

15 September 2017

Mr Tim Hellsten
Manager- Planning Strategy and Urban Growth
City of Greater Geelong
PO BOX 104
Geelong VIC 3220

Dear Mr Tim Hellsten,

Geelong Settlement Strategy- UDIA Submission

The Victorian division of the Urban Development Institute of Australia (UDIA) congratulates the City of Greater Geelong (Council) on the preparation of the *Settlement Strategy Issues Paper* and associated Background Reports. This is a significant piece of strategic planning which provides a foundation of a forward-looking Settlement Strategy.

While the industry supports the wider objectives of the Settlement Strategy, there were some key issues identified with the document. Both these, along with recommendations, are covered in detail in the attached submission.

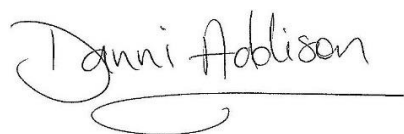
Key Recommendations:

1. Council should adopt the aspirational growth scenario for planning purposes
2. When consideration is given to the nature of existing zoned supply (40% is highly fragmented) and its location (75% is in Armstrong Creek and on the Bellarine Peninsula) Council should proactively pursue major new land releases with a sense of urgency to provide choice and maintain downward pressure on housing affordability
3. Council should proactively address infrastructure co-ordination and funding issues as work closely with the development industry to improve outcomes in terms of housing diversity and creating improved models of more sustainable development

UDIA looks forward to being a key partner with Council on this important work, and contributing to the development of this policy to benefit the Greater Geelong region. We commend Council on their ongoing work, and look forward to further discussion the attached submission. Please note there are accompanying materials as well as the submission.

If you have any queries, please do not hesitate to contact Olivia O'Connor, Policy Advisor at olivia@udiavic.com.au or on 03 9832 9600 for further information.

Yours sincerely,



Danni Addison
Chief Executive Officer
Urban Development Institute of Australia (Victoria)

SUMMARY

UDIA Position

The Victorian division of the Urban Development Institute of Australia (UDIA) congratulates the City of Greater Geelong (Council) on the preparation of the *Settlement Strategy Issues Paper* and associated Background Reports. This is a significant piece of strategic planning which provides a foundation of a forward-looking Settlement Strategy. UDIA looks forward to being a key partner with Council on this important work, and contributing to the development of this policy to benefit the Greater Geelong region.

The primary purpose of the Settlement Strategy is to set spatial direction for future growth, including new land releases. This spatial direction needs to be supported by a sequencing and infrastructure delivery framework. These objectives firmly align with those of the residential development industry.

Key Issues

- A growth scenario that Council can plan for must be established
- A more sustainable model for future growth needs to be provided
- Housing diversity needs to be increased, and affordability must remain a priority for Council and the State Government
- A clear role for settlement on the Bellarine Peninsula should be established
- A process to ensure timely provision of infrastructure and services to new communities is required
- A clear position on supply of rural residential and rural living lots must be established

Key Recommendations

1. Council should adopt the aspirational growth scenario for planning purposes
2. When consideration is given to the nature of existing zoned supply (40% is highly fragmented) and its location (75% is in Armstrong Creek and on the Bellarine Peninsula) Council should proactively pursue major new land releases with a sense of urgency to provide choice and maintain downward pressure on housing affordability
3. Council should proactively address infrastructure co-ordination and funding issues as work closely with the development industry to improve outcomes in terms of housing diversity and creating improved models of more sustainable development

About UDIA

Urban Development Institute of Australia (Victoria)

The Victorian division of the Urban Development Institute of Australia (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.

Our members include developers, consultants, financial institutions, suppliers, government authorities and utilities. Together we drive industry discussion and debate and inform all levels of government to achieve successful planning, infrastructure, affordability and environmental outcomes.

