

4 February 2021

Doc No: COR/21/3354

Jude Munro AO
Chair
Infrastructure Contributions Advisory Committee

Via email only: c/o nicola.clark@delwp.vic.gov.au

Dear Ms Munro

Re: Infrastructure Contributions Advisory Committee

I write in response to your invitation dated 18 December 2020 and our appearance at the Infrastructure Contributions Advisory Committee (the Committee) on 1 February 2021 to provide a written submission to the Committee regarding possible models and options to ensure Victoria's infrastructure contributions system supports the timely provision of basic and essential infrastructure in a manner that is simple, transparent, efficient and equitable.

The VPA's role as the lead practitioner/deliverer of statutory infrastructure plans gives us unique insight into the operation of the GAIC, DCP and ICP system. Working closely with DELWP, the VPA welcomes this opportunity to contribute to discussion about the reform of the current suite of infrastructure contributions.

The discussion on 1 February 2021 was very fruitful and we appreciated the opportunity to present some thinking on the reform especially around the possibility of a flat charge to create greater simplicity and equity of contribution. Our presentation is attached.

As discussed at the meeting with the Committee, the VPA has been closely involved in the operation of legacy contributions mechanisms and the evolution of recent changes leading to the current Infrastructure Contributions Plan system. The VPA has also been involved in the implementation and administration of the Growth Areas Infrastructure Contribution (GAIC) system.

Accordingly, the VPA's on-ground experience ensures we are well positioned to provide practical advice to the Committee as your thinking evolves. The VPA can attest to the inefficiency and inequity of the current arrangements and is a strong supporter of the need for reform.

At the highest level, a key step in developing a robust contributions regime is to firmly set it within an overall funding model to support delivery of growth area infrastructure. This needs to provide a clear understanding of how infrastructure is planned, funded (from all sources, not just the Planning and Environment Act) and provided in different development settings.

In particular, we note that while arrangements for local infrastructure contributions are relatively well-defined (albeit inefficient) the long-term planning of State infrastructure planning is not integrated or transparent and the ability to strategically provide the justification for funding support from infrastructure contributions is consequently restricted.

A clear infrastructure provision structure can then help define the specific role that infrastructure contributions has in the funding and delivery of infrastructure required to support development.

Recently, the VPA prepared a draft paper titled *A Better and Fairer Development Contributions Framework*, providing some options for major reform of the contributions system, intended to create further discussion within Government. The draft paper broadly canvases issues with the current system(s) and opportunities for reform that could be further considered by the Committee.

The paper has previously been provided to the Committee's secretariat, but a copy is attached for reference. Important issues highlighted in the paper and emerging from subsequent discussions that we believe are especially relevant to the Committee's deliberations include:

- considering an initial round of 'no regrets' administrative reforms to support COVID recovery while pursuing the opportunity for stronger reform after COVID recovery
- establishing a consistent set of key principles that any reform (big or small) can be measured against (and used to guide subsequent implementation)
- devising a simpler system (ideally based on flat or capped levies) that is fair and broad-based, much easier to introduce and administer, more certain and ensures all developers can expect to pay a reasonable contribution appropriate to the development setting
- managing the relationship with other charges on development to recognise and avoid overlapping charges (e.g. Developer Services Schemes for water, existing and proposed mandatory requirements such as parking provisions or affordable housing, mooted value capture for Suburban Rail Loop, stamp duty, etc.) so as to not unreasonably impact housing affordability
- ensuring that levies are targeted at providing a reasonable contribution to essential infrastructure, rather than the full cost recovery model for a wide range of infrastructure as is usually sought by Local Government
- exploring intergenerational equity and how most appropriately to allocate costs up-front (effectively to the home buyer, and often funded through a larger mortgage) vs. over time (to the ongoing homeowner through rates), noting this may require consideration of rating arrangements in high-growth areas
- making GAIC (or a replacement State infrastructure contributions system) more transparent and strategic in its funding allocation through being tied to pipelines of needed infrastructure (for instance as outlined in the VPA's State Infrastructure Demand Assessments)
- identifying clearly how land needed for infrastructure is obtained and funded in a manner that is affordable, timely and relevant to different development settings (especially urban infill)
- recognising the value of work-in-kind provisions, especially for GAIC (or any replacement), in preserving land for future infrastructure provision.

Lastly, we have also included a copy of our Precinct Structure Plan (PSP) Infrastructure Snapshot (to be updated) that provide an analysis of the current development of dwellings and infrastructure provided for on the fringe of Melbourne across 35 completed PSPs and those under development. In effect, the snapshot monitors and measures the timing of some categories of core infrastructure and facilities such as schools and town centres. As is evident from the report, the pattern of provision is patchy, with timely delivery in some areas and significant delays in others.

We look forward to supporting the Committee's work and remain ready to provide further input to your deliberations as they evolved. Should you have any queries regarding the attached paper or any other input the VPA can provide, please contact Rachel Dapiran, Executive Director Infrastructure, Strategy and Planning on 9651 9600 or rachel.dapiran@vpa.vic.gov.au.

Yours sincerely



STUART MOSELEY
CHIEF EXECUTIVE OFFICER

Encl. Draft PSP Infrastructure Snapshot
Infrastructure Contributions presentation – 1 February 2021
A Better and Fairer Development Contributions Framework

DRAFT PSP INFRASTRUCTURE SNAPSHOT

MELBOURNE GREENFIELDS

NOVEMBER 2019



PSP INFRASTRUCTURE SNAPSHOT

Melbourne’s greenfield growth areas have observed very rapid and unprecedented growth over the past five years with increases of up to 25,000 lots per annum, placing continued pressure for the delivery of infrastructure and services for the community.

This PSP Infrastructure Snapshot provides an analysis of the current development of dwellings and infrastructure provided for on the fringe of Melbourne across 35 PSPs completed and under development. In effect, it monitors and measures the timing of core infrastructure and facilities such as schools and town centres.

1.1 KEY PSP METRICS

The Precinct Structure Planning Guidelines provide guidance on the preparation of PSPs in greenfield locations with particular regard to the infrastructure requirements and key metrics that should be planned for.

Current PSP infrastructure metrics summary

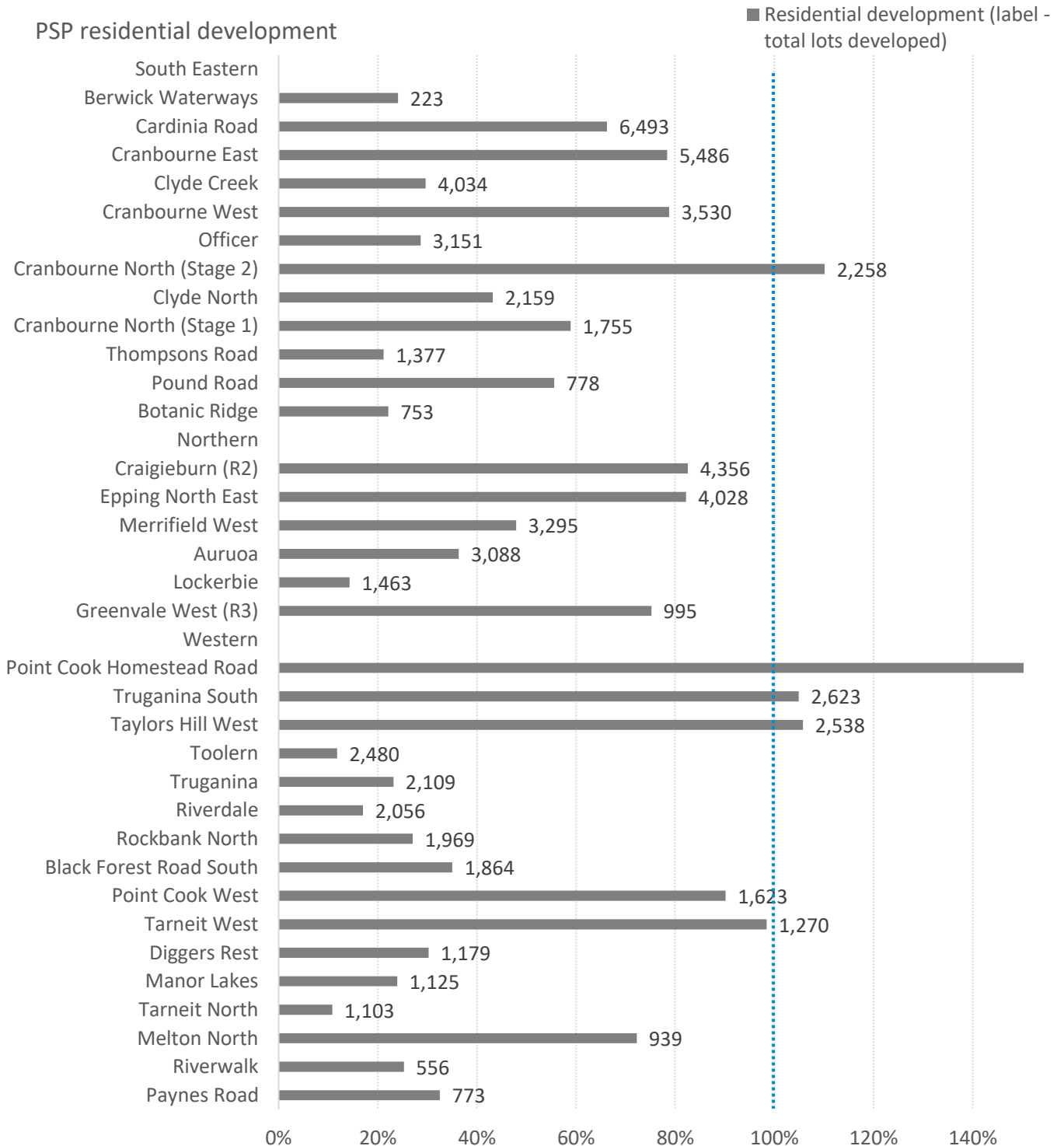
Infrastructure item	Planning metric	Core Responsibility
Government Primary School	1 per 3,000 dwellings	State Government.
Government Secondary School	1 per 10,000 dwellings	State Government.
Community Centres (including kindergartens)	1 per 8,000 to 10,000 dwellings	Local Government.
Local Parks	4 percent of NDA & 95% of dwellings within 400m	Private / Developer.
Sports Facilities	6 percent of NDA 95% of dwellings within 1km	Private / Developer.
Jobs	1 job per dwelling at corridor level	Private / Developer.
Town Centres	80-90 % of dwellings within 1km of a centre that can support a supermarket	Private / Developer.
Density	20 dwellings per NDA	Private / Developer.
Roads	Arterial roads spaced at approximately 1.6 kilometre intervals and connector streets spaced at approximately 800 metre intervals	State / Local Government and private.
Public Transport	95% of dwellings are located within 400 metres of a bus stop	State Government.

1.2 PSP DWELLING GROWTH

Developed lots within PSPs refer to land that has been subdivided from broadhectare land parcels into land that is available for individual users to build dwellings on.

In total 48 Residential PSPs have been prepared by the VPA (including MPA and GAA) and gazetted since 2007. Of these 35 PSPs have commenced a reasonable level of residential development.

- At the end of 2019, there are 6 PSPs that are fully built out in terms of residential land.
- 16 PSPs have developed more than 50% of their total dwelling yield.
- The PSPs are well distributed across each corridor with 16 PSPs in western Melbourne, 12 PSPs in south east Melbourne and 7 PSPs in northern Melbourne.

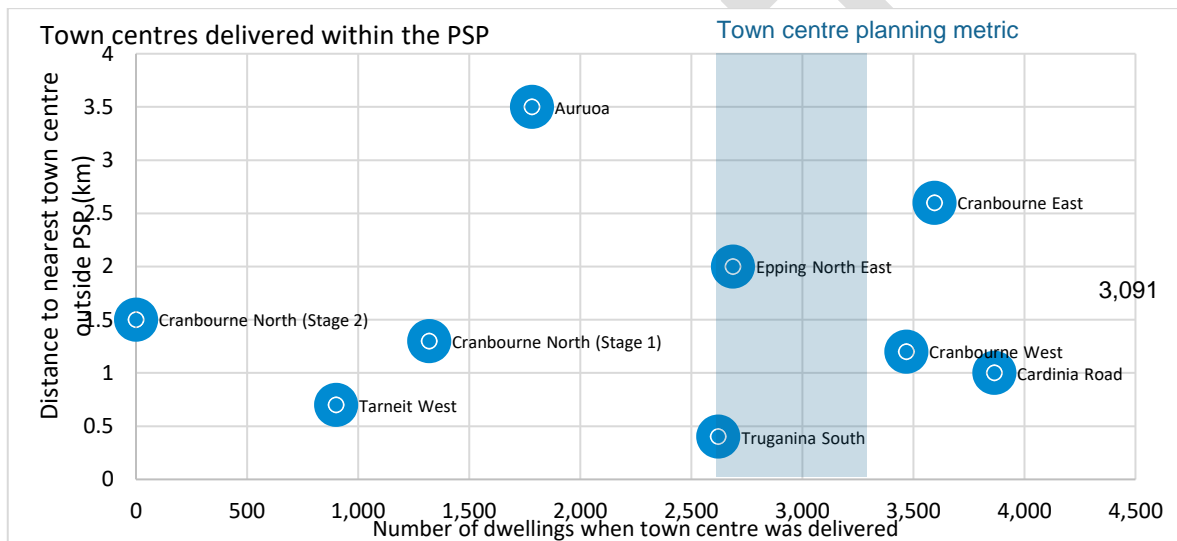


1.3 TOWN CENTRES

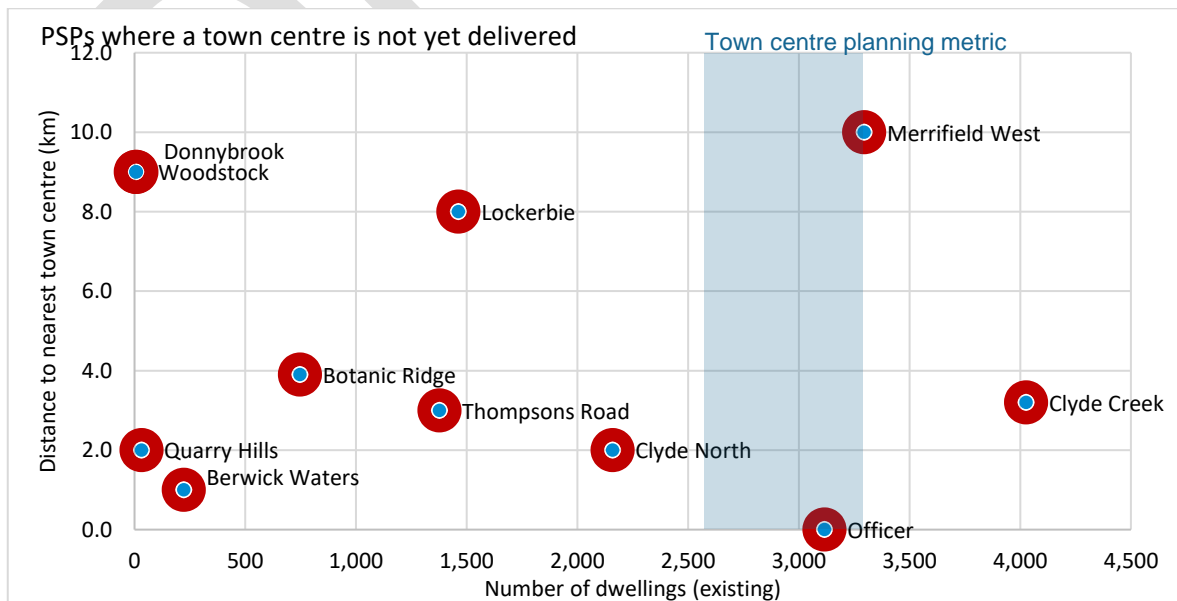
Town centres often form the community heart within a PSP, providing essential retail, community, higher density residential and entertainment. Government’s role in the delivery of town centres is often limited to the planning framework with the PSP providing a blueprint to guide the look, feel and function of the town centre once fully developed. It is typically private developers that construct and operate the town centre.

- Currently there are nine (9) town centres delivered and operational within PSPs. The majority of these town centres were delivered before the PSP reached a 2,500 dwelling benchmark, and the distance for residents to reach alternative facilities was generally less than 2km.
- There are a further 11 town centres that are planned but not yet delivered. However, most of the PSPs where a town centre is not yet delivered are in early phases of development and have not met the typical benchmark of around 2,500 dwellings to support such a centre.
- Merrifield West town centre may be considered the outlier, and currently has around 3,300 dwellings occupied with the nearest town centre being located some 10km away.

PSPs with a town centre delivered and operational



PSPs where a town centre is planned but not yet delivered



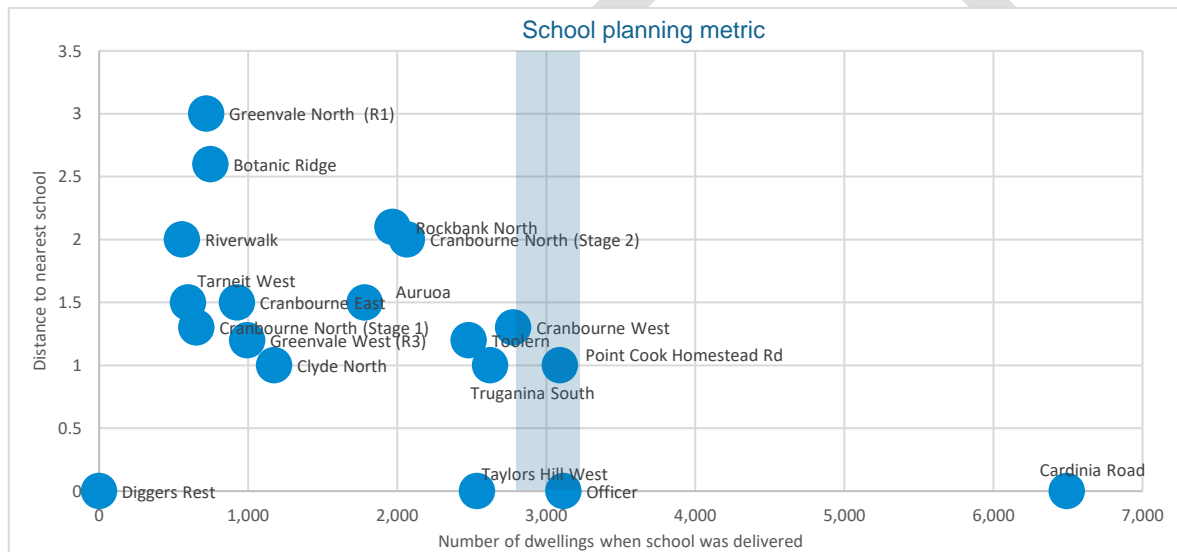
Source: VPA

1.4 SCHOOLS

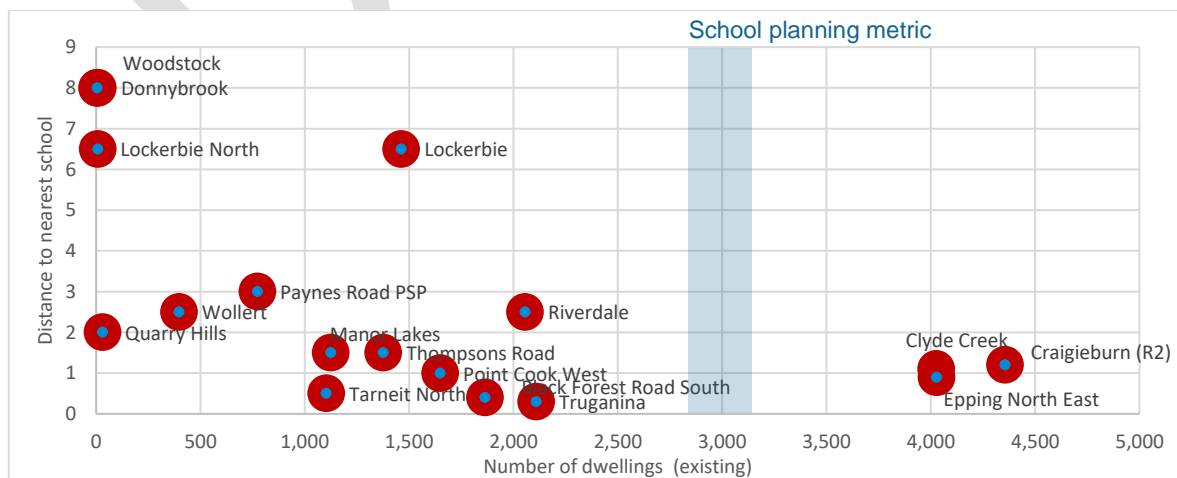
The location of schools within PSPs is one of the key community building hubs, with one Government Primary School planned per 3,000 dwellings and one Government Secondary School planned per 10,000 dwellings, in addition to other private schools.

- The delivery of schools within existing PSPs has been generally in early stages of development and well within the 'planned benchmark' of 3,000 dwellings. Further, an alternative school was readily available within 1 – 1.5km beyond the PSP.
- There are currently 16 PSPs where a planned school has not been delivered. Whilst the majority residents within these PSPs have proximate and ready access to alternative schools, some are starting to approach the identified planning benchmark and should continue to be monitored closely in terms of dwelling development and school requirements.
- Clyde Creek, Craigieburn (R2) and Epping North East PSP's have developed over 4,000 dwellings without the delivery of a school, however they are located proximate (within 1km) of an alternative school.
- At this stage this analysis only considers the first school delivered within a PSP. Further work is required to detail school provision nuances between government and private schools, in addition to future school delivery and certainty that school sites will be developed.

PSPs with a school delivered and operational



PSPs where a school is planned but not yet delivered



Source: VPA



South Eastern Corridor Melbourne



1.1 SOUTH EAST CORRIDOR SUMMARY

There have been 12 PSPs approved and under development in the south east Melbourne Local Government Areas of City of Casey and Cardinia Shire Council since the beginning of the PSP program with the first approved in 2007. Many of the PSPs are adjacent to established areas of Cranbourne and Pakenham and are therefore already well served by existing infrastructure. Likewise, the PSP areas provide additional facilities that will serve local residents and the wider region.

Melbourne's south eastern PSP infrastructure summary

What we plan	What was delivered
 <p>Schools</p> <p>1 school per 3,000 dwellings</p>	<p>On average, 1,400 dwellings were built within the PSP prior to the school being opened.</p> <p>1.1km was the distance residents had to travel to the nearest school outside the PSP prior to the school within the PSP being built.</p>
 <p>Town Centres</p> <p>1 town centre per 2,600 – 3,300 dwellings</p>	<p>On average, 2,100 dwellings were built within the PSP prior to the town centre being opened.</p> <p>On average, 1.8km was the average distance residents had to travel to the nearest town centre outside the PSP.</p>

DRAFT

SOUTH EASTER CORRIDOR MELBOURNE PSP MAP



Cranbourne North - Stage 1



1,750 DWELLINGS

Projected capacity: 2,980



5,500 RESIDENTS

Projected capacity: 6,000



Summary - A council lead PSP which was the first PSP completed in the program. With around 60% of the residential component completed, most core community facilities including a Government Secondary School has been opened. However, there has been no development of the commercial zone in the south of the PSP.

Future Urban Structure and Land Status



PSP approved in 2007
(First PSP ever)



First road constructed
2008



First houses 2009



Secondary College
opens 2009



First parks 2009



Local centre opens 2010



Government Primary -
not built yet - 1.3km to
nearest school outside
PSP.

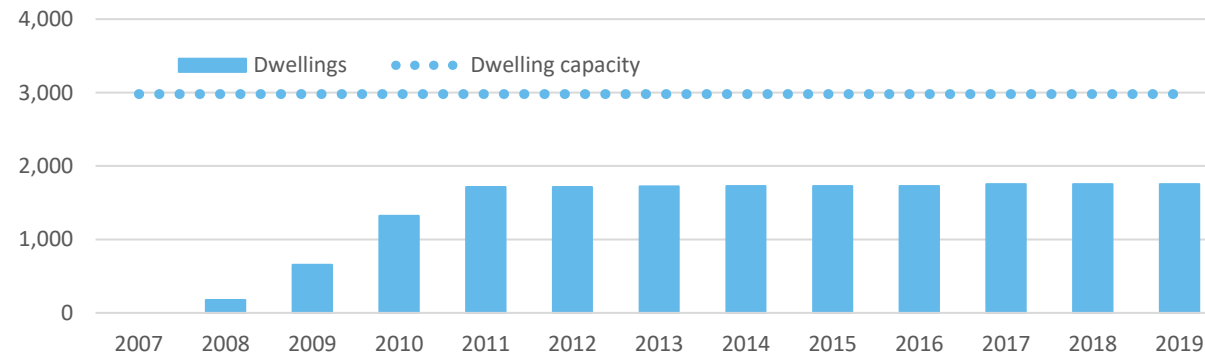


Playing Fields not yet
built.



Public transport – 1
bus route, 5 bus stops,
ave. 40 min frequency.

Cumulative Dwellings Completed



Cranbourne East PSP



5,500 DWELLINGS

Projected capacity: 7,000



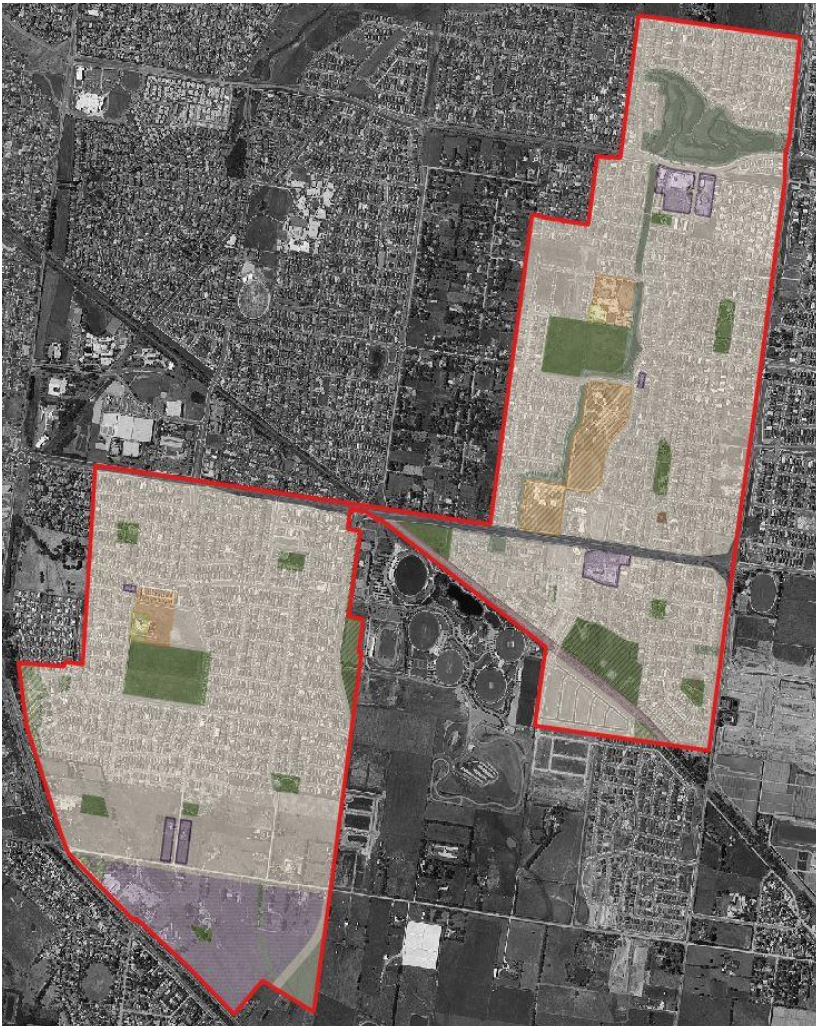
15,500 RESIDENTS

Projected capacity: 19,500

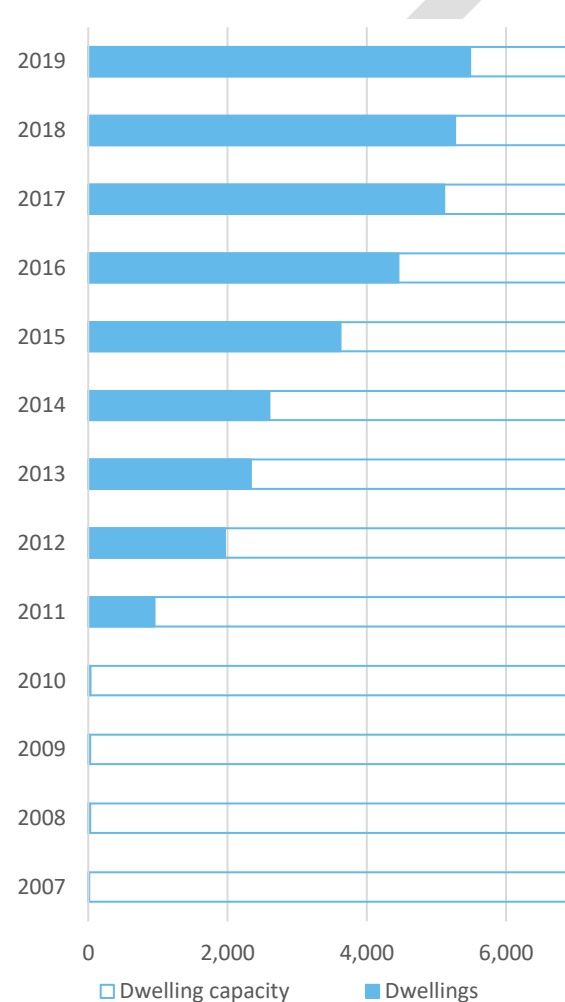


Summary - This PSP is well established with most community infrastructure already delivered. The PSP is split in two by the Casey Fields sporting centre with the eastern part mostly complete and includes two shopping centres, a government and a catholic primary school. The western part is primarily a residential area and is approximately 80% complete. A government primary school and the commercial zone south of Ballarto Rd has yet to be developed.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



PSP Approved 2010



First road constructed 2011



First houses 2011



First parks 2011



Campus of Catholic Secondary School 2011, Catholic Primary 2014



Local centre opens 2015



Government Primary opens 2017



Public transport – 3 bus routes, 13 bus stops, ave. 20 min frequency.

