

# Suburban Rail Loop

PREPARED FOR SUBURBAN RAIL LOOP AUTHORITY

## SRL EAST DRAFT PLANNING SCHEME AMENDMENTS VOLUNTARY PUBLIC BENEFIT UPLIFT TECHNICAL REPORT

FEBRUARY 2025

REVISION 01





# Document Control Record



222 Exhibition Street, Melbourne VIC 3000  
PO Box 23061, Docklands VIC 8012 Australia

DOCUMENT CONTROL			
Project Title		Suburban Rail Loop East	
Document Title		SRL East Draft Planning Scheme Amendments – Voluntary Public Benefit Uplift Technical Report	
Document ID		Technical Report U.1	
Rev	Date	Revision details/status	Author
01	February 2025	For exhibition	A. Nunn S. Horsfield
Current revision		01	

© Copyright 2025 AJM Joint Venture. The concepts, data and information contained in this document are the property of AJM Joint Venture. No part of this document may be reproduced, used, copied, published or adapted for use except in accordance with the provisions of the *Copyright Act 1968* or with the consent of AJM Joint Venture.

This document has been prepared for Suburban Rail Loop Authority (SRLA) in its role as a planning authority to inform the development of Structure Plans for each of the declared Suburban Rail Loop planning areas, as defined by Section 65 of the *Suburban Rail Loop Act 2021*. AJM Joint Venture accepts no liability or responsibility whatsoever for, or in respect of, any use of, or reliance upon, this document by any third party. Any third party using and/or relying upon this document accepts sole responsibility and all risk for using and/or relying on this document for any purpose.

This document is based on the information available, and the assumptions made, as at the date of the document. For further information, please refer to the assumptions, limitations and uncertainties set out in the methodology section of this document.

This document should be read in full and no excerpts are to be taken as representative of the findings.



# Contents

<b>1.</b>	<b>Executive Summary</b>	<b>1</b>
<b>2.</b>	<b>Introduction</b>	<b>3</b>
2.1	Overview	3
2.2	Purpose	3
<b>3.</b>	<b>Guiding principles</b>	<b>5</b>
3.1	Value capture in the planning system	5
3.2	Key issues	6
3.3	Guiding principles	7
<b>4.</b>	<b>Application of uplift in SRL Structure Plan Areas</b>	<b>10</b>
4.1	Public benefit categories for SRL Structure Plan Areas	10
4.2	Spatial application	10
4.3	Where can each category of Public Benefit be delivered?	11
4.4	Proposed planning controls	14
<b>5.</b>	<b>Issues for Consideration</b>	<b>16</b>
5.1	Dependence	16
5.2	Developability	16
5.3	Ownership and public accessibility	17
5.4	Issues for delivering strategic land use benefits	17
5.5	Calculation	17
<b>6.</b>	<b>Case study evaluation</b>	<b>19</b>
6.1	Methodology benchmarking	19
6.2	Areas of public benefit	19
6.3	Learnings	19
<b>7.</b>	<b>Methodology</b>	<b>21</b>
7.1	Overview	21
7.2	Key definitions	24
7.3	Example Site Specifications	25
7.4	Public Benefit Category 1: Public realm improvements	26
7.5	Public Benefit Category 2: Affordable Housing	28
7.6	Public Benefit Category 3: Strategically justified uses	31
7.7	Summary of conceptual methodologies	33
<b>8.</b>	<b>Framework Testing</b>	<b>34</b>
8.1	Overview	34
8.2	Architectural Testing	34
8.3	Application of Uplift Framework	35
<b>9.</b>	<b>Conclusions</b>	<b>37</b>



# Appendices

## **Appendix A                    Sources of information & disclaimers**

Sources of information

Disclaimers

Market movement

Pecuniary interest

Limited liability

Contamination

Third party

## **Appendix B                    Summary of methodology benchmarking**

## **Appendix C                    Maps**

Cheltenham

Clayton

Monash

Glen Waverley

Burwood

Box Hill



# 1. Executive Summary

The Suburban Rail Loop Authority (SRLA) is proposing to introduce the ‘**Suburban Rail Loop East Voluntary Public Benefit Uplift Framework**’ (**Uplift Framework**) as part of the draft Planning Scheme Amendments for the six SRL East Structure Plan Areas, to incentivise the delivery of nominated public benefits aligned with the Structure Plans (**Structure Plans**) through private sector development.

This report examines key principles and case study learnings to inform the methodology and approach for the Uplift Framework.

The Department of Premier and Cabinet’s 2017 publication “Victoria’s Value Creation and Capture Framework” establishes a clear policy basis for the introduction of value capture arrangements in the SRL East Structure Plan Areas. The new Precinct Zone proposed to be applied in the Structure Plan Areas gives effect to this value capture opportunity, enabling a ‘Public Benefit Uplift Framework’ to be introduced in the schedules to the Precinct Zone, where there is a strategic intent to realise specified public benefits.

SRLA has prepared the Uplift Framework to encourage the delivery of public benefits in defined areas of the Structure Plan Areas, including new public realm improvements, affordable housing, strategic land uses including commercial office in the core areas and health/medical uses concentrated around major health institutions. The Uplift Framework is proposed to operate on an ‘opt in’ basis, and does not compel a landowner to deliver a public benefit if no floor area uplift beyond the specified mandatory Floor Area Ratio (FAR) in the Precinct Zone is sought.

The proposed categories of public benefit to be prioritised for delivery in SRL East Structure Plan Areas are as follows:

- Public benefit category 1: Public Realm improvements
- Public benefit category 2: Affordable Housing
- Public benefit category 3: Strategic Land Uses (e.g., commercial office, health and medical uses)

This report outlines the proposed approach and methodology that has informed the development of the Uplift Framework. The methodology has been informed by case study analysis of other value capture schemes in operation in urban renewal areas, as well as targeted stakeholder engagement to examine key learnings from these schemes.

The Uplift Framework will operate on a **voluntary and optional** basis. The methodology incorporates an incentive premium to encourage the desired public value outcomes to be delivered over the life of the Structure Plans. The take up of uplift will be influenced by a range of factors including market conditions, development feasibilities and broader regulatory settings, which may impact the utilisation of the Uplift Framework at different points in time.

Architectural testing of the proposed mandatory FARs that underpin the Uplift Framework has been undertaken by Hayball to test the framework outcomes across a variety of sites and contexts. The testing indicates that floor area uplift opportunities are generally greater where sites are aggregated to form a larger development parcel. Site consolidation is encouraged by the Structure Plan strategies to encourage development and the Uplift Framework incentivises this outcome. While the testing suggests that the Uplift Framework may not readily enable uplift to be achieved on smaller lots (i.e., < than 1,000m<sup>2</sup>), the Uplift Framework remains an important mechanism to incentivise lot consolidation and to help realise the ambition of the Structure Plans for substantial change.

As market conditions change and transport amenity within the Structure Plan Areas improves over time, take up of the Uplift Framework is expected to increase.



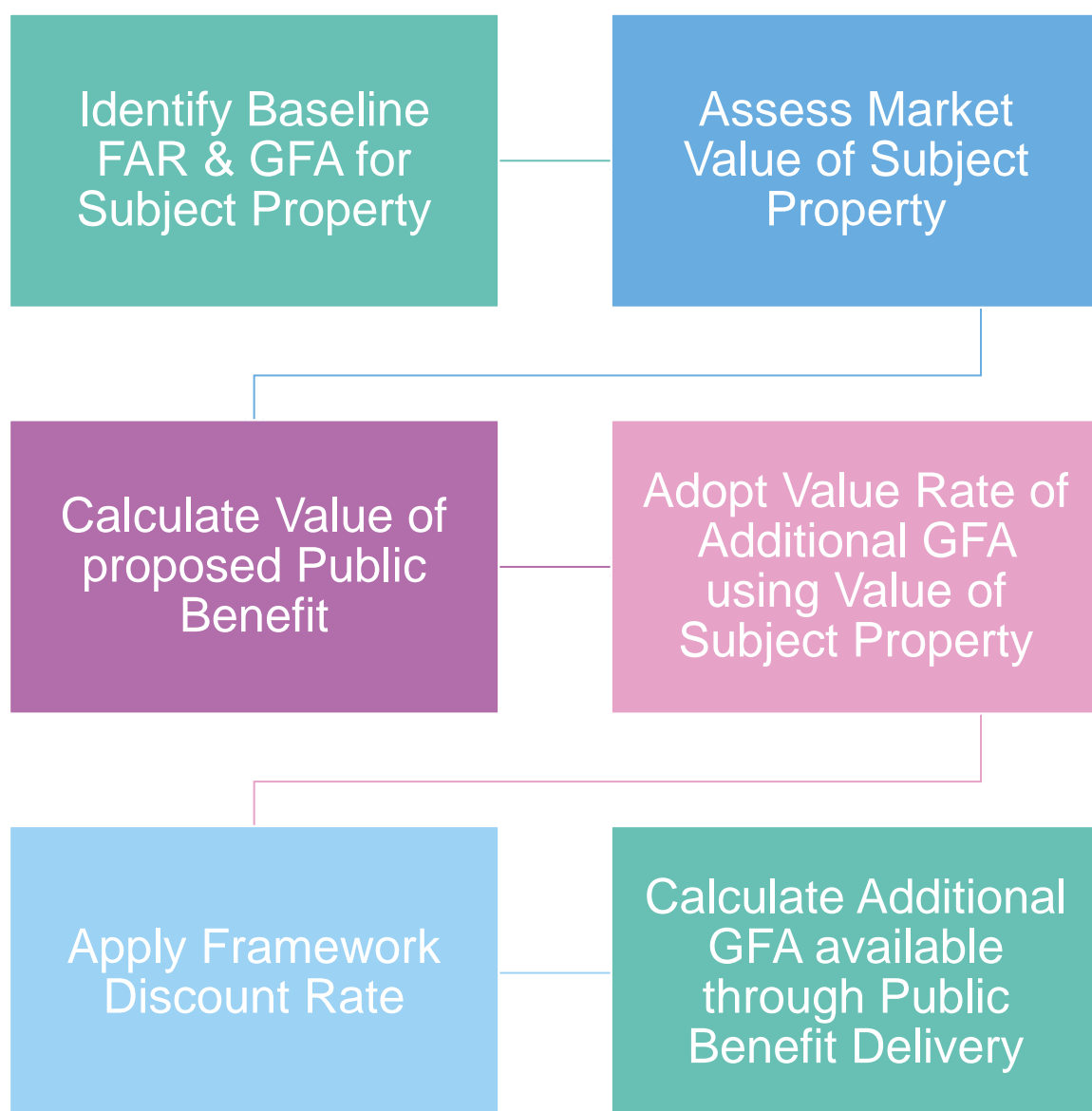
It is important to recognise that the Uplift Framework is a **long-term mechanism** for public benefit delivery that will operate alongside the planning control settings to encourage and unlock public value over the life of the Structure Plans. Implementation of the Structure Plans is proposed through a variety of planning tools and interventions and is not reliant on broad scale take up of the Uplift Framework.

The diagram below (Figure 1) illustrates in simple terms the sequence of steps that underpin the Uplift Framework calculation methodology.

The detailed methodology is nuanced for each of the three categories of Public Benefit. Worked examples utilising the proposed methodology are provided within this technical report.

The Uplift Framework will support and is referenced in the Precinct Zone.

**FIGURE 1 FLOOR AREA UPLIFT CALCULATION METHODOLOGY**





## 2. Introduction

### 2.1 Overview

The Suburban Rail Loop Authority (SRLA) has prepared Structure Plans for the six SRL East Precincts at Box Hill, Burwood, Glen Waverley, Monash, Clayton and Cheltenham.

The Structure Plans identify a wide range of outcomes that are desired to support urban renewal and intensification in the Structure Plan Areas. These include the delivery of new urban links and connections, provision of affordable housing, and the establishment of priority land uses in key areas.

The SRLA is proposing to introduce the **Uplift Framework** to incentivise the delivery of nominated public benefits aligned with the Structure Plans through private sector development.

This report outlines the proposed approach and methodology that has informed the development of the Uplift Framework, and addresses:

- The role and scope of the Uplift Framework
- The categories of public benefit to be prioritised for delivery in the Structure Plan Areas
- Key principles that underpin the Uplift Framework
- The locations and circumstances in which the Uplift Framework is recommended to apply in the Structure Plan Areas
- A recommended approach to the recognition of benefit and corresponding calculation of uplift
- Consideration around whether a nuanced uplift approach is necessary and appropriate for different categories of public benefit
- Application of the Uplift Framework methodology to a set of nominated test sites to confirm what quantum of uplift can be achieved in a variety of circumstances.

### 2.2 Purpose

The concept of incentivising delivery of ‘public good’ in exchange for development rights is a concept known in multiple development jurisdictions in Australia. These schemes are predicated on the concept of ‘value sharing,’ seeking to redirect part of the uplift in land value that flows from a development approval, to be shared within the community. In the Victorian setting, this is known as Uplift, which is provided in exchange for public benefits (‘Public Benefit Uplift Framework’).

Uplift schemes can also provide opportunity for innovative approaches which provide for public benefits to be delivered by the private sector, which may arise from the site context or in response to a specific local need.

There is well established precedent for the implementation of uplift schemes in a variety of urban renewal contexts. In the Central City, a Floor Area Uplift scheme has been in place since 2016, providing a tool to capture the benefit from development above a pre-determined threshold, which goes towards funding needed infrastructure and facilities or delivering prioritised land uses. Case studies exploring the operation of various uplift schemes are discussed further in Section 6 of this report.

The SRL East Structure Plans contemplate a program of significant urban renewal. As part of the change to more intensively developed and dense precincts, it was identified that opportunities should be provided for implementation of an uplift framework as a means of incentivising the delivery of public benefits. This includes the delivery of desired land use to stimulate growth and development in the manner envisaged by the Structure Plans, recognising that certain land use outcomes, while desirable for strategic reasons may be at a market disadvantage for delivery.



The strategic basis for the introduction of an uplift scheme in SRL East Structure Plan Areas is established in principle by the Structure Plans, which provide the strategic rationale and planning purpose to be served by each of the public benefit categories. The chief purpose of the Uplift Framework is therefore to support the realisation of key Structure Plan outcomes. The Uplift Framework will support development and urban intensification within the Structure Plan Areas by incentivising the provision of affordable housing, the development of priority land uses to provide employment growth in key locations, and investment in the public realm and amenity of the Structure Plan Areas.

The new Precinct Zone and Built Form Overlay provisions to be applied in SRL East Structure Plan Areas provide the opportunity for a Public Benefit Uplift Framework to be introduced to incentivise the delivery of nominated public benefits identified in the Structure Plan. The proposed Precinct Zone provides opportunity for the introduction of a Public Benefit Uplift Framework in the schedule to the zone, and requires that the Zone schedule set out the benefits that are eligible for development uplift, and the way in which benefits will be calculated, noting that such benefits may include:

- *Affordable housing.*
- *Public realm works.*
- *Public open space.*
- *Strategic land uses.*
- *Any other works, services or facilities that benefit the community living in, working in or visiting the precinct.*

The schedule to the zone or overlay must specify a mandatory limit or standard that may only be exceeded or varied if a community benefit is provided. The agreed benefit must be provided as works in kind (rather than a cash contribution) and is required to be secured via a section 173 legal agreement on title.

The Uplift Framework operates on an 'opt in' basis and does not compel a landowner to deliver a public benefit if no uplift beyond the specified limit or standard in the zone/overlay is sought.

Securing uplift must be calculated over and above any requirements in the planning scheme set out in clause 45.01 (Public Acquisition Overlay), clause 45.06 (Development Contributions Plan Overlay), clause 45.09 (Parking Overlay), clause 45.10 (Infrastructure Contributions Plan Overlay), clause 45.11 (Infrastructure Contributions Overlay) or clause 53.01 (Public Open Space Contribution).

The Uplift Framework can only deliver public benefits on the basis of their 'take up' and cannot necessarily be relied on for critical infrastructure delivery – in case development does not proceed at a sufficient rate, or if uplift opportunities are not utilised because they do not match market requirements or are not practically able to be implemented (e.g. cancelled out by other considerations).

Accordingly, public benefits that are eligible for consideration under the Uplift Framework are separate to and distinct from any other applicable contributions required by other parts of the planning scheme.



## 3. Guiding principles

### 3.1 Value capture in the planning system

Land ownership rights, under general law, include the right to use and develop land as the owner sees fit. However, this freedom can lead to conflicts and potential negative impacts on neighbours and the wider community, creating a 'social cost'. Planning legislation aims to control land use and development to minimise these undesirable effects and maximise community welfare.

When the introduction of new planning controls or policies by government has the effect of increasing land values (separate from landowners' efforts), an unearned increment or land value subsidy can be said to exist. This increment is the key justification for value capture schemes like the Uplift Framework. Landowners who receive such unearned increments are asked to share some of the increments with the wider community.

The Department of Premier and Cabinet's 2017 publication "Victoria's Value Creation and Capture Framework" provides best practice guidance on value creation and capture for Victorian Government projects and establishes a strong policy basis for the introduction of a value capture scheme in SRL East Structure Plan Areas. The Framework is intended to apply to a wide range of Government projects where opportunities are presented to enhance public value, including 'Precinct projects' that support urban renewal across a defined geographic precinct.

Within this Framework, value creation refers to delivering enhanced public value, in terms of economic, social and environmental outcomes. This enhancement of public value is intended to be above and beyond what would ordinarily be achieved as a direct result of the investment or planning intervention – by unlocking more economic opportunities, or incentivising the delivery of more green space, community services, housing and education opportunities that create more value for the community than would otherwise be the case.

The Framework contemplates a range of different tools and mechanisms that can be used to capture value, including tools like Uplift which can be implemented through the planning system, in conjunction with non-planning mechanisms like Windfall Gains Tax. Whatever approach is used, the Framework recommends that value capture mechanisms should be:

- equitable, recognising government's core responsibility to build better communities;
- fair, by ensuring any costs to beneficiaries should not impose undue financial hardship;
- proportionate, by applying at a level that is demonstrably commensurate with the amount of private value created;
- cost efficient to implement and comply with;
- transparent and easily understood;
- consistent with government policy, by aligning with project objectives and broader government objectives;
- effective, not creating unintended consequences or driving alternative unwanted behaviours;
- evidence based, by ensuring benefits are quantified and attributable to government action;
- timely; and
- clearly communicated to stakeholders.

Source: *Victoria's Value Capture Framework, 2017; p.19*



## 3.2 Key issues

There are several key issues which require careful consideration in the drafting of a fair, equitable and transparent value capture scheme that appropriately rewards the delivery of public benefit:

### 3.2.1 VALUE CAPTURE POTENTIAL

Value capture schemes require consideration around the planning authority's reasonable entitlement to capture value in each specific case or circumstances. This depends on factors like market conditions, land values, site features, existing and future planning controls, and the nature of the proposed development. Therefore, the value capture potential must be evaluated using case specific inputs applied by a predetermined formula or charge rate. The goal should be to identify the unearned increment in land value uplift from any planning proposal and allocate a share of it to the community.

### 3.2.2 CALCULATION

The question then arises as to how to calculate the land value increase for value capture. A basic understanding of redevelopment economics suggests using a residual land value analysis. This method estimates land value by deducting development costs from proposed development revenue streams. This analysis helps understand the implications of land use regulation and development potential.

A site is typically redeveloped when its value under a redevelopment scheme is greater than its current value. Hence, a developer will likely be the highest bidder for a site where its residual land value under a redevelopment scheme exceeds the land's current market value.

