

Other Matters

PS04-12/14 Alkimos-Eglinton and Yanchep Two Rocks Development Contribution Plans

File Ref: 7018 – 14/331388
Responsible Officer: Director Planning and Sustainability
Disclosure of Interest: Nil
Attachments: 2

Issue

To consider the revised Alkimos-Eglinton and Yanchep-Two Rocks Development Contribution Plans (DCPs) following gazettal of Amendment No. 122 to District Planning Scheme No. 2 (DPS 2).

Background

Amendment No. 122 to DPS 2 proposed to introduce DCPs to collect funds for the provision of district level community facilities in the Alkimos-Eglinton and Yanchep-Two Rocks localities. The Amendment was adopted by Council, with recommended modifications, at its Meeting on 25 June 2013.

The Amendment was finally approved by the Minister for Planning on 19 August 2014 and subsequently published in the Government Gazette on 9 September 2014.

The provisions of the approved Amendment No. 122 state that the City has 90 days from the date of publication in the Government Gazette to adopt the DCP Report and Cost Apportionment Schedule that set out how the DCP costs will be shared between affected landowners and identifies the cost contribution amount that will apply under these DCPs. As the facility cost estimates and land valuations associated with the DCP were prepared in 2011, this process involves a review of all actual and estimated costs associated with the implementation of the Alkimos-Eglinton and Yanchep-Two Rocks DCPs to bring them up to date.

Administration has completed a review of the DCP cost estimates and is required to present a revised DCP Report to Council for adoption prior to the revised costs coming into effect.

In addition, when Council considered the Northern Coastal Growth Corridor Community Facilities Plan (CFP) at its Meeting on 7 February 2012, it resolved to require Administration to:

"...review the CFP in light of any submissions received on Amendment No. 122 and to submit a report on the same, concurrently with Council's consideration of Amendment No. 122 for final approval;"

It was not possible for a report on the CFP to be presented to Council for consideration in June 2013 at the same time as Amendment No. 122 as the final list of facilities to be included in the DCPs was not known until the Minister for Planning made a determination on Amendment No. 122 in August 2014. Accordingly, this report will also address the alignment of the CFP with the approved DCPs.

Detail

The DCP report that was considered by Council at its Meeting on 7 February 2012 for the purpose of adopting Amendment No. 122 for public advertising, addressed both the Alkimos-Eglinton and Yanchep-Two Rocks DCPs, as they both had the same proposed timeframes and cost contribution methodologies.

The DCPs approved by the Minister and published in Government Gazette now have different characteristics, and as a result Administration has prepared separate DCP Reports for the Alkimos-Eglinton DCP (refer **Attachment 1**) and Yanchep-Two Rocks DCPs (refer **Attachment 2**).

These DCP reports incorporate the Cost Apportionment Schedule and include details of all facility cost estimates and actual or estimated administration costs associated with the preparation and operation of the DCPs.

To inform the preparation of the new Alkimos-Eglinton and Yanchep-Two Rocks DCP Reports, Administration engaged licensed quantity surveyors (Donald Cant Watts Corke Pty Ltd) and land valuers (Independent Land Valuers of WA) to prepare revised facility cost estimates and land valuations.

Outlined below are summaries of the revised Alkimos-Eglinton and Yanchep-Two Rocks DCPs following gazettal of Amendment No. 122, relative to the details of the DCPs when Council adopted Amendment No. 122 in June 2013:

Alkimos-Eglinton DCP

	As Adopted by Council 2013.	As Gazetted and Revised 2014 (Draft)
DCP Timeframe	25 years	25 years
Cost contribution methodology	Per hectare	Per hectare
Developable Area	787ha	631ha
Number of Facilities	11	11
Total Cost of Facilities	\$84,843,192	\$75,951,039
Administrative Costs	\$1,466,398	\$1,495,001
Contributions Collected & Interest	\$2,032,000	\$5,422,834
Cost Contribution (per hectare)	\$107,054 / ha	\$114,221 / ha

As a result of the Alkimos-Eglinton DCP review, the developable area has been refined to more accurately reflect approved Local Structure Plans, resulting in a reduction of the developable area from 787ha to 631ha (a reduction of 156ha). This involved excluding regional reserves, industrial zoned land and other non-residential land uses from the developable area calculation. Refining the scope of facilities and preparing preliminary concept plans has resulted in a reduction in the estimated facility costs of just under \$9 million.

