NSW GOVERNMENT

Infrastructure Contributions

Land Value Contribution

Exhibition Paper

October 2021

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The Department of Planning, Industry and Environment acknowledges the traditional custodians of the land and pays respect to Elders past, present and future.

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Land Value Contribution- Exhibition Paper

First published: October 2021

Contents

1. Vison and strategic objectives

The Department of Planning, Industry and Environment (the Department) is working to deliver Australia's best designed infrastructure contributions system, promoting investment to build liveable communities.

To do this we need new approaches for a simple, efficient, certain, transparent, and consistent infrastructure contributions system.

The land value contribution will:

- Share the costs of public purpose land with everyone who benefits from the rezoning of land.
- Provide an alternative approach to collecting contributions for land that funds earlier acquisition of land.
- Incentivise the dedication of land to local government for public purposes.

2. Responding to the NSW Productivity Commissioner's recommendations

High and escalating land costs put upward pressure on contribution charges and can lead to revenue shortfalls for infrastructure providers and delays in infrastructure provision. This problem is exacerbated in greenfield areas where land costs rise faster and at a much earlier stage of development, often before a rezoning being finalised.

Land costs comprise an average of 54% of total infrastructure costs in greenfield areas . This includes land used for drainage, transport, and open space.

Consistent with the NSW Productivity Commissioner's recommendations, the NSW Government is proposing a new land value contributions framework to allow councils to better fund land required for public purposes.

3. Testing the land value contribution

To support the development of the land value contribution the Department formed a technical working group made up of representatives from key stakeholders including Local Government NSW, the Planning Institute of Australia, Urban Taskforce Australia, Urban Development Institute of Australia and Landcom. We are grateful to the members of this group for their time and advice.

Two worked examples of how land value contribution would operate have been developed using existing urban release precincts. The land value contribution will not apply to these precincts, and there is no intention for it to apply to any land that has already been rezoned for urban development. The land value contribution will only be applied to land subject to a future rezoning after the reforms commence.

These examples use actual local infrastructure requirements in contribution plans and models the operation of the land value contribution at Schofields and Menangle Park. These sites have been chosen because:

- The amount and location of infrastructure already identified for these precincts has not been examined
- They are complex urban release precinct with a diverse range of planned residential, employment and infrastructure uses.
- They have been rezoned to enable more intensive development of the land, which increased the value of the land.
- They include a mix of land parcel sizes, constrained and unconstrained land (flooding, heritage and environmental conservation).
- They reflect a mix of landowners including large and small developers progressing with the development of land, existing uses and land retaining rural characteristics.
- They have been subject to an updated contribution plan following IPART's review. The plan clearly splits costs for land and works in a way that allows for land requirements for the precinct to be calculated.

4. Have your say

The Department welcomes your feedback regarding land value contribution. Your feedback will help us better understand the views of the community and practitioners and will assist us in finalising the approach.

Submissions can be made via the Department's website:

www.planningportal.nsw.gov.au/exhibition

All submissions will be made public in line with our objective to promote an open and transparent planning system. If you do not want your name published, please state this clearly at the top of your submission. The Department will publish all individual submissions and an assessment report on all submissions shortly after the exhibition period has ended.

Appendix A: Land value contribution

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.

This module outlines the requirements for a land value contribution, including the methodology for calculating the contribution for a greenfield urban release area and for individual lots. It also provides two worked examples that demonstrate how the methodology works.

Legislative requirements

The *Environmental Planning and Assessment Act 1979* and regulations establish the mandatory legislative requirements for a land value contribution.

The Act will requires that:	
A contribution plan must not identify land for which a land value contribution is required unless: a. A change to the planning controls that apply to the land will enable more intensive development of the land and, as a result, increase the value of the land. b. The intensive development will require land to be provided for a public purpose.	s7.18 (5)
A contribution plan that identifies land in a Land Value Contributions Area must: a. Identify the land in the land value contributions area that is required for a public purpose. b. Specify the maximum amount of the land value contribution, including by reference to a maximum percentage of the value of the land. c. Specify the way in which the owners of land in the land value contributions area will be notified of the land value contribution. d. Be published on the NSW planning portal.	s7.18 (6)
A land value contribution is satisfied by an owner of land in a land value contributions area if the land is sold before the contribution has been satisfied.	s7.16C
A land value contribution certificate is made available by the relevant council, upon application, to specify the contribution, if any, that is required for the land.	s7.16D
Land cannot be transferred to another owner, unless the instrument that effects the transfer is endorsed by an authorised person to indicate that a land value contribution, if required, has been made.	s7.16E and s7.16F
Development consent for development in a land value contribution area may require a land value contribution if the contribution has not already been satisfied through the sale of land.	s7.11 (1)

The Act will requires that:	
In addition to requirements for s7.11 contributions plan more broadly the regulation will provide guidance on: a. the way in which a land value contribution must be calculated for a land value contributions area or part of a land value contributions area. b. the way in which the value of land in a land value contributions area must be determined. c. the maximum percentage of the total amount of land in a land value contributions area that may be required as a land value contribution.	s7.18A

Policy requirements

When preparing or amending a contributions plan to include a land value contribution, councils must have regard for the policy requirements for land value contributions set out in this module.

Land Value Contribution is an optional, alternative approach to existing s7.11 contributions

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.

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).

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 standard s.711 plan.

Land value contributions are most effective in areas where land values continue to increase significantly after rezoning. In these areas development occurs at a pace and a scale that results in a need for early acquisition of land. As such there is a narrow timeframe between collection of contributions and investment on land for infrastructure.

Land value contributions are also effective in release areas that are highly fragmented and where traditional mechanisms for land dedication, such as planning agreements, are not practical.

A concurrent planning proposal to intensify land is required

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. Further information about progressing a planning proposal in conjunction with a contributions plan can be found here.

If the Minister determines that the planning proposal should proceed, the council must ensure that a draft contributions plan is exhibited at the same time as the planning proposal, or

shortly after. Both the planning proposal and contributions plan are required to be exhibited for a minimum period of 28 days.

For a land value contribution to apply, the concurrent planning proposal must result in more intensive development across the land value contributions area. It may facilitate more intensive development as a result of a proposed change to planning controls that permits additional land uses and/or alters the intensity of development (via subdivision, height and/or floor space controls).

Because the land value contribution can be triggered when land is sold, the planning proposal cannot be finalised until a contributions plan is in place and this will be a condition of the gateway determination. The amending LEP must map the land value contributions area to ensure that the land can be identified.

The contributions plan must demonstrate that the more intensive development will result in an increased need for public amenities and public services.

Land Value Contributions Area is identified in a contributions plan. It is the area of land subject to a change in planning controls that results in an increased need for public amenities and services.

Efficient design of infrastructure in the land value contributions area must be demonstrated

Planning for infrastructure at the same time as determining planning controls provides the opportunity to maximise efficient design and minimise land acquisition obligations. For example, zone boundaries may be set to deliver an efficient approach to stormwater management and planning controls can be designed to facilitate the dual purpose of particular land. This is consistent with the NSW Productivity Commissioner's recommendations for the efficient use of land.

To incentivise the efficient design of infrastructure in a land value contributions area, a maximum of 20% of the land can be required for local infrastructure. This translates to a maximum land value contribution rate of 20%.

The public purpose land for which a land value contribution is required must be 100% apportioned to the land value contributions area and must only be land for approved purposes.

