

19 December 2014

The Hon. Daniel Andrews MLA  
Premier of Victoria  
1 Treasury Place  
MELBOURNE VIC 3000

Dear Premier,

**Re: Top priorities for Government**

Congratulations on the election to government in Victoria.

The first one hundred days will be extremely important. The decisions you and your government make in these first vital months will shape the entire agenda of your term and set the direction for the State under your leadership.

As you would be aware, the property industry is one of Victoria's most important economic pillars. We are the State's largest employer, greatest tax contributor and the third biggest generator of economic output.

The strength of the property and construction industry is crucial to this State, and we encourage all government decision makers to keep our industry's vitality front of mind as often as possible.

The opportunity to use an election mandate to make much-needed changes and resolve critical policy issues does not occur often. Consequently, we encourage you to seize this opportunity to secure Victoria's economic and employment future.

We have previously expressed our support for a number of initiatives your team has committed to across a range of areas. Outlined below are the issues we believe are of significant importance to our sector and we urge you to take action on them as a matter of priority.

**Revenue**

State and Commonwealth Budgets are under increasing pressure as revenues slow and expenses continue to increase. In light of that, the property industry is greatly heartened by your election tax-freeze promise. We believe meaningful reform of taxation, particularly property taxes such as land tax and stamp duties will ensure Victoria's competitive advantage as a destination for property investment will remain unchallenged. As such, we recommend the Government undertake a review of the State's property tax arrangements in a similar vein to that being conducted in South Australia at present.

### **East-West Link project future**

The future of the East-West Link project must be confirmed as soon as possible. The scale of the project and the potential costs associated with it are too significant for it to remain in limbo. We strongly urge the Government to consider the full and serious sovereign risk implications of any moves to abandon legal obligations with respect to signed contracts for this project. Failure to do so will send shockwaves through local and international investment markets, and put Victoria's credibility at risk. We also encourage the Government to begin negotiations with the Commonwealth on a new use to secure Victoria's share of Commonwealth funding for the project as soon as possible.

### **Infrastructure Victoria**

The property industry is very supportive of the creation of an independent statutory authority to assess and plan for Victoria's long term infrastructure needs. It is critical that an effective framework and governance structure be established for this body, including significant involvement by the private sector. Moreover, it should assume responsibility for identifying new funding and financing methods for infrastructure development such as asset recycling. We congratulate the Government on commencing the process of establishing *Infrastructure Victoria*, and encourage you to finalise it as soon as possible to ensure as smooth a transition as possible.

### **Council rate caps**

Commercial property bears the brunt of local council rate charges, despite arguably making lesser use of the services and infrastructure they fund. A majority of local councils' revenue is also raised through rates and rate increases. Therefore the Property Council supports the Government's commitment to hold local councils to account on how much revenue they raise from rates and where that revenue is spent. We also support measures that encourage councils to investigate alternate funding sources such as asset recycling.

### **Inclusionary zoning**

The Property Council does not support inclusionary zoning. It is essentially another tax on development and does not solve the housing affordability problem. We have previously advocated a number of alternative approaches to boosting affordable housing stock, which can be achieved through a reduction in the cost of delivery and improvements to planning and approvals processes. We urge the Government to engage with industry to devise a suite of measures to improve housing affordability, rather than introduce an additional tax on our sector.

### **Port of Melbourne lease**

The Property Council welcomes the Government's commitment to a long-term lease of the Port of Melbourne. It is our view that underutilised State assets should be recycled to unlock capital and lift economic output. We encourage the Government to investigate other potential asset sales such as disused school sites, VicTrack land and Victoria's share of the Snowy Mountain Hydro Scheme.

### **Dutiable value on loan-lease retirement village transactions**

In May 2014 the State Revenue Office issued a private ruling which dramatically increases the stamp duty paid for loan-lease retirement village transactions. Previously, stamp duty had been assessed on the value of the 'consideration' paid for the acquisition of a retirement village. Now, in addition to assessing duty on the 'consideration' paid, the SRO will assess duty on the amount or value of the 'resident ingoing contributions'. This effectively increases the tax rate to 5.5% and is out of step with any other state in Australia, providing a disincentive for investment in Victoria, and threatening the viability of a number of projects. The Property Council urges the Government to work with industry to resolve this issue quickly or risk irreparable damage to the sector's confidence in Victoria.

