

UDIA (VIC)

SUBMISSION TO GOVERNMENT IN RESPONSE TO

Proposed New Residential Zones for Victoria

APRIL 2009



UDIA Submission to New Residential Zones

1.0 Introduction

The UDIA welcomes the opportunity to provide a submission to the 3 proposed residential zones that will form part of the Victoria Planning Provisions.

2.0 Established Suburbs

As recognised by the Melbourne @ 5million document, the existing established suburbs across metropolitan Melbourne will need to play a critical role to accommodate the projected growth in the population.

However, we believe that Melbourne 2030, in terms of the proportion of households that have been accommodated within strategic redevelopment sites, has failed. This has resulted in an increasing proportion of the household growth being accommodated within both dispersed infill sites and broadhectare estates. It has been the consistent view from UDIA (Vic) that the majority of household growth will be accommodated within Greenfield areas.

It is therefore critical that until Government policy is realised in terms of strategic site redevelopment, that any state or local government land use policy does not reduce or impede the supply/dwellings of infill style developments i.e. projects yielding less than 5 dwellings. The new Residential Zones should assist in implementing Government's Strategic Policy Directions, but in their present form, they will inhibit achievement of this aim.

3.0 The Proposed Residential Zones

Initial perusal of the new residential zones is perceived to be a major impediment to housing development within the established urban areas. The purpose of the proposed Substantial Change Zone is to provide for housing growth by allowing a mix of housing types that includes medium to higher density housing. This cannot be easily achieved with a mandatory maximum height limit of 13.5 metres (4 storeys) and the retention of third party notice, objection and review provisions. The intention for this zone as outlined in DPCD's Discussion Paper (February 2008), was for it to be applied to areas along major public transport routes and areas adjacent to activity centres with a reduction in third party notice requirements. Fastracking of approvals was also mentioned in the Discussion Paper but is not reflected in the current version of the Substantial Change Zone.

The Substantial Change Zone as currently proposed, is effectively no different to the existing Residential 1 Zone (although this zone is intended to replace the Residential 2 Zone), except that it now will have a mandatory height limit, making it more difficult to provide any innovation. The existing Residential 2 Zone does not require third party notice and deleting this zone will be a step backwards. The Substantial Change Zone

should more closely reflect the Residential 2 Zone with respect to the notice requirements, (especially if this is meant to be the direct translation for the new Substantial Change Zone). However, its application needs to be much wider than replacing existing Residential 2 Zones, as these are few and far between in Melbourne and regional Victoria.

The Substantial Change Zone was intended to take a larger proportion of new housing, so that neighbourhoods could be protected. This will not be achieved with this zone as the controls are inflexible, unless Councils choose to undertake planning scheme amendments to increase the mandatory height limit or to reduce third party notice requirements. The vast majority of Councils will not choose to undertake planning scheme amendments due to a lack of resources and an unwillingness by many to accept change to allow for increased densities and population growth.

The Incremental Change Zone is aimed at infill development that respects the character of the neighbourhood. This zone needs to be more flexible to allow for a variety of infill developments, whether it is a single storey dual occupancy or a multi unit development of 4 storeys or more (where it's appropriate) on strategic redevelopment sites. To allow for this, the mandatory height limit of only 9 metres is not workable, especially in view of the fact that there is an ability to reduce the height limit further through the schedule. **The UDIA strongly urges the deletion of the ability to reduce the height limits below 9 metres.** The lower height limit gives the wrong message regarding the purpose of the zone to allow for infill developments, with a resultant assumption of lower densities.

The Limited Change Zone is for the purposes of protecting neighbourhoods with special heritage or environmental features. This zone is considered appropriate only if higher density developments are allowed in both the Substantial Zone and the Incremental Change Zones by deleting mandatory height controls and some 3rd party rights for notice, objection and appeal.

The introduction of the proposed new residential zones will only serve to limit the provision of more housing and a greater diversity of housing types and in the process prove to be a costly and time consuming exercise.

The UDIA would also like to emphasise that we do not support the introduction of mandatory height controls as a principle. This approach is not in the spirit of a performance based planning system that has been in operation for over 10 years. It seems contradictory to Government Policy to allow mandatory height controls when it has refused such proposals from Councils in the recent past.

