



# Development Contributions

A Discussion on the Development Contributions  
system that operates in Victoria

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## What will this session cover?

The What, Why, Where, How, When and all other operational issues in managing Development Contributions.

Not possible to cover all of this in full detail but lets see how far we can take the discussion in the allotted time.

# What are Development Contributions?

They are not Developer Contributions, they are **Development Contributions**.

They are contributions made towards infrastructure by land owners and developers when they develop their land.

They can be levied under PART 3B – DEVELOPMENT CONTRIBUTIONS of the Planning and Environment Act 1987.

Now also PART 3AB – INFRASTRUCTURE CONTRIBUTIONS.



# What are Development Contributions?

They are a contribution, Development Contributions are not designed to cover the full cost of infrastructure.

They as the name suggests contribute towards something: physical infrastructure (capital) and land. They don't contribute to recurrent or operational expenditure.

User pays model of funding infrastructure.



# What do Development Contributions fund?



# What do Development Contributions fund?





## The Why?

DCP's have developed over time, but they are essentially a user pays model of financing local Council level infrastructure.

They came about through legal processes where it was argued that it was inappropriate for the costs of new development to burden entire communities who wouldn't use some or any of the infrastructure required to be developed.





## The Why?

Contextually they were originally developed in growth areas but have now been utilised more broadly.

Why were they developed in growth areas? This is where the highest need and demand is for new infrastructure.

They are one of a number of sources of funds that assist with paying for new infrastructure.



# Where did DCP's come from?

## Eddie Barron Case – VCAT 1990

Eddie Barron Constructions Pty Ltd v Shire of Pakenham & Anor [1990] 6 AATR 10 (the Eddie Barron decision)

Need

Nexus

Equity

Accountability



# Where can you find further information?

## Development Contribution Guidelines

<https://www.planning.vic.gov.au/policy-and-strategy/planning-reform/development-contributions-plans>

Covers:

- Understanding Development Contributions
- Preparing a full cost apportionment DCP
- Incorporating the DCP into the Planning Scheme

## Using Victoria's Planning System

<https://www.planning.vic.gov.au/guide-home/using-victorias-planning-system>



# **The How: Implementation of Development Contributions**

Cash payments

Works in Kind (WIK) and Land in Kind (LIK)

Section 173 Agreements under Section 173 of the Planning and Environment Act 1987



## Key DCP terms:

DIL: Development Infrastructure Levy

CIL: Community Infrastructure Levy





## The importance of context

What is the context of the DCP?

What is the context of a particular DCP project or group of projects?



## Global DCP's

Unique to Wyndham  
(not necessarily the best model, some Pro's and Con's)

- Wyndham North, covers 4 PSP's  
(3 approved, 1 yet to be approved)
- Wyndham West, covers 7 PSP's  
(5 approved, 2 yet to be approved)

