

---

**8 CITY OF RYDE DEVELOPMENT CONTRIBUTIONS PLAN**

---

**Report prepared by:** Development Contributions Coordinator  
**File No.:** PM12/30059/003 - BP13/1264

---

**REPORT SUMMARY**

Under the Environmental Planning and Assessment Act there are two options for Development Contributions Plans. A Section 94 Development Contributions Plan seeks payments from developers according to the type and size of the works being undertaken. A Section 94A plan places a levy on development, irrespective of type and size, according to the cost of the works. The S94A levy is regulated as a flat rate of 1% of the cost of development but legislation allows this to be exceeded in nominated parts of a local government area, subject to Ministerial approval. When 1% is exceeded this is defined as a S94A variable rate model.

Council's current traditional Section 94 Development Contributions Plan became effective on 19 December 2007 with a review cycle of 5 years. Over recent years the economic and development environment has changed and NSW legislation has been amended to provide Councils with an option to levy development contributions under Section 94A.

This report recommends that Council seeks permission from IPART and the Department of Planning and Infrastructure to implement a new development contributions plan based upon Section 94A legislation which will provide an appropriate future income, be more easily understood by all categories of developers, offer improved transparency to the community and which will be less burdensome to manage, all with less potential risk to Council. In proposing this option a detailed analysis of key criteria has been assessed by the Executive Team. The recommendation was to adopt the Section 94A variable rate for the development contributions plan that contained the following elements:

- A levy on any development costing more than \$350,000 anywhere in Ryde,
- Levy all development in Town Centres and on industrial zoned land at a maximum of 3% of the development cost,
- Levy all development in the Macquarie Park Corridor at 4% of the development cost,
- Levy secondary dwellings in other parts of Ryde no more than 0.5% of the development cost, and
- Levy other development in other parts of Ryde to a maximum of 1% of the development cost.

---

Council should note that ministerial approval is required to increase the levy for development above the S94A 1% flat rate. The proposal is for a variable rate levy, with 3% on development in town centres and industrial zoned land and a 4% levy on development in Macquarie Park. While not common practice for all Councils, higher levies have been granted locally in Willoughby, Parramatta and Burwood by the Minister.

**ITEM 8 (continued)**

The next step in the development of Council's contribution framework is the preparation of a draft S94A development contributions, and supporting processes and procedures to guide its implementation.

The draft contributions plan, once completed will be reported to Council for consideration.

**RECOMMENDATION:**

- (a) That Council endorses a Section 94A variable rate development contributions plan based upon Option 2C with the lowest contribution threshold set at \$350,000.
- (b) That Council delegates authority to the Acting General Manager to renegotiate and extend the appointment of SGS Economics and Planning and Lindsay Taylor Law (SGS/LTL) to carry out Phases 2 and 3 of the Contribution Plan project.
- (c) That Council allocate the amount of \$130,000 from the S94 Plan Administration reserve for the purpose of preparing and implementing a S94A development contributions plan for the City of Ryde.
- (d) That Council endorse the preparation of a new draft S94A variable rate development contributions plan.

**ATTACHMENTS**

- 1 Summary of Contribution Rates - City of Ryde Section 94 Development Contributions Plan 2007
- 2 Seven Plan Options and Projected Income
- 3 SGS-LTL - Multi Criteria Analysis
- 4 Levy Structures and Sample Charges - Options 2C and 3C
- 5 Preferred Option - Sensitivity Test
- 6 Preferred Option - Additional Threshold Sensitivity Tests

Report Prepared By:

**Malcolm Harrild**  
**Development Contributions Coordinator**

Report Approved By:

**Lexie Macdonald**  
**Acting Manager - Urban Planning**

**Meryl Bishop**  
**Acting Group Manager - Environment and Planning**

**ITEM 8 (continued)****Background**Development Contributions

The Environmental Planning and Assessment Act 1979, Subdivision 3 – Local infrastructure contributions, provides Council with the authority to levy developer contributions in order to fund and implement infrastructure and facilities that will support growth within the Ryde LGA. These works include community facilities, changes to roads and footpaths, stormwater management, park and open space improvements. These are broadly categorised as community amenities and services.

Current Contribution Plan

Council obtains local infrastructure contributions by means of the City of Ryde Section 94 Development Contributions Plan 2007 which was adopted on 11 December 2007. This plan places levies on development dependent upon whether the development is located inside the Macquarie Park Corridor or elsewhere in Ryde. This Plan has thirteen different types of contribution rate based on use (including parking spaces) and each rate contributes to seven different Strategic Plan funds for community amenities and services expenditure. See **ATTACHMENT 1**. These rates are altered every three months in accordance with Consumer Price Index changes published by the Australian Bureau of Statistics. This involves periodically recalculating 194 different rates.

Contribution Plan Review

Council's review cycle for its S94 Development Contributions Plan is 5 years. Since the Plan was adopted in 2007 the economic and development environment has changed and State legislation has been modified to permit different contribution options. The review of Council's Plan was included in the 4 Year Delivery Plan 2012-2016 and a project budget listed within the "Land Use Program". This was endorsed by Council and in accordance with Council's procurement policy a public tender was called to identify a consultancy team to assist with this review. SGS Economics and Planning coupled with Lindsay Taylor Law (SGS/LTL) emerged as the preferred tenderer. The review process was to consist of three phases,

- Phase 1 – Research and economic analysis and report
- Phase 2 – Development contributions plan finalisation
- Phase 3 – Implementation of new plan

State legislation permits two mechanisms for levying development contributions, Section 94 (which Council uses now) and Section 94A, and they cannot be applied at the same time to the same development. In Phase 1 of the review SGS/LTL was tasked with,

- Identifying which of these mechanisms would be most advantageous to Council and the community in the future.
- Projecting growth in Ryde for the next 18 years,

**ITEM 8 (continued)**

- Identifying, evaluating and comparing contribution plan options available to Council.
- Presenting the preferred option.

