



# Draft Report on the Review of the Change of Use Charges System in the ACT

**Commissioned By:**

*ACT Treasury*

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## Authors Note

This report was prepared by Professor **Des Nicholls** from the School of Management, Marketing and International Business at the College of Business and Economics at the Australian National University and Dr **Stephen Anthony**, Director of Budget Policy and Forecasting at **Macroeconomics**.

The authors would like to thank Melissa Grinlinton and Amy Willis from **Macroeconomics** for their support during the current project.



## Table of Acronyms

Acronym	
<b>AAT</b>	Administrative Appeals Tribunal
<b>ACAT</b>	ACT Civil and Administrative Tribunal
<b>ACT</b>	Australian Capital Territory
<b>ACTPLA</b>	ACT Planning and Land Authority
<b>API</b>	Australian Property Institute
<b>AVO</b>	Australian Valuation Office
<b>CBA</b>	Cost Benefit Analysis
<b>CUC</b>	Change of Use Charge
<b>DA</b>	Development Application
<b>DCP</b>	Development Contributions Plan
<b>DCP</b>	Development Control Plan
<b>EP&amp;A Act</b>	Environmental Planning and Assessment Act 1979
<b>GFA</b>	Gross Floor Area
<b>HIA</b>	Housing Industry Association
<b>ICS</b>	Infrastructure Charges Schedule
<b>IPA</b>	Integrated Planning Act (1997)
<b>IPOLAA</b>	Integrated Planning and Other Legislation Amendment Act 2001
<b>LDR</b>	Law of Diminishing Returns
<b>LVC</b>	Lease Variation Charge
<b>MBA</b>	Master Builders Association
<b>PB</b>	Parsons Brinckerhoff Australian P/L
<b>PCA</b>	Property Council of Australia
<b>PIP</b>	Priority Infrastructure Plans
<b>PSRP</b>	Planning System Reform Project
<b>SGS</b>	SGS Economics
<b>SPA</b>	Sustainable Planning Act 2009
<b>The Act</b>	Planning and Development Act 2007
<b>The Regulation</b>	Planning and Development Regulation 2008



## Executive Summary

The Change of Use Charge (CUC) system operating in the Australian Capital Territory (ACT) is intended to return a significant proportion of any 'windfall gains' from a lease variation back to the community – consistent with the leasehold system in operation in the ACT, whilst supporting property development activity. However, the CUC system which has evolved over many years appears to have deviated from this straightforward intention. There has been concern over uncertainty in some CUC determinations, and the associated delays in developments from complexities associated with such determinations. The system is now seen by many to be arbitrary, complex, inefficient and inequitable.

In response to industry concerns, the ACT Government requested a review of the CUC system and approved the introduction of **codification** in the 2009-10 Budget. **Macroeconomics** was engaged to undertake the review headed by Professor Des Nicholls of the Australian National University to:

- review the current operation of the CUC system;
- develop a structure for the determination of a codified set of charges for the majority of lease variation applications submitted to Government; and
- participate in a public consultation process with a view to developing a final codification model that has benefited from feedback from industry and the broader community.

**Codification** involves the establishment of a public register of fixed charges for different, and permitted, land uses in different regions or suburbs within the ACT. It is associated with the determination of a Development Application (DA) for the variation to a Crown Lease. Under the proposed system, when the applicant performs the CUC calculation, they will need to refer to a schedule in a public register of codified values to determine the appropriate fee from which they will determine the CUC to be paid. The schedules of codified values presented in the register have entries derived from land values applying in different suburbs for different land use categories (residential, commercial, industrial etc). There would still be situations where the public register will not apply and a certified practising valuer will need to provide input. This advice will be framed in accordance with the core principles that underpin the codification system.

The first phases of public consultation on the proposed codification began on **20 November 2009** with the release of the Discussion Paper which invited written submission to be completed.

The second phase of public consultation will run for a six week period until **23 April 2010**. It will include a series of industry briefings and roundtable discussions conducted by ACT Treasury to discuss issues emerging from the release of this Draft Report.



## Codification: Summary of the Reform

Under the proposed codification framework, a number of changes will be required to the current CUC system, including a name change. It is proposed to change the name from CUC to Lease Variation Charge (LVC) to more accurately reflect the underlying transactions (some CUCs do not result from a change of use, e.g., an increase in the gross floor area).

A detailed discussion of these changes is included in the Report; however, a summary of the reforms proposed is outlined below. Notwithstanding, under the proposed system the Government would retain the right to partially or wholly waive the LVC.

A number of these changes are being proposed to address a number of issues and concerns raised by industry during the recent round of consultation.

### 1. Schedules of Codes

- Under codification, schedules of codified values will be released for implementation on 1 July each year. The schedules will cover residential, commercial and industrial redevelopment in the ACT.
- For residential codification, it is proposed that:
  - a schedule of fees will apply for all ACT suburbs;
  - the fees will be calculated using a market rate index based on land values, calculated by the Australian Valuation Office (AVO), averaged over three years; and
  - fees will be categorised according to dual occupancy developments and medium/high density developments.
- For commercial and industrial codification, it is proposed to use a rate per square metre of gross floor area for commercial and industrial zones within the Territory Plan.
- Particular cases will require the input of a certified practising valuer, to determine the “before” and “after” values to determine the amount of LVC payable.
- Certain identified lease variations will attract a set fee.

### 2. Review of Codes and Input from Valuation Profession

- It is proposed to establish a committee to review the calculated codes prior to their release each year. It is proposed that this committee should include a representative from the AVO, the Australian Property Institute (API) and the ACT Government.

### 3. Appeals Process

- It is proposed that there will be no right to appeal under codification. However, in special cases where codification does not apply, the current appeals process through the ACT Civil and Administrative Tribunal (ACAT) will be used.

### 4. Mediation Process

- The current mediation process before a dispute proceeds to ACAT is proposed to be formalised. It is proposed that the API will appoint an independent expert to mediate on disputed valuations. If this process is unsuccessful, either party will retain the option to appeal the decision to ACAT.

### 5. Offsetting the value of improvements and onsite works against the LVC payable

- It is proposed that improvements, onsite costs (including the costs for demolition) and offsite works will not be taken into account in determining the amount of LVC payable.
- For mandatory offsite works, it is proposed that an efficient process be established between the relevant government agencies to consider the reasonableness and scope of offsite works, whom will pay for the mandated costs and how they will be funded.



# 1 Introduction

## 1.1 The Project

In the 2009-10 Budget, the Australian Capital Territory (ACT) Government committed to a system of codification for the Change of Use Charge (CUC) in the Territory. The initiative was in response to industry's concerns around the uncertainty in the CUC determinations, and the associated delays in developments from complexities associated with such determinations<sup>1</sup>.

The codification is to be completed during 2009-10 and implemented in 2010-11.

**Macroeconomics** has been engaged by the ACT Treasury to develop the codes. The review is being headed by Professor Des Nicholls of the Australian National University for **Macroeconomics**.

The project is to be overseen by a Steering Committee comprising senior officials from Treasury (Chair), ACT Planning and Land Authority (ACTPLA) and the Department of Land and Property Services.

## 1.2 Terms of Reference

The Terms of Reference require the consultant to:

- review the efficiency and effectiveness of the current CUC system and recommend areas for improvement;
- investigate and undertake background research on existing models before determining whether any existing models could form the basis for the ACT model;
- report fortnightly to the Chair of Steering Committee on progress of the project. All final pieces of work should be sent electronically to the Chair, including all working spreadsheets;
- develop a framework to codify the CUC, ensuring concerns around the current system are addressed including complexity, uncertainty, delays, cost and potential for speculation;
  - the model should be robust and based on econometric or any other suitable modelling technique. The consultant must clearly document the methodology applied in its development. The framework should include a methodology for ongoing maintenance of the system and be easy to update as required by the Territory;
  - the model will include a public register of land values by location, for all land uses, including specialist uses (outdoor restaurants and nursing homes). The public register will also account for various floor space scenarios; and

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<sup>1</sup> ACT Budget 2009-10 B.P. No. 3, Page 35.



- make technical experts and necessary analysts available for any industry briefing required during the consultation process.

### 1.3 Approach to the Task

In announcing the CUC review initiative, the Government had committed to comprehensive consultation with the stakeholders. The project work plan provides for consultation with industry and interested members of the community at two stages.

In the first stage, a Discussion Paper was released on **20 November 2009** in order to seek written submission on the overall framework for codification. These were to be provided by **16 December 2009**.

Drawing on this input, and its analysis, the consultant team developed a set of codified schedules and other fixed charges, as well as a framework for the proposed administrative system. The codified schedules are contained in an attachment to this Draft Report. All of this information has been made available to the public to inform industry briefings and roundtable discussions over the next six weeks. Public consultation will finish on **23 April 2010**, after which the consultants will deliver their final report to Government.

### 1.4 Purpose and Structure of this Paper

The purpose of the Draft Report is to review the operation of the current CUC system, suggest how the proposed codification system may operate, and provide response to input and comment.

The Draft Report provides a comprehensive analysis of the efficiency and effectiveness of the current system (Term of Reference 1), and an overview of the existing models employed in other States (Term of Reference 2).

For the sake of completeness, and to assist discussion, some background information and characteristics of the current system are included in the paper.

The remainder of this paper is organised as follows.

Section 2 provides a brief overview of the current system. Section 2.1 contains a history and concepts underpinning the CUC system. Section 2.2 includes details of previous reviews of the CUC system. Section 2.3 outlines the current legislative framework for the CUC. Section 2.4 provides comparative measures of activity and revenues under the current CUC system. Section 2.5 highlights some of the problems with the current CUC system.

This Section also includes a discussion of the structural problems associated with the current CUC system, which also provides useful context to the proposed framework.



Section 3 provides an analysis of frameworks applied in a number of other states, namely Victoria, Queensland and New South Wales.

Section 4 provides a description of the proposed codification framework. Section 4.1 begins by identifying the principles underpinning the proposed framework. Section 4.2 provides a general outline of the framework. Section 4.3 describes the key concepts and the methodology through which the schedules will be developed, and how they will be maintained and updated. Section 4.4 describes the structure and content of the codification schedules. Section 4.5 discusses the circumstances where codification will not apply and how the system will operate in such situations. Section 4.6 discusses the issue of the appropriate rate of remission under CUC. Section 4.7 presents examples of the application of the framework to various development proposals. Section 4.8 discusses the issue of outdoor seating. Section 4.9 considers the issue of concessional leases. Section 4.10 outlines the approach to reviews and appeals under the proposed new arrangements. Section 4.11 considers the naming of the new system.

