

## **Local Government Association of Queensland Submission Productivity Commission Inquiry - First Home Ownership**

The Local Government Association of Queensland (LGAQ) represents all 125 Queensland local governments and 10 Aboriginal and Islander Community Councils. The Association provides support through representation of Queensland Local Government to State, Federal Governments and other bodies such as the Productivity Commission and undertakes the development and progression of Queensland Local Government policy.

The current policy of Queensland Local Government in relation to housing affordability is:

Local Government will work with the State Government to ensure adequate financial assistance and training is made available to those Councils that wish to identify the need for and the provision of affordable housing in local communities.

Also the LGAQ's Queensland 2004 State Election Local Government Policy Plan states;

### **Introduce the power for Local Government to Levy Development to Provide Affordable Housing.**

Rapid re-development of older areas and increased regulation of the low cost accommodation market have generated the need for action on the provision of affordable housing. Affordability has the potential to affect all communities and there are increasing pressures on Local Government to respond to this issue particularly in major urban centres.

Local Government does not have adequate revenue or the capacity within the planning system to ameliorate the impact of drops in affordability. Therefore, the ability to levy developments to provide revenue to create affordable housing stock either directly or through a housing trust or corporation is a key financial tool required by Queensland Local Government.

In this context the LGAQ welcomes the inquiry as housing affordability is a major economic and community issue, which has impacts at all levels of society and requires response from all levels of government. Queensland Local Government is currently addressing housing affordability within its range of policy and regulatory influence at both a local and regional context. The efforts of Local Government include a number of innovative projects, which extend from direct provision of community housing to establishing coalitions of state government, community and industry groups to address the issue across a region.

The LGAQ on behalf of Local Government looks forward to the recommendations of the Commission. In short, the provision of resources, facilitation of existing local governments efforts and the development of new statutory and non-statutory mechanisms to assist Local Government to play a more active role in housing issues would be welcomed.

In responding to the terms of reference for the inquiry, this submission will primarily address three elements of Local Government influence over affordability of first homes. These are:

1. Queensland Local Government Regulatory Fees and Infrastructure Charges,
2. The planning context to the supply of residential land for development, and
3. The innovative projects underway in Queensland Local Government.

## 1. Queensland Local Government Regulatory Fees and Infrastructure Charges

### 1.1 Regulatory Fees:

The regulatory fees charged by Queensland Local Government are:

- Legislatively limited to a maximum of cost recovery and required to be set through resolution of Council,
- Have been and remain in most local governments subsidised by general revenue, and
- Cannot be considered in case studies examined to be a driver to the massive increase in house prices.

#### Legislative Limit:

Queensland Local Government are legislatively limited to setting regulatory fees at a maximum of cost recovery, please refer to s. 1071A(2). The *Queensland Local Government Act 1993* states;

*“1071A.(1) A local government may, by local law or resolution, fix a fee (a “regulatory fee”) for any of the following—*

- (a) an application for, or the issue of, an approval, consent, license, permission, registration or other authority under a local government Act;*
- (b) recording a change of ownership of land;*
- (c) giving information kept under a local government Act;*
- (d) seizing property or animals under a local government Act.*

*(2) A regulatory fee must not be more than the cost to the local government of providing the service or taking the action for which the fee is charged.*

As the regulatory fees and charges are determined through a resolution process, the Council is held publicly accountable for the level of fees. Further, the community have provision under the *Local Government Act 1994* to seek review and investigation of the decisions of Councils.

#### Subsidisation of Regulatory Services and Infrastructure Charges:

The majority of Queensland Local Governments subsidise the actual cost of development assessment and regulation fees through general revenue. This practice has been maintained in major, high growth local governments as well as smaller rural and remote local governments on the basis of;

- Encouraging development,
- Encouraging population growth, and
- The regulatory function and infrastructure provision have broad community benefit.

The sustained growth in land development and housing, population growth experienced in coastal Queensland and the increased shifting of responsibility to Local Government has resulted in a number of Councils moving to cost recovery in determining regulatory fees.

