



# HOW TO CALCULATE FLOOR AREA UPLIFTS AND PUBLIC BENEFITS

This document provides guidance about how to calculate the value of a Floor Area Uplift and what equivalent Public Benefits may be provided to satisfy Schedules 1, 2 and 3 to the Capital City Zone in the Melbourne Planning Scheme, for land to which Schedule 10 to the Design and Development Overlay also applies.

This publicly available document is to be reviewed by the Minister for Planning in consultation with Melbourne City Council annually by 1 July with any updates taking effect from 1 January following.

## Floor Area Uplift and Public Benefit

For the purposes of this document:

- The **Floor Area Uplift** is that part of a building containing the uppermost floor area of the building, without which the building would not exceed a floor area ratio of 18:1.
- The floor area and floor area ratio of a building are calculated in accordance with Schedules 1, 2 or 3 to the Capital City Zone, as applicable.
- The value of a **Floor Area Uplift** is calculated in accordance with the Floor Area Uplift Calculation Schedule.

A Public Benefit provided should be:

- within a **Public Benefit** category listed in the Public Benefits Schedule;
- valued in accordance with the Public Benefits Schedule; and
- of equal or greater value than the value of the **Floor Area Uplift** that forms part of the proposed development.

## Floor Area Uplift Calculation Schedule

The value of any **Floor Area Uplift** is measured as 10% of the gross realisation value per square metre (**GRV/m<sup>2</sup>**) for all additional floor area above the allowable 18:1 floor area ratio.

For the purposes of this schedule:

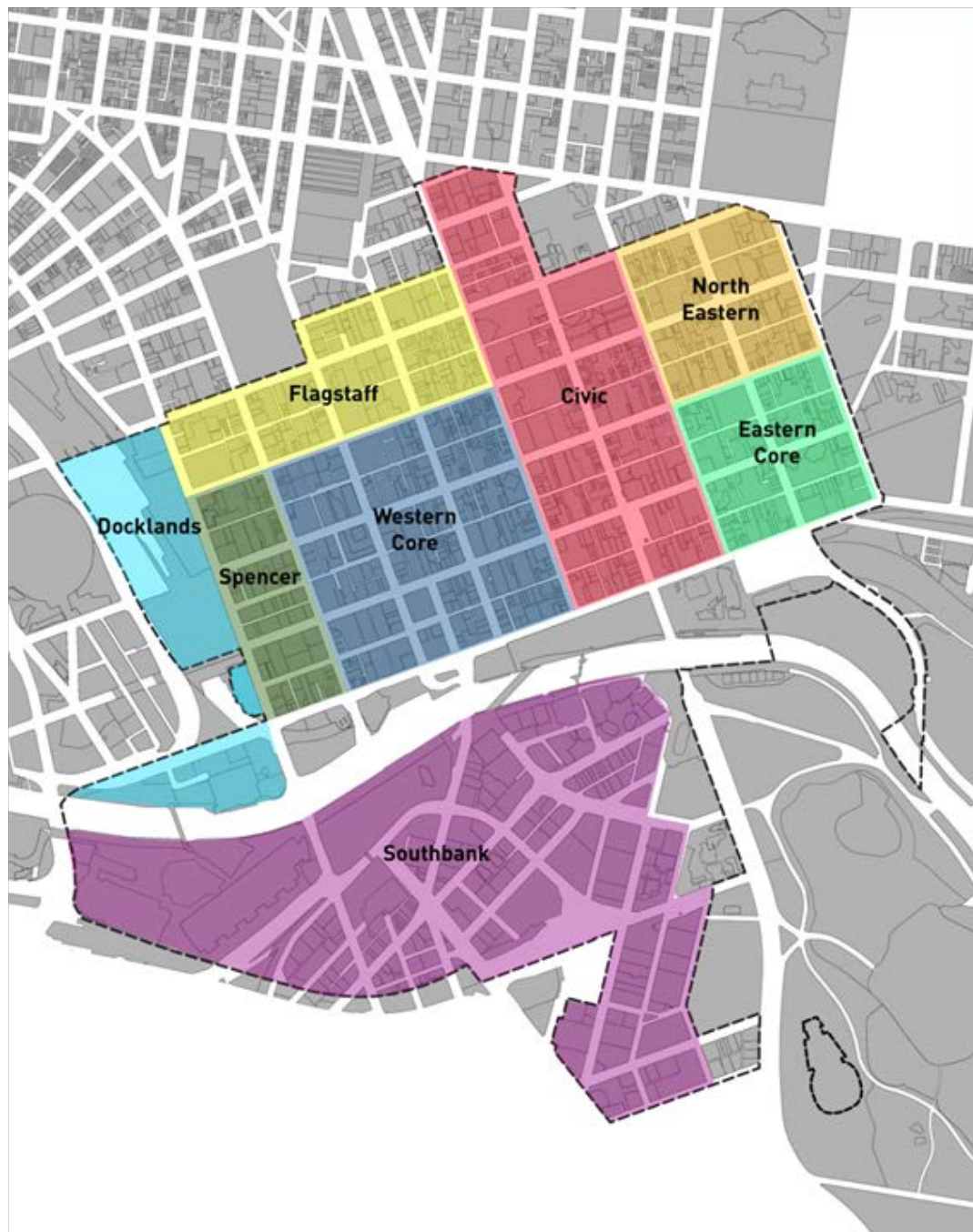
- The **GRV/m<sup>2</sup>** depends on the corresponding use(s) and the precinct in which the development is located. It is based on gross floor area calculated in accordance with Schedules 1, 2 or 3 to the Capital City Zone, as applicable.
- The corresponding **Use(s)** of the **Floor Area Uplift** is the use or uses listed in Table 1 that most closely resemble the proposed use(s) of the **Floor Area Uplift**.
- The **Precinct** in which the development is located is identifiable in Figure 1.

