



FISHERMANS BEND URBAN RENEWAL AREA DRAFT DEVELOPMENT CONTRIBUTIONS PLAN

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via email: [REDACTED]

About UDIA Victoria

The Urban Development Institute of Australia, Victoria (UDIA Victoria) welcomes the opportunity to make a written submission, as part of the public consultation on the Fishermans Bend Urban Renewal Area Draft Development Contribution Plan (DCP). We are also grateful to have been involved in important stakeholder consultation throughout the preparation of the Draft DCP.

UDIA Victoria is the peak body representing Victoria's urban development industry. We are a not-for-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 work closely with industry and all levels of government to build homes and thriving communities.

In 2024, our priority is ensuring the development industry can continue to deliver a consistent pipeline of high-quality, diverse housing that is affordable to buy and rent for the growing number of people who choose to call Victoria home. UDIA Victoria is a signatory to the State Government's *Affordability Partnership*, whose focus is to ensure the right policy and regulatory settings exist for industry to deliver on the objectives of *Victoria's Housing Statement*.

We believe every Victorian should have access to secure and affordable housing.

Policy context

The *Victorian Housing Statement* sets a bold target of building 800,000 new homes by 2034 – 80,000 homes per year over the next decade. UDIA Victoria is encouraged by the Government's ambition to address the housing supply shortfall in Victoria, and we are committed to working with them to improve access to housing for all Victorians.

We are also pleased that the State Government has renewed its focus on the overarching strategic planning objective of increasing housing in established areas of metropolitan Melbourne and Victoria's regional centres. The intensification of key strategic precincts has been a guiding feature of successive strategic planning policy for decades, and we are looking forward to *Plan Victoria* providing a clear pathway to how this is proposed to occur.

In 2023, Melbourne surpassed Sydney as Australia's most populous city – almost a decade earlier than previously forecast. Victoria's population is set to reach 11.2 million by 2056, with Melbourne on track to becoming a city of 9 million by 2050.

UDIA Victoria is advocating for more housing to be built closer to the state's major employment and activity centres. Urban regeneration projects like the Arden Urban Renewal Precinct and Fishermans Bend Urban Renewal Area will need to provide high volumes of diverse, high-quality and affordable housing for tens-of-thousands of new residents over the next decade.

Importantly, these regeneration projects will also need the right combination of infrastructure, amenities and services to support the demand of these growing communities.

The industry's contribution to development

In recent times, the development industry has been one of the biggest contributors to funding population-serving infrastructure and amenities. Namely, through payment of contributions like the Growth Area Infrastructure Contribution (GAIC), Development Contribution Plans (DCPs), Infrastructure Contributions Plans (ICPs) and various other development charges. These costs add to those incurred through the planning and delivery of residential, commercial and industrial development, and are necessarily represented in the ultimate cost of housing, retail and industrial spaces.

Residential construction is one of the largest employers; the sector pays approximately 46 per cent of the State Government's projected annual taxation; and comprises close to 1/5 of its total forecast revenue this financial year.

This is in addition to the tens of billions of dollars of economic activity created, which is returned to the State through Federal income tax and GST receipts.

Recent economic pressures on the industry

The development industry is emerging from some of the most trying conditions many have seen in recent memory.

Since May 2022, the Reserve Bank of Australia (RBA) has raised the official cash rate 13 times – the steepest rate rise in decades – which, in addition to stubbornly high inflation and prevailing economic uncertainty, has depressed the market, despite relatively strong underlying demand.

Victoria's considerable capital works program and global supply chain disruptions have driven the cost of development higher in Victoria over the short- to medium-term, reflected in both increased cost of materials and labour.

In FY2023-24, the Victorian Government increased the property sector's tax liability, imposing a Windfall Gains Tax (WGT) and expanding the Vacant Residential Land Tax (VRLT) – the latter of which was the fifty-first new or expanded tax by this Government, since 2014.

Before 2014, property industry taxes, fees and charges were responsible for less than 18 per cent of all state government tax revenue. Over the past decade, this has risen to around half of the State's tax revenue and is projected to exceed 50 per cent over the next 4 years.

