

# A PROPERTY COUNCIL PLAN FOR THE CITY OF MELBOURNE

## REBOOTING MELBOURNE

A PLAN FOR JOBS, ECONOMIC  
GROWTH AND REVITALISING THE  
CBD



OCTOBER 2020

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The Property Council is the leading advocate for Victoria's biggest employer – property. We are a national not-for-profit organisation established to promote the work of the property industry in delivering prosperity, jobs, and strong communities to all Australians.

Here in Victoria, the Property Council represents more than 500 member companies across residential, commercial, retail, retirement living, industrial, tourism and education sectors.

# ECONOMIC SIGNIFICANCE OF THE **PROPERTY INDUSTRY**

The Property Council is the leading advocate for Australia's property industry — the economy's largest sector and employer.

In Victoria, the property industry contributes \$58.8 billion to Gross State Product (13.8 per cent), employs more than 390,000 people and supports more than 471,000 workers in related fields. It pays more than \$21 billion in total wages and salaries per year, employs one in four of the state's workers either directly or indirectly, and accounts for 59 per cent or \$17.9 billion of Victoria's tax revenue. Approximately 27.9 per cent of wages and salaries paid to Victorian workers are generated by the property sector.

The Victorian Division of 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, retirement living communities, shopping centres, office buildings, education, research and health precincts, tourism and hospitality venues.

# THE **KEY CHALLENGES** FACING THE CITY

The Melbourne CBD is the epicentre of the Victorian economy. As we navigate through and out of the COVID-19 pandemic, it will be essential for the City of Melbourne, the Victorian State Government and the private sector to work together to ensure activity flows through our city again.

To revive our city, our short-term priorities are:

## » **REACTIVATE MELBOURNE'S ECONOMY POST-COVID**

Ensure Melbourne remains one of Australia's cultural and economic hubs by stimulating businesses and industry within the CBD. A multifaceted strategy that targets retail, hospitality and infrastructure is crucial for Melbourne's economic recovery.

## » **ENCOURAGE OUR WORKFORCE BACK TO THE CITY**

Once restrictions are eased and it is safe to do so, a public media campaign which encourages workers back into Melbourne's CBD will be vital. For workers to return to their workplace within Melbourne's CBD, public perception concerning safety within the CBD must shift. Without a public media campaign, a return-to-work within the CBD will likely be slow, limiting the economic benefits.

## » **PROMOTE THE USE OF END OF TRIP FACILITIES**

Safety concerns over the use of public transport to commute to the city will be a key concern for workers returning to Melbourne's CBD. End of trip facilities will allow CBD workers to commute to the city by whatever means they feel safest.

# SUMMARY OF **POLICY RECOMMENDATIONS**

The Victorian property industry provides the following policy proposals for consideration by candidates contesting the City of Melbourne election. These eight recommendations represent opportunities to **BOOST ECONOMIC ACTIVITY, CREATE JOBS** and **BUILD CONFIDENCE** across the City of Melbourne.

## **LEADERSHIP, ACCOUNTABILITY AND A SHARED VISION**

It is time for true leadership, good governance, and accountability. There is only one Melbourne and all elected officials must work on a unity ticket to create a bold, shared vision.

## **A SENSIBLE APPROACH TO C270**

A refreshed approach to C270 that encourages development and economic productivity within Melbourne's CBD is overdue and urgently needed to create jobs and economic activity.

## **PROMOTE MELBOURNE'S ECONOMIC RECOVERY**

The City of Melbourne must support businesses within Melbourne's CBD including through providing relief to landlords and tenants in the form of waived fees and levies.

## **REACTIVATE AND REVIVE THE MELBOURNE CBD**

Working collaboratively with the State Government is needed to enhance Melbourne's retail, commercial and tourist sectors and revitalise Melbourne's CBD once restrictions are eased.

## **REAL HOUSING AFFORDABILITY**

Support for market supply side mechanisms will create more affordable housing than punitive and retrofitted taxes.

## **CONSIDER PLANNING INCENTIVES TO PROMOTE DEVELOPMENT**

Appropriate planning settings are needed for recovery: incentivising development, limiting red tape (such as hoardings and signage), sensible/economic approaches to green space.

