Infrastructure Charges and Levies on Residential Development

Policy Background

- Levies and charges applied to development to cover physical and social infrastructure significantly affect new housing affordability. They are in effect a tax on new homebuyers.
- Most states and territories, through the planning system, can apply a charge on new residential developments via an infrastructure development contribution scheme of some type.
- Over the last decade, the charges being applied through these infrastructure development levy schemes have become increasingly significant. This is partially due the large range and high quality of facilities being requested by authorities and in many cases a conscious decision to shift the majority of the upfront costs onto new developments.
- The levies are now so significant they are impeding orderly and affordable residential development from occurring and significantly adding to the upfront costs of new homes.
- State governments have recognised the negative impact levies have on residential development and introduced ways to slow increases through either standard development levies or capped development levies. However, there is no clear evidence this approach has lowered the charges payable and improved the final cost of a new home.
- Some councils are attempting their own approach to the levies which can result in more levies and varied amounts being charged.

Policy Issues

- Development charges and levies can encompass two types of infrastructure provision:
  1. *Development specific infrastructure* – being items which are directly attributable to new development, defined as those items that are necessary to create the allotment without which the development could not proceed, for example:
     - local roads;
     - drainage;
     - stormwater;
     - utilities provision;
     - land for local open space; and
     - direct costs of connecting to local water, sewerage and power supplies.
  2. *Community, Social and Regional Infrastructure – being items of broader physical, community and social infrastructure which are ancillary to the direct provision of housing in a new development and support residents outside that development, for example:*
     - headworks for water, sewerage and power supplies which may be part of a specific contributions plan;
     - community facilities such as schools, libraries, child care facilities, medical centres and retail facilities;
     - district and regional improvements such as parks, open space and capital repairs;

Policy endorsed by HIA National Policy Congress: May 2007; Amended 2009 & 2010; Re-endorsed with amdts 2016 (title change)

  - social improvements such as library books;
  - public transport capital improvements;
  - district and regional road improvements;
  - employment services;
  - subsidised housing; and
  - conservation of natural resources.
- Levies for community, social and regional infrastructure are typically applied by either local and/or state governments through the planning system.
- In many cases the levies are charged without the establishment of a nexus between the infrastructure item and the community who will benefit and use it, without transparency in the collection and without any consideration of the impact on housing affordability.
- Levies of this kind are being viewed as a primary funding source for community, social and regional infrastructure, despite the benefits from that infrastructure being enjoyed by the whole community.
- Whilst development specific infrastructure has a nexus with the allotment or building and directly benefit future home owners community social and regional infrastructure may have limited or no nexus with the population who will occupy the homes in a new development.
- Many items of community, social and regional infrastructure end up in private ownership and are operated on a commercial basis once delivered, such as child care and medical centres. This represents a double charge for new home buyers.
- Every dollar charged in infrastructure contributions adds multiple dollars to the end price of a home as a result of multiple factors including delays in the calculation and setting of the levies, the uncertainty of this process and associated risks, the delays in developments commencing and increased mortgage repayments by the developer and the homebuyer required over time.

HIA's Policy Position on Infrastructure Charges and Levies on Residential Development

1. *Development specific infrastructure* which provides essential access and service provision and without which the development could not proceed are considered to be core requirements for housing development and should be provided in a timely manner to facilitate affordable development. These infrastructure items within the boundaries of the development should be provided by the developer as part of the cost of development.
2. An up-front charge against a new development is the least efficient manner in which infrastructure costs may be recovered.
3. The costs of broader *community, social and regional infrastructure* should be borne by the whole community and funded from general rate revenue, borrowings or alternative funding mechanisms.
4. The imposition of up-front levies on new homebuyers for *community, social and regional infrastructure* is inequitable, discriminatory, inflationary and erodes housing affordability.
5. Where up-front infrastructure levies currently exist for *community, social and regional infrastructure* and until such time as these levies are eradicated in line with dot points 1-4 above:
   - The establishment and calculation should be identified by the authority and be embedded within a statutory planning instrument prepared at the time of approval of land for urban development;

- Governments should be required to prepare a full cost benefit analysis of the impact of any proposed infrastructure levy on housing affordability prior to any implementation;
- The manner in which the up-front levies are costed should be transparent and cover capital and implementation costs only. All ongoing and maintenance costs should be recovered by means of an annual rate or charge and not permitted to be part of the levy calculation;
- Any levies implemented should provide certainty and consistency for future development and home owners about the infrastructure to be delivered, costs to be funded and timing of delivery;
- Levies should be collected at the latest stage of the development process, just prior to the creation of legal title or prior to occupation;
- Once adopted levies should not be subject to any change or variation apart from defined cost of living increases or similar indexation to allow for inflation;
- The amounts collected should be fully disclosed and reported to State Parliament annually and also reported by local councils to their own communities via annual reports.

6. Levies which are applied by Governments for state based items of infrastructure should be:
   - Established and collected in the same manner as those collected by local government as established above; and
   - Expended in the same area from which they were collected.
7. Any funds which have been collected for infrastructure which is not subsequently provided within the planned timeframes should be refunded to the property owner of the development either as soon as the decision is made to eliminate the proposal or at the expiry of the specified time frame.