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Mr Sean Coley, Executive Officer
Outer Suburban/Interface Services and Development Committee
Parliament of Victoria
Parliament House, Spring Street
East Melbourne, VIC 3002

I would ask that the committee consider my following concerns with the proposed change the urban growth boundary and the impact of the Growth Area Infrastructure contributions levy.

I respect that the cost of infrastructure is considerable and that the intention of the GAIC is to have the land holder who profits from a rezoning of his land within the urban growth boundary share in the burden of this cost. Ideologically, this argument appears sound.

The extension of the growth boundary to meet Melbourne's growing population is required, however the application of the GAIC may in fact curtail supply, and greatly increase the development cost. Imposing the infrastructure costs up front, **must** have an impact on the eventual sale price of a parcel of land. It is my contention that, due to the GAIC, initial land values in any new developments can only increase. If a developer incurs substantial infrastructure costs well in advance of any revenue, and for that matter the roll out of the actual infrastructure, then the leveraging required to meet the statutory costs will have to be transferred to the eventual recipient of the parcel of land. Hence, housing will become less affordable. A developer borrowing millions of additional dollars to cover their obligations to contribute to the States consolidated revenue has to reclaim his expenses from the downstream purchaser of a property. Any delay between a developer buying a parcel of land subject to the GAIC and the eventual sale of lots will exacerbate the situation. **Effectively the additional cost to purchase a parcel of land will be due to banks profiting from the requirement of the state Government to increase their revenue base.** In broad terms, borrowing an additional 100k per hectare will incur an additional 8k+ in interest charges (compounding) per hectare for the developer. If the developer requires several years to get to the point of selling a parcel of land, then the **additional** interest charges alone, will be in order of the tens of thousands of dollars per hectare. These expenses must be paid, and I would suggest incorporating a GAIC will not alleviate the housing shortage we currently have in Melbourne. Most likely developers will not be able to justify the economics of developing broad acres, as it may push the price point well over the purchasing power of any new home buyer. Housing will become less affordable, and the housing problems which Melbourne currently suffers could worsen. I would suggest that the economic modelling recommending the introduction of a GAIC is flawed, and delaying development cost, or for that matter any costs, to the point at which the eventual buyer purchases a new parcel of land, is the preferred option.

As an individual who has an interest in a property not within the current urban growth area, I am particularly concerned with the indexation of the GAIC. If you apply a consistent indexing of 7 % (approximately what local government's apply to their revenue base), the initial GAIC of 95k will blow out to over 185k per hectare in ten years. As infrastructure is rolled out, I do not see why the subsequent development of land requires inflated outlays for infrastructure. In fact you could argue that the indexation be reversed and be deflationary. For example, once a road/ train station/school is built in a certain area and paid for, new undeveloped lands in its vicinity opened up for development requires less infrastructure outlays than the preceding urban area releases. The rationale requiring the indexation of the GAIC is most likely unsound and I would suspect that the state government is illegitimately pursuing new revenue streams.

The most insidious implication of the GAIC is the impact on any land holder in the new urban growth areas. Consider that if the legislation is enacted, a land holder will see the notional value of their land greatly increase. I would foresee post GAIC that local government may significantly inflate the annul rates and taxes on these properties. If this is the case, then it leaves the land holder in a predicament, either suffer the annual burden of highly over inflated rates, or sell in an unknown market, where the only certainty is a fee of 95k/ hectare indexed. I would urge the committee to, at a minimum; strongly recommend to protect any land holder from being placed in this unenviable position. It should be recommended that if the GAIC is enacted, then any current land holder must not be subjected to a re-evaluation of their land values by local government over and above the increase in land value on properties outside the urban growth areas.

I hope that commonsense will prevail and that the committee recommends that the GAIC be scrapped and that the contributions towards infrastructure are applied at the point of sale by the developer to the eventual owner of a parcel of land. I am of the opinion that this also represents the lowest cost option for the eventual property owner, and ultimately we are trying to place people in a house, and not overinflate the cost of housing and jack up the profit of our banking institutions.

Regards
Joe Terranova