200	94800	109000	130000	162000	178000	196000	0.1
HORNSBY	12x43	156000	171000	220000	220000	231000	277000	318000	0.15
HURSTVILLE	12x40	174000	217000	249000	286000	300000	300000	345000	0.15
JANNALI	15x51	142000	156000	179000	214000	235000	246000	282000	0.15
KATOOMBA	20x50	50000	55000	60500	69500	79900	107000	128000	0.2

Suburb	Dimensions (meters)	1996	1997	1998	1999	2000	2001	2002	% change
LANE COVE	18x46	256000	281000	337000	353000	405000	425000	637000	0.5
LEICHHARDT	8x43	147000	157000	164000	180000	180000	207000	310000	0.5
LIVERPOOL	15x46	77500	79800	103000	110000	154000	140000	168000	0.2
MANLY	13x40	304000	349000	401000	481000	529000	581000	697000	0.2
MARRICKVILLE	12x28	110000	132000	151000	166000	182000	209000	271000	0.3
MASCOT	12x40	161000	189000	200000	216000	228000	250000	272000	0.09
MINCHINBURY	27x34	78600	86400	95000	114000	119000	130000	144000	0.11
MONA VALE	18x38	223000	245000	294000	323000	339000	372000	390000	0.05
MOSMAN	12x46	338000	348000	382000	416000	416000	457000	594000	0.3
PENNANT HILLS	18x54	162000	178000	220000	220000	231000	277000	332000	0.2
PENRITH	15x38	86200	86200	94800	94800	109000	119000	130000	0.09
PLUMPTON	19x32	60000	66000	75900	87200	104000	109000	120000	0.1
RANDWICK	10x30	288000	331000	370000	365000	330000	345000	390000	0.13
REDFERN	5x24	92400	138000	144000	158000	160000	160000	169000	0.06
REVESBY	15x33	155000	178000	204000	234000	234000	233000	267000	0.15
RICHMOND	15x36	64800	68000	68000	74800	82200	90400	113000	0.25
RYDE	16x43	151000	166000	207000	248000	272000	272000	330000	0.21
STRATHFIELD	16x46	404000	525000	630000	661000	694000	728000	837000	0.15
TAHMOOR	20x50	48400	53200	55800	69700	90600	99600	124000	0.24
ULTIMO	4x20	100000	160000	175000	175000	175000	165000	172500	0.05
WILEY PARK	15x43	155000	170000	187000	215000	225000	236000	271000	0.15
WINSTON HILLS	18x37	118000	135000	162000	170000	204000	204000	234000	0.15
Average		189104	226582	255738	274344	289336	310436	363809	
Variation from previous year			0.2	0.13	0.07	0.05	0.07	0.17	
Index (1996=100)		100	120	135	145	153	164	192	

Source: Land and Property Information NSW, website, <http://www.lpi.nsw.gov.au/facts/revtable1.html>, viewed 30 July 2003.

Table 6: Representative land values for rural home sites, Sydney metropolitan area, 1996–2002 ($)

Suburb	Hectares	1996	1997	1998	1999	2000	2001	2002	% change
BARGO	2	128000	128000	134000	154000	192000	220000	308000	0.4
BOX HILL	10.35	380000	456000	524000	628000	628000	670000	800000	0.19
CAMDEN	0.4	165000	174000	200000	234000	257000	245000	281000	0.15
CECIL PARK	2	256000	307000	399000	399000	518000	569000	569000	0
DENHAM COURT	1	222000	233000	302000	314000	351000	350000	402000	0.15
DURAL	2	445000	534000	614000	675000	675000	740000	850000	0.15
FREEMANS REACH	2.4	162000	162000	170000	195000	204000	204000	255000	0.25
FREEMANS REACH	11	275000	275000	283000	339000	339000	339000	406000	0.2
GALSTON	2	379000	435000	435000	522000	548000	657000	788000	0.2
GLENORIE	2	300000	360000	414000	455000	455000	500000	580000	0.16
LISAROW	1.3	199000	238000	249000	249000	298000	312000	327000	0.05
MORISSET	10.17	165000	165000	178000	208000	228000	300000	330000	0.1
ORCHARD HILLS	2	234000	234000	304000	364000	382000	382000	420000	0.1
ROSSMORE	2	249000	256000	307000	322000	418000	420000	546000	0.3
TERREY HILLS	1.4	570000	570000	638000	638000	669000	735000	882000	0.2
Average		275267	301800	343400	379733	410800	442867	516267	
Variation from previous year			0.1	0.14	0.11	0.08	0.08	0.17	
Index (1996=100)		100	110	125	138	149	161	188	

Source: Land and Property Information NSW, website, <http://www.lpi.nsw.gov.au/facts/revtable10.html>, viewed 30 July 2003.

Government interventions

The Government has a broad policy of containment, as it juggles environmental, economic and social issues in managing the city.

Its roles are:

- supplier – it enables land to be used for urban development through planning or zoning controls, and it imposes conditions on development and provides essential infrastructure (e.g. sewerage, roads) to enable development to happen – the agency that does this is the Department of Infrastructure, Planning and Natural Resources[7] – operationalization of rezoning and assessment of development applications is usually done by local government councils, within a framework of various state and local environmental planning instruments;[8]
- developer – it develops land – the agency that does this is Landcom.