Table 1 – GROSS REALISATION VALUES per square metre (GRV/m<sup>2</sup>) 1 January 2016

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

Source SGS using EY data

Figure 1 – GRV PRECINCTS MAP



Source: Precincts reflect Property Council of Australia “Melbourne Markets”

## Public Benefits Schedule

The categories and valuation of available **Public Benefits** are listed in the Table below. Other proposals may be considered if the Public Benefit is agreed to be of comparable relevance and value.

The agreement to any **Public Benefit** is at the discretion of the responsible authority and is conditional on support from the receiving agency (if the receiving agency is not the responsible authority). The **Public Benefit** should be consistent with government policy.

The receiving agency is the body to which the **Public Benefit** will be transferred or which will become the formally designated manager of the **Public Benefit**.

The value of a **Public Benefit** is determined by the responsible authority according to the method specified in Table 2 below for the category of **Public Benefit** proposed. The value of the **Public Benefit** will be indexed from the date the permit is issued.

The Estimated Value provided for each category in the Table 2 below is to guide initial negotiation of the **Public Benefit**. An independent valuation should be obtained, at the cost of the applicant, to inform the legal agreement required by the Planning Scheme. Any related administrative and/or holding costs agreed with the Responsible Authority, may be added to the valuation.

Agreed **Public Benefits** must be delivered to the satisfaction of the responsible authority and the receiving agency (if different) prior to the occupation of the development or as otherwise agreed by the Responsible Authority in consultation with any receiving agency. The legal agreement may require a financial bond to guarantee adequate delivery of the **Public Benefit**.

The Responsible Authority will maintain a register of **Public Benefit** legal agreements and report on the operation of the process at the time of annual review.

Table 2 – Categories and valuation of Public Benefits that can be provided

Public Benefit category	Description and Components	Valuation (and Estimated Value)
<p><b>Publicly accessible open areas on site (additional to any public open space contribution under Clause 52.01 of the Planning Scheme)</b></p>	<p>Plazas, laneways, required setbacks and parks directly accessible from public street or public area. The provision may include one or more of the following components:</p> <ul style="list-style-type: none"> <li>a) An area whose title is transferred to a public authority, municipal council or the Crown</li> <li>b) An area retained in private ownership with a legal encumbrance to provide unrestricted public access and an appropriate private maintenance regime</li> <li>c) Civil works such as paving, walls, canopies, artworks, furniture, planting, irrigation, drainage and ancillary works necessary for the proper functioning of the area (but excluding site preparation and any sub-structure), to the satisfaction of the receiving agency</li> </ul>	<p>The valuation may include one or more of the following components (corresponding to the Description and Components at left):</p> <ul style="list-style-type: none"> <li>a) Independent market valuation of the transferred land based on location (est. \$15,000 - 25,000 / m<sup>2</sup>)</li> <li>b) Independent market valuation of the land prior to encumbrance based on location (est. \$15,000 – 25,000 / m<sup>2</sup>)</li> <li>c) Independent quantity surveyor valuation of the civil works (Hard landscaped areas: est. \$1,500 – 2,500 / m<sup>2</sup>) (Soft landscaped areas: est. \$1,000 – 1,500 / m<sup>2</sup>)</li> <li>d) In all cases related administrative and/or holding costs, as justified</li> </ul>
<p><b>Publicly accessible enclosed areas within proposed building</b></p>	<p>Independent floor space suitable for public or a registered not for profit use with appropriate access from public area or street. The provision may include one or more of the following components:</p> <ul style="list-style-type: none"> <li>a) An enclosed area whose title is transferred to a public authority, municipal council or the Crown</li> <li>b) An enclosed area leased at a peppercorn rent to a public authority, municipal council or the Crown for a period of at least 10 years</li> <li>c) Fit-out works such as finishes, fixed furnishings, lighting, air conditioning and other services necessary for the proper functioning of the area to the satisfaction of the receiving agency, but excluding structure, building envelope or general servicing (unless those are transferred to the receiving agency)</li> </ul>	<p>The valuation may include one or more of the following components (corresponding to the Description and Components at left):</p> <ul style="list-style-type: none"> <li>a) Independent market valuation of the transferred area (est. GRV/m<sup>2</sup> from Table 1 for the predominant building use for the precinct specified in Fig.1)</li> <li>b) Independent market valuation of the leasehold value for the total duration of the lease (est. 5% of GRV/m<sup>2</sup> per annum for the equivalent building use for the precinct specified in Fig. 1)</li> <li>c) Independent quantity surveyor valuation of the fit-out works (est. \$2,000 – 3,000 / m<sup>2</sup>)</li> <li>d) In all cases, related administrative and/or holding costs as justified</li> </ul>
<p><b>Affordable housing within proposed building</b></p>	<p>A dwelling unit or units whose title is transferred free of charge to a not-for-profit registered housing association or provider</p>	<p>Independent market valuation of the transferred dwelling unit (est. GRV/m<sup>2</sup> from Fig.1 for residential use for precinct specified in Fig. 1)</p> <p>In all cases, related administrative and/or holding costs as justified.</p>
<p><b>Competitive design process for design of proposed building</b></p>	<p>Australian Institute of Architects endorsed applicant sponsored competitive design process utilising Australian Institute of Architects Architectural Competition Guidelines.</p>	<p>Double the cost of documented architectural fees and administration costs associated with the competition including fees of Australian Institute of Architects as the endorsing agency (est. \$1.0M - 2.0M)</p>
<p><b>Strategically justified uses including Office on site or within proposed building</b></p>	<p>Office use (or desirable educational or community related use, agreed with the Responsible Authority) secured by legal agreement for a period of at least 10 years</p>	<p>Independent market valuation of the difference in gross realisation value between commercial office use or other agreed use and residential use for the precinct where the development is located (est. Difference in GRV/m<sup>2</sup> between commercial and residential uses from Table 1 for precinct where the development is located)</p>

