

**URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA
(WA DIVISION)**



**RESPONSE TO WESTERN AUSTRALIAN LEGISLATIVE ASSEMBLY
PUBLIC ACCOUNTS COMMITTEE INQUIRY
INTO DEVELOPER CONTRIBUTIONS FOR COSTS ASSOCIATED WITH
LAND DEVELOPMENT**

January 2005

**SUBMISSION RESPONSE TO INQUIRY INTO DEVELOPER CONTRIBUTIONS FOR COSTS
ASSOCIATED WITH LAND DEVELOPMENT**

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1. EXECUTIVE SUMMARY

The Urban Development Institute of Australia (UDIA) (WA Division) (UDIA) is the peak industry body representing the urban development industry. It is in this capacity that UDIA responds to the Public Accounts Committee (PAC) Inquiry into Developer Contributions.

The PAC makes a series of findings and recommendations that are of concern to UDIA and its members such as issues relating to the treatment of developer contributions with respect to the final price of a developed residential lot; these findings and recommendations do not accord with the experience of the UDIA and the urban development industry organisations.

UDIA is also concerned regarding the PAC recommendations relating to leapfrog developments. In addition, there are concerns about the implicit assumption that seems to underpin both the PAC Inquiry and the *Network City Strategy* that development in existing residential areas represents a more effective form of residential development compared with well designed, well managed and appropriately serviced Greenfield development.

UDIA offers the following summary comments on the Inquiry Report:

Developer contributions

Developers in Western Australia already make significant contributions to the provision of infrastructure for urban development. Based on data cited by the Committee, this contribution can equate to over 40% of the total potential market price of a lot of land.

It is essential that the Committee clarify precisely what infrastructure they intend developers to contribute towards and what changes (if any) they intend to propose to the current arrangements. In particular, the timing and magnitude of such contributions need to be carefully considered as these issues will impact directly on housing affordability.

Developer contributions and affordability

The impact of developer contributions on housing affordability is a complex issue, dependent on a number of factors including:

- timeframe over which the land has been held by the developer,

- scale of development,
- competitiveness of the industry,
- nature of the charge;
- timing of the charge; and
- appropriateness of the charge.

The assumption that an increase in developer contributions would reduce the price paid for *englobo* land is simplistic. There are few occasions where cost increases, through developer contributions, result in a reduction of *englobo* land prices. The more usual reaction is a reduction of the supply of developed residential land via delaying projects until a new, higher equilibrium market price is reached. Through this mechanism developer costs, including developer contributions, are passed on to the end purchaser.

Effective urban development

The implicit assumption that infill development represents a more effective form of development needs to be challenged and requires a much more sophisticated analysis than has so far been completed. Whilst infill developments may provide some opportunities to use existing infrastructure more efficiently, this infrastructure is often aging or inappropriate for current usage patterns. Opportunities to make more effective use of land on the urban fringe should not be dismissed, nor should the role that Government can play both through demonstrating innovation and through the provision of essential infrastructure (such as railway stations) in a timely manner that is coordinated with the development process.

Leapfrog developments

There is a general acceptance that developers should enter into prefunding arrangements for the provision of arterial infrastructure services where developments have leapfrogged the urban front. These contributions should be directly related to the service extensions required and should not be used as a means of implementing policies that favour one form of development over another.

Other areas of concern

UDIA and industry members believe that there are a number of other areas of concern that affect the efficiency and effectiveness of the development industry and, in the longer term, the overall affordability of housing in Western Australia. These include:

- inadequate planning and budgeting for infrastructure provision to cater for land supply and development;
- coordination and efficiency of service provision;

- lack of integrated planning between different local governments and lack of consistency of standards;
- over engineering of residential development;
- poor communication of, or failure to communicate, policy requirements;
- delays and uncertainties in the planning and environmental approvals process.

UDIA believes that the Government should make a genuine commitment to resolving these issues.

The way forward

The development of an effective system of urban development and land use presents an ideal opportunity for the Government to work with the urban development industry. The focus for such a partnership should be on:

1. Coordination of planning and the provision of infrastructure;
2. Efficient use of infrastructure on the urban fringe; and
3. Demonstration of best practice models of urban development on the fringe.

