

Special Building Overlay

Value Impact Assessment

City of Manningham - Am C109
November 2016

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Special Building Overlay Property Value Impact Assessment

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Instructions

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1. Introduction

1.1 Background

Manningham City Council is currently undertaking Amendment C109 to the Manningham Planning Scheme.

The purpose of the amendment is to introduce and revise the Land Subject to Inundation Overlay (LSIO) and Special Building Overlay (SBO) in five catchments in the municipality. The amendment affects approximately 10,100 properties.

The amendment proposes to introduce the following controls:

- LSIO and SB01 – Relates to Melbourne Water watercourses and main drains respectively, and affects approximately 1300 properties.
- SB02 – Relates to the Council local drains, where there is a possible flood depth of more than 100mm, and affects approximately 3900 properties.
- SB03 – Relates to the Council local drains, where there is a possible flood depth of less than 100mm, and affects approximately 4900 properties.

1.2 Purpose

Charter Keck Cramer ('Charter') has been appointed by the Manningham City Council to provide advice on what, if any impact the SBO will have on the values of those properties affected in the short and long term.

1.3 Methodology

In preparing this advice, a number of tasks have been undertaken. These are outlined as follows:

- A review of Amendment C109 documentation (including the Explanatory Report and the planning maps, SBO Schedules, and Consultation Report);
 - A review of previous advice prepared by Charter Keck Cramer for the City of Stonnington (2004);
 - An analysis of historic sales of directly comparable properties sold (with and without the SBO) within the City of Manningham;
 - Internal advice sought from Charter Keck Cramer's Residential Valuers;
 - Review of relevant literature and research;
 - Review of previous SBO amendments and Independent Panel findings;
 - Case Studies of SBO Amendments in other Local Government Areas; and
 - Internal advice sought from Charter Keck Cramer's Quantity Surveying Team.
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2. Flood Management Controls & the Victorian Planning System

2.1 Flood Management Controls

In Victoria, planning controls relating to flood management are provided for in the Victoria Planning Provisions (VPPs) through various overlay and zone controls. These are implemented through the planning scheme of the relevant local government authority (LGA). The purpose of these controls is to:

- Minimise the effects of overland flows and flooding on new buildings, and
- Ensure new developments don't adversely affect existing properties.

These controls are based on the extent of flooding resulting from a 1 in 100 year storm. That is, a storm event of such intensity, based on historical rainfall data, which has a one per cent chance of occurring in any given year.

There are three types of overlay and one zone that relate to flood control. The purpose of these overlays and zone is to set appropriate conditions and floor levels to address any flood risk to developments. These overlays and zone require a planning permit for various buildings and works. These are:

Special Building Overlays (SBO)

The SBO is applied to areas identified as prone to overland flooding. The purpose of the SBO is to set appropriate conditions and floor levels to address any flood risk to developments. These overlays require a planning permit for buildings and works.

The purpose of the SBO is as follows:

- *To implement the State Planning Policy Framework and the Local Planning Policy Framework, including the Municipal Strategic Statement and local planning policies.*
- *To identify land in urban areas liable to inundation by overland flows from the urban drainage system as determined by, or in consultation with, the floodplain management authority.*
- *To ensure that development maintains the free passage and temporary storage of floodwaters, minimises flood damage, is compatible with the flood hazard and local drainage conditions and will not cause any significant rise in flood level or flow velocity.*
- *To protect water quality in accordance with the provisions of relevant State Environment Protection Policies, particularly in accordance with Clauses 33 and 35 of the State Environment Protection Policy (Waters of Victoria).*

Land Subject to Inundation Overlays (LSIO)

The LSIO applies to land affected by flooding associated with waterways and open drainage systems, i.e. floodplains. These overlays require a planning permit for buildings and works.

The purpose of the LSO is as follows:

- *To implement the State Planning Policy Framework and the Local Planning Policy Framework, including the Municipal Strategic Statement and local planning policies.*
- *To identify land in a flood storage or flood fringe area affected by the 1 in 100 year flood or any other area determined by the floodplain management authority.*
- *To ensure that development maintains the free passage and temporary storage of floodwaters, minimises flood damage, is compatible with the flood hazard and local drainage conditions and will not cause any significant rise in flood level or flow velocity.*
- *To reflect any declaration under Division 4 of Part 10 of the Water Act, 1989 where a declaration has been made.*
- *To protect water quality in accordance with the provisions of relevant State Environment Protection Policies, particularly in accordance with Clauses 33 and 35 of the State Environment Protection Policy (Waters of Victoria).*
- *To ensure that development maintains or improves river and wetland health, waterway protection and flood plain health.*

Floodway Overlays (FO)

The FO applies to land identified as carrying active flood flows (in excess of one metre) associated with waterways and open drainage systems.

