

**HUMPHREYS
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PIP Charges – Unintended Consequences

A summary of current charges and the way forward

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Background

- **Priority Infrastructure Plan (PIP) introduced by GCCC in January 2007 – remains the only operational PIP in Queensland.**
- **Contains charges for Recreation, Stormwater, State Traffic and Local Traffic.**
- **Water and Sewer charges are still contained in Policies 3a and 3b – GCCC intend to include these in the PIP in late 2009 early 2010.**
- **Charges are currently based on ‘planned demand’, not ‘actual demand’ although Council is currently considering changing this.**

Background

- PIP and Policy Infrastructure Charges are a tax on new development. The Qld Government set the PIP framework and individual Council's have determined the specific charges within their jurisdictions
- Charges vary significantly from one Council area to another within Queensland.
- Investors can significantly save on costs by choosing a Council area where PIP charges are lower.
- No economic analysis was undertaken by GCCC or the Qld Govt. prior to introducing the PIP and hence the economic impacts are broadly unknown, but trends have emerged.

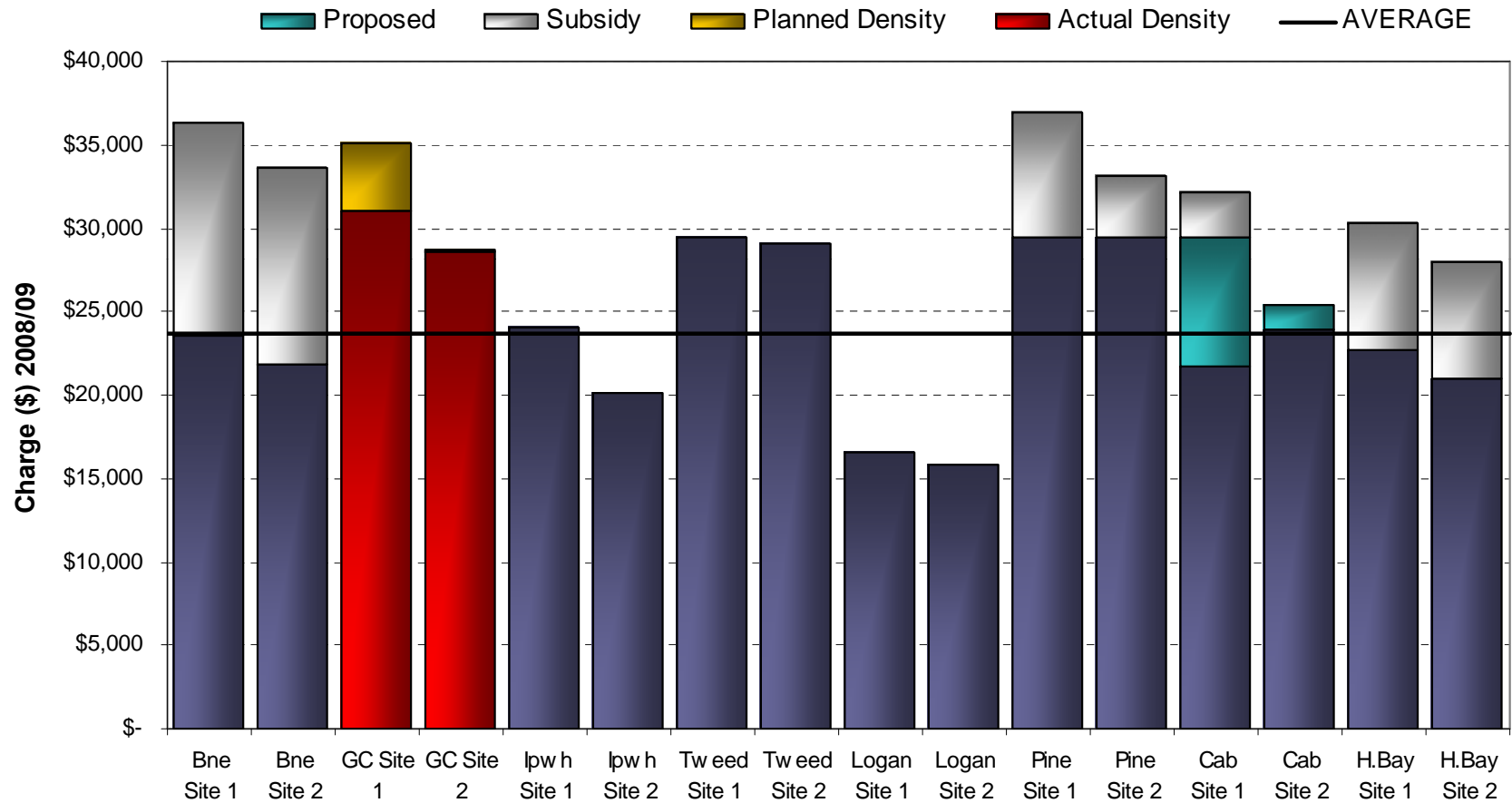
Sin Taxes

- The PIP has dramatically increased charges above previous charging rates (pre 2007) and has introduced new charging categories.
- Typically Governments impose heavy taxes on products that are socially or economically undesirable, i.e. Alcohol tax in Sweden to fund Hospitals and proposed \$20 charge for packet of cigarettes in Australia. Sin Taxes.
- When heavy taxes are imposed, the undesirable activity will generally decrease, i.e. less drinking in Sweden and less smoking in Australia.
- Is urban development an undesirable activity and do we want less of it to occur?

Council's economic objectives

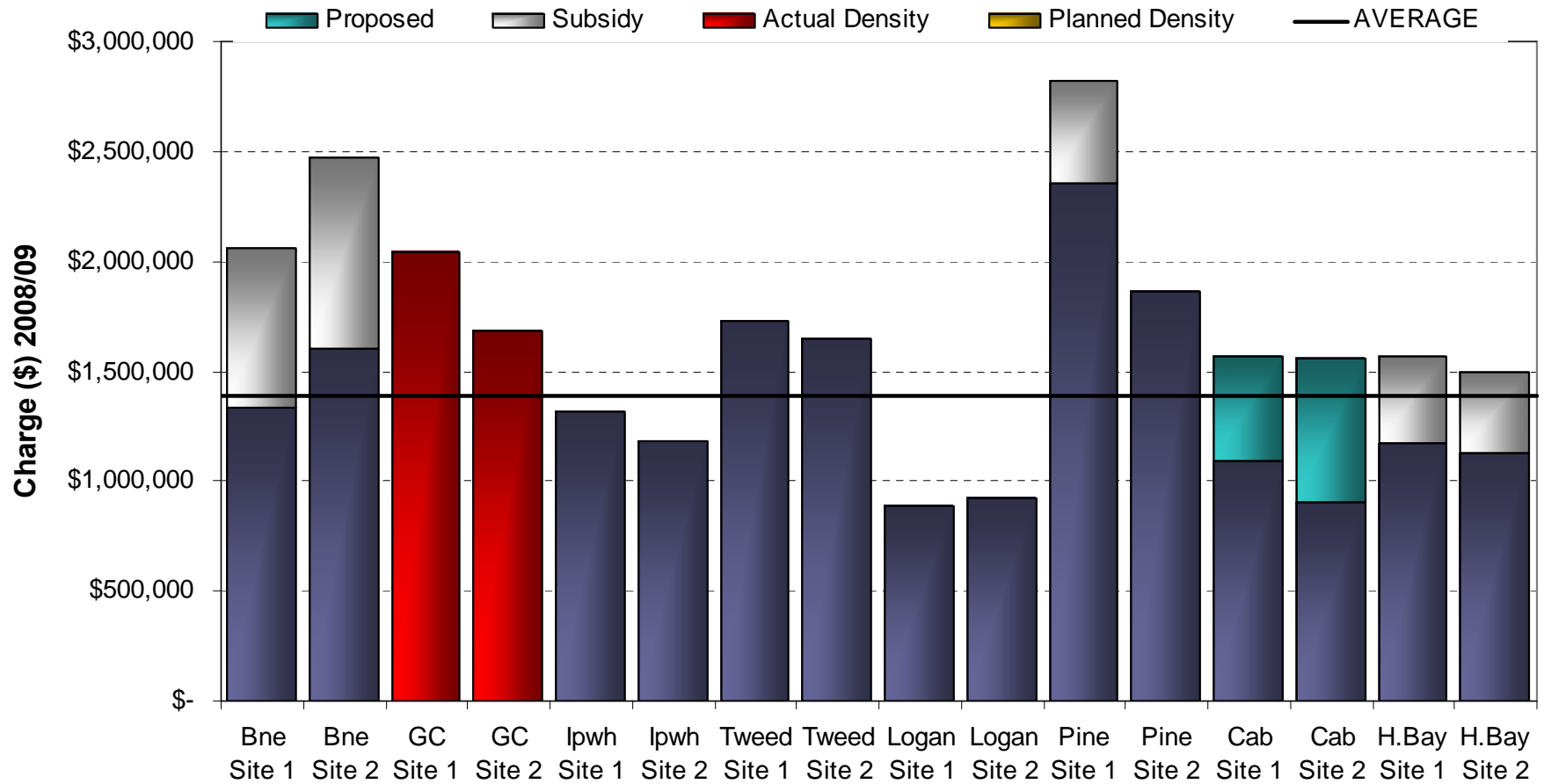
- **Council's Corporate Plan promotes economic development and employment growth.**
- **Council's Operational Plan promotes economic development and employment growth.**
- **Council's EDMP Directorate seeks to attract employment generating development to the City.**
- **The imposition of high infrastructure charges undermines these objectives.**
- **Council seek to replace 'planned density' with 'actual density' to reduce charges and promote economic development – will it work?**

