**26 September 2024**

# Property Council Submission on Draft Activity Centre Plans

The Property Council welcomes the opportunity to provide feedback on the draft Activity Centre Plans (the draft plans).

We strongly support the development of activity centres as a strategic initiative to enhance urban growth, promote sustainable development and foster economic vitality across Melbourne. We recognise the importance of well-designed, accessible and vibrant activity centres in delivering key and affordable housing options, diverse employment opportunities and improved community outcomes.

While we broadly support the government's vision for activity centres as key hubs for growth, we have substantial feedback on the proposed planning tools, requirements and policies outlined across the ten draft plans. Our submission offers constructive insights to ensure that the final plans achieve the best possible outcomes for the industry along with the local communities and economies.

We look forward to continued collaboration with the Victorian Government to refine these draft plans and ensure they contribute meaningfully to Victoria's long-term growth and sustainability, as well as its key objective of delivering more diverse and affordable housing options.

If you would like to discuss our submission in further detail, please contact Andrew Lowcock, Deputy Executive Director, at ALowcock@propertycouncil.com.au or Duda Nusevic, Senior Policy Advisor, at DNusevic@propertycouncil.com.au.

## About the Property Council

The Property Council of Australia is the leading advocate for Australia's property industry.

In AEC Group's recently updated analysis for the Property Council completed in October 2023, they found the property industry:

- has the largest economic footprint of any sector of the Victorian economy, directly contributing $58.1 billion to Gross State Product (GSP) in 2021-22 (12.1 per cent of the total contribution to GSP by all industries in the state) and is estimated to have contributed a further $83.9 billion to Victoria's GSP through flow-on demand for goods and services.
- directly employed approximately 393,100 full time equivalent (FTE) employees in 2021-22 (12.8 per cent of Victoria's total) and supported more than 516,300 FTE jobs through flow-on activity.
- generates approximately 29.8 per cent of wages and salaries paid to Victorian workers.

- contributed approximately $23.6 billion in combined Victorian Government tax revenues and local government rates, fees and charges revenue in 2021-22, equating to 62.4 per cent of total State taxes and local government rates, fees and charges revenues in 2021-22.

The Property Council advocates for a wide range of solutions to support development across all asset classes. Our current advocacy priorities at the time of this submission are:

- Lessening the taxation burden on property to unleash private investment opportunities and promote supply and affordability across all sectors, reducing the inflationary cost on buyers, renters and occupiers;
- Supporting planning reform and other policies designed to increase housing supply across all parts of the state;
- Unlocking land for future residential and industrial development, and achieving quicker and more efficient servicing of development-ready land;
- Enhancing the growth of emerging and alternative asset classes such as build-to-rent housing, purpose-built student accommodation and retirement living;
- Ensuring the ongoing renewal of Melbourne's central city as a place to work, live and play; and
- Supporting the industry's ongoing transition to net zero emissions.

## Summary of Recommendations

1. **Deemed to Comply:** We recommend the meaning of deemed-to-comply provisions be clarified, ensuring streamlined approvals without compromising design quality or stifling innovation. Additionally, it should be made clear that meeting these standards does not exempt projects from other relevant planning considerations.
2. **Clarification of Height Controls:** We recommend specifying that proposed height controls serve as benchmarks rather than fixed maximums, allowing for flexibility in higher-density developments that align with design, sustainability, or planning objectives.
3. **Flexibility for Exceeding Height Limits**: We propose allowing flexibility for developments that exceed deemed-to-comply height limits, provided they demonstrate merit through quality design or other planning benefits.
4. **Economic Analysis of Height Requirements:** We recommend conducting thorough economic analyses of minimum height requirements to ensure they are viable for developers, particularly in areas with lower demand.
5. **Revising Height Limits in Commercial Hubs:** We suggest revising height limits in major commercial and retail hubs, such as Ringwood and Chadstone, to better align with strategic urban growth objectives.
6. **Economic Incentives for Height Uplifts:** We recommend pairing height uplifts with economic incentives and market condition assessments to ensure they lead to viable and attractive developments.

7. **Pilot Special Economic Zones (SEZs):** We propose piloting SEZs in ten activity centres, incorporating incentives such as tax exemptions and stamp duty relief.

8. **Exemptions from Windfall Gains Tax:** We recommend exemptions from the Windfall Gains Tax for developments in activity centres to enhance project viability and promote urban consolidation.

9. **Tax Incentives for Affordable Housing:** We suggest offering tax incentives, such as land tax relief, to developers who achieve construction milestones or complete projects with affordable housing components.