In order to encourage the adoption of the Uplift Framework, the calculation must be structured in a way that the cost of providing the public benefit is less than the value of uplift received by the developer.

### 3.2.3 DEVELOPMENT FEASIBILITY

Implementing value capture should be sufficiently incentivised to have a positive impact for it to be pursued. While a planning authority can have a value capture policy, it should be adaptable to individual circumstances, be fair and be adjusted periodically to ensure that it remains attractive when development is pursued having regard to its feasibility. Schemes which rely on developers to provide community benefits should in exchange provide an uplift which is attractive and considers the risk borne by the developer.

The Uplift Framework is envisioned to operate over a timeline comparable with the Structure Plans themselves, during which, market conditions and other factors (such as land area and the building envelope) may influence the take up of the scheme. It is noted that current conditions in the Melbourne property market are challenging and are impacting development feasibilities across most classes of development. These conditions are likely to impact the take up of uplift opportunities utilising the Uplift Framework in the short term.

As market conditions change and transport amenity within the Structure Plan Areas improves, development feasibilities are likewise expected to improve, enabling take up of the Uplift Framework to increase over time.

Notwithstanding current market conditions, there would be benefit in implementing the Uplift Framework as part of the initial planning program to ensure that the private sector is aware of the public benefits that are promoted within the Structure Plan Areas, and to ensure that the Uplift Framework is established and operable when market conditions do change.

### 3.2.4 TIMING

Timing is crucial in implementing value capture. Developers usually include redevelopment costs, including contributions and payments to the planning authority, in feasibility analysis to determine the land purchase price. It is generally poor practice to impose a retrospective value capture requirement on landholdings purchased for redevelopment as it distorts feasibility outcomes. A better approach would be to apply the value capture opportunity to land at a date related to the policy's implementation. This approach also provides greater certainty for investment decisions.



### 3.2.5 PLANNING MERIT

While value capture is an important tool for recouping some of the public investment in infrastructure and services, it should not be applied at the cost of planning merit. Planning merit refers to the process of evaluating a development proposal based on its alignment with planning policies and its potential impact on the community and environment.

Prioritising value capture over planning merit could lead to decisions that favour financial gain over the long-term sustainability and liveability of cities and communities. It could result in developments that are not in line with the community's needs or vision, or that have negative environmental or amenity impacts. This could undermine public trust in the planning system and lead to outcomes that are not in the public interest.

## 3.3 Guiding principles

The following key principles have been identified to guide preparation of the Uplift Framework for application in the SRL East Structure Plan Areas. These principles have been informed by the key issues identified in Section 3.2:

### 3.3.1 UPLIFT VALUE

Given that the Uplift Framework will operate on a **voluntary and optional** basis, it needs to be designed to encourage take up of uplift opportunities in exchange for public benefit.

The uplift available must be (at least) commensurate to the cost of delivering the benefit. This means the additional yield (i.e. revenue) must exceed the cost of additional time and risk(s) that the developer needs to take on to achieve the additional yield/revenue.

The quantum of additional yield (uplift) should include a reasonable incentive premium to encourage the delivery of the public benefit.

### 3.3.2 PUBLIC BENEFIT

Public benefits considered for inclusion in an uplift scheme should generally have the following characteristics:

- Provide a public benefit to the community living in, working in or visiting the relevant Structure Plan Area; and
- Provides a permanent or long lived enhancement or local infrastructure or employment opportunities.

### 3.3.3 UPLIFT METHODOLOGY

The Uplift Framework must include clear guidelines and formulas to enable proponents to accurately price their value sharing obligation in advance, rather than entering into an unclear and open ended negotiation situation.

Clear and simple definitions must be used in the Uplift Framework to define:

- permitted base development – floor area ratio (FAR);
- uplift – floor area uplift (FAU);
- the public benefit which must be provided to secure uplift; and
- the method of calculation of uplift that reflects both the cost of the public benefit and impacts on development viability.

A methodology of calculating uplift which is sufficiently flexible to account for:

- Delivery of different forms of benefit (e.g. public link vs affordable housing contribution);
- Market movement over time (e.g. value of different land use, land and construction values); and



- The wide variation in values and market maturity in the six precincts.

### 3.3.4 TRANSPARENCY

Public Benefits eligible under the Uplift Framework should be clearly defined.

The public benefit must be defined to focus desirable public benefits that are aligned with the relevant Structure Plan and reduce the opportunity for 'public benefits' which are not broadly agreed or are marginal. Defining public benefit should seek to avoid dispute about what is a legitimate public benefit.

### 3.3.5 PUBLIC BENEFIT CATEGORIES

The categories of public benefits must be appropriately justified by the Structure Plans, serve a clear planning purpose, and not provide for the delivery of infrastructure items that would otherwise be funded via developer contributions schemes, levies or revenue collection. The types of public benefits should also be clearly distinguishable from:

- Basic and essential infrastructure that should otherwise be delivered via development contributions;
- Development outcomes, design features or development quality that would be expected to be delivered via decision making under the Planning Scheme; and
- Other types of benefits that largely accrue to individuals or private entities.

### 3.3.6 BUILT FORM OUTCOMES

Floor area uplift should not result in built form outcomes that cause unacceptable amenity/environmental impacts that materially diminish the public realm quality of the Structure Plan Areas. The relevant zone/overlay provisions should include clear guidance to consider built form outcomes including wind mitigation, daylight and solar access, in order to protect the quality of the public and private realm and that uplift is not eroding design quality and appropriate development outcomes.

### 3.3.7 AFFORDABLE HOUSING

The Victorian Housing Statement already offers an incentive for the delivery of a 10% affordable housing contribution via Clause 53.23 of the VPPs (Significant Residential Development). This pathway is available for residential projects with a development value of > \$50 million and offers a streamlined Ministerial approval process with exemptions from VCAT review, in exchange for the provision of a 10% affordable housing contribution. This pathway will operate alongside the Uplift Framework that is sought to be put in place in the Structure Plan Areas.

Given that exemptions from notice and review are afforded within the proposed zone and overlay provisions to be applied in SRL Structure Plan Areas for all permit applications, it is questionable whether the incentives afforded by Clause 53.23 will have any impact in SRL Structure Plan Areas. If affordable housing is to be delivered in the SRL Structure Plan Areas, further incentivisation beyond Clause 53.23 is likely to be required.

### 3.3.8 STRATEGIC LAND USES

Where a strategic land use is identified for prioritisation in an Uplift Framework, there should be a requirement to secure the operation of that use on the land for a minimum period, to ensure the public benefit is maintained over a reasonable timeframe. A legal agreement requiring that the use is maintained on the site for a minimum **10 year** period should be considered in the drafting of the Uplift Framework.

### 3.3.9 PUBLIC REALM IMPROVEMENTS

Where public realm improvements/links are identified for inclusion in the Uplift Framework that are proposed to be delivered on private land, it is not considered necessary or essential that the land be transferred into public ownership where it is not practical to do so (i.e., where the Council may be reluctant to have the land vested in public ownership due to maintenance costs and liability issues). In these circumstances, a legal



agreement should be put in place to secure ongoing public access, public liability management and maintenance.

### **3.3.10 TIMING OF INTRODUCTION**

The Uplift Framework should be introduced alongside the Structure Plans to ensure that the development market is aware of opportunities for further uplift, and accompanying costs, before transacting on land within SRL East Structure Plan Areas. This approach also provides greater certainty for investment decisions.



## 4. Application of uplift in SRL Structure Plan Areas

### 4.1 Public benefit categories for SRL Structure Plan Areas

The SRL East Structure Plans identify a wide range of outcomes and interventions that are desired to support the projected growth and urban change within the Structure Plan Areas over the coming decades.

Of these, there are three main categories of public benefit that are common across most of the Structure Plan Areas, as set out in Table 1 below.

**TABLE 1 PUBLIC BENEFITS LINKED TO STRUCTURE PLANS**

CATEGORY	DESCRIPTION	EXAMPLES
<b>Category 1: Public Realm Improvements</b>	Contribution in the form of land and / or works towards the improvement of public amenity in the Structure Plan Area. This is typically delivered as part of a development site but could also involve the delivery of works on surrounding land.	<ul style="list-style-type: none"><li>• Identified public links or through block connections generally in accordance with the relevant Structure Plan</li><li>• Provision of an enlarged built form setback or land to provide for a widened footpath, public realm improvement, or contribution to a new local street connection</li><li>• Public open space or plazas on private land (must be additional to any public open space contribution to be provided under Clause 53.01 of the planning scheme).</li></ul>
<b>Category 2: Affordable Housing</b>	The provision of affordable housing which is: <ul style="list-style-type: none"><li>• Secured at a 30% discount to market, and</li><li>• Transferred to a Registered Housing Authority, or</li><li>• Managed by an Affordable Housing trust, or</li><li>• Transferred to another body established and recognised under the <i>Housing Act 1983</i>, or</li><li>• An alternative model that provides affordable housing to the satisfaction of the responsible authority.</li></ul>	<ul style="list-style-type: none"><li>• Affordable housing can be contributed as dwellings sold at a 30% discount to a Registered Housing Agency (RHA) for operation as affordable housing.</li></ul>
<b>Category 3: Strategic Land Use</b>	Delivery of prioritised land uses in key locations, where they are desirable for strategic reasons but may be at a market disadvantage for delivery.	<ul style="list-style-type: none"><li>• Office uses – to be prioritised in core commercial areas and Station Development Areas in all Structure Plan Areas.</li><li>• Health/medical floor space – to be prioritised in the Health neighbourhood in the Clayton Structure Plan which surrounds the Monash Medical Centre, and the Health and Education neighbourhood in the Box Hill Structure Plan surrounding the Box Hill Hospital.</li></ul>

### 4.2 Spatial application

Each SRL Structure Plan Area supports a variety of land use and development settings that are given effect through the proposed zone and overlay controls, from intensively developed core mixed use areas, commercial and industrial areas, health and education precincts and varying residential areas and typologies.

The Uplift Framework is appropriate for application to defined areas in SRL East Structure Plan areas that have been identified for significant growth or the delivery of prioritised land use/development outcomes,



including public realm improvements and links, affordable housing, commercial office uses in defined locations and health/medical uses concentrated around major health institutions. Based on a review of the Structure Plans to determine where opportunities for public benefit delivery and uplift are strongest, it is recommended that the Uplift Framework be considered for application to the following areas:

- **Strategic Sites** identified in the SRL East Structure Plans, which have increased potential to realise the desired jobs, affordable housing and public realm outcomes by virtue of their scale, location or other characteristics;
- Land identified in the Structure Plans for **prioritisation of commercial office uses**, generally located within the Station Development Areas and surrounding commercial core. These commercial priority areas are identified on the *Boosting the Economy* Plans in the Structure Plans;
- Land identified in the Structure Plans for **significant and high housing growth**, and some areas identified for **moderate housing growth** where higher density is expected, that are well located for the provision of affordable housing. The Structure Plans also seek to encourage the delivery of pedestrian links, open space and public realm improvements throughout these areas;
- Land identified in the Structure Plans for **prioritisation of health/medical uses**, generally located around major hospital campuses at Monash Medical Centre and Box Hill Hospital. These health priority areas are identified on the *Boosting the Economy* Plans in the Structure Plans; and
- Land within the proposed **Monash Central and Surrounds** area where new strategic links/streets and connections are desired to support the establishment of a new urban structure, to open up access to the proposed SRL station and enable the development of a new high intensity activity centre.

Areas that were specifically identified for exclusion from uplift included:

- **Public open space.**
- **Existing Public Use Zoned land.**
- **Residential Neighbourhoods** where moderate growth is designated and moderate densities are anticipated. These are also areas where greater certainty around the preferred heights and built form typologies is desired.
- **Employment/ industrial land** where floor area ratios are not proposed to apply. It is noted that select employment areas may be a future area of application an Uplift Framework, however at the present time, more flexible development parameters are desired to recognise slow/ growing market conditions for employment and commercial land use. In these areas, deemed to comply provisions are nominated through the Built Form Overlay controls.

## 4.3 Where can each category of Public Benefit be delivered?

The areas which are proposed to be eligible for uplift are mapped at Appendix C to this report. The schedules to the Precinct Zone identify where the Uplift Framework applies and the Uplift Framework identifies which categories of public benefit are eligible for delivery in defined areas.

The locations where each category of public benefit is desired are informed by the Structure Plan objectives and outcomes and summarised in Table 2. Public Benefit Category 1 (Public Realm improvements) and Category 2 (Affordable Housing) apply across all areas designated for significant and high housing growth, limited areas of moderate housing growth, strategic sites, and within the Station Development Areas and commercial core areas.

Public Benefit Category 3 Strategic Land uses (Commercial office or health/medical uses) applies in defined commercial land use priority areas and health priority areas in the Structure Plans (but not within the designated employment/industrial land use priority areas).



The Uplift Framework allows multiple categories of benefit to be delivered in areas identified for most significant change (i.e. around the Station Development Areas, strategic sites, commercial priority areas and significant housing growth areas). In other words, where more than one category of benefit is delivered on a site, the floor area uplift for each category would be calculated and aggregated to determine the total Floor Area Uplift that can be claimed.

In the areas designated for high and moderate housing growth, the Uplift Framework proposes that only one of the Category 1 or 2 benefits apply, recognising that these areas are not envisaged for the same scale and intensity of development as the significant housing growth areas.

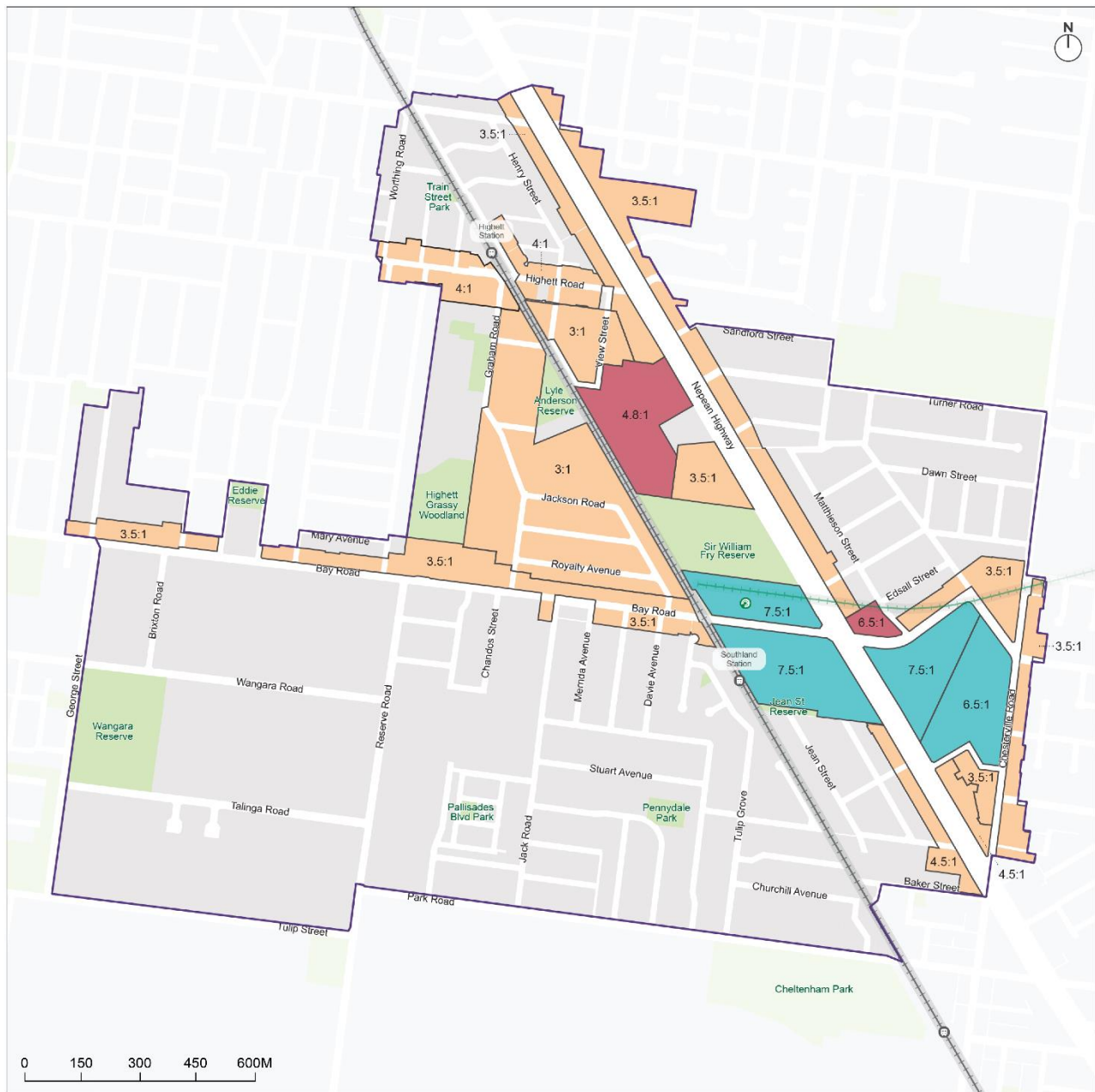
In the areas designated for Category 3 (health uses), this is the only eligible benefit that can be pursued in these areas. In Monash Central and Surrounds, the Uplift Framework gives priority to the delivery of Category 1 (Public Realm improvements) benefits, recognising the aims of the Structure Plan in this precinct, but also provides discretion for Category 2 and 3 benefits to be pursued.

Figure 2 below maps these areas for the Cheltenham Structure Plan, and identifies where each category is eligible to be delivered.

**TABLE 2 SPATIAL APPLICATION OF PUBLIC BENEFIT CATEGORIES**

LOCATION	CATEGORY
High and Moderate Housing growth areas	Category 1: Public Realm improvements: or Category 2: Affordable Housing NB. Category 3: Strategic Land Use- Commercial applies in limited circumstances where the applied zone of the land does not support residential land use
Significant Housing growth areas	Category 1: Public Realm improvements: And/or Category 2: Affordable Housing
Strategic Sites	Category 1: Public Realm improvements: And/or Category 2: Affordable Housing
Station development areas	Category 1: Public Realm improvements: Category 2: Affordable Housing Category 3: Strategic Land Use – Commercial (all three categories apply)
Commercial Core	Category 1: Public Realm improvements: Category 2: Affordable Housing Category 3: Strategic Land Use – Commercial (all three categories apply)
Health Priority areas	Category 3: Strategic Land Use – Health (only)
Monash Central and Surrounds	Priority to Category 1: Public Realm improvements (only) Category 2: Affordable Housing Category 3: Strategic Land Use – Commercial office (all three categories apply)





- SRL station access point
- SRL East alignment
- Existing station
- Existing railway line
- Structure Plan Area boundary
- Existing open space
- All 3 categories apply
- Categories 1 and/or 2
- Category 1 or 2
- Mandatory Floor Area Ratio (FAR)

#### Public Benefit Categories

Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office)

**FIGURE 2 PROPOSED AREAS FOR APPLICATION OF UPLIFT FRAMEWORK AND RECOMMENDED PUBLIC BENEFIT CATEGORIES TO APPLY IN EACH AREA OF THE CHELTENHAM STRUCTURE PLAN AREA**



## 4.4 Proposed planning controls

The majority of land forming part of the SRL East Structure Plans will be subject to rezoning to the new Precinct Zone and application of the Built Form Overlay, which together will identify preferred land use and built form outcomes.