Land value contribution for a 'land value contributions area' relates to the proportion of land required for public purposes and is expressed as a percentage. The maximum rate is 20% to ensure an efficient approach to infrastructure design.

Parts of the land value contributions area that are already developed and/or are not being intensified must be carefully considered

The contributions plan must 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.

Land value contribution is paid on sale or development, whichever occurs first

A land value contribution applies to everyone who benefits from the rezoning of land for urban development, through an increase in the value of their land. This means that everyone who benefits contributes to the costs of land required to support the intensive development of a release area.

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) make 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.

Land value contribution is calculated based on the value of land for rating purposes, as determined by the NSW Valuer General, at the time the contribution is triggered.

Contribution on sale

Land to which a land value contribution applies cannot be transferred to a new owner until the contribution has been satisfied. A land value contribution certificate confirms whether the contribution has been satisfied and is available to a vendor or purchaser upon application from the relevant council.

The instrument of transfer must be endorsed by an authorised person confirming that the contribution has been paid, consistent with the information contained in the certificate. On the full satisfaction of the land value contribution, the land value contribution requirement is discharged from the land. Subsequent sales of the land are not affected by the land value contribution.

Land value contribution certificate identifies if a land value contribution applies to land and whether the contribution has been satisfied. It will be available from the council on application.

Contribution on development

If land to which a land value contribution applies is subdivided or developed, before it is sold, the land value contribution is required as a condition of development consent (in the same way as other infrastructure contributions are triggered).

Payment of a land value contribution is anticipated to be predominately triggered by development for subdivision. Alterations and additions to existing uses and minor boundary adjustments are excluded.

Applicants for development in a land value contributions area are strongly encouraged to engage with the council early in the process of designing their development to identify any opportunities for land dedication.

If the contribution is made monetarily, rather than through land dedication, the contribution amount is indexed at the time of payment in accordance with a 'Land Value Index' published by the Valuer General. On the full satisfaction of the land value contribution the charge is discharged from the land and any subsequent development are not affected.

Councils are required to exhibit a proposed land value contributions framework and notify affected landowners

Notification to landowners and the broader public that a land value contribution is being imposed is critical. This will be required through a condition of the gateway determination authorising the concurrent planning proposal.

If the Minister determines that the planning proposal should proceed, the council is required to ensure that a draft contributions plan is exhibited at the same time as the planning proposal, or shortly after, in accordance with the Gateway determination. Both the planning proposal and contributions plan are required to be exhibited for a minimum period of 28 days. A draft contribution plans which includes a land value contribution must be exhibited and submissions considered in the same way as other draft contributions plans.

No amendment to a contributions plan that impacts upon the boundary of the 'land value contribution area' or the percentage of the 'land value contribution', can be made without further public consultation.

Reporting of land value contributions

Reporting requirements for land value contributions are the same as those for standard s.711 contributions. Details of the land value contributions collected and expended are required to be provided through the standard reporting process.

Best practice guidance

Identifying the Land Value Contributions Area

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 contributions area.

This includes land subject to intensive urban development and land that has less development potential due to constraints, such as flooding, or because it is being developed less intensively to preserve landscape amenity, or for other planning considerations.

This less intensive land may still contribute to the need for public purpose land including transport, drainage and open space all be it by generating a different level of demand than more intensive urban areas.

The level of demand to be generated needs to be considered through the contributions plan. The less intensive development potential (and therefore less demand on land for public purposes) is expected to be reflected in the value of this land and therefore result in a lower contribution payable.

Calculating public purpose land requirements

Public purpose land for which a land value contribution is required must be 100% apportioned to the land value contributions area and must only be land for infrastructure items for which s7.11 contributions can be levied (i.e. essential works), including the following:

- open space (for example parks and sporting facilities)
- community facilities (for example childcare centres and libraries)
- transport (not including carparking)
- stormwater management.

Land for environmental purposes cannot be part of a land value contribution unless that land serves a dual function with one or more of the above purposes.

District level facilities will always be apportioned to a larger area and therefore cannot be funded through a land value contribution.

A contributions plan that includes a land value contribution must include:

- an indicative map showing the land that is identified for public purpose within the land value contributions area,
- a numerical value for the area of land identified within the land value contributions area and its public purpose, and
- a numerical value for the total area of land identified for public purpose within the land value contributions area.

Valuing land within the Land Value Contribution Area

The land value contribution is calculated based on the value of land at the time that the contribution is triggered. This is the value of land for rating purposes as defined by the NSW Valuer General under the *Valuation of Land Act 1916*. These values do not include the value of a home or other structures and improvements on the site but includes land improvements like draining, excavating, filling, clearing and retaining walls. It is publicly available information and updated on an

annual basis from 1 July, it is not the market value of the land.

When the contribution is triggered by a development application the contribution amount is calculated based on the value of land at the time of the determination and indexed through the Land Value Index. This ensures that the contribution amount at the time of payment reflects any increase in the value of the land. This Index is currently being prepared by the NSW Valuer General, will be publicly available and updated annually.

Determining the land value contribution for a land value contributions area

The land value contribution for a land value contributions area is calculated using the formula illustrated in Figure 1.

$$LVC = \left[\frac{PPL}{LVCA - DL} \times \frac{100}{1} \right]$$

Figure 1
Formula for determining the land value contribution percentage for a land value contributions area.

Where:

- **LVC** is the land value contribution for a land value contributions area expressed as a percentage
- **PPL** is local public purpose land 100% apportioned to the land value contributions area
- **LVCA** is the total area of the land value contributions area
- **DL** is the area of developed land which is not subject to intensification

Determining the land value contribution amount for a specific site

The land value contribution amount for a specific site is calculated using the formula illustrated in Figure 2.

$$LVC\$ = LVC \times VL$$

Figure 2
Formula for determining the land value contribution for a specific site.

Where:

- **LVC$** is the land value contribution amount for a specific site determined at point of sale or as a condition of consent for development
- **LVC** is the land value contribution for a land value contributions area expressed as a percentage
- **VL** is the value of the land at the time the contribution is triggered