### **Victorian Planning Authority**

The Property Council welcomes the commitment to expanding and clarifying the responsibilities of the (now) Metropolitan Planning Authority. We believe that our regions need support in order to continue to prosper and this must be done in parallel with the implementation of *Plan Melbourne*. It should be noted that we will vigorously oppose any move by the Government to increase taxes, levies or charges to fund the VPA's expanded responsibilities. Such resourcing can and should be drawn from consolidated revenue.

### **Fishermans Bend precinct redevelopment**

The Fishermans Bend precinct is the single largest urban renewal project in Australia. While it has significant potential, there are a range of crucial issues that remain unresolved. In particular, public transport connections and infrastructure remain issues that will determine the success of the project. Without government investment to deliver infrastructure, development will not occur in the immediate future. The former Government's decision to undertake rezoning prior to the release of the masterplan or vision for the precinct has caused widespread confusion and uncertainty. Such a significant project requires industry, Government and the community to work together to achieve the best outcomes for the entire State. Further, the potential to incorporate precinct wide solutions in Fishermans Bend presents a unique opportunity for turning the precinct into a global leader in urban renewal best practice, and we encourage government to further investigate these opportunities.

### **Zone reform implementation**

The Property Council strongly supports the Government's commitment to review the residential zone reforms implemented by the previous Government. As they currently stand, the zones have caused much community angst, and will adversely affect Melbourne's housing supply and affordability. We have consistently argued that there was insufficient consultation about the zones, and that Councils were not given enough support and guidance about how the new zones should be implemented. In particular, we encourage any review to be undertaken with a view to setting clear municipal housing targets, based on up-to-date population and demographic modelling.

### **Metro Rail**

The Property Council welcomes the Government's commitment to expand and upgrade the City Loop rail system and link the education and biomedical precincts to the CBD by train. We encourage the Government to commence work on this critical piece of city-shaping infrastructure as soon as possible.

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### **Development Contributions reform**

The Property Council welcomed the reforms implemented in May 2014 that standardised development contributions across Victoria. These measures have provided much needed certainty for industry, and represent the culmination of several years of close industry and State and Local Government collaboration. We continue to work with the Department, Councils and Government Authorities to resolve the final implementation issues, and look forward to their conclusion prior to the commencement of the new regime in July 2015. Consequently we urge you to ensure that the process continues without delay or amendment – the cost of housing in Victoria is already under growing pressure, and these reforms will do much to stabilise costs across the sector if they are implemented according to plan.

### **Bushfire regulations**

The Property Council and industry have been working closely with the Department and authorities to negotiate workable reforms to bushfire regulations that avoid unnecessary costs without compromising safety. The reforms of 2014 which removed the requirement to build to higher BAL standards from developments in approved PSP areas (subject to certain conditions) have saved homebuyers up to \$10,000 per dwelling. We urge your government to continue the work of the department in mapping and monitoring hazard removal, without undoing the changes that allow greater investment in the State and help first homebuyers enter the property market.

### **Biodiversity conservation measure**

After many years of engagement and negotiation, the Property Council warmly welcomed the finalisation of the Southern Brown Bandicoot sub-regional species strategy, and the signing of the Assessment Bilateral between the State and Federal Governments. These steps give industry and investors greater certainty and will create streamlined processes to ensure that development and environmental conservation occur in harmony. Any moves to reverse these recent changes will cause significant harm to Victoria's attractiveness as an investment destination, and further threaten housing affordability in key growth corridors. We urge Government to continue the work with your Commonwealth counterparts to finalise the Assessment Bilateral Agreement as a matter of priority.

### **Urban Growth Boundary**

Victoria has a traditional competitive advantage in housing affordability over other states, particularly NSW. This is largely due to the Government's ability to release appropriately located and zoned land for residential development. A firm urban growth boundary (UGB) will unnecessarily restrict supply and artificially inflate land prices at a time when housing affordability is reaching critical levels. We will not support a permanent urban growth boundary and urge you to develop an alternative method for managing the urban edge of Greater Melbourne. The property industry supports a phased expansion strategy in which future UGB changes are flagged well in advance of their implementation, allowing housing, employment and infrastructure development and policy to be brought into sensible alignment. In combination with such a strategy, we urge Government to place a greater emphasis on urban regeneration and renewal to accommodate the majority of the future increase in Victoria's population.