The parent provisions for the Precinct Zone provide opportunity for the introduction of a Public Benefit Uplift Framework, to incentivise defined categories of public benefit. The draft schedules to the Precinct Zone to be applied in SRL Structure Plan Areas require any public benefit to be provided and calculated in accordance with the Uplift Framework. The draft schedules to the Precinct Zone support the operation of the Uplift Framework by:

- Specifying mandatory Floor Area Ratio (FAR) controls for land where the Uplift Framework is proposed to apply;
- Confirming that the mandatory FAR may only be exceeded where an eligible public benefit is provided;
- Requiring a process of independent design review where a development exceeds the preferred height or reduces setbacks by more than 20%, to ensure that the development proposals that incorporate floor area uplift achieve appropriate amenity and design excellence outcomes; and
- Requiring that a legal agreement be entered into between the landowner and Responsible Authority under s.173 of the Planning and Environment Act 1987 to secure the delivery of the public benefit, and that the agreement be registered on title.

The **Uplift Framework** is referenced in the Precinct Zone schedule and provides direction on the operation of the uplift framework. It also confirms how uplift is to be calculated, and which aspects of the framework are discretionary vs mandatory. In particular, it confirms that:

- The FARs are applied in defined areas across the Structure Plan Areas on a mandatory basis. They cannot be altered except where an eligible public benefit is provided.
- The categories of public benefit that are shown on maps 1-6 in the Uplift Framework document are the only public benefits that can be pursued through the Uplift Framework in the mapped locations. There is no discretion for alternative categories of public benefits to be pursued outside the three nominated categories.
- There is no discretion to provide cash in lieu payments for any of the nominated categories of public benefits.
- There is no discretion to alter any aspect of the calculation methodology.
- In relation to category 1 benefits (public realm improvements), there is discretion to provide works on land external to the site at the agreement of the Responsible Authority.
- In relation to category 1 benefits (public realm improvements), there is discretion for the land that is the subject of the public realm improvement to remain in private ownership, subject to a section 173 agreement being entered into with the responsible authority to provide for ongoing public access, maintenance, public liability considerations, etc.
- In relation to category 2 benefits (affordable housing), the provision of the affordable housing must be secured via agreement registered on title (refer to the model section 173 agreements for affordable housing available on the Department of Transport and Planning (DTP) website, for further direction on the matters to be addressed in the agreement).
- In relation to category 3 benefits (strategic land use), a section 173 Agreement is required to secure the operation of that use on the land for a minimum **10 year** period.

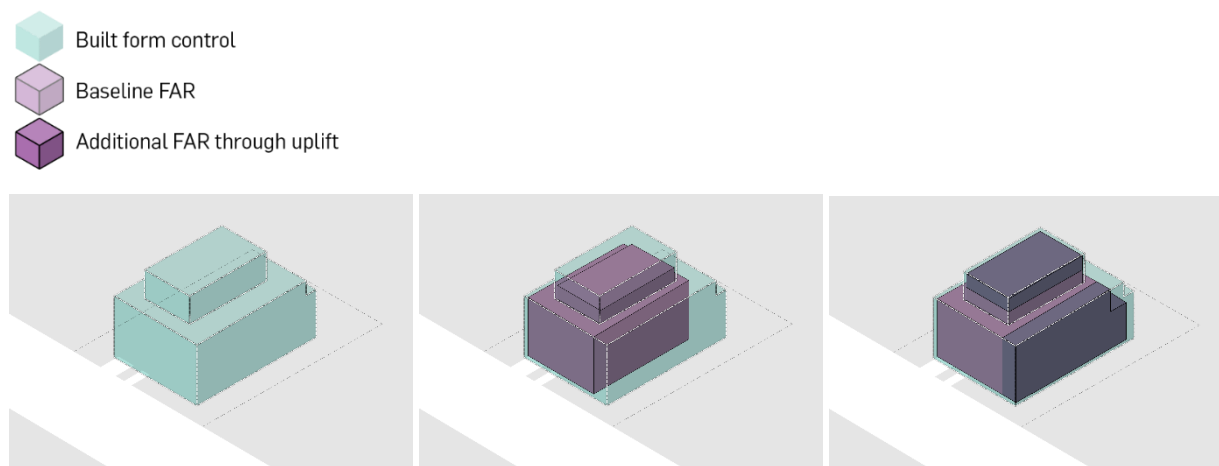


#### 4.4.1 MANDATORY FLOOR AREA RATIO (FAR)

The new zone provisions set mandatory FARs on land where the Uplift Framework is proposed to apply, on the basis that a floor area uplift/bonus would not be effective if the FAR provisions were discretionary. Discretionary density provisions would open up the potential for additional density to be delivered without providing a genuine public benefit. Further, discretionary FAR controls can result in speculation and dispute, and encourage developers to fill out any prescribed building envelope as much as possible, rather than responding to the site, context and program.

It is important to note that FAR is essentially a yield-based tool and is agnostic to built form, which enables flexibility to respond to site context. The Baseline FAR typically sits below the built form envelope, to maintain flexibility around how the floor area is shaped, and to enhance the potential for a site responsive.

For most of the nominated master plan sites, the baseline FAR has been more closely aligned to the adopted heights in the Structure Plan. These sites will be subject to detailed master planning which will enable greater flexibility for bespoke and innovative design.



**FIGURE 3 APPLICABLE BUILDING ENVELOPE CONTROLS (EXCEPT MASTER PLAN SITES)**



# 5. Issues for Consideration

In considering the introduction of a public benefit and uplift scheme, there are a number of key issues that require careful consideration to ensure benefits can be secured in a satisfactory way and that development is incentivised.

## 5.1 Dependence

The Uplift Framework offers a **voluntary** pathway to secure more yield on a site if there are public benefits delivered. The proposed development settings in some areas of the Structure Plans represent a significant increase in density and height, and it is likely that this includes development outcomes which exceed current market feasibility. An example of this may be the identification of intensive office and commercial use in areas that are not yet established commercial markets, or high density housing in localities where demand is for townhouses.

As such, there may be limited take up of the Uplift Framework – at least in the short to medium term.

As market conditions change and transport amenity within the Structure Plan Areas improves, take up of the Uplift Framework is expected to grow over time. The Uplift Framework is a long-term mechanism for public benefit delivery that will operate alongside the planning control settings to encourage and unlock public value over the life of the Structure Plans. Implementation of the Structure Plans is proposed through a variety of planning tools and interventions and is not reliant on broad scale take up of the Uplift Framework.

Basic infrastructure needs and critical public amenity outcomes directed by the Structure Plan will still be required to be delivered by State and Local Government through alternative funding sources.

Given the Uplift Framework is voluntary, the implementation of links that extend through multiple properties will also need to be carefully approached, as not all owners may utilise the uplift opportunity – leaving a link partially delivered. Links should be provided through the Uplift Framework where there is potential that the completion of the link can be realised at a future point in time, and that the partial delivery of the connection will not result in any adverse amenity or public safety outcomes in the interim.

## 5.2 Developability

Providing for new public realm (e.g. spaces and links) on a site as part of a new development can be problematic from a developability perspective for the following reasons:

- Reduced flexibility – depending on the size and shape of the public benefit, they can reduce flexibility for how the FAR/yield is distributed across the site (e.g. the provision of a park or plaza may have a more significant impact than a pedestrian link within a setback). Additionally, the location and scale of the public benefit on a site may erode a critical dimension for development feasibility.
- Upper level setbacks – new streets and through-links may incorporate interface requirements (e.g. a setback above a street wall) and therefore add a greater constraint (but also an opportunity).
- Basement efficiency – where there is a requirement for new streets and laneways to be vested into public ownership with no projections underneath, this reduces the available area for basements and can impact building efficiency and potentially increase excavation depth (impacting cost and feasibility).

These issues can be particularly problematic for smaller sites or narrow sites. In these circumstances, there may need to be some level of flexibility in how discretionary setback and built form controls are achieved in conjunction with the delivery of the desired public benefit. Architectural testing undertaken by Hayball Architects indicates that that floor area uplift may not readily be achieved on smaller lots (i.e. < than 1,000m<sup>2</sup>), with floor area uplift opportunities generally greater where sites are aggregated to form a larger development



parcel. Site consolidation supports the built form anticipated by the structure plans and the Uplift Framework incentivises this outcome.

## 5.3 Ownership and public accessibility

Consideration needs to be given to the future ownership of new public realm. Public accessibility and a public 'look and feel' for new public realm can be achieved through private developer outcomes. However, if there is a preference for new public realm to be vested in Council, this can reduce developable area. Innovative design and ownership solutions should be considered to strike an appropriate balance. The key considerations for public realm contributions being retained in private ownership or vested in public ownership are summarised in the following table.

**TABLE 2 KEY CONSIDERATIONS FOR PUBLIC REALM - PUBLIC AND PRIVATE OWNERSHIP**

PUBLIC	PRIVATE
<ul style="list-style-type: none"> <li>Land gifted or provided in long term lease to Council</li> <li>Identify delivery standard to Council requirement</li> <li>Identify delivery responsibility</li> <li>Identify any other approvals and timing for delivery</li> <li>Consider height and depth limitations/permissions which may facilitate better design outcomes for the site</li> <li>Secure outcome by permit condition/legal agreement</li> <li>No further access permissions required after handover</li> </ul>	<ul style="list-style-type: none"> <li>Land retained in private ownership</li> <li>Identify delivery standard / 'look and feel'</li> <li>Typically delivered as part of development</li> <li>Allocate maintenance and liability responsibility</li> <li>Secure outcome by permit condition/legal agreement</li> <li>Require/ define enduring public access and timing for public access by easement or legal agreement or combination</li> </ul>

## 5.4 Issues for delivering strategic land use benefits

SRL East Structure Plan Areas identify a range of strategic land use outcomes in targeted locations that may be encouraged through an uplift incentive. Strategic land use outcomes (i.e. desired floorspace) may be provided within the development.

The ultimate goal of strategic land use uplift is to boost the feasibility of that land use over and above others.

Delivering strategic land uses may be more costly to developers than delivering public realm benefits. Therefore, it is important that for the incentive to work, the amount of floorspace given to the public benefit is appropriately compensated by uplift. The risks of striking this balance for uses which have less support for the market can be challenging and may limit the success of schemes of this nature.

Other critical considerations in relation to land use uplift are:

- The length of time of commitment to the land use – i.e., is it in perpetuity, for a set time or can it revert to an alternative land use at any time?
- Review of strategic land use priorities over time.

## 5.5 Calculation

Where uplift provisions are available in SRL East Structure Plan Areas the calculation method will need to provide clarity to the intended outcomes and appropriate trade off.

The Central City uplift regime was formally introduced by Amendment C270 to the Melbourne Planning Scheme. It is supported by a guideline document '*How to calculate floor area uplifts and public benefits*' (DELWP November 2016). The 'Department of Environment Land Water and Planning' (DELWP) have subsequently been replaced by the Department of Transport and Planning (DTP). The uplift calculation guideline provides certainty and clarity for stakeholders about what public benefits are sought and how the Floor Area Uplift bonus is to be calculated.



It is also necessary to consider how public realm / land gifting is treated in calculating FAR. The approach used in Fishermans Bend is to calculate the FAR based on the entire site size and make it available to the remaining developable area (i.e. site minus public open space or link). Key learnings from both of these uplift schemes are explored in further detail in the following chapters and in Appendix B.



# 6. Case study evaluation

## 6.1 Methodology benchmarking

Yield based incentive schemes that offer landowners an increase in height and/or density subject to the provision of some form of public benefit have been utilised in limited circumstances in Victorian Planning Schemes. These have generally been limited to:

- Central City - Floor Area Uplift scheme introduced via Amendment C270 to the Melbourne Planning Scheme;
- City of Stonnington - Chapel Street Activity Centre public benefit and uplift scheme; and
- Fishermans Bend Urban Renewal Area – uplift scheme for the provision of social and affordable housing.

We have examined the core characteristics of these schemes and engaged with planning officers at the City of Melbourne, DTP, and City of Stonnington to identify key learnings arising from their implementation. We have also included analysis of a relevant NSW uplift scheme operated by Lane Cove Council within St Leonards South. A summary of the methodology benchmarking for each scheme is included in Appendix B.

## 6.2 Areas of public benefit

The uplift schemes examined above identify a wide range of eligible Public Benefit categories:

- **Affordable housing** – accommodation at below market rates which can be delivered by varied mechanisms.
- **Pedestrian Links and Open/Enclosed Ground Floor Public Open Space** – publicly enclosed areas provided within the ground floor area of the proposed development;
- **Upper Level Public Open Space** – open areas within the built form including roof top areas;
- **Strategically Justified Offices** – provision of office space in lieu of residential to align with objectives of Planning Scheme;
- **Strategically Justified Childcare** – provision of childcare facilities within the built form in lieu of residential to align with objectives of Planning Scheme;
- **Community Facilities** – finished office/retail areas within the building designated for community use;
- **Public Art Offering** – the value of public art included as part of the development; and
- **Local contributions** – provision towards streetscape upgrades by works in kind.

## 6.3 Learnings

Key relevant learnings from the case study analysis are summarised below: -

- Current market conditions have negatively impacted take up of schemes which were previously performing well;
- Benefits need to be clearly defined;
- Public realm improvements opportunities need to be identified on a map;
- The responsible authority should have discretion in prioritising public benefits; and
- Regular reviews of the scheme are essential to reflect changing market conditions or strategic priorities over time. The use of an accompanying Framework (as with the City of Melbourne Central City uplift



scheme) can address the need for review to maintain alignment with the Structure Plan Areas. Review should be undertaken every five years by the Suburban Rail Loop Authority or as directed by the Minister for Planning.

### 6.3.1 MECHANISMS AND EFFICACY

We provide the following summary of the key learnings from the case study examination:

**TABLE 3 SUMMARY OF LEARNINGS**

EXISTING SCHEME	UPLIFT CATEGORY	MEASURE OF CONTRIBUTION	FORM OF UPLIFT CREDIT	QUALITATIVE TAKE UP
City of Melbourne – CBD & Southbank	Public Open Space, Affordable Housing & Strategically Justified Uses	Lever 2016 Value Rates Described as Gross Realisation Values (GRVs)	GRV Value + Cost + Admin	Medium/high
City of Stonnington	Public Open Space, Affordable Housing & Strategically Justified Uses	Mirrors City of Melbourne Approach	Mirrors City of Melbourne Approach	Medium/high
City of Melbourne – City of Port Phillip – Fishermans Bend	Public Open Space and Social & Affordable Housing	Development capacity of land set aside	Uplift in dwelling density	N/A - Scheme in its infancy.
St Leonards South	Public Open Space, Design excellence, community facilities, Social & Affordable Housing	Identified public benefit specific to each area	Specified height and FAR increase for each area	High



# 7. Methodology

## 7.1 Overview

On the basis of the key learnings, guiding principles and key considerations described in the preceding chapters, we have prepared a proposed methodology for the Uplift Framework to incentivise the delivery of public benefits in SRL Structure Plan Areas.

The categories of public benefit identified are:

- Public benefit category 1: public realm improvements
- Public benefit category 2: affordable housing
- Public benefit category 3: strategically justified uses

The proposed methodology is predicated upon:

- A recent sale or contemporary valuation of the property seeking uplift;
- The recognition of land or built form delivered as Public Benefit;
- Contemporary value rates for Affordable Housing & Strategic Uses assessed by valuation; and
- An additional allowance of GFA provided at a reduced value to the applicant.

With respect to the methodology inputs, we provide the following commentary:

### Contemporary Sale/Valuation

The first step in the Uplift Framework involves establishing the Market Value of the land proposed for development. The Market Value is to be set by the adoption of a sale price occurring within the last 12 months. If a sale does not exist for the property within this time period, an independent market valuation of the land only may be relied upon if prepared within 3 months of the development application. For reference, the definition of Market Value is defined by the International Valuation Standards Council as: *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”*.

We recommend that any valuation provided by an applicant be subject to the satisfaction of the responsible authority.

The cost of the valuation is to be at the applicant’s expense.

### For Categories 2 & 3 Only - Contemporary Value Rates of Saleable/Letable Area

For Public Benefit sought for affordable housing and strategically justified uses, the Uplift Framework requires the provision of contemporary realisations (gross realisations) for the completed use type. In this regard, the following contemporary realisations may be required:

- Residential – Net Saleable Area basis;
- Office – Net Lettable Area basis;
- Medical – Net Lettable Area basis; and
- Others by agreement with the Responsible Authority.

These value rates are to be provided by independent valuation supplied by the applicant; at the applicant’s cost.

We provide the following overarching guidance for comparable value rates provided by the applicant:



Contemporary realisations should aim to isolate the value rate difference between the Public Benefit use and the alternate highest and best use. In order to ensure a like for like comparison, the selected sales of the respective uses should be of:

- Comparable building age;
- Comparable size;
- Comparable elevation in buildings (not comparing ground floor product to upper floor product);
- Have comparable car parking provisions;
- Desirability of new product;
- Benefit of any stamp duty concessions (if applicable);
- Depreciation; and
- Warranties of building product and fit-out.

### **Recognition of Public Benefit**

Identification of one of the 3 categories of Public Benefit referenced above. The Uplift Framework also allows for multiple forms of Public Benefit to be considered for uplift in defined locations.

### **Discount of Additional GFA**

The methodology adopts a 50 per cent discount to the additional GFA to incentivise the take up of the Uplift Framework. This discount rate has been adopted taking into account the input factors below, and having regard to the principles set out in Chapter 3, which confirm the need for a reasonable incentive premium to be built into the calculation methodology to ensure the Uplift Framework is attractive for take up.

The adopted rate is intended to be periodically reviewed by SRLA (every 5 years) and adjusted in response to market conditions, which may necessitate refinements to the discount rate over time to manage the take up of the scheme.

We consider the following factors to be relevant to the adopted discount rate incorporated into the scheme and any subsequent amendments to the rate:

### **Specific Development Input Factors**

- Gross Realisations - conventionally, more favourable market conditions such as higher prices for end product and higher rates of individual unit sales may support a lower discount rate. Conversely, lower developed product prices and slower rates of sale may lend support to a higher discount rate.
- Land purchase costs - changes in underlying land values to relative gross realisations and construction costs may support a review of the applied discount rate. In this instance, lower land values in an environment where development conditions (gross realisations and construction costs) are more favourable may support a lower discount rate. Conversely, increased land values in less favourable development conditions will likely support a higher discount rate.
- Construction costs - in the instance that construction costs remain elevated relative to the value of the produced product (saleable units), construction costs may be a material consideration to the applied discount rate. As an example, should construction costs remain elevated relative to the pricing of developed units, this may support a review of the discount for a higher discount. Conversely, should construction costs reduce relative to the saleable product rates, this circumstance may support a lowering of the applied discount rate.
- Land holding costs - changes to landholding costs such as Council Rates and Land Tax may influence the adopted discount rate and influence the market conditions for the wider development market. Increases in these costs outside of changes to the other factors may support the adoption of a higher discount rate. Conversely, reductions in these costs may support a lower discount rate.



- Financing - lending conditions and periods of restrictive borrowing conditions in isolation of other development factors are relevant to the setting of an appropriate discount rate. Increased interest rates and restrictive lending conditions may support a higher discount rate; lower rates may support a lower rate to be adopted by the responsible authority.