Section 5 outlines the process for the implementation of the codification system, including the timeline for the introduction of the new system and rates of remission.

Section 6 summarises issues raised in submissions responding to the Discussion Paper.

Section 7 discusses the next stage of public consultation in the CUC Review Project.



## 2 Overview of the Current System

### 2.1 History and Concepts

The CUC, or betterment as it was originally known, came into effect in 1971 following the abolition of land rents and the move towards a premium based leasehold system in the ACT. The betterment levy was applied to any rise in property values attributed to an approved lease variation.

#### 2.1.1 Philosophy of a Change of Use Charge

Betterment is defined as a benefit conferred by the public on some identifiable beneficiaries. If it is not recovered, the benefit becomes an 'unearned' windfall conferred by the public to private beneficiaries. A windfall is unearned in the sense that in the current context it is a creation of the ACT Government's ability to assign value (in the form of rights and privileges) through lease conditions, to parcels of land across the Territory. Leaseholders may receive a benefit without having to make any improvement to their property. Because this value is 'gifted' to the leaseholder, rather than earned, it is socially efficient and equitable that government retains a significant proportion of that windfall and uses it for the benefit of the community.<sup>2</sup>

However, there is a policy trade-off here for government. If government chooses to retain the entire windfall, it may contribute to reducing incentive for property development. Development activity itself can generate real improvements in land values and a lower CUC rate may spur development activity. But the lower the CUC rate the greater the community benefit that passes into private hands. The task for policy makers is to find the right balance between these two competing objectives to maximise economic development.

Previous reviews of the CUC have concluded that generally charging the CUC is not a disincentive to development. However, the ACT Government has recognised that the level of CUC could influence the rate of property development under certain circumstances.<sup>3</sup> This

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<sup>2</sup> The value provided to private citizens through a development application (DA) is:

'...akin to the Government's sale of licences to access other rent generating activities which are rationed for the sake of overall community well being and market efficiency, for example taxi licences, radio frequency licences...'

'...the licence has a market value independent from the circumstances or intentions of the bidders/purchasers. The equilibrium market value of the licence is determined by the present value of future earnings (including a return on capital) from operating the licence minus the costs, assuming a reasonably efficient operator...' SGS 2006 p.31.

<sup>3</sup> It has been observed that in considering the outcomes of previous CUC reviews:

*'One of the most important observations made in a number of these reviews is that there is no empirical evidence to support the argument that the charging of CUC is a disincentive to development.'*  
(ACTPLA, 2005, p.22)



assumption underlies the decision to reduce the rate of CUC by an additional 25 percentage points for the 12 months from 1 June 2009.

### 2.1.2 Evolution of the CUC system

While a betterment levy as a principle is firmly entrenched in policy, the CUC system as applied in the ACT has been through many changes. The administrative details of the charge remained relatively unchanged for the first twenty years it operated, since 1990, however, it has been subject to review and re-calculation on a number of occasions.<sup>4</sup>

Following the abolition of land rents in 1970 and the movement from a rent based to a premium based leasehold system, some of the increase in value as a result of a change of land use has been recovered through the introduction of a CUC. The purpose of this charge was to take account of the fact that, upon a lease variation, the land may have become more valuable to the lessee.

From 1970 to 1990 the method of calculation of the CUC, as indicated was determined by Section 11A of the City Area Leases Ordinance 1936. Since 1990, following the introduction of self government, there has been a significant number of changes to the method of determining the CUC. Each method requires the determination of a value both before and after the lease variation. The difference between the before and after values, the 'added value', is used as the basis for the determination of the amount of CUC to be paid.

Most changes to the CUC have related to the method of determining the added value and the percentage of this value to be paid. Each of the methods of calculating the CUC, labelled Methods A-G is outlined below. It is of interest to note the time each method survived before being replaced:

Method A (20 years), Method B (26 months), Method C (17 months), Method D (36 months), Method E (10 months), Method F (18 months) and Method G (9 months).

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<sup>4</sup> An overview of the evolution of the CUC system up to 1999 is summarised in Nicholls (1999).

**Method A (January 1971 – February 1990)**

For this method both the before and after values were required for the determination of the added value, which was then used as the basis for the determination of the amount of CUC to be paid. Both the before and after values were based on the value of the land and improvements.

The before value was the value of the property in its current use, that is assuming there would be no change in the purpose clause during the term of the lease. The after value was the value of the land and pre-existing improvements for the new use - that is, it included the cost of demolition if that was required.

It is notable that the before value excluded consideration of potential for redevelopment. Consequently the land component of the before value would be different to the unimproved value for rating purposes. The *Rates and Land Tax Act 1926* requires that this latter unimproved value be determined assuming potential for redevelopment.

The CUC charged was 50 per cent of the added value, less \$1,500.

**Method B (February 1990 – April 1992)**

A major change here was that the added value was calculated as the difference between the before and after values, each of which was based on the unimproved value (so that improvements were excluded). The before value was defined by reference to the *Rates and Land Act 1926* and as a result the potential for redevelopment was not excluded. The after value was the unimproved value immediately after the lease variation had been made. In determining the before value, it was also assumed that the lease would remain in effect for 99 years regardless of the lease's remaining term.

While 100 per cent CUC was implemented, this method also introduced a schedule of remissions ranging from 50 per cent for leases held for at least 20 years to zero for leases held for less than 5 years.

**Method C (April 1992 – September 1993)**

This method came into effect upon commencement of the Land Act. As in the case of Method B, improvements were not included. The main change from Method B was to omit the assumption that leases would extend to 99 years. The relevant provisions in the legislation were paragraph 184(b) of the Act and Regulations 12 and 13. The remission schedule introduced for Method B was retained meaning that most properties qualified for the full 50 per cent remission of the determined added value.

There was significant criticism relating to this method and its adoption. It was seen as a system that granted development rights at less than their true value and, as such, resulted in an implicit subsidy to the lessee/developer.

**Method D (September 1993 – September 1996)**

This method was based on the before and after values being determined from land values only. The before value was changed to assume that no variation to the lease would be granted during the life of the lease, that is the before value excluded potential. The after value remained the unimproved value of the land after the variation was approved.

In addition the provisions of remission were retained only for changes from residential to more intensive uses or from commercial to residential uses in line with the Government's 50/50 policy aimed at urban renewal. The CUC for other variations was 100 per cent.

**Method E (September 1996 – June 1997)**

This method was the same as Method D for the purpose of calculating the added value. The betterment of 100 per cent of added value was changed to 75 per cent for all leases except prescribed leases for which a sliding scale of remissions was applied.

**Method F (June 1997 – December 1998)**

This method reverted to the determination of before and after values being based on improved values and the term 'betterment' was replaced with 'CUC'. In addition, the sliding scale of remissions was removed and a CUC of 75 per cent of the added value was applied for all lease variations. However, the regulations provided for remissions or increases of the determined amount.

The CUC was to revert to 100 per cent of the added value on 24 December 1998.

With the change in the leasehold system to one where leases could now be automatically renewed for a further 99 years on payment of a small administrative fee, there was no longer a need for a schedule of remissions based on the length the lease has been held (or equivalently the length remaining in the current lease).

**Method G (January 1999 – August 1999)**

This method is the same as Method F except that the reversion of the CUC to 100 per cent was extended until 31 August 1999.

**Method H (September 1999 – December 2009)**

In his 1999 review Nicholls proposed two options, one based on the CUC and a second based on a structure of development control plans on areas, locations or zones, rather than on individual leases, through instruments which would include the Territory Plan, Local Area Development Control Plans and Section Master Plans. The Government adopted the first option, namely that based on a CUC approach, and amended the legislation and administration of the CUC system.

The 2006 SGS report noted (Section 2.2) that:



*'Following the Nicholls recommendations, amendments were made to the legislation and administration of the CUC system. These amendments are best understood by reference to the current legislation and practical operation of the system, which have not substantially changed since the changes arising from the Nicholls report were introduced.'*

Recently the *Land (Planning and Environment) Act 1991* was repealed with the *Planning and Development Act 2007*, which is now the legislation applicable to lease variations (see **Attachment 1**). However, the formula for the determination of the CUC has not changed in the new legislation. In the 2009-10 ACT Budget, the government reduced the percentage of CUC payable from 75 per cent to 50 per cent of the added value for one year until 30 June 2010 in an effort to stimulate development activity in the construction industry,

## 2.2 Previous Reviews of the CUC System

Expert reviews and reports into the CUC system have consistently found it complex to administer and easily contestable, and as a result, lacking in timeliness and transparency for both lessees and the community/government. The resulting lack of certainty has negatively impacted on incentives and outcomes for developers, government and the broader community.

The Stein Review (1995) highlighted the lack of transparency in the planning process and in particular the lack of certainty associated with planning charges. This review warned of the potential for this uncertainty – more than the leasehold system itself – to negatively impact on investment and development in the ACT.

The ACT Auditor General (1997) found that the application of the CUC system was deficient.<sup>5</sup> This report reiterated the complexity issues associated with the charge highlighted by previous reviews. However, a subsequent report (1998) found that the problems that had led to these deficiencies had been overcome.

The Nicholls Report (1999) reviewed the procedures associated with the determination of the CUC and concluded that the process lacked transparency, simplicity and timeliness. He proposed two reform options, one based on the CUC and a second based on a structure of development control plans on areas, locations or zones, rather than on individual leases, through instruments which would include the Territory Plan, Local Area Development Control Plans and Section Master Plans. The Government adopted the CUC approach, and amended the legislation and administration of the CUC system. The amendments adopted have not substantially changed since those adopted from the Nicholls report were introduced.

In 2005, as part of the Planning System Reform Project (PSRP), ACTPLA produced a number of technical papers describing proposed reforms to the ACT planning system. These included

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<sup>5</sup> The Auditor General found that four significant applications for lease purpose variations were incorrectly assessed and cost the ACT Government and community \$3.7 million in revenue.



two directions papers: *Leasehold administration in the ACT. Its role in the planning system* (Technical Paper 1), and *Review of the Territory Plan* (Technical Paper 2).

