



Melbourne 2030

MELBOURNE 2030 IMPLEMENTATION REFERENCE GROUP REPORT:

CHALLENGES TO THE IMPLEMENTATION OF THE ACTIVITY CENTRE POLICY

July 2004

Introduction

The purpose of this report is to provide the Minister for Planning with recommendations on challenges to the implementation of the activity centres policy and priority actions to address these challenges.

The Melbourne 2030 Implementation Reference Group was established in mid 2003 to provide the government with independent advice on implementing Melbourne 2030. The Group includes representatives from seventeen peak bodies and key stakeholder groups (see appendix 1 for a full membership list).

The members of the Implementation Reference Group are appointed by the Minister as individuals nominated by their respective organisations. Therefore, the views expressed in this report do not necessarily represent the formal views of all organisations. It should also be noted that not all members of the Implementation Reference Group are in agreement about all the issues and priority actions identified in this report.

The Group recognises the Government's work to date in putting the activity centre policy of *Melbourne 2030* into practice by providing initial resources for local government through the Local Government Assistance Fund and providing advice on structure planning for local government. The Implementation Reference Group also recognises the Government's significant commitment to the Transit Cities Program, together with the many other short term projects listed in the *Melbourne 2030* Implementation Program.

However, the Implementation Reference Group has identified 11 key issues to be addressed in the short term if the activity centres policy is to be successfully implemented:

1. Community attitudes and expectations
2. Partnership and governance arrangements
3. Resources
4. Planning system
5. Infrastructure planning and provision
6. Access and public transport
7. Economic constraints and drivers
8. Land availability
9. Implementing sustainability principles
10. Incorporating housing into activity centres
11. Demonstration projects

This report provides a synopsis of the above issues and identifies priority actions to address them.

1. Community attitudes and expectations

Melbourne 2030 identifies selected activity centres as locations to concentrate economic and population growth. The extent to which this goal can be achieved depends to a large extent upon whether communities, and the councils that represent them, accept the goal itself as desirable, and on whether co-operative partnerships can be formed to facilitate the activities needed to achieve this goal.

Melbourne 2030 provides an increased focus on activity centres and their potential and represents a change from the traditional way Victorians have often thought about and undertaken development. In particular, it may mean more medium-density housing and more offices and shops in activity centres. It is important that communities are involved in and consulted about the change process.

Communicating the goals of *Melbourne 2030*

It is considered that the government must prepare and implement a better-resourced and more clearly targeted communications strategy about activity centres which identifies the consequences of maintaining the status quo and explains the benefits of change.

The communications strategy should outline the fundamental goals of *Melbourne 2030* and include an explanation of the costs to the community of continued urban sprawl – in providing transport, water, sewerage, electricity and gas – and of the changing size and structure of households brought about by rising incomes and an ageing population. If Melbourne is to accommodate an additional million people over the next 26 years, different planning than we have had in the past is needed.

Demographic and lifestyle changes need to be understood. It is especially important that communities understand the substantial changes in the age structure of the population and in the size and structure of families likely to occur in the future. There will be rapid growth in the number of people in retirement and in the number of smaller households and relatively slow growth in the number of married couples with two or three children. The traditional three-bedroom home in the outer suburbs will no longer be appropriate for many households. New and different types of housing will be required and must be delivered. A communications strategy must explain why activity centres will be planned to meet this future need.

Structure planning has been identified as the process for planning for the future development of activity centres and it is imperative that the community is made aware that structure plans will be used as the basis for statutory approvals. In particular, where development of a structure plan will lead to the application of a zone where third party appeal rights may not be provided (such as the Comprehensive Development Zone or Priority Development Zone), the community and interest groups must be made aware of this so they recognise the importance of contributing to the development of the structure plan.

Those responsible for implementing the plan need to be involved in its development. If this does not occur, there will be a high risk of failure in implementing *Melbourne 2030* at the local level. This appears to be understood by government and has been demonstrated in arrangements for community participation in planning the future development. One example is the recent enquiry by design process as part of growth area planning for the City of Wyndham. These were well organised and well led and yielded useful and positive ideas on how to achieve the goals of *Melbourne 2030*.

The government should provide resources for awareness-raising and consultation about activity centres including resources for local government to engage with their communities. Community engagement should explore the benefits of concentrating development in activity centres and the consequential protection of existing residential amenity outside activity centres and heritage areas. This is an important message that needs to be communicated to communities. It addresses

one of the most fundamental goals of *Melbourne 2030* – “to continue to protect the liveability of established areas and increasingly concentrate major change in strategic redevelopment sites such as activity centres and underdeveloped land” (pg 1, *Melbourne 2030*).

At the same time the government should also promote the benefits of living in activity centres and the different kind of “amenity” activity centres can provide. Plans for urban consolidation and increased housing density around railway stations may mean a loss of amenity to some but to others a gain. Increased traffic congestion may be seen as a cost of living in activity centres, while the availability of housing for the elderly near public transport and health services may be seen as a benefit. Simple examples should be used to illustrate these issues.

In terms of the realistic development potential of some activity centres, the market will pay higher prices to have access to existing services and facilities – especially those close to the CBD. In activity centres where there is less existing ‘amenity’, despite best efforts, development may be difficult to achieve.

To ensure a communications strategy does not stagnate, the Activity Centre Thematic Working Group believes rapid action should be taken to fund community endorsed demonstration projects that demonstrate *Melbourne 2030* objectives. Demonstration projects could also assist in demonstrating the benefits of activity centre living, however this needs to be done in a way that resonates with people while sending clear messages about the connection with *Melbourne 2030* policy.