Planning: policy

Planning frameworks for the various regions of the state are written up in documents usually called 'planning strategies'. These inform regional environmental plans (REPs) – statutory instruments which local governments must comply with when managing development in their area and which might also give the minister for planning certain specific authorities. The most recent planning strategy for the greater metropolitan region of Sydney, Newcastle, Wollongong and the Central Coast is *Shaping our cities* (1998). This was supplemented by a Metropolitan Development Program (foreshadowed in the planning strategy, and announced in December 2001) focusing on land release.

Shaping our cities is informed by a recognition that Sydney is growing at a pace that has negative environmental and social impacts: the strategy emphasizes sustainability. It sees 'urban sprawl' as a problem. One of the prongs of the strategy is around housing location and choice. It lists 5 objectives under these matters:

- A reliable supply of opportunities to construct housing, while gaining better social, environmental and transport infrastructure
- Reduced environmental impacts from urban expansion by increasing housing in inner- and middle-ring areas
- Opportunities for people to secure homes appropriate to their needs through greater variety and affordability schemes
- Reduced travel demand and greater equity by ensuring good access between homes, jobs and services
- Development of safe, pleasant places to live through good urban design, and provision of human services, infrastructure and facilities.

[7] Formerly Planning NSW, the Department of Urban Affairs and Planning, Department of Planning, Department of Environment and Planning, and Department of Planning and Environment.
[8] *Attachment 1: The land development process* gives an outline of the major elements of the land development process in urban areas in Australia.

The NSW government has a policy of seeking to have 70% of new dwellings within the existing boundaries of Sydney (i.e. current built up areas) and 30% of new dwellings built on the fringe (i.e. in areas not yet built over by homes, shops, factories, etc. – these areas might be rural farmland, forest, etc.). It also seeks to have 65% of new homes built in multiple-unit dwellings; the proportion was 54% in 1998 and 27% in 1978. While the number of higher density dwellings has increased at a higher rate than separate houses, separate dwellings remain more than 75% of stock. Sydney has the highest proportion of higher density housing than any other capital city (36% of all dwellings in the city, followed by Darwin with 30%).[9] The government wants the average gross density of new housing to be increased to at least 15 dwellings a hectare.

This 'urban consolidation' or 'compact city' policy has not gone down well in wealthier suburbs.[10]

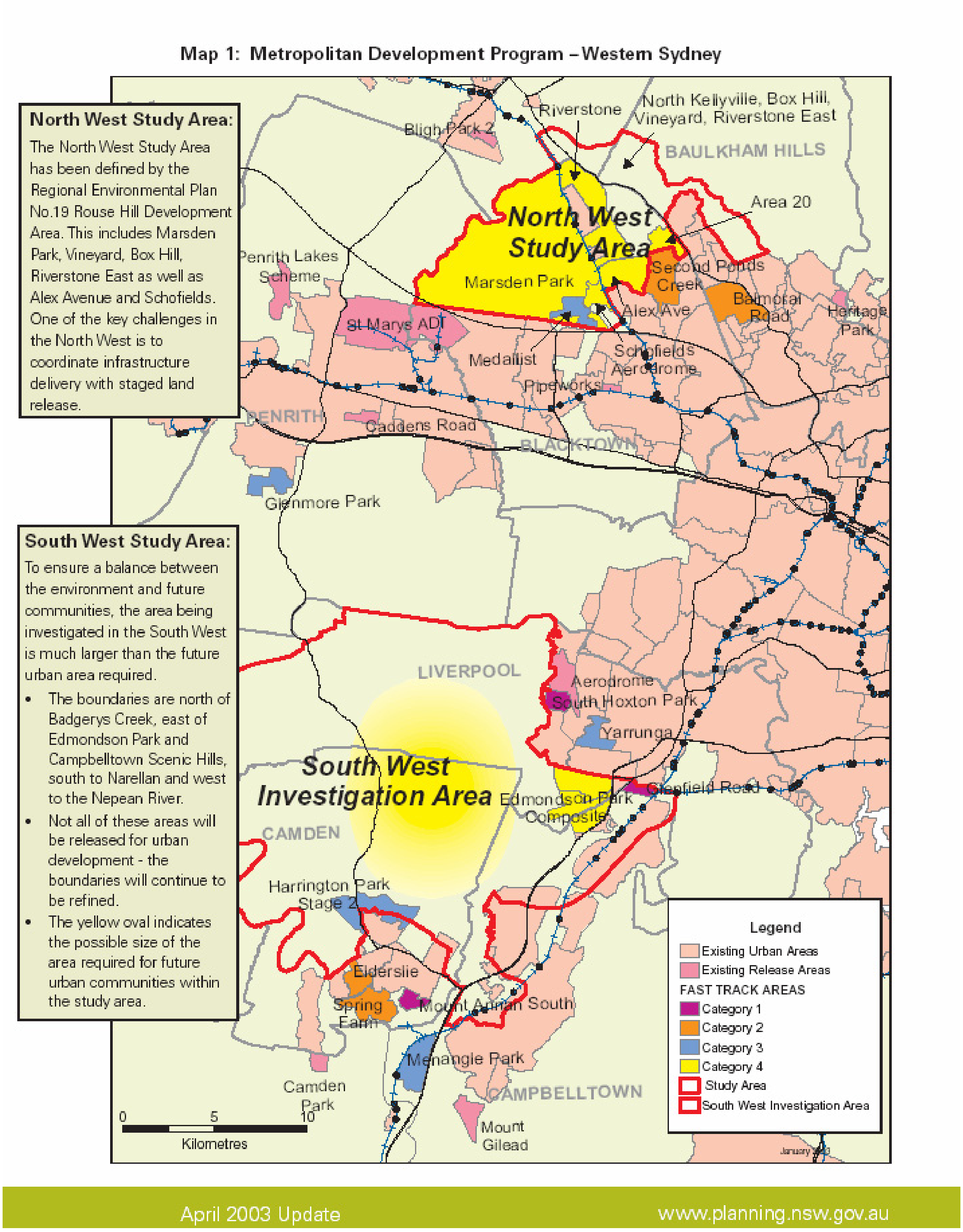
Shaping our cities is concerned that a policy focus on consolidation rather than expansion does not 'over-inflate' house prices. The government aimed to release 34,580 lots of land for new housing between the years 2002 and 2007. Land has to be clear-felled and have sewerage and drainage and roads installed before being sold to customers. The last major land release was at Rouse Hill, in the north-west of Sydney, in the late 1980s. The experience there led the government to undertake that land will be developed only of public transport is in place (Davies 2002).

