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Office of the Minister for Planning
Department of Environment, Land, Water & Planning
8 Nicholson Street, East Melbourne, Victoria 3002, Australia

Dear Minister,

It is our pleasure to submit a response to the Department of Environment, Land, Water & Planning's call for contributions to shape Victoria's apartment design.

The Committee for Melbourne (Committee) has long held the remit to enhance the future prospects of Melbourne. Founded 30 years ago, the Committee is an apolitical, not-for-profit member network that unites a cross-section of our city's leaders and organisations to work together to enhance Melbourne's economic, social and environmental future.

Our members represent over 120 organisations drawn from the city's major companies, academic institutions and civic organisations across a broad range of industries. We represent no single interest and seek to challenge conventional thinking and develop innovative policy that continues to enhance the 'World's Most Liveable City.'

With almost 100,000 new residents, Greater Melbourne saw the largest growth of any Australian city in 2013-14, and its 4.4 million people represent 76 per cent of Victoria's population,¹ as well as over 80 per cent of the state's economy.²

Despite Melbourne's prominence, this is certainly no time to rest on our laurels. A critical factor determining our city's liveability is our urban design and its accompanying residential development. The ability of Melbourne to successfully absorb and accommodate a growing population will for a large part determine whether we can maintain our status as one of the world's most liveable cities.

Historically, Melbourne has primarily grown through urban sprawl to accommodate its growing population, resulting in one of the largest cities in the world in terms of its geographical spread. In fact, Melbourne's urban area is almost 50 per cent larger than that of London, while only housing about a third of London's population.³

¹ Australian Bureau of Statistics, *Regional Population Growth 2013-14*, March 2015.

² SGS Economics & Planning, *Australian Cities Accounts 2013-14*, November 2014.

³ Demographia, *Demographia World Urban Areas: 11th Annual Edition*, January 2015.

This model for growth is running out of steam and if we are to accommodate approximately 7.7 million residents by 2051, while still attempting to maintain our highly valued liveability, we will need to become smarter about Melbourne's urban development. An important part of the solution will be around urban density and its associated apartment living.

Apartment living touches on a wide range of facets of modern day Melbourne, as such it is encouraging to see that the Victorian Government recognises the importance of this through its community engagement in its efforts to enable 'better apartments.' The Committee's unique and diverse membership base allows us to take a holistic and cross-sectoral approach, which is reflected in this submission.

Based on our research and the feedback from our members, the Committee is putting forward a submission focussing on the potential learnings from New South Wales' SEPP 65 planning policy guidance document, as well as issues around certification, Design Review Panels, standards, transition periods and the broader debate that needs to take place.

Guiding principles

SEPP 65

As noted in DELWP's discussion paper, a number of other jurisdictions in Australia try to achieve high quality living environments and housing choice through their respective planning policy guidance documents for the development of residential apartment buildings.

Most prominent among them, New South Wales' *State Environment Planning Policy 65 – Design Quality of Residential Flat Development* (SEPP 65) was legislated as planning law in 2002 under the *State's Environmental Planning and Assessment Act 1979* and has since undergone a number of iterations to improve its effectiveness and appropriateness in NSW. As a result, within the associated industries SEPP 65 is often cited as one of the more advanced planning policy guidance documents in Australia. Consequently, the Committee believes that SEPP 65 lends itself well as a template for our State's own planning policy guidance document, taking note of Victoria's specific context.

SEPP 65 incorporates 'objectives, design criteria and design guidance,' with an appropriate level of flexibility to suit the variability of sites across the NSW residential development landscape. It is important to take note that in order to achieve optimal results in Victoria, experience dictates that preference should be given to performance standards or guidelines rather than strict codes or rules. This is in line with best practice in NSW, where planning controls allow for flexibility where appropriate; SEPP 65's *Residential Flat Design Code Compliance Checklist* has a 'Rule of thumb' as well as an alternative 'Better Design Practice' in its primary development controls.

To maximise the benefits of a new planning policy guidance document, training and resources at the council level are necessary to prevent inappropriate rigidity in the approval process. There have been instances where councils in NSW have interpreted SEPP 65's

guidelines as strict rules, rather than guidelines that need to include some flexibility to apply to the particular nuances of each application, leading to delays and cost increases.

Furthermore, using SEPP 65 as a template for establishing Victoria's own planning policy guidance document will potentially prevent companies operating in both jurisdictions from having to work with two materially different sets of rules and guidelines, thereby creating greater expertise within the industry and reducing overhead costs at the company level. In this respect, it is essential for any new planning policy guidance document to take note of existing guidelines and regulations in the relevant jurisdiction to prevent doubling up and creating unnecessary layers of complexity resulting in significant excessive costs for the industry and, by extension, homebuyers and tenants.

Certification

It is important for Victoria to have a process for approval that works well and can streamline the time taken for approvals to be made, as well as provide more confidence that plans will meet the State's residential apartment design ambitions.

