

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

Re: **Inquiry into the Impact of the State Government's decision to change  
The Urban Growth Boundary – Submission**

Dear Mr Coley,

This submission relates to the following aspects of the Inquiry as described in the relevant Terms of Reference:-

- “..plans announced by the Government to introduce an increased development contribution for land in designated growth areas, including –
  - c) the likely impact on the housing and development industries;
  - d) any unintended consequences including the impact on all landowners and purchasers to be impacted;
  - f) any alternative options..”

I am writing to you to express my concern over the proposed Growth Area Infrastructure Contribution (GAIC). As an owner of rural land, the GAIC does not presently directly affect my property, but may do so in the medium or long term.

No land owner would argue that a developer should not contribute financially to the provision of infrastructure in a residential growth area, but the proposed GAIC, in its current form, is likely to cause more problems than it solves. It seems that the State Government's justification for the introduction of the proposed GAIC is as follows:-

“The rural land falling into the Growth Areas was rendered valuable to the landowner by the State Government when the zoning was changed to allow residential development of that land. Hence, it is reasonable and acceptable for the Government to take a large amount of money from the land-owner as the landowner benefited directly and significantly from the rezoning, obtaining a very significant “windfall”.

My concern is that this overly simplistic view is flawed and will create numerous problems. The problems arise because the GAIC is payable at the time of sale or subdivision of the land, even before the commencement of the residential development process, rather than later in the development process.

My concerns and criticisms of the proposed GAIC include the following:-

1. The scheme seems to treat the wealthiest and largest developers preferentially. Perhaps this is the intended purpose of the proposal? Individuals and smaller developers are “priced out” of the running from the beginning, as the GAIC is payable “up front” in the purchase price. This reduces or eliminates market competition when a property is sold as there will be fewer buyers competing for the property. Hence, the assumption that a property’s value will still increase “ten-times” (Peter Seamer, Urban Land Authority, 15/05/09) by rezoning once the GAIC is introduced, is false. Not only will the “windfall” that accompanies the rezoning of land be reduced or eliminated, but the GAIC may exceed the market value of the property as it is based on a fixed rate per hectare, rather than a percentage of sale price.
2. The proposed GAIC dissuades the transfer of land until development is imminent. There is no incentive for a developer to purchase land unless development is imminent. Why would anybody pay such a huge amount of tax for property that will not be developed for 15 years? In cases where development is not imminent, the landowner may be trapped and unable to sell his property if he/she needs to.
3. The GAIC is proposed to be payable as a flat rate per hectare of land. A flat rate, such as \$80,000 or \$95,000 (as opposed to a percentage of profit) per hectare is inappropriate. This is grossly unfair to the vendor and treats the developer preferentially to the landowner. There is no reason to believe that just because a tax of \$95,000 per hectare is imposed, the market value of that land is anywhere near that amount, as market value is dependent on competition. If a vendor is forced to sell, he must accept the best offer, and whilst the Government is assured their fee under this scheme, the landowner may be effectively paid nothing for the land, or again, may be left owing the State Government any shortfall.
4. The GAIC is described in the context of Melbourne 5 Million. Ironically, the GAIC will discourage the sale of land as disgruntled landowners feel cheated and angry about the proposed tax. Many will simply feel they cannot afford to sell and this may reduce the volume of land available for development.
5. The assumption that the rezoning results in a huge “windfall” to the landowner is flawed. Many of these properties were purchased as long term investments. Our own property was purchased in 1990 for \$21,000 per hectare and the property has been used to graze a non-commercial number of cattle. Landowners who have chosen to invest in rural land have forfeited income on the investment amount in exchange for the capital gain that would eventually be realized on the eventual rezoning of the land. Many properties have been held through numerous economic cycles of boom and recession. Any profit gained when a property is rezoned needs to be considered in relation to the period of time the property was owned. An assumption that the “windfall” gained following the rezoning is “fair game” for the

State Government to take, because it is somehow not deserved is unfair. Historically, land is rezoned as required by population growth, and has never been subject to such a tax. To change the rules when the property has been in the same ownership for decades is ethically and morally wrong, and will financially devastate the many Victorians who will be affected.

6. As this proposed tax clearly demonstrates, the rules change constantly. The promise that the GAIC will be payable only once is a hollow one. Since the rules are constantly changing, there is clearly no guarantee that the GAIC is a “once only” payment.
7. The introduction of the GAIC has implications for other types of properties where vendors stand to gain from the rezoning or subdivision of those properties. Will this tax be eventually extended to include urban residential or commercial properties where rezoning or sub-division significantly increases the value of that property? Will these developers be required to contribute to infrastructure that needs upgrading as housing density inevitably increases? If not, why not?
8. How will the GAIC affect council rates payable on the properties? If the property is notionally valued to include the GAIC, are council rates increased accordingly? Is stamp duty on the sale of the property calculated on the sale price, effectively amplifying the GAIC? These issues require clarification.
9. Clearly, the proposal that the GAIC should be payable at the point of sale or subdivision of a property in Melbourne’s Growth Areas may have many adverse unintended consequences for landowners and smaller developers. Any proposed tax should be imposed in either of the two following ways to be equitable and considerate of the many Victorians who stand to lose their livelihood due to the introduction of the Growth Areas Infrastructure Contribution tax:-
  - a) as a percentage of profit made on sale of the property
  - b) on commencement of construction of the development, or any time subsequent to this.

All Victorians are aware of the need to provide further housing for our rapidly expanding population. We also agree that residential development needs to occur in conjunction with the provision of appropriate infrastructure. However this proposed legislation is ill-conceived and unfair to landowners. It victimizes landowners by making false assumptions and will hinder, rather than promote, residential development in our Growth Areas. I hope that sanity will prevail and that you will consider the many implications of, and problems with, the proposed GAIC. I hope the Committee and State Government will have the intelligence and the common sense to modify this legislation significantly from its present form before it is implemented.

Ida Perez  
65 Park Street, Moonee Ponds, Vic 3039  
Ph) 03 9370 4660, perezml@bigpond.net.au