

22 May, 2026

Mr Isaac Di Matteo
Review of IPART's local government discount rate methodology
Independent Pricing and Regulatory Tribunal
PO Box K35 Haymarket Post Shop
SYDNEY NSW 1240

Sent to: isaac.dimatteo@ipart.nsw.gov.au

Dear Mr Di Matteo

Review of IPART's Discount Rate Methodology – Draft Report

I write in relation to IPART's draft report into the review of the discount rate methodology for local government infrastructure contributions.

Urban Taskforce Australia supports the Tribunal's decision to maintain a cost of debt based approach to calculate developer contributions. Urban Taskforce is pleased to see that the Tribunal's own analysis of alternative methodologies by HoustonKemp did not recommend any change.

However, given the current financial imposts and issues facing the housing construction industry, Urban Taskforce does not support a lifting in the nominal rate to 4.8% from the previous 4.0%.

We believe that considering the cost of debt for a council's infrastructure calculation is more appropriate than attempting to redefine any council revenue stream as "equity".

Taxing the developer

Urban Taskforce is concerned that IPART is of the view that contribution plans don't add to the cost of housing.

In the draft report IPART indicates that contributions plans (in combination with other developer charges, including water and wastewater charges) can act as an efficient price signal of where to prioritise development.

We disagree. Once land is identified for urban growth, either through government announcement or more formally, through a rezoning of that land, the increase in value of that land is booked in to the landowners' expectations on price.

Those landowners rarely are under any pressure to sell, so they simply wait till they get the price they have convinced themselves they need. Then, when infrastructure charges are determined, where there has been an increase, or exogenous factors have changed the feasibility equation, these extra costs are passed onto the price of the new dwelling.

This risk alone is undermining housing supply. The reality of this happening with \$7.11, \$7.12 and Water DSP charges is real and is killing supply. This is a point that IPART needs to urgently re-evaluate, so its recommendations are not underpinned by flawed axioms.

Rather than act as a price signal of where to prioritise development, such plans impact development feasibility and lead to less housing supply or are passed onto home buyers, increasing the price of housing and reducing affordability.

The negative impact of these inflationary taxes is contributing to the current housing supply and affordability crisis. As we outlined in our submission of 4 November 2025, Urban Taskforce asserts that IPART needs to apply a handbrake to the voracious appetite that many councils have for adding to the cost of housing supply so they can fund projects which, while often worthy, simply add to the burden of the home buyers and renters.

New residents shouldn't be left to carry the whole burden for enhancements to an existing community, but developer contribution schemes do just this.

If this is beyond IPART's current mandate, then urgent advice needs to be provided to government by IPART suggesting the need for changes. Lest IPART itself becomes part of the problem of housing costs and affordability.

Urban Taskforce has reviewed IPART's research into the effect of water developer charges on prices for completed dwellings and vacant land which found that a drop in water developer charges in 2008 caused an equal increase in vacant land prices but tended to have negligible effect on the price of dwellings.

It is wrong to compare the impact of developer contributions on house prices at the development application (DA) stage with the effects of water charges on vacant land at subdivision stage, as they operate differently.

We believe this research was flawed.

To expand upon our case further; water charges that are applied at subdivision stage can be factored into land pricing by a developer. However, developer contributions are applied at the DA stage, long after the land has been sold, are a cost that either has to be passed onto the home buyer and thus impact housing affordability or absorbed by the developer, impacting project feasibility and thus the supply of new homes.

Urban Taskforce provides two examples of how this works in practice.

1. In the case of infill development, the success of the Housing Delivery Authority (HDA) in delivering housing supply versus announced government policy (Transport Orientated Development, Low and Mid Rise) is that under the announced policies landholder expectations of the value of their land is already built in, that is the windfall gain goes to the landholder rather than the developer who needs to spend the money to develop the site and pay the developer contributions. Whereas under the HDA Expression of Interest process, no price signal is sent to landholders and thus this provides scope for developers to deliver on infrastructure contributions without compromising development feasibility.
2. In greenfield areas, in 2006 the Government announced the South West and North West Growth Areas. As these were large scale areas and not well defined by boundaries, such as in the Transport Orientated Development policy, developers were able to buy up rural lands for which no landholder price signals had been sent.