10. **Reactivation of Off-the-Plan and Newly Built Concessions:** We recommend reactivating off-the-plan and new build concessions to support the build-to-sell apartment pipeline and boost investor and developer confidence in activity centres.

11. **Density Bonus Framework:** We propose implementing a density bonus framework to incentivise shovel-ready developments that include a specified percentage of affordable housing.

12. **Subsidies for Affordable Housing:** We recommend providing subsidies and fiscal incentives to developers who commit to selling a portion of their residential developments as affordable housing.

13. **Clarify Affordable Housing Policies:** We recommend developing comprehensive guidelines outlining the requirements for affordable housing, including infrastructure contributions. This will help ensure these developments are financially viable and seamlessly integrated into the community. Future policies should remain focused on providing incentives and addressing development costs.

14. **Future Strategic Work:** We recommend that the Victorian Planning Authority (VPA) commit to a clear timeline for completing strategic planning work to support the successful implementation of the draft plans. This includes parking precinct plans, flood management controls, the removal of single dwelling covenants, and locality-specific planning like contaminated land reviews.

15. **Clear Guidance on Infrastructure Contributions:** We seek clear and comprehensive guidance on the infrastructure contributions model, including funding mechanisms, timelines, and responsibilities shared between developers and the government.

16. **Flexible Infrastructure Funding Model:** We recommend adopting a flexible infrastructure funding model that adapts to the unique needs of each activity centre, recognising differing infrastructure requirements between established and emerging centres.

17. **Clear Guidance on Infrastructure Responsibilities:** We request clear guidance on the responsibilities for funding and delivering essential infrastructure upgrades to ensure communities are adequately served.

18. **School Site Availability:** We recommend exploring innovative solutions to address site availability challenges in densely populated areas, such as developing vertical schools and shared recreational facilities with public green spaces.

19. **Streamlining Land Acquisition for Schools:** We suggest adopting policies to streamline land acquisition processes for schools and creating incentives for developers to collaborate with educational authorities.

20. **Protecting Employment Floor Space**: We recommend implementing measures to protect employment floor space while balancing residential and commercial land use to maintain vibrant, mixed-use precincts that support local jobs.

21. **Future-Proofing Logistics Infrastructure:** We recommend future-proofing logistics infrastructure within activity centres to accommodate the growth of e-commerce and ensure last-mile delivery systems are integrated with residential and commercial development.

22. **Standards for Active Frontages and Streetscapes:** We recommend strengthening standards for primary and secondary active frontages, emphasising the preservation of the grain, rhythm, and visual interest along streetscapes, particularly in retail areas.

23. **Adaptable Building Standards:** We propose introducing a new standard prioritising the adaptability of buildings to accommodate future uses, ensuring they can evolve to meet emerging needs.

24. **Enhance Catchment Area Planning:** We suggest creating comprehensive strategies for managing residential outcomes within defined catchment areas, ensuring that built form controls align with density objectives and local characteristics to foster cohesive, well-designed neighbourhoods.

25. **Policies for Retirement Living Units:** We recommend establishing clear policies in the draft plans that recognise and promote the development of retirement living units within activity centres.

26. **Incorporating Retirement Housing Targets:** We recommend integrating retirement housing targets into broader housing initiatives to address the needs of an aging population while freeing up family homes in Melbourne and broader Victoria.

27. **Ongoing Consultation:** We propose establishing regular consultation channels between government, developers, and community stakeholders to address concerns and share best practices in planning and development.

## Submission

We provide the following feedback in response to the draft plans for the Victorian Government's consideration.

### Deemed to Comply

We welcome the introduction of deemed-to-comply provisions, which will provide the property industry with greater clarity and predictability around development outcomes. These provisions will help developers better understand the standards required for approval, streamlining the planning process and reducing uncertainty.

While we support the proposed deemed-to-comply provisions, it is crucial that they do not compromise design quality or stifle innovation in urban development. New standards should be introduced to ensure rigorous scrutiny of design quality, maintaining flexibility while upholding high standards.

It is also important to clarify within the draft plans that deemed-to-comply status does not exempt a project from the need to obtain a planning permit. Rather, it guarantees that if a proposal meets the specified standards, approval cannot be denied based on those provisions alone. This distinction is vital for avoiding confusion about the approval process and ensuring other relevant planning considerations are still addressed.

### Height Controls

We support the introduction of height controls in activity centres and view it as an important measure to align development with strategic planning objectives and prevent underdevelopment. However, we are concerned that the proposed height controls, particularly under the deemed-to-comply provisions, may be misinterpreted as fixed maximums, potentially limiting opportunities for higher-density development.