The purpose of the FO is as follows:

- *To implement the State Planning Policy Framework and the Local Planning Policy Framework, including the Municipal Strategic Statement and local planning policies.*
- *To identify waterways, major floodpaths, drainage depressions and high hazard areas which have the greatest risk and frequency of being affected by flooding.*
- *To ensure that any development maintains the free passage and temporary storage of floodwater, minimises flood damage and is compatible with flood hazard, local drainage conditions and the minimisation of soil erosion, sedimentation and silting.*
- *To reflect any declarations under Division 4 of Part 10 of the Water Act, 1989 if a declaration has been made.*
- *To protect water quality and waterways as natural resources in accordance with the provisions of relevant State Environment Protection Policies, and particularly in accordance with Clauses 33 and 35 of the State Environment Protection Policy (Waters of Victoria).*
- *To ensure that development maintains or improves river and wetland health, waterway protection and flood plain health.*

Urban Floodway Zone (UFZ)

Unlike the overlays, the UFZ controls land use as well as development, with land use being restricted to low intensity uses such as recreation and agriculture. Development is generally not encouraged in the UFZ.

Where applicable, these controls are expressed in council planning schemes and show the location and extent of special features, such as where land may be subject to flooding.

The purpose of the UFZ is as follows:

- *To implement the State Planning Policy Framework and the Local Planning Policy Framework, including the Municipal Strategic Statement and local planning policies.*
- *To identify waterways, major floodpaths, drainage depressions and high hazard areas within urban areas which have the greatest risk and frequency of being affected by flooding.*
- *To ensure that any development maintains the free passage and temporary storage of floodwater, minimises flood damage and is compatible with flood hazard, local drainage conditions and the minimisation of soil erosion, sedimentation and silting.*
- *To reflect any declarations under Division 4 of Part 10 of the Water Act, 1989.*
- *To protect water quality and waterways as natural resources in accordance with the provisions of relevant State Environment Protection Policies, and particularly in accordance with Clauses 33 and 35 of the State Environment Protection Policy (Waters of Victoria).*

3. City of Manningham – Amendment C109

3.1 Amendment C109

Amendment C109 applies to land within five local catchments in the City of Manningham. These have been identified by Melbourne Water and Council as being liable to inundation in a 1 in 100 year storm event. The land affected is shown on the proposed planning scheme maps that form part of the amendment.

Amendment C109 will result in:

- Approximately 200 properties no longer being covered by the SBO and LSIO;
- Approximately 9500 properties being covered by the SBO and LSIO for the first time; and
- Approximately 1000 properties remaining in the SBO and LSIO (noting this may include some revision to the extent of the SBO and LSIO over an individual property).

In relation to the SBO, the Amendment proposes to change the Manningham Planning Scheme to:

- *Replace the existing SBO Schedule at Clause 44.05 with three new schedules to the SBO that distinguish between areas subject to inundation in relation to the 'main' drainage system (Melbourne Water drains) and the 'local' drainage system (Council drains), and establish additional planning permit exemptions for certain areas where Council is the nominated drainage authority.*

The schedules are referred to as SBO1, SBO2 and SBO3 and these areas are defined on the planning Scheme (SBO) maps. Each schedule defines what permit exemptions apply to the relevant areas.

- Schedule 1 to the Special Building Overlay (SBO1) covers the Melbourne Water drainage system and nominates Melbourne Water as the Determining Referral Authority. All applications for development in this overlay are referred to Melbourne Water to assess and provide the appropriate permit conditions and floor levels.
- Schedule 2 to the Special Building Overlay (SBO2) covers the local drainage system and Council is the responsible authority for drainage. Council assesses all applications for development in this overlay and provides appropriate permit conditions and floor levels.
- Schedule 3 to the Special Building Overlay (SBO3) is similar to SBO2, except that a planning permit will be required in fewer circumstances – such as when a building or extension is constructed with a floor level below an identified level. All applications for development in this overlay (not exempted from needing a permit) are referred to Council to assess and provide the appropriate permit conditions and floor levels.

3.1.1 Planning Permit Requirements

The SBO and LSIO do not prevent development but rather, through requiring a planning permit, ensure that development is sited and designed to minimise the impact of flooding. Implementation of the SBO and the LSIO can influence the siting of buildings and set appropriate conditions, such as raised floor levels, to address any flood risk to new development.

Exemptions from requiring a planning permit for specified buildings and works are nominated in the parent clause to the SBO and LSIO. A schedule is not proposed to be included in the LSIO and therefore additional exemptions are not included. SBO1 and SBO2 also do not propose any additional exemptions beyond those included in the parent clause. SBO3, however, does include a number of additional exemptions (i.e. where a permit is not required). Permit requirements of the SBO, and associated schedules are outlined in the following table:

Table 1: Planning Permit Requirements

| SBO (Schedule) | Permit Requirements | Permit Exemptions |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | <p>A permit is required to construct a building or to construct or carry out works, including:</p> <ul style="list-style-type: none"> - A fence. - Roadworks. - Bicycle pathways and trails. - Public toilets. - A domestic swimming pool or spa and associated mechanical and safety equipment if associated with one dwelling on a lot. - A pergola or verandah, including an open-sided pergola or verandah to a dwelling with a finished floor level not more than 800mm above ground level and a maximum building height of 3 metres above ground level. - A deck, including a deck to a dwelling with a finished floor level not more than 800mm above ground level. - A non-domestic disabled access ramp. <p>A permit is required to subdivide land.</p> | <p>Yes (<i>the Schedule states that a permit is not required in various circumstances</i>).</p> |
| 2 | <p><i>See Above</i></p> | <p>Yes</p> |
| 3 | <p>The permit requirements for Schedule 1 and 2 do not apply to Schedule 3 which provides numerous permit exemptions (see adjacent).</p> | <p>A permit is not required to construct or carry out the following buildings or works:</p> <ul style="list-style-type: none"> - A new dwelling where the floor level is at least 400 mm above the natural surface level and the sub floor does not obstruct the overland flow path. - A replacement dwelling where the floor level is at least 400 mm above the natural surface level, the sub floor does not obstruct the overland flow path and the original building footprint remains the same. The responsible authority may require evidence of the existing building envelope. - A single or multiple dwelling extension where: <ul style="list-style-type: none"> • the sub floor level does not obstruct the overland flow path; and • the floor level of the proposed dwelling extension/s is at least 400 mm above the natural surface level. • an alteration to an existing building where the original building footprint remains the same and floor levels are constructed to at least 400mm above natural surface level. • a replacement building (not including an outbuilding) where the floor level is at least 400 mm above the natural surface level, the original building footprint remains the same and the sub floor does not obstruct the overland flow path. The responsible authority may require evidence of the existing building envelope. <p>New fencing with at least 25% openings and with the plinth at least 400 mm above the natural surface level.</p> |

4. Land Use Regulation & Property Values

4.1 Land Use Regulation & Value Impacts

Providing a general description of the various effects that land use regulation may have on property values establishes a number of important principles when considering any possible value impact of the proposed SBO in the City of Manningham.

Land use regulations can affect the market value of property in different ways. Though some of the impacts can be easily established, in many cases they are complex and can be misconstrued. Land use regulations often have a complex set of negative and positive effects on private property values and the net effect of regulatory restrictions cannot be known in advance or easily attributed.

Though it is often assumed that land use regulations negatively impact (reduce) property values, in recognising local externalities, such regulations often preserve or provide amenities that make communities more attractive and which have positive value implications.

The complexity of attempting to understand the specific impact of land use regulations on property values is highlighted in the scenario whereby a zoning regulation that limits development may lower the value of property on which it is applied but which if also applied to neighbouring properties may result in raising the first property's value due to one or more positive effects (e.g., enhanced neighbourhood amenities). Hence, these reciprocal effects may make the net effect positive.

A property affected by multiple regulations with different effects (negative and positive) further complicates the ability to establish an understanding of the effect on values.

It is difficult to establish whether a negative restriction effect will be greater than or smaller than the potential positive amenity effect. Therefore one must look at specific land values to know whether, for a particular land-use regulation or set of regulations, the net effect is positive, negative, or neutral.

4.2 The Potential Effects of Land Use Regulation

Land-use regulations can broadly be described as having three potential effects on land values. These are restriction effects, amenity effects, and scarcity effects. In describing these, Jaeger states:

"The first effect likely will be negative for restricted properties, but in many cases amenity and/or scarcity effects have a positive and potentially offsetting effect. As a result, and despite the widespread belief that most land-use regulations have negative effects on property values, the opposite may be true in many cases.

Restriction effects result when a regulation limits the use of a particular piece of land so that its "highest and best use" is prevented, therefore decreasing the property's value. If, however, the prohibited use would not be chosen because it is not the "highest and best use" of that piece of land, then the regulation will have no effect on the property's value.

Significantly, many land use regulations are implemented to generate positive amenity effects and in doing so, generate positive value impacts. For example, regulations are often introduced to support and/or enhance the liveability of a neighbourhood by excluding incompatible land uses and development outcomes deemed inappropriate. Zoning that achieves this and protects the characteristics of residential properties can make neighbourhoods more appealing and predictable.

Scarcity effects occur when land-use regulations change the supply of land that can be put to a particular use in a specific location. Simply, if a regulation allows an office use but prohibits a residential use, the supply of land for office use will increase and the supply of land for residential use will decrease. Depending on how binding the restriction is, the price of land for office use may decline, and the price of land for residential use may rise".¹

¹ W.Jaeger; *How Have Land-use Regulations Affected Property Values in Oregon*; 2007

5. The Impacts of Flood on Property Values

5.1 Flood Risk & Property Value Implications

Though there is a perception that residential property values are adversely affected by flood risk expressed through the introduction of regulatory mechanisms such as the SBO, it is important to distinguish that there is a practical difference between disclosure of flood risk and actual flooding events.

Research indicates that actual flooding is much more likely to trigger an adverse effect on property values than floodplain designation or regulation² with the extent of discounting likely to be directly related to the degree of risk and any discount generally attributable to an actual flood event. Where multiple floods have occurred in a relatively short timeframe, the extent of discounting is generally higher. Significantly, the discount experienced as a result of flood generally diminishes and property values typically recover in time. The resilience of property values in flood affected areas is often due to waterfront locations which often attract price premiums and which often outweigh any discount.

In the case of land use regulation pertaining to flooding, the disclosure of flood risk through the introduction of flood related overlay controls by local government authorities often generates concerns amongst landowners who presume that such controls will have an adverse impact on property values.

