

## **PS03-08/16 - Annual Review of Yanchep Two Rocks Development Contribution Plan**

File Ref: 23156 – 16/259504  
Responsible Officer: A/Director Planning & Sustainability  
Disclosure of Interest: Nil  
Attachments: 1

### **Issue**

To consider the outcome of the annual review of the Yanchep Two Rocks Development Contribution Plan.

### **Background**

The Yanchep Two Rocks Development Contribution Plan (DCP) Report and Cost Apportionment Schedule were adopted by Council in April 2015 following gazettal of Amendment No. 122 to District Planning Scheme No. 2 in September 2014, which introduced the DCP to the Scheme.

The DCP is subject to an annual review process which is required to consider, and update the following:

1. DCP facility construction cost estimates resulting from additional planning and design work undertaken over the last 12 months;
2. DCP facility cost indexation;
3. Dwelling estimates, as a result of any changes to market conditions during the previous 12 months; and
4. Cost Contribution per dwelling.

The intention behind the annual review process is to ensure that the cost contribution amount is correctly set to ensure the collection of sufficient funds to cover the cost of approved infrastructure items over the life of the DCP.

Administration has completed a review of the above items and the outcomes of the review are detailed below.

### **Detail**

There are three facilities identified in the DCP, as outlined below.

#### Yanchep Surf Life Saving Club

The construction of this facility has been subject to public tender, and Council awarded a contract for the construction of the facility at its meeting on 2 February 2016 (AS06-01/16). The accepted tender price was less than the pre-tender cost estimate and although some contingencies are being retained for unforeseen circumstances, the estimated final cost allowance in the DCP has decreased from what was previously allowed for in 2015 (\$6,833,289 compared to \$7,488,657).

## Yanchep District Open Space

- Land

A revised land valuation for the acquisition of the land for this facility was obtained in December 2015 and suggests a significantly cheaper land value (\$6,400,000 compared to \$8,320,000), potentially as a result of the current downturn in the housing market.

- Ovals/Landscaping

The City has accepted practical completion of the earthworks for the two playing fields. A review of the costs indicates that the estimated total cost for oval construction has decreased slightly (from \$8,472,983 to \$8,462,394). Irrespective of the overall cost decrease, the following factors should be noted:

- Previous cost estimates for the development of the district open space did not incorporate provision for bulk earthworks as these costs are normally completed by the developer as a component of subdivisional works. However as this facility is being developed outside of the normal subdivision process, these costs need to be included in the total cost of the project. Council endorsed an additional cost of \$2,211,931 for oval groundworks at its meeting on 26 May 2015 (CR05-05/15); and
- Some remedial works have been required to address the presence of significant sub-surface rock within the district open space site. An additional cost of \$449,219 has been incurred as a result of these additional works.
- Detailed design for oval landscaping is complete and the City has called for tenders to complete the works, which closed on 21 June 2016. The preferred tender price is significantly lower than the pre-tender estimate (\$5,801,244 compared to \$7,365,000) and the previous allowance in the DCP (\$8,477,983). Council resolved to award the tender for these works at its meeting on 19 July 2016 (AS06-07/16).

- Pavilion

A site specific concept design has been prepared for the sporting pavilion based on the draft concept used in the 2015 cost estimate, and has been subject to consultation with the sporting clubs in Yanchep. The preliminary pavilion concept was subject to further review following consultation with the Yanchep Two Rocks DCP Technical Advisory Committee to reduce unnecessary costs and was subsequently endorsed by Council at its meeting on 24 May 2016. Although the total cost estimate has increased from \$1,930,402 to \$3,400,000, the DCP's proportional contribution has been capped at \$1,438,149, following landowners concerns that the scope had increased from what was previously agreed.

## Capricorn Coastal Node Facilities

No further planning work has been undertaken for this facility. An updated cost estimate has been obtained from a qualified Quantity Surveyor, which is slightly cheaper than the 2015 estimate (\$2,233,689 compared to \$2,242,485).

