

Response to the Metropolitan Melbourne Greenfield Growth Areas

The Property Council of Australia (Victorian Division) is the leading advocate for Australia's property industry — the economy's largest sector and employer. We welcome the opportunity to respond to Metropolitan Melbourne Greenfield Growth Areas recommendations report commissioned by the Victorian Planning Authority (VPA) and prepared by Mesh Planning.

In Victoria, the Property Council has more than 500 members. They are architects, urban designers, town planners, builders, investors and developers. These members conceive of, invest in, design, build and manage the places that matter most — our homes, shopping centers, office buildings, education, research and health precincts, tourism and hospitality venues.

Background – Greenfield Growth Areas

The development of Greenfields Growth Areas is essential in the delivery of residential supply needed to support the unprecedented population growth being experienced in Victoria.

Victoria is Australia's fastest-growing state. Almost 150,000 people from interstate and overseas move to Victoria every year, and growth is trending at 2 per cent over the past decade. On current projections, Melbourne will require at least 1.6 million new homes over the next 35 years. We have called on the Government to enable this through the delivery of 50,000 lots of development-ready greenfield land per year. According to *Plan Melbourne*, designated growth area suburbs are expected to accommodate 30-35 per cent of new housing. However, between FY17/18 and FY18/19 total approvals in Melbourne's growth areas fell by 11.9 per cent.

In February 2017, the State Government committed to releasing 100,000 new lots for residential development in Melbourne's growth areas within two years to ease housing affordability pressures. A little more than two months from that self-imposed deadline, the Government had fallen well short of that target, only releasing an estimated 55,000 lots.

The under delivery of new lots, combined with delays in planning and uncertainty of ICP processes is placing undue pressure of affordability in Victoria. In order to address growing demands on housing affordability, it is essential that the government acts to increase housing supply and provide certain and clear planning pathways to enable efficient delivery of new housing stock across the state.

The Infrastructure Contribution Plan (ICP) system

ICPs are an integral part of delivering the infrastructure required to build supported greenfield communities and ensure short, medium and long-term community infrastructure needs are considered and adequately planned for.

According to the *Infrastructure Contribution Plan Guidelines*¹ ICP system was designed to:

¹ Infrastructure Contribution Plan Guidelines, DWELP, November 2019, Cite:
<https://www.planning.vic.gov.au/data/assets/pdf_file/0025/433834/ICP-Guidelines.pdf>

- *ensure the provision of basic and essential infrastructure needed by new and growing communities by requiring developers to contribute towards the infrastructure costs and to provide land for infrastructure construction.*
- *ensure that the planning and provision of infrastructure is equitable, efficient and cost effective.*
- *provide a consistent and transparent approach to the imposition of infrastructure contributions*
- *apply a standard levy rate so that a planning authority does not need to calculate and justify the levy each time it proposes to fund the provision of essential infrastructure through an infrastructure contribution*
- *secure the direct provision of land required for infrastructure*
- *provide certainty for planning authorities, infrastructure providers and the development industry about the infrastructure contributions payable which allows them to factor this into their forward planning.*

The Property Council welcomes the current review of ICP processes aimed at improving the practical operation of ICPs.

In order for greenfield development to occur in a timely and cost-efficient way, developers require certainty around the mechanism by which levies and contributions will be assessed. This is essential to ensure the feasibility of the projects throughout the lifecycle of the project, and prevent unexpected charges being passed on to consumers.

Once gazetted, it is essential that land holders are able to rely on the calculation models in ICPs being consistently applied. Often greenfield projects are delivered over a number of years. This could mean that, over the lifecycle of a project, multiple changes to the ICP system are introduced (eg. ICP 2.0, ICP 3.0), whereas calculations on charges payable will have been assessed on the project at the beginning of the project, assuming the continuous application of the requirement of the gazetted ICP. This is critical to the affordable and timely delivery of a projects.

It is also critical that the review acknowledges and reflects the true intention of ICP agreements, being a mechanism to contribute to, and not wholly fund, infrastructure needed by new and growing communities.

