



# ROADMAP TO RECOVERY

UDIA VICTORIA'S PLAN FOR  
ECONOMIC RECOVERY



# CONTENTS



---

## 03

### ROADMAP TO RECOVERY

---

## 04

### ABOUT UDIA VICTORIA

---

## 05

### IMPACT OF CORONAVIRUS

---

## 09

### RECOMMENDATIONS

---

## 11

### 1. STIMULUS AND FISCAL LEVERS

---

## 16

### 2. PLANNING REFORM

---

## 19

### 3. UNLOCKING GREENFIELD DEVELOPMENT

---

## 22

### 4. SUPERCHARGING URBAN RENEWAL AND BUILT FORM DEVELOPMENT



# ROADMAP TO RECOVERY

Victoria's building, construction and development industry has demonstrated exceptional resilience and adaptability during the biggest crisis of our time.

As the industry's association, UDIA Victoria is immensely proud of how our industry has responded and worked with us to keep the industry safe, open and operational.

The urban development industry is a fundamental plank of the Victorian economy. It has the potential to bring the economy back to life after the pandemic passes.

The Victorian Government needs to take clear, deliberate and immediate action to stimulate the industry, reform age-old inefficiencies in the approval system and supercharge development-ready areas.

This is UDIA Victoria's Roadmap to Recovery. The time to be bold is now. Our industry stands ready to deliver the economic recovery we need.

A stylized, handwritten signature in black ink that reads 'Danni Hunter'.

**DANNI HUNTER**

**CHIEF EXECUTIVE  
UDIA VICTORIA**





A wide-angle aerial photograph of Melbourne, Australia, taken during the 'golden hour' of sunset. The city's dense urban landscape is visible, with numerous skyscrapers and buildings illuminated by the warm, low light of the setting sun. The Yarra River winds through the lower part of the city, and the surrounding hills are visible in the distance under a hazy, orange-tinted sky.

# ABOUT UDIA VICTORIA

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

On behalf of UDIA Victoria's Board and team members, we acknowledge the important and tireless efforts of our Committee members in UDIA Victoria's advocacy.

We have worked diligently with our members to advise Government throughout the COVID-19 pandemic. Days after the pandemic was declared, UDIA Victoria released its COVID-19 Action Plan for Government and industry which has guided our work.

We have supported and assisted our members throughout with a COVID-19 Pandemic Management Toolkit, and a range of important resources.

All of UDIA Victoria's COVID-19 related information and updates can be found at: [www.udiavic.com.au/UDIA-COVID-19](http://www.udiavic.com.au/UDIA-COVID-19)



# IMPACT OF CORONAVIRUS

As a major plank of the Victorian economy, the housing sector has been negatively impacted by COVID-19. The market and business conditions have changed dramatically as follows:

- 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; new home sales have dropped up to 90%.
- These low sales volumes will flow through to reduced civil and home building construction activity, which may result in thousands of jobs being lost in FY21. Residential property and land sales - which drive construction - may be soft for some time.

*“On the 2018-2019 year for net overseas migration, we’re expecting just over a 30 per cent fall in 2019-2020, the current financial year. And in 2020-2021, an 85 per cent fall-off those 2018-2019 levels as well.”*

Scott Morrison, Prime Minister of Australia, 2 May 2020

- 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.
- Changes to overseas student intake 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.



# KEY ISSUES

## DECLINING BUYER CONFIDENCE

Declining buyer confidence and purchasing power due to lack of secure employment and significant market uncertainty is compromising the forward pipeline of new home sales and new home builds.

## MARKET UNCERTAINTY

Market uncertainty is leading to projects being shelved, paused and disbanded. This could result in large-scale job losses in an industry that is one of the largest employers in Victoria.

## DEMAND IS UNDER THREAT

Immigration has ceased which has been the single biggest driver of demand in the residential market in recent years, and this may not resume for some time.

## JOBS & ECONOMY AT RISK

The impact on the Victorian economy will be devastating if these issues are not addressed, and urgently. The Victorian Treasury has estimated Victoria's unemployment rate could peak at 11% (up from 6.2% currently), and GSP will decline by 6.75% in 2020.



