Inquiry into Growing Suburbs:
Infrastructure and Business
Development in Outer Suburban
Melbourne

Outer Suburban Interface Services and Development Committee
January 2012
Submission
Inquiry into Growing Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne

Purpose of Submission
The purpose of this submission is to respond to the Committee’s terms of reference by advising the views of Lend Lease (LL) in response to the matters raised in the terms of reference.

The submission does not seek to address all issues associated with Infrastructure and Business Development in Outer Suburban Melbourne but does address matters where LL has direct knowledge and experience.

Contact details for further information are provided at the end of this document.

About Lend Lease

Lend Lease Communities

Lend Lease Communities (LL) is one of the largest and recognised developer of urban communities in Australia operating in 9 population centres across the country. It holds a backlog of over 60,000 lots.

LL is focused on large-scale urban community development predominantly in outer suburban areas with over 20 projects at varying stages of development. In Victoria we have urban community developments that are in various stages of completion at Caroline Springs, Lakeside at Pakenham, Atherstone at Melton, Edgewater at Maribyrnong, and Craigieburn. In addition detailed planning is well underway for a master-planned community in Werribee.

The planning, development and marketing activities of our projects are guided by 6 principles:

- Sense of Belonging
- Quality Living
- Beautiful Places
- Living Options
- Grow and Prosper
- LL Delivers

In LL’s view new communities should be diverse, sustainable and healthy to endure over time. This however, can only be achieved with the input and cooperation of all levels of government with the private sector and the community.

LL believes the essential elements to building livable and sustainable communities are:

- Shared vision
- Whole of Government commitment
- A determination to deliver
- A planning framework that is flexible, timely and market responsive
- The provision of infrastructure, in many different forms, for use by the residents in and around the region.

Infrastructure takes the form of many different guises, however it must be emphasised that it is a critical ingredient to establishing a sustainable community, but more broadly the entire corridor. LL believes there are two types of infrastructure, namely:

- Hard Infrastructure
  - Refers to tangible assets such as schools, roads, public transport, and the like;
  - These items are typically provided by Government, with some contribution by the private sector.
- Soft Infrastructure
  - Refers to the intangible aspects of communities, such as social aspects, and a sense of belonging;
  - These aspects are by in large provided by the private sector, and at times are taken over by semi-government authorities once operational and fully established.
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THEME 1
Existing Infrastructure and Capacity

Lend Lease has the pleasure in making the following comments regarding the specific terms of reference of the above mentioned enquiry. Lend Lease only makes comment regarding the specific terms of reference which it has experience, knowledge, or commercial interest in.

1.1. Identify existing public and private infrastructure provision, including schools, hospitals, commercial and shopping precincts, transport and roads, telecommunications, water and power.
1.2. Assess the capacity of existing infrastructure to accommodate increased population growth.

Lend Lease Communities operates in all of the growth corridors of Melbourne. It is through this exposure that Lend Lease Communities is able to identify the requirements of each corridor, noting where there is insufficient provision of these resources.

Northern Corridor

Schools
- The northern corridor catchment is one of the major growth corridors in Melbourne, with a population of 170,000, and projected growth over the next 10 years would see an additional 66,000 residents. The region has seen population of families expand at a rapid rate, with the under 29 population growing by a massive 35% over the past six years;
- This growth has seen a substantial increase in requirement for schools. As such there is now a shortfall in the number of government based primary schools in the area;
- The Laurimar Primary School is one of the few government primary schools in the area. It takes students from not only our Laurimar community, but many of the surrounding housing estates that have been developed;
- Due to this growth in population, the Laurimar Primary School is now at capacity, and requires a roster system amongst the students for lunchtime recreation. This is not ideal, and is counter to the expectations of many of the new families within our community, and surrounding area.
- In addition to the Primary School shortage, there is a shortage of Secondary schools. At present there are no local Government Secondary Schools available. Whilst this problem is not acute at present, it will become so in a few years as the current primary school population graduate to high school.
- There are a growing number of private Primary and Secondary Schools being built to cater for this demand. They have had the capacity to acquire the landholding required, and then proceed with the building of the school infrastructure.
- As Lend Lease Communities understands it, there is no provision within the growth corridor at all to provide any future Government Secondary School.
- This unfortunately does not provide the community with choice in the Secondary Schooling of their children.

