

# **Revised State Planning Policy 3.6 Development Contributions for Infrastructure**

**RAC Submission, November 2016**



**For the better**

# Revised State Planning Policy 3.6

## Development Contributions for Infrastructure

RAC welcomes the review of the Western Australian Planning Commission's (WAPC's) 'Development Contributions for Infrastructure' policy framework, and this opportunity to provide comment.

### Introduction

RAC works collaboratively with Government and stakeholders to ensure Western Australians can move around our State safely, easily and in a more sustainable way. For Western Australia (WA) to remain productive and liveable, it will be essential to improve integration of land use and transport and seek to ensure successful outcomes from land use development for the community, industry and Government.

It is understood the purpose of the revised 'State Planning Policy 3.6 - Development Contributions for Infrastructure' (SPP 3.6), and accompanying draft Guidelines, is to provide further clarification and direction to aid interpretation and encourage a consistent approach when applying the Policy, as well as providing greater transparency for the development industry. While this is acknowledged and supported, it is disappointing that the review has not gone further in considering whether the current Development Contributions framework adequately supports the delivery of essential infrastructure.

RAC is particularly concerned with the lack of importance being placed on ensuring access to a range of transport options, in supporting improved liveability, mobility and lifestyle choices. As Perth continues to grow, preferences around housing types and transport options are changing and the development industry has a clear role in helping to deliver not only the types of housing Western Australians want, but also the transport infrastructure and services.

There appears to be a general lack of alignment between SPP 3.6 and broader transport and planning policy objectives which seek to improve the integration of transport and land use, and enhance access to employment, education and leisure by a range of transport options, to reduce reliance on the private car. Rather, SPP 3.6 prioritises road infrastructure over all other forms of transport-related infrastructure.

In 2014, RAC sought independent expert advice on arrangements in WA for securing Development Contributions towards transport. The purpose of the study was to evaluate WA's framework, focusing on the extent to which it, and communication of the policy and protocols, supports (at a local level) the delivery of local and regional transport-related infrastructure, services and initiatives.

The study involved:

- > a baseline review of the WA framework and practices in other jurisdictions, both nationally and internationally;
- > extensive consultation with a broad range of stakeholders, including relevant State Government departments, local governments and other industry stakeholders;
- > identification of gaps in the current framework and opportunities for improvement (considering enhancements to the existing framework and alternative approaches); and
- > investigation and evaluation of opportunities.

The study was informed by a Project Reference Group (PRG), comprising representatives from the Department of Planning, the Transport Portfolio, Metropolitan Redevelopment Authority, WALGA and RAC. The broad purpose of the PRG was to provide a high level forum for discussion of strategic issues (in relation to the study direction, approach and technical detail) within the scope of the study. The information presented in the independent consultant's report<sup>1</sup> to RAC should not be taken to represent the views or opinions of individuals, or the organisations represented on the PRG (including RAC).

While the report to RAC discusses a number of gaps, or limitations, with the existing framework and potential opportunities to respond to these, this submission focusses on the main issues from a transport and mobility perspective.

<sup>1</sup>Acil Allen Consulting, 2014. Development contributions and transport: Review of arrangements in Western Australia.

## Recognising the role of transport in supporting liveability

Ensuring adequate access to a range of transport options is widely recognised as being crucial to supporting liveable and sustainable communities. This is reflected in broader planning and transport policy in the State, and in the changing housing and transport preferences of Western Australians.

Urban expansion through development of previously undeveloped 'greenfield' sites in the outer suburbs and on the fringes of the metropolitan area, which are not well served by public transport and active transport options, has tended to be the typical pattern of development in Perth. Allowing this pattern of urban expansion to continue is not desirable, and Government and the community alike are now driving a shift towards a more compact and connected city form, which provides opportunities for higher density mixed use developments around activity centres and train station precincts, which are linked by high frequency public transport services.

The appetite for sustainable communities has never been greater in Perth. Recent research<sup>2</sup> has highlighted that the preferences of Perth residents for housing types are changing, with growing community support for a mix of different development types. The desire for large blocks and stand-alone housing no longer dominates, and many do not consider low density living to be an affordable option (69 per cent of respondents). Many Western Australians are ready to embrace the benefits of medium and higher density apartment-style living, especially around transport hubs (71 per cent of respondents). There is also a strong desire amongst the community for more sustainable and active transport options, with the research identifying improved public transport as being a top priority for Perth's future.

