SHOPPING CENTRE
COUNCIL OF AUSTRALIA

PROPERTY COUNCIL of Australia

16 May 2014

Submission No. 9
11.1.19
16 May 2014

Mr Bruce Young MP
Acting Chair
State Development, Infrastructure and Industry Committee

Via: SDIIC@parliament.qld.gov.au

Dear Mr Young,

Sustainable Planning (Infrastructure Charges) and Other Legislation Amendment Bill 2014

The Property Council and Shopping Centre Council of Australia (SCCA) appreciate the opportunity to provide this joint submission to the State Development, Infrastructure and Industry Committee (the committee) on the *Sustainable Planning (Infrastructure Charges) and Other Legislation Amendment Bill 2014* (the Bill).

The Property Council and SCCA have been involved in the review process run by the Department of State Development, Infrastructure and Planning (DSDIP) over the past 12 months.

The Property Council and SCCA commend DSDIP for the comprehensive and forthright manner in which this review has been undertaken.

Our submission focuses on the components of the reform package that will be implemented by the Bill. However we note that two significant features of the proposed reforms – the *Fair Value Charges Schedule* and the associated *Priority Development Infrastructure* funding– are not enacted through this Bill.

Similarly, the broader issues surrounding the costs and benefits of the infrastructure charges regime are not matters reflected in the Bill.

These matters are important components of the infrastructure charges regime and broader community debate. Therefore the Property Council has included two appendixes to this submission which provide this important information:

- Appendix 1: Feedback on the *Fair Value Charges Schedule* and associated *Priority Development Infrastructure* funding.
- Appendix 2: Fact Sheets on the broader issues surrounding infrastructure charges.

Changes supported in principle

As drafted, the Bill endeavours to resolve a number of the structural failings of the current infrastructure charges framework. In particular we provide in principle support for the following reforms within the Bill:

- Standardising and mandating credits for existing lawful use types (section 636). However the drafting of this section requires refinement (discussed further below under the heading *Misinterpretation of existing lawful use*).
- Requiring a local government or water distributor-retailer to identify the provision under which an infrastructure condition is imposed (section 335(1)(e)).
- Clarifying that a local government or water distributor-retailer cannot force an applicant into an infrastructure agreement via a condition of development approval (section 347(1)(f)).
- Increasing the scope of appeal rights as they relate to infrastructure conditions (section 478).
- Requiring infrastructure charges notices to state how the levied charge has been calculated, what the offset or refund is and reasons for the decision (section 637).
- Mandating cross-crediting and refunds (section 649). However some further clarity on this matter is sought (discussed further below).
- Providing an avenue for an applicant to have infrastructure 'deemed' trunk (sections 659-662).
- The removal of the *Local Function Charge* (section 666).
- Tightening requirements for the development of Local Government Infrastructure Plans (LGIP) by 1 July 2016, including an independent third party review of the LGIP (sections 975-980).
- The ability of the applicant to compel a council or water distributor-retailer to recalculate the establishment cost for a particular item for the purpose of determining an offset or refund (section 657).

Risks

The history of infrastructure charging in Queensland confirms that some local governments will seek to exploit loopholes in the system, regardless of the intent of the legislation. The Property Council and Shopping Centre Council have identified the following risks that will need to be mitigated to ensure the framework is successfully implemented.

1. **Stalling approvals**

   Some councils will use the threat of a delay to a development application to discourage an applicant from seeking to have infrastructure deemed as trunk. Effectively, councils may threaten or pursue a protracted legal dispute and slow the approval process in the hope that the applicant will not seek to have infrastructure deemed as trunk.

   Solution: Clarify in the Bill that an appeal to the tribunal or court about whether infrastructure is trunk or non-trunk is distinct from the approval process. Specifically, that an approval is taken to have effect regardless of negotiation on matters relating to the infrastructure charges notice, or deeming of trunk infrastructure. This will ensure that subsequent approvals (for example operational works) must still be issued regardless of the existence of a dispute about the deeming of trunk infrastructure.

   Ensure that a guideline and the list of infrastructure considered trunk is set as a minimum benchmark for council and court consideration with a clear process supported by principles and criteria to provide consistency and certainty in how infrastructure is interrogated to be deemed trunk.

2. **Unreasonable additional payment conditions and linkage to the PIA**

   The ability of local governments to impose additional payment conditions for development inside, or outside of a Priority Infrastructure Area (PIA) is already an area of significant variability and dispute across the state. Calculations are often inconsistent and lacking in rigour.

