



Managing Residential Development - 'State of Play'

INDUSTRY SUBMISSION

URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA
(VICTORIA)

MARCH 2016

Industry Submission

Managing Residential Development



ABOUT US

Urban Development Institute of Australia (Victoria)

The Urban Development Institute of Australia (the Institute) is the peak industry body for the urban development sector. In Victoria, we provide over 320 member companies with the benefits of policy and advocacy activities, industry intelligence, networking and business building opportunities.

Our members include developers, consultants (planning, environmental, heritage, engineering, design and legal), financial institutions, suppliers, government authorities and utility providers. Together we drive industry discussion and debate and work with all levels of government to achieve successful planning, infrastructure, affordability and environmental outcomes.

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Industry Position

The *State of Play* reports provide an important analysis of Melbourne's current development challenges as we strive to deliver an adequate quantity of new housing to meet the city's population demands. However, the reports do not establish a basis of information on which the medium and longer term impacts of the residential planning zones can be properly understood and assessed.

The Institute's analysis of the *State of Play* reports demonstrates that if the current rate of supply continues through to 2031 there will be a significant shortfall in the number of new dwellings required to house Melbourne's growing population. In our view, there is a very real danger that this could further exacerbate the affordability issues Melbourne is facing today.

The *State of Play* reports successfully:

- Demonstrate the difficulty in assessing the impact of the residential planning zones;
- Highlight the need to expand the scope of the analysis to identify constraints to further growth and the possible exhaustion of developable land;
- Highlight the shortages in supply that currently exists within municipalities; and
- Highlight the inconsistencies that exist in the application of the new residential zones and their implementation.

However, the *State of Play* reports fail to comprehensively examine the factors that drive housing development within both greenfield and established areas. Factors such as development feasibility, development risks, market and sub-market dynamics, land value impacts, cost implications and supply constraints need to be better understood and examined within the policy making process.

The Managing Residential Development Advisory Committee (MRDAC) has been tasked by the Minister for Planning to provide advice on how the implementation of the new residential planning zones should be amended and improved. Currently, the Terms of Reference do not allow the MRDAC to examine how development applications within the residential planning zones are assessed and determined.

Furthermore, in developing a policy approach for the implementation of the residential planning zones, the MRDAC must be empowered to fully consider the vital information below:

- Building new housing is a viable activity, if development outcomes envisaged by a planning framework is not viable, then it will not be built;
- The market needs to be able and willing to pay for housing, higher risk and costs can increase the price of housing to unattainable levels.

We are encouraged by the Victorian Government's openness to discuss and debate these and other issues associated with Victoria's residential planning zones and thank the MRDAC for the opportunity to make a direct contribution to this very important policy outcome.

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Recommendations

That the Minister for Planning empower and direct the MRDAC and the Department of Environment, Land, Water and Planning to:

1. Undertake a detailed analysis of how the implementation of the residential planning zones and the current practices associated with its continued implementation could constrain the availability of developable land and limit a municipality's ability to meet its future population's housing needs.
2. Undertake a detailed review of how the current planning framework constrains the development of housing within the established areas (i.e. development risk, cost, market conditions, etc.)
3. Explore a number of facilitative planning approaches that would better encourage the development of housing within the new residential planning zones. These include, but not limited to:
 - Develop and implement a transparent and accountable planning scheme amendment process;
 - Develop and implement a code assessment process for a number of housing types;
 - Allow low-impact housing products to be approved through the building approval process (i.e. 1 – 2 storey duplexes);
 - Melbourne/ Victorian Planning Authority (VPA) to be responsible for reviewing residential planning zones to ensure municipalities and sub-regions have a rolling 25 year supply of housing (minimum) based on government's population forecasts;
 - Investigate separate assessment processes for major housing developments under the responsibility of the VPA (i.e. estimated cost of development, number of lots, number of dwellings, etc.)
 - Under the current rate capping environment, provide support for municipalities that seek to privatise and/or regionalise the planning assessment and approval process.
4. To ensure zoning allocation and housing provisions imposed and proposed by local government delivers the quantum and type of housing the future population needs, the planning framework incorporates the following:
 - An understanding of housing market (and sub-markets) factors, to ensure the quantum and type of housing needed can be accommodated;
 - Project feasibility testing to ensure policy outcomes are deliverable; and
 - The quantum and types of housing needed can be delivered affordably, ensuring home ownership remains attainable.
5. Undertake a detailed analysis of infrastructure capacity within the established suburbs and investigate the costs associated with upgrading and duplicating assets to ensure an appropriate level of services are provided to cater for increased densities.

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6. Identify those municipalities that should be required to review the implementation off their residential planning zones.
7. Develop a limited number of schedules that can be applied within each of the residential planning zones, providing clarity on how they are intended to be applied.
8. Make state and local government more accountable by clearly identifying the impacts of not implementing the MRDAC's recommendations.

Detailed Issues and Feedback

History

On 1 July 2013 new residential zones were introduced in Victoria in an effort to improve the planning system so that it better responds to present day requirements and to give greater clarity about the type of development that can be expected in residential areas.

Amendment V8 introduced the Residential Growth Zone (RGZ), General Residential Zone (GRZ) and the Neighbourhood Residential Zone (NRZ) into the Victoria Planning Provisions. During 2013 and 2014 Councils were obliged to introduce the revised Victorian Residential Zones.

In February 2014, the Minister for Planning appointed the Residential Zones Standing Advisory Committee (RZSAC) to provide advice on the method and application of the proposed new residential zones into a local planning scheme.