## Summary

A summary of the current cost estimates for each facility as a result of the above is outlined in the table below.

Facility	2015/16 Cost Estimate	2016/17 Cost Estimate	Difference
Yanchep Surf Life Saving Club	\$7,488,657	\$6,833,289	-\$655,368
Yanchep District Open Space			
- Land	\$8,320,000	\$6,400,000	-\$1,920,000
- Oval groundworks	Not included	\$2,661,150	\$2,661,150
- Oval landscaping	\$8,472,983	\$5,801,243	-\$2,671,740
- Pavilion	\$1,930,402	\$3,400,000	\$1,469,598
Capricorn Coastal Node Facilities	\$2,242,485	\$2,233,689	-\$8,796
<b>TOTAL</b>	<b>\$28,454,527</b>	<b>\$27,329,371</b>	<b>-\$1,125,156</b>

### DCP Facility Cost Indexation

This has been factored into the updated cost estimates obtained in the process of additional planning for each DCP facility as well as the annual DCP review process.

### Dwelling Estimates

In February 2016, landowners were requested to provide updated dwelling projections for each of their developments for the life of the DCP. Following a number of meetings with Administration on this matter, the landowners have provided updated dwelling projections for the City's consideration.

The feedback received indicates that the total number of new dwellings to be developed within the 10 year DCP timeframe is estimated to decrease (10,603 dwellings in 2015 compared to 7,134 in 2016 – a difference of 3,469 dwellings). This reduction in dwelling yield is acknowledged as being due to a slowdown in the housing market, although it should be noted that actual dwelling creation has been slower than originally projected since the inception of the DCP. A comparison of the 2015 and 2016 landowner forecasts against actual dwelling creation is outlined below.

	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	TOTAL
2015 Estimate	655	972	1170	1356	1435	1420	1185	950	760	700	10603
2016 Estimate	181	172	480	510	703	923	1045	1135	1035	950	7134
Actual (to date)	181	172	-	-	-	-	-	-	-	-	353

The landowners' dwelling projections were accepted by the City in 2015 as the basis for determining the cost contribution amount, despite being higher than the i.d. forecast projections previously advocated by Administration and the historic dwelling creation rates experienced within the DCP area. This decision was based on advice from the landowners that much of the preliminary subdivision and servicing works had been completed in their development areas to facilitate the creation of lots and dwelling construction and that there were no longer any major constraints to higher dwelling numbers being realised.

The revised projections provided by the landowner group now acknowledge the slower rate of development being experienced, more recently due to a slowdown in the property market, but expect that the market will improve in approximately 3 years time.

### **Cost Contribution per Dwelling**

The preliminary outcomes of the annual DCP review suggest that an increase in the cost contribution amount will be necessary. At the very least, a cost contribution increase would be required to make up for the actual number of dwellings created to date being less than what was estimated in the DCP.

In addition to the dwelling estimates and facility costs, other key factors impacting on the extent of the cost contribution increase include:

#### *Cost Apportionment*

The cost of DCP facilities is required by DPS 2 to be equitably apportioned between the City and developing landowners. This apportionment is required to reflect the proportionate contribution of the existing community and new development to the need for the facilities. This cost apportionment was endorsed by Council in April 2015 and is set out in the DCP Report and Cost Apportionment Schedule as follows:

- Existing community / City contribution - 25.5% of total DCP Cost
- New growth / Development contribution - 74.5% of total DCP Cost

This cost apportionment is directly related to the total dwelling yield estimate. If this total dwelling yield estimate is proposed to change (for example, if a lower dwelling yield is used), the number of existing dwellings at the time of DCP commencement will make up a difference proportion of the overall demand for the facilities and in turn change the cost apportionment.

Any changes to the cost apportionment will impact on the development contribution amount as well as the City's municipal funding and associated provisions in the Capital Works Budget.

