
F Jurisdictional infrastructure contribution arrangements

New South Wales

Funding for local infrastructure provision in New South Wales is based on Section 94 Contribution Plans which assess the amount of local infrastructure required for new communities. The plans determine the contribution towards these items that are paid through the development process (as a condition of consent).¹ In 2009-10, local councils were able to fully recover the incremental costs attributable to a development for:

- local roads
- local bus infrastructure
- local parks that service a development site or precinct
- drainage and water management expenses
- land and facilities for local community infrastructure that services a development site or precinct
- land for recreation facilities and other community infrastructure (including pedestrian and cycle facilities, parks, sport facilities, child care centres and libraries) (Department of Planning (NSW) 2010c).²

Section 94 Contribution Plans are required to show the relationship between anticipated population growth and the new infrastructure to be provided. Water and sewerage authorities and the state government have historically also been able to charge developer levies. According to the Treasury (NSW) (2007), local section 94 levies are set to recover 100 per cent of attributable costs.

¹ The *Environmental Planning and Assessment Act 1979* requires councils to only impose section 94 contributions that are authorised by a contributions plan and to use contributions for the purpose for which they were required and within a reasonable time.

² All other costs, such as those incurred for facilities benefiting existing communities (including council or district-wide community and recreation facilities) cannot be recovered through local infrastructure contributions.

A package of reforms aimed at improving housing affordability and accountability for development contributions included a \$20 000 per dwelling or subdivided lot cap on local government (section 94) infrastructure charges that took effect on 30 April 2009 (councils were able to apply to the NSW Minister for Planning to allow charges above the threshold).^{3,4} Excluded from the cap were fixed percentage contributions under section 94A (infill) and land ceded as an in-kind contribution. Cessation of water infrastructure charging by Sydney Water and Hunter Water was another reform component in place during 2009-10 (Department of Planning (NSW) 2009a).

In addition, the State Infrastructure Contribution (SIC) for new developments in the North West and South West Sydney growth centres covering the cost of land and/or buildings for specific regional infrastructure items was applied during the benchmarking period at a rate of \$269 649 per developable residential hectare (or 18 331 per average sized lot for residential development) and \$116 899 per developable industrial hectare.⁵ According to the Treasury (NSW) (2007), the SIC was set to recover 75 per cent of incremental costs attributable to state infrastructure in 2009-10 (the proportion was subsequently reduced to 50 per cent or \$11 000 per average sized residential lot if the monetary contribution is paid before 1 July 2011).

Victoria

In Victoria, Development Contribution Plans (DCPs) provide for the charging of development infrastructure for works, services and facilities and for certain community infrastructure items. However, infrastructure charges typically involve ‘voluntary agreements’ between developers and councils (section 173 Agreements) which are legally binding once agreement has been reached. According to Urbis (2010), this leads to site specific infrastructure charging which is inconsistent and

³ According to the Urban Taskforce Australia (sub. 59, p. 7–8), nineteen local councils have been granted Ministerial approval to exceed the threshold with Pittwater Council being said to be the highest charging council with developer charges of \$62 000 per lot. The New South Wales Government announced the \$20 000 cap for infill developments would be made a ‘hard’ cap on 4 June 2010.

⁴ The cap was subsequently increased to \$30 000 for greenfield developments in September 2010. Where development in a greenfields release area was substantially underway, that release area was exempted from the requirements of the cap. The \$20 000 cap remained in place for established areas.

⁵ The North West Growth Centre is within the Local Government Area boundaries of The Hills Shire, Blacktown City and Hawkesbury City. The South West Growth Centre is within the Local Government Area boundaries of Liverpool City, Camden and Campbelltown City.

lacks transparency. In designated growth areas, DCPs have recently been introduced to implement the infrastructure requirements assessed in Precinct Structure Plans.

As well as local government charges, state based infrastructure charges for water and sewerage infrastructure are levied for both infill and greenfield areas (around \$1000 for each item). In addition to council administered DCPs, infrastructure levies for the expanded Urban Growth Boundary (covering local government areas) has been set under the Growth Areas Infrastructure Contributions charge (GAIC) at up to \$95 000 per hectare (or between \$9500 and \$7900 per lot based on 10–12 lots per hectare). It came into effect on 1 July 2010 (and so lies outside the reference period for this study).^{6,7}

The HIA questioned whether the approach to charging for infrastructure in the expanded urban growth boundary (still relevant to 2009-10 practices in Victoria and other jurisdictions) was consistent with best-practice principles (boxes 6.4 and 6.5).

The method of allocating the GAIC across Melbourne's growth areas raises issues about the nexus between the raising of revenue and the provision of infrastructure to service particular development areas. ...

Up to 50 per cent of the levy will contribute towards public transport with the remaining 50 per cent to contribute to other regional community infrastructure such as health services, libraries and sporting grounds. Once again, there is the likelihood that new residential development will be called upon to meet the cost of infrastructure that will be utilised by the broader community. (sub. 42, p. 32)

The HIA went on to note the potential consequences for residential housing development:

If the amount of development contribution exceeds the benefits receivable from the infrastructure, new home purchasers may be unwilling to pay the full price of new housing. This is more likely to be the case where local developments have to incur a disproportionate share of the cost of state and regional infrastructure upgrades and expansion and local community-based infrastructure such as child-minding centres and libraries. (sub. 42, p. 33)

⁶ The Planning and Environment Amendment (Growth Area Infrastructure Contribution) Act 2010 was given royal assent on 1 June 2010 and came into operation on 1 July 2010. It will require 30 per cent of the Growth Area Infrastructure Contribution (GAIC) to be paid upfront and 70 per cent to be paid throughout the development process, in particular at the gazettal of the Precinct Structure Plan.