When discussing the CUC in Technical Paper 1, ACTPLA made a number of observations based on 'earlier reviews and criticism'.

1. *'Developers prefer a system that is designed to provide a quick and seamless approvals process, and that costs associated with the development are known and minimised wherever possible. The community is often concerned that the change does not necessarily support its aspirations, and that the current system is not accessible or transparent. A further criticism is the perception that CUC is too negotiable (p.21).'*
2. *'... the current system lacks certainty and transparency, acts as a disincentive to investors and developers, and does not provide sufficient financial return to the Territory for the administrative effort taken to administer it. ...the potential returns through CUC have been reduced as a result of government policies over time, which discounts the rate of CUC that applies in order to encourage particular planning and development outcomes (p.22).'*
3. *'One of the most important observations made in a number of these reviews is that there is no empirical evidence to support the argument that the charging of CUC is a disincentive to development. The disincentive that is related to CUC is the confusion over how it is determined and what will be the final cost (p.22).'*

These observations succinctly summarise overall perceptions, held by many, of the current CUC system. In considering an alternative to CUC, the paper quite rightly emphasises that CUC is not an infrastructure or development charge, but a payment for the increased rights achieved through a lease variation. It recommended the development of a codified development rights charging system that included a public register containing a list of fees that would apply depending on the type of use to be added.

In 2006, ACTPLA commissioned a review of the CUC system by SGS Economics (SGS) and Planning. The report identified similar weaknesses to those of the above mentioned studies and supported the adoption of a public register of charges for straightforward lease variations attracting CUC based on common features such as floor space, car spaces, number of beds, geographic location, etc. so as to achieve transparency and operational efficiency.

## 2.3 The Current Legislative Framework

The aim of the CUC system is to capture the majority of any 'windfall gains' from a lease variation through a CUC for the community. Following the PSRP, new legislation governing planning and development in the ACT was enacted through the *Planning and Development Act 2007* (the Act) and the associated *Planning and Development Regulation 2008* (the Regulation). The current CUC system is controlled by this legislation, through Part 9.6 of the



Act relating to lease variations, including the variation of nominal rent leases, and Part 5.5 of the Regulation relating to CUCs.

The statutory formula for calculating the CUC when varying leases has the general form:

$$\text{CUC} = (V_1 - V_2) \times 75\%.^6$$

However, if  $V_1 \leq V_2$  no CUC is payable.

## 2.4 Comparative Measures of Activity and Revenue

The existing CUC system collects comparatively little revenue compared to other sources of revenue, as Table 1 indicates. While revenues obtained from land ownership (general rates, land tax and CUC) contributed \$263 million in 2008-09, CUC only contributed \$7 million, or 2.7 per cent, while sales of land stock contributed \$227 million. Overall CUC contributed less than one per cent to total taxation revenue in 2008-09.

**Table 1: ACT Government Revenue Sources (\$m)**

Revenue Category	2008-09
<b>Taxation Revenue</b>	<b>986</b>
General rates	170
Land tax	86
<b>Change of use charges</b>	<b>7</b>
Other taxation revenue	723
<b>Grants Revenue</b>	<b>1,432</b>
<b>User charges for other goods and services</b>	<b>625</b>
<b>Regulatory fees</b>	<b>52</b>
<b>Sales / rental of land stock</b>	<b>227</b>
<b>Total Revenue</b>	<b>3,322</b>

**Note:** Numbers may not total due to rounding

**Source:** ACT Consolidated Annual Financial Report 2008-09

Table 2 provides details of CUC revenues and transactions, along with public land sales revenues and transactions in the ACT from 2004-05. It shows that average annual revenue from CUC has been around \$8 million, compared to an average of \$244 million received

<sup>6</sup> Where:

*CUC is the change of use charge for the variation of the lease.*

*V<sub>1</sub> means the capital sum the lease might be expected to realise if a lease were varied as proposed and then sold immediately afterwards; and*

*V<sub>2</sub> means the capital sum that the lease might be expected to realise if the lease were not to be varied but still sold immediately afterwards.*



annually from land sales from 2004-05.<sup>7</sup> In addition, while the volume of transactions for CUC has been relatively steady at around 120 per year, the volume of residential and commercial sales has been trending upwards over the past five years.

**Table 2: Revenue from CUCs and Land Sales and Measures of Transactions Volume**

	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Total Revenue from CUC (\$m)</b>	5.2	12.0	5.7	9.3	7.2
<b>Transactions (no.)*</b>	86	136	106	128	161
<b>Total Revenue from Land Sales (\$m)</b>	164	181	210	437	227
<b>Residential (No.)</b>	N/A	670	2,241	4,200	4,700
<b>Commercial (sqm)</b>	N/A	17,000	30,000	110,000	70,000

**Note:** \* Excludes transactions resulting in nil CUC

**Source:** ACTPLA and ACT Treasury

Table 3 provides disaggregated details of CUC transactions and revenues in the ACT and further disaggregates total transactions into categories based on CUC eventually paid by DA applicants from 2004-05 to 2008-09.

The following points arise from a study of Table 3:

- The total CUC payments received each year over this five year period has varied from \$5.2 million to \$9.3 million, with the exception of the 2005-06 financial year when \$12.0 million was paid. The reason for this year being significantly higher than other years was that two development applications attracted a combined CUC in excess of \$6.3 million.
- Overall, the number of CUC payments made each year is small when compared to the number of DAs with CUCs approved. Indeed the percentage of such payments, over the period 2004-05 to 2008-09, varies from 47.3 per cent to 67.3 per cent, with a five year average of 52.9 per cent. There may be a number of reasons why the number of CUC payments made each year is small when compared to the number of DAs with CUCs approved. For instance, where applicants do not proceed with a development or where DA approval is given in one year, but the CUC payment is not made until the following year.

<sup>7</sup> We compare CUC revenues to land sales as either transaction allows the Government to assign rights and privileges through lease conditions, and hence value, to parcels of land across the Territory. Whereas the CUC system impacts the established end to the market, land sales are for Greenfield sites.



**Table 3: Detail on CUC Transactions, Revenues & Breakdown of Actual CUC Payments Made By Successful DA Applicants**

Transactions, Revenues, Appeals & Refunds	2004-05	2005-06	2006-07	2007-08	2008-09
Total number of DAs – Lodged (No.)	5,012	5,207	4,851	4,480	2,476
Total number of DAs – Approved (No.)	5,005	5,074	4,858	4,566	2,602
Number of DAs with CUC – Lodged (No.)	203	208	216	291	317 <sup>#</sup>
Number of DAs with CUC – Approved (No.)	179	202	201	260	340 <sup>#</sup>
CUC Amount (\$million)	5.2	21.2	5.8	9.3	7.2
Average charge (\$'000) (does not include zero CUC transactions)	60.3	81.2	44.2	51.0	42.2
Number of AAT/ACAT appeals - full hearing (No.)	0	2	0	1	0
Number of AAT/ACAT appeals – mediation (No.)	2	1	2	1	1
Number of AAT/ACAT appeals – withdrawn (No.)	1	0	1	1	1
Reductions in CUC by AAT/ACAT (\$'000) (does not include refunds)	29.7	678.7	761.3	225.0	56.3
Refunds by AAT/ACAT (\$million)	0	9.2	0.1	0	0
Refunds – other (\$'000)	7.5	40	0	0	1
Total reduction in revenue (\$million)	0.0	9.9	0.9	0.2	0.1
Transactions resulting in nil CUC (No.)	26	30	26	25	30
Proportion of Zero CUCs from no. DAs with CUC Approved (%)	15	15	13	9	9
Net CUC Revenue Total CUC - Total reductions (\$million)	5.2	12.0	5.7	9.3	7.2
Payments Made By Successful DA Applicants	2004-05	2005-06	2006-07	2007-08	2008-09
<i>CUC Payments</i>					
Small (<\$5,000)	39	49	41	47	82
Medium (\$5,000 - \$25,000)	24	35	33	31	42
Large (\$25,000+)	23	52	32	50	37
Total No. CUC Payments	86	136	106	128	161
% (No. of Nil transactions)/ (No. of Nil transactions + CUC Payments)	23.2	18.1	19.7	16.3	15.7
%( Total number of CUC payments)/(Number of DAs with CUC approved)	48.0	67.3	52.7	49.2	47.3

Source: ACTPLA

**Note:** The Table shows a significant drop in total DAs lodged between 2007-08 and 2008-09. This is because of changes to the Regulations that exempted most single residential development. However, this did not impact on the level of CUC activity. Total DAs lodged with CUC continued to rise over the period.

<sup>#</sup> The difference between DAs lodged with CUC and DAs approved with CUC is a timing difference between when an application is first brought forward and when it is approved by the planning authority.



- In 2004-05 there were a total of 179 DAs with CUC approved.
  - There were 26 transactions with zero CUC.
  - There were 86 transactions with a positive CUC including 39 Small (<\$5,000), 24 Medium (\$5,000 to \$25,000) and 23 Large (\$25,000+).
  - That is, 23.4 per cent of these 112 transactions resulted in a zero CUC.
    - For the following years the equivalent percentages were 18.1 per cent (2005-06), 19.7 per cent (2006-07), 16.3 per cent (2007-08) and 15.7 per cent (2008-09). The average for the five year period was 18.6 per cent. This data indicates that a large amount of administrative effort goes into determining and confirming a high number of DA approvals with nil CUC.
- An inspection of the *Small* CUC payments category indicates that most of the transactions related to dual occupancy developments where a standard 'fixed' CUC of \$3,750 (75 per cent of \$5,000) was applied, irrespective of location (suburb). This has resulted in a 'windfall gain' to applicants, which has been significantly higher for applicants in some inner city suburbs compared to applicants in other suburbs. Over the five year period the average number of payments for dual occupancy developments compared to the total number of payments (expressed as a percentage) was in excess of 37 per cent, while the total amount of CUC revenue received from dual occupancy approvals, when expressed as a percentage of total revenue received, was less than 5 per cent.
- It is our understanding from discussions with the industry that there has been a fixed fee of \$2,500 per dwelling for town house developments and \$1,500 per unit for multi-unit developments with a CUC of 75 per cent applied to these amounts.
- Very few CUC determinations proceeded to the Administrative Appeals Tribunal (AAT)/ACT Civil and Administrative Tribunal (ACAT), either for mediation or for a full hearing.