The Metropolitan Development Program is the administrative vehicle through which the government is releasing and fast-tracking 'new land to house Sydney families' in the north-western suburbs (defined by the Rouse Hill REP) and south-western suburbs. Those areas are Second Ponds Creek, Balmoral Road and Riverstone in the north-west, and at Elderslie, Spring Farm, Harrington Park, Menangle Park and Edmondson Park in the south-west. As well, the government indicated it would study options for releases in Marsden Park and nearby suburbs (north-west) and Bringelly (south-west). (See *Map 1: Metropolitan Development Program study areas, Sydney*, on page 13.)

The minister for infrastructure, planning and natural resources, Craig Knowles, announced the preparation of a new metropolitan plan, in mid September (Davies 2003c).

[9] Newton (2001) notes that Australian cities have developed at low population densities. Sydney, with an average metropolitan density of 690 persons per square kilometer, is well below Asian cities such as Shanghai (6,600), Tokyo (12,900), Jakarta (14,000) and Seoul (17,500), and western cities such as Copenhagen (5,300), Montreal (5,800), Amsterdam (4,300), London (4,300) and New York (9,300).

[10] The key regulatory driver of this policy is State Environmental Planning Policy 53, 'Metropolitan Residential Development', gazetted on 26 September 1997.



Source: Planning NSW (2003).

Taxation

A key challenge for land release policy is how to address the other 5 objectives of *Shaping our cities*. This means ensuring there are roads, access to mass transit, sewerage and stormwater drains, and other social facilities that local governments might deem relevant under s.94 of the *Environmental Planning and Assessment Act 1979*.[11]

In the example of the 'McMansion' given in Table 2, taxes comprised 20% of the cost of developed land. Governments taxes on land- and housing-related transactions can be imposed to ensure that beneficiaries from those transactions contribute to general public demand for goods and services (as is the case with stamp duty on house sales, the revenue for which is used for general public services), or to cover specific government-sector costs associated with land- and estate development (such as local roads, public transport, or sewerage).

Where the costs of providing economic and social infrastructure are passed on to developers (and in turn, the housing consumer), the cost of housing in new areas is not cheap as otherwise it might be. The development industry prefers those costs to be met by the state (the taxpayer), rather than application of a beneficiary pays principle.[12] Gittins (2003) has argued that the ultimate beneficiaries of (government) giving up tax revenue would be the people selling house and land packages, not the consumers buying them. This is because any initial fall in price would be followed by higher demand which would push the prices up again.

Kirwan (1991, p.121) argued that if the price of serviced land was lower than it would be if full-cost recovery were in force, more land would be converted to urban use; that, is, urban sprawl would be encouraged. Using Kirwan's argument, the National Housing Strategy (1991, p.66) suggested that the efficiency of land-use practices and the process of residential land supply would be enhanced by *not* giving subsidies (to developers) for infrastructure provision.

