

13.5.1 REVIEW OF CONTRIBUTION RATES - CANNING VALE OUTLINE DEVELOPMENT PLAN - DEVELOPMENT CONTRIBUTION ARRANGEMENTS - SEPTEMBER 2011

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Author's Declaration Nil.

of Interest:

Previous Ref: OCM 10 August 2010 (Resolutions 362 and 363)
OCM 8 September 2009 (Resolutions 433 and 444)
OCM 25 March 2008 (Resolutions 104 and 105)
OCM 13 February 2007 (Resolutions 39 and 40)
OCM 6 December 2005 (Resolutions 584-587)
OCM 8 June 2004 (Resolutions 292 and 293)
OCM 11 February 2003 (Resolution 49)
OCM 18 December 2002 (Resolution 1036)

Appendix: 13.5.1A Canning Vale Outline Development Plan - Draft Revised Schedule of Common Infrastructure Works - September 2011

PURPOSE OF REPORT

For Council to consider recommendations in respect to the land valuation basis and common infrastructure works (CIW) contribution rate associated with the Canning Vale Outline Development Plan (ODP) development contribution arrangement (DCA).

BACKGROUND

The City administers a DCA for the shared provision of infrastructure and land for public purposes in the Canning Vale ODP area and is required to review the DCA on an annual basis.

The DCA has operated since 2001. A substantial proportion of land in the ODP area has been developed and much of the identified infrastructure has been completed. There still remains some land to be developed and infrastructure to be provided, meaning the DCA is likely to operate for some time.

Part of the DCA involves the collection of development contributions to be used for the acquisition of land for public open space (POS), which includes land for conservation, drainage and recreational purposes and the provision of the following CIW:

- Wetland protection works (fencing and boardwalks)
- Re-alignment of existing 132kV powerlines traversing the Canning Vale ODP area
- Traffic management devices (roundabouts and signals)
- The acquisition of land for road widening (along Nicholson and Warton Roads)
- A proportion of the cost of regional road works (Nicholson and Warton Roads and Garden Street)
- Service relocation works involved in widening Nicholson and Warton Roads
- Shared use paths
- Drainage infrastructure

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- Administration and technical reports associated with designing and managing future community assets.

The annual review of DCA rates involves adjustment of contribution rates to account for changes in land values and construction costs. Council last reviewed the DCA for the Canning Vale ODP at its meeting on 10 August 2010 and resolved to adopt a CIW contribution of \$50,532/ha. Council also resolved to set the land valuation at \$1,350,000/ha. This figure is used to calculate contribution rates and in circumstances where it is necessary to acquire land identified on the ODP for public purposes. To conform to the requirements of TPS 6, it is necessary for Council to again review the land valuation basis and contribution rates.

The figures are set on the basis of independent assessment of relevant factors relating to each rate, as is discussed below.

DISCUSSION

DCA values and rates for the Canning Vale ODP area typically require adjustment in respect of:

- The basis for land valuation
- CIW contribution rates.

The table below shows the history of adjustments made to values and rates over the life of the DCA. Each of those adjustments has occurred after obtaining qualified expert valuation advice.

HISTORY OF ADJUSTMENTS TO LAND VALUATION AND CONTRIBUTION RATES				
Date of Revision	POS cash-in-lieu		Common Infrastructure Works	
	Valuation rate/ha	% increase	\$ rate/ha	% increase
Gazettal - 6/4/2001	\$250,000/ha	N/A	\$27,563/ha	N/A
OCM - 18/12/2001	\$350,000/ha	40.00%	\$28,622/ha	3.80%
OCM - 11/2/2003	\$400,000/ha	14.30%	\$29,532/ha	7.30%
OCM - 8/6/2004	\$500,000/ha	25.00%	\$31,250/ha	8.20%
OCM - 6/12/2005	\$800,000/ha	60.00%	\$40,663/ha	30.10%
OCM - 27/2/2007	\$1,350,000/ha	68.80%	\$44,541/ha	9.50%
OCM - 25/3/2008	\$1,350,000/ha	0.00%	\$47,032/ha	5.60%
OCM - 08/9/2009	\$1,200,000/ha	-11.12%	\$49,280/ha	4.78%
OCM - 10/8/2010	\$1,350,000/ha	12.50%	\$50,532/ha	2.90%
Proposed - 2011	\$1,300,000/ha	-3.70%	\$52,630/ha	5.00%

POS contribution = 12.74% of net developable area multiplied by valuation rate.

