

1. Summary

The Victorian division of the Urban Development Institute of Australia (UDIA) welcomes the opportunity to respond to the *Fishermans Bend Framework* draft for consultation. UDIA appreciates that the Fishermans Bend Taskforce has been working to deliver to the community a viable framework that will enable this unique urban renewal site to realise its highest potential.

With Victoria recording the largest annual population growth among the states at 2.4 per cent in the year to December 2016, Fishermans Bend is an extremely important part of accommodating this influx of new residents. The goal to have the precinct house 80,000 residents by 2050 is commended by the industry, and we anticipate that if this target is achieved, Fishermans Bend will significantly alleviate undersupply and affordability pressures across Melbourne.

Given the importance of getting Fishermans Bend right, UDIA encourages the Taskforce to continue to work on the Framework. While we commend the Taskforce on its work to date, we recognise that the draft Framework requires further refinement and is therefore not ready for implementation. As a key stakeholder in realising the precinct's potential, the development industry is seriously concerned that without changes to the Framework, Fishermans Bend will be an undesirable prospect for residential developers. This would ultimately see the precinct fall very short of being the key urban renewal site we've earmarked it to be.

UDIA has canvassed member views and conducted detailed working groups and discussions in order to provide useful feedback regarding the Discussion Paper. The clear message from these sessions was that industry requires further certainty to progress development projects in Fishermans Bend. This can be addressed through the following recommendations:

- that one authority should be responsible for all planning, implementation and regulation of Fishermans Bend;
- that certainty is required regarding the funding and timeline for the delivery of infrastructure; and
- that clarification regarding the application of the Floor Area Uplift is required.

Further detail is provided in the *Recommendations* section of the submission.



December 2017

UDIA Victoria Submission – Fishermans Bend Framework Discussion Paper Response to the Draft for Consultation

2. Next Steps

While UDIA greatly appreciate the efforts of the Fishermans Bend Taskforce in consulting with the development industry, we strongly suggest continued collaboration and subsequent revision prior to release of the final Fishermans Bend Framework. This will ensure the Taskforce has the appropriate information required to avoid releasing a Framework which causes several detrimental; albeit unintended; consequences.

3. About Us

Urban Development Institute of Australia (Victoria)

The Urban Development Institute of Australia (UDIA) is the peak industry body for the urban development sector. In Victoria alone, we represent the collective views of over 320 member companies including developers, consultants, financial institutions, suppliers, government authorities and utilities. Together we drive industry discussion and debate, which serves to assist key regulators and all levels of government in achieving successful planning, infrastructure, affordability and environmental outcomes.

4. Contact

Hyatt Nidam Advocacy and Communications Manager Urban Development Institute of Australia (Victoria) E: hyatt@udiavic.com.au	Olivia O'Connor Policy Advisor Urban Development Institute of Australia (Victoria) E: olivia@udiavic.com.au
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Contents

1. Summary	1
2. Next Steps	2
3. About Us	2
Urban Development Institute of Australia (Victoria)	2
4. Contact.....	2
5. Recommendations.....	4
5.1 One Responsible Authority for all aspects of Fishermans Bend	4
5.2 Provide certainty regarding the delivery of infrastructure.....	4
5.3 Provide further detail about the implementation and operation of the Floor Area Uplift model.....	5
Further questions the industry has regarding the FAU	5
6. Case Study: 96 Johnson Street, South Melbourne	6
Outcome of case study.....	8
Community Hub FAU	8
Impact of proposed FAU	8
Design and Development Overlay (DDO).....	9
Public Open Space Requirement.....	9

5. Recommendations

5.1 One Responsible Authority for all aspects of Fishermans Bend

UDIA recommends that government establish a separate authority responsible for all aspects of the strategic planning and administration of the planning schemes as they relate to the Fishermans Bend Urban Renewal Area.

The relevant planning schemes currently provide for the Minister for Planning to be the responsible authority for administering and enforcing the applicable planning schemes over a specified development height or scale, with City of Port Phillip and City of Melbourne acting as recommending referral authorities.

The proposed approach removes any responsibility for administering and enforcing the planning scheme from both the Minister for Planning and the local councils.

The UDIA believes that establishing one responsible authority will de-politicise the planning of the area by providing the authority with the appropriate level of autonomy required for a project of this magnitude. Given Fishermans Bend straddles two municipalities, creating a single authority responsible for the entire urban renewal area will also facilitate a consistent approach to managing the area.

Overall, the creation of a responsible authority will provide the level of certainty required for industry to confidently invest in the development of the area.

5.2 Provide certainty regarding the delivery of infrastructure

A key concern raised by UDIA members is the timing and funding of community infrastructure for the Fishermans Bend precinct. UDIA endorses the sustainability goals put forward in the Framework, however, achieving a ‘connected and liveable community’ will not be possible with the very limited public transport that is currently servicing Fishermans Bend.