We consider that the provisions should clearly state that the specified heights are benchmarks, meaning developments at or below these heights would generally be acceptable. Importantly, this should not mean that taller developments should be excluded. We recommend allowing flexibility for developments that exceed the deemed-to-comply heights, provided they demonstrate merit through design quality, sustainability, or other planning objectives.

We agree that establishing height controls, including minimum heights, is important in ensuring efficient land use in key locations. For example, in areas such as Moorabbin, Niddrie, and North Essendon, minimum height requirements have been proposed at 50 per cent of the maximum height, typically ranging from four to eight storeys. We support these efforts, as they help prevent the underutilisation of land. However, we suggest that these provisions undergo thorough economic analysis to ensure they are viable for developers, especially in areas where demand may be lower. Without such analysis, there is a risk that minimum height requirements, while well-intentioned, may not lead to financially feasible or sustainable development.

In key activity centres, the challenge lies in balancing height flexibility with strategic growth goals. For instance, in Ringwood, the masterplan as set out by Maroondah City Council allows for up to 53 metres or 15 storeys on key sites, with smaller sites on the periphery limited to four to six storeys. While the masterplan was adopted by the draft Ringwood Activity Centre Plan, it does not significantly increase the existing height limits, potentially limiting growth in a well-positioned area.

Similarly, the draft Chadstone Activity Centre Plan proposes a height limit of 40 metres or 12 storeys for the Chadstone Shopping Centre site, despite existing planning controls allowing for 60 metres. We recommend reconsidering such height limits, as these locations – already major commercial and retail hubs – present prime opportunities for intensified development that could support broader urban growth objectives.

Height uplifts can be positive, but their success depends on market conditions and the viability of proposed developments. For example, in Moorabbin, height limits were increased from six storeys in 2011 to 12 storeys in the latest iteration. While this represents a positive step, careful assessment is needed to determine whether this increase will translate into viable developments. Height uplifts are most effective when paired with economic incentives and a clear understanding of market conditions, ensuring that developers are attracted to the proposed scale of development.

## Economic Incentives

While the government's introduction of new planning policies represents a commendable effort to enhance housing development, it is essential to recognise that these measures alone may not be sufficient to stimulate investment and encourage uptake, particularly within the activity centres. Infill housing development typically faces greater financial challenges compared to greenfield projects, primarily due to higher land values and construction costs. Although we support policies aimed at expanding housing supply, particularly within activity centres, it is crucial to complement these planning initiatives with robust economic incentives.

The government's expanded Development Facilitation Program (DFP) is a significant first step toward addressing these challenges. However, industry feedback indicates that while expedited planning timeframes and the elimination of third-party appeal rights are advantageous, they do not adequately ensure project feasibility in today's difficult economic landscape and strained construction market. To truly reinvigorate confidence in development and investment, there is an urgent need for economic incentives and strong economic policies. Additional mechanisms should be considered to further support the private sector to allow for the delivery of affordable housing. Below we have outlined potential mechanisms for the government's consideration.

**Special Economic Zones**

To encourage development in the activity centres, we propose the establishment of Special Economic Zones (SEZ). Drawing inspiration from Queensland's Priority Development Area regime, SEZ should be state-led and provide a variety of incentives for developers and purchasers, including:

- **Tax Exemptions:** Offer tax exemptions to stimulate development, including payroll tax, land tax, absentee owner surcharges, and council rate relief.

- **Stamp Duty Relief:** Provide stamp duty relief for purchasers to encourage investment and development.

We propose the government pilot SEZ across the ten activity centres. By targeting geographically defined areas, rapid growth can be facilitated, supporting metropolitan decentralisation. Additionally, incorporating sunset clauses within the enabling legislation would ensure periodic reassessment of the zones and allow for recalibration of policy implementation as needed. This approach would create a dynamic and responsive framework to meet evolving urban development needs while supporting sustainable growth.

**Windfall Gains Tax**

In recent years, the government has introduced several new taxes and charges, including the windfall gains tax (WGT) on eligible rezonings, which has raised concerns regarding its implications for both council-led and developer-led projects.

At this stage, we do not consider that WGT will have an impact on development in the activity centres, given that there is a minimum hectarage requirement for the WGT to apply and the government is not proposing zoning changes in the core and catchment areas of activity centres. However, this is not stated explicitly and therefore we seek that the government consider exemptions from WGT for developments in activity centres to promote greater intensity and consolidation of sites, thereby enhancing the overall viability and sustainability of these crucial urban areas.