These increased liabilities impact capital markets and Victoria's attractiveness as a place to live, work and invest.

Consultation with industry essential

UDIA Victoria is excited to be part of the regeneration of the Fishermans Bend Urban Renewal Precinct and we are proud to represent a number of industry participants who will be instrumental in its revitalisation. However, it will be critical that DTP consult meaningfully and

consistently with industry, throughout the project's delivery, to ensure its goal of creating a sustainable, vibrant and inclusive precinct can be met.

Approach

The Fishermans Bend Draft DCP is an important step towards delivering one of Australia's most ambitious urban renewal projects. UDIA Victoria commends the State Government's commitment to the transformation of the 480-hectare area precinct, so close to Melbourne's Central Business District (CBD).

We want to ensure the regeneration of Fishermans Bend can be delivered efficiently, sustainably and responsibly. Accommodating 80,000 residents and workers by 2050 will require unprecedented change.

While we support the government in its commitment to delivering on the vision of this regeneration project. There are significant challenges to navigate that we ask the Fishermans Bend Taskforce to consider, before finalising the Development Contribution Plan.

We look forward to continuing to work closely with the State Government, the City of Melbourne and the City of Port Phillip. The development industry will play a pivotal role in delivering on the vision for Fishermans Bend.

DCP Contribution Rates

UDIA Victoria recognises the need for development to contribute towards the provision of key infrastructure in significant urban renewal precincts like Fishermans Bend. However, these contribution rates are often significant and, in some instances, potentially disincentivise development.

- The per dwelling contribution rates proposed in the Draft DCP exceed those in other inner-city renewal projects, such as Arden (with a per dwelling rate of \$23,003) and is a significant increase from the previous interim rate (approximately \$20,000 prior to a rate increase).
- We also note that the DCP includes 100 per cent of open space and recreation, 100 per cent of drainage infrastructure, 100 per cent of community infrastructure and approximately 96 per cent of all transport-related items. Ultimately, around 98 per cent of the cost of all identified projects are attributed to the DCP.

For comparison, the Arden Urban Renewal Precinct attributes 84 per cent (\$304,339,405 of \$350,391,417) of funding to the DCP with residential development comprising 48 per cent of the DCP.

There is a risk that these significant rates dampen the development of the Fishermans Bend precinct.

The Draft DCP acknowledges that Fishermans Bend is highly fragmented, and a majority of parcels are in private ownership. As such, the vision of the precinct relies heavily on private sector development and investment, which should be encouraged rather than disincentivised.

- In addition to this, administration of contribution payments and complex processes associated with municipal planning regulations, complicate commercial assessment and feasibility analyses.

These challenges create conditions that work against the ambition of the Fishermans Bend project and other government-led urban regeneration initiatives.

- The Draft DCP indicates that land transferred or contributed to DCP initiatives could 'offset' the financial contributions needed for land development.

While there are benefits to this approach, we ask that additional details and clearer guidelines are provided, regarding how land is valued, the process of reaching agreements with the collecting agencies and development agencies.

Public Open Space Uplift

UDIA Victoria commends the Fishermans Bend Taskforce on their innovative approach to the provision and funding of public open space in the precinct. The introduction of a discretionary density uplift bonus provides an important incentive for developers to contribute land to the provision of public open space. We understand that the fragmented nature of the precinct also demanded an innovative approach to assemble the necessary parcels and provide public open space in line with the strategic plan. While we support a density incentive being adopted, we seek clarification in relation to its potential implementation:

- The Draft DCP establishes that all sites within the precinct will remain eligible for the existing Social Housing Uplift, approved in 2018. It appears that Open Space Uplift (OSU) is intended to be applied before the Social Housing Uplift (SHU), hence avoiding the SHU on the OSU. We would ask that this is confirmed, as it may have implications for the value/benefit of the OSU, which we have calculated as being equivalent to 100 per cent of the social housing saved, plus the profit per unit on the balance OSU.
- The OSU scheme is limited to 18 sites. It is difficult to accurately predict what the adoption rate of the proposed scheme will be from landowners. Therefore, we suggest that it may be beneficial to extend the scheme across all public open space areas within the precinct.
- It is noted that applications that seek to use the scheme will still be subject to the existing planning controls across the precinct that relate to urban design and built form considerations.
- If the OSU scheme is not taken up on a candidate site, there is no guidance contained within the DCP or Amendment as to how the baseline Public Open Space within the candidate site will be secured. The DCP notes that Public Open Space land in these cases will be funded via 'other sources', in accordance with the Land Acquisition and Compensation Act, 1986. As a result, it is presumed that this would be the highest and best use value.
- Having regard to the value of the land under the LAC Act, 1986, it appears that the density uplift rates for the OSU do not match the opportunity cost for the OSU, compared to land acquisition value. We encourage the Fishermans Bend Taskforce to model the OSU to confirm that the density uplift rate is equal to or better than a land acquisition value, to ensure it is not unappealing.
- We are aware of approximately \$21 million in Public Open Space Contributions reserves, held by the City of Port Phillip. While this is not a significant amount in the context of the precinct, we would ask for further detail as to whether this is considered as part of the Draft DCP. If so, we also request further details regarding how this is proposed to be managed and by which entity.

Infrastructure and services delivery

The infrastructure costings are based on work conducted by GHD alongside various other consultants and in many cases were finalised a number of years ago – in some instances, as far back as 2016. We would suggest it is appropriate to undertake more up-to-date assessments, especially given the significant construction cost escalation in recent years.

- At industry consultation sessions, departmental representatives advised there had been consultation with relevant authorities, including Melbourne Water, concerning infrastructure delivery. We ask that there is a clear commitment from Melbourne Water and other relevant service authorities as to the provision of infrastructure for which they are principally responsible. We are concerned that authorities may be impacted by capacity constraints or other factors, and this may affect the scope and delivery timeframes of key infrastructure. This may include changes related to climate, flood mitigation etc.
- During stakeholder consultation sessions, departmental representatives have advised there has been consultation with authorities including Melbourne Water. However, we seek assurances from Melbourne Water and other relevant service authorities relating to their commitment to instil some confidence for developers to progress with the works, given the current issues in the industry and in particular with changes which may or may not come due to climate change (i.e. flood mitigation works etc.).
- We ask that the Fishermans Bend Taskforce provide the detailed feasibility work undertaken for the Department to derive the proposed DCP rate. We also request to see consultant reports prepared relating to costings and feasibility.
- It is critical that the DCP rate is not cost-prohibitive to development in the precinct. It is also important that the rates are not inadequate or inaccurate, potentially requiring revision at a later stage. This could impact project deliverability and add considerable risk and uncertainty for project proponents. Further transparency of detailed feasibility and costings would provide greater developer confidence, de-risking planning and project delivery.
- We are pleased to see clarity regarding the land acquisition process and that certified valuers have been engaged in this process. We recommend further details to be provided regarding the timing of land acquisitions, what that process involves, and confirmation as to whether this occurs on development. As the Taskforce is aware, many landowners have existing industrial uses on-site and leases to manage. Commentary from departmental representatives at facilitated industry consultation sessions, was that acquisition will occur on an 'as-needs' basis. We seek certainty on this issue.

Public transport infrastructure and unlocking the potential of Fishermans Bend

We note that the land acquisition for the proposed tram connection within the Precinct is accounted for within the DCP. Given the transformative nature of a new transport connection to the precinct; its ability to catalyse significant urban regeneration; and its importance in ensuring the precinct can generate the planned, economic, productivity and social benefits, UDIA Victoria encourages the State Government to commit to clear funding and delivery timeframes. This would provide certainty to the development sector and stimulate significant investment.

As Fishermans Bend will take time to be delivered, we would also stress the importance of interim land use, development, transport and activation initiatives to support the attractiveness and liveability of the precinct.

Conclusion

We thank you for the opportunity to provide a written. We request that UDIA Victoria is kept informed of any developments as the Amendment progresses. If you would like to discuss any of the matters raised in this submission, please contact UDIA Victoria's Director of Policy, Jack Vaughan, at [REDACTED]

Yours sincerely,

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Linda Allison
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UDIA Victoria