## General Principles

- Discount for size – is a conventional valuation principle which has been accepted by the judicial system, particularly in the Court decisions of *Kilpatrick v Head, Transport for Victoria* [2020] VSC 53 (21 February 2020) and *Challenger Property Asset Management Pty Ltd & Anor v Stonnington City Council & Anor* [2011] VSC 184 (5 May 2011). The discount for size implies that, with all factors remaining a constant, as site sizes increases, value rates typically decreases. This principle is frequently encountered, particularly in the instance of valuing significantly larger sites where sites of a comparable size are more direct sales comparison.
- Project concentration risk – the development of one site to a greater extent over securing an alternate site. This is a general factor associated with diversifying project risk.
- Increased density construction cost – the cost of intensifying development on a single site by developing to greater height. Conventionally, construction costs increase in line with increased development height.

The Uplift Framework has adopted the rate of 50% which, in the Victorian context, sits at the upper end of existing frameworks with comparable incentives. The adopted rate recognises the range of factors that influence the development market which are highly dynamic and nuanced.

For reference, we have examined the following uplift schemes with stated incentives/discount factors:

- City of Melbourne public benefit and uplift scheme – applies a discount rate varying between 20% to 60% - this range reflects the rates nominated within the document and comparable sales at the time of introduction (included at Appendix B).
- City of Melbourne and City of Port Phillip Fisherman's Bend uplift scheme– this scheme employs a mechanism for additional dwellings to be achieved based on the area of open space provided. The bonus varies by sub Precinct. For Core areas, the bonus dwelling rate ranges from 68-71%. In non-core areas, the discount ranges from 29% to 46%.

Key features that distinguish the SRL East precincts and Uplift Framework, compared to the case study schemes, include the following:

- The dispersed geographic location of the SRL East precincts
- The need to incentivise a range of development outcomes e.g., residential and commercial
- The development maturity of the SRL East precincts in relation to the case study precincts, which are located within more mature markets such as the CBD and its fringe.

Considering these factors and with the intention of providing a material incentive for the provision of the public benefits, we have concluded that adoption of a discount rate at the higher end of the range demonstrated in the case study schemes is appropriate and have adopted a 50% discount rate.

We note that it is difficult to compare schemes on a purely like for like basis given there are a range of factors which impact the effect of the discount rate including scheme administration, development fee offsets combined with localised market conditions. The 50% rate has been determined by taking into account the comparable rates adopted in the other uplift frameworks, and with the intention of providing a material incentive for the provision of the public benefits.

We highlight that all of the foregoing factors will directly impact the perceived incentive offered by the Uplift Framework and its ultimate take up. For these reasons, it is recommended that the discount rate be subject to review by SRLA on a 5 yearly basis.



## 7.2 Key definitions

The methodology utilises the following key terms and definitions throughout:

- **Affordable Housing** is defined by the *Planning and Environment Act 1987* as:  
*“housing, including social housing, that is appropriate for the housing needs of very low-income households, low income households and/ or moderate income households.”*
- **Baseline Floor Area Ratio:** The floor area ratio that is assigned to the site prior to the consideration of any potential uplift.
- **Embellishment Costs:** Costs directly associated with delivering the Public Benefit such as administrative costs, additional fencing, surfacing and landscaping.
- **Floor Area Ratio:** The total floor area of a building measured from the outside of external walls or the centre of party walls and includes all roofed areas. For the purposes of this document total building area relates to the above ground area. Voids associated with lifts, car stackers and similar service elements should be considered as multiple floors of the same height as adjacent floors or 3.0 metres if there is no adjacent floor.
- **Floor Area Uplift:** The additional Gross Floor Area that is permitted to be developed above the mandatory Floor Area Ratio that applies to the land, which is derived from the Floor Area Uplift Calculation Schedule.
- **Gross Realisations:** The values achieved by selling constructed built form i.e apartments, office, retail units.
- **Market Value** is defined by the International Valuation Standards Council (IVSC) as:  
*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.*

The IVSC provides the following explanatory terms of the components of Market Value:

- » **Arm’s Length Transaction:** “in an arm’s length transaction” is one between parties who do not have a particular or special relationship, e.g., parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of special value. The Market Value transaction is presumed to be between unrelated parties, each acting independently”
- » **Proper Marketing:** “after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date”
- » **Acting Knowledgeably and Prudently:** “where the parties had each acted knowledgeably, prudently” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses, and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with the benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other



exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time”

» **Without Compulsion:** “and without compulsion” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it”

- **Net Saleable Area:** Saleable area of the completed residential and strategic uses excluding balcony areas.
- **Public benefits** A benefit(s) which meet the descriptions in the eligible public benefit categories set out in Section 5.0 and within the areas designated in Maps 1-6 of the Uplift Framework. Note that the Uplift Framework does not provide for consideration of benefits outside the defined eligible public benefit categories. Public benefits which are not owned and managed by a public authority or not- for-profit entity must demonstrate that they will continue to meet the definition.
- **Profit and risk:** an allowance incorporated into feasibility modelling to account for risks and profits in undertaking a proposed development.
- **Priority Land Use:** A land use identified for prioritised delivery in the SRL East Structure Plans. Typically includes commercial office uses in the central core of each Structure Plan area, and health/medical uses surrounding the major hospitals in Clayton and Box Hill. Priority Land Uses are identified in Maps 1 – 6.
- **Uplifted Floor Area Ratio:** The floor area ratio that is achieved for the site after Public Benefit delivery through application of the Uplift Framework

More specific terms are defined in their relevant sections of application.

## 7.3 Example Site Specifications

Our worked examples have been based on the following hypothetical site:

### Hypothetical Site

For all worked examples (shown below in italics), we have utilised the following hypothetical site:

- Location – Hypothetical
- Land size – 1,000m<sup>2</sup>
- Land Value - \$1,500,000
- Base ('as of right') - Floor Area Ratio (FAR) – 3:1
- Implied baseline total Gross Floor Area (GFA) – 3,000m<sup>2</sup>

Adopting the above site parameters, we provide the following summary of the applicable land and gross floor area value rates:

- Land Value Rate - \$1,500/m<sup>2</sup> (Total Value {\$1,500,000} / Land Area {1,000m<sup>2</sup>})
- Gross Floor Area Rate - \$500/m<sup>2</sup> (Total Value {\$1,500,000} / Implied Total GFA {3,000m<sup>2</sup>})

Where land is transferred or designated as open space, our proposed methodology adopts the original site area when applying FAR calculations.



## 7.4 Public Benefit Category 1: Public realm improvements

In conceptualising an uplift methodology for this category of public benefit, we consider an appropriate measure needs to address:

- The notional value of the land being set aside for public realm improvements/open space. For the purposes of this calculation, the land value rate of the subject property is applied to the area set aside for public realm improvements/open space.
- We suggest that any valuation provided by an applicant be subject to the satisfaction of the responsible authority.
- The costs directly related to the component of land set aside as public open space. This should include embellishment works including any additional fencing, surfacing and landscaping directly related to the component of land set aside for Open Space. In all instances the value of the included works is subject to the satisfaction of the Responsible Authority.
- The administrative costs of having the land reserved for public open space. This may include costs such as legal and survey costs specifically relating to the open space area to be reasonably agreed with the Responsible Authority. In the event that administrative costs are disputed, the Responsible Authority may appoint an independent peer review with costs of the review to be pre-agreed and paid for by the applicant.

### 7.4.1 PUBLIC BENEFIT CALCULATION

The first step is to calculate the total value of the Public Benefit, being the total value of providing the public open space including the notional value of the land being set aside for public open space. The below example allows for the provision of 100m<sup>2</sup> of open space.

	Public Realm
Public Benefit Area	100 m <sup>2</sup>
Embellishment Costs	<b>\$40,000 - Example</b>
Land Value of Public Benefit Area	<i>100m<sup>2</sup> x \$1,500/m<sup>2</sup></i>
	\$150,000
<b>Public Benefit Value</b>	<b>\$190,000</b>

This example adopts 100m<sup>2</sup> of open space as the public benefit and utilises the value rate of the parent site being \$1,500/m<sup>2</sup>. A further benefit is attributed to embellishment costs (\$40,000), resulting in a total benefit of \$190,000.



### 7.4.2 ADDITIONAL GFA RATE CALCULATION

Using the adopted value rate of GFA for the subject site, step 2 then calculates the discounted gross floor area rate applicable to the framework. The below example utilises the hypothetical value rate of \$500/m<sup>2</sup> prior to applying the framework discount:

	Public Realm
Market Value of GFA	\$500/m <sup>2</sup>
Discount	50%
<b>Discounted GFA Value</b>	<b>\$250/m<sup>2</sup></b>

Applying the discount of 50 per cent to the parent site GFA Rate of \$500/m<sup>2</sup> results in a discounted value rate of \$250/m<sup>2</sup>.

We have applied a 50 per cent discount to the market rate for GFA as explained in section 7.1 to encourage the take up of additional space rather than developers securing alternate sites at the market rate.

### 7.4.3 ADDITIONAL GFA AREA CALCULATION

The third step is to utilise the value of the Public Benefit to calculate the additional area able to be achieved using the discounted framework rate. The below example utilises the two prior steps to calculate the additional GFA:

	Public Realm
Public Benefit Credit	\$190,000
Discount GFA Value	\$250/m <sup>2</sup>
<b>Additional GFA</b>	<b>760 m<sup>2</sup></b>

In this example, we have applied the Public Benefit from the first step (\$190,000) and calculated the additional GFA that can be achieved using the discounted rate (\$250/m<sup>2</sup>). By delivering 100m<sup>2</sup> of open space, the uplift scheme enables a further 760m<sup>2</sup> of additional GFA to be available for development.



## 7.5 Public Benefit Category 2: Affordable Housing

The second category of public benefit provides for the delivery of affordable housing.

Affordable housing is defined by the *Planning and Environment Act 1987*: “housing, including social housing, that is appropriate for the housing needs of very low-income households, low income households and/ or moderate income households.” Industry standards define housing as being ‘affordable’ where housing costs represent less than 30 per cent of household income for these household types.

The draft Planning Scheme Amendments for SRLE Structure Plan areas include new policy provisions at Clause 11.03 that encourage the provision of affordable housing to a range of households. Where affordable housing is provided, the policy states:-

- Require the delivery and ongoing management of the affordable housing, or the transfer of the affordable housing to an agency, a body or a person which provides Affordable Housing, including but not limited to;
  - » Registered Housing Agencies; or
  - » Rental Housing Agencies’ or
  - » Being held in an Affordable Housing trust and managed for the sole purpose of Affordable Housing; or
  - » Other bodies established or recognised under the Housing Act 1983; or
- Any other model that provides for Affordable Housing, subject to the approval of the Responsible Authority.

(Clause 11.03 – 6L -01 *Suburban Rail Loop East (SRLE) Structure Plan Areas*)

The draft 11.03 policy does not stipulate a minimum provision of affordable housing, rather it seeks to encourage provision by recognising affordable housing as a high priority public benefit, and rewarding its provision with an uplift in allowable GFA through the Uplift Framework. While the Uplift Framework is not predicated on a minimum provision of affordable housing, it is recognised that the responsible authority will need to give consideration to the proposed management and operational arrangements to be put in place for the affordable housing in determining whether the proposal delivers an appropriate public benefit.

The draft Planning Scheme Amendment includes additional local policy at Clause 11:03 to provide guidance around the operation of the PBUF and the assessment of the proposed public benefit:

### **Public benefit uplift framework strategies**

Ensure that the public benefit considers the management and maintenance of the public benefit.

### **Public benefit uplift framework policy guidelines**

Consider as relevant:

- Whether the public benefit(s) is consistent with policy, strategic initiatives and relevant guidelines.
- Whether the proposed public benefit is capable of being maintained for a reasonable period of time.

It is noted that the provisions of Clause 53.23 (Significant Residential Development) will continue to apply within SRL structure plan areas, which offers an alternative Ministerial approval pathway where a minimum 10% of all dwellings in a development are provided as affordable housing. This pathway is still able to be pursued by landowners who do not wish to take up the opportunity for uplift through the Uplift Framework.

In conceptualising an uplift framework for affordable housing provision, we consider an appropriate measure needs to address:

- The notional opportunity cost of delivering affordable housing in lieu of conventional residential housing
- Whether the incentive is sufficient to encourage the provision of affordable housing.



### 7.5.1 PUBLIC BENEFIT CALCULATION

Our proposed methodology to assess the Public Benefit value of the affordable housing component is as follows:

Calculate the total value of the Public Benefit, being the difference in value rate of the proposed affordable housing use and the alternate highest and best use (conventional residential) from an end value perspective. This calculation requires the consideration of the saleable area (Net Saleable Area) of the proposed strategic use.

The value rates adopted for the framework require valuation input to justify the rates being adopted. For the purposes of this example, we have adopted the following rates:

- Affordable Housing - \$5,600/m<sup>2</sup> on a Net Saleable Area (NSA) basis (being 30 per cent discount to conventional residential); and
- Residential Use (unrestricted) - \$8,000/m<sup>2</sup>.

We suggest that any valuation provided by an applicant be subject to satisfaction of the responsible authority.

Similar to the strategic use methodology, the framework also recognises:

- Embellishment costs directly relation to the provision of the strategic use to qualify for Public Benefit; and
- Administrative costs associated with having the area of the building restricted for the strategic use in perpetuity. This may include costs such as legal and survey costs specifically relating to the affordable housing designation reasonably agreed with the Responsible Authority.

We provide the following example based on the provision of 150m<sup>2</sup> of affordable housing:

	<b>Affordable Housing</b>
Public Benefit Area	150 m <sup>2</sup>
Embellishment & other costs (where agreed)	\$10,000
Alternate highest and best use value rate	\$8,000/m <sup>2</sup>
Strategic Use Value Rate	\$5,600/m <sup>2</sup>
Difference in Value Rate	\$2,400/m <sup>2</sup>
<b>Public Benefit Value</b>	$(150\text{m}^2 \times \$2,400/\text{m}^2) + \$10,000$
	<b>\$370,000</b>

The example adopts 150m<sup>2</sup> of affordable housing use which, using the hypothetical values rates, attracts a reduced value rate compared to the conventional unrestricted of residential space of \$2,400/m<sup>2</sup> (\$8,000/m<sup>2</sup> - \$5,600/m<sup>2</sup>). The total Public Benefit Value includes the additional embellishment cost allowance of \$10,000.



### 7.5.2 ADDITIONAL GFA RATE CALCULATION

Using the adopted value rate of GFA for the subject site, the next step is to calculate the discounted gross floor area rate applicable to the framework rate. The below example utilises the hypothetical value rate of \$500/m<sup>2</sup> prior to apply the framework discount:

	<b>Affordable Housing</b>
Market Value of GFA	\$500/m <sup>2</sup>
Discount	50%
<b>Discounted GFA Value</b>	<b>\$250/m<sup>2</sup></b>

We have applied a 50 per cent discount as per the prior framework rationale.

### 7.5.3 ADDITIONAL GFA AREA CALCULATION

The third step utilises the value of the Public Benefit to calculate the additional area able to be achieved using the discounted framework. The below example utilises the two prior steps to calculate the additional GFA:

	<b>Affordable Housing</b>
Public Benefit Credit	\$370,000
Discount GFA Value	\$250/m <sup>2</sup>
<b>Additional GFA</b>	<b>1,480 m<sup>2</sup></b>

This example applies the Public Benefit of the first step (\$370,000) and calculates the additional GFA that can be achieved using the framework discounted rate (\$250/m<sup>2</sup>). By delivering 150m<sup>2</sup> of saleable affordable housing, the framework enables a further 1,480m<sup>2</sup> of additional GFA to be available for development.



## 7.6 Public Benefit Category 3: Strategically justified uses

The Box Hill and Clayton Structure Plans include areas where health uses are sought to be prioritised to support the consolidation of medical and health floor space around the Monash Medical Centre and Box Hill Hospital environs. Commercial office uses are also sought to be prioritised in all of the central core areas within each of the six structure plans, to support the desired jobs growth. While these uses are desirable for strategic reasons it is recognised that they may be at a market disadvantage for delivery.

In these circumstances, where conventional residential is typically the highest and best use, the uplift methodology seeks to recognise the notional opportunity cost of delivering the strategic use in favour of the highest and best use.

### 7.6.1 PUBLIC BENEFIT CALCULATION

Our proposed methodology to assess the Public Benefit value of the strategically justified use is as follows:

Calculate the total value of the Public Benefit, being the difference in value rate of the proposed strategic use (say medical) and the alternate highest and best use (say residential) from an end value perspective. This calculation requires the consideration of the saleable area (Net Saleable Area) of the proposed strategic use.

The value rates adopted for the framework require valuation input to justify the rates being adopted. For the purposes of this example, we have adopted the following rates:

- Strategic Use (health/medical) - \$6,000/m<sup>2</sup> on a Net Saleable/Net Lettable Area (NSA/NLA) basis; and
- Residential Use (alternate highest and best use) - \$8,000/m<sup>2</sup>.

We suggest that any valuation provided by an applicant be subject to satisfaction of the responsible authority.

We also consider that the following embellishment costs directly related to the provision of the strategic use should be taken into account:

- The administrative costs of having the area of the building restricted for the strategic use for a period of at least 10 years. This may include costs such as legal and survey costs specifically relating to the strategic use area to be reasonably agreed with the Responsible Authority.



We provide the following example based on the provision of 100m<sup>2</sup> of strategic medical use:

	<b>Strategic Use</b>
Public Benefit Area	100 m <sup>2</sup>
Embellishment & other costs (where agreed)	\$10,000
Alternate highest and best use value rate	\$8,000/m <sup>2</sup>
Strategic use value rate	\$6,000/m <sup>2</sup>
Income foregone	\$2,000/m <sup>2</sup>
<b>Public Benefit Value</b>	$100\text{m}^2 \times \$2,000/\text{m}^2$
	<b>\$210,000</b>

This example adopts 100m<sup>2</sup> of strategic health/medical use which, using the hypothetical value rates, attracts a reduced value rate compared to the conventional provision of residential space of \$2,000/m<sup>2</sup> (\$8,000/m<sup>2</sup> - \$6,000/m<sup>2</sup>). The total Public Benefit Value includes the additional embellishment cost allowance of \$10,000.

## 7.6.2 ADDITIONAL GFA RATE CALCULATION

Using the adopted value rate of GFA for the subject site, step 2 then calculates the discounted gross floor area rate applicable to the framework rate. The example below utilises the hypothetical value rate of \$500/m<sup>2</sup> prior to applying the framework discount:

	<b>Strategic Use</b>
Market Value of GFA	\$500/m <sup>2</sup>
Discount	50%
<b>Discounted GFA Value</b>	<b>\$250/m<sup>2</sup></b>

Applying the framework discount of 50 per cent to the parent site GFA Rate of \$500/m<sup>2</sup> results in a discounted value rate of \$250/m<sup>2</sup>.

We have applied a 50 per cent discount as per the prior framework rationale.



### 7.6.3 ADDITIONAL GFA AREA CALCULATION

Step 3 then utilises the value of the Public Benefit to calculate the additional area able to be achieved using the discounted framework. The example below utilises the two prior steps to calculate the additional GFA:

	Strategic Use
Public Benefit Credit	\$210,000
Discount GFA Value	\$250/m <sup>2</sup>
<b>Additional GFA</b>	<b>840 m<sup>2</sup></b>

This example applies the Public Benefit of the first step (\$210,000) and calculates the additional GFA that can be achieved using the framework discounted rate (\$250/m<sup>2</sup>). By delivering the 100m<sup>2</sup> of medical/health floor space, the framework enables a further 840m<sup>2</sup> of additional GFA to be available for development.

## 7.7 Summary of conceptual methodologies

Provided below is a summary of the conceptual methodologies.

