



CITY OF MELBOURNE

26 September 2018

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Dear Stuart

PROPOSED MELBOURNE PLANNING SCHEME AMENDMENT C309 - WEST MELBOURNE STRUCTURE PLAN

I refer to your letter dated 18 September 2018 which requests City of Melbourne to consider revising the above Amendment and supporting documentation to address specific matters.

Following lodgement of our request for authorisation on 25 May 2018, we have presented to DELWP on 24 July and responded to a detailed request for further information from Steven Cox on 29 July regarding employment, affordable housing, zoning, development viability, parking and the Environmental Audit Overlay. We have also provided detailed responses to requests for additional information from Alisa Gattini over the last four months. Prior to this, we met with Steven on the drafting of the Amendment in October and November 2017 and May 2018.

Please find our consolidated response to the matters raised in your letter below, which we hope will provide the required information and rationale for proceeding to exhibition.

Feasibility

The feasibility testing, undertaken by SGS Economics & Planning, and the built form testing undertaken by Breathe Architecture did assess all of the proposed requirements applying in combination. The built form testing included the employment floor space requirements and all the built form and density controls, while the feasibility testing included the built form and density requirements, along with affordable housing and potential DCP requirements. Both sets of work were iterative and were developed in combination while the structure plan was being drafted and finalised.

The feasibility testing used the residual land value methodology to determine the underlying land value once the costs of the development (including developer's profit) are deducted from the gross development value. Three different land use mixes were considered, along with different floor area ratios (FAR controls) before finalising provisions that are feasible and will enable development.

The conclusion from the sensitivity testing was that the findings of the base feasibility analysis are robust. We consider seven sensitivity tests to be appropriate and proportionate to the project. The introduction of floor area ratios, height controls and other planning policies is likely to increase certainty in the market concerning development potential, the anticipated built form outcomes, and the resulting underlying land values. Given this, and the sound methodology to determine the land values for the testing (from the City of Melbourne's valuation data, taking into account the different design and development overlays and recent development activity), it is considered there is not the need or justification to test further scenarios such as an increase in land values. This can be discussed and analysed further with SGS during the planning panel.

Given the importance of the mix of uses in West Melbourne to both the economy and community and Plan Melbourne's policy direction for mixed use neighbourhoods, retaining a mix of uses for the future was seen as an important priority for the area. It is therefore considered necessary to mandate the minimum employment floor area requirements given that the current mixed use zoning and development trends in the area are seeing predominantly residential development, with minimal other uses. Based on current development trends, the existing zoning would only deliver around 600 new jobs in the area by 2030. The minimum employment requirement was analysed throughout the feasibility testing and is feasible.

Retention and Creation of Non-Residential Land Uses

As highlighted in the presentation in July, the projected amount of non-employment floor space from the minimum employment floor space requirement has been quantified at around 4000 jobs (taking an average of 24 square metre per worker) in around 100,000 square metres of floor space. This figure of around 4000 jobs is strategically justified by the future need of between 4500 and 7000 new jobs in West Melbourne by 2036 (depending on the employment type) which would require between around 100,000 square metres and 200,000 square metres of employment floor space (City of Melbourne Employment Forecast 2036, SGS Economics and Planning, 2016). As discussed above, delivering this floor space through the minimum employment requirement is both financially feasible as well as being strategically justified.

Affordable Housing

Affordable housing is recognised as essential infrastructure that supports the functionality, social inclusion and economic prosperity of the city. This has been recognised by Infrastructure Victoria, which named investment in affordable housing as one of its top three recommendations for the State's 30-year Infrastructure Strategy. Homes for Victorians: Affordability, Access and Choice (March 2017) and Plan Melbourne 2017-2050 (March 2017) recognise the critical need to increase the supply of affordable housing. Policy 2.3.3 in Plan Melbourne strives to strengthen the role of planning to facilitate and deliver the supply of social and affordable housing.

Housing is becoming increasingly unaffordable in the City of Melbourne. In 2014, only 5% of available housing in the municipality was affordable to the lowest 25% of earners. More than one third of renters are in housing stress, with approximately 35% of all renters in the City of Melbourne paying more than 30% of their income on rent in 2016, an increase of 12.5% from 2011 (Dwelling Stock and Diversity in the City of Melbourne research paper, City of Melbourne).

Modelling done by the City of Melbourne has determined that in order to afford the average weekly rent in the City of \$450 without entering into housing stress, the household must have an average annual taxable salary of \$105,000. This means that the City's key workers who earn an average annual salary of between \$45,000 - \$60,000 are susceptible to 'housing stress', especially if they live alone. This includes nurses, teachers, police, retail workers, receptionists, child care workers, musicians and artists, disability carers and hospitality workers. In addition to key workers, housing stress is a reality for elderly people. In fact, women over 55 are the fastest growing cohort of people needing housing assistance. To foster a diverse and inclusive city, the city should take deliberate steps to enable the delivery of housing that is affordable to those low income earners.