   In addition, often the development industry is confronted by a circumstance where a proposed development is consistent with the planning scheme or neighbourhood plan, but because of the local government's failure to update their Priority Infrastructure Plan (PIP) to align with their scheme, they seek to recover additional payments. It is not appropriate for the developer to be liable for a local government's poor governance in this regard. Unfortunately, the Bill does not adequately resolve these conflicts.

   Solution: Produce a statutory guideline that clearly defines what an acceptable additional payment condition may contain, when it can be charged if the development it in accordance with the scheme, and how it is to be calculated.

   These assessments must be based on sound economic and financial facts about the 'real cost'. Currently many councils have adopted methodologies that do not properly financially account for changes in timing or scale of infrastructure at the time of real development. This must ensure that any 'bring forward costs' used to justify an additional payment condition are net of any 'bring forward savings' that will occur.

   In addition to this, greater clarity should be provided within section 652 to ensure payment conditions are not used to undermine the required offsets and refunds within a PIA. Similarly sections 649 to 654 should more clearly distinguish between activity within, or outside a PIA.

3. **Gaming of LGIPs**

   Some local governments will leave infrastructure out of their LGIPs in an effort to reduce the amount of offsets/refunds they will be required to provide.

   Solution: The introduction of an independent review of LGIPs, the ability to deem trunk infrastructure and a clear statutory guideline defining the EIL or a trunk infrastructure list (where fair value is not adopted) will be critical in minimising this type of 'gaming' of the system by councils.

4. **Gaming of PIAs**

   Some local governments will leave areas intended for development out of the PIA in an effort to reduce the amount of offsets/refunds they will be required to provide.

   Solution: The state government needs to ensure that PIA boundaries encompasses all land designated for urban development in a planning scheme and account for the desired urban growth footprint as stipulated in a regional plan.

5. **Misinterpretation of existing lawful use**

Section 636 attempts to ensure a credit is provided for an existing use. Some councils have used a very literal interpretation of the term "existing use" to effectively avoid providing a credit where a use has ceased. Real world examples include where a building has been demolished, or where the premises, such as an old school site, have been vacated but not demolished the council or water distributor-retailer has not provided a credit. The current drafting proposed in section 636 does not close this loophole, and the phrase "already taking place on the premises" may in fact reinforce this practice. Similarly, the revised wording does not ensure that prior infrastructure charges payments are creditable.

Solution: Add an additional sub section 2(c) that clarifies that for the purposes of calculating a credit, an existing lawful use includes a lawful use that occurred on the land prior to the cessation or a previous use, or any demolition of building work. Add an additional sub section 2(d) that clarifies that prior infrastructure charges payments are creditable.

6. **Definition of establishment cost (existing infrastructure)**

Section 627 defines establishment cost as the cost reflected in the local government's asset register. Currently in SPA establishment cost is defined as the replacement cost. Local government asset registers contain a number of different costs including current replacement, written down and depreciated value. Therefore it is likely that there will be inconsistencies in application.

Solution: Amend the definition of establishment cost to confirm that it is the current replacement cost listed in the asset register.

7. **Definition of establishment cost (future infrastructure)**

As the definition of establishment cost for future works has been amended to remove reference to financing and ongoing administrative costs, the cost of trunk infrastructure currently within PIPs will not be the cost of trunk infrastructure under LGIPs.

As local governments are not required to implement LGIPs until 2016, the cost differential between the PIP and LGIP will cause uncertainty during this interim period. For future infrastructure, clarification should also be made that the costs are current replacement costs (not discounted costs, escalated costs or other method) for consistency and reasonableness.

Solution: Require that local governments use the definition of establishment cost under the current legislation for offsets until such time as a LGIP is prepared. This will incentivise the preparation of LGIPs and will ensure the value of works listed in current PIPs will be replicated on ICNs.

8. **Misuse of permissible change**

Section 626 allows for a new charges notice to be generated via a permissible change. The intent of this amendment is to avoid the need to seek a new application to benefit from any reduced charges or the new regime, and avoid the current inconsistencies between different councils. However, an unintended consequence may be that a council will seek to enforce

higher charges where a permissible change has no impact on the scale of the development, for example a minor change in design.