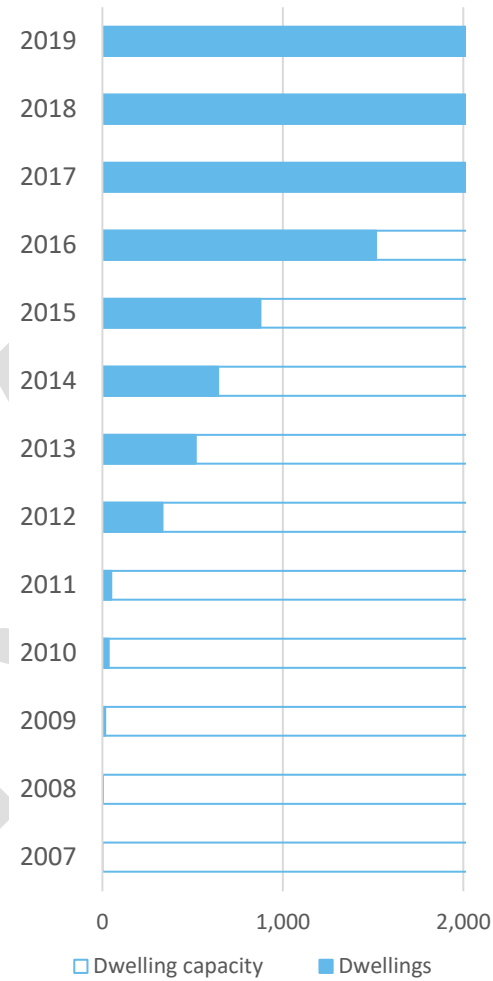










Summary - The most advanced PSP which is mostly fully complete including a town centre, primary school and numerous parks, in addition to the heritage preservation of Tulliallan Manor and its Elm lined driveway. The only major component yet to be delivered is the major sporting complex.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



-  PSP approved in 2011
-  First road constructed 2011
-  First houses 2012
-  Local centre opens 2010
-  First Parks 2014
-  Community Centre opens 2014
-  Government Primary opens 2017
-  Public transport – 4 bus routes, 9 bus stops, ave. 40 min frequency.

Clyde North PSP



2,200 DWELLINGS

Projected capacity: 5,000



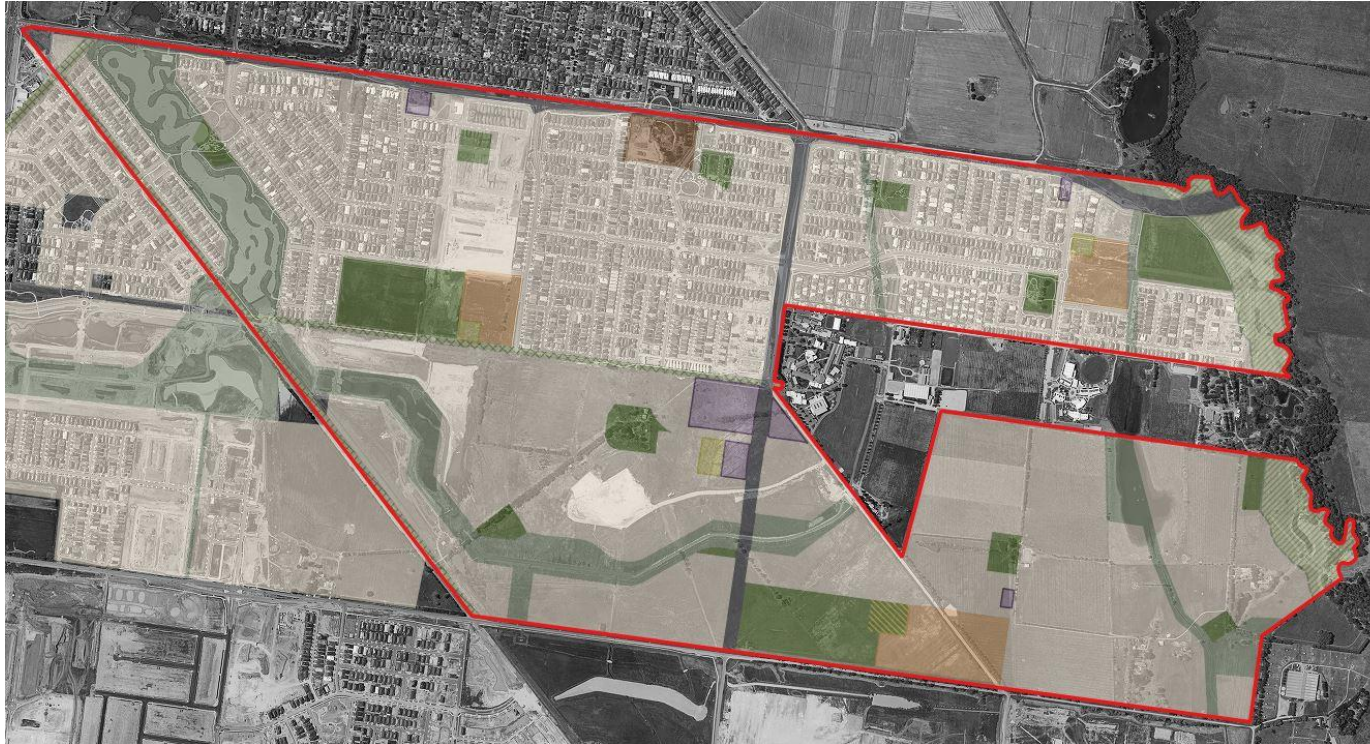
6000 RESIDENTS

Projected capacity: 17,000



Summary - This PSP was prepared together with Pound Road PSP with the residential areas establishing at a rapid pace as an extension to the residential area to the north. Whilst limited infrastructure has been delivered within the PSP area, many of these facilities are readily accessible within 1 – 1.5km for residents. An existing heritage homestead and Hillcrest Christian school remain, with a Government Primary School committed to open in 2020.

Future Urban Structure and Land Status



First road constructed 2012



First Houses 2013



First Park (with Lake) 2015



Town Centre still to be commenced – nearest town centre 2km.



Playing fields yet to be built



Exiting non-Government School prior to PSP

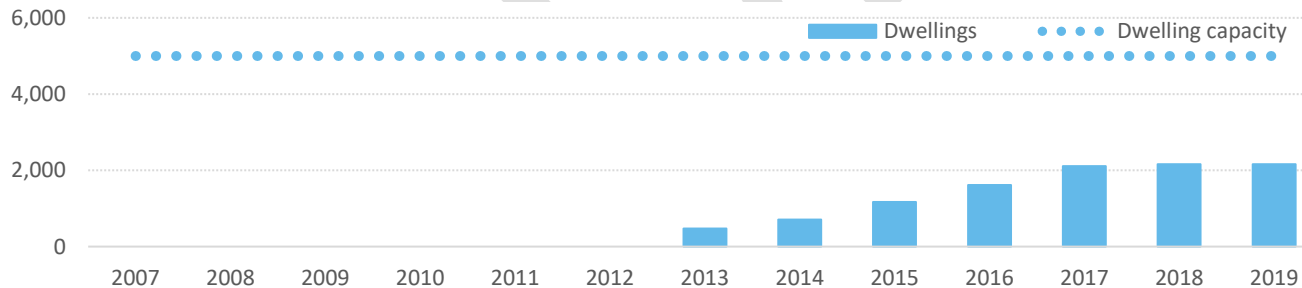
Government Primary to be developed - 2020

Government Secondary schools still to be built



Public transport – 0 bus routes through PSP.

Cumulative Dwellings Completed



Pound Road PSP



800 DWELLINGS

Projected capacity: 1,400



2,350 RESIDENTS

Projected capacity: 4,000



Summary - This PSP was completed with the Clyde North PSP however due to differences in GAIC they were classified as separate PSPs. No school was planned within the PSP area but residents have very proximate access to existing schools in Clyde and Berwick within 1km for most residents. A local convenience centre and sporting ovals have not been built.



Existing natural features and waterways



PSP Approved 2011



First road constructed 2015



First Houses 2016



First Playground 2017



Local convenience centre – yet to be built – nearest centre 1.8km.

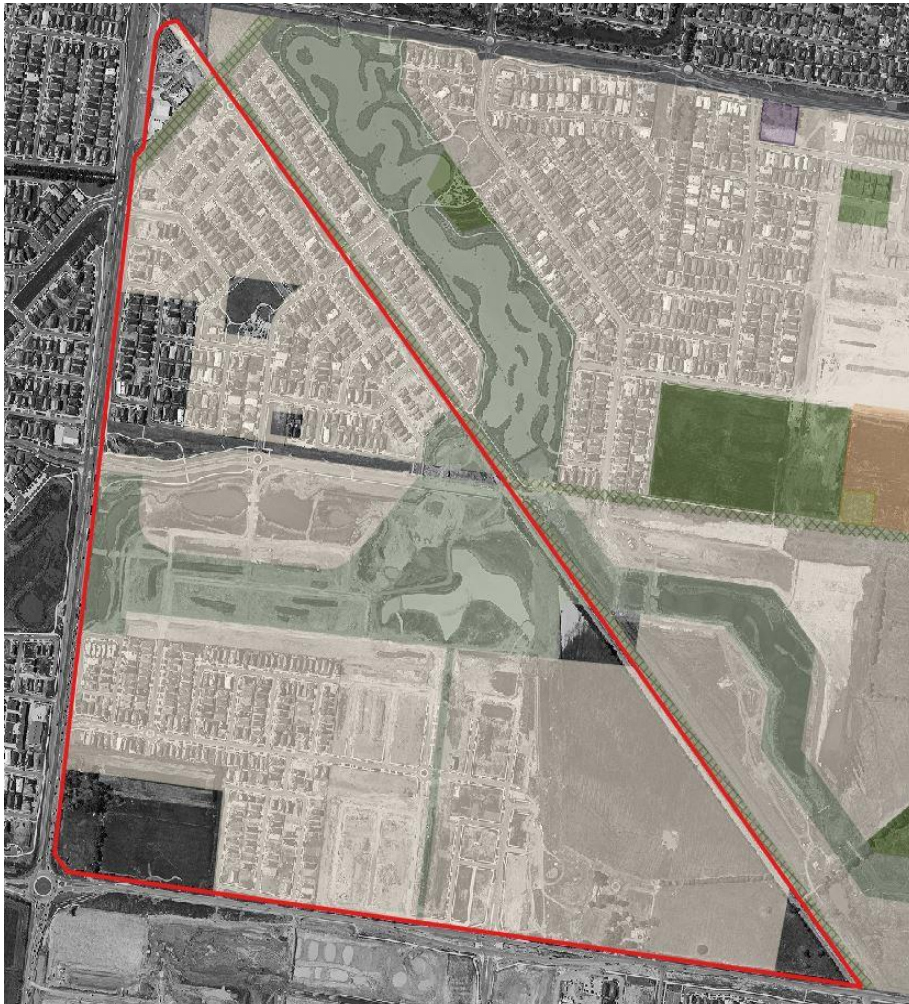


Playing fields yet to be built

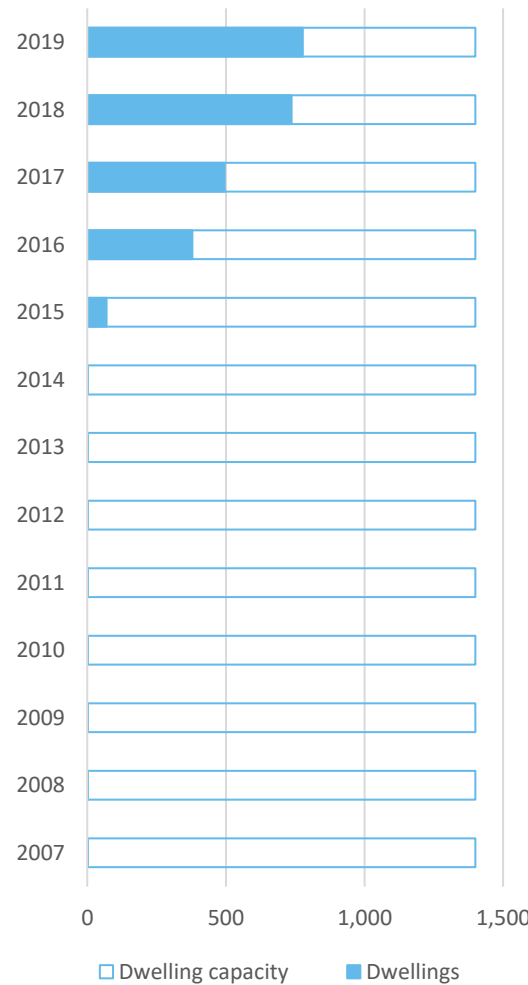


Public transport – Currently 0 bus routes through PSP.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



Cranbourne West PSP



3,310 DWELLINGS

Projected capacity: 4,481



11,500 RESIDENTS

Projected capacity: 12,573

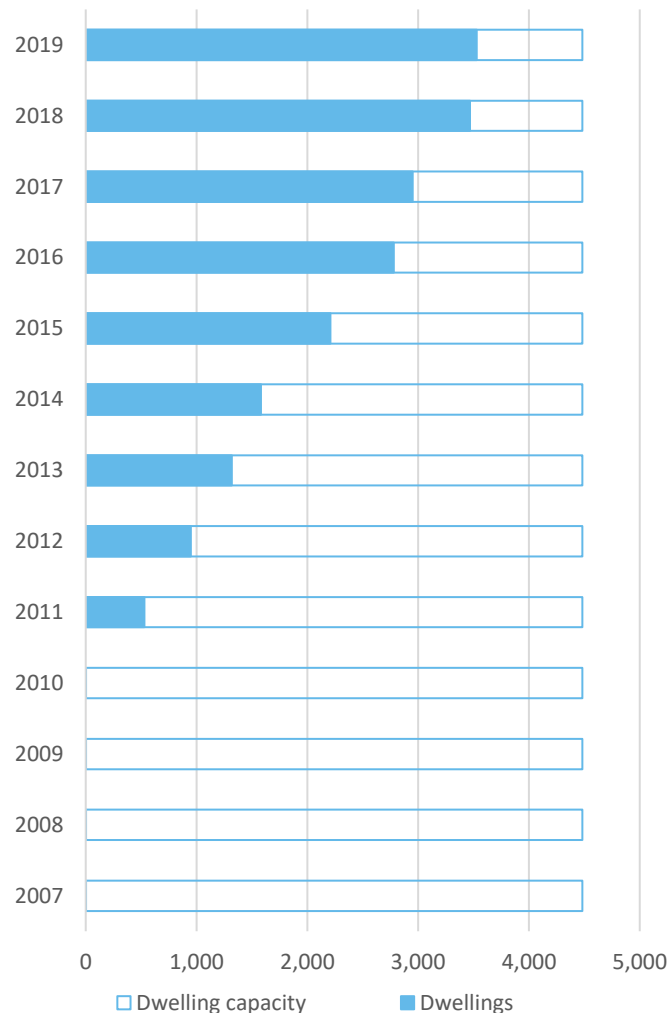


Summary - This PSP provides a mix of both industrial and residential zones. The majority of the residential zone has been built out and contains a local town centre, government primary school and community centre. The business park in the north has observed strong take up of small and medium sized businesses, with part of this land subject to further Ministerial decisions.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



PSP approved in 2010



First road constructed 2010



First houses 2011



First park delivered in 2012



First jobs & employment land developed 2014



First community centre opens 2015



First Primary school built in 2016. Opens 2017 with 268 students & 18 staff



Local town centre opens 2018



Public transport – 2 bus routes, 8 bus stops, approx. 20 min frequency.

Botanic Ridge PSP



770 DWELLINGS

Projected capacity: 3,400



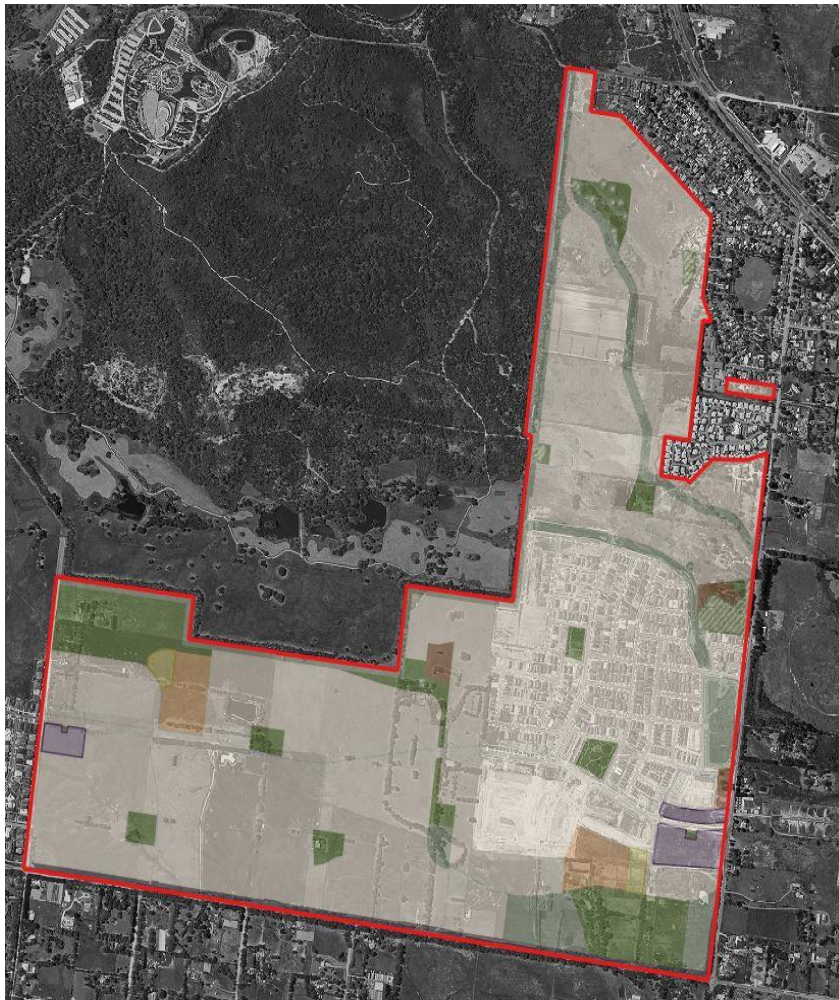
2,100 RESIDENTS

Projected capacity: 10,000

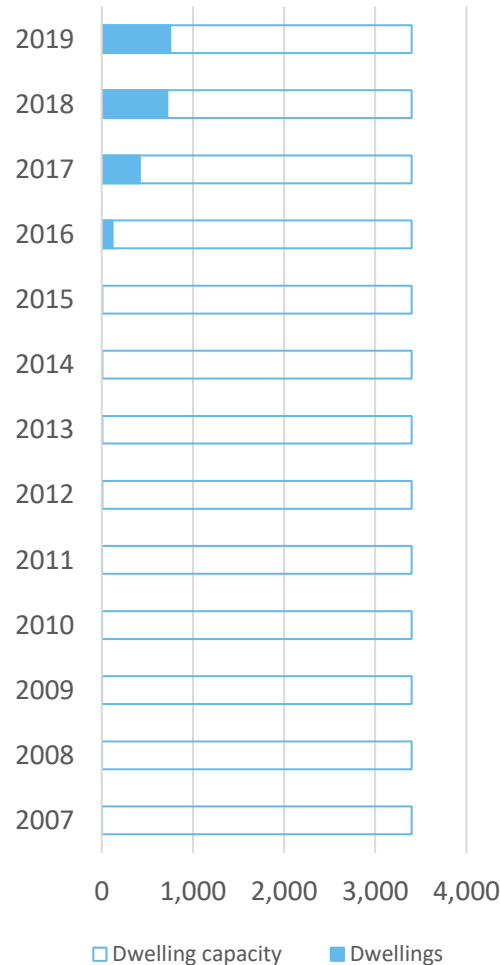










Summary - This PSP has progressed slowly due to major environmental issues caused by a high Bandicoot population at the adjacent Botanic Gardens Annex. There is limited housing and infrastructure built, however a government primary is currently in the pipeline.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



-  **PSP approved in 2013**
-  **First road constructed 2016**
-  **First houses 2016**
-  **First Park 2017**
-  **Town Centre – not yet built.**
-  **Community Facility – not yet built.**
-  **Government Primary budgeted and being Built 2020**
-  **Public transport – 1 bus routes, 6 bus stops, ave. 40 min frequency.**

Berwick Waters PSP



250 DWELLINGS

Projected capacity: 925



700 RESIDENTS

Projected capacity: 2,700

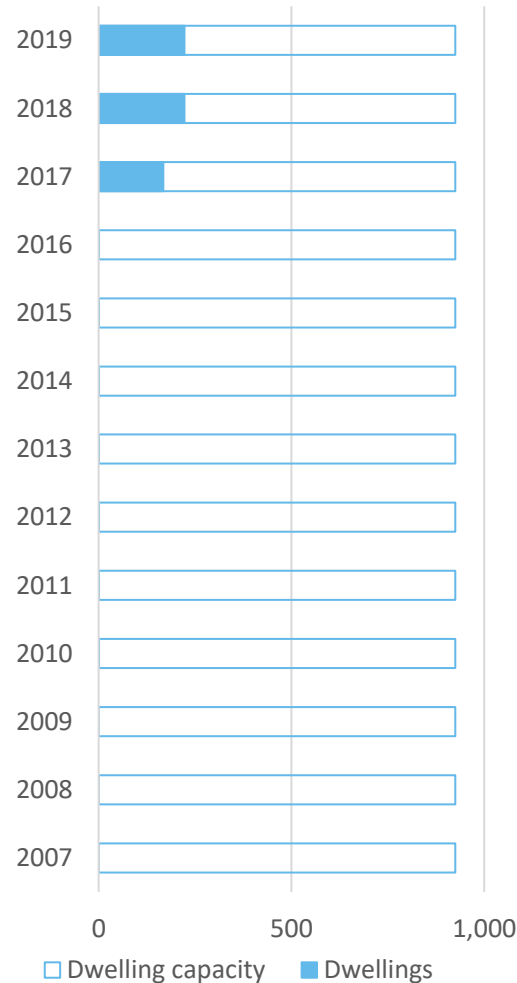


Summary - A small PSP extending from well-established suburbs that has limited facilities planned given its size and location close to other facilities. Development of the PSP was delayed whilst drainage issues were addressed with several retarding basins. There is a small local town centre yet to be built.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



PSP approved in 2014



First road constructed 2016



First houses 2017



Parks – not yet built.



Town Centre – not yet built.



No school planned



Public transport – Currently 0 bus routes through PSP.

Thompsons Road PSP



1,400 DWELLINGS

Projected capacity: 6,500



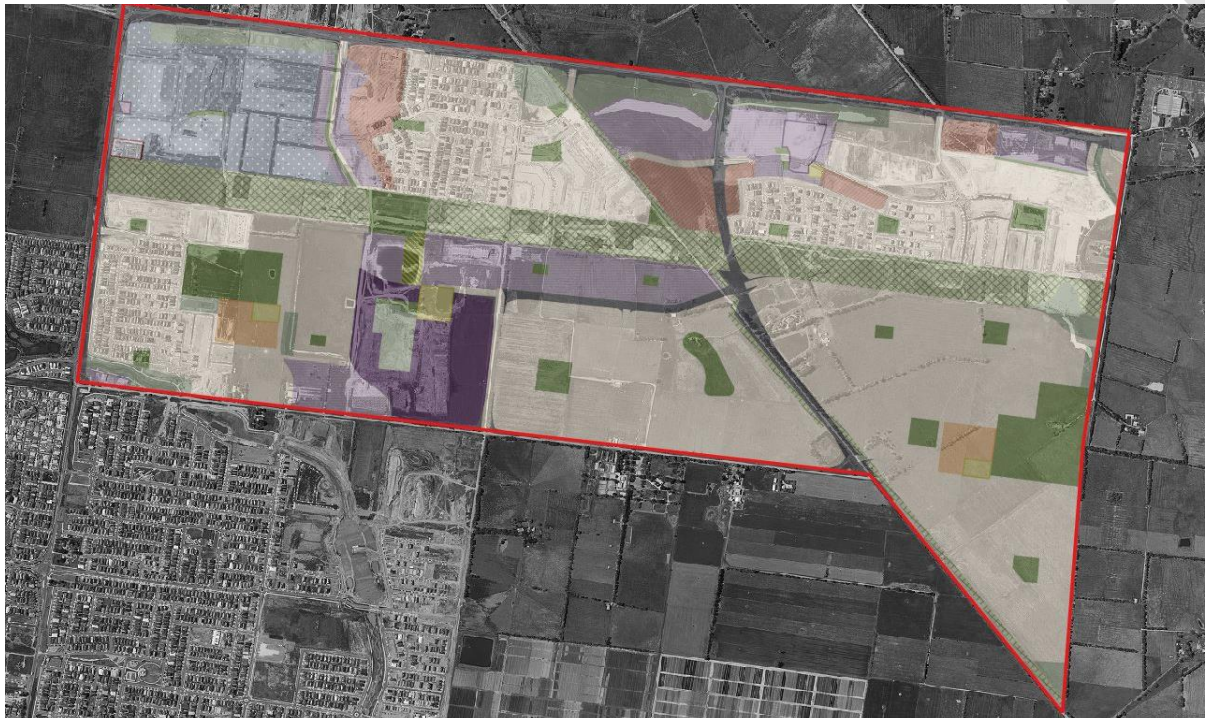
4,000 RESIDENTS

Projected capacity: 18,000

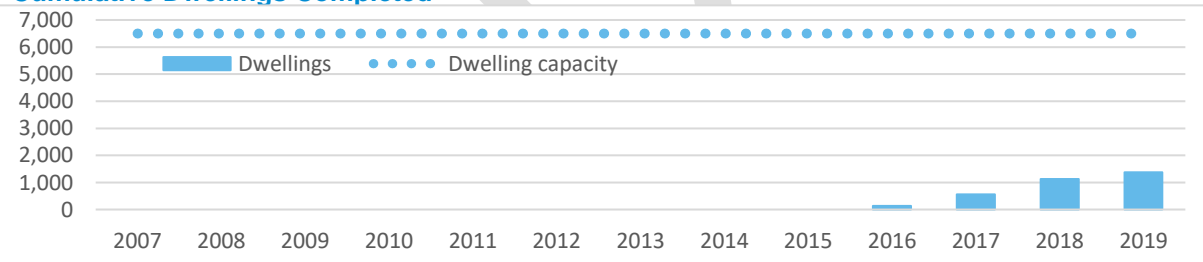


Summary – This PSP has developed slowly across three small residential estates and is divided by high voltage power lines. This PSP is also situated in a very competitive environment and faces competition from residential estates that are being delivered by major national developers. The commercial areas and town centre have not been developed, with the nearest town centre facilities located at Selandra Rise or Eden Rise some 3km away.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



PSP Approved 2014



First road constructed 2016



First Houses 2017



Government Primary – yet to commence. 1.5km to nearest school.



Local Town Centre – yet to be commence. 3km to nearest centre.



Major Town Centre - yet to be commence



Open Space and Playing fields - yet to commence



Public transport – Currently 0 bus routes through PSP.