The Western Australian planning and development system has a series of sophisticated tools at its disposal. It is highly regarded, throughout the industry in particular, as having the bones of a very effective strategic planning system. The objectives of effective use of infrastructure and maintenance of housing affordability can be achieved by consistent and coordinated use of these tools. They include the:

- long term urban planning possible under the Metropolitan and Peel Region Schemes;
- short and medium term planning and coordination through the Metropolitan Development Program;
- infrastructure coordination through the Infrastructure Coordinating Committee;
- sustainable development forms via the *Liveable Neighbourhoods Code*; and
- Innovative demonstration projects that Landstart and the Redevelopment Authorities are capable of delivering.

The urban development industry will respond positively to the certainty and efficiency that the effective use of these tools can provide. This will alleviate the need to resort to crude measures such as arbitrary developer contributions as a means of controlling urban form.



2. Background

The Western Australian Chapter of the Urban Development Institute of Australia (UDIA) engaged Syme Marmion & Co to research the findings and recommendations to the Western Australian Legislative Assembly Public Accounts Committee (PAC) *Inquiry into Developer Contributions for Costs Associated with Land Development* by using our member experience and data as the key reference.

The PAC addressed the following Terms of Reference:

- 1 *To inquire into the current formulae applied to developer contributions, State and local government taxes, levies and other contributions to infrastructure and service costs to both public and private sectors for new frontal (green field) development;*
- 2 *It is generally accepted that as densities increase, the average costs per dwelling decrease. In terms of new frontal development, at what density is the greatest financial efficiency in infrastructure costs is obtained, while recognising that the most frontal development will be at a relatively low density;*
- 3 *What factors relating to new frontal developments contribute to disproportionately higher increases in infrastructure, and may otherwise be avoided;*
- 4 *To inquire into the current formulae applied to developer contributions, State and local government levies and any other contribution to infrastructure costs for infill development;*
- 5 *To compare the relative contributions in Western Australia to those in other jurisdictions in Australia;*
- 6 *To provide a comparative analysis between Terms of Reference 1 and 4 and to formulate recommendations to address inequities and strengthen efficiencies in relation to private and public infrastructure contributions; and*

- 7 *To determine any patterns emerging where densities for infill development can be calculated having regard to capacities of existing infrastructure and in the effort to maximise cost efficiencies in infrastructure and service providers.*

It made the following recommendations:

Recommendation 1

The centralised control of planning and subdivision in Western Australia should remain with the Western Australian Planning Commission.

Recommendation 2

The Department of Planning and Infrastructure should produce a concise handbook outlining subdivision and development processes in Western Australia.

Recommendation 3

Local authorities should have the ability to recoup infrastructure costs through their Town Planning Schemes. The costs should be clearly set out in an Outline Development Plan (or similar plan) and funds should be managed in a trust account and spent on the infrastructure for which they are collected within a reasonable time.

Recommendation 4

The Department for Planning and Infrastructure should develop model Developed Agreements for use by local authorities

Recommendation 5

Any further extension of developer contributions towards social infrastructure should only be in the form of an amendment by the Western Australian Planning commission to Planning Bulletin No 18, as it relates to subdivision as well as being incorporated into an overall design plan.

Recommendation 7

Greenfields developments that leapfrog the existing urban front should be required to completely fund extensions to infrastructure that would

otherwise be provided by the State Government. This includes extensions to major roads and utility networks.

Recommendation 8

Leapfrogging the existing urban front should not proceed unless there has been an agreement between the developer and the State Government regarding funding of major infrastructure. However, in principle, the Committee recommends that the developer pay for the extra costs associated with leapfrogging the urban front;

Recommendation 9

The redevelopment authority model should be extended to encompass broader redevelopment and infill areas.

Recommendation 10

An overall metropolitan current infrastructure plan should be prepared which clearly identifies under-utilised infrastructure.

Recommendation 11

The State Government should do everything possible to utilise the development potential of redevelopment and infill areas. This should aim to make better use of spare capacity in existing economic and community infrastructure.