It is a significant issue that there is no proposed timeframe for the provision of public transport, nor is there a government commitment or funding for this vital infrastructure. If this infrastructure is intended to connect the proposed 80,000 residents and 80,000 jobs to the CBD and beyond, it must be planned immediately with a viable funding model to support it.

In the absence of a funding model, industry is concerned that responsibility for providing necessities like public transport will be left largely to those who develop sites in the precinct.

UDIA Victoria Submission – Fishermans Bend Framework Discussion Paper Response to the Draft for Consultation

While there has been constant reassurance that a funding model will be released imminently, the lack of such a model makes it difficult for UDIA to assess the merit of this Framework as there is no indication of how the Framework will be financially supported.

It is noted that the first of the 'Committed next steps' (pg. 68) is to "finalise the planning and design of the tram corridors", yet of this list of eleven committed steps, the action of finalising an industry-endorsed funding model for the Fishermans Bend precinct has been omitted. The development industry is unable to endorse or commit support to proposed plans or frameworks involving this vital community infrastructure without first being presented with a transparent and feasible account of how such amenities would be financed.

5.3 Provide further detail about the implementation and operation of the Floor Area Uplift model

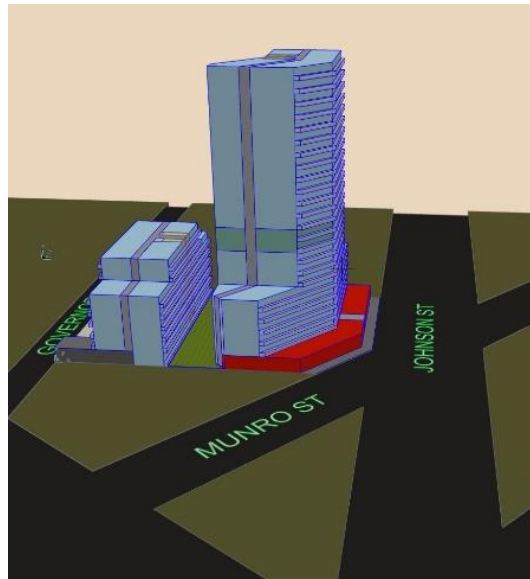
The introduction of the Floor Area Uplift (FAU) has been a source of great contention for the industry. Ultimately, UDIA believes it is a feasible model when used to secure the delivery of affordable housing. *However*, any land bought previously would have been purchased for an amount that was based on a much higher land value yield due to the expectation of being able to realise up to 40 storeys without the FAU scheme impeding this development. Land purchased prior to introduction of the FAU scheme will become less feasible and an undesirable development prospect.

Further questions the industry has regarding the FAU:

- Is the FAU system a funding model?
- Does it abide by the Governor General model?

6. Case Study: 96 Johnson Street, South Melbourne

The following case study shows that to develop land up to 24 storeys under the proposed FAU system is not a profitable option, and will therefore most likely be avoided by the development industry.



A study was conducted on the site of 96 Johnson St South Melbourne. This case study assessed the feasibility of the FAU. The following images feature the site with and without the FAU, respectively.

Example 1:

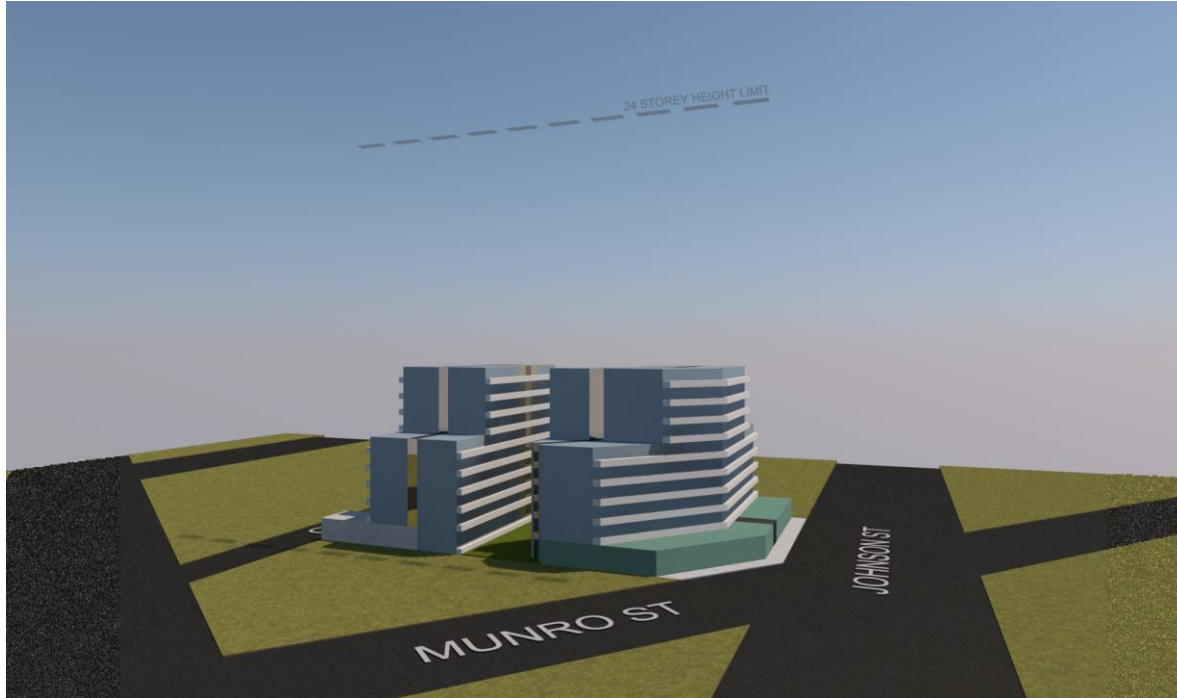
The maximum height in this location is 24 Stories. The FAR of 3.3 will achieve a building height of 10 stories. See image on following page.