Combined, these changes result in an increase in the per hectare cost contribution of \$7,167. Relative to the number of dwellings remaining to be developed, the cost contribution rate equates to an increase of approximately \$69 per dwelling (i.e. \$3,750/dwelling to \$3,819/dwelling, based on an assumed 18,860 dwellings) from the current interim contribution rate set out in *Local Planning Policy 3.3: Northern Coastal Growth Corridor Development Contributions* (LPP 3.3).

Yanchep-Two Rocks DCP

	As Adopted by Council 2013.	As Gazetted and Revised 2014 (Draft)
DCP Timeframe	10 years	10 years
Cost contribution methodology	Per dwelling	Per dwelling
Projected Dwellings	8,788	4,282
Number of Facilities	3	3
Total Cost of Facilities	\$28,504,011	\$31,340,768
Administrative Costs	\$603,898	\$622,501
Contributions Collected & Interest	\$183,750	\$717,589
Cost Contribution (per dwelling)	\$3,291 / dwelling	\$7,297 / dwelling

As a result of the Yanchep-Two Rocks DCP review, the projected number of dwellings has been reduced from 8,788 to 4,282. This reflects a slower than anticipated rate of development in the 10 year timeframe of the DCP and not a reduction in the overall dwelling yield anticipated in Yanchep-Two Rocks. Administration has used dwelling projections from *i.d. forecast* (the City's consultant demographers) to calculate the revised dwelling number as Administration's records indicate that the *i.d.* projections more closely align to the number of lots granted clearance by making a development contribution, than the dwelling projections from the Yanchep Two Rocks District Structure Plan (YTRDSP), which were used in the original projections.

Facility costs have increased by just under \$3 million as a result of additional planning and design work providing further definition to the scope of these facilities and associated works. The cost increase is largely due to additional coastal protection and servicing works associated with the coastal location of the Yanchep Surf Life Saving Club, as well as the size and scope of the Yanchep Active Open Space project being larger than originally allowed for in the original facility models used to inform the cost estimates.

Combined, these changes result in an increase in the cost contribution of over \$4,000 per dwelling from what was originally anticipated when Amendment No. 122 to District Planning Scheme No. 2 (DPS 2) was adopted by Council.

Northern Coastal Growth Corridor Community Facilities Plan

The requirement to review the CFP in light of submissions made on Amendment No. 122 arose from some disagreement in 2011 between Administration and the Alkimos Eglinton landowners (AELO) over the list of facilities to be included in the Alkimos-Eglinton DCP. AELO were proposing to include additional facilities (i.e. BMX tracks and Bowling clubs) that were not included in the CFP. In order to progress Amendment No. 122 it was necessary for the CFP to be adopted, and the resolution requiring the CFP to be reviewed prior to finalisation of Amendment No. 122 gave some comfort to the AELO that due consideration would be given to their views on the list of facilities to be included.

Administration has worked through this issue with the AELO. The outcome is that the list of community facilities included in the gazetted Alkimos-Eglinton DCP is consistent with that shown in the CFP. As a consequence, no further review of the CFP to ensure consistency with the DCP is necessary.

Consultation

Alkimos-Eglinton DCP

Since it became known that approval of Amendment No. 122 by the Minister for Planning was imminent, Administration has been working with the AELO to resolve outstanding issues associated with the detail of the Alkimos-Eglinton DCP. These are outlined below.

- Facility Scope and Cost

Administration has been working with the AELO to agree on the scope and cost of the library, community centre and public open space facilities included in the Alkimos-Eglinton DCP. This process has involved the engagement of an architect to prepare preliminary concept plans to inform the cost review process. This process is now complete, and has resulted in a reduction in the total cost to deliver the community facilities in Alkimos Eglinton from \$84.9 million to \$75.9 million (a reduction of \$9 million). This brings to the total cost in line with the expectations of the AELO group and as a result, there is overall support for the revised Alkimos-Eglinton DCP costs from the AELO.