In contemplating any potential value impact associated with the disclosure of flood risk via mapping or the introduction of regulatory control, it is important to recognise that the level of flood risk does not in fact change but simply recognises an existing condition of the land. In the case of Amendment C109, the expansion of the proposed SBO is the result of recent modelling undertaken by Melbourne Water in conjunction with the City of Manningham.

5.2 Case Studies - Disclosure of Flood Risk & Property Values

In a comprehensive review of international and local research findings relating to the disclosure effect on residential properties, it was found that “the bulk of studies found no change in property values upon disclosure”³. One study provided evidence for the devaluation of properties. These results were based on a study of the effect of flood notification on Section 149 certificates in Sydney’s Blacktown, Penrith and Hawkesbury Council areas, which found that the robustness of the housing market was such that individual property characteristics were stronger determinants of price than flood notification⁴.

In a separate study, a change to the official 100 year ARI flood level at Penrith in western Sydney in 1994 was anticipated to have a short-term impact on affected properties. However an examination of sales prices in 1999–2000 did not detect any noticeable variation.⁵ Additionally, an assessment of property values that followed the release of the United Kingdom’s Environment Agency’s flood maps concluded that “the impact on residential property price growth was non-existent in the absence of flood events”.⁶

In the one study where there was evidence for the devaluation of flood liable properties upon disclosure (Sydney’s Georges River district), the 25% decline in property values in 1984 was perceived to be due to the release of floodplain maps. The subsequent recovery in values in 1985 was interpreted as a response to the withdrawal of the maps. Research into the annual data that provided the basis to these results was however considered to be inadequate. The research also revealed that community perceptions can affect property values, warranting the need for considered consultation and best practice flood risk assessment in the first instance.

² S.Yeo; *Are Residential Property Values Adversely Affected By Disclosure of Flood Risk?*

³ Ibid

⁴ Egan National Valuers, 2000

⁵ Ibid

⁶ Lamond, J et al; *The impact of flooding on the price of residential property: a transactional analysis of the UK market*

6. Previous SBO Amendments

6.1 Background

Since the introduction of the Victoria Planning Provisions in 1997, numerous planning scheme amendments to introduce the SBO into metropolitan planning schemes have been undertaken.

In considering submissions made on grounds of negative property value impacts associated with the SBO, Panels have consistently dismissed these for a variety of reasons, including that this is not a valid planning consideration. Significantly, a review of relevant Panel reports relating to the proposed implementation of the SBO has found that no evidence demonstrating a reduction in property values due to the SBO has been provided.

It is noteworthy that as of September 2016, every one of the 31 Melbourne metropolitan local government authorities (LGAs), has a flood related Overlay within its planning scheme. Of these LGAs, 29 apply the Special Building Overlay.

6.2 Previous Panel Findings

A summary of the relevant Panel Reports findings, in relation to the issue of property values – including reference to the advice previously prepared by Charter Keck Cramer - is outlined below.

6.2.1 City of Port Phillip - Amendment C111 [2016]

Referring to the advice prepared by Charter Keck Cramer and previously referred to by other Panels, the Planning Panel in relation to Amendment C111 to the Port Phillip Planning Scheme concluded that:

Panels have consistently found that there is no justification for setting aside of any SBO amendment on the basis of requests for compensation, loss of property value, and possible increase in insurance premiums.

The Panel in relation to Amendment C50 to the Moreland Planning Scheme stated that:

The value of any property is determined by the complex interplay of many different factors such as overall economic conditions, public economic policies, location, streetscape and amenity, and it is difficult to assign what effect, if any, the identification of land as liable to overland flows may have on the value of a property.

This view is consistent with the conclusions of the Planning Panels for Amendment C3 to the Yarra Planning Scheme and Amendment C18 to the Stonnington Planning Scheme. These Panels generally found no correlation between the application of the SBO and property values.

Melbourne Water also reported that the Stonnington Council commissioned Charter Keck Kramer (CKC) to review the effects on property prices of the application of the SBO. CKC examined property prices in the City of Port Phillip and found no correlation. The Panel was not provided with any contrary evidence and concludes that the SBO or the LSIO are highly unlikely to affect property prices, and that it is appropriate that the condition of the land be recorded and available to interested people.

This Panel is satisfied that Council's approach in relation to this issue is appropriate, and that property value conclusions by previous Panels should be similarly applied to this Amendment.

6.2.2 City of Moreland - Amendment C50 [March 2008]

The Planning Panel, in relation to Amendment C50 to the Moreland Planning Scheme stated that:

A number of submitters expressed concerns that the disclosure of the flood prone nature of their properties will have a detrimental impact on property prices.

The Panel commented:

Both Council and Melbourne Water suggested that perception of impacts of planning controls on property values is not usually considered relevant to the assessment of planning proposals. The value of any property is determined by the complex interplay of many different factors such as overall economic conditions, public economic policies, location, streetscape and amenity, and it is difficult to assign what effect, if any, the identification of land as liable to overland flows may have on the value of a property.