**Wyndham City**  
PSPs and the Wyndham West,  
Wyndham North,  
and Truganina Employment DCPs

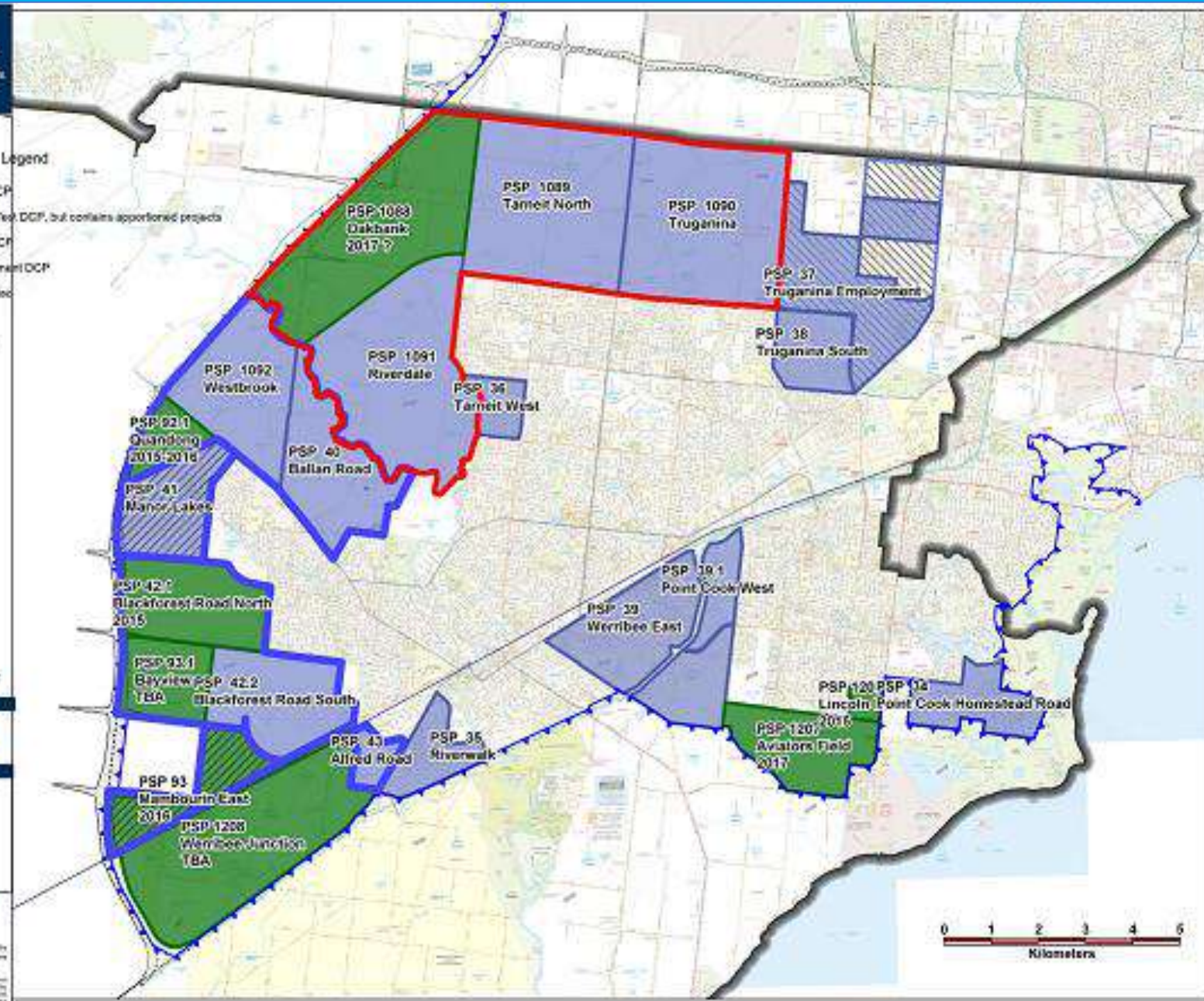
- Legend**
- Wyndham West DCP
  - Not in Wyndham West DCP, but contains apportioned projects
  - Wyndham North DCP
  - Truganina Employment DCP
  - PSP to be Completed
  - PSP Completed
  - WYNDHAM USB