# ACTIONS SO FAR

Throughout the Coronavirus pandemic, the Victorian Government has taken swift, decisive action to keep our development, building and construction industry moving. We commend the Victorian Government for its management of the health crisis, and the economic crisis, that has been brought on by COVID-19.

## *State of Emergency*

Since declaring a State of Emergency on 16 March 2020, Government has engaged in genuine and productive collaboration with UDIA Victoria and other industry associations, resulting in several measures that have kept worksites operating and the development, building and construction sector open for business. These immediate, short-term responses are to be applauded.

## *UDIA Victoria COVID-19 Action Plan for Government and industry*

On 24 March 2020, UDIA Victoria provided the Victorian Government with an urgent and critical Action Plan to support the building, construction and development industry in response to the Coronavirus crisis in Victoria. We called for actions in line with three clear phases:

Phase 1: Keep the industry operating as an Essential Service

Phase 2: Confidence and industry stimulus in readiness for strong recovery

Phase 3: Ramp up for recovery

*Kept the industry open and operating through the pandemic period*

Firstly, the Victorian Government kept the building, construction and development industry open and operating as an Essential Service. This clear commitment recognised the significant contribution to the state's economy and community that the industry makes, and to Victorian jobs. It also recognised that the industry was able to effectively implement physical distancing and hygiene measures to keep workers safe and healthy on site.

*Established a dedicated taskforce and fast track approval process*

UDIA Victoria welcomed the Victorian Government's new Building Victoria's Recovery Taskforce and the establishment of the Project Fast-Track Team to streamline and fast-track development approvals and to secure a pipeline of shovel-ready projects. UDIA Victoria represents the industry in partnership with Government, as a member of the Steering Committee and across all three Industry Working Groups of the Taskforce.





# THE TIME TO BE BOLD IS NOW

As restrictions begin to ease, and our economy re-awakens, the Victorian Government must take bold action to stimulate the industry. Most importantly, Government action must give the industry and the community desperately needed confidence that a pipeline of building, construction and development projects, for which there is real demand, will be in place on the other side of COVID-19.

It is time to address the serious risks facing our industry brought on by COVID-19; risks that have compromised hundreds of thousands of jobs, the economy, and the future pipeline of homes, communities and infrastructure we need in this state.

Australia's net migration will fall by around 80% in 20-21 from 240,000 people to 40,000. This will equate to a net reduction in demand for new dwellings of between 80 and 100,000 including up to 30,000 or more in Victoria.

The economic impacts of reduced immigration on the sector will be immense and will not be offset by State funded infrastructure projects even if they are accelerated or brought forward.

It will be important to stimulate local demand, and proactively attract interstate migration to Victoria. A clear message from the Victorian Government that we are 'open for business' will be essential to attracting domestic population growth and investment to Victoria.

The urban development industry offers the Victorian economy a story of hope, and of great opportunity. We must be bold and deliberate in how we seize this opportunity.



# RECOMMENDATIONS

## BOOST HOME BUYER PURCHASING POWER

Expand existing Government **stimulus measures and incentive packages** for new housing to boost demand and home-buyer purchasing power.

## LOCK IN 300,000 VICTORIAN JOBS

Revolutionise Victoria's **planning and development approval** system to champion projects through the system with more efficiency than ever before to keep 300,000 Victorians employed.

## UNLOCK GREENFIELD DEVELOPMENT

Fast track approvals, and **pause policy changes, taxes and charges** that will exacerbate the damaging effects of COVID-19, especially in greenfield locations.

## SUPERCHARGE URBAN RENEWAL

Unlock Melbourne's potential competitive advantage by **supercharging urban renewal and built form development**.

## WELCOME TO VICTORIA

Energetically pursue **interstate and international migration** as a fundamental plank of the Victorian economy as Australia's borders reopen.

# STRONGER TOGETHER.

# -31%

*Drop in consumer sentiment  
about economic conditions over  
the next 12 months according to  
UDIA Victoria & RPM Urban  
IQ Report.*

# -61%

*Lot sales activity in  
Melbourne's Greenfield suburbs  
dropped by 61% in April 2020,  
compared to Q1 2020 figures,  
according to Research4.*



# 1. STIMULUS MEASURES AND FISCAL LEVERS



To meet pre-COVID-19 population growth demands for new housing in Victoria, the urban development industry was required to deliver approximately 60,000 new homes per year.

