

9 July 2020

Joel Twinning
Planning Systems
Department of Environment, Land, Water and Planning

By email: joel.twining@delwp.vic.gov.au

Dear Joel,

UDIA Victoria Submission: Strategic Development Areas Infrastructure Contributions System

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 provide a submission to the Department of Environment, Land, Water and Planning (DELWP)'s discussion paper on an Infrastructure Contribution Plan System (ICP System) for Strategic Redevelopment Areas (SDAs).

Our key positions are as follows:

1. The Victorian Government should pause the consultation and development of the ICP system for SDAs until the COVID-19 pandemic period has passed;
2. Infrastructure Contributions are a contribution toward local infrastructure and a system for ICPs for SDAs needs to be designed with this principle at the forefront;
3. UDIA Victoria strongly opposes collection of state infrastructure levies through the ICP system that was, is and should remain designed for the collection a contribution toward local infrastructure requirements;
4. Insufficient analysis, impact assessment, research and interrogation has been done to support the proposed ICP system for SDAs and this must be done before a system can proceed;
5. A standardized ICP system for SDAs will be difficult to achieve due to the unique nature of these urbanized, redevelopment precincts or sites;
6. In the meantime, the well-established system of using Section 173 Agreements and Development Contribution Plans should continue to be utilized;
7. The proposed two-tiered system that is proposed presents significant difficulties and does not adhere to the standardization principle;
8. A cap on Supplementary Levy amounts should be introduced for all development settings, including SDAs, to combat exponential rises in charges and housing cost impost from Supplementary Levy items; and
9. A more rigorous, industry supported process for developing this important system is required if

it is to be done properly and effectively to support the local infrastructure needs of Melbourne's Strategic Development Areas into the future.

Impact of COVID-19

The COVID-19 crisis needs to be resolved before any further policy change or cost imposts can be considered. UDIA Victoria is working with the Victorian Government and the Building Victoria's Recovery Taskforce to support the building, construction and development industry through the COVID-19 pandemic period, and to save jobs and grow jobs on the other side.

UDIA Victoria has written to the Minister for Planning asking that the Government consider establishing a moratorium on policy changes and additional costs which would impact the cost of producing new housing, until mid-2021. A copy of this letter is provided at **Attachment A**.

These including but are not limited to:

State Government

- 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 Kingston Strategic Environmental Mitigation Levy (EML).
- Better Apartment Design Guideline amendments which are currently the subject of consultation.

Local Government

- Proposals for new design standards and requirements. Councils continue to work on ad hoc planning scheme amendments that apply new local policies to development in their municipalities.
- Proposals for social and affordable housing. 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.
- Proposals to increase public open space levies. A number of councils have planning scheme amendments generate proposals to increase open space contributions in established suburbs under the Subdivision Act.

Cost of producing new housing

UDIA Victoria is concerned about the mounting costs of new and increased taxes, charges and regulation that comprise the cost of a new house in Victoria.

Taxes and charges that contribute to the cost of producing housing, either increase the price of the end housing product, or reduce the land price a developer can pay from the original owner.

We challenge the idea that new taxes or costs will only affect asset owners through offsetting land values. History has shown that the introduction of such new costs, such as the Growth Areas Infrastructure Charge, discourages and or delays development and leads to significant unintended

consequences. Melbourne already has some of the most expensive prices in the world for new housing. The high cost of housing in Victoria pushes lower income segments out of the private buyer and rental market and into the affordable housing market.

The business model supporting residential development reflects significant project risk and high costs of finance that developers must assume to deliver a project, as well as often low margins that are achieved on residential development projects.

The high cost of producing housing does not drive a reduction of underlying land values. In contrast, where the cost of producing housing is high, residential development may no longer be the highest and best use, and the land may continue to be used for another purpose despite a residential zoning. This drives an overall reduction in the supply of new housing.

High taxes, charges and delays through the planning and development approval process reduce housing supply by increasing risk, reducing returns and making certain types of development unfeasible.

If taxes and charges are increased further due to bracket creep or new taxes and charges being introduced, residential development may not be the highest and best use of the land and urban renewal areas and priority precincts may lay dormant.