Clyde Creek PSP



4,100 DWELLINGS

Projected capacity: 13,600



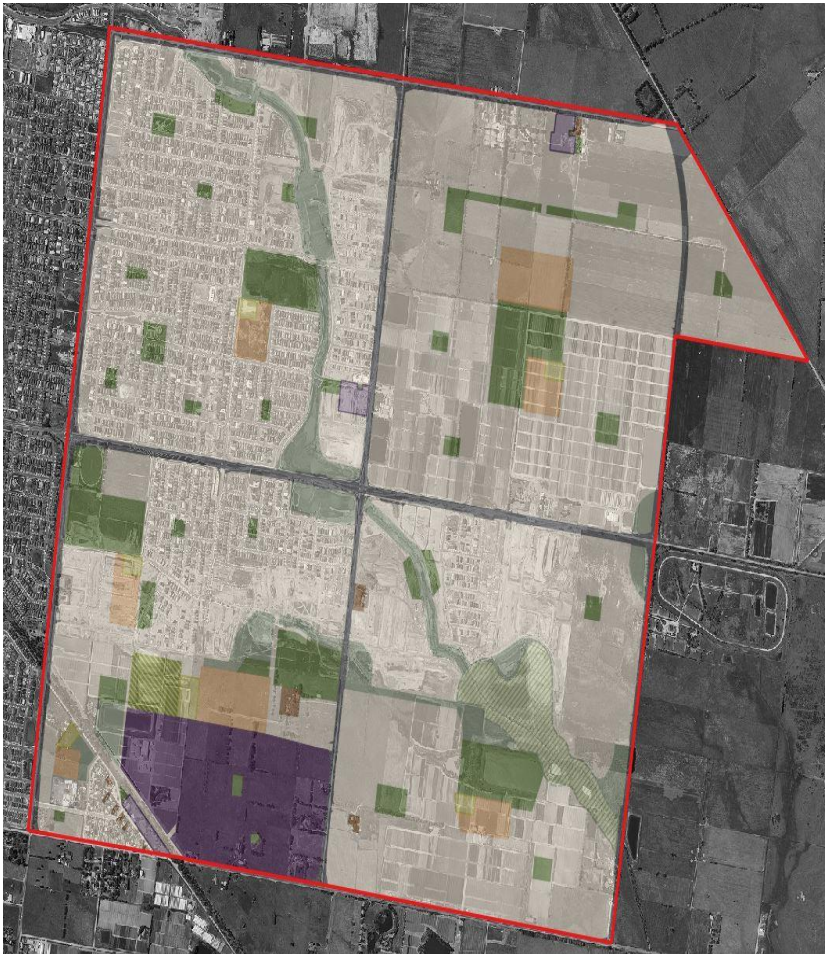
11,500 RESIDENTS

Projected capacity: 38,000

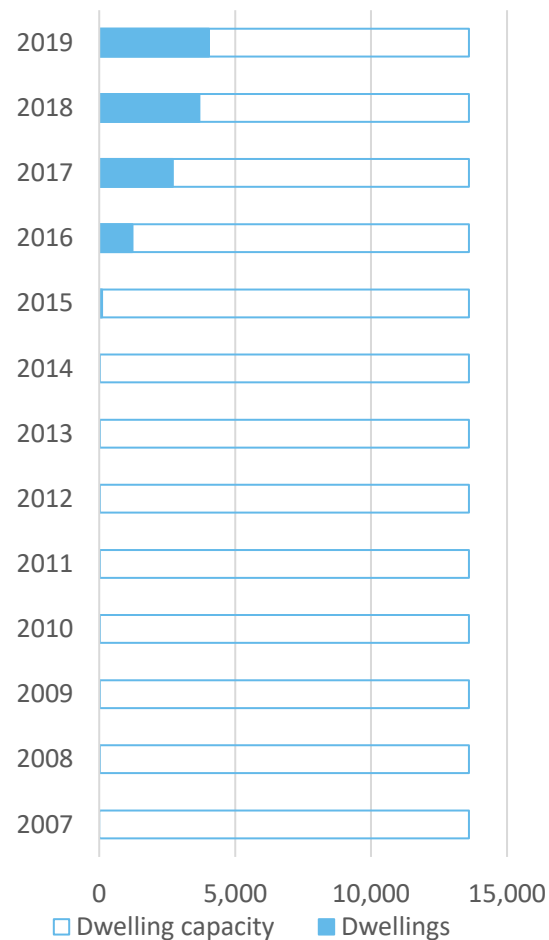


Summary - – This PSP has developed rapidly commencing in the north western corner along Patterson Road. Being a large PSP, there are a range of infrastructure items that are planned but yet to be delivered, although there were pre-existing recreation reserves that provide sporting facilities. The major town centre has not been developed and the rail line extension has been planned but not committed financially.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



PSP Approved 2014



First road constructed 2015



First Houses 2015



First Parks 2016



Schools – yet to commence. Nearest school 1.1km.t



Town Centre – yet to commence – nearest centre 3km



Potential Rail connection not yet committed.

Public transport – 2 bus routes, 9 bus stops, ave. 20 min frequency.

Cardinia Road PSP



6,500 DWELLINGS

Projected capacity: 9,800



19,700 RESIDENTS

Projected capacity: 28,000

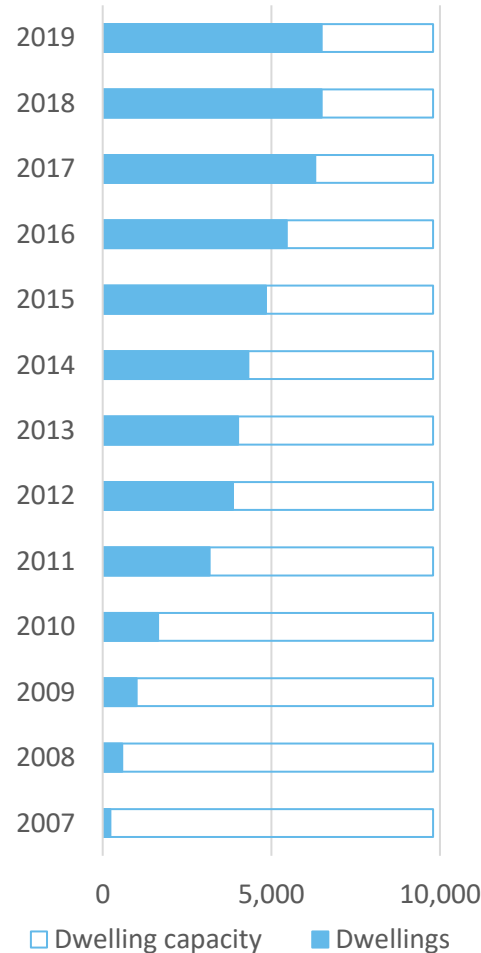


Summary - This PSP is large and the area was already developing when the PSP process was completed. Significant facilities have been established including a new train station, town centres, primary schools and sporting fields.

Future Urban Structure and Land Status



Cumulative Dwellings Completed



Many houses & estates already built as early as 2002



Many parks already existed



Industrial already in place



PSP approved in 2008



Pakenham Lakeside Primary opens 2009



Cardinia Road Station opens 2012



Town centre opens 2012



St Clare Catholic Primary School opens 2015



John Henry Primary opens 2017



Train Station, 3 bus routes, 22 bus stops, ave. 60 min frequency.

Officer PSP



3,100 DWELLINGS

Projected capacity: 11,000



8,800 RESIDENTS

Projected capacity: 30,000



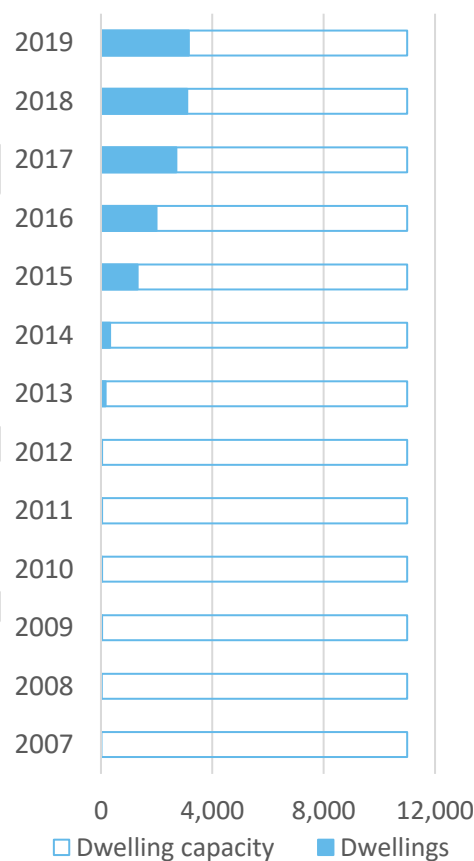
Summary - Officer PSP has been planned around an existing small town which including infrastructure such as a small hall, sporting fields and a primary school.


There has been considerable residential growth across a number of non-contiguous estates. In addition, Cardinia Shire Council offices were established on the site of the future town centre, but no further development of the town centre has occurred. New government secondary and special needs schools have been built in addition to several private school campuses


Future Urban Structure and Land Status





Cumulative Dwellings Completed




-  **Existing - Officer Station Built 1881**

-  **Existing - Officer Primary School built 1886**


-  **Existing - St Brigid's Catholic Primary School opens 2010**

-  **PSP approved in 2010**


-  **First new roads built 2012**

-  **First Houses 2013**

-  **Officer Special School Opens 2014**

-  **Officer Secondary Opens 2015**

-  **Major Active Centre still developing**



-  **Public transport – 1 bus routes, 6 bus stops, ave. 40 min frequency.**

Northern Corridor Melbourne



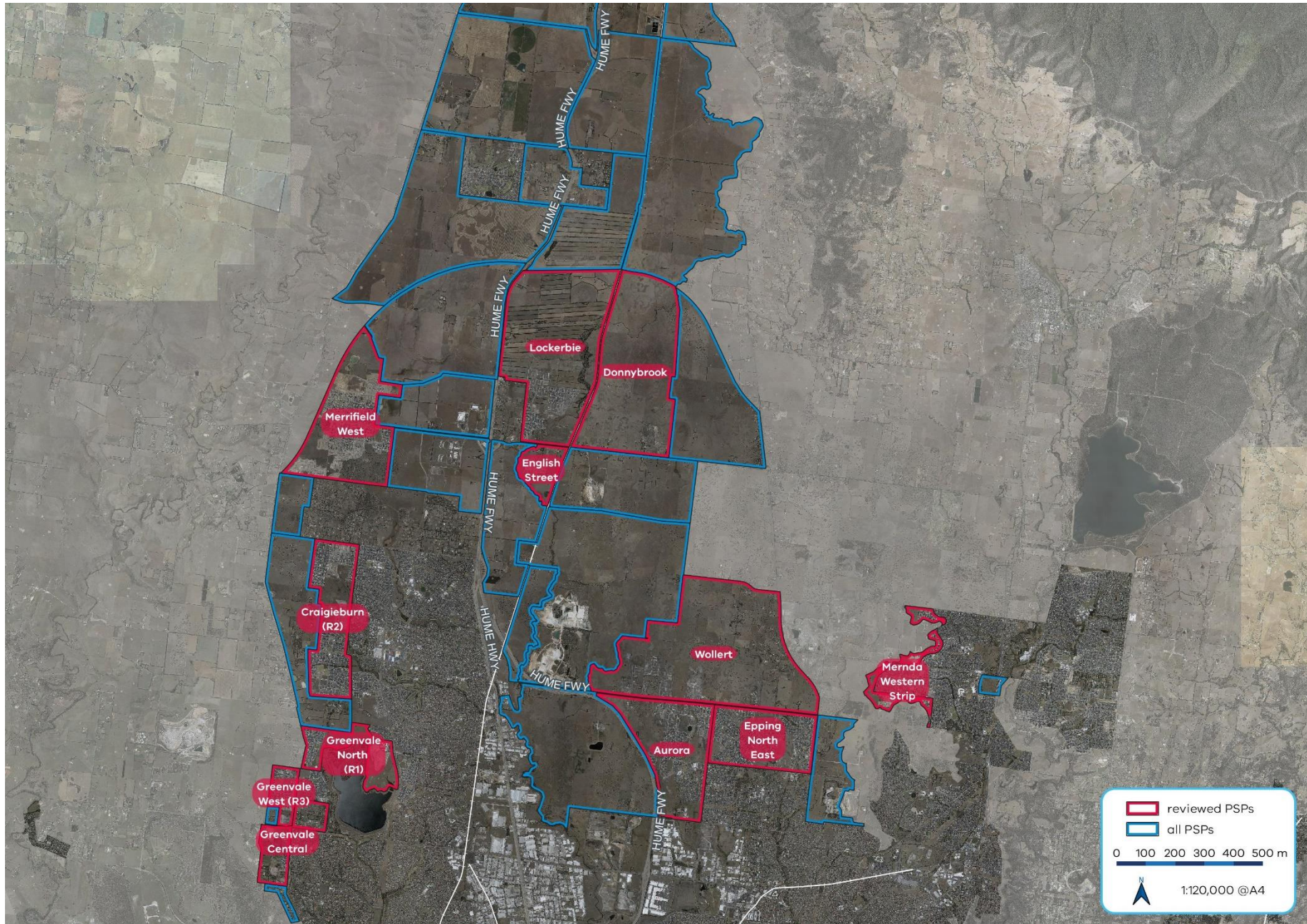
There have been seven (7) residential PSPs approved in the northern corridor of Melbourne that have commended development since the beginning of the PSP program with the first approved in 2007.

Melbourne's northern corridor PSP infrastructure summary

What we plan	What was delivered
 <h3>Schools</h3> <p>1 school per 3,000 dwellings</p>	<p>Schools built: Aurora is the only PSP to deliver school facilities, which included a primary and a secondary school. The schools were delivered when there were around 1,800 dwellings in the PSP area and the nearest school being a further 1.5km from the PSP. Greenvale North had an existing school within the PSP when it was approved.</p> <p>Schools committed: Greenvale West has a committed school which is expected to open in 2021, with the PSP currently having 1,000 dwellings.</p> <p>Schools not yet built: Six PSPs are yet to deliver a planned school. Whilst most PSP are in infant stages of development, the following three PSPs are well established and should be monitored closely for future education needs:</p> <ul style="list-style-type: none">▪ Epping North East – currently 4,000 dwellings, nearest school 1km away▪ Craigieburn (R2) – currently 4,400 dwellings, nearest school 1.2km away.▪ Lockerbie – currently 1,500 dwellings, nearest school 6km away.
 <h3>Town Centres</h3> <p>1 town centre per 2,600 – 3,300 dwellings</p>	<p>Town centres built: Two PSPs (Aurora and Epping North East) have delivered a town centre, with which occurred when there were approximately 1,800 - 2,700 dwellings within the PSP.</p> <p>Town centre not yet built: There are a further six town centres that are planned but not yet delivered, with two of these PSPs approaching sufficient dwelling critical mass to support town centre development over the short term, including:</p> <ul style="list-style-type: none">▪ Lockerbie Major Activity Centre – currently 1,500 dwellings, nearest town centre. 8km away.▪ Merrifield West. – currently 3,300 dwellings, nearest town centre 10km away.

There are a further five PSPs that have recently been approved but yet to commence major development including Lockerbie North, Greenvale Central, English Street, Quarry Hills, Donnybrook, Wollert and Woodstock PSP's.

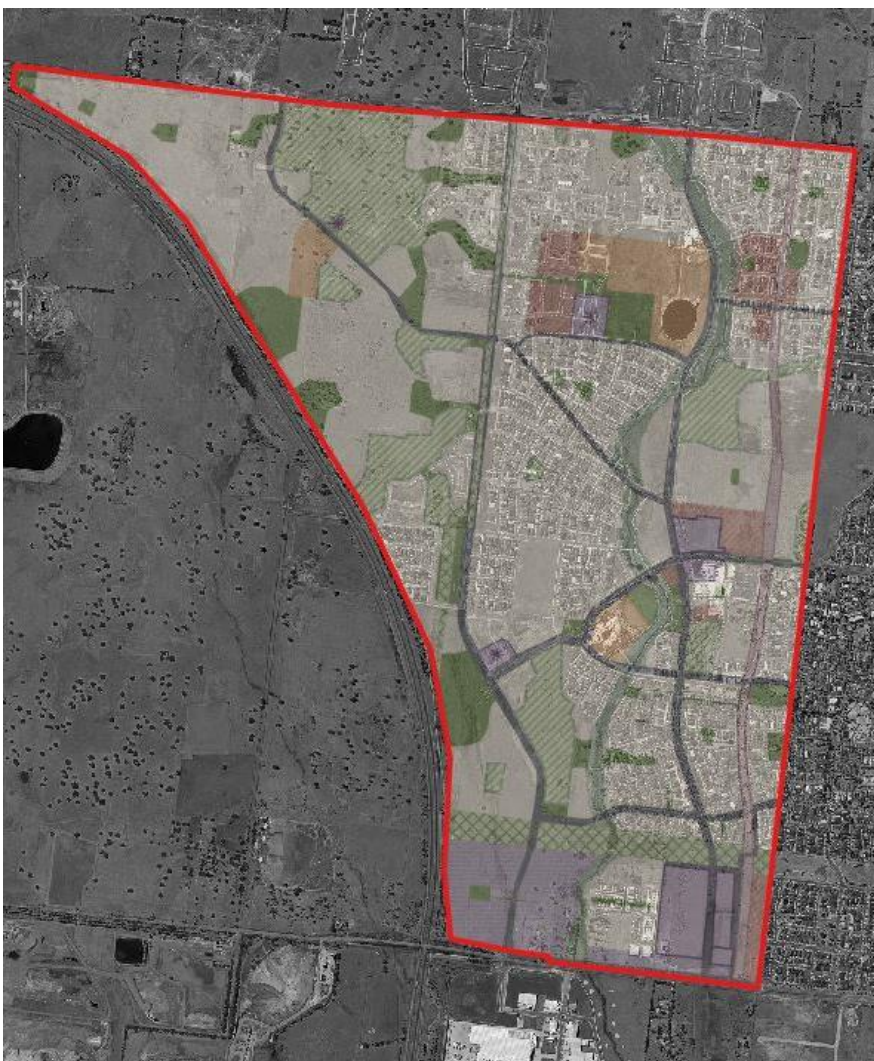
NORTHERN CORRIDOR MELBOURNE PSP MAP



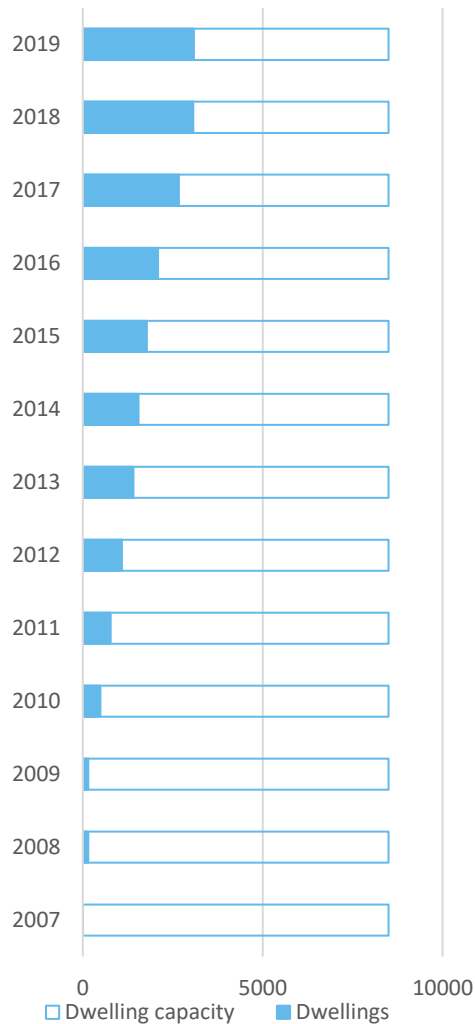


Summary - This PSP was developed by Places Victoria with development commencing slowly due to what appears to be market positioning but has started to improve. The town centre, a new primary and secondary schools have also been delivered with an additional primary school in the pipeline. There is currently no commitment to deliver the identified rail extension.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2007



First road constructed 2008



First houses built 2009



First Park delivered 2010



Community Centre opens 2015



First Primary School opens - Harvest Home - 2017



Town centre opens 2017



Secondary College opens - Edgars Creek 2018



Public transport - currently served by 1 bus route, 7 bus stops, ave. 30 min frequency.

Epping North East PSP



4,000 DWELLINGS

4,900 Projected capacity:



11,500 RESIDENTS

14,200 Projected capacity

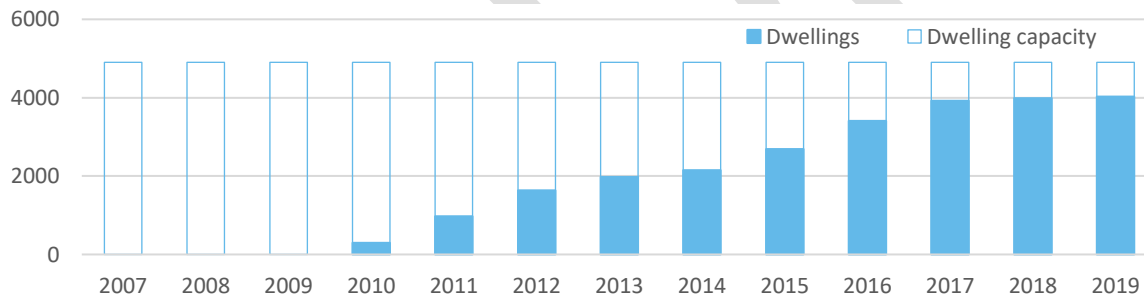


Summary - This PSP was led by Council and provides a primarily residential outcome with a local convenience centre having been established and the existing Lyndarum town centre also in close proximity (2km). Whilst the school has not yet been delivered, the nearest schools at Epping and Aurora are in relative proximity.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELLING DEVELOPMENT



PSP Approved 2008



First road constructed 2009



First houses built 2010



First parks built 2011



Kindergarten opens 2015



Local town centre opens 2016



Government Primary – Not Built Yet

Nearest School in Epping or Aurora less than 1km away.



Public transport – currently served by 2 bus routes, 5 bus stops, 30 min frequency.

Craigieburn (R2)



4,400 DWELLINGS

5,300 Projected capacity



12,600 RESIDENTS

15,300 Projected capacity

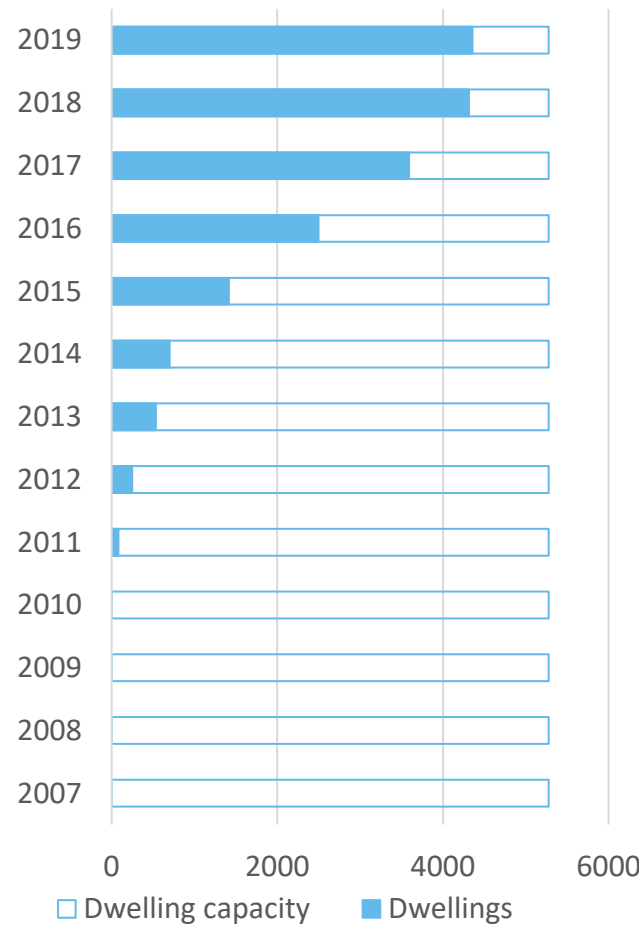



Summary – A council lead PSP which is an extension of the existing suburban area to the west of Craigieburn. Although there is a lack of services delivered within the PSP boundaries, several new schools have recently been opened to the immediate east and the Craigieburn Central major town centre is located nearby. A new secondary school is under construction in the south of the PSP.

FUTURE URBAN STRUCTURE




CUMULATIVE DWELLING DEVELOPMENT




- 


PSP approved in 2008

- 


First road construction 2011

- 


First houses built 2011

- 


First parks built 2013

- 


Oval & Sports fields open 2017

- 

School not yet build.
2 Government Primary Schools just outside of PSP.
Government Secondary Under Construction, to open 2020

- 

Town centre not yet built, nearest at Craigieburn Central.

- 

Public transport – currently served by 1 bus route, 2 bus stops, 40 min frequency.

Greenvale North (R1) PSP



720 DWELLINGS

710 Projected capacity



2,100 RESIDENTS

2,050 Projected capacity

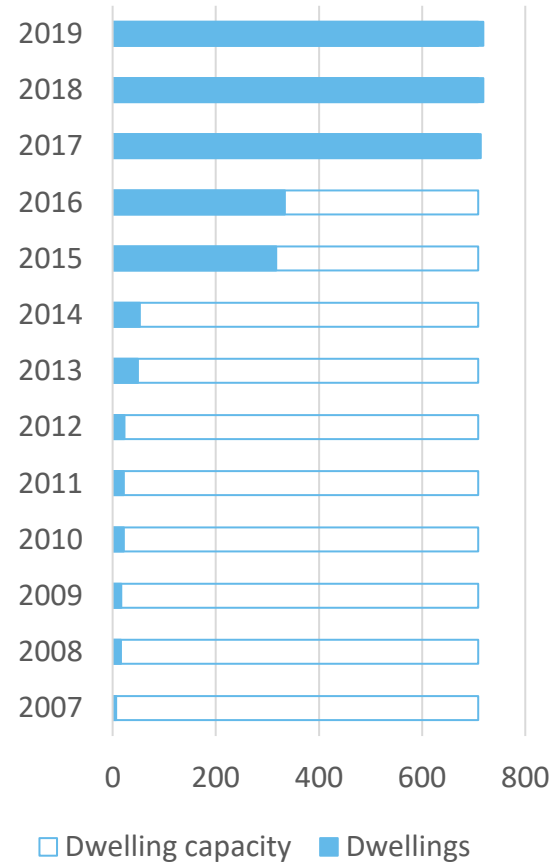



Summary - A small PSP led by Council providing a small residential population. There are limited facilities planned within the PSP although most facilities are in reasonably close proximity for a small population.


FUTURE URBAN STRUCTURE AND STATUS





CUMULATIVE DWELLING DEVELOPMENT





- 
PSP Approved 2011


- 
First road constructed 2013

- 
First houses built 2014

- 
First park opened 2014

- 
No Town Centre— nearest town centre 2km.

- 
Existing Catholic School in PSP.
Nearest Government Primary School 3 kms

- 
Public transport – Currently served by 1 bus route, 2 stops with an average frequency every 20 minutes.

Greenvale West (R3) PSP



1,000 DWELLINGS

1,300 Projected capacity



2,900 RESIDENTS

3,800 projected capacity

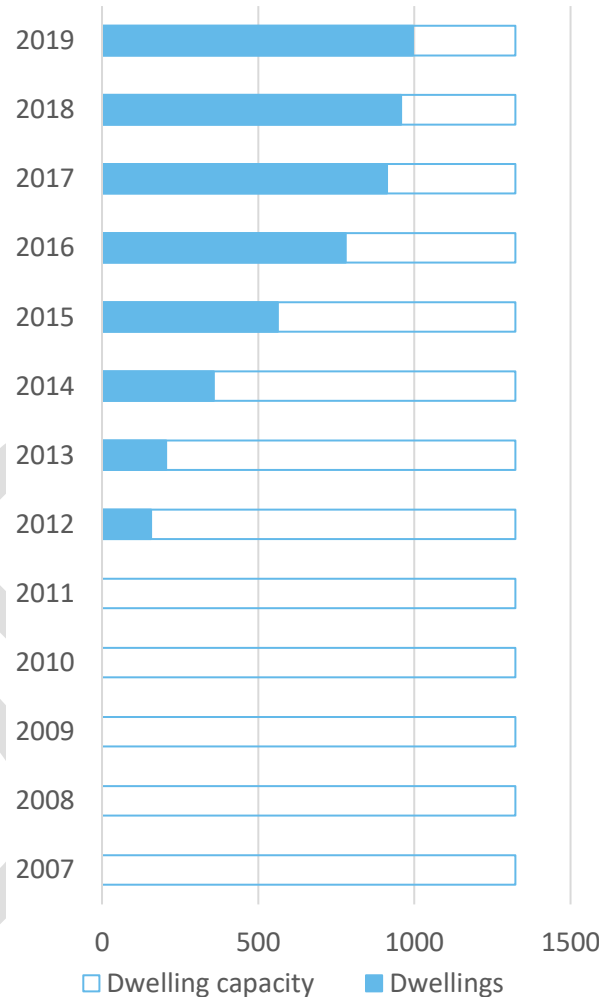


Summary - A small PSP led by Council delivering a primarily residential area to the west of Mickleham Road. A new government Primary is scheduled to be built and open in 2021.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELLING DEVELOPMENT



PSP Approved 2011



First road constructed 2011



First houses built 2012



First park opens 2012



No town centre planned – Nearest centre 0.8km.



Primary School – Planned to open 2021



Public transport – Currently 1 bus routes, 2 bus stops, frequency 40 Mins.