A Ministerial inquiry into sustainable transport in New South Wales (the Parry Inquiry) in mid 2003 considered the scope for additional levies to be introduced with the revenue directly or indirectly obtained by the state government and specifically dedicated to *public transport funding*. There is (as at September 2003) an interim development contribution of $15,000 per lot on four new land releases in south-western Sydney, to raise money for public transport (p.64). The inquiry's interim report concluded that funding under a land value capture model is likely to be best suited to areas that are undeveloped or underdeveloped in a strong property

[11] This allows a consent authority to require a developer to dedicate land free of cost or pay a monetary contribution, or do both, where a development will or is likely to require the provision of or increase the demand for public amenities and public services within the area.
[12] The Productivity Commission's inquiry into costs of first-home ownership will investigate the efficiency and transparency of taxes, levies and charges imposed at all stages of the housing supply chain; the efficiency, structure and role of the land development industry and its relationship with the dwelling construction industry and how this might be affected by government regulations; and the effect of standards, specifications, approval and title requirements on costs and choice in new dwelling construction.

market, where it is possible to improve public transport accessibility, and that this might apply to a possible future rail link between Glenfield and Bringelly (p.69).

Fensham and Gleeson (2003) suggested that taxation on land in the form of 'betterment' ('value capture') should be a key means to fund demands on urban management, but that two different betterment tax regimes should apply – one to address infrastructure related to the development, collected by local governments, and one that addressed broader urban infrastructure, collected by the state government.[13]

They supported local government taxes that directly relate to private beneficiaries of the provision of infrastructure for a development, because those are a part of the price signal in the development process and so contribute to urban economic efficiency (Kirwan's argument).

> We think that the development use charge should be retained as a discrete financing instrument because it can act as an appropriate price 'signal'. In its absence there is a greater prospect that the broader community will effectively subsidise 'leapfrog' development (with the potential for 'dead running', or the under-utilisation of infrastructure capacity), or of development in environmentally sensitive areas with high servicing costs, or of infrastructure that is 'over-designed'. Internalising the cost of development infrastructure guards against over-development whose costs are borne by existing residents. (Fensham and Gleeson 2003, p.98)

In addition, they proposed a new land tax that would apply to a proportion (less than 100%) of 'unearned increment' of increases in land value and be payable on the *realised* value increment.[14] It would be different from local infrastructure charges because it would not be linked to an individual's anticipated or apparent use of infrastructure.[15] Its rationale would be to recover the value that regulation and major public investment confer on private land assets. It would apply across the city (that is, not just to fringe areas where local government betterment charges have been focussed). It would be used to finance district- and regional urban infrastructure (e.g. arterial roads, public transport, public hospitals) on a hypothecated basis.

They suggested that their proposal for a betterment tax that complements local infrastructure charges would discourage land price inflation, since the tax would be levied on the landowner, who would not be able to pass it on to home purchasers.

[13] Fensham and Gleeson (2003) define betterment as the capitalized value of urban externalities (amenity, access to services, etc.) and (unpriced) social infrastructure. Parry (2003) defines value capture as the monetary gains received within a market transaction from those who benefit indirectly.

[14] They suggested the taxable increment should be identified as the difference between the unimproved value of land at a nominated date (before the establishment of the system) and unimproved value at the time of sale, with the nominated date adjusted to the date of sale for properties where a betterment tax has been paid (Fensham and Gleeson 2003, p.108)

[15] Their proposal is an alternative to another approach, which would have the same effect, namely of declaring a 'betterment' or 'value capture' zone before the government invests in particular items of urban infrastructure, and taxing the capitalized value of urban infrastructure in that zone. Neither proposal requires the abolition of existing state government land taxes, which capture a portion of the capitalized value of access and amenity externalities, particularly in inner-city areas (Fensham and Gleeson 2003, p.107).

Planning: land release – St Marys

The Commonwealth government owns a site of 1,538 hectares at St Marys, bounded by the suburbs of St Marys, Werrington Downs, Willmot, Llandilo and Cranebrook. It is in the Blacktown and Penrith local government areas. The site had been used by Australian Defence Industries (ADI) for munitions-making. When ADI moved its operations to Victoria in 1990 the Commonwealth asked the state government to rezone the site, so that it could be redeveloped.[16] The developers are Delfin Lend Lease and the Commonwealth government's property development agency, ComLand – through its subsidiary, St Marys Land Limited Pty Ltd.

The development is controversial because of a range of environmental, economic and social factors.

The Australian Heritage Commission listed 800 hectares of the site in the Register of the National Estate in 1999.[17] This was because of its Aboriginal archeological and social significance, the presence of uncommon flora, and the presence of rare woodland. The Cumberland Plain Woodland and Castlereagh Woodland, when combined with the adjoining Llandilo Natural Area (also listed on the Register of the National Estate), constitute the largest remaining stand of these woodland types, and represents a significant portion of these woodlands still present, in western Sydney.[18] There are 110 bird species, along with 9 mammal, 10 reptile and 8 frog species and more than 40 species of jewel beetles. The fence around the site, which would be removed, protects the last free-roaming emus and eastern grey kangaroos in Sydney. The development will also involve the dumping of 2 million tonnes of fill into the South Creek flood plain.

The economic arguments center on maximal use of the Commonwealth's asset and associated employment opportunities during redevelopment and from commercial and industrial uses.

The social arguments center on supply of low-cost land for urban development. NSW premier, Bob Carr, for example, has claimed that the development is needed because immigration is causing a housing shortage. Yet Penrith City Council (which was opposed to the development, initially) had argued that there are alternative sites available for housing in the district.

