



# Planning circular

## PLANNING SYSTEM

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| <b>Circular</b> | PS 25-004                                |
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| <b>Related</b>  | Updates PS 24-002 dated 27 February 2024 |

## Changes to how development costs are calculated for planning purposes

This circular outlines changes to the *Environmental Planning and Assessment Regulation 2021* (EP&A Regulation) to replace the methodology for 'estimated cost of development' and 'capital investment value' with a new, single methodology for 'estimated development cost' (**EDC**) and related changes to other regulatory provisions and environmental planning instruments (EPIs). This circular supersedes PS 21-020 *Calculation of capital investment value* and PS 21-022 *Calculating the genuine estimated cost of development*.

### Introduction

Estimates of the cost of proposed development are used in planning for various purposes, including for determining development approval pathways, calculating assessment fees and for applying development application (DA) requirements.

Amendments have been made to the EP&A Regulation, the *Environmental Planning and Assessment Regulation (Development Certificate and Fire Safety) 2021* (DCFS Regulation) and certain EPIs to standardise references and terms related to development costs. The regulatory changes commenced on **4 March 2024**.

This circular explains the amendments and provides guidance on how development costs should be calculated.

### Key changes

The Department of Planning, Housing and Infrastructure (the department) has developed a new approach to calculating and applying development costs.

Key features of the new approach include:

- a new single definition for estimated development cost (**EDC**) that can be used for different planning purposes
- guidance on who should provide cost estimates and how consent authorities can verify those estimates
- guidance on how to calculate development costs using **EDC**, including an updated model cost estimate table for small-scale development

- a standard form of quantity surveyor report for development over \$3 million, and standards and guidance provided by the Australian Institute of Quantity Surveyors (AIQS).

The changes provide a simplified and consistent approach to calculating development costs and are described in more detail below.

### Regulatory changes

On 4 March 2024, the following regulatory changes commenced:

- Sections 6 and 251, and Schedule 7 of the EP&A Regulation were amended to replace the method for calculating *estimated cost of development* and *capital investment value* with a single definition **EDC**.
- Schedule 4 of the EP&A Regulation was amended to refer to **EDC** in calculating fees and to clarify where GST development costs may also be relevant to the calculation of certain fees.
- References to *capital investment value*, *cost of the development* and similar terms in the EP&A Regulation were replaced with **EDC**.
- References to various cost terms in the DCFS Regulation were replaced with **EDC**.
- References to *capital investment value* in *State Environmental Planning Policy (Planning Systems) 2021* were replaced with **EDC** to identify classes of regionally significant development (RSD), state significant development (SSD) and state significant infrastructure (SSI).
- References to capital investment value and similar

terms were replaced with **EDC** in various EPIs.

The effects of these amendments are explained further below.

### Savings provisions

The changes to the cost terms in the EP&A Regulation do not apply to:

- development applications submitted on the NSW Planning Portal before 4 March 2024
- the following applications made before 4 March 2024:
  - an application for SSI
  - an application for a complying development certificate (CDC)
  - an application for review under Part 8, Division 8 of the *Environmental Planning and Assessment Act 1979* (EP&A Act)
- the following modification applications and requests:
  - a modification application, if the original development application was submitted before 4 March 2024
  - a request for modification of an approval of SSI, if the original application for approval was made before 4 March 2024
  - an application to modify complying development, if the original application for a CDC was made before 4 March 2024.

### A single definition for cost

Per section 6 of the EP&A Regulation, the **EDC**, of proposed development, means:

*the estimated cost of carrying out the development, including the following:*

- *the design and erection of a building and associated infrastructure*
- *the carrying out of a work*
- *the demolition of a building or work*
- *fixed or mobile plant and equipment.*

*but does not include:*

- *amounts payable, or the cost of land dedicated, or other benefit provided, under a condition imposed under the EP&A Act, Division 7.1 or 7.2 or a planning agreement*
- *costs relating to a part of the development or project that is the subject of a separate development consent or approval*
- *land costs, including costs of marketing and selling land*
- *costs of the ongoing maintenance or use of the development*
- *GST.*

**EDC** consolidates the previous methods *estimated cost of development* and *capital investment value*.

Previous references to 'capital investment value' and similar terms in the EP&A Regulation and EPIs have been replaced with **EDC**.