Further, we would request that the existing residential names be retained (i.e. R1Z, R2Z and R3Z) and clearly explain their intention in the Purpose section. It needs to be clear that the zones are residential zones and this should be reflected in the title of the zone. The use of non land use related terms such as "incremental", "substantial" and "limited"

UDIA Submission to New Residential Zones

could be applied to any use in any zone and will appear increasingly incongruous relative to the rest of the planning scheme as time goes by.

It is unclear what the impact of the new zones will have on the Mixed Use Zone which is predominantly a residential zone. It would seem that there could be an overlap in the intention between the Substantial Change Zone and the Mixed Use Zone as both encourage higher densities. The purpose of the Substantial Change Zone needs to be clearer to make the distinction.

4.0 Application of Zones

The method by which ‘areas of change’ are to be identified is unclear as to whether it will be local or State Government, following the review of submissions by the Advisory Committee. Over the last 10 years, many metropolitan Councils have attempted to identify areas of ‘change’ by completing Neighbourhood Character Studies and Heritage Studies, which in turn were applied to identify local areas of ‘*no-go, slow-go and go-go*’ levels of change. Not surprisingly, attempts to apply this approach to development assessment have repeatedly failed at VCAT and Panels.

The implementation program to apply the zones following the Advisory Committee’s report should include clear direction on how the suitability of areas for change is assessed. For example, how will the so-called development constraints in ‘Limited Change Areas’ be established? What will constitute a constraint and will the same constraint in a ‘Substantial Change Area’ limit its development there too? The issue of infrastructure capacity is of concern in allowing major change within ‘Substantial Change Areas’ and will need considerable addressing, however this should not be a fatal flaw in preventing the delivery of new housing types. The method underlying the identification of ‘Change Areas’ must be made clear prior to the adoption of the new zones. Basically, the method underlying the identification of suitability of an area for change must be made known, prior to the adoption of new zones.

Because of the complications associated with the identification of ‘Change Areas’ (including a lack of financial resources, lengthy timeframes and questionable outcomes) that will occur within each local government area, the introduction of the new residential zones will further burden the planning system rather than make it more efficient. In the face of increasing pressure for more affordable and diverse housing outcomes, Government should be focussed on streamlining, rather than complicating the assessment process.

The translation to the new zones would best be made by State Government to ensure a quick and smooth transition, at least for the Substantial Change Zone areas. These areas include locations that offer good access to services and transport, including activity centres and strategic redevelopment sites that have been identified in Council’s Housing Strategies. It should not simply be applied to existing Residential 2 Zones.

It is unclear at this point, how the introduction of the new residential zones, in particular the ‘Substantial Change Areas’ will align with Activity Centre objectives and previous work undertaken in the many Structure Plans completed thus far. It would seem logical that all residential areas within identified Activity Centre boundaries and all areas adjacent to the boundaries (except in circumstances where there are heritage or environmental constraints) should become ‘Substantial Change Areas’ which would accommodate significant redevelopment opportunities.

It is suggested that the Substantial Change Zone is applied across all the Urban Growth Zone areas in the 6 Growth Area Councils, following the preparation of Precinct Structure Plans and subsequent rezoning proposals. The Substantial Change Zone should be the default zone where densities are not prescribed clearly in the Precinct Structure Plans. This will give the message to future communities that growth areas should be seen as areas of major change in order to implement Government’s Policy of providing 15 dwellings per hectare.

5.0 Market Realities

Contrary to their objective, the introduction of the proposed zones will limit the ability to deliver diverse housing types to Victorians by virtue of restricting the areas in which non-traditional housing (such as townhouses/units) can be provided. As a result, this will place upward pressure on prices for this type of housing, worsening the affordability crisis for those genuinely seeking an alternative housing product.

The changing demographics of Melbourne demand a more considered approach to the planning of our residential neighbourhoods that accepts the need to adapt and change the way we live over time. The present provisions are a reactionary response with provisions that represent a backward step even from where we are today. The Australian Bureau of Statistics has projected that the average household size in Australia is to decline from 2.6 people per household in 2001 to between 2.2 and 2.3 people per household in 2026. The number of families in Australia is projected to increase from 5.3 million in 2001 to between 6.8 million and 7.1 million in 2026, representing growth of between 27% and 33%. Of all family types, the number of couple families without children is projected to increase most rapidly over the period 2001 to 2026, by 54% to 73%.

