



## Enough to give you the pips



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As you are aware the development industry on the Gold Coast has an ongoing concern regarding high infrastructure charges being levied by GCCC and Allconnex on new development. Consequently we are seeing significant adverse flow on effects relating to unemployment in the city with even cashed up long term development companies announcing they are placing future investment capital outside the Gold Coast. Yes there are other economic factors at play, but PIP is certainly top of mind.

In terms of reform, there are a couple of encouraging things happening at the State and Council level. Firstly the State is conducting an infrastructure charges review and has released an option paper for public discussion. The Joint Industry Working Group (an amalgam of Gold Coast development industry groups including SDGCI) recently made a submission to the State regarding the options paper. The paper proposes to limit charges for residential development to between \$20,000 and \$30,000 per dwelling. Lower charges are of course the preferred outcome for the development industry, particularly to a level which restores economic viability to construction projects.

The main concerns raised in relation to the State options paper were that firstly the State's assumptions are based on the Integran report undertaken by GCCC to refute the claims made in the Place Design Group report commissioned by SDGCI, which demonstrated that GCCC charges were significantly higher than other locations in SEQ.

The Integran report was considered to contain a number of erroneous assumptions and hence it was of concern that the State was using this document as a background report. Secondly, the state options paper failed to address non-residential development, being the main driver of ongoing employment in our city. Consequently no suggestions were put forward by the State as to how to make non-residential development viable again. The JIWG submission suggests a \$20,000 charge to be imposed on dwellings, and a charge equivalent to 5% of the construction cost be imposed on non-residential development. You may recall that Mayor Clarke proposed a similar solution several years ago.

Unfortunately due to the recent floods the infrastructure review being undertaken by the State has been postponed, and is expected to reconvene later in 2011.



On the Council front, the JIWG was successful in gaining agreement from GCCC to undertake an economic report into the PIP. No such report has been previously undertaken by Council. PriceWaterhouseCoopers (PWC) are currently working on this report which has been broken up into 8 separate briefs. The JIWG have provided feedback to PWC and GCCC in relation to 6 of the 8 briefs.

While being supportive of the report, the JIWG have expressed concern that the briefs prepared to date fail to provide any real examination of the impact of PIP charges on non-residential development. This has been deemed to be out of scope and anyway fails to identify if Council is indeed accounting for the collected PIP charges in a manner which is reflective of the PIP methodology. This has also been deemed to be 'out of scope'. These two issues must be addressed for the report to have any chance of comprehensively examining the economic impacts of the PIP on the economy of the city.

Elsewhere Council has adopted the Temporary Local Planning Instrument (TLPI) based charges as a permanent component of the PIP. That is, charges will now be permanently considered on the 'actual' development being undertaken by a developer and not on a theoretical development scenario relating to the maximum development potential under the Planning Scheme. That is the good news.

The bad news is that Allconnex have reneged on applying the lower rates under the TLPI and propose to revert back to charging on the basis of 'planned' demand. This is the topic of ongoing debate with Council (as the 65% owner of Allconnex, and Allconnex itself).

On yet another front the Business GC Advisory Group recently made a resolution regarding infrastructure charges which then passed through Council's Economic Development Committee and was adopted by full Council, which recommends that Council adopt an infrastructure charging regime which is no less competitive than that applicable to Logan and Ipswich Council areas.

The resolution also sought a greater input by Council into the economic value of development proposals to act as a counterbalance to the significant environmental and social assessments which currently occur, as together they all make up the triple bottom line assessment which should be undertaken. It remains to be seen exactly how Council intend to implement the Business GC resolutions, however Council's adoption of these resolutions is seen as a step in the right direction.

Work to reduce infrastructure charges to an economically sustainable level remains ongoing, and bit by bit the message is getting through that an unsustainably high charging regime is as bad for Council as it is for the development industry. It is understood that Mayor Paul Pisasale of Ipswich and Mayor Pam Parker of Logan are great fans of the current GCCC PIP regime as it will guarantee them a source of future prosperity for their residents as developers mothball Gold Coast-intended projects and invest in outside the Coast.