3. Industry Concerns

- UDIA challenges the finding that developer contributions do not impact on lot and house prices in Western Australia.

Finding 16 - The assumption that developer contributions are automatically passed on to the end-purchaser of a developed lot is incorrect. Instead, increases in the development costs tend to reduce the value of underdeveloped land.

- UDIA is concerned about the specific requirements recommended in the Report for the treatment of “leapfrog” developments.

Finding 6 - Leapfrog development generally requires extensions to major infrastructure, including major roads and utility networks. In the past, Government instrumentalities have absorbed or pre-funded many these additional or accelerated these costs in their respective budgets.

Recommendation 7

Greenfields developments that leapfrog the existing urban front should be required to completely fund extensions to infrastructure that would otherwise be provided by the State Government. This includes extensions to major roads and utility networks.

Recommendation 8

Leapfrogging the existing urban front should not proceed unless there has been an agreement between the developer and the State Government regarding funding of major infrastructure. However, in principle, the Committee recommends that the developer pay for the extra costs associated with leapfrogging the urban front.

- UDIA believes that infrastructure levies are an inefficient method of financing public infrastructure and would only serve to increase the cost of land, reduce housing choice and diminish the ability of Western Australia to attain affordable housing.
- UDIA also has concerns that the recommendations of the Report have the potential to disadvantage people who live in the outer areas of the Perth Metropolitan Region by requiring them to pay more for basic, essential services than people who live in inner or middle area.

In addition, UDIA is concerned about the implications of the State Government’s *Network City Strategy* that worthwhile new development should be discouraged in favour of development in existing areas. The assumption underpinning this strategy is that providing housing in existing urban areas is a more efficient and effective mechanism for

managing urban development. This proposition is not examined in detail in this paper except to note that the background paper¹ on which it is based is inconclusive. As such, there has been:

- no comprehensive and authoritative study of the actual situation in the Perth metropolitan area; but
- there are many project examples of large and medium scale infill projects where development costs, including infrastructure provision and site preparation, are very much higher than Greenfield equivalents.

There is a significant relationship between the findings and recommendations of the PAC Inquiry and the implementation of the Network City Strategy, particularly in the implicit suggestion that developer contributions could be used a policy vehicle to discourage new urban development on the fringe.

In summary, these concerns can best be outlined as a series of questions:

- 1. What is intended to be included under developer contributions?**
- 2. Do increases in developer contributions affect overall housing affordability?**
- 3. Should the costs of infrastructure provision for leapfrog developments be met by the developer?**
- 4. Are infill developments the best (or only) way of achieving a more effective and sustainable form of urban development?**

As part of the research underpinning this response, Syme Marmion & Co has spoken with five leading residential land developers to seek their views on how the industry would respond to increases in developer contributions. (In passing it should be noted that developers

¹ Western Australian Planning Commission (2003) *Greater Perth: Costs of Urban Form* Discussion Paper Seven

already routinely pay substantial developer contributions to a wide range of economic and social and community infrastructure.) In addition, their views on payments for leapfrog development and matters relating to Network City were also sought.

4. What is intended to be included under developer contributions?

The Western Australian Planning System provides the basis for the timely and effective delivery of land to the market place. This relies on a system of approvals from both State and local governments, establishing conditions for developers to meet prior to rezoning, development and subdivision. The State Government, through the Western Australian Planning Commission, is the decision making authority with responsibility for strategic and statutory planning processes and the orderly development of land. As such, the State has considerable control over the manner in which land is developed. In addition, large parcels of development land are directly controlled by State agencies, particularly Landstart and LandCorp, giving the Government some direct control over where land is developed.

The Metropolitan Region Scheme provides the statutory framework for land zonings in Perth. It is reasonable for developers to assume that land zoned as Urban has the capacity to be developed as urban within a reasonable time frame. To this end, there is a reasonable assumption that the arterial infrastructure needed to develop land in a timely manner is available to land with an urban zoning.

Current Developer Contributions

It is already the practice in Western Australia for the infrastructure within a subdivision to be provided by the developer. The table below highlights the infrastructure contributed by developers as part of the subdivision process.

