

ITEM 3.1. CAP ON DEVELOPMENT CONTRIBUTIONS TO \$20,000 PER DWELLING OR LOT**FILE NO:****MINUTE BY THE LORD MAYOR**To Council:

The State Government has announced major changes to the section 94 development contributions framework that will slash development contributions to all councils. The changes, announced without any consultation with local government as part of the State Budget, will have an especially devastating effect in our urban renewal areas such as Green Square.

The changes are:

- **Section 94 development contributions levies for residential properties under s94 are now capped at a maximum of \$20,000 per dwelling or lot.** This cap came into immediate effect on Monday, 7 June 2010 and overrides any previous approvals to exceed the \$20,000 threshold.
- **A restriction on the types of infrastructure that can be funded via s94 levies to 'essential infrastructure'.**

Council will be forced to fund any shortfalls in infrastructure funding from other revenue sources such as borrowings and/or increases in general rates; or through a 'Special Variation' to rates. We can only apply a 'Special Variation' to cover any shortfall if we receive permission from the Independent Pricing and Regulatory Tribunal (IPART).

The Government has not yet defined 'essential infrastructure'. I share the concerns of the Local Government and Shires' Associations that the Government could restrict levies to the funding of land acquisition (for open space and community facilities), roads, stormwater and transport facilities. If these changes go ahead, the City will be prevented from collecting local contributions to fund recreational, civic or community facilities, which will instead need to be funded from other revenue sources.

The changes relating to the new definition of 'essential infrastructure' are due to come into effect on 1 July 2010 and all councils will be required to prepare new contributions plans to meet these changes. As Council recently reviewed our s94 contributions plan, valuable resources and staff time will now be wasted updating this plan.

I strongly oppose these changes and the manner in which they were made. The State Government has not consulted with councils and does not appear to understand the financial impact these changes will have on councils, ratepayers and local communities, particularly in our important urban renewal areas.

The Government rushed these changes through at the last minute, without adequate planning or thought. No evidence has been provided these changes will improve housing affordability or that \$20,000 is an appropriate threshold and IPART has not yet released Guidelines, method or procedures for considering 'Special Variations' to enable Councils to exceed the cap.

The new levy cap represents a significant change to our current development contributions system. Even if IPART approves a Council's contributions plan allowing for fees of more than \$20,000, the developer is still only required to pay \$20,000 and any remainder must be funded by ratepayers, transferring part of the financial burden of development from developers, to reap the rewards, onto local communities.

For the City, this means levies for 3 bedroom dwellings will be reduced by up to \$7,000 per dwelling, particularly in the Green Square area. This will have major implications for our planned program of community infrastructure, which is vital if we are to meet the demands of the growing population in that area. Green Square, as well as our other urban renewal sites, needs significant investment in new community and cultural facilities and other infrastructure.

In the Green Square Town Centre alone, we are committing \$103.2 million for infrastructure. Without adequate funding, including through development contributions, our ability to fund these vital community facilities will be curtailed. Local communities desperate for adequate community and other infrastructure will be the ones to lose out unless the Government reverses this poorly developed and rushed policy.

RECOMMENDATION

It is resolved that Council:

- (A) oppose the Government's cap on section 94 development contributions at \$20,000 per dwelling or lot, which will restrict Council's ability to fund vital community infrastructure; and
- (B) request that the Government include community infrastructure in its forthcoming definition of 'essential infrastructure'.

COUNCILLOR CLOVER MOORE MP

Lord Mayor