Council House Comparison



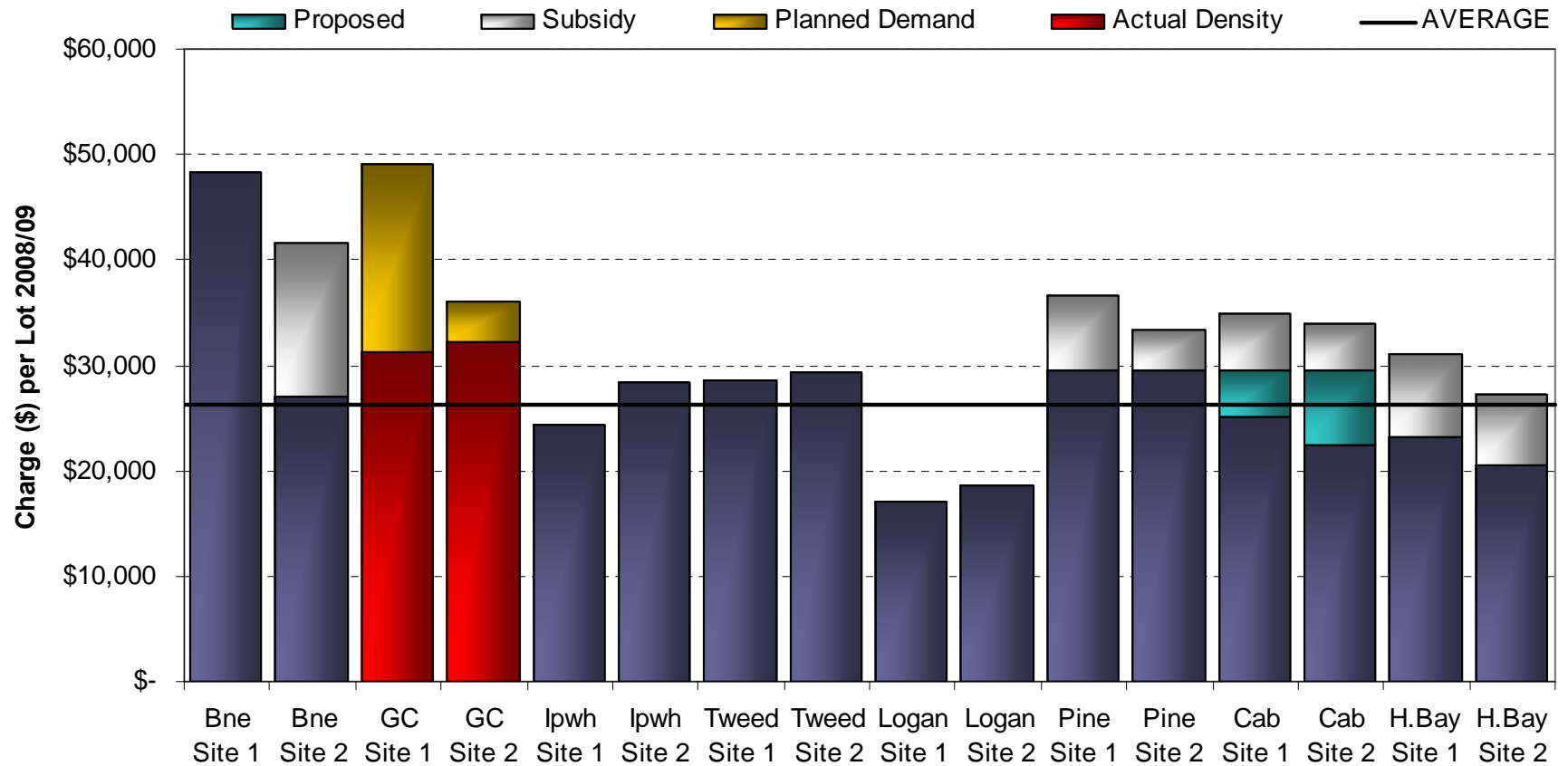
4br House on 501m² lot. GC Site 1 = Coomera. GC Site 2 = Carrara