In June 2014, the Committee provided its *Stage One Overarching Issues Report*, the report outlined a series of recommendations and implementation principles to assist with the strategic implementation of the revised zones.

Within the report, the RZSAC noted that the application of the residential zones should be based on 'housing' or similar strategies to address "where and how housing growth will be accommodated". Furthermore, the RZSAC made a number of other recommendations which included; revising the relevant practice notes, reviewing the integration of Zone Schedules and overlays, addressing building height issues and reviewing proposed amendments in light of the various recommendations made in respect of the planning schemes assessed.

As highlighted by the *State of Play* reports, very little has changed in addressing the issues associated with how the new residential planning zones have been implemented. In summary, the report reaffirms a number of the issues associated with the implementation of the new residential zones including:

- The different methods and processes applied in implementing the new residential zones across metropolitan Melbourne
- The inconsistency in the rationale provided for the application of the zones, in particular the NRZ, between Councils';
- The vast difference in the extent to which each zone has been applied across municipalities, particularly in the context of metropolitan planning and the ability to plan strategically at this scale;
- The failure to consider the implications of the new residential zones upon the new housing market including land values, development feasibility, dwelling yield, spatial distribution and location of new housing;
- A lack of understanding of the market's ability to deliver the type of residential development promoted by the new residential zones; and
- Incorrect assumptions relating to the potential of future residential development.

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With the objective of facilitating growth within established suburbs, the application of the new residential planning zones gave little to no consideration of barriers to development. There appears to be little understanding of the impact on development feasibility, land value impacts, cost implications, and supply constraints, that resulted from the application of the new residential zone and the typologies and outcomes sought.

Supply of developable land

Historic Supply

Melbourne 2030 (2002) originally set the goal of reducing greenfield housing to approximately 30 percent of total new housing. However, this goal became unlikely when demand for housing began to increase from 2005/06, peaking in 2009/10. During this time, remnant stock of 'greenfield' land within the established middle and outer suburbs were exhausted, with demand deflected to the fringe.

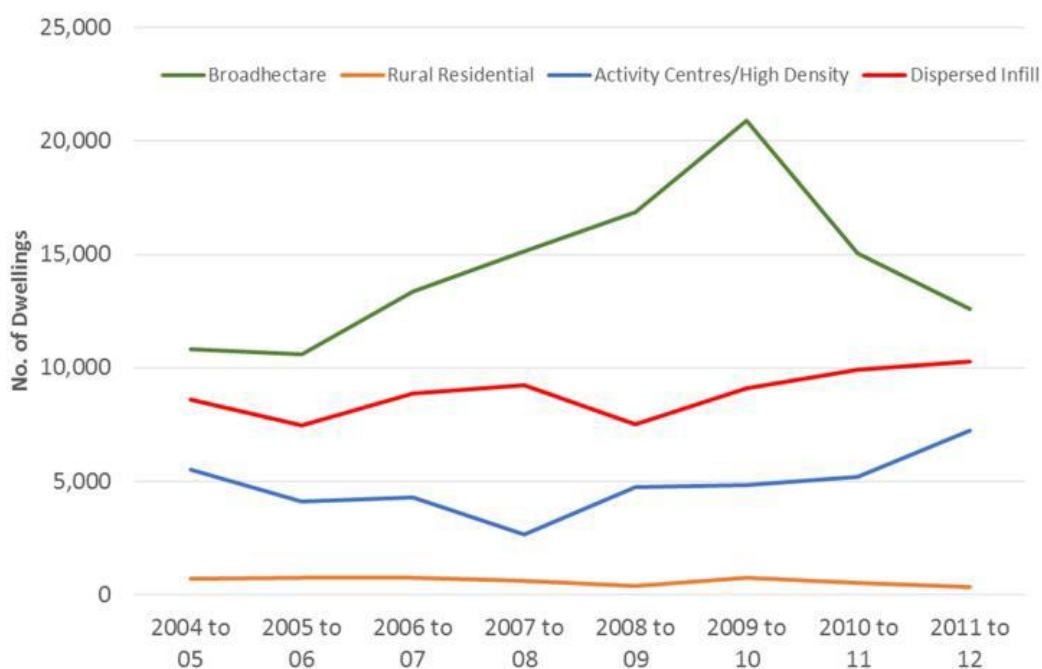


Figure 1: The above graph demonstrates how the industry can more easily respond to surges in demand through greenfield 'broadacre' development.

According to Plan Melbourne Refresh, as at May 2015, 72 percent of building approvals were for housing in established areas and 28 per cent in the greenfield. While this demonstrates a peak in development within established areas, it does not represent an on-going trend with the most recent data from BIS Shrapnel showing an increase in proportion of dwellings accommodated by greenfield lots in 2015. Furthermore, the data shows that in 14 of the last 22 years, over 40% of new dwellings were accommodated by greenfield lots.