CIW contribution rates have been adjusted based on statistical trends sourced from the Australian Bureau of Statistics (ABS). An average between the Consumer Price Index and relevant indices of allied Construction activities has been set. The rate increase has been applied to the individual costing of various CIW components where applicable, those items linked to land rates are adjusted in line with the revised englobo valuation that applies to the POS component of this Plan.

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Land Valuation

To ensure that adequate funds are collected to acquire the land identified on the ODP for POS and other public purposes, it is necessary to set contribution rates based on a current englobo land valuation. The land valuation is also used as a basis to determine the amount of compensation for the acquisition of land for public purposes, such as POS and the widening of regional roads.

Previous adjustments have been adopted on the basis of valuation advice from Propell National Valuers. Propell was again engaged to provide a valuation report based on current market conditions in the Canning Vale area.

Propell's latest valuation was undertaken in June 2011 and its report details that over the previous 12 months land values in the Canning Vale area have decreased marginally. The report concludes that the typical englobo rate within the ODP area is \$1,300,000/ha.

A reduction in land values has the potential to impact on the ability of the arrangement to meet land acquisition objectives by virtue of a shortfall in funds collected.

A review of the already collected funds combined with the forecasting of the future collections under the revised rate (\$1,300,000/ha) confirms that the reduction in the POS rate is not significant enough to result in a shortfall of funds.

It is therefore recommended that Council reduce the land valuation used by the Canning Vale ODP DCP to \$1,300,000/ha.

Common Infrastructure Works (CIW) Contribution Rate

Adjustments to the CIW contribution rate have previously been determined on the basis of increases to relevant indices sourced from the Australian Bureau of Statistics (ABS), changes to infrastructure unit cost rates and other inflationary indicators, in addition to factoring in the impact of changes to land values given that some CIW include a land component.

An average of the most recent ABS indices indicates that an increase of 5% over the 12 month period to June 2011 is warranted.

It will therefore be recommended that a 5% increase be applied to the unit cost rates for CIW required in the Canning Vale ODP.

The draft revised Schedule of Works for the DCA, contained in Appendix 13.5.1A, reflects increases to CIW cost rates of 5%. Those CIW that involve a land component have been adjusted by the englobo valuation rather than adopting the percentage increase approach as was the case in previous reviews. The resulting change to the CIW contribution rate is a recommended new rate of \$52,630/ha (an increase of \$2,098/ha from last year).

Schedule 12 of TPS 6 provides for landowners to object to the adopted contribution rate and land valuation basis.

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FINANCIAL IMPLICATIONS

Should Council accept that the land valuation be based at \$1,300,000/ha, there will be a reduction to the value of future contributions payable by developers for POS and a reduction to the value of compensation available to landowners for the acquisition of land, where necessary.

Revisions to the CIW contribution rate are necessary to ensure that infrastructure identified in the ODP is equitably provided and funded by developing landowners within the ODP area, without placing a financial burden on the City and the wider community to deliver those works.

It will be recommended that Council adopt a land valuation basis of \$1,300,000/ha and adopt a revised CIW contribution rate of \$52,630/ha for the purposes of the Canning Vale ODP DCA.

STATUTORY IMPLICATIONS

Town Planning Scheme No. 6 – Schedule 12.

VOTING REQUIREMENTS

Simple Majority required.

STAFF RECOMMENDATION (1 OF 2) AND COUNCIL RESOLUTION

538 Moved Cr R Lawrence Seconded Cr G Dewhurst

That Council adopt a revised contribution rate of \$52,630/ha for common infrastructure works and a revised land valuation basis of \$1,300,000/ha for the acquisition of land necessary to satisfy the objectives of the Development Contribution Arrangement for the Canning Vale Outline Development Plan.

CARRIED 11/0

FOR: Cr W Barrett, Cr J Brown, Cr G Dewhurst, Cr L Griffiths, Cr R Hoffman, Cr S Iwanyk, Cr K Jones, Cr R Lawrence, Cr R Mitchell, Cr O Searle and Cr D Griffiths.

AGAINST: Nil.

STAFF RECOMMENDATION (2 OF 2) AND COUNCIL RESOLUTION

539 Moved Cr R Lawrence Seconded Cr G Dewhurst

That Council inform all landowners with outstanding contribution obligations within the Canning Vale Outline Development Plan area of Council's decision and of the potential for review, as is allowable under the Town Planning Scheme No. 6.

CARRIED 11/0

FOR: Cr W Barrett, Cr J Brown, Cr G Dewhurst, Cr L Griffiths, Cr R Hoffman, Cr S Iwanyk, Cr K Jones, Cr R Lawrence, Cr R Mitchell, Cr O Searle and Cr D Griffiths.

AGAINST: Nil.