Council Apartment Comparison



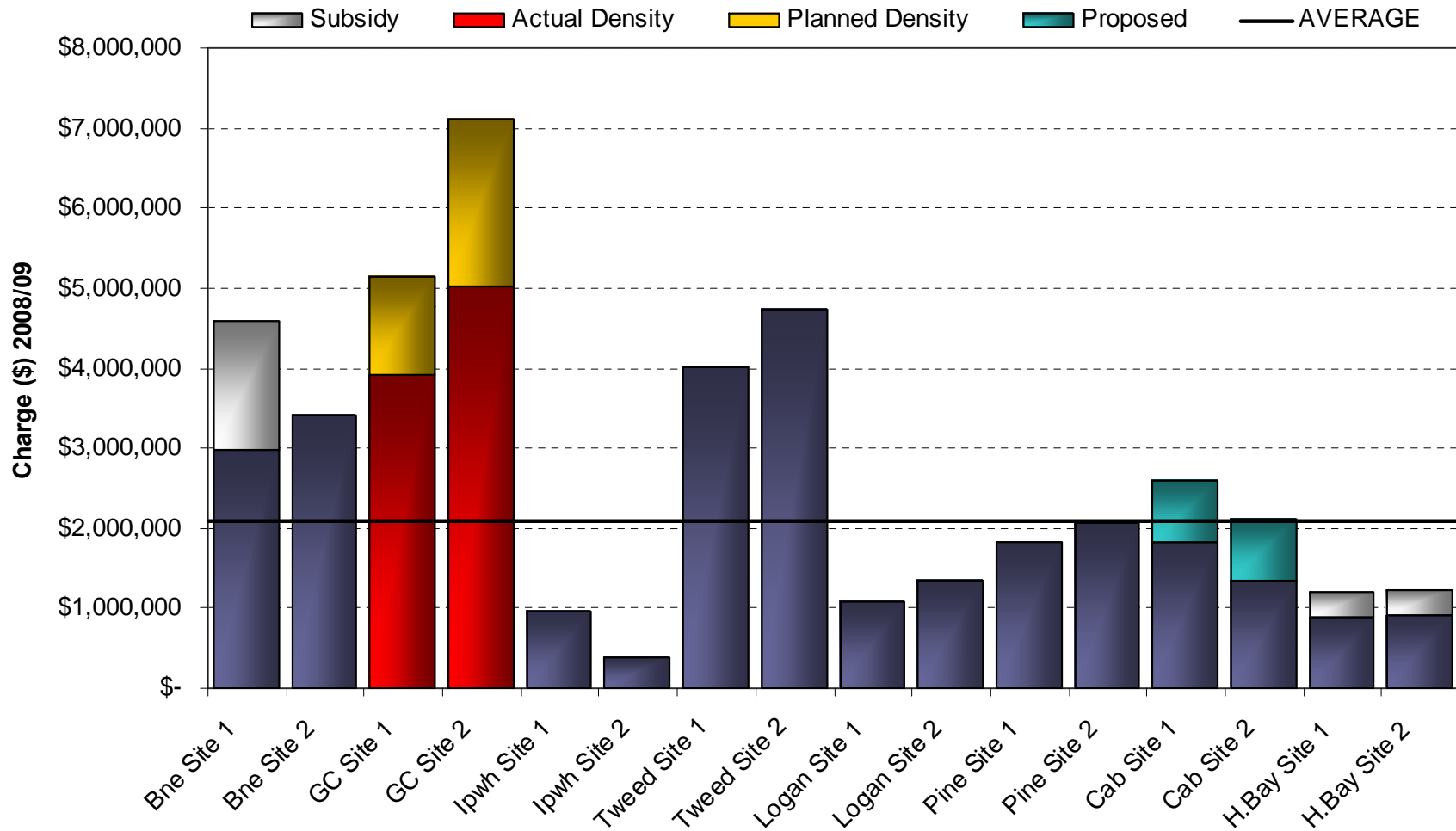
100 Apartments on 2500m² site. GC Site 1= Coomera. GC Site 2 = Broadbeach

