

<b>ITEM 11.2</b>	<b>DRAFT NORTHERN BEACHES DEVELOPMENT CONTRIBUTIONS PLAN 2019 - FOR PUBLIC EXHIBITION</b>
<b>REPORTING MANAGER</b>	<b>EXECUTIVE MANAGER STRATEGIC AND PLACE PLANNING</b>
<b>TRIM FILE REF</b>	<b>2019/101373</b>
<b>ATTACHMENTS</b>	<b>1 <a href="#">Local Infrastructure Contributions Strategy for Infill Development (Included In Attachments Booklet)</a></b> <b>2 <a href="#">Draft Northern Beaches Council Section 7.12 Development Contributions Plan 2019 (Included In Attachments Booklet)</a></b>

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## SUMMARY

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### PURPOSE

To seek Council's endorsement to publicly exhibit the new *draft Northern Beaches Contributions Plan 2019*.

### EXECUTIVE SUMMARY

The Northern Beaches population and workforce is growing. To support the provision of appropriate infrastructure to cater for the demand created by the current and future population, it is proposed to create one contributions plan for all non-growth areas of the Northern Beaches. This excludes Warriewood Valley and Dee Why Town Centre as they have separate contributions plans.

Development contribution plans provide the framework for Council to fund the provision of public infrastructure to support the needs of the current and future population. Council may only levy a contribution if it is in accordance with a contributions plan. It is vital that Council's contributions plans are contemporary, prepared in accordance with relevant legislation and indicative of community need.

An internal review of the Council's existing development contributions plans has been undertaken. The existing Contributions Plans include:

- *Northern Beaches Council Section 94A Plan 2018 (applying to the former Warringah LGA)*
- *Manly Section 94 Contributions Plan 2004 as amended (applying to the former Manly LGA)*
- *Pittwater Section 94 Contributions Plan for Residential Development (applying to the former Pittwater LGA).*

This review analysed the current collection methodology for development contributions to determine the most appropriate method of funding the provision of local infrastructure. The review resulted in the preparation of the *Local Infrastructure Contributions Strategy for Infill Development* (the Contributions Strategy) (Attachment 1).

The Contributions Strategy demonstrates a strong case for shifting to a single contributions plan for Council's infill or non-growth areas based on Section 7.12 of the *Environmental Planning & Assessment Act 1979* (EP&A Act). By adopting a single fixed rate levy contributions plan across most of Council's area, it will ensure consistency in Council processes, provide a simplified approach for development contributions balanced by the community expectations for continued service levels and infrastructure provision and significantly increase the level of funding available for local infrastructure over the long term.

The preparation of a new single development contributions plan to apply across the Northern Beaches will be based on a percentage of the cost of development as follows:

Cost of Development	Contribution Payable to Council
Less than \$100,000	No contribution
Between \$100,000 and \$200,000	0.5% of the development cost
Above \$200,000	1% of the development cost

Analysis has shown that, over the past five years, 52% of development in the LGA would not attract any contribution requirement as it would fall below the \$100K threshold.

The new contributions plan will not apply to Warriewood Valley Release Area (as there is a specific plan applying to this growth area) and the Dee Why Town Centre (as there is a draft Contributions Plan for this area in preparation).

The *draft Northern Beaches Section 7.12 Contributions Plan 2019* (the “draft Plan”) has been prepared in accordance with section 7.12 of the EP&A Act and is contained in Attachment 2. If agreed by Council, the draft Plan will be publicly exhibited in accordance with the *EP&A Regulation 2000*.

The outcomes of this exhibition will be reported back to Council and if adopted the draft Plan will repeal the existing contributions plans.

## RECOMMENDATION OF GENERAL MANAGER PLANNING PLACE AND COMMUNITY

That:

- A. Council endorse the public exhibition of the *draft Northern Beaches Section 7.12 Contributions Plan 2019* for a period of 28 days in accordance with the requirements of the *Environmental Planning & Assessment Act Regulation 2000*.
- B. The outcomes of the public exhibition be presented to Council following the conclusion of the exhibition period.

