



# PSP Reform Playbook

*Enabling greenfield development through greater certainty.*

## About UDIA

The Urban Development Institute of Australia, Victoria (UDIA) is the peak industry body representing Victoria's urban development sector. Our membership comprises developers, consultants, and other professionals committed to delivering housing and infrastructure across Melbourne and regional Victoria. UDIA is a signatory to the Victorian Government's Affordability Partnership and a key partner in delivering the Housing Statement target of 800,000 new homes over the next decade.

We work in close partnership with the Victorian Government to ensure housing policy, planning systems and infrastructure investment settings enable housing supply, affordability and economic growth.

## Background

Greater Melbourne's population is projected to reach 9 million by ~2050. The city's growth areas are expected to play a critical role in meeting this demand, contributing over 24,000 additional homes annually under the State Government's *Housing Statement* targets.

Precinct Structure Plans (PSPs) are the primary mechanism for delivering new housing supply in these growth areas. Yet, industry is observing a concerning trend: newly released PSPs are becoming increasingly complex, burdensome and costly, without a commensurate increase in housing potential. This trend threatens to jeopardise the State's ability to meet its *Housing Statement* targets, the objectives of the *National Housing Accord* and negatively impact housing affordability. Earlier this year, the Government announced that the Minister for Planning has approved the Officer South Employment PSP. Officer South will be a significant economic centre in Melbourne's south-east, supporting up to 22,000 jobs and providing up to 1,700 new homes. In addition to Officer South, the VPA also opened public consultation on Casey Fields South, Devon Meadows and Melton East PSPs, which will collectively deliver up to 16,500 new homes. While UDIA welcomes these announcements, Melton East saw a significant reduction in Net Developable Area (NDA) to less than 50 per cent. In addition, the PSP saw a high rate of recommended affordable and social housing; highly prescriptive density requirements; and large areas of land sterilised for bushfire protection; drainage and floodplain management and more. These changes caused significant industry concern.

Further, the Beveridge North West PSP, which was recently approved by the Minister for Planning provides an example of increasing and significant planning delays industry is facing. The PSP was commenced in 2012, released for public consultation in November 2021 and the Ministerial Advisory Committee (MAC) provided their recommendations in July 2022. The PSP has been with the government for decision for three years. Development of the precinct is also contingent on delivery of the \$1 billion Camerons Lane Interchange, which is vital for connecting housing to the future Beveridge Intermodal Freight Terminal, forecast to deliver 20,000 jobs.

UDIA believes precinct structure planning can and must be recalibrated to support the government's ambitious housing targets and enable the industry to build the new homes Victorians need.

## Reforming PSPs to Support Victoria's Housing Goals

Victoria's PSP system has delivered significant housing supply across Melbourne's growth corridors. However, changes to PSP standards are undermining the system's ability to support timely, affordable and viable residential development.

Without urgent reform, the cumulative impacts of new PSP requirements risk stalling housing delivery, worsening affordability and undermining the State Government's own housing targets.

UDIA presents the following reform recommendations to ensure the PSP system enables, rather than constrains, greenfield housing supply in line with Victoria's long-term growth needs.



## Key Recommendations

- 1 Prioritise Net Developable Area (NDA) in all new and existing PSPs** by minimising land that is set aside for drainage, environmental buffers, cultural heritage, and bushfire protection, supported by robust and consistent land use assessments.
- 2 Adopt market appropriate housing density targets in PSPs**, avoiding prescriptive location-based requirements, and undertake urban design testing to ensure density settings align with consumer demand and access to
- 3 Establish a clear, voluntary and commercially deliverable affordable housing contribution framework**, supported by transparent government funding commitments, and avoid setting unviable targets without agreed delivery mechanisms.
- 4 Mandate early completion of detailed Drainage Schemes (DSS) by Melbourne Water ahead of PSP finalisation**, based on detailed modelling, and refine conservatism through permit processes to avoid unnecessary quarantining of land.
- 5 Develop a consistent bushfire protection methodology for PSPs that aligns with planning and building regulations**, incorporates appropriate landscaping of open space and waterways, and avoids unjustified buffer land take.
- 6 Apply a proportionate, evidence-based approach to Cultural Heritage Management Plans in PSPs** by focusing CHMP requirements on areas with verified cultural heritage significance and ensure PSP directions align with the Aboriginal Heritage Act and Regulations.
- 7 Align Environmentally Sustainable Design (ESD) and Integrated Water Management (IWM) requirements in PSPs** with deliverable development standards, avoiding duplication with the National Construction Code and strategic agency frameworks.
- 8 Co-design PSP staging plans with industry from the outset**, ensuring they reflect site control, infrastructure delivery sequencing and land access requirements, and report staged PSP land separately in supply metrics to reflect true readiness.