Some developers in WA are using innovative design principles, and exceeding current design standards, to enhance liveability for future residents but further opportunities exist to facilitate financial or in-kind contributions in association with land use development to support improved transport options. Helping to facilitate enhanced accessibility can also increase the marketability of new developments. In fact, the availability of high frequency and permanent public transport services has been demonstrated to have a direct impact on land and property values.

Research has shown that the average value uplift of commercial and residential properties from light rail is 9.5 per cent, from Bus Rapid Transit its 9.7 per cent, and from heavy rail its 6.9 per cent (although there is considerable variation in the ranges observed for each transit mode)<sup>3</sup>.

## Categorisation and scope of transport-related items

While SPP 3.6 mentions the importance of public transport in influencing the standard of living, mobility and lifestyle choices of a community, the categorisation and limited scope of transport-related items for which Development Contributions can be secured does not acknowledge the importance of ensuring adequate access to transport options.



"The careful planning and coordination of infrastructure is fundamental to the economic and social wellbeing of any community. **New development and redevelopment needs to ensure the cost-efficient provision of infrastructure and facilities such as roads, public transport,** water supply, sewerage, electricity, gas, telecommunications, drainage, open space, schools, health, community and recreation facilities. **All of these utilities and services greatly influence the standard of living, mobility and lifestyle choices of a community.**"

SPP 3.6, Page 1

Currently, SPP 3.6 permits local governments to encourage Development Contributions towards a specified list of standard infrastructure items, as well as additional items appropriate for inclusion in Development Contribution Plans (DCPs). Transport-related infrastructure items are limited to roads and traffic works, and paths and crossings when linked to those works, within a subdivision or to connect to a constructed public road.

Broader pedestrian and cycling infrastructure, as well as public transport facilities, are however categorised in the Guidelines as **'optional for liveability'** (Category E) and not appropriate for inclusion in DCPs. This places the same importance on ensuring adequate access to transport options, in supporting liveability, as it does the provision of surf club rooms, golf course grounds and facilities, and boating facilities for instance (all listed in Category E).

Many local governments have local planning and transport strategies comprising of critical projects to enhance communities and support population growth. To ensure growth is attractive and sustainable, there is an appetite amongst local governments for contributions to be sought, in association with development activity, towards transport. Eight out of 16 respondents to RAC's 2014 Development Contributions Local Government Survey believe there is a need to secure more funds for transport from land development in their jurisdiction. Public transport was identified as the transport improvement for which there is the most pressing need, but which they experience difficulties in securing Development Contributions towards under the current arrangement. This was followed by cycling infrastructure.

<sup>2</sup>Conservation Council of Western Australia, Property Council of Australia & Psaros, 2014. What Perth Wants.

<sup>3</sup>BITRE, 2015. Transport infrastructure and land value uplift.

### » Recommendation

SPP 3.6 should be amended to better align with State planning and transport policy objectives which seek to improve the integration of transport and land use and enhance multi-modal accessibility to jobs, services, recreation and other opportunities. This should include reviewing the categorisation and scope of transport-related infrastructure items for which contributions can be sought (particularly those items that Local Government has a role in funding / delivering).

### Demonstrating 'need and nexus'

All contributions sought under SPP 3.6 must adhere to defined criteria, including a demonstrated need for the infrastructure (need) and clear connection between the development and the demand created for the infrastructure (nexus). While this approach is supported, the absence of a standard process for ascertaining the need and nexus for broader transport improvements is understood to have hindered the ability of authorities to secure Development Contributions for such items.

It is reasonable to consider that large-scale development activity may trigger the need for additional public transport infrastructure (and services), as well as connections to surrounding cycling networks for instance, in the same way that it would contribute to the need for standard Development Contributions infrastructure items. Likewise, smaller-scale infill developments, for example in activity centres, collectively create more travel demand which increases pressures on transport networks.

