



Identifying Better Public- Private Partnership Models for Precinct Delivery in Victoria

February 2025



Foreword

In October 2023, the Victorian State Government (the government) unveiled its Housing Statement, setting a bold target of delivering 80,000 new homes annually over the next decade. This target underlines the government's commitment to accommodate 70 per cent of housing growth within established suburbs, with the remaining 30 per cent directed to growth areas.

Strategic precincts such as Arden in North Melbourne have been identified as key contributors to this supply, offering significant development potential. These sites benefit from major infrastructure investments, including the government's commitment to establish a future innovation and mixed-use precinct in Arden. However, as Melbourne progresses toward its housing goals, it is clear that opportunities like Arden, while promising, are often complex. Many of these precincts are brownfield sites that require substantial infrastructure upgrades, and face challenges such as fragmentation and high redevelopment costs. Transforming these areas into thriving urban hubs demands a clear vision, long-term commitment and a coordinated effort across multiple stakeholders.

Attracting private sector involvement in these high-risk, high-reward projects will be essential to unlocking their potential. To do so, a cohesive, whole-of-government approach is required – one that brings together various state agencies and authorities to navigate the technical and commercial complexities of large-scale redevelopment.

Additionally, projects like the Suburban Rail Loop (SRL) offer significant opportunities for precinct development around proposed new stations. The scale of these precincts, combined with the government's ambitious growth targets and the current economic context, necessitates a review of how multi-stage precincts are being prepared for the market. Ensuring the successful delivery of these developments cannot be achieved without private sector investment.

The Property Council of Australia's Victorian Precincts Committee is focused on ensuring that Victoria has the most efficient and innovative processes to partner with the private sector in delivering these critical policy and growth objectives – especially given the current fiscal challenges facing the public sector. There is substantial private capital looking for large-scale urban investment opportunities, both in Australia and internationally. By positioning Victoria as a priority investment destination, we can ensure that the procurement and delivery frameworks for precinct development are commercially attractive, competitive with other Australian jurisdictions and capable of delivering value for money to the state.

This report aims to build a factual evidence base of market insights, offering a set of clear policy recommendations that the Property Council can present to policymakers as part of our ongoing advocacy efforts.



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Executive Summary



The Property Council of Australia commissioned Arcadis and CBRE to undertake research to identify better public-private partnership models for precinct delivery in Victoria.

Arcadis and CBRE both bring their unique position between the public and private sectors, leveraging global expertise and local insights to tackle the challenges of precinct delivery in Victoria.

This report delves into market conditions, identifies key challenges and provides actionable recommendations to enhance precinct delivery outcomes. It evaluates Victoria's current processes, compares them with practices in other jurisdictions, and integrates insights from stakeholders across both the public and private sectors.

Drawing on extensive industry engagement, procurement and delivery analysis, and case studies, Arcadis and CBRE present five strategic recommendations to improve precinct delivery in Victoria.

These recommendations are outlined in detail in Section 04.

01

Create collaborative partnerships with the market earlier in the development process

The government need to engage precinct partners from the outset to leverage collective strengths in defining the strategy and ensure there is a market for planned outcomes.

02

Provide certainty in the processes and clarity in the role of government and market in precinct delivery

Define and commit to clear roles and responsibilities for the public and private sectors on each specific precinct – no one size fits all.

03

Provide a clear vision and clarity on prioritisation of precinct objectives and outcomes

Establish a clear vision and prioritised objectives for each precinct to ensure clarity to market participants and commit to delivery requirements.

04

Institute a single 'front door' to government for market led proposals supported by an investment focus and the right expertise

Government to foster an enabling mindset and leadership environment that provides the private sector confidence to invest, participate and innovate. Demonstrate that Victoria is open for business.

05

Establish independent 'arm's length' entities that provides certainty on process, funding and outcomes

Ensure decisions are made for the longer term with returns reinvested in the precinct (and not subject to budgetary processes).

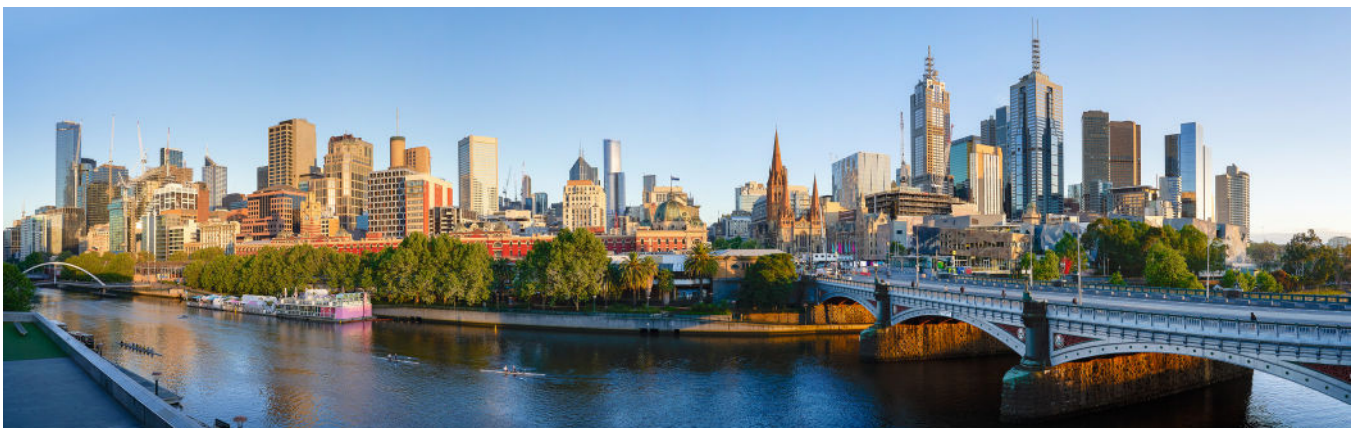
Section 01: Introduction

The Property Council's Victorian Precincts Committee identified that challenges exist in the approach to delivery of precincts in Victoria, leading to delays and market uncertainty.

Following a series of committee reviews a research report was commissioned with a view to interrogating the issue and providing succinct recommendations to enhance the precinct proposition. Arcadis and CBRE were commissioned to determine how the government can improve the delivery of precinct opportunities.

This report focuses on the opportunity and limitations of current processes in identifying improvements to how the government can unlock larger, more complex landholdings (public and private) for the development of mixed-use precincts in partnership with the private sector.

High construction cost, high interest rates and challenging feasibilities means that traditional land value models may not give government optimal value. As a point of difference this report draws together input from the government and industry to assess the current approaches to precinct delivery and provides tailored recommendations as to how this process can progress more smoothly.



Purpose of Report

There is a burning platform in Victoria and a sense of urgency to ‘act now’ to create better public-private partnerships in the precinct space. For the purposes of this report, ‘precincts’ refer to specific places of scale and state significance – usually those that are enabled by anchor institutions or major infrastructure (e.g. transport) and require government to use a range of levers to bring about change within a defined area.

