

MAROONDAH PLANNING SCHEME AMENDMENT C130

Development Contributions and
Economic Assessment

Expert Witness Evidence

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Pty Ltd

Instructed by Maddocks on behalf
of Maroondah City Council

Final - 13 July 2020

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1.0 INSTRUCTIONS

1. Maddocks, on behalf of Maroondah City Council, instructed me to provide Expert Evidence in relation to the proposed Planning Scheme Amendment C130 (Ringwood Metropolitan Activity Centre) to the Maroondah Planning Scheme.
2. I have been asked to review submissions in relation to the proposed Development Contributions Plan Overlay and any related economic matter.
3. This specifically relates to:
 - Amend Schedule 1 to Clause 45.06 (Development Contributions Plan Overlay) to update reference to the Masterplan and to apply to the Ringwood MAC area.
 - Amend the Schedule to Clause 72.04 to include the Ringwood Metropolitan Activity Centre Development Contributions Plan (March 2019) as Incorporated Document and delete the Ringwood District Centre Development Contributions Plan (July 1997).

2.0 CREDENTIALS

4. I, Alex Hrelja, make this statement to assist the Panel appointed to hear matters in relation to proposed Amendment C130 to the Maroondah Planning Scheme.
5. I am an urban economist and planner, having qualifications in planning and business (property). I am a Member of the Planning Institute of Australia. I am a Principal Consultant of Hill PDA Pty Ltd and have managed the Melbourne office of the firm since 2013. I was previously a Director of SGS Economics and Planning Pty Ltd for approximately 8 years. I have worked in the field of urban economics for about 25 years.
6. Attachment 1 provides an overview of HillPDA Pty Ltd.
7. A sample of my experience in urban economics and planning is shown in Attachment 2. That attachment provides a summary of my work in economic analysis and development contributions.
8. I was HillPDA's project manager and primary author of: Ringwood Metropolitan Activity Centre Development Contributions Plan (DCP), March 2019 (HillPDA for Maroondah City Council)
9. My business address is Suite 114, 838 Collins Street, Docklands 3008.

3.0 INFORMATION RELIED UPON

10. For this Expert Evidence, I have relied upon:

- Amendment documents, including submissions which raise issues related to my area of expertise
- Ringwood Metropolitan Activity Centre Development Contributions Plan (DCP), March 2019 (HillPDA for Maroondah City Council) - hereafter called 2019 DCP.
- Proposed Schedule 1 To The Development Contributions Plan Overlay – drafted in March 2019.
- Proposed Schedule 1 To The Development Contributions Plan Overlay – as exhibited.
- Ringwood District Centre Development Contributions Plan (July 1997) (included as Schedule 1 To The Development Contributions Plan Overlay gazettal date 19/01/2006) – hereafter called 1997 DCP.

11. For this statement I have not consulted any land owner.

4.0 SUMMARY OF DCP REPORT

12. The Ringwood Metropolitan Activity Centre Development Contributions Plan (March 2019) was prepared in accordance with all other DCPs I am familiar with.
13. The method adopted for the DCP applied the 'DCP system' in Victoria, being the joint operation of:
 - Planning and Environment Act 1987 Part 3B
 - Ministerial Direction on the Preparation and Content of Development Contributions Plans and Ministerial Reporting Requirements for Development Contributions Plans, Minister for Planning, 11 October 2016
 - Development Contributions Guidelines 2007 (State Government of Victoria).
14. Infrastructure projects in the DCP were identified and scoped by Council officers using expert assistance in some cases (such as traffic engineering input), based on the Masterplan for Ringwood.
15. Council nominated 16 projects for the DCP, with an estimated cost of \$61.9 million (June 2018\$). By adopting the DCP, Council commits to deliver the DCP projects over the DCP timeframe (being before the end of 2038). All projects are classified as Development Infrastructure under the DCP system.
16. A summary of the DCP cost commitment is shown in Figure 1 below. Note that time of provision should state: 2018 to 2038. This should be corrected.