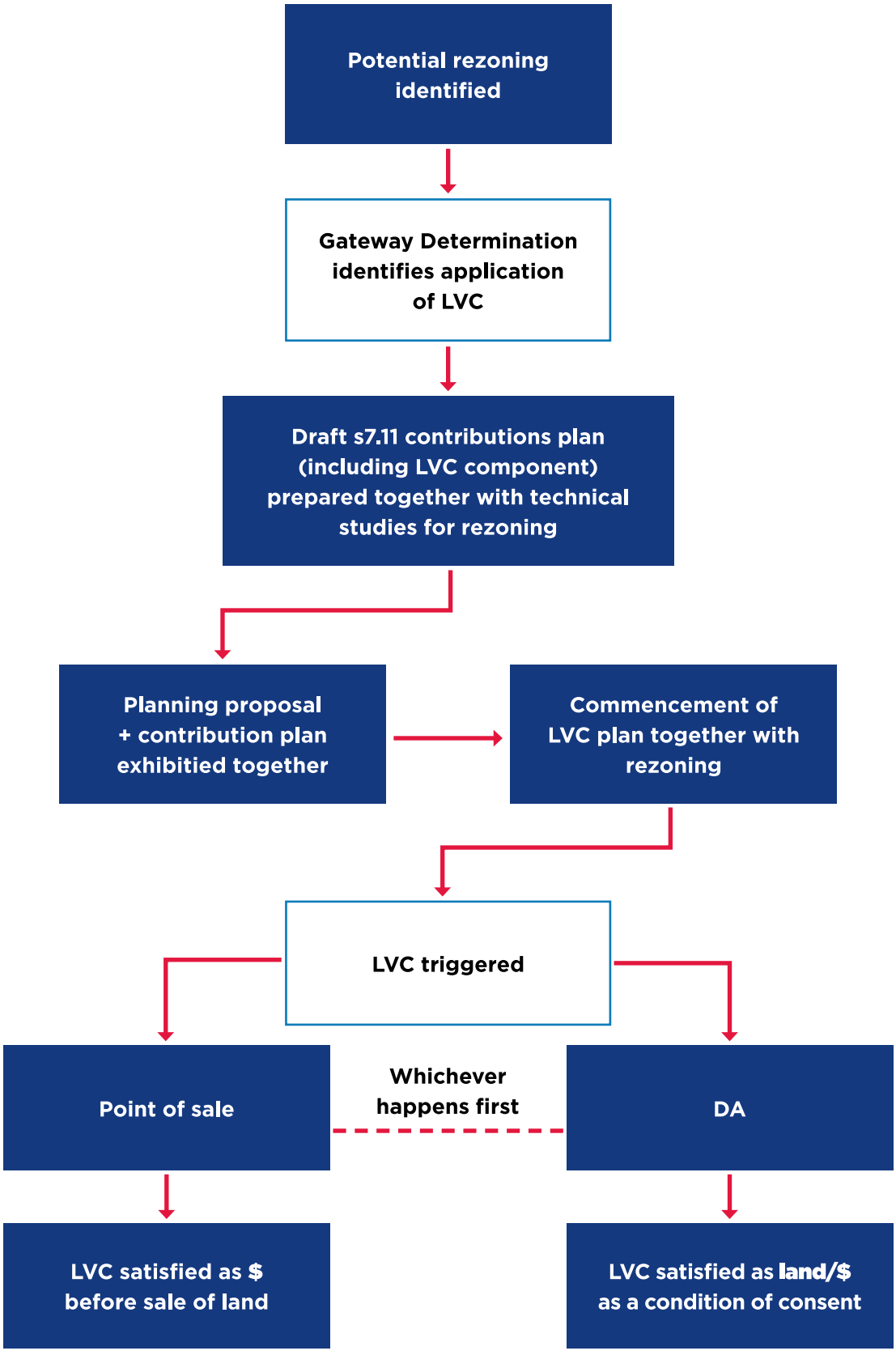
Indexation of the land value contribution amount for a site

The contribution amount payable as a condition of development consent will be indexed at the time of payment in accordance with a 'Land Value Index' published by the Valuer General.

This allows for the contribution to be payable at a later stage but ensures that the amount paid reflects any increase in the value of the land over that time.

Procedure and process

Land Value Contribution – Overview



Appendix B Land Value Contribution Case Study - Schofields

Background

Schofields is a greenfield release area located in the Blacktown Local Government Area. The site is part of the North West Growth Area and has a total area of 465 hectares. It is bounded by Eastern Creek to the north and west, Quakers Hill Parkway to the south and the Richmond Railway line to the east and includes a large education precinct called Nirimba Education Precinct. The boundary of the Schofields release area includes an extended and isolated portion of land in the west.

Prior to 2012, when a change in zoning intensified development permissible on the site, it was zoned largely for rural uses, with land zoned for commonwealth and education uses and small pockets of residential and recreational zones.

Schofields was rezoned through an amendment to the State Environmental Planning Policy (Sydney Region Growth Centres) 2006 (finalised in May 2012). Minor amendments to planning controls were subsequently made in 2013.

Schofields is expected to accommodate approximately 2,813 dwellings to cater for a population of approximately 8,158 residents. It now comprises a mix of zones including low and medium density residential, local centre zoned land and pockets of environmental living, environmental conservation, public recreation and infrastructure zones.

The rezoning enabled more intensive development of the land and, as a result, increased the value of the land (refer to Figure 3 below).

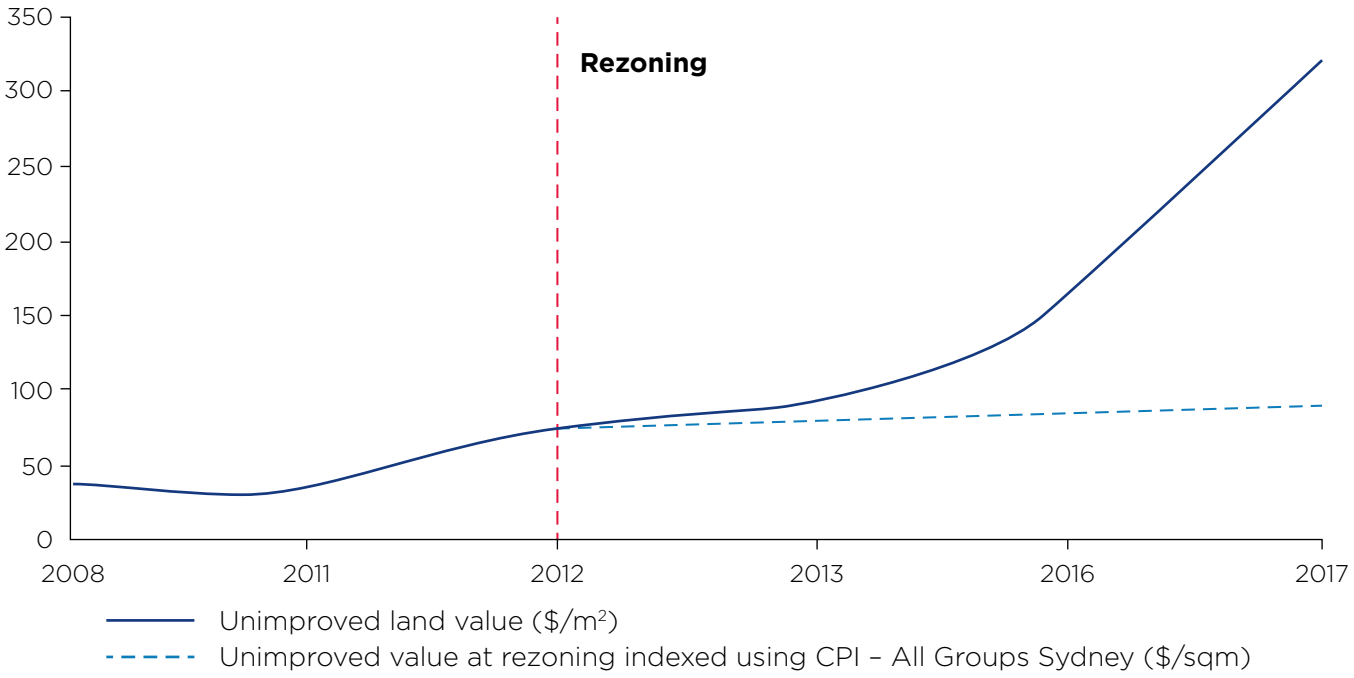


Figure 3
Unimproved gross land value compared to CPI ($/sqm) of Schofields site (R2 – 20,230sqm)

A s7.11 (former s.94) contributions plan titled Contributions Plan No.24 – Schofields Precinct (CP No.24) was prepared in 2013 identifying local infrastructure requirements to be funded through infrastructure contributions. In 2020 a revised CP No.24 came into force after a review by the Independent Pricing and Regulatory Tribunal (IPART) in 2018-19. This revised plan divides the infrastructure funding requirements into a land component (CP No.24L) and a works component (CP No.24L). The timeline for the rezoning of Schofields and subsequent contributions planning is shown in Figure 4.

