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There's been enough talking – it's time for Action

NSW Productivity Commission releases its Report into Infrastructure Contributions

Urban Taskforce today welcomed the completion of the NSW Productivity Commission's final Report into Infrastructure Contributions and calls upon the Government to implement the recommendation as a matter of urgency to drive economic activity and support our recovery from COVID-19.

The Productivity Commission has undertaken a comprehensive review over the past ten months. The report goes a long way to curb the poor practices which have evolved through the morass which is the NSW Planning System – and no time should be wasted before its recommendations are implemented. Government Departments and agencies have been extensively involved in the development of this Report. It's time to get on with it.

Key outcomes in the report are:

- removing the disincentive for councils to accept development and growth by allowing for the local government rate peg to reflect population growth
- ensuring charges can be properly factored into feasibility studies by requiring contributions plans be developed prior to rezoning
- introducing a direct land contribution obligation for landowners following rezoning to provide early and adequate funding for land
- managing costs and complexity of section 7.11 local contributions plans by using benchmark costs and focusing the role of the Independent Pricing and Regulatory Tribunal in reviewing plans
- removing barriers to construction and improving project feasibility by deferring payment of local contributions to the occupation certificate stage
- providing a simpler option for councils by increasing the maximum rate of section 7.12 fixed development consent levies to 3% in certain circumstances
- limiting the use of state and local planning agreements to direct delivery of works and supporting infrastructure for 'out-of-sequence' developments
- addressing insufficient and ad hoc section 7.24 special infrastructure contributions (State Government infrastructure levies) through implementation of modest and simple broad-based regional charges
- ensuring the beneficiaries of major transport investments contribute to the cost by implementing an additional state contribution for rezoned properties within station service catchments
- taking pressure off household water bills by transitioning to cost reflective charges for water connections
- making the system easier to navigate and comply with by providing and maintaining clear and rationalised guidance and comprehensive digital tools
- being more transparent in reporting on how much money is collected and where it is spent.

The Report calls for the practice of "value capture" to be curtailed. Instead, planning agreements should be limited to the recovery of development costs that are over and above those that were anticipated to occur without the development taking place. The practice of Councils seeking to tax new development to fund historical shortfalls in infrastructure investment must stop. To assist with this, the Report recommends that Council rates will now be linked to population growth in the first major change to the rate pegging system in decades.

Both Councils and the State Government will be required to be open and transparent on contributions they have collected and expenditure made. This should see an end to Council's stashing infrastructure contributions into a safe and letting developers cop the blame for the lack of public amenity.

Importantly, the Report also acknowledges that affordable housing levies do not fit into a principles-based infrastructure contributions framework (see page 82). The Report clearly states that "the creation of a small quantity of "affordable housing", may be at the cost of making other housing more expensive". Taxing new home buyers to fund broad social goals is not efficient or fair. Government should fund affordable housing, or approve more housing thus driving prices down.

Councils will be encouraged to take advantage of the historic low interest rates and borrow to fund infrastructure rather than taking the lazy option of hitting new home-owners for the full cost of new, often unrelated infrastructure. Funding for bio-diversity will also be separately collected and funding for public open space will be required to have a direct nexus to the development.

The above can be attributed to Tom Forrest, CEO, Urban Taskforce Australia

*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*

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