Figure 1: Summary of DCP, Extract from Ringwood MAC DCP March 2019

Facility Type and Code	Total Cost	Time of Provision	Actual Cost Contribution Attributed to New Development	Proportion of Cost Attributed to New Development
Community Facility CFCI	\$0	2016-2036	\$0	-
Community Facility CFDI	\$600,000	2016-2036	\$326,294	54.38%
Path PADI	\$15,226,332	2016-2036	\$5,697,585	37.42%
Road RDDI	\$37,945,361	2016-2036	\$8,501,232	22.40%
Drainage RDDI	\$8,100,000	2016-2036	\$3,048,229	37.63%
Total	\$61,871,693		\$17,573,340	28.40%

Source: Ringwood Metropolitan Activity Centre Development Contributions Plan (DCP), March 2019 (HillPDA for Maroondah City Council), page 19

17. Development and demand unit data for the DCP was sourced by HillPDA using the data sources and method shown in the DCP report.
18. The levy calculation method uses the approach shown in the DCP Guidelines 2007 and as documented in the DCP report.
19. The resultant levies are as shown in the DCP report and overlay schedule and shown in Figure 2 below.

Figure 2: DCP Levies (June 2018\$), Extract from Ringwood MAC DCP March 2019

Development	Unit of Measurement	Levies Payable By Development		
		Development Infrastructure Levy	Community Infrastructure Levy	Total
Residential	Per Dwelling	\$5,792	\$0	\$5,792
Retail	Per Square Metre (SQM) of Floor space	\$168	-	\$168
Commercial	Per Square Metre (SQM) of Floor space	\$70	-	\$70
Industrial	Per Square Metre (SQM) of Floor space	\$47	-	\$47

SQM = Square Metres of Gross Floorspace

Source: Ringwood Metropolitan Activity Centre Development Contributions Plan (DCP), March 2019 (HillPDA for Maroondah City Council), page 18

20. It was estimated that the DCP would collect approximately \$17.5 million over its life (or approximately 28.4%) of the total DCP cost commitment by Council of \$61.9 million. Council will be required to fund the gap (of approximately \$44.3 million) from other sources such as consolidated revenue.
21. The 2019 DCP is intended to update and replace the existing DCPO Schedule 1 for what was previously known as the Ringwood District Centre DCP 1997.
22. The 1997 DCP committed to deliver \$23.6 million worth of projects with a DCP collection estimate of \$7.8 million at 33%.
23. The 1997 DCP does not apply to residential development.
24. The 1997 DCP levies are as follows:
 - **Traffic management works:**
 - ⇒ Retail \$65/sqm
 - ⇒ Office \$22/sqm
 - ⇒ Entertainment \$3/sqm
 - ⇒ Restricted retail premises \$32/sqm
 - ⇒ Hotel/Motel \$108/room
 - ⇒ Industry \$11/sqm

- **Streetscape & environment:**
 - ⇒ \$12/sqm of additional floorspace
- **Drainage:**
 - ⇒ \$3.56/sqm of total site area

25. The 2019 DCP updates all aspects of the 1997 DCP including: application of a simplified four land use category approach that includes residential development; nominates an indexation method; and lists exemptions from the DCP.

5.0 ISSUE WITH EXHIBITED DCP OVERLAY SCHEDULE 1

26. The DCP Overlay Schedule 1 was drafted in March 2019 (at the same time as the latest DCP Report).
27. It is my observation that Council translated the March 2019 Overlay Schedule to an Exhibition version and included two errors:
 - The cost commitment for road projects incorrectly shows \$15,226,332 in the Exhibition version instead of \$37,945,361. However, the total cost commitment for the DCP of \$61.9 million is correct.
 - The levy for Retail development incorrectly shows \$160 per square metre in the Exhibition version under the Development Infrastructure column instead of \$168 per square metre. However, this levy is correctly shown as \$168 per square metre in the Exhibition version in the total (All Infrastructure) column for Retail development.
28. Whilst not ideal, I do not believe correcting these errors would be a transformation of the amendment material. The correct figures were shown in the DCP Report.
29. Like the DCP Report, the reference to time of provision in the Overlay Schedule should state: 2018 to 2038.

6.0 SUBMISSIONS

30. I have identified five submissions which reference the proposed DCP. I provide a summary of each of these submissions and my response to DCP points raised in the table below.

