

## McMansions threaten the leafiness that makes Canberra unique

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Rampant construction of oversize houses and unthinking urban infill threaten to gradually turn Canberra from a Garden City into a concrete jungle. It might be time for a "leaf tax" if we wish to avoid this "tragedy of the commons".

The term "tragedy of the commons" was coined almost 50 years ago by American biology professor Garrett Hardin, in an influential article that fostered greater environmental awareness. The example he famously used was a pasture that is owned jointly by villagers. Because each herdsman wants to maximise their income by increasing the number of their own cows on the village common, the pasture will become overstocked with cattle and will eventually be degraded and ruined.

Hardin's view was criticised because his scenario ignored historical evidence that societies have in fact tended to develop property rights and rules that do preserve the sustained use of common-pool resources. Nevertheless, Hardin's metaphor remains relevant to present-day Canberra.

The Burley Griffins envisioned the national capital as a garden city, reflected today in the leafy suburbs of the inner north and south of Canberra. As the owner of all property, the government and its agencies sought to maintain the verdant character of the city through so-called "plot ratios" and other regulations. In Canberra, the plot ratio is set at 50 per cent of block area for single dwellings in the suburban RZ1 Planning Zone.

By limiting the size of a building's footprint on a property, some land is left free for deep-rooted and larger plants, and water can seep into the soil. Greenery reduces suburban temperatures in summer, an important consideration in adapting to predicted global warming. Permeable soil also reduces the run-off from rain, allowing drains to carry away stormwater without flooding residential areas.

However, the formula for calculating the plot ratio is complex and is subject to

numerous exceptions and exclusions. Impermeable concrete courtyards and swimming pools, for example, do not count, even if they cover a large portion of the block. And once a new house has been constructed, there is little that can be done to remedy any breaches of regulations.

Owners of McMansions that exceed the 50 per cent plot ratio are presumably attracted to leafy suburbs by the greenery as well as other attributes. Paradoxically, each new McMansion also reduces the amount of available greenery, even if only to a marginal extent. Over time, though, a large number of McMansions will eventually swamp the leafiness that is presently enjoyed by everyone in the suburb. As land is lost to concrete, the amenity of the greenery is degraded; a good example of a modern tragedy of the commons.

Builders, architects, and developers occasionally resort to labelling opponents of urban infill and the loss of green space as recalcitrant "nimbies", "conservation commissars" and "heritage tsars". However, this is an unfortunately simplistic characterisation on the part of vested interests, who themselves stand to gain financially from ongoing redevelopment.

Anyone who has seen the Australian film *The Castle* will appreciate its theme that the market price of a family home does not represent its true value to the inhabitants. Even if the financial value of their land rises due to increasing demand by those wishing to build McMansions, the loss of greenery and the associated lifestyle reduces their psychological enjoyment of their residence.

Economists refer to this subjective, psychic value over and above financial market value as "consumer surplus". Calculated formally as the difference between what a person is willing to pay and the actual market price, it represents the net happiness or satisfaction the person obtains from a good or service. Any reduction in amenity due to loss in suburban leafiness can be thought of as a loss of consumer surplus.

The situation is analogous to someone who has a noisy airport built nearby. Both noise and loss of leafiness impose economic costs (negative externalities) on the affected party. In the longer term, as a suburb becomes less attractive, residents may also suffer a financial loss from falling house prices.

One means of reducing a negative externality is to tax its originator to discourage excessive production of the offending activity. Because the spirit of the 50 per cent plot ratio appears to be largely circumvented, with little government incentive to enforce it, one solution might be to impose an annual tax on buildings that exceed the 50 per cent standard. The tax collected would increase as the proportion of permeable land decreased. Although the tax could be based on the market value of the land, it should in principle reflect the lost value of leafiness, something that can be estimated using standard economic techniques.

The government would validly gain an additional source of revenue, as well as an incentive to monitor plot ratios. Existing residents would gain from a lower or slower loss of local leafiness. Equally important from an economic perspective, those with a preference for McMansions would retain choice in the design and size of the house. A "leaf tax" also has greater merit than stamp duties and other imposts that unnecessarily distort economic activity.

The fictional Kerrigan family's lawyer in *The Castle* argued in vain before the High Court that "the vibe" of the Constitution affirms compensation "on just terms" for loss of property amenity. One can only hope that the ACT government will pick up expeditiously on the vibe before the tragic destruction of the "garden city commons" of Canberra.

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