Lockerbie PSP



1,500 DWELLINGS

10,200 Projected capacity



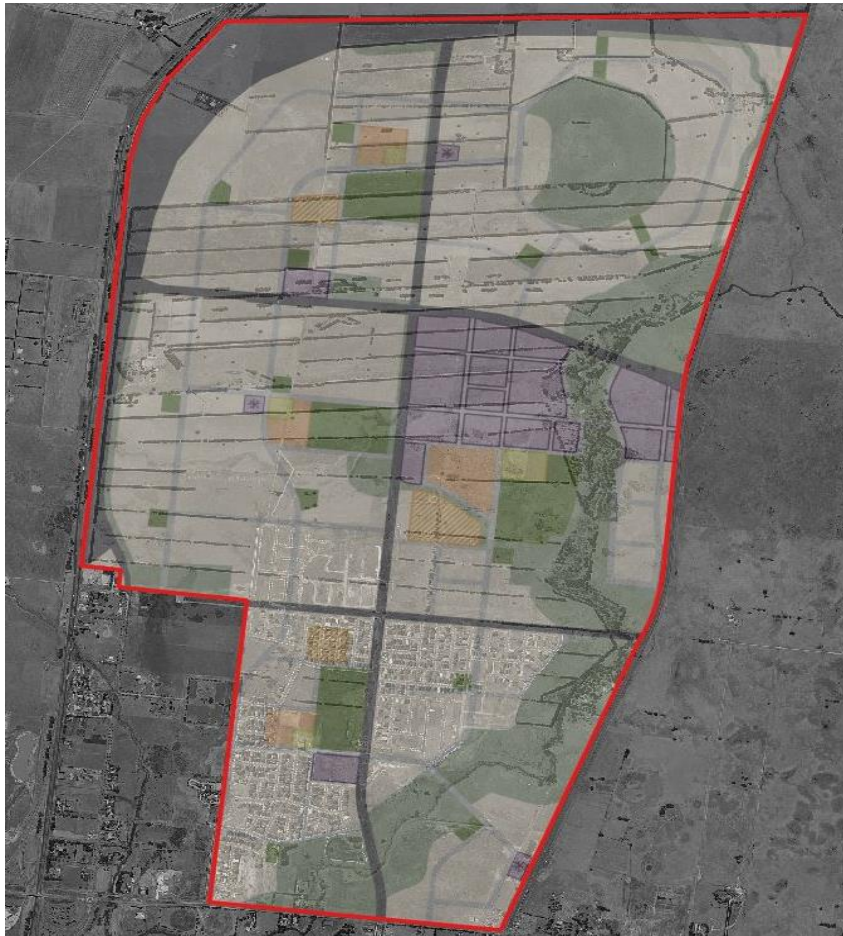
4,200 RESIDENTS

29,500 Projected capacity: 3

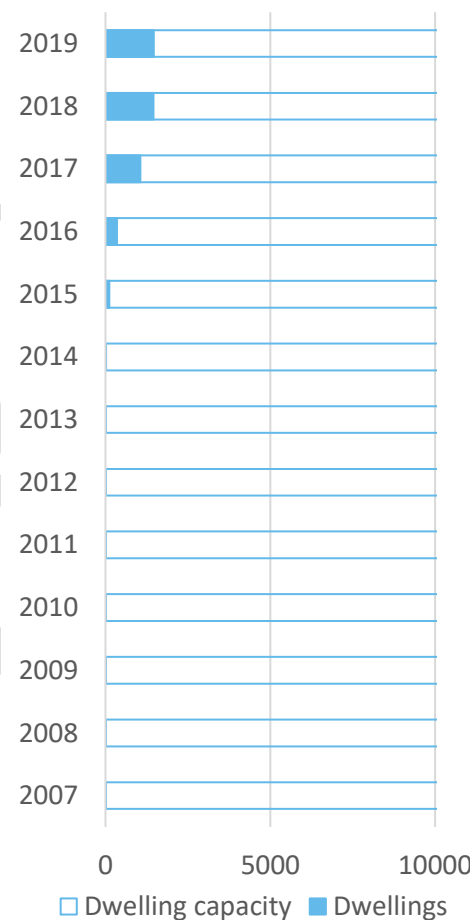










Summary - The Lockerbie PSP has been approved for some time but is situated well north of the existing urban footprint and has been slow to development. There are now several residential estates starting to develop, but many facilities remain some distance away. A major town centre for the Northern Corridor is identified within the PSP area but not yet delivered and there is also an existing train station with a VLine service.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELLING DEVELOPMENT



-  **PSP approved in 2012**
-  **Road Construction 2015**
-  **First houses 2016**
-  **First park delivered in 2018**
-  **Donnybrook Reserve located across Donnybrook Rd**
-  **Major town centre not yet delivered - nearest town centre – 8.5km**
-  **School not yet delivered. Nearest Primary school is 6.5km**
-  **Donnybrook Train station runs a Vline Service**

Merrifield West PSP



3,300 DWELLINGS

6,877 Projected capacity:



9,500 RESIDENTS

20,000 Projected capacity



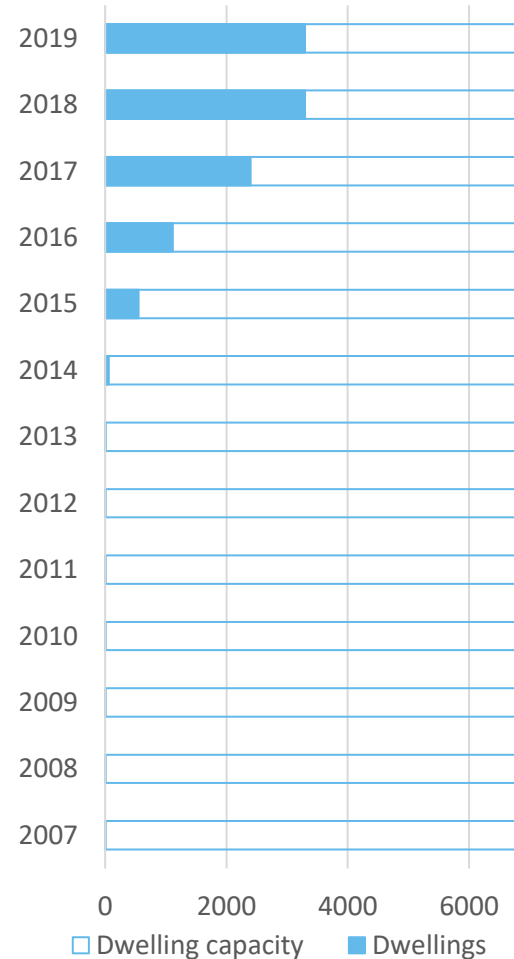
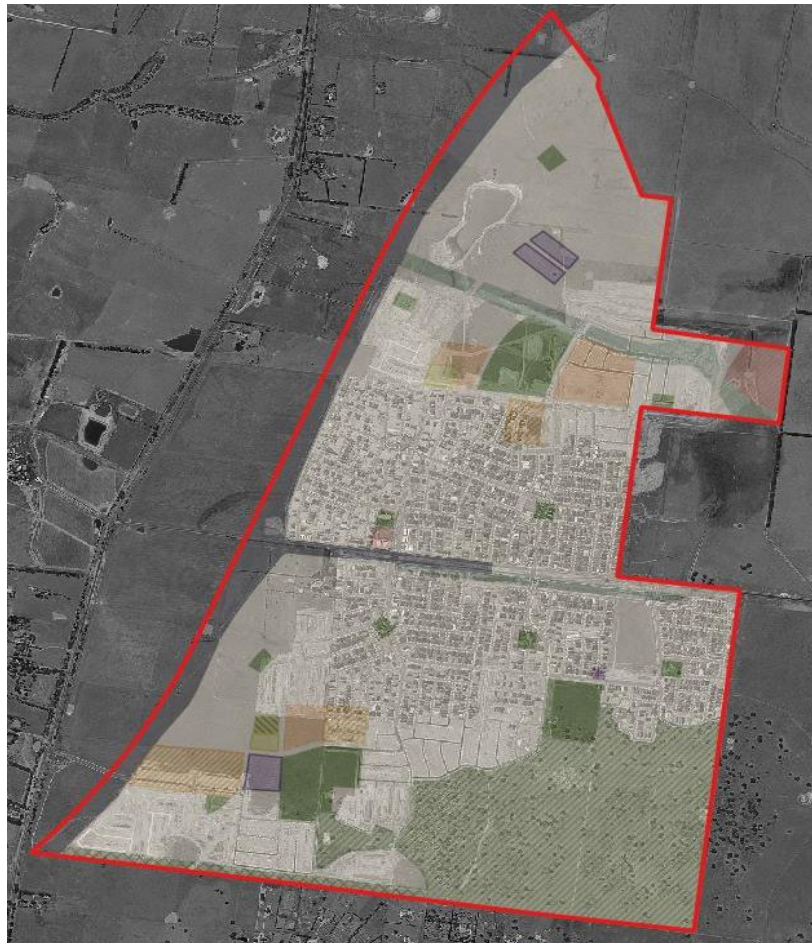
Summary - This PSP provides a primarily residential outcome and is currently isolated from the urban footprint. It currently contains limited services with the only retail outlet being a petrol filling station little in way of services, one of the few retail outlets is a service station. Craigieburn provides the most proximate shopping and education facilities but remains a considerable distance.



PSP approved in 2012

FUTURE URBAN STRUCTURE AND STATUS

CUMULATIVE DWELING DEVELOPMENT



Road Construction 2013



First houses 2014



First Parks - 2015



Town Centre – not yet built.

BP Service station



No school planned



Public transport – Currently no public transport.

Western Corridor Melbourne





WESTERN CORRIDOR MELBOURNE PSP

There have been 16 PSPs approved and under development in the western corridor of Melbourne Local Government Areas of Melton City Council and Wyndham City since the beginning of the PSP program with the first approved in 2008.

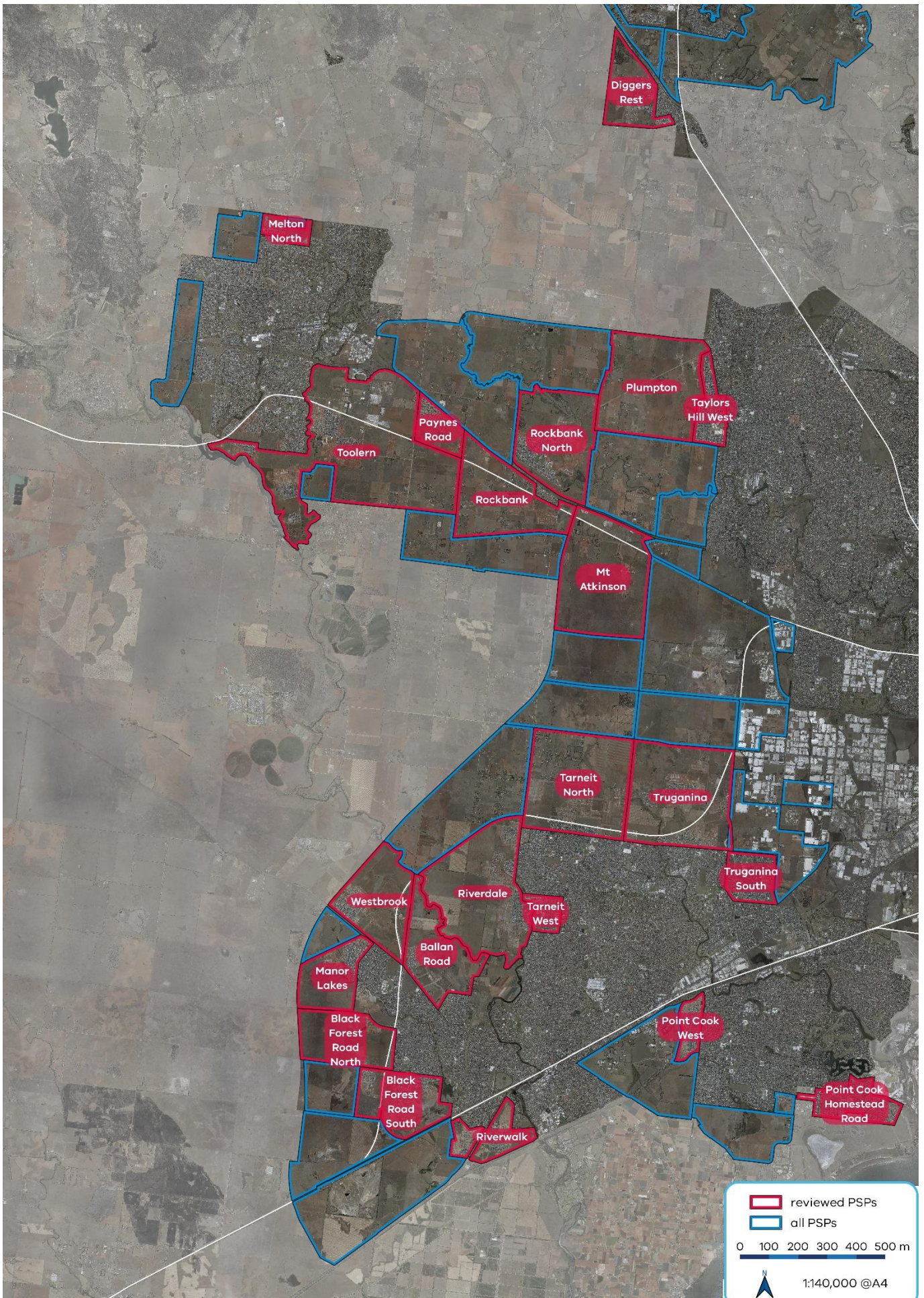
The western corridor has been one of the fastest growing corridors in Melbourne, accommodating up to 52% of all greenfield growth across Melbourne or up to 12,000 dwellings per annum.

Whilst many of the PSPs are adjacent to established areas, particularly surrounding Werribee, other PSPs are planned in the urban corridor break between the Melton township and Caroline Springs.

Melbourne's western corridor PSP infrastructure summary

What we plan	What was delivered
 <h3>Schools</h3> <p>1 school per 3,000 dwellings</p>	<p>Schools built: There are 8 PSPs where a school was existing or delivered. On average, 1,700 dwellings were built within the PSP prior to the school being opened.</p> <p>1.2km was the average distance residents had to travel to the nearest school outside the PSP prior to the school within the PSP being built.</p> <p>On average, there are 1,500 dwellings in PSPs that do not currently provide a school, but alternative facilities are located within 1.2km.</p>
 <h3>Town Centres</h3> <p>1 town centre per 2,600 – 3,300 dwellings</p>	<p>Town centres built: Two PSPs have delivered a town centre in Tarneit West and Truganina South, which occurred when there were approximately 1,000 and 2,600 dwellings within the PSP.</p> <p>There are a further 12 PSPs where a town centre is planned but not yet delivered. On average, 1,600 dwellings are occupied within these PSPs with the average distance residents are required to travel to the nearest town centre being 1.8km.</p>

WESTERN CORRIDOR MELBOURNE PSP MAP



Diggers Rest PSP



1,180 DWELLINGS

4,272 Projected capacity:



3,400 RESIDENTS

11,700 Projected capacity:

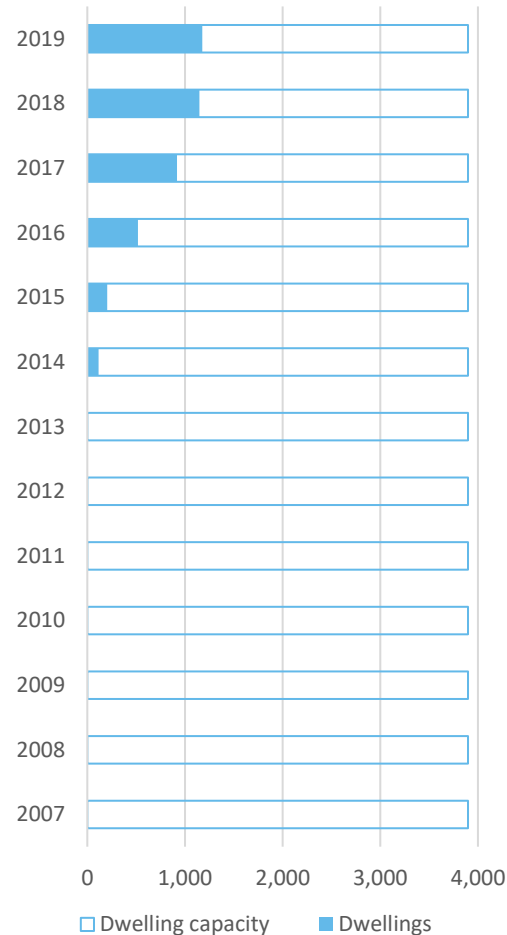


Summary - Previously Diggers Rest was a small peri-urban town near Sunbury with a train station, primary school and sporting fields. The PSP extended the township to the west and considerable residential development has commenced including many new parks. A new medical facility has been build although limited other facilities have been established.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2012



First road constructed 2013



First houses built 2014



First Park delivered 2014



Medical Centre built 2017



Early Learning Centre built 2017



Town centre not yet built



Primary School already existed.

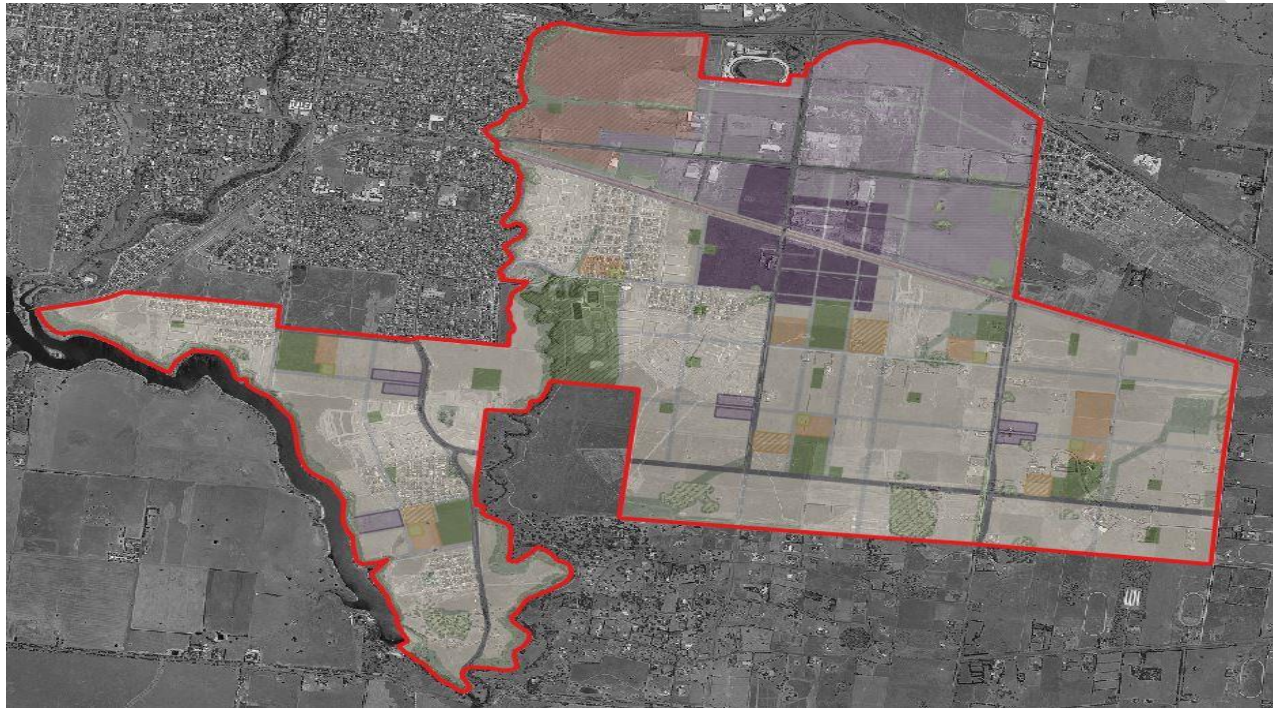


Train Station already existed



Summary – Toolern is a large PSP with the Toolern Creek separating the western portion which consists for several active estates along Exford Road as an effective extension of Melton South with limited infrastructure built. The eastern component was recently named Cobblebank and has seen early establishment of sporting fields and a major partnership to deliver the BASE Melton business incubator. Cobblebank is now connected to Melton via a new bridge on Bridge Road although the planned major town centre nor the railway station have been built.

FUTURE URBAN STRUCTURE AND STATUS



PSP approved in 2010



First road constructed 2011



First houses built 2012



First Park delivered 2013



Children & Community Centre built 2014



Western Business Accelerator and Centre of Excellence opens 2015



Town centre not yet built

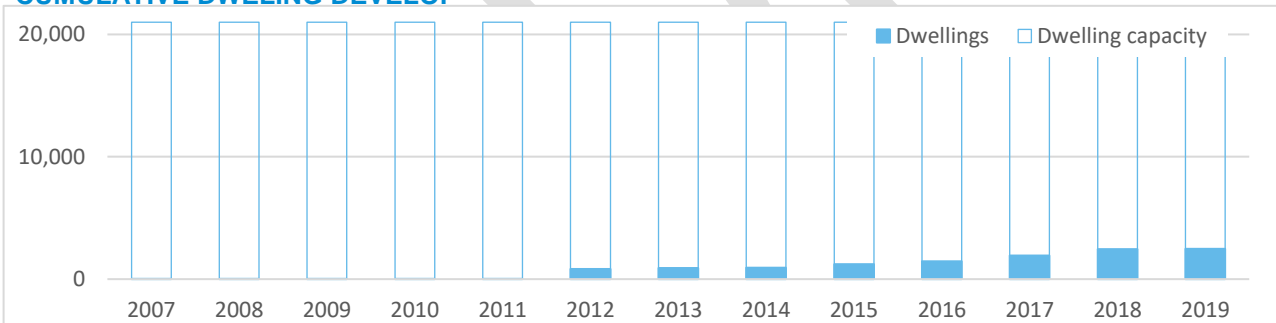


Primary School planned 2020



Train Station to be delivered with western rail upgrade

CUMULATIVE DWELING DEVELOP



Paynes Road PSP



800 DWELLINGS

2,376 Projected capacity:



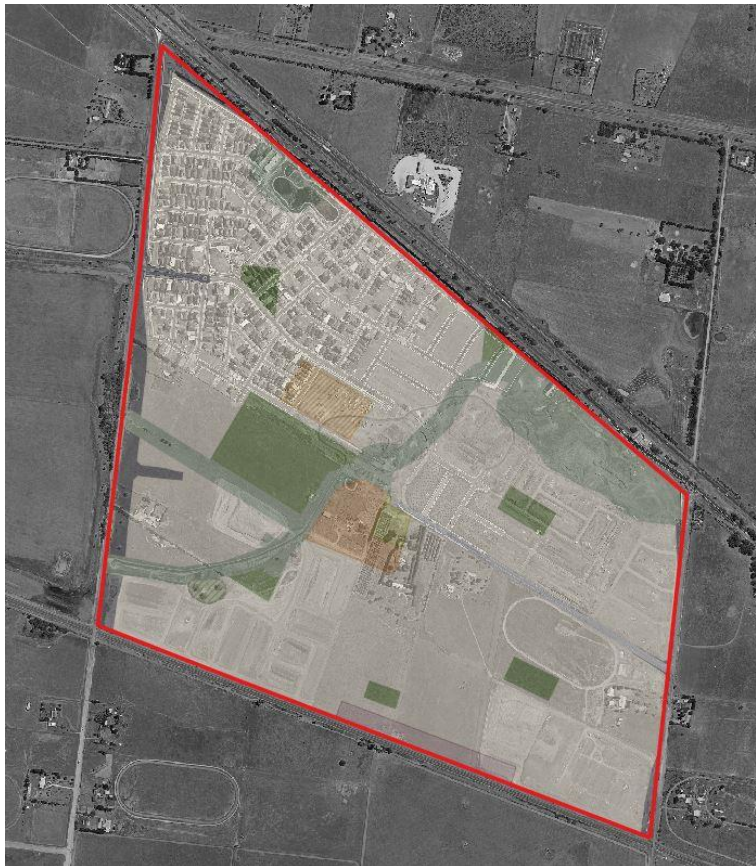
2,300 RESIDENTS

7,000 Projected capacity:

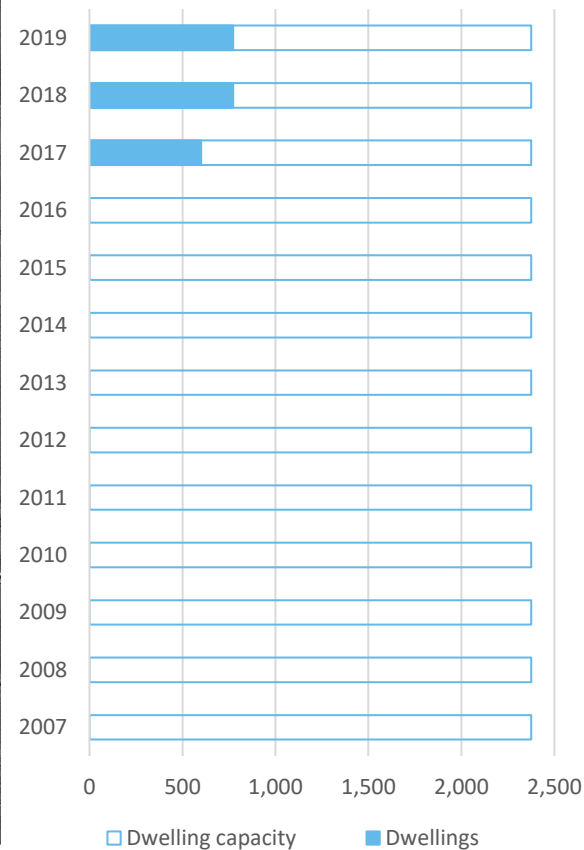


Summary – This small PSP was separated from the Toolern PSP due to some challenging planning issues. The PSP contains one large residential estates, Thornhill Par, and has not developed any significant infrastructure.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP Approved 2016



First road constructed 2016



First Houses built 2017



First Park delivered 2017



Primary School not yet built

Rockbank North PSP



2,000 DWELLINGS

7,282 Projected capacity:



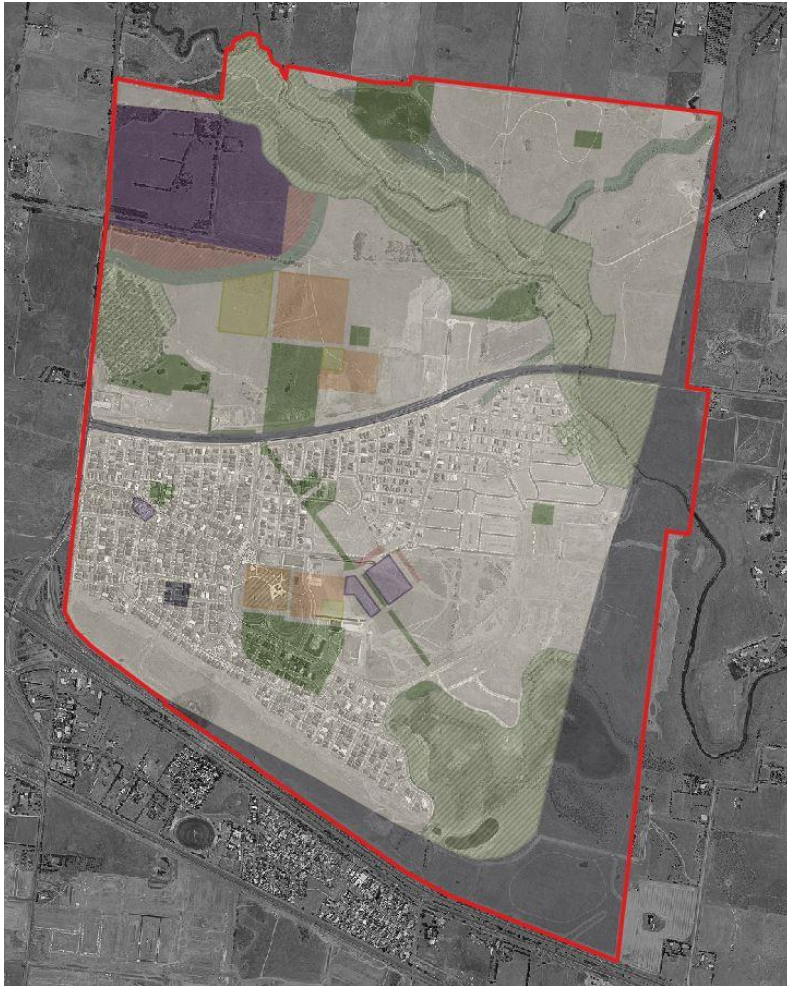
6,000 RESIDENTS

21,000 Projected capacity:

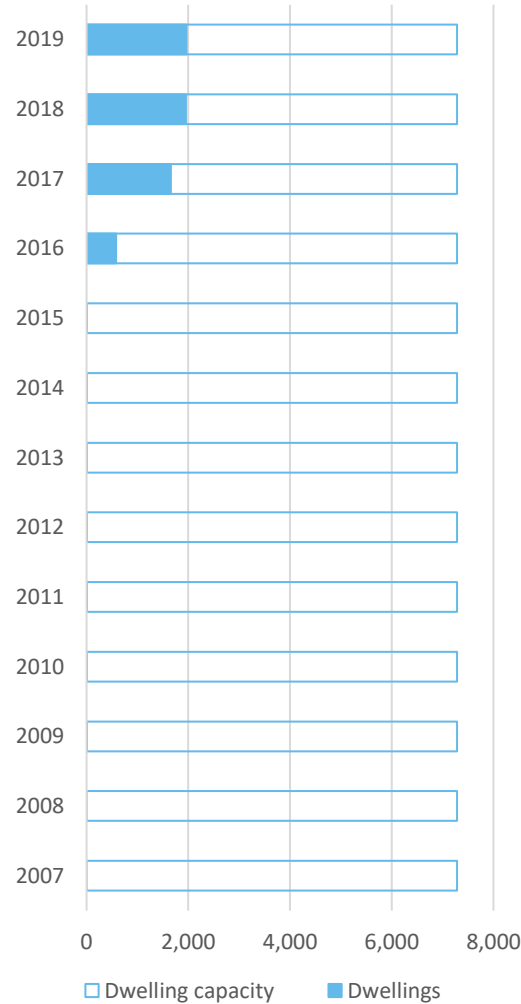


Summary - This PSP is located to the north of the existing Roackbank township and contains one of the more successful estates in Melbourne's west, Woodlea. The infrastructure currently in place is most parks and some sporting fields. A government primary and a campus of Bacchus Marsh Grammar are both under construction with the town centre yet to be built.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2012



First House 2014



Road Construction 2015



First Park delivered 2016



Ovals & Tennis Courts built 2017



Town centre not yet built



Government Primary School due in 2021



Bacchus Marsh Grammar campus open Feb 2019



Train Station already existed in Rockbank just south of PSP area.