Features of the term **EDC** include:

- aligning development costs with 'the cost of carrying out the development'. This captures cost components such as design and erection of a building, carrying out a work, demolition of a work or building and fixed or mobile plant and equipment
- identifying certain costs that are to be excluded from the cost estimate
- clarifying that the costs of the ongoing maintenance or use of the development should not be included in cost estimates.

Information on applying the term **EDC** and calculating those costs is provided further below.

### Application of definition

The EP&A Regulation, DCFS Regulation and various EPIs have been amended to refer to **EDC** for various purposes, including:

- determining development assessment pathways such RSD, SSD or SSI
- identifying the relevant consent authority and concurrence or referral agencies for certain development
- calculating development assessment fees
- identifying certain Part 5 activities that require publication of assessment documents
- applying design requirements (e.g. design excellence, design review and competitive design processes) and other DA considerations
- applications related to the building sustainability index (BASIX), CDCs and occupation certificates.

**EDC** does not apply to the estimation or determination of the '*proposed cost of carrying out development*' for the purposes of section 7.12(5) of the EP&A Act relating to contributions levies. For calculating development costs related to contributions levies, the existing terms and methods outlined under section 208 of the EP&A Regulation continue to apply.

### Calculating estimated development cost

The following information provides guidance on how a genuine estimate of costs should be calculated.

#### What to include in cost estimates

To help calculate the **EDC** for a development, applicants should refer to the definition in the EP&A Regulation (s 6) and appropriate professional guidance, including quantity surveying standards of

practice.

The **EDC** of a proposed development must be based on a genuine estimate of the cost of carrying out the development.

The following matters should be considered when deciding what costs to include as part of the **EDC**:

- Cost estimates should cover the full scope of works that the applicant is seeking consent or approval for within the application. Where the estimate is prepared by someone other than the applicant (for example a quantity surveyor), advice should be sought by the quantity surveyor from the person preparing the application to clarify the scope of the development for which approval is being sought.
- If the development has an ongoing use beyond completion, the cost estimate should include all costs necessary to bring the development to a point where it is ready for use, but should not include the ongoing costs of operating or maintaining the development once the use commences. For example, a cost estimate for a proposed hotel accommodation development would capture all costs necessary to ready the development for use as a hotel, which would include construction of the building and preparation of the building for operation. However, the cost of operating the hotel, such as maintenance, utilities and replacement of plant and equipment over time should not be included.
- All costs necessary to operate at the maximum capacity or extent of the use described in the application should be included. For example, a cost estimate for the carrying out of an energy generation development would be based on the establishment costs to prepare the energy development for operating at its maximum intended capacity.

#### When to include GST in cost estimates

The definition for EDC excludes GST. However, cost estimates for all applications should identify the **EDC**, the GST incurred as part of those costs, and the sum of the EDC **plus** GST.

This allows the consent authority to correctly calculate fees for certain applications where **EDC** and GST are used to determine the final fee. Further details are set out below on when GST is used for fee purposes.

#### Development costed under \$3 million

For development costed under \$3 million, the **EDC**

may be calculated based on:

1. a detailed estimate of cost based on individual components (**Attachment A**), or
2. floor space estimates of construction and fit out (for developments costed under \$100,000).

Applicants should check whether the relevant consent authority has material available to assist with calculating EDC.

To assist applicants with preparing cost estimates based on individual components, consent authorities may adapt the model table at **Attachment A**, to be used to calculate EDC, taking into consideration location specific costs and development types.

For consent authorities that wish to allow the floor space estimates method to be used by applicants, the consent authority will need to prepare and publish a table that sets out the unit cost per square metre for each applicable development type. It is recommended that the table is periodically updated and factors in regional cost variations. Consent authorities can establish per square metre rates based on reputable published cost guides that set out the elemental costs for different development types, or can seek advice from a quantity surveyor. This method is only recommended for construction and fit-out developments costed under \$100,000.