Councils will bear the brunt of implementing *Melbourne 2030* and may have to make decisions that are unpopular with local communities. Strong backup from state government will be needed and will be vitally important.

Priority actions

- Prepare and implement a better-resourced and more-clearly-targeted communication strategy about activity centres.
- Ensure that the community is made aware that structure plans will be used as the basis for statutory approvals. In particular, where development of a structure plan will lead to the application of a zone where third party appeal rights may not be available (such as the Comprehensive Development Zone or Priority Development Zone), it will be imperative to ensure that the community and interest groups are made aware of this so they recognise the importance of contributing to the development of the structure plan.
- Provide resources for awareness raising and consultation about activity centres, including resources for local government to engage with their communities.
- Communicate the benefits of higher levels of amenity that can be enjoyed by communities in activity centres.
- Be quick to provide funds for a few community-endorsed projects as a demonstration that good planning pays.
- Provide continuing support to councils to engage with their communities about the positive aspects of activity centre development.
- Develop planning strategies to protect the liveability of established residential areas outside activity centres.

2. Partnership and governance arrangements

The Melbourne 2030 Implementation Reference Group reinforces the comments made in the Priority Implementation Issues Report on the need for a whole of government approach to *Melbourne 2030* implementation and the need to develop new management models.

Maintaining state government commitment to implementing *Melbourne 2030* in a coordinated, consistent and holistic manner is critical. In particular, *Melbourne 2030* should be used as a reference point across government when planning infrastructure, transport or services for the city region.

Strong state government leadership is needed, combined with an inclusive approach to working with all levels of government. A critical and inherently difficult challenge will be to ensure that government and agency actions and decisions are consistent with *Melbourne 2030*. To facilitate this, a new culture of collaboration between government departments and agencies is needed. To demonstrate commitment, consideration should also be given to the establishment of a *Melbourne 2030* delivery body or statutory authority with implementation powers. The Implementation Reference Group recognises the Government's work to ensure whole of government commitment to implementation, including the recent establishment of a committee comprising the Premier, Minister Delahunty, Minister Broad, Minister Batchelor and Minister Brumby to focus on *Melbourne 2030* implementation.

The government needs to develop new co-operative mechanisms and management models to assist in implementing activity centre objectives, together with criteria to help determine the most appropriate model(s) to use. The government must ensure that administrative arrangements for the management of activity centres are carefully considered and alternatives explored, as different centres will demand different approaches. Models may also need to change over time as centres develop. Partnership models should be determined through consultation with stakeholders.

The Department of Sustainability and Environment recently held a Partnership Models Forum for local government in association with the Municipal Association of Victoria (MAV). The forum was primarily based on creating and building the relationships between state and local government about future potential governance and partnership arrangements which could be used in managing the change that is likely to occur in activity centres. The Department has also prepared a discussion paper in collaboration with the MAV titled *Possible Partnership Models for Implementation of the Activity Centre Policy*, which has been released for comment. These initiatives are applauded and need to be followed up by the state government by providing further direct support to local government in considering the right partnership arrangement for each of their activity centres and facilitating further opportunities to increase understanding and bring about action in this area.

Demonstrable and tangible outcomes are needed to ensure ongoing momentum for implementation. In particular, demonstration and pilot projects are essential to build support for the Strategy. The new Priority Development Zone is supported. The state government will also need to bring together key stakeholders to review implementation outcomes on an ongoing basis.

The Department of Sustainability and Environment will engage with local government in two activity centre structure planning demonstration projects. These projects will utilise a co-operative approach between state government and the specific local government. A five year time-frame should be adopted for delivering tangible results. Consideration should be given to substituting planning controls, using state government land and providing infrastructure funding as a means of supporting the demonstration projects. Demonstration projects will also provide a valuable test for state and local government management systems.

Where specific redevelopment projects have been identified, there is a need to clearly define and allocate responsibility for implementation and there needs to be recognition that this will require trade-offs. The government should work with local governments to identify opportunities for areas to be managed by local government and areas that could benefit from regional or metropolitan management.

Priority actions

- Demonstrate that there will be adequate funding available for ongoing implementation in coming years.
- Emphasise a culture of collaboration between government departments and agencies in the implementation of *Melbourne 2030*.
- Provide direct support to local government in the consideration of partnership models for specific activity centres and facilitate further opportunities to increase understanding and implement appropriate partnership arrangements.
- Provide resources and support for *Melbourne 2030* demonstration and pilot projects.

3. Resources

There is a lack of resources and capacity to implement the activity centres policy within councils, state government and the private sector. This relates both to financial resources as well as staff and expertise. The successful preparation and implementation of structure plans for all Principal and Major Activity Centres will be extremely time and resource intensive. There is also a need to improve professional knowledge and experience in relation to facilitating and implementing change in activity centres (such as partnership and funding arrangements).

Recent structure plans have identified projects that would provide major investment and employment benefits if they were able to be funded. There is a need to properly assess the overall benefit of projects and consider innovative funding mechanisms beyond traditional funding sources like state government or private sector funding to implement them. The government should also ensure that existing and proposed programs are, where practical, harnessed and used to deliver *Melbourne 2030* outcomes in activity centres.

In addition, it is a hard reality that developing in or around existing activity centres is more expensive. State government agencies and local governments contribute to this through the financial mechanisms of land tax, land tax aggregations, stamp duty, authority charges and municipal rates. Because most of these are linked to the price of property, activity centre renewal will remain harder than on lower cost land. These taxes and charges will effectively reduce the potential for activity centre change.