Council Residential Subdivision Comparison



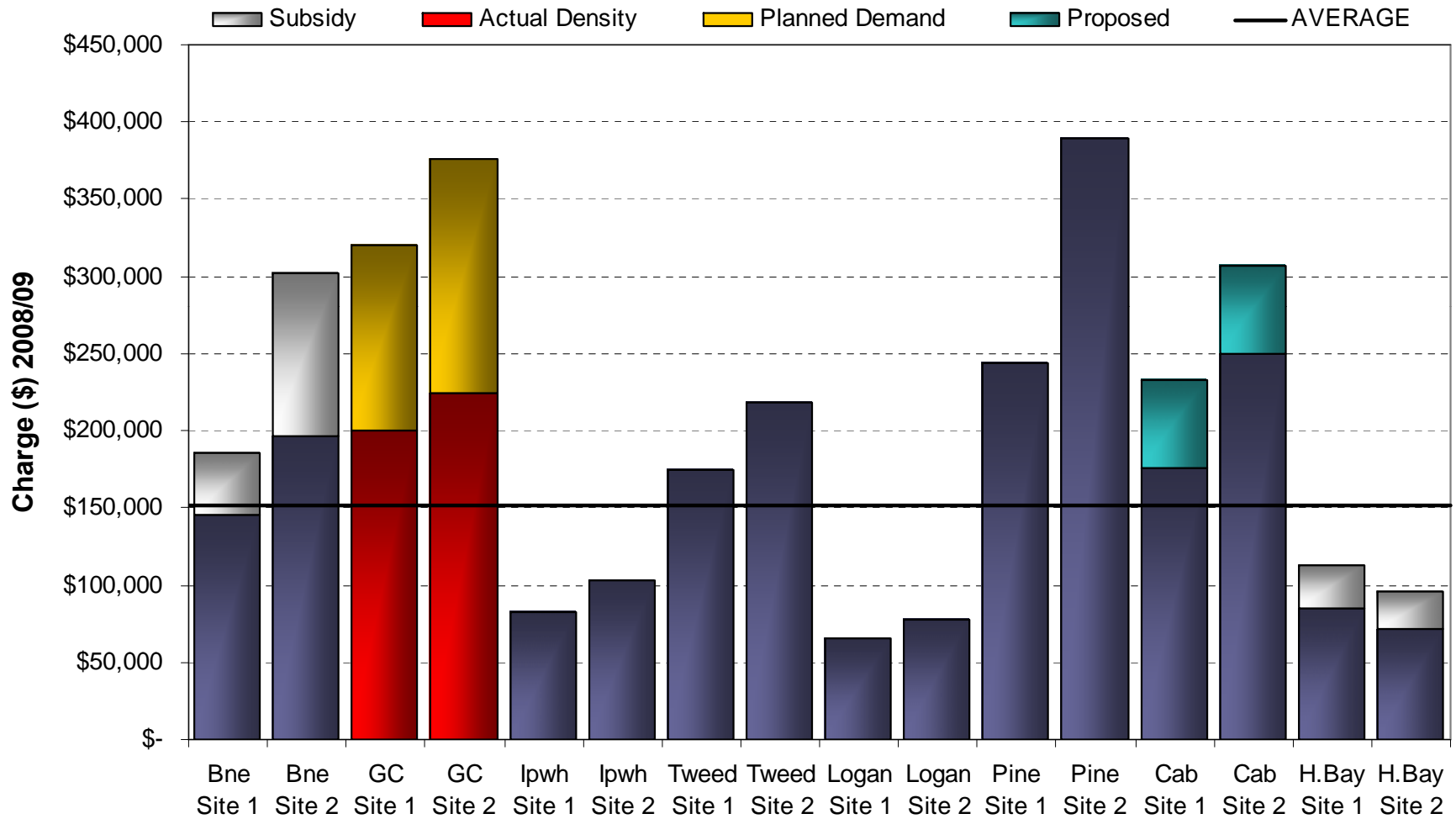
100 Lots on 7 Ha site. GC Site 1 = Coomera. GC Site 2 = Ormeau