This view is consistent with the conclusions of the Planning Panels for Amendment C3 to the Yarra Planning Scheme and Amendment C18 to the Stonnington Planning Scheme. These Panels generally found no correlation between the application of the SBO and property values.

The Panel was not provided with any contrary evidence and concludes that the SBO or the LSIO are highly unlikely to affect property prices, and that it is appropriate that the condition of the land be recorded and available to interested people”.

6.2.3 City of Stonnington – Amendment C18 [September 2004]

In response to the large number of the submitters to Amendment C18 who expressed concern about the perceived impact of the SBO on property values, the City of Stonnington commissioned Charter Keck Cramer, to investigate the potential for there to be an adverse effect on the value of land subject to the SBO. Based on a review of the SBO that had been in place in the City of Port Phillip for four years, the following conclusion was made:

We have confirmed that there is a general purchaser awareness of the SBO within the City of Port Phillip, and that purchasers understand the consequences that some properties affected by the overlay may, in the course of renovation and extension, have to meet special planning and building requirements that would otherwise not apply.

Notwithstanding the pattern of sales and analysis, gives no evidence or cause to believe that the application of the SBO to any of the properties has had a measurable effect on the value of those properties when offered to the market on normal reasonable terms and conditions. Simply stated, the application of the overlay within the City of Port Phillip appears to have had no adverse impact on the property values.

For the reason that there is a strong socio economic and demographic similarity between the City of Port Phillip and the City of Stonnington, and as many of the properties affected in the City of Port Phillip are of a similar style, construction mode and market value range as many of those likely to be affected within the City of Stonnington by the proposed introduction of the SBO, we consider it reasonable to anticipate that the introduction of the SBO in Stonnington will, similarly, have no measurable impact on the value of properties to which it will apply.

In response to the Charter Keck Cramer advice, the Panel concluded:

“It is submitted that this conclusion is consistent with what one would expect, particularly as the potential for flooding identified by the SBO reflects that which already exists. It is submitted that the overlay does no more than to document what is already important and relevant information, and make it readily available to property owners or a prospective purchaser.

The application of the overlay does not prevent land from being developed, it only requires consideration of issues arising from flooding to be dealt with in detail, in a timely manner.

The SBO, therefore, does not affect property values. What it does is to enable the proper value of a property to be determined, having regard to all relevant site opportunities and constraints, including any constraint arising from the fact that the land is subject to inundation. It also equally protects all land by ensuring that development that may have an adverse effect on adjoining land is properly assessed”.

6.2.4 City of Yarra – Amendment C3 [October 2000]

Completed in 2003, the Panel considering Amendment C3 made the following comments:

The panel supports the views of the Council and Melbourne Water that property values are determined by a range of factors which, in addition to the classic criteria of “position, position, position”, may include size, design, location, historic character, etc., etc..

Purchasers, in the normal course of events, make trade-offs between these criteria. In the current economic climate it would appear to the panel that real estate values in inner city locations are at an all-time premium and there is no evidence, at present, that there is any correlation between the approval of a SBO and a major downturn in property values”.

7. City of Manningham - Assessment of Sales

7.1 Assessment Method

In determining if the application of a SBO has a measurable effect on property values, we undertook a direct comparison analysis of properties within the City of Manningham subject to the current SBO. Notwithstanding, we understand the impact of property values is vulnerable to a complex range of different variables such as location, streetscape, amenity, improvements and economic considerations, making the determination of an impact on property values as a result of the SBO both challenging and in some degrees subjective.

In undertaking the assessment, we identified properties within the City of Manningham subject to a SBO, specifically focusing on properties where at least 50% of the site is affected. Furthermore, we focused on properties that transacted between 2013 - 2016, and benchmarked these properties against sale evidence of a directly comparable nature, although not subject to a SBO. Our research was tested on a number of affected properties in order to establish a pattern.

7.2 Assessment Results

Of the sales analysed there is no evidence or basis to indicate that the Special Building Overlay has had an adverse impact on property values in the City of Manningham (see Appendix 1). Charter is of the opinion that this can be attributed to the sound level of demand for residential property within the municipality and whilst purchasers have a general awareness of the Special Building Overlay, a measurable effect on value was not evidenced. Our research was tested on a number of affected properties in order to establish a pattern.

8. Value Effects of the SBO

8.1 Potential Value Effects of the SBO

Though the SBO indicates that flooding is an issue that needs to be taken into account in the planning of future development, the real risks to those properties affected by it have not changed. This is because it is not the application of the SBO which makes land more prone to flooding as the SBO is simply a planning mechanism to identify the flooding characteristics of land at risk.

To establish the value implications of applying the SBO throughout the City of Manningham, understanding the specific regulatory requirements imposed by it, in particular consideration of what aspects of it are likely to have a negative value impact, is fundamental. Importantly, the SBO does not prohibit either use or development but requires drainage matters to be considered in detail when a development application is submitted to the responsible authority for consideration.

To understand the potential value impacts of the SBO it is instructive to begin with consideration of the identified effects of land-use regulation (as described in Section 3.0). As outlined, these effects are described as 'restrictive', 'amenity', and 'scarcity'. In terms of potential restrictive effects, the SBO will not prevent individual properties from functioning as their highest and best use. Nor will it impact the supply of land that can be used for its current use (residential) resulting in a scarcity effect. On this basis, application of the SBO is not envisaged to impact property values.