Solution: Limit the ability of a local government to alter an infrastructure charges notice to circumstances where the permissible change is specifically seeking a change to the notice. Such a clause would be similar to current s375(2)(a) in SPA which requires that a condition imposed through a permissible change must be relevant to the change.

9. **Clarity in cross crediting requirements**

Section 649 aims to ensure mandatory cross crediting by stating that the offset must be against the "levied charge." There may be potential for this to be misinterpreted as it is not explicitly stated that the offset is not restricted to a single network. The Bill reflects similar drafting to that which is already in the Sustainable Planning Act, which has not resulted in the consistent application of cross crediting.

Solution: Clarify within the Bill that any trunk infrastructure built by the applicant must be offset against the full charge, regardless of the infrastructure network to which it applies. The term 'cross-credit' could be used in an italicised note as it is a commonly used and well understood term in the industry and would clarify the author's intent.

10. **Coercion into Infrastructure Agreements will continue**

Despite the removal of the ability of a council to condition an applicant into an infrastructure agreement, councils will continue to use their ability to stall an application to compel an applicant into an agreement that waives all of their rights under the legislation.

Solution: Require that infrastructure agreements must still comply with core aspects of the legislation such as cross crediting and access to dispute resolution / appeal where there is a disagreement about whether an item is trunk or non-trunk.

11. **Timing of Refund**

Section 637(f) states that an infrastructure charges notice must state whether an offset or refund applies. This provision provides no certainty to the applicant about the proposed timing of the refund to be paid. It is likely that they will be forced to enter into an infrastructure agreement to in fact recoup the refund they are entitled to. There is also no guarantee that the refund will be indexed appropriately.

Solution: Add a requirement that the infrastructure charges notice must include the proposed timing of the refund to be paid to the applicant. This should be subject to appeal rights if the applicant is dissatisfied with the timeframes proposed. The Bill should also mandate indexation of the refund in accordance with the Producer Price Index Queensland Roads and Bridges referenced for other indexation.

12. **Reduction to the charge where the development has no impact on the network**

In some circumstances a development may generate no additional demand on the local government's trunk infrastructure network because of mitigation actions taken on site. For example, where a development provides its own on-site sewerage system.

Currently the local government may still collect the full infrastructure charge despite there being no impact on their infrastructure.

Section 478 should enable an applicant to appeal the charge in these circumstances. Indeed the explanatory notes for this section specifically suggest that an appeal could be made when a council is "levying a charge where a charge is not appropriate (e.g. imposing a charge where the development does not result in additional demand on the infrastructure networks)". However this is not explicit in the legislation.

Solution: Add an italicised note in the legislation confirming the drafting intent of this provision.

Alter section 631 to require a local government to break their charge up into the individual networks within their resolution. This would enable each network to be easily deducted from the charge where there is no demand generated by the development.

Clarification required

1. User Pays - Page 8 of the explanatory notes refers to an option of a "user pays infrastructure plan approval system." The Property Council and Shopping Centre Council interpret this to mean that the State is investigating how a third party review process for LGIPs will be undertaken and paid for by local government.

   We are seeking clarification to ensure that this does not mean that applicants will pay for LGIP reviews.

2. Section 649 – sub section 2 refers to 'the cost of the infrastructure' while later sub sections refer to 'the establishment cost of the trunk infrastructure.' Our view is that the broader definition used sub section 2 may result in some confusion.

   We are also unclear as to the purpose of sub section 4 'the levied charge lapses', and are seeking clarification on this.

Additional materials required

The important reforms included in the Bill are unlikely to be successfully implemented without a suite of clear and effective statutory guidelines, templates and other supporting documents. These need to be developed so that their release coincides with the 1 July commencement of the new regime. Additional guidance is critical to the successful implementation of the reforms as local governments are not required to make new resolutions on 1 July. Without new local government resolutions or guidance from the state, there will be no rules for the implementation of reform measures.

The Property Council and Shopping Centre Council specifically note the need for the following documents to be developed to support the implementation of the Bill:

1. A statutory guideline that details the Fair Value Essential Infrastructure List (EIL) where the Fair Value Charges are to apply. Where the Fair Value Charges do not apply, the statutory

guideline must provide clear minimum standards for consideration of trunk infrastructure. This will be critical to ensure:

   a. LGIPs are consistent and include all appropriate infrastructure.
   b. That the deemed trunk provisions work effectively (whether or not fair value applies).
   c. That there is a consistent approach to valuing land.