**TABLE 4 SUMMARY OF CONCEPTUAL METHODOLOGIES**

UPLIFT CATEGORY	PUBLIC BENEFIT ASSESSMENT	ADDITIONAL GFA
Publicly Accessible Open Areas	Notional Land Value + Costs	50% Discount to Market
Strategically Justified Uses	Realisation Difference + Costs	50% Discount to Market
Affordable Housing	Realisation Difference + Costs	50% Discount to Market

We make the following observations of the conceptual methodologies:

- The proposed credit mechanisms are transparent and consistent;
- As the framework utilises a contemporary valuation or sale, the model is able to track market movements for both land value and the value of additional gross floor area; and
- The model uses a common discount to market gross floor area which enables the framework to be tailored to market demand and recalibrated if necessary following implementation.



# 8. Framework Testing

## 8.1 Overview

The proposed methodology has been subject to an initial phase of testing that includes:

- Review of Architectural Testing – we have reviewed the findings of the architectural testing undertaken by Hayball and the architectural schemes that were prepared in support of their testing; and
- Application of the framework to the test sites– applying the methodology to the architectural schemes considered by Hayball that generated an uplift, to calculate the area and value of the Public Benefit achieved through application of the framework.

As noted earlier, we highlight there are a number of challenging conditions within the current development landscape that are likely to critically impact development feasibilities and take up of the Uplift Framework in the short term. As market conditions evolve and the market for development typologies encouraged by the Structure Plans matures, take up of the Framework, (particularly by landowners who control larger sites), is expected to increase.

## 8.2 Architectural Testing

Hayball were engaged by SRLA to undertake architectural testing of 24 test schemes for sites across the SRLE Structure Plan Areas to validate the proposed FAR and built form controls proposed to be introduced within the draft planning scheme amendments.

The ‘*Floor Area Ratio and Floor Area Uplift Architectural Testing report*’ (Hayball, February 2025) analyses a diverse mix of sites across a range of place types and site conditions and identifies key factors which influence the ability to achieve and exceed the nominated Floor Area Ratios. The most critical factors identified through their assessment that influenced the potential for uplift to be realised were:

- a) Site size and geometry (noting that sites under 1,000m<sup>2</sup> were particularly challenged in terms of their ability to achieve the baseline FAR or secure floor area uplift);
- b) Required car parking rates. The precincts contain a mix of minimum and maximum rates. Testing demonstrated challenges in meeting the minimum specified rates, particularly for commercial land use proposals, without the need for extensive basement car parking or above ground sleeved car parking. On smaller sites in particular, this prevented achievement of the base FAR and maximisation of the preferred height controls.

The testing ultimately showed a greater propensity for uplift to be secured above the base FAR on larger sites, and where a lower overall provision of car parking was required (e.g., for residential schemes which generate a lower parking provision than commercial schemes). Likewise, on smaller sites (generally less than 1,000m<sup>2</sup>), the testing revealed difficulty in achieving the base FAR due to limited floor plate sizes where side setbacks or angled setbacks at upper levels were required, and where carpark sizes were also limited making it difficult to include basements or sleeved podium parking.

The testing results serve to encourage site consolidation in the Structure Plan Areas, as it is evident that more efficient, higher yielding schemes can be achieved where sites are aggregated to form a larger development parcel. Site consolidation supports the built form anticipated by the Structure Plans and the Uplift Framework incentivises this outcome. While it is acknowledged that the Uplift Framework may not readily enable uplift to be achieved on lots less than 1,000m<sup>2</sup>, it remains an important mechanism to incentivise lot consolidation and to help realise the ambition of the Structure Plans for substantial change.



## 8.3 Application of Uplift Framework

The architectural testing undertaken by Hayball used 24 test schemes and examined the built form outcomes generated by application of the Floor Area Ratio and built form controls that apply to these test sites in the proposed PSA controls. It then derived the amount of floor area uplift that could be achieved on these sites if the Floor Area Ratio was exceeded with the provision of a Public Benefit, and all other relevant built form controls were met.

Based on the supplied architectural testing, we have applied the Uplift Framework to those schemes where an FAR uplift was achieved, to show worked examples of how the Uplift Framework will apply in practice. Specifically, we:

- Identified the baseline Floor Area Ratio for each test site and corresponding GFA permitted by the base FAR control;
- Identified the additional Gross Floor Area sought to be achieved on each site, by reference to the maximum scheme prepared by Hayball;
- Applied a direct comparison sales analysis to each of the sites to assess the Market Value of each site to apply the Framework;
- Using the Market Value of each site and the baseline Floor Area Ratio, we calculated the value of each square metre of baseline Gross Floor Area;
- Applied the Framework Discount; and
- Calculated the value of Public Benefit required to be provided to achieve the additional Gross Floor Area.

The table shows that for the test schemes that generated an uplift, application of the Uplift Framework generates an FAR uplift that is moderately higher than the base FAR where a public benefit is delivered.



**TABLE 6 SUMMARY OF WORKED EXAMPLES OF UPLIFT FRAMEWORK**

Address	Framework Tested	Land Area	Baseline FAR	Baseline Gross Floor Area	Additional GFA Proposed	Area of Public Benefit Required for Additional GFA	Value of Public Benefit Derived	Uplift FAR
18-20 and 14-16 Prospect Street, Box Hill	Strategic Land Use (office)	2,398 m <sup>2</sup>	10.00:1	24,018 m <sup>2</sup>	7,219 m <sup>2</sup>	1,134 m <sup>2</sup>	\$3,970,450	13.00:1
15-17 Morton Street, Clayton	Link (pedestrian connection along eastern side boundary)	1,523 m <sup>2</sup>	3.00:1	4,559 m <sup>2</sup>	663 m <sup>2</sup>	94 m <sup>2</sup>	\$193,799	3.40:1
139-141 Thames Street, Box Hill	Strategic Land Use (medical/office)	1,209 m <sup>2</sup>	7.00:1	8,434 m <sup>2</sup>	1,230 m <sup>2</sup>	229 m <sup>2</sup>	\$573,035	8.00:1
1116-1120 Whitehorse Road, Box Hill	Affordable Housing	1,290 m <sup>2</sup>	3.50:1	4,476 m <sup>2</sup>	828 m <sup>2</sup>	137 m <sup>2</sup>	\$328,120	4.10:1
12-24 Bruce Street, and 9 Irving Ave, Box Hill	Affordable Housing	1,915 m <sup>2</sup>	7.00:1	13,373 m <sup>2</sup>	2,582 m <sup>2</sup>	770 m <sup>2</sup>	\$1,848,699	8.30:1
5-7 Brougham Street, Box Hill	Affordable Housing	1,334 m <sup>2</sup>	3.00:1	4,696 m <sup>2</sup>	837 m <sup>2</sup>	136 m <sup>2</sup>	\$326,931	4.10:1
42-46 Burwood Highway, Burwood	Affordable Housing	1,248 m <sup>2</sup>	4.00:1	4,943 m <sup>2</sup>	612 m <sup>2</sup>	106 m <sup>2</sup>	\$270,404	4.50:1
321 Bay Road, Cheltenham	Affordable Housing	632 m <sup>2</sup>	3.50:1	2,212 m <sup>2</sup>	742 m <sup>2</sup>	108 m <sup>2</sup>	\$291,500	4.70:1
321-323 Bay Road, Cheltenham	Affordable Housing	1,285 m <sup>2</sup>	3.50:1	4,459 m <sup>2</sup>	1,524 m <sup>2</sup>	163 m <sup>2</sup>	\$439,188	4.70:1
176-186 Springvale Road, Glen Waverley	Affordable Housing	13,521 m <sup>2</sup>	3.50:1	47,657 m <sup>2</sup>	11,675 m <sup>2</sup>	1,534 m <sup>2</sup>	\$4,140,464	4.40:1
4-6 Morton Street, Clayton	Affordable Housing	1,501 m <sup>2</sup>	3.00:1	4,507 m <sup>2</sup>	1,355 m <sup>2</sup>	165 m <sup>2</sup>	\$394,858	3.90:1
1332-1334 Centre Road, Clayton South	Affordable Housing	1,002 m <sup>2</sup>	3.50:1	3,468 m <sup>2</sup>	1,370 m <sup>2</sup>	149 m <sup>2</sup>	\$346,352	4.80:1
326-332A Clayton Road, Clayton	Affordable Housing	1,829 m <sup>2</sup>	4.00:1	7,354 m <sup>2</sup>	1,050 m <sup>2</sup>	190 m <sup>2</sup>	\$457,001	4.60:1
1182 Nepean Highway, Cheltenham	Affordable Housing	735 m <sup>2</sup>	4.50:1	3,342 m <sup>2</sup>	429 m <sup>2</sup>	44 m <sup>2</sup>	\$117,936	5.10:1
24-26 Royalty Avenue, Highett	Affordable Housing	1,203 m <sup>2</sup>	3.00:1	3,591 m <sup>2</sup>	645 m <sup>2</sup>	90 m <sup>2</sup>	\$243,087	3.50:1
256-258 Burwood Highway, Burwood	Affordable Housing	1,423 m <sup>2</sup>	3.50:1	4,958 m <sup>2</sup>	1,478 m <sup>2</sup>	291 m <sup>2</sup>	\$742,354	4.50:1




## 9. Conclusions

The Uplift Framework provides a voluntary incentive-based mechanism for public benefit delivery that will operate alongside the planning control settings to encourage and unlock public value over the life of the structure plans. The Uplift Framework is a **long-term mechanism** for public benefit delivery, and in light of current challenging market conditions may have limited take up in the short term. Notwithstanding, the methodology and principles underpinning the Uplift Framework establish a sound approach to support the realisation of additional public good outcomes over the life of the plans.

The methodology underpinning the Uplift Framework includes a reasonable incentive premium to encourage the delivery of the public benefit, however architectural testing undertaken by Hayball Architects indicates that the Uplift Framework may not readily enable uplift to be achieved on smaller lots (i.e., < than 1,000m<sup>2</sup>).

As market conditions change and transport amenity within the Structure Plan Areas improves, take up of the Uplift Framework is expected to grow over time. Implementation of the Structure Plans is proposed through a variety of planning tools and interventions and is not reliant on broad scale take up of the Uplift Framework.





# Appendix A

## **Sources of information & disclaimers**



## Sources of information

In referring to sales and/or rental information as detailed within this report, we have relied on a range of external sources including publicly available information (newspapers, statements by public companies), subscription to information databases and information generally provided verbally by others such as estate agents, property managers, property valuers and consultants. In many instances, we have not had access to the original source material such as contracts of sale or signed leases. Although we have no reason to doubt the validity of the information provided to us, and we have relied on this information in good faith, we are unable to state with certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

## Disclaimers

### MARKET MOVEMENT

Urbis Valuations Pty Ltd (**Urbis**) provides the following market movement clause regarding the assessment of the property set out within this Report:

- This report is current as at the Date of Advice only. The levels of value of the property assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements and factors specific to the particular property of which the valuer could not reasonably have been aware as at the Date of Advice). Clearly, the COVID-19 Outbreak and recent inflation peaks and interest rate rises are important risk factors you must carefully consider when relying on this advice and we recommend that the user(s) of this report should apply caution and regularly monitor market conditions and review this advice including utilising the user's own internal and external research and resources;
- To the maximum extent permitted by law, Urbis (its officers, employees and agents) does not accept responsibility or liability, whether direct or indirect, to any person (including the Instructing Party) for any loss suffered or incurred as a result of or arising from any subsequent change in the value of the subject property. Without limiting the generality of the above disclaimers and the exclusion of responsibility or liability, Urbis does not assume responsibility or accept liability where the advice is relied upon after the expiration of 90 days from the date of the advice or such earlier date on which the user(s) became aware of any factors (including those outlined above) that have an effect on the advice.

### PECUNIARY INTEREST

We confirm that neither Urbis nor the signatory(ies) to this Report has any pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of value, or that would conflict with a proper assessment of the property. We advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

### LIMITED LIABILITY

Urbis Valuations Pty Ltd operates under the Australian Property Institute Limited Liability Scheme which is a scheme approved under Professional Standards Legislation.

### CONTAMINATION

This assessment takes no account of the actual or possible effect on the value of the subject property of any previous or current environmental hazard including pollution, contamination, noxious emission or discharge, or the cost of, or necessity for, ceasing or cleaning up any environmental hazard.



## THIRD PARTY

We advise that this Report is only for the use of the party to whom it is addressed, and no responsibility or liability is accepted to any third party for the whole or any part of its contents.





Appendix B

# **Summary of methodology benchmarking**



# City of Melbourne – Central City

## OVERVIEW

In November 2016 Amendment C270 introduced floor area ratio (FAR) controls along with the opportunity for floor area uplift in exchange for 'Public Benefit'. These provisions were applied broadly to the Central Business District, Southbank and portions of Docklands in the Capital City Zone. The uplift applies in concert with a mandatory FAR of 18:1 in the Design and Development Overlay – Schedule 10. A permit applicant may exceed the 18:1 FAR, provided:

- A Public Benefit is agreed, calculated and provided in a specified manner agreed to by the responsible authority.
- The permit includes a condition(s) requiring the Public Benefit to be secured under a Section 173 Agreement.

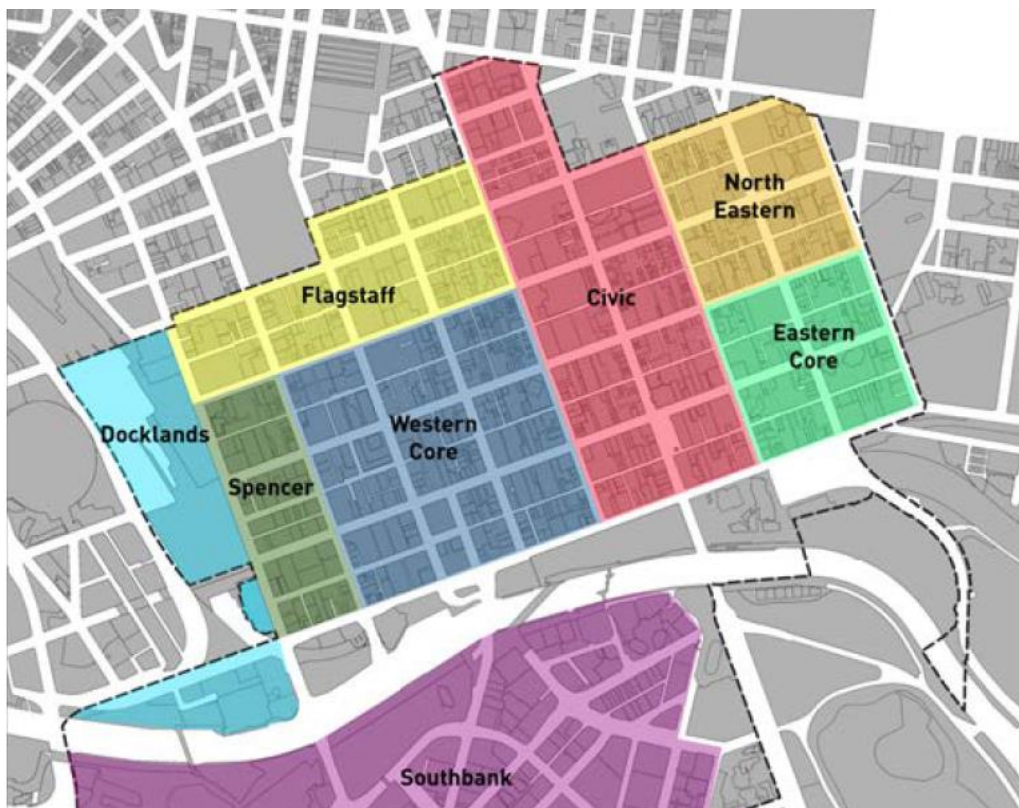
The floor area uplift is to be calculated by way of the document *'How to calculate floor area uplifts and public benefits'* (DELWP, November 2016).

## FLOOR AREA UPLIFT MECHANISM

The value of any Floor Area Uplift (FAU) is measured as 10 percent of the gross realisation value (GRV) per square metre for all additional floor area above the allowable 18:1 floor area ratio.

The GRV/m<sup>2</sup> depends on the corresponding use(s) and the precinct in which the development is located.

The DELWP document provides for the following GRV/m<sup>2</sup> rates:



**FIGURE 4 MELBOURNE CBD PRECINCTS**

Source: DELWP



USE	PRECINCT (see Fig.1)							
	Eastern Core	North Eastern	Civic	Flagstaff	Western Core	Spencer	Southbank	Docklands
Retail	\$17,000	\$14,000	\$16,000	\$15,000	\$17,000	\$14,000	\$12,000	\$14,000
Hospitality	\$9,000	\$8,000	\$8,000	\$7,000	\$7,500	\$6,500	\$6,500	\$6,500
Commercial	\$9,000	\$6,000	\$7,000	\$5,500	\$7,000	\$5,000	\$5,000	\$5,000
Residential	\$9,000	\$8,000	\$8,000	\$7,000	\$7,500	\$6,500	\$6,500	\$6,500

**FIGURE 5 MELBOURNE CBD USES**

Source: DELWP

## PUBLIC BENEFIT

For the purposes of an application for a Floor Area Uplift, accepted categories of Public Benefit (and their value) are defined at Table 2 of the Framework – summarised as follows:

- publicly accessible open areas on site.
- publicly accessible enclosed areas within the proposed building.
- affordable housing within the proposed building.
- competitive design process for the design of proposed building; and
- strategically justified uses including office on site or within the proposed building.

## BENCHMARKING OF CENTRAL MELBOURNE (CAPITAL CITY) FRAMEWORK

Our benchmarking this framework has been approached from two vantage points:

- The actual take up of the scheme in terms of delivered outcomes; and
- The values set by the framework relevant to the market value for sites and Gross Floor Area (GFA) at the time on introduction.

### Value Perspective

From a valuation standpoint, we have drawn comparison to the availability of additional space or uplift relative to the market value of land and GFA within the CBD. In order to make this comparison, we have retrospectively researched sales within the Melbourne CBD and then compared this to additional space offered by the framework.







In respect to the evidence researched, we provide the following overview:

- Land Rate Analysis: The dataset demonstrates land rates ranging from \$18,957/m<sup>2</sup> to \$37,155/m<sup>2</sup> for development sites ranging in size from 746m<sup>2</sup> up to 4,410m<sup>2</sup>.
- GFA Rate Analysis: Overall, development site sales reflect GFA rates ranging from \$395/m<sup>2</sup> to \$1,167/m<sup>2</sup> for sales which reflect estimated/permitted GFA's ranging from 17,904m<sup>2</sup> to 151,920m<sup>2</sup>.