**Other Tax Incentives**

To encourage developers to integrate affordable housing into their projects and achieve timely completions, we recommend offering tax incentives, such as land tax relief to developers upon reaching construction milestones or completing housing projects that include affordable housing components. At present, without any incentives, the cost of delivering affordable housing cannot be met by the market.

**Off the Plan and New Build Concessions**

Consumer confidence in Victoria's homebuying sector continues to sit under the national average due to economic pressures and challenges in the building and construction sector. This has resulted in lower home buying confidence compared to other states and territories. While focusing on supply measures is crucial, continuing demand stimulus in the short term is necessary to bolster confidence recovery.

The current taxation environment risks making Victoria less competitive for crucial new investments. Reactivating off-the-plan (OTP) and newly completed housing concessions should be a priority to support the build-to-sell apartment pipeline, which will constitute a significant portion, if not all, of the housing mix in activity centres.

To ensure investor and developer confidence within activity centres, and to stimulate apartment commencements, reinstating more robust OTP duty concessions with minimal investor market restrictions is crucial. The proposed model expands OTP concessions to more transactions and includes purchases of completed apartments/ townhouses by first home buyers. It removes the requirement for the property to be the purchaser's primary residence or qualify for other buyer concessions, ensuring accessibility across the market.

**Density Bonus Framework**

To effectively address the urgent need for affordable housing within activity centres, it is essential to implement a clear density bonus framework that incentivises developers and investors undertaking projects in these areas. This framework should offer bonuses to shovel-ready developments that incorporate a specified percentage of affordable housing, thereby promoting greater housing diversity and accessibility.

**Affordability**

To enhance affordability within activity centres, it is crucial to provide subsidies and incentives for developers who commit to selling a portion of their residential developments as affordable housing, defined by specific criteria.

## Future Strategic Work

The VPA has acknowledged the need for additional strategic planning work to support the successful implementation of the draft plans. However, we are concerned that delays in completing this future work, such as parking precinct plans, flood management controls, the removal of single dwelling covenants, and locality-specific planning like contaminated land reviews, could create significant delays and uncertainties. Swift action is necessary to provide certainty for developers, investors, local councils, and other key stakeholders to ensure that developments will be feasible, safe, and aligned with broader urban development goals.

A key aspect of this strategic work is the timely completion of parking precinct plans. Parking infrastructure must be addressed in advance and comprehensively to support the proposed increased density in activity centres. Without clear guidelines on parking management, there is a risk of inadequate provisions or reliance on ad-hoc solutions, which could undermine the liveability and accessibility of these areas. Clear guidelines and futureproof parking strategies are essential to balancing higher-density development with the needs of residents, businesses, and visitors.

Flood management controls are another vital element, particularly in activity centres prone to flooding. We understand this work is underway but are concerned that there is no firm timeline yet for finalisation and implementation. These controls, in coordination with Melbourne Water, must be implemented promptly to avoid development delays or costly redesigns. Ensuring that developments are resilient to flood risks will safeguard future projects, promote sustainability, and prevent unnecessary disruptions to the approval process. Without these controls in place early on, development approvals are likely to be subject to lengthy delays, and there is a risk that some developments could be proposed in areas that are not suitable for higher density due to flood risks. This could result in costly redesigns or cancellations, causing frustration for developers and negatively impacting the overall planning process and activity centre outcomes.

The removal of single dwelling covenants is also crucial to unlocking development potential in key areas. These covenants, which limit higher-density development on large plots of land, can significantly hinder the ability to increase housing supply. We support the removal of these restrictions and propose that the process be expedited to avoid delays in bringing key sites to market. We acknowledge the complexity of this task, given the legal and planning reviews required, and recommend that it be prioritised to facilitate flexible, innovative urban design solutions that meet the needs of growing communities.

Additionally, locality-specific planning, such as contaminated land reviews, must be addressed to ensure that development proposals in areas with industrial histories are safe and viable. Many activity centres are in areas with industrial histories, where soil contamination may pose risks to new developments. We recommend thorough reviews to assess soil contamination risks and any necessary remediation. Without this clarity, developers face uncertainties about land suitability and remediation costs, which could deter investment and slow the pace of development.

Given the interconnectedness of these strategic issues, we are concerned that unresolved matters could cause delays in the planning and development process, missed opportunities, and a lack of investment confidence. To address this, we recommend that the VPA commit to a clear timeline for completing this strategic work.

## Developer Infrastructure Contributions

The proposed goal of adding an average of 6,400 homes per activity centre by 2051 highlights the urgent need for comprehensive infrastructure planning to support this growth. We acknowledge analysis is underway to provide a comprehensive long-term assessment on each centre's future local infrastructure needs, to be completed by the end of this year, and this should help inform the development of any contribution's regime.

