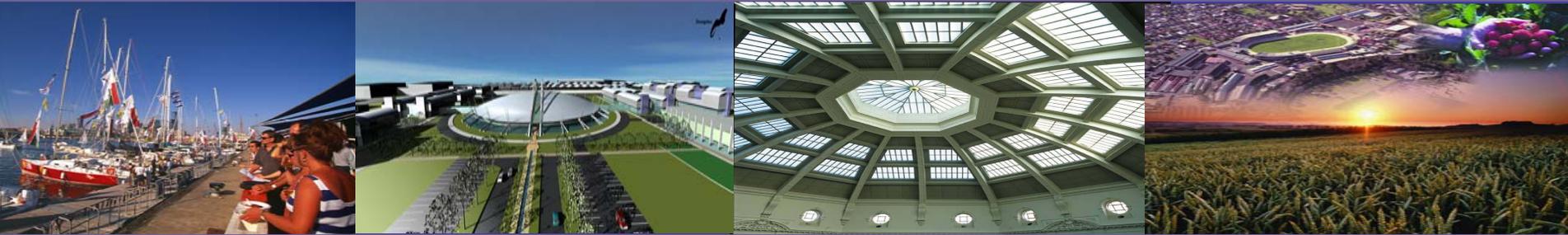


Government Participation in the Property Sector



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Government and the Property Sector

Overview

- How Government is involved
- Government Agencies
- Who manages what and why?
- Emerging trends
- The merger of the URLC and Docklands

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How Government is Involved?

Government intersects with the property sector in a number of areas...

- A direct role as...
 - Property owner
 - Developer
 - Landlord
 - Tenant
- As a Regulator
 - Property law
 - Tenancies law
 - Planning control

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How Government is Involved?

...and as a Facilitator

- For the private sector
- On Government land
- To deliver Government policy in many areas:
 - Industry Development and Attraction
 - Urban Development and Land Use Planning
 - Housing Affordability
 - Public and Social Services

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Government Agencies

Owner/Developer/Tenant

- Through a range of Government Agencies
 - Capital works and land development
 - ◆ Via MPV
 - ◆ Capital programmes in DET/DHS/DOJ
 - Residential development via the URLC
 - Lease and transaction management via the VGPG
 - Land management - DSE and Parks Victoria

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Government Agencies

Regulator

- Land use - Minister for Planning (supported by DSE)
- Building Standards - Building Commission
- Environmental Standards - EPA
- Property - Land Victoria (Valuer General)

Facilitator

- Ad hoc through Departments
- Special Purpose Development Authorities
 - Docklands Authority

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Government Involvement

This framework is complex and sometimes ambiguous

It raises many questions:

- Who does what?
- Why and when?
- Who's accountable?
- What about the impact Government has on the market?

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Government Involvement

The answers to these questions are:

- Informed by Policy
 - Objectives/Priorities
 - Government Commitments
 - ◆ Planning
 - ◆ Environmental
 - ◆ Commercial
 - ◆ Affordability and accessibility
 - ◆ Delivery of Government services
 - Risk

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Government Involvement

The answers to these questions are:

- Guided by
 - Skills and capacity of the organisation or agency
 - Ministerial responsibility
 - Legislative Authority
- And influenced by the environment
 - Competition issues
 - Economic activity
 - Market behaviour

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Current Projects

The Commonwealth Games Athletes' Village



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The Commonwealth Games Athletes' Village

Purpose

- Accommodation for 6000 athletes and officials for the 2006 Games
- A commercial development aimed at returning the greatest possible offset to the costs of staging the Games

Features

- High profile, core Government commitment - high risk
- Complex and competing policy priorities - environmental/social housing/commercial
- Requires co-ordination between multiple Government Agencies

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The Commonwealth Games Athletes' Village

Features cont'd

- High level of Ministerial accountability, direct budget sector funding and a need to ensure that the State's return is maximised in the context of the other features of the Games
- Legislative power is high and must be exercised with care and responsibility