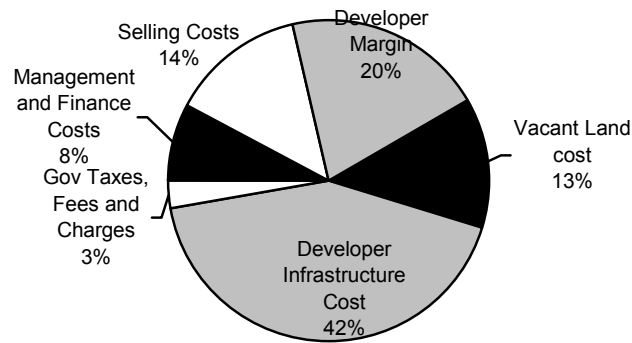
| Land Contributions | Infrastructure Works | Monetary Contributions |
|---|--|--|
| <p>Public open space equivalent to 10 percent of the gross subdivisional area, or alternatively, a cash-in-lieu contribution subject to agreement between the developer, WAPC and local authority;</p> <p>Certain land for foreshore reserves on the coast, rivers and lakes – normally the requirement is 30 metres;</p> <p>Land for government primary schools – generally four hectares per school, but may be reduced to 3.5 hectares if the school site is co-located with public open space;</p> <p>Land for widening existing roads where the subdivision induces additional traffic movements;</p> <p>Land for district distributor roads in new development areas that expand the urban front; and/or</p> <p>Land for primary distributor roads and railway reserves where justified by the subdivision.</p> | <p>Reticulation of:</p> <ul style="list-style-type: none"> - Water; - Sewerage; - Drainage works; and - Electricity supply infrastructure. <p>This covers on-site works as well as off-site capital works such as major pump stations, trunk sewers or transmission lines that are necessary to, or contribute to, the subdivision. Note that these works are in addition to monetary charges by the Water Corporation and Western Power for off-site major infrastructure;</p> <p>All roads and traffic works required within the subdivision and linked to a constructed public road. These roads provide access to individual lots and allow utility services to be reticulated in the road reserves;</p> <p>Footpaths, pedestrian accessways and dual-use paths where required (generally along one side of a road);</p> <p>Upgrading, construction and widening of existing roads</p> | <p>Standard water, sewerage and drainage headworks charges for off-site major infrastructure works; and</p> <p>If an area is in fragmented ownership, monetary contributions can be required in lieu of land or infrastructure works and to reimburse other owners where costs are shared.</p> |

| Land Contributions | Infrastructure Works | Monetary Contributions |
|--------------------|--|------------------------|
| | <p>and right of ways to accommodate additional traffic generated by a subdivision; and/or</p> <p>New district distributor roads including earthworks for the whole road reserve, the construction of one carriageway comprised of two lanes and associated drainage works. In addition, where set out in a structure plan for the area, grade-separated pedestrian crossings and dual-use paths may be required as a contribution.</p> | |

Source: Public Accounts Committee (2004) *Inquiry into Developer Contributions for Costs Associated with Land Development* (p81-82)

Data provided to the Committee indicated that the developers contributed some \$51,127² per lot in infrastructure costs for a greenfields development. This equates to 42% of the minimum sales price for the developer to achieve an acceptable rate of return. This is a significant developer contribution.

² Public Accounts Committee (2004) *Inquiry into Developer Contributions for Costs Associated with Land Development* (p.87)



Source: Based on PAC (2004) p 87

Indicative Development Costs and a % of Sales Price

Definition of developer contributions

Given the Committee already acknowledges that there is a significant infrastructure development cost borne by the developer, it is difficult to determine what is meant by the term developer contributions.