   The draft EIL list provided to stakeholders does not provide enough detail to adequately provide this guidance and is likely to result in more, rather than fewer disputes about trunk infrastructure.

2. A statutory guideline that clearly outlines what are acceptable additional payment conditions and ensures they reflect a true financial impact of a change in timing or scale.

3. A statutory guideline for the development of LGIPs. This statutory guideline must ensure a clear and consistent approach to determine the establishment cost of infrastructure - enabling an applicant to properly interrogate these costs. This will ensure an applicant can make an informed decision about whether to seek to use actual value as permitted by the Bill.

4. A statutory guideline providing decision rules for the assessment of conversion applications.

5. A template infrastructure charges resolution and supporting guidance that explains the mechanism by which the actual value will be determined.

6. Template infrastructure agreements to assist in streamlining the process on common matters such as where a refund is required to be provided.

Regards

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Property Council of Australia

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Appendix 1: Feedback on the *Fair Value Charges Schedule* and associated *Priority Development Infrastructure* funding

Priority Development Infrastructure (PDI) / Co-Investment

We support the broad intent of the proposed PDI and co-investment framework, to the extent that it is based on the principle of aligning infrastructure investment with 'catalyst' infrastructure (to facilitate investment and enable economic growth) and local government policy reform through the adoption of the proposed 'fair value charges' regime (the latter of which is not a component of the Bill).

The focus on projects of scale, as well as the scope to provide 'top up' funding for both local and state infrastructure, is broadly supported.

However, we fail to see how the potential merits of this approach will be applied in practice particularly given it is an 'opt-in' framework for local councils. We are also concerned that government funding is now being transitioned to a model with additional, and potentially retrograde, 'strings attached'.

We have identified 7 broad issues that we believe need to be further considered.

1. **Councils retain all the power (again)**

The proposed approach essentially places the power in local government hands to the extent that it only applies if the 'fair value charges' schedule has been formally adopted. So will they or won't they want to adopt fair charges? A developer's hands will remain tied. Why is a developer's access to state funding limited by a Council's decision to opt out of the scheme?

2. **Is this another property tax in disguise?**

Based on the details provided in terms of the 'payback' of the State Government's investment, we are alarmed by the possibility that this approach could amount to a new form of property tax under the guise of a 'co-investment agreement'.

According to one approach outlined to the working group, the industry could see the introduction of <u>additional</u> local government differential rates. This system is already the most abused taxation system across the state, whereby differential (and minimum) rates can be applied based on spurious grounds, particularly to commercial properties, which are independent of valuation movements or the cost or provision of infrastructure and services. To suggest the potential for an additional layer of taxation would be nothing short of scandalous.

Another suggestion is that the investment could be paid back via a 'per lot charge on progressive land sales'. To suggest that such a charge be imposed on top of the fact that such transactions already generate stamp duty revenue for the State Government would be double dipping, unfair and erode industry confidence.

3. The initiative: How much funding is available?

A major gap in the proposed framework is the current lack of clarity on how much funding (or investment) would be available from Economic Development Queensland (EDQ).

There would be little incentive for a council to adopt the 'fair value charges' schedule in the absence of an equivalent amount being available to address any real or perceived shortfall.

Brisbane City Council has already made a public statement that it will not consider the fair value charging regime until further details are provided about the alternative funding available.

If we take the proposed retail rates as one example, a reduction from the current maximum capped rate of $180/m2 to $153/m2 for a 20,000m2 retail development would see a reduction in charges from $3,600,000 to $3,060,000. This would result in a saving, or shortfall, (depending on which way you look at it) of around $600,000. A council would logically not see any benefit in adopting these lower charges unless an equivalent amount was available.

4. The 'co-investment' model

Even where equivalent funding might be available, the model also presents possible funding risks. Under the capped charges regime, the full amount is available to a council from a developer in a direct payment or as works in kind. Even if an equivalent amount is technically available from EDQ, the access to the funds appears riskier given that there needs to be an application to EDQ (which would come at some cost to prepare), consideration by EDQ (time taken) and a final issuing of the funds (which could come with additional terms and conditions, including a requirement to payback). This presents a further reason as to why councils would likely not adopt the fair value charges.

The model could also present property risk in the longer term such as any additional charges being enshrined in the form of caveats, or giving rights to the State Government over the land such as access or its potential sale.