Alternative funding and approaches must occur at various levels:

(i) State government:

- Locating/investing directly into activity centres through the provision of facilities or housing.
- Funding public infrastructure.
- Waiving of land tax in activity centre localities to assist the financial return to investors.
- Waiving stamp duty on property acquisitions and site amalgamations in designated renewal/redevelopment areas.

(ii) Statutory authorities:

- Assisting with compulsory acquisitions of property.
- Nominating that major road works, and infrastructure works etc in activity centres will not incur developer costs, levies or works charges.

(iii) Local government

- Providing rate holidays.
- Entering into rate agreements with developers in return for major project investment.
- Investing directly into activity centre locations through the provision of facilities or infrastructure.

In addition, the powers of VicUrban allow for site acquisition and area management. The use of these powers should be encouraged, where appropriate.

Beyond this, the state government must review its reluctance to engage in debt funding of some projects. Equity markets will be interested in stable returns that allow communities to invest in their own futures. The funding of for example, pay car parking structures through a debt instrument could be considered.

A report by The Allen Consulting Group for the Property Council of Australia “Financing Public Infrastructure in Victoria” (January 2004) supports the use of government debt in funding public infrastructure over other funding options such as taxes, user charges and producer levies. The study examined an investment equivalent to \$1 billion per annum for the

next 5 years (reflecting the infrastructure task facing state governments) and concluded that government debt financing was superior in delivering broader economic benefits (such as employment) and at this level, would be unlikely to impact on good financial management.

It is important that the state government's local government grants for structure planning are monitored to ensure that they are delivering on *Melbourne 2030* objectives. There needs to be an evaluation of the program to ensure it is delivering the desired result.

Priority actions

- Provide funding for an ongoing *Melbourne 2030* Local Government Assistance Fund. Increase the amount of funding available through this fund.
- Ensure ongoing funding is provided for activity centre implementation, particularly the preparation AND implementation of structure plans.
- Ensure that existing and proposed government programs are, where practical, harnessed and used to deliver *Melbourne 2030* outcomes in activity centres.
- Resource the initiatives in *Melbourne 2030* which relate to building the planning workforce.
- Resource additional training and education for planners in relation to specialist fields such as urban design, project management, mediation and conflict resolution.
- Increase infrastructure funding by prudent increases in state government borrowings.
- Investigate ways state government, statutory authorities and local governments can offer innovative or appropriate incentives (financial, infrastructure etc) to facilitate development in and around activity centres.
- Investigate using VicUrban to launch debt instruments to fund local infrastructure.

4. Planning system

The implementation of the activity centres policy must provide certainty for developers and the community alike. The Activity Centre Thematic Working Group believes that further policy development and a stronger and more consistent approach to the development approval process is needed in activity centres.

The realisation of the activity centre policies is critical to the overall success of *Melbourne 2030*. *Melbourne 2030* requires approximately 40% of new households over the next 30 years to be accommodated in activity centres. This will require commitment at both state and local government level, with both sharing in the responsibility for implementation.

The state government, however, must provide the tools to ensure local councils are not caught in the middle in local adversarial disputes between applicants and local residents.

The strategy implementation will falter unless protracted disputes are removed from approval processes. In particular, developers will not have the confidence to embark on applications without some certainty of process and reasonable outcomes. Local communities will become disenchanted with *Melbourne 2030* unless they also have reasonable certainty. Structure plans will be important in providing certainty about the future direction of development in activity centres. It is critical that funding and resources are provided to local government to prepare and implement structure plans to ensure that they are completed as soon as possible.

Planning Policy Issues

Melbourne 2030 and the current policy section in planning schemes (State Planning Policy Framework and Local Planning Policy Framework) provide some general policy positions on activity centres. However, they fall short of a policy position that encourages effective retail and commercial development in these locations. Policy needs to understand the differences in activity centres roles and recognise that the best community outcome is for some major centres to continue as primarily retail centres, rather than be controlled to achieve a pre-determined land use mix. It is state government policy that activity centres need to be more than just retail centres however, it is acknowledged that retail property investments play a critical role in activity centre planning.

Activity centre policy and retail and commercial development policies were managed side-by-side. In the 1980's and 1990's the strategic framework planning for the metropolitan area contained an activity centre policy and retail and office development policies. Retail development policy included economic assessment criteria, a description of centre type and a statement on the importance of managing the network of centres based upon the test of net community benefit.

In May 1996, the Retail Advisory Committee generally endorsed the existing practice but recommended a comprehensive re-writing of retail development policy, aligning it with the planned format under the Victoria Planning Provisions. However, no such re-write occurred and only minor components have been included in Clauses 17 and 18 of the State Planning Policy Framework.

The impact of this policy "hole" will become increasingly evident under *Melbourne 2030* where activity centre policy has effectively become a sub-set of public transport and housing policies.

The "network" approach and the unclear "Performance Criteria" for activity centre assessment (pg 53, *Melbourne 2030*) have increased the confusion in the planning system. Principal and Major Activity Centres are identified principally as transportation and housing locations while the more complex roles by way of their economic, employment, social and service roles are only treated in a summary fashion.

What needs to be reiterated is that private and public capital is jointly invested in a pattern of centres that are closely linked to the successful functioning of the metropolitan area.

A feature of the pattern of centres over the previous decades has been high levels of capital investment in major retail and entertainment centres allowing new entrants, new formats, and the continuing broadening of the economic and social base of these centres. This has been accompanied by a continuing broadening of their roles.

