

Report to the Future Melbourne (Planning) Committee

Agenda item 6.2

Hoddle Grid residential development contributions

12 August 2014

Presenter: Robyn Hellman, Acting Manager Strategic Planning

Purpose and background

1. The purpose of this report is to advise Council on whether to request the Minister for Planning to introduce a Development Contributions Plan Overlay (DCPO) in the Melbourne Planning Scheme for the Hoddle Grid area so that new dwellings will contribute to the cost of new community infrastructure for the area's residents.
2. On 1 July 2014 the Future Melbourne Committee resolved to request officers prepare a report assessing: the future community infrastructure needs in the Hoddle Grid in light of record population growth; whether Council should formally write to the Minister for Planning requesting that he prepare a Planning Scheme Amendment under Clause 20(4) of the *Planning and Environment Act 1987 (Act)* to introduce development contributions for residential development in the Hoddle Grid and the amount of any developer contribution per apartment to be requested; and the equivalent amounts levied in other Australian capital cities and neighbouring municipalities in metropolitan Melbourne.
3. Proposed Amendment C208 applies a DCPO to the Southbank and City North urban renewal areas. Proposed Amendment C209 Public Open Space Contributions applies a contribution rate for public open space in the Hoddle Grid area of eight per cent of the undeveloped site value (a median of \$2900 per dwelling).

Key issues

4. The Hoddle Grid area has 25,210 residents, and is rapidly growing with a forecast resident population increase of 14,363 (around 9547 dwellings) by 2031. The City of Melbourne's Draft Community Infrastructure Development Framework (2014) identifies the need for new community infrastructure of 3792m² to service the rapidly growing residential population of the Hoddle Grid.
5. This new community infrastructure would cost \$26.544 million at \$7000 per square metre in today's dollars to construct. Under the Act the maximum community infrastructure levy is \$900 per dwelling (refer to Attachment 1).
6. A \$900 per dwelling levy and the proposed open space contribution together would be a modest impost on development. On an apartment valued at \$500,000 it would be in the order of \$3800 or 0.76 per cent of the apartment's value. This is comparable with the one per cent levy on Central Sydney residential development (refer Attachment 2).
7. Of the 17,257 apartments currently in the development pipeline, 5260 are under consideration for planning approval and could be subject to a DCPO if it were in place immediately.
8. The Victorian Government is to introduce a standard infrastructure levy of \$4500 per dwelling. This is to apply from 1 July 2015 to designated Strategic Development Areas (SDA). However the mechanisms for its application have not been defined. While the Hoddle Grid appears to fit the criteria for an SDA, this has not yet been determined by the State Government.
9. The Minister has a set of guidelines which are used to guide his intervention in planning matters (refer Attachment 3). While these guidelines are open to interpretation, the community infrastructure requirements of the rapidly growing residential population of the Hoddle Grid area need to be addressed as soon as possible.

Recommendation from management

10. That the Future Melbourne Committee requests the Minister for Planning to:
 - 10.1. prepare and approve a planning scheme amendment under Section 20(4) of the *Planning and Environment Act 1987* to introduce a \$900 per dwelling development contributions levy for the Hoddle Grid Area
 - 10.2. strongly consider designating the Hoddle Grid as a Strategic Development Area.

Attachments:

1. Supporting Attachment
2. Development Contributions Comparisons
3. Ministerial Powers of Intervention in Planning and Heritage Matters

Supporting Attachment

Legal

1. Section 46L(1)(a) of the Act provides the maximum community infrastructure levy that can be applied in respect to a dwelling is \$900.
2. Part 3 of the Act sets out the procedure for planning scheme amendments.

Finance

3. The required new community infrastructure in the Hoddle Grid DCPO is estimated to cost \$7000 per square metre in today's dollars. At this rate the total construction cost for a facility (or facilities) of 3792m² is \$26.544 million.
4. Community facilities in the Hoddle Grid will attract external users. To reflect this, a per dwelling cost has been calculated discounting external use. The cost to each dwelling to meet the \$26.544 million required to deliver the community hub is \$1659.12 per dwelling. This cost is based on apportionment undertaken as follows:
 - 4.1. Centre based library (2300 m2 * \$7000) – discounted for 60 per cent external use: \$6,440,000
 - 4.2. + Community facilities (1492 m2 * \$7000) – discounted for 10 per cent external use: \$9,399,600
 - 4.3. = Total cost attributable to new residential development: \$15,839,600
 - 4.4. For 9547 dwellings this equates to a per dwelling cost of \$1659.12.

Note that this does not include operating and maintenance costs.

5. Whilst the calculated rate of the development contribution is \$1659.12 per dwelling, currently under the Act the limit that can be charged for community infrastructure is \$900 per dwelling.
6. Applying the maximum the contribution levy of \$900 per dwelling to the forecast number 9,547 new dwellings in the area would raise in the order of \$8.5 million by 2031. Council would be required to fund \$17,951,700 being the balance of the estimated total cost of \$26.544 million. The DCPO would only apply up until 2031.
7. Should the Development Agency (Council) resolve not to proceed with any of the infrastructure projects listed in the DCP, the funds collected for those items will be used for the provision of additional works, services and facilities as approved by the Minister responsible for the Act, or will be refunded to owners of land subject to these infrastructure charges.
8. A lodgement fee of \$2120 is required to accompany the request for the Minister for Planning prepare and approve an amendment under Section 20(4) of the Act. This cost can be met from the current year's budget.

Conflict of interest

9. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

10. External stakeholder consultation has not been undertaken and is not proposed for a planning scheme amendment under Section 20(4) of the Act.