**Relative contribution of fees/charges to increasing house prices:**

In a survey of Queensland Councils it was determined that Councils regulatory fees have in a number of larger Councils increased in the move to cost recovery. This is certainly not true for all Councils. Detailed consideration of three (3) of the largest high growth local governments demonstrates:

- The relative contribution of fees/charges to house price is minimal if not reducing,
- The regulatory infrastructure fees/charges are subsidised, and
- The move to full cost recovery is resulting in increased efficiencies in Councils.

Three Councils have been identified all of which are large high growth area in South East Queensland. Their experiences particularly in relation to policies applied in pursuing cost recovery or subsidisation and in comparing them to median house price increases is illustrative of the above points.

**Case Studies - Three High Growth Local Governments:**

**Case Study 1: Brisbane City Council:**

The capital of Queensland with a population of 898 480 in the 2001 census which has increased from 819 380 in the 1996 census.

The Council initiated a policy of moving to full cost recovery over a two year period finishing in 2002/03. As can be seen even in the context of moving to full cost recovery Brisbane City Council still effectively subsidises the regulatory function in 2001/02 to an amount of 34.6%. This has been driven by the significant jump in development and increased demands being made on Council to meet time frames and expectations under legislation. In short, Brisbane up until 2001/02 has significantly subsidised the actual regulatory cost on all development including first home buyers.

Financial year	Expenses	Revenue	Gap	Gap(as % of Expenses)
1998/99	12.487m	10.274m	\$2.213m	17.7%
1999/00	12.622m	12.483m	\$0.139m	1.1%
2000/01	12.446m	10.422m	\$2.024m	16.3%
2001/02	14.081m	9.205m	\$4.876m	34.6%

**Table 2: BCC - Comparison Expenditure/Revenue Development Assessment**

As an interesting comparison the median house price for Brisbane City has increased for the five years from June 1998 to June 2003 by a total of 74%.

**Case Study 2: Maroochy Shire Council:**

Maroochy Shire is one of the fastest growing municipalities in Australia. In the intercensal period from 1996 - 2001, the population of the Shire grew from 111,798 to 129,429, amounting to an average annual increase of 3.0% p.a.

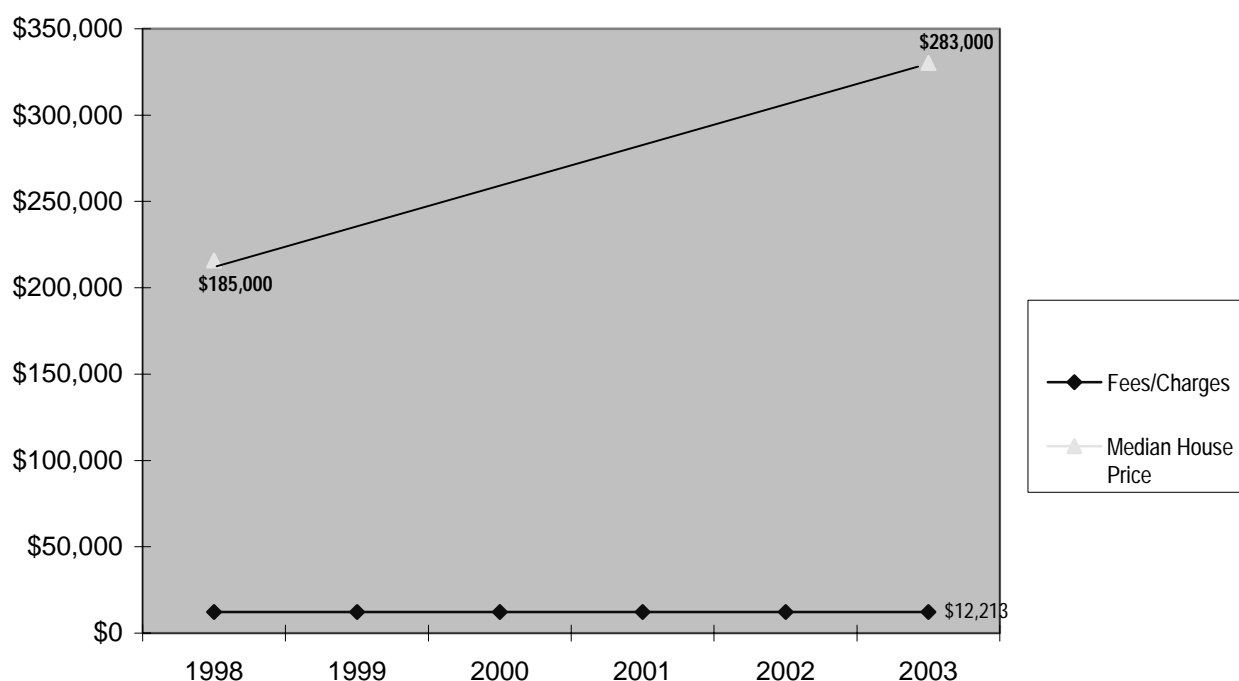
Maroochy Shire Council represents an interesting case study as:

- Fees and charges have been frozen for five years (5),
- Increases in the future will be on the basis of CPI,
- In a representative suburb, (Mountain Creek) the contribution of fees and charges to house price is 3.49%.

Maroochy Shire has held the policy position of not raising regulatory fees since the financial year 1998/1999. This policy will not however be maintained and fees will be raised in the financial year 2003/2004, based on the Consumer Price Index (All States).

A costing has been prepared by Maroochy Shire Council and is attached which details the total fees and charges for a new house in the representative suburb of Mountain Creek. The table identifies a total \$12213.68 in fees and charges attributed to a new house. The median house price for Mountain Creek for the June Quarter in 2003 with a total of was \$350,000. The contribution of the average fees expressed, as a percentage of median house price for Mountain Creek is 3.49%.

As an interesting comparison the median house price for Mountain Creek over the period that Maroochy Shire has frozen regulatory fees has increased from \$185,000 to \$350,000, an increase of 89.19%. Over this period and with the policy of Maroochy Shire to not increase fees and charges the relative percentage contribution of fees and charges to house price has decreased from 6.6% to 3.5%.



**Figure 1: Maroochy Shire Council (Mountain Creek) Fees/Charges compared to Median House Price June 98 - June 03**

In summary, it cannot be considered that fees/charges in any way have been a driver or even a contributor to any drop in affordability in housing in Maroochy.

**Case Study 3: Logan City Council:**

Logan City is a major urban council, which borders Brisbane to the south and is located in the high growth corridor between Brisbane and Gold Coast. The estimated population in June 2004 is 172,500, which will be a 4.4% growth on the June 1999 population of 165,195.

Logan City Development Fees/Charges	% Change July 98 - June 2004
Development approvals	3.95%
Water Connections	2.22%
Building approvals	6.18%
Reconfiguration of a lot	4.7%
Headworks Charges: Water& Sewerage	4.07%

**Table 3: Logan City Council - % change for Fees/Charges 98 - 04**

Over the period of 1998 -2003 headline CPI (exclusive of GST effects) for Brisbane increased by an average of 2.9% per annum. The move to full cost recovery in 2000/01 has resulted in a small increase above CPI.