Council Shopping Centre Comparison



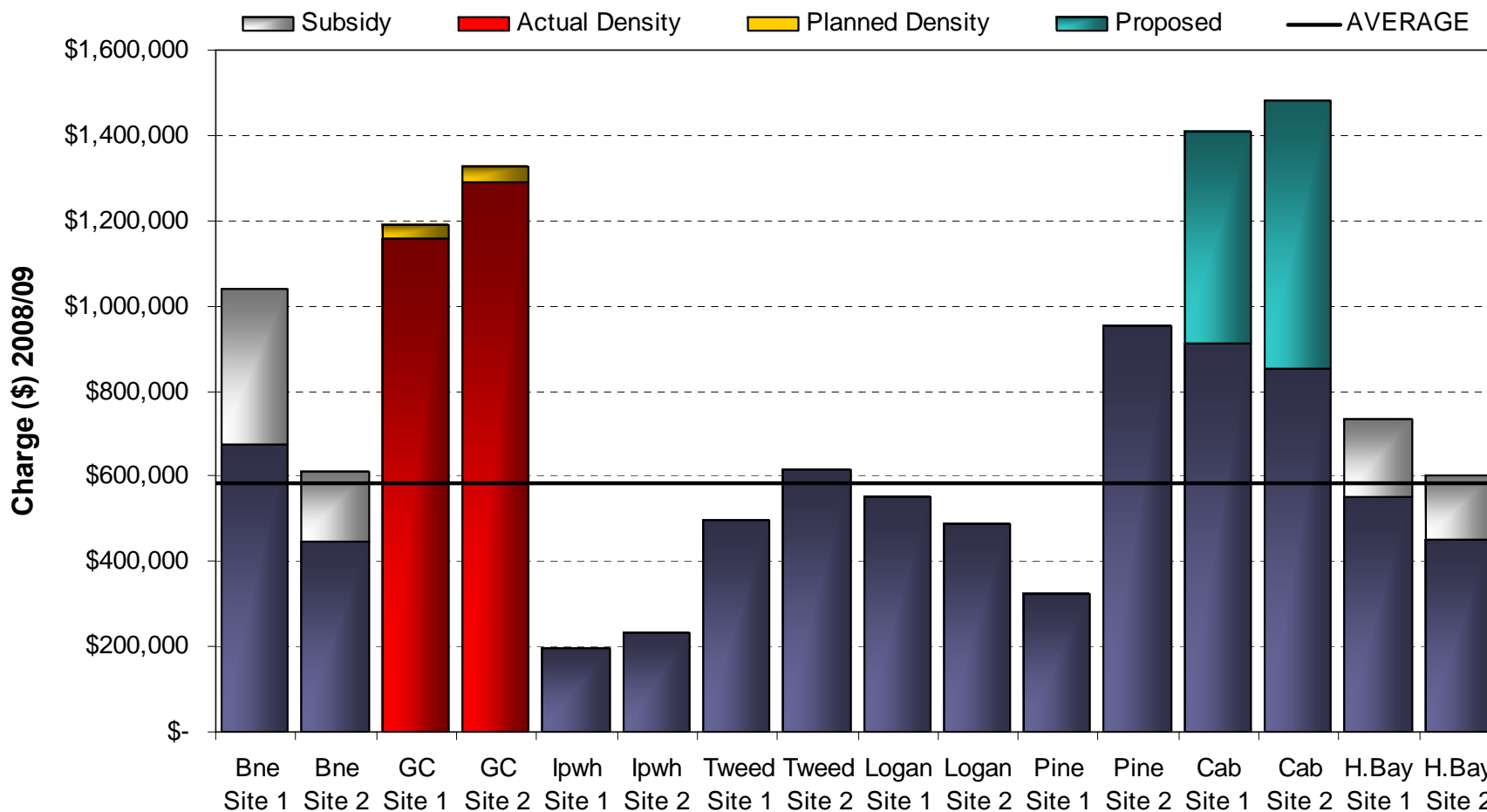
5000m² GFA on 15000m² site. GC Site 1 = Nerang. GC Site 2 = Coomera