We have kept the focus to Melbourne’s inner and middle rings of development purposefully to align with the focus of the Housing Statement. This means we have purposefully not included discussions around Precinct Structure Plans. The government plays a crucial role in facilitating these developments, as most large land holdings surrounding major infrastructure are owned by the government and therefore are often constrained physically or through regulatory barriers.

The government seeks to leverage its landholding to facilitate policy outcomes and create additional public value as part of the development process. The process and role of government seeking to unlock greater value from its underutilised assets is increasingly important at a time when the state’s net debt is projected to reach over \$228 billion by 2028 – almost 25 per cent of gross state product.

This report has been prepared to reflect the current thinking the market has on precinct development. Leveraging insights from experienced individuals in both the public

and private sectors, CBRE and Arcadis have sought to understand the current issues with precinct procurement and delivery in Victoria and identify measures to improve the mechanisms for public-private partnership delivery. Through firsthand interviews with over 30 individuals in the public and private sector, the team have collated and assessed individual anecdotes, sentiments and insights to present a multi-stakeholder approach that places a strong emphasis on the people who drive the evolution of precincts in Victoria. This people-centric focus not only adds depth to the analysis but also ensures that first-hand information from stakeholders is at the core of the recommendations.



Section 02: Victorian Precinct Market Context

To develop recommendations for the improvement of the Victorian precinct market it was imperative to gather available data, seek industry insights and analyse several key factors known to impact delivery and outcomes. Specifically, the research examined:

- The drivers and risk approach of the public and private market in existing and planned new precincts
- Past and emerging approaches to how public and private sector participants procure, transact and deliver precinct developments
- The current opportunities and limitations of the existing market led proposal framework in Victoria

Government Drivers

The Housing Statement Victoria outlines a bold vision to construct 80,000 new homes annually over the next decade, aiming to address the pressing housing crisis and support Victoria's ongoing growth trajectory. This strategic goal aligns with the government's intent to maximise the value of underutilised assets, crucial as the state faces a looming net debt exceeding \$228 billion by 2028, representing nearly a quarter of the gross state product. Typically, the government leverages its holdings to advance key policy priorities like housing, employment, social infrastructure etc. The priority policy changes over time with housing currently taking center stage.

Amidst the challenges posed by the government owned brownfield sites and the complexities surrounding urban redevelopment, there is a notable absence of direct value capture from current transport infrastructure investments by the government. Current formal processes for handling proposals, whether solicited or market-driven, are bespoke and tailored to suit the specific circumstances of each project.

Additionally, there is a strong impetus to establish pragmatic sustainability ambitions that account for precinct-specific limitations while striving to yield substantial returns. However, the extended timelines associated with precinct delivery often result in the 'value engineering' out of innovation initiatives during construction or their eventual obsolescence, underscoring the need for strategic planning and sustained commitment to drive successful precinct outcomes.

Private Sector Drivers

Private capital is actively seeking urban investment opportunities in major city markets both within Australia and globally. This growing interest in precincts from private investors is marked by increasing innovation, especially with super funds playing a more active role and exploring novel approaches to residential development and assessing success and risks. Simultaneously, government strategies and objectives are evolving towards more intricate and compact precincts, necessitating greater collaboration to navigate complex risks effectively.

Government-proposed precincts often lack sufficient market feedback due to limited engagement with the private sector and the public. As a result, developers are hesitant to invest time and resources in the Expression of Interest (EOI) process, as they are often uncertain about future requirements and expectations. Collaborative efforts between developers and government are crucial to ensure mutual value creation and cost-effectiveness. A lack of early engagement during precinct ideation phases has been seen to contribute to a lack of market coordination, prompting extensive redesign to preserve commerciality. The disconnect between government planning and private execution is evident when land is sold without preset requirements, underscoring the difficulties in implementing wider governmental policies effectively.

The limited participation of developers in precinct EOIs impacts the pricing outcomes achieved by the government, highlighting the importance of attracting more stakeholders for a competitive landscape. The

private sector seeks streamlining of processes and fostering innovation in the collaboration with the government to drive the realisation of policy objectives.

Traditional Approach to Public/Private Engagement

A government tender is currently the most traditional approach to Public-Private engagement in precinct development.

Current Issues and Limitations

- The primary challenge with this approach is the duration of the process and the inherent policy risk that electoral cycles produce – resulting in additional structure planning processes.
- The government aims to maintain control over the planning and tendering process to ensure the best place outcomes. However, this approach often leads to significant time and resource costs, as the chosen developer typically has to redesign the precinct and complete an additional structure plan to align the desired outcomes with market-based demands.
- For example, in Arden Central, early iterations of the precinct plan emphasised employment and innovation drivers. However, with the current priorities outlined in the Housing Statement, the focus has shifted to housing outcomes, yet the structure plan has not evolved accordingly to reflect this change.
- If the procured developer were responsible for driving the Structure Plan, the finalised plans could be better aligned with both market demands and government policy objectives.

Current Market Led Tender Processes

The Market-Led tender process provides a structured pathway for private sector innovation and collaboration with the government to deliver projects. Each state has its own framework which has been established to help clarify the process. In Victoria it is called the Market Led Proposal Framework (MLP).

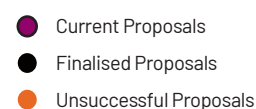
Current Issues and Limitations

- The use of the MLP framework in Victoria for property related projects is underutilised compared to its counterpart in New South Wales (NSW).
- The NSW Unsolicited Proposal (USP) process (run through Invest NSW) is considered favourably by the private sector to bring forward transport oriented precincts as it can:
 1. Determine a lead agency relevant to the specific opportunity and its context.
 2. Enables commercial agreements to be developed in a staged manner involving a mix of public (even across multiple departments) and private land.
 3. Reports through to State Cabinet to facilitate better accountability and singular point of approval through the government.
 4. Is managed on an ongoing basis through a standing inter-departmental USP committee with ongoing relationships, responsibilities and roles.
 5. Enables early determination on both key areas of government infrastructure investment and the requisite private sector contribution.
 6. Enables private sector delivery of key transport (predominantly stations) and other infrastructure.

Total Publicly Available Market Led Tender Opportunities Comparison (VIC vs. NSW)



Total Publicly Available Precinct Related Market Led Tender Opportunities Comparison (VIC vs. NSW)



Current Victoria Precincts Context

In examining the Victorian context we have selected priority precincts which are large scale, mixed use, anchored by major infrastructure investment and currently have the potential to benefit from higher levels of public and private collaboration. In doing so we showcase key issues and activity that are ongoing on the selected priority precincts with a view to offering an understanding of the complexities involved and status of precinct delivery in Victoria.