Transport
- The community is becoming reliant on car usage to cater for their needs. This includes travel for employment related reasons, as well as schooling and other retail/amenity based purposes.
- What is needed within the Northern Region is a rail option for residents. This will connect these residents with better retail, education and employment outcomes.
- Lend Lease understands there has been a rail extension announced to South Morang, which is long overdue. Lend Lease would further contend that this rail extension needs to be extended up to Mernda/Doreen, and some would suggest even a far as Whittlesea.
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Roads
- With the growing population of the region, and the above mentioned reliance on car usage, there is a corresponding requirement for the upgrade of the road network, and more specifically the main arterials into this region;
- Roads such as Plenty Road, which are being upgraded at present, are well-overdue, and the same situation will occur with Bridge Inn Road, and Yan Yean Road.
- These roads are during peak periods, heavily congested, and as such will only increase as the population continues to expand.

Commercial/Retail Precincts
- From a planning perspective, there is sufficient retail offerings and zoned land within the catchment. There are limited Commercial opportunities; however this limitation is more driven by lack of demand (because there is lack of infrastructure to service this demand).
- Any development of the retail and/or commercial sectors has happened due to private sector drive and funding, rather than Government assistance in that regard.
- The Government should be commended on the zoning and planning outcomes in and around the Ring Road, as this provides much needed employment land, which is well located.

Western Corridor

Schools
- To the Governments credit, there is provision within the planning scheme for adequate primary and secondary schools in the western corridor, however based on track record; they are likely to be established too late.
- Based on the LL experience at Caroline Springs, the majority of the education provided that is valuable to the community is provided by the private sector. This is similar to the Northern corridor, as mentioned previously.

Transport
- The community is heavily reliant on car usage to cater for their needs. This includes travel for employment related reasons, as well as schooling and other retail/amenity based purposes.
- Similar to the Northern corridor, although probably more acute an issue, is the requirement for rail. There is a rail line, although the services need to increase their frequency, as well as there being a need for new train stations along the line to service the new communities being developed in the western corridor. Rail has historically been 15-20 years behind the requirement.
- The residents of the Western corridor are more likely to need to travel to the CBD and surrounds for employment purposes. This means that the provision of timely rail services is needed for the corridor, and its residents.

Roads
- Given the high dependency on car transport, the provision of roads is critical to the functionality of the lives of the residents of the Western corridor.
- The main requirement is the provision of main arterial and freeways that connect to the surrounding areas, and associated amenities.
- For example the provision of the on/off ramps at Caroline Springs had a profound positive impact on the living standards of residents, as it saved enormous time being able to go directly to the destination, rather than through the surrounding suburban road network.
- It must also be pointed out that this success was aided by the opening up of the Ring Road.
- By in large, the Government has provided an adequate road network for the residents of the Western corridor.
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Commercial/Retail Precincts
- The Retail and commercial zoning of the areas is sufficient, with the retail being developed according to demand.
- As noted earlier, there is a significant portion of the residents who travel outside of the corridor for work, especially into the city. To assist in reducing this demand, the Government could seed the tenancy and therefore lead the commercial development for the corridor. This would reduce the strain on the road and rail infrastructure, and provide a daily catalyst for the spark in retail trading and amenity.

South Western Corridor

Transport
- The community does rely on public transport. This is especially evident at peak periods, where the trains to the city are quite full with the first stop at Werribee, and certainly at capacity once 3-4 stops further have been made.

Roads
- The majority of the residents leave the corridor for employment. A substantial portion of residents use their car to travel to work.
- What is evident is that there is substantial congestion to get access through Werribee town centre, and onto the Princes Highway. There needs to be alternative accesses through to the Princes Highway that do not require travel through a congested Town Centre, thereby reducing travel times, and making the Town Centre a more livable destination.