Response to Ministerial Direction related Recommendation

Land Valuation Methodology	
Recommendation One	<p>With respect to the assumptions/methodology relied on in recommendation one, we make the following points:</p> <p>Point One: The subject land is zoned for an urban purpose and valued at its unencumbered, highest-and-best use within this context. <i>We support this assumption. This is the current practice and it should be continued without amendment.</i></p> <p>Point Two: Land in and around town centres identified in the relevant PSP will be assumed to be zoned for residential purposes. <i>We agree with this.</i></p> <p>Point Three: Where the highest and best use is residential, the average density (expressed as dwellings per net developable hectare) identified in the relevant PSP will apply. <i>We agree with this.</i></p> <p>Point Four: The subject land is readily serviceable and is accessible by road. The assumption that the subject land is readily serviceable artificially inflates the value of the land well above the englobo rate. This assumption should not be included in the Methodology.</p> <p>Point Five: The subject land is at the development front. Whilst this still has the capacity to artificially inflate the value, a more subtle approach may be difficult to implement consistently.</p> <p>Point Six: GAIC is assumed to have been paid. <i>We agree with this.</i></p> <p>Point Seven: Any infrastructure contribution is required to be provided. <i>We agree with this.</i></p>
Recommendation Two	<p>The Property Council submits that the revised land valuation methodology be applied to ICPs where both the ICP and the Supplementary Levy have not been Gazetted into the planning scheme. This is a logical approach because the land valuation approach will, in part, have triggered the need for a Supplementary Levy in the first instance. In practice, our preferred approach would redefine the 'retrospective' element and lead to some of the ICPs considered to be finished by the ICP review document.</p> <p>Our preferred approach would capture all 'live' ICPs. While notice of land values has been given in each instance, it has already been given twice using different methodologies – hence, there is no good reason not to revisit this.</p>
Recommendation Three	See our response to Recommendation Two.

Supply Levy Criteria and Use	
Recommendation Four	We support this recommendation.
Recommendation Five	We support this recommendation.
Recommendation Six	<p>The infrastructure contribution model is not a fully-funded model and is only intended to be a contribution towards the funding required.</p> <p>With respect to recommendation six, we support an approach that will facilitate transparency of a charging system and a level playing field.</p> <p>We note the VPA has provided advice that recommendation 6 would replace the current voluntary funding agreements and would not be a "double-dip". Transparency is needed to ensure that if additional charges are put in place, other charges are removed.</p> <p>It is also not initially clear whether 1 per cent of the ICP fund is an appropriate amount.</p> <p>Accordingly, we ask the VPA for:</p> <ul style="list-style-type: none"> • clarity around which components of the current system would be replaced; and • if implemented, transparency in accounting for the collection, spend and ongoing quantum. <p>The development industry already contributes strongly to the delivery of planning services in Victoria, with property contributing \$41.7 billion to Gross State Product. It is inappropriate to charge the full cost of planning services to the industry.</p>
Recommendation Seven	We support this recommendation as it applies to new ICPs. Adjustments to the standard levy on existing ICPs should be indexed, not revalued, as that can significantly affect the feasibility of projects.

Standard Levy Rates	
Recommendation Eight	We support the retention of the Transport Levy as is. Any future review should only apply to new ICPs.
Recommendation Nine	We support this recommendation. Fundamental to the DCP review was that the ICP was not a full cost recovery model. It is important that this is maintained in ongoing reviews of ICP process.

General Direct Direction Review	
Recommendation Ten	We are generally supportive of this recommendation, subject to the comments above.
Recommendation Eleven	We support this recommendation.

Impact of Changing Government Policy	
Recommendation Twelve	We support this recommendation. Any future review should only apply to new ICPs.
Recommendation Thirteen	We support this recommendation. Any future review should only apply to new ICPs.
Recommendation Fourteen	We support the retention of the Community Levy as is. Any future review should only apply to new ICPs.

Response to Planning and Environment Act related Recommendations

Cash Flow	
Recommendation Fifteen	We strongly agree with this recommendation and urge the VPA to implement this with priority to both existing and future ICPs.
Recommendation Sixteen	We strongly agree with this recommendation and urge the VPA to implement this with priority to both existing and future ICPs.

Early Acquisition of Land	
Recommendation Seventeen	We support the early acquisition of land that is essential for public purposes. It is important that the process to acquire the land is accessible and not overly bureaucratic or lengthy. Also, of note, any acquisition process should utilise the same valuation methodology as the ICP system.
Recommendation Eighteen	
Recommendation Nineteen	
Recommendation Twenty	

Other Implementation related Recommendations

Other Matters	
Recommendation Twenty-one	We support this recommendation. Any future review should only apply to new ICPs.
Recommendation Twenty-two	We support this recommendation. Again, fundamental to the DCP review was that the ICP was not a full cost recovery model. It is important that this principle is maintained in ongoing reviews of ICP process.

Next Steps

We look forward to continuing to support the VPA in this review and to supporting the government in its commitment to ensuring planning processes deliver communities in Melbourne's Growth Areas.

If you require further information or clarification, please contact Emily Young, Senior Policy and Communications Advisor, on 0447 020 329 and eyoung@propertycouncil.com.au.

Yours sincerely,



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SUBMITTED: 26 February 2020