Table 1: Summary of Submissions and My Response to DCPs Points Raised

Submission	My Summary of Submission	My Response
Best Hooper for Bigbai Pty Ltd	- The east-west shared user path from New Street to Sherbrooke Avenue is not included in the proposed Development Contributions Plan. - No Public Acquisition Overlay is proposed. - The path is not required by the submitter's land or development.	Shared Path Not in DCP It is not unusual for proposed future projects to be excluded from a DCP. This DCP, like most DCPs, does not include all projects that Council intends to deliver over time. The DCP includes strategic projects that Council commits to deliver with partial funding provided by the DCP. Projects may be shown as future desired projects and / or delivered in a variety of ways including full Council funding, grant funding, land owner or developer provided or provided via another funding tool such as open space levy or special rate and charge scheme.
Ringwood Church of Christ, 24 March 2020	Concerned about prospect of making development contributions payments in relation to development for non-profit activities.	Payment of DCP Levies Council is able to require new development to contribute a fair share payment towards shared (or off-site) infrastructure via an approved DCP. The

Submission	My Summary of Submission	My Response
	- States that levy could be based on a percentage of developed improved value as opposed to a flat rate. - States that flat rate does not vary based on dwelling type and its value. - State that a flat rate would apply to affordable housing units.	legislation for this has been available since 1995. Some development types are exempt from DCP levies, and exemptions can apply to social and affordable housing. However, I am not sure whether the Church of Christ would qualify for an exemption. Percentage of Value as Opposed to Flat Rate The DCP Guidelines 2007 and Planning and Environment Act promote use of a per dwelling (or per demand unit) rate for DCPs. This is because the approach seeks to spread the cost of works over a given number of development units. In established areas the unit tends to be both a dwelling unit and square metre of non-residential floorspace. In growth areas the unit tends to be a net developable hectare. DCP practice over the past 25 years has affirmed that approach. A percent of development value approach is another way of striking a development contribution, but not

Submission	My Summary of Submission	My Response
		approved or preferred in the DCP system. Variable Rate for Types of Dwelling Unit In order to avoid too much complexity, the DCP system now almost always adopts three of four land use types for the purpose of cost apportionment, these being: residential, retail, commercial and industrial. Sometimes retail and commercial is merged into one commercial category. Whilst it is technically possible to have sub-categories of all land uses in a DCP including residential, it would create a lot of complexity and may not make much difference to the levies. For each sub-category the following information would be required: definition, stocktake of development at start of DCP period, projection of development at end of DCP period, and equivalence ratios for potentially each infrastructure category type in the DCP. The DCP system has stopped short of going into that level of detail and complexity.

Submission	My Summary of Submission	My Response
Andrea Skraba, 30 March 2020	• The Masterplan shows a future laneway at the rear of Bardia Street but this is not shown in the DCP report. • The Charge Area for the DCP as shown in figure 1 of the DCP Report (page 21) does not match the DCP Overlay (DCPO) or schedule. There appears to be no explanation for why certain areas are excluded from the DCPO.	Laneway Project Not in DCP It is not unusual for proposed future projects to be excluded from a DCP. This DCP, like most DCPs, does not include all projects that Council intends to deliver over time. The DCP includes strategic projects that Council commits to deliver with partial funding provided by the DCP. Projects may be shown as future desired projects and / or delivered in a variety of ways including full Council funding, grant funding, land owner or developer provided or provided via another funding tool such as open space levy or special rate and charge scheme. DCPO1 Charge Area Map It is my understanding that the new DCPO1 would cover the whole Ringwood MAC area. The map areas shown in the amendment material are areas which are not already covered by the 1997 DCPO1. The map area for the 1997 DCPO1 would be retained in the Planning Scheme maps

Submission	My Summary of Submission	My Response
		along with the new areas as part of this amendment.
Tract on behalf of Uniting Church, 30 March 2020	General concern about the DCP levies and potential impact on development feasibility (but no specific details on this matter provided).	Viability Impacts In my opinion the proposed DCP levies are not unusual for a major activity centre or renewal area and adequate forewarning of the proposed DCP levies has been provided to developers. General Discussion The introduction of a new levy for development can move in a number of directions: - Lower development site residual land value (purchase price assessment) by the developer - Reduced profit margin - Higher end sale value of newly constructed property. The extent to which these factors apply depends on each developer's circumstances and state of the property market. In a general sense, the greatest impact of a new levy on development may be felt by those developers that have recently purchased a

