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Australian Capital Territory

Standing Committee on Environment
and Planning

Submission Cover Sheet

Inquiry into DPA-04 – Missing Middle Housing Reform

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MMDR20 THE FINANCIAL IMPACT ANALYSIS

PHASE 3: DPA-04 VIABILITY & ECONOMIC FEASIBILITY REPORT

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SUBJECT: Forensic Viability Assessment of "Missing Middle" Typologies under Draft Plan Amendment 04

1.0 EXECUTIVE MANIFEST AND STRATEGIC PREAMBLE

1.1 The Operational Mandate

This report constitutes the formal execution of Phase 3: The Financial Impact Analysis under the MMDR20 Protocol. Its primary objective is to subject the policy aspirations of Draft Plan Amendment 04 (DPA-04)—specifically the densification of RZ1 and RZ2 zones to foster a "Missing Middle"—to a rigorous, forensic financial interrogation.

The ACT Government's strategic intent, as outlined in the Missing Middle Housing Reforms Supporting Report 1, is to deliver 70% of new housing within the existing urban footprint. This policy relies heavily on the private sector's ability to activate dormant land supply in established suburbs through dual occupancies, townhouses, and low-rise apartments. However, planning permissibility does not equate to economic viability. The conversion of a zoning map into actual dwellings is a function of the Hypothesis Return Equation:

$$R_{actual} = Z - (L + E + S_{stat} + F + P)$$

Where the Residual Return (R_{actual}) must exceed the risk-adjusted Cost of Capital (H).

This report rejects generic "soft cost" allowances (e.g., the flat 12% often used in preliminary scoping) in favor of a granular, line-item quantification of ACT-specific statutory variables. By synthesizing the Financial Framework ([MMDR18-1](#)) 2 with Market Benchmarks ([MMDR19](#)) 3, we define the precise "Statutory Wedge" that currently exists between Gross Realisation Value (Z) and Construction Cost (E).

The analysis proceeds with the understanding that the "Missing Middle" is not merely an architectural classification but a distinct economic asset class with a unique risk profile. Unlike high-density towers which benefit from economies of scale, or greenfield detached housing which benefits from efficient production lines, the missing middle suffers from "diseconomies of scale." It incurs the high per-unit regulatory costs of density without the volume to amortize them. This report seeks to quantify that burden.

1.2 The Macro-Economic "Crowding Out" Effect

The analysis is framed within the unique economic conditions of the Australian Capital Territory in the Fourth Quarter of 2025. Unlike other Australian jurisdictions where residential construction cycles are often dictated by interest rate sensitivity and consumer sentiment alone, the Canberra market is currently defined by a structural "Bush Capital Premium".³

The Territory is experiencing a historic pipeline of public infrastructure, defence, and energy projects. This has created a severe "crowding out" effect where Tier 1 and Tier 2 trades—concreters, formworkers, and hydraulic plumbers—are absorbed by government-backed projects offering protected industrial conditions, unionized wage structures, and continuity of work.³ For the private "Missing Middle" developer, this results in a resource scarcity crisis. The cost of labor, which constitutes 50-60% of the medium-density cost base, has established a high pricing floor that does not fluctuate with residential sale prices.

Consequently, while DPA-04 liberalizes where housing can be built, the macroeconomic environment severely constrains how much it costs to build. This report identifies a critical divergence: while construction costs (E) have homogenized at a high level across the Territory due to this labor competition, revenue ceilings (Z) remain sharply segmented by suburb geography. This creates asymmetric viability, where policy settings that work in the Inner South may fail catastrophically in the Outer Ring.

1.3 The Statutory Wedge: Moving Beyond Generic Percentages

A critical failure in previous high-level assessments of DPA-04 has been the reliance on generic "soft cost" allowances—typically modeling statutory fees as a flat 10-12% of construction costs. This methodology is fundamentally flawed in the context of the ACT leasehold system. Statutory costs in Canberra are not

linear; they are often regressive, fixed, or step-function costs that disproportionately punish smaller developments.