In the process of developing a policy for Victoria, we can build on the experience in NSW by establishing protocols for architects to provide a statement (design verification) with a planning application that in their opinion the design complies with the guidelines. In NSW, the specific requirement for the design verification comes from the *Environmental Planning and Assessment Regulation 2000* (EPA 2000), under which a 'qualified designer' is defined as 'a person registered as an architect in accordance with the *Architects Act 2003*.'⁴ By way of design verification, the qualified designer verifies that:

- I. he or she designed, or directed the design, of the residential flat development; and
- II. that the design quality principles set out in Part 2 of *State Environmental Planning Policy No 65—Design Quality of Residential Flat Development* are achieved for the residential flat development.⁵

In order to minimise additional costs to industry – and ultimately the consumer – the abovementioned requirements could be included in the architects' scope of work, rather than creating a new role within the sector.

Furthermore, in the past, issues have arisen over the description of apartments that are bought off the plan. For example, there have been instances where apartments were sold as 'two-bedroom apartments,' even though realistically they should have been described and sold as a 'one-bedroom plus study.' Therefore, when set up correctly, a sound policy setting in this area will create an environment in which buyers – including overseas investors – are able to make informed purchases and can rely on a guarantee of quality.

⁴ Government of NSW, *State Environmental Planning Policy No 65—Design Quality of Residential Flat Development*, October 2011.

⁵ *Ibid.*

Design Review Panels

Clearly, not all apartment designs will be able to tick all the boxes of a potential compliance checklist. Therefore, the Committee believes that Victoria should learn from NSW's approach. The experience with Design Review Panels under SEPP 65 has been positive as they have ensured that appropriate design solutions have been able to overcome practical challenges on individual sites. Design Review Panels consist of experts in the various disciplines that development projects require and are therefore well-placed to bring holistic expertise and greater understanding to the assessment of creative individual design solutions. They are able to take decisions in context and significantly relieve the workload of council staff in the approval processes.

Standards

Different developments can have different requirements. To address this, and to define what constitutes apartment living, SEPP 65 defines a residential flat building as a building that comprises or includes:

- a) Three or more storeys (not including levels below ground level provided for car parking or storage, or both, that protrude less than 1.2 metres above ground level), and
 - b) Four or more self-contained dwellings (whether or not the building includes uses for other purposes, such as shops),
- but does not include a Class 1a building or a Class 1b building under the *Building Code of Australia*.⁶

Taking note of this definition, we could standardise apartments by size, for example 'ground to 5 levels', 'ground to 15 levels', 'ground to 30 levels' and 'ground to 30+ levels'. The NSW *Apartment Design Guide* deals with this through various objectives. For example, Objective 4F-1 (Common circulation and spaces) states that 'for buildings of 10 storeys and over, the maximum number of apartments sharing a single lift is 40.'⁷ Victoria could adopt a similar approach to guide the design of lower, medium and high-rise developments.

Furthermore, by way of example, daylight and sunlight access are harder to achieve in medium or high-density environments than they are in low-density environments. Taking this into consideration, SEPP 65 recommends two hours of sunlight access in mid-winter for Sydney, Newcastle and Wollongong, but three hours for the rest of the state. Again, there are potential learnings here for similar guidelines in a Victorian context.

⁶ Class 1a and Class 1b buildings are commonly referred to as 'town houses' or 'villas' where the dwelling units are side by side, rather than on top of each other.

⁷ NSW Department of Planning and Environment, *Apartment Design Guide*, June 2015.

Transition period

As with any significant legislative change, amendments in Victoria's planning policy will have a profound impact on the property development sector and, by extension, on investors and Victoria's homebuyers.

As such, it is vital for industry and investors to be given ample notice through a well-communicated campaign of upcoming changes in order to facilitate a smooth, predictable and effective transition, thereby safeguarding domestic and international confidence in Victoria's investment climate and maximising the benefits of any new planning policy.

Broader debate

As mentioned in the introduction of this submission, the Committee's remit is to enhance Melbourne's economic, social and environmental future as one of the world's most liveable cities. We believe that the discussion around better apartments should be firmly placed in this context as it goes to the core of Melbourne's liveability.

In fact, when discussing the Better Apartments discussion paper the Minister noted that it raises the Government's concerns around poorly designed apartments while at the same time it "*weighs up housing needs, market demands and building standards with the aim of improving liveability and affordability. The government's goal is to deliver sustainable housing outcomes, deliver on affordability, respond to the desire to live near jobs and services, while also supporting investment.*"⁸

The goals outlined by the Minister are – while challenging – critical for Melbourne and Victoria and the Committee is pleased to see the Minister place the discussion in this context. In fact, it is impossible to have a sound discussion about better apartment living in isolation from affordability, population growth and densification.