Lend Lease and ComLand received approval from the State Government in 1993 to build an estate of 8,000 homes for 24,000 people, at a project cost of $2 billion.

The then NSW Department of Urban Affairs and Planning released a draft Sydney Regional Environmental Plan (SREP) for the site in late 1999. The draft SREP

[16] The government sold Australian Defence Industries Limited on 29 November 1999.
[17] The listing requires the Commonwealth government to avoid damage to this plant community unless there is no feasible or prudent alternative.
[18] Cumberland Plain Woodland is listed in both state and Commonwealth legislation as an endangered ecological community; only 6% of its original cover remains and less than 1% is protected in National Park and Wildlife Service reserves.

proposed the land be rezoned to allow for different types of development, in four zones:

- a regional park of about 630 hectares, to protect indigenous vegetation, conserve biodiversity and protect heritage sites;
- regional open space of about 48 hectares, to cater for sporting facilities, walkways and cycleways;
- housing estates on 730 hectares, in three villages providing for at least 8,000 dwellings, plus several schools, retail areas and community uses; and
- commercial uses on 98 hectares of land, including a business park and an extension of the Dunheved Industrial Estate.

The draft SREP proposed that land in the urban and employment zones be released for development in stages. Release areas would be declared by the Minister for Urban Affairs and Planning. The then minister for urban affairs, Andrew Refshauge, approved the plan: Sydney REP no.31, St Marys, was gazetted on 19 January 2001.

The site became a battle ground during the 2001 federal election, when environmentalists successfully made preservation of the site the focus of the campaign for the seat of Lindsay. The sitting Liberal MP, Jackie Kelly, was returned after trumping her Labor Party challenger by promising to save all heritage-listed land on the site. Her commitment added 250 hectares to the land already set aside for conservation (the ‘regional park’), bringing the total to almost 900 hectares. The developers then said they would build about 4,500–5,000 dwellings, rather than 8,000.

The assistant minister for infrastructure and planning, Diane Beamer, officially released 160 hectares at eastern precincts of the site for development on 16 June 2003.[19] This first stage includes the creation of 1,900 housing blocks and a business precinct, with a cost of $300 million. Three per cent of developed housing lots (57 dwellings) will be given to the government for affordable housing. The developers will contribute $7 million to establishing parkland and $4.5 million in the first stage for transport infrastructure. Bus transit ways will connect the site with the Mt Druitt industrial area and St Marys, with the option of extending a link to Penrith when further land is released. The first stage of the project should be completed in 4-5 years, with the other precincts to be developed by 2015 (O’Malley and O’Rourke 2003).

In making the announcement Beamer said, ‘We’re no longer going to put up with urban sprawl or dormitory suburbs.’ (cited in O’Malley and O’Rourke 2003) Premier Carr said the pressure to release land for housing followed from Commonwealth government immigration policies: ‘There is only one source of pressure when it comes to new housing, and that is pressure created by bureaucrats and politicians in Canberra who determine high immigration levels.’ (cited in O’Malley and O’Rourke 2003

[19] They are the Eastern, Dunheved North, and Dunheved South precincts.

Environmentalists condemned the announcement. The ADI Residents Action Group (2003) said that: 'The ADI Site is a magnificent public asset, public land which should be kept in public hands for the future.' The NSW Council of Social Service and Shelter NSW called on the developers and government to double the proportion of affordable housing units. They said that: '… neither NCOSS nor Shelter want to see an affluent enclave spring up on the border line with Mt Druitt and its suburbs, highlighting the growing inequalities of locations in Sydney.' (NCOSS and Shelter NSW 2003)

Draft precinct plans are expected to be submitted to Blacktown and Penrith councils by the end of 2003.

Planning: land release – Bringelly

The state's planning agency proposed urban development in the rural valley of Bringelly in 1989. The government announced plans for a 60,000 lot mini-city in South Creek Valley (including most of the Bringelly land release area), covering 17,000 ha. When scientific studies showed that valley was a sinkhole for pollution from the Sydney basin, the planning agency scaled the development back to 15,000 lots. The Carr government abandoned the proposal in 1995.

Bringelly presents environmental and social problems to urban development. Scientific studies found that valley in which the township was to be built is subject to higher than average levels of air pollution as a result of sea breezes pushing smog from central Sydney.

Just as the RTA cannot get a roadway out of its head, neither can the department of planning let go of a land release. In December 2001, the Government said it would investigate the release of about 30,000 greenfield housing lots in Bringelly. The Nature Conservation Council pointed out that the district presented environmental and social problems to urban development – there are endangered woodlands, and air pollution levels are high, and the mass transit networks are poor ((Nature Conservation Council 2001).

Nevertheless, Planning NSW (as the state's planning agency was then called) persisted with a release proposal. Consideration originally involved the release of 109,000 housing lots, 60,000 lots, 30,000 lots or fewer than 30,000 housing lots, with the planning agency favoring 109,000 lots. It floated a proposal for release of 100,000 housing lots, accommodating 300,000 people, on 28 April 2003 (Nicholls 2003). The agency now seems to favor at least 60,000 lots (*Sydney Morning Herald*, 31 March 2003); this number could end up as high as 70,000–90,000 (Davies 2003b).