Council Office Comparison



1000m² office on 600m² site. GC Site 1 = Southport. GC Site 2 = Coomera

Council Industry Comparison



10,000m² on 2Ha site. Site 1 = Arundel. GC Site 2 = Yatala

Comparison Trends

- **Will benefit ‘greenfield’ residential developments where natural constraints prevent the ‘planned density’ from being achieved.**
- **Probably won't have much impact on infill residential development which predominantly achieves or exceeds ‘planned density’ outcomes already.**
- **May benefit smaller employment generating activities mainly through reduction in the Recreation charge.**
- **Will have limited benefit for significant employment generating activities such as large retail, commercial and industrial development mainly due to continuation of very high Transport charges.**

What about real projects?

- **Ticor Developments – Nerang Shopping Centre.** Development currently under Appeal. Current ‘Planned’ Charges = \$25,901,578. Proposed ‘Actual’ Charges = \$24,244,098. Saving = \$1,657,480 or 6.3%



What about real projects?

- **Helensvale Plaza Office Development. Development currently under Appeal. Current 'Planned' charges = \$4,648,533. Proposed 'Actual' Charges = \$3,973,179. Saving = \$675,354 or 14.5%**



Free Trade Zones?


- **Not all parts of the City are charged consistently. Some benefit from historical rezoning agreements and infrastructure agreements.**
- **The Robina Act area and Varsity Lakes Precinct Concept Plan area are not liable for PIP charges, and only Policy 3a and 3b (Water and Sewer) charges apply.**
- **What influence do these different charging rates have on the rate of development in the affected areas?**