This report calculates the specific dollar value for:

1. Variable C (Lease Variation Charge): Differentiating between Schedule 1 (flat fees) and Schedule 2 (valuation-based uplift), which creates massive variance between suburbs.²
2. Variable D (Utility Contributions): Applying the specific Icon Water EP (Equivalent Population) charges and the critical EvoEnergy augmentation thresholds triggered by the 2025 gas ban and electrification mandates.²
3. Variable I (Green Infrastructure): Quantifying the financial impact of tree bonds and deep soil requirements, which act as indirect taxes on developable area.²

1.4 Summary of Findings: The "Feasibility Desert"

The forensic feasibility stacks constructed for this report reveal a stark polarization in viability:

1. Inner South (Griffith): Viability is achievable only through "Gold Plating"—targeting the ultra-luxury downsizer market to offset extreme Land Value Contribution (LVC) and land costs. Standard luxury projects struggle to meet hurdle rates due to the LVC acting as a super-tax on margin.
2. Middle Ring (Kaleen): This zone represents the "Battleground." Viability hangs on a razor's edge, entirely dependent on the specific application of LVC Schedule 1 ("Unit Titling") versus Schedule 2 ("Density Uplift"). The arbitrage between these two statutory schedules is the primary determinant of profit.
3. Outer Ring (Banks): The analysis identifies a "Feasibility Desert." The high floor of construction costs, driven by the territory-wide trade shortage, combined with the lower revenue ceiling of the Tuggeranong market, renders new townhouse development mathematically unviable under current statutory settings. The "Missing Middle" is economically effectively locked out of the outer suburbs.

2.0 METHODOLOGY: THE FORENSIC FEASIBILITY STACK

2.1 The Subtractive Calculation Model

To ensure accuracy, this report utilizes a Residual Land Value (RLV) and Return on Cost (RoC) approach. We deconstruct the project from the "Price Ceiling" down to the bottom line, isolating each cost centre. This subtractive methodology is superior to additive cost-plus modeling because it respects the market reality

that revenue is capped by comparable sales, not determined by the developer's costs.

The core formula applied is:

$$R_{actual} = Z - \left(A + E + \sum (S_{LVC} + S_{Util} + S_{Green} + S_{Admin}) + F + P \right)$$

Where:

- Z (Revenue): Net Realisation Value (ex GST).
- A (Land): Acquisition Cost (Inventory Value).
- E (Construction): Hard Construction Costs (Material + Labor + Preliminaries).
- $\sum S$ (Statutory Costs): The sum of specific government levies:
 - S_{LVC} : Lease Variation Charge (Schedule 1 or 2).
 - S_{Util} : Utility Capital Contributions (Icon Water, EvoEnergy).
 - S_{Green} : Tree Protection Bonds and Compliance.
 - S_{Admin} : Development Application (DA) and Legal Fees.
- F (Finance): Interest and Line Fees (Weighted Average Cost of Debt).
- P (Professional Fees): Architecture, Engineering, Quantity Surveying (distinct from statutory costs).

2.2 The Hurdle Rate (H)

To determine PROPOSAL VALID or FALSE, the Actual Return (R_{actual}) is compared against the Market Hurdle Rate (H).

Based on industry submissions referenced in the Project Directive 6 and [MMDR19](#) 3, the adopted hurdle is:

- Target Margin (H): 20% Return on Total Development Cost (TDC).
- Condition: If $R_{actual} < 20\%$, the project is deemed unbankable by Tier 2 lenders and therefore UNVIABLE.

This 20% margin is not arbitrary profit-taking; it is the risk premium required by financiers to underwrite the construction and market risk. In the current high-interest environment (Variable F), this buffer is non-negotiable for securing senior debt.

3.0 DATA ENVIRONMENT & VARIABLE DEFINITION

3.1 Variable Z: Market Revenue Ceilings (Q4 2025)

Variable Z represents the Gross Realisation Value (GRV) or the "Price Ceiling." It is derived from the [MMDR19](#) Benchmark Quantification 3, adjusted for the Fourth Quarter of 2025. This variable is highly sensitive to location (School Catchment, Amenity, Transport) and Product Specification.

