Mr Moshe Gilovitz  
Secretary  
Western Australian Planning Commission,  
469 Wellington Street,  
PERTH WA 6000  

Dear Mr Gilovitz  

State Planning Policy 3.6 Development Contributions for Infrastructure (Draft)  

The Property Council of Australia (WA) welcomes the opportunity to comment on the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft) prepared by the Western Australian Planning Commission.  

After consulting our members and evaluating the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft) the Property Council of Australia has determined to oppose the proposed policy. The Property Council of Australia recommends that the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft) should be discarded and the current policy covering developer contributions for infrastructure, outlined in Planning Bulletin 18, should be retained.  

The following are the reasons for the Property Council’s opposition to the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft).  

• The draft policy’s goal to increase the scope of developer contributions for infrastructure, over and above standard provisions, is too open ended and it will risk setting WA on a similar path to the disastrous NSW model.  

• The absence of compelling reasons to replace the existing WAPC policy on developer contributions for infrastructure (Planning Bulletin 18).  

• A 2004 WA parliamentary inquiry declined to make any specific recommendation to amend Planning Bulletin 18.  

• There has not been any significant change in circumstances since a decision by the WA Government in 2006 to rule out a broadening to the scope of Planning Bulletin 18.  

• The need to fully explore implications of the federal government’s Housing Affordability Fund as an alternative source of funding for social infrastructure over and above standard provisions.
• In recognition of policy failings there is a trend to either unwind or curtail polices for developer contributions for infrastructure in other states.

• The draft policy will create more development assessment ‘red-tape’ and impact negatively on housing affordability in WA.

• The draft policy will distract from the more serious problems associated with the lack of reform in WA, of both the development assessment process and the structure of local government.

The remainder of this submission will more fully explain our interest in the provision of infrastructure and our opposition to the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft).

The importance of infrastructure

One of the biggest and most important challenges facing Australia today is ensuring there is adequate provision of infrastructure to maintain economic growth and the liveability of urban areas. Timely and adequate provision of infrastructure is necessary to support new housing development, which can help ease the current housing affordability crisis.

Over the last twenty years, there has been a substantial rise in demand from state and local governments for the costs of any infrastructure associated with residential development to be met by the residents living in new apartments or houses, where a developer has supplied that stock to the market.

This is at odds with the approach which has applied to previous generations of new home owners. The direct costs of infrastructure associated with their housing choice (i.e. the connection of water, sewerage and essential services) was an element of the ownership cost, but all other costs (road upgrades, public transport services, council libraries, upgrades to water storage and treatment, etc) were paid for by the general community, either through state taxes or council rates.

In the past decade, total infrastructure charges for houses and home units have significantly increased in each capital city, far outstripping the average growth in construction costs. This has lead to concerns about the impact of infrastructure charges on housing affordability being recognised by the federal government, which has established a Housing Affordability Fund to provide an alternative source of infrastructure funding.

The draft policy’s goal to increase the scope of developer contributions for infrastructure, over and above standard provisions, is too open ended and it will risk setting WA on a similar path to the disastrous NSW model.

The State Planning Policy 3.6 Development Contributions for Infrastructure (Draft) is too open ended in regards to the scope of developer contributions to infrastructure funding. The WAPC’s 1997 Planning Bulletin 18 Developer Contributions for Infrastructure clearly defined the scope of contributions. In respect to developer contributions for infrastructure
in a development, the existing policy demonstrates abundant ‘need and nexus’, ‘transparency’, ‘equity’, and most importantly ‘limitations’.

The new draft policy lacks the important limitations that would prevent predatory charging by local authorities and thus fails one of its key objectives – the provision of a greater level of certainty. Examples of this include:

- ‘It (the draft policy) provides a … system for local governments to plan and charge for development contributions over and above the standard provisions …’ page 2 (3rd Para).

- ‘Development contributions can be sought for other costs reasonably associated with the preparation, implementation and administration of a development contribution plan’, page 3 (5.1).