Docklands

- Since its release, the Docklands precinct has led to the creation of 10,000 apartments and commercial spaces, resulting in an investment of approximately \$14.6 billion.
- The government has collaborated with chosen developers through development agreements.
- Additionally, the government has offered initial support by providing enabling infrastructure and postponing land payments to encourage private sector investments.
- However, there has been extensive and ongoing public criticism around the lack of strategy to deliver social infrastructure and public activation in the precinct.
- Initially proposed for precinct development in 1998, Docklands is currently two-thirds complete.

Fishermans Bend

The Fishermans Bend precinct has faced several challenges in its development including:

- The land at General Motors Holden (GMH) was rezoned and acquired before aligning planning and transport strategies.
- The development primarily follows a market-driven approach, focusing on plot-by-plot progress.
- There is currently no designated authority to oversee and execute the Developer Contributions Plan.
- The presence of fragmented private land ownership poses a challenge in achieving cohesive masterplanned outcomes. Additionally, differing government interests within the area lead to a lack of synergy and coordination.
- The infrastructure delivery methods and considerations are inconsistent.



- There is a notable absence of commitment towards enhancing public transport provisions, partly due to limited government control stemming from private ownership.
- Uncertainties persist around commitments to upgrading transport infrastructure.
- Initially identified for precinct development in 2016, the current status involves strategic planning with early works underway at the University of Melbourne.



Treasury Square

- The Treasury Square precinct faces uncertainty in its future delivery due to a rush to enter the market without thorough planning.
- Failure to conduct comprehensive due diligence has increased risk levels leading to a lack of confidence and clarity in the procurement process.
- Although a competitive tender took place, the finalisation of the deal is currently on hold to address unresolved technical issues.
- Early discussions regarding risk apportionment did not occur and challenges and constraints related to the site remain unaddressed or mitigated prior to the procurement process.
- These unresolved issues have introduced additional risks impacting the project's feasibility.
- Initially discussed for precinct development in 2016, the current status of the Treasury Square Precinct is currently unknown.

Arden Precinct

- The Arden precinct has been under different planning iterations for over 15 years.
- The precinct has seen shifts in ownership and accountability, leading to changes in priorities over time.
- Engagement levels across the precinct consideration process have been inconsistent.
- The precinct faces substantial costs in enabling infrastructure with no defined risk-sharing framework in place.
- While initially contemplating plot-by-plot procurement, the approach was later altered to a comprehensive whole-of-precinct procurement strategy.
- The Arden Precinct was first introduced for development back in 2008. Presently, the precinct is undergoing a government-led competitive tender process.



More case studies are included in Appendix A

Section 03: Engagement and Findings

To support the development of this report consultation was undertaken with experienced and relevant stakeholders with a working understanding of the delivery of relevant precinct projects.

Scope of Engagement

Engagement was conducted through a series of in person and online interviews. Each interview was comprised of no more than two interviewers and two interviewees to ensure an intimate setting and facilitate direct and open dialogue. To ensure open dialogue, it was agreed that interviewee's comments would not be attributed to specific individuals.

To ensure consistent data, all of the interviewees were presented with the same nine questions and focused on:

- Precinct delivery roles and responsibilities.
- Precinct procurement and delivery mechanisms.
- Precinct delivery risk and feasibility.
- Value creation.
- Infrastructure delivery.

The interviews focused on the commercial process of engaging with the public and private sector on precinct delivery. To ensure a focused conversation, the following topics were excluded:

- Planning and the current planning process.
- Specific design and design outcomes.
- Specific land uses or development uses.

Following the interviews, responses were logged and processed to provide insight to market appetite and sentiment around current market engagement practices in place.

A summary of the key findings from the interviews and the data gathered from the nine questions asked are outlined on the following pages.

Stakeholders

To ensure a measured view of the limitations with current public-private partnerships a diverse range of stakeholders were interviewed to ensure a balanced response from both the public and private sector was captured.

The full list of organisations that were interviewed is below.

Government

- City of Melbourne (CoM)
- Development Victoria (DV)
- Department of Premier and Cabinet (DPC)
- Department of Transport and Planning (DTP)
- Department of Treasury and Finance (DTF)
- Suburban Rail Loop Authority (SRLA)
- Monash University
- Royal Melbourne Institute of Technology (RMIT)
- Infrastructure Victoria

Private Sector

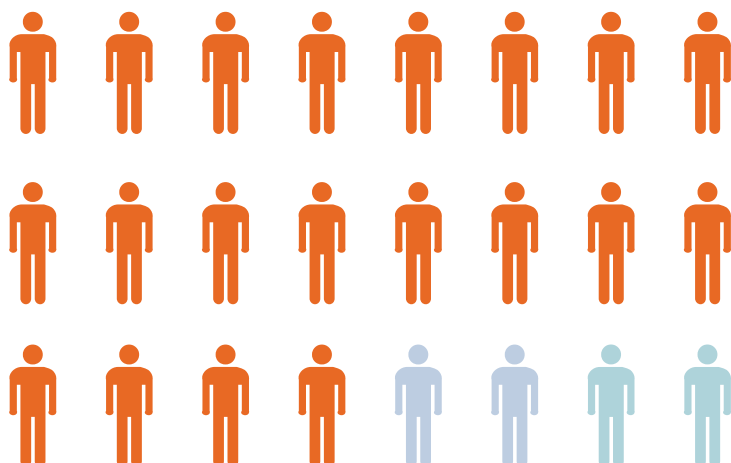
- Engage Communicate Facilitate (ECF)
- Frasers Property
- Lendlease
- MAB Corporation
- Plenary
- Salta
- Queensland Investment Corporation (QIC)
- Stockland
- Tetris Capital
- Urbis
- Vicinity

Global

- Tishman Speyer
- Places for London (Places)

Key Findings

Of the 38 individuals that were interviewed, 17 were from the public sector and 21 were from the private sector. Key phrases which were continually mentioned in responding to successful public-private partnerships included: **Clarity**, **Certainty** and **Durability**.



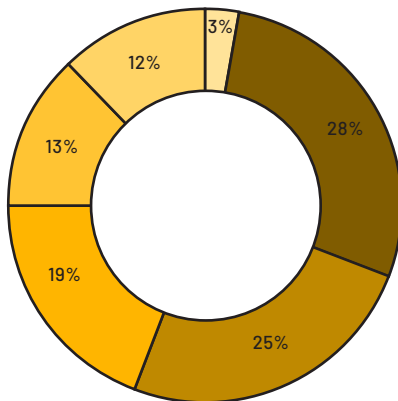
83% of interviewees

identified a lack of trust and fear of 'being burnt' as the main risks government see in dealing with private sector.

Interview Outcomes

This section provides a summary of the responses provided by interviewees to each of the nine questions asked. Each question is listed with a breakdown in percentages and summary of the responses received.

Q1: What are the main factors impacting the delivery of precincts in Victoria currently?