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### **Road funding**

The Property Council welcomes your commitment of \$1 billion each for suburban and country roads. However, the designated growth areas represent one of Greater Melbourne's worst examples of infrastructure supply lagging behind infrastructure demand and require priority funding. We urge you to use a portion of the funds promised to establish a \$500 million Growth Areas Road Transport Fund (GARTF) to help boost arterial road construction in Victoria.

### **Level Crossings**

The Property Council welcomes your commitment to remove 50 of the most dangerous level crossings through grade separation upgrades. Not only will this remove congestion and encourage greater use of public transport, but it will create a much-needed pipeline of work for the civil construction and engineering sectors of the community. The Property Council strongly urges the Government to consider these 50 projects as potential 'urban renewal' opportunities as well. We believe it would be a major strategic mistake to view level crossing removals simply as road/rail projects only.

### **Changes to VCAT**

Victoria is the only jurisdiction in Australia with a broad-based third party appeals system, and one that is widely regarded as dysfunctional. The requirement for objectors to demonstrate how they are affected must be retained and tightened, rather than loosened. While we support the right for communities to have their concerns heard and taken into consideration, this must not be confused with a right to challenge developments on invalid or inappropriate grounds. The Property Council is also opposed to the Government's plans to add additional weight to community opinion in regard to VCAT decision making. Such a move goes against the very basis of a just and fair legal system. We would consider any attempt to make such changes a fundamental deterioration of Victoria's legal apparatus.

### **Green Wedges policy**

The Property Council believes Melbourne's Green Wedges should be protected, however there are a number of important opportunities that have previously been missed by Governments seeking to preserve these areas. These issues include the appropriate location of green wedges and the uses currently permitted in green wedges – examples of which are quarries and airports. We recommend the Government work with industry to ensure that green wedges are truly 'green', and that vital development around those areas is facilitated through a new greyfields zone.

### **Victorian Energy Efficiency Target (VEET)**

The Property Council calls on the Government to honour its pre-election commitment to support the Victorian Energy Efficient Target. With energy costs on the rise, incentivising energy efficient behaviour is crucial, particularly in existing properties which constitute the majority of the state's building stock. The VEET has proven effective in the residential space and a well-designed Energy Saver Incentive in the commercial property sector can contribute to significant emissions reductions at a low cost to the Victorian Government. Furthermore, the Property Council supports the development of a national energy efficiency 'white certificates' scheme that can subsume existing state based schemes. To this end, VEET's ability to transition to a national scheme should be made explicit, and we call on the Victorian Government to push for national consistency through the Coalition of Australian Governments.

With challenging economic headwinds threatening Victoria's long envied prosperity, the property industry urges you to use the first one hundred days of your Government to set a clear and positive direction for the State.

We stand ready to work with you to secure Victoria's economic future and maintain Melbourne's position as one of the most liveable cities in the world.

Early next year my office will seek a meeting to discuss many of these matters with you in greater depth.

However, should you have any queries in the meantime, please do not hesitate to contact me at (03) 9664 4223 or [jcunich@propertyoz.com.au](mailto:jcunich@propertyoz.com.au).

Yours sincerely,

**Jennifer Cunich**  
**Victorian Executive Director**  
**Property Council of Australia**

cc: The Hon. James Merlino MLA, Deputy Premier  
The Hon. Tim Pallas MLA, Treasurer  
The Hon. Richard Wynne MLA, Minister for Planning  
The Hon. Gavin Jennings MLC, Special Minister of State  
The Hon. Martin Pakula MLA, Attorney-General  
The Hon. Jaala Pulford MLC, Minister for Agriculture and Regional Development  
The Hon. Jacinta Allan MLA, Minister for Public Transport  
The Hon. Lily D'Ambrosio MLA, Minister for Industry, Energy and Resources  
The Hon. Luke Donnellan MLA, Minister for Roads, Road Safety and Ports  
The Hon. Martin Foley MLA, Minister for Housing, Disability and Ageing  
The Hon. Jane Garrett MLA, Minister for Consumer Affairs  
The Hon. Natalie Hutchins MLA, Minister for Local Government  
The Hon. Lisa Neville MLA, Minister for Environment, Climate Change and Water  
The Hon. Robin Scott MLA, Minister for Finance  
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