South Eastern Corridor

Schools
- There is a general shortage of primary schools in the area. The one in our estate at Lakeside is now at capacity, and whilst there is another being designated for delivery adjoining our estate, this will not be functional for a number of years.
- In addition there is a shortage of Secondary Schools. There is one designated in the adjoining estate, however similar to other corridors, there is quite a few private school options, which have developed over time mostly ahead of the demand.

Roads
- There is at present a substantial capital expenditure programme going on in the Pakenham area to upgrade the road network. Unfortunately this upgrade is towards the end of the development cycle of the corridor, and as such residents have had to put up with sub-standard road network and congestion for several years.

THEME 2
Existing Infrastructure and Capacity

2.1 Investigate options, based on intrastate, interstate and international evidence, which reduce pressures on infrastructure and essential services.

What is evident through the LL experience is that infrastructure often lags the demand for it. This creates frustration and a sub-standard outcome for the residents within the specific corridors.

The requirement for this infrastructure is not disputed with the authorities, nor the required timing of it. However it is the restriction that the authorities have a lack of funding sources to meet this need. So from a solution perspective, it is apparent that what is needed is a system or structure that either prioritizes existing funding available, or creates new funding sources.
The State Government has created the GAIC levy, as a means of part payment for these items. This type of levy is something that LL supports, from an objective perspective. However it is acknowledged that the levies payable are still insufficient to fund the infrastructure requirements.

Whilst prioritising funding sources would be a preferred option, this is somewhat unrealistic that this would address the funding shortfall of our suburb infrastructure requirements. An option for further consideration and discussion is a type of grouped infrastructure levy. This would operate more like an enlarged GAIC levy, where most of the municipality and state government infrastructure requirements would be funded through a central vehicle. By pooling the infrastructure requirements, it would be possible to issue infrastructure bonds or some other credit derivative, backed by a combined stage government/municipal guarantee. This will enable the cost of borrowing to be lowered, and provide the access to the funding needed to provide the infrastructure when required.

The GAIC levies would still be charged, and paid into the pooled infrastructure structure. These GAIC payments could also be used to service the infrastructure bonds that are issued.

Detailed below is a representation of the way such a vehicle could work, and a description of the required steps and the like.

- The Infrastructure vehicle would be formed.
  - This vehicle would be responsible for funding all required infrastructure within the State, which is the responsibility of the State and/or local government
  - There would be an independent assessment panel that reviews the merit of all infrastructure requirements, ensuring that there is a need, and that the appropriate risk management has been put in place to ensure the proper outcomes for the community
The Infrastructure vehicle would be funded from a number of sources;
- The payment of the GAIC levies would be placed into the vehicle as they are paid;
- The infrastructure vehicle would offer investments bonds over a long period, say 30 years. Investors would purchase these bonds,
- The State and Local governments would contribute some portion of funding to this vehicle, based on a Pre agreed formula. The intention of this funding is to ensure that there is enough cashflow to service the infrastructure bond interest, and also to amortise the repayment of the infrastructure bond over the 30 year period;
- The combination of the above will therefore give the Infrastructure vehicle the funds (along with the GAIC payments) to fund the required projects

The infrastructure vehicle debt servicing, and repayment of the bonds in question, would be guaranteed by the State and Local Governments collectively. By pooling the credit worthiness of these entities, it will enable the cheapest source of funding from the Investment Bond holders, as they will see little risk of non-repayment.

Whilst the above structure amounts to a collective increase in Government borrowings (both State and Local), it enables such borrowing to be done in a cost effective manner. There would be several credit enhancements that could be structured into the arrangements to ensure that the credit ratings of the various government entities would not be adversely impacted. More importantly on a positive note, it provides one pooled fund to provide the infrastructure, and no continual arguments with the various stakeholders regarding whose funding liability it should be to provide the infrastructure that the community deserve.