### Our approach

UDIA has prepared these constructive recommendations in the context of a worsening housing affordability crisis. As a signatory to the State Government's *Housing Industry Affordability Partnership*, it is our express intention to work through these issues with the Department of Transport and Planning (DTP), to ensure industry can achieve the government's housing policy objectives. Our recommendations represent the extensive and unparalleled expertise of our industry-led policy committees.

We look forward to continuing to work with the government on these matters on behalf of industry in the spirit of the *Partnership*.

## 1 Rebuild Net Developable Area (NDA) to Increase Supply and Affordability

**Issue:** NDA across new PSPs has declined dramatically, with the Melton East PSP delivering just 49% NDA compared to 75% in earlier precincts such as Clyde Creek. This erosion is driven by cumulative policy burdens including excessive drainage land, pre-European wetland buffers, cultural heritage quarantining, and bushfire setbacks.

**Impact:** Reduced NDA forces higher densities to meet yield targets, distorts housing typologies, and undermines commercial viability. It also pushes up ICP levies. Reducing NDA means the costs to deliver amenities, services and infrastructure are shared across fewer new dwellings.

### **Solution:**

- Prioritise increasing NDA in both new and existing PSPs.
- Ensure all new PSP standards are subject to robust land take assessments that consider the overall impact of NDA reductions.
- Mandate authorities such as Melbourne Water to align with housing delivery targets and minimise over-conservative assumptions that reduce NDA.

## 2 Calibrate Housing Density Targets to Market Demand

**Issue:** New PSPs are prescribing densities of 30-40 dwellings per hectare across large portions of precincts. This is inconsistent with current delivery patterns (18-20 dwellings per hectare) and consumer preferences for detached housing in growth areas.

**Impact:** Unrealistic density targets create servicing inefficiencies, infrastructure constraints and reduced saleable land. Lot sizes in Melbourne's greenfields are already the smallest of any capital city at an average of 360sqm and may shrink further.

Widespread density targets also negatively impact housing diversity. Imposing high density targets where the development economics are not viable nor address consumer demand for dwelling typology could result in undeveloped segments of new areas, adversely impacting overall amenity.

### **Solution:**

- Apply flexible density targets responsive to market demand and staging.
- Undertake urban design testing to understand real-world housing outcomes.
- Avoid prescriptive location-based density requirements in PSPs.

## 3 Create a Realistic, Transparent Approach to Social and Affordable Housing

**Issue:** Some PSPs are including expectations for developers to deliver 10 per cent or more affordable and/or social housing, without a clear framework, agreed funding model, or consistent interpretation of what is voluntary versus mandatory.

**Impact:** Without clarity or viability testing, these expectations increase cost risk and undermine permit certainty. They risk cross-subsidisation through higher at-market housing costs.

### **Solution:**

- Establish a clear, agreed voluntary contribution model, supported by funding commitments from government.
- Avoid setting unviable targets (e.g. Melton East's 11%) without transparent funding solutions.
- Provide flexibility for negotiated outcomes with councils based on local feasibility.

## 4 Accelerate Drainage Scheme Approvals and Avoid Over-Conservatism

**Issue:** Drainage Schemes (DSS) are often developed in parallel or after the PSP, causing rework and delays. Land set aside for drainage is overly conservative due to deferred flood modelling.