If the cost of producing housing is so high that the system reduces overall supply, Government will need to play a greater and more deliberate role in funding and supporting infrastructure as new areas of Melbourne are developed.

There is limited opportunity for new levies to be introduced for value capture, priority precincts and affordable housing, without a material impact on the affordability of housing in Victoria. These measures cannot afford to be applied retrospectively or in a broad-brushed manner without significant consequences to the overall sector.

The cost of producing new housing in established areas of Melbourne comprise the following costs imposed as a result of state and local government policy, taxes and direct charges:

State Government

- Land tax
- Stamp duty
- Foreign purchaser surcharges on stamp duty and land tax
- Vacant residential land tax
- GST
- Metropolitan Planning Levy
- Statutory utility charges
- Cladding Rectification Levy
- State government infrastructure contributions
- Better Apartment Design Standards

Local Government

- Permit fees and charges including for extensions of permits
- Plan checking and supervision fees
- Local infrastructure contributions including local water authority fees, electrical authority fees, NBN deployment fees
- Council rates
- Open Space Levy
- Passive open space requirements

Principles of an ICP System

The concept of an ICP System for SDAs was first proposed by the Standard Development Contributions Advisory Committee in 2012 and 2013. Since then, numerous iterations of the System have been workshopped, and a commitment has been made by the Andrews Government to deliver an ICP System for SDAs including Fishermans Bend.

The Standard Development Contributions Advisory Committee's two key reports – 'Setting the Framework' (Dec 2012) and 'Setting the Levies' (May 2013) – outlined the following key principles:

- **Need:** The planning unit across which a charge is levied must have a demonstrated need for the proposed infrastructure. The degree and level of detail to which this principle must be demonstrated will inevitably vary according to the development setting and the nature of the infrastructure needs which exist in that setting.
- **Nexus:** There must be a reasonable nexus between the infrastructure that is levied for, and the planning unit across which it is intended to impose the levy. It may not be necessary to demonstrate that an individual development causes the need for the infrastructure, but that it forms part of a wider planning unit that will need the social and physical infrastructure. How need and nexus are demonstrated in a development setting with a standard charge is addressed further in this report.
- **Apportionment:** Levies should be fair and represent a reasonable apportionment of the cost of delivering infrastructure, having regard to the quantum of development and its likely use as a percentage of the overall use of the facility. The concept of 'user pays' underpins this principle but in the context of overall metropolitan development over time and complex usage patterns, this is a difficult concept to operationalise fairly or precisely.
- **Simple, flexible, provide certainty and be fair:** Fairness has the following dimensions:
 - A significant contribution by new residents to the basic and essential infrastructure that they generate a need for;
 - Existing residents in growth areas make a contribution through their rates to infrastructure delivered to address the needs of new residents, but which they are also likely to benefit from;
 - Some contribution through grants and other contribution from the revenue base of the State and Commonwealth governments for infrastructure that is provided State and

Australia wide;

- New residents pay a contribution over time through their rates for some of the infrastructure they require; and
- Fairness is a matter of judgment and not a matter of objective assessment.

Need for Solid Policy Development

UDIA Victoria has broadly supported the reform of local development contributions as they apply to Melbourne's Greenfield Precinct Structure Plan (PSP) areas. The ICP System designed for Greenfield areas was done so as to solve well-defined and agreed problems. All stakeholders agreed that the Development Contribution Plan system needed to be overhauled. Despite this, the reformed ICP System has proven complex in the Greenfield areas and further improvements and refinements are necessary to ensure the principles of need, nexus, apportionment and fairness are indeed achieved.

Our most recent submission regarding the Greenfield ICP System identified further important changes that are required, some requiring legislative refinements. This submission is included at **Attachment B**.

We are concerned that, unlike the Greenfield ICP System, the work to support the system's development for the Strategic Development Areas has not been done. The supporting research by Urban Enterprise is dated and new analysis about the potential impact of costs needs to be done to properly support the proposed policy approach.