2009 — **Strategically identified**
The Schofiels precinct was released on 23 October 2009 allowing presinict planning to commence.

2011 — **Rezoning Exhibited**
Draft Precinct Planning Package publicly exhibited.

2012 — **Rezoned Finalised**
Amendment to SEPP (Sydney Region Growth Centres) 2006 (May 2012)

2013 — **Minor planning control amendments**
Minor changes to planning contorls made to facilitate the development of housing within the DairyCorp site

2013 — **Contribution plan exhibited**
Council prepares and exhibits 'Section 94 Contributions Plan No.24 - Schofields Precinct'

2013 — **Development commences**
Development approved.

2013-14 — **IPART review process**
IPART review CP24.

2015 — **Adoption of plan**
Council adopted CP24 and the plan came into force on 27 May 2015. Plan is eligible for LIGS funding.

2013-14 — **IPART review**
Council revised and exhibited CP24 and separated the plan in two parts: • Cp24L - Schofields (Land), • Cp24W - Schofields (Works).

2020 — **Adoption of revised plan**
CP24L and CP24W in force (August 2020)

Figure 4
Schofields rezoning and contributions timeline.

Identifying the Land Value Contributions Area

The Land Value Contributions Area is the total of the Schofields release area and is the same land to which the s7.11 plan (CP No.24L) applies. This area is used to identify the infrastructure needs for the precinct and the public purpose land required. The Schofields Land Value Contributions Area is 464.95 ha (Table 1).

Table 1 - Precinct land use zones and areas

Precinct zoning	Area (ha)	Percentage of total	Precinct zoning	Area (ha)	Percentage of total
R2 - Low density residential	161.73	34.78%	SP2 - Community Facility	0.45	0.10%
R3 - Medium density residential	7.07	1.52%	RE1 – Public Recreation	32.46	6.98%
E4 - Environmental living	37.36	8.04%	SP2 – Infrastructure (other)	80.7	17.36%
B2 – Local Centre B1 - Neighbourhood Centre	4.15	0.89%	E2 – Environmental conservation	63.33	13.62%
SP2 – Education Establishment • Nirimba Education Precinct (73.3 ha) • Primary School (4.4 ha)	77.7	16.71%	**Gross precinct area (total)**	**464.95**	**100.00%**

As shown in Figure 5, some areas of the precinct were already zoned for education uses (zone 5(a)) and for public recreation and environmental protection (zones 6(a) and 6(d)) prior to the 2012 rezoning. After rezoning, Figure 6, these areas were transitioned into a standard instrument zone, with no additional development potential.