August : 2015  
Objective Reference: A1099222

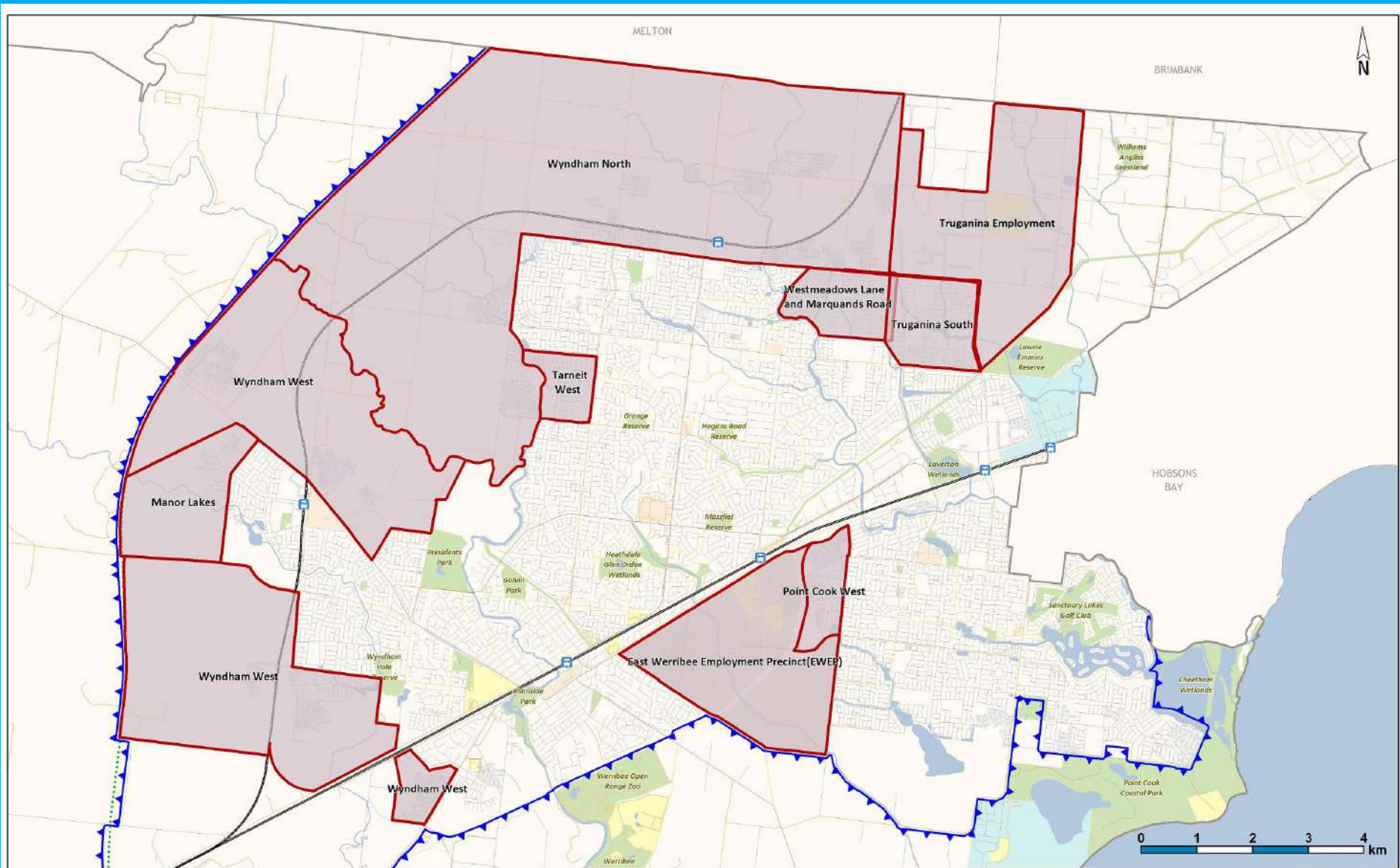
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Report: The project is a strategic planning process for the Wyndham City Council. It is a public process for the community to provide input into the strategic planning process. The project is a strategic planning process for the Wyndham City Council. It is a public process for the community to provide input into the strategic planning process.







wyndhamcity - Wyndham DCP Areas Legend Overview Map





# Global DCP's

## Pro's:

- Quicker collection of funds, can redirect funds across a larger area to critical projects.

## Con's:

- Difficult and complex to administer
- Considerable time risks.
  - Land and project cost escalation more likely to do damage
- PSP's that are not approved early are put at a disadvantage



## Municipal Wide DCP's

Tend to be used in more inner city locations and not in growth areas.

Have been particularly problematic because they involve collecting small % amounts towards large projects.

History of problems in terms of expenditure, DCP's lapsing with unspent funds.



## PSP specific DCP's

This is the a preferred model with many Council's.

Clear linkage between PSP and DCP.

A con is that they may not collect money as quickly as a Global DCP, but generally this shouldn't be an issue.



## A preferred approach to DCP's

This is one approach, not the only approach.

DC's are a debt that Council must deliver on.

From a Council/Local Government perspective Development Contributions should be viewed as a debt not a contribution and its best to look at them that way.





## A preferred approach to DCP's

Keep time frames of delivery relatively short, say 1 to 3 years preferably, maybe 5 years max.

This applies to the PSP/DCP's themselves as well as delivery or implementation through S173 Agreements or direct project delivery.



## A preferred approach to DCP's

DCP's are ultimately Council's responsibilities not the developers and this should always be kept in mind.

DCP's are beneficial but risky for Councils, we should always look to reduce the risks.



## A preferred approach to DCP's

DCP roll out needs to be as sequenced as possible.

DCP PIP's are critical to this sequencing.