However, there is still a lack of clarity regarding the specifics of the required infrastructure contributions, including funding, timelines, green spaces, public realm improvements, streetscape integration, and active transport links. These components are vital to ensure that housing expansion is accompanied by sufficient services and amenities, creating vibrant, sustainable communities rather than congested and overburdened urban areas.

The draft plans mention a "streamlined infrastructure funding model," but provide little detail on its structure or operation. Clear guidance is urgently needed on how the funding mechanism will work, how it will be administered, and whether financial responsibilities will be fairly shared between developers and the government. Transparency in this space is essential for developers and will ensure efficient and timely planning, funding, and delivery of developments.

A key concern is balancing the financial viability of development projects with the need to deliver essential infrastructure. Developers, especially medium and smaller firms, are already facing pressures from rising construction costs, supply chain issues, and broader economic uncertainties. Any increase in development contributions under the new model could threaten financial feasibility, slowing project delivery or simply discouraging investment in the Activity Centres. It is crucial that the proposed funding model secures necessary infrastructure without imposing excessive costs on developers.

To deliver the infrastructure required, the funding model must be flexible and adaptable to the unique needs of each activity centre. A one-size-fits-all approach may not be suitable, as established centres may already have much of the necessary infrastructure, while emerging centres may require substantial investment to support growth. The funding model should reflect these differences, allocating resources based on the specific needs of each area.

Transparency and stakeholder engagement are key to the success of any infrastructure funding model. Developers, investors, councils, and communities need clarity on how contributions will be calculated, where funds will be allocated, and how the timing of infrastructure delivery will align with development timelines. Any uncertainty or poor communication in these areas could lead to delays, disputes, or project cancellations, particularly if developers perceive contributions as disproportionate to the benefits provided.

## Other Infrastructure Needs

As forementioned, a critical element of any long-term urban development plan is ensuring adequate social and other infrastructure is provided to support projected population growth.

A pressing issue is the timing of essential services and infrastructure upgrades. As activity centres experience accelerated population growth, a comprehensive, forward-looking strategy is needed to ensure that schools, healthcare facilities, public transport, and recreational spaces are introduced at the right time. Without such a strategy, growth could outpace the capacity of existing services, leaving communities under-served. Clear guidance is needed on who will be responsible for funding and delivering these upgrades.

Strategic planning for green spaces and public realm improvements must be prioritised to enhance the liveability of modern urban centres. Well-designed public spaces foster community interaction, improve well-being, and elevate the overall appeal of cities. Public realm improvements should go beyond parks, incorporating green infrastructure such as tree-lined streets, green roofs, and multifunctional community spaces to create vibrant, attractive environments.

Equally important is the integration of active transport links, such as walking and cycling paths, which should be central to any infrastructure strategy. These links reduce car dependence, alleviate traffic congestion, promote healthier lifestyles, and support environmentally friendly urban development. Seamlessly connecting active transport with public transport systems will ensure residents have efficient, sustainable mobility options, further enhancing the appeal of urban centres.

The draft plans also inadequately address broader infrastructure needs that are essential for well-functioning urban environments, particularly concerning employment opportunities, logistics, and the protection of key economic hubs.

From a logistics perspective, the need to future-proof logistics infrastructure has been largely overlooked by the draft plans. With the rise of e-commerce, activity centres must prepare for increased demand on supply chain solutions, including 24-hour distribution operations, last-mile delivery systems, and emerging technologies like drones. It is crucial to preserve economic hubs within these centres for such functions, however the draft plans offer little indication that logistics infrastructure will be prioritised or integrated alongside residential and commercial development.

Additionally, employment floor space remains a significant concern. As residential developments increase, there is a risk of squeezing out vital employment zones, limiting opportunities for local jobs. Striking a balance between residential and commercial land use is critical for creating vibrant, mixed-use precincts that support work, leisure, and logistics activities. Unfortunately, the draft plans do not provide sufficient measures to protect these employment zones or address the growing need for commercial and industrial spaces as population density increases.

While the draft plans set ambitious housing goals, they raise numerous questions about the capacity and delivery of essential social infrastructure, logistics, and employment space. The absence of detailed capacity planning, especially concerning logistics infrastructure and economic hubs, is a significant oversight that could threaten the long-term sustainability of these centres. To ensure the success of the activity centres, the draft plans must include specific, actionable strategies that address these critical issues, ensuring that as populations grow, the necessary infrastructure evolves to support vibrant, inclusive, and well-functioning communities.