The levies that may be charged under S94 and S94A can be charged at different rates to different parts of a local Council's area if the burden of providing infrastructure varies between those areas. Currently Council applies this approach by applying different S94 levies inside or outside the Macquarie Park Corridor. Therefore the options analysed by SGS/LTL in Phase 1 considered this and were based upon three opportunities available to Council;

- Remain with the S94 model (i.e. base case),
- Apply the S94A model, or
- Apply a hybrid in which development in some parts of Ryde would be levied under the S94 scheme and other parts under the S94A mechanism.

**Discussion**Research Outcomes

SGS/LTL presented its draft research and options for the Executive Team's consideration on 1 May 2013. This identified five options,

- Option 1A – S94
- Option 2A – S94A flat rate (1% across whole City)
- Option 2B – S94A variable rate (1% across City, with 2.5% in town centres and 3% in Macquarie Park.
- Option 3A – Hybrid, part S94 (residential) and part S94A flat rate (1% for retail, commercial and industrial).
- Option 3B – Hybrid, part S94 (residential) and part S94A variable rate (3% for retail and commercial, 1% for industrial)

Note that the Environmental Planning and Assessment Act regulates S94A levies as a flat rate not exceeding 1% of the cost of the development. However, subject to Ministerial approval, this can be modified for parts of a Council's area (e.g. Parramatta 3%, Willoughby 3%, Burwood 4% and Gosford 4%)

The Executive Team's review of SGS/LTL's work accepted the principles of their research but did not accept any of the five Options presented as none offered as large an advantage as expected. The only Option to improve upon the income of the current S94 plan was a hybrid Option (3B) with significant income at risk and the simpler to manage S94A Option (2B) did not greatly improve the income received. Two further options were therefore requested by the Executive Team;

- Option 2C – S94A variable rate, changing the Option 2B levy of 2.5% to 3% and the 3% levy to 4% for Macquarie Park, and
- Option 3C - Hybrid, part S94 and part S94A variable rate, applying a levy of 3% on industrial and town centre developments, with 4% in Macquarie Park.

**ITEM 8 (continued)**

In its Review Report of June 2013 SGS/LTL summarised the differences between the seven Options (see **ATTACHMENT 2**) using a multi-criteria assessment matrix, which evaluated such item as ability to produce income, administrative efficiency and flexibility. In the consultant's view the matrix showed Option 2C achieving the highest score of 60, compared to Options 2B and 3C equally achieving 58 points, see **ATTACHMENT 3**. However, in its review of SGS/LTL's findings the Executive Team utilised five criteria which it considered better aligned to the requirements of the City of Ryde.

These were:

- Total dollars collected
- Flexibility to spend funds
- Efficiency
- Risk avoidance
- Strategy

The outcome of ET's review was that Option 2C scored 63, against 45 for Option 3C, confirming a resounding preference for a S94A plan. A summary of the differences between these two Options in regard to levy structures and sample charges upon developers is in **ATTACHMENT 4**.

In considering the levy rates embedded in the Option 2C and Option 3C models the Executive Team wished to understand the impact upon developers, particularly in areas outside Macquarie Park Corridor, designated town centres and industrial areas. SGS/LTL were subsequently commissioned to apply a sensitivity test to the Preferred Option 2C to identify the impact on income and the "mum and dad developers" by using different thresholds at which the S94A levies would occur, see **ATTACHMENT 5**. This showed that unless the initial threshold were increased to \$500,000 (five times the regulated level), the reduction of income to Council (and thus its ability to fund community amenities and services) was not excessive over the calculation period.

At the Councillor Workshop on 16 July the Councillors were generally supportive of the S94A Option 2C in preference to the hybrid solution, Option 3C. However the matter of the levy thresholds attracted wide interest and subsequently SGS/LTL was requested to carry out additional sensitivity testing of Option 2C using initial threshold triggers of \$100,000, \$200,000, \$350,000 and \$500,000. SGS/LTL was also instructed to model the impact of not levying any charges for dwelling house additions or alterations (which would be a new regime for Ryde) in order to gain further insight of the impacts upon home owners and Council's long term income. At the Workshop it was suggested that an initial threshold of \$350,000 would be fairest choice. The study produced Scheme A, which included charges for dwelling house additions or alterations, and Scheme B which excluded charges for dwelling house additions or alterations (See **ATTACHMENT 6**).

