

Growing trend for councils to sell planning decisions through Value Capture

Wednesday 30 March 2016

The Urban Taskforce is concerned about a growing trend across Sydney councils to adopt policies that change planning rules as a mechanism for raising funds for infrastructure.

"The trend by Sydney Councils to formalise Value Capture policies seems to be escalating across Sydney," says Urban Taskforce CEO, Chris Johnson. "While flexibility is needed in determining good planning outcomes the new policies seem to be driven by the need to raise funds for infrastructure."

"The NSW government has a clear system for raising infrastructure contributions by local councils under Section 94 of the Environmental Planning & Assessment Act 1979, which has safeguards that set maximums and IPART overview. The trend towards Value Capture seems to be a way of getting around the cap on Section 94 contributions."

"The NSW Department of Planning in 2005 issued a Practice Note on Development Contributions and the rules regarding the Voluntary Planning Agreements. These rules made it clear that 'planning agreements must be governed by the fundamental principle that planning decisions may not be bought or sold' but ten years on councils seem to be exploiting the guideline to now formalise policies to sell off extra floor space as a way to raise funds. This is encouraging councils to keep their development controls low in order to ensure that more revenue can be raised by requiring developers to 'buy' additional density and height."

"On the 14th December 2015 Parramatta City Council adopted Value Sharing Mechanisms 'where existing FSR (Floor Space Ratio) controls remain in place and additional FSR controls can be achieved by sharing 50% the value of the uplift' with the council. In effect planning decisions can be bought through significant funding to the council"

"On the 17th February Woollahra Council exhibited a Voluntary Planning Agreement Policy with land value capture as 'a public financing mechanism' where 50% of the uplift in land value created by changing the planning rules went to council."

"On the 23rd February Burwood Council resolved to adopt a monetary contribution rate of \$1,100 per square metre of gross floor area for bonus development above the current planning rules."

"It seems that Sydney Councils are loosening the planning rules in a drive to raise revenue by trading more height and density for significant payments to councils. While there will be individual projects, particularly on large sites, where a win win will occur, the Urban Taskforce is concerned that the concept of value capture is now becoming a standardised practice to buy and sell planning decisions."

“Councils are now factoring in revenue raised from planning agreements into their infrastructure funding plans. This demonstrates that councils are deliberately gaming their development controls in order to obtain long-term income streams. The development contribution system under section 94 of the EP&A Act are intended to fund local infrastructure, and councils are 'double dipping' by demanding additional payments.”

“The Department of Planning must reissue its 2005 guideline on Development Contributions in relation to Voluntary Planning Agreements to clarify policy in this area.”

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

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