The state government must address the requirement to extend activity centre policy to incorporate retail development policy. This approach has been recently endorsed in England in the Draft Planning Policy Statement 6, which is to replace the established policy known as PPG6. Activity centre policy which incorporates a retail development policy also operates in most other Australian states.

Statutory Planning Issues

State government through the Act (if necessary) and Victoria Planning Provisions should create mechanisms that speed up approval processes in activity centres.

This includes:

- a State Planning Policy Framework which gives full recognition of the vital role of activity centre development in *Melbourne 2030* implementation.
- a framework for activity centre structure plans within the Local Planning Policy Framework.
- a process through the Victoria Planning Provisions relating to activity centre zones (Comprehensive Development Zone, Priority Development Zone, business zones, Special Use Zone, etc.) to facilitate approval of proposals consistent with the approved structure plan.

Better Decisions Faster, whilst a welcome initiative, is restricted largely to reducing the delays inherent in the administrative processes in planning approvals. The Melbourne 2030 Implementation Reference Group should promote further initiatives along this line.

The directions being developed under the national Development Assessment Forum should also be considered, albeit that different views have been expressed about its appropriateness.

Better Decisions Faster does not address the planning merits of proposals, and how good proposals which are consistent with the planning policy and provisions can be facilitated. This is a key matter. Complying proposals which meet strategic objectives should have some advantages in the approvals process.

To do this, the statutory planning controls in activity centres need to be re-cast. As a basic principle, if a development proposal is consistent with an approved Structure Plan or Comprehensive Development Plan, then it should not be subjected to giving notice (and objections), or appeal rights to objectors.

If structure plans are to be used as the basis for statutory approvals, the community and interest groups must be told that structure plans are going to be used in this way or people will not recognise the importance of contributing to the development of the structure plan.

It is also important that structure plans are developed using consistent criteria and are suitable as a basis for statutory decision making. Factors such as description of existing conditions, proposed land uses, height, bulk, heritage protection, amenity, design, car parking, layout, and connectivity need to be considered in the development of the structure plan. It is also essential that structure plans identify a boundary for each activity centre and clearly define the differences in land use outcomes sought within and outside the boundary.

The Structure Plan needs to address the particular requirements of individual centres. For example, simplistic standards such as Clause 52.06 car parking ratios at the general level, do not address:

- the particular development economics of providing car parking in particular locations
- the availability of land, in particular locations
- the capacity of particular local streets to absorb additional traffic
- real parking demand and supply in the local area.

The structure plan should include an Integrated Transport Plan where car parking resources are considered and rationalised along with public transport access, bicycle access, and pedestrian links.

This would be an extension of the current concept of Parking Precinct Plans under Clause 52.06-6.

The setting of realistic parking requirements, which may result in nil parking, would provide more certainty for developers and adjacent residents, and avoid the open-ended arguments and waste of time, including appeals, with applications to waive or reduce standard car parking requirements.

The Working Group proposes a new statutory planning framework for activity centres, as detailed in Appendix 2, which is summarised below.

Principal, Major and Specialised Activity Centres

For structure plans or projects of state or regional significance, the Minister for Planning should be involved in their development early in the process. It is suggested that for these projects the Minister issues a directive to the relevant council detailing issues that must be considered in the structure planning process. The Minister's early involvement will set the broad principles for consideration for the centre to ensure state or regional issues are taken into account in strategic planning work, or in the approval of major development proposals. Local government would remain the planning and responsible authority.

Where there is significant conflict, or for other local reasons, the Minister may also be invited by a council to work more closely with the council to determine an alternative arrangement for implementation of the activity centre policy. In some instances it may be appropriate for the Minister to issue a directive to a council to commence structure planning for a centre.

If a local government does not achieve the agreed targets or outcomes, then it is accepted that in such cases the Minister may and in some cases should, become the responsible authority or be more directive to ensure that the agreed outcomes can be implemented.

The Minister has already signalled with the announcement of the Priority Development Zone and Priority Development Panel that the state government will take a strong lead in projects of State and regional significance, and that development assessment decisions for such major projects will be made using a "fit for purpose" process.

The Priority Development Zone can be adapted to suit the particular circumstances of a centre and provides for different implementation mechanisms and arrangements for ongoing management including the Minister as responsible authority where this is appropriate. The introduction of this zone is commended because it sends a clear message to all parties. It needs to be put into practice where appropriate. However, it will be imperative to ensure that where the development of a structure plan will lead to application of the Priority Development Zone, the community is made aware of this.

The Priority Development Zone (as to be used with the Footscray Transit City Project), or the Comprehensive Development Zone with appropriate Schedules, should be introduced for Principal Activity Centres. The Priority Development Panel could advise both state and local government on statutory planning controls and processes to facilitate approvals for complying projects.

The Implementation Reference Group is prepared to work further with Departmental officers to provide more in-depth feedback on the implementation of the Priority Development Zone.

For Major Activity Centres the Comprehensive Development Zone and Schedules should be introduced for these centres under the strategic framework of a structure plan and include local stakeholder participation in their preparation via Ministerial amendments. Where appropriate, a standing advisory committee comprising a range of stakeholder interests could review rezonings to Comprehensive Development Zone and Schedules, and Comprehensive Development Plans, and provide recommendations to the Minister, or alternatively, a standard panel process could apply. Development Plans would be prepared for major landholdings in accordance with guidelines provided by Zone Schedules and Comprehensive Development Plans. Such Plans are exempt from notice and appeal under existing zone provisions.