MPV is managing the Village for the Government

- Subject to direct Ministerial control
- Has the required skills
- Has the appropriate delegated authority to contract and deliver the development

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Current Projects

The Docklands Redevelopment



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The Docklands Redevelopment

Purpose

- Renewal of the Melbourne Docks area to deliver a vibrant multi-use precinct on the edge of the Yarra and the Melbourne CBD

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The Docklands Redevelopment

Features

- High profile
- Complex and long term development horizon
- Not previously attempted in Australia on this scale and not without risk
- Desire for a corporate and commercial orientation over a long period

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The Docklands Redevelopment

Features

- Need to develop and implement strategy with oversight from Government rather than day to day control
- Intended to “self fund”
- High levels of legislative power necessary to deliver certainty and induce high levels of private sector interest
 - Planning certainty

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The Docklands Redevelopment

A special purpose development authority is established to deliver Docklands

- Governance by the Board of the Authority which is subject to Ministerial direction
- Specific required skills retained by the Authority
- Powers of the Authority match its mandate to deliver the Government's policy priorities eg: Land assembly

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Emerging trends

Policy priorities

- For example
 - Melbourne 2030
 - Public transport utilisation (20/2020)
- The Government has shown a strong determination to ensure that the framework objectives are delivered

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Emerging trends

Administrative priorities

- Consolidate expertise
- Learn from what has succeeded and what hasn't
- Efficient delivery
 - Allow the private sector to deliver
 - Step in to establish the environment where the private sector alone cannot deliver
- Consistency

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The Merger of the URLC and Docklands

Current functions

- URLC
 - Principally involved in the land subdivision and sales area
 - Participates in the property market along side the private sector
 - Focus on accessibility and low income housing delivery
 - Takes market risk
 - Does not enjoy “special” powers and is subject to tax

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The Merger of the URLC and Docklands

Current functions cont'd

- Docklands Authority
 - Special purpose development authority operates in a single area
 - Acts primarily as a facilitator
 - Creates circumstances that can attract private sector investment
 - Has special powers to facilitate and is not subject to tax

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The Merger of the URLC and Docklands

Functions of the Merged Entity

- Implementation of Melbourne 2030 through development facilitation or direct participation in strategic areas
 - Transit cities
 - Activity centres
 - Growth corridors
- Promotion of sustainable development
- Improving access to affordable housing
- Facilitation of development in areas where availability of sites is a primary constraint (including regional centres)
- Complete the development of the Docklands

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The Merger of the URLC and Docklands

Issues

- Powers of the State
 - Land acquisition
 - Site assembly powers
 - Section 173 (P&E Act) agreements
 - ◆ These powers are likely to be made available where the Entity is delivering government policy and when acting as a facilitator and relying on private sector delivery

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The Merger of the URLC and Docklands

Issues cont'd

- Planning Minister as the planning authority
 - ◆ Is likely to apply where the need to unblock local government resistance to the implementation of strategic development
 - ◆ And when the Entity is acting as a development facilitator
- Application of Tax
 - ◆ The entity will be both a tax payer and tax exempt dependant on the specific nature of the activities it is undertaking

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The Merger of the URLC and Docklands

Overarching premise

- Competition
 - The Entity will continue to participate in markets where the private sector is also operating
 - Where this occurs it will operate under the same commercial conditions
 - ◆ The doctrine of competitive neutrality will be applied
 - ◆ It will enjoy no special powers
 - ◆ Its activities will be taxed

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The Merger of the URLC and Docklands

Overarching premise

- Policy delivery
 - The Entity will have the responsibility to implement Government policy in the urban development arena
 - Where this occurs
 - ◆ It will have special powers
 - ◆ It will act primarily as a facilitator
 - ◆ Its activities will not be taxed

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The Merger of the URLC and Docklands

The proposed merger is a complex and onerous task but...

- It has the ability to streamline the Government's participation in the development sector in a single entity
- Consolidate expertise in the property and development area
- Add significant flexibility to respond to developments in Government policy and their implementation
- Establishes clear separation of the role of the regulator and the development proponent

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