UDIA SUBMISSION

Part 1: Establish the Demand.....	2
Part 2: Provide a Sustainable Response.....	6
Part 3: Ensure Affordability and Choice	7
Part 4: Manage the Bellarine	8
Part 5: Infrastructure	8
Part 6: Rural Residential.....	9
Appendix 1: Land Supply Table	11

Part 1: Establish the Demand

Historically, there has been reasonable levels of land supply on the Bellarine Peninsula and in Urban Geelong. Due to ongoing development, the supply in Urban Geelong has dwindled over the past 5 years and is now considered by most as limited.

The provision of adequate PSP-approved supply in Armstrong Creek in recent years has provided the impetus for a resurgence in the southern Geelong land market. The Geelong land market has grown and it now represents around 10% of the combined Geelong and Melbourne markets.

The Armstrong Creek Urban Growth Area was comprehensively planned over 5 to 10 years and has provided foundational land supply relieving pressure on the Bellarine Peninsula. Through the Lara West PSP, some supply has been made available, allowing for new developments- still to emerge- to work their way through the delivery pipeline.

Although urban consolidation in the established areas of Geelong, including in and around the CBD, will play an important part in meeting a portion of future housing demand, it is expected that greenfield growth will continue to be the engine room to meet housing demand. UDIA agree with the assumptions in the Background Papers that approximately 75% of new housing will be greenfield and 25% urban redevelopment.

UDIA consider that, historically, the Geelong land market has under-performed to its potential due to inadequate land being available over time to meet all spatial market segments. Most significantly, there is inadequate land supply in central Geelong and Northern Geelong. It could be reasonably speculated that had the northern and western growth areas had been released 5 years ago, the total amount of growth in Geelong may have been materially higher. Such growth would have provided a major boost to employment in the region.

For these reasons, UDIA submits that the underlying growth rate of Geelong is understated in the Spatial Economics analysis.

Paper 1 (Growth Scenarios) outlines four growth options for Geelong:

- **A long term historic growth scenario (1.3% growth 2016-36)** where the region maintains its long term lower growth rates (useful for comparative purposes).
- **The current/ official projections (1.6% growth 2016-36)** available in the public arena (effectively the current VIF and id consulting projection).
- **A strong growth scenario (2% growth 2016-36)** based on current and long-term trends as well as incorporating the most recent higher rates of growth.
- **A G21 aspirational growth (2.5% growth 2016-36)** scenario, in line with the G21 Aspirational growth rate and reflecting the potential for the rising growth trend to continue and the potential of increased 'leakage' of growth from Melbourne.

The background research by Spatial Economics acknowledges the weaknesses of the population scenarios above. According to Discussion Paper 1 (para.1) "all projections are wrong, but they do point planning in the right direction." Discussion Paper 1 also (para.2) identifies planning inconsistencies arising from the tensions between strategic planning stakeholders who can "pick and choose" low, medium and high growth scenarios to suit their demand arguments.

Discussion Paper 1 also identifies the importance and difficulties of designing policy around the fourth (and highest growth rate) scenario— G21 Aspirational Growth. According to Spatial Economics, strategic planning growth policy should be “nimble”, and plan for the highest possible growth rate as not to face the risk of being caught out by higher than anticipated growth rates. We agree with Spatial Economics regarding these assertions. The policy should allow for land supply to be increased rapidly should demand require it.

To support the selection of the 2.5% growth rate, the document wholly relies on the G21 group’s previous aspirations and cites the following reasons (Section 3.4 of Paper 1):

- A compromise that considers the potential for price differentials to lead to more spill over demand from Melbourne.
- Strong underlying demand and supply opportunities in greenfield locations.
- A range of supply opportunities on brownfield and greyfield locations and steady infill regeneration and additional to overall supply.
- The Spiire plans and the data table in Appendix 1 analysed existing zoned supply under the following categories, sourcing publicly available information including title searches on key greenfield supply sites and also by analysing trading estates:
 - Fragmented subdivision of less than 50 lots.
 - Small subdivision of 50 to 200 lots.
 - Medium subdivision of 200 to 500 lots.
 - Large subdivision of between 500 and 2,000 lots.
 - Master Planned Community of more than 2,000 lots.