The Transport Impact Assessment (TIA) Guidelines had remained in draft form since 2006 but were recently endorsed by State Government in August 2016, with limited consultation as they "have not been significantly or fundamentally changed". These Guidelines include a newly introduced section on Travel Demand Management in Volume 2, acknowledging the importance of determining modal splits and exploring ways to influence mode choice early in the planning process to achieve more sustainable transport outcomes, in line with current Government policy. This is welcomed, as is the additional information around considering access to public transport. However, the Guidelines could go further in requiring assessment of the impacts of multi-modal trip generation on internal and external transport networks, particularly demand for public transport infrastructure and services, and provide a clearer process to do this at the various stages of the planning process. This could enhance the ability of authorities to secure Development Contributions towards improved transport options.

### » Recommendation

The WAPC could provide further guidance to aid authorities to more effectively demonstrate the need and nexus for broader transport infrastructure, particularly public transport, and ensure appropriate linkage with SPP 3.6.

### Potential Public Transport Tariff to sit alongside SPP 3.6

Unlike other jurisdictions, the existing Development Contributions framework does not lend itself to the collection of funds towards public transport. This is not all that surprising given it is an instrument for local governments to secure contributions towards necessary local infrastructure linked to a specific development / subdivision, whereas the primary responsibility for the provision of public transport in WA sits with State Government.

Consultation undertaken by RAC's consultant did identify reluctance by Local Government to include infrastructure items in a DCP which are to be delivered by State Government, or other parties. Inclusion of such items in a DCP would obligate the Local Government to provide these if the development proceeded.

**"Most transport improvements the city wants are public transport improvements to match our transport strategy, however the city is not the provider of these services and cannot be."**

– Respondent from the central metropolitan Perth sub-region.

**RAC Development Contributions Local Government Survey, 2014**

The independent review identified a public transport tariff, administered at a State level, as a potential opportunity to bring the public and private sectors together to fund infrastructure and services that our State desperately needs, as a shared responsibility.

A tariff-based approach is a structured contributions system whereby a set of standardised charges apply to new development in a defined area, paid by land developers. Such an approach is intended to facilitate the effective, fair and timely delivery of key infrastructure, services and initiatives by providing more certainty and transparency for all parties around the contributions to be sought.

This approach has been applied in other jurisdictions, both nationally and internationally, and typically tends to be administered at a State or regional level alongside Development Contributions frameworks administered at Local Government level. Examples include the Growth Areas Infrastructure Contribution (GAIC) administered by the Victorian Government (which secures contributions for a range of infrastructure, including public transport) and the Crossrail Community Infrastructure Levy administered by the Mayor of London.

Funding for the cross-London rail link project, Crossrail, is being secured through a range of sources. The Mayor of London will provide £71 billion in funding, raised through direct contributions from Transport for London, the Crossrail Business Rate Supplement (imposed on existing businesses) and two mechanisms associated with new development (some developments may be required to pay both charges):

- > the Crossrail Community Infrastructure Levy, which is a charge on new development within the levy area of between £20 to £50 per square metre of developed floorspace depending on the location of the development; and
- > Section 106 Contributions (Development Contributions arrangement administered at Local Government level) directly linked to individual developments within Central London and the vicinity of Crossrail stations.

These examples demonstrate that it is possible to overlay a strategic, or regionally based, charge to work in tandem with an existing Development Contributions charging system. The independent advice to RAC identified a number of notable features of the approaches taken in other jurisdictions, namely:

- > a tendency to levy contributions on the basis of the size of the area being developed;
- > some flexibility to allow contribution funds to be spent anywhere within the scheme area rather than being tied to the specific site where they were collected;
- > the option to pool contributions towards more strategic, or significant, public transport infrastructure projects and / or services; and
- > an acceptance that the funds collected are only contributions, intended to supplement existing public transport funding sources rather than replace them.

RAC's consultants estimated that, based on WAPC approvals for the construction of new residential Lots over the 10 years to March 2014, a relatively small charge of \$1,000 per residential Lot could have generated \$11 million per annum (this does not take into account a per square metre contribution for commercial land uses). While this amount would not be sufficient to fully fund major public transport schemes, Development Contributions are only intended to be 'contributions'. If applied at a State level, such an arrangement could allow contributions to be pooled together towards rapid transit schemes, which serve multiple local government areas. Alternatively, contributions could be used for the provision of relatively small-scale public transport expenditure such as bus priority measures or the provision of additional bus services. This would help to ensure adequate transport options are

available when people move into their new community and / or enhance the quality of existing transport options.