In Specialised Activity Centres, the Special Use Zone or Comprehensive Development zone/Comprehensive Development Plan Overlay should be used.

Neighbourhood Activity Centres

Over time structure plans should be prepared by local government for Neighbourhood Activity Centres. The Business 1 Zone or other appropriate zones should be applied with appropriate provisions (through the use of schedules) for key sites.

The arrangements proposed are detailed in Appendix 2.

Priority actions

- Introduce a retail and commercial development policy at the metropolitan level in order that community and investor guidance is provided. The test of net community benefit remains.
- Review the Performance Criteria covering the assessment of activity centres to make these consistent with activity centre and retail development policy in addition to the current aspects of *Melbourne 2030*.
- Implement the underlying principles and final recommendations of *Better Decisions Faster* and give consideration to the directions emerging from the National Development Assessment Forum.
- Establish an approval framework for the various types of centres, generally in accordance with Appendix 2 and within existing legislation and Victoria Planning Provisions tools.
- For structure plans or projects of state or regional significance, the Minister for Planning to provide a directive to councils on matters to be considered early in the process.
- Ensure that the community is made aware where the development of a structure plan will lead to application of the Priority Development Zone.
- Set timetables for structure plan preparation including stakeholder representation for all centres followed by planning scheme amendments to utilise the recommended planning control framework.

5. Infrastructure planning and provision

The most significant role for state government in implementing *Melbourne 2030* is to provide sufficient funding for infrastructure. In many centres existing infrastructure is at capacity and will need to be upgraded if increased development is to be accommodated. The extent of this issue is identified in two reports: 'Victorian Local Government Infrastructure Study 1998' and 'Australian Infrastructure Report Card 2001', by the Institution of Engineers Australia. We also recognise the work of the Infrastructure Planning Council in providing advice to the Victorian Government regarding Victoria's infrastructure requirements for water, energy, transport and communications networks over the next 20 years.

The issue is not only the physical capacity of the infrastructure to accommodate additional load, but also its current condition and the capacity of authorities to maintain it to an appropriate standard. These two reports have identified the need for significantly increased effort in just maintaining such infrastructure. The capacity of infrastructure in activity centres needs to be assessed and this should be done as part of the structure planning process. We acknowledge the work being undertaken in relation to this within Transit Cities.

Infrastructure provision needs to be seen as a seeding mechanism by government, as a means to encourage developer interest and confidence in activity centre development. With an increased focus on activity centres in established areas urban renewal is inevitable, including the need to address infrastructure in addition to buildings and public spaces. The Property Council research report 'Recapitalising Australian Cities' provides a context for means by which this issue could be addressed.

The cost of supplying new infrastructure to both infill and green-field developments has traditionally been met by governments. A reversal of this trend over the past decade has seen a higher proportion of infrastructure costs being passed on in the form of up-front costs to developers.

State governments are increasingly looking towards developer contributions to fund new works. These levies must be passed onto consumers unless they are sufficiently foreshadowed where they can be partly reflected in the underlying land price.

For activity centres, state government must create the conditions for growth. This may involve new road linkages, regional road/intersection works, provision of new transit services and the like. An example where such funds are needed is at Frankston Transit City which now operates with an under-capacity stormwater system. The impact of this is to constrain development, in particular, street-front buildings. The stormwater system has been under pressure for some years but successive state governments have not augmented the system. This is a regional problem which requires addressing at the state government level.

As part of the planning assessment of all activity centre and environs, an audit of infrastructure services needs to be undertaken to identify capacity constraints and identify options for augmentation and costs. Servicing capacity modelling techniques will require an independently developed process to ensure accuracy of information including cost estimates. The state government should prepare a case for infrastructure funding in activity centres which explores various options such as partnerships.

Priority actions

- Require a *Melbourne 2030* consistency check for all state government infrastructure investments.
- Ensure that the capacity of infrastructure in activity centres is assessed as part of the structure planning process and that a broader program is put in place for servicing authorities to carry out an audit of infrastructure in and around all Principal and Major Activity Centres and to prepare costing estimates to address issues identified.
- Prepare a case for infrastructure funding in activity centres which explores various options such as partnerships.

6. Accessibility and public transport

Activity centres that are easily accessible by all modes of transport (not just cars) are best placed to fulfil the objectives for activity centres in *Melbourne 2030*. Many activity centres are predominately car-orientated. Improvements to the public transport system and travel behaviour change will be required if increased public transport patronage is to be achieved.

The Implementation Reference Group's Priority Implementation Issues report identified the requirement for significant investment in public transport as a priority issue. This remains a priority.

Also, it is agreed that more detailed work is needed on the role of integrated transport plans for major new developments and what they should cover. The state government should prepare guidelines for their preparation and change the Victoria Planning Provisions to require them to be prepared for certain types of planning proposals.

The early experiences with Integrated Transport Plans are (understandably) uneven. Different authorities and departments are seeing these plans as opportunities to introduce a full suite of new arrangements. Investors and managers are constrained in what can be put forward since the operators of the public transport systems are unable to commit to increase services to a level that might stimulate additional demand.

Opportunities exist to develop on excess land around railway stations or as part of station re-development however there are a number of impediments to doing so, the cost of building in railway operations areas being the major constraint. The government cannot expect the private sector to carry the whole capital cost of such developments. An initial development subsidy needs to be considered.