5. Development benefits are being trivialised

In September last year, we jointly provided a report to the Department prepared by Urbis which outlined local and state government revenue benefits from four case study (and typical) developments. The analysis highlighted that over the medium-term development creates significant additional taxation revenue, jobs and economic activity many times greater than the value of the initial infrastructure investment needed to unlock this growth. A growing tax base - which is delivered as a result of development - is important in improving the long-term financial sustainability of all levels of government.

As well as increased tax revenue, the broader community benefits provided via development such as housing and employment are important in ensuring prosperous local communities.

For example, within 7 years a new 900 lot subdivision will not only create housing for 900 families, it will:

- Create over 500 jobs during construction.
- Contribute $120m to gross regional product.

- Provide $6.7 million dollars in new rates revenue to local government.
- Provide the State Government with $22 million in additional tax revenue through stamp duty, payroll tax, land tax etc.

This report also highlighted the fact that development projects provide employment for building industry trades, which also contributes to an important economic indicator for the State Government.

Similarly, the Property Council, Council of Mayors and DSDIP engaged KPMG last year to examine the UK 'City Deal' model to test its applicability to Queensland. The resulting model was termed an Economic Growth Partnership. This model is premised on the basic assumption that infrastructure investment facilitates development, which drives economic growth and tax revenue growth.

We strongly believe that the Urbis approach, and Economic Growth Partnership Model should be used as the basis for considering how applications to EDQ would be assessed. This approach clearly highlights the 'return on investment' to the State in the absence of any additional 'payback' arrangements such as differential rates or payments from development sales.

If such an approach is not adopted – or the Government is seeking benefits above and beyond those already identified – we believe it would be seeking to trivialise the current major contribution that development provides to the economy and State Government revenues.

6. The fair value charges

It is frustrating that despite what seems to be a clear acknowledgement that the 'fair value charges' – which range from being 10-20% lower than current capped charges – are more reflective of cost recovery for 'essential infrastructure', these charges are not being mandated; rather they are being used as an incentive to access State Government 'co-investment'.

While we support these lower rates on the basis that they reflect a more believable cost recovery, we have not yet turned our mind to considering the rates from a development feasibility perspective given: (a) it is unclear if they will be given effect in any case, and (b) we believe that arguing for lower rates would increase the likelihood of the 'fair value' charges regime not being adopted.

7. Inequity for low usage uses

As part of the review the state has recognised that a number of uses, such as retirement, have a significantly lower loading on local government infrastructure. The same principle has been applied for shopping centre development. While this has been acknowledged and identified in the fair value charges, its inclusion in this document means that the reduced charge is only applicable in local government areas which have opted in. Given that the reduction in the infrastructure charge is related directly to the impact these uses have on infrastructure and not the alterations to the EIL, the framework should be amended to introduce new capped charges for these uses, regardless of which council the development will be located in.

As a final point, the barriers that are being put in place for the 'fairer' approach makes us reflect on the fact that much of the quantum of actual cost imposed on a development (in addition to current

Council charges) arise from State agencies including the DTMR and as a further example, through recent unjustifiable increases in Emergency Management Fire & Rescue levies. While we acknowledge that PDI funding can be targeted towards such state infrastructure programs we are concerned the proposed framework is being used to divert attention from situations where state government infrastructure constraints on funding (or prioritisation) has been lacking.

Shopping Centre Council of Australia

Property Council of Australia

Appendix 2: Fact Sheets on the broader issues surrounding infrastructure charges

Infrastructure Charges

Background

Over the past 12 months the Department of State Development, Infrastructure and Planning (DSDIP) has been undertaking a comprehensive review of Queensland's infrastructure charges framework. The Property Council of Australia has been an ongoing participant in this review along with other key stakeholders.

The review is aiming to find a balance between the important issues of development feasibility - including an appreciation of the benefits that flow from development - and local government financial sustainability.

The Property Council commends DSDIP for the comprehensive and forthright manner in which this review has been undertaken.

Often this issue is examined through the narrow prism of the cost of the infrastructure with little focus on the jobs, economic growth and broader tax revenue – including additional rate payers - that development generates. DSDIP has rightly taken a more holistic view of this issue than has occurred in the past.

The Property Council is concerned by statements that have been made publicly by other stakeholders which we believe are an attempt to mislead the community about the impacts of reforming the infrastructure charges framework.

