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New Home Buyers being hit with unfair infrastructure contributions

Urban Taskforce today welcomed research released by the **National Housing and Finance Investment Corporation** (NHFIC) which confirms that the NSW Government has allowed the scope of local infrastructure contributions to grow to such an extent that they now account for between 8-11% of the total cost of a new home – with NSW being the highest at up to \$85,000 per dwelling (compared to \$77,000 in Vic and \$42,000 in Qld).

“Funding a much wider array of social infrastructure through developer contributions deliver broader community benefits but confer fewer clear, direct and immediate private benefits to new home buyers. This means developer contributions increasingly act like a tax on new housing, which can impede new housing supply and reduce housing affordability for buyers and renters.” P 3

“Indicative case studies sourced by NHFIC show that developer contributions can amount to between: \$25,000 to \$85,000 per dwelling in NSW; \$37,000 to \$77,000 per dwelling in VIC; and \$29,000 to \$42,000 per dwelling in QLD. This means developer contributions can typically amount to around 8% to 11% of total construction costs, making it a substantial contribution to the cost of building a new home.” P4

The Report highlights a concerning trend towards replacing State Government expenditure on “soft” infrastructure, including schools, hospitals and community facilities, with infrastructure levies that ultimately fall on new home buyers.

The Report notes that developer contributions began as a contribution to augment local infrastructure. There has historically been a direct “nexus” with the development to fund local roads and drains for water and sewerage.

However, this has morphed over time to become simply another tax on new homes. The Report is very clear that these contributions represent a tax on new homes – often to pay for infrastructure that is not related to their new home.

The report finds the increasing use of developer contributions to fund local infrastructure is fundamentally unfair and reduces intergenerational equity.

“Developer contributions mean new homebuyers are shouldering more of these costs relative to previous generations, who purchased when the costs were much more broadly shared amongst taxpayers and ratepayers” P8