- Developable Area

Administration has also been working with the AELO to more accurately calculate the developable area on which contributions are to be based under the 'per hectare' methodology. A landowner's developable area is calculated by deducting a number of statutory (e.g. Regional Road and Parks and Recreation reservations) and non-statutory (undevelopable land uses such as school sites and non-residential land uses such as commercial and industrial) exclusions from the total site area.

Landowners were concerned that the standard deduction for non-residential land uses originally proposed by the City was not appropriate for the significant areas of City Centre land and mixed use in the DCP area, and that these areas needed to be treated differently. As a consequence, in consultation and agreement with Administration, AELO have more accurately calculated their developable areas based on Local Structure Plans and analysis of mixed use residential development.

The additional work has resulted in the developable area figures being less than what was originally identified by the City using set assumptions. This results in a higher 'per hectare' rate than what was originally calculated by the City in 2011. Despite this, the landowner group is supportive of the revised figures as they are based on approved structure plans and better reflect the actual area of land to be developed for residential purposes within the DCA.

- Treatment of collected contributions

Through the consultation process, the AELO have sought clarity on how the difference between the interim contribution rate specified in LPP 3.3 and the final cost contribution rate to apply through the Alkimos-Eglinton DCP will be addressed.

Alkimos Eglinton landowners reiterated concerns made during the advertising of revised LPP 3.3 that there is a 'virtual' shortfall in contributions resulting from interim contributions made to date being based on a 'per lot' rate less than what the ultimate contribution rate will be. Landowners are of the view that the difference between the interim rate and the actual DCP rate should not be met by the balance of developable land (i.e. through the DCP) but should be made up by some other means and funded from other sources (such as grant funds, interest earnings, or municipal funds).

Council considered the matter of how to treat the virtual shortfall in contributions when it considered the revised LPP 3.3 in December 2013 (PS01-12/13) and resolved as follows:

"AFFIRMS that the gazetted cost contribution rate in the area covered by Local Planning Policy 3.3 and Amendment No. 122 to District Planning Scheme No. 2 will be based on the full cost of delivering the community facilities planned for that area, minus the value of contributions collected (plus accrued interest) prior to gazettal of Amendment No. 122, and apportioned between remaining developing landowners."

The circumstances and Administration's position surrounding this issue have not changed. It is considered that the alternate strategy of actively sourcing grants and other funding contributions where possible for individual DCP projects is more appropriate to reduce the cost impact on developing landowners. This is already done as a matter of course by Administration for eligible capital works projects. The AELO, however, still consider that the shortfall in contributions (currently estimated at \$2.4 million) should be taken off the total cost to be apportioned between landowners in the first instance, and made up through interest earnings and grant contributions. AELO intend to make a submission to Council on this matter with a view to resolving the issue prior to the final costs being endorsed by Council. Administration will proactively work with the AELO to try to find an agreeable solution to this issue during the consultation period.

Yanchep Two Rocks

Administration did not have outstanding issues to resolve with the Yanchep-Two Rocks landowners (YTRLO) through the review process, but did meet with the group on 20 November 2014 to present and discuss the outcomes of the review. None of the YTRLO supported the cost increase proposed in the Yanchep-Two Rocks DCP and were of the view that the dwelling projections used by Administration in its review of the DCP were too conservative. The YTRLO indicated that their own estimates of dwelling creation for each of their developments were more closely aligned to the YTRDSP projections, and that development in the Yanchep and Two Rocks localities to date has been focussed on infrastructure provision (e.g. installation of pump stations) and addressing planning requirements in preparation for the creation of lots. They expected that dwelling numbers would start to increase much more than has been the case in recent years, but acknowledged that further work was required to review each of the dwelling projections in detail. Administration and the YTRLO group have agreed to work together to agree on an appropriate dwelling number on which to base the calculation of cost contributions under the Yanchep-Two Rocks DCP as part of the consultation period, prior to Council adopting the final DCP Report.