The strong link between homelessness and lack of available affordable housing is also an important connection to be made, with 279 people recorded as sleeping rough in the city in 2018, an increase of over 10 per cent in 2 years compared to the 247 rough sleepers in 2016.

As the Amendment states that 'one in sixteen dwellings within the development (at least 6%) **should** be an affordable housing dwelling' (emphasis added), rather than **must** (emphasis added), it is considered that the Amendment is consistent with the *Planning and Environment Act*

1987 for the affordable housing to be provided on a voluntary basis. Any affordable housing secured in West Melbourne will be secured under Section 173, consistent with the Act. The requirement for a report detailing how the proposal contributes to delivering 6% of housing as affordable housing or demonstrating how it cannot be delivered enables the Responsible Authority to make an informed decision based on a strong evidence base. Without this, it is highly unlikely that any affordable housing will be delivered and thereby not meet the objective of the Act 'to facilitate the provision of affordable housing in Victoria'. The gifting of housing stock at nil cost to the housing provider is consistent with the affordable housing requirement in Fishermans Bend proposed by DELWP and Amendment C270, and other urban renewal areas in Australia such as Green Square in Sydney. It also provides certainty from the outset, enables applicants and developers to factor this in to their costs and enables a smoother and quicker planning process.

The minimum threshold for the affordable housing requirement (more than nine dwellings) is similar to the mandatory threshold used in other cities. Any proposed development in West Melbourne, including smaller developments such as the 10 townhouses as suggested, has the opportunity (as discussed above) to demonstrate that it is not feasible to deliver the affordable housing. However, the feasibility testing during the development of the structure plan found that delivering 6 per cent affordable housing (transferred at nil cost) in the areas of Flagstaff, Spencer and Station Precinct within West Melbourne was viable (even without the land price adjusting to this future requirement).

The requirement for affordable housing in West Melbourne does allow for different types of affordable housing other than social housing. The requirement is for the affordable housing to be transferred to a registered affordable housing association or provider, who often provide a mix of both social and affordable housing according to their specific operating model and particular needs of applicants.

Other Matters

- West Melbourne has an industrial history and the City of Melbourne needs to ensure that the land is remediated before any sensitive use commences. As the area contains many buildings which reference an industrial history the best course of action is to apply the Environmental Audit Overlay (EAO). The EPA will be notified as part of the exhibition.

We are happy to take further advice from DELWP on this issue, however for an indication of West Melbourne's previous industrial use, the West Melbourne Heritage Review by Graeme Butler details the historic mix of warehouse/ industrial buildings with adjacent residential buildings.

- A Parking Precinct Plan prepared by Phillip Boyle and Associates (PBA) has been prepared in support of the Parking Overlay and provides the basis for the various elements of the proposed schedule to the Parking Overlay. This can be discussed and analysed further with PBA during the planning panel.
- The Municipal Strategic Statement defines the economic role of West Melbourne as proposed by the amendment to:
 - *Transform Spencer Street to become a new economically thriving local activity centre*
 - *Support mixed use development to facilitate a range of business and employment opportunities throughout West Melbourne.*
 - *Support the delivery of the projected 10,000 jobs.*

- *Enhance North Melbourne (future West Melbourne) Railway Station with active uses to reinforce this area as key gateway into West Melbourne.*
- In relation to the interaction between the Special Use Zone (SUZ) and Clause 22.06 (Open Space Contributions) we agree that there is a discrepancy in the application of these controls and will amend the SUZ to direct “*all application associated with the **development** of land*” to comply with Clause 22.06 rather than applications for “*development or use*”. We appreciate you bringing this to our attention.
- As requested we have considered the need to include transitional provisions in the DDO and SUZ controls and believe that it is not necessary to do so as the market will have ample time between exhibition and approval of the Amendment to adjust. Following the extensive community and stakeholder engagement in the development of the structure plan, the market is already developing an awareness, as the adopted West Melbourne Structure Plan forms the basis of negotiations for the approval of development applications.

We trust that this letter provides you with enough justification and confidence to authorise the Amendment. Given the time since the structure plan and Planning Scheme Amendment were endorsed by the Future Melbourne Committee (in February and April respectively) and that the Amendment was lodged in May, we are keen to progress the Amendment to exhibition and planning panel, which is the appropriate stage for further discussion and debate.

Finally, please note that this Amendment is based on extensive strategic work that has been benchmarked against other cities across the world. We hope you will support the City of Melbourne in delivering best practice planning provisions for our City.

Yours sincerely



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