SIGNIFICANT REFORM TO LOCAL COUNCIL INFRASTRUCTURE CHARGES

Friday 4 June, 2010

The NSW Government today announced major sweeping changes to local council charges on new housing development.

The changes will lower the cost of new housing construction, and provide certainty, transparency and fairness to councils, landowners, developers and the community.

The $44 million Comprehensive Housing Supply Strategy will deliver additional land releases, lower levies and faster planning decisions, including:

- A hard cap of $20,000 a lot for council-imposed charges on new development, (these are commonly known as Section 94 contributions);
- Retaining rate pegging, but providing a more transparent process of setting the rate through an IPART determination. To do so, IPART will develop a Local Government Cost Index; and
- Tasking IPART to determine special rate variation requests by councils, including variations for essential and community infrastructure;
- As well as the $20,000 cap, councils will need to limit contributions in their Section 94 plans to essential infrastructure that is necessary for the development to happen, such as land for open space and community facilities, road works and stormwater management.

Premier Kristina Keneally and Minister for Planning Tony Kelly announced the Comprehensive Housing Supply Strategy today at Green Square in Sydney’s inner-south.

"These reforms are necessary to increase housing affordability and kick start housing construction," Ms Keneally said.

NSW has seen low levels of housing construction starts in recent years, and with Sydney’s population anticipated to increase by 1.7 million in 2036, over 25,000 dwellings a year will be required to meet the needs of our growing and ageing population. That’s 770,000 dwellings from 2006 to 2036.

In some areas, Section 94 contributions can be up to $50,000 to $60,000 a lot - which can make a good project unviable.

Bringing down Section 94 contributions is a way for State Government to bring down costs.

"The changes announced today to local government charges follow the Government's decision to slash the State Infrastructure Charges (SIC) to the current $11,000 per lot in December 2008," Ms Keneally said.

All council infrastructure plans will be reviewed by IPART, including those within the $20,000 cap.

Minister for Planning Tony Kelly said the changes would make a dramatic difference to local councils.
“This will provide a more transparent process for rate setting and give councils the ability to fund important local infrastructure,” Mr Kelly said.

“Councils have been telling me that their ability to provide local infrastructure has been hampered by their inability to fund it - which is why Section 94 charges have grown so disproportionately high.

“The Government is now delivering on that request.”

Councils will need to demonstrate to IPART that they are efficient and that they have managed their finances.

This will mean councils must show they have managed their finances and service delivery appropriately.

Minister for Local Government Barbara Perry said the Integrated Planning process councils undertake with their communities will be essential to demonstrate to IPART their infrastructure plans do reflect the needs and aspirations of the local community.

“The integrated planning and reporting reforms have provided local councils with an historic opportunity to plan for financial sustainability and deliver the services their community want on time and within budget,” Ms Perry said.

To assist councils to support and accelerate new housing growth, the Comprehensive Housing Supply Strategy will also deliver:

- $35 million over two years to accelerate and improve local planning approvals;
- $8.9 million over two years for the Department of Planning to speed up planning assessment processes in high growth areas and ensure the construction of new well designed vibrant communities close to transport hubs;

Mr Kelly said a new Land and Housing Supply Co-ordination Taskforce will be tasked to ensure new land release and development is done as efficiently as possible.

“This new Taskforce will implement the NSW Government’s housing strategy, facilitating the release of land and delivery of infrastructure,” he said.

Background notes:

- The new cap on council-imposed levies will start immediately.
- Existing s 94s will stay as they are - if they have DA approval already, otherwise they will revert to the new system.
- The taskforce will contain independent members and key chief executive officers involved in this Government priority.

The $44 million Comprehensive Housing Supply Strategy includes:

- A Land and Housing Supply Coordination Taskforce chaired independently of government will be charged with implementation of the strategy.
- The taskforce will contain two further independent members and key chief executive officers involved in this Government priority.
- This new taskforce will implement the NSW Government’s housing strategy, removing obstructions to the release of land and delivery of infrastructure.
- It will include independent representatives as well as representatives from key Government agencies including Premiers, Treasury, Planning, Transport and Roads, and other agencies as required.
- Sydney Water will accelerate the provision of water infrastructure to selected precincts to deliver the early release of home sites to new residential lots in north west and south west Sydney.
• $35 million over two years to accelerate and improve local planning approvals, including:
  o $10 million for a Local Environmental Plan (LEP) Acceleration Fund to deliver local plans which provide the ground rules for the assessment of new housing proposals – priority areas will be Sydney, the Lower Hunter and the Illawarra;
  o $20 million for a Building Approval Advancement Fund will reward councils that exceed their average residential building approvals;
  o $5 million to fast-track local development contribution plans which will then be assessed by the Independent Pricing and Regulatory Tribunal.

• $8.9 million to the Department of Planning over two years including:
  o $2 million to review and update both land release sequencing in Sydney’s growth centres and the existing criteria used when deciding on government support for major new land release outside the growth centres.
  o $2.9 million to assist in the delivery of council-wide LEPs, accelerate spot rezonings and review existing planning controls to identify and remove inappropriate housing restrictions;
  o $2 million to assist high-growth councils process development applications – this is expected to help process approximately 1,000 dwellings a year without compromising the quality of community outcomes;
  o $2 million to deliver a Transit Orientated State environmental planning policy which will help create new well-designed, vibrant communities around public transport with additional housing and jobs.

• New $20,000 cap on local government infrastructure levies
  o The NSW Government will make the current $20,000 threshold a legal cap on all local development contributions and put in place mechanisms to allow councils to fund legitimate infrastructure costs that cannot be recovered under the cap.
  o In the event of any council seeking an increase above that cap, IPART will now review that application.
  o If IPART determines an increase is warranted, the council will then take responsibility for funding the difference, meaning developers will not pay any more than the cap.
  o This will provide consistency for the housing industry, and allow councils to take control for funding the needs of their growing communities.
  o Future ordinary rate increases will also be determined and set by IPART and not the Government under new criteria to be finalised with the Local Government Association (LGA).
  o These measures follow the delivery of some $179 million in interest-free loans earlier this year to 33 local councils across NSW to build new road and water infrastructure to accelerate housing and employment land supply.