Where land use regulation aims to protect or create positive characteristics of residential properties this often results in neighbourhoods remaining, or becoming, more appealing. The introduction of the new residential zones in Victoria is an example of land use regulation where this objective is likely to have such an effect. Though SBO permit requirements for new development will contribute to minimising the flooding of properties, it is unlikely this will have any positive (or negative) value impact on properties. In achieving this objective it may however contribute to preserving values in the long term. Nevertheless, it is important to recognise that without the SBO, development of neighbouring properties could obstruct flows and result in a general rise in flood levels to the detriment of their own property.

8.2 Requirements of the SBO

Practically, the requirements of the SBO only take effect when certain buildings and works are proposed to be undertaken at an affected property. These requirements vary according to the applicable Schedule as there are different permit requirements and exemptions for each (see Table 1).

Until the time that certain buildings and works are proposed, the SBO has no impact on the existing use or functional requirements of the property. In such circumstances, the SBO has no material impact on the inherent value of the property.

The question of whether there is a negative value impact can therefore only be answered in the context where proposed buildings and works warrant the practical permit requirements of the SBO to be met. Though different permit requirements (and exemptions) are prescribed, a review of the SBO and associated Schedules indicates that the most onerous requirement of the SBO relates to the need for new dwellings or dwelling extensions, to meet minimum floor level requirements. For the purposes of this task, this is the measure against establishing which value impacts of the SBO have been considered.

As the minimum floor level requirements to be imposed by the SBO would be specific to each location, the extent and type of development (including size and number of dwellings) and the costs to meet these requirements could reasonably be expected to vary. However, the standard costs of constructing above natural ground level to achieve compliance with the minimum floor level requirements⁷ are generally not considered significant in the context of a project's total development costs⁸.

Further to the above, it should be noted that minimum ground level requirements prescribed within the SBO and associated schedules are provided as a basis for which building and works would be exempt from requiring a planning permit. Buildings and works below these specified levels may be achieved if permission from the City of Manningham or where relevant, Melbourne Water, is provided.

⁷ Up to 400mm as per the requirements of SBO3

⁸ Though this cannot be quantified for all potential development outcomes on all affected sites, this general advice has been provided by Charter's Quantity Surveying Group and assumes standard costs.

9. Conclusion

In undertaking this assessment Charter has not been able to establish that the application of the SBO will negatively impact the values of those properties to be affected. This is consistent with the findings of the study undertaken by Charter for the City of Stonnington in 2004.

Though concern over value impacts is regularly expressed in submissions to amendments to introduce the SBO, there has been no evidence provided through the Independent Panel process to establish this. This outcome is reinforced through numerous studies that have found that while actual flood events can impact property values, flood related policies and controls have no noticeable effect. This is further reaffirmed in the analysis of sales in the City of Manningham, undertaken by Charter, which shows there is no evidence that the Special Building Overlay has had an adverse impact on property values.

Property values are determined by a multitude of factors and are subject to a wide variety of influences. These include:

- Economic considerations (i.e. interest rates, employment levels, income growth, finance availability, consumer confidence, supply and demand);
- Population and demographic trends;
- Suburb, location and street desirability; and
- Dwelling characteristics and features (lot size, style/age of property, internal space, renovation potential, quality of finishes).

In a strong housing market, such as metropolitan Melbourne, these factors are all considered to be stronger determinants of price than flood notification, which tends to be obscured against these considerations. This is particularly so, in a competitive auction process, where the SBO is relegated as a genuine price determinant.

Against the many numerous factors affecting property values, the worst case scenario associated with the SBO – i.e. potentially having to construct above a minimum floor levels, is a negligible obligation which in any case, only applies where certain buildings and works are proposed.

For the reasons outlined, it is Charter's opinion that the SBO will not negatively impact property values in the City of Manningham.

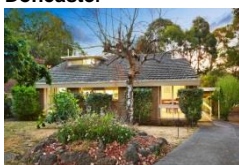


10. Appendices

34 Golf Hill Avenue, Doncaster



- Improved with a two storey brick veneer residence, presenting in a well maintained although dated condition. Accommodation comprises four bedrooms.
- Rectangular shaped allotment of 681 sq.m., zoned *General Residential Zone (GRZ1)*, abutting the former Eastern Golf Course to the rear boundary (proposed Mirvac development).
- 75% of the land is subject to a Special Building Overlay (SBO).
- Transacted February 2013 for a consideration of \$747,088.