Zone	Suburb	Product Typology	Adopted Gross Realisation (Zgross)	Net Revenue (Znet) (ex GST)
A	Griffith (Inner South)	3-Bed High Spec Townhouse	\$1,795,000	\$1,631,818
B	Kaleen (Middle Ring)	3-Bed Standard Townhouse	\$965,000	\$877,272
C	Banks (Outer Ring)	3-Bed Affordable Townhouse	\$760,000	\$690,909

Note: Net Revenue is calculated as $Z_{gross} \div 1.1$, assuming the Margin Scheme is not applied for conservative base-case modeling, or simply Net = Gross - GST liability.

Insight on Variable Z:

The divergence in Variable Z is the primary driver of inequality in the feasibility analysis. A townhouse in Griffith commands 2.3x the revenue of an identical structure in Banks, yet the cost to build (Variable E) does not scale down proportionally. This creates a "Revenue-Cost Squeeze" in the outer rings.

3.2 Variable E: Construction Cost Benchmarks

Construction rates reflect the "Bush Capital Premium," factoring in the 3.75% RLB Tender Price Index escalation and labor scarcity.³

Typology	Specification	Base Rate (/m2)	GFA Assumption	Cost per Unit
High Spec	Basement, Articulated, Lift-Ready	\$4,150	180 m ²	\$747,000

Typology	Specification	Base Rate (/m ²)	GFA Assumption	Cost per Unit
Standard	Surface Park, Brick Veneer	\$2,950	140 m ²	\$413,000
Affordable	Surface Park, Composite/Brick	\$2,950*	140 m ²	\$413,000

Critical Insight: The cost floor of 2,950/m² applies even in outer suburbs. Trades do not discount their labor for Banks; in fact, travel allowances may increase costs relative to central sites. This creates a hard floor for Variable E that makes affordable housing extremely difficult to deliver without subsidy or modular intervention.

3.3 Variable C: The Lease Variation Charge (LVC) Matrix

The Lease Variation Charge is the single most volatile statutory variable in the ACT system. It functions as a betterment tax, capturing 75% of the value uplift resulting from a variation to the Crown Lease. For this analysis, we rigorously apply the Planning (Lease Variation Charges) Determination 2025 (No 2).²

- Schedule 1 (The "Unit Titling" Gateway):

- **Applicability:** Applies to leases that permit "residential purposes" generally but do not specify a density cap. This is typical of older RZ1 leases in suburbs like Kaleen and Kambah.
- **Mechanism:** The lease is varied to "specify" the number of dwellings (e.g., to allow unit titling).
- **Rate:** \$46,000 per dwelling (flat fee).²
- **Strategic Implication:** This is the "Golden Ticket" for feasibility. It is a predictable, flat fee that is significantly lower than the value-based Schedule 2 in premium suburbs.

- Schedule 2 (Density Uplift):

- **Applicability:** Applies to leases that already have a specific density cap (e.g., "single dwelling only"), common in newer suburbs or previously varied blocks.
- **Mechanism:** The lease is varied to "increase" the maximum number of dwellings.
- **Rate:** Highly location-specific based on land values.
 - Griffith: \$255,000 (2nd dwg) + \$167,500 (3rd+).²
 - Banks: \$67,500 (2nd dwg) + \$52,500 (3rd+).²

3.4 Variable D: Infrastructure Subtractions

The "Soft Cost" allowance must be replaced with granular utility calculations.

- Variable D1: Icon Water (Sewerage & Water):

- governed by the Water and Sewerage Capital Contribution (WSCC) Code.
- Rate: \$961.00 per Net Equivalent Population (EP).²
- Multipliers: Townhouse = 2.5 EP per unit. Single House Credit = 3.5 EP.
- Calculation: (Proposed EP - Existing EP) * Rate.

- Variable D2: EvoEnergy (Electricity):

- Context: The 2025 Gas Ban 4 forces all new dwellings to be fully electrified. This significantly increases the Maximum Demand (MD) per unit due to induction cooktops, electric instantaneous hot water, and heat pumps.
- Augmentation Threshold: >100 Amps per phase (approx 70kVA total 3-phase).
- Impact: A 3-townhouse development with EV charging (7kW per unit) and electric amenities will typically exceed the 100A threshold, triggering "Shared Network Augmentation" charges under the Capital Contributions Code.⁸
- Cost Assumption: While highly site-specific, we assume a provisional sum of \$5,000 per unit for augmentation in constrained areas, or \$15,000 total for the project if the threshold is breached.

