

2 November 2016

Michel Masson
Chief Executive Officer
Infrastructure Victoria
Level 34, 121 Exhibition Street
Melbourne VIC 3000

Dear Michel,

Infrastructure Victoria – Draft 30-year Infrastructure Strategy and Value Capture Policy Paper

The Victorian Urban Development Institute of Australia (UDIA) would like to thank Infrastructure Victoria for the opportunity to provide comment on the Draft 30-year Infrastructure Strategy and the Value Capture Policy Paper.

UDIA 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, industry intelligence, networking and business building tools and insight.

Draft 30-year Infrastructure Strategy

Representing the urban development industry, we are supportive of Infrastructure Victoria's role in providing expert advice and guidance on Victoria's infrastructure needs and priorities.

In general, the UDIA is supportive of Infrastructure Victoria's Draft 30-year strategy, more specifically we are supportive of the following recommendations:

- Increase the proportion of housing in areas that are well serviced with infrastructure by intensifying housing development in established areas and in/around employment centres;
- Increase access to affordable housing for vulnerable households;
- Provide transport infrastructure to support high growth greenfield areas;
- Provide catalyst transport infrastructure to unlock large scale brownfield sites close to inner city areas;
- Expand the reach of the public transport network into high growth areas to improve their connections to central Melbourne;
- Improve network planning and demand management for schools;
- Improve the delivery of new and upgraded kindergarten and school infrastructure;
- Strengthen transport links between regional centres and surrounding communities to provide additional access to opportunities;
- Build additional capacity on high-demand public transport routes in regional areas to meet growing demand
- Make better use of local infrastructure in areas experiencing growth;
- Make better use of existing public spaces; and
- Roll out high quality service provisions via mobility, technology and ICT to reduce the need for long-distance travel.

Additionally, the following are a few recommendations the UDIA supports conditionally:

- Improve the planning for high growth areas to ensure infrastructure is coordinated and delivered in a timely way. UDIA is supportive of this recommendation on the condition that prioritisation encourages supply and competition within the sector and is not used as a mechanism for implementing sequencing of private development within approved PSP areas. Affordability and market activity needs to remain at the forefront of land release policies.
- Reform planning provisions to support the development of well-located affordable housing. This is supported on the condition that planning mechanisms:
 - Provide market certainty, stability and transparency;
 - Support a level playing field;
 - Are based on sound development economics and feasibility;
 - Are underpinned by realistic expectations of industry capacity and limitations;
 - Provide capacity to innovate; and
 - Doesn't make other housing less affordable.

Value Capture Policy Paper

Often the problem with value capture is not with its principle, but how it is implemented. In summary, where government investment generates value benefited by a select few, a value capture mechanism is an appropriate way to capture some of the value benefited from the select few for the benefit of the whole.

Based on this, any value capture mechanism should be based on the following:

- Government investment has generated value through increased capacity for development;
- Value is captured when and where it is generated;
- The proportion of value captured does not diminish the ability for value to be realised; and
- Value is not captured after it has already been realised.

The UDIA and its members are concerned with what and how mechanisms for value capture will be introduced and implemented. These concerns stem from previous attempts to introduce value capture mechanisms.

For example, the Growth Areas Infrastructure Contribution (GAIC) was intended to capture some of the value generated on land which had been included within Melbourne's urban growth boundary. However, the charge is applied after value has been realised through the transaction of land and charged to the purchaser.

Furthermore, the Value Capture Policy Paper includes an example of value capture which does not meet the above principles. This relates to the example of including a value capture mechanism for the rezoning of land.

A standalone rezoning does not warrant a value capture to be implemented. This is because there are pre-existing circumstances which allows for the rezoning to fill the gap between allowable and unrealised capacity. In this situation, the rezoning acts as a mechanism for realising pre-existing value.

However, where a rezoning occurs because of an investment that generates additional land use capacity within a specific area, there is justification for the consideration of value capture mechanisms. This is because the additional land use capacity realised through the rezoning was not pre-existing and created through investment.

In addition to meeting the above principles, the implementation of value capture mechanisms must be fair and equitable; transparent and accountable; and audited to ensure captured value is attributed to the value generating infrastructure, not general revenue.

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As a policy paper that could have significant ramifications on the industry, we request that Infrastructure Victoria reviews its paper on Value Capture in consultation with the industry. As highlighted before, there has been many attempts to introduce value capture with variable and detrimental outcomes. A collaborative approach to developing value capture mechanisms is needed to ensure a fair and equitable approach can comfortably operate within the planning and development process.

If you have any queries, please do not hesitate to contact me at john@udiavic.com.au or on 0402 788 219 for further information.

Yours sincerely,

John Casey
Policy and Advocacy Director
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