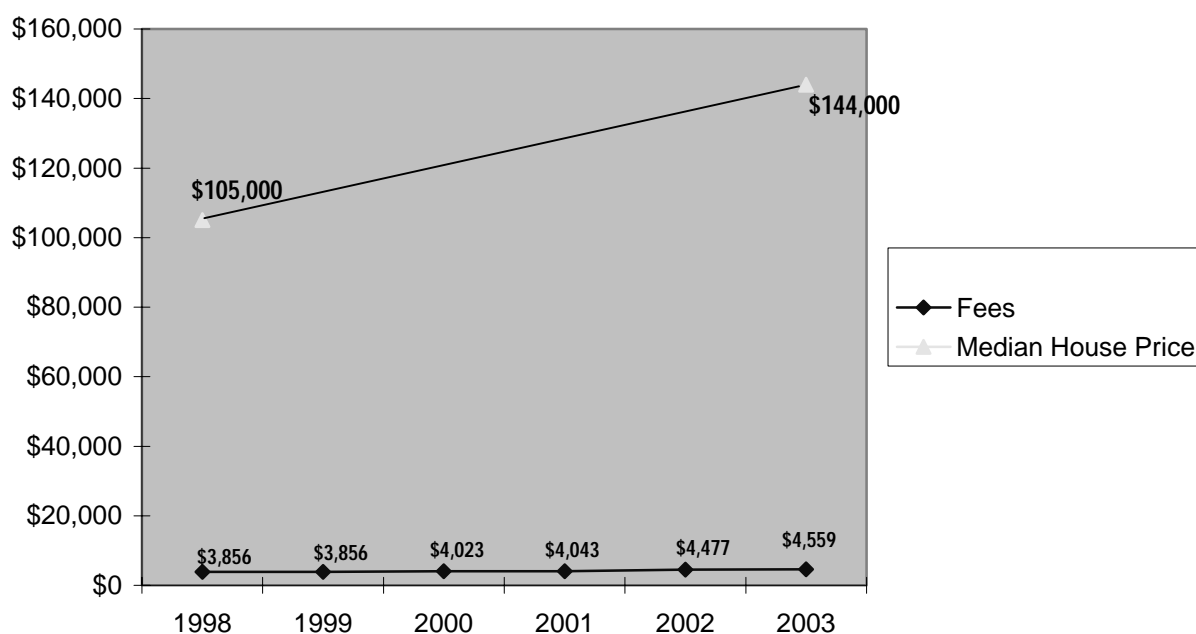
Further analysis has shown that the percentage contribution of planning applications has decreased from a high of 3.8% in 2000/01 to 3.2% in 2002/03.

	98/99	99/00	00/01	01/ 02	02/03
Total cost of above five planning applications as % of median house & land prices (%)	3.6	3.8	3.8	3.7	3.2

**Table 4: Logan City Council - Development Assessment Fees/Charges as % of Median House Price.**

This table presents selected fees and charges for a standard residential dwelling as a percentage of the median house and land prices for residential dwellings. This clearly demonstrates that over time comparatively fees/charges, even though Logan has moved to full cost recovery, have actually decreased as a proportion of the price.

The following graph again depicts the actual change in standard planning fees and charges against the change in the median house price over five (5) years.



**Figure 2: Logan City Council: Fees/Charges compared to Median House Price June 98 - June 03**

## 1.2 Infrastructure Planning and Charging Legislative:

In the planning, provision and costing of local infrastructure, Queensland Local Government operates under the Integrated Planning Act 1997 (IPA) . Under IPA 97 local governments must plan for the integrated provision of:

- Local roads,
- Storm water,
- Sewerage,
- Water, and
- Parks.

The legislation contains specific methodology for determining the level of servicing and determining the charges to be applied to new development for the provision of the infrastructure. As with regulatory fees, charges are restricted in legislation to be no more than the cost of providing the infrastructure to service the property.

The legislation has recently been significantly redrafted to provide a simple, effective methodology for the calculation and apportionment of charges. The process will ensure that the infrastructure charges are calculated using a transparent and consistent methodology across Queensland. Further, community and industry groups have the opportunity to review the draft methodology and provide comment for consideration by Council.

Where Councils have prepared and applied the infrastructure planning and charging methodology, there has been an increase in charges to provide the infrastructure.

Primary contributors to the increase in infrastructure charges include:

- Population and development pressure,
- Historically Councils have not charged the actual cost for the provision of infrastructure,
- Significant increase in land prices for essential services, and
- Increasing community expectation and legislative requirements in terms of the standards for infrastructure.