Considerable work was undertaken by the Government, Councils and the industry to devise the original ICP concept, and to establish the details of the Greenfield System. There were many years' worth of Development Contributions Plans (DCPs) to test, analyze and interrogate to demonstrate the likely charging outcomes for the new system. Years of data was available and carefully scrutinized. Transport, Community, Recreation and other items, were assessed across many Greenfield ICPs. The information was shared with industry and we participated in numerous forums and considered discussions. This comprehensive process based on research and analysis built the case for the reform and formed a broad consensus between the stakeholder groups.

We have very carefully considered the material provided by DELWP and considered the application of an ICP system for SDAs and have attended a meeting of the Industry Reference Group. We have consulted our most experienced members and their advisors around the proposals. But we are yet to sight a working model that would show how an ICP, as now proposed, would work for an SDA. We are yet to see detailed analysis of existing or proposed precincts.

The proposals provided by DELWP around allowable items and supplementary levies are very broad and loose. There is very little structure to how the proposal would work and what infrastructure, in a more detailed sense, would be included. This will create great uncertainty for investors and developers.

More detailed work has to be done by in order to fully understand the impact of the proposed System and must be a pre-requisite for further industry consultation.

Our view is that at the very least the DELWP should demonstrate, with perhaps half a dozen fully worked examples, how the ICP would be applied, in a complete sense. This would we think demonstrate the issues we are describing, in detail. This should have been done and presented to stakeholders.

Unlike greenfield areas which are more consistent, the strategic redevelopment areas are diverse, their immediate settings are diverse, and the planned developments vary considerably, as does their likely

timing. Each site has its own bespoke needs. One site might need a road traffic network upgrade, where another site may have good traffic access and may need a new major tram stop or bus prioritisation lanes. Each site will have very different requirements.

Development can be quite variable and the market for different development forms is not as predictable as greenfield areas. A large mixed-use development could include a range of development types. The demand for such buildings can vary over time, making forecasting complex. This work would need to be carried out for each strategic redevelopment area, in concert with structure planning work.

Unlike in the greenfield settings, in almost all cases considerable infrastructure existing in the strategic redevelopment areas. This is one of the key tenants of urban consolidation policy – for many decades. Government policy over generations has encouraged redevelopment to occur – as the infrastructure costs to Government are less.

The Standard Development Contributions Ministerial Advisory Committee focused more on the greenfield areas and is nearly a decade old. UDIA Victoria recommends that a new process is established to properly research, interrogate and assess an ICP System for SDAs, in partnership with the urban development industry.

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 stylized with a large, sweeping underline.

Danni Hunter
Chief Executive Officer

Urban Development Institute Australia (Victoria)
Level 4, 437 St Kilda Road, Melbourne, 3004
M. 0400 230 787
E. danni@udiavic.com.au

28 April 2020

The Hon. Richard Wynne
Minister for Planning

By email: Richard.wynne@parliament.vic.gov.au

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 may 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 stylized with a large, sweeping underline.

Danni Hunter
Chief Executive Officer

Urban Development Institute Australia (Victoria)
Level 4, 437 St Kilda Road, Melbourne, 3004

P. 03 9832 9600

E. danni@udiavic.com.au

Introduction

The Mesh report is a sound document with well-reasoned discussion and recommendations. UDIA Victoria supports most of the recommendations, however we do seek some important modifications. We have also included some additional submissions not couched by Mesh which will improve Infrastructure Contribution Plans (ICPs).

Response to Mesh Recommendations

Land Valuation Methodology (R1 to R3)

1. **R1 is supported.** We agree that R1 introduces necessary refinements to the site-specific land valuation methodology to guard against inflated land values. These refinements ensure that inner public purpose land is valued on a reasonable basis and will reduce typical land equalisation charges by 10% to 15%.
2. **R2 is supported.** We agree that it is not appropriate to make the land valuation changes retrospective. Despite the attraction of a single system, the existing approved ICPs have been through a lengthy process and have allowed planning permits, sales and construction to proceed. If the changes were retrospective affected development projects would stall, impacting housing supply.
3. **R3 is supported.** This makes a consequential recommendation to adjust the Ministerial Direction to clearly reflect R2.

While not addressed in the Mesh recommendations around land valuations, we urge the Government to:

- Make land valuation reports public when the ICP is exhibited. There is no reason for the valuations to be considered confidential. We feel this is a principal that should be legislated.
- Provide any party, including 'under providers', with the opportunity to make submissions around land valuations – recognising that these will be determined by the Valuer General rather than through a planning panel process.