For all cost estimates for development costed under \$3 million:

- for development costed up to \$100,000, the **EDC** should be estimated by the applicant or a suitably qualified person<sup>1</sup>, and the methodology used to do this be submitted with the application
- for development costed between \$100,000 and \$3 million, the **EDC** should be estimated by a suitably qualified person<sup>2</sup>, and the methodology used to do this be submitted with the application.

#### Development costed above \$3 million

Larger or more complex developments often incur a greater variety of costs in the planning and carrying out of the development.

It is recommended that for development costed above \$3 million (other than SSD and SSI), an EDC report verifying the cost of the development should be submitted with the application and be prepared by a qualified quantity surveyor who is a member of a relevant professional body<sup>3</sup>.

For SSD or SSI applications, an EDC report prepared by an AIQS certified quantity surveyor, or RICS

<sup>1</sup> A suitably qualified person is a builder who is licensed to undertake the proposed works, a registered architect, a qualified and accredited building designer, a quantity surveyor or a person who is licensed and has the relevant qualifications and proven experience in costing of development works at least to a similar scale and type as is proposed

<sup>2</sup> A suitably qualified person is a builder who is licensed to

undertake the proposed works, a registered architect, a qualified and accredited building designer, a quantity surveyor or a person who is licensed and has the relevant qualifications and proven experience in costing of development works at least to a similar scale and type as is proposed

<sup>3</sup> For example, the Australian Institute of Quantity Surveyors (AIQS) or Royal Institution of Chartered Surveyors (RICS).

chartered quantity surveyor is required to be submitted with the application.

For all development costed above \$3 million the EDC report is to be:

- prepared using the [AIQS practice standard](#) for estimating development costs
- submitted in the standard form of quantity surveyor report available on the NSW Planning Portal
- based on cost estimates current as of that date and should be dated no earlier than 30 days from when the application is submitted.

## When cost estimates should be provided

The **EDC** of a proposed development should be provided with the application for consent or approval. This enables the consent authority or Minister to determine whether the proposed development is SSD, SSI, RSD or a local DA and consequently identify the relevant consent/approval authority for the development.

The **EDC** provided with the application may also be relevant to other assessment matters such as whether certain DA requirements apply (e.g. sustainability standards or design requirements).

## Cost estimates for fee purposes

The following information provides guidance to consent authorities on how to determine fees using **EDC**.

The fees for DAs and SSI applications are specified in Schedule 4 (Fees) and determined in accordance with Part 13 (Fees) of the EP&A Regulation by:

- for SSD and SSI – the Planning Secretary
- for other applications – the consent authority.

For DAs (other than SSD), the consent authority must, when determining the fee for a DA that is based on the **EDC**, use the **EDC** specified in the application unless, in the consent authority's opinion, the specified estimate is not genuine or accurate (section 251(2), EP&A Regulation). Further advice for consent authorities to verify cost estimates is provided below.

The fee for an application (including DAs and SSI applications) may consist of the sum of one or more fees for different matters (section 256(4), EP&A Regulation). For instance, the sum may include different fees for different kinds of development within the same application (such as an application to subdivide land and erect a building on one or more lots created by the subdivision).

The fee tables set out in Schedule 4 of the EP&A Regulation specify a maximum fee. The consent authority (or in the case of SSD and SSI - the Planning Secretary) has discretion on whether to impose the maximum fee based on the circumstances of the case.

## Calculating fees for certain applications

The definition for EDC excludes GST.

For local and regionally significant DAs, fees are to be calculated by the consent authority using the sum of **EDC** and GST. Schedule 4 of the EP&A Regulation sets out the instances when application fees are to be determined based on **EDC plus GST**. These include:

- Part 2, items 2.1 and 2.3 – DAs (other than SSD)
- Part 4, item 4.4(b) and 4.5 – applications for certain modifications of consent (other than SSD)
- Part 7, items 7.2, 7.3A and 7.4 – applications for reviews of certain DAs (other than SSD)

GST is also included in development cost calculations for other purposes in the EP&A Regulation, including:

- section 157(1)(b) – when determining whether *payment of security* provisions apply to an application for a CDC
- section 266 – when a consent authority calculates the amount to be set aside from paid DA fees (other than for SSD) for payment to the Planning Secretary for *planning reform services*.

This approach is consistent with how development costs have been calculated previously under the EP&A Regulation for these purposes.