Example 2:

The developer would most likely build affordable apartments in order to take advantage of the FAU and the allowable height being 24 stories. See the second image on following page.

Assuming an apartment costs roughly \$320k in raw construction cost, and the developer is allowed to build eight additional apartments, the result is an effective land component of \$40k per apartment. This is viable if the developer is looking to buy the site after these controls are in place.

Example 1: 10 storeys without the FAU



Example 2: 24 storeys with the FAU



UDIA Victoria Submission – Fishermans Bend Framework

Discussion Paper

Response to the Draft for Consultation

Outcome of case study

On this particular large site, interpretation of the controls works to produce a good outcome if the intention was to use the FAU to install affordable housing. The built form below the green floors is what can be produced if the FAU is not utilised. It is 9 storeys. If two levels of affordable apartments (shown in green) are added, 16 extra levels of apartments are gained. This easily allows the proposal to achieve 24 levels.

Community Hub FAU

Community facilities and apartments cost roughly the same to build. If the developer needs to build double the space to sell the same area of apartments, they are fundamentally paying double the construction cost for the apartment. If an average 70sqm apartment costs \$320k, double this is \$640k. Add land, taxes, interest, fees, commissions etc., and costs are sitting at over \$750k. This average apartment will sell for under \$700k. Therefore, logic follows that a developer will likely lose money if they build community facilities, and it will not be pursued.

Recommendation: UDIA strongly recommends the Framework include a provision that for every square metre of community hub provided, the developer is enabled to build eight square metres of net sellable gross floor area for residential or commercial purpose. This will be the mechanism that ensures community hub facilities are present in Fishermans Bend.

Impact of proposed FAU

- Sites purchased from now, with a feasibility model based off this current framework and with the intention of using the FAU to incorporate affordable housing into the building, would operate well under the proposed 9-storey model;
- Developers who have bought land based on 24-storey height limit are now faced with the prospect of unfeasible developments;
- In the instance of 96 Johnson St, instead of two 24-storey towers, the developer can only feasibly deliver two 9-storey towers. To reach the 24-storey height limit, two whole floors of affordable housing would need to be provided and would render the project unprofitable; and
- If the developer bought the site based on the previous allowable height controls, they now need to eliminate the revenue from approximately two floors and add the construction cost. This will drive up the cost of all of the regular apartments to a point where the project is most likely unviable; and
- While the industry supports the proposed FAU as a feasible model that incentivises the inclusion of affordable housing in the Fishermans Bend precinct, this feasibility only applies to a prospective developer who was aware of these specific planning controls at the time of

UDIA Victoria Submission – Fishermans Bend Framework Discussion Paper Response to the Draft for Consultation

purchase. The changes to the planning controls have directly impacted the site values of any site that was bought prior to the introduction of these controls.

Recommendations:

- Regarding the community hub FAU, it is easy to interpret, but simply not financially viable, and industry recommends this be reconsidered or removed;
- Ultimately, the draft Framework seems to rely on what is essentially a non-transparent funding model in the FAU to deliver community benefits such as affordable housing, but only where it may suit a particular developer. Industry opposes the FAU in its current form, and instead encourages Government to devise a funding model that will deliver a much more transparent and consistent funding for infrastructure that will be required to develop the precinct; and
- If the FAU is to remain in the Fishermans Bend Framework, UDIA recommends it only does so specifically in application to the provision of affordable housing.

Design and Development Overlay (DDO)

The DDO is very difficult to interpret and apply to a site. It has many contradictions, for example, DDO30 permits street walls up to six storeys facing a street 12-22 metres wide but only four storeys facing a lane. For example, clarity is lacking regarding what is permitted on a site that abuts a street 12-22 metres wide and a lane.

Recommendation: UDIA strongly suggests the Taskforce revisit these DDOs and tries to apply each of them to a prospective site so as to best understand where in the application the confusion lies.

Public Open Space Requirement

The public open space FAU is uncertain at best. To understand how this mechanism would operate, industry requires the land value of a 26-square metre park.

Recommendation: Industry requires further details regarding why this metric was used in the Framework before UDIA can determine if it is viable or not. It is meaningless in its current form and should be removed until it can be further clarified and defined.