

13.2.3 REVIEW - CENTRAL MADDINGTON DEVELOPMENT CONTRIBUTION PLAN REPORT

Director:	C Terelinck
Author's Declaration of Interest:	Nil
Application No:	LA18/00008
Previous Ref:	OCM 19 December 2017 (Resolutions 394-396) OCM 9 September 2014 (Resolutions 358-360) OCM 13 May 2014 (Resolutions 153-158)
Appendix:	13.2.3A Revised Central Maddington Development Contribution Plan Report

PURPOSE OF REPORT

For Council to review the value of land and infrastructure items in the Development Contribution Plan Report (DCPR) associated with the Central Maddington Outline Development Plan (ODP) as required by Town Planning Scheme No. 6 (TPS 6).

BACKGROUND

Due to changes in costs and land values over time Development Contribution Plans (DCPs) must be updated regularly to ensure the Contribution Arrangements are aligned with the contemporary costs of providing infrastructure.

The majority of the City's DCPs were reviewed by Council on 13 October 2020. It was noted at the time that the review of the Central Maddington DCPR would be subject of a future report.

The Central Maddington DCPR has been the subject of a review relating to infrastructure design for the area. The review's outcome has had a significant impact on the nature and value of common costs included in the DCPR and the annual revision of this DCPR has been delayed pending the outcomes of this review.

DISCUSSION

The Central Maddington DCPR comprises two precincts and each precinct has two separate contribution obligations:

- POS provision, which is a normal component of residential development; and
- Common infrastructure items.

Public Open Space

Land valuation rates are used to ensure adequate funds are collected for POS and to determine the reimbursement payable to landowners for the acquisition of such land.

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The previous POS rate was adopted on the basis of valuation advice from JLL Mortgage Services Pty Ltd (JLL). McGees Property (McGees) have more recently been awarded the tender to provide valuation services to support the review of the arrangement. The McGees valuation was undertaken in June 2020 and recommends a land value of \$2,400,000/ha.

This represents a reduction of \$750,000/ha on the rate which currently applies to land to be reimbursed by the DCPR.

Unlike other DCPRs, this ODP disaggregates this value and establishes different contribution rates for the four R-Codings that apply to land within the arrangement. By applying the land acquisition costs to the future POS land (ie \$2,400,000 x 6.14ha) the resulting contribution rates for each of the R-Coded areas would be adjusted as follows:

R-Coding applicable to land	Previously adopted POS rate	Proposed POS contribution rate/hectare
R20	\$125,607	\$105,365
R30	\$188,411	\$158,047
R40	\$251,214	\$210,730
R80	\$502,428	\$421,460

Common Infrastructure

Common infrastructure costs comprise two elements; land acquisition (being land for new roads) and physical infrastructure (generally including road and drainage construction, POS development, path construction, traffic management devices, service relocation and general administration).

Adjustments to the value of land acquisition for infrastructure are based on the same valuation information as POS. Adjustments to the value of the infrastructure are based on either of the indexing of actual costs, or on the basis of an independent engineering consultant's review of the estimated costs for the DCP's estimated infrastructure works.

Works completed prior to the engineering consultant's review are adopted as actual costs in the DCPR. Actual costs have been indexed against the greater of either the annual Consumer Price Index or an average of the increases to the Building Construction, Housing Construction and Road/Bridge Construction indices for Western Australia (provided by the Australian Bureau of Statistics) for each year since the actual costs were determined.

Items of infrastructure which have not been completed (the majority of items), are priced in accordance with the recently completed engineering consultant's review. This review incorporates detailed design work for these items of infrastructure which has facilitated improved accuracy in cost estimation based on the extent of the required works.

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The engineering consultant's detailed design costs represent a significant increase on the original estimates that informed the 2014 DCPR, based solely on the engineering and servicing challenges that typify the Central Maddington project. The table below summarises the changes to the contribution rates as compared to the currently adopted figures.

Base Zoning	Previously adopted infrastructure rate	Recommended infrastructure rate
Precinct 1		
R20	\$157,442/ha	\$255,504/ha
R30	\$236,163/ha	\$383,256/ha
R40	\$314,884/ha	\$511,008/ha
R80	\$629,767/ha	\$1,022,016/ha
Precinct 2		
R20	\$55,519/ha	\$90,019/ha
R30	\$83,278/ha	\$135,028/ha
R40	\$111,037/ha	\$180,038/ha

The implications of the review mean that the risk of collecting insufficient funds to deliver the infrastructure is reduced, however the infrastructure costs to landowners who wish to develop will increase significantly (acknowledging that there is a corresponding fall of land value costs).

It is recommended Council modifies the DCPR accordingly.

CONCLUSION

TPS 6 requires Council to review the cost sharing arrangements operating within the district. It is recommended that Council adopts the revised DCPR as contained in Appendix 13.2.3A.

FINANCIAL IMPLICATIONS

The proposed changes to the contribution rates will have an impact on the contributions payable by developing landowners and the amount of money that can be reimbursed to developing landowners for infrastructure provided.

Approximately \$3,000,000 in contributions have been collected on current CIW rates and the new rates represent a 62% increase on earlier estimates. As the majority of the works under the DCPR are outstanding, the currently collected contributions represent a notional shortfall of \$1,890,000 against the revised costs. It is not possible to know with certainty if an eventual shortfall between contributions and costs will occur as this will be influenced by the actual cost of works, indexed contributions and the impact of interest earned on contribution funds held in reserve accounts.

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Conversely, for POS, the contribution rate is proposed to reduce, reflecting changing land values. This change would result in a surplus of funds collected for POS contributions to date.

It is reasonable to consider these variables as contingent risks in the life of the DCPR, however, should a shortfall in contributions eventuate, that cost is likely to fall to the wider community.

STATUTORY IMPLICATIONS

Town Planning Scheme No. 6.

VOTING REQUIREMENTS

Simple Majority required.

STAFF RECOMMENDATION AND COUNCIL RESOLUTION (1 OF 2)

299 Moved Cr G Dewhurst Seconded Cr S Patterson

That Council adopts a revised Development Contribution Plan Report for the Central Maddington Outline Development Plan, which includes common infrastructure contribution rates as follows and detailed in Appendix 13.2.3A:

Zoning applicable to land	CIW contribution rate/hectare
Precinct 1	
R20	\$255,504
R30	\$383,256
R40	\$511,008
R80	\$1,022,016
Precinct 2	
R20	\$90,019
R30	\$135,028
R40	\$180,038

CARRIED 10/0

FOR: Cr P Abetz, Cr A Adams, Cr C Brett, Cr J Brown, Cr G Dewhurst, Cr D Griffiths, Cr A Hort, Cr S Patterson, Cr E Zhang and Cr D Goode.

AGAINST: Nil.

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STAFF RECOMMENDATION AND COUNCIL RESOLUTION (2 OF 2)

300 Moved Cr G Dewhurst Seconded Cr S Patterson

That Council adopts a revised Development Contribution Plan Report for the Central Maddington Outline Development Plan, which includes public open space contribution rates for Precincts 1 and 2 as follows and detailed in Appendix 13.2.3A:

Zoning applicable to land	POS contribution rate/hectare
R20	\$105,365
R30	\$158,047
R40	\$210,730
R80	\$421,460

CARRIED 10/0

FOR: Cr P Abetz, Cr A Adams, Cr C Brett, Cr J Brown, Cr G Dewhurst, Cr D Griffiths, Cr A Hort, Cr S Patterson, Cr E Zhang and Cr D Goode.

AGAINST: Nil.