Therefore the Property Council has prepared the attached series of factsheets to debunk common mistruths associated with infrastructure charges.

Importantly, the Property Council is committed to finding solutions to the infrastructure funding and financing challenge facing all levels of government. We have been working with DSDIP and local government in parallel to the infrastructure charges review to examine an alternative approach utilised in the United Kingdom that has the potential to be adapted to a Queensland context. New thinking and new approaches are needed.

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Infrastructure Charges

FACT vs FICTION

Factsheet #1: Council Rates and Debt

FACT Claims of rates and debt shocks are unfounded and unjustifiable.

Fiction

Lower infrastructure charges will result in a massive increase in local government rates and debt levels.

The Facts

Rates

In April 2011 the Local Government Association of Queensland (LGAQ) claimed the introduction of capped maximum infrastructure charges would add $60 to the average rates bill in South East Queensland (SEQ).

For the LGAQ's claims to be accurate rates increases well above CPI should have been delivered by SEQ councils.

The Australian Bureau of Statistics (ABS) reported inflation figure from June 2010 to June 2011 was 3.6%.

However, in their 2011/12 budgets, Brisbane, Moreton, Gold Coast, Sunshine Coast and Logan all increased their general rates by less than CPI.

Debt

In April 2011 the LGAQ alleged that "*local government debt of $8.5b, as from 2014, will soar to $10.5b, based on the state mandated changes to infrastructure levels*."

Queensland Treasury Corporation's Half Yearly Report December 2013 proves council debt was actually $6.7 billion as at December 2013 - nowhere near either the $8.5b or $10.5b debt claimed by the LGAQ.

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Infrastructure Charges

FACT VS FICTION

Factsheet #2: Investment Attraction

FACT **Lower infrastructure charges will attract greater levels of investment to Queensland.**

Fiction

Lower infrastructure charges won't increase the amount of investment in Queensland.

The Facts

You don't have to take the development industry's word for it; many councils have introduced programs to slash infrastructure charges to attract investment into their region.

Gold Coast City Council – Construction Kickstart
"*This initiative was always about creating jobs and encouraging development activity and it's certainly done that."* Gold Coast City Council Mayor Cr Tom Tate, 14 November 2013.

Fraser Coast Regional Council – Infrastructure Incentives Policy
"Clearly we want to stimulate the economy by attracting investment and development and create jobs – both short-term in the development and construction sector as well as in new businesses and industries." Fraser Coast Regional Council Mayor Cr Gerard O'Connell, 14 February 2014.

Toowoomba Regional Council – Temporary Urban Consolidation Incentives Policy
"Economics Associates presented its findings to Council earlier this month and the report determined that the introduction of the policy has stimulated a significant uplift in residential construction development and flow-on economic effect." Toowoomba Regional Council Mayor Cr Paul Antonio, 17 December 2013.

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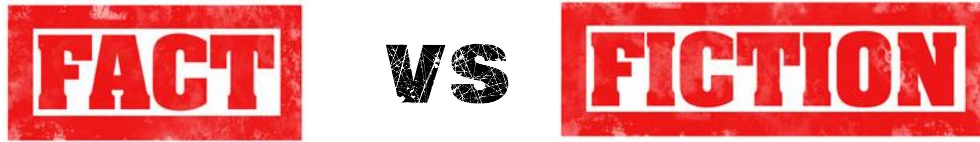
Infrastructure Charges



Factsheet #3: Councils' fiscal management

Lower infrastructure charges will have no impact on local government financial sustainability.

Fiction

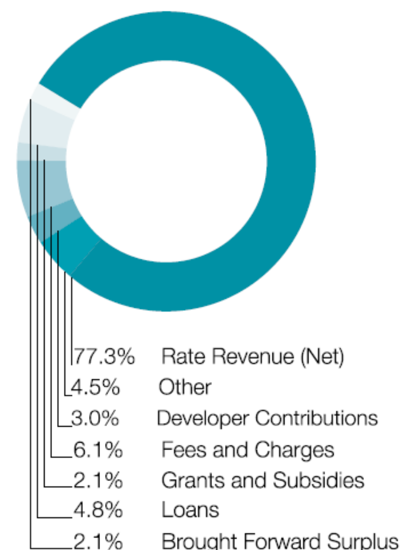
Reducing infrastructure charges will have a devastating impact on council budgets.