A further source of income for the ACT Government from property is through direct sales. Table 4 summarises information relating to direct sales for the three year period 2006-07 to 2008-09.

- It reveals that over the three year period the value of the concessions granted ranged from \$17,550 to \$1.8 million. Over the same period the average concession granted was \$300,556.
- As Table 4 shows, even when compared to revenue received from direct sales, CUC revenue is not large.

**Table 4: Direct Sales: Revenue and Concessions**

	2006-07	2007-08	2008-09	Total
No. of Direct Sales	13	15	29	57
Amount paid by Applicants (\$million)	14.8	12.8	26.1	53.7
No. of Concessions granted	2	5	11	18
Value of Concessions for Associated Works (\$million)	0.5	1.3	3.6	5.4
CUC Revenue (\$million)	5.7	9.3	7.2	22.2

Source: ACT Treasury

The data presented in the above tables indicates the contribution made by land related activities to the ACT economy as a source of revenue. What is evident is that gross revenue received from the CUC is not large when compared to other land related sources of revenue, including rates, land tax, and direct sales of land.

## 2.5 Problems with the Current System

The CUC system that has emerged over nearly forty years of operation has moved a long way from the betterment principle. It is perceived by many within industry and the community to be arbitrary, complex, inefficient and inequitable.

### 2.5.1 The level of uncertainty surrounding charge determinations

The source of much of the subjectivity in the calculation of the CUC is its reliance on the determination of the 'before' and 'after' values. This means that the basis of the CUC is a 'matter of opinion', irrespective of how well informed that opinion may be.<sup>8</sup> Because the system is underpinned by subjective judgments, it allows for the possibility of (significant) variations in outcomes even where valuation professionals follow best practice and have the best intentions.<sup>9</sup> The criticism was extended in the ACTPLA Technical Report No.1:

*'A further criticism is the perception that the CUC is too negotiable'. (ACTPLA, 2005, p.21)*

<sup>8</sup> It is recognised that the valuation of real property is not an 'exact science' and as such, different valuers may determine different estimates for  $V_1$  and  $V_2$  leading to different estimates of a CUC for a lease variation. Valuers take into consideration a number of factors in determining estimates of values of rights and privileges attached to a lease. Depending on the type of valuation, these include realisable value based on comparative sales, capitalisation rates, income streams, recent sales evidence, market trends, current and forecast future vacancy rates, value of land and improvements, value of site works (including car parking required by the DA for the new development), access to the site, and demolition costs.

<sup>9</sup> For example, the current CUC framework allows for valuers to take account of factors which include the highest and best use within the limits of the lease purpose clauses, improvements, and capital deductions for demolition costs, offsite works, etc. This approach is seen to be difficult to apply to multi-use variations (i.e. more complex developments).



The subjective nature of the CUC calculation in many cases leads to disputation. Disputes over valuations can cause delays in the lease variation process resulting in uncertainty and holding costs for developers. This contrasts with property developers' preference for a system that provides quick and seamless approvals (ACTPLA 2005, 21).

When the Australian Valuation Office (AVO) disagrees with a valuation, the parties enter into a discussion process with all parties concerned present. If agreement is not reached at this stage it then proceeds to the appeal phase in the ACAT. While the majority of these cases are resolved through the mediation phase the resolution process is time consuming. There are also a small number of cases that proceed to an ACAT hearing where they can then be subject to further possible lengthy legal processes.

### **2.5.2 Administrative fees associated with administering the CUC**

It is not clear that current arrangements cover the full cost of administering lease purpose variations, including costs incurred by ACTPLA. Currently the basic fee for a DA which includes a lease variation, consolidation or subdivision is \$1,628.60 with modest additional fees for more complex DAs. If the real cost of administering the system is more than the fees received for providing the service, then the shortfall can be regarded as a cost imposed on the broader community, rather than all of those who benefit from the system.

### **2.5.3 The levels of revenue leaking under the current system**

Under the current CUC system, the ACT community has forgone revenue from its share of the increase in the value of public leasehold. The revenue base for the CUC is very broad (potentially every established residential and commercial block of land in the ACT) and the volume of DAs requiring a lease variation is significant and reasonably stable at around 200 to 300 in a typical year. However, while the underlying leasehold assets have appreciated in value significantly over the past few years the revenue from CUC has not risen proportionately.

One of the most marked examples where the revenue from CUC has not kept pace with land values is the case of dual occupancy developments. As stated earlier, CUCs for dual occupancy developments have been in the form of a 'fixed' CUC charge of \$3,750 (75 per cent of \$5,000), irrespective of the location (suburb). As a result, the 'windfall gain' has been made by all applicants. However, the windfall gains in some inner city suburbs have been significantly higher than for applicants in other suburbs.

To determine the loss of revenue as a result of the application of a fixed fee (\$3,750) for dual occupancy developments (irrespective of where they were located), an analysis was undertaken of individual approved DAs which involved a lease variation during 2008-09. It revealed there was a total of 78 approvals for dual occupancies which produced revenue of \$292,500. Based on the Codification Schedules in Attachment B of this report, had codification



based on these schedules been adopted during 2008-09, the revenue would have been almost \$3.8 million, if the rate of uptake for dual occupancy is price inelastic. The difference or loss of revenue to the Government was around \$3.5 million. This clearly indicates the levels of revenue leakage that has occurred under the present system.

It is also our understanding that in recent years the development of townhouse sites and unit sites has resulted in the application of fixed fees of \$1,875 (75 per cent of \$2,500) per townhouse site and \$1,125 (75 per cent of \$1,500) per unit site, irrespective of the location of the development. As in the case of dual occupancies, this arrangement has resulted in significant 'windfall' gains to applicants.

Under a codified CUC system, many of the shortcomings relating to the current system should be avoided/overcome, including the potential for long delays, uncertainties, inefficiencies and inequities. In addition, it will be administratively simpler to manage.

#### **2.5.4 The offsetting of infrastructure costs against CUC**

The current CUC system in the ACT incorporates the following parts:

- a betterment levy, which relates to an increase in a property value as a result of a lease variation;
- onsite capital costs required to prepare the land for redevelopment;<sup>10</sup> and
- offsite costs required for the redevelopment to proceed. There are two kinds:
  - capital works/infrastructure that would be required irrespective of the type of development; and
  - development specific infrastructure required as a direct result of the particular development proposal.<sup>11</sup>

Under the current system all these user costs, as well as improvements, are taken into consideration in the determination of the CUC. Developers are able to offset (a proportion of) the increase in land value from a successful lease variation application against onsite and offsite user costs. However, the original concept of the payment of a betterment was to charge

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<sup>10</sup> Onsite costs include demolition costs associated with the removal of building(s) and other infrastructure (which would not be used in the redevelopment) and the costs associated with the remediation in the case of contaminated sites.

<sup>11</sup> The distinction between different kind of offsite works is important because the first is infrastructure which the Government may choose to pay for or subsidise; the other is purely development driven and consideration needs to be given to the attribution of benefits and costs. Offsite works in the first category will usually represent an opportunity to improve public infrastructure in circumstances where the new development represents only an incremental increase in infrastructure usage. Were the Government to wish to extract a proportion of costs for new offsite infrastructure, this raises questions about contributions from other private property owners already established in the same area and using the public infrastructure.



for additional developmental rights; it was not intended to compensate developers for expenditure, both onsite and offsite, which were required to undertake the redevelopment. Over time, however, these offsets have become a component of the current CUC system.

It is important to recognise that a CUC is not an infrastructure or development charge, but a payment for a lease variation which results in increased rights to be associated with the lease.

The two charges (change of use, and user) are fundamentally different and as such should be separated in their determination and charging. Under the current system, as a result of developers being able to offset both onsite and offsite costs against CUC, the actual revenue from the betterment component is significantly reduced.

A considerable amount of the discussion with industry during the course of this study has revolved around the treatment of user charges relating to onsite and offsite costs. In considering these issues it was noted that the ACT Government has the right to remit *all or part* of a CUC for the variation of a lease under certain circumstances which are broadly based. Indeed sections 175-177 of the Regulation relate to the remission of CUC (see **Attachment 1**).

In the case of onsite costs, including demolition costs, it was argued by a number of stakeholders that such costs should be included in the determination of the CUC where this was necessary to make a redevelopment economically viable.<sup>12</sup> It is difficult to justify this approach in general, as such costs should be reflected in the price paid for the property for redevelopment, or alternatively, would be passed on to the end user of the redeveloped property, or shared between the two parties.

If the Government agrees that such costs will be offset from the amount determined as a CUC by means of a remission, the full CUC should be recorded as a charge resulting from the lease variation. Accounting arrangements can then be put in place for the amount to be paid to reflect the CUC less any remission relating to demolition or other onsite costs.

With respect to offsite costs, our understanding is that the vast majority of these are mandatory costs imposed by the Government as part of the DA process. Such costs include intersections and road upgrades, for example. The requirement from the developer to undertake these offsite works as part of a development/redevelopment appears to have worked well. This approach satisfies the requirement of timeliness and efficiency from the point of view of project delivery.

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<sup>12</sup> This is in contrast to the statement referred to earlier in the ACTPLA (2005) Technical Paper in which it is observed that in 'a number of these reviews is that there is no empirical evidence to support the argument that the charging of CUC is a disincentive to development. The disincentive that is related to CUC is the confusion over how it is determined and what will be the final cost' (p.22).



As in the case of onsite costs however, these mandatory offsite costs should not be included as part of the CUC. As infrastructure costs they should be separated from the determination of the CUC. The CUC should be determined, as should be the offsite costs, and each reported separately.

It is proposed that an efficient process be established between the relevant government agencies to consider the reasonableness and scope of offsite works, who should undertake those works, and how they will be funded.



### 3 Frameworks Applied In Other States

The ACT is unique in its leasehold system, with other states operating primarily under a freehold land title system. While other states and the Northern Territory may have some leasehold land, e.g., pastoral leases in the Northern Territory and ski field areas in the Kosciusko National Park in New South Wales, for the purpose of land development/redevelopment, they generally operate a freehold land title system. The ACT is the only state/territory that has no freehold land.