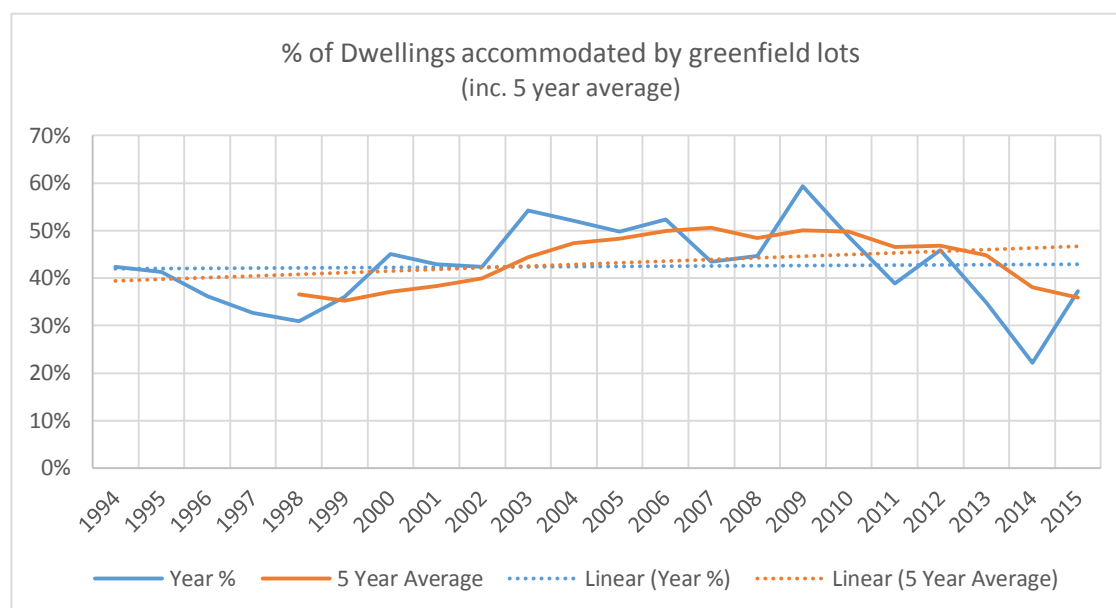


Figure 2: The above graph shows the proportion of dwellings accommodated by greenfield development in Melbourne, including the 5 year averages. Adapted from data provided by BIS Shrapnel.

Implementation issues with residential planning zones

The ways in which the new residential zones were able to be implemented allowed for significantly different methodologies to be applied. This has resulted in an irrational regulatory framework and zoning regime that contains numerous peculiarities which fail to achieve Melbourne's housing objectives.

Furthermore, the introduction of the new residential zones has created unnecessary complexity by allowing Schedules that vary the provisions of each zone to be prepared. Consequently, there are now approximately 150 or more schedules attached to the residential zones throughout Victoria.

Additionally, the some off the principles and criteria which was used to inform the application of the new zones was questionable. For example, the principle of applying the NRZ to an area simply on the basis that 80% of lots accommodate detached dwellings, disregards broader planning considerations and opportunities to deliver an increase in housing within areas where there is a high level of amenities and connectivity.

Both the content of the new residential zones (including the various schedules) and the extent to which they have been applied, is considered to be inconsistent and in contrast with some of the objectives of State Planning Policy Framework (SPPF), and in many cases the Local Planning Policy Framework (LPPF). For example, the implementation of the new residential zones and their associated purpose is in many instances in direct conflict with the Clause 16 Housing of the SPPF, particularly *Cl 16.01-4 Housing diversity* and *Cl 16.01-5 Housing affordability*.

Cl 16.01-4 Housing diversity

To provide for a range of housing types to meet increasingly diverse needs

Cl 16.01-5 Housing affordability

To deliver more affordable housing closer to jobs, transport and services.

This oversight and many others maybe due to the limited timeframe in which Councils had to implement the new residential zones. In addition to conflicting with some of the objectives within the SPPF and LPPF, the limited implementation timeframes had led to numerous properties burdened by a zone regardless of their capacity.

In reviewing the residential zones, proper consideration is needed as to the impacts on achieving the objectives of the SPPF, particularly the housing objectives. Furthermore, the purpose of the residential zones and the outcomes sought by it must be more properly understood in the context of individual sites' capabilities.

State of Play reports

It is difficult to assess the impacts of the new residential planning zones based on building approval rates for three reasons. These include:

- The new residential planning zones apply to the approval of planning permits. Building approvals include those projects that have already received a planning approval. The implementation of the new residential planning zones is unlikely to have applied to many of developments that received a building approval between 2010 - 2014;
- Market conditions strongly influence planning and building approvals. The recent surge in demand for new housing, particularly in the established areas is the main determinant for any recent spikes in building approvals;
- Reviewing the number of building approvals does not adequately assess supply constraints in the medium and long term. If the market is able to absorb higher prices, the impacts of restrictive land use policies is shown in price not market activity. It is only when prices exceed what the market is able and willing to pay for housing does activity drop.

Due to the reasons mentioned above, the recentness of the new residential planning zones makes it difficult to assess their impact. An in-depth analysis is needed to determine the impact of the new residential zones and of the continuation of current practices as a result of implementation (i.e. exhaustion of developable land, sterilisation of potential future higher density development, etc.)

Analysing the data provided in the State of Play reports, only one sub-region and seven municipalities were identified as achieving a supply rate which will meet its projected populations housing needs. The municipalities that require the most significant increases in their supply rates to reach their housing targets include: Nillumbik (105%), Yarra Ranges (89%), Banyule (75%), Knox (65%) and Melton (65%)

Out of the middle suburbs, only two out of thirteen municipalities have a supply rate which will allow them to reach housing targets to meet their future population's needs. These include Monash and Moreland. The worse offenders in the middle suburbs include: Banyule (75%), Kingston (54%), Darebin (54%) and Manningham (47%).

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However, as previously mentioned and further explained below, the current analysis of the separate sub-regions and municipalities does not paint an accurate picture of the impacts of the new residential planning zones, nor does it assess the capacity for future housing stock.