### ITEM 8 (continued)

NPV Income	Option 2C	Option 2C - \$200,000	Option 2C - \$350,000	Option 2C - \$500,000
Scheme A – including charges for dwelling house additions or alterations	\$233,200,000	\$230,900,000	\$226,700,000	\$222,900,000
Scheme B – excluding charges for dwelling house additions or alterations	\$231,700,000	\$230,000,000	\$226,300,000	\$222,700,000

An important outcome of this study is that by excluding levies for dwelling house additions or alterations the difference in income from Schemes A and B is not greater than \$1,500,000 over the 18 year period for any one of the four threshold models. The largest change occurs with the \$100,000 threshold model. In taking \$231,700,000 as an income guideline for Option 2C, as Scheme B without house additions or alterations, the \$200,000 threshold lowers this income by \$1,700,000 and the \$350,000 threshold reduces it by \$5,400,000 to \$226,300,000. The \$500,000 threshold is difficult to contemplate at all as it removes \$9,000,000 from income. The preferred threshold is \$350,000 as, recognising building costs, it does overly impose upon low cost development but does produce an acceptable return from development undertaken by professional developers to fund Council's community amenity and services obligations.

### Discussion of Options

The City of Ryde's Section 94 Development Contribution Plan 2007 is overdue for review. In considering whether to continue with a Section 94 Plan (i.e. Option 1A) change to a hybrid S94/S94A plan (i.e. Option 3C) or to adopt a S94A plan (Option 2C) it is necessary to consider the key elements of each. These are presented below.

#### Option 1A – Traditional S94 Plan

##### *Risk*

- Section 94 charges can be challenged by developers. If this were to occur and the Court found in favour of the developer (not an unknown outcome) a Section 94 contribution system, be it the whole basis of a plan or part of a hybrid plan, could be undermined.
- Modifications of development consents (e.g. S96 Applications) often lower the expected income from a planning consent.
- Any traditional S94 Plan has high administration (e.g. quarterly CPI updates) and preparation costs due to its complexity.

**ITEM 8 (continued)**

These matters equate to potential exposure to litigation and shortfalls in income.

*Nexus*

Section 94 legislation requires there to be a connection between the funds collected, allocated to the Works Schedule described in the Plan, and used in support of the development. The Works Schedule included in the City of Ryde's Plan was compiled in 2007 and whilst Council is allowed to pool funds collected in its various S94 categories, the underlying nexus to the works schedule is not diminished (i.e. category funds are "borrowed" when pooled but should be repaid to the source category). Updating of the works schedule is a complex issue as is the maintenance of contributions allocated across nine categories, including parking, when levies are received.

*Currency*

The Section 94 levies need to be amended for Consumer Price Index (CPI) changes each Quarter when the Australian Bureau of Statistics releases its data. This involves 194 calculations and has been complicated by certain levies being capped by the Department of Planning and Infrastructure, thus rendering some categories immune to CPI changes. There is an attendant risk with ensuring the accuracy of the updates and ensuring that all of Council's dependent processes and systems are synchronised with the updated rates.

*Complexity*

Council's Assessment Team has to work with a complicated process to calculate and verify the S94 contribution at the Development Approval phase and Customer Services' staff have to recalculate the contribution when the approved development commences. In many cases CPI updates occur between development approval and construction and the contributions have to be recalculated very carefully and increases explained to the developers. This work is labour intensive and the methodology not always readily understood by Council's customers.

Additionally, Council's technical support and compliance staff are involved in auditing late payments and the finance team have to ensure the levies are correctly allocated to the funding categories and tracked until expended.

*Income*

SGS/LTL has calculated (See **ATTACHMENT 2**, Option 1A) that the current S94 Contribution Plan, if continued, could produce for Council an income until 2031 of \$247,800,000. However due to the Risk items explained previously, there is a potential income shortfall income of up to \$49,500,000 or 20% of the projected income.

*Application*

The current S94 Plan recognises Macquarie Park as an area for increased levies due to its potential growth. The Plan does not reflect growth in Ryde's Town Centres or in the industrial areas which are all showing signs of change and increased residential density, placing loads upon community amenities and services not anticipated in 2007.

**ITEM 8 (continued)***Legislation*

Many Local Councils have replaced their S94 contribution plans in favour of the S94A mechanism. The NSW Government's 2013 White Paper, "A New Planning System for NSW" explains that S94 and S94A Development Contribution Plans will become "Direct" and "Indirect" Infrastructure Plans. The White Paper is also proposing the charging of sub-regional and regional infrastructure levies as well as local levies, potentially with Councils as the collection agencies. All of these changes are expected to be integrated in new regulations before the middle of 2014. In discussion with other Councils there is a sense that the "Indirect" contribution mechanism would be the more manageable solution. A sound case exists for adopting the simplest method of calculating and charging local developers for contributions.

Option 3C – Hybrid S94 and S94A Plan

If not pursuing a S94 Plan Council has the option of instead adopting a hybrid scheme, combining S94 and S94A, for example Option 3C.

*Factors*

A hybrid plan would apply a S94 contribution mechanism to substantial area of Ryde. That part of the plan would be susceptible to the previous comments about risk, nexus, currency, complexity, application and legislation.

*Income*

SGS/LTL has calculated (See **ATTACHMENT 2**, Option 3C) that the S94 component of the hybrid option would put at risk \$9,800,000, or 3.7 % of the projected income until 2031 of \$265,900,000, due to the Risk items explained previously.

*Additional Complexity*

The administration of a hybrid plan would require two contribution mechanisms to operate simultaneously. This duplication would inevitably increase management costs, heighten the opportunities for error, and enhance the risk of customer confusion and dissatisfaction.

Option 2C – S94A Plan

A development contribution plan based upon S94A has advantages over S94 and a S94/S94A hybrid scheme,

*Risk*

S94A levies are not contestable under the regulations. This removes the risk to Council's income and any challenge which could undermine a S94A plan.