**REPORT**

**BACKGROUND**

**Legislative Context**

Development Contributions form an important part of Council's funding for the provision of new or augmented local infrastructure on the Northern Beaches. The *Environmental Planning & Assessment Act 1979* (EP&A Act) provides Councils with two options to levy new development to fund the provision of local infrastructure:

1. A development contributions strategy based on a demonstrated nexus between additional development and the resulting additional demand for public infrastructure in accordance with section 7.11 of the EP&A Act.
2. A fixed rate levy based on the value of development works in accordance with section 7.12 of the EP&A Act.

Prior to a legislative change on 1 March 2018, the approaches to development contributions were known as Section 94 and Section 94A respectively.

**Local Infrastructure Contributions Strategy for Infill Development**

Consistency in Council's processes including a simplified approach for development contributions balanced by the community's expectations for continued service levels and infrastructure provision led to a review of the three Contributions Plans applying in various areas of the Northern Beaches, namely:

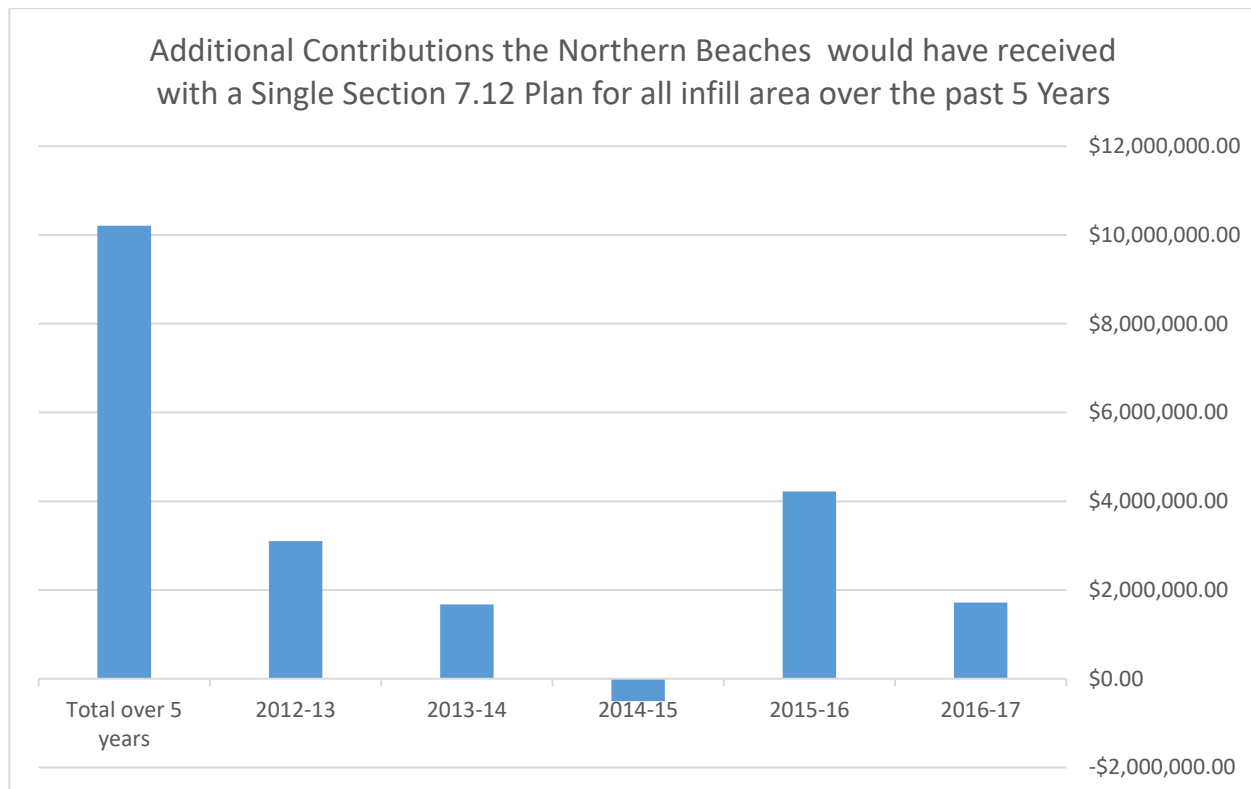
Northern Beaches Council Section 94A Plan 2018	Applying to land under Warringah LEP	Rate based on the percentage of estimated development cost. If the work is:
		Less than \$100,000 = No contribution
		\$100,001-\$200,000 = 0.5% of cost of works
		Greater than \$200,000 = 1% of cost of works
Manly Section 94 Contributions Plan 2004 as amended	Applying to land under Manly LEP	\$20,000 per dwelling
		Manly CBD Commercial = \$28,036.34/100m <sup>2</sup> GFA, and \$37,392.78/ carspace if parking offset required
		Other Areas Commercial = \$15,233.49/100m <sup>2</sup> GFA, and \$18,902.17/ carspace if parking offset required
		Tourist development at \$4,099.08 per bed
Pittwater Section 94 Contributions Plan for Residential Development 2015	Applying to land under Pittwater LEP except Warriewood Valley	\$20,000 per new dwelling (does not apply to secondary dwellings, based on Council resolution)