YTRLO were also keen to review all aspects of the reviewed DCP and work with Administration to come to an agreed position, prior to the final costs being adopted by Council.

Formal consultation

As the review of the DCP is recommending an increase in the cost contribution for both Alkimos-Eglinton and Yanchep-Two Rocks, clause 11.6 of Schedule 17 of DPS 2 requires the City to invite comment from affected landowners for a period of not less than 28 days before making any decision to increase the costs to apply through the DCP.

Given that the consultation period will be over the Christmas/New Year and January school holiday period, it is recommended that the consultation period be extended to at least 42 days to ensure sufficient time for landowners to provide comments.

The City must then, in accordance with clause 11.7 of Schedule 17 of DPS 2, consider any submissions received and, within 90 days, decide whether or not to increase the costs applicable through the DCPs. Administration will therefore need to prepare a report in the New Year for Council to consider the submissions received and to adopt the revised costs.

Comment

Alkimos Eglinton

The reviewed Alkimos-Eglinton DCP Report presents a significant refinement of the DCP cost estimates and developable area details from what was previously considered by Council. The facility cost estimates have been more closely aligned to the proposed location and scale of facilities through additional concept planning work, and as a result have decreased from previous estimates.

Although the indicative 'per hectare' cost contribution for the Alkimos-Eglinton DCP is proposed to increase as a result of a more accurate developable area calculation, when translated to a 'per dwelling' figure it represents only a small cost contribution increase from what was originally envisaged prior to the commencement of the review process.

Administration has extensively consulted and collaborated with the AELO in the preparation of the Alkimos-Eglinton DCP. Notwithstanding this, formal consultation with these landowners is still necessary as the cost contribution for this DCP has marginally increased. This consultation period will also be used to resolve the matter of the shortfall in contributions.

Yanchep Two Rocks

The cost contribution for Yanchep Two Rocks is projected to increase much more than anticipated when Amendment No. 122 to DPS 2 was adopted by Council in 2013. At that time the estimated cost contribution was \$3,291 per dwelling compared to \$7,297 per dwelling now proposed in the revised DCP (a difference of \$4,006 per dwelling). While the overall estimated cost to deliver the facilities has increased, the primary factor influencing the increased cost contribution rate is the projected number of dwellings to be developed within the 10 year timeframe of the DCP.

The dwelling estimates in the original Yanchep-Two Rocks DCP that was advertised for public comment and subsequently adopted by Council were sourced from the YTRDSP, which was prepared by consultants acting on behalf of the landowners and endorsed by Council. These estimates were considered to be the most appropriate to use at the time as they projected through to build out of the DCA and were aligned to developer intentions around urban form and development staging. No other viable projections were available at that time.

More recent dwelling estimates for Yanchep-Two Rocks prepared by *i.d. forecast* (the City's consultant demographers) were released in November 2013 after the preparation and adoption of the DCP. A review of both projections by Administration has found that the *i.d. forecast* figures more closely reflect actual growth patterns in the DCA, and may now be the most appropriate projection on which to base the DCP. The *i.d.* projections have historically proven to be accurate estimates of population and development growth and are based on known development plans and growth trends. However, they suggest that dwelling growth in the 10 year period of the Yanchep-Two Rocks DCP will be less than half of what was originally envisaged by the YTRDSP and this has a significant impact on the cost contribution rate.

The feedback received from YTRLO on the difference between the YTRDSP and *i.d. forecast* dwelling projections indicate that further work is required to identify and select the best projection on which to base the DCP cost contributions. Administration has committed to work with the YTRLO to resolve this issue through the formal consultation period required on the revised DCP and prior to the matter being reported back to Council in the New Year.

Statutory Compliance

Clause 10.1 of Schedule 17 of DPS 2 states that the City is required to adopt and make available a development contribution plan report and cost apportionment schedule to all landowners in the DCP area within 90 days of the DCP coming into effect. The 9 December 2014 Council Meeting date falls 91 days after the date of Amendment No. 122 being published in the Government Gazette. Due to the time required to review all of the facility cost estimates and obtain updated land valuations it has not been possible to report to Council any earlier than 9 December 2014. Administration has advised the AELO and YTRLO groups of this issue and sought comment on whether this raised any concern. The AELO had no concerns with presenting the revised DCPs to Council on 9 December 2014. YTRLO also raised no concerns, provided that there will be further opportunity for review and comment on the revised DCPs prior to their final adoption. It is recommended that this additional consultation occur in accordance with the following requirements of DPS 2.