Maroochy Shire is a leading Council in applying the infrastructure planning and charging regime. The following Figure illustrates that even moving to charging under the priority infrastructure planning and charging regime there will be a significant gap into the future. The time frame for the future gap is a fifteen (15) year planning horizon for infrastructure networks.

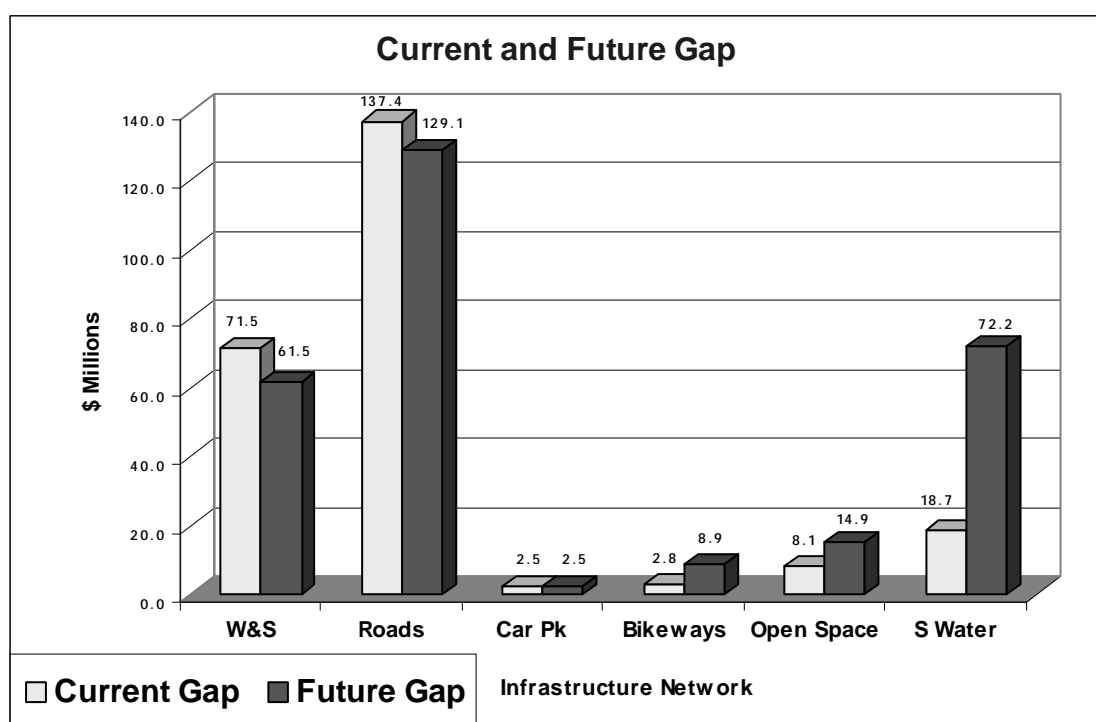


Figure 3: MSC - Current and Future revenue gap Infrastructure Network at November 2001

It is considered that the Maroochy Shire Council experience will be replicated across Queensland's high growth councils. The introduction of the requirement for detailed infrastructure planning and charging will result in more accurate calculation of the actual cost of providing infrastructure for new development and more equitable apportionment of costs.

In summary:

- Legislative requirements have ensured that Councils do not obtain a profit from regulatory fees and charges.
- Legislative requirements ensure that the process for determining fees and charges is open and transparent to both industry and community, which is leading to greater efficiency.

- The fees and charges applied to new housing is, as a maximum, the actual cost incurred by Council in providing the service or undertaking the regulatory function,
- Councils have historically and many still maintain the practice of significantly subsidising the development assessment function and provision of infrastructure to new development, including residential development.
- The actual increase in median house price has been significant. The contribution to that increase from Queensland Local Government fees and charges is minimal.

## **2. Local Governments Land Use Planning Responsibility Land Supply.**

Local Government has a legislative requirement to prepare planning schemes which impact on housing affordability through land supply. Queensland local governments are currently finalising *Integrated Planning Act 1997*, Planning Schemes, which set the strategic framework for land supply for the next six (6) years.