Taylor's Hill West



2,540 DWELLINGS

2,400 Projected capacity:



7,700 RESIDENTS

7,200 Projected capacity:

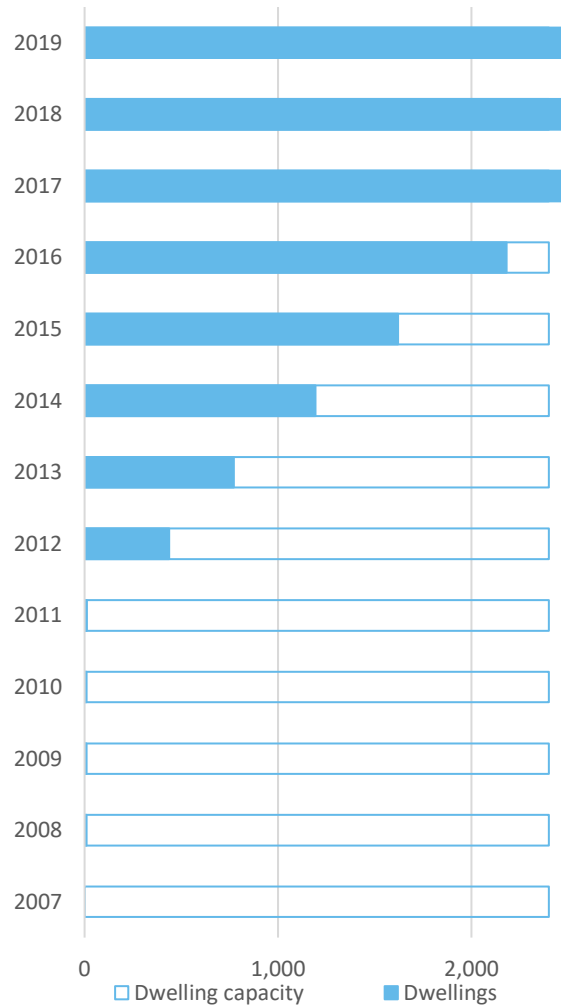


Summary - A small council lead PSP predominantly built out that is wedged between the Melton highway and Beattys Road. Given its proximity to other facilities and elongated shape of the PSP there is limited infrastructure planned for, with a new government Secondary School having been built in the southern section of the PSP.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2010



First road constructed 2011



First houses built 2012



First Park delivered 2012



Springrise West Secondary College 2018



Fraser Rise Children's And Community Hub 2020

Melton North PSP



1,000 DWELLINGS

1,300 Projected capacity:



2,900 RESIDENTS

3,800 Projected capacity:



Summary – A small council lead PSP that provides an extension of northern Melton. Limited facilities are planned with a small convenience centre planned which has not yet developed.

FUTURE URBAN STRUCTURE AND STATUS



PSP approved in 2010



First road constructed 2012

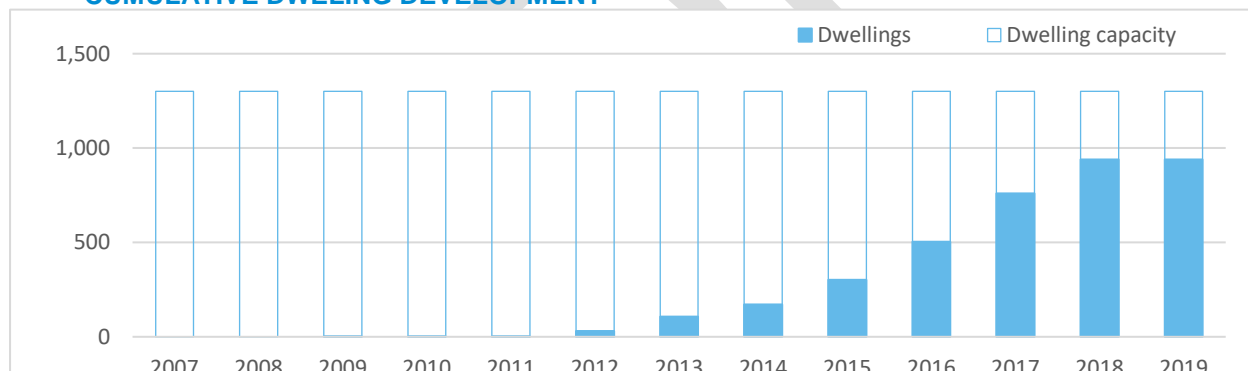


First houses built 2013



First Park delivered 2013

CUMULATIVE DWELING DEVELOPMENT



Truganina South PSP



2,500 DWELLINGS

2,472 Projected capacity:



7,500 RESIDENTS

7,400 Projected capacity:

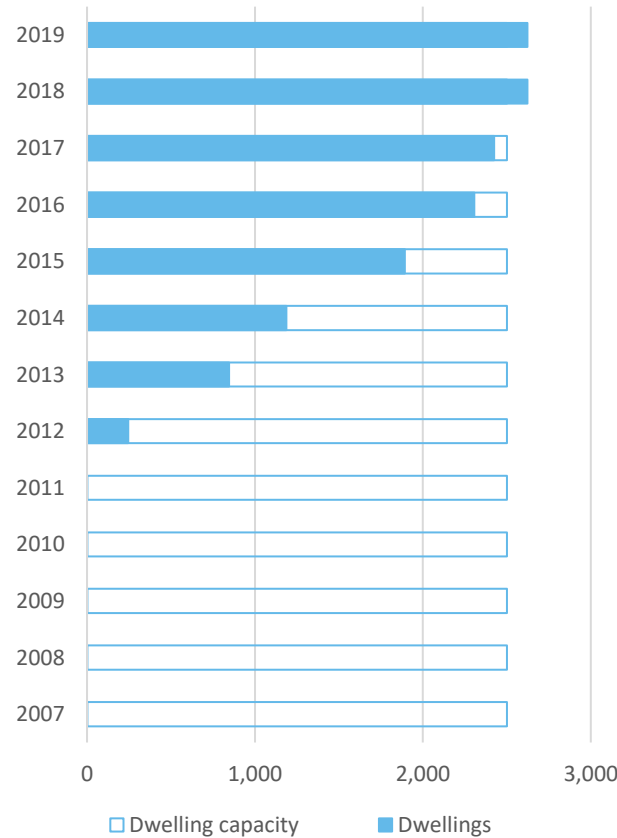


Summary - A PSP which is approaching completion with most of its planned infrastructure having been delivered including a P-9 School, sports fields and a significant level of open space. The commercial zones have not been developed.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



-  PSP approved in 2011

-  First road constructed 2011

-  First houses built 2012

-  First Park delivered 2013

-  Catholic Primary school opens 2015

-  Sports fields open 2017

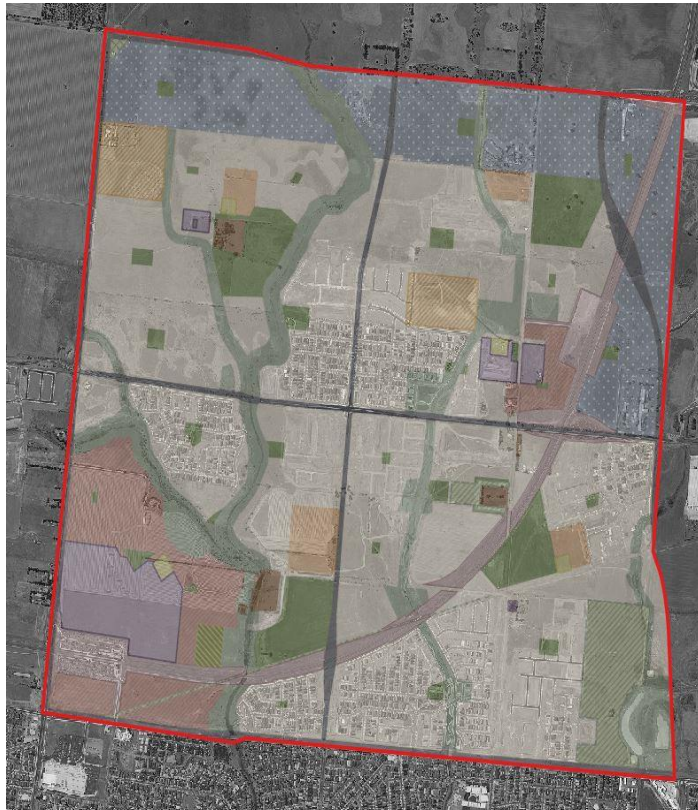
-  Retail shops open 2017

-  P-9 Government School opened 2018

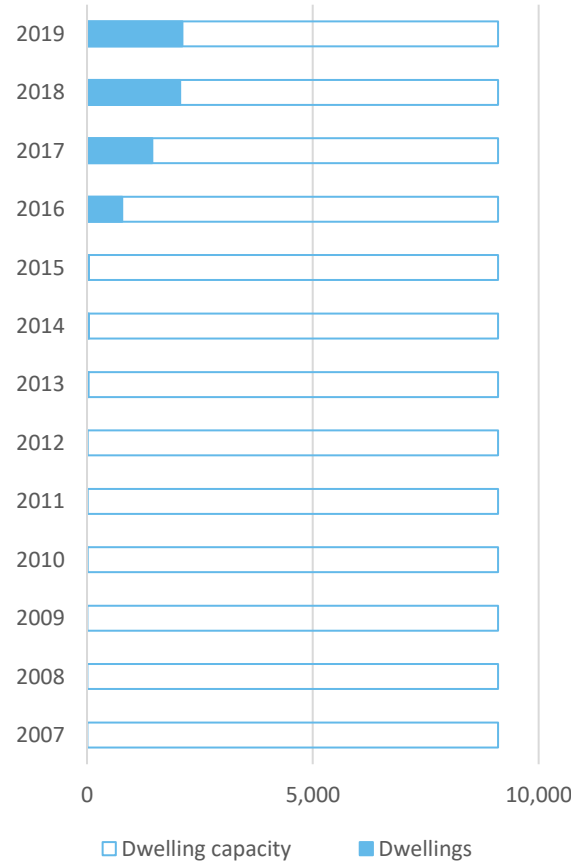


Summary - This PSP has observed strong residential growth across a number of disbursed estates given the location of the Tarneit train station on the Regional Rail Link within the PSP. Limited infrastructure has been established although the Tarneit Shopping Centre is located to the immediate south of the train station and PSP. The road infrastructure is also currently lacking for some estates with limited north- south connections.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2014



Train Station Opens as part of RRL 2015



Road Construction 2015



First House built 2016



First Park built 2016



No Schools built or scheduled to be built.



Town centre not yet built



Arterial roads yet to be built

Tarneit North PSP



1,100 DWELLINGS

10,200 Projected capacity:



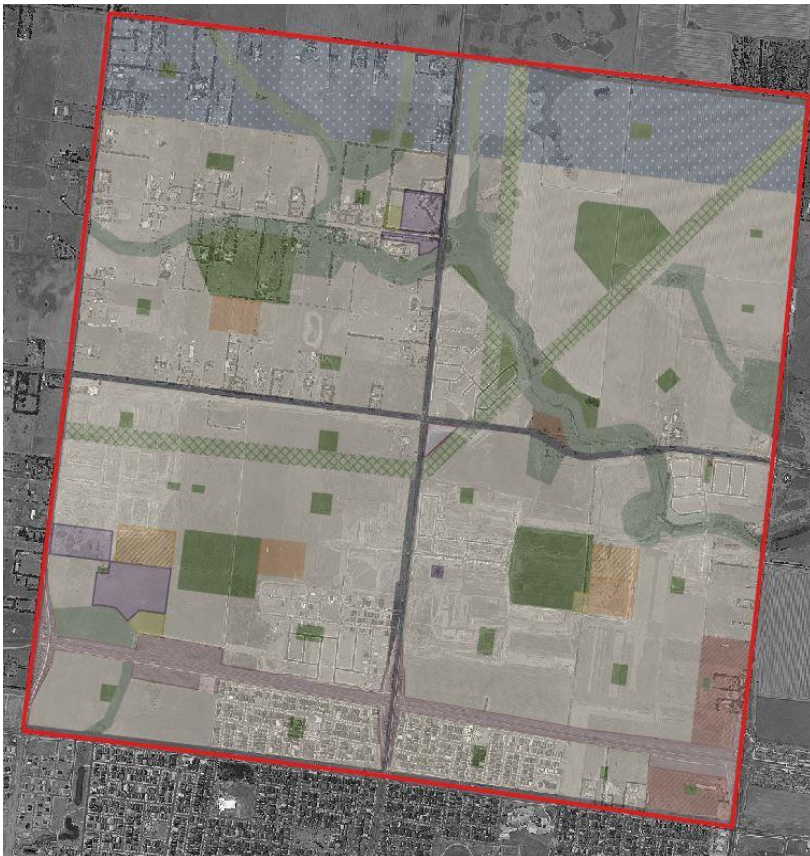
3,100 RESIDENTS

28,500 Projected capacity:

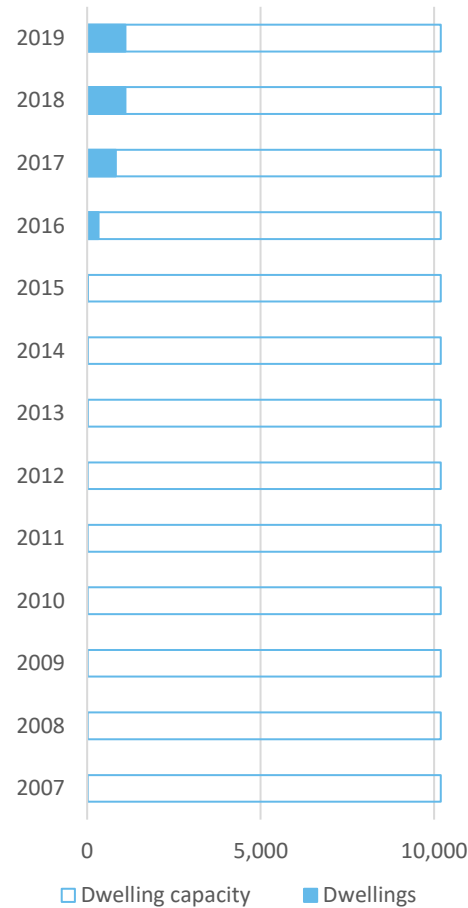


Summary - This PSP is in early stages of development with a number of non-contiguous estates. The PSP is traversed by the Regional Rail Link line and there is generally limited development of infrastructure, however estates to the south of the rail line have readily available access services in Tarneit (Schools and Shops etc.).

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2014



First road constructed 2015



First houses built 2016



First Park delivered 2016



Town centres not yet built



No Schools have been built.



Train Station for RRL located on eastern edge of PSP.

Tarneit West PSP



1,270 DWELLINGS

1,290 Projected capacity:



4,000 RESIDENTS

4,000 Projected capacity:

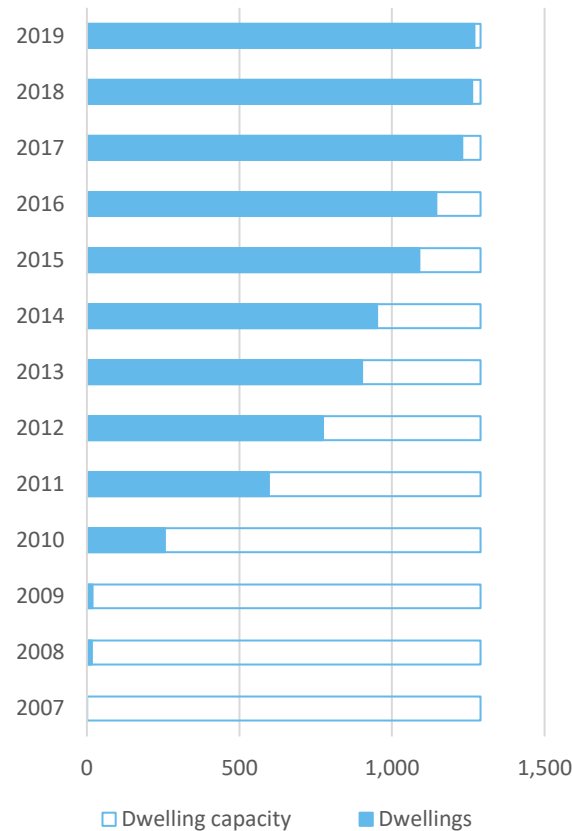


Summary - A small council lead PSP which is fully built out and provides a reasonable level of local and regional infrastructure such as sporting fields, small town centre and two independent schools.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



- Good News Lutheran College Opens 2006**

- PSP approved in 2008**

- Road constructed 2009**

- First houses built 2009**

- Islamic College of Melbourne Opens 2011**

- Sports Fields built 2012**

- Shopping Centre opened 2013**

Riverdale PSP



2,050 DWELLINGS

12,070 Projected capacity:



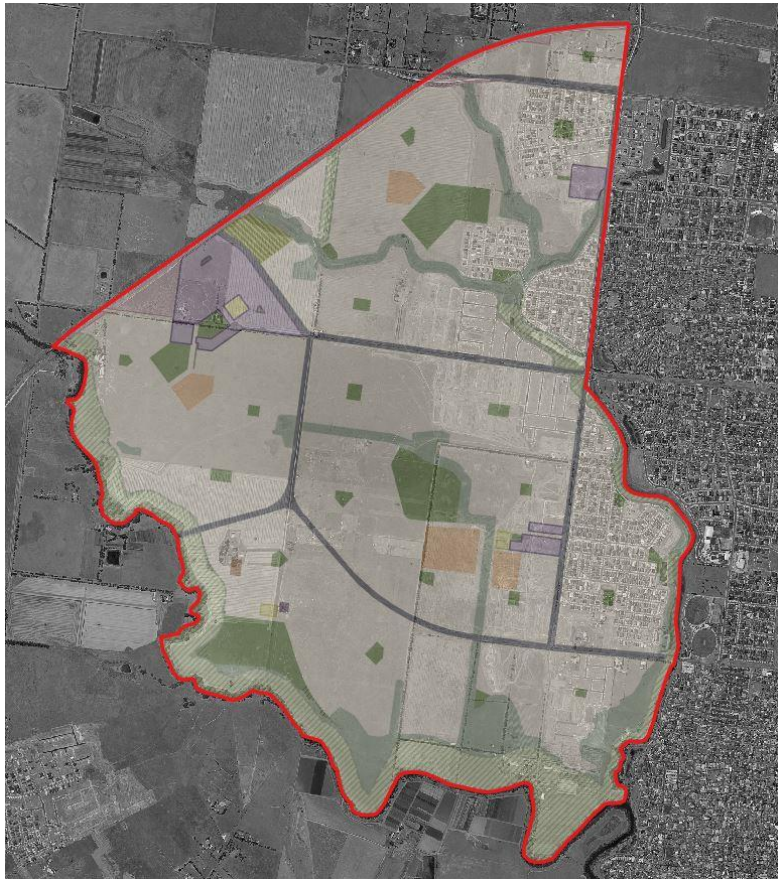
6,200 RESIDENTS

36,000 Projected capacity:

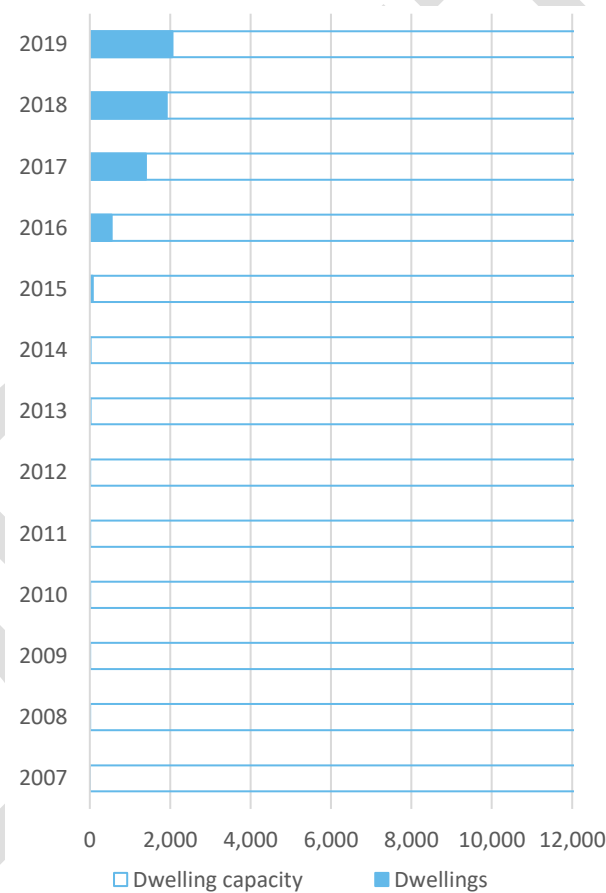



Summary - A very large PSP on the western edge of Tarneit that is starting to development residential estates from the eastern edge along Davis Road. The most significant infrastructure project delivered is the construction of the roundabout of Sayers and Davis Road which involved a bridge over the Davis Creek.


FUTURE URBAN STRUCTURE AND STATUS





CUMULATIVE DWELING DEVELOPMENT





- 
PSP approved in 2014


- 
First road constructed 2014


- 
First houses built 2014


- 
First Park delivered 2014

- 
Major Road Construction of Roundabout 2016.

- 
Early Learning Centre built 2017

- 
Town centre not yet built

- 
Primary School not yet built

- 
Train station on RRL not yet built

Manor Lakes PSP



1,100 DWELLINGS

4,700 Projected capacity:



3,400 RESIDENTS

14,000 Projected capacity:

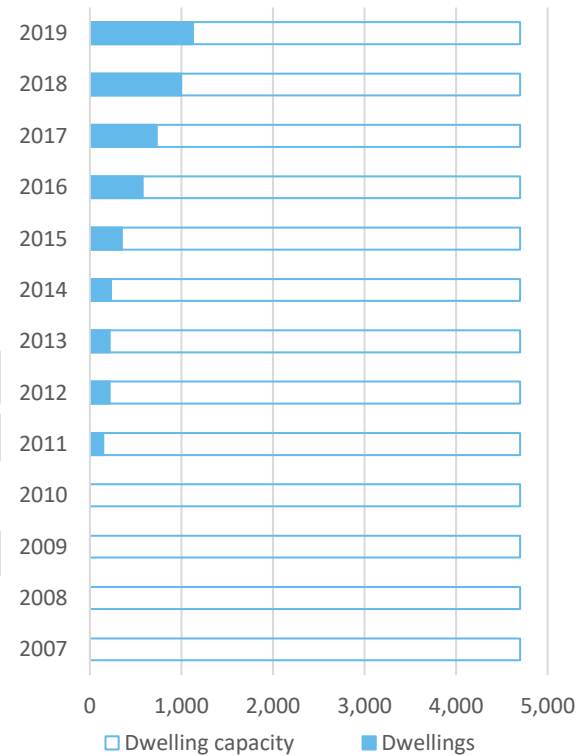


Summary - This PSP provides an extension to the existing Manor Lakes estate and therefore has readily accessible access to its existing infrastructure including a town centre and schools in addition to the Wyndham Vale train station on the Regional Rail Link. Ison road provides a north south arterial road built 18 months ago but does not fully connect to Ballan Road at this stage, thus not functioning as a useful route.

FUTURE URBAN STRUCTURE AND STATUS



CUMULATIVE DWELING DEVELOPMENT



PSP approved in 2012



First road constructed 2011



First houses built 2012



First Park delivered 2014



Major Arterial Road started 2018
Not Connected to Ballan Rd



Town centre not yet built

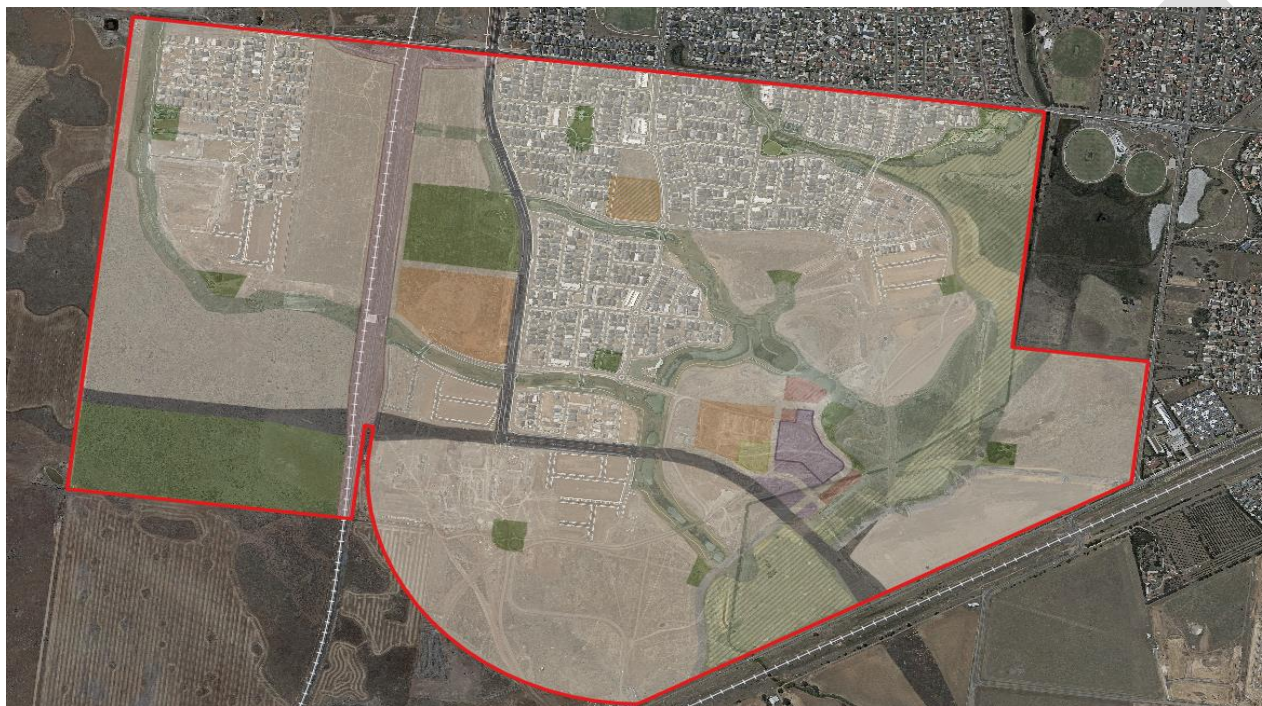


Primary School not yet built



Summary - This PSP has observed significant residential development with the vast majority of the PSP encompassing Lend Lease's master-planned Harpley estate. At this stage limited infrastructure has been delivered with the exception of part of the north-south arterial. Lollypop Creek upgrades and parks throughout the estate. The town centre and schools are located in the southern portion of the PSP with residential development approaching these sites.