## **ENSURE MELBOURNE'S PRECINCTS ARE THE BEST PRECINCTS**

A supercharged approach to precincts would make a difference, including endorsing the Property Council Victoria's precincts plan.

## **ENCOURAGE INVESTMENT IN VICTORIA**

The City of Melbourne needs to position Melbourne as an attractive place to spend and invest by aggressively promoting the city overseas and removing disincentives and penalties for overseas investment.

# LEADERSHIP, ACCOUNTABILITY AND **A SHARED VISION**

The City of Melbourne has been a beacon of innovation, prosperity, and growth. As the City of Melbourne and the State of Victoria recover from the COVID-19 pandemic, a unified vision for the future of Melbourne's CBD must be shared among future leaders of the city's council.

We must effectively utilise space to meet the needs of Australia's fastest-growing city. A strategy for the city which covers a range of issues including transport, housing affordability, precincts and planning controls that encourage development must be envisioned by the Lord Mayor, their deputy, and fellow Councillors.

Melbourne's economy proved to be resilient following the 1991 recession, but in the post-COVID-19 pandemic environment, elected officials will have to do more than ever before to lift economic productivity.

Consultation with the different industries comprising Melbourne's economy will grant the City of Melbourne a greater understanding of its intricacies and allow Council to develop a comprehensive plan.

A shared vision among the City of Melbourne leadership and a comprehensive plan for the city's recovery will allow the city to emerge from the COVID-19 pandemic stronger and return to normal productivity sooner.

## RECOMMENDATIONS

- » Continue the City of Melbourne: City Economy Advisory Board into the next council term and continue to consult with industry across the City Economy Advisory Board and its seven subcommittees
- » Gather, report, and analyse data on the economy of Melbourne CBD to inform leadership of policy priorities
- » Create an evidence led recovery plan that makes a real difference to the people who live, work and recreate in the City of Melbourne.



## A SENSIBLE APPROACH TO C270

Since it was introduced in November 2016, the C270 planning amendment has put a significant handbrake on Melbourne's office development pipeline.

The C270 changes do not reflect the fundamental economic requirements of the CBD, which have been threatened even more by the impact of COVID-19 on the Victorian economy.

The introduction of mandatory setbacks (5 metres from the boundary for all buildings above 40 metres) dictates smaller floorplates relative to land area, but with office tenants demanding floorplates of at least 1500sqm net lettable area (NLA), there are few available sites in the Hoddle Grid that can accommodate a new 'A-Grade' office development while remaining commercially viable.

After the C270 Amendment, the Capital City Zone has also seen controls governing the overall intensity of development with the implementation of a Floor Area Ratio (FAR) control of 18:1.

A promised review of C270 by the State Government has not yet yielded any change, almost two years after it was announced. Now, more than ever, appropriate changes should be made to encourage development and economic productivity within Melbourne's CBD.

As previously identified in the Property Council Victoria's Stimulus Plan, a change to C270 would generate \$5 billion in economic activity.

A refreshed approach to C270 would unlock development at this crucial time and see commercial projects built which otherwise would not be, therefore generating significant economic activity for Melbourne's CBD in the process.

### RECOMMENDATIONS

- » Support the removal of setback requirements in C270
- » Change plot ratio from 18:1 to 24:1 for commercial buildings
- » Remove the requirement that buildings greater than 80 metres can only have a maximum floorplate 6 per cent of the total height of the building
- » Rejuvenate the office development pipeline by fast tracking approvals for development of greater than \$100 million

# PROMOTE MELBOURNE'S **ECONOMIC RECOVERY**

A recent PricewaterhouseCoopers (PwC) report commissioned by the City of Melbourne into the economic impact of COVID-19 found that when compared to pre-COVID-19 forecasts, the City of Melbourne economy will be up to \$23.5 billion – or 22 per cent – smaller in 2020.<sup>1</sup> The modelling also revealed that Melbourne's CBD will lose an estimated 75,000 jobs or 15 per cent of total employment. In comparison, this drop will only be 9 per cent elsewhere in Victoria.

