Special Infrastructure Contribution

What is the Special Infrastructure Contribution?

The Special Infrastructure Contribution is a financial contribution paid during the development process to help fund regional infrastructure required to support development in the North West and South West Growth Centres over the next 30 years.

Why have a Contribution?

When land is rezoned to allow for more intense uses, there is an associated increase in land value. This increase is partly because rezoning means land can be used for higher uses, such as residential development, and also because the land will be supported by better roads, transport and community facilities and services.

The provision of infrastructure to newly rezoned land is essential – this land simply won't be attractive to the market if infrastructure isn't provided. It is therefore fairer that part of the cost of the infrastructure is met out of the uplift in the value of the land caused by the provision of infrastructure.

How much is the Contribution?

The Special Infrastructure Contribution is $347,200 per hectare of Net Developable Area, which equates to around $23,000 per average lot for residential development. It is $150,000 per Net Developable hectare for industrial development. This rate will be indexed each quarter to accommodate changes in construction costs and land values.

There is no Contribution for retail and commercial uses to reflect the important role these developments will play in providing local jobs for residents.

The Contribution represents 75 per cent of the estimated attributable cost of regional infrastructure required to support development in the Growth Centres, divided by the net developable hectares (see below) in the Growth Centres.

A review of the Contribution in late 2007 removed the cost of constructing social infrastructure (such as schools and hospitals) from the estimated attributed cost of regional infrastructure while retaining the cost of land for social infrastructure. The construction of social infrastructure will be funded by an additional $2 billion of Government funding on top of the existing commitment to fund 25 per cent of the Growth Centres infrastructure.

What will the Contribution pay for?

The Contribution will fund 75 per cent of the roads, rail, bus services, open space, planning and delivery costs and land required for social infrastructure. The remaining 25 per cent of these costs will be funded by Government, as will the construction of social infrastructure - including emergency services and justice, education and health facilities.

This combination ensures the cost of infrastructure is shared between the broader community and the beneficiaries of development and will allow services which are an essential part of development to be delivered to service population growth.

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The infrastructure to be funded by the Contribution is detailed in the Special Infrastructure Contribution Practice Note (see below).

What is the "net developable area"?

The net developable area is the total area of the land available for development, not necessarily the total area of a property itself. It does not include open space, drainage land, regional roads and land used for other public facilities. For example, if an area is partly developable and partly affected by drainage, only the area that is developable will incur the Contribution.

Who pays the Contribution and when?

The Special Infrastructure Contribution is a one-off charge which is incurred prior to the granting of a Subdivision or Construction Certificate from Council. The Special Infrastructure Contribution will be applied consistently across the Growth Centres.

It is payable by any landowner or developer who is developing or subdividing land. If a landowner has no plans to develop or subdivide their property, or wishes to sell their land to a developer who intends to develop or subdivide the property, then the landowner does not need to pay the Contribution.

What is the Special Infrastructure Contribution Practice Note?

The Special Infrastructure Contribution Practice Note provides guidance as to the calculation and collection of the Special Infrastructure Contribution and the calculation of any credits obtainable under a Works in Kind agreement.

What is ‘Works in Kind’?

With the approval of the Minister for Planning and in consultation with relevant State agencies, the Growth Centres Commission may accept the dedication of land or construction of capital works or other services which will provide a material public benefit, in lieu of a monetary contribution.

The value of any Works in Kind will be agreed between the Commission and the developer. Generally, it is expected the amount of any credit for Works in Kind will be equal to the attributable cost of the works (as defined in the Practice Note) and as determined by the Commission.

In the case of Works in Kind:

- The dedication of land must occur prior to, or concurrent with, the registration of title or, where no subdivision occurs, prior to the issue of a Construction Certificate.
- Works must be completed prior to the issue of a Subdivision Certificate. If this doesn’t occur, the developer must lodge a bond or unconditional Bank Guarantee equal to 150 per cent of the Growth Centre Commission’s estimate of the attributable cost of any outstanding works.
- The bond will ensure sufficient funds are available to the Commission to allow relevant works to be completed on default by the developer and will only be released on completion of the works.

Why does the Contribution apply to areas already serviced by infrastructure?

Across the Growth Centres, existing infrastructure such as electricity, roads and water supply sufficiently service current residents. However, major upgrades of this infrastructure will need to be undertaken to meet the increased needs that accompany a growing population.

What other levies will apply?

Two other levies will apply to land within the Growth Centres:

- **Section 94 Contributions:** local infrastructure contributions, collected by local councils under Section 94 of the *Environmental Planning and Assessment Act 1979* which enables Councils to levy contributions from developers to fund local facilities - such as parks, playing fields or libraries - required as a consequence of development.
- **Section 73 Contributions:** Sydney Water contributions used to pay for water and sewage infrastructure.

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