FUTURE URBAN STRUCTURE AND STATUS



PSP approved in 2013



First road constructed 2014



First houses built 2015



First Park delivered 2015



Town centre not yet built

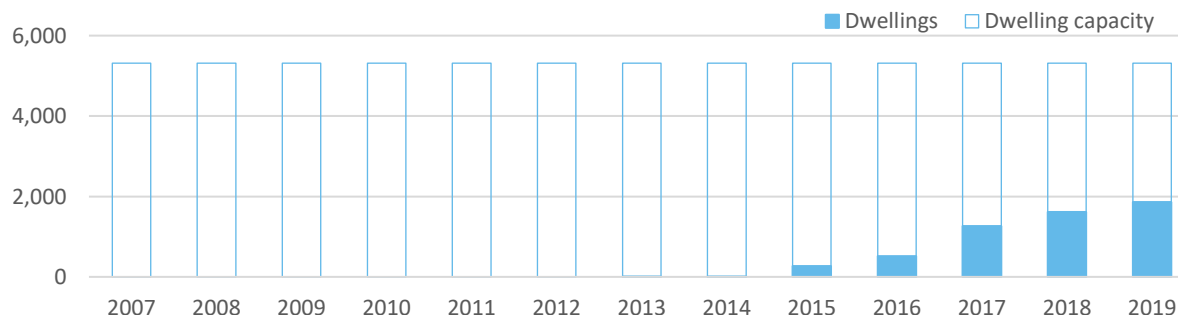


Primary School Not yet built



Train station on RRL not yet built

CUMULATIVE DWELING DEVELOPMENT



Riverwalk PSP



600 DWELLINGS

2,200 Projected capacity:



1,700 RESIDENTS

6,600 Projected capacity:

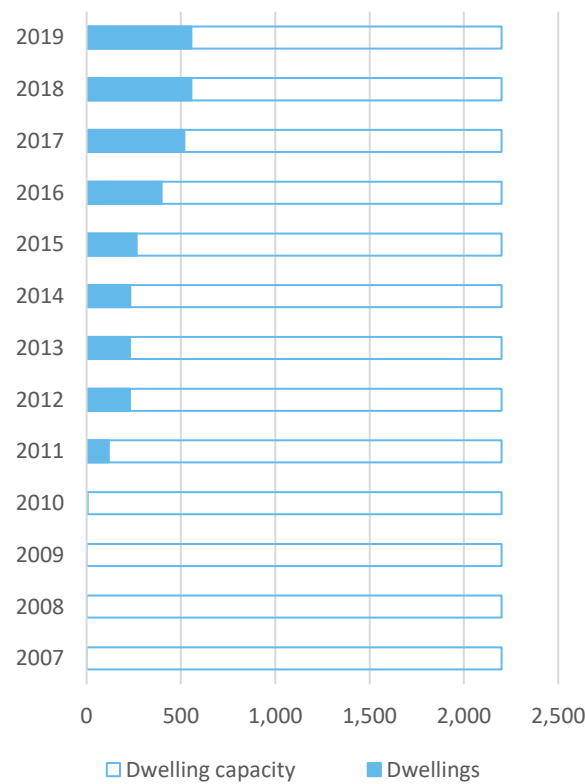



Summary – This PSP encompasses the Development Victoria estate ‘Riverwalk’, and has observed slow residential growth hence limited infrastructure has been delivered with a government primary school planned in the near future. The town centre is yet to be delivered.


FUTURE URBAN STRUCTURE AND STATUS





CUMULATIVE DWELING DEVELOPMENT





-  **PSP approved in 2009**

-  **First road constructed 2011**

-  **First houses built 2012**

-  **First Park delivered 2014**

-  **Town centre not yet built**

-  **Primary School is schedule to open 2020**

Point Cook West PSP



1,650 DWELLINGS

1,800 Projected capacity:



4,900 RESIDENTS

5,400 Projected capacity:

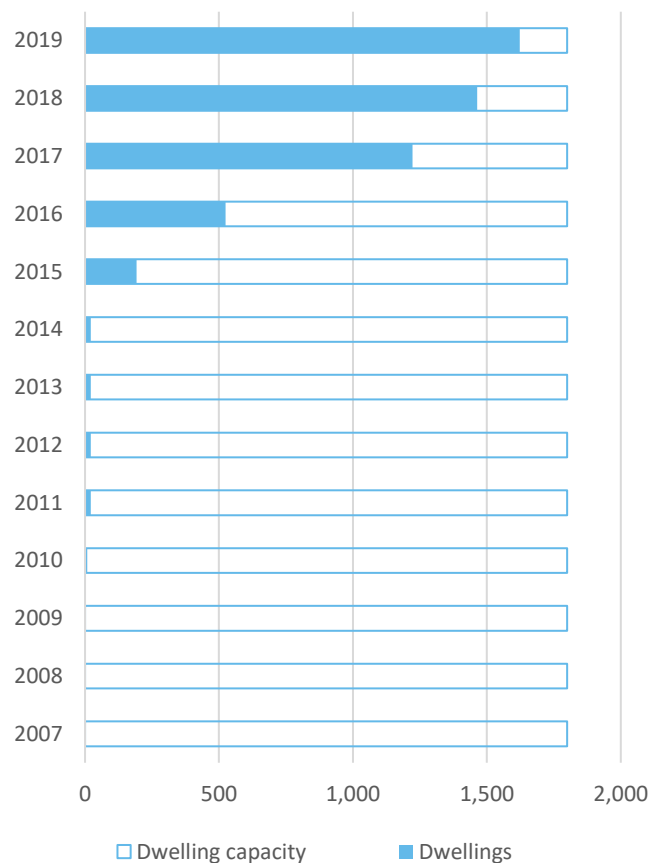



Summary - This PSP was split from East Werribee and sold to fund the new Sneydes Road interchange and is effectively a western extension to the suburb of Point Cook. There is limited infrastructure planned, with residents in close proximity to the Point Cook town centre. Small planned retail centres within the PSP have not been delivered.


FUTURE URBAN STRUCTURE AND STATUS





CUMULATIVE DWELING DEVELOPMENT





-  PSP approved in 2012

-  First road constructed 2015

-  Lake/Drainage basin built 2015

-  First houses built 2016

-  First Park delivered 2016

-  Local Retail outlets not yet built



Summary - This PSP (also known as Point Cook South PSP) was council lead and is nearing maturity and is located to the immediate south of the Sanctuary Lakes estate. There is a fair level of infrastructure provided for including a Catholic Primary, P-9 government school and sports fields. The planned local town centre is also under construction.

FUTURE URBAN STRUCTURE AND STATUS



PSP approved in 2008



First road constructed 2009



First houses built 2009



First Park delivered 2011



Sports fields 2011



Arterial Road built 2012

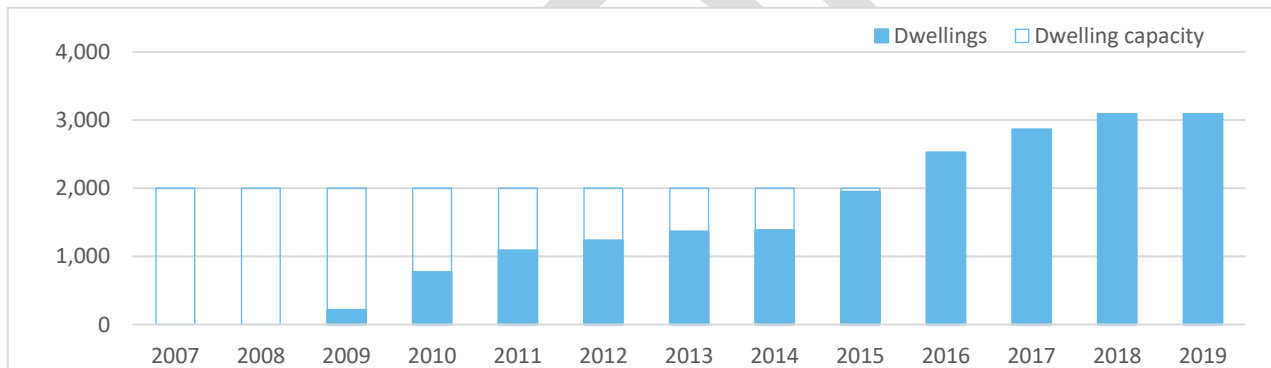


Catholic Primary School open 2014



Government P-9 School opened 2019

CUMULATIVE DWELING DEVELOPMENT



Infrastructure Contributions

Meeting with Infrastructure Contributions Advisory Committee (ICAC)

1 February 2021

Stuart Moseley

CEO



VICTORIA
State
Government

The VPA: How are we involved?

We are the **lead practitioner/deliverer** of statutory infrastructure plans

VPA undertakes land use and coordinated infrastructure planning for designated urban growth areas in Victorian cities and towns

DCP	<ul style="list-style-type: none">• prepared 25 greenfields, two infill and five regional DCPs• executed eighteen s173 agreements for Fishermans Bend DCP
ICP	<ul style="list-style-type: none">• advised during development of the new ICP regime (and subsequently recommended many changes seeking to improve the system)• solely responsible for its delivery - prepared nine ICPs, more underway• prepared benchmark costings guidance to simplify ICP preparation
GAIC	<ul style="list-style-type: none">• advised during the development of GAIC• advises SRO on GAIC collection and DELWP on funding allocation• prepared eight GAIC work-in-kind agreements (with five more under way)

What problem are we trying to fix?

The existing array of P&E Act charges (s173s, ICPs, DCPs, GAIC):

- **is not grounded in an overall model** for funding growth infrastructure
- **fails to resolve the fundamental policy tension** – how much does the project (ie homebuyer) pay and how much does the taxpayer/ratepayer pay?
- **is patchy and inconsistent** in application - no State charging system beyond outer Melbourne, ICP system is partially rolled out, policy intent unclear
- **is inequitable** - wide variability between charging regimes by location and development types and scant regard to intergenerational issues
- **is disconnected, complicated and administratively burdensome** – plans are complex, difficult/costly to develop and administer, and over-scrutinised
- **do not raising sufficient funds** for State infrastructure

Inequitable and Inconsistent

- Intergenerational
 - asking this generation of homebuyers to meet the full cost upfront of their share of infrastructure that lasts 50-70 years +
- Greenfields pay DCP/ICP, GAIC, DSS, EML
 - total is about \$40-60k per lot
 - plus development infrastructure costs (roads, services, drainage, landscaping, etc)
 - plus trunk connection costs (NBN, gas, etc.)
- Infill development may be required to pay levies
 - OS cost is usually 5-8% of land value (\$8-15k per dwelling?)
 - some areas subject to DCPs &/or S173s (but no State charge)
 - plus limited trunk connection costs
- Regions vary but usually modest or nil
 - DCPs are rare outside the big 3 regional cities
 - no GAIC and, while DCPs can recover State charges, they usually don't

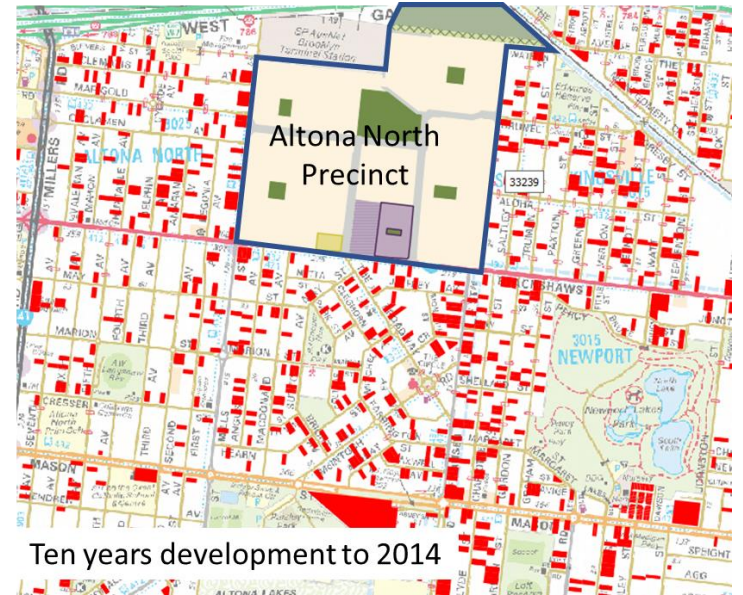


Inequitable and Inconsistent

More examples

DCP: Altona North Comprehensive Development Plan

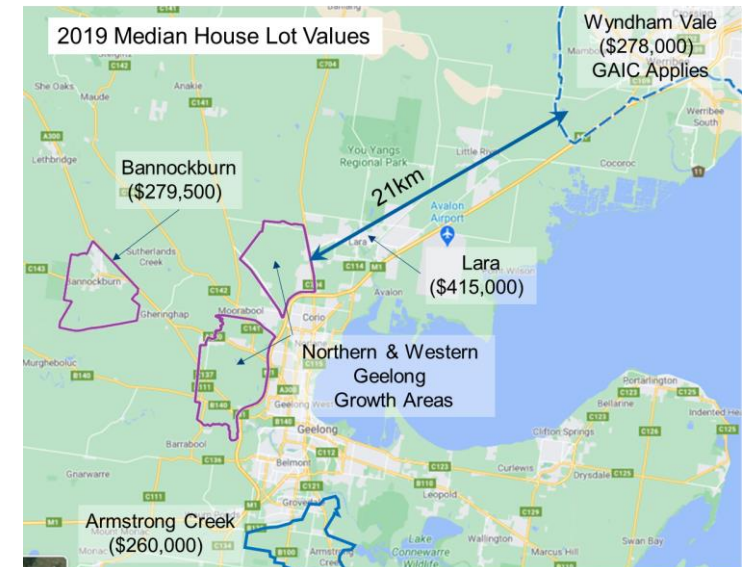
- DCP to raise \$54m
 - 3,000 dwellings @ ~\$14,500 per dwelling
- In the surrounding areas over 2,000 infill dwellings developed over the last ten years or so with little, if any, contribution (no DCP in place)



Ten years development to 2014

GAIC: Geelong

- Median lot prices¹ equivalent to Melbourne, growing faster than some Melbourne corridors
- Wyndham growth areas only 21 km away contribute through ICPs & GAIC
- GAIC is not payable in Geelong and DCPs (which are underfunded for local infrastructure) could fund State infrastructure (but don't)



Complicated and Administratively Burdensome

- Many different systems (not just P&E Act charges)
- Multiple and unlinked legislation/regulations/instruments
 - P&E Act (ICPs, DCP, GAIC, s173), Water Act, Melbourne Strategic Assessment (Environment Mitigation Levy) Act, EPBC Act
 - Ministerial Directions, DELWP, VPA, SRO internal & external guidelines, benchmark costings, council specific DCP/ICP management processes
- No central oversight of the totality of these charges
- Internal inconsistency in P&E Act charges
 - eg ICPs: transport infrastructure uncapped full cost, community capped contribution
- Obscure allocation processes for P&E Act charges
 - GAIC assessment panel (hypothecated spatially) vs budget process, council specific DCP/ICP prioritisation/allocation processes, no State oversight of S173s
- P&E Act charges are inordinately complex and costly to administer
- Patchy reporting requirements for P&E Act charges

Are we raising a fair share of funds?

Example: Manningham Road, Bulleen

- ~230 more dwellings permitted since 2012
- + childcare
- + older specialist medical centre & 14 units
- Contributions?
- s173 agreements?



What does success look like?

- based on a clear **model for funding growth infrastructure** – who should pay? for what? how much? from which source(s)?
- **P&E Act charges integrated with other charges/policies** – see the totality (eg rate capping and cost shifting diminish Councils' willingness to fund)
- reflecting a **partnership** between State and local government
- those paying have **certainty about what will be delivered and when**
- a **fairer, simpler and more equitable** contributory (not cost recovery) system that is **efficient to administer**
- a system that enables a greater capture of funds to deliver **State infrastructure**
- **timely and consistent rollout** of system with line-of-sight to original intent

How do we measure success?

A set of strong principles to guide development and test outcomes:

1. Equity
2. Affordability
3. Contributory
4. Effectiveness
5. Certainty
6. Efficiency
7. Transparency
8. Accountability

Efficiency: two charging models

Need to be clear on which we are using and why

- Need, nexus and apportionment
 - Work out what is needed, cost it (including whether to cap or not), then divide the cost among those who benefit
 - DCPs and ICPs work this way
 - costly and time-consuming to prepare and review
- Flat rate
 - fixed charge per unit (usually area)
 - GAIC works this way
 - can be more efficient to prepare - but requires a system for “overs and unders”
- **Is it time for a rethink in Victoria?**

Effectiveness: does one size fit all?



Stable



General urban infill



Strategic
Development Sites



Designated infill
growth areas



Greenfields

- Development type (planning status, current/proposed zones, etc)
- Scale and rate of development (integrated/piecemeal, fast/slow)
- Capacity to fund (competition, viability, cash flow, etc.)
- Measurement units (land area, dwellings, floorspace)
- Requirement for forward-funding to unlock growth (flooding, transport)

What are some broad options for P&E Act charges?

High-level only – important issues of detail to be worked through for each

- Option 1: Further reform of the current system
 - Improve, but not fundamentally change
- Option 2: Standard State Infrastructure Contribution
 - Retain ICP/DCP for local, new fixed State charge by development setting
- Option 3: Standard Local Infrastructure Contribution
 - Retain GAIC, fixed local charge by development setting in lieu of ICP/DCP
- Option 4: Standard State & Local Infrastructure Contribution
 - Fixed State & Local charges by development setting
- Option 5: Universal Local and State Infrastructure Levy
 - Fixed State & Local charge everywhere

Some thoughts on land ...

- Greenfields ICP public land process sound, but overly complex and inflexible
 - not workable in some development settings e.g. urban renewal where land needs are localised to a few (expensive) parcels or requires expensive part acquisition of a going concern
- Maybe a simple payment as a % of land value
 - based on % public land take from land use plan
 - based on parcel-specific (with permit) valuation at permit time
 - with land identified in land use plan to be provided in lieu
 - but allowing some flexibility for opportunistic purchase for equivalent outcomes?
- There is no clear solution – other than public funding - for the high acquisition costs in advance of development, especially in infill areas

And finally: execution is all ...

- The experience with the ICP system (and the changes to the public land approach) emphasise that implementation must be a key priority
 - Strong leadership
 - Engagement
 - Resources (funds and skills)
 - Time-bound
 - Role clarity
 - Continuity and consistency
 - Line-of-sight to intent
- “Bare bones” in legislation, supported by Ministerial Direction or regulation
- Supported by suite of supporting measures to inform and streamline delivery
- Include clear and effective transitional provisions
- Option: an initial round of ‘no regrets’ administrative reforms to support COVID recovery while pursuing the opportunity for stronger reform after COVID recovery

Thank you

Which options make sense?

1. A standard State infrastructure levy?

A standard State infrastructure levy:

- levied at development would eliminate complex GAIC recording
- would be more certain, simple and transparent
- tailored by development setting is more equitable
 - may need to consider capitalisation of rent in dense redevelopment areas where floor space, rather than land/buildings, is needed?
- but may lead to over/under charging based on real infrastructure needs in different areas
- a transparent allocation process is needed to improve acceptability
- would provide extra funding for State infrastructure

Which options make sense?

2. Some form of standard Local infrastructure levy?

A standard Local infrastructure levy:

- would be more certain, simple and transparent
- tailored by development setting is more equitable
 - may need to allow capitalisation of rent in dense redevelopment areas where floor space, rather than land/buildings, is needed?
- may lead to over/under charging based on real infrastructure needs, especially given varying needs b/w greenfields or SDS precincts
- a clear allocation process is needed to improve acceptability
- would provide extra, more certain funding for Local infrastructure in incremental change areas

Further greenfields ICP reform

3. Provide a more simplified ICP?

- Infrastructure needs identified via PSP as currently occurs
 - with narrow list of allowable items strictly defined by Ministerial Direction
 - potentially including provision ratios where appropriate?
- A standard contribution by infrastructure item used to build levy
 - set by Ministerial Direction (e.g. p50 Benchmark Costs, ~10% less than current p90)
 - capped?
 - would encourage fit for purpose outcomes rather than “gold plate”
 - may still need to allow some very limited supplementary items?
- Panel reviews would only be about need, not allowability, design or cost
- Not workable in other settings due to variable infrastructure and costs?

Greenfields alternative?

Example:

Item	Category	Description	Cost Application	Quantity	Units		Rate (\$m)	Contribution (\$m)
2	Road	Secondary Arterial	Per 800m of road	2,234	800	m	\$3.5	\$9.77
5	Intersection	Primary/ Primary	Per intersection	-	1	Unit	\$6.85	-
6	Intersection	Primary/ Secondary	Per intersection	3	1	Unit	\$6.85	\$20.55
12	Intersection	Primary/ Secondary	Per intersection	1	1	Unit	\$4.9	\$4.90
23	Bridge	Pedestrian Bridge - 20m length	Per 20m of bridge	50	20	m	\$1.1	\$2.75
35	Major Culvert	Circular Pipes (RCP) 2100 dia. (4 side by side)	Per structure	2	1	Unit	\$0.8	\$1.60
37	Community Facilities	Level 1 Facility	Per facility	1	1	Unit	\$7.2	\$7.20
43	Sports and Recreation Facilities	Sports and recreation facility 8 to 10 hectare site	Per Reserve	1	1	Unit	\$9.5	\$9.50
TOTAL								\$56.27

Other suggested considerations

- *Housing affordability*: managing the relationship with other charges on development and the cumulative impact on housing affordability
- *Contribution not cost recovery*: ensuring that levies are targeted at providing a reasonable contribution to essential infrastructure, rather than full cost recovery
- *Intergenerational equity*: how to allocate costs up-front vs. over time
- *More transparent and strategic GAIC application*: potentially through allocation being tied to pipelines of needed infrastructure (for instance as outlined in the VPA's State Infrastructure Demand Assessments)

DRAFT 1

A BETTER AND FAIRER DEVELOPMENT CONTRIBUTIONS FRAMEWORK



CONTENTS

1 EXECUTIVE SUMMARY	2
2 RATIONALE AND PURPOSE OF PAPER	3
2.1 PURPOSE OF THIS PAPER	3
2.2 THE RATIONALE FOR CHANGE: WHAT PROBLEM ARE WE TRYING TO FIX?	3
2.3 WHAT DOES SUCCESS LOOK LIKE?	4
3 BACKGROUND.....	5
3.1 THE CASE FOR CHANGE	5
3.1.1 PROBLEMS WITH THE ICP AND DCP SYSTEM	5
3.1.2 PROBLEMS WITH GAIC	6
3.1.3 OTHER ISSUES.....	7
4 ESTABLISHING A NEW CONTRIBUTIONS REGIME	9
4.1 INTRODUCTION	9
4.2 PRINCIPLES	10
4.2.1 SETTINGS	10
4.2.2 FUNDED INFRASTRUCTURE.....	11
4.3 OPTIONS MENU	12
5 DISCUSSION	13
5.1 BENEFITS AND RISKS OF EACH OPTION	13
5.1.1 OPTION 1: FURTHER REFORM OF THE CURRENT SYSTEM (BUSINESS AS USUAL).....	13
5.1.2 OPTION 2: STANDARD STATE INFRASTRUCTURE CONTRIBUTION	13
5.1.3 OPTION 3: STANDARD LOCAL INFRASTRUCTURE CONTRIBUTION	14
5.1.4 OPTION 4 (PREFERRED): STANDARD LOCAL INFRASTRUCTURE CONTRIBUTION	15
5.1.5 option 5: UNIVERSAL STATE & LOCAL INFRASTRUCTURE LEVY	16
5.2 DESIGNING A STANDARD LOCAL INFRASTRUCTURE CONTRIBUTION SCHEME.....	16
5.2.1 ESTABLISHING THE RATE	16
5.2.2 APPLYING THE LEVY	17
5.2.3 COLLECTION	17
5.2.4 EXPENDITURE.....	18
5.2.5 MONITORING & REPORTING REGIME	18
5.2.6 LEGISLATIVE FRAMEWORK.....	19
5.3 POTENTIAL REVENUE	19
5.4 IMPLEMENTATION PROCESS	19
ATTACHMENT 1: CURRENT CHARGING REGIME	20
ATTACHMENT 2: CASE STUDY	24
ATTACHMENT 3: MANAGING DEVELOPMENT CONTRIBUTIONS (VAGO, 2020).....	25

1 EXECUTIVE SUMMARY

Infrastructure contributions are a key tool to align the funding for infrastructure with users who privately benefit from development. Despite investment in major projects, the infrastructure backlog is an issue attracting significant public debate and concern and is undermining public support for growth, density and renewal.

Despite best intentions the current contributions system, which includes Growth Area Infrastructure Contributions (GAIC) for state infrastructure and Development Contributions Plans (DCPs) and Infrastructure Contributions Plan (ICPs) administered by local government, continues to have problems due to it being inequitable, complicated, administratively burdensome and unable to raise sufficient funds.

A new system should address these problems as well as consider principles such as consistency, certainty, efficiency, transparency and viability.

This paper explores the following options to reform the infrastructure contributions system:

- Option 1: Further reform of the current system
- Option 2: State Infrastructure Contribution
- Option 3: Local Infrastructure Contribution
- **Option 4: State & Local Infrastructure Contribution**
- Option 5: Universal Local and State Infrastructure Levy.

The preferred option, Option 4, would introduce standard local infrastructure contributions and a standard State infrastructure levy for all development settings based on typical estimates of infrastructure needs, varying by development setting (i.e. greenfields growth area, urban infill). As part of this option existing DCP, ICP and GAIC arrangements would be replaced.

This would provide a system that is simple to administer and is predictable across development settings. Potential benefits would include enabling higher amounts to be captured for state infrastructure and stronger partnerships between state and local government.

This paper details how a State & Local Infrastructure Contribution could be developed and implemented, however further work is required to further understand the risks and benefits of all options and better understand implications of implementation.

2 RATIONALE AND PURPOSE OF PAPER

2.1 PURPOSE OF THIS PAPER

The purpose of this paper is to outline a menu of options for government to examine to reform the way Victoria raises funds for state and local infrastructure to meet the needs of our growing communities.

These options range from further reform of the current system to a complete transformation.

There is broad interest across government to examine possibilities for development contributions reform. There are a number of improvements and refinements to the current system underway including responses to the Victorian Auditor-General Office (VAGO) report *Managing Development Contributions* released in March 2020. – see **Attachment 3** for VAGO's recommendations.

This paper represents the views of the VPA as a key player working with Department of Land, Environment, Water and Planning (DELWP) and the Department of Treasury and Finance (DTF) in helping administer the Growth Areas Infrastructure Contribution (GAIC). The VPA also works closely with DELWP and local government to implement local contributions through Development Contributions Plans (DCPs) and Infrastructure Contributions Plan (ICPs).

2.2 THE RATIONALE FOR CHANGE: WHAT PROBLEM ARE WE TRYING TO FIX?

There is a strong Victorian government commitment to creating 'complete communities' with the appropriate mix of jobs, infrastructure and services. Infrastructure contributions are levied on developers to help fund this essential infrastructure for new communities. However, the current system is struggling.

There are three main problems with the current system.

Firstly, the disconnected system of local and state infrastructure levies is **inequitable**. There is a wide variation between charging regimes between municipalities and some where this is none at all. Developers in Melbourne's growth areas pay a charge for development, but many infill developers do not.

Some large apartment developers may pay contributions if a DCP or other agreement is in place, while others do not. Other than in greenfields it is rare for the state government to be able to raise funds for state infrastructure. Where charges are not levied, landowners reap the full benefit of Government infrastructure spend without having to contribute any funding.

Secondly, the current system of ICPs, DCPs and GAIC is **disconnected, complicated and administratively burdensome**. Improvements to the system are underway but they remain difficult to administer and complex, and often result in expensive drawn out disputes at Planning Panels Victoria (PPV). There are also ongoing concerns such as the rising cost of more frequent usage of supplementary levies.

There is almost no interaction between state and local contributions and little incentive or opportunity for a strategic or joined up approach. This robs communities of a coordinated approach that could lead to better local outcomes, greater cost efficiency and better use of often scarce land.

Thirdly, the system **doesn't raise sufficient funds** to keep pace with rapid population growth in Victoria, even factoring in the COVID driven drop in demand and population growth which is expected to correct by about 2023/24.

EXAMPLES

- development in Wyndham contributes to local infrastructure (through ICPs) and state infrastructure (through GAIC) yet development 30 km down the road in the high growth areas of northern Geelong do not. Drouin and Warragul are growing in a manner similar to growth suburbs within metropolitan Melbourne but do not have access to a GAIC like charge
- an urban renewal area in Altona North has a DCP in place for 3000 dwellings (raising \$50m for local infrastructure) but equivalent development in the surroundings streets attracts no levies at all, despite putting pressure on local and State infrastructure (see **Attachment 2** for details).

State infrastructure costs to support \$200+ billion in private investment in growth areas is expected to be around \$17-20 billion over 30-35 years. Given GAIC recovers around 15% of state infrastructure costs, the estimated GAIC income for that same time will be around \$3.5+ billion leaving a 'gap' of 85% for the state budget to cover over those 30-35 years.

The cost of augmenting infrastructure to match growth in established Melbourne and regional areas has not been accurately measured but will undoubtedly be substantial (e.g. the Big Build alone is \$57m so far) and largely unfunded.

Whilst overall State Government capital expenditure has increased significantly in recent budgets to meet this demand, there are still backlog and shortfall issues to be addressed. This is also in the context of COVID related response and recovery expenditure that has led to an unprecedented call on government funding and pressure on the Victorian budget.

***Note:** the paper does not address somewhat related issues, possibly also under consideration, such as the application of specific value uplift capture mechanisms to the planning system or the introduction of mandatory inclusionary zoning to provide for infrastructure such as community facilities or social housing. The justification and design of new requirements like these should be considered separately, however the combined scale of any new imposts will need to have regard to issues of development viability and ability to pay.*

2.3 WHAT DOES SUCCESS LOOK LIKE?

This paper explores a menu of options for development contributions to make them simpler, more consistent and more equitable while increasing available funds for the infrastructure required to support Victoria's growth.

A successful new system would have most (if not all) of these features:

1. A new overarching development contributions framework – as identified by the VAGO report
2. A fairer, simpler and more equitable system
3. An unprecedented state and local government partnership
4. A system that enables a greater capture of funds to assist with Victoria's infrastructure challenge.

A reformed development contributions framework would capture enough funds to help meet infrastructure needs in a way that is equitable, easy to administer and coordinated in the best interest of communities.

The COVID 19 pandemic has put State and council budgets under stress. There has also been a new spirit of cooperation and coordination between different tiers of government to meet the needs of this health and economic emergency.