But this level of demand is diminishing quickly with immigration cut off, and domestic consumer confidence and purchasing power at an all time low, as uncertainty continues to unfold. This is gravely serious for the Victorian economy as the new housing market is significant source of state government revenue as well as a major employer of Victorians.

Demand for new housing must be stimulated to give consumers confidence and a greater ability to purchase new housing. Stimulus should be directed at incentivising the purchase of new housing as the production of new housing generates significantly more economic benefit through employment and government revenue.

UDIA Victoria's COVID-19 Action Plan (24 March 2020), called for the Victorian Government to urgently change Government taxation and regulatory policy that has proven to negatively impact the cost of housing and lower the barrier to entry for homebuyers and investors, by:

1. Removing foreign investor surcharges for stamp duty and land tax.
2. Reinstating off the plan stamp duty exemptions in its previous form that is not limited to first home buyers.
3. Re-visiting current taxes and charges on development including infrastructure contributions, biodiversity charges, utilities charges and other planning costs.
4. Increasing the Homes Vic shared equity scheme to help more first home buyers into the housing market.

# MEASURES TO STIMULATE DEMAND

1.1. Triple the First Homeowners Grant where settlement occurs on either vacant land or a completed home before 31 December 2021.

1.2. Introduce a New Home Builder grant - a grant when a slab is poured, or certificate of occupancy issued for a greenfield lot on which a deposit is paid by 31 July 2021.

1.3. Waive stamp duty for new residential transactions due to settle in the next 12 months.

1.4. Expand stamp duty exemption schemes to all purchasers of new housing.

1.5. Change off-the-plan concessions for a principal place of residence to a dutiable value of:

- \$950,000 (currently \$550,000) or less, and
- \$1,000,000 (currently \$750,000) or less if for first home buyers.

1.6. Remove stamp duty requirements for Victorians over 65 purchasing a new home as an incentive to downsize.

1.7. Alter First Home Buyer stamp duty concessions to apply to new homes to a value of:

- \$750,000 or less to receive the first home buyer duty exemption,
- \$750,000 - 900,000 to receive the first home buyer duty concession.

1.8. Waive land tax payments for the remainder of the calendar year by introducing:

- a waiver of 2020 land tax to ease current cash flow restraints; and
- a waiver of 2021 land tax.

1.9. Reinstate the stamp duty concession for investors purchasing dwellings off-the-plan. All apartments which are currently under construction to provide stamp duty concessions for all remaining stock even when completed.

1.10. Remove the foreign purchaser stamp duty and land tax surcharges.

1.11. Bring forward future funding of social housing through the Social Housing Growth Fund and increase partnership opportunities to deliver social housing.

1.12. Revoke Victoria's Vacant Residential Land Tax (VRLT). In the event that the VRLT is retained, immediately extend the application of the VRLT for a further two years from the date of issue of a building permit before a property is considered vacant for the purposes of applying the tax.

\*\* All incentives should be applied to purchases from 1 March 2020 to 31 December 2021.



## REDUCE THE COST OF NEW HOUSING

1.13. Impose a moratorium on proposed new or amended fees, levies and taxes (Local and State Government), or planning policy changes that will increase the cost of residential development, until 1 July 2021.

1.14. Defer the payment of existing infrastructure charges and levies such as the Growth Areas Infrastructure Charge and Infrastructure Contributions until settlement, to assist developers with cashflow challenges in a difficult market and to incentivise the activation of development-ready land which may otherwise remain stagnant.

1.15. Overhaul current bank guarantee requirements on developers to reduce the impact on developers' balance sheets, which will allow more construction work to proceed.

1.16. Waive the Metropolitan Planning Levy and the Cladding Rectification Levy on building permits for planning and building permit applications lodged before 31 December 2021 with this revenue to be subsidised by the Victorian Government so the works can still continue.

## SECURE SETTLEMENTS

1.17. Expand the Homes Vic shared equity scheme and rollout a second tranche of 10,000 places for applicable First Home Buyers to access funding for their deposit gap geared toward new housing stock.