These changes would ensure natural justice and transparency and allow under providers to challenge any inflated land values to ensure they are not overcharged. This is important as once the ICP is approved the values are locked in except for indexation and because Public Land Equalisation Methodology (PLEM) charges can be significant. This also ensures ICPs are not opaque and will boost confidence in the process.

Supplementary Levy Criteria and Use (R4 to R7)

4. **R4 is supported, with modification.** We agree that the planning authority should be required to document how they have addressed the supplementary levy criteria. However, we submit that this documentation should occur in the Explanatory Report which is available when the Amendment is exhibited. The Part A submission timing proposed is too late to be helpful for persons preparing submissions to the amendment. The Part A submission can then elaborate as required.
5. **R5 is supported with modification.** We support the proposed assessment process and criteria which emphasise the need for the planning authority to identify potential savings in project scope to avoid the imposition of a supplementary levy. This would be a significant improvement to the process.

The UDIA proposes one modification – the reference to PSP and ICP preparation costs (refer R6) should be a separate standard levy being 1% of the standard monetary contribution.

6. **R6 is supported with modification.** Our members already routinely fund PSP preparation costs through a standard VPA funding agreement. Presently these costs cannot be recouped by the developer. This means that non fundees get a free ride – which is plainly unfair. R6 ensures that the PSP preparation costs can be offset against the ICP by the funder when they develop their land. It also ensures that all developers pay their share of the PSP preparation costs.

However, the UDIA requests several modifications:

- A new separate standard levy should be created for ‘PSP preparation’. The levy should be struck at 1% of the standard monetary component. This way the plan preparation (PSP and ICP) cost will be separate, removing argument and concern from Councils that PSP costs might trigger a supplementary levy. A separate standard levy is also desirable as it separates what will usually be a Council managed standard levy for roads and community / recreation items from the plan preparation costs which would normally be instigated by the VPA.
 - Council’s should be encouraged or even required to credit the PSP preparation costs up front by moving funds between the different levy buckets (plan preparation, transport etc). This can ensure that the fundee receives a credit for the PSP costs in the first stages of their development or at least within their project timeframe. The risk otherwise is that fundees are not paid out until the completion of development within the PSP area which could be 25 years after the PSP costs are funded. Early credit is reasonable as the PSP preparation costs which could be \$1-\$2mn are funded up front by the developer and should be reimbursed early as the project is complete.
7. **R7 is supported.** Each component, including the PSP preparation costs would be considered in the 5-year review.

Standard Transport Levy Rate (R8 to R9)

8. **R8 is supported.** We strongly support this recommendation. This is especially important as the new criteria to be implemented through R5 should see the number and value of supplementary levies reduce. It would be premature for the existing transport charge rates to be reviewed now. This also would allow additional time and experience in implementation costs associated with the various

standard costs and templates which will provide for a more considered review process. We also point out that there should be less risk of cost overrun in future as each project is scoped in detail, is indexed and includes 15% contingency.

9. **R9 is supported.** We strongly support this recommendation. The new criteria for imposition of a supplementary levy will assist to reinforce the principles that ICPs are not expected to be full cost recovery mechanisms.

General Direction Review (R10 to R11)

10. **R10 is supported with modification.** We support the changes to the Ministerial Direction provided changes are made as per our submissions regarding R5 and R6 relating to the PSP preparation levy.

The other modifications we request are:

- We submit that the separate walking and cycling infrastructure that may now be included separate to arterial roads and intersections should only include 'essential links'. This recognises that Council or the Growth Area Infrastructure Contribution (GAIC) should still fund major links between communities or to other areas outside the PSP. Without this clarification there is a risk that Council's may seek to include large cycle projects that provide benefits to the wider network in ICPs. Council may also seek elaborate pedestrian bridges at close intervals which are unreasonable, and which will drive up costs.
- We agree that a 1.75m² culvert for a pedestrian crossing may lead to unsafe narrow, dark pedestrian tunnels. However, the criteria should be tempered to allow for culverts to be fit for purpose. A specific measurement is not required. If one is included it should measure between 5m² and 10m², rather than introduce new 10m² minimum dimension with no supporting evidence and without an understanding of the cost implications.
- We do not support funding for rail grade separations, including cycle / pedestrian culverts of any size to be included in ICPs. These should be funded from other sources, like the GAIC. It should not be possible to create a supplementary levy to fund these items. If they don't fit in the Standard Levy, then they should not be permissible.
- We agree that exclusion of land for an indoor recreation facility is an oversight and has formed a standard part of the former Development Contribution Plan (DCP) process prior to the introduction of the ICP system.
- We strongly support inclusion of the costs of each allowable item in the ICP. This will provide a sound basis for the implementation phase. This will provide improved signalling to developers around expectations of the broad scope of each project.

We also submit that the Government should legislate to require Council's, separate to the ICP, to:

- Make a scoping sheet for every ICP project available to the public, including the estimated cost of each item.

- Prepare an annual report to Council providing an implementation strategy, including priorities, for the ICP.
- Provide for Council to advertise the draft implementation and make the final report public.

These modifications will provide for a transparent implementation process and provide clear signals to developers around likely timing of ICP credits which can be built into project cashflows. Requiring a strong implementation framework from Councils is not unreasonable given the ICPs will collectively deliver tens of billions of dollars of land and infrastructure – they need a corresponding level of implementation rigor. This approach will also ensure probity and reduce likelihood for opaque decisions.

11. **R11 is supported.** Industry and Council communication is paramount.

Impact of Changing Government Policy (R12 to R14)

12. **R12 is supported.** There needs to be stability in the ICP charging system within the 5-year review periods. It is true that Government policy around infrastructure scope changes from time to time. However, these changes tend to happen slowly, the consequences take time to fully emerge and implementation is usually progressive. Government policy changes should be picked up in the 5-year review process.

The three-year-old kindergarten changes are an example of a Government policy change. In that case the State Government allocated funds to upgrade kinder facilities in the established and regional areas with a view to accommodating the three-year-old kinder policy changes. Government, not future homeowners, should cover increased costs arising from new policy.

Programming and design and delivery efficiencies (including multi-storey community and school facilities) should be explored to minimise any additional capital cost requirements to fulfil the policy commitment. DET policy intent for early learning provision on primary school sites and shared facilities, and the opportunities for the VSBA to address any deemed infrastructure shortfall in their delivery program.

Increasing ICPs should be a last resort and not the first point of call.

13. **R13 is supported.** Per discussion around R12.

14. **R14 is supported.** Per discussion around R12.

Planning and Environment Act Related Matters (R15 and R16)

15. **R15 is supported.** This is a very important change. It was industry's expectation that this was a cornerstone of the new system. We were surprised when the ICP legislation did not allow for pooling between land and infrastructure. This change will deliver vast improvements in ICP project implementation.

16. **R16 is supported.** The VPA should create a standard expectation around funds transfer between the collecting agency and development agency. This could be written into the ICP template and varied where necessary, for example if the Council and another development agency agreed on an alternative arrangement. As per our submission on R6, the Council should credit the PSP preparation costs upfront for the relevant developers so that it is refunded before their project is complete.

Early Acquisition of Land (R17 to R20)

17. **R17 is supported.** This should occur as a matter of course when every PSP and ICP is prepared. This would greatly assist in the smooth implementation of greenfield land development and infrastructure delivery. The industry has understood that there would be no need for a PAO under the new system, however, that expectation did not flow through to the legislation.
18. **R18 is supported.** As per comment on R17.
19. **R19 is supported.** As per comment on R18.
20. **R20 is supported.** In addition to application of a PAO, it is already possible under s36 of the Subdivision Act for developers to compulsorily acquire an easement that is essential for the orderly and economic development of land. This can be a lengthy process. It may be possible for an amendment to be made to the relevant legislation so that developers can acquire inner public purposes land in a straight-forward process through the Subdivision Act and in accordance with the relevant ICP land at the relevant PLEM land value. Equally, it should be straight forward for Councils to do the same under a new head of power for Councils to take the land without delay and to the value set in the ICP.