## Checking and verifying cost estimates

### Development costed under 3 million

It is best practice for a consent authority to accept the **EDC** submitted with an application for residential development if the estimated cost is under \$3 million and the estimate is prepared in accordance with this circular.

## Development costed over \$3 million

For development costed over \$3 million, it is recommended that consent authorities verify cost estimates if:

- the cost estimate for a development appears to be either too high or low compared to comparable developments
- the cost estimate is within 10% of a cost threshold that would determine the consent authority for the proposed development
- the proposed development is of a particularly high value or is an unusual development type.

The consent authority may verify costs by:

- seeking further clarification from the applicant
- requesting the applicant engage an independent quantity surveyor to undertake a peer review of the original cost estimate
- engaging an independent quantity surveyor, on a case-by-case basis, to review the cost estimate on behalf of the consent authority.

For SSD or SSI applications, the independent review of a cost estimate must be undertaken by an AIQS certified or RICS chartered quantity surveyor.

## Further information

**Attachment A** provides a model table for calculating **EDC** (plus GST) based on individual components for proposed developments under \$3 million.

More information on calculating EDC is available on the department's [estimated development cost webpage](#).

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**Important note:** This circular does not constitute legal advice. Users are advised to seek professional advice and refer to the relevant legislation, as necessary, before taking action in relation to any matters covered by this circular.

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## Attachment A

### Cost summary table (for development under \$3 million)

This model cost table can be adapted and used by consent authorities.

| Element                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Cost (excluding GST) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Demolition, excavation and site preparation</b><br>Includes clearing vegetation, demolition, excavation and remediation, as well as disposal of any material.                                                                                                                                                                                                                                                                                                                                                                                  | \$                   |
| <b>Substructure, columns, external walls and upper floors</b><br>Substructure is the structurally sound and watertight base upon which to build. Substructure includes all work up to but excluding the lowest floor finish.<br>Columns include internal and external columns from tops to bases, column casings and all protective non-decorative coatings.<br>External walls include structural walls, basement walls, glazed screen walls, any balcony walls and balustrades.<br>Upper floors are the floor structures above the lowest level. | \$                   |
| <b>Staircases</b><br>Structural connections between two or more floor levels or to roof, plant rooms and motor rooms together with associated finishes.                                                                                                                                                                                                                                                                                                                                                                                           | \$                   |
| <b>Roof</b><br>The structurally sound and watertight covering over the building.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$                   |
| <b>Windows, internal walls, doors and screens</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | \$                   |
| <b>Surface finishes</b><br>Finishes and decoration applied to internal and external surfaces such as walls, floors and ceilings (e.g., painting, cladding, rendering, carpeting, etc).                                                                                                                                                                                                                                                                                                                                                            | \$                   |
| <b>Fitments</b><br>Includes built-up fitments and fixed items (e.g., joinery, benches, plaques, mirrors, etc). Loose furniture and finishes are not included.                                                                                                                                                                                                                                                                                                                                                                                     | \$                   |
| <b>Special equipment</b><br>Special equipment is fixed equipment that is necessary to the use for which consent is sought.                                                                                                                                                                                                                                                                                                                                                                                                                        | \$                   |
| <b>Building services</b><br>Internal and external services necessary for the functioning of the building and property (e.g., stormwater, gas supply, electrical systems, mechanical ventilation, lifts, etc).                                                                                                                                                                                                                                                                                                                                     | \$                   |
| <b>External works</b><br>Works external to the building other than external building services (e.g., soft landscaping, footpaths, decks, retaining walls, etc).                                                                                                                                                                                                                                                                                                                                                                                   | \$                   |
| <b>Professional fees</b><br>Professional service fees associated with the design and construction of a development (e.g., architect, project manager, town planning consultant, etc).                                                                                                                                                                                                                                                                                                                                                             | \$                   |
| <b>Estimated development cost</b><br>(The sum of the above cost elements, exclusive of GST*)                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$                   |
| <b>GST</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$                   |
| <b>Estimated development cost plus GST</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$                   |

\* Estimated development cost excludes GST, pursuant to Section 6 of the *Environmental Planning and Assessment Regulation 2021*