

Development fees too low, audit finds

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The ACT Planning and Land Authority and Australian Valuation Office have allowed developers to pay significantly lower fees on dual occupancy housing developments over seven years, an internal audit report has found.

The change-of-use charges are based on land valuations and can rise significantly in up-market, inner suburbs such as Forrest and Griffith.

This hasn't been happening on some developments. Instead a flat fee has been used, because of poor management, poor documentation and lack of appropriate action after previous audit recommendations were made.

Even though ACTPLA leasing staff and executive management were aware of the flat fee as a "rule of thumb", they didn't fix it.

The flat fee anomaly first came to light when consultants Professor Des Nicholls of the ANU and **Macroeconomics** director Dr Stephen Anthony reviewed the Government's change-of-use fees structure.

They found under the current system, the community was losing revenue from its share of the increase in the value of public leasehold land, especially when it came to dual occupancy developments.

Charges for dual occupancy developments have been fixed at \$3,750, irrespective of the suburb, giving a windfall gain to developers. Those

windfall gains in some inner-city suburbs have been significantly higher than for applicants in other suburbs.

ACTPLA's chief planning executive Neil Savery said yesterday when he found out about the oversight in April he commissioned an internal audit report by Oakton Services.

Tabled in the Legislative Assembly yesterday, the report criticises both ACTPLA and the Australian Valuation Office for not having reviewed valuations since 2003, when flat valuations were put in place as a temporary measure.

Mr Savery said as well as commissioning the audit report he wrote to the valuation office asking them to value lease variations for dual occupancies, town houses and small multi-use developments according to legislation and reflecting full market value.

“This issue developed as a result of a significant increase in smaller developments such as dual occupancies that followed the introduction of the Garden City Territory Plan variation in 2003.

“The AVO had no market evidence to determine with confidence the before and after values on which ACTPLA relies to determine the change-of-use payment.”

Oakton found that flat fees were put in place by the valuation office and over time the fees became institutionalised.

“As ACTPLA staff left the organisation and new staff took on the leasing role there was no understanding of the origins of the fees and it was left unaddressed.”

The property sector has warned changing the fee structure could stifle development in Canberra.

The Government has commissioned another report into change-of-use and is yet to implement the new system.

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