#### *Application of Grant Funding*

There are three external grants applicable to the DCP facilities as follows:

<b>Grant Program</b>	<b>Amount</b>	<b>Applicable Facility</b>
Community Sporting and Recreation Facilities Fund (CSRFF)	\$770,333	Yanchep District Open Space – Sporting Pavilion
Community Sporting and Recreation Facilities Fund (CSRFF)	\$975,000	Yanchep District Open Space – Oval Landscaping Works
Lotterywest	\$500,000	Yanchep Surf Life Saving Club

These grants may be treated in a number of ways, each of which impacts differently on the development contribution amount:

- Grants taken off the total facility cost and then apportioned according to the cost apportionment schedule.

This option is preferred by the landowner group as they see it to be the most equitable way of applying the grant funding. It results in the majority of the grant funding being used to offset the development contribution, despite the City investing the time and effort to obtain the funding.

- Grants wholly offset the development contribution amount.

This option should be considered where the developing landowners apply for and secure grant funding. It does not benefit the City.

- Grants wholly offset the City's contribution amount.

This option should be considered where the City had secured grant funding. It does not benefit the DCP.

#### *Facility Timing and Need for Loan Costs*

The Yanchep Two Rocks DCP was established to collect funds from landowners whose developments generated a need for new community facilities. In the case of the Yanchep District Open Space, it also provided for the delivery of this facility in advance of when it would ordinarily have been provided for through the standard subdivision process. This early delivery was formalised and facilitated by the inclusion of land acquisition costs for this facility in the DCP, and the associated preparation of a Deed of Agreement between the City and the Yanchep Beach Joint Venture for the development of the facility.

At the time of Council's consideration of Amendment No. 122 in June 2013, a number of scenarios were considered depending on whether or not the inclusion of the land acquisition component of the Yanchep District Open Space would be approved by the Minister for Planning. In the event that the inclusion of the land acquisition was approved by the Minister, this would necessitate the City meeting the DCP's contribution towards the cost of this facility (through loans or otherwise), with the funds to be progressively recouped through development contributions over the life of the DCP. If land acquisition was not improved for inclusion, the Yanchep District Open Space would not be able to be developed until at least year 10 of the DCP, at a time when the land was subdivided by the landowner as part of the normal land development process.

Ultimately the Minister's approval (and subsequent gazettal) of Amendment No. 122 confirmed the inclusion of the Surf Life Saving Club, Capricorn Coastal Node facilities and both the construction and land acquisition costs for the Yanchep District Open Space facility in the DCP. The timing for the delivery of the Surf Life Saving Club and District Open Space in year 3 of the DCP was subsequently adopted by Council in April 2015 following consultation and engagement with landowners at that time. This outcome has resulted in expenditure items being listed in the early years of the DCP prior to sufficient income being generated through the DCP to pay for these facilities.

The decision by the City to use loan funds to meet these early costs was not made in year 1 as the loan was not required at that time. However, given the lower than expected income being generated through the DCP, a loan is now required and needs to be factored into the DCP costs.

There are a number of options associated with establishing a loan to meet construction costs, but ultimately the size of the loan is dependent on the income being generated through the DCP, the staging of facilities and the need for cashflow to pay for works when required. Costs associated with the maintenance of any loan (establishment costs, interest charges) can be charged to the DCP as provided for under the 'Administrative Costs' heading of the Yanchep Two Rocks DCP contained with Schedule 18 of DPS 2.

## **Consultation**

Administration has consulted with landowners through the Yanchep Two Rocks DCP Technical Advisory Committee, which met on two occasions as part of the annual review process – on 5 April and 13 May 2016. Additional meetings between Administration and the landowner group occurred outside of the formal Committee process on 29 June and 14 July 2016.

Feedback and advice was obtained from the landowners on the facility cost estimates (particularly in relation to the Yanchep District Open Space Sporting pavilion) as well as a number of cost scenarios based on different DCP models, loan options and interest charges.