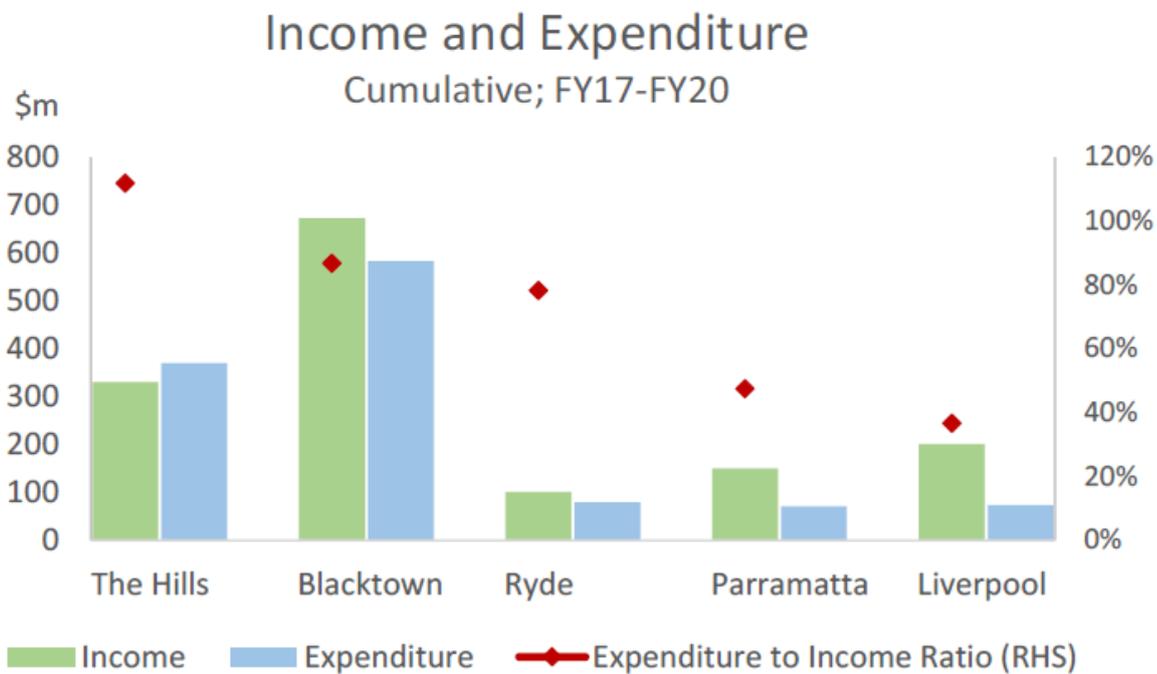
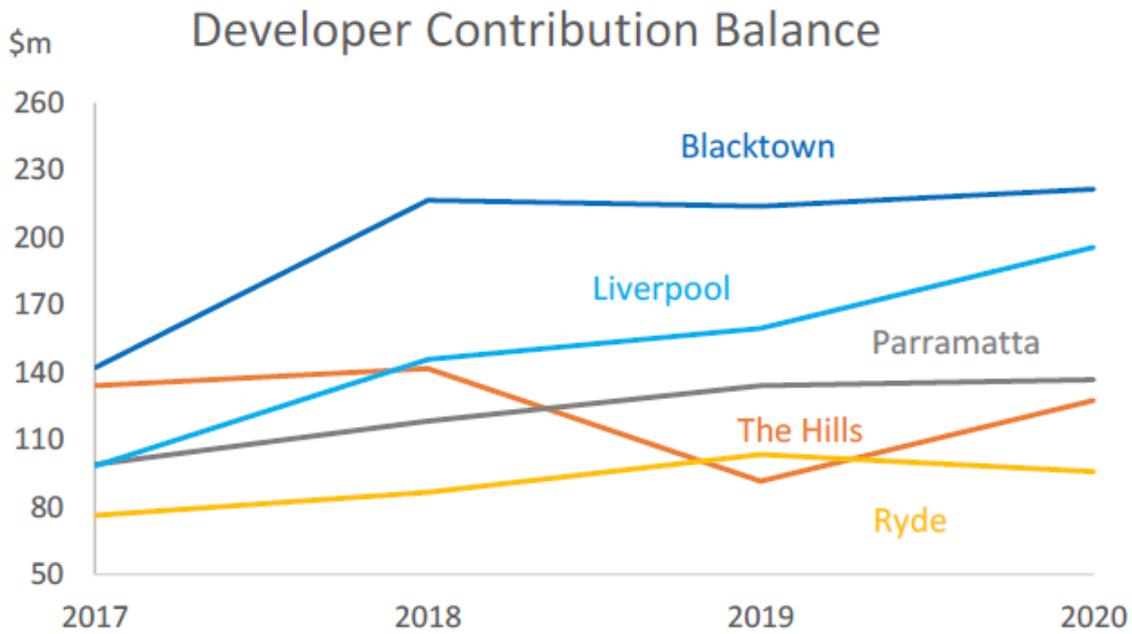
There is a housing affordability crisis across NSW. This is due, in large measure, to a shortage in housing supply. The release of today’s paper highlights an additional contributor to the housing affordability crisis – government infrastructure taxes and charges which are out of control in NSW – and threaten the housing aspirations of our younger and future generations.

The Report also reveals the extent to which the system of local infrastructure contributions has failed the community and has failed property development.

Some Councils in the Greater Sydney region have collected the money from property developers, but have effectively banked it. This results in a loss of community confidence in developers as well as the failure to deliver infrastructure for the community and for the development. The Report highlights the extent of the problem in NSW on pages 16-17.

Only Blacktown Council collects more money for collects more money for “essential infrastructure” than for “social infrastructure”. Blacktown has sought to borrow funds to bring forward the construction of local essential infrastructure, but has been frustrated by Treasury rules which limit Council borrowings.

The charts below (from pages 16-17 of the Report) illustrate the extent of the problem.



[Find a copy of the NHFIC Report Click HERE](#)

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

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

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