In reviewing the State of the Land report findings for each of the municipalities, the Institute identified a number of examples which helps demonstrate our points. The following examples help:

- Demonstrate the difficulty in assessing the impact of the residential planning zones;
- Highlight the need to expand the scope of the analysis to identify constraints to further growth and the possible exhaustion of developable land;
- Highlight the shortages in supply that currently exists within municipalities;
- Highlight the inconsistencies that exist in the application of the new residential zones and their implementation.

Banyule

According to our analysis, Banyule is the middle region municipality which requires the most significant increase in the annual rate of supply. To meet the target of 10,000 dwellings between 2011 to 2031, the current annual rate of supply of 320 dwellings per year is required to be increased by 75% on average over the next 15 years.

Currently, 33.4% of residential land is zoned NRZ and 58.6% within the GRZ. While the application of the NRZ is not as extensive within Banyule as it is within other municipalities, the low additional dwellings per project rate of 1.69 within the GRZ and the low number of projects is likely to have contributed to the shortfall.

Within the GRZ in Banyule, there are 2 schedules for the GRZ and 2 schedules for the RGZ. A 40% site coverage for land located within GRZ2 is likely to limit the number of townhouse and duplex housing that can be included.

Additionally, the low number of projects within Banyule may also reflect underlying feasibility and market condition issues within the municipality.

Moreland

Despite almost two thirds of Moreland's residential zones being contained within the NRZ, it has been able to active an annual supply rate that if continued will be able to deliver a surplus in the number of households needed by 2031.

However, the current annual rate of supply may not continue due to the availability of land zoned C1Z and the low rate additional dwellings per project for development located within the RGZ. From 2010 – 2014, almost half of new dwelling approvals were located in the C1Z which only accounts for 3% of the total residential land area. Furthermore, the additional dwelling rate per project for development within the RGZ is 3.66 which is considerably low compared with other municipalities.

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Due to the recentness of the new residential planning zones, it is likely that previous development constraints within area now zoned as RGZ resulted in the low dwelling per project rate. However, due to the development that has already occurred, and the small amount of land allocated to RGZ and C1Z, there is concern around the exhaustion of land developable for higher densities.

Once land within the RGZ and C1Z is exhausted, rezoning may become obsolete with land within the NRZ and GRZ being developed at much lower densities locking away land for at least 20 years.

Monash

The municipality of Monash if it is able to continue its current dwelling per year rate will deliver an extra 2,000 dwellings by 2031. However, Monash relies predominately on the GRZ to deliver new housing which is currently being delivered at a rate of 1.97 dwellings per project. To meet the current housing demands, Monash would need to have approximately 4,696 projects approved over the next 15 years.

Currently the average land area per lot is 635m², once the larger land within the GRZ has been exhausted, identifying sites that can be developed for one of more additional dwelling will become difficult.

Due to limitation to the data that is provided, it is difficult to ascertain the proportion of developable land has been exhausted. It is extremely possible that much off the previous activity has been focused on lots that are capable of supply additional dwellings. Further analysis is needed to ensure that there is a sustainable supply of land which can feasibly and affordably developed for additional housing.

Glen Eira

Applying 81% of land within the NRZ, Glen Eira has been a place of contention. However, despite the generous application of the NRZ, the annual rate of supply would only need to increase on average by 12% to meet its housing targets.

This has been due in part to the number of projects within the NRZ that has produced one additional dwelling and the high additional dwellings per project that has been achieved by development within the GRZ. As previously discussed, this may be due to what was able to be approved prior to the application of the new residential planning zones and/or the current market conditions within the Glen Eira area.

Further analysis is needed to ensure developable land within the NRZ and the GRZ hasn't been exhausted or will not be exhausted. Furthermore, closer examination is needed as to whether the development within the NRZ and GRZ is not sterilising suitably located land from further development.

Kingston

Despite 97% of residential land being zoned within the GRZ, to meet the 2031 housing needs, Kingston will need to increase its annual supply rate over the next 15 years by 54% on average. This maybe due to the low dwelling per project rate that has occurred within the GRZ which is as low as some areas zoned NRZ (1.62).

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The low dwelling per project rate may be due to the three different schedules that apply within Kingston's planning scheme. However, market and feasibility issues within the Kingston area may be a determining factor for the low dwelling per project rate.

Future Capacity

Recent research by the Royal Melbourne Institute of Technology's (RMIT), *Melbourne at 8 million* attempts to assess the current capacity of the established areas. What the research found is that with the current zoning, Melbourne could achieve more than 80% of its growth within the established areas.

While this is a promising result, the research uses a number of assumptions that is considered to be unrealistic and exaggerated. The research includes the following assumptions:

- Land within the General Residential Zone (GRZ) could potentially produce a large proportion of additional dwellings;
- Land currently zoned Industrial or Commercial 2 would be made available for residential development;
- An average height of 6 storeys would apply to all activity centres;
- Take-up rates are based on planning zones, locational attributes, and site characteristics; and
- Demand for infill and greenfield markets are interchangeable.

In making those assumptions the RMIT research failed to consider that:

- A number of municipalities within the inner and middle suburbs have generously applied the Neighbourhood Residential Zone to a majority of their local boundaries.
- The GRZ is sparsely used in areas that would feasibly be able to be redeveloped;
- There are over 145 schedules that apply to the GRZ alone, many which make it difficult or unfeasible to achieve the yields suggested by the report;
- A number of activity centres have mandatory height controls well below 6 storeys (i.e. Boroondara have controls ranging from 2 – 4 storeys)
- A number of municipalities have been actively protecting land zoned Industrial and Commercial 2, seeking to maintain employment opportunities within the municipality.
- The variability between sub-markets, land values and project feasibility. All of which are key determinants for take up rates and attracting a greater level of development

Market Considerations & Feasibility

Market dynamics & feasibility

The current pattern of distribution of development shows how the relationship between locational characteristics and apartment supply is strong. In particular, there is a strong positive correlation between where apartment projects have been developed, and amenity levels, employment accessibility and transport infrastructure.