Key outcomes of this engagement process include:

- updated dwelling projections for the 10 year life of the DCP based on each landowner's development intentions during this time;
- the development contribution amount for the Yanchep Sports Amenities Building being capped at the 2015 value plus CPI, to allow for the planning and design of this building to move forward. The funding model and draft concept was subsequently adopted by Council on 24 May 2016;
- the landowners expressing their preference for the grants to be apportioned between the City and the DCP in accordance with the cost apportionment schedule; and
- landowner consideration of a number of DCP timing, cost and loan scenarios, culminating in a formal submission from the landowner group to the City on the major issues addressed through the DCP review.

The outcomes of the annual review process including the key issues raised during consultation with the landowner group, was presented to Council Forum on 26 July 2016.

## **Comment**

The annual review of the Yanchep Two Rocks DCP has identified a number of complex and difficult issues to resolve.

Having regard to the above, and the feedback and input provided by the Yanchep Two Rocks DCP Technical Advisory Committee, set out below are the options identified by Administration for consideration. These options mainly vary in the dwelling estimates used to calculate the cost contribution:

- *Option 1 – Retain landowners' original 2015 dwelling projections (10,603 dwellings)*

This dwelling estimate is not currently accurate, and would require an amendment to DPS 2 to extend the timeframe of the DCP to allow additional time for this dwelling yield

to be reached. This would result in additional loan interest and is not supported by the landowner group.

- *Option 2 - Revert to the i.d. forecast dwelling projections (4,372 dwellings).*

This option involves changing the dwelling estimates to those prepared by i.d. - the City's consultant demographers – as they are more conservative and are considered to more accurately reflect the historical and actual rates of dwelling creation in the DCP area. Administration had previously proposed using these projections in 2014 but due to the impact on the cost contribution they were dismissed in favour of the landowners' projections.

As the i.d. dwelling forecast is significantly less than the landowner's projections it would have a significant impact on the cost contribution amount. This option would also result in a change to the cost apportionment due to the reduced dwelling yield.

- *Option 3 (preferred option) – Adopt the landowners' revised 2016 dwelling projections (7,134 dwellings)*

This option is based on landowners' current development expectations within the 10 year DCP timeframe, and would therefore not require any change to the DCP timeframe. However, this option would result in a change to the cost apportionment due to the reduced dwelling yield.

These options are summarised below (noting that the figures are indicative until loan details are finalised):

	<b>Option 1 – Retain 2015 landowner projections</b>	<b>Option 2 – Use i.d. forecast projections</b>	<b>Option 3 – Use 2016 landowner projections (Recommended)</b>
<b>DCP timeframe</b>	10 years	10 years	10 years
<b>Cost contribution methodology</b>	Per dwelling	Per dwelling	Per dwelling
<b>Existing dwellings (at DCP commencement)</b>	3,089	3,089	3,089
<b>Projected new dwellings (at end of year 10 of DCP) including interim contributions</b>	11,144	4,913	7,675
<b>Total dwellings</b>	14,233	8,002	10,764
<b>Cost apportionment – DCP</b>	78.3%*	61.4%	71.3%
<b>Cost apportionment – City</b>	21.7%*	38.6%	28.7%
<b>Number of Facilities</b>	3	3	3
<b>Total cost of facilities (estimated + actual)</b>	\$27,329,371	\$27,329,371	\$27,329,371

<b>Grants and other contributions</b>	\$2,245,333	\$2,245,333	\$2,245,333
<b>City contribution (minus proportion of grants)</b>	\$6,064,116	\$9,858,904	\$7,365,921
<b>Administrative Costs</b>	\$755,401	\$755,401	\$755,401
<b>Cost to service loan</b>	\$2,752,320 (based on \$9.4 million loan)	\$1,961,760 (based on \$6.7 million loan)	\$2,430,240 (based on \$8.3 million loan)
<b>Development contribution (minor proportion of grants)</b>	\$19,019,922	\$15,225,134	\$17,448,117
<b>Developer contributions collected + interest</b>	-\$1,783,143	-\$1,783,143	-\$1,783,143
<b>Total DCP Liability</b>	\$20,744,500	\$16,159,152	\$18,850,615
<b>Dwellings left to Contribute</b>	10,250	4,019	6,781
<b>Cost contribution (per dwelling)</b>	\$2,024	\$4,021	\$2,780