*Nexus*

S94A collected levies are not required to be spent upon infrastructure connected to the development upon which the levies are charged. They can be freely allocated.



**ITEM 8 (continued)***Currency*

As a simple percentage charge upon the cost of a development the levy is automatically current as the effect of CPI is reflected in the certified cost report provided by the developer.

*Complexity*

Under a S94A plan there is no need for Council to maintain a schedule of rates representing development components (e.g. number of bedrooms) or to update the levies every three months to reflect changes in the Consumer Price Index. Due to the reduced requirement for nexus, the allocation of funds can be channelled to the works identified annually in Council's Delivery Plan rather than a Works Schedule that is created upon adoption of a plan (as in S94). Tracking the deposit of collected levies into a number of separate funds would not be required.

*Income*

As S94A plan levies cannot be contested there is an improved certainty of income for Council. Unlike Council's present S94 plan (Option 1A), where \$49,500,000 could be at risk or in the hybrid model (Option 3C) where \$9,800,000 may prove elusive, the income from S94A Option 2C until 2031 can be confidently predicted as \$233,200,000 without significant risk.

*Application*

Examples from other Councils show that the application of S94A thresholds and levies is able to be modelled to reflect the differing infrastructure costs facing Councils in different parts of their areas, subject to Ministerial approval.

In Ryde the property rating structure recognises the difference between residential, ordinary and major business and the Macquarie Park Corridor land. Council's Development Control plans also differentiate between generally residential areas and the needs of the town centres (Eastwood, Gladesville, Meadowbank, Ryde Town Centre, and West Ryde Town Centre) and the Macquarie Park Corridor.

Subsequently a move to a S94A plan allows Council to recognise more effectively the different requirements of town centres and residential areas. If approved by the Minister, Council's contribution levy would more appropriately match the expectations placed upon it to sustain the community services, amenities and infrastructure in different locations.

*Legislation*

The Environmental Planning and Assessment Regulation 2000 provides that a Council may, without recourse to the Minister for approval, levy S94A charges on the cost of works of:

Cost \$0 to \$100,000	nil
Cost \$100,000 to \$200,000	0.5%
Cost \$200,000 and above	1.0%

**ITEM 8 (continued)**

This is known as the flat rate and if applied throughout Ryde (see **ATTACHMENT 2**, Option 2A) would generate an income of only \$85,100,000. This is \$113,200,000 less than predicted if the existing S94 plan were continued over the same period (Option 1A). Clearly it is critical for Council to seek S94A thresholds and percentage levies in excess of the regulated base level, in a manner similar to that sought successfully by other Councils.

**Conclusion – Preferred Option**

Option 2C, a S94A contribution plan, offers an income in excess of the current plan together with many advantages over Council's current S94 derived plan. The financial benefit of this option is subject to its variable rate and threshold proposals receiving Ministerial approval. Council would be seeking a maximum rate 4% for Macquarie Park Corridor, 3% in each of Ryde's Town Centres and 3% for industrial areas in replacement of the regulatory maximum of 1%.

Other factors to be considered in changing to Option 2C are:

- Ministerial approval for S94A levies and threshold changes similar to those proposed has been granted to Willoughby, Parramatta and Burwood thereby establishing local precedents, but these do not guarantee that Ryde's application would be successful.
- In July 2013 the Department of Planning and Infrastructure issued a Fact Sheet expanding the role of the Independent Pricing and Regulatory Tribunal (IPART) to the review of new contributions plans that propose a contribution rate above the relevant cap. It stated that IPART will give advice and make recommendations to the Minister for Planning and Infrastructure and to Councils in relation to the contribution plans.
- The White Paper "A New Planning System for NSW" and the associated "Planning Bill 2013 – Exposure Draft" is receiving detailed consideration now by State authorities, input having been canvassed from all stakeholders. All communications from the Department indicate that the Government aims to introduce this new legislation sooner rather than later. The draft documents appear to favour the "indirect" model (which is equivalent to the S94A structure) but there is no guarantee that new legislation would not change the model for all Councils and require all to comply with a new style of contribution plans.
- The priority given to the White Paper may slow down the Department's consideration (and IPART's referral) of any submission for new contribution plans by Councils.
- Any lengthy delay in the IPART/Ministerial approval process may cause consideration of a submission to be absorbed within the timing imposed by new regulations to introduce wholly new contribution models, thereby nullifying Ryde's submission.
- The White Paper explains that sub-regional and regional infrastructure contributions will be a feature of future regulation. It also hints that the State may take a different attitude to future Voluntary Planning Agreements. The manner in which both of these factors may impact upon local contribution plans is unknown.

**ITEM 8 (continued)**

- Were Council also to become responsible under State legislation for managing sub-regional and regional infrastructure contributions this is likely to erode the staff labour savings from introducing a S94A plan, or, should the existing S94 plan be continued add a further layer of complexity to an already complicated and labour intensive regime.
- Ryde currently has in excess of \$17,000,000 in its S94 reserve funds and given the experience of other Councils, this sum would transition, under a S94A plan, to become part of the new plan's funds. It remains to be seen whether IPART or the Minister would require the transitioned funds to retain their nexus to the original Works Schedule, were the change to S94A approved.

In evaluating all Options during this Phase of the project it was unanimously agreed by the Executive Team that Council's current system:

- Is cumbersome,
- Is difficult to manage,
- Proves complex for customers to understand,
- Operates at risk of challenge, and
- Does not provide a substantial future income.