The Committee is selective in the manner it uses the terms 'developer contribution' and 'infrastructure' and the manner in which it quotes from other sources. For example it states:

*The Productivity Commission found that **developer contributions** are justified and appropriate in encouraging user pays principles in the provision of urban infrastructure:*

*"There is a strong case for users of infrastructure services paying for the costs attributable to them. A charge on users, if it represents the true costs of supply, ensures that demand is not excessive and resources are not wasted. As noted, it also promotes efficient locational choices for housing development/. **The real issues relate to how to proportion the costs amongst users over time**" (our emphasis).³*

³ Public Accounts Committee (2004) *Inquiry into Developer Contributions for Costs Associated with Land Development* (p.87)

It is apparent from a more detailed reading of the Productivity Commission Report that it raises a number of issues with regards to infrastructure charges. In particular, it is specific about when and where infrastructure charges represent an effective mechanism for capturing costs of development.

Developer charges and contributions for infrastructure should be:

- *necessary, with the need for the infrastructure concerned clearly demonstrated;*
- *efficient; justified on a whole of life cost basis, consistent with maintaining financial disciplines on service providers by precluding over-recovery of costs; and*
- *equitable; with a clear nexus between benefits and costs' and only implemented after industry and public input.⁴*

What is more, the Productivity Commission went on to find that:

Those imposing developer contributions and charges should:

- *follow guidelines based on these principles and be subject to independent regulatory scrutiny;*
- *provide for 'out of sequence' development if developers are prepared to meet the cost consequences;*
- *be open to proposals for alternative infrastructure arrangements that meet the needs of the householders concerned;*
- *allow appeals on the amount charged or their coverage; and*
- *be accountable for how money raised from charges is spent.⁵*

The Inquiry Report lacks clarity on what would be captured by developer contributions and the manner that these would be calculated. This is in direct contrast to the manner in which

³ *ibid* (p5)

⁴ Productivity Commission 2004 *First Home Ownership* p 156

⁵ *ibid* p 155

infrastructure charges were considered by the Productivity Commission.

The confusion on developer contributions is further illustrated in the inconsistencies between recommendations. For example, **Recommendation 3** states that:

*Local authorities should have the ability to recoup **infrastructure costs** through their Town Planning Schemes. The costs should be clearly set out in an Outline Development Plan (or similar plan) and funds should be managed in a trust account and spent on the infrastructure for which they are collected within a reasonable time.*

Whilst the Committee makes a distinction between hard and soft infrastructure (or economic and social and community infrastructure), no such distinction is made in **Recommendation 3**.

On the other hand, **Recommendation 5** concludes:

Any further extension of developer contributions towards social infrastructure should only be in the form of an amendment by the Western Australian Planning Commission to Planning Bulletin No 18, as it relates to subdivision as well as being incorporated into an overall design plan.

It is difficult to determine the Committee's position on social infrastructure. If this recommendation is to be read as an expectation that there will be an amendment to Planning Bulletin No 18 (as the paragraph immediately above the recommendation on pg 109 suggests it should be) then it is unclear as to how the Bulletin should be amended and what infrastructure would be captured by such an amendment.

It should be noted that the Productivity Commission⁶ is clear in its comments on social and community infrastructure:

“that for social infrastructure that provides broadly based benefits to the community as a whole, accurate cost allocation will be extremely difficult, if not impossible. Hence requiring developers to contribute upfront to finance the costs of providing such infrastructure will almost inevitably lead in inefficiencies and inequities.”

It is essential that the Committee clarify precisely what infrastructure they intend developers to contribute towards and what changes (if any) they intend to propose to the current arrangements.

In addition to the issue of what is meant by developer contributions, the key questions of

- what would be the charge; and
- how it would be implemented

need to be considered. Both of these matters are fundamental to the manner in which developers treat developer contributions and the impact that such contributions may have on housing affordability.

5. Do increases in developer contributions affect overall housing affordability?

The impact that developer contributions have on housing affordability depends on a number of factors. These include the:

- timeframe over which the land has been held by the developer,
- scale of development,
- competitiveness of the industry,
- nature of the charge;
- timing of the charge; and
- appropriateness of the charge.

The total cost of providing all of the services and access to social infrastructure is ultimately paid by the consumer (the householder). The cost depends solely on the extent and quality of the infrastructure

⁶ *Ibid* (p175-176)

provided. There has been a trend towards the provision of more and better quality infrastructure up front in new developments. Community expectations of what is a basic level of infrastructure have increased over time. Historically, governments provided and maintained nearly all infrastructure services. These were funded through a combination of borrowings, taxation revenue, fees and charges. These costs were met, directly or indirectly, by the general public (the consumer).