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Above all, this pattern of distribution of apartments is generally reflective of higher residential values across the metropolitan area, rather than planning policy in isolation.

The dynamics affecting the metropolitan housing market are such that an evidence-based approach is becoming increasingly important to the successful implementation of housing related planning policy, including the new residential zones. A proper understanding of the local housing markets that exist across metropolitan Melbourne, in particular what can and cannot be delivered feasibly by the market now and into the future, is fundamental to the successful implementation of policy objectives.

Without a sound evidence base to inform the new residential zones, the housing market will continue to function contrary to planning objectives. This is highlighted by the fact that a large proportion of new residential development across metropolitan Melbourne has occurred in an opportunistic manner outside of areas that are explicitly supported for growth.

An understanding of the housing market (and sub-markets) operating within any local government area is needed to better inform Councils about the impacts the new residential zones is having upon the quantum and type of housing being delivered. Importantly, this understanding will also test whether the market is supported by the policy framework.

As the dynamics of Melbourne's housing market have never been more complex, the need for a policy framework which adopts an evidence-based approach is essential to the formulation of policy that seeks to deliver the number and type of dwellings forecast by State Government.

While the extent to which housing related planning policy should align with market behaviour can be a point of contention, basing planning policy on ideological principles will lead to unintended outcomes (i.e. price increases). In planning for growth, two realities need to be embraced. First, building new housing is a viable activity, if development outcomes as envisaged by a planning framework is not viable then it won't be built.

Secondly, the market needs to be able and willing to pay for housing. If the risk and cost of development creates a minimum price point in which a large proportion of the population is unable and unwilling to pay, market activity will decrease. In developing planning policies, the cost and risk associated with development needs proper consideration.

[Access to finance](#)

Finance and lending policy provides an additional barrier that both developers and buyers need to go through for majority of infill developments. Major banks typically fund the lesser of two metrics: 75% of total development costs or 65% of the total net value of the completed development. The developer then provides all or part of the remaining 25% of the total development costs.

Often to assist in providing the additional funding, the developer relies on specialist developer funders. These funders bring with them further experience and allows the developer to undertake more development concurrently by freeing up more cash. To obtain specialist funding, the project is required

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to demonstrate that it is able to provide a return greater than 20% to ensure the developer remains committed to completion of the development if profit is eroded.

Furthermore, within unit development, bank lending requirements require 10% deposits across approximately 80-100% of dwellings before funding is released. In comparison, a nominal deposit of \$1,000 to \$2,000 is sometimes appropriate in greenfield settings due to the different risk structure in place.

Recent changes introduced by the Australian Prudential Regulation Authority (APRA) have resulted in a number of banks tightening lending to developers, investors and buyers of new property. Constraints to accessing capital, will result in a slowdown of development particularly in established areas where the risk profile of developments is higher.

Cost & Risk

As highlighted earlier, access to capital to invest in new development within established areas is a significant barrier. As capital for investment is fluid, the returns expected from development needs to reflect the risk and cost associated with the development.

To adequately supply new and affordable housing within established areas, further consideration is needed on the risk and costs associated with development within established areas.

Settlement risk

Settlement risk is the probability of a loss occurring when the purchaser fails to settle their end of the deal, thereby preventing the developer to settle their commitments.

For example, when banks changed their lending criteria for investor housing loans, settlement risk on apartments purchased off –the-plan rose. This is due to the increase in probability that an investor would not be able to obtain the financing to fulfil their obligation to finalise the sale.