The development is likely to target moderate-income earners. Prices for houses in outer-ring suburbs in south-western Sydney can be higher than house prices in middle-ring suburbs. Such areas are popular with two-parent families with children who want in three or four-bedroom houses on an average block size of 700 square meters. Bringelly is likely to be marketed to consumers with similar profiles. Consumer demand for large lots and houses does not, however, accord with the government's preference for smaller lots so as to lower infrastructure costs.

The planning agency is strongly committed to developing Bringelly. Gary Prattley, the executive director of metropolitan planning with Planning NSW, said there were no easy solutions for developing such areas. ‘If we are going to develop them, and I don’t think we have much option, then we also have to develop world’s best practice ... to make it work.’ (Nicholls 2003)

Supporters of development are using the infrastructure costs to support a larger scale development. But if there is to be a rail link into the valley, as promised by the government, then some of the costs could be passed on to consumers through a lot levy. The more residents there are the lower this would be. A report compiled by consultants Maunsell and the RTA suggests a levy of up to $115,000 per block would be needed to fund new rail and road infrastructure (see <http://www.udia-nsw.com.au/html/15820.stm>, but a levy of this size (likely to be passed on in house prices) would not be acceptable to the governing political party for electoral reasons.

The relevant local council, Camden, is opposed to development at Bringelly, on environmental grounds. The Western Sydney Regional Organization of Councils (WSROC 2003) nominated air quality and the associated impacts on health as one of the most significant environmental concerns with development of the scale proposed. The federal Labor shadow treasurer, Werriwa MP Mark Latham, said: ‘I think you need to end the urban sprawl in Sydney’s west,’ he told the Nine Network. ‘Congestion and overgrowth are really the issue and the best thing (NSW Premier) Bob Carr can do is to knock the Bringelly development on its head.’ (AAP 2003)

The Department of Infrastructure, Planning and Natural Resources will present options to the infrastructure and planning minister, in December 2003, as the basis for a Regional Environment Plan for the area by mid-2004.

Planning: land release – north-west study area

The Metropolitan Development Program indicated it would study options for releases of more land in north-western Sydney, beyond the existing Rouse Hill development. This new study area involves some 11,000 hectares of rural land at Marsden Park, Riverstone, Riverstone East, North Kellyville, Box Hill and Vineyard. This land is additional to the land in north-western Sydney already targeted for urban development indicated in *Table 4: Housing development sites (Sydney)* (page 5). Two years ago the government was considering the release of some 35,000 lots in this area, but it is now considering 60,000 lots – these could cater for a population of up to 150,000 (i.e. bigger than Newcastle).

A key problem for the government in this study area is that the predecessor development in the area, the Rouse Hill development, is seen to have been a planning failure, despite the best efforts of the state planning department. There was no public transport infrastructure, and car ownership is high and Old Windsor Road is badly congested. The government says it will have rail infrastructure in place before the new area is released. The cost of this and other infrastructure, i.e.

who pays for it, is a matter of dispute between the government and the housing construction development industry.

Development options in the north-west were the subject of a 5-day visioning exercise by core stakeholders in early August. The Department of Infrastructure, Planning and Natural Resources will be preparing evaluations of various scenarios for consultation.

Land development

Landcom is a state-owned corporation with a land development and housing development business, with a substantial market share of that business. In recent years it has sought to 'set the standard' in the development industry with housing projects that integrate economic, social and environmental issues. It has a Moderate Income Housing Strategy for housing to households with incomes from $37,000 – $60,000 a year, where it is commercially feasible. (See *Attachment 2: Landcom's moderate income housing policy*, on page 24.)

In line with this policy it has a demonstration project at Forest Glade in Parklea. The project comprises 63 detached homes as part of an integrated development. Thirteen of the homes (20%) are targeted to moderate-income households. These homes are distributed throughout the site and are visually indistinguishable from the other homes. Pricing for the moderate-income homes varies between $156,000 to $220,000. Pricing for the balance of homes varies between $270,000 to $415,000. The moderate-income homes are sold with restrictions on re-sale, through a restrictive covenant, deed of agreement and second mortgage (nominal dollar), which together act as a control package. The project went on sale in June 2002 and the moderate-income homes were oversubscribed by eligible purchasers 25 to 1. The moderate-incomes homes were able to be provided commercially because more housing was provided on the site than otherwise would have been the case, as a result of efficient construction and waste minimization, house and sub-division design, and more flexible design rules allowed by the local council, e.g. smaller minimum lot size. The provision and maintenance of affordable housing was a condition imposed by the council when agreeing to flexibility of development controls. (See <http://www.landcom.nsw.gov.au/landcom/nsw/me.get?site.home>.)

This government role in land development sits alongside similar activities by the private sector, which sector appears to have an oligopolistic nature (National Housing Strategy 1991, p.54).