Provided overleaf is an extract of the schedule of site sales evidence:



## Melbourne CBD Sales

	185 A'Beckett St	111-125 A'Beckett St	380 Lonsdale St	308 Exhibition St	1-5 Queen St	212-222 La Trobe St & 17-25 Little La Trobe St
	<b>Melbourne</b>	<b>Melbourne</b>	<b>Melbourne</b>	<b>Melbourne</b>	<b>Melbourne</b>	<b>Melbourne</b>
Sale Date	Oct-17	Jun-17	Jul-16	May-16	Feb-16	Jun-15
Sale Price	\$35,000,000	\$61,000,000	\$60,000,000	\$101,000,000	\$18,000,000	\$35,000,000
Area	1,038	1,741	3,165	4,140	746	942
Zoning	CCZ1	CCZ1	CCZ1	CCZ1	CCZ1	CCZ1
Permit	Yes	Yes	No	Yes	Yes	Yes
Gross Floor Area	29,997m <sup>2</sup> *	56,905m <sup>2</sup> *	151,920m <sup>2</sup> *	123,510m <sup>2</sup> *	17,904m <sup>2</sup> *	31,389m <sup>2</sup> *
<b>\$/m<sup>2</sup> Land</b>	<b>\$33,719</b>	<b>\$35,037</b>	<b>\$18,957</b>	<b>\$24,396</b>	<b>\$24,129</b>	<b>\$37,155</b>
<b>\$/m<sup>2</sup> GFA</b>	<b>\$1,167</b>	<b>\$1,072</b>	<b>\$395</b>	<b>\$818</b>	<b>\$1,005</b>	<b>\$1,115</b>
Comments	<p>A development site proximate to Victoria Market, Victoria University and RMIT. The property has a heritage facade which is understood to be required to be retained. The property sold with planning permission for a development of approximately a 24:1 plot ratio, which is in excess of the 'as of right' potential at the sale date. The proposed development is anticipated to cater for student accommodation.</p>	<p>The property is located on A'Beckett Street between Queen and Elizabeth Streets being proximate to Melbourne Central Station and Queen Victoria Market. Surrounding development is generally residential with two residential towers adjoining the property. The property sold on a 20 day settlement with a short term lease in place to Harley Heaven with a net passing income of \$911,046 per annum. The incoming purchaser intends to undertake a residential development whilst retaining the Art Deco facade. The permit that transacted with the site allows for a development significantly above the 'as of right' potential at an 18:1 plot ratio (31,338m<sup>2</sup>). Our analysis considers the short term lease to offset the demolition costs.</p>	<p>The property is currently improved with a 5 storey concrete carpark including basement, and level retail and offices on the 2 upper floors. Completely refurbished after fire damage in 1984.</p>	<p>A significant development site located on the corner of La Trobe and Exhibition Streets. The property was purchased by a developer who intends to undertake a residential/hotel development. The property transacted during a period of substantial change to the Melbourne Planning Scheme and would likely achieve a development plot ratio of 24:1. The property contained existing buildings at the date of sale and is also adversely affected by the Melbourne City Loop.</p>	<p>Comprises the Fletcher Jones site at the corner of Queen and Flinders Streets. A high profile site, sold with planning approval for a 25 level development incorporating approximately 107 apartments together with two level of retail/commercial. We understand the purchasers intend to undertake a hotel development on the site. Vendor purchased in Nov 2012 for \$11m.</p>	<p>A prime CBD landholding offered with the benefit of a newly approved permit for a major CBD project comprising two connecting buildings providing 400 apartments and ground floor retail. Purchased by Scape Pty Ltd, a UK Student Accommodation provider, who own the adjoining allotment, 393 Swanston Street, for which they recently gained planning approval for a 45 level Student Accommodation tower. Scape intend to create a substantial student living campus utilising both sites. Our office understand was ultimately assigned to the Melbourne Metro Rail Authority who required the site.</p>
						

Source: Urbis, Various

\* Estimated GFA

FIGURE 6 CIRCA 2016 MELBOURNE CBD SALES



The framework of the City of Melbourne allows for Public Benefit to be exchanged for additional GFA based on the intended use. The exchange rate is 10 per cent of the values summarised in Section 6.3.2:

- \$5,000/m<sup>2</sup> to \$17,000/m<sup>2</sup> on a GRV basis – prior to discount; or
- \$500/m<sup>2</sup> to \$1,700/m<sup>2</sup>.

Based on the sales analysed in the prior Section, we consider the rate to acquire additional GFA, depending on the form of Public Benefit adopted, particularly in the case of strategic office use, additional GFA can be obtained at up to 60% discount to the cost of GFA at market rates.

Whilst the framework has encouraged certain types of development, particularly office and public realm upgrades, we consider offering a further discount to market GFA rates would enhance the take up rates and delivery of other objectives of the framework.

## EVALUATION OF 'TAKE UP' OF SCHEME AND PUBLIC BENEFIT OUTCOMES (CAPITAL CITY ZONE)

A meeting was held with City of Melbourne planning officers and officers from the Department of Transport and Planning (DTP) to discuss the operation and take up of the Capital City Zone since their introduction.

The Minister for Planning is the Responsible Authority for permit applications for development of more than 25,000 square metres in the City of Melbourne. Consequently DTP officers processed the majority of permit applications with floor area uplift. Discussion centred around key learnings and any improvements which could help the effectiveness in delivering public benefit.

Key observations from this meeting were

- Office development has been the primary benefit provided under the Capital City Zone scheme – however this has halted with the significant drop in demand for commercial use
- Small office developments as part of larger residential towers were rejected on a lack of strategic justification
- Review of the uplift scheme to maintain relevance is important – however no review of the scheme has been conducted since its introduction in 2016, for a range of reasons.
- Provision of publicly accessible, privately owned open space has also been popular
- Developers have been willing to provide a financial contribution –however this is difficult to implement without an identified list of infrastructure that can be delivered in close proximity to the development. Advice directed that public benefit needed to be provided on site, however this is not always possible and purposeful and the opportunity to provide benefit elsewhere was seen as desirable.
- In part this absence of identified public realm improvements were resolved through the subsequent application of Design and Development Overlay 1 (design in Central City). This assisted with the public realm improvements being usable for developers to gain an incentive
- Some public benefits have not been used in CCZ, such as design competitions and affordable housing, in part due to the uncertainty around the quantum and conditions around the delivery of 'affordable housing' to satisfy the benefit. A cash contribution is generally preferred by developers for affordable housing.
- Links identified in Macaulay Structure Plan area have been designated on plan for delivery without a corresponding uplift. Provision of links has been negotiated as part of development approvals in support of more height. Once the links are provided or accepted as part of early approvals – it becomes more commonplace for other developers to accept this approach and



assist in delivering a larger network. These sites are of larger scale where greater permeability is required in public streets.

- The most important factor is identification of the links ahead of time. Links were located so that the impost was distributed equally (larger links) and that the links and roads will be vested in City of Melbourne.
- Land vested in Council is to be designed in accordance with Council standards and handed over when all development around them is completed (e.g. the links are completed). Visible guidelines for design and Council involvement in co-ordination of infrastructure delivery is critical.
- Timing for benefits is currently limited to 10 years for office via a Section 173 agreement (DDO10).
- How are links secured in perpetuity - City of Melbourne has changed its approach on encumbrances and being more open to infrastructure being vested in Council with conditions (e.g. roads provided over basements).
- Strategic justification of a benefit is a bigger issue, for example a lot of pocket parks are expensive to maintain and of limited use - so publicly accessible/privately owned spaces are often preferred.

Observations from the discussions with Council and Department officers are:

- Links can be achieved without allocating public benefit – the most important thing is having them identified in Structure Plans and controls and having a clear system for quality and standards and handover to Council. A flexible approach to vesting in Council results in greater security of public spaces.
- Publicly accessible privately owned spaces are of benefit, but are often best maintained privately rather than handed over to Council due to cost and modest public benefit.
- Affordable housing is not appealing as uplift, but can be achieved through a requirement in planning provisions (eg Macaulay). It is preferred by proponents to be defined cash contribution rather than provision and needs to be equitable relative to other measure offered by Government –e.g., development facilitation.
- Provision of public benefit off site is desirable to developers, but needs to be identified in documentation as an option for uplift and should be the subject of legal review.
- Significant benefits cannot be justified where the amenity or design outcomes are not positively resolved – proving the value of the qualification of design outcomes in policy.
- Land use based uplift was only delivered in relation to office and has been impacted heavily by lack of demand and demonstrates the need for uplift calculations to be able to be modified and flexible. There is also a need to identify strategically justified land use to avoid inappropriate proposals being put forward (e.g. uplift benefit not warranted).



# City of Melbourne/Port Phillip – Fishermans Bend

## OVERVIEW

Fishermans Bend is a major urban renewal area located within the City of Melbourne and City of Port Phillip. It is encompassed by the Fishermans Bend Framework (2018) and comprises the Fishermans Bend Employment Precinct and four mixed use areas (Lorimer, Wirraway, Sandridge and Montague). Mandatory Dwelling Density Ratios apply to the mixed use precincts.

These areas are also subject to a Social Housing Uplift (SHU) scheme applied through the Capital City Zone which seeks to incentivise the delivery of social housing as part of private developments.

Commercial floor area is also permitted above the maximum dwelling density - without the need for provision of a Social Housing Uplift - as a means of encouraging employment floorspace.

Separate to these uplift schemes, the policy at Clause 11.03 'Fishermans Bend Urban Renewal Area' requires the provision of 6% 'affordable housing' within all residential and mixed use developments (excluding any social housing uplift dwellings).

The Fishermans Bend area will also be subject to development contributions through a Development Contributions Plan Overlay proposed to be introduced via Planning Scheme Amendment GC224 to the Melbourne and Port Phillip Planning Schemes (which was exhibited in early 2024). A Public Open Space Uplift is also proposed in this amendment as described below.

Delays with the implementation of the Development Contributions Plan have required development to be approved by way of a Planning Scheme Amendment.

## FLOOR AREA UPLIFT MECHANISM - EXISTING SOCIAL HOUSING UPLIFT

Under the Capital City Zone, the SHU control enables landowners/developers to construct an additional eight private dwellings for every social housing unit delivered and gifted (at no cost) in perpetuity to a registered housing association. Development must continue to comply with the relevant built form controls. Social Housing is defined within the Framework as "*public housing and housing owned, controlled or managed by a participating registered agency, as defined in the Planning and Environment Act 1987*".

All sites within the precinct are candidates for the SHU scheme (unlike the proposed Open space uplift mechanism described below).

Prior to Amendment GC81, development applications were exempt from dwelling density controls and were not eligible for Social Housing Uplift.

In approvals post Amendment GC81, development approvals including social housing contribute to a current development pipeline which would result in 3% of total dwellings as social housing units.

## FLOOR AREA UPLIFT MECHANISM - PROPOSED DEVELOPMENT CONTRIBUTIONS PLAN AND OPEN SPACE UPLIFT

Both the 'Draft Fishermans Bend Urban Renewal Area Development Contributions Plan' (DCP) and an Open Space Uplift (OSU) incentive mechanism are proposed to apply across the Fishermans Bend Urban Renewal area. The proposed amendment has been subject to an independent Precincts Standing Advisory Committee hearing and is pending a recommendation.

The proposed open space uplift mechanism seeks to provide a 'density bonus' (i.e. dwellings in excess of the mandatory dwelling density), where a developer gifts land designated for Public Open Space (POS).



This opt-in mechanism is only available to OSU candidate sites only across Fishermans Bend, where Public Open Space has been set aside under the draft Schedules to the Capital City Zone.

Conversely, opting out of the OSU will result in the POS land being acquired by Government either by negotiation or in accordance with the *Planning and Environment Act 1987* and the *Land Acquisition and Compensation Act 1986*.

The proposed Open Space Uplift mechanism is expressed as ratio of dwellings permitted in *addition* to those allowable under the mandatory dwelling density controls. Applications to secure additional dwelling density (Uplift Dwellings) under the OSU mechanism must still comply with the relevant planning scheme provisions, including design requirements. A map of the 18 Open Space Uplift candidate sites (as originally exhibited) is shown below. Pending recommendations of the Committee, 21 sites are now contemplated across the Urban Renewal area (excluding the 'employment areas').

#### Open Space Uplift candidate sites



FIGURE 7 FACTSHEET 2 – FISHERMANS BEND OPEN SPACE UPLIFT CANDIDATE SITES

Source: DTP

Calculations below are derived from Fact Sheet 2 as exhibited with the amendment. The content of this fact sheet will be updated following consideration of the Amendment by the Committee.

The exhibited scheme proposed differential rates for Core and non-Core areas, reflective of the higher land values rates within Core areas. As outlined in the Fishermans Bend Open Space Uplift Factsheet 2 prepared by The Department of Transport and Planning, the proposed *uplift* ratios are as follows:

- Core **0.7**
- Non-Core **0.3**



In accordance with Factsheet 2 of the document, the mandatory Dwelling Density Ratios applying to land in the Capital City Zone in Fishermans Bend are also shown in the first extracted table below. These mandatory ratios apply to the total site area *before* any uplift. The second table extract below illustrates the additional number of dwellings (Uplift Dwellings) allowable per hectare of open space provided.

**Table 1: Mandatory dwelling density**

Precinct	Core area	Non-core area
Lorimer	339 dw/ha	N/A
Montague	450 dw/ha	296 dw/ha
Sandridge	349 dw/ha	218 dw/ha
Wirraway	184 dw/ha	174 dw/ha

**Table 2: Open Space Uplift ratio**

Precinct	Additional number of dwellings allowable per hectare of open space provided	
	Core area	Non-core area
Lorimer	240 dw/ha OS	N/A
Montague	320 dw/ha OS	90 dw/ha
Sandridge	240 dw/ha OS	100 dw/ha
Wirraway	130 dw/ha OS	50 dw/ha

**FIGURE 8 FACTSHEET 2 – FISHERMANS BEND OPEN SPACE UPLIFT TABLES 1 AND 2**

Source: DTP

To assist with the interplay of the multiple ratios, the following worked example is provided within Factsheet 2 and shown below:

#### Example site calculation:

A hypothetical 2,000m<sup>2</sup> candidate site is located in the Lorimer precinct, in a Core Area. The public open space land required under the Planning Scheme within the Capital City Zone is 900m<sup>2</sup> (OSL).

#### Step 1: Calculate the site's mandatory Dwelling Density based on the Gross Developable Area of the site

$$\text{Site Dwelling Density (SDD)} = (D/10,000) \times A$$

Where:

**D = dwelling density per hectare (10,000m<sup>2</sup>) for the site (as shown in Table 1 above)**

**A = gross developable area of the site in m<sup>2</sup>**

For the hypothetical 2,000m<sup>2</sup> site in the Lorimer Core precinct the Dwelling Density (D) is 339dw/ha as shown in Table 1, so the formula is applied as follows:

$$(339/10,000) \times 2,000 = 67.8 = 68 \text{ dwellings (rounded)}$$

#### Step 2: Calculate the site's additional allowable dwellings (Uplift Dwellings)

$$\text{Uplift Dwellings (UD)} = (N/10,000 \times \text{OSL})$$

**N = Uplift ratio – additional dwelling density per hectare of OSL (as shown in Table 2 above)**

**OSL = is the required open space land in square metres as shown in the Planning Scheme.**

The Uplift Dwellings for the same hypothetical 2,000m<sup>2</sup> site in the Lorimer Core precinct is 240 dw/ha as shown in Table 2 above, so the formula is applied as follows:

$$240/10,000 \times 900 = 21.6 = 22 \text{ Uplift Dwellings}$$

#### Step 3 Calculate the total allowable number of dwellings once open space land is gifted

The total number of dwellings allowed to be developed on the remaining site area is calculated by adding the additional allowable Uplift Dwellings to the base mandatory Site Dwelling Density.

$$\text{Site Dwelling Density (SDD)} + \text{Uplift Dwellings (UD)} = \text{Total Site Yield}$$

Therefore in the same example, 68 SDD + 22 UD = 90 dwellings on the remaining site area.

#### Key Considerations

- A developer utilising the OSU scheme may develop all or part of the available Uplift Dwellings



- Existing built form planning controls must still be complied with
- Development contributions are payable on all developed dwellings, including Uplift Dwellings
- OSU dwellings are not subject to the 6% Affordable Housing policy
- Dwelling Uplift is non transferrable to separate sites – however additional Uplift Dwellings can be distributed across the site where adjacent sites are consolidated in a permit application.
- The acquiring agency for gifted POS land is the Secretary of the Department of Transport and Planning.
- The POS land must be made suitable for public access prior to handover to the acquiring authority. Where OSU sites are earmarked for additional park construction in accordance with the DCP, developers may negotiate to undertake Works in Kind to offset DCP obligations. Alternatively, those projects may be funded and delivered as a DCP project.

## REVIEW OF PROPOSED OPEN SPACE UPLIFT SCHEME

Potential issues identified in a review of the proposed OSU include;

- The OSU need to be reviewed periodically to ensure it remains an incentive as land value and market conditions evolve
- The OSU density bonus is not currently 'attractive' to all OSU eligible sites, meaning there may be limited take-up of the scheme. This matter has been the subject of submissions to the Precincts Standing Advisory Committee (PSAC) and is anticipated to be modified.
- The density bonus goes beyond what is financially feasible from a development perspective in the current market, i.e., not enough market demand to incentivise developers to build higher density apartment schemes. Feasibilities will change as market conditions evolve, however the timing and extent is uncertain.
- Given the scheme is opt-in, further clarification around the applicable reimbursement under the 'opt-out' scenario is required so that landowners can make an informed decision. The opt out process will result in a purchase negotiation (subject to Valuer General Victoria valuation policies) or alternatively the Land Acquisition Compensation Act (LACA) will guide a compulsory acquisition process.
- Planning uncertainty and market conditions have stifled development within Fishermans Bend, however the timeframes for changing market conditions are unknown. Moves towards finalising the Development Contributions Plan and Open Space Uplift Scheme, along with some movement regarding preferred rail route and station locations may assist in market buoyancy.

These are matters which have been considered in submission by the PSAC. In particular consideration was given to:

- Whether the uplift ratios created a genuine incentive
- Whether a public acquisition overlay should be applied to the OSU land

We are also advised that revisions to the approach are anticipated in line with matters discussed at the Committee Hearing;

- notably the use of unencumbered, rather than encumbered land values in calculation,
- provision for remediation,
- inclusion of embellishment costs to create a genuine incentive and maximise likely uptake,
- simplification of calculation formulas to include core and non core uplift ratios for each precinct in addition to the base dwelling density which applies across the whole site (including the OSU land)

It is anticipated that these matters will be addressed in the pending Committee report.



## EVALUATION OF 'TAKE UP' OF SCHEME AND PUBLIC BENEFIT OUTCOMES

We highlight the relative infancy of this scheme and at the time of report, there was limited information available to make an informed comment on industry 'take up'. While extensive planning permissions have been granted, overall limited developments have been delivered in Fishermans Bend in the City of Melbourne due to challenging market conditions.

Council and department officer feedback provided some evidence of how the scheme has been utilised to date and the challenges with its application.



# City of Stonnington – Chapel Street Activity Centre

## OVERVIEW

A public benefit scheme applies to the Chapel Street Activity Centre (Prahran, South Yarra, Windsor and Toorak) through the Activity Centre Zone Schedule 1 (ACZ1) (Clause 37.08) of the Stonnington Planning Scheme.

The ACZ1 identifies mandatory and discretionary built form requirements which cannot be varied if specified as mandatory. In relation to 'height and massing requirements' '....

*'The preferred maximum building height may be exceeded in some circumstances if:*

- *It can be demonstrated that a significant community benefit can be achieved; and*
- *It continues to meet the objectives, requirements and guidelines in relation to visual impact and overshadowing with increased upper level setbacks.'*

The public benefit scheme was introduced to the Stonnington Planning Scheme by Amendment C172 in 2014. The schedule to the zone is accompanied by the Background Document '*Chapel reVision Structure Plan 2013-2031 (City of Stonnington/Hansen Partnership, September 2015)*'.

## FLOOR AREA UPLIFT MECHANISM

The 'uplift' is only available to exceed the preferred maximum building height. The ACZ1 does not quantify the exceedance or relationship with 'significant public benefit' by calculable means. This remains a negotiation between the permit applicant and Council, bearing in mind the Structure Plan objectives and the individual decision guidelines regarding built form and land use (amongst other things) must be met.

## PUBLIC BENEFIT

The public benefit is not defined beyond being a '*significant community benefit*'.