Analysis of the collection methodology and key features of the three abovementioned contributions plans was undertaken to determine the best benefits to the community in the long term, including:

- Analysis of historic development trends
- Projection of long term financial impacts
- Economic impacts
- Impact on housing affordability
- The financial and resource cost of potential options
- Consideration of transitional arrangements.

A review of historic development contributions received by Council from the 2012/13 financial year was undertaken as well as an analysis to determine what Council’s contributions would have been if a single fixed rate levy contributions plan was in force.

While development contributions are highly impacted by economic factors beyond the control of Council, the Contributions Strategy found that Council could have received up to an additional \$10 million in development contributions over a 5-year period under a single fixed rate levy contributions plan as identified below.



The Contributions Strategy found that in addition to collecting more funds for the provision of new or augmented local infrastructure, a single fixed rate levy plan for infill areas would reduce administrative and legal costs. A move to a fixed rate contribution plan would also result in contributions being more evenly spread across developments. However, despite increasing the base of contributing development, it is important to note that over the past 5-years historical data indicates that 52% of development across the Northern Beaches would not have attracted a fixed rate development contribution.

The Contributions Strategy recommends:

- A. That Council develop a single development contributions plan for the infill areas under the provisions of Section 7.12 of the EP&A Act based on the maximum fixed levies within Clause 25K of the EP&A Regulation 2000.
- B. That Council maintain the financial accounts of the plans to be repealed and spend all funds in these accounts in the areas in which they were collected until all funds are exhausted.
- C. That any future report to Council adopting the new plan clearly articulate that any previous resolutions making exceptions for development types such as secondary dwelling within the former Pittwater Council are overridden and subject to the fixed development consent levy within the plan to avoid any inconsistency.

### **Draft Northern Beaches Section 7.12 Contributions Plan 2019**

Following the findings and recommendations of the Contributions Strategy the *draft Northern Beaches Council Section 7.12 Contributions Plan 2019* (the "draft Plan") has been prepared. This draft Plan will apply to all of the Northern Beaches excluding Dee Why Town Centre and Warriewood Valley. Specific section 7.11 contribution plans apply to these areas which require a greater level of local infrastructure to support the projected growth in these locations.

The draft Plan will facilitate a broader range of infrastructure and services to be funded by development contributions in the infill areas. When development is approved, a condition will be imposed on the development consent requiring the payment of a monetary contribution of up to 1% of the cost of the work (when over \$100,000). This approach is already in place for land under Warringah LEP 2000 and 2011.

Formerly, secondary dwellings on land under Pittwater LEP 2014 were not required to pay development contributions due to the Council's decision at its meeting of 20 October 2008. The Contributions Strategy recommended that this exemption should be removed given that the contribution applicable will be on a fixed percentage based on the cost of development. This new approach provides consistency across the Northern Beaches, and is considered a fair and equitable approach towards public infrastructure provision. If agreed to by Council, it endorses the approach that all development types will, subject to the threshold set in the EP&A Regulation 2000, be required to contribute towards public infrastructure.

Local infrastructure to be funded by the draft Plan is identified in Appendix 1 of the plan. The draft Plan will be regularly reviewed to ensure the works schedule aligns with Council's 4-year CAPEX Program, of which development contributions are a significant funding source.