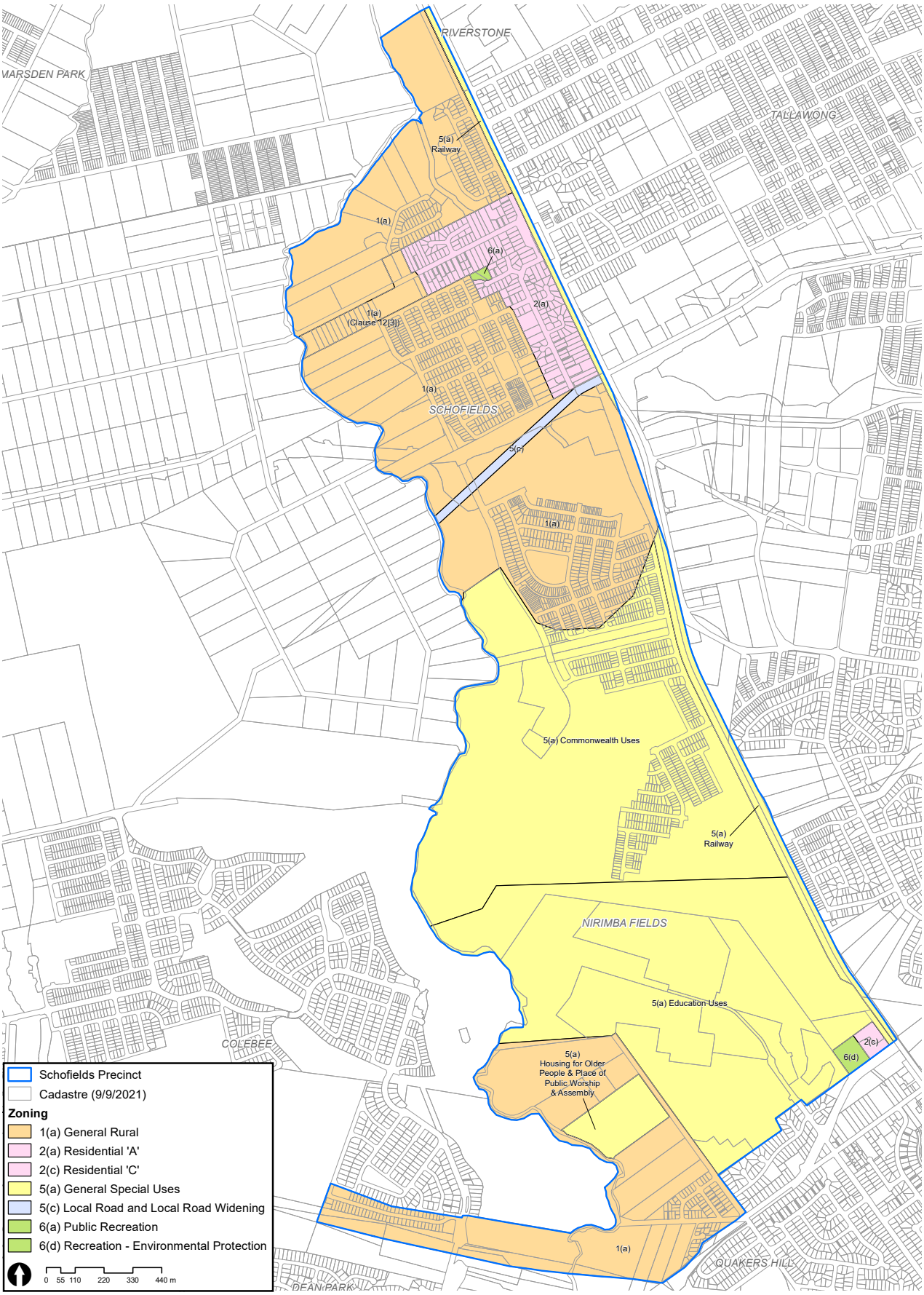


Figure 5
Schofields release area pre rezoning

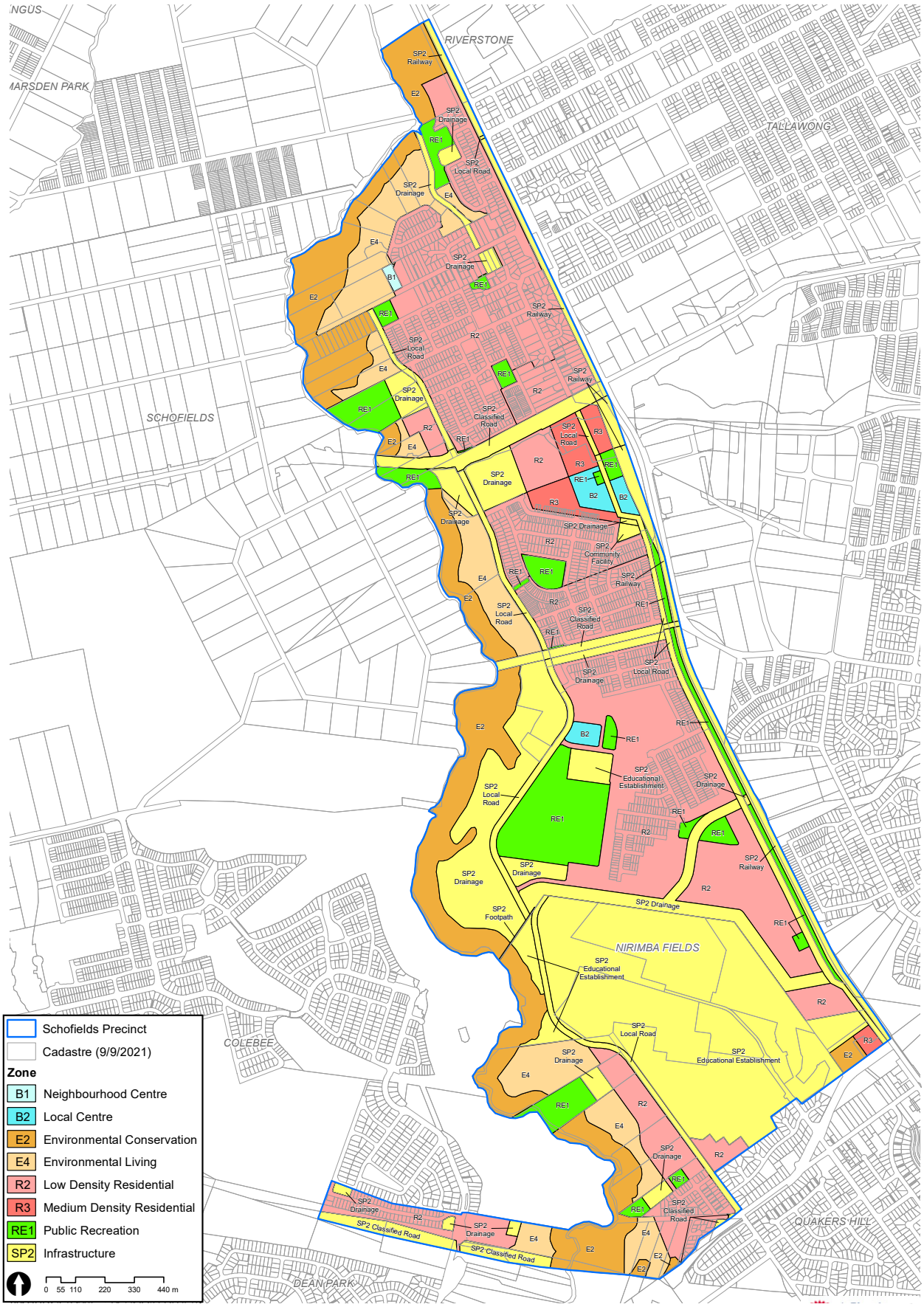


Figure 6
Schofields release area current zoning.

Calculating public purpose land requirements

CP No.24L includes a schedule of land for public infrastructure for which infrastructure contributions are levied. This schedule identifies land which is fully apportioned to the Schofields release area and land for district facilities to be apportioned with other sites in the North West Growth Area (Table 2). The Schofields release area includes an extended isolated portion of land that lies within separate drainage catchments (West 1 and West 2) and requires separate stormwater infrastructure.

To calculate the land value contribution, only land that is fully apportioned to Schofields is included because it relates to demand 100% generated by development in the release area (and not by that from other sites).

Table 2 shows the total land required for public infrastructure according to CP No.24L. A total of 78.4456 hectares of land are 100% apportioned to Schofields, meaning they are required because of demand fully generated within Schofields 'land value contributions area'.

The remaining 1.5907 hectares, required for the Marsden Park Aquatic Centre and the Riverstone Conservation Zone (both located outside of Schofields), are apportioned to several other release areas. Therefore, these are not included in the calculation of public purpose land for the purposes of a land value contribution.

Table 2 - Land infrastructure requirements identified in Schofields CP No.24L

Item	Land required for public infrastructure (ha)	Total cost as stated in CP ($)	Percentage of total land required for public infrastructure
Land for local infrastructure (100% appointed to Schofields)			
Stormwater quantity (Eastern Creek)	47.4694 ha	$74,773,665	59.31%
Stormwater Sub Catchment (Eastern Creek - West 1)	0.4878 ha	$1,093,599	0.61%
Stormwater Sub Catchment (Eastern Creek - West 2)	0.2711 ha	$521,000	0.34%
Traffic management (Schofields)	2.2401 ha	$6,282,748	2.80%
Open Space (Eastern Catchment)	15.5802 ha	$42,634,260	19.47%
Open Space Schofields	11.9452 ha	$13,621,000	0.56%
Community facilities (Schofields)	0.4518 ha	$3,414,000	14.92%
Total (100% apportioned facilities)	**78.4456 ha**	**$142,340,272**	**98.01%**

Table 2 - Land infrastructure requirements identified in Schofields CP No.24L

Item	Land required for public infrastructure (ha)	Total cost as stated in CP ($)	Percentage of total land required for public infrastructure
Land for combined district facilities (to be apportioned with other release areas in the North West Growth Area)			
Conservation zone (Riverstone)	**1.1347 ha**	**$1,627,618.00**	**1.42%**
Aquatic facility (Marsden Park)	**0.456 ha**	**$1,448,000.00**	**0.57%**
Total (combined district facilities)	**1.5907 ha**	**$3,075,618.00**	**1.99%**
Grand total	**80.0363 ha**	**$145,415,890.00**	**100.00%**

Defining the land value contribution

The land value contribution for a land value contributions area is calculated as a percentage of the area required for public purposes.

$$LVC = \left[\frac{PPL}{LVCA - DL} \times \frac{100}{1} \right]$$

Figure 7
Formula for determining the land value contribution percentage for a land value contributions area.

Where:

- **LVC** is the land value contribution for a land value contributions area expressed as a percentage
- **PPL** is local public purpose land 100% apportioned to the land value contributions area
- **LVCA** is the total area of the land value contributions area
- **DL** is the area of developed land which is not subject to intensification

The percentage calculation excludes developed land. This is land that has already been developed and has no further development potential, such as land zoned for education purposes and existing recreation, environmental conservation and open space zones, which are unaltered as part of the rezoning. This is consistent with the approach taken for the Contributions Plan No.24 – Schofields Precinct (CP No.24).

In Schofields the total of developed land to be deducted from the total area of the land value contributions area equals 74.6214 ha, and includes the following:

- 73.3 ha containing the Nirimba education precinct. This area now zoned SP2 – Educational Establishment, was previously zoned 5(a) Education uses under the former Blacktown LEP 1988.
- 1.0365 ha now zoned as E2 Environmental Conservation, but previously zoned as 'Recreation – Environmental Protection Zone' under the former Blacktown LEP 1988.
- 0.2849 ha currently zoned as RE1 Public Recreation, but formerly zoned as 'Public Recreation Zone' under the former Blacktown LEP 1988.