Priority actions

- Provide a substantial increase in the allocation of state government funding for improvements to the public transport system to ensure targets can be met.
- Resource initiatives to encourage cultural change in relation to travel behaviour.
- Provide guidelines on the preparation of integrated transport plans that are required for all new major residential, commercial and industrial developments.
- Provide development subsidies to encourage development around and above existing railway stations.

7. Economic constraints and drivers

There are a number of economic constraints/drivers that need to be fully understood and addressed if the government, on behalf of the present and future community, wants to encourage the market to develop within activity centres. These constraints include the costs of site assembly that not only includes the cost of property but also the interest and holding costs that can make site assembly by the private sector prohibitive. Such development is also often more complex and subject to more delays than development outside activity centres.

Clear incentives must be provided if government is to encourage certain types of development within activity centres that would not normally be located within an activity centres under normal market conditions. For example, big box retailing will not generally locate itself within activity centres as one of its main requirements for viability is the purchase of cheap land due to the requirement for large low cost floor plate and for a large number of public car spaces. People do not transport the items usually purchased at these centres by public transport. Consequently these centres are normally located on the outskirts of an activity centre or in out-of-centre locations.

Without a clear set of incentives that either address a fundamental requirement (such as cheap car parking for big box retailing) or consider the additional financial impost introduced into a development that would not normally locate itself within an activity centre, there will be a general reluctance among private developers, funds managers, and risk adverse financiers to undertake or support such a direction in the implementation of *Melbourne 2030*.

The residential market is also subject to financial constraint in its decision to either develop or not develop within activity centres. The government must acknowledge that the market will develop a residential building if a suitable margin exists between the costs to construct (which includes all ancillary costs such as interest, holding charges etc.) and the expected retail price for the residence. This is a key driver and unless the developer is able to achieve a suitable return, no residential development will be able to proceed in activity centres in the outer suburbs unless they are heavily subsidized.

It is also the case that the financial structure of housing ownership means that housing in Australia is predominantly sold to owner occupiers or investors rather than held by the developer and leased, as is the case in many other countries. In the case of some specific mixed-use projects, this means that the developer loses ownership and consequent control thereby denying (or making it extremely difficult) for any future opportunity for major changes to the commercial or retail component. For this reason, most regional retail centres in USA or Europe do not have residential uses within, but look to achieve mixed use through developments on adjacent sites.

Construction costs for multi-unit high rise residential projects are also more expensive to build (on an equivalent square metre basis) than the traditional suburban project home. The way the current building industry is structured, the construction of multi-storey dwellings (greater than two storeys) within activity centres will need to be built at commercial construction rates that will restrict and in some centres prohibit the commercial viability of residential development particularly in the outer suburbs.

For example, it costs the same to build an apartment in the city as it does in the outer suburbs and therefore the retail price for the apartment would not be able to differ by much in either area (albeit the land component would be slightly cheaper in the outer suburbs). In the outer suburbs, you would be able to buy a 25 square home for the same price as an 8 square apartment. This required trade-off does not make economic or lifestyle sense! The buying public will not be able to justify the purchase of a much smaller apartment in an activity centre when they can buy a larger home for the same or less money nearby. The development market will consequently not find this feasible and therefore will not develop this form of accommodation our community desperately needs and that which is most highly suited to the fastest growing household types in

the community (lone persons and couples without children). This will result in further pressure being placed on the inner areas of Melbourne (in the form of more dense development) and the outer Melbourne (more urban sprawl) to make up the lost housing stock. Importantly, both outcomes are clearly inconsistent with community and political objectives.

For multi storey residential construction in the mid to outer suburb activity centres to be close to being economically viable, construction costs need to be much more in line with those experienced in the cottage housing industry which is between 23% - 28% cheaper (6 storey construction – 2 to 3 storey construction) than the commercial residential rates. This raises industrial relations and demarcation as issues that need to be taken up by both the State and the Federal Government if we are serious about promoting residential development within activity centres and containing urban sprawl. If this structural impediment is unlocked, many of the remaining pieces of the desired urban form (*Melbourne 2030*) puzzle will begin to fall into place and government policy objectives will have a real chance of being achieved.

Melbourne 2030 is founded on the belief that multi-storey residential construction is viable and will occur in the activity and transit centres in the middle to outer suburbs. It is in these centres where we need to create new housing types serving our aging population in areas they are familiar with and where services and public transport are nearby. The majority of people don't want to move from where they have lived most their lives because of existing family and social networks. Without addressing the above issues and finding a sensible way forward the implementation of the principles espoused in *Melbourne 2030* and the underlying assumptions will not gain market acceptance and will falter.

In addition, the future economic performance of activity centres as centres for retail businesses, commercial services, transport, entertainment and community activities need to be understood in broader ways than just in their roles to accommodate additional housing units. If we do not plan carefully and strategically, a number of initiatives to promote housing within activity centres could jeopardise the introduction of new and necessary retail/commercial projects (both now and into the future) which in turn can reduce or change the economic role of the activity centre. This makes it critical to understand and plan for the future role of various centres, and to recognise that activity centres can be different and that some activity centres will develop in different ways.

Priority actions

- Identify which activity centres are able to be developed without the use of subsidies and under normal commercial rates.
- Commence discussion with the unions in an attempt to elicit support for achieving a lower building cost for medium density (6 storeys and under) in the mid to outer suburbs in an attempt to retain affordability at a reasonable level.
- Provide a forum for banks, mortgagees and fund managers to advise on their considerations in funding development proposals.
- Ensure planning policy recognises that activity centres will have varying strengths and weaknesses and will need to be planned to accommodate different community requirements.