Clause 11.6 of Schedule 17 of DPS 2 states that where the review of estimated costs recommends that the costs be increased, then the local government shall invite comment on the proposal from landowners in writing for a period of not less than 28 days, prior to making any decision to increase the estimated costs.

Clause 11.7 of Scheduled 17 of DPS 2 states that the local government shall consider any submissions received and within 90 days of the closing date for submissions decide whether the estimated costs are to be maintained or increased, and to notify landowners of Council's decision.

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

Administration is recommending that Council initiate consultation with affected landowners on the proposed cost increases for the Alkimos-Eglinton and Yanchep-Two Rocks DCPs. This consultation process aims to minimise the risk to Council by working with stakeholders to understand the reasons for the proposed increase and consider potential options to reduce the extent of the increase.

However, there is still a risk that the final costs in the Alkimos-Eglinton and Yanchep-Two Rocks DCPs will not be considered acceptable by one or more landowners – particularly in Yanchep-Two Rocks as the YTRLO have already stated that the cost increase proposed in the draft DCP report would not be acceptable. If an agreeable solution cannot be negotiated with affected landowners, then the cost review process may become subject to independent review, as provided for by clause 11.8 of Schedule 17 of DPS 2.

There are some options available to reduce the cost contribution rate and these are outlined below:

- Review and potentially increase the projected dwelling figures or developable area

Increasing the number of dwellings or developable area on which the cost contribution is calculated will have the most impact on the cost contribution rate. The risk with this approach is that incorrectly estimating the number of dwellings or area of developable land will result in an under or over-collection of funds. Under collecting will result in a funding shortfall that must ultimately be met by Council. Over collecting will result in excess funds which must then be reimbursed to landowners who have made contributions.

The DCP needs to be managed closely to ensure that it is 'cost-neutral' to the City, and reviewed regularly to ensure that any estimates and assumptions are as accurate as possible. The City is required to review all estimated costs and assumptions (such as developable area of dwelling estimates) on an annual basis and part of this review would be to compare projected growth against actual growth. If dwelling growth is tracking less than anticipated the cost contribution would need to be revised to reflect a more appropriate dwelling projection.

- Reduce facility scope

Reducing the scope of the facilities involves removing certain elements (e.g. floodlights from the playing field) or reducing the quality of construction. This option may save money and reduce the cost contribution rate, but is contrary to the main reason for establishing the DCPs, which was to provide the facilities required for the community. The risk of this option is that the revised facility scope may not meet community need or expectations.

- Council contribution

At present, 100% of the cost is being levied from developing landowners to reflect the need for the facilities that arises from their developments. To reduce the cost contribution amount, Council may wish to make a financial contribution towards the partial or full cost of some of the facility elements (e.g. the cost of coastal protection works for the Yanchep Surf Life Saving Club). Additionally, in the case of the Yanchep-Two Rocks DCP, Council may wish to make a contribution towards the overall costs of delivering facilities in recognition of the reduction in the projected number of dwellings to be delivered in the 10 year period of the DCP.

There is a risk that this option would impact on the delivery of other projects in the capital works budget.

- Amendment to DPS 2

Other options to reduce the cost contribution amount involve an amendment to DPS 2 in order to change the details of the scheme text relating to the DCP. This could include the removal of a facility from the DCP, or extending the timeframe of the DCP to potentially increase the number of dwellings that might contribute towards the cost of facilities. These options would require careful consideration and are not recommended at this point in time unless other options have been exhausted. Any proposal to amend the DCP requirements in DPS 2 would be subject to Council endorsement, public advertising and the approval of the Minister for Planning.