Examples of significant community benefit accepted by Stonnington City Council include:

- 'Yarra One' at 16-22 Claremont Street, South Yarra (Permit 541/15) incorporates a public through-link between Daly Street and Claremont Street as well as a plaza space. The link improves connectivity and permeability through the Forrest Hill sub-precinct. Note this was achieved prior to the ACZ control but responded to Precinct 1 Map at Clause 5.1-1 of the ACZ. In exchange, the building was constructed well above the preferred maximum height (not quantified).
- 14-16 Yarra St & 35-41 Claremont St, South Yarra (Permit No. 479/20) two 'build to rent' residential towers developed by Graystar, incorporates a pedestrian link from Yarra Street to Claremont Street (under construction).
- 643-647 Chapel St, South Yarra (Permit No. 562/22) –cash contribution and undergrounding of powerlines equating to a specified dollar value. Contribution maintained through VCAT. (Not commenced)
- 671 Chapel St, South Yarra (Permit No. 321/22) –cash contribution, public realm upgrades including street trees and a community facility (privately owned and managed). Cash contribution not achieved through VCAT – order includes commentary on community benefit. (Under construction)
- 56, 57 & 58 Porter St, Prahran (Permit No. 524/21) – includes privately owned public open space on site and cash contribution towards construction of adjoining pocket park. (Under construction)

Examples where significant 'public benefit' was considered in exchange for additional height which were discussed in VCAT orders are noted below. The summary is not exhaustive and the greater number of examples which were rejected by VCAT may reflect the approach to (and success with) negotiation between Council officers and developers described below.



**TABLE 5 EXAMPLES WHERE SIGNIFICANT ‘PUBLIC BENEFIT’ WAS CONSIDERED IN EXCHANGE FOR ADDITIONAL HEIGHT WHICH WERE DISCUSSED IN VCAT ORDERS**

APPROVED	REJECTED
Creation of a continuous streetscape across the rail corridor, provision of land for a shared bicycle / pedestrian path and use of underutilised public land over a rail corridor were ‘significant community benefits’ in <i>Headland Properties Pty Ltd v Stonnington CC [2018] VCAT 41</i> .	Provision of office and commercial use was broadly accepted as a ‘significant community benefit’, but the height exceedance could not be realised because of the amenity impact (second policy point) in <i>O.P Eastbourne Pty Ltd v Stonnington CC [2020] VCAT 74 (OP Eastbourne)</i>
A maternal child and healthcare centre was a ‘significant community benefit’ in <i>C&amp;L International Holdings Pty Ltd v Stonnington CC [2019] VCAT 69 (C&amp;L)</i> and <i>Box v Stonnington CC [2024] VCAT 149 (Box)</i> . Further the Tribunal in <i>Box</i> confirmed it was not necessary for the Council to manage the facility to achieve a ‘significant community benefit’.	A plaza, art gallery and community garden were not ‘significant community benefits’ due to concerns with the design of these items and unresolved questions about management in <i>SMA Projects Pty Ltd v Stonnington CC [2018] VCAT 1428</i> . The fact that the applicant was going to pay \$4.5 million to VicTrack for use of airspace could be a community benefit, but did not justify the height exceedance in that case
A hotel use would deliver a ‘significant community benefit’ because it would contribute to overall precinct objectives of encouraging employment opportunities in <i>No. 8 River Street Pty Ltd v Stonnington CC [2019] VCAT 2058 (No. 8 River)</i> .	Inclusion of office space and high quality building design were not accepted as ‘significant community benefits’ as the design was not so exceptional and the provision of office space not so novel as to be ‘significant’ in <i>FSD Developments No. 1 Pty Ltd v Stonnington CC [2020] VCAT 823</i> .
Pedestrian links were found to be ‘significant community benefits’ in <i>Victoria House Nominees Pty Ltd v Stonnington CC [2016] VCAT 2</i> .	Office space was not considered to be a ‘significant community benefit’ in <i>FC (High St Windsor) Pty Ltd v Stonnington CC [2020] VCAT 1081</i> .
	High quality architecture, diversity of housing and retail and office uses were not considered ‘significant community benefits’ in <i>San Domenico Pty Ltd v Stonnington CC [2022] VCAT 909</i> (although Tribunal approved the development).
	A public plaza was not a ‘significant community benefit’ because there was already a plaza on the site and there were issues with the plaza design in <i>177 Toorak Road Developments Pty Ltd v Stonnington CC [2023] VCAT 1389</i> .
	The architectural response and finishes and retention of a street tree were not considered to be a ‘significant community benefit’ in <i>Tivoli House SY Pty Ltd v Stonnington CC [2023] VCAT 798</i> .

## EVALUATION OF ‘TAKE UP’ OF SCHEME AND PUBLIC BENEFIT OUTCOMES DELIVERED

A meeting was held with Stonnington City Council planning officers to discuss the operation and take up of the provision since its introduction, and to explore key learnings/amendments to the scheme that would further improve its effectiveness in delivering public benefit.

Council officers described the challenges and benefits of negotiating an undefined public benefit. These outcomes were largely achieved in a negotiated setting – with matters considered before the Victorian Civil and Administrative Tribunal providing mixed results, or failing to secure benefits which were offered.

Officers indicated that developments exceeding height (or other controls) were first considered for their built form suitability before negotiating uplift and public benefit exchange.

During discussions it was clear that the approach that Council have taken to evaluating and quantifying uplift was modified over time to mirror provisions utilised in the City of Melbourne Central City Uplift Scheme. That is, recognising benefit with a corresponding GFA rate for the additional development provided.

This approach was taken given the absence of a defined scheme within Stonnington and the need to justify equitable outcomes between sites or show ‘workings’ in considering and accepting offered benefits vs uplift.

Observations from the above summary of VCAT outcomes and discussions with Council officers are:



- Quality design based outcomes are challenging to advance as a case for uplift as they are subjective, difficult to quantify and should form a 'base case' outcome for development. Note, we consider retained Heritage (where identified by a Heritage Overlay) and ESD outcomes fall in this category also.
- Significant benefits cannot be justified where the amenity or design outcomes are not positively resolved – proving the value of the qualification of design outcomes in policy.
- Uplift cannot be granted where the 'significant benefits' should be achieved through good design – e.g., retaining a tree or replacing existing open space (in that specific example).
- Land use based uplift can be contemplated where broader benefit can be demonstrated – e.g., Hotel approval. The Stonnington examples highlight the need for strategic land use outcomes to be largely identified.
- Community benefits can be realised where private ownership is maintained – provided public benefit is formally secured.



# St. Leonards South, NSW

## OVERVIEW

St. Leonards South (SLS) is a major new activity centre within the St. Leonards precinct in the lower north shore of Sydney, located 5km from the Sydney CBD.

SLS was rezoned for high density urban development in September 2020 and the revised planning controls included a new uplift and community benefit scheme, as set out in Part 7 of the Lane Cove Local Environmental Plan (LEP). The primary objective of Part 7 is to facilitate residential development that encompasses a diverse range of dwelling types, whilst also contributing to the community through the provision of facilities, open spaces, and efficient pedestrian and traffic circulation.

Developers are afforded the opportunity to exceed the standard building height and floor area ratio, contingent upon their compliance with certain conditions. These conditions necessitate the provision of a diverse mix of dwelling types, with a stipulation that a minimum of 20% of the total number of dwellings must be allocated to studio or 1 bedroom, 2 bedroom, and 3 or more bedroom dwellings, respectively.

The clause further delineates the minimum site area for development within various areas, ranging from 1,500 to 6,800 square metres. Additionally, it mandates a minimum number of dwellings to be allocated for affordable housing within specified areas.

The development must also designate a certain minimum area for the establishment of recreation areas and community facilities. The clause outlines explicit requirements for the provision of publicly accessible pedestrian links and roads within specified areas, thereby ensuring that the development is accessible and well-integrated within the existing infrastructure.

Lastly, the clause underscores the imperative of design excellence. In order to access additional yield, the development must demonstrate a high standard of architectural design, contribute positively to the quality and amenity of the public domain, safeguard natural features, and adhere to principles of sustainable design. This ensures that any new development within the St Leonards South Area is not only aesthetically pleasing, but also contributes positively to the community and environment in a sustainable manner.

## FLOOR AREA UPLIFT MECHANISM

The mechanism for developments to access building height and floor space incentives under this clause is through compliance with a set of conditions outlined in Part 7 of the LEP.

The clause includes Incentive Height of Buildings Map and the Incentive Floor Space Ratio Map that clearly identify the maximum uplift available to developments that meet certain conditions of community benefit. These maps have been reproduced below:

For context, in New South Wales the Floor Space Ratio comprises all floor area of each floor between external walls. It does not include the area of an open terrace, voids or car parking. This is similar to the gross floor area calculation used in uplift calculations in Victoria (specifically the Capital City Zone 1), however car parking spaces are not excluded.

The incentives for building heights and floor area ratios can be accessed by providing a mix of dwelling types (at least 20% studio or 1 bedroom, 20% 2 bedroom, and 20% 3 or more bedroom dwellings), providing appropriate building setbacks to facilitate communal open space, and complying with the requirements related to minimum site area, affordable housing, recreation areas and community facilities, and pedestrian links and roads.



## Incentive Floor Space Ratio Map

### Maximum Floor Space Ratio (n:1)

U1	2.6
U2	2.75
U3	2.85
V1	3.35
V2	3.45
W1	3.55
W2	3.65
W3	3.7
W4	3.8
W5	3.85
	Refer to Part 7



## Incentive Building Height Map

### Maximum Building Height (m)

A	2.5
O	15
T	25
U	31
V1	37
V2	38
W	44
Y	53
AA	65
	Refer to Part 7



**FIGURE 9 INCENTIVE FLOOR SPACE RATIO MAP (TOP), INCENTIVE BUILDING HEIGHT MAP (BOTTOM)**

Whilst the terminology references Floor Space Ratio, the uplift mechanism utilises uplift provisions that leverage a baseline ratio allowing comparison with interstate schemes. The qualification regarding Floor Space Ratio (NSW) and Floor Area Ratio (Victoria), is noted above.

## PUBLIC BENEFIT

The SLS uplift and community benefit scheme provides a prescriptive list of benefits that are required to be provided by each area under the scheme in order to access the building height and floor area ratio incentives.



Table 6 below summarises the community benefits by each area. A developer must provide each of the benefits described below in order to access the incentives.



**TABLE 6 COMMUNITY BENEFITS PER AREA**

AREA	MINIMUM AFFORDABLE HOUSING	MINIMUM RECREATION AREA	MINIMUM COMMUNITY FACILITY	PEDESTRIAN LINKS AND ROADS
1	14 dwellings	900 sqm	-	-
2	7 dwellings	400 sqm	-	-
3	7 dwellings	-	-	-
4	7 dwellings	-	-	-
5	-	450 sqm	600 sqm	15m wide link (Holdsworth Ave to Canberra Ave)
6	2 dwellings	-	-	15m wide link (Holdsworth Ave to Canberra Ave)
11	-	-	-	6m wide link (Holdsworth Ave to Canberra Ave)
12	2 dwellings	400 sqm	-	-
13	1 dwelling	-	-	-
14	2 dwellings	-	-	-
15	-	-	-	15m wide link (Berry Rd to Holdsworth Ave)
16	-	-	-	15m wide link (Berry Rd to Holdsworth Ave)
17	1 dwelling	450 sqm	600 sqm	-
20	-	-	-	6m wide link (Berry Rd to Holdsworth Ave)
22	-	-	-	12m wide road (Park Rd to Berry Rd)
23	-	-	-	12m wide road (Park Rd to Berry Rd)
<b>Note:</b>	In addition to the benefits identified above, all areas must demonstrate design excellence, achieve dwelling diversity targets (at least 20% studio or 1 bedroom, 20% 2 bedroom, and 20% 3 or more bedroom dwellings), and meet the minimum site area requirements.			

## EVALUATION OF 'TAKE UP' OF SCHEME AND PUBLIC BENEFIT OUTCOMES DELIVERED

Consultation with Lane Cove Council regarding the SLS uplift and community benefit outcomes was not conducted during the preparation of this report.

Nevertheless, take up of the scheme was evaluated by undertaking a review of the Planning Agreements that have been entered into in relation to Part 7 of the LEP. Under the LEP, the public benefits can only be provided by entering into a planning agreement with Lane Cove Council, who maintain a public register of all Planning Agreements that apply within their Council area.

The review of Planning Agreements concluded that since the adoption of the community benefit scheme in September 2020, 16 of the 23 areas under the SLS activity centre have entered into a Planning Agreement to access the development yield incentive by providing the required community benefits.

Results of the review are summarised in



Table 7 below:



**TABLE 7 REVIEW OF PLANNING AGREEMENTS**

AREA	MINIMUM AFFORDABLE HOUSING	MINIMUM RECREATION AREA	MINIMUM COMMUNITY FACILITY	PEDESTRIAN LINKS AND ROADS	STATUS? ✓/✗
1	14 dwellings	900 sqm	-	-	✓
2	7 dwellings	400 sqm	-	-	✓
3	7 dwellings	-	-	-	✗
4	7 dwellings	-	-	-	✓
5	-	450 sqm	600 sqm	15m wide link (Holdsworth Ave to Canberra Ave)	✓
6	2 dwellings	-	-	15m wide link (Holdsworth Ave to Canberra Ave)	✗
7	-	-	-	-	✓
8	-	-	-	-	✓
9	-	-	-	-	✓
10	-	-	-	-	✓
11	-	-	-	6m wide link (Holdsworth Ave to Canberra Ave)	✓
12	2 dwellings	400 sqm	-	-	✓
13	1 dwelling	-	-	-	✓
14	2 dwellings	-	-	-	✓
15	-	-	-	15m wide link (Berry Rd to Holdsworth Ave)	✓
16	-	-	-	15m wide link (Berry Rd to Holdsworth Ave)	✗
17	1 dwelling	450 sqm	600 sqm	-	✗
18	-	-	-	-	✓
19	-	-	-	-	✓
20	-	-	-	6m wide link (Berry Rd to Holdsworth Ave)	✓
21	-	-	-	-	✗
22	-	-	-	12m wide road (Park Rd to Berry Rd)	✗
23	-	-	-	12m wide road (Park Rd to Berry Rd)	✗

This assessment attributed the strong take up of this scheme to the requirements of community benefits that need to be provided being clearly communicated and the benefits being clearly linked to the SLS activity centre. Furthermore, by utilising the community benefit scheme, Lane Cove Council was able to keep the development contributions for SLS relatively low, thereby improving development feasibility. Essential community infrastructure was able to be provided by key sites that achieved higher development yields in return.

However, it was observed that the frequency of Planning Agreements in SLS has been slower since 2023, perhaps illustrating that the current market conditions challenge development feasibility, regardless of development yield incentives that may have previously been attractive.