Construction costs

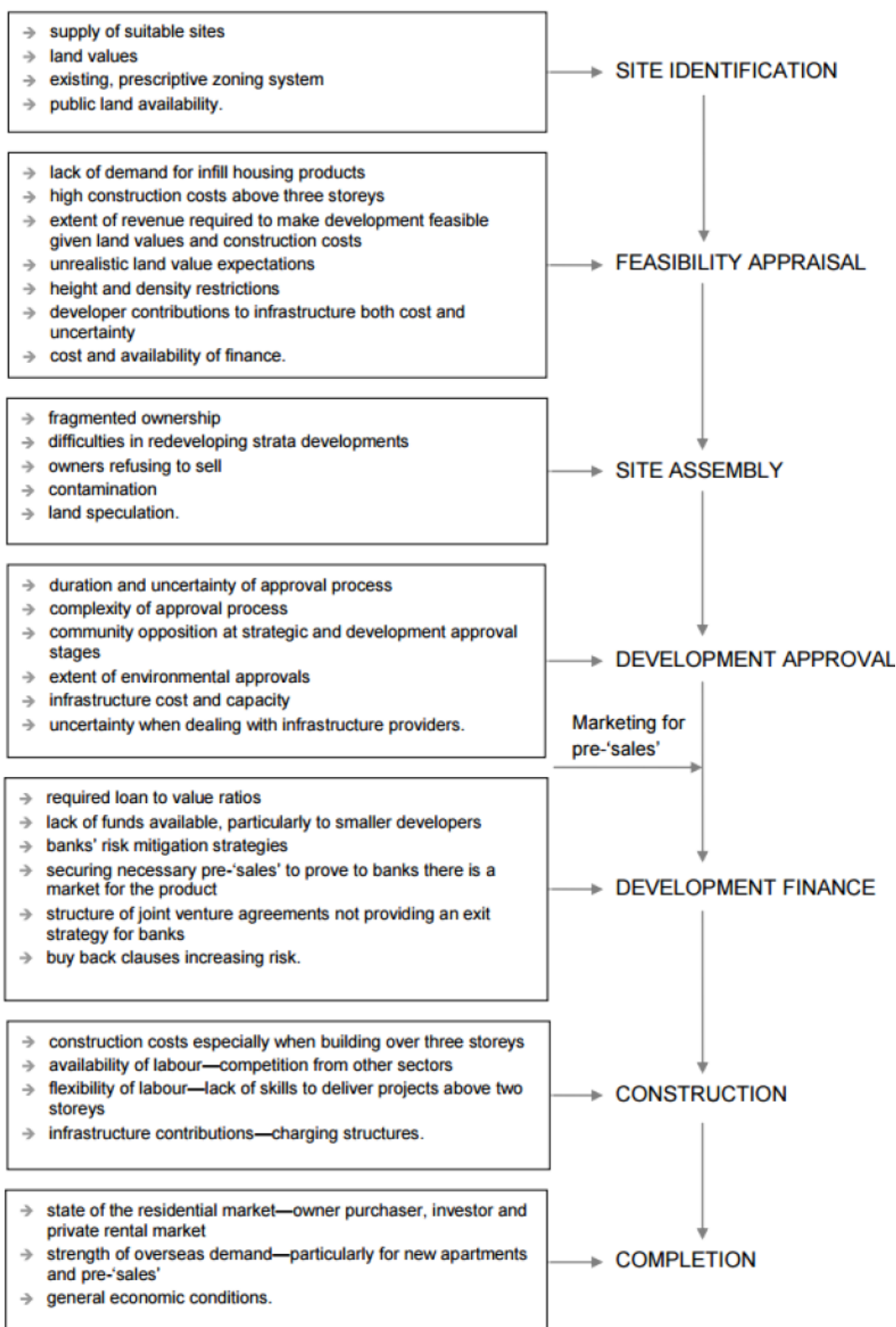
According to URBIS's National Dwelling Cost Study (2011), the construction cost of a two bedroom unit within an infill development and a single level three storey bed house per square metre was \$2,855 and \$1,057 respectively. This is a cost ratio of 2.7:1.

Risks and Barriers associated with Infill Development

To obtain a better and broader understanding of the barriers to infill development, please refer to the following diagram from the Australian Housing and Urban Research Institute's report Delivering Diverse and affordable housing on infill sites.

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Market choice

Too much emphasis on aging population. It is important to recognise that by 2051, the household type that will remain the largest in the metro Melbourne is “couples with children”. Furthermore, there will also be a large proportion of Melbourne’s population that will include couples looking to start families.

According to the Grattan Institute’s report *What Matters most? Housing Preferences Across the Australian Population*, housing features such as the number of bedrooms, the number of living spaces and whether the house is detached featured prominently as being important to homebuyers with children. Furthermore, the potential of having children also altered housing preferences with increased level of importance placed on these dwelling features by young couples without children.

Within Greenfield development a typical 200m² 3 bedroom, single storey dwelling on a 400m² lot would cost approximately \$400,000 in the current market. Within central and middle regions, the average cost of a one bedroom apartment is \$400,000 and for 2 bedroom apartments, \$570,000.

For families, or couples wishing to start a family, apartments with the housing features they are looking for are less available at a price that they can afford when compared to housing in greenfield locations. To facilitate the growth of housing products that these demographics can afford, the costs and risks associated with housing within established areas needs to be identified and minimised.

Infrastructure considerations

Much of the arguments for redirecting growth into the established suburbs is based on false assumptions that densification provides a ‘free kick’ in terms of catering for growth with no or little investment. The cost of infrastructure and how funding is provided is well known in growth area development settings. However, there is less knowledge around the cost impact of increasing the density of established suburbs, or on the capacity of existing physical and social infrastructure to meet increased demand.

There has been no analysis on existing capacity and the costs associated with upgrading or duplicating infrastructure needed to cater for an increased population within the inner, middle and outer established suburbs.

Whilst the documents make broad and generalised statements about the adequacy of service infrastructure for urban intensification, there are many examples and reports which indicate that this is not the case. In a compact city scenario, the real infrastructure challenge will not be providing adequate infrastructure in the growth areas, but in existing areas.

For example, targeting infill development to increase public transport ridership is limited by public transport supply. Within Melbourne, public transport service levels are already often insufficient during peak times.

The most recent Public Transport Victoria reports identified that a significant number of train and tram services during the AM and PM peaks did not meet suitable load standards. For example, more than a quarter of train services in the AM peak did not meet load standards. For trams, the average maximum capacity reached as high as 124% in some rolling hours.

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There is a clear need for research into infrastructure capacity to quantify the costs associated with increasing that capacity. As highlighted in the Plan Melbourne Refresh discussion paper, housing development in established areas will increase demand on existing infrastructure which can be more expensive to provide in built-up locations.

Planning Framework

Currently the planning framework favours greenfield development with a comparatively streamlined process once an area has been zoned. However, for the development of housing within established areas, there is myriad of issues that are required to be resolved to deliver affordable housing within the inner and middle suburbs.