There is an opportunity to seize this moment and pursue transformational changes to government structures and frameworks for the betterment of all Victorians. Reform of the development contributions framework has the opportunity to become one of those legacies. Funding infrastructure needs arising from the growth that will be critical to Victoria's long-term economic and social recovery will become urgent, as Victoria recovers from COVID 19.

The options presented vary from incremental to transformational but two of them would lead to a paradigm shift in the way state and local government plans for infrastructure. Given these are likely to be controversial they would require careful and meaningful stakeholder consultation.

For local government there would be a commitment to a new partnership approach to funding and coordinating better connected infrastructure for the benefits of their communities.

For industry, it will mean a fairer, simpler system providing greater certainty for investment.

For Victorians it will mean they can look to the future with confidence as the infrastructure their community needs is met in the coordinated way they deserve as the city and state grows.

3 BACKGROUND

Development contributions are payments, or in-kind works or facilities, that developers and landowners provide towards needed infrastructure. Councils and the state use several tools to collect development contributions. State legislation, primarily the *Planning & Environment Act 1987* (the Act), authorises all these tools.

For Council-owned infrastructure, this is achieved through the levying of a local charge through a mechanism known as a Development Contribution Plan (DCP) or more recently the new system of Infrastructure Contribution Plans (ICPs). This supports around 80-90% of local infrastructure required such as local roads, community centres and sports fields.

Voluntary agreements that councils and developers enter on a project-by-project basis under S173 of the Act can also be used for the provision of supporting infrastructure (where a DCP or ICP do not apply).

GAIC applies to designated growth areas and is a levy on development to help provide state infrastructure in the growth areas. GAIC contributes 10%-15% of state infrastructure costs in growth areas and has collected about \$695m (June 2020), of which all but \$399m has been committed to infrastructure items in the growth areas.

There is currently no state infrastructure charge on land developed in metropolitan or regional Victoria outside the metropolitan greenfield areas. While complicated, state infrastructure items can potentially be funded in these areas through DCPs as has been done in Arden/Macaulay and Fishermans Bend (or ICPs in future, although this system is not yet operational). Finalising a system that is easy to navigate and applies in established Melbourne is central to helping fund the infrastructure challenge that population growth brings.

New development, on its own or combined, usually requires new or improved infrastructure to support the development or to reduce its impacts.

In most areas, contributions from developers are able to be collected for local and/or State infrastructure. However, the current systems are complex, expensive, confusing, inequitable or inconsistently used. A recent performance audit by the Victorian Auditor General's Office highlighted range of issues (including non-use) related to a patchwork of inconsistently applied contributions tools.

3.1 THE CASE FOR CHANGE

Victoria has been growing strongly, and this is expected to resume post-COVID 19. In recent years this growth has spread from the traditional greenfields developments on the Melbourne fringe to central Melbourne, small-scale and dense infill development in the suburbs, peri-urban areas and both infill and greenfields areas in many regional cities and towns. This growth has created a need for new or improved infrastructure, ranging from roads to parks to schools, to support the growing communities.

3.1.1 PROBLEMS WITH THE ICP AND DCP SYSTEM

In some settings, developers must provide contributions or construct new infrastructure to support development or to ease development impacts. These include DCPs and ICPs (mostly for council infrastructure) and the GAIC in selected metropolitan greenfield growth areas. These are described in more detail in **Attachment 1**.

Because of the issues with DCPs, many Councils do not feel the income justifies the cost and restrictions, and hence in non-greenfield settings Councils often use opaque and unevenly applied "voluntary" s173 agreements instead.

Attachment 1 also shows the 'patchy' use of contributions tools. In some cases, this is a result of a "user pays" approach with the contributions governed by need and impact. In other cases, the variability is due to legislative intent (e.g. GAIC) or piecemeal application by the relevant Council or drainage authority.

The Victorian Auditor General's Office recently tabled a report on *Managing Development Contributions* (March 2020), a review of GAIC, DCPs, ICPs and Section 173 agreements. VAGO's primary conclusion was that Victoria's development contributions are not delivering the infrastructure needed by growing communities to support their quality of life.

For reference **Attachment 3** shows VAGO's recommendations -as well as the GAIC commitments and DCP revenue by LGA for 2016–17 and 2017–18 as reported by the Victorian Auditor General.

In 2015, Parliament amended the Act to establish the ICP program. A 2016 ministerial direction made the ICP program available to the seven growth area councils. The government intends for ICPs to operate in three development settings:

- **Metropolitan Greenfield Growth Areas** -land in metropolitan Melbourne that is defined as a growth area
- **Strategic Development Areas (SDA)**—areas in metropolitan Melbourne that are planned for significant land use change and/or growth
- **Regional Greenfield Growth (RGG)**—rural land outside of metropolitan Melbourne that is planned to be used and developed for urban purposes

The intended advantages of the ICP program over the DCP program were:

- standardised levies leading to greater certainty for all parties
- increased transparency
- reduced risk of infrastructure cost increases
- simpler processes to develop plans.

Note: *The VPA has in place interim or final ICPs for ten PSPs.*

However, it is reasonable to say these ideals have not yet been met and it has been a less than smooth transition – see the list of issues at **Table 1** below. For example, less than half of the ICPs are applying a standard levy only. As a result, the benefits of certainty and efficiency are lost, and it raises the question as to whether the current transport standard levy rate is appropriate.

One of the fundamental tensions in the system is local government's desire for better and more costly local infrastructure to be funded in full upfront by contributions (justified by concerns about cost shifting and rate capping), rather than a share of costs being borne by ratepayers over time. Under both the DCP and especially the ICP systems this has resulted in a push for uncapped full cost recovery for transport infrastructure by including supplementary levies in many ICPs. This is of concern to industry in PSP areas requiring expensive infrastructure, as the ICP rates will be high, translating to additional costs for homebuyers.

In some development settings, both ICP and DCP tools are well developed and generally consistently applied. However, in other settings they are applied inconsistently, leading to uncertainty and inequity between regions in Victoria and even within municipalities. In many cases, no infrastructure contributions are required at all. This latter case is especially challenging where many small-scale developments taken together create a real infrastructure need but make no contributions (see Altona North Case Study, **Attachment 2**).

3.1.2 PROBLEMS WITH GAIC

GAIC also has a range of issues that require examination, including issues around fairness, equity and revenue.

The original GAIC rates have only risen with indexation as intended and should logically still cover around 15% costs of state infrastructure as anticipated. The government could consider raising the GAIC rate per hectare to capture more of the windfall gains and assist in funding a larger share of state infrastructure.

However, some of the original landowner gains have already been extracted through sales to developers so a higher rate would in many cases not fall on those who gained and this still doesn't overcome the issue that only greenfield areas contribute to the cost of state infrastructure.

There could be an opportunity to extend the application of GAIC to high growth, high value regional and peri-urban areas like Geelong and Bacchus Marsh. These areas are both expected to experience strong growth. Despite requiring comparable levels of State infrastructure investment to Melbourne's Greenfields, these areas do not currently pay GAIC.

Further to this a developer must pay GAIC in Wyndham, a mere 30 minutes away from the new growth areas of Geelong where they pay none.

There are also many examples where there is little equity between development settings. For instance, why should a homebuyer in Melton be expected to pay 15% of the cost of providing State infrastructure, while if you drive a few minutes west to Bacchus Marsh you pay nothing for state infrastructure?

Preliminary analysis of economic impacts indicates that the land markets in these areas ought to be able to absorb significant charges without significant upward pressure on prices. This is due to the windfall gain these areas enjoy as planning is completed, with land prices moving in line with those in Melbourne.

3.1.3 OTHER ISSUES

Beyond the formal infrastructure charges, S173 agreements under the Act are often used to require the provision of infrastructure as a condition of development in areas where a DCP/ICP does not apply. S173 agreements are supposed to record voluntary agreements between a landowner and a Council or State agency.

However, permit conditions often require a developer to enter a S173 agreement to provide infrastructure as a condition of development. As such, they are often seen by developers as coercive given the costly delays to projects that arise from appealing requirements such as these to VCAT

The use of S173 agreements can be quite variable and arbitrary and is highly opaque with little accountability.

Key issues with the current systems are shown in Table 1.

Types	Issues
<p><u>Development Contributions Plans (DCPs)</u></p> <ul style="list-style-type: none"> • available since 1995 • can fund council and State infrastructure 	<ul style="list-style-type: none"> • DCPs are complex and expensive to introduce and administer • Patchy implementation because of the complexity and cost, especially where development is widely spread or gradual • DCPs have rarely been used to fund State infrastructure - only Fishermans Bend and Arden/Macaulay are current (not fully operational due to the highly complex infrastructure needs of these areas) • There are ongoing concerns that DCPs do not sufficiently fund infrastructure needs despite only being a contribution • Many older DCPs have not stood the “test of time”, and are underfunded due to indexing problems or changed infrastructure standards • Included infrastructure varies by development setting (e.g. drainage sometimes included in regional areas) • Apportionment has led to part-funding of infrastructure items from DCPs, but with no funding available for the balance • DCPs place significant delivery constraints on Councils in terms of infrastructure scope and timing
<p><u>Infrastructure Contributions Plans (ICPs)</u></p> <ul style="list-style-type: none"> • introduced in 2018 • to simplify contribution collections and public land acquisition • the system is still evolving 	<ul style="list-style-type: none"> • Despite attempts otherwise, ICPs have proven to be even more complex than DCPs, especially with the inflexibility introduced through the public land provisions • They currently only apply to metropolitan growth areas and are still under development for regions, while their use in Strategic Development Areas (SDA) is still being designed • They are not expected to be available in other distributed (infill) development settings • Despite ICPs only intended to contribute to infrastructure cost, councils are pushing for supplementary levies to fully fund expensive transport infrastructure, leading to high contribution rates • ICPs still face apportionment, delivery and timing constraints and under-funding concerns as for DCPs • It is not yet clear if/how ICPs will collect for State infrastructure in non-greenfield development settings • The transport levy is full cost recovery for key items
<p><u>Growth Areas Infrastructure Contribution (GAIC)</u></p> <ul style="list-style-type: none"> • Introduced in 2010 • a limited State levy applied by legislation • collected only in designated metropolitan growth areas 	<ul style="list-style-type: none"> • Low collection amounts (about 10-15%) when compared to State infrastructure needs • Collection is limited to declared metropolitan growth areas • Spending is limited to declared metropolitan growth areas and certain infrastructure types • Spending is constrained across two separate ‘buckets’. • Administration is complex and resource intensive (spread across three organisations and multiple Ministers) • GAIC operations could be better defined through regulation instead of legislation to provide greater flexibility and streamlined administration • GAIC is opaque, with little developer confidence it is being spent to the best effect (e.g. see VAGO recommendations in Attachment 3) • GAIC is not allocated in a strategic way.
<p><u>S173 Agreements</u></p> <ul style="list-style-type: none"> • Ad hoc “voluntary” infrastructure agreements • Can be used in non DCP/ICP situations 	<ul style="list-style-type: none"> • Widely variable use • Strongly opposed by developers when coerced via permit conditions • Opaque system – extent of use is not known • Appeals to VCAT delay projects and are expensive

Table 1: Issues with current contributions systems

4 ESTABLISHING A NEW CONTRIBUTIONS REGIME

4.1 INTRODUCTION

The starting point for reform should ideally not be limited to an administrative clean up, although that may also be essential. There are a range of categorisations of developer charges, for instance **Figure 1** below identifies four categories:

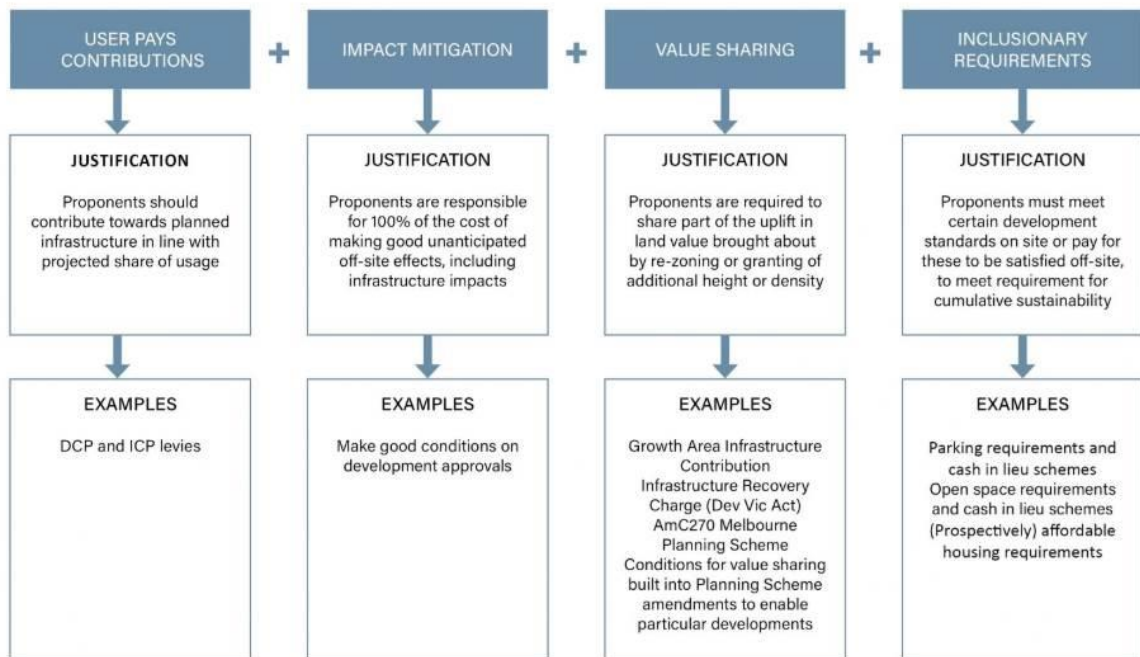


Figure 1: Categorisation of developer charges (source: Spiller¹, 2020)

As noted earlier, inclusionary requirements are relevant to the viability considerations in setting infrastructure contribution but are not considered further in this paper. Ideally, there should not be “unanticipated side effects” in planned development, however for general infill development, there may over time be consequences from the cumulative effects of development. Also as noted above, currently there is no structured approach to collecting contributions in these areas.

While GAIC could be considered a “value capture” charge arising from the rezoning of land to allow urban development, the level of the contribution was fixed for all development and not directly related to the value uplift. The purpose of the contribution is to collect funding to support State infrastructure provision.

Fundamentally there are two approaches that could be adopted for a new contribution’s regime, being:

- A “user-pays” contribution determined by the scope and cost of needed infrastructure as a result of development or to support development, either in detail (e.g. a DCP or drainage services scheme) or averaged (e.g. ICP)

¹ VAGO report into development contributions unveils the need for a root and branch review, M. Spiller, 2020 (<https://www.sgsep.com.au/publications/insights/vago-report-into-development-contributions-unveils-the-need-for-a-root-and-branch-review>)

- A fixed contribution set by legislation/regulation, usually justified on the basis of funding a share of needed infrastructure and/or capturing a part of the increased property value created by some planning change (e.g. GAIC).

While a user-pays contribution regime is more clearly equitable, it is often costly to establish and operate, it can be highly variable, and predictability can be low. Sometimes, the appropriate contributions can be so high as to affect viability, especially in regional areas.

A fixed contribution approach is even (but not necessarily equitable) but is much less costly to operate and is highly predictable.

Either approach can deliver significant funding. Transparency is another consideration that can cause design complexity and impact the reporting requirements associated with either approach.

4.2 PRINCIPLES

It is appropriate to define principles for a new development contributions regime to both frame and assess options. The principles below are proposed:

1. **Equity:** a common and equitable approach across development settings, recognising that development with a higher demand for infrastructure should pay a higher amount²
2. **Relevance:** funding should be for specific types of basic and essential infrastructure needed to support or respond to development
3. **Certainty:** developers should be able to predict their development contributions in advance
4. **Substantiality:** contributions should deliver real funding for needed State and Council essential infrastructure
5. **Efficiency:** costs to introduce & administer should be a small share of collections
6. **Transparency:** establishing, managing and acquitting a contributions regime should be transparent
7. **Acceptability:** stakeholders should understand and accept the rationale behind the scheme and broadly how money will be spent
8. **Viability:** contributions should not stifle or undesirably distort development by being unaffordable
9. **Comparability:** this should not undermine Victoria's ability to attract investment compared with other jurisdictions
10. **Contributory:** collected funds need not to provide full cost recovery

4.2.1 SETTINGS

There are several development settings where the drivers of needed infrastructure would suggest different contributions approaches. These are shown in **Table 2**.

In developing a new contributions regime, it is appropriate to consider each development setting separately, but ideally within a consistent framework.

The best solution for different settings could vary. For instance, the current ICP approach could remain appropriate in greenfields settings where the complexity and cost of development matches the significant infrastructure needs. However, a small fixed charge may be more appropriate for general infill development to reflect the incremental increased demand on existing facilities.

² e.g. a metropolitan broadacre development would contribute more per new dwelling than a 2-lot subdivision in a regional town






Development Setting	Example	Issues	
General urban infill (metro & regional)	Scattered dual occupancies, town houses, small apartment developments	In aggregate and over time can generate significant, but possibly unpredictable, State and local infrastructure needs	
Designated infill growth areas (metro & regional)	CBD, Box Hill, Fishermans Bend, Sunshine e.g. RGZ, CDZ, MUZ, ACZ, CCZ	Planned intense development will generate predictable significant State and local infrastructure needs	
Strategic development sites (metro & regional)	Altona North, Arden, Clayton Business Park e.g. CDZ, CCZ, MUZ	Structure planned redevelopment and land use changes is likely to generate predictable and material State and local infrastructure needs	
Greenfields Melbourne and high-growth peri-urban and regional greenfield development	Melbourne, Geelong, Bannockburn, Shepparton, Ballarat West, etc (UGZ, FZ)	Structure planned development will generate predictable and significant State and local infrastructure needs	
Stable Areas with little new development	Many regional centres, areas with single dwelling caveats	Main change is demographic (e.g. aging) rather than new development, but still may alter infrastructure needs	

Table 2: Possible Development Settings

4.2.2 FUNDED INFRASTRUCTURE

It is appropriate to define the infrastructure that should be considered in establishing a contributions regime - both in determining a rate and being able to attract funding. For local infrastructure the current ICP allowable items provide reasonable initial guidance. Similarly, the items that can be funded through from GAIC also provide a starting point for State infrastructure.

It is considered that while there could be advantages in some settings, such as general and growth infill areas, for drainage contributions to be included it is not clear whether a suitable standard charge could be developed (this has been the experience in regional greenfields)

4.3 OPTIONS MENU

The VPA has in the past worked closely with DELWP and DTF to consider alternative approaches to collecting funding for infrastructure that can equitably and more simply provide the funding needed to support infrastructure provision for growing communities.

Because the existing systems for both local and State infrastructure (apart from GAIC) are based on the complex user-pays approach the alternative options being considered are primarily based on a fixed charge approach.

Below is a menu of options for consideration and feedback:

Option 1: Further reform of the current system – continue to seek infrastructure contributions in line with the current DCP/ICP (currently being updated) and GAIC framework with reforms and administrative improvements.

Option 2: State Infrastructure Contribution – introduce a standard State infrastructure contribution in all development settings based on estimates of typical infrastructure needs, varying by development setting. Existing DCP and ICP arrangements would continue to apply for local infrastructure.

Option 3: Local Infrastructure Contribution – introduce a standard local infrastructure contribution for all development settings based on typical estimates of infrastructure needs, varying by development setting. GAIC would remain the only State infrastructure levy.

Option 4 (preferred): State & Local Infrastructure Contribution - introduce standard local infrastructure contributions and a standard State infrastructure levy for all development settings based on typical estimates of infrastructure needs, varying by development setting. Existing DCP, ICP and GAIC arrangements would be replaced.

Option 5: Universal Local and State Infrastructure Levy – introduce a single fixed development levy for all settings for state and local infrastructure in place of DCPs, ICPs, GAIC and S173 agreements.

Note for Options 2, 3 or 4 it could be expected that in some settings a contribution may be set to zero, while for Option 1 many settings will continue to not require contributions.

5 DISCUSSION

5.1 BENEFITS AND RISKS OF EACH OPTION

5.1.1 OPTION 1: FURTHER REFORM OF THE CURRENT SYSTEM (BUSINESS AS USUAL)

Under Option 1, the current approach to infrastructure contributions would remain, but there would be changes to improve equity, adoption and consistency. Councils would retain the capacity to create DCPs or ICPs as appropriate and GAIC would continue to be collected in metropolitan growth areas only. Improved coordination and advice as proposed by VAGO would improve the existing arrangements. The state could more actively seek contributions for State infrastructure through DCPs or ICPs outside of the metropolitan growth areas.

One potential extension of this business as usual option would be to expand the geographic application of GAIC to additional regional city greenfields growth areas such as the Northern and Western Geelong Growth Areas. This would require amendment to the Act to include the new municipalities in Section 201RAA.

The government could also bring forward the five-year review recommended in the Greenfields ICP Roadmap to:

- Assess the impact of changing government policy on the infrastructure contribution system as part of the five-year review
- Reassess the adequacy of the standard transport levy rate as part of the five-year review.

Benefits:

- Only minor administrative and operational changes required OR
- Bring forward resolution of some of the issues causing concern around the system

Risks:

- ICPs are not given time to 'settle' as a new system before further change
- State infrastructure delivery will continue to be constrained by lack of funding due to GAIC being only applicable in growth areas
- Many Councils will continue to not utilise DCPs/ICPs continuing existing under-funding of infrastructure
- Existing differential treatments may continue to distort development patterns

5.1.2 OPTION 2: STANDARD STATE INFRASTRUCTURE CONTRIBUTION

A State Infrastructure Contribution would be applied to all relevant development settings based on estimates of state infrastructure need for that setting. The contribution rate would be calculated based on common principles but would vary by development setting commensurate with typical infrastructure needs for that setting. It would be expected the contribution would support needed infrastructure delivery rather than fund 100% of infrastructure.

In an operational sense, the Metropolitan Planning Levy (MPL) could be expanded to also collect a State Infrastructure Contribution, but the timing mismatch between applying for permit (when the MPL is collected) and project completion (typically the time when income is generated and infrastructure contributions such as GAIC are collected) would impose significant additional financing costs on developers to bring forward payments, potentially by several years.

Existing DCP and ICP arrangements would continue to apply for local infrastructure.

Allocation of the funds would be a balance between ensuring local needs arising from development are addressed and the scale of development impact, however there would be no direct linkage to specific infrastructure items. Reporting arrangements would also need to show an alignment between collections and allocations to maintain confidence in the system.

For example:

- Scattered infill development could attract a low contribution rate with spending targeted at incremental local improvements such as additional classrooms or intersection upgrades. A drainage charge could be included to address distributed drainage needs.
- Greenfields development contributions could be higher in line with the greater infrastructure need and could contribute to new schools and train stations. Drainage charges already apply so need not be included.
- It may be appropriate that a contribution rate could be set to \$0 in some settings (e.g. regional areas with little new development) as the infrastructure imposts will probably be small and the amounts involved would not justify the collection and reporting effort.

GAIC and state infrastructure components of DCPs or ICPs would be removed. The use of s173 agreements for State infrastructure would be limited to “how”, not “what”, infrastructure is provided or funded.

Benefits:

- Additional funds for state infrastructure
- Once introduced, the system is simple to administer
- The rates would be well known and predictable
- Unlike GAIC, a contribution levied at development would not require complex recording and reporting arrangements

Risks/Disadvantages:

- The rates are set too high and adversely affect affordability and viability
- The rates are set too low and the lack of income constrains infrastructure provision
- Collection would best be undertaken by Councils as part of managing development, but they may not support undertaking this role on behalf of the State
- Collected funds get ‘lost’ in consolidated revenue and the community loses confidence that the collected funds are being appropriately applied
- Developers, especially small developers in areas not currently subject to a charge, may oppose a new charge
- The state assumes all the stakeholder risk as no direct benefits flow to local government

5.1.3 OPTION 3: STANDARD LOCAL INFRASTRUCTURE CONTRIBUTION

A Local Infrastructure Contribution would be applied to all relevant development settings based on estimates of local infrastructure need. The contribution rate would be calculated based on common principles but would vary by development setting commensurate with typical infrastructure needs for that setting. It would be expected the levy would contribute to infrastructure needs rather than fund 100% of infrastructure.

The allocation of the funds would be a balance between ensuring local needs arising from development are addressed and the scale of development impact, however there would be no direct linkage to specific infrastructure items. Reporting arrangements would also need to show an alignment between collections and allocations to maintain confidence in the system.

For example:

- scattered infill development could attract a low contribution with spending targeted at incremental local improvements such as urban amenity upgrades or library capacity improvements.
- Greenfields development contributions could be higher in line with need for new infrastructure and could contribute to new intersections and community facilities.
- Again, it may be appropriate that a levy could be set to \$0 in some settings (e.g. regional areas with little new development) as the infrastructure imposts will probably be small and the amounts involved would not justify the collection and reporting effort.

DCPs and ICPs would be discontinued. Alternatively (but not desirably) ICPs could be retained for metropolitan greenfields and Option 2 adopted elsewhere. The use of s173 agreements would be limited to “how”, not “what”, local infrastructure is provide or funded. GAIC for metropolitan growth areas would remain the only State infrastructure levy.

Benefits:

- Once introduced, the system is simple to administer

- The contribution rates would be well known and predictable across development settings
- A charge on development would not require complex recording and reporting arrangements (unlike GAIC, where the charge is linked to the title)
- The community would see development contributing to the infrastructure needs arising from growth.

Risks/Disadvantages:

- State takes on all the public risk of a new charge but receives no additional \$\$ for infrastructure
- The rates are set too high and adversely affect affordability and viability
- Reduces the discipline for Councils where DCP and ICPs currently require infrastructure and land use planning to be linked
- The rates are set too low and the lack of income constrains infrastructure provision
- Reporting requirements to support transparent collection and spending could be onerous.

Developers, especially small developers in areas not currently subject to a charge, may oppose a new charge

5.1.4 OPTION 4 (PREFERRED): STANDARD LOCAL INFRASTRUCTURE CONTRIBUTION

A combined State and Local Infrastructure Contribution (SLIC) would be a blend of Options 1 and 2 and be applied to development in all relevant settings based on estimates of state and local infrastructure needs. Again, the contribution rate would be calculated based on common principles but would vary by development setting commensurate with typical infrastructure needs for that setting. It would be expected the levy would contribute to infrastructure needs rather than fund 100% of infrastructure. Consideration could be given to including drainage charges in settings where other mechanisms do not apply.

Allocation of the funds would be a balance between ensuring local needs arising from development are addressed and the scale of development impact, however there would be no direct linkage to specific infrastructure items. Reporting arrangements would also need to show an alignment between collections and allocations to maintain confidence in the system.

GAIC and DCPs / ICPs would be removed. Alternatively (but not desirably) GAIC and ICPs could be retained for metropolitan greenfields and SLIC adopted otherwise. The use of s173 agreements would be limited to "how", not "what", infrastructure is provide or funded.

Benefits:

- Enables higher amounts to be captured for state infrastructure
- The work would require and lead to a stronger partnership between state and local government and shared stakeholder risk
- Once introduced, the system is simple to administer
- The contribution rates would be well known and predictable across development settings
- A contribution on development would not require complex recording and reporting arrangements (unlike GAIC, where the charge is linked to the title)
- The community would see development contributing to the infrastructure needs arising from growth.

Risks:

- The rates are set too high and adversely affect affordability and viability
- The rates are set too low and the lack of income constrains infrastructure provision
- Reduces the discipline for Councils where DCP and ICPs currently require infrastructure and land use planning to be linked
- Collection would best be undertaken by Councils as part of managing development, but they may not support undertaking this role on behalf of the State
- Depending on design, collected funds get 'lost' in consolidated revenue and the community loses confidence that the collected funds are being appropriately applied
- Reporting requirements to support transparent collection and spending could be onerous, and made more complicated by the dual levies
- Developers, especially small developers in areas not currently subject to a charge, may oppose a new charge.

5.1.5 OPTION 5: UNIVERSAL STATE & LOCAL INFRASTRUCTURE LEVY

A universal combined state and local infrastructure levy would be a single common levy for all development regardless of development setting. The levy rate would be mandated through legislation (as for GAIC) and not necessarily be linked to any infrastructure needs. As an example, every additional dwelling anywhere in Victoria could attract a standard charge, with revenue to be split between local and State infrastructure. This is, in effect, a simple development tax targeted to infrastructure provision.

Allocation of the funds would be up to the State and recipient council to address the infrastructure needs arising from development, however there would be no direct linkage to specific infrastructure items. Reporting arrangements would need to show an alignment between collections and allocations to maintain confidence in the system.

GAIC would be removed, but limited access to DCPs / ICPs might be retained to support special situations where particular local conditions justify “top up” funding for special infrastructure. The use of s173 agreements would be limited to “how”, not “what”, infrastructure is provide or funded.

Benefits:

- Very simple to administer
- The levy rates would be well known and predictable
- Unlike GAIC, a charge on development would not require complex recording and reporting arrangements
- The community could see development contributing to the infrastructure needs arising from growth
- Would lead to a stronger partnership between state and local government and shared stakeholder risk.