- Economic fiscal factors
- Precinct delivery capacity and capability concerns
- Vision and coordination issues
- Lack of engagement between the private-public sectors
- Planning and infrastructure challenges
- Land concerns

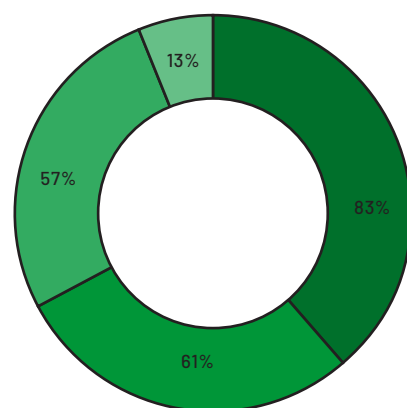
Summary analysis of the responses:

- 28 per cent of interviewees felt economic and fiscal factors were the most significant inhibitor on precinct delivery in Victoria.
- 19 per cent of interviewees believed there is a notable concern regarding the unclear vision setting, prioritisation and coordination.
- 13 per cent of interviewees noted a lack of collaboration between public and private sectors.
- 12 per cent of interviewees highlighted that planning policy and infrastructure delivery challenges were seen as moderately impactful.
- Technical challenges attached to the land constraints and the desirability of their locations are seen as less of a concern (3 per cent of interviewees), although a key factor which impacts on viability.

Q2: What do you see the role of government and private sector in precinct delivery?

Summary analysis of the responses:

- 83 per cent of interviewees agree on the government's role as an enabler and facilitator in precinct delivery through its various levers such as:
 - policy support or regulatory frameworks,
 - prioritisation of resources,
 - coordination,
 - timely decision-making,
 - funding.
- 61 per cent of interviewees believe that the private sector should be engaged early in the master planning process and lead on delivery.
- 57 per cent of interviewees believe the government and private entities should share risks and align objectives.
- Zero interviewees suggested the government should solely lead and drive precinct delivery.



- Government should act as an enablers and facilitator
- Private sector should be engaged early in the master planning process and lead on delivery.
- Government and private sector should partner to share risks and have balanced objectives and value creation / capture
- Dependant on a case by case / site by site basis

Overall, the data highlights a preference for a collaborative approach where the government supports and enables, while the private sector drives the execution, reflecting a balanced approach to precinct delivery.

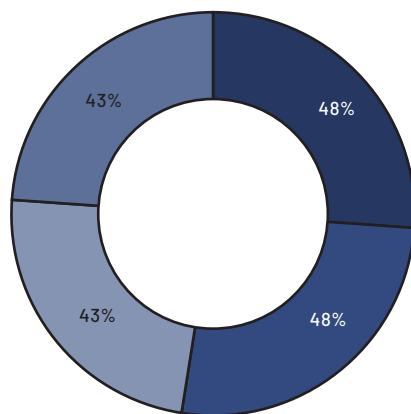
Q3: Where have you seen a procurement model for precinct development work well in Victoria, nationally or globally?



Summary analysis of the responses:

As part of this question a variety of responses were received, indicating that there is no clear one size fits all approach to precinct delivery.

Q4: NSW and QLD currently have multiple precinct projects being negotiated through their market led framework (USP), Victoria currently has none. What do you see as the major limiting factors of the current MLP framework?



- Lack of clarity and transparency
- Perception or lack of understanding of the MLP process from the public sector
- Not well-suited for Victoria
- High effort, low outcome

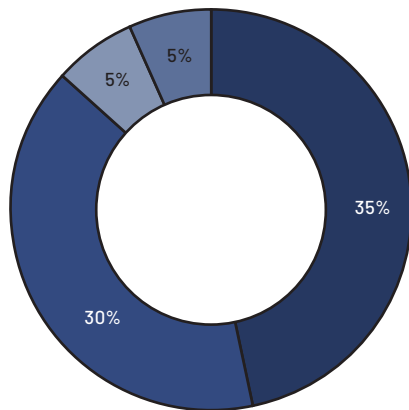
Summary analysis of the responses:

- 48 per cent of interviewees believe the MLP framework in Victoria needs greater clarity and transparency to improve its effectiveness.
- 48 per cent of interviewees emphasise the importance of educating stakeholders about the MLP process.
- 43 per cent of interviewees suggest aligning the MLP framework with the state's unique needs and conditions.
- 43 per cent of interviewees believe other public-private partnership models are more efficient and better perceived by the government in achieving best value under current conditions.
- Additionally, all interviewees highlighted the need to build political support and foster a culture that embraces agile precinct delivery better perceived by government in achieving best value.

Interview Outcomes

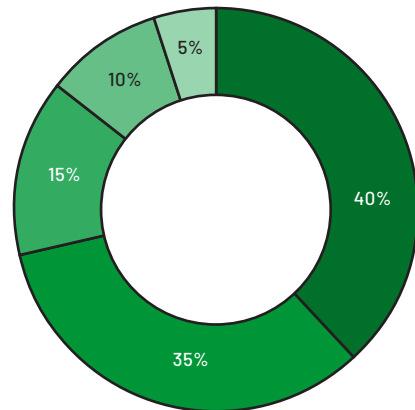
Q5: In order of importance, which arm(s) of government leads precinct delivery in Victoria in your view? Who should have primary responsibility?

Percentage responded - Who is currently leading



- 35 per cent of interviewees believe that DTP and its dedicated Ministers and/or DV have the primary responsibility or arm's length agencies
- 30 per cent of interviewees consider that responsibility varies as each precinct and its challenges are different
- 5 per cent of interviewees believe that DTF is the most important department where decision making is made
- 5 per cent of interviewees think SRLA have strong powers under its act

Percentage responded - Who should have primary responsibility in the future?



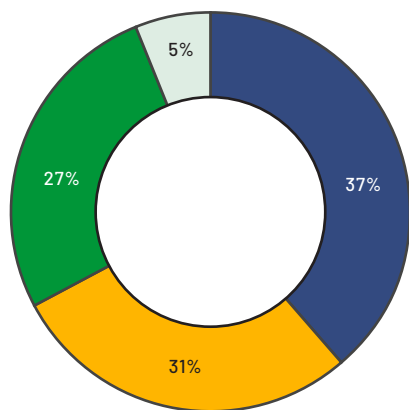
- 40 per cent of interviewees think DV / an arm's length agency to have the right powers to take responsibility over precincts on behalf of government
- 35 per cent of interviewees did not state a primary agency
- 15 per cent of interviewees believed DTP should have primary responsibility
- 10 per cent of interviewees believed DTF should have primary responsibility
- 5 per cent of interviewees believed DPC should have primary responsibility

Summary analysis of the responses:

Overall, the interviewees felt there is no one arm of government that led on precinct delivery, but most interviewees thought it was either DTP or DV. That shows the complexity of the machinery of government, as well as the need for a champion.



Q6: Precincts take time to plan, structure, deliver and manage. Given this long gestation, how can we manage risk, control and success to respond to prevailing economic conditions over the precinct delivery period?