Implementation Related Matters (R21 and R22)

21. **R21 is supported.** We would reinforce that one of the fundamental principles of the DCP and ICP systems for decades has been that it is not a full cost recovery system. Council have other funding sources at their disposal and the State also assists from time to time. Any review of the recreation and community charge should not result in major increases to the charge and there should be no ability to have a supplementary levy for these projects.
22. **R21 is supported.**

The attachment provides some further comment on the Ministerial Direction.

Attachment – Comment on Ministerial Direction regarding ICPs

Table 4: Transport construction supplementary levy allowable items

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
<p><i>Arterial roads</i></p> <p><i>This includes:</i></p> <ul style="list-style-type: none"> <i>• upgrades to existing local roads to arterial road standards; and</i> <i>• new arterial roads.</i> 	<p><i>At least one of the following apply:</i></p> <ul style="list-style-type: none"> <i>• The Precinct Structure Plan or equivalent strategic plan requires:</i> <ul style="list-style-type: none"> <i>• arterial road spacing above the standard set out in Table 3; or</i> <i>• the interim construction of two through lanes in each direction.</i> <i>• Construction costs of the council arterial road cannot be wholly or partially funded from the standard levy because:</i> <ul style="list-style-type: none"> <i>• of the topographical, geographical, environmental or other physical conditions of the land; or</i> 	<p><u>Design standards</u></p> <p>Longstanding apportionment principles must continue to apply.</p> <p>If there is a need for an arterial road larger or more frequent than the standard in Table 3 (Standard allowable items), then in order for the supplementary levy to be triggered, it must be demonstrated that the additional demand is being generated entirely by the new PSP.</p> <p>For example, in Minta Farm, demand for the upgraded arterial road standard was created by the surrounding area, rather than by development within the PSP area. In such examples, alternative funding sources should be identified, or costs apportioned.</p>

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
	<ul style="list-style-type: none"> • <i>the road is designed to primarily service industrial development; or</i> • <i>the area of the precinct in net developable hectares is limited.</i> 	
<p><i>Intersections with council and declared State arterial roads</i></p> <p><i>This includes:</i></p> <ul style="list-style-type: none"> • <i>arterial and arterial road intersections; and</i> • <i>arterial and connector road intersections.</i> 	<p><i>At least one of the following apply:</i></p> <ul style="list-style-type: none"> • <i>The Precinct Structure Plan or equivalent strategic plan requires:</i> <ul style="list-style-type: none"> • <i>additional number of intersections above the standard set out in Table 3; or</i> • <i>intersection design requirements above the standard set out in Table 3.</i> <p><i>Construction costs of the intersections cannot be wholly or partially funded from the standard levy because:</i></p> <ul style="list-style-type: none"> • <i>of the topographical, geographical, environmental or other physical conditions of the land; or</i> 	<p>We note that the realities of land availability must be considered when determining intersection design, and what constitutes creditable works. Flexibility around staging of works should occur, especially when the stages provide for medium term traffic capacity. This is another reason to facilitate developers or Councils top take land as per the ICP to facilitate development.</p>

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
	<ul style="list-style-type: none"> the road is designed to primarily service industrial development; or the area of the precinct in net developable hectares is limited. 	
<i>Road bridges (including rail overpasses)</i>	<p><i>The constructions costs of the bridge cannot be wholly or partially funded from the standard levy.</i></p> <p><i>The bridge forms part of the council arterial road network.</i></p>	Rail and Freeway overpasses – road and ped/cycle - are higher order items that should be eligible for GAIC funding and for GAIC – WIK agreements.
<i>Pedestrian bridges and accessways</i>	<p><i>The constructions costs of the pedestrian bridge or accessway cannot be wholly or partially funded from the standard levy.</i></p> <p><i>The pedestrian bridge or accessway is required to provide access across a railway, arterial road, waterway corridor, major easement or other major obstacle.</i></p>	<p>There are currently items that should be considered higher order infrastructure therefore appropriately funded by GAIC rather than ICPs – such as overpasses and pedestrian bridges to rail and freeways. Recent examples of this include but are not limited to the following:</p> <ul style="list-style-type: none"> - Donnybrook-Woodstock ICP: Cameron Street Bridge – railway overpass in (\$22million project adding \$11,000/NDHa)