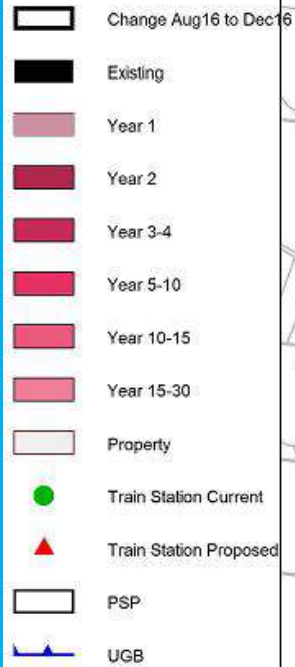
DCPPIP: Development Contributions Plan Project Implementation Program.

DCP's should be about delivering infrastructure to the community as soon as possible but they are geared to have a lag, how do we remove the lag?



# Forecasting Residential Growth



Forecast of  
Residential Growth

December 2016

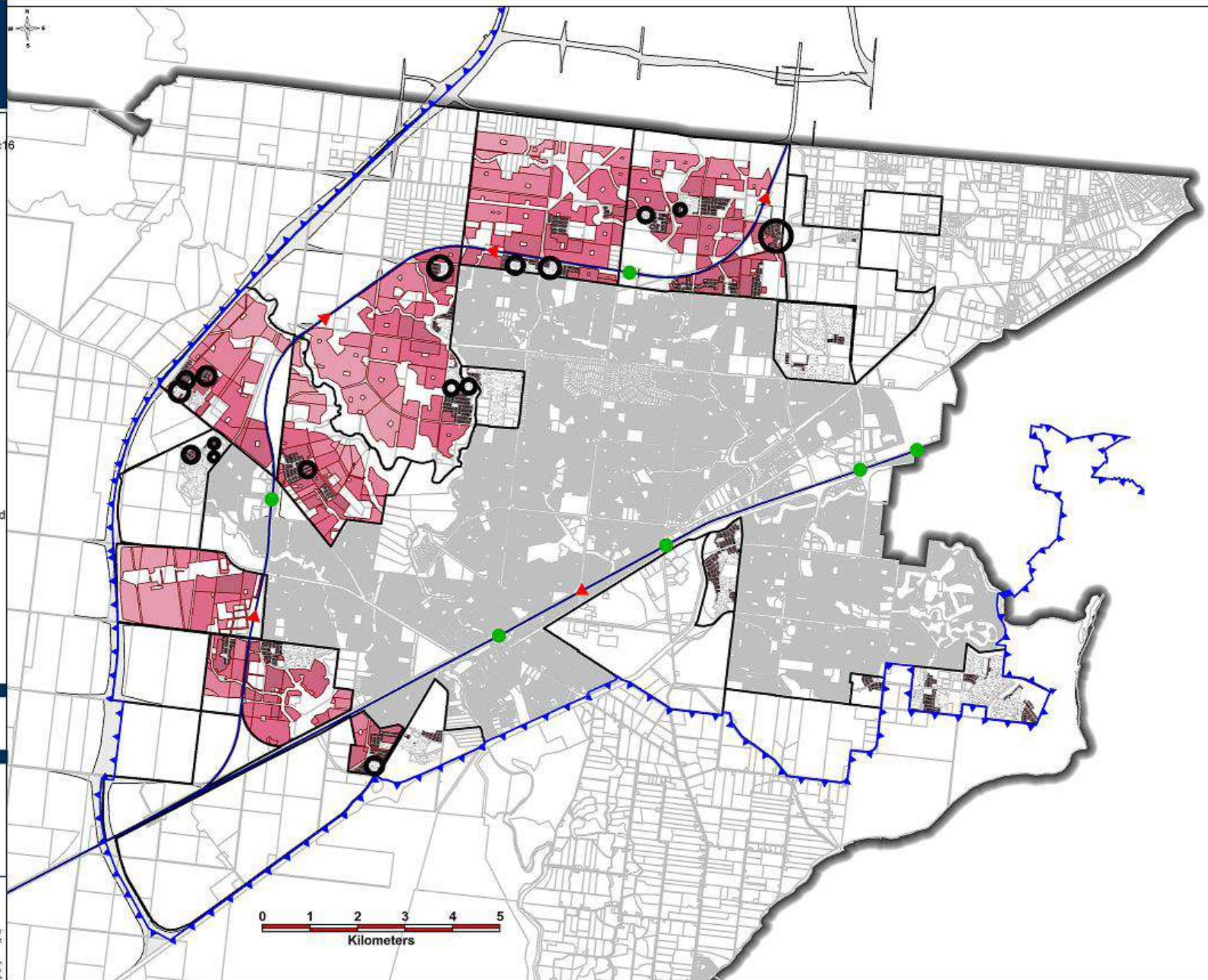
Objective Reference: A

Scale

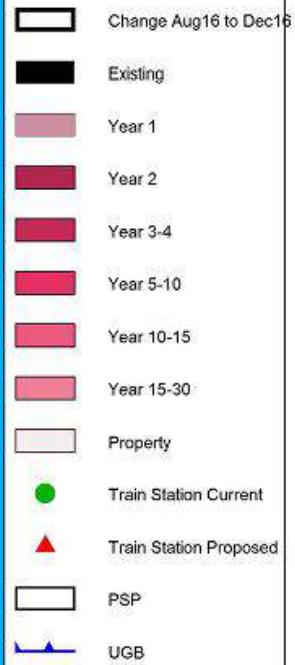