- Long-term vision, focus on wider outcomes/investment, with a degree of adaptability
- Collaboration and risk-sharing between public-private
- Need for good governance, transparency, accountability and structure
- Continuous knowledge management and improvement

Summary analysis of the responses:

- 37 per cent of interviewees recommended a long-term vision with adaptable outcomes, clear infrastructure planning and market-responsive strategies to build investor confidence.
- 31 per cent emphasised collaboration and risk-sharing, advocating for public-private partnerships with flexible contracts, early engagement and open communication.
- 27 per cent highlighted the need for good governance, transparency and independent oversight, with roles evolving as the precinct develops.
- 5 per cent suggested continuous improvement through feedback mechanisms to learn from failures and enhance outcomes.

Q7: Within the precinct, which parties should have a role in the successful delivery of social and public infrastructure? How should the responsibilities be determined?

Interviewee's Response to Public Sector Responsibilities

Investment and Coordination:

Focus on transport and community infrastructure investments in optimal locations while increasing local government involvement.

Value Creation and Capture:

Ensuring transparency in fund allocation and thread socio-economic benefits and commerciality early in the process. Support with subsidies or rebates where required.

Regulatory Environment: Create a supportive regulatory and policy framework for infrastructure development.

Interviewee's Response to Joint Responsibilities

Planning and Coordination:

Collaborate on transport and community infrastructure planning to ensure comprehensive development.

Risk Management: Share responsibilities for managing risks associated with infrastructure projects.

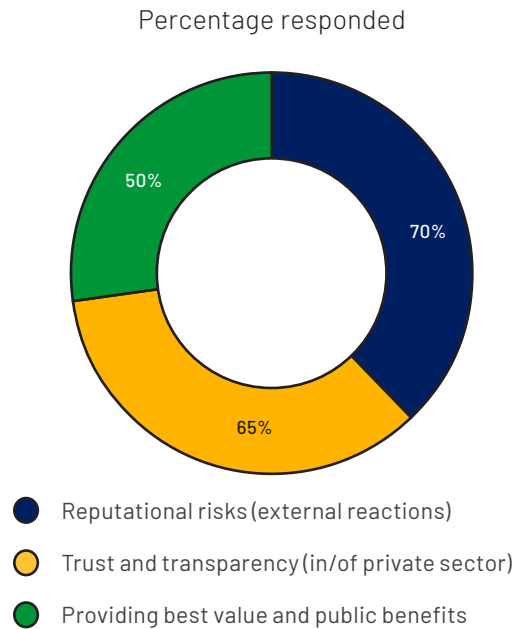
Interviewee's Response to Private Sector Responsibilities

Implementation: Leverage efficiencies and commercial expertise for the execution of property, transport and social/community infrastructure.

Financial Contributions: Support with works in kind and financial contributions.

Interview Outcomes

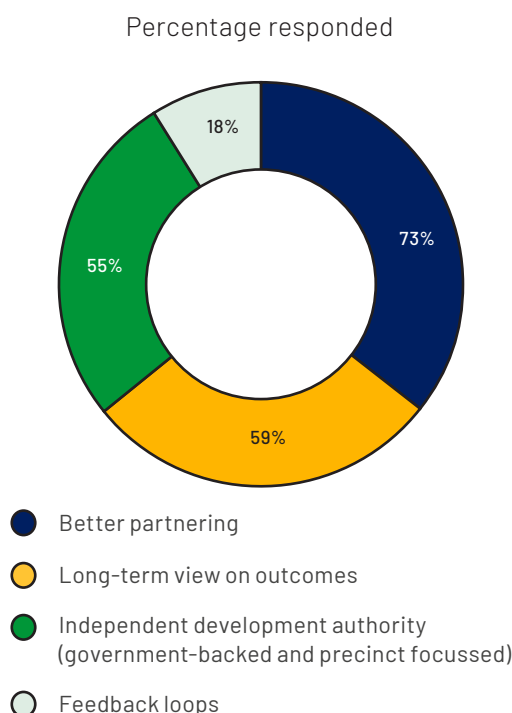
Q8: What are the main risks government see in engaging with the private sector?



Summary analysis of the responses:

- 70 per cent of interviewees identified 'Reputational Risks':
 - The government fears negative public reactions and must navigate political pressures and leadership concerns.
 - The timing and scope of engagement with the private sector is critical to mitigate reputational damage.
- 65 per cent of interviewees pointed to 'Trust and Transparency':
 - There is a concern about maintaining trust in the private sector, along with the desire to retain control over projects.
 - Strict probity rules can limit engagement flexibility, and governments are wary of being held accountable if private sector partners falter.
- 50 per cent of interviewees noted 'Providing Best Value and Public Benefits':
 - The government aims to secure the best deal while ensuring competitive neutrality and fairness.
 - There is a need for a better comprehension of commercial practices to effectively engage the private sector and avoid unfavourable risk allocation.

Q9: Taking a utopian view, what does the perfect precinct governance structure and procurement model look like. How would it work in practice?



Summary analysis of the responses:

- 70 per cent of interviewees suggested 'Better Partnering':
 - Establish a model where both public and private sectors share risks and rewards, ensuring fair deals for all parties.
 - Involve private stakeholders early in the process, maintain transparency and ensure regular communication to streamline operations and good competition.
- 59 per cent of interviewees identified 'Long-term Outcomes':
 - Shift focus from transactional benefits to broader social and economic outcomes, guided by long-term government revenue collection and economic value creation rather than focus on capital receipts from land sales. Opportunities to use the right sector levers and strengths to unlock development.
- 55 per cent of interviewees recommended the consideration of an 'Independent Development Authority':
 - Existing development authorities such as DV are not seen as being fit for purpose due to issues with delivery, lack of cadence in progressing projects, and limited interaction with the market around project pipeline and delivery. Interviewees see a need for a single government-linked authority focused on infrastructure and property development, equipped with the necessary authority and leadership to balance commercial and policy outcomes.
- 18 per cent of interviewees proposed 'Knowledge Management and Application':
 - Create mechanisms for capturing lessons from previous projects and ensure ongoing consultations with stakeholders and communities to inform future decisions. Upskilling the leadership and workforce across public-private to bridge skills and knowledge gaps across the public sector.
 - Establish forums for the private sector to provide feedback to government in a transparent manner.

Section 04: Takeaways and Recommendations

Takeaways

Arcadis and CBRE have analysed the interview outcomes and identified a number of takeaways which have informed our recommendations. These takeaways and corresponding recommendations are detailed in this section.

1. Precinct delivery in Victoria faces significant fiscal constraints.
2. Early collaboration between government and the market is essential to enable flexibility, innovation and the delivery of complex precinct projects.
3. The government must act as an enabler, setting initial aspirations and unlocking precinct delivery in partnership with the private sector.
4. A one-size-fits-all approach is not suitable for precinct delivery.
5. Existing delivery authorities have strong facilitation powers but political interference limits their effectiveness.
6. Arm's length development corporations should be considered for priority projects to reduce politicisation and enhance delivery outcomes.