In March of this year, the Economist Intelligence Unit's *Worldwide Cost of Living* survey again found Melbourne to be the sixth most expensive city in the world.⁹ And while Australia has relatively low levels of public debt, private debt levels are extremely high. In December 2014, the ratio of household debt to disposable income was 154 per cent – its highest level on record – with housing debt accounting for 91 per cent of total household debt.¹⁰ Given that housing affordability is of critical importance, we need to understand the cost implications of regulating separate elements of apartment design outcomes.

Homebuyers consider a range of factors (location, size, amenity, etc.) in their purchasing decision. The Grattan Institute conducted a survey in Melbourne in 2011 and found that what matters most to people can be summarised in four broad attribute categories:¹¹

⁸ Urban Melbourne, [The Planning Minister Richard Wynne on Better Apartments](#), 3 June 2015.

⁹ Economist Intelligence Unit, *Worldwide Cost of Living 2015*, March 2015.

¹⁰ CoreLogic RP Data, *Property Pulse*, 11 May 2015.

¹¹ Grattan Institute, *The housing we'd choose*, June 2011.

- I. Dwelling features
 - II. Attractiveness of environment
 - III. Convenience and access
 - IV. Safety and security
- } Location features

When purchasing or leasing an apartment, every household – except for the very rich – makes trade-offs between the costs of these attributes and their individual budget constraints. For issues that buyers or tenants are not able to assess, such as certain safety aspects or excessive noise transmissions between apartments, there is a need for robust regulation. However, dwelling features such as ceiling heights or floor areas are assessed by prospective buyers or tenants and taken into consideration as part of their decision-making process, so they can optimise their own particular preferred mix of attributes within their budget.

At the time of implementation in NSW, SEPP 65 created affordability issues, particularly in the ‘lower’ end of the market. Similar issues will likely arise in Victoria if we mandate, for example, minimum ceiling heights or floor areas, which will reduce the apartment yield for certain developments, resulting in either the costs being passed on to the homebuyer or marginal developments not being feasible, leading to a further constraining of our apartment supply.

As mentioned, all but the very rich will be impacted when we narrow the range of choice in the attribute categories as a result of potentially inappropriate apartment design outcomes. A group that will be particularly strongly impacted will be our ‘key workers’ (i.e. teachers, nurses, police officers, etc.). Key workers are not usually so poorly remunerated that they are entitled to low income housing assistance, so the concern is that key workers cannot afford to live in or near their place of employment. As a result, they face additional costs to commute to their place of work and, as such, are likely to seek either employment in a different location closer to where they can afford to live or seek employment in a different sector.¹² Additionally, as a result of this, industries dependent on key worker employees will be unable to meet their labour requirements.¹³

Next to affordability, we will need to deal with Melbourne’s rapidly growing population. As the discussion paper mentioned, the number of households in Greater Melbourne is projected to nearly double by mid-century, and the how and where we will live needs to be at the forefront of that conversation.

Melbourne’s history of consistent population growth and accompanying sprawl has made the city one of the largest in the world in terms of sheer size. This model however is running out of steam. Increasingly constrained fiscal environments will force us to challenge the current narrative around this important issue as we need to become smarter about our city’s densification.

¹² SGS Economics & Planning, *Understanding the property and economic drivers of housing*, January 2013.

¹³ Ibid.

The widely-held assumption that apartment living is only appropriate for the CBD or inner city areas needs to be challenged if we are to house roughly eight million people without significantly damaging our hard-earned liveability. Densification in Melbourne does not automatically mean high-rise buildings in every suburb – in fact, the vast majority of the expected population growth can be accommodated through medium-rise developments along the city’s transport corridors.

It is critical that government and our community leaders help put this debate in the appropriate perspective by adopting the right language around densification to address the unfounded fears around high-rise developments in Melbourne. A wider discussion about *Better Apartments* should include this critical aspect going forward.

In conclusion

As our city moves towards eight million people, apartment living is set to become an increasingly important aspect of Melbourne’s housing mix. The guiding principles highlighted in this submission are intended to help facilitate this process in the context of maintaining Melbourne’s status as one of the world’s most liveable places.

The Committee is encouraged by the Victorian Government’s efforts to date and the positive signal that the call for contributions to shape Victoria’s apartment living sends to the community. Engaging the community in the wider debate about where and how Melbournians will live in the decades to come is of vital importance. The Committee for Melbourne will continue to be at the forefront of this debate and is eager to work with government and our community leaders to safeguard Melbourne’s bright future.

We hope that this submission assists the Victorian Government with its continued efforts in this direction.

Please do not hesitate to contact the Committee to expand on any of the points touched on in this submission.

Regards,

A handwritten signature in black ink, appearing to read 'Kate Roffey', with a stylized flourish at the end.

Kate Roffey
Chief Executive Officer
Committee for Melbourne