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11 October 2021

Victorian Planning Authority
c/- Arden Precinct
Level 25, 35 Collins Street
Melbourne VIC 3000

By email: amendments@vpa.vic.gov.au

Dear Stuart

Submission: Arden Structure Plan and draft Amendment C407 to the Melbourne Planning Scheme

The Urban Development Institute of Australia, Victoria (UDIA Victoria) welcomes the opportunity to provide feedback to the Arden Structure Plan (the Structure Plan) and draft Amendment C407 to the Melbourne Planning Scheme (Amendment C407).

UDIA Victoria is the peak body representing the urban development industry. 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 congratulates the Victorian Planning Authority (VPA) and the City of Melbourne (CoM) on the preparation of the Structure Plan and draft Amendment C407. Together these represent a large body of work and stakeholder consultation which provides a foundation for the growth and development of this important precinct and will help to leverage Government's investment in the new metro rail station.

UDIA Victoria lodged a comprehensive submission in response to the draft Arden Structure Plan in August 2020. We outlined a range of policy, delivery and design issues, and otherwise highlighted the absence of governance arrangements and implementation framework to deliver the vision and outcomes proposed. We consider many of these issues remain in the currently exhibited Arden Structure Plan, and have been incorporated into the associated draft planning controls.

On this basis, we do not support the draft Planning Scheme Amendment C407 to the Melbourne Planning Scheme as exhibited. We recommend that the City of Melbourne does not proceed with Amendment C407 in its current form, and incorporates the requests for change outlined below.

Overarching Comments

Cumulative cost of requirements

In our previous submission, we highlighted the cumulative cost impact of all requirements being applied to development, and residential development in particular. It appears no amendments have been made as a result of this feedback which is a significant concern for the residential development

industry.

There appears to be a significant disconnect in Local and State Government regarding the cumulative impact of development charges and taxes and their impact on the feasibility of residential development and the delivery of new housing, including private market affordable housing.

UDIA Victoria recently engaged Urban Enterprise to quantify the development charges and taxes for residential development in greenfield and established areas. The research revealed the residential development sector **contributes a total of \$6.4 billion annually** in Victoria through the following:

- \$2.5 billion of development charges; and
- \$3.9 billion of taxes on residential development.

Using a case study example in established areas (strategic development areas), the combined taxes and charges equate to approximately **\$165,200** per \$600,000 apartment or **28% of the dwelling price**.

We challenge the idea that new taxes, charges or costs will only affect asset owners through offsetting land values. Unless the land owners are motivated to sell, member experience shows the land owners will hold the land until they are offered at or near their asking price.

This will only be exacerbated by application of any Windfall Gains Tax and serve to discourage and or delay development, creating significant unintended consequences, or worse, development as intended under the structure plan may no longer be the highest and best use of the land. In this scenario, the land may continue to be used for another purpose despite an underlying residential zoning. This drives an overall reduction in the supply of new housing and higher prices.

The Urban Enterprise research demonstrates that the cumulative impact of the development charges and taxes are significant, and directly contribute to the escalating cost of new housing which in turn negatively impacts on private market housing affordability. The quantum of development charges and taxes outlined above is a direct contributor to the current housing affordability crisis and should be directly reinvested by government in social infrastructure. The high cost of housing in Victoria pushes lower income segments out of the private buyer and rental market and into the affordable (including social) housing market.

In this context, any proposal to impose additional taxes or charges to residential development, or to require residential development to 'gift' a percentage of dwellings for social and affordable housing, will be **attempting to solve the housing affordability crisis by further taxing residential development which will only serve to exacerbate the current problem**.

We also note the proposed windfall gains tax will have a significant adverse impact on the feasibility of residential development in urban renewal areas, and the updated Better Apartment Design Standards will add cost and reduce yield in many scenarios.

In addition to the existing developer taxes and charges, the Arden Structure Plan requires the following which will further increase the cost of delivering residential development:

- A six per cent affordable housing requirement to be transacted at a 50 per cent discount to a registered housing association.
- At least five per cent of private development to be universally accessible.
- Floor area ratios (FAR), maximum building heights, and built form controls. We note the

floor area ratios have increased slightly from the draft Structure Plan, however we consider they are too low to offset the additional cost impacts of this list of requirements to ensure residential development is feasible.