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
		<ul style="list-style-type: none"> - Mt Atkinson & Tarneit Plains ICP: Hopkins Road Level Crossing upgrade at Melbourne-Ballarat rail corridor \$938,000 - Plumpton & Kororoit ICP: \$7.7m Ped/Cycle bridge over Western Freeway <p>Alternative funding sources for these items must be identified (and committed to) during the PSP stage.</p> <p>-</p>
<i>Major culverts</i>	<i>The constructions costs of the major culvert cannot be wholly or partially funded from the standard levy. The internal cross-sectional area of the culvert is at least 1.75 square metres.</i>	Support the increase of the cross section area to '5 to 10 square metres'.

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

Table 5: Other supplementary levy allowable items

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
<i>Other local works, services or facilities</i>	<ul style="list-style-type: none"> • <i>The item is essential to the development of the area;</i> • <i>The item is not listed as a standard levy allowable item; and</i> • <i>The Minister agrees to the item being funded from a supplementary levy.</i> 	This provision is vague and should be deleted.
<i>Early delivery of works, services or facilities</i>	<p><i>The early delivery of the item is essential to the orderly development of the area; and</i></p> <ul style="list-style-type: none"> • <i>The financing costs are:</i> <ul style="list-style-type: none"> • <i>incurred by the development agency responsible for providing the item; and</i> • <i>associated with the early delivery of the item which is listed as a standard levy allowable item or a supplementary levy allowable item; or</i> 	<p>Financing costs for State agencies should not be eligible for supplementary levies.</p> <p>The role of the development industry in delivering local infrastructure under works in kind agreements must be acknowledged.</p> <p>Financing costs should only be considered where a Council has a seriously entertained and well defined proposal and has passed a</p>

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
	<ul style="list-style-type: none"> • <i>associated with the early acquisition of public purpose land referred to in section 46GV(8) of the Act which is required for the early delivery of the item.</i> 	resolution to borrow funds to finance a project.
<i>Intersections with council local roads</i>	<i>The intersection is on or adjoins land in fragmented ownership.</i>	

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Victoria comment
<p><i>Local or collector roads;</i></p> <ul style="list-style-type: none"> • <i>Local road or pedestrian bridges; or</i> • <i>Local pedestrian accessways.</i> 	<ul style="list-style-type: none"> • <i>The item, normally provided by a developer to develop the land for urban purposes, is on or adjoins land in fragmented ownership;</i> • <i>The fragmented land ownership makes the delivery of the item by the developer difficult;</i> • <i>The item is essential to the orderly development of the area;</i> • <i>The relevant municipal council has agreed to be the development agency for the item; and</i> • <i>The cost of the item can be fairly levied amongst the developers who will benefit from the delivery of the item.</i> 	<p>Only benefiting owners within the fragmented area should contribute to such local roads or other facilities.</p>

Attachment 1

UDIA Victoria comments on allowable items from November 2019 submission:

Table 6: State infrastructure supplementary levy allowable items

Note: In accordance with 46GH of the P&E Act, this only applies in GAIC areas where the Council is the development agency

<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>		<i>Supplementary levy allowable item Criteria for applying a supplementary levy</i>	UDIA Comment
<i>Transport infrastructure</i>	<i>Construction of declared State roads, including intersections and bridges, and public transport infrastructure</i>	<i>The infrastructure is identified in a growth corridor plan or equivalent State or local strategic plan adopted by a Minister, government department or a planning authority;</i> <ul style="list-style-type: none"> <i>• The development generates a need for the State infrastructure;</i> <i>• The provision of State infrastructure through the infrastructure contributions plan complies with section 46GH of the Act; and</i> <i>• The State or State government agency has agreed to be the development agency for the infrastructure item.</i> 	Even where Councils are the Development Agency, UDIA Victoria considers that State infrastructure must not be funded by ICPs in GAIC areas.
<i>Community facilities</i>	<i>Construction of state education, health or emergency facilities</i>		
<i>Other State works, services or facilities</i>	<i>Construction of infrastructure that is essential to the development of the area</i>		