Submission	My Summary of Submission	My Response
		development site but have not factored in the new levy into the feasibility equation and land purchase assessment. However, I do not know whether this applies to the submitter or, if it does, whether the impact is significant or not. Parts of the Ringwood MAC area have had a DCP in operation since the 1997 DCP came into operation and the amendment process has provided a long pre-notification period for land owners regarding the proposed new DCP.
Rebecca Lyons, Associate Director, Urbis, on behalf of Ryman Healthcare (Australia) Pty Ltd, 30 March 2020	It is not clear how the DCP is to apply to our client's site for a proposal for a residential aged care and retirement village.	Definitions The proposed DCP adopts four land use categories for levying purposes: residential, retail, commercial and industrial. Council's interpretation of the Planning Scheme definition of these land use groups would apply. If there is doubt about a particular use, the Commercial rate may apply in accordance with section 6.2 of the DCP report. Land use definitions could be added to the DCP report if desired. I have done this for

Submission	My Summary of Submission	My Response
		other DCPs and attach my definitions below. Aged Care and Retirement Village The principle of land use definitions is to assess the nature of demand generation created by each land use on infrastructure types. In that sense, residential aged care is akin to provision of health services and as such a commercial definition and DCP rate would be appropriate in my opinion. The retirement village component however is more closely associated with residents and dwellings and as such a residential definition would be appropriate in my opinion.

7.0 CONCLUSION AND DECLARATION

31. The 2019 Ringwood MAC DCP is an important implementation tool of the Ringwood MAC Masterplan.
32. The only changes I am aware that should be made to the DCP Report are:
 - Remove the word ‘Draft’ from the front cover of the DCP Report
 - Remove the word ‘Draft’ when referencing the Ringwood MAC Masterplan in the DCP Report
 - Change Table 6 Page 19 of DCP Report to state Time of Provision is 2018 to 2038 instead of 2016 to 2036.
33. The only changes I am aware that should be made to the proposed DCP Overlay Schedule are:
 - Time of provision should state 2018 to 2038 instead of 2016 to 2036
 - Change the total cost commitment of the DCP for roads in the Exhibition version to say \$37,945,361 instead of \$15,226,332
 - Change the Retail Development Infrastructure levy in the Exhibition version to say \$168 instead of \$160.
34. In my opinion the Ringwood Metropolitan Activity Centre Development Contributions Plan (March 2019) has been appropriately prepared and should be incorporated into the Maroondah Planning Scheme by replacing the 1997 DCP.
35. I provide this statement for the benefit of the Panel.
36. I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have, to my knowledge, been withheld from the Panel.



Alex Hrelja

Principal, Hill PDA Pty Ltd

13 July 2020

ATTACHMENT 1: ABOUT HillPDA

HillPDA is a specialist consulting firm with a highly skilled and experienced team of economists, valuers and urban planners.

Established in 1990, it has successfully gained an enviable reputation for professional, unbiased and independent advice. Today we are respected for our creative, diligent and balanced approach to all facets of our consultancy activities. The strengths of the practice are derived from the depth and breadth of our experience, our multidisciplinary expertise and our determination to ensure the highest level of professionalism and integrity.

At the heart of the HillPDA service is independence, integrity and creativity. It is a service that reflects experience, enthusiasm and dedication. It is a service that provides the advantage of a fully integrated multi-disciplinary capability.

Our client base is equally diverse, ranging from Commonwealth, State and Local Government agencies, financial institutions, development organisations, private corporations, professional firms and both large and small landowners and investors.

In the provision of advice in property land economics, HillPDA has considerable experience throughout Australia and internationally. This experience extends from the broad strategic level to detailed site-specific investigations and analysis.

HillPDA was the author of Estate Master property software. In 1991, HillPDA began developing the Estate Master software, and since then it has developed into a suite of powerful, flexible and easy-to-use property development software. Its financial models play a pivotal role in decision-making between developers, financiers and valuers for development feasibility, development management and valuation practices.

Our core value adding service areas embrace:

- Property economics
- Planning
- Valuation
- Advisory

ATTACHMENT 2: ALEX HRELJA

Alex Hrelja

Principal, HillPDA

- Master of Business (Property) (RMIT University)
- Master of Urban Planning (University of Melbourne)
- Bachelor of Planning and Design (First Class Honours) (University of Melbourne)
- Member Planning Institute of Australia

Alex manages HillPDA's Melbourne office. Alex is a specialist in property economics, urban economics, strategic planning and economic development and has over 25 years of consultancy experience in those fields.