1.18. Establish a HomeKeeper shared equity scheme to support home buyers that have pre-purchased new housing, so that they can access assistance if required to settle by 31 December 2021.

1.19. Provide securitisation assistance for funding shortfalls so that valuations at the beginning of project finance are in effect until 24 months after either settlement or practical completion. This will ensure re-valuations do not hinder the progress of projects to get to completion or fail on completion.

# 300,000

*Victorians work in the urban  
development industry.*

# 45%

*of Victoria's tax base comes  
from property.*



# OTHER FISCAL MEASURES

1.20. Expand the threshold for payroll tax relief, from \$3 to \$10 million. The \$3 million threshold cut off for payroll tax relief excludes thousands of businesses who employ many thousands of people in the building, construction and development industry.

1.21. Consider a package of long-term reforms to stamp duty which minimise the existing financial hurdles to purchasing new housing.

1.22. Support the rapid delivery of new dwellings to market by carving out build to rent (BTR) as an asset class with financing support and modified tax treatment to enable BTR to be financially viable.

1.23. Offer (retrospective and prospective) land tax concessions for landlords who discount rent for small and medium businesses between 1 March 2020 and 31 December 2021.

1.24. Offer payroll tax exemptions to medium and large businesses who relocate to Victoria and grants to businesses who expand their existing operations in Victoria.

1.25. Expand the environmental upgrade financing programs to include new buildings rather than only existing buildings.

1.26. Amend the Sale of Land Act to accommodate deposits - or instalments of deposits - of up to 20% by agreement.



## 2. PLANNING REFORM



Victoria's planning system must shift into overdrive and actively progress development applications and other approval processes, or development will stall, and projects and jobs will be severely compromised.

The building, construction and development pipeline needs to be urgently supercharged to give confidence to the industry so that employees keep Victorians employed in the sector.

The Commissioner for Better Regulation's review of planning and building approvals processes conducted in 2019, found that unnecessary delays in planning and building approval processes have significant impacts, such as:

- Keeping families in the private rental market for longer periods than necessary – while they incur significant costs (waiting for work to start on new homes or to move into housing that has been constructed);
- Putting upward pressure on house prices and rents;
- Increasing the costs of getting the necessary permits approved for all types of construction, including commercial and industrial; and
- Developers incurring significant additional holding and opportunity costs.

As a starting point, the Victorian Government should immediately fund and implement all recommendations made by the Commissioner for Better Regulation as a part of this review, with regular reporting requirements on all state, local and referral authorities.



# IMMEDIATE PLANNING REFORM

2.1. Activate a genuine pipeline of shovel-ready projects through the Building Victoria's Recovery Taskforce and Project Fast Track team.

2.2. Urgently fund and roll out all of the recommendations provided to the Victorian Government by the Commissioner for Better Regulation through the review of the planning and building system, with a regular reporting framework required of all state, local and referral authorities.

2.3. Call in projects that are stalled or held up for minor issues that cannot be resolved due to COVID-19 but should be able to be progressed in the interest of keeping the industry operating.

2.4. Delay the implementation of changes to the Better Apartment Design Guidelines until 31 December 2021 to allow the industry to adjust to business conditions associated with COVID-19.

2.5. Remove planning constraints on development in the central city under C270 and supercharge residential development capacity in Melbourne.

2.6. Introduce a rapid approval process for post-permit approvals and secondary consent applications to keep approved projects moving through the development and construction process.

2.7. Set aggressive approval targets for PSPs and approval within 90 days by the Victorian Planning Authority. Fast track approval or amendment processes for the Precinct Structure Plans (PSPs) that are majority controlled and funded by the landowners/developers.

2.8. Direct all Local Government and other Referral Authorities to take a proactive and flexible approach to approving Statements of Compliance so that development can proceed without delay.

2.9. Direct all Victorian LGAs to delegate Council CEO's and Directors or General Managers responsibility for the planning function of council with a broad range of delegated planning powers to approve or refuse all planning applications that need a decision.

2.10. Direct local government to approve all requests for planning permit extensions unless there are extenuating reasons why they should be extended.