## Delivery of New Schools

Building on the need for comprehensive infrastructure planning in the activity centres, delivering new schools in established urban areas presents unique challenges compared to greenfield developments. While the Precinct Structure Planning (PSP) process facilitates planning in greenfield areas, urban areas face issues like fragmented land ownership, competition for high-value land uses, and unpredictable growth rates. To address these challenges, it's essential to explore the following areas.

**Fragmented Land Ownership and Unpredictable Growth Rates**

Urban redevelopment in established areas is largely market-led, meaning land holdings are fragmented, and the pattern of development is less predictable than in greenfield locations. This makes it difficult to accurately forecast population growth and the demographic mix, including the number of school-aged children in specific catchment areas. The result is a reactive rather than proactive approach to planning schools, limiting the ability to provide educational infrastructure in a timely and coordinated manner.

**Capacity of Existing Schools**

In many established areas, determining the capacity of existing schools is also a challenge. Some schools may be operating at capacity or overburdened, while others may have excess space. However, there is no systematic process for assessing the current and future needs of these schools. The lack of comprehensive data on school capacity complicates decisions on where new schools should be built and how best to optimise the use of existing infrastructure. Additionally, many older schools may not be suitable for modern needs, further straining resources and creating a gap between school infrastructure and population growth.

**Site Availability and Suitability**

Finding suitable sites for new schools is particularly difficult in densely populated urban areas. Schools require large land parcels, but available land in these areas is often limited and subject to intense competition with other high-value land uses. While innovative solutions like vertical schools — exemplified by the Fisherman's Bend Vertical School and Haileybury School in West Melbourne — have been introduced, these models still require substantial footprints and come with high construction costs due to the need for additional infrastructure, such as rooftop sporting facilities and vertical connections. There is also a preference for school sites located near public green spaces, which can provide shared recreational facilities for both the school and the community. However, finding these prime locations is challenging.

**Competition for Land**

Schools often compete with residential or commercial developments for land in established areas, where education-zoned land typically generates lower financial returns than other uses. This makes it difficult for school authorities to secure suitable land at affordable prices. Without strategic intervention or financial support, the high cost of land can significantly delay the delivery of new schools in areas where they are most needed.

**Lack of Incentives for Mixed-Use Developments**

Unlike growth areas, where incentives such as development contribution discounts are available, established urban areas lack similar incentives for developers to include schools in mixed-use developments. As a result, schools are not prioritised in urban projects, even though their inclusion could provide substantial community benefits. The non-government school sector has highlighted the financial challenges posed by land acquisition and development contributions, making new projects financially unfeasible without policy adjustments to encourage school provision.

**Safety and Security Challenges**

Delivering schools within mixed-use environments also poses operational concerns, particularly related to safety and security. Schools in these settings must ensure safe access arrangements and manage shared facilities with surrounding residential or commercial uses. Ensuring the safety of students and staff adds another layer of complexity to planning schools in urban areas.

The delivery of new schools in urban environments requires a more adaptive and comprehensive approach compared to Greenfield locations. The lack of incentives for developers to include schools in mixed-use projects and the safety challenges of urban settings further complicate the issue. To address these challenges, policymakers and planners must adopt proactive strategies that recognise schools as essential community assets. This could involve offering financial incentives for school inclusion in urban developments, streamlining land acquisition processes, and improving forecasting tools to predict school demand. Moreover, greater collaboration between government bodies, the non-government school sector, and developers will be crucial in ensuring that new schools can meet the educational needs of growing urban populations.

## Affordable Housing

We recognise the broader program of Housing Statement policy development work has a strong focus on creating more affordable housing, especially in established locations like the 10 activity centres sites.

We support in principle the inclusion of uplift provisions that will create an incentive-led approach to delivering future affordable housing. However, it's clear that with current industry challenges to the feasibility of higher density residential projects, including the escalation of construction costs, means incentives will need to be deeper than currently outlined, and must reduce the cost of development and the broader tax burden that the industry currently faces.

With no detail yet on the infrastructure contributions regime and assessments currently ongoing, it is critical that future policy decisions appropriately incentivise the industry to deliver quantities of affordable housing. The introduction of new charges and obligations, particularly in areas without substantial development uplift compared to existing planning controls, could create challenges for developers.

This is especially true if there is a duplication of costs between local development contributions and state-imposed obligations. Many developers already contribute to infrastructure and public amenities under local council requirements. Increased expenses without corresponding development potential could compromise the viability of projects, slowing down the housing supply at a time when it is desperately needed.