Comparable Sales




| Sales Schedule – Residential Dwellings/ Development Sites | | | | |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------|-------------------|
| Address | Description/ Comments | Zoning | Land Area (sq.m.) | Sale Price/ Date |
| 18 Burgundy Drive Doncaster  | Irregular shaped allotment, improved with a part two storey residence presenting in well maintained, although dated condition. Property abuts the former Eastern Golf Course to the rear boundary (proposed Mirvac development). Comparable size allotment, superior location within walking distance to Westfield Shopping Centre. The property is not subject to a Special Building Overlay. Improvements present in dated condition. Considered comparable overall as a sum of money. | <i>General Residential Zone (GRZ1)</i> | 659 | \$750,000 3/13 |
| 7 Prunella Close Doncaster  | Irregular shaped allotment, located at the bowl of a cul-de-sac. Improved with a single storey brick veneer dwelling presenting in dated condition. Larger allotment, comparable zoning and not subject to a Special Building Overlay. Superior location within walking distance to Westfield Shopping Centre. Inferior improvements. Sale considered superior overall due to location. | <i>General Residential Zone (GRZ1)</i> | 701 | \$789,000 3/13 |
| 25 Burgundy Drive Doncaster  | Rectangular shaped allotment, located opposite Burgundy Drive Reserve. Improved with a single storey residential dwelling presenting in dated condition. Site suits redevelopment and since the date of sale the property has been redeveloped with two dwellings. Smaller allotment, located directly opposite Burgundy Drive Reserve. Improvements considered to be of nominal added value. Higher land/building value rate adopted for the subject property. | <i>General Residential Zone (GRZ1)</i> | 656 | \$640,000 2/13 |

3 Hillcroft Drive, Templestowe



- Established brick veneer dwelling presenting in a well maintained, renovated condition providing for three bedroom accommodation.
- Sited on a generally rectangular shaped allotment of 664 sq.m., zoned *General Residential Zone (GRZ3)*.
- 80% of the land is subject to a Special Building Overlay (SBO).
- Transacted June 2014 for a consideration of \$865,000.

Comparable Sales




| Sales Schedule - Residential Dwellings | | | | |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------|--------------------|
| Address | Description/ Comments | Zoning | Land Area (sq.m.) | Sale Price/ Date |
| 42 Hillcroft Drive Templestowe  | Rectangular shaped allotment, improved with a brick dwelling which at the date of sale presented in a well maintained condition. The dwelling provides for three bedroom accommodation. The land abuts Ruffey Creek, with 30% of the land subject to a Significant Landscape Overlay. The land is not subject to a Special Building Overlay. Similar sized allotment, located within the subject thoroughfare. The dwelling provides for a comparable level of accommodation, presenting to a comparable quality. The land is not subject to a Special Building Overlay, although we note that approximately 30% of the land is subject to a Significant Landscape Overlay. | <i>General Residential Zone (GRZ3)</i> | 662 | \$885,000 5/14 |
| 18 Mintaro Court Templestowe  | Rectangular shaped allotment with a gentle cross-fall, improved with a residential dwelling presenting in a dated condition. The dwelling provides for four bedroom accommodation. The land is not subject to any overlays. Similar sized allotment, nearby location. The dwelling provides for a superior level of accommodation, although presenting in a far inferior quality. The land is not subject to any overlays. | <i>General Residential Zone (GRZ3)</i> | 653 | \$830,000 10/14 |
| 70 Beecroft Crescent Templestowe  | Generally rectangular shaped allotment improved with a brick dwelling presenting in a renovated condition. The dwelling provides for four bedroom, two bathroom accommodation. The property abuts The Grange Reserve and is not subject to any overlays. Similar sized allotment, located 600 metres east of the subject property, abutting The Grange Reserve and within close proximity to Serpell Primary School. The dwelling provides for a superior level of accommodation, at a slightly superior quality. The land is not subject to any overlays. Lower purchase price evidenced in the subject property due to accommodation, quality and location. | <i>General Residential Zone (GRZ3)</i> | 655 | \$920,000 9/14 |

50 Mincha Avenue, Templestowe Lower



- Established dwelling providing for three bedroom, two bathroom accommodation. Internal photographs of the dwelling are not available; therefore the condition of the property cannot be ascertained.
- Sited on a rectangular shaped allotment of 653 sq.m., zoned *General Residential Zone (GRZ1)*.
- Approximately 80% of the land is subject to a Special Building Overlay (SBO).
- Transacted March 2015 for a consideration of \$790,000.

Comparable Sales





| Sales Schedule - Residential Dwelling | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------|--------------------|
| Address | Description/ Comments | Zoning | Land Area (sq.m.) | Sale Price/ Date |
| 3 Wattle Court Templestowe Lower  | Rectangular shaped allotment, improved with a residential dwelling presenting in a dated condition. The dwelling provides for four bedroom accommodation. The land is not subject to any overlays. Similar size allotment located within a cul-de-sac position, 350 metres north-east of the subject property. The dwelling provides for a superior level of accommodation. The land is not subject to any overlays. | <i>General Residential Zone (GRZ1)</i> | 645 | \$780,000 12/14 |
| 125 Swanston Street Templestowe Lower  | Rectangular shaped allotment, improved with a residential dwelling presenting in a well maintained albeit, dated condition. The dwelling provides for three bedroom accommodation. The land is not subject to any overlays. Slightly smaller allotment, within immediate proximity. The dwelling provides for a comparable level of bedroom accommodation. The land is not subject to any overlays. | <i>General Residential Zone (GRZ1)</i> | 637 | \$790,000 8/14 |
| 17 Chatsworth Quadrant Templestowe Lower  | Rectangular shaped allotment, improved with a residential dwelling presenting in a dated condition. The dwelling provides for four bedroom accommodation. The land is not subject to any overlays. Slightly larger allotment, located further south-east. The dwelling provides for a superior level of accommodation, presenting in a dated condition. The land is not subject to any overlays. | <i>General Residential Zone (GRZ1)</i> | 686 | \$790,000 8/14 |