Key Issues

- Council must decide what growth scenario to adopt for planning purposes
- There are undetermined implications of fragmented land supply and uncertainty regarding if it should it be given equal weight to larger land parcels
- There is no timeline indicating the completion of existing going concern projects
- When should PSP processes commence for the northern and western growth areas
- Supply in Central Geelong is limited. Other than small fragmented holdings, the remaining supply is generally committed to development. There is no supply buffer in Central Geelong. The Spiire analysis demonstrates that there are only 1,900 lots available, with 37% of that supply being held in small parcels that yield less than 50 lots. Smaller parcels have considerable development friction, meaning they do not readily come onto the market. As such, supply in urban Geelong is, practically, exhausted.
- Smaller holdings often sit in abeyance for extended periods as the owners have different aspirations, including many who enjoy the semi-rural lifestyle and who do not wish to develop their land. Fragmented holding are also more problematic to bring onto the market as it can be difficult to bring roads, drains and services through location of existing vegetation, homes and businesses.
- In terms of the total zoned supply, over two thirds is in smaller and medium land parcels (which yield less than 500 lots). This means that it will be slower and less responsive to demand.

Recommendations

- There is adequate land supply in Armstrong Creek, this is allowing the market to operate and provide a competitive environment. Our analysis demonstrates that these land stocks can yield around 19,000 lots.

- There is some supply in Lara, supplemented in recent years through the approval of the Lara West Precinct Structure Plan.
- UDIA wishes to note that, although peripheral to the Settlement Strategy, Council, in its role as drainage authority, should ensure that it proactively pursues land acquisition for drainage infrastructure so that does not impact on development delivery. This has become an issue in the Armstrong Creek growth area. Foundational infrastructure, that requires a Public Acquisition Overlay, should be put in place with any PSP or rezoning and acted on early to facilitate development delivery.

What growth scenario should Council adopt for planning purposes?

Council should adopt the aspirational growth scenario for planning purposes. To ensure a balanced growth strategy, Council should consider establishing a minimum land supply benchmark in the following sub-markets:

- Lara.
- Northern Geelong (currently no supply).
- Western Geelong (currently no supply).
- Central Geelong (very limited supply).
- Armstrong Creek.
- Bellarine Peninsula.

Almost all of Geelong's land supply is tied up in Armstrong Creek and the Bellarine Peninsula. Geelong would be more balanced if new land supply pivoted to the west and north.

Should fragmented land supply be given equal weight to larger land parcels?

For land release planning purposes, the zoned supply should be discounted by removing the small subdivisions (holdings that yield less than 200 lots) from the total supply for planning purposes, this would equate to:

- 2,400 lots or 44% of Lara's available supply.
- 5,600 lots or 58% of the Bellarine's available supply.
- 2,100 lots in urban Geelong or 53% of available supply.
- 7,000 lots or 36% of available supply.
- A total of 17,400 lots overall or 44% of available supply.

The smaller holdings should be discounted as for practical reasons they will not readily develop. Therefore, if they were relied on to meet demand, it is likely that Geelong's growth rate will slow and prices would tend to rise as competition diminishes. Ultimately, the fragmented land will develop, but over many decades. Council should not regard the fragmented land as core or primary land supply.

If the fragmented lots are removed from consideration, we calculate that - Geelong only has 8 years of zoned supply with an Aspirational Growth Scenario. In other words, if growth remains strong, assuming the larger parcels develop first, within 8 years the only land supply remaining will be smaller fragmented parcels. Geelong's growth could be expected to slow to the detriment of choice and competition. Land prices would then tend to increase.

When will existing going concern projects be completed?

UDIA worked with RPM to undertake a detailed bottom up analysis of existing land estates in the Geelong region (refer attachments). The major findings of the RPM analysis are:

- There are around 25 to 30 trading estates in the Geelong region with an estimated end yield of approximately 20,000 lots with some 10,000 lots already developed.
- Based on current sales rates of 3,100 per annum or 2,600 excluding Torquay, RPM estimate that the existing estates will be exhausted within 10 years.

There is a need for new housing estates to be facilitated to ensure a competitive environment can be sustained to ensure ongoing employment, choice for consumers and a balanced land market.