The PwC report also estimated Melbourne's CBD may take until 2024 to resume to its 2019 productivity levels. In 2019, Melbourne's CBD produced a Gross Local Product (GLP) of \$104 billion; 37 per cent of the Greater Melbourne economy; 24 per cent of the Victorian economy; and 7 per cent of the Australian economy.

The City of Melbourne has provided a range of economic support to businesses to guide them through the closures and shutdowns caused by the restrictions which have devastated CBD activity. Given the scale of the recovery effort required, proactive policies and additional measures are clearly needed in the medium to long term too. This challenge requires coordinated action from governments at all levels, and the City of Melbourne must play a significant role in this.

The most important action must be a clearly coordinated and communicated campaign to encourage Melburnians to get back to the office and back to the city. Without critical mass, remaining CBD retailers will simply not be able to survive once programs like JobKeeper end. The campaign for more outdoor dining to minimise COVID-19 risk must be accompanied with some form of initial rate relief to navigate weather considerations and allow businesses to implement the necessary infrastructure to support these measures.

## RECOMMENDATIONS

- » A new commuter ferry for the Yarra connecting Yarra Bend, and Richmond's innovation heart to Docklands
- » Cut rates for retailers
- » Advocate to the State Government for a clear return to work plan
- » Provide stimulus for new developments within the Melbourne CBD to create jobs
- » Hospitality and tourism stimulus
- » Extend construction working hours during recovery period
- » Fast track construction management plan approvals to 30 days

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<sup>1</sup> PricewaterhouseCoopers. *Economic Impacts of COVID-19 on the City of Melbourne*. August 2020. [Cite](#).



## REACTIVATE AND **REVIVE THE MELBOURNE CBD**

Melbourne is known for its lively laneways, incredible restaurants and fantastic events. Since COVID-19 restrictions closed Melbourne's CBD, the once booming cultural hub has disappeared.

Once COVID-19 restrictions are lifted, a campaign to revive Melbourne's CBD must be launched to reinstate Melbourne as Australia's cultural capital. The campaign should showcase the breadth and diversity of Melbourne's cultural scene, from the arts to our thriving hospitality scene, nightlife, and unique retail offering.

Restoring confidence to the community will need to be a major component of this campaign. The community needs to feel safe to return to the city. Promoting the additional safety measures that have been implemented across the city, including visible way-finding signage, cleaning measures and physical distancing, will be critical to instilling confidence about returning to the city.

In addition, extending CBD trading hours would assist retailers and hospitality venues to drive economic activity through the city, and allow for physical distancing measures to be adhered to more easily.

Aggressively pursuing activation strategies, giving flexibility to owners seeking to reuse and redevelop vacant retail property, working with State Government agencies to ease regulatory restrictions and offering financial incentives to owners willing to upgrade spaces should be a priority.

Events in Melbourne provide a compelling reason to come into the city, and with summer fast approaching, outdoor events where physical distancing measures can be implemented should be promoted. The City of Melbourne should be bold with decisions to improve Melbourne's visitor experience. Now is the time to work with the State Government and private proponents to deliver new and unique tourism attractions.

### RECOMMENDATIONS

- » Create a public safety media campaign to restore confidence in visiting the Melbourne CBD
- » Reactivate Melbourne's CBD with new events and initiatives targeted at boosting the hospitality and retail sectors
- » Extend CBD trading hours to promote visitation
- » Provide planning incentives for adaptive reuse of vacant retail property

