

David Ransom:

Overcoming disincentives to new investment

- Talking about infrastructure charges
- Priority infrastructure plan introduced in Jan 2007. Contains charges for recreation, storm water, state traffic and local traffic. Water and storm water charges in other.
- Charges are currently based on plan demand not actual demand. Council considering changing this.
- Planned and actual – planned density is based on what town planner says theoretically can be done on site – actual demand is when you actually pay for the amount of dwellings you construct.
- PIP charges are a tax on new development. QLD government set up PIP framework – individual councils have chosen what numbers to input into that model. Charges vary significantly from one council to another.
- Eg Large difference of cost of development in GC and Logan.
- Investors can significantly save on costs by choosing council areas which have lower charges.
- No economic analysis done by state or local city council for becoming regime. Prepared on the basis of what infrastructure does community need divided by amount of development. No assessment done on amount paid.
- Impact of charges are broadly unknown because no economic review.
- Sin taxes – PIP charges dramatically increase development contributions. Land developed prior to 2005 – charges increased significantly –increased again 07/08.
- Sin tax: Government usually tax things that are ‘bad’ for the community either socially or economically.
- When heavy taxes imposed undesirable activity should decrease.
- After looking at Councils broader development policy – both development community and council wen look at broader planning objectives – support development and employment growth. Councils operation supports economic development growth.
- New position of high infrastructure charges undermine councils development policy. Council admirably recently decided to change the notion of planning density wit actual density. To reduce charges and promote development. Will it work?
- GRAPH Each of the bars represent a local council. Red ones GC then Ipswich Tweed Logan Pine Caboolture Harvey Bay. Separate developments. GC Site 1 Coomera Site 2 Carrara. Yellow shows reduction in charges from actual density for Coomera but no change in Carrara. Going to be some benefit to the introduction of the policy but not a huge difference. Same process for 2nd graph but for an apartment building. Graph shows that replacement of planned density won’t make change to charges at all.
- 3rd slide shows subdivision. Site 1: Coomera Site 2: Ormeau. Yellow area shows difference so there will be a significant saving.
- 4th slide commercial shopping centre. Site 1: 5,000sqm on 15,000sqm site at Nerang Site 2: Coomera. Charges are reduced fairly significantly. Site 2: reduces charges by \$2mil (7 down to 5) but still too much compared to other councils.

- 5th slide office site: Site 1: Southport Site 2: Coomera. Change in costs will make quite a difference. Reason is because under planned scenario would have to pay a large recreational charge, whether or not you have residential in your proposed development. Councils recent decision to go with actual demand means you no longer pay that residential charge.
- 6th slide industrial Site 1: Arundel Site 2: Yatala. Minimally affected by council change. This proposes dilemma for Councils economic and major development branch because they are trying to encourage people to come to the city to invest – yet those same people could go to Logan and pay a lot less of development charges.
- Council's recent policy changes will benefit Greenfield residential developments as only pay for what can be built. Not much impact on infill residential development because it has already achieved its density outcomes already.
- May benefit smaller employment generating activities mainly through reduction in Recreation charge.
- Real Projects: Ticor developments – under planned charges \$25 mil. Under proposed amendments \$24 mil. Saving about 1.6 million or 6.3%.
- Helensvale Plaza Office Development. \$4 mil to \$3 mil saving under a million or 14.5%.
- Not all parts of the city are charged consistently. Some benefit from historical rezoning agreements ROBINA PLANNING ACT and infrastructure agreements. Such as Robina and Varsity lakes were only water and sewerage charges are in place.
- Rocket building at Robina (\$110 mil) – cost of building it elsewhere in the city Southport: (only actual charges not planned - \$2.67 million) \$2 mil of transport charges – In Robina with only water charges: \$413k
- WAY FORWARD: economic viability of development projects should be the overarching aim of any contributions system. Unviable products will not meet Councils economic development objectives
- Council should abandon the introduction of the 20% infrastructure charge increases for water and sewer
- Conduct a full economic impact assessment of the current infrastructure charging regime.
- Examine desired standards of service under the PIP.

QUESTIONS: understand there has been a recent council study?

- 2 days ago council released an economic review. General comment about the document is that it seeks to – instead of looking at hypothetical projects it will average out over the city. Smooths out the peaks and troughs that creates a situation where the charges are lowered. Nobody pays average charges only the actual charges. Initial view is that it won't provide a robust response for the fact that the charges in GC are higher than anywhere else. Money spent on report would be better on an report over the entire PIP system to maximise revenue to pay for development needed.