This allowed developers to negotiate Voluntary Planning Agreements (VPAs) with Councils and government to deliver on infrastructure again without impacting development feasibility.

In relation to feasibility, the Tribunal notes that:

“When we met with one local government stakeholder, they indicated that their experiences suggest that a change in the discount rate would have a minimal impact on developers’ feasibility tests.”

This comment is not challenged or investigated but is simply accepted as fact.

The vast majority of councils have no concept of what makes a project feasible or not, happily hitting projects with high developer contribution fees, affordable housing levies, or public art levies, or requiring developers to pay to put electricity infrastructure underground. Accepting as fact a statement such as the one above without critical analysis and investigating is both irresponsible and lazy.

When are fees collected and when is infrastructure delivered?

As further noted in our submission of 4 November 2025, the biggest concern about changes to the Net Present Value (NPV) rate is the significant lag time between when contributions are collected and when the money is expended upon new infrastructure.

If developer contributions were spent on new infrastructure as soon as they were collected, bringing forward capital expenditure to align with the collection of revenue, there may be an argument for discount rate changes. However, there is typically a significant lag between when contributions are collected and when the infrastructure to support a project is actually delivered. These delays result in the developer having to cover holding costs. Indeed, Urban Taskforce has recently reviewed the Annual Reports of all Greater Sydney councils, and this exposed an accumulated (unspent) pool of infrastructure contributions, paid by developers, of \$3.4 billion. See Attachment A

One of the many causes for this is councils will often specify early in the master planning process the infrastructure that they seek to create but then delay making the purchases or investments needed to deliver it. Urban Taskforce would be pleased to meet with IPART to discuss this point further should IPART wish.

In the draft report, the Tribunal supports higher discount rates, which it considers will create increased incentive for earlier expenditure by councils – this is not borne out by the \$5.4 billion¹ across all of NSW, according to the Audit Office of NSW, currently sitting unspent in council bank accounts, which IPART notes.

Stockpiling infrastructure contributions makes a mockery of the system.

If gaining access to the funds is difficult, councils should be allowed to borrow internally against contributions plans to ensure that expenditure is made on essential infrastructure for which funding has not yet been fully collected. Interest earned on contributions for Greater Sydney councils alone is around \$95 million – this is not being used to expedite infrastructure delivery.

IPART notes that the use of costly debt could be used to bridge the gap in the timing of councils’ cashflows. Urban Taskforce contends that it would be more prudent to impose infrastructure contributions at the occupation certificate (OC) stage rather than at the construction certificate (CC) stage, when a developer may not have the available funds to do so. Payment at OC stage would ensure that a developer has the money available, it would not be possible to get the OC without the contribution, so payment is guaranteed.

This change was recommended by the NSW Productivity Commission and was, in fact, implemented during COVID to stimulate activity in the property sector. This should be

¹ Audit Office of NSW Local Government 2025

made permanent and IPART (an economic adviser to Government) should be supporting it.

The Tribunal also mentions VPAs, but states that they are "less common for infill or fragmented greenfield development". Urban Taskforce members advise that they are seeing an increase in VPAs in infill areas, often with quite significant rises in the contributions that must be made above and beyond the standard contribution rates. The term "Voluntary Planning Agreement" is a misnomer. They are only voluntary in that a developer can choose not to proceed with a project but are hardly an equitable negotiation on responsibilities between two parties. In some councils, VPAs are incorporating "value capture" charges for uplift above LEP thresholds, making any increase in density almost completely unfeasible.

Conclusion

Urban Taskforce Australia recognises that the current review has been carried out in response to requests by councils for changes in how developer contributions are calculated.

We support IPART's decision to continue using its current methodology for calculating NPV and focus on debt-based discount rates for local council infrastructure charges.

However, we don't support the lifting of the nominal rate from 4.0% to 4.8%. This represents just another financial impost on the development industry at a time of rising interest rates, higher fees and charges, increased construction costs and declining feasibility resulting in less homes being delivered.

The draft reveals some concerning consequences arising from current infrastructure funding obligations which we feel should be highlighted by IPART.

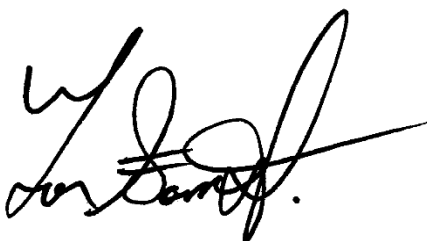
IPART should provide advice to government on the negative consequence of requiring up-front payment of infrastructure and housing levies (ie. At CC rather than OC).