3.5 Variable I: The "Soft Infrastructure" Compliance Load

Variable I represents the costs of "living infrastructure" compliance, specifically Tree Protection Bonds and Deep Soil requirements.

- Tree Protection Bonds:

- The ACT Government views trees as assets with a calculable "Amenity Value."
- Formula: Value = Base Value x Species Factor x Aesthetics x Locality x Condition.¹⁰
- Impact: Developers must post a refundable bond based on this value. While refundable, it traps working capital (equity) for the duration of the project (12-18 months).
- Cost: The cost to the project is the Finance Cost of holding this bond (Interest at 8.45%).

- Deep Soil Zones (Yield Loss):

- Requirement for 30% deep soil zone reduces the buildable footprint.

- Financial Effect: Forces double-storey or basement construction to achieve GFA, increasing Variable E (Construction Rate) from a slab-on-ground rate (\$2,200) to a suspended slab rate (\$2,950+).

4.0 SCENARIO A: INNER SOUTH (GRIFFITH)

Typology: 3x High-Spec Townhouses (New Build)

Site Context: RZ2 Zone (Redevelopment), 800m² Block.

Target Market: Downsizers/Executives.

Statutory Context: Lease variation required to increase density (Schedule 2).

4.1 The Forensic Feasibility Stack

A. Revenue (*Z*)

The Inner South market is deep but discerning. Buyers demand high specification.

- Gross Sales ($3 \times \$1,795,000$): 5,385,000
- Less GST (1/11th): (489,545)
- Net Revenue (*Z*): 4,895,455

B. Land Acquisition (*A*)

High land values in Griffith act as a massive barrier to entry.

- Market Value (Griffith RZ2 Site): 2,000,000³
- Stamp Duty (ACT Commercial rates): ~\$96,000
- Total Land Cost: 2,096,000

C. Construction Costs (*E*)

High-spec requirement mandates basements (limestone risk) and lifts.

- GFA: $3 \text{ units} \times 180m^2 = 540m^2$.
- Rate: 4,150/ m^2 (Includes basement & articulation premium).³
- Total Hard Construction: 2,241,000

D. Specific Statutory Costs (*S*)

1. LVC (Variable C):

- Check: Griffith leases usually specify "single dwelling." Variation to 3 units triggers Schedule 2.2
- Calculation:

- Credit: 1 Dwelling.
- 2nd Dwelling Charge: \$255,000.
- 3rd Dwelling Charge: \$167,500.
- Total LVC: 422,500.

2. Icon Water (Variable D1):

- Load: 3 units $\times$ 2.5 EP = 7.5 EP.
- Credit: 3.5 EP.
- Net Increase: 4.0 EP.
- Cost: $4.0 \times \$961 = \$3,844.2$

3. EvoEnergy (Variable D2):

- Critical Check: High Spec = High Load (Induction, 3-phase AC, EV Chargers, Lift).
- Load Est: 3 units $\times$ 25kVA $\approx$ 75kVA.
- Augmentation applies (Assumed >100A limit risk).
- Allowance: 15,000 (Provisional Sum for substation/pillar upgrade).

4. Tree Bonds (Variable I):

- Griffith has mature canopy (Oaks/Elms). High probability of regulated trees on verge.
- Amenity Value Bond: \$40,000 (Refundable).
- Cost: Finance on bond (18 mths @ 8.45%) = \$5,070.
- LMPP Fees: \$500.

5. Regulatory Friction (Variable G):

- DA Fees (Cost of Works $\sim 2.2M$) : *Base* \$3,404 + 0.25% excess. Approx 9,000.2
- LVC Admin Fee: 2,637.
- Total Statutory Costs: 458,551

E. Professional Fees (P)

High-end design requires premium consultants (Architect, Landscape, Interior).