- ‘Public open space equivalent to 10% of the gross sub divisional area, or alternatively cash-in-lieu subject to agreement between the developer, WAPC and local government’, Page 9 (Appendix 1). The existing policy limits the cash-in-lieu to a sum equal to 10% of the POS land value.

- Standard development contribution requirements include ‘… off site capital works such as electrical transmission lines …’ page 9 (infrastructure works). In contrast the existing policy in Planning Bulletin 18 excludes developers from funding electrical headwork costs for power stations and main transmission works.

- The draft new policy requires the local authority to prepare a development contribution plan for each development area. ‘If there is an excess in funds available to the development contribution area when all cost contributions have been made or accounted for, the local authority is to apply the excess funds for the provision of additional facilities in that development contribution area’, page 17 (6.3.17.2). This policy direction will encourage local authorities to overestimate the development contribution plan required for a development area.

The absence of compelling reasons to replace the existing WAPC policy on developer contributions for infrastructure (Planning Bulletin 18).

A 2004 WA parliamentary inquiry declined to make any specific recommendation to amend Planning Bulletin 18.

There has not been any significant change in circumstances since a decision by the WA Government in 2006 to rule out a broadening to the scope of Planning Bulletin 18.

At the heart of the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft) is an attempt by local authorities to charge for development contributions over and above the standard provisions. ‘It (the draft policy) provides a … system for local governments to plan and charge for development contributions over and above the standard provisions …’ page 2 (3rd Para). Local governments claim to be facing increasing pressures on the services they provide. This was also considered by a 2004 State Parliamentary inquiry and followed up by an official response by the State Government.
At the 2004 WA Parliamentary Inquiry into Development Contributions a local government submission said, ‘we urge the inquiry to make a recommendation to the WA Planning Commission to amend existing policy and allow local governments to collect more development contributions over and above the standard contributions in order to provide more community facilities.

However the inquiry did not make any specific recommendation for amending Planning Bulletin 18. Further to this the State Government response to the inquiry report said, ‘on the findings of the enquiry, broadening the scope of Planning Bulletin 18 significantly to include social infrastructure as a requirement is not warranted’. The decision by the WA Planning Commission to develop a draft policy that significantly extends the scope of developer contributions contradicts the outcome of the 2004 parliamentary inquiry.

The need to fully explore implications of the federal government’s Housing Affordability Fund as an alternative source of funding for social.

The federal government has established a $500 million Housing Affordability Fund with the goal of streamlining development approval processes and reducing infrastructure charges and developer costs. At its March 2008 meeting, COAG agreed to implement a range of initiatives to improve housing affordability. This included lowering the burden of infrastructure and regulatory costs built into the purchase price of a new home. The Property Council is a strong supporter of the COAG moves to provide alternative community funding for infrastructure costs in the development sector.

More recently the federal government has committed to deliver some $270 million to local governments in WA in 2008-09. According to the federal government, all councils will be able to spend these funds on a range of priorities including local roads, parks and pools, libraries, community centres, health and child care services, and water and sewerage services. Local government grant commissions in each state and territory will recommend where the financial assistance grants will be allocated, with the first quarterly installment to be delivered in August 2008. Roads to Recovery funds are provided directly to councils for nominated local road projects.

In recognition of policy failings there is a trend to either unwind or curtail polices for developer contributions for infrastructure in other states.

The draft policy will create more development assessment ‘red-tape’ and impact negatively on housing affordability in WA.

According to a study by Urbis JHD, ‘National Housing Infrastructure Costs’, over the past decade infrastructure charges for new housing have significantly increased across Australia, far outstripping the average growth in construction costs, particularly in the eastern states.

