



28 April 2020

The Hon. Richard Wynne
Minister for Planning

By email: [REDACTED]

Dear Minister

COVID-19 – Temporary Moratorium on Residential Development Levies and Policy Changes

The Urban Development Industry of Australia, Victoria Division (UDIA Victoria) is a non-profit advocacy, research and educational organisation supported by a membership of land use and property development organisations, across the private sector and Victoria's public service. We are committed to working with both industry and Government to deliver housing, infrastructure and liveable communities for all Victorians.

UDIA Victoria welcomes the opportunity to work with the Andrews Government to support the residential development industry during this time. Further to our previous correspondence regarding our COVID-19 Action Plan and shovel ready projects, we are seeking your support to enable industry to continue to deliver residential projects during these unprecedented circumstances.

Significant risks are emerging as the Stage 3 lockdown continues and will remain even if Victoria reverts back to Stage 1 and 2 lockdown measures. These include:

- A good portion of the current residential construction activity was generated from property sales which occurred over the past two years. Following a period of historically lower activity due to several factors, sales had only recently started to build again.
- Now COVID-19 has crushed buyer confidence and access to finance, and new home sales have dropped up to 90%.
- These low sales volumes will flow through to reduced civil and home building construction activity, which is likely to result in thousands of jobs being lost over the coming months.
- Residential property and land sales - which drive construction - may be soft for some time.
- Immigration has been the single biggest driver of residential market sales in recent years. For obvious reasons, immigration has ceased and may not normalise for some time. Overseas student intake change will be a second factor that will impact some markets.
- There is a risk that when buyer confidence starts to recover, the impact of the stalled immigration will be felt, which will mean residential markets make take an extra 12 to 18 months to recover.

In response to these risks, we seek your urgent support to impose a moratorium on proposed new or amended fees, levies and taxes (Local and State Government level) or planning scheme amendments that will increase the cost of residential development, until 30 June 2021.

Local Government Imposts

There are currently various proposals for fees, strategies, policies or planning scheme amendments at different stages of consultation and implementation. These all serve to increase development costs and the cost of delivering new residential land and dwellings.

Examples of these proposed or impending charges and policies include:

- **Proposals to increase public open space levies.** A number of councils have planning scheme amendments proposal to increase open space contributions in established suburbs under the Subdivision Act. As an example, Amendment C186 to Darebin Planning Scheme proposes to double the public open space contribution on development to 10%.
- **Proposals for social and affordable housing.** We understand that more than 40 Councils have various proposals on foot to prepare planning scheme amendments that will support new local policies for social and affordable housing which may include imposing Section 173 Agreements in exchange for development approvals.

The most significant known proposal is the **Draft Affordable Housing Strategy for the City of Melbourne**, which is seeking to phase in a requirement that developers must gift 10% of new housing stock at no cost for affordable housing. This would decimate the residential market in the City of Melbourne.

Given you are considering recommendations from the Ministerial Advisory Committee for Affordable Housing for a state policy approach, we urge you to put a moratorium on approving any local planning scheme amendments of this nature.

When the economy recovers and the residential market normalises, a State mandated standard should be enacted to provide certainty across Victoria. We will write to you separately about this issue in the near future.

- **Proposals for new design standards and requirements.** Councils continue to work on ad hoc planning scheme amendments that apply new controls, requirements and local policies to development in their municipalities.

We request you to enact a moratorium on approving any planning scheme amendments during this time that will increase the cost of delivering new residential land and dwellings to market.

State Government Imposts

State agencies from time to time progressively review requirements, standards and charges. We urge you to set aside all of these processes until the Victorian economy and residential market normalises. Examples of proposals include:

- Any proposal on foot to implement a state-wide Social and Affordable Housing Levy.
- Any proposal for a new infrastructure contribution for strategic redevelopment areas.
- Annual indexation and increase of the Growth Areas Infrastructure Contribution (GAIC).
- Adjustment and Indexation of the Melbourne Strategic Environmental Mitigation Levy (EML).
- Better Apartment Design Guideline amendments which are currently the subject of



consultation.

There may well be more proposals being considered within government that we are not aware of yet.

We welcome the Government's decision to delay implementation of the Environmental Protection Authority Regulations 2020 until 1 July 2021 and note our specific concerns with respect to the changes to the classification of fill material as industrial waste which will immediately increase costs of development.

Your support to enact a moratorium on any of the issues noted will reassure industry and provide us with some certainty, at least for a few years, on costs.

The state of Victoria is facing uncharted territory and we recognise the situation is changing daily. We believe it is critical for industry to work closely with State and Local Governments to ensure the residential development sector is well placed to contribute to the Victorian economy when the situation normalises and work ramps up again.

Please contact me directly at danni@udiavic.com.au to arrange a suitable time to do so.

Yours sincerely

A handwritten signature in black ink that reads 'Danni Hunter'. The signature is written in a cursive style with a long, sweeping underline.

Danni Hunter
Chief Executive Officer

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