\* Nb: the proportionate contributions have been amended to reflect a change in how the interim contributions made under Local Planning Policy 3.3: Northern Coastal Growth Corridor Development Contributions are treated in the calculations to align with the correct funding sources in the City's capital works budget.

Administration recommends Option 3 for the following reasons:

- The original projections provided by the landowner group cannot realistically be achieved in the 10 year DCP timeframe, and that it is necessary to acknowledge a reduced total dwelling yield and the associated increase in the cost contribution amount.
- The revised projections closely align with i.d. forecast in the early years before assuming that the market will improve and dwelling creation will increase (refer **Attachment 1**). The close alignment to the more conservative i.d. forecast projections provides Administration with some comfort that the projections will be more realistic (given that i.d. forecast has historically been closer to actual dwelling creation rates), while still allowing for the possibility of some market improvement in the latter half of the DCP timeframe.

This is considered to be a reasonable compromise between the landowners' previous projections (which Administration considered to be ambitious) and the id. forecast (which the landowners considered to be overly conservative and not reflective of actual development project activity).

- The landowners have provided additional justification for their estimates as outlined below:
  - The revised estimates present realistic lot creation targets having regard to the current market conditions and have assumed that those conditions will continue for the next 18-24 months before any marked improvement is seen. Consequently, the estimates assume that the commencement of any new projects will be delayed for similar time periods. Their forecast has taken in account the current development works already proceeding (such as the 135 lots under development at Atlantis Beach, compared to estimates of less than half of this by i.d. forecast). The i.d. forecast doesn't assume any development from the



Two Rocks Town Centre within the DCP period which is contrary to the landowner's intentions.

- Compared to previous years of lot creation, the Yanchep/Two Rocks region is fast maturing in terms of the number of project operating in the area. While 2-3 years ago, development only consisted of 3 projects (Capricorn, Jindowie & Yanchep Golf), there are now 7 active projects in the region contributing to lot creation. This increase in the number of projects adds considerable marketing spend and therefore critical mass to the region in terms of increasing overall market share of demand compared to 2-3 years ago. This means that historical trends of market share are not reliable to forecast the future demand or lot creation.
- The Yanchep/Two Rocks region provides the most affordable coastal land in the City of Wanneroo (and across metropolitan Perth in several projects), so it is expected that these projects will be well placed to grow market share in current market conditions against the more expensive competitors. The aggregation and scale of the number of projects now operating in the region adds marketing strength and creates a multiplier effect in attracting buyers to the area;
- This option has the least impact on the cost apportionment proportions previously endorsed by Council, noting that this has also incorporated a change in how the interim contributions made under Local Planning Policy 3.3: Northern Coastal Growth Corridor Development Contributions are treated in the calculations to align with the correct funding sources in the City's capital works budget;

The following points should also be noted:

- Although in 2015 the grants were used to offset the City's contribution, following discussion with the landowners, all figures in this report are based on the grants being used to reduce the total estimated cost of the relevant facilities, prior to this cost being apportioned between the City and the DCP (with the exception of the Yanchep District Open Space sporting pavilion, as the DCP contribution for this facility was fixed through agreement with the landowner group and the funding model subsequently endorsed by Council on 24 May 2016). If either of the other options are chosen, it would change the cost apportionment, and affect the amount needing to be loaned.
- The costs to service the loan have been based on a variable rate loan obtained through the Commonwealth Bank of Australia. This is the preferred loan option as it provides more flexibility to repay the loan early without incurring break costs, provided the repayments are made on the facility rollover date. Furthermore, notwithstanding their opposition to the establishment of a loan, the landowners expressed a preference for a more flexible loan option;
- The DCP timeframe remains at 10 years, despite the lower dwelling yield. This results in the DCP cost being levied on a reduced number of dwellings, which will increase the cost contribution; and
- The financial shortfall between dwellings created compared to the dwelling estimates for the 2014/15 and 15/16 years needs to be made up somehow. This is to ensure that sufficient funds are collected to pay for the DCP facilities. Administration's recommended Option 3 involves a change to the ultimate dwelling yield, and proposes that the shortfall in costs previously experienced be made up by the remaining dwellings to be built.