We again reinforce our request for the introduction of Special Economic Zones (SEZ) within these activity centres sites. By establishing SEZ, the government can provide targeted incentives that encourage developers to undertake higher density residential projects and contribute to the supply of affordable housing. These zones should offer streamlined processes, reduced regulatory burdens, and economic incentives that effectively lower development costs. This approach will not only enhance project feasibility but also stimulate investment in areas that are currently underutilised.

We are also unclear at this stage whether affordable housing expectations will be uniform across all activity centres or vary based on the socio-economic context of each centre. Additionally, it is unclear whether developers will have the flexibility to negotiate affordable housing contributions based on the scale or type of development. These issues must be addressed in the final Activity Centre Plans.

## Retirement Living Options

Amid all the positive initiatives contained in the Victorian Government's Housing Statement, one sector overlooked in the ambitious target of constructing 800,000 homes over the next decade is the retirement living sector. Projections indicate that by 2040, Victoria will be home to nearly one million residents aged over 75 years – representing the core demographic for retirement village residents. This demographic challenge necessitates urgent policy changes to effectively address the housing needs of older individuals.

Incorporating retirement living units into activity centres is a crucial strategy for enhancing housing affordability for this growing cohort. Currently, retirement living units in Melbourne are 48 per cent more affordable than the median house prices within the same postcode. Facilitating their development in activity centres not only supports older residents in accessing affordable housing but also allows them to free up existing homes for younger families moving into the area. This approach enables older residents to remain within the communities they have long called home while ensuring proximity to family and essential services, thus fostering a more integrated and supportive community environment.

Currently, there is no policy for retirement living in Victoria, despite the Victorian Planning Provisions (VPP) encouraging housing diversity, including retirement villages. The VPP promotes the development of retirement villages within 400 metres of activity centres, empowering local councils to create their own policies regarding such developments. However, recent proposals have often conflated aged care and retirement villages to leverage available bonuses, which can dilute the focus on retirement living as a distinct housing option and previous and current strategic plans lack specific targets for housing to accommodate this growth.

Some councils have started to exercise the VPP provisions by permitting increased height limits for aged care and retirement villages, allowing heights of up to 16 metres in residential zones where mandatory maximum building heights typically range from eight to 11 metres. These concessions demonstrate a willingness among some councils to adopt flexible controls that support the addition of age-friendly housing options.

To effectively address the housing needs of our ageing population, it is imperative that planning for activity centres incorporates provisions for retirement living units. We urge the government to establish a clear pathway for their development within these centres, ensuring that the planning permit process does not hinder meeting the housing demands of older residents.

## Purpose Built Student Accommodation

To support the future growth of purpose-built student accommodation (PBSA), it's crucial that proposed activity centres do not unintentionally hinder their development. This could occur through restrictive density and height limits that render new PBSA projects unfeasible, or by disproportionately incentivising residential developments over other types of housing.

Although there are currently no PBSA buildings within the proposed activity centres, locations like Chadstone, which are near Monash University and already home to many students, hold significant potential. Ensuring flexibility for PBSA developments in areas like the Chadstone activity centre will help meet the evolving needs of Monash and its students as the market grows.

While the draft plans do not directly address existing PBSA, it is essential that future planning frameworks avoid inadvertently limiting opportunities for higher-density student housing. As we work to broaden student accommodation options, we must ensure that policies related to height limits, car parking (given that students typically rely on public transport and own fewer vehicles), and incentives for affordable housing are aligned with the expansion of PBSA. PBSA developments that include affordable room types should qualify for the proposed incentives aimed at increasing residential developments in these activity centres.

Supporting the growth of PBSA will not only provide critical housing options for students, but also alleviate pressure on the broader residential market in key urban areas. As PBSA is exclusively for student use, it relieves strain on general housing supply. The government should adopt a tailored approach to this emerging asset class, recognising its potential to address housing needs while benefiting the wider community.

### Catchment Areas

The introduction of defined catchment areas within walkable distances from activity centres marks a significant step towards enhancing accessibility and integrating residential development with essential services and infrastructure. However, further clarity is required to ensure that the proposed residential outcomes align with local opportunities, constraints, and density targets. A more comprehensive approach would help avoid conflicts between the intended urban design and the realities of each specific location.

The proposal to permit residential zones of up to six storeys in catchment areas is generally welcomed, especially in locations well-served by transport and amenities. Increasing density in these areas is essential for fostering vibrant, walkable communities that reduce reliance on cars and enhance connections to public transport. For instance, areas like Essendon North show strong potential for higher-density development due to their existing transport links and local services. However, while this increased density is supported, a clear strategy for managing growth is crucial to mitigate negative impacts on surrounding areas. This includes ensuring that adequate infrastructure is in place to support the rising population and prioritising public realm improvements such as green spaces and pedestrian-friendly streets in the overall development strategy.