Should PSP processes commence for the northern and western growth areas?

- The central and northern Geelong land markets have had inadequate land supply for many years and as such Geelong's growth has been constrained. Of the overall supply available, half is held in smaller holdings and three quarters is in the south.
- The northern and western growth areas are half way through the growth area framework plan preparation process. Once the framework plan is complete, Council would be able to commence PSP production. Framework plans and PSP production can take more than 3 years. Planning for new land releases now is comprehensive than in the past. The release of these growth areas through PSP product is now becoming more urgent.

UDIA submits that there is a need to complete the framework plans and subsequent precinct structure plans for the Northern and Western Growth Areas as a priority of the implementation of the Settlement Strategy.

What other opportunities exist for new land supply?

- The opportunity exists to continue planning for the release of land at Moolap. Moolap is connected to urban Geelong and can provide some additional supply to supplement Armstrong Creek and take some pressure perhaps off the Bellarine Peninsula.
- Refinement of town boundaries on the Bellarine Peninsula through strategic reviews can provides for smaller argumentation to supply.

Part 2: Provide a Sustainable Response

Council has many strategic plans and policies that seek to encourage more sustainable lifestyle and development models in the region. Industry believes there is room for improvement to help shift development models to support increased sustainability. Some outcomes may require new policy, regulation and approaches to implementation of standards and maintenance requirements.

Key Issues

- Council policy supports new models of development being pursued. This requires significant investment in policy and regulatory review. Doing nothing will see current development models and outcomes continue.

Recommendations

- Learning from Armstrong Creek, it is important that Council engage with the industry and major development proponents throughout to ensure that strategy and structure plan implementation issues are addressed from the outset - through a commercial and practical lens. One example is the need to ensure that public acquisition overlays required for key infrastructure (such as road or drainage links) can be acquired in a timely manner.

- Another approach is for Council to work through the PSP processes, its development engineering, landscape, parkland and social infrastructure standards to ensure they can deliver more contemporary models of sustainable urban development. Council can then pursue discussions with service authorities and major owners and or development proponents around implementation of more sustainable development models.
- One approach is increasing opportunities for redevelopment closer to central Geelong, where existing social infrastructure, other services, employment and transport facilities are available will provide positive outcomes. It is predicated that this form of development (redevelopment generally) will represent 25% of future development activity. For this to be achieved, Council will need to ensure planning frameworks and approvals processes facilitate large scale redevelopment.
- Council could establish a working group, including several representatives from the UDIA and other major development proponents, to work through existing development regulations and explore alternative outcomes that are commercially viable.

Part 3: Ensure Affordability and Choice

Overall, the industry is producing more diverse housing products - from volume project homes and townhouses in the new housing estates with varied densities - through to more intensive redevelopments closer and within central Geelong. More recently, major apartment developments have been constructed close to the CBD and foreshore.

Discussion Paper 6 identifies the relative decrease in housing affordability as being a consequence of demand, increased design standards of development (driven by both consumers and regulations), infrastructure charges, time consuming planning processes and tighter controls over the location of residential development. Paper 6 is a qualitative planning policy review, and as such does not explicitly identify assumptions, gaps or limitations in its own argument.

Key Issues

- Development proponents need to be encouraged to produce more diverse and affordable housing stock
- Currently broad consumer choice for building a new home in a new estate are restricted to southern Geelong and the Bellarine.
- Land supply policy should provide for greater choice and diversity

Recommendations

- Housing diversity is gradually developing in and around Geelong. There is scope for Council to work with development proponents to appreciate the issues and barriers to delivery of more diverse stock and seek to provide incentives to encourage alternative outcomes. This approach may accelerate the rate and proportion at which diverse housing can be supplied.
- There is an opportunity to open development in the northern, western growth areas and at Moolap to provide for greater choice, while also providing large scale new supply with new master planned communities to moderate any potential price increases through a competitive land market.

How can development proponents be encouraged to produce more diverse and affordable housing stock?

Establish an industry working group to explore barriers to provision of more diverse and affordable housing throughout Geelong. Progressively remove or reduce the impact of these barriers and provide incentives to generate improved outcomes.