Policy choices

The NSW Opposition sees more land releases as a solution to home price affordability: it sees a shortage of land for houses as the principal driver for high land prices. Its public statements on home purchase affordability and land supply appear oblivious to environmental aspects of the debate. Before the 2003 NSW state election, it criticized the Government for not releasing more land for housing development on the fringes of Sydney (Davies 2003a). After the election, the Opposition spokesperson on planning, Peta Seaton, said that the government not having released enough land was a factor in house price inflation in Sydney (cited in Wade and Wainwright 2003). Seaton's comments honed in on families needing houses with backyards: 'This is the end of the family back yard, the end of the traditional Australian family home'. That comment signals not just a concern for housing affordability, but reification of a particular dwelling type and of a particular household type. State opposition leader, John Brogden, has alleged that insufficient release of land has had a 'massive effect on housing prices' (*Sunday Telegraph*, 10 August 2003, p.50). Federal treasurer Peter Costello has also criticized the pace of new land release in Sydney (*Sunday Telegraph*, 10 August 2003, p.50).

The state Labor government is under a lot of pressure on the land release issue. When announcing approval for Penrith Council to rezone a 225 hectare site at Glenmore Park (Glenmore Park stage 2) which will take some 1,000 dwellings, Beamer said; 'We can't put walls around Sydney.' (cited in Silmalis 2003)

Latham has proposed a 6-point package to address costs of first home ownership. One of them, a supply side measure, is the release of unused Commonwealth-owned army bases for housing (Latham 2003). This has been supported by the *Sydney Morning Herald*: 'For Sydney, the orderly release of state and Commonwealth land is the most obvious and direct measure to ease price pressures.' (*Sydney Morning Herald*, editorial, 4 August 2003, p.12) But the editorialist noted: 'Even with [release of state and Commonwealth land], however, for many the dream of home ownership will continue to be fulfilled only by buying elsewhere.'

Focusing just on the use of land for housing and other urban development, the 3 key challenges seem to be:

1. How to minimize the 'need' for **new** land releases, and, if new releases are unavoidable and can be justified after a cost–benefit analysis that considers their environmental, social and economic costs and benefits, how to best manage the land release and urban development processes to mitigate negative impacts. It is unlikely that 'no growth' is an option, but the 'new urbanism' movement aims for 'smart growth' rather than sprawl (see the *Attachment 3: Charter of the new urbanism (excerpt) – The region: metropolis, city and town*).

2. How to best use the existing urban area. Policies of **densification**, or 'urban consolidation', in middle- and inner-ring suburbs have met resistance from many existing residents, and arguments around this seem to be a mix of the 'good' (objections to unesthetic projects and to 'overdevelopment') and the 'bad' (nimbyism, snobbery).[20] A study of urban consolidation in three Sydney local government areas by researchers from the University of Western Sydney found a crude association between urban consolidation and housing

[20] The Urban Frontiers Program of the University of Western Sydney (2001) noted that 'urban consolidation' can be about the densification of dwellings or population, or both. It can occur at greenfield sites, through for example smaller lots, townhouses and multi-unit dwellings, as well as in brownfield sites.

affordability, in as much as strata-title dwellings are cheaper than other dwellings (Urban Frontiers Program 2001).[21] While medium-density sale prices for strata-title dwellings fell relative to non-strata dwellings, this did not happen for rents. Medium-density housing seems to have particular significance for access to private rental housing by people on lower incomes. The University of Western Sydney researchers concluded (Urban Frontiers Program 2001, p.20):

> Sustainable ends must include the provision of affordable housing stock: a key aim of consolidation policy. Ways must be found to meet this aim which guarantee the quality, diversity and sustainability of affordable higher density housing stock in the longer term. To ensure a better social mix in the long term there would be advantage in preventing major concentrations of multi-unit developments at either end of the market. Consolidation seeks to increase urban diversity, in choice and outcomes, not homogeneity.

3. How to encourage the development of regional (provincial) cities and towns – '**decentralization**', as it was called during the Whitlam government, and to counter the flight from small country towns to sponge cities (among which Sydney is simply the biggest). Kitney (2003) says that future growth should be in satellite cities beyond the Sydney basin, connected with rapid transit systems. Current regional migration programs have not been successful in keeping skilled immigrants in regional areas (Carr 2002). Intrastate migration seems to favor coastal areas and is associated with movements by older people and 'seachangers' which might not encourage diverse economic activity. Newton and others (1997) note that much of the population growth rates in coastal towns involves the retired and unemployed making moves on the 'consumption' grounds of lower living costs, warmer climates and more pleasant environments, and is not accompanied by matching industrial growth. Where there is job growth it is generally in lower-income service activities associated with tourism and social services. They suggest: 'It is, in a sense, a downward economic and social escalator with virtually no upward escalator for return — with both inter-regional and inter-generational consequences.'

[21] The data from this study applies to the Hurstville, Sutherland and Campbelltown local government areas. Over-representation of low-income people in flats and semi-detached dwellings was particularly noticeable in Hurstville and Sutherland, among those three local government areas.