SITE CONCEPT PLAN


Predominant Land Use Areas

 Special Business


 Mixed Use


 Community Use

 Residential

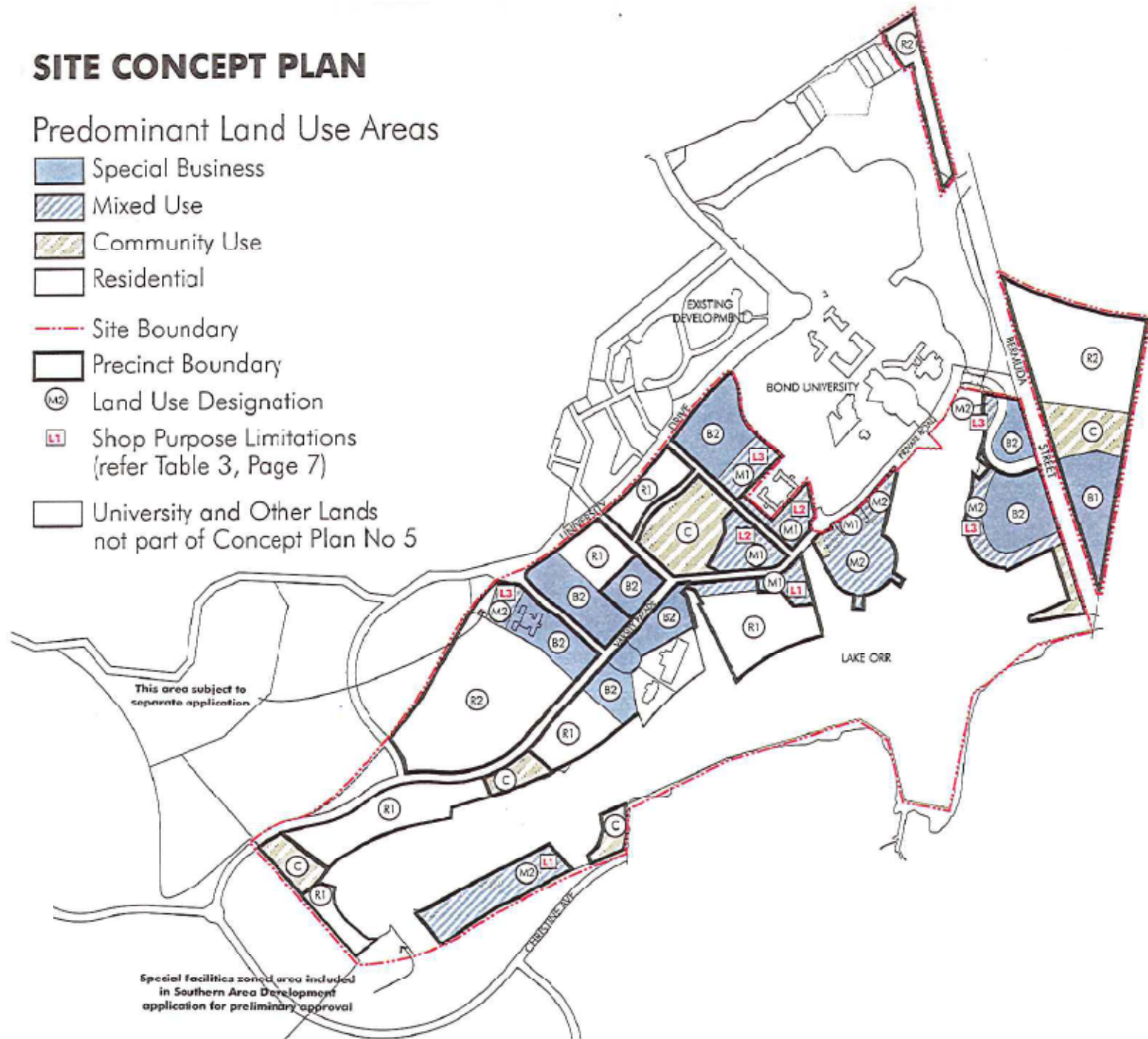
 Site Boundary

 Precinct Boundary

 Land Use Designation

 Shop Purpose Limitations
(refer Table 3, Page 7)

 University and Other Lands
not part of Concept Plan No 5



- **'Rocket Building – Robina**
- **11,000m² of Office space and 1800m² of Retail/ Restaurants on a 5505m² site**
- **\$110 Million project**
- **Only water and sewer charges are payable under the Robina Act.**
- **Water and Sewer charges for the 'Rocket' are estimated to be \$413,902.77.**
- **The same building built in the Southport CBD would incur 'Actual' charges of \$2,674,805.03 of which \$2,063,955.20 would be Transport charges.**

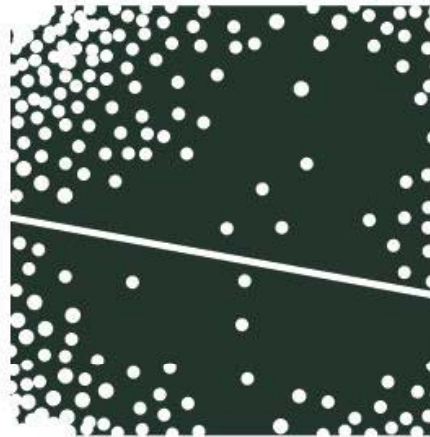


The way forward

- **The economic viability of development projects should be the overarching aim of any contributions system. Unviable projects will not meet Council's economic development objectives.**
- **Council should abandon the introduction of the 20% infrastructure charge increases for water and sewer in the forthcoming PIP Stage 2.**
- **Conduct a full economic impact assessment of the current infrastructure charging regime. What impact is it having on the City's economy?**
- **Examine what effect, if any, reduced charges will have on rating levels in the City.**

The way forward

- Review the \$1Billion list of projects contained in the PIP. How many are in Logan? How many have already been constructed by developers at no cost to Council? How many are proposed to be built and handed over at no cost to Council? How many are listed, but are not intended to be constructed?
- Examine Desired Standards of Service under the PIP. Are they accurate? Should the City have more affordable aspirations?



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