Development contribution regulations and methodologies are on the cusp of change. In adopting a more manageable, equitable, flexible and advantageous plan Council at best will be positioned to experience the benefits of a new plan. At worst it will be positioned to transition smoothly into any new model introduced by the Department of Planning and Infrastructure.

Assuming that Council would seek the benefits of Section 94A but be reluctant to introduce a new levy upon development for dwelling house alterations and additions, Option 2C, Scheme B, is the optimum solution. This would not change Council's current approach of levying only for a secondary dwelling on an existing domestic site (e.g. granny flat) or a new dwelling construction.

Within the range of threshold models in Scheme B, Option 2C – 350, which employs an initial threshold of \$350,000, provides a sound balance between the impact upon low cost development, the activities of professional developers and a future income to sustain funding community amenities and services in the different areas of Ryde. In brief, (see **ATTACHMENT 2** and **ATTACHMENT 6**), this Preferred Option would;

- Provide a future certain income of \$226,300,000 compared to \$198,300,000 from the existing plan,
- Avoid imposing a levy on any development costing less than \$350,000 anywhere in Ryde,
- Levy all development in Town Centres and on industrial sites at a maximum of 3% of the development cost,
- Levy all development in the Macquarie Park Corridor at 4% of the development cost,
- Levy secondary dwellings in other parts of Ryde no more than 0.5% of the development cost,

**ITEM 8 (continued)**

- Levy other development in other parts of Ryde to a maximum of 1% of the development cost,
- Provide Council with a simpler and less at-risk contribution system to administer, and
- Offer residents and developers a less confusing, more understandable and transparent development contribution regime.

**Consultation**

Internal stakeholders involved with administration of Council's S94 plan were initially consulted. This included staff from Customer Service, the Assessment Service Unit, Finance, Urban Planning and the Asset Systems and Infrastructure Integration Service Units of the Public Works Group.

Detailed consultation has occurred between Council's Environment and Planning Group and SGS Economics (SGS) and Lindsay Taylor Lawyers (LTL). In addition to its main study SGS/LTL has provided additional sensitivity tests required by the Executive Team and explored matters raised at the Councillor Workshop. LTL's contribution beyond the review has been to advise the Executive Team on how the S94 funds can be used, the exposure of S94 to legal challenges and the flexibility of S94A funds. LTL has also provided guidance on the approach to Ministerial approval in regards to plans complying with regulated limits and those exceeding the caps or which involved a hybrid S94/S94A approach.

Consultation with the Executive Team has occurred on three occasions; a presentation by SGS of their review findings, a discussion with Lindsay Taylor about the legal facets of the options, and a presentation of draft sensitivity tests of S94A sub-options.

A Councillor Workshop was held on 16 July in which a S94A approach (Option 2C) received the most favourable feedback and further sensitivity testing requested. It was accepted that the next stage in the process was to issue a Report to Council (this report).

Should Council endorse the production of a S94A development contributions plan, the plan would be submitted to Council for approval and endorsement for public exhibition. The outcome of that exhibition would be reported to Council and, subject to Council approving any changes due to that exhibition, consultations would occur with IPART's representatives prior to submission of the new plan to IPART for approval. Endorsement and gazettal by the Minister would follow upon IPART's approval, subject to any State-wide changes to planning regulations being introduced.

## ITEM 8 (continued)

### Financial

The financial analysis of the options of providing a traditional S94 plan (option 1A), hybrid S94 and S94A Plan (option 3C) and S94A Plan (option 2C) are discussed within the Discussion section of this report and are summarised as:

Option	1A	2C	3C
Type	S94 (current)	S94A variable rate	Hybrid S94/S94A
Income projected	\$247.8M	\$233.2M	\$265.9M
Income at risk	\$49.7M	n.a	\$9.8M
Income	\$198.3M	\$233.2M	\$256.1M

Option 3C offers the larger potential income but it would be more cumbersome to manage than our current system, overly complex for our customers to understand and would remain susceptible to challenge by developers.

Option 2C is preferred. It offers:

- Reduced risk
- Reduced administration
- Ease of understanding by our customers
- Increased flexibility of the application of the funds.

The probability that Option 3C would produce, in reality, an income of \$20M over 20 years above Option 2C is unlikely due to its inherent disadvantages.

The original Purchase Order (PO 044926) issued to SGS Economics and Planning coupled with Lindsay Taylor Law (SGS/LTL) as the result of a public tender to assist Council on this matter, was for \$135,285 excluding GST. The project was divided into three phases.

- Phase 1 – Research and Economic Analysis Paper
- Phase 2 – Development Contributions Plan
- Phase 3- Implementation

The work to date has all been within the scope of Phase 1. However significant extra work has had to be completed to produce two further options, carry out sensitivity tests and provide additional legal advice. The expenditure of Phase 1 stands at \$106,742.

The work anticipated by SGS/LTL for Phases 2 and 3 has always been subject to Council's decision to proceed beyond Phase 1. The point we have now reached. However since appointing SGS/LTL, the State Government's White Paper has been published, associated regulations issued in draft form and IPART introduced into the contributions plan approval process. The approval and regulatory context for development contribution plans has increased significantly since issue of the Purchase Order.

### ITEM 8 (continued)

The funding proposed originally to be adequate for Phase 2 and 3, \$25,075 and \$32,285 but due to the additional Phase 1 work that has been undertaken that total of \$57,360 has been reduced to \$28,543.

