

## **4.1 DEVELOPMENT CONTRIBUTION SCHEMES FOR LAND DEVELOPERS**

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File: F2014/4172

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### **EXECUTIVE SUMMARY**

This report informs Council about funding schemes that may help to partially fund council infrastructure from contributions collected from land development.

These schemes can be pursued after a Council adopts a long-term plan for scheduling and timing of future works. With such a plan in place, with projected costs and delivery dates known, Council is then positioned to create a scheme for the projected 'growth component' of future works. This growth component will be funded from developer contributions that are collected over time.

Preliminary investigation reveals that these funding schemes must be created, reviewed and operated from well-considered growth projections, through a governance structure and with corporate accounting practices to monitor the collection of monies and enable construction of specified works that are in a scheme. After a scheme has been created and approved by Council, it can then be enforced if it is included in the planning scheme.

Moving forward, the feasibility of creating any specific scheme can be further considered by Council after a 'Strategic Framework for Contribution Schemes' has been prepared. High level cost benefit analysis could then be prepared for each of the scheme options detailed in the Strategic Framework for Contribution Schemes' so that Council can elect which schemes should be pursued.

### **RECOMMENDATION**

That Officers develop the following for further consideration by Council:

1. A Strategic Framework for Contribution Schemes' in 2015/16, to inform future decision making for schemes in Banyule.
2. A cost/benefit analysis to test the viability of, and provide direction on, which contribution schemes should be pursued.

### **OFFICER DECLARATION OF CONFLICT OF INTEREST**

Section 80C of the *Local Government Act 1989* (Act) requires members of Council staff, and persons engaged under contract to provide advice to Council, to disclose any direct or indirect interest in a matter to which the advice relates.

Council officers involved in the preparation of this report have no conflict of interest in this matter.

### **City Plan**

## **DEVELOPMENT CONTRIBUTION SCHEMES FOR LAND DEVELOPERS cont'd**

The City Plan has a key direction to “Maintain and improve Banyule as a great place to live”. This is coupled with an initiative to “Consider options for amendments to the planning scheme to provide a basis for development contributions for community facilities, infrastructure, etc.” This note makes progress on this initiative.

### **Background**

There are various funding mechanisms available to Council for community facilities, open space facilities, transport infrastructure, drainage infrastructure and for public land. A list is shown below:

- General Rates
- Differential Rates
- Special Rates and Charges
- Conditions on Permits
- Agreements
- Development Contribution Plans
- Infrastructure Contribution Plans
- Open Space Levies
- Parking Precinct Plans (Case-in-lieu)
- Direct User Charges and Fees
- Grants
- Asset Sales
- Borrowings

Council already uses most of these mechanisms and on others has started work for:

1. **Parking Precinct Plans.** A plan is being prepared for the Heidelberg Activity Centre. This transport plan will consider future car parking contributions by developers, to help fund specified infrastructure in the plan.
2. Refining requirements for **Open Space Levies.** A reviewed Open Space Strategy is being prepared. The new strategy will include information to underpin Council's shift to a specified rate/s for open space levies.

In this list there are two ‘contribution scheme’ mechanisms that have not been previously explored in Banyule. These are Development Contribution Plans (DCPs) and Infrastructure Contribution Plans (ICPs). More on these is given below.

### **Development Contribution Plans and Infrastructure Contribution Plans**

In metropolitan Melbourne's established suburbs (such as in Banyule), where redevelopment happens rather than greenfield development, DCPs and ICPs are tools to help partially fund future infrastructure. In these suburbs, the proportion of total infrastructure cost that can be collected from development, through these tools, is relatively small. This is because these tools have to be linked with an area's rate of change, as a proportion of total development that has already occurred. Consequently they are only useful when coupled with other funding tools that collectively cover the full cost of future infrastructure.

For Banyule, the rate of redevelopment has been relatively low in comparison to most other established municipalities. This means that Banyule's ability to collect contributions will be less in comparison to most other councils.

Both mechanisms are tied with legal, governance and accounting implications that would oblige Council to make long-term funding commitments to specific infrastructure in a specified future year. Both tools can only be enforced if they are imbedded in the Planning Scheme. This requires a Planning Scheme Amendment, with public exhibition of the proposed plan and a Planning Panel to consider submissions.

## **DEVELOPMENT CONTRIBUTION SCHEMES FOR LAND DEVELOPERS cont'd**

The main difference between the two tools is that DCPs can have locally-tailored development contribution rates, for infrastructure that is specified and committed to by Council. ICPs can only be used in Government specified locations, such as the LaTrobe National Employment Cluster (NEC), and will apply standardised contribution rates. These rates would be set by the Government.

The Government is continuing work for setting up ICPs, with legislative change anticipated in 2015. This change will then support creation of ICPs, in-line with recommendations given by the Government's Standard Development Contributions Advisory Committee and involving the Metropolitan Planning Authority (MPA) for NECs across metropolitan Melbourne.

### **Potential Infrastructure Contribution Plans in Banyule**

The Government's metropolitan planning strategy, *Plan Melbourne*, has introduced NECs as priority places for redevelopment and employment growth. For Melbourne's Northern Region, the LaTrobe NEC is in parts of Banyule and Darebin.