The draft Plan is not proposed to fund public infrastructure until the 20/21 financial year. This will allow the plan to begin collecting funds for a period of time before any expenditure is drawn down. In the interim public infrastructure will continue to be funded by the existing contributions plan reserves. These reserves will be used to continue to fund local infrastructure in the areas which they were originally collected. Expenditure from these existing reserves may be supplemented with income collected under the new draft Plan to ensure the efficient delivery of infrastructure. This is considered a fair and equitable approach that complies with all legislative requirements and best practice guidelines.

### **Transitional Arrangements**

Central to the process of transitioning to a new contributions plan is the management of the remaining funds collected under the plans to be repealed. All funds collected under contributions plans by Northern Beaches Council (and the three former councils), are held as restricted assets until they are spent. All development contribution income (including interest earned from fund held in reserves) is reported in Note 17 of the Annual Financial Report.

This annual report is reviewed by an external auditor to ensure that Council is meeting all legislative and best practice requirements for financial management.

Development contribution accounts are isolated from other Council income to ensure they are only spent for the purpose that they were collected. Funds in these accounts are only used for the provision, augmentation or extension of public infrastructure in the catchment area which they were collected. Council is expected to receive income under repealed contributions plans for development consents that are already approved for up to 5 years (or up to 10 years in the case of deferred commencement conditions).

It is recommended to maintain the existing development contribution accounts for the corresponding contributions plans that are to be repealed until these funds are exhausted and all existing development consents expire. The money in these accounts will be restricted to fund the provision of public infrastructure within the areas which they were originally collected. For example, contributions received for a DA levied under the Manly S94 Contributions Plan will only be spent on public infrastructure identified in the new contributions plan in the former Manly LGA. The expenditure of these existing reserves could be supplemented with income received under the new fixed development consent levy plan to ensure the efficient delivery of infrastructure. This method is considered a fair and equitable approach that complies with all legislative and best practice guidelines.

As a result of the change to a Section 7.12 plan some existing development consents that would have paid a significant development contribution will attempt to have their contributions reduced to the lower rate within the new plan. It is recommended that the new single fixed development consent plan include transitional arrangements to manage live consents that were issued under the plans to be repealed.

It is recommended that the new plan stipulate that development consents issued before the date the plan the new plan is in force are subject to the rates of the previous plans. This is an approach taken by several Councils around the state.

Applicants will however be able to reduce their contribution by lodging a new development application or Complying Development Certificate. The new application would be subject to the latest planning rules however the costs and time associated with this may discourage many from doing so.

## **CONSULTATION**

If agreed by Council, the draft Plan will be placed on public exhibition for a period of 28 days in accordance with the requirements of the EP&A Regulation 2000.

Copies of the exhibited documents will be made available for viewing at the Dee Why, Mona Vale, Avalon and Manly Customer Service Centres. A public notice will also be placed in the Manly Daily and information on the Draft Plan will be published on Council's website in accordance with Council's Community Engagement Policy.

At the conclusion of the exhibition period, all submissions received will be considered and any necessary changes will be made to the draft Plan. The outcomes of the public exhibition will be reported back to Council for its consideration.

## **FINANCIAL CONSIDERATIONS**

The draft Plan seeks to ensure an equitable and sustainable funding source for the range of required public infrastructure across the Northern Beaches. The Contributions Strategy identified that Council is likely to receive greater funding for public infrastructure under a single contributions plan, and reduce administrative and legal costs associated with managing contributions prepared under section 7.12 of the EP&A Act.

**SOCIAL CONSIDERATIONS**

The draft Plan will facilitate the timely funding and delivery of public infrastructure such as public domain including public art, open space, pedestrian/cycle networks, and community facilities which will enhance social outcomes for current and future residents and workers across the Northern Beaches.

**ENVIRONMENTAL CONSIDERATIONS**

The draft Plan will contribute to improved environmental outcomes across the Northern Beaches through the provision of critical public amenities and infrastructure. All potential environmental impacts resulting from the delivery of the proposed works program will be mitigated through appropriate environmental assessment and management.

**GOVERNANCE AND RISK CONSIDERATIONS**

The draft Plan has been prepared to ensure that Council's mechanism for funding public infrastructure is contemporary and in accordance with all legislative requirements. To ensure a sound level of risk management, an ongoing review of the draft Plan will be undertaken.