Table 3- Land Value Contribution modelling for Schofields.

Total precinct area	Excluded uses	LVC area	Land required for local public infrastructure (100% apportioned to Schofields)	LVC percentage
464.95 ha	74.6 ha (existing education and recreation/ conservation)	464.95 ha - 74.6 ha = 390.33 ha	78.4456 ha	78.4456 ha / 390.33 ha = 20.10% Adjusted to 20% to align with the LVC maximum percentage.

Operation of Land Value Contribution percentage

The Land Value Contribution percentage for Schofields is 20.10% (Table 3). This is influenced by the boundary of the Schofields release area extending into additional drainage catchments and requiring additional stormwater infrastructure, which increases the amount of public purpose land required. This rate is slightly higher than the maximum rate for a land value contribution of 20% and therefore has been adjusted to meet the 20% threshold set for land value contributions

The requirement to satisfy the contribution would have been triggered when a parcel was either sold or developed following rezoning.

The land value contribution amount would have been calculated based on the value of land at the time that the contribution is triggered. This is the value of land for rating purposes as defined by the NSW Valuer General under the Valuation of Land Act 1916.

The land value contribution amount for a specific site is calculated using the formula illustrated in Figure 8.

$$LVC\$ = LVC \times VL$$

Figure 8
Formula for determining the land value contribution for a specific site.

Where:

- **LVC$** is the land value contribution amount for a specific site determined at point of sale or as a condition of consent for development
- **LVC** is the land value contribution for a land value contributions area expressed as a percentage
- **VL** is the value of the land at the time the contribution is triggered

When the contribution is triggered by a development application the contribution amount is calculated based on the value of land at the time of the determination and indexed through the Land Value Index.

Because development in Schofields generates demand for both infrastructure works and land, a land value contribution alone cannot cover the entirety of the contributions required to support future development. As such, in Schofields the land value contribution would have operated in parallel to other s7.11 contributions, as outlined in Table 4.

Table 4 - Schofields local infrastructure contributions if a land value contribution was applied to the precinct

Local infrastructure contribution type	Items	Contribution mechanism
Land for local infrastructure (100% apportioned to Schofields)	Land for stormwater quantity (Eastern Creek) Land for stormwater Sub Catchment (Eastern Creek - West 1) Land for stormwater Sub Catchment (Eastern Creek - West 2) Land for traffic management (Schofields) Land for open Space (Eastern Catchment) Land for open Space Schofields Land for community facilities (Schofields)	**LVC = 20%** of a site's land area or the unimproved vale of the land at sale of land or DA.
Land for combined precinct facilities (to be apportioned with other precincts in the North West Growth Area)	Land for conservation zone (Riverstone) Land for aquatic facility (Marsden Park)	**Standard S7.11 method** = contribution imposed at DA as a rate $ per person
Local infrastructure works	Items listed in CP No.24W	**Standard S7.11 method** = contribution imposed at DA as a rate $ per person or $ per hectare.

Appendix C Land Value Contribution Case Study - Menangle Park

Background

Menangle Park is a greenfield release area located in the Campbelltown Local Government Area. It is part of the Greater Macarthur Growth Area, which also includes Mount Gilead and Wilton. The site has a total area of 888 hectares.

A planning proposal to rezone the site from rural to urban purposes was finalised in November 2017. The rezoning provided for approximately 3,400 residential dwellings, a town centre, a school site, employment land, community facilities and land for public recreation with an expected population of 9,800 residents.

Menangle Park now comprises a mix of low and medium density residential land, as well as land for a local centre, public and private recreation, infrastructure and rural landscape. The rezoning enables more intensive development and, as a result, increased the value of the land (refer to Figure 9 below).

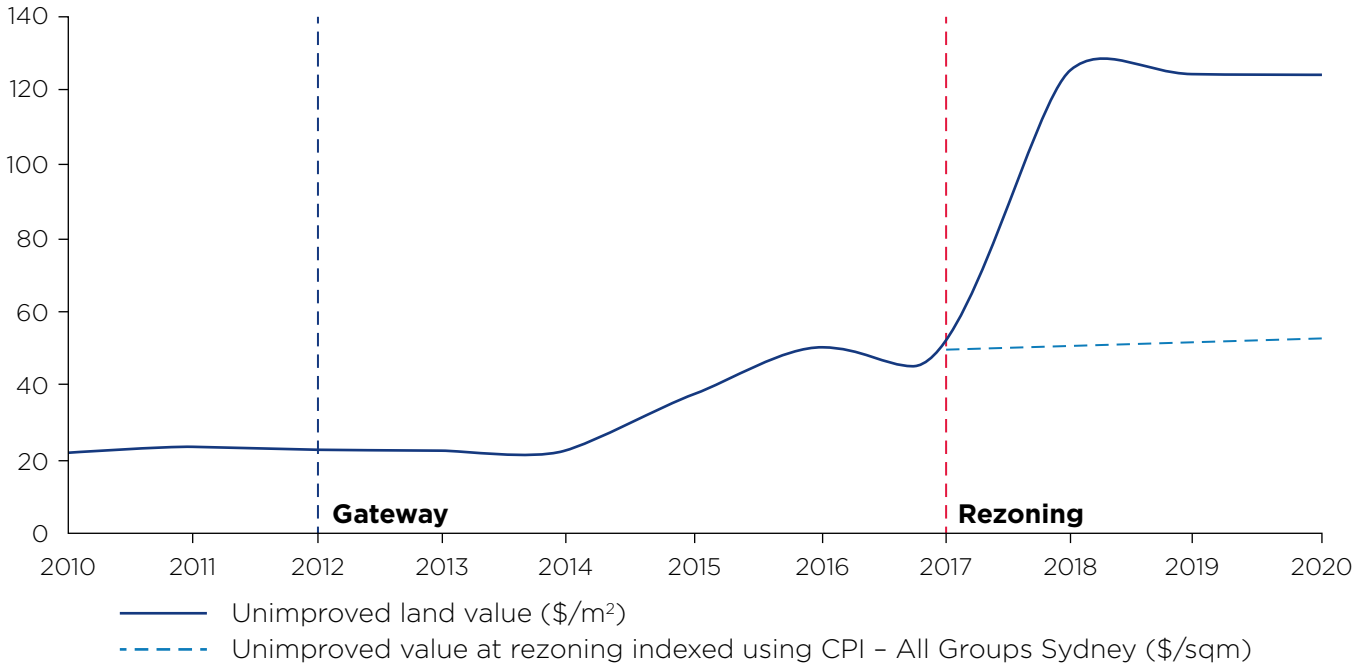


Figure 9
Unimproved gross land value compared to CPI ($/sqm) of Menangle Park site (R2 – 35,800sqm).

A contributions plan for Menangle Park was exhibited in 2017 and came into force in 2018. It identified local infrastructure requirements to be funded through infrastructure contributions. In 2020 a revised contributions plan, the Menangle Park Contributions Plan 2020 came into force, following a review by the Independent Pricing and Regulatory Tribunal (IPART).

