



What makes a City Deal a 'Real Deal'?

Ten building blocks of a 'real deal' City Deal to ensure
they deliver for Australia

November 2016



PROSPERITY | JOBS | STRONG COMMUNITIES

A NEW CONSENSUS

There is now bipartisan agreement that our national government has a leading role to play in securing the prosperity and productivity of our cities.¹

At the core of this leadership role is ensuring that the actions and investments of each level of government are aligned to give our cities the best chance of success.

The Australian Government has announced a new approach to achieving this: the City Deal.

This new approach is strongly welcomed by the property industry which has championed the concept of UK-style City Deals as a vehicle for federal engagement in our cities.²

THE PURPOSE OF THIS DOCUMENT

This document has been developed by the Property Council of Australia, the national representative of the property industry.

Its aim is to contribute to the development of City Deal policy during its formative stages and to assist the public in understanding this new policy tool.

Our hope is that these ten building blocks of a 'real deal' City Deal will help governments at all levels as they design the first generation of City Deals in Australia.

CITY DEALS IN AUSTRALIA

In April 2016 Prime Minister Malcolm Turnbull MP and Assistant Minister for Cities Angus Taylor MP released the Government's *Smart Cities Plan*³.

This commits the Federal Government to leading the establishment of City Deals across Australia in partnership with state, territory and local governments.

The Government has announced that the first three City Deals will be for Townsville, Launceston and Western Sydney. It has said it will determine the sequence of City Deals for capital cities, and it has invited regional cities to nominate themselves to be considered for a City Deal⁴.

¹ Hon Anthony Albanese MP, *A national agenda for more productive, sustainable and liveable cities*, speech to the National Press Club, Canberra, 24 September 2014; *Smart Cities Plan*, Department of Prime Minister and Cabinet, 2016

² KPMG, *Introducing UK City Deals: A smart approach to supercharging economic growth and productivity*, Property Council of Australia, 2014

³ *Smart Cities Plan*, Department of Prime Minister and Cabinet, 2016, <https://cities.dpvc.gov.au>

⁴ Assistant Minister Angus Taylor MP, *Encouraging regional City Deal proposals*, media release, 9 November 2016

WHAT IS A CITY DEAL?

A City Deal is a deal to boost the productivity and prosperity of a city.

City Deals are a formal agreement between the three levels of government. They set a concrete framework for the actions and investments needed to maximise economic opportunity in a city region.

They are a foundation agreement designed to get governments to move beyond the political cycle. They should align governments on the core infrastructure, planning strategies and other initiatives needed to boost prosperity over the medium to long term in a city.

City Deals recognise three fundamental realities:

- 1. Our cities are more important than ever before** – they are home to nine out of ten Australians, generate more than 80 percent of our GDP, and power the knowledge economy.
- 2. Australia's population is growing strongly** – on a medium projection, Australia's population will grow to 30.5 million by 2031, a 36.2% increase over 20 years. Almost three quarters of our future population growth is expected to occur in our four largest cities.⁵ Managing this growth and ensuring strong economic, liveability and sustainable outcomes is a key challenge for our times.
- 3. Place matters for prosperity** – the way a city knits together can have an enormous impact on productivity, and therefore jobs and living standards. Urban congestion currently costs the nation \$16.5 billion every year and is forecast to rise to as much as \$37 billion by 2030⁶.

A City Deal breaks through the historic siloed approach to economic policy by focussing on the integration of our urban areas.

The City Deal concept has been borrowed from the UK. More than 20 UK City Deals have been struck between central and local governments with a primary focus on regional economic productivity and growth.

⁵ Infrastructure Australia, *Australian Infrastructure Audit: Our Infrastructure Challenges*, Vol. 1, April 2015, p.22

⁶ Bureau of Infrastructure, Transport and Infrastructure, 2015

THE BIG CHALLENGES FACING OUR CITIES

OUR BIG CITIES ARE GROWING

Sydney and Melbourne will reach 8 million by 2061 and Brisbane and Perth will be bigger than Sydney is now

REGIONAL CITIES NEED A KICK-START

1.9 million Australians live in cities of 25,000 to 100,000 people,⁷ cities which can have historically narrow economic bases

METRO PLANS ARE NOT ENOUGH

COAG's Reform Council concluded that no capital city strategic planning systems were providing an adequate framework for growth and change in our cities⁸

UNCERTAIN INFRASTRUCTURE PLANS

A disjointed approach on infrastructure priorities between levels of government and sometimes politicised project selection

⁷ Ibid.

⁸ COAG Reform Council, Review of capital city strategic planning systems, December 2011



LONG TERM PLANNING CAPTURED BY POLITICAL AND INVESTMENT CYCLES

conventional four-year budget cycles fail to provide sufficient comfort for the funding needed to underpin major projects

WEAK URBAN PRODUCTIVITY FOCUS

robust business cases or creation of economic growth are the exception rather than the norm

THE TRADITIONAL GRANTS FUNDING APPROACH IS BROKEN

scarce funds are divided between a multitude of programs, adding to waste, duplicate effort and missed opportunities

A BETTER MATCH BETWEEN POPULATION GROWTH AND INFRASTRUCTURE

new urban renewal, land release and growing markets need better economic and social infrastructure

TEN BUILDING BLOCKS OF A 'REAL DEAL' CITY DEAL

1

A CLEAR OBJECTIVE: ECONOMIC PRODUCTIVITY AND GROWTH

The central feature of a City Deal should be a clear commitment to economic growth.