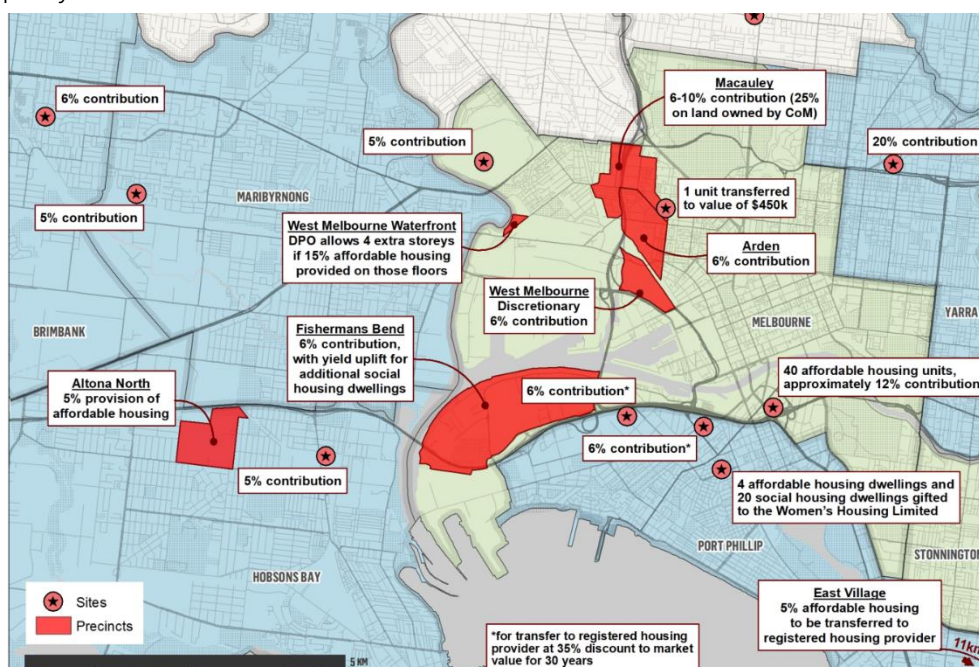
# REAL HOUSING AFFORDABILITY

Housing plays a significant role in Victoria's social and economic prosperity, and the importance of stable secure housing has been highlighted by the ongoing coronavirus pandemic. It is well accepted that a lack of affordable housing can lead to higher rates of homelessness, poor health and lower rates of employment and education.

Affordable housing requires the cooperation of both government and industry and must remain viable for all parties. The Property Council strongly supports investigations into supply-side measures to enable the delivery of diverse, secure housing stock. Incentives could include:

1. Relief from restrictive size standards – particularly the size of apartments and shared communal areas, while maintaining a commitment to good design and amenity.
2. Increased land release to increase supply.
3. Incentive payments or tax concessions for developers that include higher numbers of affordable housing dwellings.
4. Higher density / density bonus schemes.

In responding to the Draft City of Melbourne Affordable Housing strategy, the Property Council firmly opposed mandatory inclusionary zoning on private land. It has subsequently raised concerns about the disparate roll-out of affordable housing targets across the municipality.



## RECOMMENDATIONS

- » Remove mandatory affordable housing taxes across the City of Melbourne
- » Encourage new developments and use market supply mechanisms to drive housing affordability

# IMPLEMENT PLANNING INCENTIVES TO **PROMOTE DEVELOPMENT**

The Property Council and its members are committed to developing innovative, high quality projects that meet the needs of the Victorian community.

Overregulation in the planning space has the unintended consequence of limiting innovation and adds costs to development, impacting affordability.

By way of example, the Better Apartment External Amenity Standards are likely to be finalised before the end of the year. The next phase of the Better Apartment Design Standards proposes to include communal open space requirements, building appearance, wind impacts, street interface and construction impacts.

The introduction of these additional design standards during a period of economic recovery would place an unnecessary burden on the financial feasibility of projects. In particular, the open space requirement could have the unintended consequence of limiting housing diversity and creating a cost burden for owners.

Similarly, Amendment C278, which is currently being considered by Planning Panels Victoria, would introduce a new Design and Development Overlay schedule (DDO8). The proposed control seeks to apply a mandatory 'no additional overshadowing' control for all parks, based on a far more onerous winter shadowing test. With no proven community benefit, this control will compromise opportunities for development, jobs growth and the addition of new office space in the CBD.

All additional burdens on infrastructure development in the City of Melbourne should be paused while proponents seek to adjust financially to the unprecedented challenges of the COVID-19 recovery period.

Promoting development will be vital to the economic recovery process. The Property Council proposes an extension, of at least two years, to all current unexpired permits. This proposal will allow developers to invest available funds in projects now and ensure the security of a pipeline of projects without concern that other project permits might expire before funding can be secured. This proposal will secure a pipeline of development as soon as market conditions stabilise and allow projects to proceed.