Alex has worked across Australia in his fields of expertise. Clients include local, state and Commonwealth governments, developers and infrastructure agencies. Much of his work is based on an expert understanding of regional economic and social patterns and drivers, reviewing supply side conditions and forecasting demand conditions for specific projects to complex urban and regional development areas. His work ranges from feasibility studies for specific sites through to regional urban economic plans for all land use sectors, such as growth corridor economic plans.

His specific areas of expertise are:

- Infrastructure Funding and Development Contributions
- Property Advisory and Feasibility Studies (Estate Master)
- Strategic Land Use Planning
- Economic Development
- Market Research and Demand Studies
- Urban Economics for Growth Areas and Activity Centres
- Retail Economics and Impact Studies
- Industrial Land Strategies
- Community Facility Provision Plans

Prior to joining HillPDA, Alex was a Director of an urban economics consultancy firm for eight years. He has also worked in research roles in higher education and in strategic planning and economic development roles within public agencies.

A brief sample of Alex's project experience follows.

Market Research and Demand Studies

A sample of market research and demand studies follows.

- Braybrook Regeneration Project, Victorian Planning Authority
- Mooreland Affordable Housing Planning Provision

- Green Our City Action Plan Strategic Justification – Economic Feasibility Analysis, City of Melbourne
- Feasibility Study for Defence Site Maribyrnong, Victorian Planning Authority
- Fishermans Bend Urban Renewal Area Business Case Inputs, Aurecon for Fishermans Bend Taskforce
- Market Research and Feasibility Analysis, VicTrack
- Glen Eira Design Guidelines Review - Property Economics Analysis
- Macquarie Park Supply and Demand Assessment, Mirvac
- Camberwell Junction Structure Plan Review, Boroondara City Council
- Tarneit Major Town Centre Economic Impact Assessment and Alternative Design and Development Outcomes, Global South and Wyndham City Council
- Boronia Renewal Project – Economic Demand, Land and Site Options Analysis, Knox City Council
- Neighbourhood Activity Centres Framework, Greater Dandenong City Council
- Stonnington Activities Areas Study, City of Stonnington
- Torquay Major Landholding Study, Surf Coast Shire Council
- Housing Market Research and Feasibility Analysis, Hume City Council
- Thomastown Industrial Land Study, City of Whittlesea

Gazetted DCPs

Alex has prepared numerous development contribution plans covering the full spectrum of infrastructure across all development settings. Those that have been formally gazetted in Planning Schemes are listed below.

- Sunshine Town Centre DCP
- Banyule Municipal DCP
- Brimbank Municipal DCP
- Baw Baw Municipal DCP
- Mildura South Growth Area DCP
- Mildura South Growth Area DCP No. 2
- Irymple-Nichols Point Rural and Industrial Areas DCP
- Fountain Gate-Narre Warren CBD Activity Centre DCP
- Cranbourne North Growth Area and Activity Centre DCP
- Epping Central Activity Centre and Industrial Areas DCP
- Torquay Jan Juc Township and Growth Areas DCP
- Diamond Creek Low Density Residential Area DCP

Gazetted Open Space Levies

Alex has also prepared gazetted open space levy schemes that apply in Victorian Planning Schemes.

- Brimbank Open Space Contributions Levy
- Moreland Open Space Contributions Levy
- Banyule Open Space Contributions Levy

DCPs in Progress

- Yarra Municipal DCP (recommended for adoption by a Planning Panel)
- Maribyrnong Municipal DCP
- Ringwood Major Activity Centre DCP
- Darebin Municipal DCP
- Yarra Ranges Shire Municipal DCP
- Elsternwick Renewal Area South DCP
- Brimbank Community Infrastructure DCP

Major Policy Projects

- Fishermans Bend Urban Renewal Area Business Case Inputs, Aurecon for Fishermans Bend Taskforce
- Unit of Charge Analysis, Department of Planning and Environment NSW
- Input into Development Contribution Plan Review and Guidelines, Department of Planning and Environment Victoria
- Open Space Contributions Review, Department of Planning and Community Development Victoria
- Pilot Growth Areas DCP, Department of Planning and Community Development Victoria



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