## Example Calculation

An example of how to calculate the value of any Floor Area Uplift and the value of a corresponding Public Benefit is set out in Table 3.

Table 3 – Example Calculation

Step	Calculation	Example
1. Base Gross Floor Area (ie floor area available based on a floor area ratio of 18:1)	Site Area x 18	If site area is 2,000m <sup>2</sup> Base Gross Floor Area is: 2000 x 18 = 36,000m <sup>2</sup>
2. Proposed Development Gross Floor Area	Floor Area calculated in accordance with Schedule 1, 2 or 3 of the Capital City Zone, as applicable	Say, Proposed Development Gross Floor Area is 48,000m <sup>2</sup>
3. Floor Area Uplift (FAU) sought in square metres	Proposed Gross Floor Area (from Step 2) minus Base Gross Floor Area (from Step 1)	Then FAU is: 48,000 – 36,000 = 12,000m <sup>2</sup>
4. Base data for valuing FAU	GRV/m <sup>2</sup> associated with applicable Use of FAU in applicable Precinct as derived from Table 1 and Fig.1	Say , use of upper (additional) floors is residential in Flagstaff precinct Then Table 1 indicates: GRV/m <sup>2</sup> = \$7,000/m <sup>2</sup>
5. Value of each square metre of FAU	10% of applicable GRV/m <sup>2</sup> (from Step 4)	Then FAU value is: \$7,000/m <sup>2</sup> x 10% = \$700/m <sup>2</sup>
6. Total value of FAU	FAU sought (from Step 3) x value of each square metre of FAU (from Step 5)	12,000m <sup>2</sup> x \$700/m <sup>2</sup> = \$8.4M
7. Value of Public Benefit to be provided	Equal to (or greater than) the total value of FAU (from Step 6)	At least \$8.4M
8. Agreed Public Benefit to be provided	Total value of each component as specified in Table 2. There may be a mix of Benefits from different categories and a combination of components from each category (eg. land and works) Administrative and holding costs may also be agreed	Four social housing units of 100m <sup>2</sup> GFA each is valued at a GRV of \$7,000 / m <sup>2</sup> in Flagstaff = 4 x 100m <sup>2</sup> x \$7000/m <sup>2</sup> = \$2.8M PLUS: 200m <sup>2</sup> of land transferred to Council valued at \$20,000/m <sup>2</sup> = 200m <sup>2</sup> x \$20,000 = \$4.0M PLUS: Agreed civil works on the 200m <sup>2</sup> of land to provide a plaza valued at \$2,500/m <sup>2</sup> = 200m <sup>2</sup> x \$2500/m <sup>2</sup> = \$0.5M PLUS: Administrative costs at 15% = \$7.3M x 0.15 = \$1.1M TOTAL VALUE OF PUBLIC BENEFITS = \$2.8M + 4.0M + 0.5M + 1.1M = \$8.4M

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