- Buildings to provide a 100-year structural life and be designed for adaptive re-use.
- Large developments to prepare an operational management plan and annual disclosure of performance to improve sustainability outcomes.
- Centralised freight and waste management facilities.
- All new buildings to connect to precinct sustainability infrastructure.
- All buildings to deliver World leading sustainability performance.
- Encouraging all new buildings to be 100 per cent electric.
- Minimise the use of virgin materials, in preference for recycled products.
- All new buildings to achieve 75 per cent of the project site area to comprise building or landscaping materials that increase solar reflectance.
- All new buildings to meet a standard 40 per cent total surface area as green cover.
- Support delivery of an alternative water treatment plant and third pipe infrastructure plumbed for toilets, laundry and irrigation.
- Require noise sensitive uses to include noise and vibration attenuation when near freeway and rail infrastructure.

Delivery program of shared infrastructure

We note there is extensive, precinct-wide infrastructure, and all development is interconnected through initiatives such as waste management, shared car parks, the water treatment plant and third pipe infrastructure.

Given the interconnected nature of development, this type of infrastructure must be delivered prior to the residential development to meet the other sustainability objectives and requirements such as a 6 star Green Star rating. On this basis, we require clarity regarding the funding and delivery timeframe for this infrastructure, and a clear plan for interim measures until this infrastructure is completed.

We are concerned that development will be stalled for some years while further detail to support implementation is developed.

Drainage Infrastructure – Timing of Delivery

The Structure Plan and Development Contributions Plan (DCP) does not have sufficient detail to understand the timing of delivery of drainage infrastructure in terms of land requirements and infrastructure construction.

For example, there is approximately \$221 million of land to be acquired for Drainage which is part of the DCP. It is not clear how this will be funded (for the timely delivery of drainage infrastructure that will enable the precinct) given it represents approximately 60 per cent of the total \$364 million DCP, and DCP contributions are paid at completion of development.

This land presumably needs to be acquired prior to Melbourne Water completing its drainage works

at estimated cost of \$110 million, which are proposed to be funded by the URCRS, a similar mechanism to the DCP. The same query applies to the URCRS – how will the drainage works be funded to enable the Arden precinct?

There does not appear to be a well-integrated strategy with respect to requirements on private development, public drainage infrastructure and water / recycled water proposals through the water authority. Risk of overlap and duplication and delivery timing seems to exist which needs to be clarified and/or resolved.

Further, the proposed water and drainage design guidelines, developer works, or development services scheme projects need to be clearly defined, costed and detailed land implementation plans provided.

Request for Change to draft Amendment C407

UDIA Victoria makes the following request for changes to draft Amendment C407:

Guidelines for Design Excellence

- The Guidelines for Design Excellence are required up front, not later, given they are required to play a role in the decision-making process. The role of Office of the Victorian Government Architect (OVGA) needs to be clarified and integrated to avoid uncertainty. We query the need for OVGA involvement at all given the Structure Plan and planning controls are so detailed.

Notice and review requirements

- That the notice and review requirements in all applicable planning controls be amended to provide exemptions. We consider the notice requirements should be removed entirely on the basis that the suite of controls provide the necessary certainty to the community. It is this very certainty which is the purported basis for the use of mandatory controls.
- That the office floorspace requirements be reviewed and amended if necessary given the significant changes to working locations for many employers and employees as a result of the current COVID pandemic. The targets for employment floor area compared with residential floor area in the Arden North precinct in particular should be reviewed. We suggest these changes may be structural in nature, thereby significantly reducing expectations for floorspace requirements.

Design and Development Overlays

- DDO Clause 2.10 - Adaptable Buildings: That the minimum 4 metre floor-to-floor requirements for office space be changed to 3.6 metres, and that the controls provide for greater flexibility with the requirement to skin car parks with tenancies where sites have three or four street frontages. This will help manage construction cost but also encourage consolidation of landholdings.
- That the FAR control be deleted entirely on the basis that it is too restrictive in terms of innovation and yield to facilitate the multiple requirements listed above.
- Should the FAR control proceed, it should only apply to smaller sites, such as sites less than

1200 square metres, and be discretionary.

- Should the FAR proceed, the definition should be amended to avoid penalising project viability through required inclusions that are ‘good things’ but which take up a significant proportion of FAR-limited floorspace and do not generate revenue (or in case of affordable housing, have a net cost).