In presenting their revised dwelling projections to Administration, the landowners noted that it was not in their interests to be artificially inflating dwelling projections. Ultimately however, if these projections are not realised, the cost will need to be met by a reduced number of dwellings over a shorter period of time and this will increase the cost contribution amount per dwelling. If Council accepts the landowners' projections it will be important for Administration to closely monitor actual development rates and re-evaluate the accuracy of the projections in the next annual review as well as in subsequent years.

As Administration's preferred option involves a change to the cost apportionment schedule, it is proposed that a report be presented to Council to consider the outcomes of the annual review of the Yanchep Two Rocks DCP, and to seek formal comment on the proposed increase to the cost contribution from landowners for a period of 28 days in accordance with the requirements of DPS 2.

### **Statutory Compliance**

In considering the finalisation of the annual review process, and having regard to the landowner input, it is important to note that the type and number of facilities included in the DCP was determined through the Minister for Planning's approval of Amendment No. 122 to District Planning Scheme No. 2 (DPS 2) and these are not subject to annual review or dispute by landowners. However, the DCP Report and Cost Apportionment Schedule, which set out the facility timing and DCP costs, were adopted by Council but sit outside DPS 2 and are subject to annual review.

The main issues therefore requiring consideration through the annual review process relate to the dwelling estimates, and DCP costs which include both the facility costs and the specific details of the loan that is established.

The relevant provisions of DPS 2 allow landowners to make comment on any proposed increase in the cost estimates (clause 11.6) and Council is required to give due regard to any submissions made in this respect (clause 11.7) before deciding whether or not to increase the DCP costs. Landowners may also object to the amount of a cost contribution (clause 11.8) and request a review by an independent expert. If this does not result in the cost contribution being acceptable to the landowners then ultimately they can request that the cost contribution be determined through a process of arbitration. A similar right exists for the process of determining the value of any land to be acquired through the DCP (clause 12.3).

The extent of review provided for landowners under DPS 2 does not extend to the timing of delivery of facilities or the right to access loan funds (provided for in the Yanchep Two Rocks DCP included in Schedule 18 of DPS 2) to facilitate the early delivery of DCP facilities.

The key concern of the landowners relates to the significant loan funding being proposed to provide for the delivery of the Yanchep Surf Life Saving Club and Yanchep District Open Space in the early years of the DCP, and the large proportion of the total DCP costs proposed to be made up of costs to service this loan. The DCP and DPS 2 do not provide a mechanism for the landowners to challenge the City accessing loan funds however they can seek review of the costs associated with establishing and maintaining the loan to ensure that they are reasonable.

Their suggestion to reduce the debt liability and associated interest cost is to push back the timing of these facilities to a time when sufficient income has been generated through the DCP to fund the construction of these facilities. While ordinarily this would be the approach to staging the delivery of DCP facilities, another purpose for establishing DCPs is to provide

for the early delivery of infrastructure. This is provided for in Schedule 18 of DPS 2 which allows for “Costs to service loans established by Council to fund the early provision of facilities” to be funded by the DCP.

In the case of the Yanchep Two Rocks DCP, it proposes the early delivery of the Yanchep District Open Space. This issue was subject to extensive consultation and engagement with all landowners in the DCP area and was a key reason for the inclusion of land acquisition costs for this facility in the DCP. It was always the intention for the DCP to provide the mechanism for the early delivery of this facility, and associated with this proposal is the need to access loans funds to facilitate the construction of the facility in advance of sufficient income being generated through the DCP to do so.