As development processes become more sophisticated, the responsibility for providing infrastructure within a subdivision has become the responsibility of the developer. In the main, these costs of development are relatively straight forward, easy to identify and easy to assign responsibility for. The benefit of these services accrues directly to the purchaser of the final lot and the value of the provision of the services will be reflected in the final market value of the lot.

For a given set of infrastructure and services applied to a block of land, the end consumer will always pay in some form or other. This may be at the time of purchase of the developed site, or via rates and taxes or, as is usual, in a combination of these. The question is therefore not whether any developer contribution is borne by the ultimate consumer but at what time and in what form is it paid. In fact there is a complex mix of household taxes, rates and charges on the one hand and development costs on the other that go towards the long term provision of urban infrastructure. These are crystallised in the final cost of home ownership to the consumer. These costs include the cost of the land, the cost of the house, rates and taxes that are applied by all three spheres of governments, costs of utilities (water, gas and electricity) cost of transport etc.

The issue is what should be the relative mix of charges for the provision of infrastructure. The provision of some infrastructure is more appropriately paid for through fees and charges whilst other infrastructure is better paid for upfront or through general taxation revenue.

Englobo Land Values and Developer Contributions

Whilst it is true, in theory, that “all other things being equal”, the cost to a developer to develop land is reflected in the englobo land value, in practice all things are not equal. The development industry is a complex amalgam of different size developers, with different sized land holdings, purchased at different stages in the zoning process and with different development timeframes.

In Western Australia there are many variations in the way in which land is assembled for development. These include:

1. **Long term land banking** of land that is beyond the urban front. The time frame of land purchase is typically 10-15 years ahead of development although it can be much longer. The cost of land in these circumstances depends on a number of factors including:
 - its current zoning and the expectation of a zoning suitable for development;
 - its alternative use; and
 - expectations of the timing of development.

A number of different types of developer act as land bankers, each with different patterns and development intentions. These fall into three broad categories:

- Government agencies especially the Department of Housing and Works through Landstart and LandCorp;
- development companies; and
- managed development syndicates.

For these types of developer, an increase in developer contributions will have one of the following impacts:

- the additional costs will be absorbed with no change in development time frames and end sales prices will “meet the market”. This is especially the case for land owned by Government Agencies; or
- development timing will be delayed until the overall market adjusts to meet current return expectations. The effect of this will be to reduce the supply of developed land for a period of

time until a new (higher) market equilibrium price is established.

2 **Land purchased with a short to medium term development time frame.** For these developers, an increase in developer contributions will have one of the following impacts (these are dependent on the timing of the announcement on developer contributions):

- If there is knowledge of developer contributions prior to land being purchased, the assumption is that it will result in a lower value for the raw land. However, developer experience is that land sellers will not necessarily accept a lower price than the current market. A large proportion of land in this category either has an alternative use (eg a market garden) or very long term land owners who feel no pressure to sell at a reduced price. The general effect is not a reduction in the price of raw land but for the vendor to hold for a further period. This effectively reduces the supply of raw land for development.
- If developer contributions are announced after land is sold and the development process has commenced, then the developer will either:
 - delay development;
 - abandon development;
 - attempt to increase general price levels (this may be possible in a rising market); or
 - concentrate on a higher yielding product for a period.

The introduction of the GST in 2000 was the last occasion in which a substantial change in development costs was introduced. On that occasion each of the above responses was in evidence.

It is apparent that the impact of developer contributions on the price of residential land is very complex. There are few occasions where cost increases, through developer contributions, result in a reduction of englobed land prices. The more usual reaction is a reduction of the supply of developed residential land via delaying projects until a new, higher equilibrium market price is reached. Through this mechanism

developer costs, including developer contributions, are passed on to the end purchaser.

Given the complexity of the land market, the assumption that developer contributions would not result in higher land prices is too simplistic.