Under the leasehold system in the ACT the land remains the property of the Commonwealth Government and is managed by the ACT Government on behalf of the Commonwealth. Under the freehold land title system operating in other jurisdictions, the land is owned by the purchaser(s) of a property. This fundamental difference justifies a public charge for betterment/CUC in the ACT but not in other jurisdictions. As such the legislative frameworks that operate in other jurisdictions have no bearing on practices in the ACT.

The freehold land title systems operating in states such as Queensland, Victoria and New South Wales, generally require property developers to pay infrastructure charges based on a relevant contributions plan. The underlying principle is that the primary beneficiary from a property development should cover the costs to the public of that development. Development contributions are payments for in-kind works, or facilities or services provided by developers towards the supply of infrastructure to meet the future needs of a particular community in which the development is to be located. In other states these costs and charges are normally transparent and pre-notified, a situation not currently mirrored in the ACT's leasehold system.

A paper developed for ACTPLA on Infrastructure Charging by SGS Economics in 2006, and a report by Parsons Brinckerhoff Australia P/L (PB) prepared for the ACT Chief Minister's Department in 2009 on the implementation of community infrastructure policy, both summarise developer contributions schemes for infrastructure charges in Victoria, Queensland and New South Wales.

#### 3.1 Victoria

In Victoria developer contributions are one of a number of options available to the State and Local government for funding infrastructure. The *Planning and Environment Act 1987* allows for development contributions through the:

- planning scheme amendment process;
- planning permit process; and
- building process.



These contributions are payments, or in-kind works, made by the proponent that contribute towards the provision or upgrade of infrastructure including roads, public transport, storm water and urban run-off management systems, open spaces and community facilities. The Victorian planning system allows for development contributions to be obtained by means of Development Contributions Plans (DCPs), conditions on planning permits and voluntary agreements.

The Development Contributions Guidelines provide guidance for the preparation of DCPs. They contain a detailed methodology for preparing DCPs which can be applied under Part 3B of the *Planning and Environment Act 1987*.

The guidelines provide:

- a context for the legislative provisions in the *Planning and Environment Act 1987*;
- councils, developers and infrastructure agencies with a clear explanation of the development contributions system; and
- practical advice to ministers, public authorities and municipal councils wishing to prepare and implement a DCP for the purpose of levying development contributions.

Following an extensive review of the development contributions system, overseen by an independent steering committee with representation from local government, the housing and urban sectors, the Government passed revised legislation, the *Planning and Environment (Development Contributions) Act 2004*. This legislation provides a more acceptable approach to raising developer contributions, offering greater flexibility for the provision of social and community infrastructure. It also provides guidance for councils on the principles and methodologies to be applied in preparing DCPs using a public register of infrastructure charges.

### 3.2 Queensland

Legislation relating to planning and development is in transition in Queensland.

The current principal legislation that guides planning and development assessment are the *Integrated Planning Act (1997)* (IPA) and its amending Act, the *Integrated Planning and Other Legislation Amendment Act 2001* (IPOLAA). These Acts provide mechanisms for the funding of infrastructure, including infrastructure charges schedules, infrastructure payment schedules and regulated charges and infrastructure partnerships (refund agreements).

The IPA provides powers for the imposition of conditions, charges and agreements relating to development infrastructure. The infrastructure charges provisions of the IPA introduce a regime of development contributions based on the *user pays* principle. It limits development infrastructure 'to networks that provide basic and essential facilities and services to ensure the safe, healthy and efficient functioning of local communities'. Development infrastructure



includes local community facilities, including community halls, public libraries and other facilities needed to service the local community.<sup>13</sup>

Mechanisms associated with the IPA include Priority Infrastructure Plans (PIP) and the related Infrastructure Charges Schedule (ICS). A PIP can only identify the land for community infrastructure and a ICS can only include the cost of the land and works on the land. Infrastructure charges in Queensland cannot be collected for built structures. As the PB report also notes, the legislation does not allow for charges to be collected for the recurrent costs of maintaining the infrastructure or service. Specific charges for development infrastructure items are identified in, and regulated by, the ICS, which lists the items to be funded, the actual charges, the estimated timing of the provision, the locations to which they apply and the categories of liable developments or uses.

New principal legislation to guide planning and development assessment was passed on 16 September 2009 in the form of the *Sustainable Planning Act 2009* (SPA). This Act replaces the IPA, while transitional provisions from the IPA to the SPA have been designed to minimise disruption and to ensure that all processes commenced under the IPA can be completed under the IPA.

The SPA contains new arrangements allowing the guidelines for making infrastructure charges schedules to provide for:

- the phasing in of infrastructure charges;
- indexation of charge rates; and
- credits recognising factors such as current use.

New provisions have also been included in the Act to allow for negotiations about infrastructure charges notices, regulated infrastructure charges notices and regulated State infrastructure charges notices.

The broad policy objective behind these changes is aimed at achieving more equitable infrastructure charging, and introducing an effective, low cost dispute mechanism to minimise the need to resort to appeals about the amount of charges.<sup>14</sup>

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<sup>13</sup> PB report, p.18.

<sup>14</sup> Indeed the Department of Infrastructure and Planning states that the SPA:

- shifts the focus from the planning process to delivering sustainable outcomes;
- reduces complexity through standardisation;
- adopts a risk management approach to development assessment;
- introduces a broader range of opportunities for people to reach agreement and resolve disputes; and
- provides improved opportunities for the community to understand and participate in the planning system.

'These changes will assist in delivering a contemporary planning, development and building system that can provide sustainable development outcomes for all Queenslanders'.

See [www.sip.qld.gov/about-planning/planning-reform.html](http://www.sip.qld.gov/about-planning/planning-reform.html)



The SPA and the associated Sustainable Planning regulations came into effect on 18 December 2009.<sup>15</sup>

### 3.3 New South Wales

The NSW development contributions system is intended to assist in providing new and increasing communities with appropriate infrastructure. *The Environmental Planning and Assessment Act 1979* (EP&A Act) is the relevant legislation which sets out how the State's development contribution system works. Section 94 of the EP&A Act allows consent authorities (usually local councils) to levy the development process to help fund local infrastructure such as roads, drainage, parks and essential community facilities.

Section 94 Contributions Plans allow for the delivery of local infrastructure by local councils which is provided for communities directly serviced by, or surrounding, the infrastructure.

State infrastructure is funded by the NSW Government using State infrastructure contributions and general revenue. The State infrastructure contributions only apply in certain development areas. This larger scale infrastructure, such as regional roads or schools, is planned for by looking at regional rather than local needs.

The NSW Premier announced a package of reforms to the development contributions system in December 2008. The package resulted from a review of infrastructure contributions which as the Department of Planning states on its website, 'aims to balance the cost of contributions with the need to ensure there is sufficient incentive to develop new land for housing' and includes:

- a change in the way state infrastructure contributions are calculated and collected;
- the establishment of a \$20,000 threshold for local development contributions and a review process related to this threshold; and
- the immediate cessation of some water infrastructure charges.

The State Government has published Development Contributions Practice Notes to assist councils, applicants and the community in understanding the issues and legal requirements of the relevant sections of the EP&A Act relating to planning agreements and contributions. These notes provide advice on a range of issues that are relevant to the preparation and administration of development control plans (DCPs) and the implementation of planning agreements. The notes, in addition to addressing other outcomes, provide templates for Section 94 and Section 94A DCPs, and planning agreements that should be followed.

Section 3.3.1 contains an example of the Queanbeyan City Council.

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<sup>15</sup> The Queensland Planning provisions were made available for public consultation in late September and have been available since the commencement of the SPA.



### 3.3.1 Queanbeyan City Section 94 Contributions Plan

Section 94 of the EP&A Act permits Queanbeyan Council to plan, identify and levy contributions upon new developments where it has established that the development is likely to result in increased demand for public services and public amenities within a local government area. In order to levy contributions, the Council prepares a contributions plan in accordance with the requirements of the EP&A Act and associated regulations. Table 5 presents an example of the developer contributions payable. The developer can see exactly what they are liable for as a levy for a particular type of development, as well as how the levy is to be distributed across the various classes of allowable expenditure by the Council.

**Table 5: Queanbeyan City Council - Summary of Developer Contributions for Particular Types of Development**

	Residential Subdivision (\$)	Industrial Subdivision (\$)	Medium/high Density (3+ bedrooms per dwelling) (\$)	Medium/high Density (2 bedrooms per dwelling) (\$)	Medium/high Density (1 bedrooms per dwelling) (\$)	Commercial Development (\$)
Queanbeyan Multi-purpose	180	n/a	180	108	90	n/a
City Cultural Centre	381	n/a	381	229	191	n/a
Bicycle Paths	411	n/a	411	246	205	n/a
Car Parking	n/a	n/a	n/a	n/a	n/a	9,009 per space
Footpaths	911	n/a	911	911	911	n/a
City Indoor Pool	260	n/a	260	156	130	n/a
Library facilities	98	n/a	98	59	49	n/a
Open Space	257	n/a	257	154	128	n/a
Roads	Nil	n/a	Nil	Nil	Nil	Nil
Civic Improvements	164	n/a	164	98	82	2,082 per 100m <sup>2</sup>
Plan Administration	6	92	6	3	3	70 per m <sup>2</sup>
<b>Total</b>	<b>2,668</b>	<b>92</b>	<b>2,668</b>	<b>1,964</b>	<b>1,789</b>	<b>As above</b>

Source: [www.qcc.nsw.gov.au](http://www.qcc.nsw.gov.au)



### 3.4 Summary

The freehold land title systems operating in states such as Victoria, Queensland and New South Wales, generally require property developers to pay infrastructure charges based on a relevant contributions plan. The underlying principle is that the primary beneficiary from a property development should cover the costs to the public of that development. Development contributions are payments for in-kind works, or facilities or services provided by developers towards the supply of infrastructure to meet the future needs of a particular community in which the development is to be located. In other states these costs and charges are normally transparent and pre-notified, a situation not currently mirrored in the ACT's leasehold system.



## 4 A Codification Framework for the ACT

**Codification** involves the establishment of a public register of fixed charges for different, and permitted, land uses in different regions or suburbs within the ACT. It is associated with the determination of a DA for variation to a Crown Lease.