Although the concept of walkable catchment areas around activity centres is sound, there is insufficient detail regarding how residential development within these zones will align with broader density objectives. There is a risk that areas just outside the core activity centre may not adhere to compatible density and form controls, potentially undermining the strategic intent of creating walkable, well-serviced neighbourhoods. For example, while the core of Essendon North is proposed to accommodate five or six-storey buildings under a deemed-to-comply arrangement, the surrounding catchment areas may require tailored built form controls to maintain coherence in urban design and residential outcomes.

Implementing residential outcomes within catchment areas requires addressing the unique opportunities and constraints specific to each location. Each catchment will present distinct characteristics, including topography, land use patterns, existing infrastructure, and community needs. A flexible approach to managing residential outcomes is vital for ensuring that development is appropriate and sensitive to the local context. Further detail is needed on how the proposed changes will address place-based constraints and opportunities. For example, will there be mechanisms in place to allow for adjustments in built form controls based on heritage considerations, environmental factors, or community preferences? Additionally, how will infrastructure capacity, such as transport networks and utilities, influence decisions about residential density and built form outcomes in catchment areas? These critical questions must be addressed to ensure that the proposed changes lead to successful and sustainable outcomes.

## Active Frontages

The identification of primary and secondary active frontages, as well as glazing expectations across activity centres, is a positive step toward creating vibrant and dynamic streetscapes. Active frontages play a key role in promoting pedestrian engagement and enhancing the overall experience within activity centres, and the emphasis on these elements is well-supported. While the current emphasis on these elements is commendable, there remains an opportunity to strengthen these standards by recognising the importance of maintaining grain, rhythm, and visual interest along streetscapes, particularly in retail areas that lack heritage controls. We recommend adoption of minimum extent of glazing as a measure of activation may be counter-intuitive in some locations, where vacant shop fronts may dominate. In some instances, dwellings with active street entries can successfully animate places not supported by retail or commercial activity.

In activity centres characterised by fine-grained streetscapes and a diverse mix of land uses, preserving these elements is essential for maintaining the unique character and vibrancy of the area. This is especially relevant in retail streets, where visual diversity and a varied rhythm of building facades contribute to an engaging pedestrian experience. Upholding these qualities, even without heritage controls, is vital for sustaining the appeal and functionality of activity centres.

Careful consideration must also be given to how the consolidation of land uses and functions within activity centres is managed. Without appropriate oversight, this consolidation may lead to a reduction in the variety of services and offerings, ultimately diminishing the vitality of the centre. It is essential to adopt a balanced approach that encourages consolidation where necessary while preserving the diversity and character of retail streetscapes. This strategy will be key to maintaining the dynamic role that activity centres play within the community.

By placing greater emphasis on grain, rhythm, and visual interest, the guidelines for active frontages can ensure that the streetscapes in activity centres remain lively, engaging, and reflective of the local context. This approach will not only enhance the pedestrian experience but also support the long-term sustainability and success of these centres as places of commerce, social interaction, and urban life.

## Land Use Adaptation

The need for a new standard that emphasises the configuration of buildings to facilitate future adaptation is crucial in a rapidly evolving urban environment. As cities continue to grow and change, the ability to repurpose or modify buildings to meet emerging needs becomes increasingly vital. This adaptability not only enhances the longevity of structures but also contributes to more sustainable land use practices by reducing the need for new construction.

To facilitate future adaptability, developers and planners must consider a range of factors, including flexible layouts, modular designs, and the incorporation of adaptable infrastructure. Interior spaces should be designed to allow for easy reconfiguration, enabling them to accommodate different uses over time. For instance, implementing open floor plans can facilitate straightforward partitioning or expansion as requirements evolve.

Additionally, integrating infrastructure that supports multiple functions can greatly enhance a building's adaptability. This includes considerations for utilities, accessibility, and technology that can cater to a variety of occupants or uses, from residential to commercial or community-oriented spaces. The architectural design should balance aesthetic appeal with practical functionality, ensuring that future changes can be made with minimal disruption.

Implementing a standard that prioritises adaptability will not only future-proof buildings but also contribute to the resilience of urban areas. It promotes a proactive approach to urban planning, viewing structures as long-term assets capable of evolving alongside community needs. By fostering a culture of adaptability, we can create vibrant and sustainable environments that respond effectively to the dynamic nature of urban life.