

# Development contributions in NSW: A review of the Section 7.11 Contributions Cap

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*Development contributions help cover the cost of delivering infrastructure needed to support new communities and homes*



*(NSW Department of Planning and Environment, 2018)*

# Section 7.11 Contributions

- Environmental Planning and Assessment Act 1979
- Traditional or original basis for levying contributions



- Developer provides money, land and/or works
- Levied on new residential lots and dwellings

# Key Principles of Section 7.11

## Reasonableness: Nexus...



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... and Apportionment



Public and  
Financial  
**Accountability**

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# The “Cap”

- Introduced in 2009 at \$20,000 per lot/dwelling
- \$30,000 cap for designated greenfield areas
- IPART reviews Plans over the cap
- Essential Works List applies if Plan over cap
- “Gap” funding by state government

# Why I chose to review the cap

- Significant impacts for Councils –
  - Created a funding gap
  - Essential Works List limits items
  - IPART review process lengthy
- State government gap funding “Local Infrastructure Growth Scheme” (LIGS) being phased out
- No review or evaluation of cap

# Research Questions

1. What have been the trends in Section 7.11 contribution rates?
2. Has the contributions cap been an effective reform mechanism?
3. What are alternate approaches to the contributions cap?



# Research Framework

## Research Design



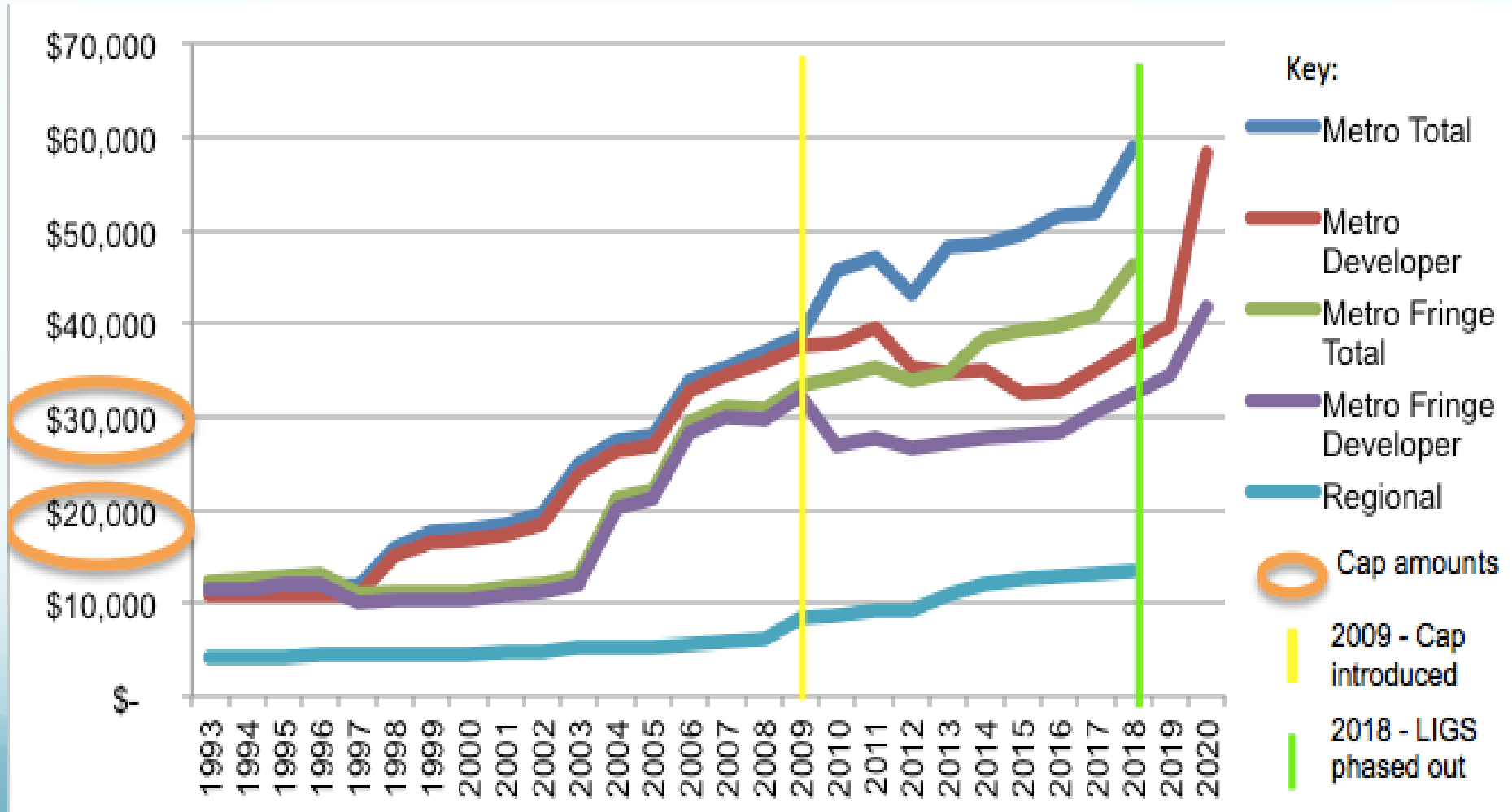
## Data Collection Methods

1. Literature review
2. Quantitative survey
3. Semi-structured interviews
4. Secondary data analysis

# 1. Literature Review

- The principle of levying development contributions remains reasonable and equitable;
- The contributions system has been subject to continued review and reform since 1979;
- Any relationship with housing affordability (i.e. direct impact on land values) is still debated;
- There has been no evaluation or review of cap.

# 2. Survey results



# 3. Interview responses

- *Chaos and pressure on the state government...*
- *No warning or consultation...*
- *An arbitrary amount...*
- *Shouldn't have impacted councils...*
- *LIGS is being phased out...*
- *No plans to review the cap...*
- *Need for broader reforms...*

# 4. Secondary Data Analysis

- Queensland, Victoria & WA contributions systems
- Infrastructure provision standards in NSW
- IPART Benchmark cost estimates
- Median land values by LGA
- Contributions for land acquisition
- IPART reviewed contributions plans

# Limitations

- Timeframes
- Survey sampling and participation rates
- Exclusions:
  - Non-residential contributions (ie industrial, commercial);
  - Other methods ie s7.12 (s94A), Planning Agreements;
  - State contributions, Affordable Housing Contributions;
  - Construction industry economics, development feasibility.

# Summary & Conclusions

## *1. What have been the trends in s7.11 rates?*

Significant increases, especially in Sydney growth areas, IPART approves rates well over cap.

## *2. Has the cap been an effective reform mechanism?*

This is debatable. It has limited developer rates in some instances, but has also created funding gaps.

## *3. What are alternate approaches to the cap?*

See Recommendations.

# Recommendations

- Review the cap as a reform mechanism;
- Set a standard levy for growth areas;
- Set infrastructure provision standards and benchmark cost estimates for s7.11 plans;
- Establish a cap amount for each council type;
- Provide additional guidance for the levying of non-residential development.



Questions?