8. Land Availability

Historically, the factor that has led to the demise of many activity centres is the lack of accessible land to incorporate demands for new retail and commercial facilities. This was evident in the 1970's and 80's when the suburbanisation of retailing (with large format supermarkets and discount department stores) was not able to be accommodated in traditional strip centres. The same set of conditions is now affecting the push for big box retailing and leading to increased pressure for out-of-centre retailing.

Creating land opportunities at activity centres will involve identifying the strategic vision for the centre and adopting a plan for its implementation. This needs to be one of the outcomes of the structure planning process which councils are required to undertake for all of their centres under *Melbourne 2030*. Options for creating development sites include identifying under-utilised areas, municipal car parking areas, obsolete housing areas, public assets and air rights over existing uses.

If large sites are required, the state government has the legal powers to designate areas and move to achieve acquisition. Private sector agreements as to development obligations following purchase transfer can be linked to these programs. Planning authorities may need to "head hunt" developers or tenants to achieve an outcome. The extent of commercial risk needs to be fully understood. VicUrban should be seen as a resource in these processes and will need to be funded by state government to operate in these ventures.

Overseas examples use methods such as land designation, legislation, Business Improvement Districts, tax increment financing, and state government funds in conjunction with private sector capital to produce outcomes. Planning controls restricting development of alternative sites are also an option. Without positive implementation mechanisms, the hurdle of land cost and availability will prevent the transformation of many activity centres.

There is a need to identify the role of state government land in implementing change in activity centres. This land must be seen as a policy "resource" rather than in the way currently seen by State Treasury. That is, in certain circumstances it should be used to generate higher economic returns rather than be valued at the highest price. The Implementation Reference Group supports the need to pursue a whole of government approach.

Priority actions

- Ensure that the structure planning process identifies opportunity sites and that there are clear actions set out in the implementation plan for how these sites will be assembled.
- Prepare a suite of land assembly mechanisms that local government or VicUrban can use including legislative, acquisition or investment actions to be accompanied by risk management analysis.
- Establish a procedure for local government to seek financial partnering arrangements with private developers to underwrite land assembly functions.
- Investigate how state government land in Principal or Major Activity Centres can contribute to activity centre outcomes.
- Make state government land available to activity centre development at a base cost rather than at Treasury's highest valuation where appropriate.

9. Implementing sustainability principles

Melbourne 2030 is based on sustainability principles. Sustainability is an emerging area of expertise in the building industry and in professional circles more generally. However, experience in delivering on sustainability principles is limited. The Implementation Reference Group recognises the work of the former Docklands Authority in developing sustainability criteria, together with the work of the Commonwealth Games Environment Committee (which drew from the Sydney Olympics criteria and other sources).

While it would not be appropriate for this report to provide detailed sustainability criteria, the Implementation Reference Group is of the firm view that the state government needs to provide the community and industry with better access to information on how to make their developments more environmentally sustainable. In particular, government should undertake a stock-take of existing government initiatives, programs, and requirements to identify gaps and priorities.

The state government publication “Sustainability for the Built Environment (2003), set out an approach for the inclusion of some sustainability requirements at the planning approvals stage. More importantly, it argues that the State and Federal Governments must provide leadership, particularly in ensuring that standards or requirements are introduced at the Federal and State level.

The development industry must be allowed to implement sustainability into design in accordance with (preferably) national standards. There will be significant inefficiencies and confusion if local codes are allowed to operate. The scale of the development and construction industry requires that there be a national approach. In the absence of a consistent national approach, the Victorian government should ensure that sustainability standards are developed and applied consistently across all Victorian municipalities.

The government must also ensure that environmentally sustainable design (eg. water sensitive urban design, stormwater management, and third pipe infrastructure) is considered at the strategic planning and subdivision design stage. Environmentally sustainable design outcomes need to be incorporated from the outset of planning rather than at a later stage. The government also needs to look at statutory controls to ensure they adequately provide for environmentally sustainable design.

Developing a more compact city is one of the key directions of *Melbourne 2030*. The money saved through the containment of urban sprawl (and the resultant infrastructure savings) should be reinvested into improvements in the established areas rather than being redistributed to other areas within government.

Priority actions

- Undertake a stock-take of existing government environmental sustainability initiatives, programs and requirements to identify gaps and priorities.
- In the absence of a consistent national approach, the Victorian government should ensure that sustainability standards are developed and applied consistently across all Victorian municipalities.
- Ensure that environmentally sustainable development (eg. water sensitive urban design) is considered at the strategic planning and subdivision stage.
- Ensure state government and stakeholders engage at the national and state level to provide a basis for incorporating environmental sustainability criteria in project requirements.

- Ensure relevant statutory tools provide for environmentally sustainable design measures to be incorporated into developments.
- Reinvest back into activity centres any infrastructure savings at the fringe as a result of the introduction of the urban growth boundary.

10. Incorporating housing into activity centres

The provision of housing and housing choice in and around activity centres is critical to achieving *Melbourne 2030* objectives. The main issues that should be addressed are:

- The impact of increased development densities (such as noise, traffic, pollution) on residential amenity in activity centres and the implications for existing and future commercial development.
- The difficulties with providing affordable housing and flexible housing choice in activity centres given land prices in activity centres and negative financial impact for the private sector.
- The need to identify the role of VicUrban and government land holdings in the provision of affordable housing in activity centres.

It is suggested that these issues be referred to the Housing Thematic Working Group for action.

