

Land value contribution

This document answers frequently asked questions regarding land value contribution being exhibited as part of the infrastructure contributions reforms.

The NSW Government is reforming the infrastructure contributions system. The NSW Productivity Commissioner's 29 recommendations will deliver a certain, transparent, simple, efficient, and consistent system.

A land value contribution is a direct land contribution mechanism to improve efficiency and certainty when funding the acquisition of land required for councils to deliver public infrastructure. It is an alternative approach to the standard s7.11 method of collecting contributions for land.

Why is the land value contribution being introduced?

A land value contribution provides local government with an alternative approach to collecting contributions for new public land that supports future urban development.

It is specifically designed for greenfield release areas where changes to the planning controls enable more intensive development and result in higher land values.

Land values can increase rapidly and often increase on early signs of land being considered for future development, which increases land acquisition costs to provide public infrastructure.

Who benefits from the land value contributions?

Councils who choose to apply a land value contribution benefit from the mechanism, as it can assist councils to acquire land for public infrastructure purposes.

Early acquisition of land is important to reduce the costs of infrastructure, but this is dependent on availability of funding. Dedication of land can offer a pathway to address funding shortfalls that may delay servicing developments with the required public infrastructure.

A decision to adopt a land value contribution is a matter for each individual council. Councils can choose to collect contributions for land acquisition in an area under the existing s7.11 framework or they can choose to apply a land value contribution. However, they are not able to apply the two approaches to fund the acquisition of the same land (i.e. no double-dipping).

When will the land value contributions come into effect?

A contributions plan that introduces a requirement for a land value contribution will be a site specific contributions plan and must be developed concurrently with a planning proposal for the same land. Councils wishing to apply a land value contribution must say so as part of their request for a gateway determination. A draft contributions plan will also be required to be submitted as part of the planning proposal package.

Where a council has chosen to adopt a land value contribution, a land value contribution comes into effect when land is rezoned by the concurrent planning proposal. However, the contribution is only payable upon either sale of land or development, whichever occurs first after rezoning. This is to ensure that the immediate beneficiary of the rezoning (the landowner or developer) makes a contribution but only when action is taken to sell or develop the land.

On the full satisfaction of the contribution, the land value contribution requirement is discharged from the land and no further land value contribution payment is required.

Which developments will be subject to a land value contribution?

Integrating infrastructure planning with the amendment to planning controls for a release area is a precondition for a land value contribution approach. As such the entirety of the release area that is being considered in the planning proposal should form the land value contribution area.

If a land value contribution is adopted, contributions for works or towards land not included in the land value contributions area (e.g. land for district facilities), can still be required under a s.711 plan.

The contributions plan must also identify any land where intensification will not occur, either because the land has already been developed and has no further development potential or because the new planning controls do not result in the intensification and therefore increase in value of the land.

These sites may need to be excluded from the land value contributions area or may be considered eligible for a discount rate to be applied. These sites may still be subject to other forms of infrastructure contributions, such as standard s7.11 and s7.12 charges if applicable.

What are the next steps?

- Respond to feedback received during exhibition.
- Work with Technical Working Groups on matters raised during exhibition.
- Implement legislative and regulatory amendments.
- Develop further communications on how to apply land value contributions.
- Build capacity and expertise through training and development programs.