How can land supply policy provide for greater choice and diversity?

- Move seamlessly from framework plan to PSP production for the northern and western growth areas.
- Initiate planning for the release of urban land at Moolap.

Part 4: Manage the Bellarine

Around 20% of Geelong's existing zoned supply is within the Bellarine Peninsula. The Bellarine forms a unique market. Around 30% of homes on the Peninsula are vacant (many of which are holiday homes) outside holiday seasons. This supply would compete, to a degree at least, with other locations along the coast, for example in the Surf Coast Shire.

Key Issues

- Future land release on the Bellarine Peninsula needs to be closely managed
- There is a question as to whether Bellarine developments should have a different character to conventional housing estates
- The Bellarine Peninsula has a unique character and charm of coastal villages in a largely rural landscape. Unchecked growth may erode the Peninsula's unique qualities, in the longer term.
- There is a risk that new development will degrade the unique character of the Peninsula.

Recommendations

- There are alternatives to the holiday based land supply in Torquay and similar locations.
- By progressively undertaking strategic settlement by settlement reviews, and then adopting strategic town boundaries around each settlement linked to the planning scheme, future land release on the Bellarine could be managed. Council can work with major development proponents to explore questions around development vision and character so that it can add value to the Peninsula

Part 5: Infrastructure

This area of the Issues Paper is not underpinned by any of the six Discussion Papers produced by Spatial Economics. Notwithstanding, this section in the Issues Paper identifies Council's infrastructure shortfall to be in the order of \$100m. UDIA note that a report on the infrastructure funding shortfall associated with existing DCPs was provided to Council in August 2017. This report identified a funding shortfall of around \$22m, down from more than \$25m 12 months earlier.

Additionally, this section includes direction on the sequencing of future development in Geelong, including the following:

- The need to release land for housing based on the current lot supply and projected demand.
- The financial impact on council to provide infrastructure for existing and new communities.

- Providing competition through multiple growth fronts that may assist managing affordability.
- The ability of State Government to adequately service the growth areas in a timely manner, which is even more critical in Greater Geelong given the absence of a Growth Area Infrastructure Contribution (GAIC).
- The ability for the City to provide regional and local infrastructure across multiple growth fronts concurrently.

Key Issues

- Council should work to minimise the extent of infrastructure funding shortfalls associated with future land releases
- Council needs to find ways to fund sub-regional and regional infrastructure and services across multiple development fronts

Recommendations

- Council has been monitoring the extent of infrastructure funding shortfalls associated with approved DCPs. The reports demonstrate a direct shortfall of more than \$20mn associated with unfunded community infrastructure levy and external apportionment to specified intersections. Council will need to allocate around \$1mn per annum over the next 20 years to ensure that the DCP projects can be delivered and funded.
- When developing land release policies, Council, through the ICP can seek to ensure that sufficient funding is available to appropriately minimise future funding shortfalls. However, this needs to be within the context of a recognition that a development contribution is just that – a contribution. Council and the State have access to other funding sources, including from sources such as property taxes and Council rates.

How can Council minimise the extent of infrastructure funding shortfalls associated with future land releases?

- Council can work with the DELWP to ensure that the regional ICP provides sufficient funding to ensure unreasonable infrastructure funding shortfalls do not eventuate.
- Council can, if there is insufficient funding in the standard ICP levy seek to apply a supplementary ICP levy to new land releases.
- Council can work with the development industry to examine methods to improve the co-ordination of infrastructure in step with developments.

How can Council fund sub-regional and regional infrastructure and services across multiple development fronts?

- Council can establish a strong advocacy agenda and business cases for major projects to promote provision of funding from the state and Federal Governments.

Part 6: Rural Residential

Well planned rural residential development can perform a vital role in the Geelong land market. It has the potential to supplement urban housing by providing a different lifestyle opportunity which could take different forms, including serviced large lot suburban development. It should be located so not to prejudice long term infrastructure and urban land supply requirements. Rural residential development should form part of a long-term planning framework, and not be pursued in isolation.