The scope of the work in Phases 2 and 3 has been expanded. It is calculated that the revised work to achieve implementation of a new contributions plan will require up to \$130,000. In addition to the existing commitment, this expanded scope, including the extra legal assistance required, would include,

#### Phase 2

- Preparation of a S94A plan and public exhibition material
- Option remodelling, subject to public feedback and Council requirements
- Preparation of a business case and negotiations with IPART
- Submission to IPART
- Submission to the Minister subject to IPART's feedback.

#### Phase 3

- Negotiating the transition of S94 funds to the S94A reserve.
- Assisting with implementation of the new Plan and handling legal queries associated with implementation and process.

As SGS/LTL was appointed as the result of a public tender and has irrefutable and unique intellectual property invested in this project to Council's advantage, it is proposed that if Council approve preparation of a S94A plan, SGS/LTL be asked to quote for the work in Phases 2 and 3.

Should Council resolve to undertake this project it will result in a financial impact and this require additional funding of \$130,000.

Project: PM12/30059 Section 94 Contribution Plan	Current Approved Budget: \$135,285	Estimated Cost:  \$265,285	Deficit:  \$130,000
---	--	----------------------------------	---------------------------

**ITEM 8 (continued)**

**ATTACHMENT 1**

**SUMMARY OF CONTRIBUTION RATES - City of Ryde Section 94 Development Contribution Plan 2007**

Strategy Plan	Development Area: Outside Macquarie Park Contribution rate - residential development										Development Area: Outside Macquarie Park Contribution rate - non-residential development		
	Studio / 1 bedroom per dwelling	2 bedrooms per dwelling	3 bedrooms per dwelling	4+ bedrooms per dwelling	Detached Dwelling per dwelling	Secondary Dwellings attached or detached	Boarding Houses per bedroom	Subdivisi n per dwelling	Seniors per dwelling	Commercial office research and development per m2 gross floor area	Retail per m2 gross floor area	Industrial per m2 gross floor area	
Community and Cultural Facilities	\$2,131.47	\$2,557.77	\$3,268.26	\$4,120.85	\$4,120.85	\$1,420.98	\$1,420.98	\$4,120.85	\$2,131.47	\$37.38	\$18.68	\$14.95	
Open Space and Recreation Facilities	\$5,247.24	\$6,296.69	\$8,045.77	\$10,144.67	\$10,144.67	\$3,498.16	\$3,498.16	\$10,144.67	\$5,247.24	\$0.00	\$0.00	\$0.00	
Civic and Urban Improvements	\$1,784.69	\$2,141.63	\$2,736.53	\$3,450.29	\$3,450.29	\$1,189.80	\$1,189.80	\$3,450.29	\$1,784.69	\$59.43	\$29.72	\$23.77	
Roads and Traffic Management Facilities	\$243.45	\$292.14	\$373.29	\$470.55	\$470.55	\$162.30	\$162.30	\$470.55	\$243.45	\$9.37	\$8.37	\$8.37	
Transport and Accessibility Facilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Cycleways	\$152.06	\$182.47	\$233.16	\$283.98	\$283.98	\$101.37	\$101.37	\$283.98	\$152.06	\$5.06	\$2.53	\$2.02	
Stormwater Management Facilities	\$483.34	\$580.01	\$741.12	\$934.09	\$934.09	\$322.23	\$322.23	\$934.09	\$483.34	\$11.57	\$11.57	\$11.57	
Plan administration	\$41.01	\$49.20	\$62.86	\$79.27	\$79.27	\$27.33	\$27.33	\$79.27	\$41.01	\$1.37	\$0.68	\$0.55	
<b>TOTAL</b>	<b>\$10,083.26</b>	<b>\$12,099.91</b>	<b>\$15,460.98</b>	<b>\$19,483.69</b>	<b>\$19,483.69</b>	<b>\$6,722.17</b>	<b>\$6,722.17</b>	<b>\$19,483.69</b>	<b>\$10,083.26</b>	<b>\$123.17</b>	<b>\$71.55</b>	<b>\$61.23</b>	

\* Contributions payable for transport and accessibility facilities are levied on a per car parking space basis where insufficient on-site parking is provided to meet demand generated.

Car Parking per Space \*

\$17,514.16

CPI Quarterly adjustment - June 2013 - CPI Index number 103.1 - Effective 24/07/2013