In Banyule's part of the LaTrobe NEC, future growth that is serviced by infrastructure contributions could: help regenerate Heidelberg West; continue to support the Heidelberg Activity Centre, and promote further employment clustering for medical and allied industries around the major hospitals.

The MPA are currently preparing a land use and transport framework for the LaTrobe NEC. A draft framework is expected in mid-2015. Recent discussion with the MPA is also revealing that their future work will consider setup and rollout of an ICP for the LaTrobe NEC into the Banyule and Darebin planning schemes. This highlights the need to continue work with:

- MPA, to support the creation of a framework for the LaTrobe NEC.
- Darebin Council, to appreciate Community Infrastructure demand and supply for the NEC.

Doing this will position Banyule to consider an ICP Framework for the LaTrobe NEC.

### **Considering Development Contribution Plans in Banyule**

The potential for any future DCP in Banyule, to enable funding for future infrastructure, is dependent on projections for future development. These projections are important because development contributions can only levy new development over time – not existing development. Early analysis shows that, at best, 15% of total cost may be fulfilled from collected development contributions. The remainder would need to be funded through other funding mechanisms.

Because the accountability requirements for creating and operating a DCP are rigorous, Council's ability to introduce DCPs will need to be coupled with a clear long-term commitment for construction of nominated infrastructure at a specified future year. To achieve this, Council will need to make a commitment that extends beyond a 12 month annual budget and possibly beyond a 4 year timeline. Without evidence of a commitment, a Planning Panel would not recommend support for a DCP and the Minister for Planning would not support a DCP being introduced into the Banyule Planning Scheme.

### **Where to Next – Creating a Strategic Framework**

## DEVELOPMENT CONTRIBUTION SCHEMES FOR LAND DEVELOPERS cont'd

Whilst DCPs have been used by Councils in Melbourne's growth corridors, where developer contributions can help fund new urban infrastructure, most established-area Councils do not have DCPs. To make progress for Banyule, the following could be done:

- Progress discussion with other established-area Councils, to appreciate their DCP learnings.
- Broad-brush growth estimates prepared for different parts of Banyule
- Outline of 10 year infrastructure/asset aspirations listed
- Outline of key governance, legal, auditing, accounting and resourcing implications for creation and operation of DCPs prepared.

Doing this will inform a 'Strategic Framework for Development Contributions' (The Strategic Framework).

The Strategic Framework would consider alternative ways to use contribution schemes in Banyule and would be informed by some high-level cost/benefit analysis to test the viability of different scheme options for:

1. Targeted growth locations only (e.g. Activity Centres)
2. Preferred infrastructure/asset type only (e.g. Libraries)
3. Preferred infrastructure/asset item only (e.g. drainage upgrade priority)
4. Combinations of the above, such as preferred infrastructure with a high-growth Activity Centre.

With an adopted Strategic Framework in place, Council would then be positioned to consider a preferred approach for preparing contribution schemes in Banyule. This process is outlined in figure 1. The Government's legislative progress for ICPs illustrates that progress on a Strategic Framework will require input from the MPA as well.

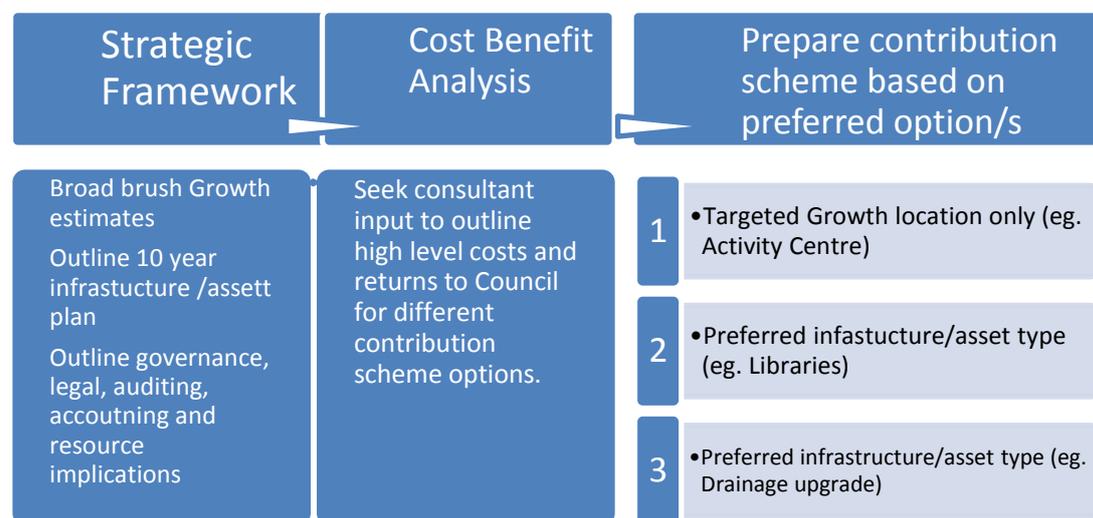


Figure 1: Outline of process

## CONCLUSION

DCPs and ICPs are funding mechanisms for future infrastructure commitments. These schemes may help to partially fund future infrastructure. A Strategic Framework can be created to inform future decision for contribution schemes in Banyule.

**DEVELOPMENT CONTRIBUTION SCHEMES FOR LAND DEVELOPERS cont'd**

**ATTACHMENTS**

Nil