- Architect/Engineer/Planner: 10% of Construction Costs.11
- Total Prof Fees: 224,100

F. Finance Costs (F)

- Rate: 8.45% p.a. (Non-Bank).3
- Land Finance (18 mths): $2.096M \times 8.45\% \times 1.5 = \$265,668.$

- Construction Finance (12 mths, S-Curve 60% util):
 $2.24M \times 60\% \times 8.45\% = \$113,580$.
- Total Finance: 379,248

G. Marketing & Sales

- Agent Fees + Marketing (2.5% of Gross): 134,625.

4.2 Subtractive Calculation (Scenario A)

Item	Amount
NET REVENUE (Z)	4,895,455
Less: Land (A)	(2,096,000)
Less: Construction (E)	(2,241,000)
Less: Statutory Costs (S)	(458,551)
Less: Professional Fees (P)	(224,100)
Less: Finance (F)	(379,248)
Less: Marketing	(134,625)
ACTUAL RESIDUAL RETURN (R_{actual})	(\$638,069)

PROFIT MARGIN: −11.5% (Negative Equity)

HYPOTHESIS RETURN: FALSE (UNVIABLE)

4.3 Diagnostic: The Griffith "Gold Plating" Trap

The calculation returns a significant loss of over \$638k.

- Feasibility Killer: LVC Schedule 2. The LVC bill of \$422,500 is equivalent to 19% of the hard construction cost. It effectively consumes the entire developer margin. The government is effectively the "majority partner" in the profit, taking \$422k upfront while the developer takes the risk for a negative return.
- Land Value Disconnect: The market price for land ($2M$) assumes a development potential that is eroded by the statutory tax wedge. The residual land value ($A_{residual}$) that would make this viable is approximately \$1.3M, yet vendors will not sell at this price.
- Implication: To make this feasible, the Revenue (Z) must increase. Developers are forced to target the \$2.5M+ price point ("Ultra-Luxury"), effectively abandoning the "Missing Middle" for the "Top End." They must "Gold Plate" the project to justify the fixed land and statutory costs.

5.0 SCENARIO B: MIDDLE RING (KALEEN)

Typology: 3x Standard Townhouses

Site Context: RZ1 Zone (large block >800m²).

Target Market: Upgrader Families.

Statutory Context: Unit Titling via Schedule 1 (The Gateway).

5.1 The Forensic Feasibility Stack

A. Revenue (*Z*)

Kaleen represents the pragmatic family market.

- Gross Sales ($3 \times \$965,000$): 2,895,000 ³
- Less GST (1/11th): (263,182)
- Net Revenue (*Z*): 2,631,818

B. Land Acquisition (*A*)

- Market Value (Kaleen): 1,100,000 ³
- Stamp Duty: ~\$50,000
- Total Land Cost: 1,150,000

C. Construction Costs (*E*)

- GFA: $3 \text{ units} \times 140m^2 = 420m^2$.
- Rate: 2,950/ m^2 (Standard).³
- Total Hard Construction: 1,239,000

D. Specific Statutory Costs (*S*)

1. LVC (Variable C) - Critical Check:

- Lease Status: Kaleen RZ1 leases typically permit "residential purposes" without a number cap.²
- Trigger: Variation to specify 3 dwellings for unit titling.
- Schedule: Schedule 1 applies.
- Rate: \$46,000 per dwelling.²
- Calculation: $3 \text{ dwellings} \times 46,000 = \mathbf{\$138,000}$.
- Note: This is significantly cheaper than Schedule 2 in Griffith (\$422k), providing an "Arbitrage Sweet Spot."

2. Icon Water (Variable D1):

- Net Increase: 4.0 EP (Same as Scenario A).
- Cost: 3,844.

3. EvoEnergy (Variable D2):

- Standard Townhouse = Gas Ban forces All-Electric.
- Load Management: Design can likely constrain load to <100A per phase (3-phase supply).
- Assumption: \$0 Augmentation (Managed via load control relays).

4. Tree Bonds (Variable I):

- Established suburb. Assume 1 regulated tree (Medium Amenity).
- Bond Finance Cost (\$15k @ 8.45%): \$1,267.