#### **Implementation considerations for such a tariff**

- > **Impact on housing affordability** - There could be concern that additional costs for development would be passed onto property buyers, impacting housing affordability. This is a risk, but if the tariff were designed appropriately the marketing benefit to the development industry, and lifestyle benefit for buyers, of having access to higher quality public transport services should outweigh the additional costs incurred.

**“Existing Development Contribution Schemes are unnecessarily complex. A more appropriate approach would be to apply a standard monetary contribution to improvements (beyond standard requirements). Careful consideration would need to be given on the impact that increasing development contributions may have on housing affordability.”**

- Respondent from outside of the central metropolitan Perth sub-region.

#### **RAC Development Contributions Local Government Survey, 2014**

- > **Demonstrating 'Need and Nexus'** - The use of the Development Contributions framework to secure contributions for public transport is not inconsistent with its application to secure contributions for other infrastructure items, however the development industry may question whether a true 'need and nexus' exists between the provision of public transport items within a contribution area, and their specific development / subdivision. Understanding the impact of development on demand for public transport, and clearly identifying the public transport needs, within the tariff area will be of critical importance to ensuring there is transparency around the need and nexus.
- > **Gaining acceptance** - Any change to the existing Development Contributions framework may receive opposition from some parties. Such a tariff would need to be designed appropriately and collaboratively so it would not discourage development, or make it financially unviable. The design, and the scale, of the charge would have a strong bearing on the level of acceptance. However, such an approach offers developers improved transparency and certainty around the value and nature of contributions to be levied than offered by the process of negotiating contributions outside of the scope of SPP 3.6 through entering into "genuinely voluntary agreements that are transparent and follow due planning process".

- > **Ensuring funds are appropriately spent** – If such a tariff were to be considered for WA, to help increase community acceptance, it would be essential for Government to ensure that funds are spent accordingly rather than being accumulated without a clear plan of how and when they will be spent. To improve transparency and accountability, the administering authority could be required to regularly report on the value and nature of funds collected, spent and allocated for future projects.

### Potential next steps in exploring such a tariff

The independent advice to RAC identified potential steps to progress the implementation of a public transport contributions scheme, administered by the State Government. These included:

- > robust definition of how the scheme could work from a financial and a legal perspective, taking into account lessons from similar schemes implemented in other jurisdictions;
- > establishment of need and nexus; and
- > evaluation of the costs and benefits, with the analysis of costs focussing on the additional charges paid by the development industry and the analysis of benefits focusing on those accruing as a result of the provision of increased public transport services (including benefits such as savings in personal travel time and costs, increased property values in serviced areas, decreased congestion and environmental benefits).

#### » Recommendation

Consideration could be given to exploring a possible public transport tariff, administered by State Government to sit alongside SPP 3.6, to secure contributions from development activity towards public transport infrastructure and services.

### Application of SPP 3.6 for infill development

SPP 3.6 is well suited to levying contributions in association with larger-scale 'greenfield' development. Whilst there was nothing to prevent its application to infill development, it is understood that it was rarely applied to this development activity.

In its 2011 *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments Research Report*, the Productivity Commission found that WA has the second lowest contribution rates for infill development of any major Australian city. For greenfield development however, the contribution rate in Perth (\$20,000 per dwelling) was found to be higher than in Melbourne (\$11,000) and Adelaide (\$3,693).

Stakeholder interviews conducted as part of the independent review of the Development Contributions framework revealed that:

- > there is a perception amongst local governments that it is too difficult to establish a need and nexus between infill developments and transport infrastructure; and
- > there is greater justification for the administrative costs incurred by local governments in imposing Development Contributions to greenfield developments as the scale of contributions is likely to be more significant<sup>4</sup>.

**“It’s very difficult to validate and get contributions for infill development, especially when more recent developments are adding accumulative traffic to major roads.”**

– Respondent from the central metropolitan Perth sub-region.