Relation to Council policy

11. The Hoddle Grid Developer Contributions Plan is based on the City of Melbourne's draft Community Infrastructure Development Framework 2014.
12. The Municipal Strategic Statement designates the Hoddle Grid as an area for growth and development (clause 21.04 – 2), as an area for increased residential population growth (clause 21.07) and supports the provision of community facilities to meet needs of the community in areas of population growth and development (clause 21.10-5).

Environmental sustainability

13. The provision of a community facility in the Hoddle Grid will reduce travel energy intensity by enabling better local access to services and reduce the need for travel beyond the area to obtain these services.

Hoddle Grid Residential Development Contributions
Attachment 2: Development Contributions Comparisons

1 DEVELOPMENT CONTRIBUTIONS COMPARISONS

1.1 COMPARISONS WITH OTHER AUSTRALIAN CAPITAL CITIES

1.1.1 Sydney

Building projects in the city centre that are expected to exceed \$200,000 in development costs must make cash contributions to the City amounting to 1 per cent of the expected total development costs before a construction certificate or complying development certificate can be released.

The proposed development cost generally includes any costs and expenses associated with carrying out the proposed development as well as any costs and expenses incurred that are necessary to make the site or building or premise suitable for its intended use. This cost includes contributions to open space.

1.1.2 Brisbane

The development contributions in Brisbane include a contribution to open space. The contribution for a 1-2 bedroom dwelling is \$19,000 and for a 3+ bedroom dwelling the development contribution is \$27,000.

1.2 COMPARISONS WITH OTHER MELBOURNE MUNICIPALITIES

1.2.1 Moreland

The City of Moreland collects an average development contribution of \$800/dwelling from a contribution range of \$193-\$2285/dwelling.

1.2.2 Darebin

The City of Darebin collects an average development contribution of \$851/dwelling from a contribution range of \$42-\$3977.

MINISTERIAL POWERS OF INTERVENTION IN PLANNING AND HERITAGE MATTERS

The Planning and Environment Act 1987, the Heritage Act 1995 and the Victorian Civil and Administrative Tribunal Act 1998 provide for the intervention of the Minister for Planning in planning and heritage processes.

This practice note sets out the circumstances in which the Minister will consider exercising those powers of intervention and the principles that will apply in considering a request for intervention so that the use of intervention powers is both transparent and accountable.

WHAT POWERS DOES THIS PRACTICE NOTE APPLY TO?

This practice note applies to the following:

- power to amend a planning scheme, with exemption from notice requirements, or to expedite an amendment to a planning scheme, under section 20(4) of the *Planning and Environment Act 1987*;
- power to expedite an amendment to a planning scheme under section 185A of the *Planning and Environment Act 1987*;
- power to call-in a planning permit application yet to be decided by a responsible authority under sections 97B of the *Planning and Environment Act 1987*;
- power to call-in a matter before the Victorian Civil and Administrative Tribunal under clause 58 of Schedule 1 of the *Victorian Civil and Administrative Tribunal Act 1998*;

- power to call-in recommendations for registration and permit appeals before the Heritage Council or the Victorian Civil and Administrative Tribunal under sections 43 and 78(1)(a) & (2) of the *Heritage Act 1995*.

HOW WILL THE MINISTER USE THESE POWERS?

In considering using powers of intervention, the Minister will:

- where a person other than the Minister proposes the intervention, expect the proposal to be made in writing and to identify the basis on which the Minister should intervene, addressing the criteria set out in this practice note;
- where a person other than a planning authority or responsible authority proposes the intervention, expect that person to have consulted the relevant planning authority or responsible authority about the proposal;

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- expect the planning authority or responsible authority and other affected parties to have attempted to resolve any dispute and clearly identify any outstanding matters;
- seek to consult the relevant planning authority or responsible authority, where it would otherwise have a decision-making role in relation to the matter;
- examine each case on its merits, including consideration of the need to consult with affected parties and the need to seek independent expert advice;
- act so as not to unreasonably delay a decision on the matter.

In using powers of intervention, the Minister will:

- make publicly available written reasons for each decision, including an explanation of how the circumstances of the matter responded to this Practice Note and the legislative criteria for that action;
- provide a report to Parliament at least every twelve months detailing the nature of each intervention.

WHEN WILL THE MINISTER CONSIDER USING THESE POWERS?

While all the circumstances in which intervention may be considered cannot be prescribed, the following criteria will usually be relevant:

1. The matter will be one of genuine State or regional significance. Such situations may include, for example, those:
 - where the determination of the application may have a substantial effect on achievement or development of State or regional planning or heritage objectives;
 - which raise a major issue of State or regional policy or public interest such as the implementation of Melbourne 2030 objectives;
 - which could have significant effects beyond their immediate locality.
2. The matter will give effect to an outcome where the issues have been reasonably considered and the views of affected parties are known.
3. The matter will be the introduction of an interim provision or requirement and substantially the same provision or requirement is also subject to a separate process of review (such as the introduction of permanent controls in a planning scheme).

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4. The matter will raise issues of fairness or public interest, where:
 - the mechanisms of the planning process have created a situation that is unjust, unreasonably causes hardship or is clearly in error;
 - anomalous provisions apply and the valid intent is clearly evident or simple inconsequential correction is required;
 - there is a need for urgency and the public interest would be served by immediate action;
 - the matter is unlikely to be reasonably resolved by the processes normally available.
5. The matter requires co-ordination to facilitate decision-making by more than one agency.

As an overriding consideration, Ministerial powers will only be exercised having regard to and within the confines of, the legislative provision in question.

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