Land supply has been correctly identified as a significant factor in housing prices. All Queensland Councils address land supply for residential development through the planning process required under the IPA 1997. It is considered that this is an appropriate mechanism for the identification of land supply.

Through the planning scheme development process Councils must determine and provide adequate supply for all land uses taking into consideration factors such as:

- Constraints on land,
- Supply of land for other land uses, and
- Population projections.

It has not been determined that land supply is being restricted through the planning process required under IPA 1997. In preparing planning schemes comment is sought from community groups and industry. Further they are subject to a state interest check by the Queensland State Government.

In South East Queensland, recognising that land supply across the region is a significant issue, Local Government is cooperatively undertaking a regional planning process to ensure that adequate supply of residential land is available across the region.

In summary, the process that Councils undertake to ensure adequate supply involves a comprehensive strategic land use planning process, which is transparent to the community and industry and subject to review at a State level.

It is acknowledged that the supply of land available for standard residential A type housing will potentially be limited in the future, specifically in some localities, as it is simply a finite resource in the context of competing land uses such as recreation, environmental protection, commercial uses, agriculture, etc. Where this occurs the challenge facing government, industry and community will be to facilitate regional approaches and innovative responses to housing type and size to continue to provide for the needs and expectations of the community.

## **3. Non-Statutory Initiatives - Local Government:**

In acknowledging that housing affordability is a national issue with significant economic, social and environment consequences at both a national and local level, many Local Governments have sought and implemented non-statutory projects to address affordability. In a brief survey of Queensland Local Government, the following programs were identified:



- Direct provision of housing by Local Government, examples being Quilpie, Mareeba and Roma,
- The creation of the Brisbane Housing Corporation in partnership between the Brisbane City Council and the Queensland Department of Housing,
- The relocation of dwellings to a number of rural shires to meet local housing needs,
- Tara Shire Council - Housing Initiative,
- Proposed creation of Sunshine Coast Regional Housing cooperative supported by local governments,
- Gold Coast community driven housing project with active support from Gold Coast City Council,
- Proposed Central Queensland Housing Company with cooperative effort of Central Queensland Councils.

Local Government is seeking to move beyond planning and regulation functions into direct and innovative projects, which address housing issues at a local/regional level.

#### **4. Recommendations:**

In accordance with the existing Queensland Local Government policy and in light of the findings from the preliminary analysis of Local Government case studies, the following positions and recommendations are put forward for consideration.

**1. Local Government would actively oppose any restrictions of or amendments to the current Development Fees and Charges system.**

Queensland Local Government would actively oppose any conditions or restrictions on the process and framework for determining and applying fees and charges. There is no evidence demonstrating that fees and charges are a significant contributor to house price increases in Queensland. Further, the current legislative mechanisms apply realistic restrictions (full cost pricing) and are transparent to industry and community and promote efficiency.

**2. Local Government should be effectively engaged and consulted in national forums and processes on housing affordability issues.**

It is considered that Local Government should be represented at the National Council of Housing Ministers. Effective engagement and involvement of Local Government would add significant value to national approaches to housing issues.

**3. Additional statutory powers need to be provided to Local Government to address affordability issues on a voluntary basis.**

A growing number of Councils wish to implement new mechanisms and approaches seeking to resolve affordability issues at a local level. Local Government does not have adequate revenue or the capacity within the planning system to ameliorate the impact of drops in affordability. Therefore, the ability to levy developments to provide revenue to create affordable housing stock either directly or through a housing trust or corporation is a key financial tool required by Queensland Local Government. Local governments need to be provided with the statutory mechanisms to implement initiatives on a voluntary basis.

**4. Increased resources and support for Local Governments undertaking non-statutory approaches to local housing issues.**

A significant number of Queensland Councils are currently implementing or investigating innovative and non-statutory projects to address housing supply and affordability. More resources and support should be made available to Local Governments that are attempting these innovative projects.