As part of its review of the plan, IPART made a recommendation for the development contributions in the plan to match the reasonable cost to Council of acquiring land and delivering essential infrastructure. This included land for public purposes that served a dual purpose of drainage and environmental protection, as identified through the endorsed stormwater

management strategy. The recommendation was not adopted in the final plan but has been considered for the purposes of this case study.

The timeline for the rezoning of Menangle Park and subsequent contributions planning is shown in Figure 10 below.

2001

Strategically identified

Late 2001 identified for investigation and included in Metropolitan Development Program.

2012

Rezoning commenced

Gateway Determination issued February 2012 to rezone land.

2017

Rezoned

Rezoned in November 2017 as the Menangle Park Urban Release Area.

2017

Contributions

Campbelltown City Council publicly exhibits the Menangle Park Contributions Plan. The plan comes into force in April 2018.

2018

IPART review

IPART reviews the contributions plan, recommends an increase in contribution amount.

2019

Development

Development Application for 61 lots approved.

2020

Final contributions

Menangle Park Contributions Plan 2020 amends the former Contributions Plan.

2021

Development

Planning agreement signed.

Figure 10
Menangle Park rezoning and contributions timeline.

Identifying the Land Value Contributions Area

The Land Value Contributions Area is the total of the Menangle Park release area. This area is used to identify the infrastructure needs for the precinct and the public purpose land required. The Menangle Park Land Value Contributions Area is 888.1 ha (Table 5).

Table 5 - Precinct land use zones and areas

Precinct zoning	Area (ha)	Percentage of total	Precinct zoning	Area (ha)	Percentage of total
R2 - Low density residential	219.3	24.7%	RE1 – Public Recreation	111.4	12.54%
R3 - Medium density residential	23.4	2.63%	RE2 – Private Recreation	138.8	15.63%
R5 – Large lot residential	75.8	8.53%	SP2 – Infrastructure	110.5	12.45%
B2 – Local Centre	6.3	0.71%	RU2 – Rural Landscape	166.5	18.75%
IN1 – Industrial Land	28.0	3.15%	RU6 – Transition Zone	8.1	0.91%
			Gross precinct area (total)	**888.1**	**100.00%**

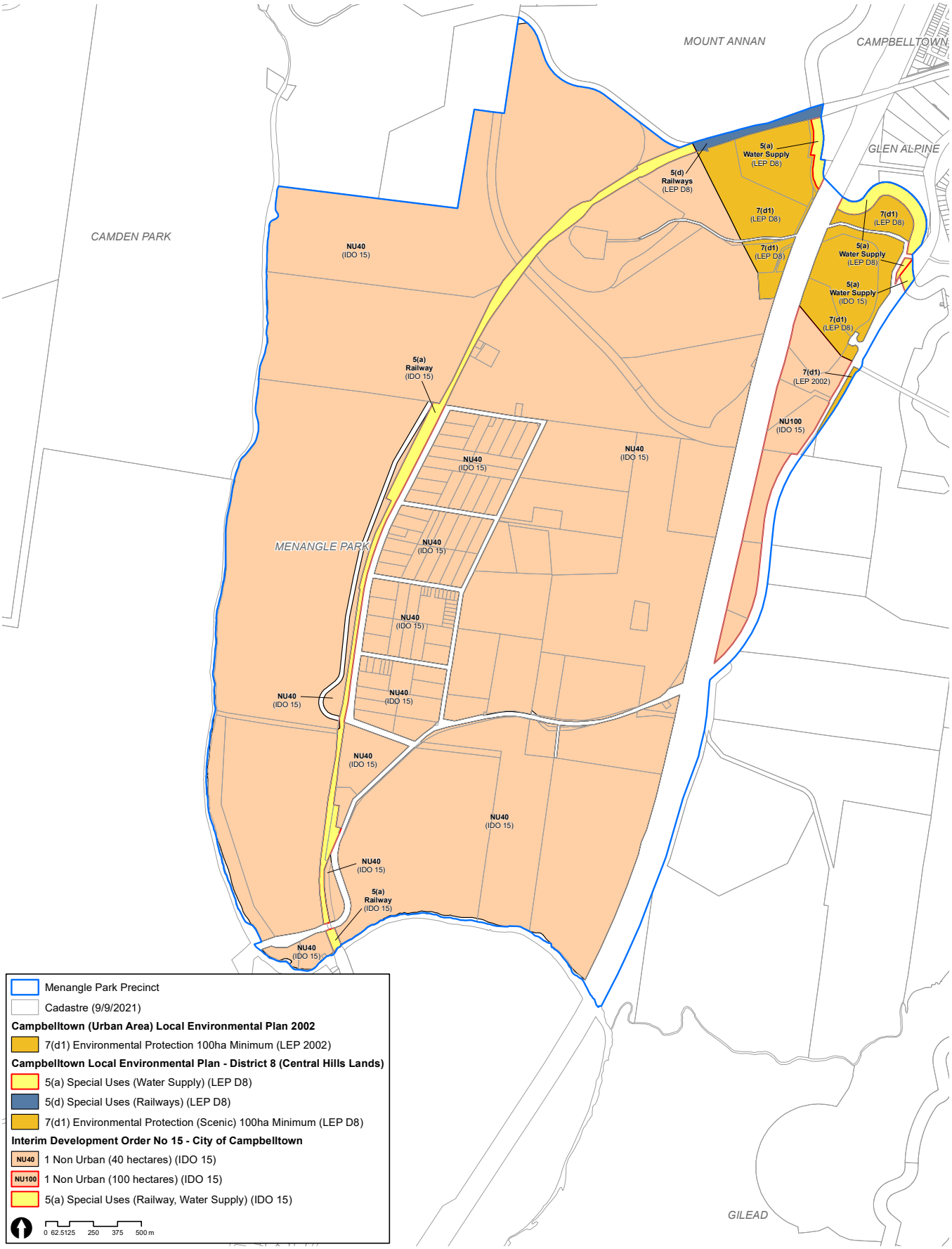


Figure 11
Menangle Park release area pre rezoning.