2.11. Expand time restrictions associated with EPA regulations governing working hours on site to drive increased productivity while effectively implementing social distancing and hygiene measures.



# MEDIUM-TERM PLANNING REFORM

2.12. Fully fund the Streamlining for Growth program and initiatives specifically focused on creating efficiencies in the planning and approval system, including the Small Lot Housing Code reform.

2.13. Increase efficiencies across Local Government by:

- Reviewing instruments of delegation to ensure projects can move as fast as possible;
- Finding alternative ways of consulting with the community where notification is required;
- Using technology to allow local councils to continue to accept and assess planning permit applications, including functional layout plans and plans for endorsement;
- Facilitating council/private sector partnerships to assist in processing planning permit applications; and
- Permanently establishing an alternate fee payment mechanism (such as electronic transfer rather than bank cheques) for staging fee payments for development applications.



### 3. UNLOCK GREENFIELD DEVELOPMENT



Victoria's new home buyers – especially those buying a house and land package in Melbourne's Greenfield suburbs – face increasing costs when entering and participating in Victoria's housing market.

At a time when finance is becoming harder to obtain, wage growth is weak and developer costs are increasing, it is important the State and Local Government undertake a cost-cutting review of the key taxes, charges and levies paid by homebuyers directly and indirectly.

The challenges faced by home buyers, are further exacerbated by the COVID-19 pandemic and the wide-reaching economic implications for all Victorians. As unemployment rises and purchaser finance becomes harder to obtain, it is more important now than ever before, that Government acts to reduce the cost of producing housing in Melbourne's most affordable suburbs.

COVID-19 interrupted the recovery of Melbourne's Greenfield market and the initial shock of the lockdown was experienced from late March through to the end of April, where estimated lot sales activity reduced by 61%.

At a high level, the Victorian Government must:

- Actively stimulate local demand for new housing in the Greenfield areas through a range of fiscal measures;
- Aggressively chase and secure interstate migration to Victoria; and
- Advocate for the opening up of immigration in a safe and manageable way as soon as it is possible to do so;

# -90%

*Visits to display homes and sales suites dropped by 90% during the Coronavirus pandemic due to Government imposed restrictions.*

# 20-34%

*Government taxes and charges make up to 34% of the price of a new house in Victoria according to UDIA Victoria research.*

# GREENFIELD DEVELOPMENT

3.1. Fast track the finalisation of planning permits where plans and documents have been submitted for endorsement as part of the conditions of the permit.

3.2. Approve and bring forward funding for vital infrastructure delivery where it will enable development to start or continue constructing a project.

3.3. Bring forward works identified in relevant development contribution plans and infrastructure contribution plans to ease the burden on developers experiencing cash flow issues to commence these projects without further delay.

3.4. Direct Growth Area Infrastructure Contribution funding to development enabling projects such as the acquisition of land from a non-developing third party that will enable key infrastructure to be delivered in line with development.

3.5. Bring forward all available Growth Area Infrastructure Contribution funded projects to stimulate construction activity and delivery infrastructure in growth area suburbs.

3.6. Increase efficiencies across local governments, authorities and utility companies by:

- Adopting a more lenient and flexible approach to issuing Statement of Compliance and satisfaction of conditions that are largely administrative. This may involve introducing a “Remaining works schedule” or similar mechanism to allow a technically incomplete project to achieve a statement of compliance where a practical and safe interim solution can be achieved; and
- Providing electronic payment facilities for all fees and charges.

3.7. Consider the establishment of a State Government Ombudsman role (or similar) through the Essential Services Commission to monitor performance and hold utility companies accountable for performance.

3.8. Defer the payment of authority fees, bonds and Infrastructure Contribution Plan levies until after settlement has occurred.



## 4. SUPERCHARGE URBAN RENEWAL AND BUILT FORM DEVELOPMENT



Demand for residential development is expected to decline dramatically in later half of 19-20, remain low in 20-21 and recover slowly in 21-22. In previous market cycles a reduction in residential development may be offset by commercial sector development (i.e. office projects / infrastructure sector).

However with the office sector and retail development likely to also drop off dramatically, the only construction driver is State funded infrastructure and industrial land precincts driven by online retailing and logistics.