Attachment 1: The land development process

- Identification of land for future residential development through strategic planning or plans issued by authorities involved in infrastructure provision
- Assembly by a developer of a viable parcel of land for residential development; in its simplest form, this involves the developer purchasing the land from its current owner (e.g. a farmer)
- Determination by the developer of a concept plan and a plan for staging of the development, in consultation with other relevant parties (state planning authorities, local government, infrastructure providers)
- Rezoning of the land for residential purposes and approval of concept and subdivision plans by government (state or local) subject to conditions, including the payment by the developer of a contribution towards the costs of infrastructure provision by public authorities
- Compliance by the developer with development conditions imposed by state and local governments for the provision of required infrastructure and services within the site at specified minimum standards
- Extension of existing infrastructure networks to the site and provision of other infrastructure and other services as are deemed to be required, by government
- Issuing final certification (approval) of the plan and works and issuing of individual titles, by government
- Approval of housing to be constructed on the site, usually by local government

Source: National Housing Strategy (1991, p.54).

Attachment 2: Landcom's moderate income housing policy

In accordance with Landcom's Affordable Housing Strategy, Landcom will facilitate the provision of moderate income housing by:

- providing, in all its developments, housing product diversity which includes, where commercially feasible – as determined by the Board, moderate income housing;
- in greenfields sites, optimising the use of small lots so as to constrain the per unit cost of developed land;
- including affordable housing for moderate income households in all new development partnership and joint venture proposals, both urban development and urban renewal, where commercially feasible, as determined by the Board; and
- designing and implementing communications strategies for all new projects, urban development and urban renewal, targeted at the local existing community, council and prospective buyers, including moderate income households (where provided).

Policy requirements

The policy is now in effect following the Board's endorsement of it.

All new development proposals, both urban development and urban renewal, must explicitly and systematically incorporate provision for a range of housing product. Such product diversity should include dwellings affordable to moderate income earners, where commercially feasible, as determined by the Board.

Projects that do not incorporate product diversity, including moderate income housing, will have to explicitly and conclusively demonstrate why such provision is not commercially feasible, as determined by the Board. The onus will be upon development teams to demonstrate provision.

The policy will come into practical effect in a phased manner, as new projects are brought forward.

The scale of moderate income housing in a project should reflect the demographic profile of households and their income distribution in the target market area (which would constitute a 'default' moderate income housing component – e.g. the percentage and type of households in the $35,000 to $55,000 per annum income bracket (year 2000 dollars indexed). The target market area can be the local or regional market as defined by the project.

Variations from this 'default' allocation will have to be justified in terms of site specific factors and marketing positioning factors. Generally, a minimum level of 5% of product yield should be targeted for moderate income housing.

The policy will operate within the context of a mix of public policy and commercial objectives, requiring a balanced solution in any given project. There may be instances where other policy objectives may predominate (e.g. environmental), according to particular project circumstances.

Satisfactory provision for product diversity, including moderate income housing, will be assessed via a design review stage, prior to DA submission, with the relevant General Manager.

Commercial feasibility

Commercial feasibility, in the provision of moderate income housing, means 'as determined by the Board'.

Conclusion

The introduction of the policy will allow for Landcom to demonstrate to government and the community that it is taking a lead industry role to increase the mix of housing product available on the market, with a particular intent to provide for moderate income households.

Source: <http://www.landcom.nsw.gov.au/landcom/nsw/me.get?site.home>.

Attachment 3: Charter of the new urbanism (excerpt) – The region: metropolis, city and town

1. Metropolitan regions are finite places with geographic boundaries derived from topography, watersheds, coastlines, farmlands, regional parks, and river basins. The metropolis is made of multiple centers that are cities, towns, and villages, each with its own identifiable center and edges.
2. The metropolitan region is a fundamental economic unit of the contemporary world. Governmental cooperation, public policy, physical planning, and economic strategies must reflect this new reality.
3. The metropolis has a necessary and fragile relationship to its agrarian hinterland and natural landscapes. The relationship is environmental, economic, and cultural. Farmland and nature are as important to the metropolis as the garden is to the house.
4. Development patterns should not blur or eradicate the edges of the metropolis. Infill development within existing urban areas conserves environmental resources, economic investment, and social fabric, while reclaiming marginal and abandoned areas. Metropolitan regions should develop strategies to encourage such infill development over peripheral expansion.
5. Where appropriate, new development contiguous to urban boundaries should be organized as neighborhoods and districts, and be integrated with the existing urban pattern. Noncontiguous development should be organized as towns and villages with their own urban edges, and planned for a jobs/housing balance, not as bedroom suburbs.
6. The development and redevelopment of towns and cities should respect historical patterns, precedents, and boundaries.
7. Cities and towns should bring into proximity a broad spectrum of public and private uses to support a regional economy that benefits people of all incomes. Affordable housing should be distributed throughout the region to match job opportunities and to avoid concentrations of poverty.
8. The physical organization of the region should be supported by a framework of transportation alternatives. Transit, pedestrian, and bicycle systems should maximize access and mobility throughout the region while reducing dependence upon the automobile.
9. Revenues and resources can be shared more cooperatively among the municipalities and centers within regions to avoid destructive competition for tax base and to promote rational coordination of transportation, recreation, public services, housing, and community institutions.

Source: Congress for the New Urbanism (1998).

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