It is the significant increase in indirect infrastructure charges that has caused the widening gap between the actual cost of direct infrastructure and total infrastructure levies. New houses in Sydney incur total infrastructure charges of $68,233 compared to an actual direct infrastructure cost estimate of $1,752 - a difference of over $66,000. This difference funds a range of ‘non essential’ (to the new home buyer) infrastructure which benefits the
broader community, which do not pay for the improvement through levies. The urbis JHD report concluded that:

‘the move to ‘user pays’ infrastructure levies over the past 11 years has eroded housing affordability by adding to private mortgages of households buying new houses or home units, rather than adding to public sector debt traditionally carried by Governments on behalf of the community.

‘The methods of charging for infrastructure are inconsistent and in many cases lack relevancy for the home buyers impacted. For example, it is highly questionable as to whether new home buyers in a new estate should be levied for public transport facilities if that estate is not serviced by public transport.

‘It is clear that Councils and State Governments have added to a growing list of items charged for through housing development levies and this is leading to a rapid escalation in the total levies charged, all of which are transferred to the new house or home unit buyer.

‘Governments are applying new, increased and expanded infrastructure levies at a time when they are also the beneficiaries of a growing property tax base, via the GST (which only applies to new housing), stamp duty and council rates revenues because of the rising costs of housing.

‘If the growth and broadening of infrastructure charges experienced over the last decade continues, the already apparent housing affordability issue will be seriously exacerbated.’

It is not surprising that NSW has the least affordable housing markets in Australia and in recent years property markets in NSW were the worst performing. In recognition of this the NSW has commenced a program of winding back the amount of infrastructure levies imposed on developers in locations that are suffering mortgage stress.

The negative relationship between housing affordability and development charges has also been recognised by COAG, which has endorsed a $500 million Housing Affordability Fund with the goal of streamlining development approval processes and reducing infrastructure charges and developer costs across Australia. At its March 2008 meeting, COAG agreed to implement five key issues aimed at improving housing affordability, including lowering the burden of infrastructure and regulatory costs built into the purchase price of a new home.

The draft policy will distract from the more serious problems associated with the lack of reform in WA, of both the development assessment process and the structure of local government.

The Property Council is particularly concerned at the slow pace of reform of both the development assessment process and the structure of local government, in WA. This lack of reform is contributing to the inability of local government to meet their infrastructure obligations. As a consequence the local government sector in WA is advocating the draft
policy in order to charge for development contributions over and above the standard provisions.

The Property Council is calling on the local government sector to fast track reforms like introducing independent development assessment panels and large scale council amalgamations. The experience of these reforms in other states is a significant reduction in red-tape cost in the development assessment process and local authorities that are significantly better resourced to fund infrastructure expenses over and above the standard provisions funded through the development process. The draft policy represents a concerning distraction from the more important internal reforms of local governments processes and structures.

Conclusion

The Property Council recognizes the serious problem faced by local governments in meeting their requirements to provide more expanded infrastructure requirements in new development areas. The Property Council is an active participant in the national discussion about the best way to facilitate adequate infrastructure investment in development areas. Investigations by the Property Council have revealed there are a range of alternative sources of infrastructure funding, including equitable government debt financing and the provision of national funding.

The least equitable form of expanding infrastructure funding in development areas is through additional loading of infrastructure charges paid by developers like the proposed draft policy, which directly increases the cost of housing.

The Property Council of Australia is calling on the WA Planning Commission to:

- rule out the introduction of the State Planning Policy 3.6 Development Contributions for Infrastructure (Draft),
- retain the current policy covering developer contributions for infrastructure, outlined in Planning Bulletin 18, and
- commence a widespread consultation process to explore effective solutions to the problems of funding rising community infrastructure costs, including structural reform of the local government sector and development assessment reform.

Yours sincerely
To distinguish trends in the way infrastructure charges are levied, the study draws a distinction between:

- “Direct” infrastructure costs (defined as those components that purely service the dwellings in a proposed development. For this study this only includes water and sewerage headworks and connections to the specific development under consideration).

- “Indirect” infrastructure costs which include all remaining infrastructure charged for but which is not ‘essential’ to the delivery of the particular home being levied, and which typically is for an infrastructure feature which is of benefit to a broader community than those in the immediate development being levied.