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Created by Wyndham City  
Strategic Planning Department

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Forecast of  
Residential Growth

December 2016

Objective Reference: A

Scale

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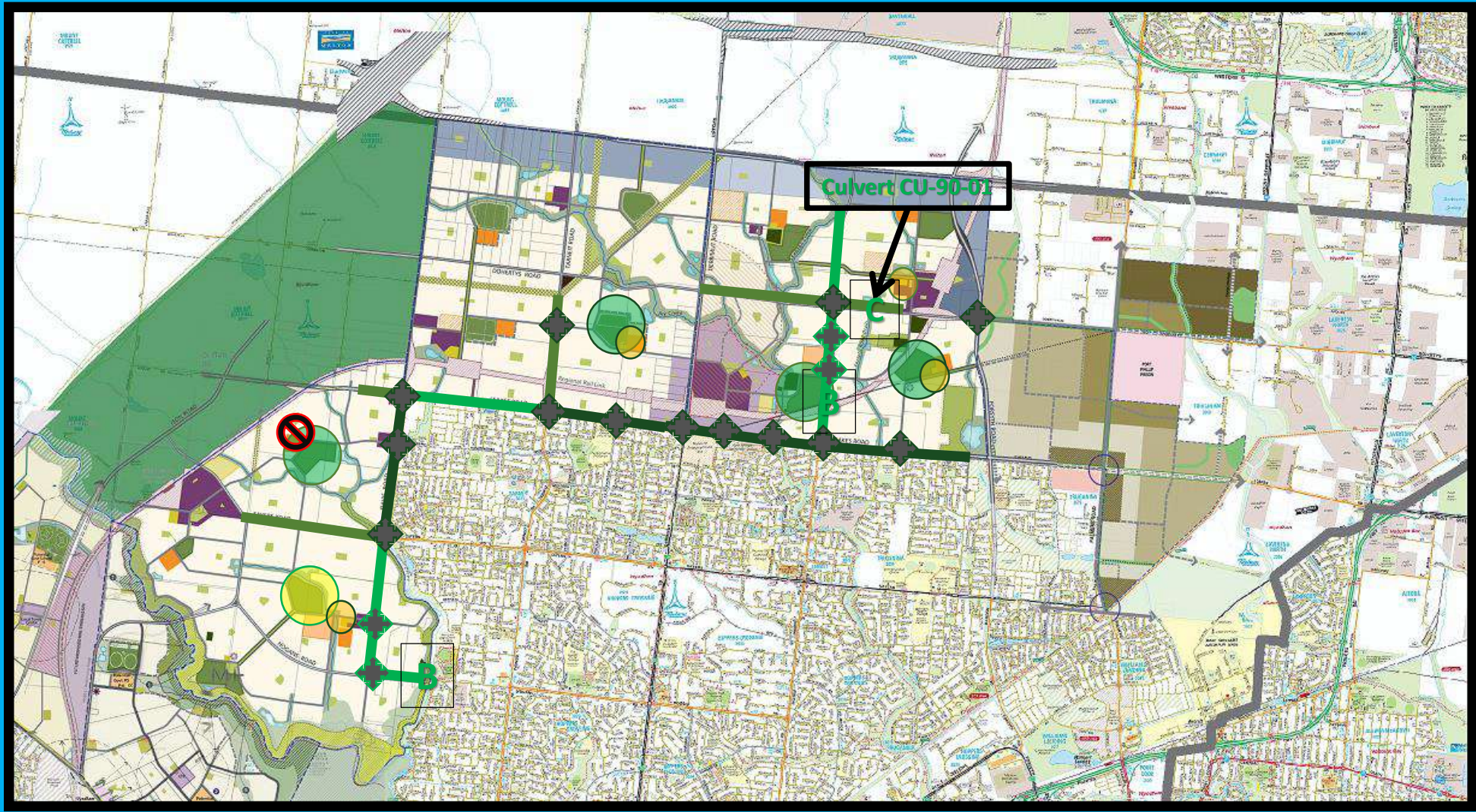
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Strategic Planning Department  
2016