Risks:

- The rate may be too high in some settings and adversely affect affordability and viability
- The rate may be too low in some settings to provide adequate funds for infrastructure needs
- A standard split may not adequately reflect the relative infrastructure spending responsibilities in some settings
- May need to integrate with potential transition to broader land tax regime and removal of stamp duty
- Collection would best be undertaken by Councils as part of managing development, but they may not support undertaking this role
- Reduces the discipline for Councils where DCP and ICPs currently require infrastructure and land use planning to be linked
- Reporting requirements to support transparency could be onerous
- The lack of nexus between development driven infrastructure needs and the levy amount or collection area may limit acceptance
- Developers, especially small developers in areas not currently subject to a charge are more likely to oppose a new charge, especially due to the lack of nexus with development.

5.2 DESIGNING A STANDARD LOCAL INFRASTRUCTURE CONTRIBUTION SCHEME

5.2.1 ESTABLISHING THE RATE

For the preferred SLIC (Option 4), it is envisaged a local infrastructure contribution rate would be struck for each development setting (e.g. those listed in Table 1). These could be based on a similar approach to that adopted for ICPs, where typical “basic and essential” infrastructure needs and current DCP rates have been examined to guide setting the standard rate.

For State infrastructure a similar process could be used. In this case however, greater attention should be paid to the broader community benefits of State infrastructure investment. In other words, new development would typically contribute a lower share to needed State infrastructure due to there typically being a range of wider beneficiaries.

In all cases, as well as an infrastructure needs test, the impacts of contributions on development viability would be considered. Note that over time it would be expected that the need to pay a new development contribution would be factored into lower development land prices, and in the short term may impact immediate development opportunities. Both situations could deter development if the rates are set too high.

Optionally, for infill development, which over time will generate a need for investment, but where a charge for drainage infrastructure construction or improvement has proven to be expensive to establish and operate, an additional drainage levy to fund general flood and waterway improvement works could be applied. Where land proposed for development is flood prone, appropriate developer investment to manage this would still be required.

5.2.2 APPLYING THE LEVY

While it may be possible to apply the contribution obligations by reference to zoning, these are not likely to always align closely with development settings, therefore it is preferable to continue with the Development Contributions Overlay concept, but with a simple reference to one of the standard contribution rates by development area, rather than a complex incorporated DCP. Apart from a stable/no-growth setting, all potential development areas would have a contributions overlay applied, as shown in the purely illustrative example in **Figure 22**:

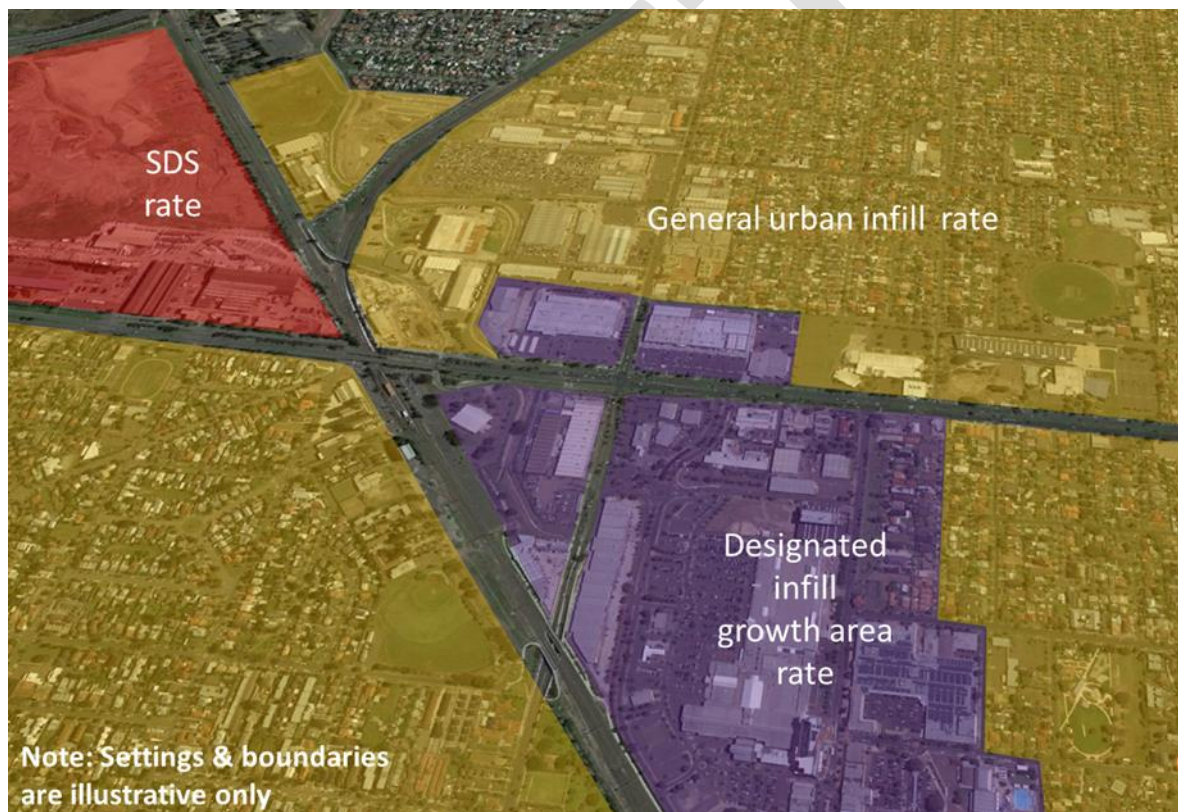


Figure 2: Illustrative contributions overlays

For simplicity and consistency of calculation of the contribution rate and its application, it should be charged on a per dwelling basis. While area-based charges are currently used for greenfields development, this approach is not applicable in higher density redevelopment areas. The use of a per dwelling charge in greenfields areas would slightly lessen the incentive for higher densities that an area-based charge provides, but this is expected to have minimal impact on overall lot prices (< ±\$5,000).

Similarly, standard rates for commercial and industrial uses would be established, based on demand-based equivalency factors.

5.2.3 COLLECTION

As noted above, applying the levy at time of development is an established trigger and a well-managed process by Councils. The statement of compliance step in completing development would probably be the most appropriate collection point as:

- There is a clear trigger where the delivered scale of development is certain
- Council is in full control of this process and is used to collecting contributions (e.g. DCPs) at this time
- The timing of contribution payments aligns closely with the time developers typically receive income from buyers at settlement

One complication is where construction does not require a planning permit (e.g. a dual- occupancy development). One option for these cases might be a Council-administered collection with proof-of-payment a pre-requisite before a building surveyor can issue a certificate of occupancy.

The SLIC would be a one-off charge for new development, however should further intensification occur in future (for instance adding new dwellings) further charges would be applied.

Agreements and protocols with local government to underpin collecting, transferring and reporting the State component of a levy would be required.

5.2.4 EXPENDITURE

Support for any contribution regime would be significantly enhanced by clarity about what will be funded, when it will be funded and how funding decisions will be made. This is at odds with both councils' and the State's usual preference for little or no restrictions on spending.

Good governance aimed at ensuring transparency and clearly aligning allocation against need would require a structured approach to deciding how collected funds are to be expended. Such a process would identify a pipeline of infrastructure to be funded in part or wholly from contributions, the links to contributing development and the triggers or timing (at least broadly) for implementation.

Allocation of the funds would be a balance between ensuring local needs arising from development are addressed and the scale of development impact. The extent to which there is a direct linkage to specific infrastructure items and any obligation to deliver this needs to be resolved.

For example, it may be appropriate for a council to establish a link between their 10-year capital works program and how it would allocate funds generated by a levy. Alternatively, the infrastructure priorities could be designated through a planning document. Examples include the Precinct Infrastructure Plans currently included in PSPs, or specific infrastructure prioritisation plans prepared by some councils for managing DCPs,

It would clearly be good practice for the State to develop a similar forward infrastructure strategy to improve transparency and alignment of collected funds and infrastructure needs. Possible approaches to this are being considered by the Land and Infrastructure Working Group (LIWG) A key benefit of clear infrastructure pipelines would be the ability to align implementation funding to improve outcomes and reduce costs.

It would be appropriate for regulation (backed by legislation) to set out requirements for responsible and transparent allocation of collected funds by councils and the State.

A clear pipeline of identified infrastructure would also facilitate a works-in-kind (WIK) process where credits could be provided for priority works provided by a developer in lieu of cash payments, like current provisions for DCP and ICP WIKs.

5.2.5 MONITORING & REPORTING REGIME

If a standard contribution approach is adopted, it would be appropriate to at least mirror the current reporting requirements of the DCP/ICP and GAIC regimes, which require annual reporting on collection, allocation and expenditure of funds.

5.2.6 LEGISLATIVE FRAMEWORK

The approach adopted for the recent introduction of ICPs which used the Act to establish a framework for ICPs, with the details provided through Ministerial Direction and guidelines, would be appropriate here. This approach would establish the strategic directions for the regime but allow prompt fine-tuning of the detailed requirements to ensure the system delivers on the strategic directions, without resorting to legislative amendment.

5.3 POTENTIAL REVENUE

While the final adopted development settings and rates would of course establish the revenue able to be collected, as an indication of potential revenue, if the contribution rates shown below were adopted (based on those outlined in **Appendix 1**) and applied to forecast dwelling numbers (VIF 2019), roughly by development setting, the following income could be expected. These figures would of course need to be further modelled by DTF.

Setting	New Dwellings (p.a.)	State		Local	
		Levy (\$/dwelling)	Annual Revenue (\$m)	Levy (\$/dwelling)	Annual Revenue (\$m)
General Urban Infill	29,000	\$3,000	\$87	\$3,000	\$87
Infill Growth Areas & Development Sites	10,000	\$8,500	\$85	\$8,500	\$85
Greenfields - Metro	15,000	\$18,000	\$270	\$18,000	\$270
Greenfields - Regional Cities	3,900	\$18,000	\$70	\$18,000	\$70
Greenfields - Regional Other	1,300	\$9,000	\$12	\$9,000	\$12
Low Growth	1,000	\$0	\$0	\$1,000	\$1
TOTAL	60,200		\$524		\$525

Table 3: Indicative potential revenue

By comparison:

- In 2019, new dwelling construction revenue in Victoria was worth about \$23B
- In 2019/2020 GAIC collections totalled about \$150m
- VAGO found that DCP/ICP collections over 2016–17 and 2017–18 averaged just over \$300m p.a.
- Metro greenfields local infrastructure revenue is on par with current DCP/ICP collections (**Attachment 3**).

5.4 IMPLEMENTATION PROCESS

Implementing a new charging regime would require at least the following steps:

- Review of typical infrastructure needs by development types and finalisation of development settings and charge rates
- Compact drawn up with local government
- Consultation with stakeholders including industry and local government
- Drafting of enabling legislation, regulation and guidance
- Establishing collection, expenditure and reporting systems.

ATTACHMENT 1: CURRENT CHARGING REGIME

Development Contributions Plans (DCP)

Planning authorities, including councils, can create DCPs. Under a DCP, a council can obtain funds from developers to support infrastructure delivery by collecting:

- a development infrastructure levy (DIL), which can fund roads, public transport infrastructure, basic improvements to open spaces, early childhood facilities, and associated land acquisitions
- a community infrastructure levy (CIL), which can fund construction of other facilities used for community or social purposes. The CIL was capped at \$1,190 for each dwelling to be constructed for 2019–20.

Councils have traditionally developed their own DCPs. However, since about 2010 the VPA has developed most DCPs on behalf of Growth Area councils as part of the Precinct Structure Planning process it undertakes. The VPA has also developed some DCPs for other councils, including Strategic Development Areas such as Altona North and Arden and regional areas such as Drouin and Warragul. **Attachment 3** shows all LGAs with active DCPs 2016-17 and 2017-18.

DCPs mostly collect funds for council infrastructure, however they can collect funds for State infrastructure as has been done recently for Fishermans Bend and Arden/Macaulay.

In each DCP, the planning authority identifies the:

- area for development and those areas that will be required to provide contributions
- required infrastructure (and associated land) and its costs
- proportion of the new infrastructure to be funded by new and existing properties
- levies that developers will pay.

In regional areas where councils are the drainage authority, a DCP may include drainage contributions.

Planning authorities incorporate the proposed DCPs via an amendment to the planning scheme. They publicly exhibit the proposed DCP and may receive stakeholder feedback. If needed to resolve submissions, Planning Panels Victoria may be tasked to review any unresolved issues with the amendment and provide recommendations to the planning authority.

Once approved by the Minister for Planning, all new developments pay a contribution to the collecting authority (usually the council) or perform work in kind to meet their liability.

Infrastructure Contributions Plans (ICP)

In 2015, Parliament amended the *Planning & Environment Act (1987)* to establish the framework for the ICP program. A ministerial direction then sets the parameters and processes that apply to ICPs in different development settings.

When a ministerial direction brings a new area into the ICP program, new DCPs are no longer available, but existing DCPs continue until they are finalised. There is no separate CIL.

The intended advantages of the ICP program over the DCP program were:

- standardised levies leading to greater certainty for all parties
- increased transparency
- reduced risk of infrastructure cost increases
- simpler processes to develop plans.

The government intends for ICPs to eventually operate in three development settings:

- Metropolitan greenfield growth areas — land in metropolitan Melbourne that is defined as a growth area
- Strategic Development Areas (SDA)—areas in metropolitan Melbourne that are planned for significant land use change and/or growth
- Regional greenfield growth — significant greenfield rural land outside of metropolitan Melbourne that is planned to be used and developed for urban purposes.

ICPs were originally designed to collect only money for both land and infrastructure. The government revised legislation in 2018 to include a 'monetary' component for infrastructure and a 'land' component. The 'Land' component requires a direct contribution of a standard proportion of development land to provide for public purposes (e.g. sports fields), with additional balancing payment/compensation to reflect the circumstances for individual land parcels.

A 2016 ministerial direction made the ICP program available to the seven declared growth area. This includes seven LGAs on the fringes of Melbourne: Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea and Wyndham. These are the same LGAs included in the GAIC program (see below).

In each ICP, the planning authority identifies the:

- the area for development and those areas that will be required to provide contributions
- required infrastructure
- the required public land and the application of compensatory payments
- proportion of the new infrastructure to be funded by new and existing properties
- levies that developers will pay.

The ICP is intended to generally be a standard rate, except in exceptional circumstances where a supplementary levy is required to fund non-standard infrastructure. In practice, supplementary levies are more common than was intended.

As for DCP, planning authorities incorporate the proposed ICPs via an amendment to the planning scheme. If an ICP only imposes a standard levy, the Minister can approve the amendment without exhibition. If there is a supplementary levy proposed however, the ICP is publicly exhibited, with subsequent feedback, submissions review and Planning Panels review.

VPA has developed all eight ICPs for ten PSPs so far, the first of which was gazetted in 2017.

Growth Areas Infrastructure Contribution (GAIC)

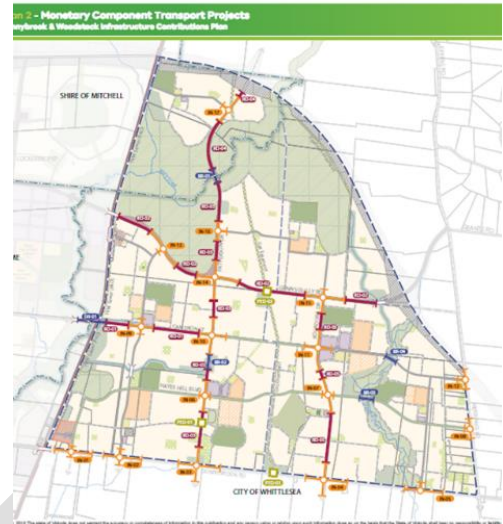
GAIC was introduced on 1 July 2010 via an amendment to the *Planning and Environment Act 1987* (P&E Act). GAIC applies to land zoned for urban development that was brought within the Urban Growth Boundary (UGB) after 2005, with the precise areas in the seven growth areas LGAs being defined by gazettal.

GAIC is a charge on greenfields development land that contributes towards the cost of essential State infrastructure in Melbourne's growth areas. Two contribution rates apply depending on whether land was brought into the UGB in 2005 or in 2010 or later, and these are indexed annually.

Where a GAIC payment is required, all or part of the payment can be offset through land, infrastructure or both being provided to the government instead. This offset arrangement is known as Work-in-Kind (WIK).

GAIC is administered under the P&E Act and the Taxation Administration Act 1997. The VPA (through DELWP) is responsible for administering GAIC and related policy, but the State Revenue Office (SRO) is responsible for collection and DELWP for recommending and administering expenditure.

GAIC is payable at certain triggers, the most common being final development. Payments can be staged for large parcels, so all payment is not required at once. Collected funds are split into two funds – the Growth Areas Public Transport Fund and the Building New Communities Fund.



The collected funds are allocated through an annual bid process or directly through the State Budget. GAIC can only fund infrastructure within the designated growth areas and of the type allowable for each fund (refer to P&E Act).

Drainage Charges

Within Melbourne Water’s remit, greenfields development is facilitated through a Development Services Scheme for each sub-catchment which shares the cost of drainage infrastructure across the relevant landowners. Developers pay Melbourne Water for works or complete works via works-in-kind agreements.

In other areas Councils are typically the drainage authority and occasionally have a similar contributory drainage scheme in place. In some cases, the charges are made through including drainage in the DCP.

Other Charges

In some cases, development may also be required to meet open space or minimum car parking provisions, with payments often being permitted in lieu of works. These are well established and typically directly targeted at an individual development parcel, so are not directly relevant to this paper and have not been considered.

Application of the Contribution Systems

The above contributions are used in various ways across Victoria. The table below provides an indication of the current charges by type/area and shows that contributions are not applied uniformly across all development areas and types, leading to inequities and distortions in the development market and underfunding of infrastructure needed to support development.

The Table below demonstrates the widely variable application of charging. In some cases, this is a valid consequence of a “user pays” approach with the charges clearly calculated based on need/impact. In other cases, this variability can be due legislative intent (e.g. Growth Areas Infrastructure Contribution) or piecemeal application by the relevant Councils or drainage authorities.

Setting	Value Sharing	User Pays Contributions			TOTAL ¹
	State Charge ¹	DCP/ICP ¹ (State Infrastructure)	DCP/ICP ^{1, 4} (Local Infrastructure)	Drainage Scheme Charges ¹	
	Approximate per dwelling rate				
Urban Infill	-	-	Mostly \$0, \$300 to \$3,700	-	Mostly \$0, Up to \$3,700
Strategic Development Sites ²	-	~\$8,300	\$5,000-8,300	-	\$5,000-\$16,500
Dandenong CBD ³	IRC: 5% of development value	-	-	-	
Metro Greenfields ⁴	GAIC: ~\$10,000	No	~\$13,000 – 20,000	~\$5-15,000	\$28-45,000
Regional Greenfields	-	-	Mostly \$0, ~\$6-10,000, up to \$20,000	Mostly \$0, up to \$40,000 (sometimes within DCP)	Mostly \$0, up to \$40,000

1. Approximate per dwelling rates. Note the per dwelling estimates will vary based on dwelling density where per Ha charges apply. Charges also apply for commercial/industrial uses.
2. Some infill and SDS developments provide infrastructure provision/contributions through S173 agreements
3. IRC is an Infrastructure Recovery Charge for State works already undertaken
4. Greenfield ICPs also include public land contributions of around 10-15% of the developable land
5. Biodiversity offset charges, open space and parking requirements/charges are not included

In summary:

- Apart from metropolitan greenfields (now including ICPs), DCPs in Melbourne are rare or relatively low
- interim DCPs are in place for strategic development sites (SDS) at Fishermans Bend, Arden Macaulay, Josephs Road and Altona North
- Regional DCPs are rare except for some regional greenfields areas
- ICPs for SDAs, urban infill and regional areas remain under development
- State infrastructure contributions are limited to GAIC and interim Fishermans Bend and Arden Macaulay DCPs
- Melbourne Water manages a cost-sharing Development Services Scheme process in metropolitan and peri-urban greenfields, but there is no commonly used equivalent in older metropolitan areas
- Regional drainage charges are sometimes included in DCPs for major greenfields areas but are generally otherwise not levied.

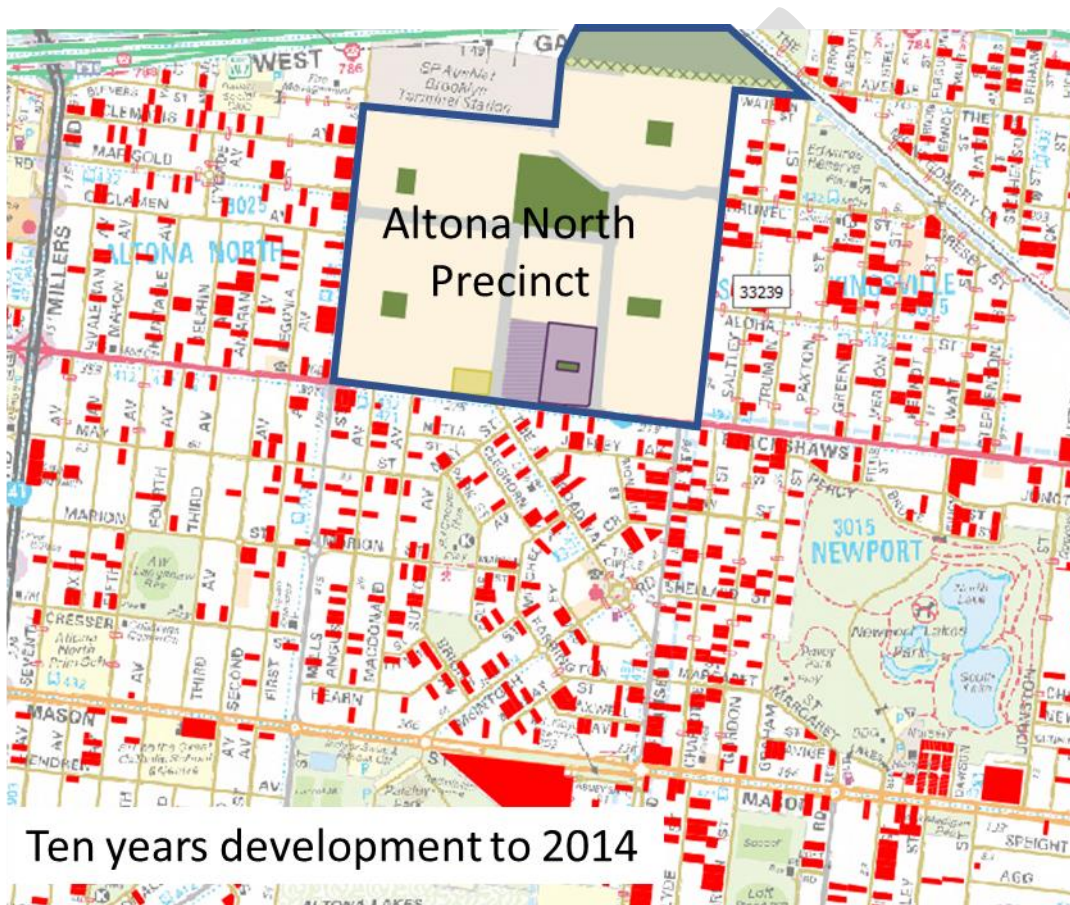
DRAFT

ATTACHMENT 2: CASE STUDY

Altona North

The Altona North Precinct Plan will cater for about 3,000 dwellings and associated commercial and community uses. A DCP applies and levies about \$14,500 per dwelling within the precinct to fund new or upgraded local and some minor State infrastructure within the site and in the surrounding area. This is expected to raise \$54m for infrastructure.

In the immediate area surrounding the precinct, infill development has delivered around 2,000 extra dwellings in recent years. This infill development has and will impose extra demand on roads, public transport, schools, community facilities and drainage. No universal development contributions have been paid. This illustrates the inequity of the current system.



ATTACHMENT 3: MANAGING DEVELOPMENT CONTRIBUTIONS (VAGO, 2020)

RECOMMENDATIONS:

We recommend that the Department of Environment, Land, Water and Planning, in consultation with the Victorian Planning Authority, the State Revenue Office and councils:

1. create an overarching development contributions framework that establishes:
 - a strategic direction for development contributions, including outcomes and targets for infrastructure delivery and supporting growth
 - clear and holistic accountability and governance arrangements for development contributions at a system-level
 - a central source of development contributions advice and guidance, including for voluntary agreements made through section 173 of the Planning and Environment Act 1987
 - the development contributions tools available for each council and the relationships between them.
2. develop a plan for monitoring, evaluating and reporting on the outcomes achieved by development contributions at a state and council level, using the Victorian Government's outcomes architecture (see Sections 2.4 and 2.5).

We recommend that that the Department of Environment, Land, Water and Planning and the Victorian Planning Authority, in consultation with councils:

3. complete outstanding work to implement the Infrastructure Contributions Plan program, including:
 - defining Strategic Development Areas and Regional Greenfield Growth areas
 - recommending to government when the program should expand into Strategic Development Areas and Regional Greenfield Growth areas
 - recommending to government which parts of Victoria should be included in these categories, using evidence-based eligibility criteria
 - recommending to government how to calculate levies for Infrastructure Contributions Plans in new areas
 - keeping all councils informed about implementation progress and decisions made.

We recommend that the Department of Environment, Land, Water and Planning, in consultation with the Victorian Planning Authority:

4. improve the Development Contributions Plan program by:
 - identifying and reducing the time, cost and administrative burdens associated with developing Development Contributions Plans based on council feedback and the objectives of the Infrastructure Contributions Plan program
 - building councils' capacity to develop and implement Development Contributions Plans through updated written guidance and ongoing support that caters to their council type.
5. investigate the extent to which councils deliver infrastructure through Infrastructure Contributions Plans and Development Contributions Plans that is beyond a 'basic and essential' standard and use this information to assess whether restrictions on community infrastructure need revision.

We recommend that the Department of Environment, Land, Water and Planning:

6. identifies and advises government on potential reforms to the Growth Area Infrastructure Contribution program, including:
 - providing overarching financial management of Growth Area Infrastructure Contribution trusts that prevents overdrawing funds to finance projects
 - providing overarching, strategic selection and assessment of Growth Area Infrastructure Contribution projects that meets the program's eligibility requirements and community infrastructure needs
 - seeking greater council input to selecting Growth Area Infrastructure Contribution-funded projects.

GAIC collections and DCP revenue, 2016–17 and 2017–18 (two years)

Source: #DELWP Annual Reports, *VAGO

LGA	GAIC revenue#	DCP revenue*
Alpine		\$0
Ararat		\$0
Ballarat		\$7,774,517
Banyule		\$0
Bass Coast		\$0
Baw Baw		\$4,733,129
Bayside		\$393,791
Benalla		\$0
Boroondara		\$0
Brimbank		\$353,809
Buloke		\$0
Campaspe		\$0
Cardinia	\$0#	\$63,941,973
Casey	\$64,556,998	\$181,193,732
Central Goldfields		\$0
Colac Otway		\$0
Corangamite		\$0
Darebin		\$0
East Gippsland		\$0
Frankston		\$0
Gannawarra		\$0
Glen Eira		\$0
Glenelg		\$0
Golden Plains		\$0
Greater Bendigo		\$0
Greater Dandenong		\$16,603,720
Greater Geelong		\$17,324,698
Greater Shepparton		\$966,155
Hepburn		\$0
Hindmarsh		\$0
Hobsons Bay		\$231,232
Horsham		\$0
Hume	\$43,591,062	\$88,628,303
Indigo		\$0
Kingston		\$0
Knox		\$0
Latrobe		\$0
Loddon		\$0
Macedon Ranges		\$372,547
Manningham		\$12,130,250
Mansfield		\$0
Maribyrnong		\$216,900
Maroondah		\$21,859
Melbourne		\$0
Melton	\$40,655,430	\$59,781,253
Mitchell	\$0#	\$3,282,404
Moira		\$0
Monash		\$0
Moonee Valley		\$0
Moorabool		\$0
Moreland		\$4,099,616

LGA	GAIC revenue [#]	DCP revenue*
Mornington Peninsula		\$0
Mount Alexander		\$0
Moyne		\$0
Murrindindi		\$0
Nillumbik		\$3,340,180
Northern Grampians		\$0
Port Phillip		\$66,298
Pyrenees		\$0
Queenscliffe		\$0
South Gippsland		\$0
Southern Grampians		\$0
Stonnington		\$0
Strathbogie		\$0
Surf Coast		\$2,879,097
Swan Hill		\$0
Towong		\$0
Wangaratta		\$0
Warrnambool		\$1,667,741
Wellington		\$0
West Wimmera		\$0
Whitehorse		\$0
Whittlesea	\$2,733,559	\$27,126,489
Wodonga		\$0
Wyndham	\$66,136,512	\$109,898,034
Yarra		\$0
Yarra Ranges		\$407,302
Yarriambiack		\$0
TOTAL (2016–17 and 2017–18)	\$217,673,560	\$607,435,029
APPROX. ANNUAL COLLECTION		
Growth Areas	\$110m	\$265m
Other	\$0	\$90m
Total	\$110m	\$355m

[#] Note: Development in Cardinia and Mitchell occurred in older development areas not subject to GAIC
Shaded LGAs are growth area councils