The Facts

The relative importance of infrastructure charges to council budgets is consistently misunderstood and/or misrepresented. The below table aggregates data from five council budgets for F2013. It demonstrates that infrastructure charges typically represent less that 5% of total council expenditure.

Council	Infrastructure charges revenue	Total council expenditure	ICs as a % of total council expenditure
Fraser Coast Regional Council	$2,115,000	$157,361,632	1%
Mackay Regional Council	$18,099,999	$384,332,908	5%
Cairns Regional Council	$1,989,155	$293,744,044	1%
Moreton Bay Regional Council	$22,000,000	$616,049,849	4%
Sunshine Coast Regional Council	$12,901,000	$604,263,000	2%

The diagram opposite is taken from Gold Coast City Council's 2013-14 Budget. It shows that infrastructure charges provide a minimal 3 per cent of council revenue. The various revenue streams grouped as 'other' would appear to have a more significant impact on Gold Coast City Council's financial sustainability than infrastructure charges.



Infrastructure Charges

FACT vs FICTION

Factsheet #4: Economic growth and taxes

FACT **Development generates growth, jobs and tax revenue for all levels of government.**

Fiction

Development doesn't generate any positive dividends for the community or government and therefore exorbitant infrastructure charges are justifiable.

The Facts

Development creates significant additional taxation revenue, jobs and economic activity many times greater than the value of an infrastructure charge.

The future tax revenue generated by development is important in improving the long-term financial sustainability of councils and the State Government as well as providing community benefits including housing and employment.

For example, within 7 years a new 900 lot subdivision will not only create housing for 900 families, it will:

- Create over 500 jobs during construction.
- Contribute $120m to gross regional product.
- Provide $6.7 million dollars in new rates revenue to local government.
- Provide the State Government with $22 million in additional tax revenue through stamp duty, payroll tax, land tax etc.

Source: Urbis, 2013, Infrastructure Charges Review.

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Infrastructure Charges

Factsheet #5: Development Feasibility

Infrastructure charges are a cost that makes it harder for projects to be viable in Queensland.

Fiction

Lowering infrastructure charges won’t make development more viable in Queensland.

The Facts

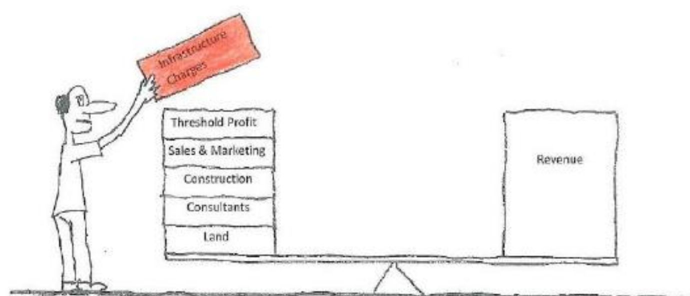
Infrastructure charges have a direct impact on the feasibility of developments.

Higher infrastructure charges represent a higher cost to the project, making it harder to achieve the threshold return needed for the development to secure approval.

Profit in development projects is always that amount left over when all risks have been negotiated, revenue forecasts realized, and costs met by the developer and investors.

The ‘profit forecast’ in a feasibility model represents that margin of profit required by banks (and other funding groups) as insurance to give them the confidence to fund up to 70 per cent of the value of a new development.

If the profit forecast threshold is not met, the project does not proceed - either through a Board of Directors’ approval or through financial approval - having regard to the financial return to a company and shareholders, and also the ability to service the debt from the financier’s perspective.



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Infrastructure Charges

FACT vs FICTION

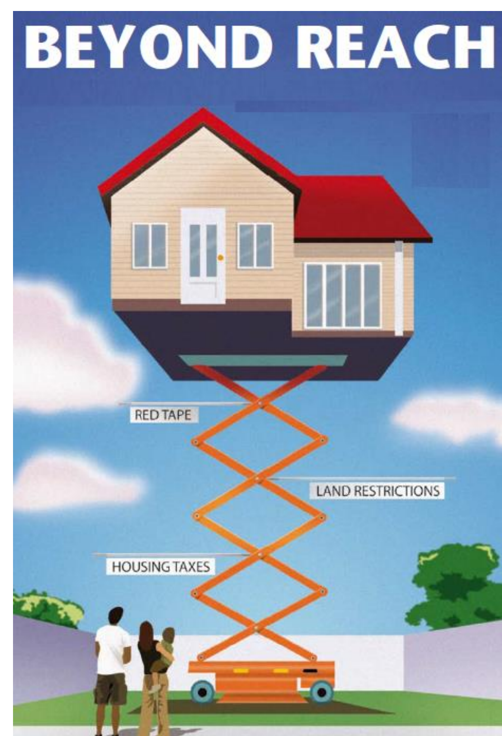
Factsheet #6: Housing Affordability

FACT Lower infrastructure charges will improve housing affordability.