6. Are infill developments a more effective and sustainable form of urban development?

There is an assumption, stated in the Terms of Reference and implied throughout the Report, that infill development is a more efficient form of development and that it is cheaper to provide housing on infill sites than greenfields sites (Finding 19).

The example provided in the report provided a total land value for a greenfields development of **\$120,310** per lot compared with **\$187,206** per lot for an infill site. Whilst it is accepted that in some cases there may be savings associated with the utilisation of existing infrastructure, this is only the case where there is excess capacity in the existing infrastructure and there are no requirements for upgrading, the costs of retro fitting infrastructure in existing areas can be considerable and the disruption to existing residents and services should not be trivialised. The infill example cited by the Committee appears to be an example from a relatively clean infill site that is not burdened by service upgrades, demolition or site clean up. Most complex infill developments would have higher costs in all categories.

The example also demonstrates an important characteristic of redevelopment areas- the cost to the end user (i.e. the total land value) is considerably higher than the greenfield example. This would suggest that whilst there may be times when it is cheaper for the developer (and perhaps the government) to provide land through infill sites, it is not cheaper for the end purchaser. However, there is considerable evidence from projects in Perth when it is more expensive for the

developer in site preparation and for the Government in infrastructure modernisation or upgrades.

There is a growing body of work which suggests that urban consolidation should not be seen as a solution to all of the urban policy issues that face a 21st Century city. Concerns have grown regarding the capacity of aging infrastructure networks to handle increases in residential density and populations. One of the pervasive arguments for infill development is based on the notion that it is restoring residential areas originally settled in the post war period to their previous residential populations. However, there are two issues that need to be considered when making this argument. First, the demands on services such as electricity, telecommunication, sewer and water were considerably less in the nineteen forties and fifties to what they are now. The use of electrical appliances has increased exponentially and telecommunications have become much more sophisticated. Households consume more water through the use of washing machines, dish washers and swimming pools.

Even if there is excess capacity within the current system, the age of the infrastructure is an area of concern. Much of the infrastructure in inner and middle distance suburbs is reaching the end of its economic life. The replacement of such infrastructure within an existing urban area is both expensive and disruptive. There is already considerable project experience of delays to urban infill projects in Perth inner and inner/ middle areas while necessary utilities infrastructure upgrades catch up.

Concerns about the impact of urban consolidation on traffic congestion are often cited in studies considering Sydney and Melbourne. Older areas have transportation infrastructure that reflects an era when car ownership was not the norm. Today the majority of households own a car with many having more than one.

Another issue to be considered in relation to urban consolidation is related to the displacement of economic activity, either through the redevelopment of existing industrial sites or through the forcing out of incompatible land uses. Ironically, this flies in the face of the intention of Network City with its emphasis on the creation of job opportunities near residential areas.

Urban consolidation is not easy to achieve. There is reluctance at a local level to support increased densities. Even at a State level there is often an unwillingness to tackle through to a successful conclusion difficult consolidation areas sometimes with a deferral to perceptions of community attitudes.

The critical issue in this debate is the effective use of land. Greenfield development sites offer tremendous opportunities to develop land in an effective manner, provide graduating densities appropriately located along transportation routes and integrating economic activity with residential development. Opportunities to create transport oriented developments exist in Greenfield sites along both northern and southern railways. The careful coordination of the provision of station sites, in conjunction with the development program, offer a once in a lifetime opportunity to easily achieve some of the Network City Principles. The Western Australian planning system supports this, including sophisticated and complex planning tools such as the *Liveable Neighbourhoods Code*⁷.

Where rail stations are well located with pleasant and secure walking routes, especially in a town centre, they can have a substantial effect on land values and therefore on the ability to support high levels of density. However, this is only possible in the short term if the rail infrastructure is in place at the time that development occurs. A key issue is the confidence of developers in the timing of the installation of key infrastructure and therefore their ability to translate this into market acceptance. Once a project is underway, the developer time frame is relatively short. The time from planning to sale is typically in the order of 2 – 5 years. Developers are unlikely to be able to sell their land product on the promise of a future railway station if it cannot be realised in their time frame. Without a degree of certainty with the staging of the infrastructure, these opportunities will be lost.