The following is a general comparison of how different actions and current policy has made development within growth areas simpler and quicker:

Growth Areas	Established Areas
Metropolitan Planning Authority responsible for planning and facilitation.	Local government authorities are largely responsible for planning and facilitation of infill development.
MPA (previously Growth Area Authority) undertook a detailed review of planning and development approval procedures in growth areas, implementing recommendations for simplifying and speeding up the development process.	No systematic attempt has been made to streamline development approval processes in locations where urban renewal/intensification was considered appropriate. Most recently, the potential implementation of the Objectors amendment provided LGs with a tool to delay development based on the number of objections.
A clear strategic framework for residential development is set out through Growth Area Framework Plans and Precinct Structure Plans.	There is no equivalent to a Precinct Structure Plan generating uncertainty around development expectations for both the community and the development industry.
Preparation of the small lot code helped to facilitate the development of smaller and more affordable housing stock in growth areas.	Recent introduction of the residential planning zones resulted in the effective 'locking out' of development opportunities within large parts of established suburbs.

Another example of how the current planning framework constrains and creates barriers to development within established areas is the planning scheme amendment process. The planning system generally necessitates a 2 year rezoning timeframe for large infill development sites. Longer timeframes can often be incurred where local politics plays a role in deferring or blocking consideration of large projects.

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As there is no recourse to challenging Council's delay or refusal to consider or progression of major redevelopment proposals, the current planning system is incapable of providing reasonable assurances to proponents that the merits of their proposal will be considered or progressed in a timely and apolitical manner.

Terms of Reference

In general the Institute are supportive of the Managing Residential Development Advisory Committee's Terms of Reference. However, to better deliver outcomes that can be implemented to facilitate the development of housing within established suburbs.

As a number of Councils have already applied the residential planning zones in a way that is counterproductive to the supply of housing within established areas. The terms of reference for the Advisory Committee should identify those Councils that should be required to review the implementation of their residential planning zones.

As discussed previously, there is over 150 different schedules for the General Residential Zone and an unknown number (yet to be counted) of schedules applying within the NRZ and RGZ. Some of which reduce the developable outcome that would be expected within each of the zones. Recommend that the advisory committee identify a limited set of schedules that can be applied to the separate residential planning zones.

There were two advisory committees that pre-empted the issues that might arise during implementation of the new residential zoning regime, questions need to be raised and discussed as to why implementation went considerably wrong so as to avoid the same mistakes. Do we need to highlight the impacts of any recommendations that the government chooses not to pursue so as to make them more accountable to those decisions.

Developing policies that facilitates growth of housing within the established suburbs in Melbourne requires an in-depth review of how the processes and strategic planning framework facilitates or constrains development. To undergo a similar process that occurred for the growth areas, the MRDAC should provide the scope to undertake an in-depth analysis and review of the barriers and costs associated with development within established areas.

Appendix A: Analysis of supply and demand to 2031

Municipality	Household Growth Required (2011 - 2031)	Current Supply Rate Per Annum (2010 -2014)	5 Years supply 2011 to 2016 (estimated)	15 years supply to 2031 (required)	Approximate rate required	Difference Per Annum	Potential 15 Year Difference	Average increase needed over 15 years
Overall	726,000	33,040	165,200	560,800	37,386.67	-4,347	-65,200	13%
Central Sub-region	132,000	7,360	36,800	95,200	6,347	1,013	15,200	-14%
Melbourne	58,000	3,610	18,050	39,950	2,663	947	14,200	-26%
Maribyrnong	18,000	760	3,800	14,200	947	-187	-2,800	25%
Port Phillip	21,000	950	4,750	16,250	1,083	-133	-2,000	14%
Stonnington	17,000	880	4,400	12,600	840	40	600	-5%
Yarra	18,000	1,160	5,800	12,200	813	347	5,200	-30%
Northern Sub-region	156,000	7,150	35,750	120,250	8,016.67	-867	-13,000	12%
Banyule	10,000	320	1,600	8,400	560	-240	-3,600	75%
Darebin	20,000	710	3,550	16,450	1,097	-387	-5,800	54%
Hume	42,000	1,710	8,550	33,450	2,230	-520	-7,800	30%
Mitchell	18,000	Not Provided	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Moreland	25,000	1,300	6,500	18,500	1,233	67	1,000	-5%
Nillumbik	5,000	140	700	4,300	287	-147	-2,200	105%
Whittlesea	54,000	2,970	14,850	39,150	2,610	360	5,400	-12%
Eastern Subregion	92,000	3,960	19,800	72,200	4,813	-853	-12,800	22%
Boroondara	16,000	760	3,800	12,200	813	-53	-800	7%
Knox	14,000	470	2,350	11,650	777	-307	-4,600	65%
Manningham	10,000	370	1,850	8,150	543	-173	-2,600	47%
Moaroondah	11,000	490	2,450	8,550	570	-80	-1,200	16%
Monash	13,000	750	3,750	9,250	617	133	2,000	-18%
Whitehorse	14,000	700	3,500	10,500	700	0	0	0%
Yarra Ranges	14,000	420	2,100	11,900	793	-373	-5,600	89%
Southern subregion	188,000	7,900	39,500	148,500	9,900	-2,000	-30,000	25%
Bayside	9,000	370	1,850	7,150	477	-107	-1,600	29%
Cardinia	32,000	1,300	6,500	25,500	1,700	-400	-6,000	31%
Casey	67,000	2,570	12,850	54,150	3,610	-1,040	-15,600	40%