Fiction

Lower infrastructure charges won't improve housing affordability.

The Facts



Infrastructure charges are a housing tax that is paid by the purchaser as part of the cost of a new home.

In 2012, the Allen Consulting Group was commissioned by the Residential Development Council to examine the impact of taxes and charges on new housing. They found that infrastructure charges 'cascade' and increase the price of new housing by more than the value of the charge due to the cost of financing and administering the infrastructure charge.

The Allen Consulting Group estimated that for every $1 of infrastructure charges imposed on a new house, the price of a new home rises by $1.20.

In addition to this the Allen Consulting Group also quantified the impact of all government taxes and charges on an average mortgage. They found that infrastructure charges add an extra $2310 in mortgage repayments per annum for a new home in Queensland.

Source: Allen Consulting Group, 2012, Infrastructure Charges and New House Affordability.

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Infrastructure Charges

FACT vs FICTION

Factsheet #7: Jobs

FACT **Lower infrastructure charges will create jobs and wages.**

Fiction

Lowering infrastructure charges will not create jobs and wages because the benefit will wholly fall to developers.

The Facts

Councils that have lowered infrastructure charges have confirmed the direct benefits of local employment and wages that flow from the development activity unlocked through the lower charge.

In October 2012 the Gold Coast City Council (GCCC) introduced the *Construction Kickstart* initiative which provided reduced infrastructure charges for a period of one year. In November 2013 GCCC estimated that their infrastructure charges reductions had resulted in 9500 jobs being generated via an additional $885 million in projects across the region in a single year. *(Source: Gold Coast City Council Media release 14 November 2013)*

In December 2012 the Toowoomba Regional Council (TRC) introduced the *Temporary Urban Consolidation Incentives Policy* which reduced infrastructure charges for medium density development in existing urban areas for 18 months. An assessment undertaken by Economic Associates for the TRC showed that in the first seven months:

- 281 medium density dwelling approvals (ie. dwelling units) could be directly attributed to the introduction of the policy.
- The economic value generated by these additional approvals is estimated to be:
  - $112.29 million total additional output
  - $16.83 million total additional income
  - 347 FTE additional employment; and
  - $32.3 million total additional value.

(Source: TRC Temporary Urban Consolidation Incentives Policy Review – Final Report)

SHOPPING CENTRE COUNCIL OF AUSTRALIA

PROPERTY COUNCIL of Australia

Infrastructure Charges

FACT vs FICTION

Factsheet #8: Impact per ratepayer

FACT **Lower infrastructure will not increase rates by hundreds of dollars a year.**

Fiction

Lowering infrastructure charges will result in rate increases in the order of hundreds of dollars.

The Facts

In its submission to the State Government the LGAQ claimed that lowering the capped infrastructure charge by 25% would increase rates by $212 per rateable property per year in Queensland.

Anyone with access to a standard calculator can prove that this is a wild exaggeration.

In their 2012/13 Budget Moreton Bay Regional Council (MBRC) declares infrastructure charges revenue of $22m. The theoretical total reduction in revenue if charges reduce by 25% is therefore:

25% of $22m = $5.5m ($22m divided by 4)

If you then divide $5.5m by the LGAQ's assumed increase in rates as a result of a 25% reduction in infrastructure charges, you should have the total number of rate payers within the local government area:

$5.5m divided by $212 = 25,943

For the LGAQ's analysis to be correct there could only be 25,943 rateable properties in Moreton Bay Regional Council. As at June 2011 MBRC reported that there were in fact 149,293 rateable properties in the council area.

Analysis of Cairns Regional Council in 2012-13 (pre-deamalgamtion) shows a similar discrepancy. The LGAQ's analysis could only stack up if Cairns Regional Council had 2,346 rateable properties. Cairns Regional Council in fact had 78,184 rateable properties in 2012.