5. Regulatory Friction (Variable G):

- DA Fees: ~\$6,000 + LVC Admin. Total \$8,600.
- Total Statutory Costs: 151,711

E. Professional Fees (*P*)

- Standard Design (Repeatable): 8% of Construction.¹¹
- Total Prof Fees: 99,120

F. Finance Costs (*F*)

- Land Finance (18 mths): $1.15M \times 8.45\% \times 1.5 = \$145,762$.
- Const Finance (12 mths): $1.239M \times 60\% \times 8.45\% = \$62,817$.
- Total Finance: 208,579

G. Marketing & Sales

- Agent Fees (2.0% of Gross): 57,900.

5.2 Subtractive Calculation (Scenario B)

Item	Amount
NET REVENUE (<i>Z</i>)	2,631,818
Less: Land (<i>A</i>)	(1,150,000)
Less: Construction (<i>E</i>)	(1,239,000)
Less: Statutory Costs (<i>S</i>)	(151,711)
Less: Professional Fees (<i>P</i>)	(99,120)
Less: Finance (<i>F</i>)	(208,579)
Less: Marketing	(57,900)
ACTUAL RESIDUAL RETURN (R_{actual})	(\$274,492)

PROFIT MARGIN: -9.4% (Loss)

HYPOTHESIS RETURN: FALSE (UNVIABLE)

5.3 Diagnostic: The "Battleground" Failure

Even with the favorable Schedule 1 LVC (\$138k vs \$422k), the project fails.

- Feasibility Killer: Construction Costs vs. Land Price Inertia.

- The land price (\$1.1M) reflects the utility value of the existing house, not its redevelopment value. Homeowners value their large blocks for lifestyle, setting a floor price that developers cannot match given high construction costs.
- Construction (\$1.24M) + Land (\$1.15M) = \$2.39M. This leaves only ~\$240k for all soft costs, finance, and profit. With Finance and Statutory costs totaling ~\$360k, the project is underwater before it starts.
- Viability Pathway: This scenario only works for a Builder-Developer who can strip out the 15% builder margin from Variable E (saving ~\$180k), or a landowner who has held the property for decades (low Land Cost basis). It is unviable for a developer purchasing land at market rates.

6.0 SCENARIO C: OUTER RING (BANKS)

Typology: 3x Affordable Townhouses

Site Context: RZ1/RZ2 Fringe.

Target Market: First Home Buyers / Investors.

Statutory Context: Schedule 2 Density Uplift (Newer Leases).

6.1 The Forensic Feasibility Stack

A. Revenue (*Z*)

Revenue is capped by FHB borrowing power.

- Gross Sales ($3 \times \$760,000$): 2,280,000 3
- Less GST (1/11th): (207,273)
- Net Revenue (*Z*): 2,072,727

B. Land Acquisition (*A*)

- Market Value (Banks): 750,000 3
- Stamp Duty: ~\$30,000
- Total Land Cost: 780,000

C. Construction Costs (*E*)

- GFA: 3 units $\times 140m^2 = 420m^2$.

- Rate: $2,950/m^2$ (Costs do not drop in outer suburbs; trades charge travel premiums).
- Total Hard Construction: 1,239,000

D. Specific Statutory Costs (*S*)

1. LVC (Variable C):

- Check: Banks leases are typically newer/specific ("single dwelling only"). Schedule 2 applies.
- Calculation:
 - 2nd Dwelling: \$67,500.
 - 3rd Dwelling: \$52,500.
- Total LVC: 120,000.

2. Icon Water: 3,844.

3. EvoEnergy (Variable D2):

- Critical Risk: Outer ring infrastructure is often "stringy" (weaker).
- Adding 3 units might trigger shared network augmentation even if load is managed.
- Policy: MMDR18 notes "aggressive capital contributions."
- Assumption: Minimal augmentation charge or shared cost. \$5,000 provision.

4. Tree Bonds: Lower amenity value trees. Finance cost: 500.

5. Regulatory Friction: 8,000.

- Total Statutory Costs: 137,344

E. Professional Fees (*P*)

- Economy/Repeat Design: 6%.
- Total Prof Fees: 74,340

F. Finance Costs (*F*)

- Land Finance: $780k \times 8.45\% \times 1.5 = \$98,865$.
- Const Finance: $1.24M \times 60\% \times 8.45\% = \$62,817$.
- Total Finance: 161,682

G. Marketing & Sales

- Agent Fees (2.5% - harder to sell off-plan?): 57,000.