Priority actions

- Issues around managing the impact of increased development densities on residential amenity and the provision of affordable housing in activity centres should be referred to the Housing Thematic Working Group so as not to duplicate work already being undertaken.

11. Demonstration projects

In its Priority Implementation Issues report, the Melbourne 2030 Implementation Reference Group recommended that the government immediately establish and fund two demonstration projects in activity centres.

As a matter of urgency, the Department of Sustainability and Environment, in consultation with the relevant councils, should utilise existing projects to demonstrate the principles of *Melbourne 2030*. Careful consideration needs to be given to what the projects are seeking to demonstrate and the important role they will play in communicating the benefits of activity centre development to the community as outlined in Section 1 of this report.

The government should also identify where the best chances of success are and make those activity centres a priority for funding and other assistance. In particular, the government should review funding on an ongoing basis, and reward councils that support or push for successful activity centre implementation. Consideration should also be given alongside demonstration projects to implementing stronger protection for areas surrounding activity centres.

Priority actions

- As a matter of urgency, the Department of Sustainability and Environment, in consultation with the relevant councils, utilise existing projects to demonstrate the principles of *Melbourne 2030*.
- Support councils that are taking positive steps to implement the activity centre policy and make their centres a priority for funding and assistance and the identification of starter projects.
- Implement stronger protection for areas surrounding activity centres as part of the structure planning process.

Appendix 1: Membership of the Melbourne 2030 Implementation Reference Group

The Melbourne 2030 Implementation Reference Group includes representatives from seventeen peak bodies and key stakeholder groups:

- Chair of the Premier's Green Wedge Task Force
- Committee for Melbourne
- Green Wedge Coalition
- Housing Industry Association
- Master Builders Association of Victoria
- Municipal Association of Victoria
- Planning Institute of Australia
- Property Council of Australia
- Public Transport Customer Charter Committee
- Royal Automobile Club of Victoria
- Save Our Suburbs
- Trades Hall Council
- Urban Development Institute of Australia
- Victorian Council of Social Service
- Victorian Farmers Federation
- Victorian Local Governance Association
- Victorian Planning and Environmental Law Association

The group also includes representatives from the local government professional sector and development industry professional sector. Officers from the Department of Sustainability and Environment, Department of Premier and Cabinet, Department of Treasury and Finance, Department of Infrastructure, Department for Victorian Communities, Department of Human Services, Department of Innovation, Industry and Regional Development, and Department of Education and Training attend group meetings as observers.

Appendix 2: Activity Centres – Planning Framework (Refer to Section 4)

TYPE	PLANNING AUTHORITY	RESPONSIBLE AUTHORITY	STRATEGIC CONTROL	STATUTORY CONTROL
Principal (includes Transit Cities)	Local government (with advice from the Minister for Planning for centres/projects of State or regional significance)	Local government	* Ministerial Direction * SPPF * LPPF * Structure Plan	* Comprehensive Development Zone (CDZ) and Schedules * Comprehensive Development Plan (CDP) * Priority Development Zone (PDZ) where appropriate
Major	Local government (with advice from the Minister for Planning for centres/projects of State or regional significance)	Local government	* Ministerial Direction * SPPF * LPPF * Structure Plan	* CDZ and Schedules * CDP * PDZ where appropriate
Specialised	Local government (with advice from the Minister for Planning for centres/projects of State or regional significance)	Local government	* SPPF * LPPF * Structure Plan	* Special Use Zone (SUZ) or CDZ
Neighbourhood	Local government	Local government	* SPPF * LPPF * Structure Plan	* Structure Plan (incorporated in planning scheme) * Business 1 Zone (BIZ) and other zones as appropriate * Overlays

PRINCIPAL, MAJOR AND SPECIALISED ACTIVITY CENTRES

- Local government prepares and adopts structure plan in consultation with referral agencies and major landholder interests. Where the activity centre or project is of State or regional significance the Minister for Planning issues a directive to the relevant council detailing issues that must be considered in the structure planning or approval process.
- Local government prepares planning scheme amendment to introduce Priority Development Zone where appropriate, and Comprehensive Development Zone (CDZ) and Schedule/s. CDZ Schedules provisions reflect structure plan.
- Where appropriate, a Priority Development Panel, a Standing Advisory Committee, or a standard planning panel can make recommendations to local government or the Minister.
- CDZ and Schedules introduced by S.20(4) amendment (under the *Planning and Environment Act 1987*).
- Comprehensive Development Plan (CDP) may be prepared by major landholders for their parcels where major/mixed use development proposed.
- CDP's incorporated in planning schemes by separate amendments by the council as planning authority. Where appropriate, a Standing Advisory Committee makes recommendations to the Minister. Use of Section 20(4) as necessary.
- Applications for permit dealt with by council as Responsible Authority.
- Applications exempt from notice and appeal if in accordance with CDP.

NEIGHBOURHOOD ACTIVITY CENTRES

- Council prepares and adopts structure plan in consultation with agencies, major landholders and local community, at request of the Minister (within stated time frame).
- Zonings and overlays within centres reviewed to determine consistency with structure plan.
- Structure plans incorporated in planning scheme by separate amendments.

Amendments to also include:

- necessary rezonings
- introduction of, or changes to LPPF
- introduction of, or changes to zone schedules
- introduction of, or changes to overlay controls.

Amendments are subject to the normal process.

- Applications in accordance with structure plan are exempt from notice and appeal.
- Applications to be called in by Minister as necessary, or at request of local council.