For example, in the definition below, the floor area captured in the red words would be multiplied by the relevant FAR (i.e. 6:1 or 9:1 etc), providing a way for developers to recover the cost of including those ‘good things’ that the structure plan requires. There is a precedent for a similar trade off in other jurisdictions, such as Singapore. We consider the likelihood of provisions such as car parking and affordable housing being ‘gamed’ to increase the floor area would be mitigated by the stringent car parking controls and the net cost to the developer of delivering affordable housing.

2.3 Definitions

Floor Area Ratio means the fully enclosed gross floor area above ground of all buildings on a site, including all fully enclosed areas, services, lifts, car stackers and covered balconies, divided by, the sum of the area of the site plus the gross floor area above ground on the site set aside for the parking of bicycles, parking of car-share cars and electric vehicles and for floor area of affordable housing. Voids associated with lifts, car stackers and similar service elements should be considered as multiple floors of the same height as adjacent floors or 3.0 metres if there is no adjacent floor.

- Should the FAR proceed, the definition should be revised to apply above the requisite flood level rather than from natural ground level. Much of the Arden Urban Renewal Area is subject to extensive flooding and we anticipate the proposed controls to manage flooding will require the ground floor level of development to be up to 1.5 metres above natural ground level and/or footpath level. This is also likely to require the raising of basement levels above natural ground level which will result in basement floorspace included within the FAR, and further limit the realisation of habitable floor area that contributes to the Structure Plan’s built form, scale and intensity aspirations. Therefore, the FAR definition should be amended to reference “ground” and “ground or the applicable flood level whichever is the higher”.

Clause 21.13-4 Arden Urban Renewal Area

- That the requirement for six per cent of dwellings to be transacted to a registered housing association at a 50 per cent discount be reduced to a lower percentage of dwellings and/or a lower transaction discount. As it stands, this requirement will create a significant cost burden on residential development, especially given affordable housing floorspace is counted towards the FAR. The 50 per cent discount for the affordable housing dwellings will be subsidised by the remaining dwellings in the development, thereby increasing the cost of private market housing and creating a cross-subsidy with residential development.

Clause 22.28 Arden Urban Renewal Area Policy

That the following requirements be reviewed and amended:

- There is a consistent view that requiring the certification of a 6 star Green Star rating is an additional cost for no additional benefit and should be removed.
- The requirement for all new buildings to meet a standard 40 per cent total surface area as green cover should be removed and replaced with a simple objective (capable of assessment on a site-specific basis) to provide meaningful landscaping in all new development. If this prescriptive requirement is to remain, it should be dramatically reduced to a realistic percentage of building cover that cost effective to construct and is proven to be capable of being cost-effectively maintained over a long period. There is a general view that some green roof cover is achievable and can be maintained to a viable standard (with a cost to the owners corporation), however it is likely that two of the four facades would require 100 per cent green cover to meet the 40 per cent building cover (noting that these walls would also have windows and balconies). This is unprecedented in Melbourne and has no regard for local climate.

Further to the point above, the cost to install and maintain even 10 per cent landscaping would be very high, and we question whether plants will survive, particularly on buildings with southern orientations. We note that cities where green walls thrive often have tropical or warmer climates, the walls are generally limited to three or four storeys in height, or they are enclosed in an atrium. We also note one of the first green walls on the Musee du Quai Branly in Paris had to undergo restoration within 13 years. This suggests that green walls are likely to require part or full replacement over time which will result in a significant cost to the residents.

Schedule 3 to Clause 45.06 Development Contributions Plan Overlay

- The six per cent affordable housing contribution should be exempt from any DCPO liability on the basis that this scenario results in an effective double tax on the residential development. We note housing provided by or on behalf of DHHS is exempt.
- We query the capacity of the CoM to deliver the infrastructure outlined in the DCP in a timely manner given the funds are collected at the end of development, yet infrastructure is required early to attract development.

Contact

We thank you for the opportunity to provide this detailed feedback to the draft Strategy. Should you wish to discuss any of the matters raised in this response, please contact Dr Caroline Speed, [REDACTED] to arrange a suitable time to do so.

Yours faithfully



Matthew Kandelaars

[REDACTED]
Urban Development Institute of Australia, Victoria