In response to the landowners’ concerns that significant debt is being established to fund the delivery of facilities, and that this demand is currently mostly due to the existing community, it must be noted that this issue has already been exhaustively addressed in the past through the preparation of the DCP, the gazettal of Amendment No. 122 and the subsequent approval by Council of DCP Report and Cost Apportionment Schedule. It does not need to be further entertained as part of this DCP review.

## Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2013 – 2023:

“2 Society - Healthy, safe, vibrant and active communities.

2.1 Great Places and Quality Lifestyle - People from different cultures find Wanneroo an exciting place to live with quality facilities and services.”

## Risk Management Considerations

<b>Risk Title</b>	<b>Risk Rating</b>
ST-G09 Long Term Financial Plan	Moderate
<b>Accountability</b>	<b>Action Planning Option</b>
Director Corporate Strategy & Performance	Manage

<b>Risk Title</b>	<b>Risk Rating</b>
ST-S23 Stakeholder Relationships	Moderate
<b>Accountability</b>	<b>Action Planning Option</b>
CEO	Manage

The above risks relating to the issue contained within this report have been identified and considered within the City’s Strategic Risk Registers. The Annual review of the DCP will assist in addressing the impacts of the strategic risk relating to Long Term Financial Planning (LTFP) as it will ensure that appropriate budget monitoring, timing and provisions are considered. In addition the strategic risk relating to Stakeholder Relationships will apply as a key element in the DCP review process is maintaining effective engagement with relevant stakeholders.

## Policy Implications

Nil.

## Financial Implications

### *Change in Cost Estimates*

Overall, the total estimated cost of all DCP facilities has decreased from 2015 by \$1.1 million. This is primarily due to a significantly cheaper land valuation for the Yanchep District Open Space facility and competitive tender prices for facility construction. It is important to note that although the estimated land value may be cheaper at this point in time, the land is scheduled to be formally acquired in year 5 of the DCP (2018/2019) as set out in the Deed of Agreement between the City and Yanchep Beach Joint Venture, and therefore the land value may increase again before this time if the market improves.

A comparison of the DCP's proportionate cost between Option 2 and Option 3 is outlined below:

	<b>Option 2 - i.d. Forecast (61.4% DCP)</b>		<b>Option 3 - Landowners Revised projections (71.3% DCP)</b>	
<b>Facility</b>	<b>16/17 DCP Contribution</b>	<b>Difference from 15/16 Cost Estimate</b>	<b>16/17 DCP Contribution</b>	<b>Difference from 15/16 Cost Estimate</b>
Yanchep Surf Life Saving Club	\$3,888,639	-\$1,690,410	\$4,515,635	-\$1,063,414
Yanchep District Open Space	\$0	\$0		\$0
- Land	\$3,929,600	-\$2,268,800	\$4,563,200	-\$1,635,200
- Oval groundworks	\$1,633,946	\$1,633,946	\$1,897,400	\$1,897,400
- Oval landscaping	\$2,963,313	-\$3,349,059	\$3,441,111	-\$2,871,261
	<b>Option 2 - i.d. Forecast (61.4% DCP)</b>		<b>Option 3 - Landowners Revised projections (71.3% DCP)</b>	
<b>Facility</b>	<b>16/17 DCP Contribution</b>	<b>Difference from 15/16 Cost Estimate</b>	<b>16/17 DCP Contribution</b>	<b>Difference from 15/16 Cost Estimate</b>
- Pavilion	\$1,438,149	\$0	\$1,438,149	\$0
Capricorn Coastal Node Facilities	\$1,371,485	-\$299,166	\$1,592,620	-\$78,031
<b>Sub-Total</b>	<b>\$15,225,133</b>	<b>-\$5,973,490</b>	<b>\$17,448,116</b>	<b>-\$3,750,507</b>
Admin Costs	\$755,401	\$0	\$755,401	\$0
Loan Costs	\$1,960,000	\$1,960,000	\$2,430,000	\$2,430,000
<b>TOTAL</b>	<b>\$17,940,534</b>	<b>-\$4,013,490</b>	<b>\$20,633,517</b>	<b>-\$1,320,507</b>

