

realised within an area similar in size to the brown areas on Plan 12 within the next 30 years, whether these areas are disposed of in the way shown on that map or in another pattern. Out of a total area of about 1,400 square miles in present rural zoning or its equivalent, the brown areas represent about 400 square miles.

The remaining 1,000 square miles, wherever they are situated, will not realise an urban value at all in the foreseeable future. In principle therefore it is considered that there is no compensative loss to those owners who do not achieve urban zoning; they have just not achieved a potential gain. There will certainly be some owners who have paid high prices in the hope of achieving urban zoning which will not be realised but there is no warrant for compensation to be paid in these cases. Those are the areas in which pressures will occur.

2. It is claimed in some quarters that where land is permanently zoned rural or non-urban, compensation should be paid. The land which is in fact zoned urban achieves an additional increment in value generally known as "betterment" and it is suggested that part of this "betterment" value should be taken by the community and used to compensate those owners who do not achieve urban zoning. Quite apart from the fact that this would be contrary to the accepted principle of no compensation for zoning, and that a large proportion of the owners who would receive compensation would never have achieved urban zoning as mentioned earlier, it is evident from the land values plan that this would not be practicable except in the long term.

In the areas now proposed for urban zoning in the amending planning scheme, the values are unlikely to greatly exceed the prices previously paid and the betterment value will therefore be negligible.

In the areas proposed as non-urban similar prices have been paid, but the urban values will not be achieved and the depreciation in value will be larger.

In the short term at least compensation and betterment just would not balance.

The proposals contained in this report and in the planning schemes involve major new elements of planning policy with widespread implications throughout the community. Of these, it is to be expected that the permanent definition of non-urban

areas including the proposed general farming, intensive agriculture, landscape interest, special extractive and conservation zones will be an issue of some controversy. Other major considerations involve the availability of funds for the construction of works and services at suitable standards to serve the additional urban areas now proposed, and for the acquisition of substantial areas for recreational and other public purposes.

Of equal concern, is to ensure that any modified financial policies do not result in undue increases in price to the home-builder or industrialist.

These issues, and others referred to earlier, have received special attention by the Board in the preparation of the current proposals. Some have recently received wide publicity, especially since the release of the report, "The Price of Land", prepared by a task force of the Australian Institute of Urban Studies, and more recently "A Study of Land Costs in Australia" prepared by the Housing Industry Association.

In giving consideration to these subjects the Board has had regard to the following main objectives:

1. The need to regulate the use of land to accord with adopted policies as follows:
 - (a) By enabling the continuous development of fully serviced urban land in the urban corridors in accordance with a co-ordinated works and servicing programme. There should at all times be an adequate supply of land to meet current demands and to give a choice. As part of this objective it should be ensured that urban zoned land, once it is capable of being commanded by services, is made available for development as soon as possible.
 - (b) By preserving and stabilizing the non-urban "wedges" as designated so that they remain permanent in the foreseeable future. As previously mentioned there are likely to be considerable pressures, particularly on the urban fringes, for zoning change.

The prime means of achieving these objectives is by the planning scheme. It can be assisted by approved statements of planning policy by the Government and through a clear understanding of the objectives by all concerned. There is some doubt, however, as to whether these measures alone will be adequate in the future.

2. The need to initiate financial policies which are as equit-

able as possible for all sections of the community and at the same time will assist in achieving the objectives in 1 above. It seems clear that financial policies which are aimed towards reducing the disparity between urban and non-urban land benefits and costs, and which minimise the benefits resulting from a change from non-urban to urban zoning, will be most effective in achieving these objectives.

The following possible measures have been considered:

Development Levies or Charges

These are primarily related to the costs of servicing land for urban development and of these the gravity-based services present the major problem.

In the past these have been met from loan funds financed by the community at large, but as the burden became greater, the developer of land (and ultimately the house or factory owner) has taken an increasing share.

At the present time in Melbourne a developer is required to meet the following costs:

- Roads up to 66 feet with kerbs, channels and footpaths.

- Local parks up to 5% of area in cash or kind.

- Water supply reticulation plus a uniform acreage levy to assist in connections to trunk services.

- Electricity and gas supply reticulation.

- Sewerage reticulation and an acreage levy for connection to trunk services or temporary purification plants.

- Local drainage and in some areas a contribution towards main drainage.

The balance of costs comes from the community at large, financed through loan funds and serviced from metropolitan rates and household charges. Over the last few years the availability of loan funds has become more difficult and there seems no doubt that the developer must continue to bear these costs and that the costs must increase to include a firm contribution towards main drainage. The Board also believes that there are advantages in allocating these costs to a particular geographic area and where the costs are more expensive in that area, the area should pay. At the same time, if adequate supplies of land capable of being serviced are to be maintained, more work must be done, and if costs continue to rise, the charges to the community at large must increase.