Recommendations

01

Create collaborative partnerships with the market earlier in the development process

02

Provide certainty in the processes and clarity in the role of government and market in precinct delivery

03

Provide a clear vision and clarity on prioritisation of precinct objectives and outcomes

04

Institute a single 'front door' to government for market led proposals supported by an investment focus and the right expertise

05

Establish independent, 'arm's length' entities that provides certainty on process, funding and outcomes

Recommendation 1

Create collaborative partnerships with the market earlier in the development process

Engage early, succeed together

Overview of recommendation

The government should engage partners from the outset to leverage collective strengths in defining the strategy and ensure there is a market for planned outcomes. A joint approach to delivery is required where partners need to embrace rather than differ on desired outcomes.

What we heard

- The government and private sector need to collaborate to deliver precincts - they should engage partners from the outset to leverage collective strengths in defining the strategy and ensure there is a market for planned outcomes.
- The government is driven by its own agenda for precincts which does not match the commercial reality currently faced in the market.
- Developers redesign the majority of precinct structure plans resulting in additional time and planning risk to precinct delivery.

Key actions

- Establish fair and inclusive probity guidelines which act as enablers rather than barriers to early dialogue or market testing. An example would be to invite market participation in transport and social infrastructure planning, coordination and investment.
- Engage partners prior to structure plan development to ensure they apply their market knowledge and can move quickly on to development applications (DA).

- Establish an engaged panel of precinct delivery partners to promote a proactive engagement forum.
- Establish genuine partnerships through long-term commercial and legal structures where both public and private sectors share risks and rewards in an equitable and fair manner.

Outcomes

- **There will be transparency, thus more confidence and trust in precinct planning, viability, delivery and management.**
- **There will be co-developed structure planning, enabling concurrent DA progress.**
- **The public-private sector partners will be better aligned in their objectives and values.**
- **Precincts will be quicker to market and to delivery, resulting in more cost efficiency for the state.**
- **Project risks will be shared early, providing opportunity for easier mitigation of risks.**

How these actions can be implemented



Places for London (TfL Property)

TfL set up a commercial property company to develop land owned by TfL into housing and commercial property. The company was set up to create a new revenue stream for TfL.

- Plans to deliver 20,000 homes over next 10 years. 50 per cent affordable. £200m funding from commercial debt.
- Structure the competitions to pursue alignment.
- Set requirements to suit partners they would like partnership for long term.
- Develop long term joint venture (JV) partnerships with developers of choice to enable them to approach directly and early on different opportunities - fast tracked partnering.

Places for London (Places) succeed in engaging early with partners through developing long-term joint venture developer panels which enable early engagement and testing of potential precincts and their feasibilities. They take a minority stake in projects, with partners expertise focusing on design, planning and implementation.

It also enables Places to engage directly and move quickly on opportunities to deliver housing (a pillar of their for-profit mandate) faster. Places have mandated autonomy and a balanced and lightly resourced team, to enable quick decision making. Their team are responsible for all aspects of asset development and management with a balance of private and public sector experience.

Recommendation 2

Provide certainty in the processes and clarity in the role of government and market in precinct delivery

Time and uncertainty can kill all deals

Overview of recommendation

Define clear roles, responsibilities and prioritised commitments for the public and private sectors more generally and on a precinct-by-precinct basis.

What we heard

- The current fiscal conditions are challenging the viability of precinct delivery in Victoria.
- Government needs to pull statutory levers to derisk partnerships, the market needs to be clear in challenges and hurdles.
- Define and commit to clear roles and responsibilities for the public and private sectors on each specific precinct.
- Private sector can more efficiently and in, some instances, should deliver precinct infrastructure.

Key actions

- Enhance the role of an existing government body to serve as a unified program management entity, supported by a robust governance structure, authority and leadership. This body would direct and coordinate whole-of-government efforts to facilitate precinct delivery while achieving balanced commercial and policy outcomes.
- Enhance the role of the Precincts Minister as a precinct champion with the organisation tasked, mandated and powered to deliver results at a precinct scale.
- Standardise and make transparent business case criteria and assessments for precincts to act as an effective tool for public and private decision-makers.

- Enable flexibility in planning settings and land uses to manage evolving market requirements.
- Review the value creation and capture mechanisms and broaden the definition of value beyond finance, with the aim of adopting alternative models.

Outcomes

- **Precincts requirements will be clear at the origination stage as whole-of-government commits to the precinct activators and catalyst interventions, enabling the private sector to plan and implement with confidence.**
- **Reputational risks and risks of being 'shortchanged' will be mitigated, offering a shared sense of control through clear responsibilities and balanced policy, socio-economic and financial outcomes.**
- **Improved clarity in decision-making and governance.**
- **Improved transparency in relation to value capture and its re-investment such that the schemes generating the value, benefit from it.**
- **Increased attractiveness and competition for private sector co-investments.**

How these actions can be implemented



London Legacy Development Corporation (LLDC)

Set up by Mayor of London in 2012 to develop the Olympic Park into a new activity centre in East London. LLDC replaced the Olympic Delivery Authority and Olympic Park Legacy Company but maintained planning powers.

- Clear remits with planning powers given to achieve development goals.
- Developer financial contributions were all pooled and managed centrally by LLDC to deliver the jobs and skills programme.
- Clarity of purpose, delivery plan and responsibilities established up front.
- Allowed key anchors to chair stakeholder forums.
- Communication bridges formed between senior place leaders and senior business and civic leaders.

LLDC created a clear framework for development which provided certainty and ownership over planning and development outcomes to encourage private entities to help develop the precinct. The clarity on issues such as planning, contributions, community consultation etc. provided the private market with confidence to invest in the precinct.

Recommendation 3

Provide a clear vision and clarity on prioritisation of precinct objectives and outcomes

Predictability and simplicity

Overview of recommendation

The government needs to be clear on the priorities and objectives of individual precincts to ensure targeted outcomes are delivered.

What we heard

- The focus is spread across too many different precincts, leading to the diffusion of focus, responsibility and a lack of purpose.
- It is essential to establish a clear vision and prioritise objectives for each precinct to ensure clarity for market participants.
- The planning vision must align with commercial realities.
- It is crucial to commit to delivery requirements.

Key actions

- Develop a prioritisation process for precinct delivery pipeline and other opportunity sites, taking into account the capacity and expertise available for deployment.
- Position the government organisations to compete for and retain top talent with experience working in or partnering with the private sector and with expertise that expands beyond planning and design, encompassing deal structuring, finance, investment and commercial management capabilities.
- Be clear on what the government wants, understand the commercial implications and lock in agreement to provide the private market with confidence to invest.