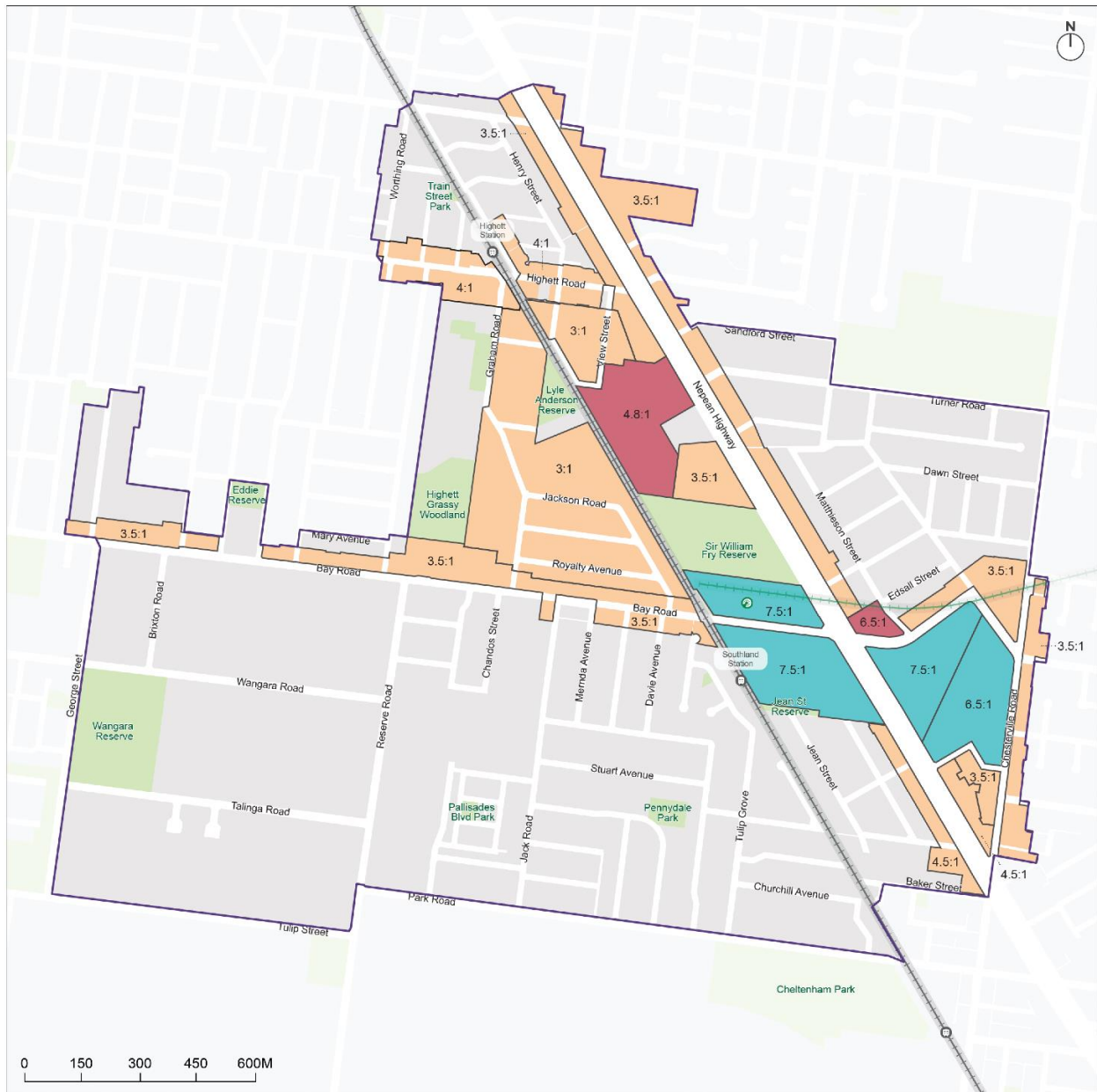
# Appendix C

# Maps





# Cheltenham

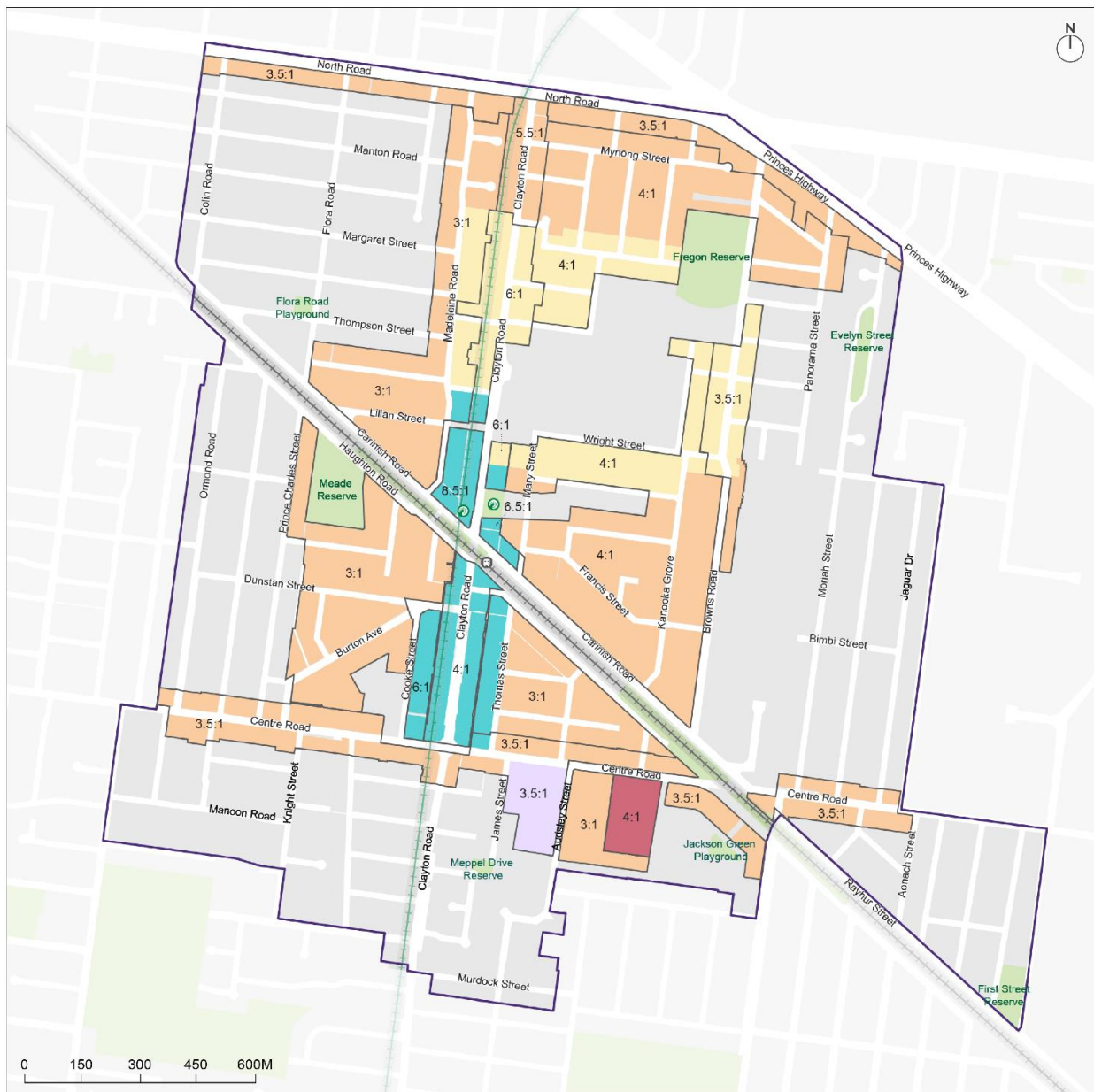


- SRL station access point
- SRL East alignment
- Existing station
- Existing railway line
- Structure Plan Area boundary
- Existing open space
- All 3 categories apply
- Categories 1 and/or 2
- Category 1 or 2
- Mandatory Floor Area Ratio (FAR)

Public Benefit Categories	
Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office)



# Clayton

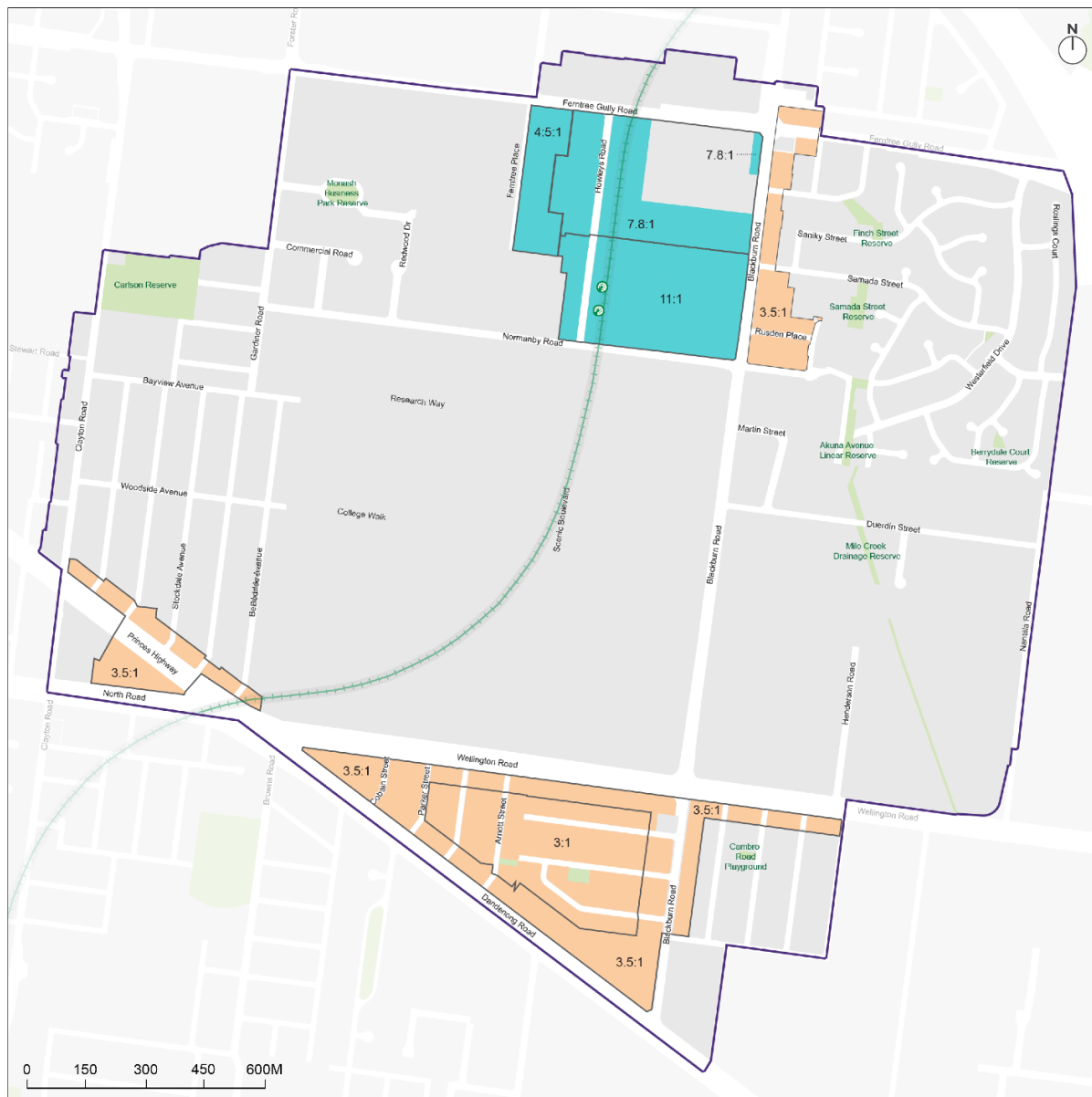









- SRL station access point
- SRL East alignment
- Existing station
- Existing railway line
- Structure Plan Area boundary
- Existing open space
- All 3 categories apply
- Categories 1 and/or 2
- Category 1 or 2
- Category 3 (office uses) only
- Category 3 (health uses) only
- Mandatory Floor Area Ratio (FAR)

Public Benefit Categories	
Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office OR health/medical uses)



# Monash

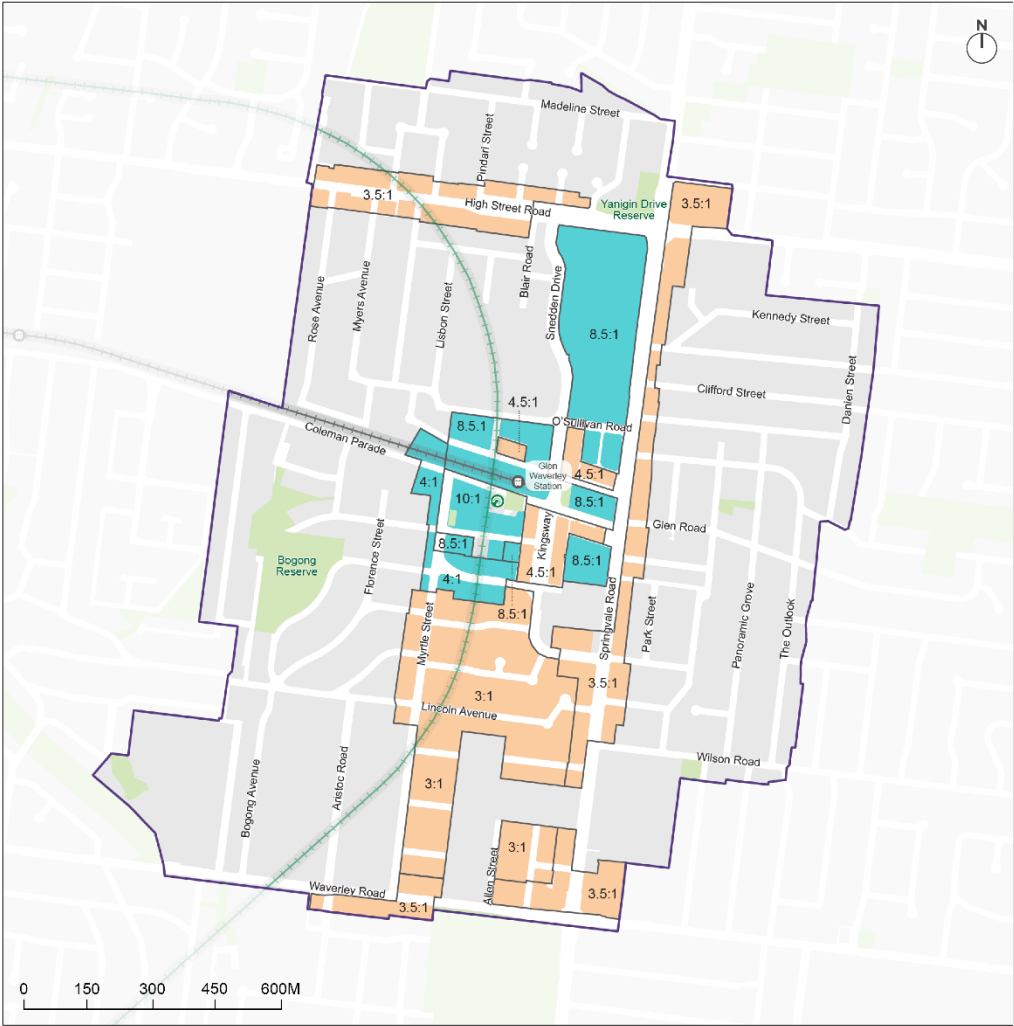


-  SRL station access point
  -  SRL East alignment
  -  Structure Plan Area boundary
  -  Existing open space
  -  All 3 categories apply
  -  Category 1 or 2
  -  3.5:1 Mandatory Floor Area Ratio (FAR)
- Note: Priority – Category 1 (Public Realm improvements)*

Public Benefit Categories	
Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office)



# Glen Waverley

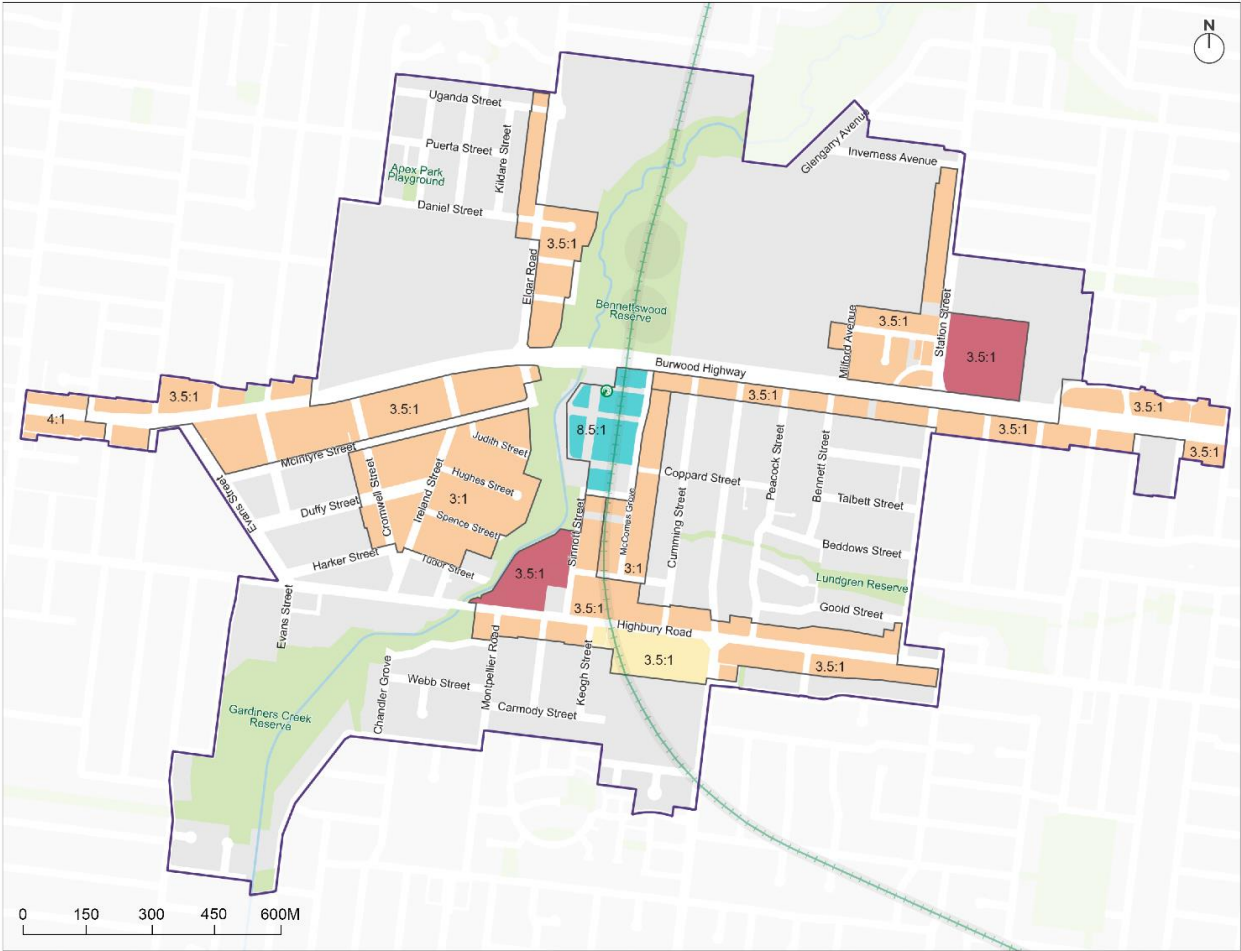


- SRL station access point
- SRL East alignment
- Existing station
- Existing railway line
- Structure Plan Area boundary
- Existing open space
- All 3 categories apply
- Category 1 or 2
- Mandatory Floor Area Ratio (FAR)

Public Benefit Categories	
Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office)



# Burwood

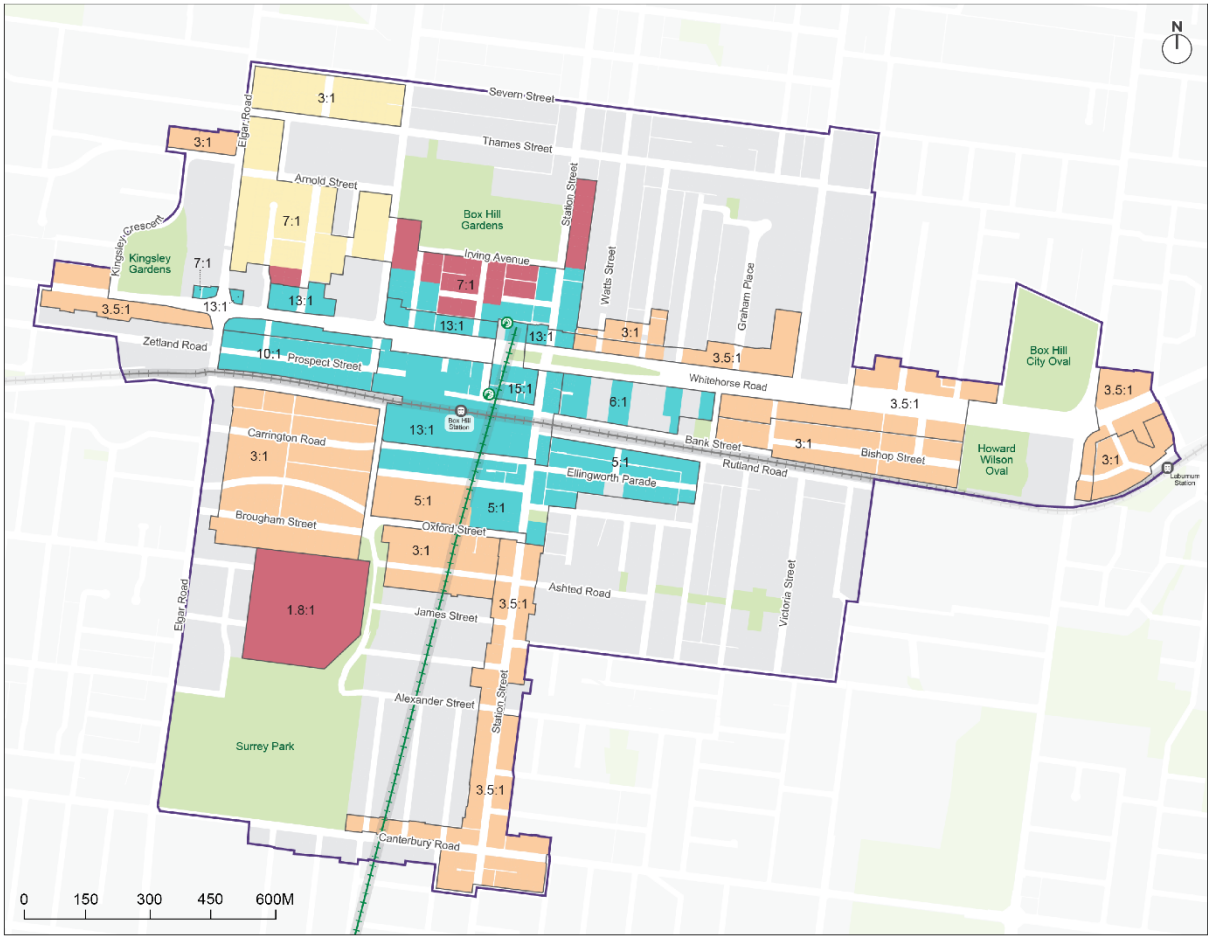


- SRL station access point
- SRL East alignment
- Structure Plan Area boundary
- Existing open space
- All 3 categories apply
- Categories 1 and/or 2
- Category 1 or 2
- Category 3 (office uses) only
- Mandatory Floor Area Ratio (FAR)

Public Benefit Categories	
Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office)



# Box Hill



- SRL station access point
- SRL East alignment
- Existing station
- Existing railway line
- Structure Plan Area boundary
- Existing open space
- All 3 categories apply
- Categories 1 and/or 2
- Category 1 or 2
- Category 3 (health uses) only
- Mandatory Floor Area Ratio (FAR)

Public Benefit Categories	
Category 1	Public Realm improvements
Category 2	Affordable Housing
Category 3	Strategic Land Use (commercial office OR health/medical uses)