⁷ Six councils manage growth areas on the urban fringe — or interface between metropolitan and rural areas. They are: Cardinia, Casey, Hume, Melton, Whittlesea and Wyndham (all in the Commission's sample).

Queensland

In Queensland, Infrastructure Contributions Planning Scheme Policies and PIPs (box 6.1) allow councils to define the infrastructure needs required to service existing and future development. Infrastructure Contributions Planning Scheme Policies and PIPs also allow councils to set charges for:

- urban and rural residential water cycle management infrastructure
- transport infrastructure, including roads, vehicle lay-bys, traffic control devices, dedicated public transport corridors, public parking facilities predominantly serving a local area, cycle ways, pathways, ferry terminals and the local function, but not any other function, of state-controlled roads
- public parks infrastructure supplied by a local government, including playground equipment, playing fields, courts and picnic facilities
- land, and works that ensure the land is suitable for development, for local community facilities, including, for example community halls or centres, public recreation centres and public libraries.

These charges are based on infrastructure contribution units (ICUs).⁸

Infrastructure charges vary across larger (high growth) councils and across localities within a council area.⁹ This flexibility recognises the cost of extending infrastructure to service a development depends on a wide range of local and regional factors. However, variations also arise through what is included in infrastructure assessments, the methodology used to calculate the infrastructure cost and the council's policy toward full or partial cost recovery (Urbis 2010). By way of example, the Sunshine Coast Regional Council (2010) had Infrastructure Contributions Planning Scheme Policies in place for the following land and/or works items in 2009-10: bike lanes, pathways and footpaths (in public road reserves); biting insects; council roads; car parking; open space and land for community facilities and trails; public transport; stormwater; and water supply and sewerage (Sunshine Coast Council 2010).

Flexibility results in greater variability of charges in Queensland compared to other jurisdictions. As an example of that variability, a recent stylised intra-jurisdictional

⁸ The value of an ICU varies across councils and is adjusted annually to reflect movements in related price indexes.

⁹ The Queensland Government introduced a standard regulated infrastructure charge schedule (RICS) in 2004. The RICS is a conservative maximum amount per charge unit and may be adopted by a local government that has a Priority Infrastructure Plan. The RICS is generally more suited to smaller, slower growing councils with smaller populations but larger councils may also adopt the RICS.

comparison of infrastructure charges revealed a range between \$10 000 and \$40 000 for a low density residential block, \$27 000 to \$806 000 for 1000m² retail development and \$34 000 to \$900 000 for a 5000m² industrial floor space on a one hectare site (see below) (AEC Group 2009).

Western Australia

In Western Australia, land developers are responsible for the provision of economic infrastructure including water supply, sewerage and drainage, roads and power, and certain social or community infrastructure, such as public open space (equivalent to 10 per cent of the gross subdivisible area or, alternatively, a cash in lieu contribution) and primary school sites necessary for the development. In addition, local councils can seek contributions for the capital costs of community or social infrastructure including:

- sporting and recreational facilities
- community centres
- child care and after school centres
- libraries and cultural facilities
- other services that may reasonably be requested.

Development contribution requirements can be satisfied by:

- ceding of land for roads, public open space, primary school sites, drainage and other reserves
- construction of infrastructure works which are transferred to public authorities on completion
- monetary contributions to acquire land or undertake works by or on behalf of public authorities; or
- a combination of the above.

Requirements for development contributions are imposed by way of conditions on subdivision, strata subdivision or, in areas of fragmented ownership where cost sharing arrangements are necessary, by development schemes or development contribution arrangements under local government schemes (Western Australian Government 2009).

South Australia

The *Development Act 1993* sets mandatory developer contributions for a limited number of infrastructure items including open space, car parking, affordable housing, roads and hydraulic connections where the development qualifies (UDIA, sub. 53) but there is no legislated developer contribution for headworks outside the development site. However, developers are responsible for local roads, minor water and sewerage works as well as stormwater, gas and electricity connections within a subdivision. Developers of subdivisions are also generally required to provide up to 12.5 per cent of the subdivision as local open space. While not mandatory, the developer generally develops this open space with landscaping and some recreation equipment. The design of open space is generally negotiated with the local council.

South Australia is one of the few states where there are no formal powers for contributions by developers towards infrastructure headworks outside of the development site. Some recognition of this would assist state and local agencies to provide such services on a programmed basis (Whyalla City Council, sub. 55, p. 2).

In addition, for very large master plan suburb developments, developers will on occasion contribute to social infrastructure such as community facilities. This is often negotiated outside the legislation as part of marketing of the development and in order to create goodwill as part of ongoing project rollout (PC State and Territory Planning Agency Survey 2010 (unpublished)).

Tasmania

Developer contributions in Tasmania cover one of the narrowest range of infrastructure items and are limited to: local roads (which may either be shared with or provided by local councils); minor water and sewerage works (for example, reticulation pipes that connect properties to the headworks); and storm water (which may either be shared with or provided by local councils).

ACT

The ACT system of land development involved a roughly equal share of public, private and joint venture development arrangements in 2009-10 with ACT Government agencies responsible for providing road (trunk and local), water (head works and minor), sewerage (head works and minor), stormwater, electricity and gas (tables 6.8). Aside from these infrastructure items, developers are typically asked to provide items including traffic control devices, pollutant traps and ponds,

streetlights, car parks, parks and urban spaces, street furniture and fibre optic telecommunications.

Northern Territory

A service authority or local authority may make a contribution plan under section 68 of the Planning Act. The contribution plan can be for the purposes of repair and maintenance of capital works, works required as a condition of a development plan, or the provision of public car parking. The contribution plan must specify the formula for calculating the contribution and the intended order in which works are to occur.