Outcomes

- **Victoria will have a renewed impetus for precinct delivery.**
- **There will be optimised use and allocation of resources.**
- **The government will strengthen its ability to deliver precincts with the private sector and critically assess and challenge misleading or inaccurate advice.**
- **Victoria will raise the bar in precinct delivery by building on success and learning lessons on unsuccessful initiatives and developing agility.**

How these actions can be implemented



Kings Cross London and Continental Railways (LCR)

LCR was established as the property development arm of the UK High Speed Rail 1 (HS1) project. One of the key objectives behind HS1 was to stimulate regeneration in inner London and in particular around King's Cross. In 2001, LCR selected property developer Argent as a private development partner for the King's Cross regeneration program.

- The price paid by Argent in the agreement was to be discounted according to the value of the land, with that discount increasing as the open market value of the land rose.
- The deal incentivised Argent to optimise the value of the scheme.
- LCR adopted a long-term strategy focusing on minimising property cost and maximising the value of assets.

LCR are clear in their role and mandate to provide longer term annuity income to support government funding of transport infrastructure. They engage JV partners on each identified precinct (Kings Cross, Stratford etc.) to drive the paced delivery of revenue. This clarity on objectives and long term view supports maximising the value of their land assets and has led to strong investment from the private sector.

Recommendation 4

Institute a single 'front door' to government for market led proposals supported by an investment focus and the right expertise

Actively refresh the market engagement and its priority within government

Overview of recommendation

Provide singular growth and investment focused leadership for the private sector engagement and Market Led Proposal (MLP) process, with transparent requirements and reporting.

What we heard

- The current system is inefficient and does not work. This is likely due to its overly complex, multi-layered and burdensome bureaucratic structure.
- The process requires an enabling mindset and leadership environment that provide the private sector confidence to invest, participate and innovate.
- It is essential to remain politically detached or maintain clarity in the delivery mandate to preserve capacity for decision-making.

Key actions

- Appointment of a 'MLP Champion' with singular responsibility for opportunities within the government and a clear transparent remit around growth and investment.
- A coordinated effort from the government to reassess their commitment to encouraging innovation through the MLP framework, while also balancing factors such as maintaining neutrality and competition.
- The government to provide expanded definitions around uniqueness and other criteria including threshold acceptance examples.
- Facilitate early collaborative consultations, committing to review timeframes and allocating suitable experts and specialists in filtering and assessing proposals.

- Provide clarity on proposal cost reimbursements by establishing clear eligibility criteria and thresholds.

Outcomes

- **Encourage transparency and clarity for applicants to spur climate sector investment.**
- **Reaffirm Victoria's status as a prime investment destination and a state which is open for business.**
- **Prevent abortive resources expenditure on speculative projects.**
- **Encourage greater engagement in market facing processes, driving competitive tensions.**

How these actions can be implemented



Martin Place Unsolicited Proposal(USP)

In exchange for Macquarie group developing the towers above Martin Place train station the Government (Sydney Metro and TfNSW) sold the air rights above the station to Macquarie Group.

- Uniqueness was defined by the land tenure of the Macquarie group. As they 'owned' the 'air rights' they were the only party who could deliver an Over-Station Development.
- Macquarie contributed to the construction of the station and in return received direct access from the station into their buildings.
- Macquarie Group were able to demonstrate value for money and whole-of-government impact by reducing cost to government in the construction of station.

The Martin Place USP represented a public private transaction which generated maximum value for money for both parties. Through the clear uniqueness of extended land tenure, Macquarie Group were able to demonstrate that they could offer value add to the Sydney Metro development that no other party could. This partnership led to a cost reduction for government in delivering the station and added significant value to Macquarie's existing asset. The NSW Government USP process provides a singular front door for investment, that is managed with an investment and cross government focus. The USP team has standing cross-departmental meetings to drive progress and reports through cabinet to reinforce cross government focus and coordination.

Recommendation 5

Establish independent, 'arm's length' entities that provides certainty on process, funding and outcomes

Departmental overreach impacts clarity and timeframe of decision making

Overview of recommendation

Provide a clear owner for the delivery of precinct over time that can survive inevitable changes in political powers, with clear but bounded outcomes to achieve project outcomes within their domain.

What we heard

- It is essential to have a strong authorising environment and mandate to collaborate, coordinate and negotiate, with the flexibility and ability to strike arrangements with local government and other private sector parties.
- An independent entity needs to define roles and provide support to:
 - Ensure decisions are made for the longer term.
 - Ensure contributions and returns are reinvested in the specific precinct (and not subject to budgetary processes).
 - Ensure momentum through clear curation of uses across the precinct.

- Consider the implementation of development corporations (or equivalent) to provide arm's length control from the government, to capture and spend contributions within the precinct and enable long term curation and management.

Outcomes

- **Precincts will be able to adapt, evolve and mature to changing economic environments, market dynamics and political cycles.**
- **Precincts will have a long-term commitment with built-in flexibility throughout the development lifecycle of precincts.**
- **Improved longevity of complex, large-scale precincts is able to treat commercially with the private sector against established parameters.**

Key actions

- Maximise the potential authority and independence of existing delivery authorities (DV, SRLA, Homes Victoria, Regional Development Victoria, etc.).
- Identify key projects which would benefit from independent authorities due to longevity, complexity and need for flexibility.

How these actions can be implemented



Vienna Aspern Seestadt District

Vienna 3420 Aspern Development AG, set up especially to deliver new district. The authority is 73 per cent owned by city-owned Vienna Business Agency, Vienna Insurance Group and Austrian Real Estate Development 27 per cent owned by Austrian federal property administration.

- Focused on cooperation, common vision setting and gaining industry advice. Continually balancing interests in an open and respectful way
- Development company saw itself as a platform, as a hub, not the master mind.
- Agility to set up new structures and subsidiaries quickly to address issues such as technology development, curating the retail and neighbourhood management.

This development authority represents a good example of an entity at 'arms length' which can influence elements such as planning, development approvals and infrastructure contributions, with a long term, precinct focused lens to ensure the outcomes of the precinct are achieved and not influenced by changes in government or economic conditions.



Appendix A



Barangaroo is a major urban renewal project located on the western edge of Sydney's CBD to create a 22ha waterfront precinct. The precinct aims to create a vibrant mixed-use community with a focus on commercial, residential and recreational spaces. The project is ongoing, with completion expected by 2032.

Procurement Approach

- The NSW Government, through Barangaroo Delivery Authority (BDA), selected Lendlease as developer for Barangaroo South via a competitive tender process and appointed them via a development agreement. Lendlease paid a development rights fee to the government in exchange for rents.
- Central Barangaroo's development rights were initially awarded to Grocon via a competition, and following their exit, the NSW Government signed a Project Development Agreement with Aqualand which was appointed as the sole developer.

Delivery Mechanism

- Delivery involved a mix of public-private partnerships and direct government investment.
- Infrastructure delivery agreements were included in the development agreements to deliver public infrastructure, roads etc.
- Development Partner Agreements allowed for the collection of levies from development partners like Lendlease, Crown and Aqualand. These levies funded ongoing maintenance, management, art and cultural programs, ensuring a vibrant community space.
- Sustainability obligations were set on developers via the development agreements.

