

**Submission  
No 285**

**INQUIRY INTO THE PROTECTIONS WITHIN THE VICTORIAN  
PLANNING FRAMEWORK**

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## **INQUIRY INTO PROTECTIONS WITHIN THE VICTORIAN PLANNING FRAMEWORK**

### **RECOMMENDED PRIORITY ISSUES TO BE ADDRESSED**

The most serious issue facing Melbourne is the current housing crisis. The boom in prices excludes a large section of society and the inevitable crash will hurt many more. The issue must be addressed and the most painless solution must be found. In the popular press, on the street and even in learned papers, four urban myths divert attention and have effectively stymied all attempts to have an informed discussion about the crisis. This Parliamentary Inquiry has the authority to change this situation. The myths are:-

- Increasing the housing supply will address current house price inflation.
- The development industry is building affordable houses.
- The developers can't absorb the extra costs associated with inclusionary zoning and if imposed will increase house prices.
- The planning scheme as a whole is too restrictive and stifles economic recovery.

#### **Myth 1. The growing housing price inflation crisis is caused by the VPS (wrong).**

More influential are the monetary and fiscal policies pursued by governments, and the gradual deregulation of the finance industry. The annual rates of return being achieved in the housing market far outstrip all other markets, superannuation funds included. So the housing market has got very crowded, even Mums & Dads get in on the bonanza and it is not just cash-rich investors since borrowing rates have eased.

This trend will continue while politicians, planners and the general public believe land owners and developers who blame "the planners" for restricting supply and ignoring demand. This is toy-box economics and a smoke screen! This inquiry is well placed to call this out.

In addition, the numbers of empty and barely used houses in Melbourne has grown out of all proportion. The tax on empty property relies on self-reporting and in any case has been suspended due to Covid-19. There is no official information of the scale of homelessness. Doing nothing and blaming other people is not an option.

#### **Myth 2. The house builders are providing affordable housing (wrong or too little)**

An affordable house does not have to be cramped, cheaply built and isolated from services and jobs. Much of the current usage of the term "affordable housing" is misleading and nonsense. The word affordable in this context seems to have been high-jacked by the development industry. If the housing crisis is to be addressed, the term "affordable housing" needs to be owned by government.

Having the comfort and security of shelter is surely regarded as a basic human need by most people. In the context of 21st century Australia, it is not unreasonable to expect that someone earning an average wage in a secure job should be able to own average house or unit. Therefore the monthly cost of affordable accommodation needs to be linked to the current average income level. If solving the housing situation is a priority, then alternative delivery vehicles are required since it is unlikely that the housing development industry would be active in this area. Therefore a key recommendation is for government actively to encourage the establishment of a strong third housing provision sector provide the appropriate policy mechanisms (for instance through the planning scheme) and to set up funding arrangements for affordable housing providers.

**Myth 3. The additional cost of affordable housing is passed on to home buyers (nonsense).**

There is a gap in the understanding about how and when development occurs that obscures the real issues involved and under-values the worth of regulation. In reality, development will happen only when there is potential to create a finished project having a sufficiently high marketable value to cover its cost of development and provide an adequate return reflecting the risk taken by the developer. To mitigate risk the actual price and terms paid for the development site are decided only when costs have been estimated and the most advantageous planning permit and borrowing arrangements have been obtained.

So where sanctioned in the planning scheme and permit, the cost of providing or funding "affordable housing" and other encumbrances will be passed back reducing the value of the undeveloped site, not passed on to the house buyer. With known costs, the sale price of the finished project has to be competitive in the market and the developer will want his return

**Myth 4. Planning system is too restrictive (wrong again)**

The Planning Scheme currently shies away from policy words like "will" and "must" because it is conceived that some flexibility is required for some pressing reason. Conversely, permit applications will argue precedent like some ratchet, building on previous decisions irrespective as to whether they were good or bad.

Flexibility creates myopia where development expectations can balloon, and where lengthy negotiations and subsequent appeals or hearings are regarded as inevitable. At great expense, this sucks in experts to provide data and opinion to argue the toss with each other.

This acts against the public interest in that the necessary community resource (expertise and cash) to challenge proposals does not generally exist. Similarly, a rash of planning appeals will put a considerable strain on Council resources causing funds from other programme areas to be diverted or for expert representation at hearings being scaled back or abandoned. The costs are out of all proportion and the system is inequitable, even inaccessible to many.

The development industry is a project management, cost controlling and risky business and has to work within the planning system. Flexibility is an additional risk. There are few standards to work to and policies are open to interpretation, in short, it's a bit of a minefield for everybody other than the advocates concerned. One wonders, the cost how many VCAT hearings would fund the building of an affordable house?

Certainty and consistency in the planning system will be welcomed by the developers, risk can be reduced and profits be assured. Planning can be a force for positive change.

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