By implementing a contribution arrangement and collecting contributions, Council has committed to the delivery of the facilities identified in the DCP at the times specified therein (subject to population and land availability), and takes on the risks associated with this, including potentially having to make up any shortfall in funding at the time of construction and/or to construct the facility at the required point in time, regardless of whether sufficient funds have been collected at that time to do so.

Policy Implications

LPP 3.3 provides for an interim cost contribution rate that applies until such time as the actual costs to be applied through the DCPs are endorsed by Council. This Policy will need to be rescinded on Council's adoption of the final DCP costs and cost apportionment schedule. This would need to occur at a future Council Meeting following formal consultation with affected landowners.

Financial Implications

The review of the Alkimos-Eglinton and Yanchep-Two Rocks DCP Reports following the gazettal of Amendment No. 122 has resulted in the following:

- Alkimos-Eglinton DCP – the delivery of 11 facilities with an estimated cost of \$75.9 million (revised from \$84.9 million), resulting in a cost contribution of approximately \$130,000 per hectare (revised from \$100,000 per hectare); and
- Yanchep-Two Rocks DCP - the delivery of 3 facilities with the estimated cost of \$31 million (revised from \$29 million), resulting in a cost contribution of \$7,297 per dwelling (revised from \$3,291 per dwelling).

In the Alkimos Eglinton DCP, Administration has aimed to stage the timing and type of facilities to be delivered with the collection of contributions to pay for those facilities at the times when they will be demanded by the future population of the area, in an attempt to minimise or avoid the need for borrowings. In Yanchep Two-Rocks, however, the delivery of the Yanchep Active Open Space and Surf Life Saving Club will likely require Council pre-funding (and subsequent recoup of costs through the DCP) due to the evident need for these facilities and the available value of contributions not yet being sufficient to cover the cost of these facilities.

Contributions will be deposited into a reserve account until they are required, and may only be used for the purposes outlined in the DCPs. Surplus funds at the end of the life of the DCP must be either returned to those developers that paid the funds or, where that is not possible, used to fund the provision of additional facilities or improvements in the relevant development contribution area. All interim development contributions received to date, in accordance with LPP 3.3, have been held in reserve accounts dedicated to each DCP area. The reserve account for Alkimos Eglinton currently contains approximately \$5.4 million dollars in collected contributions, while the Yanchep Two Rocks reserve account contains approximately \$718,000 in collected contributions.

It should be noted that developer contributions can only be used to fund the acquisition of land (where necessary) and construction of new community facilities and not for operating costs associated with the City's running of these facilities. As such, those operating costs will need to be factored into the City's 10 year financial plan and relevant annual budgets in future.

The administration of the DCPs will be managed closely to ensure it is 'cost-neutral' to the City, with any additional or borrowing costs incurred by Council (including interest on any new loans) being recouped through ongoing annual reviews of both DCPs.

Voting Requirements

Simple Majority

Recommendation

That Council:-

1. **NOTES** that the list of facilities in the Alkimos-Eglinton Development Contribution Plan is consistent with the facilities identified in the Northern Coastal Growth Corridor Community Facilities Plan and **AGREES** that no further review of the Northern Coastal Growth Corridor Community Facilities Plan to ensure consistency with the Alkimos-Eglinton Development Contribution Plan is necessary;
2. **NOTES** the revised draft Alkimos-Eglinton Development Contribution Plan Report and revised draft Yanchep-Two Rocks Development Contribution Plan Report included at Attachment 1 and Attachment 2 respectively;
3. **NOTES** that the review of estimated costs for the Alkimos-Eglinton Development Contribution Plan and Yanchep-Two Rocks Development Contribution Plan is proposing an increase in the cost contribution for those Plans pursuant to Clause 11.4 of Schedule 17 of District Planning Scheme No. 2; and
4. **Pursuant to Clause 11.6 of Schedule 17 of District Planning Scheme NOTIFIES** affected landowners of the proposed cost increases and **INVITES** comment in writing from those landowners for a period of 42 days.

Attachments:

1. *Attachment 1 - Draft Alkimos Eglinton Development Contribution Plan Report* 14/346373 *Minuted*
2. *Attachment 2 - Draft Yanchep Two Rocks Development Contribution Plan Report* 14/346376 *Minuted*