Some of the market realities for providing residential infill and support medium density housing development are:

- While Melbourne 2030 rightly expresses the need to provide ‘higher density housing’ as a means of accommodating future population growth and changing household needs, it is almost singularly reliant on apartments for this to be achieved. However, the ability to deliver apartments in Activity Centres and on Strategic Redevelopment Sites is constrained by a variety of factors, not least the property market conditions affecting them. Primarily a function of the inter-

relationship between realisable prices and the cost of delivery, the viability of undertaking apartment developments in Activity Centres will remain a key barrier in meeting Melbourne 2030 objectives for the foreseeable future. The delivery costs of projects, incorporating land purchase costs, construction costs and required developer margins, dictate that the sales prices needing to be achieved are currently beyond what the market is prepared to pay. Until this relationship between sales prices and construction costs is restored, new suburban apartment projects will simply not be developed.

- Furthermore, combined with existing physical constraints such as small lots, sensitive interfaces and heritage and neighbourhood character considerations, together with fragmented land ownership and ongoing resident opposition, the ability to deliver the scale of development envisaged for Activity Centres appears dubious at best. Therefore, the planning framework must support the development of medium density development (townhouses/units) in infill areas if it is genuine about meeting the future housing needs of Victorians. The proposed new residential zones will only further limit this from happening.
- Despite the challenges facing the suburban apartment concept, residential infill continues to be a highly desired form of housing that is competitively priced and will continue to be demanded by a wide range of market segments. The better prospects for infill housing are underpinned by a variety of factors, beginning with the appeal of newer dwellings and their internal, open plan layouts which take advantage of natural light and ventilation, their individual street address and associated sense of identity, a reasonable sized courtyard or garden, cheaper and lower maintenance requirements and relative affordability. It also contains a number of inherent sustainability features beginning with reduced land requirements and energy efficient building design (now a requirement of planning regulations). It also provides housing for people who wish to age in place, but want to downsize when the household requirements change.
- At the very least, the proposed residential zones will bring about further uncertainty as well as increased costs and higher risks for the development industry and in turn, the very real possibility of a shortage of higher density housing across metropolitan Melbourne. Additionally, the substantial costs associated with conducting planning appeals over development applications for residential infill will continue to be borne in the first instance by both ratepayers and taxpayers alike and ultimately by consumers, many of them first home buyers.
- More importantly, the implication of a marginal shift in the projected number of Activity Centre dwellings towards residential infill is that infill will become the predominant form of new housing in Melbourne. Given the existing physical and

UDIA Submission to New Residential Zones

property market constraints facing the suburban apartment market, this appears to be a distinct possibility. In any case, residential infill will continue to represent approximately one-third of all new dwellings, yet will be further limited by the introduction of the proposed residential zones.

Residential infill provides a diverse, desired, feasible and sustainable form of housing. However, by failing to recognise its significance with any sound policy direction, the perceived impacts of residential infill upon the preferred 'compact city' model expressed in Melbourne 2030 will not be lessened. Therefore, the uncertainty and inaction resulting from Melbourne 2030's policy void on infill and worsened by the introduction of the new residential zones will not only put at risk the ability to deliver higher density housing choice to a changing population, but also limit the ability to effectively plan and provide the required level of infrastructure and services for local communities - exactly the issues that Melbourne 2030 is aiming to address.

6.0 Conclusion

The critical points that the UDIA would like to emphasise on behalf of the development industry are summarised below:

- The new residential zones are a step backwards in providing flexibility and incentive for medium to higher density development.
- The Substantial Change Zone should have the same third party notice, objection and review provisions as the existing Residential 2 Zone.
- Mandatory height controls are not supported.
- State Government needs to do the translation of zones to ensure a fast, efficient and streamlined process, not leave it to local government to deliberate and stall the process.
- The Substantial Change Zone should be applied to all residential areas within identified Activity Centre boundaries and all areas adjacent to the boundaries (except in circumstances where there are heritage or environmental constraints) as well as along major public transport routes and strategic redevelopment sites.
- Infill housing is the largest market proportion of medium to high density housing and will continue as such in the foreseeable future. The Substantial Change Zone and the Incremental Change Zone should have flexible controls without 3rd party obstruction to facilitate meeting future housing demands.