Betterment Tax or Levy

As a city expands in size, land on the fringes, previously in rural use, gains an increment in value due to its potential use for urban purposes. This increment is generally achieved through no particular effort of the owner but rather through the overall effort of the community. Because of this, it has been claimed for many years that a proportion of this increment should be taken by tax or levy from the owner and used for community purposes.

The charging of such a tax or levy has been attempted in a number of communities with limited success, and the provision for the collection of betterment is in fact included in the Town and Country Planning Act of Victoria. There is no record of it having been collected, principally because it has been difficult to show that the "betterment" has been the direct result of a planning scheme. More recently a betterment levy has been introduced in parts of metropolitan New South Wales, based on the increment of value arising from urban zoning. While it is early to criticize its operation, most observations indicate that it is presenting difficulties and that the levy is invariably passed on to the final owner of a homesite. It seems clear at present that the levy is not affecting the person at whom it is aimed i.e. the original owner of broad acres who achieved his urban value through no effort of his own.

In addition there are variations in the incidence of betterment and there is no direct relationship between value increases and the cost of servicing in any particular area. Finally, as shown earlier, a betterment levy in the short term would produce poor results because urban or near urban prices have already been paid for land now proposed in new urban zones.

The Board does not consider that its application is justified.

Holding Charges

At least one of the factors affecting the price of land is the withholding of land in urban zoning from sale in the hope of attaining a higher price. When this land is already capable of being serviced it is an additional cost to the community in wasted capital.

If development is to proceed in a co-ordinated and programmed way, the community cannot afford to have broad acres held back and one measure to counteract this is to levy a holding charge which increases in incidence for each year after the land is capable of being serviced.

5 Implementation and Finance

The holding charge should be added to development charges and be payable by the owner at the time of development. This will mean that the developer will be liable for these charges, although it is not the Board's view that it is generally the developer who withholds land from the market to command excessive prices. Moreover, it is intended that developers would, at the time of purchase from an original land owner or speculator, take account of the charges likely to be payable, and other factors, and allow for such costs in a purchase offer. Whilst some part of these costs will inevitably be passed on to the final home buyer, it is expected that, in the long term a major part of these charges will be deducted from the price of broad acres and result in the reduction of unearned profits to the original land owner or speculator.

Rate and Tax Relief

In the non-urban areas at present, i.e. the rural zones, lands are valued on the basis of their productivity plus any special additional value they may have.

In addition, and particularly on the urban fringes, they achieve an additional value due to their potential for urban zoning in the future.

At present the Board does not levy its Metropolitan Improvement Rate in areas classified by the municipal council as farmlands or urban farmlands. This principle should continue in respect of all non-urban zones, including the corridor zone until such time as it achieves urban zoning.

If the non-urban areas proposed in this report are to be retained in the future, it is essential that they be valued on the basis of their present productivity without any potential urban increment being added.

There are strong grounds for extending this principle to other rates and taxes levied in the non urban areas.

Public Purchase of Land for Development

Of all the alternative courses of action set out previously, it is apparent that the public purchase of land intended to be used for urban purposes, well in advance of development, the provision of full servicing and its release at the appropriate time for development is the only single course of action which meets most of the principles set out. Such a radical measure is unlikely to be favoured by the community and in any case would require the initial provision of substantial capital which is unlikely to be available.

The benefits from such a system would be long term rather than short term. To be effective such a measure would probably need initiation at the Federal level with Federal financial assistance. Even though such a measure may not be possible on a large scale there may be considerable advantages, where other measures fail, in the planning authority acquiring selected parcels of land, providing services, and making them available for development in competition with private industry.

Proposed Financial Policies

As a result of the above considerations the following proposals are made, some of which can be implemented by the Board and others which require action by State Government:

Urban Zones

1. Development levies on acreage will continue to be made in respect of water supply and sewerage, in addition to reticulation charges, where land is released for development. In addition consideration is being given to the question of a similar contribution for main drainage. While these charges are at present made on a uniform basis, consideration will be given to differential charges in particular catchments where costs vary. The Board is working on the preparation of a 15 year programme of servicing works with an initial 5 year period on which the release of land will be based. This will be related to individual drainage catchments or sub-catchments and to the estimated requirements in each area for urban development.
2. As soon as a particular catchment or sub-catchment in an urban zone is capable of being commanded by water supply, sewerage and drainage, and the outline development plan has been agreed with other public authorities, the Board may serve notice on all owners that the land is ripe for development. After 12 months of the service of such notice, the development levies referred to in 1 above will be increased as a holding charge at the rate of 10% each year until such time as the whole of the land is developed in accordance with the zoning.
3. In order that the above policies may be effective, it is essential that adequate funds are made available to public authorities in order that the works envisaged in each 5 year period in the 15 year programme may be met.

Without adequate funds the holding charge in 2 would