

## POSITION STATEMENT

### DEVELOPER CONTRIBUTIONS



#### *Context*

State Planning Policy 3.6 *Development Contributions for Infrastructure* was gazetted in November 2009 and in the intervening period the policy, from both the government and industry perspective, has failed to provide an improved pathway for the delivery of community infrastructure. The principles upon which the policy is based are sound however implementation has proven to be challenging, demonstrated by the fact that not one Development Contribution Plan has yet been approved by the Western Australian Planning Commission.

The objective of SPP 3.6 was to provide a consistent, accountable and transparent system for local governments to plan and charge for community infrastructure items, which previously occurred on an ad hoc basis, and which were not included in the standard provisions. The development industry required greater consistency and transparency in the way charges were applied for reasons of equity, new residents should not subsidise existing ratepayers, and the potential impact on housing affordability.

Despite the relatively short timeframe since SPP 3.6 was introduced, the government has decided to audit the policy. Industry supports this decision and welcomes the opportunity to continue the dialogue with the Department of Planning (DoP) and the Western Australian Local Government Association (WALGA) with a view to establishing a consistent, accountable and transparent system for the provision of community infrastructure.

#### *Implementation of SPP 3.6*

The provision of community infrastructure is a vexed issue across the country and Western Australia is not the only state to grapple with how best to establish an equitable, transparent and affordable system of providing facilities to new communities. The impact on development of inflated contributions in New South Wales and Queensland is well documented with both states finally imposing a “cap” on contributions to restore the viability of the market. Development was particularly hard hit in these states as local governments are also responsible for the provision of power and water services.

In Western Australia the controversy has centred on the provision of community, or soft, infrastructure. Under SPP 3.6 development contributions can be sought for items of infrastructure that are required to “support the orderly development of an area.” This includes the standard requirements formerly included in Planning Bulletin 18 (roads, utilities, public open space) plus contributions for the capital costs of community infrastructure being “ the structures and facilities which help communities and neighbourhoods to function effectively, including:

- Sporting and recreational facilities
- Community centres
- Child care and after school centres
- Libraries and cultural facilities: and
- Such other services and facilities for which development contributions may **reasonably** (own emphasis) be requested having regard to the objectives, scope and provisions of this policy.”

The concept of what may ‘reasonably’ be requested requires community debate as expectations of the types of facilities local governments might wish to provide to their communities may exceed the bounds of what a community can afford. This might also vary from community to community.

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To counteract the increasing capital costs of assets, rising maintenance costs and debt levels the 'user pays' system is commonly invoked as local governments struggle to balance mounting expectations of service provision and funding shortfalls. Local governments, uncertain of the funding available from State and Federal government grants, reluctant to take on additional debt or to increase rates, are fearful of funding gaps and it is not uncommon practice for development contribution plans to disregard the Need and Nexus principle and allocate 100% contribution for infrastructure from developers. The impact on housing affordability of this approach cannot be overstated. Local authorities have a responsibility to show greater resolve in pursuing other funding sources to provide their communities with facilities in an equitable and affordable manner.

The preparation of Development Contribution Plans (DCPs) has proven to be a complex and difficult undertaking for local authorities. A DCP requires detailed policy development regarding levels of service provision and establishing equity between existing and new communities. Development contributions for infrastructure that does not fall within the standard requirements or community infrastructure can only be requested where they are identified in a DCP which has been incorporated into a local planning scheme. The alternative is a legal agreement with the relevant developer. Some local authorities are dismissing SPP 3.6 and focusing on legal agreements which raise the same questions of transparency, equity and consistency that SPP 3.6 was designed to resolve.

The assessment of DCPs has also proven to be challenging for WAPC and it is telling that none has as yet been approved.

There is lack of clarity regarding the standards for community infrastructure with some agencies arguing that facilities should be tailored to each individual community. The lack of guidance results in a subjective assessment of an appropriate level of provision and possible backlash from the community where there is comparison between communities of the infrastructure provided.

Industry supports SPP 3.6 where the infrastructure meets the principles of the policy, particularly the principle of Need and Nexus. Items include:

- Sporting and recreational facilities
  - Sporting fields
  - Aquatic centres
  - District playing fields/sporting reserves
  - Active public open space/ovals
  - Local parks and playgrounds
  - Sport change rooms
  - Public toilets
  - District indoor recreation centre
  - Wheeled sports facilities
  - Youth sport (skate parks/beach facilities)
  - Tennis courts
  - Netball courts
  - Basketball courts
  - Soccer field
  - Cricket wicket
  
- Community centres
  - District community centre
  - Local community centre

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- Library
- Youth centre
- Senior's centre
- Childcare centre
- After school centre
- Community health clinic

Whilst it is recognised that SPP 3.6 might be utilised to coordinate areas with fragmented landholdings it is not intended that DCPs include infrastructure items such as:

- Gas reticulation
- Fibre optic cable and telecommunications beyond that which is mandatory
- Water management plans/schemes
- Environmental plans and strategies
- Employment strategies
- Alternative water, sewerage or energy supply where it does not meet economic feasibility testing
- Community facilities such as boat ramps where the catchment extends beyond that of the council undertaking the DCP
- Administrative structures such as new council chambers
- Facilities that are designed to cater to the needs of an existing commercial facility

Industry has a number of concerns regarding implementation of the policy and is undertaking an internal review of SPP 3.6 in parallel with the Department of Planning. Items for consideration include reviewing the content of SPP 3.6 and providing guidance regarding items of infrastructure the industry supports or does not support; the need to separate hard and soft infrastructure; the development of a hypothecated model which local authorities without a DCP can draw on to provide basic community infrastructure, and moving towards the elimination of legal agreements.

Industry's internal review will inform the ongoing dialogue with the Department of Planning, WALGA and WAPC. The policy must ensure that development contribution schemes:

- Reflect the direct impact of new development
- Provide appropriate community facilities within a 10 year timeframe
- Include funding from all possible sources

### *UDIA policy position*

It is the policy of UDIA to:

- Support SPP 3.6 where the principles of the policy are met;
- Support the government's audit of the functionality of SPP 3.6;
- Undertake an internal review of SPP 3.6 and to report the findings of this process to the government;
- Separate hard infrastructure (items previously included in Planning Bulletin 18) from soft infrastructure inclusions;
- Investigate the utility of an hypothecated model to be applied to provide basic community infrastructure in local government areas where a Development Contribution Plan does not exist;

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- Advocate against the use of legal agreements;
- Seek greater clarity of industry standards for provision of community infrastructure and items of infrastructure that should be included in a DCP;
- Develop a guidance note for local authorities to understand community infrastructure items that industry will and will not support in a Development Contribution Plan;
- Advocate for a maximum 10 year timeframe to be applied to a Development Contribution Plan.

This Position Statement articulates UDIA's current policy position and supersedes any other UDIA policy statement.

<b>Committee Review</b>	<b>Endorsed by Council</b>	<b>Policy Review</b>
	July 2011	