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Australia's property industry

**Creating for Generations**

16 April 2020

The Hon Daniel Andrews MP  
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Tim Pallas MP  
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The Hon Richard Wynne MP  
Minister for Planning  
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Dear Premier, Treasurer and Minister

## **Medium and long-term reform to kickstart Victoria's economy**

Thank you for your handling of the current pandemic crisis and your leadership over the last few weeks.

This letter outlines our initial contribution to post-COVID-19 recovery and actions that should be considered now (or soon) for when that time comes. Taking these recommended steps could help unlock and accelerate more than \$30 billion in economic activity and create approximately 100,000 jobs both directly and indirectly. I know you are all conscious that all states and territories will be implementing measures to compete for talent and projects that generate jobs, and Victoria needs to be as competitively placed as possible.

PROSPERITY | JOBS | STRONG COMMUNITIES

## Recommended medium- and long-term initiatives

### Department of Treasury and Finance

*Fast tracking the discussion about how to progress Build-to-Rent as a new asset class, including implementation of land tax equalisation measures and examination of existing planning regulations*

Build-to-Rent does not require pre-sales or tenant pre-commitments before construction commences, unlike Build-to-Sell apartments, so can be launched in a much faster timeframe, fuelling economic activity and job creation. After the 2008-09 global financial crisis, Build-to-Rent was proven to be the fastest transmission to construction activity in the US.

A list of some proposed Build-to-Rent projects currently being planned in Melbourne is attached to this letter (**Annexure A**). These projects alone will create at least 5000 jobs purely in construction, as well as ongoing facility and building management, and supply a pipeline of 2000+ apartments, all in locations close to jobs, transport and amenity.

*Allocating additional staffing resources to get current development applications approved*

A low cost, high impact investment to speed up planning approvals and get projects out of the ground quicker, boosting employment immediately in building and construction.

A list of 'shovel ready' residential and commercial projects provided by our members is attached to this letter (**Annexure B**). This non-exhaustive list, including the Build-to-Rent projects already referred to, provides an estimated \$30 billion worth of economic activity and the creation of approximately 100,000 direct and indirect jobs within months of Victoria returning towards a 'business as usual' environment, plus a continued supply of housing and workplaces for Victoria's fast growing population.

*Fast tracking an audit of underutilised government land*

To increase the supply of housing and set short-term targets for its release to market. This might include additional social housing stock, affordable housing and new types of product such as Build-to-Rent. The focus must be on the sale of land which is surplus and developable for housing or economic growth.

*Provision of a Government guarantee for up to 50 per cent of a new development's floorspace (at market rents) for the first five years after completion of a building*

Either through a direct Government tenancy or by underwriting rental income. Noting the need for tenant pre-commitments to underpin the viability of a commercial development before construction begins, this will ensure that construction on these projects commences as quickly as possible.

We know that based on employment and population projects, Melbourne's CBD requires a doubling of floorspace between now and 2036. If that is not achieved, it has the potential to cost the Victorian economy as much as \$7 billion every year.

*Consider a scheme modelled on the UK's New Homes Bonus Scheme*

That scheme provides cash for local governments that support new homes to be built in their area. Payments can be based on matching the amount of extra council tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.

*Temporary suspension of the Vacant Residential Land Tax*

The VRLT applies if a property is vacant for more than six months cumulatively in the preceding calendar year. Given current difficulties in the residential real estate market, more properties will be left unsold and remain vacant upon completion of a development, even despite a developer's best efforts to sell them. At a minimum we seek an exemption to the tax for any new developments adding to housing stock for sale or rent.

### **Department of Land, Water, Environment and Planning**

*Consideration of the removal of mandatory setbacks in the current C270 planning controls*

To unlock commercial office developments in Melbourne's CBD that meet minimum local content requirements.

As previously mentioned, a failure to meet Melbourne CBD's projected floorspace requirements will cost Victoria as much as \$7 billion every year from 2036.

*Exclude universities from the requirements of the Victorian Land Transactions Policy and Guidelines*

This inhibits universities from transacting in a commercial manner and will be restrictive to the recovery of a sector that has been hard hit by the current crisis.

### **Conclusion**

We recognise that the Andrews Government has made record investments in public infrastructure. It is time to also see what else can be brought forward from that program to support the economy now. Critically, fast tracking shovel ready productivity enhancing and wealth enabling infrastructure will unlock the potential of our cities and regions, and it should be prioritised. This is the case for both State and local government infrastructure.

We believe the actions proposed here will provide support for not just for the industry to ensure the Government continues to receive the benefit of the taxes and income generated, but most importantly for the retention of jobs at this urgent time. An immediate package to support construction would go a long way to restoring confidence.

We look forward to supporting you and your broader team during these extraordinary times and contributing to the longer-term goal of getting the Victorian economy back on track.

Yours faithfully,

**Cressida Wall**  
**Executive Director, Victoria**  
**Property Council of Australia**