The developers who participated in discussions on this issue are keen to become involved with making more effective use of land in new

⁷ Western Australian Planning Commission (2004) *Liveable Neighbourhoods Code* (Draft 3)

development areas. They identify the DHW's Landstart program, particularly the joint venture opportunities, as critical to the successful demonstration of better patterns of urban growth, with a very good track record of leading edge development.

It is essential that the opportunities to make more effective use of land on the urban fringe are recognised and that the Government works with the industry to ensure that housing outcomes (affordability, appropriateness and choice) are positive for all residents regardless of location.

7. Should the costs of infrastructure provision for leapfrog developments be met by the developer?

It is not appropriate to use developer contributions as a means of controlling urban form. The Western Australian planning system relies on appropriate zonings under both the Metropolitan Region Scheme and local government Town Planning Schemes. The Productivity Commission Inquiry states:

“Where land is zoned for residential development, it creates the expectation that major infrastructure will be provided to allow the land to be developed”⁸

The Productivity Commission also makes the important point that developer contributions should reflect the cost of the infrastructure to be provided.

The text of the report supports the position that charges for infrastructure should reflect the cost of providing that infrastructure. Adopting a charging regime that seeks to modify developer behaviour that does not reflect a real cost is only distorting the market and causing inefficiencies in the system.

⁸ Productivity Commission *op cit* p 158

In general, those developers who spoke to Syme Marmion indicated that prefunding arrangements for the provision of main arterial services may be appropriate (when a case can be made that the service was to be provided but not right now). However, the cost of that service extension should eventually be paid for by the responsible agencies or individual. They clarified their comments with the statement that any development that developed out of turn needed to be of the scale that supported a range of community infrastructure on services.

There is a general industry view that prefunding arrangements for the provision of main arterial services to leapfrog developments are appropriate. These arrangements should clearly relate to the costs associated with service extensions, and should eventually be paid for by the responsible agency or individual.

8. Other Areas of Concern

It was generally felt that Western Australia has an effective strategic planning system that provides order and certainty to the industry. The Metropolitan Region Scheme provides a good planning framework. It is felt, however, that both the Metropolitan Development Program and the Infrastructure Planning Committee could be used more effectively.

In its original submission to the Public accounts Committee, the UDIA raised a number of concerns relating to the provision of infrastructure. These included:

- inadequate planning and budgeting for infrastructure provision to cater for land supply and development;
- coordination and efficiency of service provision;
- lack of integrated planning between different local governments and lack of consistency of standards;
- over engineering of residential development;
- poor communication of, or failure to communicate, policy requirements;
- delays and uncertainties in the planning and environmental approvals process.

The findings and recommendations by the Public Accounts Committee have added to the level of uncertainty, particularly where the recommendations are ambiguous. The Report provides no clear direction on the recommendations that it made.

The Industry believes that issues relating to the provision and coordination of infrastructure must be addressed as part of both the consideration of developer contributions and the Network City Strategy.

9. The Way Forward

The development of an effective system of urban development and land use presents an ideal opportunity for the Government to work with the land development industry.

Coordination

The industry responds well to certainty and orderly planning. However, there are concerns when the provision of infrastructure lags behind the planning process. The mechanisms exist for coordinating development and infrastructure provision through the Metropolitan Development Program and the Infrastructure Coordinating Committee. The UDIA believes that these mechanisms should be strengthened. In addition, industry representation on the Infrastructure Coordinating Committee would provide the Committee with additional and practical experience.

Infrastructure efficiencies

The industry can achieve infrastructure efficiencies associated with increased density, particularly where there are opportunities to take advantage of well located transport corridors and public transport systems. The railway system provides an obvious example and the timely provision and upgrade of stations in conjunction with urban development presents opportunities for well integrated, denser urban development.

Demonstration

Landstart has an excellent track record of involvement in leading edge projects and trialling new development forms which the development

industry may consider too risky to pioneer. Its role in fostering market acceptance of new housing forms and innovative urban structures in fringe locations is a critical element in the affordability equation.

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