Tuesday, 27 August 2013

Page 2 of 2

**ITEM 8 (continued)**

**ATTACHMENT 1**

**SUMMARY OF CONTRIBUTION RATES - City of Ryde Section 94 Development Contribution Plan 2007**

Strategy Plan	Development Area: Inside Macquarie Park							Development Area: Inside Macquarie Park				
	Contribution rate - residential development							Contribution rate - non-residential development				
	Studio / 1 bedroom per dwelling	2 bedrooms per dwelling	3 bedrooms per dwelling	4+ bedrooms per dwelling	Detached Dwelling per dwelling	Secondary Dwellings attached or detached	Boarding Houses per bedroom	Subdivision per dwelling	Seniors per dwelling	Commercial office research and development per m2 gross floor area	Retail per m2 gross floor area	Industrial per m2 gross floor area
Community and Cultural Facilities	\$2,131.47	\$2,557.77	\$3,207.66	\$3,207.66	\$3,207.66	\$1,420.98	\$1,420.98	\$3,207.66	\$2,131.47	\$37.39	\$18.68	\$14.95
Open Space and Recreation Facilities	\$8,550.41	\$10,280.49	\$12,867.53	\$12,867.53	\$12,867.53	\$3,498.16	\$3,498.16	\$12,867.53	\$8,550.41	\$0.00	\$0.00	\$0.00
Civic and Urban Improvements	\$1,099.89	\$1,319.87	\$1,655.22	\$1,655.22	\$1,655.22	\$1,189.80	\$1,189.80	\$1,655.22	\$1,099.89	\$38.63	\$18.31	\$14.65
Roads and Traffic Management Facilities	\$1,180.45	\$1,416.55	\$1,776.47	\$1,776.47	\$1,776.47	\$162.30	\$162.30	\$1,776.47	\$1,180.45	\$38.52	\$38.52	\$38.52
Transport and Accessibility Facilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cycleways	\$152.06	\$182.47	\$228.83	\$228.83	\$228.83	\$101.37	\$101.37	\$228.83	\$152.06	\$5.06	\$2.52	\$2.02
Stormwater Management Facilities	\$134.61	\$161.54	\$202.58	\$202.58	\$202.58	\$322.23	\$322.23	\$202.58	\$134.61	\$4.48	\$4.48	\$4.48
Plan administration	\$41.01	\$49.20	\$61.71	\$61.71	\$61.71	\$27.33	\$27.33	\$61.71	\$41.01	\$1.35	\$0.68	\$0.54
TOTAL	\$13,289.91	\$15,947.89	\$20,000.00	\$20,000.00	\$20,000.00	\$6,722.17	\$6,722.17	\$20,000.00	\$13,289.91	\$123.43	\$83.19	\$75.16

\* Contributions payable for transport and accessibility facilities are levied on a per car parking space basis where insufficient on-site parking is provided to meet demand generated.

Car Parking per Space \*

\$17,514.16

CPI Quarterly adjustment - June 2013 - CPI Index number 103.1 - Effective 24/07/2013

Tuesday, 27 August 2013

Page 1 of 1



ITEM 8 (continued)

ATTACHMENT 2

# Development Contributions

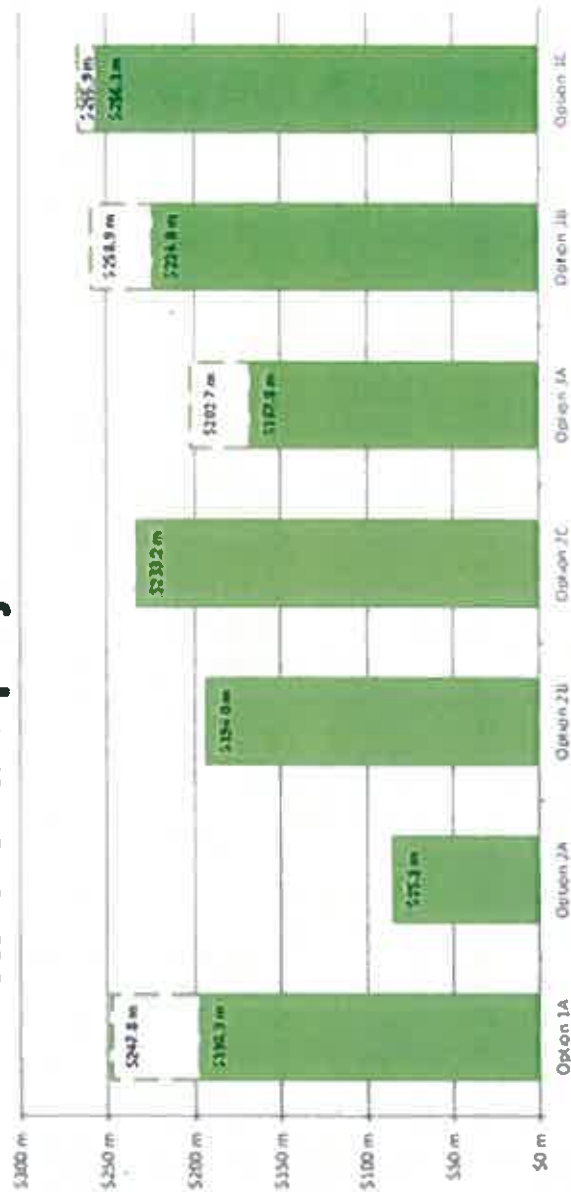
Options	Descriptions
Option 1A - s.94 - Base case s.94	s.94 continued under the current capital works program, with different contribution rates to be applied to Macquarie Park and balance of the city.
Option 1B - s.94	As above, but taking into account potential additional value from VPAs currently being used by Council. (Financial implications of this option are not modelled.)
Option 2A - s.94A - Flat rate levy (Flexible minimum thresholds)	s.94A citywide plan to all development with a 1% levy (and changed rates as per regulations).
Option 2B - s.94A Variable rate levy	s.94A citywide plan with variation to rates for Macquarie Park (3%) and town centres (2.5%).
Option 2C - s.94A Variable rate levy	s.94A citywide plan with variation to rates for Macquarie Park (4%), town centres (3%) and industrial areas (3%). This option employs a range of s.94A rates in place at Burwood Council for alterations and additions to dwellings and those applied within Chatswood CBD for in-centre development less than \$250K in value.
Option 3A - s.94 & s.94A - Hybrid (Flat s.94A rate)	s.94 plan for all residential development and s.94A for all retail, commercial and industrial development (1%)
Option 3B - s.94 & s.94A (Variable s.94A rate)	As above with 3% s.94A levy for commercial and retail and 1% for industrial development.
Option 3C - s.94 & s.94A (Variable s.94A rate)	s.94 plan for all development outside centres and s.94A plan with Variable s.94A rate for Macquarie Park (4%), town centres (3%) and industrial areas (3%).