As neither the overall facility cost estimate, nor the DCP's proportionate cost is proposed to increase as a result of the DCP review, it is not technically required under DPS 2 to seek formal comment from landowners before endorsing the new cost contribution amount. However given the proposed introduction of loan servicing costs, and the collaborative approach taken to the annual review process, it is considered appropriate to do so once the City's preferred scenario is finalised.

### *Cost Contribution Amount*

All options considered result in an increase to the cost contribution amount, and this was flagged with the landowners as a possibility when the City adopted their dwelling projections in 2015. At both meetings of the Yanchep Two Rocks DCP Technical Advisory Committee, and in their submission on the DCP scenarios, the landowners expressed a preference to retain the 10 year DCP timeframe, despite acknowledging that this would increase the cost contribution amount.

The current development contribution rate is \$2,070 per dwelling. Administration's preferred option results in an increase in the cost contribution amount of \$710 per dwelling (\$2,070 to \$2,780 per dwelling).

Although this may be considered a significant increase to the cost contribution amount, it is considered by Administration to be relatively affordable when compared to other metropolitan local government development contribution plans. Although a true comparison cannot be made due to the differences in the type, number and catchment of facilities between each DCP, the cost contribution amounts range from \$1,500 per dwelling through to \$10,800 per dwelling for community infrastructure DCPs.

Should Council support this option, it should be noted that the City's contribution to the DCP facilities will also change through the DCP review, given the funding models adopted for some DCP facilities, and the proposed change to the cost apportionment. This will need to be addressed through the mid-year budget review once a final DCP model is adopted as an outcome of the annual review.

### *Loan Funds*

The most significant financial implication arising from the DCP review is the need to loan funds to meet the DCP contribution towards the construction of the facilities. This is mainly due to the early delivery of the Surf Life Saving Club and District Open Space facilities, and is exacerbated by the reduced DCP income received to date.

It must be noted that the proposed loan is primarily to meet the DCPs funding obligations, with the intent that it be recouped over time as income is received from development in the DCP area. However, given the uncertainty around dwelling projections there is a risk that the income received through the DCP will not be sufficient to repay the loan at the end of the term, and a further risk that it will not be sufficient to even meet the interest repayments over the life of the DCP. Accordingly, the City must be aware of the possibility that any loan established to meet DCP funding obligations may ultimately become a debt that the City needs to manage.

Notwithstanding the above, there are mechanisms in DPS 2 to meet funding shortfalls, and these are stated below as per Clause 17.0 of Schedule 17 of DPS 2:

- The City can make good the shortfall (including the option of imposing a differential rate over the DCP area);
- The City can enter into agreements with landowners to fund the shortfall; or
- The City can raise loans or borrow from a financial institution.

Further, in the event that the DCP timeframe expires, Clause 13.4 of Schedule 17 states that the liability of a landowner to pay a development contribution is deemed to continue in effect and be carried over into any subsequent DCP that includes the owner's land.

## **Voting Requirements**

Simple Majority

## Recommendation

That Council:-

1. **NOTES** that the annual review of the Yanchep-Two Rocks Development Contribution Plan is proposing a change to apportionment of costs between the City and the Development Contribution Plan and an increase in the cost contribution per dwelling; and
2. Pursuant to Clause 11.6 of Schedule 17 of District Planning Scheme **NOTIFIES** affected landowners of the proposed cost increase and **INVITES** comment in writing from those landowners for a period of 28 days.

Attachments:

[1](#) Attachment 1 - Yanchep Two Rocks DCP - Comparison of Dwelling Estimates 16/248195