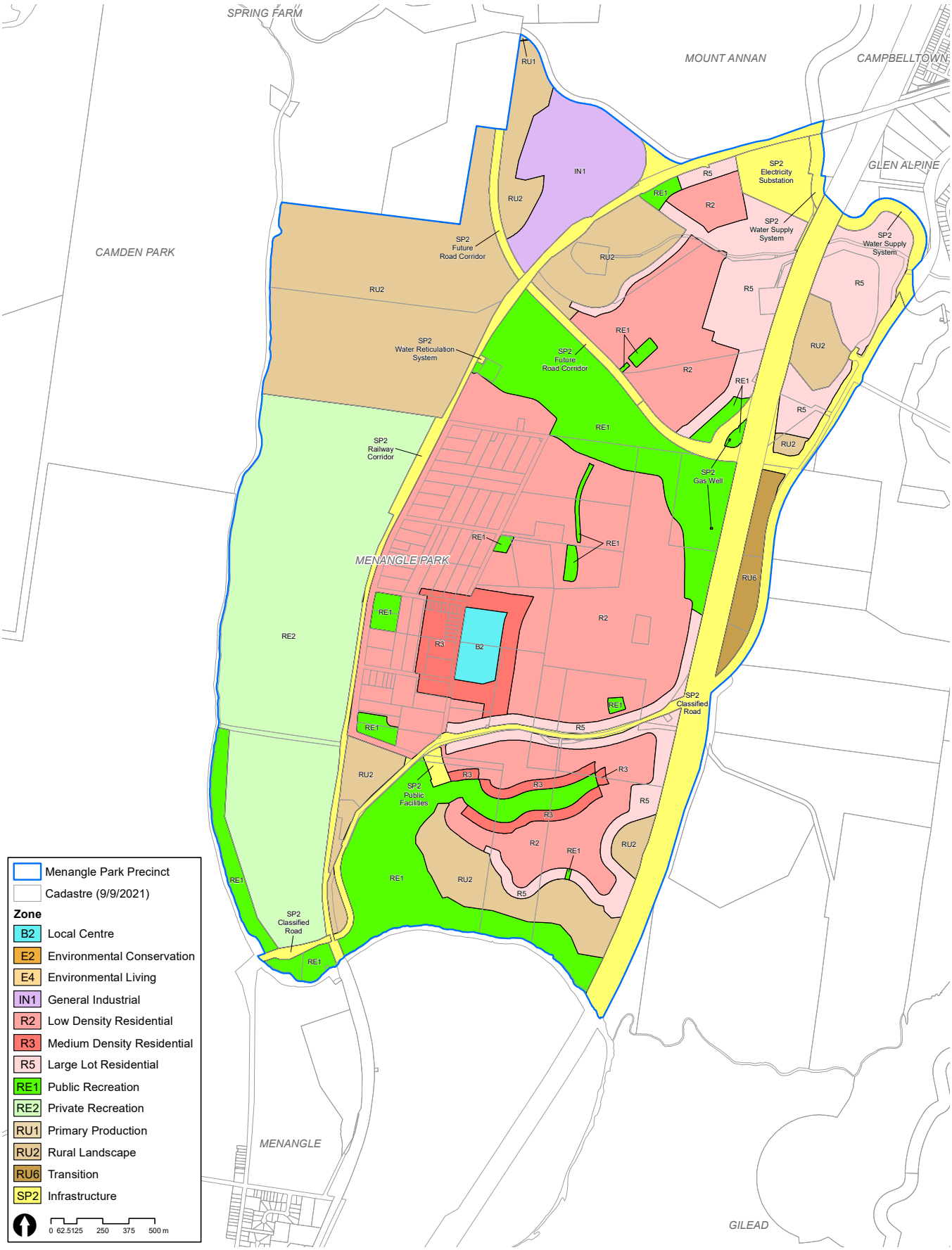


Figure 12
Menangle Park release area current zoning.

Calculating public purpose land requirements

The Menangle Park Contributions Plan 2020 includes a schedule of land for public infrastructure for which infrastructure contributions are levied under the plan. This schedule identifies land which is fully apportioned to the Menangle Park release area, meaning it relates to demand 100% generated by development in the precinct (and not by that from other areas).

Table 6 shows the total land required for public infrastructure according to the Menangle Park Contributions Plan 2020. This includes 54.043 hectares of public purpose land.

Table 6 - Land Infrastructure requirements identified in Menangle Park Contributions Plan 2020.

Item	Land required for public infrastructure (ha)	Total cost as stated in CP ($)	Percentage of total land required for public infrastructure
Land for local infrastructure (100% appointed to Menangle Park)			
Community facilities	0.25 ha	$321,409	0.46%
Open Space and Recreation	31.37 ha	$24,282,512	58.05%
Traffic and Transport	2.49ha	$3,716,478	4.61%
Trunk Drainage and Stormwater	19.933ha	$11,509,205	36.88%
Total			
(100% apportioned facilities)	**54.043ha**	**$39,829,604**	**100%**

In addition to this land is the land identified by IPART as having a dual purpose, both stormwater and environmental conservation. This has been included in this case study because it is an infrastructure item approved for land value contribution. This land is described in table 7.

Table 7 - Additional land Infrastructure requirements for Menangle Park identified by IPART.

Item	Land required for public infrastructure (ha)	Total cost as stated by IPART ($)
Additional riparian land along Howes Creek (Drainage)	35.41 ha	$10,623,000
Additional riparian land along Creek S1 (Drainage)	11.00 ha	$3,300,000

This brings the total area of public purpose land required for Menangle Park land value contribution area to **100.453 hectares**.

Defining the land value contribution

The land value contribution for a land value contributions area is calculated as a percentage of the area required for public purposes.

$$LVC = \left[\frac{PPL}{LVCA - DL} \times \frac{100}{1} \right]$$

Figure 13
Formula for determining the land value contribution pencentage for a land value contributions area.

Where:

- **LVC** is the land value contribution for a land value contributions area expressed as a percentage
- **PPL** is local public purpose land 100% apportioned to the land value contributions area
- **LVCA** is the total area of the land value contributions area
- **DL** is the area of developed land which is not subject to intensification

The percentage calculation excludes developed land, this is land that has already been developed and has no further development potential, such as land zoned for recreational purposes and used for the purposes of the Menangle Park Paceway which has been in operation since 1914. This is consistent with the Menangle Park Contributions Plan 2020 which did not apply to this land.

In Menangle Park the total area of developed land equals 148 hectares and includes the following:

- 139 ha of land now zoned Private Recreation and used for the purposes of the Menangle Park paceway,
- 9 ha of land now zoned Public Recreation and used for the purposes of the Menangle Park paceway.

Table 8 - LVC modelling for Menangle Park.

Total precinct area	Excluded uses	LVC area	Land required for local public infrastructure (100% apportioned to Menangle Park)	LVC percentage
888.1 ha	Exclude paceway 148 ha	888.1ha -148ha = 740.1ha	100.453ha	100.453 / 740.1 = 13.57%

Operation of Land Value Contribution percentage

The Land Value Contribution percentage for Menangle Park is 13.57% (Table 7).

The requirement to satisfy the contribution would have been triggered when a parcel was either sold or developed following rezoning.

The land value contribution amount would have been calculated based on the value of land at the time that the contribution is triggered. This is the value of land for rating purposes as defined by the NSW Valuer General under the Valuation of Land Act 1916.

The land value contribution amount for a specific site is calculated using the formula illustrated in Figure 14.

$$LVC\$ = LVC \times VL$$

Figure 14
Formula for determining the land value contribution for a specific site.

Where:

- **LVC$** is the land value contribution amount for a specific site determined at point of sale or as a condition of consent for development
- **LVC** is the land value contribution for a land value contributions area expressed as a percentage
- **VL** is the value of the land at the time the contribution is triggered

When the contribution is triggered by a development application the contribution amount is calculated based on the value of land at the time of the determination and indexed through the Land Value Index.

Because development in Menangle Park generates demand for both infrastructure works and land, a land value contribution alone cannot cover the entirety of the contributions required to support development in the precinct. As such, in Menangle Park the land value contribution would have operated in parallel to other s.711 contributions, as outlined in Table 4 below.

Table 9 - Menangle local infrastructure contributions if land value contribution was applied to the precinct.

Local infrastructure contribution type	Items	Contribution mechanism
Land for local infrastructure (100% apportioned to Menangle)	Land for community facilities Land for open space and recreation Land for traffic and transport Land for trunk drainage and stormwater	**LVC = 13.57%** of a site's land area or the unimproved vale of the land at sale of land or DA.
Local infrastructure works	Items listed in Menangle Park Contributions Plan 2020	**Standard S7.11 method =** contribution imposed at DA as a rate $ per person or $ per hectare.

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