These sectors will not keep the economy moving and residential development, urban renewal and infill development proposals take between 2-6 years to proceed through the planning and development approval process.

Government should be directing its efforts toward shoring up a strong pipeline of immediately developable projects, and then building a longer-term pipeline of projects to support Victoria's economic recovery beyond 2022.

Direct Government action is required now to supercharge our urban renewal areas and the built form development pipeline. If done right, this industry activity could be a key plank of Victoria's economic recovery story.



# URBAN RENEWAL ADVANTAGE

4.1. Establish a Precincts Authority (or precinct-specific Authorities) to act as planner, approver, coordinator and deliverer of key precincts. The authority should be tasked with structure planning, then delivering permit approvals and coordinating authority approvals within the precinct.

A one-stop-shop approach by the Victorian Government is required to full access the potential within our Priority Precinct areas. This authority should subsume the dispersed responsibilities for planning, coordinating and delivering outcomes that currently exist across government agencies involved in precincts.

4.2. Establish an efficient, certain planning process, to attract investment and facilitate development in designated precincts. Codify design principles, limit third party appeal rights and make clear up front, the financial and regulatory settings that will impact the private sector's ability to feasibly enter the precinct and deliver good outcomes.

4.3. Commit to a program of government investment in catalysing infrastructure to activate existing Priority Precincts. Establish a transparent program of infrastructure investment so the private sector can plan its activity effectively to maximise the value of public investment for the broader community.



4.4. Establish taxation and regulatory settings in Priority Precincts that encourage development activity, so that these areas attract investment and development activity is stimulated, rather than landowners retaining existing uses or refraining from activating sites for urban development.

4.5. Proactively attract global capital which is absolutely necessary for good urban design and public realm outcomes in precincts of scale. Use Melbourne's precincts as an opportunity to tell the world Victoria is open for business, Victoria is committed to investment and Melbourne is committed to reclaiming the title of the world's most liveable city.

4.6. Expand urban renewal activity beyond the declared Priority Precincts and facilitate private sector investment in suitable infill locations that are well connected to existing or planned services and infrastructure (such as the Suburban Rail Loop) to leverage government investment and deliver good urban renewal outcomes

4.7. Establish an Industry Advisory Council to strategically engage with the urban development industry in a way that accesses the global knowledge, experience and commercial understanding of the industry to get the best outcomes possible in the precincts.

4.8. Fast track the State Government surplus government land disposal program and the approvals process for development on these surplus government sites.

4.9. Bring forward proposed public private partnerships to develop State Government land.

4.10. Consideration of rezoning requests in respect of urban renewal opportunities by facilitating an appropriate request for Ministerial authorisation.

4.11. Actively consider the broad rezoning of land along tramlines to encourage residential development.

4.12. Bring forward the program of works associated with cladding rectification funded by the Victorian Government.

4.13. Establish a Priority Projects List with processes to expedite planning approvals across all sectors and project types (large, medium and small, private and public), including projects currently under assessment by Council's and "in the queue" for VCAT.

4.14. Delay the development and implementation of a new Infrastructure Contribution Plan System for Strategic Development Areas.



# THANK YOU TO THE UDIA VICTORIA BOARD, POLICY COMMITTEES AND REGIONAL CHAPTERS



---

## **BOARD**

PRESIDENT: ASHLEY  
WILLIAMS, EVOLVE

---

## **TAX AND FINANCE COMMITTEE**

CHAIR: RICHARD  
BRICE, EY

---

## **PLANNING COMMITTEE**

CHAIR: JOHN CICERO,  
BEST HOOPER

---

## **GREENFIELD DEVELOPERS COMMITTEE**

CHAIR: JILL LIM,  
FRASERS PROPERTY

---

## **URBAN RENEWAL AND BUILT FORM COMMITTEE**

CHAIR: ANDREW  
FORTEY, PDS GROUP

---

## **GEELONG CHAPTER**

CHAIR: GREG BURSILL,  
LOVELY BANKS

---

## **NORTHER CHAPTER**

CHAIR: ANDREA  
TOMKINSON,  
TOMKINSON GROUP

PAGE 25