**Impact:** Developable land is quarantined unnecessarily, distorting staging and adding holding costs. Drainage land is often uncredited and further reduces NDA.

### **Solution:**

- Require Melbourne Water to complete detailed DSS early in the PSP process.
- Avoid conservative land take by allowing refinement through planning permits.
- Embed housing targets within Melbourne Water's statutory obligations.

## 5 Resolve Bushfire Buffers and Edge Conditions Consistently

**Issue:** Inconsistent and escalating PSP bushfire protection requirements go beyond planning and building regulations. Future open space and waterways are being treated as fire hazards, resulting in additional buffer land take.

**Impact:** Developable land and Net Developable Area are reduced without evidence-based justification. Councils are reluctant to maintain new fire-prone public land, and approval pathways are delayed.

**Solution:**

- Develop a consistent PSP bushfire methodology aligned with regulation.
- Use appropriate landscape design to mitigate future fire risk without quarantining excess land.

## 6 Respectful, Considered and Proportionate Cultural Heritage Planning

**Issue:** In some PSPs, large precautionary areas are being identified for potential heritage value prior to formal CHMP assessment, and in certain cases CHMP expectations are signalled where statutory triggers are not met. This can pre-empt formal engagement with Registered Aboriginal Parties and create uncertainty for all stakeholders.

**Impact:** Precautionary set-asides and non-statutory expectations can strain Traditional Owner resources, delay appropriate protection outcomes, and contribute to land sterilisation, cost escalation and delivery risk.

**Solution:**

- Focus CHMP requirements on places where preliminary investigations and Traditional Owner input indicate likely high cultural heritage significance, consistent with the triggers in the Aboriginal Heritage Act and Regulations.
- Align PSP guidance with the Aboriginal Heritage Act, Regulations and approved standards, avoiding additional requirements in PSPs that duplicate or exceed statutory processes.

## 7 Establish Practical and Consistent ESD and IWM Requirements

**Issue:** PSPs are introducing varied and escalating requirements for Environmentally Sustainable Design (ESD) and Integrated Water Management (IWM), many of which are aspirational and cannot be delivered by individual developers.

**Impact:** Increased cost, delay, and duplication with National Construction Code, DEECA, and water authority standards.

**Solution:**

- Align PSP sustainability measures with deliverable development standards.
- Assign strategic IWM responsibility to DEECA, MWC and retailers.
- Avoid duplicating or exceeding existing codes.

## 8 Fix Staging to Reflect Practical Land Delivery and Access Constraints

**Issue:** PSP staging is revealed only at exhibition and does not align with site control, infrastructure delivery, or developer sequencing.

**Impact:** Inhibits supply, misrepresents actual deliverable housing pipeline, and results in unproductive holding costs.

**Solution:**

- Co-design staging plans with industry during PSP preparation.
- Adopt new tools to facilitate land access, infrastructure funding and delivery.
- Report staged PSP land separately in housing supply metrics to reflect true readiness.

### **Partnering for a more efficient approach to precinct planning**

UDIA recognises the important role that PSPs play in guiding the delivery of new communities. However, unless the system is recalibrated to support practical implementation, Victoria risks falling further behind on housing supply, affordability, and economic development.

The recommendations in this paper are designed to foster greater alignment between government objectives and industry capacity. UDIA is ready to work in partnership with the Victorian Government to ensure the PSP framework delivers more homes, faster, and at a lower cost to the community.

For further discussion or to arrange a briefing, please contact the UDIA policy team at [policy@udiavic.com.au](mailto:policy@udiavic.com.au).



### **Urban Development Institute of Australia (Victoria)**

Level 1, 55 Collins Street MELBOURNE VIC 3000

[info@udiavic.com.au](mailto:info@udiavic.com.au)

+61 3 9832 9600

[udiavic.com.au](http://udiavic.com.au)

[au.linkedin.com/company/udiavic](https://au.linkedin.com/company/udiavic)