Each City Deal will have its own nuanced objectives depending on the needs and circumstances of the city or region it covers. These must be well defined and form the central focus of the Deal.

City Deals should include goals for lifting liveability and sustainability. These are important to the achievement of the economic objectives of a City Deal. However City Deals are primarily an economic development policy.

A DEAL IS A DEAL – A CONTRACT BETWEEN ALL LEVELS OF GOVERNMENT

A City Deal must involve federal, state/territory and local governments. All three levels of government have a big impact on the success or otherwise of a city.

The power of a City Deal comes when the policies and actions of each level of government are aligned. This will inevitably involve governments working across party lines as well the federal/state/local divide.

Integrated actions that reinforce a common set of objectives are most likely to be effective.

2

3

CORE CHALLENGE IS GROWTH

For Australia's larger capital cities, the core challenge is facilitating and managing urban outcomes in the context of significant population growth.

Sydney and Melbourne are forecast to grow to cities of 8 million people by 2060, while Brisbane and Perth are expected to be the size of today's Sydney over the same period. This is a significant but not insurmountable challenge.

For many of our smaller cities, the core challenge is finding ways to sustainably grow the economy, often without the driver of significant population growth.

MEDIUM TO LONG TERM HORIZON

4

City Deals must move past short-term perspectives and build lasting benefits to set cities and regions on a path to sustained success. They are not a quick fix for short-term problems.

They should aim to promote a continuous cycle of economic benefits to fortify the future prospects of cities and regions – and ideally span a 15 year time horizon.

5

A FRAMEWORK FOR INVESTMENT AND ACTION

City Deals should be a framework for making the right choices around land use, infrastructure, investment and policy reforms than deliver stronger cities and regions.

While City Deals will identify infrastructure needs, and may also set out infrastructure solutions where this analysis has been done, they are not just a list of infrastructure projects.

The capacity of governments to fund infrastructure, resource programs and support reforms is constrained by their own balance sheets and appetite for change. That's where City Deals assist – in allowing them to make deliberate choices through the framework of criteria that offer the greatest benefit. It's about return for effort.

BUILT TO LAST – THROUGH POLITICAL AND ECONOMIC CYCLES

6

A City Deal needs to have a 15 year framework to see it through the political and economic cycles.

This means analysis built from evidence-based research, and tested by consultation. It also means the Deal must be measurable with progress reported transparently and regularly.

7

BASED ON DEEP CONSULTATION

To ensure a City Deal is enduring, it must be based on deep consultation with the community and stakeholders.

They must understand and have ownership of the key objectives and strategies of a City Deal, as well as active involvement in measuring success against the targets.

This will set the foundation for lasting policy over the political and economic cycles.

CONSOLIDATE EXISTING GOVERNMENT FUNDING

8

Governments are too often asked to sprinkle funds across a litany of programs, projects and initiatives – with marginal benefit.

City Deals offer an alternative approach that steers scarce funding to projects that are relevant to strategic objectives, boost productivity and actually boost tax revenues.

Leveraging the need to meet key criteria allows governments to prioritise funding on projects and initiatives with the highest relative return.

9

ENCOURAGES PRIVATE SECTOR INNOVATION

A common feature of successful City Deals is their ability to harness private capital. By providing medium to long term direction it gives the private sector the confidence to invest.

City Deals can open the door to private financing of infrastructure through initiatives like public private partnerships, tax increment financing and other alternative funding options.

SUCCESS GETS REWARDED – ONGOING FUNDING IS LINKED TO PERFORMANCE

10

The task of devising, delivering and funding initiatives needed to support growth becomes easier for governments when they are rewarded for doing so.

In the UK, the 'payment-by-results' concept at the heart of City Deals recognises state and local governments are often tasked with difficult decisions, but the tax benefits of economic growth flows to the national government.

Sticking with good policy over time should be incentivised under a City Deal to allow the community to share the benefits of growth.

WHAT MAKES A CITY DEAL A 'DUD DEAL'?

City Deals have the potential to drive economic growth in our regions. However, even the best policy idea can fail if it is poorly designed or executed. Here are five potential traps to avoid a City Deal becoming a 'dud deal'.

City Deals shouldn't just be...

A quick headline

with no long-term plan for creating growth, jobs and improved productivity in our cities.

A project wish list

an infrastructure wish list that bears no relationship to the core objective of economic growth, project benefit or funding reality.

A toothless tiger

a document that doesn't shape the infrastructure investment decisions of federal, state and territory, and local governments.

An every child gets a prize approach

a failure to transparently assess and set out strategies to deliver economic growth, and stick to the plan for realising them.

Ivory tower planning

a document produced with little or no community or stakeholder engagement.

ABOUT THE PROPERTY COUNCIL OF AUSTRALIA

Property is the nation's biggest industry – representing one-ninth of Australia's GDP and employing more than 1.1 million Australians.

Our members are the nation's major investors, owners, managers and developers of properties of all asset classes. They create landmark projects, environments and communities where people can live, work, shop and play.

The property industry shapes the future of our cities and has a deep long-term interest in seeing them prosper as productive and sustainable places.

That is why the Property Council has championed the idea of City Deals in Australia. In 2014 we partnered with KPMG to prepare the research paper *Introducing UK City Deals: A smart approach to supercharging economic growth and productivity*.

The Property Council is now also partnering with the Queensland Government and the Council of Mayors (South-East Queensland) to proof up the concept in one of Australia's fastest growing regions.