## Attachment 1:

**Table 1. Council Infrastructure Contributions, Fees or Charges currently applying to a single Detached Dwelling in Mountain Creek**

Council Contribution Amount, Fee or Charge	Monetary Amount	Comments on Services Provided
<b>Development Contributions</b> (applied through Conditions on a Development Approval) - likely to be paid by property developer and passed on to prospective owner of the residential land or new housing		
Water Supply Headworks Contribution	\$3,616.28 (\$1,130.09 x 3.2 EP)	For the construction of larger water mains and water treatment infrastructure.
Sewerage Headworks Contribution	\$3548.40 (\$1,080.75 x 3.2 EP)	For the construction of sewer mains and treatment plant infrastructure.
Bikeway Network Contribution	\$140 (nominal)	Dependent on location of bike network in relation to development (ranges from \$30 to \$140 per lineal metre). Recent estimates put the cost at around \$140 per anticipated new dwelling. Unlikely to be a significant cost to a single residential dwelling.
Open Space Network Contribution	\$3,099	For the purchase and embellishment of open space.
<b>TOTAL</b>	<b>\$10,403.68</b>	Variable depending on bikeways contributions.
<b>Standard Fees &amp; Charges</b> (may be obtained by either the developer or the prospective owner, depending on whether land or house and land package is purchased)		
Town Planning Assessment	\$150.00	If complying with planning scheme requirements. Note, this charge may not be applicable, likely to have been attained by the developer and passed on to the purchaser.
Building Certification	\$260.00	For dwellings with under 300m <sup>2</sup> gross floor area, increases to \$291 where gross floor area exceeds 300m <sup>2</sup> . An additional fee of \$60 applies where a town planning assessment of building works is required by the building assessment.
Building Inspections	\$152.00 for two inspections (as standard practice)	Inspections are charged at \$76 each, and are carried out on building footing, slab, frame and on the final building. Council staff normally conduct two inspections (on the building frame and final), with inspections on the footing and slab normally conducted by the builder's engineer.
Building Application Archive Fee	\$7.00	
Standard Planning and Development Certificate	\$350.00	\$100.00 for limited certificate
New water service connection	\$574.00	For 20mm pipe.
Sewerage Standard Connection Fee	\$207.00	
Plumbing Design and Inspection Fee	\$110.00	

Council Contribution Amount, Fee or Charge	Monetary Amount	Comments on Services Provided
<b>TOTAL</b>	\$1810.00	Variable depending on town planning and building compliance, approvals attained by developer, and floorspace of detached dwelling.
<b>GRAND TOTAL</b>	<b>\$12213.68</b>	For a typical detached dwelling in Mountain Creek.
<b>Other Fees &amp; Charges</b> (these do not necessarily apply to new residential development, but may occur in or around the time of purchase, may also occur as part of an alternative to standard charges)		
Lodgement and Application Fee for Privately Certified Detached Dwellings	\$65.00	
Footpath Vehicular Crossing (when work carried out by Council)	\$460.00	For 4.25m invert. \$490 for 5.00m invert.
Lodgement and Archival Management Fee for Minor Works Structures or Dwelling and habitable extensions	\$65.00	Minor works structures include patios, carports, garages, roofed pergolas, impervious sail structures, decks, swimming pools, retaining walls, isolated structures, fences, signs etc.
Certification and Final Inspection of retaining walls and isolated structures (excluding swimming pools)	\$140.00	
Swimming Pool Certification including 2 Inspections	\$240.00	
Swimming Pool Registration	\$100.00	
Swimming Pool Fencing Bond	\$400.00	
General Pool Fence compliance inspection	\$100.00	
Town Planning Assessment for Self Assessable Dwelling (as nominated by Private Certifier or Building Assessment)	\$60.00	
Amenity and aesthetics assessment with site inspection	\$130.00	

Sources: Maroochy Plan 2000, Maroochy Shire Council Fees & Charges 1998/99