Municipality	Household Growth Required (2011 - 2031)	Current Supply Rate Per Annum (2010 -2014)	5 Years supply 2011 to 2016 (estimated)	15 years supply to 2031 (required)	Approximate rate required	Difference Per Annum	Potential 15 Year Difference	Average increase needed over 15 years
Frankston	13,000	740	3,700	9,300	620	120	1,800	-16%
Glen Eira	12,000	550	2,750	9,250	617	-67	-1,000	12%
Greater Dandenong	19,000	840	4,200	14,800	987	-147	-2,200	17%
Kingston	16,000	570	2,850	13,150	877	-307	-4,600	54%
Mornington Peninsula	20,000	960	4,800	15,200	1,013	-53	-800	6%
Western Sub-region	158,000	6,670	33,350	124,650	8,310	-1,640	-24,600	25%
Brimbank	17,000	740	3,700	13,300	887	-147	-2,200	20%
Hobsons Bay	9,000	350	1,750	7,250	483	-133	-2,000	38%
Melton	50,000	1,680	8,400	41,600	2,773	-1,093	-16,400	65%
Moonee Valley	15,000	630	3,150	11,850	790	-160	-2,400	25%
Wyndham	67,000	3,270	16,350	50,650	3,377	-107	-1,600	3%

Appendix B: Analysis of supply and demand to 2031 (Middle Suburbs)

Municipality	Household Growth Required (2011 - 2031)	Current Supply Rate Per Annum (2010 -2014)	5 Years supply 2011 to 2016 (estimated)	15 years supply to 2031 (required)	Approximate rate required	Difference Per Annum	Potential 15 Year Difference	Average increase needed over 15 years
Overall Middle	186,000	8,120	40,600	145,400	9,693	-1,573	-23,600	19%
Northern Middle	55,000	2,330	11,650	43,350	2,890	-560	-8,400	24%
Banyule	10,000	320	1,600	8,400	560	-240	-3,600	75%
Darebin	20,000	710	3,550	16,450	1,097	-387	-5,800	54%
Moreland	25,000	1,300	6,500	18,500	1,233	67	1,000	-5%
Eastern Middle	53,000	2,580	12,900	40,100	2,673	-93	-1,400	4%
Boroondara	16,000	760	3,800	12,200	813	-53	-800	7%
Manningham	10,000	370	1,850	8,150	543	-173	-2,600	47%
Monash	13,000	750	3,750	9,250	617	133	2,000	-18%
Whitehorse	14,000	700	3,500	10,500	700	0	0	0%
Southern Middle	37,000	1,490	7,450	29,550	1,970	-480	-7,200	32%
Bayside	9,000	370	1,850	7,150	477	-107	-1,600	29%
Glen Eira	12,000	550	2,750	9,250	617	-67	-1,000	12%
Kingston	16,000	570	2,850	13,150	877	-307	-4,600	54%
Western Middle	41,000	1,720	8,600	32,400	2,160	-440	-6,600	26%
Brimbank	17,000	740	3,700	13,300	887	-147	-2,200	20%
Hobsons Bay	9,000	350	1,750	7,250	483	-133	-2,000	38%
Moonee Valley	15,000	630	3,150	11,850	790	-160	-2,400	25%

Appendix C: Application of zones and additional dwellings per project rates (selected municipalities)

Banyule	NRZ	GRZ	RGZ	C1Z	Other	Total
Lots	14961	32942	134	964	776	49777
Area	1158	2033	13	47	216	3467
% total land	33.40%	58.64%	0.37%	1.36%	6.23%	100.00%
% of lots	30.06%	66.18%	0.27%	1.94%	1.56%	100.00%
Net dwelling increase	318	1081	104	88	Not Provided	1591
No. Projects	225	639	3	18	Not Provided	885
Dwellings per project	1.41	1.69	34.67	4.89	Not Provided	1.80

Monash	NRZ	GRZ	RGZ	C1Z	CDZ	Other	Total
Lots	908	67593	84	1623	94	65	70367
Area	53	4298	4	122	5	5	4487
% total land	1.18%	95.79%	0.09%	2.72%	0.11%	0.11%	100%
% of lots	1.29%	96.06%	0.12%	2.31%	0.13%	0.09%	100%
Net dwelling increase	20	3357	Not Provided	321	41		3833
No. Projects	16	1705	Not Provided	6	2		1729
Dwellings per project	1.25	1.97	Not Provided	53.50	20.50		2.22

Moreland	NRZ	GRZ	RGZ	C1Z	Other	Total
Lots	36996	17480	1577	2047	1302	59402
Area	1784	856	77	90	82	2889
% total land	62%	30%	3%	3%	3%	100%
% of lots	62%	29%	3%	3%	2%	100%
Net dwelling increase	1721	1363	234	3186		6504
No. Projects	882	642	64	84		1672
Dwellings per project	1.95	2.12	3.66	37.93		3.89

Glen Eira	NRZ	GRZ	RGZ	C1Z	Other	Total
Lots	39044	7042	1080	1969	135	49270
Area	2143	355	59	83	12	2652
% total land	81%	13%	2%	3%	0%	100%
% of lots	79%	14%	2%	4%	0%	100%
Net dwelling increase	1094	907	185	560		2746
No. Projects	913	170	22	34		1139
Dwellings per project	1.20	5.34	8.41	16.47		2.41

Kingston	NRZ	GRZ	RGZ	C1Z	Other	Total
Lots	0	57568	4	1024	1109	59705
Area	0	3180	9	68	75	3332
% total land	0%	95%	0%	2%	2%	100%
% of lots	0%	96%	0%	2%	2%	100%
Net dwelling increase	0	2088	214	259	306	2867
No. Projects	0	1290	2	12	34	1338
Dwellings per project	N/A	1.62	107.00	21.58	9.00	2.14