### 4.1 Principles for the Codification Framework

Underpinning the proposed codification scheme are 10 core principles, which will be applied to the whole CUC system and not just those transactions subject to codification.

1. Effectiveness – the system should return an appropriate proportion of economic benefits to the community from the grant of development rights.
2. Simplicity – the system should be simple to administer and easy to update regularly.
3. Transparency – the system should be open and accountable for all parties concerned.
4. Fairness – the system should be fair to all parties involved.
5. Growth – the system should promote property development activity in the ACT.
6. Timeliness – the system should permit accurate assessments to be generated quickly.
7. Certainty – the system should generate predictable outcomes which accord with the planning system.
8. Exclusivity – the system should only assess land values and not improvements, onsite or offsite costs.
9. Stability – the system should assess general property value trends in order to smooth market volatility.
10. Universality – the system should apply these principles in all cases.

Below is an overview of the proposed codification system framework which illustrates how each of the core principles is applied.

### 4.2 Outline of the Framework

Applicants who submit a DA requiring a lease variation under the codification system will include the calculated CUC with the application for the site.

#### 4.2.1 The basics of the proposed CUC

When the applicant performs the CUC calculation, he/she will need to refer to the schedule of codified values for leases to determine the values applicable to the lease variation relating to their property. The codified values will be presented in a register with entries derived from market values applying in different geographic locations for different land use categories (residential, commercial or industrial). When the codification schedule applies, no longer will



the CUC assessment be based on the valuation of the specific property referred to in the DA, but will refer to codified fees in a given area.

The schedule of codified fees will be underpinned by current land value indexes (market rate index values) calculated from the market value of property sales in the same area for similar property uses, or classes of uses. To overcome market price fluctuations, the index values would be based on a rolling three year average of market values of land in each suburb for specific (Territory Plan) zones and identified localities within those zones, where appropriate. In a rising market which is generally the case, the average value is less than the current market valuation. In a falling market government could introduce other policy measures.

When a lease variation results in a zero CUC determination outside the codification system, a fixed fee will be devised by the ACT Government. Fees will reflect appropriate cost recovery principles so that higher fees will be charged for more complex applications. These fees, together with the schedules of codified fees, will comprise the register of fees.

The imposition of economic administrative fees to determine CUC charges may mean that the ACT Government receives more revenue under the codified model (in addition to eliminating any leakage under current arrangements). However, this revenue will be spread across a broader number of participants. Offsetting this policy, the government may also wish to achieve other policy objectives through, for example expanding the range of permitted uses in the Crown lease purpose clause from the outset.

#### 4.2.2 Residential codification

A revised approach is proposed below that will overcome the implementation issues associated with the Discussion Paper approach.<sup>16</sup> The major changes relate to the approach taken to the determination of codified values within categories and suburban localities for dual occupancy, and medium/high density sites. The varied proposal is a simpler, more defined and fairer method of assessing codified CUCs.

The revised approach to residential codification focuses on identifying codified values for dual occupancy and medium/high density sites. The valuation principle underpinning the codification is the concept of **market 'site' values**. The market site values establish residential land values based on the average of the last three years analysed land sales factoring in the various locality features within a suburb. For dual occupancy and medium/high density sites the applicant will be required to pay the CUC determined from the codified fee applicable for their

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<sup>16</sup> In determining an appropriate framework for codification, a number of alternative approaches have been considered and analysed. The methodology used in this Report is different from the approach referred to in the Discussion Paper due to inconsistencies found by the AVO during quality control and the 'workings phase' of the framework.



suburb with the applicable fee being dependent on the number of units to be constructed on the site (a dollar rate per unit applies for each locality in each suburb).<sup>17</sup>

The revised approach to residential codification is simpler for applicants because there is no need to assess a 'before' value as part of the DA for dual occupancy or medium/high density residential developments. The system also retains the feature of the Discussion Paper proposal that requires applicants to refer to the **ACTmap-i** to determine the exact location of their block within a suburb.

#### **4.2.3 Commercial and industrial codification**

For commercial and industrial property, the proposed approach is based on the valuation concept referred to here as the market rate index value. The **market rate index value** for commercial and industrial land is based on a rate per square metre of gross floor area (GFA) for each zoned land use category by suburb. As for residential codes this market rate index value is based on market sales transactions relevant to each ACT suburb for each zoned land use, averaged over the last three years. In other words, there is no change to the approach proposed in the Discussion Paper.

#### **4.2.4 Developing and updating the schedules**

The actual public register of codified values for leases for different land uses in each suburb of the ACT was prepared by the AVO, an independent Commonwealth Government agency (see **Attachment 2**). The public register is linked to Zone Development Tables in the Territory Plan 2008 to assist the future administration of the CUC system by ACTPLA.

The public register (as part of the Draft Report) has been made available for comment during the six week consultation commencing with the release of this report. Stakeholders have the opportunity to access the proposed schedules for values to be applied, and will be able to comment on these values and help to shape the final form of the public register.

Once the final form and content of the schedules are determined, it is not envisaged that there will be appeal rights for the applicant using the proposed codification system. Once the applicant has matched their property to the relevant use fee applying in the register/table, there should be no scope for disagreement between the applicant and ACTPLA for the CUC determination.

During the first round of consultation in November 2009, Professor Nicholls held discussions with members of the AVO, relevant ACT Government agencies, the Housing Industry

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<sup>17</sup> Of course, there should be no disincentive or financial penalty for legitimate special purpose developments on a single title. For example, extensions to accommodate the needs of family members or to facilitate 'carer' arrangements or other community oriented support activity.



Association (HIA), the Australian Property Institute (API), the Property Council of Australia (PCA) and individual valuers and developers. A number of submissions were received by these groups at the conclusion of consultation (as discussed in Section 6). Many of these concerns have been taken on board and developed into the codification framework proposed in this report.

#### **4.2.5 Improvements, onsite and offsite costs revisited**

A noteworthy reform associated with the introduction of codification is the treatment of onsite and offsite works which will be treated separately from the calculation of CUC under the proposed codification.

The proposed codification system will be based on variations to permitted uses that would result in changes in land values (by means of an index value determined from the market value of land), excluding improvements and those onsite and offsite user costs which are allowable under the current CUC system. This is in line with the principles for the codified framework stated in Section 4.1 above. By taking this approach some of these costs, such as demolition costs, would be reflected in either the offset or premium paid for the land to be redeveloped or would be passed on to the end users/owners of the land through increased purchase prices/rents payable. This is in contrast to the current system where, by allowing these costs to be accounted for in the determination of  $V_1$  and  $V_2$ , the community is effectively paying for much of the user charges/costs. This approach also has the potential to distort development decisions in supporting demolition of improvements.

As with the current CUC system and as stated earlier, the ACT Government would still retain the right to fully or partially waive the determined CUC in certain cases (in accord with Sections 175-177 of the Regulation). This right, as at present, would be in the form of a regulation.

While offsite works will be calculated separately from the CUC charge, in response to the feedback received from industry since the release of the Discussion Paper, the consultants will recommend to government that consideration be given to an efficient process to manage the incidence of benefits and costs of offsite infrastructure. Whilst there should be no justification for the Government to pay for offsite infrastructure upgrades that arise as a result of the operational needs of a particular development, we agree that developers should be compensated for the mandated offsite works, especially if the benefits are realised by the wider community. In such circumstances, the proposed approach allows the developers to be paid the full value of mandated works, whereas under the current system, they are only allowed to deduct a percentage of these costs.

Separating out the value of mandatory offsite works under the new arrangements is consistent with the principles of codification identified previously (in particular, timeliness, growth, transparency and simplicity). The consultant recognises that if a development is to be



undertaken in a timely fashion, both the scope and funding for mandatory offsite costs will need to be established upfront in a transparent fashion. For the future administration of offsite costs, we suggest that an appropriate structure and process be established to give due consideration to the reasonableness and scope of these works, who will pay the mandated costs and how they will be funded.

#### **4.2.6 If codification does not apply**

There are situations where the codification scheme would not apply as discussed in Section 4.5 below. In these cases it would be necessary to employ a certified practising valuer to assess the 'before' and 'after' values. In these situations the Australian Property Institute Professional Practice guidelines shall be adopted as the standard required for any valuation reports submitted as part of a framework consistent with the 10 core principles of the proposed codified system outlined previously. Valuations would be based on land values only excluding any structural improvements, or any onsite and offsite costs requirements. For those cases where the 'before' and 'after' values are assessed in professionally qualified valuation reports rather than the codification schedule, mediation and appeal legislative processes to ACAT would be allowable as at present.

### **4.3 Key Concepts and Methodology for the Schedules**

The following section explains some of the key concepts and methodology through which the schedules would be developed, maintained and updated.

#### **4.3.1 Market rate index value**

The codified fees employed in the CUC determination are based on the **market rate index value** for residential land blocks, or market value rates per square metre of GFA for commercial and industrial land, averaged over three years.

The market rate index value for **residential** land determines the current land value component of a typical benchmark property for each land use category by locality in each suburb. They are calculated from recent market sales transactions in each locality. From these, appropriate codified fixed fees are determined, depending on the type of development (dual occupancy, medium/high density) to be undertaken.

The market rate index value for **commercial** and **industrial** land would be based on a rate per square metre of GFA for commercial and industrial land for each zoned land use category by locality/district. Again this market rate index value would be based on market sales transactions relevant to each ACT suburb or district for each zoned land use.



### 4.3.2 How the schedules would be updated

An 'average' market rate index value over a three year period has been adopted for the codification process. The codified values populating the schedules in this draft report are based on the average values for the last three years to 31 March 2009. For the 2010 schedules, the AVO will provide back dated market rate index values for the 2008, 2009 and 2010 periods to enable the 'averaging' process of market rate index values to be adopted. Annual assessments of market values by the AVO at 31st March for each following year are to be incorporated in this process.

## 4.4 How the Codification Would Work

The current section explains application of the framework to various development proposals. Codification CUC assessments would operate in conjunction with the Territory Plan 2008. The system would combine the Territory Plan development control zones with market rate index value locality plans for each residential suburb.<sup>18</sup> The AVO developed codification schedules for residential, commercial and industrial zones contained in the Territory Plan (see Attachment B).