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# Wyndham North DCP PIP FY2017/18





## A preferred approach to DCP's

Keep track of information both incoming and outgoing.

Work with developers to deliver infrastructure as soon as possible, there are potential win/wins for both parties.

Reduce DCP risks, land and project cost escalation should be avoided.





## Expenditure of DCP's

Expenditure of DCP's has historically been a problematic area for many Council's.

This is because collection and expenditure are separated by a significant length of time in many cases.





## Expenditure of DCP's

Areas responsible for DCP's need to record expenditure information, despite the fact that other areas of Council are doing the work, expending the funds.

This should be recorded as the expenditure occurs but also must be captured in Yearly reports on each DCP if possible.



## Expenditure of DCP's

Recording of expenditure needs to be more robust:

- When were the funds expended?
- On what infrastructure item?
- What is the evidence of the expenditure? –  
Written/Physical, the importance of both.



## Acquittal of DCP's

The aim is to record information that makes acquittal an on going task that is easily checked on an annual basis.

Utilisation of the DCP spreadsheets.

Utilisation of an Annual Reporting process to provide yearly updates on DCP acquittal.



# When: The importance of time

Time value of money

The risk of time

Unknowns





# When: The importance of time

Land revaluations

Project indexation (choose an appropriate index for infrastructure construction projects)

In and out quickly is best



# Land Acquisition

## Land Acquisition and Compensation Act (LACA)

[http://www.austlii.edu.au/au/legis/vic/consol\\_act/laaca1986322/](http://www.austlii.edu.au/au/legis/vic/consol_act/laaca1986322/)

## Using Victoria's Planning System

<https://www.planning.vic.gov.au/guide-home/using-victorias-planning-system>

### Chapter 6: Acquisition and Compensation



## Key DCP Risks (in addition to Time)

Land Acquisition costs

Not holding enough cash in reserves  
(can be managed through use of DCPPIP's)



## Key DCP Risks (in addition to Time)

Over extending credit arrangements  
(can be managed through use of DCPPIP's)

Downturn in property market below profitable levels





# Infrastructure Contributions

Similar but different to DCP's

Set infrastructure contribution rates by State Government

Different ways of valuing and dealing with land and land acquisitions

More flexible than DCP's



# Infrastructure Contributions

Harder to do Works in Kind (WIK) because individual projects aren't costed as part of Infrastructure Contributions Plan (ICP) preparation.

ICP's will better manage land price escalation risks.



## DCP Traps

Spend the funds that are collected within the lifetime of the DCP. Sounds easy, but it isn't as easy as it sounds.

Darebin DCP: Audit Report and Management of Unspent Funds

<https://www.yoursaydarebin.com.au/11946/documents/23690>



## DCP Traps

Raising funds for projects should be soundly thought through.

### Example:

If you identify a group of projects worth say \$50 Million to fund through a DCP but you only collect \$10 Million, you have committed your organisation to expenditure of \$50 Million. Whether you collect the money or not. Even if you collect the \$10 Million you still have to find the other \$40 Million.





# Challenges

Land cost escalation eroding the value of contributions towards built infrastructure

Infrastructure costs outpacing development contributions

Time, and the impact of time on the implementation of development contributions

No effective system currently in place that addresses development contributions for existing developed areas



# Opportunities

Capacity to bring forward expenditure on infrastructure if done carefully

Capacity to ensure development contributes towards the pressures it puts on local government

Capacity to plan ahead for the future we want to deliver from an infrastructure perspective