**ITEM 8 (continued)**

**ATTACHMENT 2**

# Development Contributions

## NPV of the projected incomes



# Development Contributions

EVALUATION CRITERIA	Weighting (1-3)	OPTION 1A	OPTION 1B	OPTION 2A	OPTION 2B	OPTION 2C	OPTION 3A	OPTION 3B	OPTION 3C						
		Current s.94	Current s.94 with VPA	1% s.94A	2-3% s.94A for TC and MP and 3% for the rest	3-4% s.94A for TC and MP and 3% for the rest	s.94 for res. and 3% s.94A for non res.	s.94 for res. and 3% s.94A for retail/commercial	3-4% s.94A for TC and MP and s.94 for the rest						
		Rating (1-5)	Weighted score (1-15)	Rating (1-5)	Weighted score (1-15)	Rating (1-5)	Weighted score (1-15)	Rating (1-5)	Weighted score (1-15)						
Impact on development feasibility	2	1	2	4	5	10	3	6	2.5	5					
Ability to generate contributions/revenues	3	4	12	4.5	13.5	2	6	3	9	4.5	13.5	5	15		
Administrative efficiency and costs	1	2	2	1	1	1	1	1	1	1	1	1	1		
Flexibility to achieve timely and cost effective infrastructure delivery	2.5	1	2.5	1	2.5	5	12.5	5	12.5	3.5	6	4	6	4	10
Transparency in regards to the collection and use of development contribution funds	2.5	5	12.5	5	12.5	3	7.5	3	7.5	4	10	4	10	4	10
Achieve price signals that reflect the variation in infrastructure costs	2	4	8	4	8	1	2	5	10	3	6	3	6	4	8
Risk and the certainty of funding outcomes	2	2	4	3.5	7	4	8	4	8	3	7.5	3	7.5	3.5	7
TOTAL SCORES		43	48.5	31	54	60	49.5	52	58						



Lifestyle and opportunity @ your doorstep

ITEM 8 (continued)

ATTACHMENT 4

# Development Contributions

## Levy Structures

	Option 2C (S94A)	Levy	Option 3C (S94/S94A Hybrid)	Levy
<b>Outside Centres</b>				
Dwelling house additions or alterations	\$0-\$100,000 \$100,000 - \$300,000 \$300,001 plus	0.0% 0.5% 0.25%	not applicable	\$0
Secondary Dwelling on site e.g. Granny Flat	\$0-\$100,000 \$100,000 - \$300,000 \$300,001 plus	0.0% 0.5% 0.25%	S94	\$6.696 to \$20,000
All development	\$0-\$100,000 \$100,000 - \$200,000 \$200,001 plus	0.0% 0.5% 1.0%	S94	Residential : as above Commercial : \$122.69/m <sup>2</sup> Retail : \$71.27/m <sup>2</sup> Industrial : \$60.00/m <sup>2</sup>
<b>Inside Centres</b>				
All types of development	\$0-\$100,000 \$100,000 - \$200,000 \$200,000 - \$250,000 \$250,000 plus	0.0% 0.5% 1.0% 3.0% Town Centres 3.0% Industrial 4.0% Macquarie Park	\$0-\$100,000 \$100,000 - \$200,000 \$200,000 - \$250,000 \$250,000 plus	0.0% 0.5% 1.0% 3.0% Town Centres 3.0% Industrial 4.0% Macquarie Park

ITEM 8 (continued)

ATTACHMENT 4

# Development Contributions

## Sample Charges

	Option 2C (s94A)		Option 3C (S94/S94A Hybrid)		Current Plan S94	
	Levy		Levy		Levy	
<b>Outside Centres</b>						
Dwelling House addition	\$1,075		\$0		\$0	
Sunroom/ kitchen exten. \$215,000						
Secondary Dwelling	\$775		\$6,696		\$6,696	
Granny Flat, \$155,000						
2 bed Dwelling demolished and replaced by 4 bed costing \$450,000	\$4,500		\$12,053		\$12,053	
Retail Shop , \$500,000	\$5,000		\$6,414		\$6,414	
area of 90 sq.metres						
Unit Block, 20 X 2 Bed, 5 X 3 Bed	\$140,400		\$318,064		\$318,064	
\$14,040,000						
<b>Inside Centres</b>						
New Detached House, \$500,000	\$15,000	Town Centre	\$15,000	Town Centre	\$19,418	Town Centre
	\$20,000	Macquarie	\$20,000	Macquarie	\$20,000	Macquarie
Unit Block, 20 X 2 Bed, 5 X 3 Bed	\$421,200	Town Centre	\$421,200	Town Centre	\$318,064	Town Centre
\$14,040,000	\$561,600	Macquarie	\$561,600	Macquarie	\$419,214	Macquarie
Retail - Supermarket, 4,000 sq.m	\$420,000	Town Centre	\$420,000	Town Centre	\$285,080	Town Centre
\$14,000,000	\$560,000	Macquarie	\$560,000	Macquarie	\$331,480	Macquarie