Schedule 1 contains the relevant codified fees (in dollars per unit) relating to residential developments.<sup>19</sup>

Within each suburb blocks are grouped into different localities (A, B, and C). An applicant wishing to develop a particular block will determine the locality of their block (by reference of its block and section number) from the **ACTmap-i**. In the case of a residential development, it is then a straightforward matter to refer to the appropriate entry in Schedule 1 to determine the codified fee. This fee will represent the added value from the lease variation. A percentage of this value (currently 50 per cent until 30 June 2010, then 75 per cent from 1 July 2010), will represent the CUC payable.

Schedule 2 lists the Local Centres codification schedule of values for the commercial CZ4 zone based on an average \$/m<sup>2</sup> of GFA.

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<sup>18</sup> The definitions of relevant zones and applicable land uses are contained in the Territory Plan.

<sup>19</sup> The residential schedules are divided into three categories based on location. These include:

- Category A – Inner suburbs;
- Category B – Mid location suburbs; and
- Category C – Outer location suburbs.



Schedule 3 lists the Town Centres codification schedule of values for each relevant commercial zone based on an average \$/m<sup>2</sup> of GFA.

Schedule 4 lists the Commercial Properties Codification of values in relevant commercial zones in particular suburbs.

Schedule 5 lists the Industrial codification schedule of values for each industrial/commercial zone in the relevant location.

The schedules should be notifiable instruments.

## 4.5 Where Codification Would Not Apply

Situations will occur where the codification does not apply. These cases may either attract a fixed fee for straightforward matters or require a certified practising valuer to provide input in more complex cases. These situations are discussed below. In all cases valuations would be based on the land component only; improvements and user costs would be excluded in the determination of the before and after values. As stated earlier infrastructure costs should be considered separately from the quantification of the CUC. Where there is uncertainty how a particular DA should be categorised in terms of the proposed codification, we propose that ACTPLA should immediately refer the case to the AVO for clarification.

### 4.5.1 Special use variations

Special use variations will be dealt with outside the codification process and will normally require input from a certified practicing valuer. Three categories are discussed in turn below.

#### I. Where an applicant attempts to change a business purpose clause

Any DA seeking to add the permitted uses of either “shop” or “non retail commercial” uses to any purpose clause that is not seeking a variation to the GFA will have to submit a private valuation for review by the AVO.<sup>20</sup>

However, if a variation to the GFA is sought in addition to a variation to the purpose clause to add either “shop” or “non retail commercial” as permitted uses, the CUC assessment will be dealt with under the Codified Schedule of Values for the suburb/locality applicable to the relevant property.

#### II. Where a property exists within certain zones

Any property that exists within the following zones will require the applicant to supply a private valuation for review by the AVO.

- i. Commercial Zone CZ6 Leisure and Accommodation Zone.
- ii. Community Facility Zone.

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<sup>20</sup> Refer to the Territory Plan definition of terms for ‘shop’ and ‘non retail commercial’ uses.



- iii. Parks and Recreation Zone.
- iv. Transport and Services Zone.
- v. Non Urban Zone.

### III. Where the purpose clause permits only a single use

Specific permitted uses that have been identified where codification may **NOT** apply include the following, where a **single permitted use only exists in the purpose clause**:

- a. service stations;
- b. clubs;
- c. child care centres;
- d. hotel and/or motel;
- e. caravan parks/camping grounds;
- f. municipal depots;
- g. nursing homes/ residential care accommodation;
- h. retirement villages;
- i. variations to parking;
- j. public utilities/installation sites;
- k. churches/places of assembly; and
- l. municipal depots.

However, the following exceptions/circumstances may result in a set minimal codified fixed fee for variations in relation to the above mentioned specified permitted uses.

#### 4.5.2 Lease variations where a set fee would apply

- I. In the following specific situations it may be considered appropriate to apply a set minimal codified charge (fee), with the fee as identified, and to be reviewed annually by AVO.

- i. Consolidation of two or more blocks - \$10,000.
- ii. Subdivision of a parcel of land into three or less subdivided blocks - \$10,000.<sup>21</sup>
- iii. Unit titling of existing/permitted uses.

When less than three units is to be created.

Residential use (unit/dwelling)	- \$10,000
Industrial use	- \$20,000
Commercial use	- \$30,000

When the number of units is greater than three units to be created.

Residential use (unit/dwelling)	- \$5,000 per unit/dwelling
Industrial use	- \$10,000 per unit
Commercial use	- \$15,000 per unit

- iv. In the case of commercial and industrial uses, if 'Ancillary uses' are sought to be added to any specified permitted use in a purpose clause, such a variation will attract a CUC charge equivalent to 25 per cent of the codified value.<sup>22</sup>

<sup>21</sup> This applies to blocks with existing structures or vacant land.

<sup>22</sup> Ancillary is defined as directly related to, but incidental and subordinate to the predominant use. For example, a storage area associated with the primary use of shop. Ancillary use means the use of land for purposes that are ancillary to the primary use of the land.



- II. If a DA seeks to amend the maximum GFA only of any property, with a single permitted use of **Club** only, an AVO annually reviewed codified market rate index value will be applied. Based upon current market land values for properties with a permitted use of **Club** only, a codified market rate index value of \$300/m<sup>2</sup> will apply at the commencement of the codification process.

Any other variation to the Crown Lease will require a private valuation.

- III. If a development application seeks to amend the number of permissible child places only, in a Child Care Centre which has a single permitted use of Child Care Centre only, the set fee is \$10,000 per child.

Any other variation to the Crown Lease will require a private valuation.

- IV. If a development application seeks to amend the number of beds in a Nursing Home/ Residential Care Accommodation property which is the only permitted use, the set codified charge (fee) considered appropriate is:

- |                             |                  |
|-----------------------------|------------------|
| i. Independent living units | \$40,000 per bed |
| ii. High & Low Care beds    | \$20,000 per bed |

Any other variation to the Crown Lease will require a private valuation.

- V. If a DA seeks to vary the GFA of an existing service station site where the permitted use is for a service station and/or ancillary uses only. A recommended set minimum codified charge (fee) of \$500/m<sup>2</sup> of GFA will be applied.

Any other variation to the Crown Lease will require a private valuation.

- VI. Any minor amendments requiring a development application should have a minimum fee of \$10,000 for commercial/industrial uses, or \$5,000 for residential properties.

This situation may include variations to the wording of the Crown Leases where there are no actual variations to the permitted uses or gross floor areas.

- VII. If a DA seeks to remove the wording in the lease purpose clause relating to the maximum GFA or building height in a Crown lease purpose clause, any DA that results in the existing building GFA, or building height, increasing will be required to pay the amount determined from the codified market rate index value as specified in the codification schedule of values applicable for that suburb/locality.



## 4.6 Rate of Remission

Under the codification system, it has been argued by some during the consultation process that there should be no remission of the CUC charge, that is the full **100 per cent** CUC charge should be payable.<sup>23</sup> It is useful to note that under codification, for example, the fee applied to a given residential block (in a particular location, in a particular suburb) would be derived from a land value index determined for all blocks in that location. There will be a distribution of land values of blocks (in that location) around the land value index derived for that location. On the other hand, the averaging of values over three years is expected to understate current market value. For this reason there may be some, but not unequivocal justification to reduce the charge rate from 100 per cent. In the case of DAs requiring a lease variation within the first five years of purchase, there would continue to be no remission, i.e. the full 100 per cent CUC would still be applicable.

## 4.7 Some Examples of How the Codification Will Work

The current section explains the application of the framework to various development proposals.

### 4.7.1 Dual occupancy

If the existing dwelling on the proposed dual occupancy site is demolished, the assessment would adopt the same methodology as described above, i.e., the CUC assessment would be based entirely on the land value index.

#### *Example*

A dual occupancy development assessment in Locality A in Gordon.

From Schedule 1 Gordon is listed in Category C and for Locality A the codified fee is \$45,000.

<b>Codified Fee:</b>	<b>\$45,000</b>
<b>Remission Charge 75%:</b>	<b><math>0.75 \times \\$45,000 = \\$33,750</math></b>

### 4.7.2 Medium density development

If the existing dwelling on the proposed dual occupancy site is demolished, the assessment would adopt the same methodology as described above, i.e., the CUC assessment would be based entirely on the land value index.

<sup>23</sup> There indeed is an argument for the recovery of the full increase in asset value resulting from the variation in lease.



### **Example**

A developer owns blocks 6 & 7 Section 2 in Dickson. As per the Territory Plan the properties are in the residential RZ4 (Medium density) zone. The developer proposes to amalgamate the two sites and develop a new complex that will accommodate 8 new units. The developer will be liable for two separate charges:

<b>Consolidation of two leases</b>	<b>=\$10,000</b>
<b>From Schedule 1 Category B, codified fee for</b>	
<b>8 units in Locality A in Dickson = 8 × \$55,000</b>	<b>= \$440,000</b>
<b>Total Codified Fees</b>	<b>= \$450,000</b>
<b>Remission Charge 75%:</b>	<b>= \$337,500</b>

## **4.7.3 Commercial, industrial and retail codification**

### **4.7.3.1 Commercial Crown lease variation**

A variation of a commercial Crown lease will be assessed by a set minimum fee to be determined by the ACT Government for any variation to a permitted use of an existing Crown lease. This policy for commercial use will be only approved if that use is currently allowed to occur on the site as per the Territory Plan Zone.

### **Example**

A property in Fyshwick has a current purpose clause that allows for warehousing and bulky-goods retail. A lessee requests that the 'indoor recreation facility' use be added to the allowable uses permitted within the purpose clause. As per the Territory Plan zoning IZ1 indoor recreation facility use is allowed in that area and the lessee will be granted the indoor recreation facility use for the determined set fee of \$10,000 as outlined in Section 4.5.2 (VI).

### **4.7.3.2 Increase of Commercial GFA variation**

A lessee can apply to increase the maximum allowable GFA on a site by identifying via the **ACTmap-i** process the location of the property on the Territory Plan. The location of the property combined with the Territory Plan Zone sets the market rate index value at which a lessee can purchase extra GFA for that site.