Further, IPART should reconsider the erroneous axiom which results in the view that increases to fees, taxes and charges does not impact housing prices.

Finally, IPART should not endorse any increase in local infrastructure funding unless council can show it is spending the funds it collects in an efficient and timely manner.

Should you wish to discuss any aspect of this submission further, please contact our Economist and Planning Analyst, William Hughes, on 0418-286-530 or via email will@urbantaskforce.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a stylized flourish extending from the end.

Tom Forrest
Chief Executive Officer

Attachment A

Council developer contributions as at 30 June, 2025

Council		Unspent developer contributions		
		Collected \$'000	Reported \$'000	Total (including non-financial contributions) \$'000
Bayside	Eastern Sydney (South)	\$ 21,404	\$ 348,198	\$ 350,999
Blacktown	Central Sydney	\$ 140,270	\$ 213,297	\$ 213,299
Blue Mountains	Western Sydney	\$ 956	\$ 3,460	\$ 3,460
Burwood	Eastern Sydney (South)	\$ 1,776	\$ 16,435	\$ 16,435
Camden	Western Sydney	\$ 76,624	\$ 174,774	\$ 174,774
Campbelltown	Western Sydney	\$ 9,665	\$ 55,767	\$ 55,767
Canada Bay	Eastern Sydney (South)	\$ 60,666	\$ 104,355	\$ 106,800
Canterbury-Bankstown	Central Sydney	\$ 24,544	\$ 131,216	\$ 133,531
Cumberland	Central Sydney	\$ 18,558	\$ 144,703	\$ 144,703
Fairfield	Western Sydney	\$ 36,083	\$ 45,502	\$ 52,193
Georges River	Central Sydney	\$ 9,908	\$ 118,211	\$ 118,210
Hawkesbury	Western Sydney	\$ 30,605	\$ 51,326	\$ 62,982
Hornsby	Eastern Sydney (North)	\$ 8,025	\$ 85,777	\$ 85,777
Hunters Hill	Eastern Sydney (North)	\$ 566	\$ 2,782	\$ 2,782
Inner West	Eastern Sydney (South)	\$ 16,875	\$ 76,923	\$ 76,923
Ku-ring-gai	Eastern Sydney (North)	\$ 11,463	\$ 102,005	\$ 102,005
Lane Cove	Eastern Sydney (North)	\$ 13,217	\$ 29,815	\$ 29,815
Liverpool	Western Sydney	\$ 84,040	\$ 316,561	\$ 317,297
Mosman	Eastern Sydney (North)	\$ 3,156	\$ 7,554	\$ 7,554
North Sydney	Eastern Sydney (North)	\$ 9,255	\$ 52,366	\$ 52,366
Northern Beaches	Eastern Sydney (North)	\$ 12,593	\$ 43,944	\$ 43,944
Parramatta	Central Sydney	\$ 21,452	\$ 192,576	\$ 192,576
Penrith	Western Sydney	\$ 32,054	\$ 112,269	\$ 112,269
Randwick	Eastern Sydney (South)	\$ 26,782	\$ 46,452	\$ 46,452
Ryde	Eastern Sydney (North)	\$ 25,507	\$ 142,735	\$ 148,738
Strathfield	Eastern Sydney (South)	\$ 10,273	\$ 38,527	\$ 38,527
Sutherland	Eastern Sydney (South)	\$ 12,235	\$ 80,681	\$ 80,681
Sydney	Eastern Sydney (South)	\$ 79,798	\$ 166,477	\$ 166,477
The Hills	Central Sydney	\$ 75,841	\$ 244,845	\$ 283,377
Waverley	Eastern Sydney (South)	\$ 13,595	\$ 6,475	\$ 7,411
Willoughby	Eastern Sydney (North)	\$ 19,786	\$ 85,624	\$ 85,624
Wollondilly	Western Sydney	\$ 42,806	\$ 80,675	\$ 104,239
Woollahra	Eastern Sydney (South)	\$ 5,665	\$ 9,526	\$ 9,525
TOTAL		\$ 956,043	\$ 3,331,833	\$ 3,427,512