## **RECOMMENDATIONS**

- » Extend all currently unexpired development permits by two years
- » Place a 12-month moratorium on the introduction of new design standards, green space requirements, hoarding restrictions, or additional planning steps
- » Abandon the changes proposed by Amendment C278
- » Provide planning incentives for Build to Rent
- » Work with State Government to allow flexibility for DDO10 height controls
- » Fast track amendments to Planning Permits to 60 days

# ENSURE MELBOURNE'S PRECINCTS ARE THE BEST **PRECINCTS**

The City of Melbourne is currently engaged in structure planning and precinct development projects at Arden, Macaulay and Fishermans Bend.

Earlier this year, the Property Council released a report<sup>2</sup> outlining best practice governance arrangements to support successful precinct development. In the report, the Property Council recommends the creation of a precinct authority which:

- Can facilitate complex debates between different departments within government;
- Has a direct reporting relationship to a key economic minister;
- Has decision making power as a planning authority (with appropriate checks and balances in place);
- Can take individual projects or decisions out of the everyday planning processes and make decisions quickly; and
- Has the power of compulsory acquisition where necessary to maximise site size, resulting in better social and amenity outcomes over the life of the project.

In the current climate, with challenging economic conditions and heightened uncertainty impacting investment and demand, government has a strong role to play in enabling and supporting the delivery of high-quality mixed-use precincts.

Supporting the private sector to continue to develop new precinct projects through the economic downturn will be vital to ensuring that projected infrastructure and housing supply keep pace with future demand. While immediate and short-term demand may be constricted by the pandemic, history shows that there will inevitably be a recovery cycle, and without investment and intervention, this could lead to an undersupply across property markets.

## RECOMMENDATIONS

- » Support the recommendations outlined in the Property Council of Australia, Principles for Successful Precincts report
- » Continue to engage with the Property Council on issues outlined by the Property Council in submissions responding to the Arden and Macaulay Structure Plan consultations
- » Bring additional surplus land opportunities to market

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<sup>2</sup> Property Council of Australia. *Principles of Successful Precincts Report*. August 2020. [Cite](#).

## ENCOURAGE **INVESTMENT IN VICTORIA**

Melbourne has been an attractive investment destination for years, due to strong population and economic growth. However, this competitive advantage will be significantly challenged by the extended lockdown period associated with COVID-19.

In addition, over the last few years, Victoria has created additional hurdles for global investors, making it difficult for global capital to invest here and sending the wrong message to those seeking to promote Victoria overseas.

It will be critical for the City of Melbourne to work hand in hand with the Victorian Government to identify opportunities to promote Victoria as an attractive investment destination.

The COVID-19 pandemic has significantly impacted national and state/territory borders, restricting the flow of individuals. Consequently, net overseas migration to Victoria has fallen materially. This fall threatens demand for housing, retail trade and office space across Victoria.

One important buffer to mitigating these negative economic effects will be employing strategies to attract interstate migrants to Victoria. These measures may include direct grants to companies which relocate head offices to Victoria or otherwise offering payroll tax concessions. Attracting new businesses to Victoria will bring an existing workforce and boost local demand, while also creating new jobs for Victorians.

Without global investors, fewer projects can be commenced, meaning less housing and other developments for local purchasers. The full removal of foreign purchaser taxes on new development would be a significant positive for development in the State.

### RECOMMENDATIONS

- » Creating or contributing to grants to incentivise business relocation to Melbourne
- » Support the return of international students to the CBD
- » Advocate to the State Government for the abolition or suspension of taxes and duties which discourage overseas investment
- » Fund or co-fund a 'welcome back to Melbourne' campaign to attract business and tourism
- » Work with State Government to encourage investment by reducing holding costs and levies to make Melbourne more attractive than other cities

# CONTACTS

The Property Council is seeking commitments from all candidates contesting the upcoming City of Melbourne election in respect to the proposed initiatives contained in this document.

We would welcome the opportunity to discuss these policies in more detail.

If you have any further questions about the Property Council, or the detail included in this document, please contact:

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