6.2 Subtractive Calculation (Scenario C)

Item	Amount
NET REVENUE (Z)	2,072,727
Less: Land (A)	(780,000)
Less: Construction (E)	(1,239,000)
Less: Statutory Costs (S)	(137,344)
Less: Professional Fees (P)	(74,340)
Less: Finance (F)	(161,682)
Less: Marketing	(57,000)
ACTUAL RESIDUAL RETURN (R_{actual})	(\$376,639)

PROFIT MARGIN: -15.3% (Critical Failure)

HYPOTHESIS RETURN: FALSE (UNVIABLE)

6.3 Diagnostic: The "Feasibility Desert"

The Banks scenario represents a structural market failure.

- Feasibility Killer: Construction Cost (E) relative to Revenue (Z).

- Construction (\$1.24M) consumes 60% of the Net Revenue (\$2.07M).
- In a viable development model, Construction should rarely exceed 40-45% of GRV.
- The "Bush Capital Premium" on trades sets a floor price that the Tuggeranong revenue ceiling cannot support.
- LVC Impact: Even with a "Low" LVC intensity (\$120k), the project cannot absorb any statutory friction. The project is loss-making even if LVC were \$0. This confirms that DPA-04 cannot deliver affordable housing in the outer ring through private market mechanisms alone.

7.0 THE DIALECTICAL CONCLUSION

7.1 Identification of "Feasibility Killers"

The forensic analysis isolates distinct "killers" for each zone, confirming that a "one-size-fits-all" policy like DPA-04 generates asymmetric economic outcomes.

Zone	Primary "Feasibility Killer"	Mechanism of Failure
Inner South (Griffith)	Statutory Taxation (LVC)	Schedule 2 LVC (\$422k) acts as a super-tax, stripping 100% of the developer's margin. It forces "Gold Plating" to chase revenue, increasing risk.
Middle Ring (Kaleen)	Land Value Inertia	Existing detached housing values (\$1.1M) are too high relative to the density uplift yield. The "Option Value" of the land exceeds its redevelopment value.
Outer Ring (Banks)	Construction Cost Floor	The Trade Labor Premium (2,950/m ²) is structurally incompatible with affordable revenue caps (\$760k). No amount of planning reform can fix this arithmetic.

7.2 Second-Order Insight: The Green/Energy Conflict

A hidden friction point identified in the synthesis of MMDR18 and [MMDR19](#) is the clash between Decarbonisation and Affordability.

- The 2025 Gas Ban mandates full electrification.
- This increases Maximum Demand per dwelling (Induction + Heat Pumps).
- This triggers EvoEnergy's Augmentation Thresholds (>100A), imposing capital contributions (Variable D2) that would not have existed for gas-connected dual occupancies.
- Simultaneously, Tree Canopy/Deep Soil rules (Variable I) force larger building footprints or basements, driving up Variable E.
- Result: Green policy settings are actively eroding the feasibility of the affordable housing policy settings.

7.3 Final Recommendation on DPA-04

The DPA-04 policy settings, as currently calibrated with the 2025-26 Statutory Charges, DO NOT achieve their stated economic goals of delivering widespread "Missing Middle" housing.

The policy creates a "missing market" where:

1. Affordable supply is mathematically impossible in the outer suburbs due to construction costs.
2. Infill in premium suburbs is stifled by punitive LVC rates that capture value before it is realized.

Strategic Recommendation:

To activate the "Missing Middle," the ACT Government must decouple the LVC from the "density uplift" mechanism for projects under 4 dwellings. A flat, nominal infrastructure charge (similar to Schedule 1) should replace the valuation-based Schedule 2 for all Missing Middle typologies to de-risk the statutory wedge. Without this recalibration, DPA-04 will result in paper density only, with negligible physical delivery of stock.

HYPOTHESIS RETURN: FALSE.

STATUS: UNVIABLE UNDER CURRENT SETTINGS.

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