- Development contributions were required from appointed developers to contribute towards other ancillary capital projects in the scheme.

Government Role and Challenges

- Initial funding for infrastructure and public spaces came from the NSW Government. This included investments in Barangaroo Reserve and essential infrastructure.
- The NSW Government set up a planning framework for Barangaroo. All applications were sent to BDA for approval.
- The NSW Government was responsible for producing the masterplan and overseeing design and delivery excellence.
- The NSW Government faced criticism on the delivery process described as "planning as deal-making" approach, which involved significant behind-the-scenes negotiations and was seen as lacking transparency, they faced public opposition due to the high amount of privatisation.
- Issues with conflicts of interest, interfaces and coordination between BDA and developers. Refer to Barangaroo sight lines dispute.
- The precinct's planning framework was flexible, resulting in a final development that significantly differs from the original masterplan, with a much greater emphasis on high-rise buildings than initially anticipated.

Private Sector Role and Challenges

- Significant portions of the project, especially commercial and residential developments, were financed by private developers, Lendlease and Aqualand. Lendlease issued green bonds to attract investors interested in funding environmentally sustainable projects such as the delivery of green buildings and at Barangaroo.
- Key challenges included ground conditions due to historical industrial use, achieving high sustainability standards, balancing commercial interests with community and cultural aspects.



Suburban Rail Loop (SRL) Precincts

Melbourne, Australia

The SRL Precincts are the broad urban renewal areas around the new SRL stations that will deliver more housing, amenities and employment close to public transport connections, with coordination being led by the Suburban Rail Loop Authority (SRLA). The precincts aim to create vibrant, connected communities with a focus on transit-oriented development.

Procurement Approach

- The development procurement approach is yet to be determined by SRLA and government.

Delivery Mechanism

- Delivery will likely involve a mix of public-private partnerships and government investment and enablement.

Government Role and Challenges

- The government has developed the SRL Precinct Development Framework to guide the future transformation of SRL Precincts, aiming to realise Plan Melbourne objectives and support consistent decision-making about precinct development that builds on local strengths and characteristics. This framework sits alongside the Urban Design Framework.
- The government is expected to play a central role in planning, coordinating, and overseeing the development of SRL precincts.

Private Sector Role and Challenges

- The private sector is expected to work in partnership to develop mixed-use space, attract investment and operate and maintain the spaces. Private sector involvement will be key for value capture from increased development.



Revitalising Central Dandenong

Melbourne, Australia

Revitalising Central Dandenong is a major urban renewal project across 7ha aimed at transforming the heart of Dandenong into a vibrant, modern city centre. The project is ongoing, with completion expected by 2042.

Procurement Approach

- The procurement approach in 2020 involved a competitive public tender process for Site 11-15 by DV, which was won by Capital Alliance to secure development rights for Revitalizing Central Dandenong (RCD).
- A master plan for these sites was finalised in August 2024.

Delivery Mechanism

- The delivery mechanism for the precinct is a combination of DV's direct delivery and DV's partnership with Capital Alliance.

Government Role and Challenges

- The government has been investing in ongoing infrastructure and development since 2006. Completed projects under RCD include the Australian Taxation Office building, government services buildings, Drum Theatre, station upgrades, and Big Build initiatives. DV will oversee delivery, ensure project objectives are met, transition local traders, manage retail tenancies within the new development, and transfer vacant sites to Capital Alliance.
- The Greater Dandenong Council plays a central role as a key stakeholder in the Revitalising Central Dandenong initiative, responsible for facilitating investment, renewal, and economic growth opportunities to enhance social prosperity and stability.
- The Minister for Planning is the responsible authority for reviewing and deciding on planning permit applications within the Declared Project Area in Central Dandenong.
- Key challenges include coordinating multiple stakeholders, tenant management and relocation, and ensuring timely vacant possession of the site.

Private Sector Role and Challenges

- Capital Alliance developed a masterplan vision for the sites, working with DV on the design criteria and guidelines. In 2020, CA successfully secured development rights.
- CA will be responsible for: delivery of planning, construction and settlement of the sites, project marketing, sales and leasing and funding.
- Key challenges: property and construction market conditions



Fitzroy Gasworks

Melbourne, Australia

The Fitzroy Gasworks precinct is a significant urban renewal project located in Melbourne's inner north covering an area of 3.9ha.

Procurement Approach

- DV selected Inner North Collective Joint Venture (INC JV) to deliver 70 per cent of homes across the Fitzroy Gasworks precinct. INCJV comprises of Assemble, Milieu and Hickory, with capital partners. These homes, including affordable options, will be delivered in stages, with completion targeting late 2028 (subject to change).
- In 2022, a Registration of Interest (ROI) process was open for four weeks for development partners to help shape the future of this iconic site. The ROI was followed by an EOI open for seven weeks. This has now closed and shortlisted bidders have progressed to the Request for Proposal (RFP) phase.
- Private engagement is being sought to assist the delivery of build to rent accommodation.

Delivery Mechanism

- The delivery mechanism for the precinct is a combination of DV's direct delivery and DV's partnership with INC JV through a development agreement.

Government Role and Challenges

- DV will act as the master developer and have created a Development Plan for Fitzroy Gasworks - approved in September 2022. It ensures any future development complies with the vision for the site, once approved. This provides certainty about the nature of the proposed use and development to the community, stakeholders and the Minister for Planning, including building heights and open space requirements.
- The government funded various projects such as the Bundha Sports Centre.
- Challenges include managing heritage considerations, integrating with existing transport infrastructure, and securing community support.

Private Sector Role and Challenges

- The private sector will be responsible for delivering the built form and public realm improvements.



Darling Square

Sydney, Australia

Darling Square is a major urban renewal project located in the heart of Sydney. Darling Square is part of the NSW government's \$3.4 billion-dollar redevelopment of Darling Harbour. The project completed in 2019

Procurement Approach

- Lendlease was selected through a competitive tender process overseen by the NSW Government. This comprehensive evaluation included assessing developers based on their proposals, experience, and capacity to execute large-scale urban regeneration projects effectively.

Delivery Mechanism

- The project involves an estimated investment of approximately \$1 billion from the private sector under a build-own-operate-maintain-transfer model.
- Lendlease contributed 50 per cent of the equity, with HOSTPlus providing the remaining share.
- The private consortium received a fixed fee and a percentage of profits, with all revenue and operating profit being channelled back to the NSW Government, mitigating demand risk for private sector stakeholders.

Government Role and Challenges

- The NSW government has played a pivotal role in governing and overseeing the design and delivery processes, alongside funding crucial infrastructure developments.
- One of the main challenges involved ensuring the adoption of sustainable development practices while effectively managing public opposition to the demolition of existing structures.

Private Sector Role and Challenges

- The private sector was responsible for the design, construction, and asset management aspects of the project.
- Significant challenges included meeting stringent environmental standards, addressing potential flooding risks, effective stakeholder management, and navigating complexities such as existing underground utilities and heritage assets.

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