Key Issues

- Unchecked rural residential development can prejudice long term urban land or infrastructure efficiency and requirements
- Rural residential development needs to be planned in a strategic manner so that residents have a reasonable level of access to urban services and facilities.
- Rural residential is an attractive lifestyle, and can provide for a more premium housing stock, yet creating a substantial demand for this would take time
- Rural residential development can provide space for families with specific needs, such as tennis courts, large gardens, swimming pools, large outdoor entertainment areas and a more tranquil lifestyle, yet there are currently large costs associated with these amenities
- In the absence of clear policy, it is likely that Council will be confronted with ongoing pressure for ad hoc rural residential development. This is unlikely to produce the best, most sustainable outcomes.

Recommendations

- Council and Government need to take a strategic approach to supply of rural residential development, within a long term spatial framework.
- Consider rural residential areas that are not otherwise suitable for conventional suburban development.
- Consider rural residential development as part of individual settlement plans, so they are integrated into the wider urban fabric and do not prejudice long term outcomes.

Appendix 1: Spiire Land Supply Table

	Fragmented Subdivision	Years Supply	Small Subdivision	Years Supply	Medium Subdivision	Years Supply	Large Subdivision	Years Supply	Master Planned Community	Years Supply	Total Lots	Years Supply
	< 50 lots		50-200 lots		200-500 lots		500-2,000 lots		> 2,000 lots			
Bellarine	3,717		2,131		1,051		3,282				10,181	
Bellarine (%)	37%		21%		10%		32%				100%	
<i>Average Annual</i>	<u>Lots</u>		<u>Lots</u>		<u>Lots</u>		<u>Lots</u>		-		<u>Lots</u>	
<i>Strong Growth Scenario</i>	2,105	1.77	2,105	1.01	2,105	0.50	2,105	1.56			2,105	4.84
<i>G21 Aspirational Scenario</i>	2,716	1.37	2,716	0.78	2,716	0.39	2,716	1.21			2,716	3.75
Lara	1,215		1,198		1,522		1,538				5,473	
Lara (%)	22%		22%		28%		28%				100%	
<i>Average Annual</i>												
<i>Strong Growth Scenario</i>	2,105	0.58	2,105	0.57	2,105	0.72	2,105	0.73			2,105	2.60
<i>G21 Aspirational Scenario</i>	2,716	0.45	2,716	0.44	2,716	0.56	2,716	0.57			2,716	2.02
Urban Geelong	728		1,453		417		1,539				4,137	
Urban Geelong (%)	18%		35%		10%		37%				100%	
<i>Average Annual</i>												
<i>Strong Growth Scenario</i>	2,105	0.35	2,105	0.69	2,105	0.20	2,105	0.73			2,105	1.97
<i>G21 Aspirational Scenario</i>	2,716	0.27	2,716	0.54	2,716	0.15	2,716	0.57			2,716	1.52
Armstrong Creek	1,760		5,235		3,199		2,884		6,517		19,595	
Armstrong Creek (%)	9%		27%		16%		15%		33%		100%	
<i>Average Annual</i>												
<i>Strong Growth Scenario</i>	2,105	0.84	2,105	2.49	2,105	1.52	2,105	1.37	2,105	3.10	2,105	9.31
<i>G21 Aspirational Scenario</i>	2,716	0.65	2,716	1.93	2,716	1.18	2,716	1.06	2,716	2.40	2,716	7.22
Greater Geelong	7,420		10,017		6,189		9,243		6,517		39,386	
Greater Geelong (%)	19%		25%		16%		23%		17%		100%	
<i>Average Annual</i>												
<i>Strong Growth Scenario</i>	2,105	3.52	2,105	4.76	2,105	2.94	2,105	4.39	2,105	3.10	2,105	18.71
<i>G21 Aspirational Scenario</i>	2,716	2.73	2,716	3.69	2,716	2.28	2,716	3.40	2,716	2.40	2,716	14.50

Table assumes 74% of demand is to broad hectare / greenfield and the balance to urban redevelopment, as per the Spatial Economics approach.