7 Dundas Court, Doncaster East



- Established brick veneer dwelling presenting in a well maintained, albeit in parts dated, condition providing for three bedroom plus study accommodation.
- Sited on an allotment of 711 sq.m., zoned *General Residential Zone (GRZ1)*.
- 100% of the land is subject to a Special Building Overlay (SBO).
- Transacted December 2015 for a consideration of \$1,050,000.

Comparable Sales

| Sales Schedule – Residential Dwellings/ Development Sites | | | | |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------|----------------------|
| Address | Description/ Comments | Zoning | Land Area (sq.m.) | Sale Price/ Date |
| 12 Dundas Court Doncaster  | Irregular shaped corner allotment, improved with a brick dwelling presenting in a well maintained, renovated condition. The dwelling provides for five bedroom plus study accommodation. The land is not subject to the Special Building Overlay. Smaller allotment, superior corner position located within the subject thoroughfare. The property presents to a far superior standard and provides for a superior level of accommodation. The land is not subject to a SBO. | <i>General Residential Zone (GRZ1)</i> | 645 | \$1,267,500 10/16 |
| 16 Rowan Street Doncaster East  | Irregular shaped corner allotment, improved with a brick dwelling presenting in a well maintained, renovated condition. The dwelling provides for three bedroom accommodation plus an external studio/home office. Approximately 5% of the land is subject to a Special Building Overlay. Smaller allotment, superior corner position, located nearby. The property presents to a superior standard and provides for an external studio/home office. Approximately 5% of the land is subject to a Special Building Overlay. | <i>General Residential Zone (GRZ1)</i> | 651 | \$1,230,000 7/16 |
| 3 Skye Place Doncaster East  | Irregular shaped allotment located to the end of a cul-de-sac. The land is improved with a brick dwelling presenting in a well maintained, partially renovated condition, providing for three bedroom, two bathroom accommodation. The land is not subject to a Special Building Overlay. Similar size allotment, also located at the end of cul-de-sac, nearby. Presenting to a generally comparable condition to the subject. The land is not subject to a Special Building Overlay. | <i>General Residential Zone (GRZ1)</i> | 697 | \$1,080,000 5/16 |
| 23 Rowan Street Doncaster East  | Irregular shaped allotment, improved with a dated residential dwelling providing for three bedroom, two bathroom accommodation. The land is not subject to the Special Building Overlay. Smaller allotment, nearby location. Dwelling presents to a similar dated condition. Comparable zoning to the subject property, although the land is not subject to a SBO) | <i>General Residential Zone (GRZ1)</i> | 650 | \$925,000 9/15 |




12 Newlyn Close, Templestowe



- Established brick dwelling presenting in a well maintained, albeit dated, condition providing for four bedroom plus study accommodation.
- Sited on a corner allotment of 680 sq.m., zoned *General Residential Zone (GRZ3)*.
- Approximately 80% of the land is subject to a Special Building Overlay (SBO).
- Transacted September 2016 for a consideration of \$985,000.

Comparable Sales

Sales Schedule - Residential Dwellings

| Address | Description/ Comments | Zoning | Land Area (sq.m.) | Sale Price/ Date |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------|---------------------|
| 11 Newlyn Close Templestowe  | Irregular shaped allotment, improved with a brick dwelling presenting in a well maintained, albeit slightly dated condition. The property provides for three bedroom accommodation. The land is subject to a Special Building Overlay, of which approximately 20% is affected. Smaller allotment, located on the subject thoroughfare. The property provides for an inferior level of accommodation to the subject property although presents to a superior quality. The site is approximately 20% affected by a Special Building overlay. | <i>General Residential Zone (GRZ3)</i> | 668 | \$956,000 5/16 |
| 10 Cottswold Rise Templestowe  | Irregular shaped allotment, cul-de-sac location. The site is improved with a brick veneer dwelling presenting in dated condition. The dwelling provides for four bedroom, two bathroom accommodation. The land is not subject to a Special Building Overlay. Larger allotment, located nearby, also within a cul-de-sac position. The property provides for a superior level of accommodation, although presents to an inferior quality. The land is not subject to a Special Building Overlay. | <i>General Residential Zone (GRZ3)</i> | 806 | \$1,030,000 3/16 |
| 25 Lawanna Drive Templestowe  | Rectangular shaped allotment, improved with a brick veneer dwelling presenting in a well maintained, albeit dated condition. The dwelling provides for three bedroom, one bathroom accommodation. The land is not subject to a Special Building Overlay. Larger allotment, inferior position on a sloping site. The property provides for an inferior level of accommodation, presenting in a comparable quality. The land is not subject to a Special Building Overlay. | <i>General Residential Zone (GRZ3)</i> | 786 | \$907,500 3/16 |