#### RAC Development Contributions Local Government Survey, 2014

Interestingly, none of the eight local governments from the central metropolitan Perth sub-region who responded to RAC’s 2014 survey indicated that they use DCPs to secure transport-related items (although one was in the process of preparing a DCP which would include contributions for transport and two others did use them for broader infrastructure requirements). This is likely a product of the nature and scale of development occurring in these areas and issues experienced around applying the framework in this context.

While infill developments may be relatively small-scale (when considered in the context of greenfield sites) and would occur in urban areas which are served by some degree of transport infrastructure and services, when combined the additional demands being placed on the transport system could be significant. Given densities will also need to increase to achieve the Government’s infill targets, and support broader policy objectives, some infill development may also be of a significant size and generate considerable travel demand in its own right.

SPP 3.6 does acknowledge the pressures from infill development and redevelopment and the Guidelines now provide more clarity around applying the Policy in this context, which is welcomed. The Guidelines indicate that “contributions towards upgrades or capacity increases for existing infrastructure, to accommodate the new population and so as to not unreasonably impact on existing facilities or disadvantage surrounding communities”, as well as new facilities for larger infill sites, are appropriate for inclusion in DCPs. These types of items are categorised as ‘important for liveability’. However, this does not appear to have any implications for securing contributions towards transport-related items as no ‘Movement network’ items have been categorised as such.

<sup>4</sup>Acil Allen, 2014. Development Contributions for Transport: Review of Arrangements in Western Australia.

The cumulative impacts of infill development activity on transport networks would therefore not be captured through the framework. The absence of contributions for this type of development activity means that not all development is treated equally. While it would be undesirable to impose charges at a level that would discourage infill development, or make it unviable, consideration should be given to an equitable way to ensure Development Contributions can be captured where appropriate for transport-related items.

Other jurisdictions have addressed this matter through the use of standard charges. Standard charges enable simplicity and transparency and avoid what could be a complex task of assigning specific infrastructure or service costs to specific infill developments. Area based planning approaches could also aid the process.

As an example only, the independent advice to RAC estimated the revenue that could potentially be generated by local governments in the central metropolitan Perth sub-region through the application of a standard urban infill charge of \$3,000 per lot / dwelling unit. Based on the WAPC's targeted rates of urban infill, it was estimated that approximately \$900,000 would be generated per annum between 2016 and 2031<sup>5</sup>.

#### » Recommendation

Consideration should be given to an equitable way to allow Development Contributions to be captured in association with infill development, where appropriate, for transport-related items.

## Conclusion

Ensuring adequate access to a range of transport options is crucial to supporting an enhanced standard of living, mobility and lifestyle choices of communities.

This is not reflected in the revised SPP 3.6, and the accompanying draft guidelines, which prioritises the provision of road infrastructure and fails to support broader policy

objectives to ensure the integration of land use and transport and the creation of a balanced and efficient transport system.

Exploring opportunities to encourage contributions from development activity, in a fair and equitable way, could have a role in supporting the delivery of better transport options to benefit the community, industry and Government alike.

As a minimum, SPP 3.6 should be amended to better align with State planning and transport policy objectives. RAC also considers there to be merit in exploring the opportunity to secure contributions from development activity through a tariff based approach, administered at a State level to allow pooling of contributions towards public transport infrastructure and services. This could involve the development of a structured contributions system, comprising a set of standardised charges applied to new development in a defined area(s). Such an approach could provide more certainty and transparency for all parties around the contributions to be sought and aid the effective, fair and timely delivery of key infrastructure and services associated with land use development.

Any changes to the existing framework would need to be fair and equitable and consideration would need to be given to the potential implications, particularly in regards to housing affordability. An important consideration would also be demonstrating the benefit to the development industry from the reinvestment of Development Contributions towards transport, for example the extent to which proximity to public transport impacts on land and property values.

We thank the WAPC for the opportunity to comment on the revised SPP 3.6 and draft guidelines. In support of our submission, we enclose the RAC commissioned report, *Development contributions and transport: Review of arrangements in Western Australia*, by Acil Allen Consulting (October 2014). We look forward to continued discussion and debate around transport funding.

<sup>5</sup>Western Australian Planning Commission, 2013, Delivering Directions 2031, and ACIL, Allen Consulting, 2014.

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