### **Example**

A lessee has recently varied the purpose clause of permitted uses to allow office use in the Crown lease of a property. The lessee now wants to demolish the existing building of 500m<sup>2</sup> to then erect a new building of 1,000m<sup>2</sup> in the Business Area B1 in the City. From Schedule 3 the increase of 500m<sup>2</sup> of GFA in the commercial CZ1 zone is \$1070/m<sup>2</sup> of GFA.

<b>Codified Fee:</b>	<b>500 m<sup>2</sup> × \$1070 = \$535,000</b>
<b>Remission Charge 75%:</b>	<b>0.75 × \$535,000 = \$401,250</b>

#### **4.7.4 Mixed Use Development**

In the case of mixed use development which involves a mix of both commercial and residential permitted uses, two stages of the codification process need to be undertaken. Firstly, the codified commercial market rate index applicable to the locality needs to be assessed from the commercial component schedule (see following example). Then, secondly, the appropriate residential category for the locality should be assessed from the residential unit rate set out in the market rate index value schedule. The total codified fee will be the combination of both the commercial and residential codified set fees.

### **Example**

A commercial lessee in Braddon applies for a mixed use development. This involves an increase in the commercial CZ2 zone of 500 m<sup>2</sup> in GFA combined with a new 12 unit residential unit development.

<b>From Schedule 3 the commercial codified fee</b>	
	<b>= 500 m<sup>2</sup> × \$1,935 = \$967,500</b>
<b>From Category A of Schedule 1 the residential codified fee</b>	
	<b>= 12 × \$65,000 = \$780,000</b>
<b>Total Codified fee</b>	<b>= \$1,747,500</b>
<b>Remission Charge 75%:</b>	<b>= 0.75 × \$1,747,500 = \$1,310,625</b>

#### **4.8 Outdoor Seating**

The issue of outdoor seating associated with commercial premises, such as cafés and coffee shops, has been identified for consideration in the Terms of Reference. Currently most outdoor seating is located on unleased Territory land licensed by the operator of the restaurant, café



etc. As this land is not part of the lease, CUC cannot be charged as there is no lease over the land being used.

There is an argument to support the treatment of outdoor seating through the current licensing arrangements. If the current lease and associated licensing arrangements were to be changed to capture the right to have outdoor seating as part of the lease variation, this may cause problems in the future where Government saw a need to change/vary/upgrade the streetscape, part of which was incorporated in a varied/extended lease. Such an upgrade could result in the need to pay the affected leaseholder compensation.

There have been no compelling arguments presented to change the current arrangements with respect to outdoor seating associated with commercial premises. Given the identified potential problems (as a result of most outdoor seating being located on unleased land), it is not recommended that the current system be changed with respect to the licensing of land used for outdoor seating.

#### **4.9 Concessional Leases**

Division 9.4.2 of the Act relates to the varying of concessional leases to remove concessional status. When an applicant submits a DA for approval which involves the varying of a lease granted as a concessional lease, the applicant must first apply for the surrender of the concessional lease and a regrant of a lease at market value. This will occur only if the Minister decides that it is in the public interest to consider the application (section 261(1) of the Act) with this decision being guided by section 261(2) of the Act. The decision is a notifiable instrument (section 261(4)).

If the planning and land authority or the Minister approves the variation of a lease granted as a concessional lease, the approval is subject to the condition that the lessee pays the Territory the payout amount worked out under section 263 of the Act. The payout amount for the lease is that amount required to convert the concessional payment to the market value of the lease. A note in section 263(4) states: 'A person may also be required to pay a change of use charge, less any remittance, plus any increase, under Division 9.6.3.

Consequently in the case of a concessional lease, the lessee must first convert the concessional lease by payment of the amount required to remove the concessional status attached to the lease. The determination of any CUC payable will then proceed under the codified framework. If the lease variation requires a CUC to be determined using input from a certified practicing valuer, the market value of the de-concessionalised lease will in most cases be the 'before' value in the determination of the CUC payable. Any amounts paid to deconcessionalise the lease must be separate from any determined CUC.



## 4.10 Reviews and Appeals

As identified in Section 4.4, once the applicant has matched their property to the relevant use indices applying in the register/table, or determined the appropriate set fee from the register, and from these determined the appropriate CUC, there should be no scope for disagreement between the applicant and ACTPLA with respect to the CUC determination. For this reason there is no need for appeal rights for the applicant using the register of set fees and/or codified values.

During the course of this project, on a number of occasions, the issue of appeals when CUCs are to be determined using codified values has been raised by industry participants. Some have argued that from the point of view of natural justice there should be an appeals mechanism. When this draft report is released for public consultation, the schedules forming the basis of the determination of the codified fees will also be released for consideration and comment. Comments relating to the schedules will be taken into account in determining the final figures to populate the schedules.

As the AVO will have responsibility for annually updating the codified values in the schedules, a small review committee should be set up which could include representation from the AVO and industry to annually review the schedules. It is envisaged that such a committee includes the Regional Manager from the Canberra based AVO office, or his/her nominee, the President of the Australian Property Institute (API), or his/her nominee, and a representative from a relevant Government agency.

For those cases where codification will not apply and hence where the 'before' and 'after' values are assessed using professionally qualified valuers for the determination of the CUC, mediation and appeal processes by the ACAT could be considered as are currently used. However, as shown in Table 3, over a five year period (2004-05 to 2008-09) there were only seven CUC AAT/ACAT appeals which went to mediation and three which went to a full hearing. While this appeals process appears to work well in that only a small number of cases are considered by ACAT, there can be significant delays and expense involved in following such a path. Our understanding is that ACAT currently has no panel members with real property valuation expertise.

An alternative appeals mechanism would involve the president of the ACT Division of the API appointing an expert to mediate in such situations<sup>24</sup>. The service could be offered by the API through its Presidential Appointment Services, a commercial service provided by this

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<sup>24</sup> While it may be seen as preferable to have a committee of, say, three experts to hear appeals, the ACT Division of the API is limited in its membership and the number of valuers who could act as experts on such a committee. This is particularly so when the potential for a conflict of interest may eliminate a number of such experts for appointment to this role.



Institute.<sup>25,26</sup> This approach, which is supported by the API, has the advantage that disputes would be heard by experts in the field. If such an appeal mechanism were to be adopted it would be necessary to allow for either party to appeal any decision made under this process to the ACAT. The appointment process would also ensure that there are no conflicts of interest.

#### 4.11 Naming the New System

The original betterment scheme was changed to and became known as a CUC. During the course of this project it has become obvious that CUC is a misnomer for what is actually occurring. Indeed there are occasions where a lease variation must be made which incurs a charge, but there is no change of use. For example, if a lease allows for a commercial building and the owner wishes to increase the GFA then he/she must pay a CUC relating to the increase in GFA. In such cases this is not a change of use but a lease variation. A more appropriate terminology would be a Lease Variation Charge (LVC). This change of name will be recommended in the final report.

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<sup>25</sup> The API currently supplies this service, at the national level, in the case of rental determinations.

<sup>26</sup> There would be a fee payable for such a service which would include an administrative fee payable to the API and a sitting fee for the appointed expert.



## 5 Implementation and Operation of the Reforms

The following section discusses changes to the institutional/administrative structure of the DA process required to introduce the codification.

### 5.1 Timeline and Transition Arrangements for Codification

It is proposed that the new system be introduced from 1 July 2010. At that time the 12 month period for which the current CUC with remission was set at 50 per cent will cease, and return to 75 per cent of the determined codified fee (or the difference between the 'before' and 'after' land values in cases where codification is not applicable). All DAs requiring a lease variation submitted up to and including 30 June 2010, from the point of view of the LVC determination, will be considered under the current system. Applications submitted after 30 June 2010 will be assessed under the new codification system.

### 5.2 Operation of the New System

When applicants submit a DA requiring a lease variation under the codification system they will be required to include the calculated LVC with the application for the site.

In performing the LVC calculation, when applicable, the applicant will need to refer to **ACTmap-i** to identify the locality of the block and section number of the property to be developed, as well as the online schedules of codified fees. These codified fees have been derived from land market values applying in different geographic locations (suburbs) for different land use categories (residential, commercial, industrial etc), and different localities in suburbs in the case of residential blocks. Schedule 1 relating to residential blocks, divides suburbs into three categories: A (Inner), B (Mid location), or C (Outer location) suburbs.

Once the applicant has matched their property to the relevant use fee(s) applying in the appropriate schedule(s) to determine the LVC payable; there should be no scope for disagreement between the applicant and ACTPLA in the determination of the LVC in this manner.<sup>27</sup>

In cases where codification will not apply, the applicant will require a certified practising valuer to provide input into the determination of the CUC, as under the current system. In all cases 'before' and 'after' valuations will be based on land values and exclude improvements, onsite and offsite costs. LVCs determined in this manner would allow for appeals.

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<sup>27</sup> As a result there is no need for appeal rights for applicants who determine the CUC payable using the codification register.



## 6 Industry Feedback on the Discussion Paper

The following section discusses the feedback received as part of the request for written submission following the release of the CUC Discussion Paper due on **16 December 2009**. Prior to the submission date Professor Nicholls held discussions with members of the AVO, relevant ACT Government agencies, the HIA, the API, the PCA and individual valuers and developers.

### 6.1 Introduction

A total of seven written submissions were received, including four from property related industry organizations (API, PCA, Master Builders Association (MBA) and the HIA).<sup>28</sup> A summary of the key issues raised in the submissions along with the consultant's response is provided in **Attachment 3**.<sup>29</sup> Many of the issues raised in the submissions emerged during discussions which took place with industry professional groups prior to, and during, the development of the Draft Report. Consequently the majority of the matters raised in the submissions have been addressed in this Report.

One of the industry organisations believed that codification 'had merit', while the other three supported codification in principle. In the case of the other two submissions, one supported codification while the other proposed a two stream system of determining the CUC, one of which was the current approach based on 'before' and 'after' values and the other codification.

The main issues raised in the submissions received are addressed in the following sections.

### 6.2 Revenue and Remissions

One submission which supported codification raised issues with respect to the availability of financial information relating to revenues, including the effect of remissions, as well as the lack of information with respect to relative revenue contributions from different classes of development. There was also a concern expressed that 'the ACT regrettably does not provide a Tax Expenditure Statement along the lines of the Australian Treasury statement.'<sup>30</sup> The

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<sup>28</sup> From the API (ACT Division), Mr Brendan Preiss, CB Richard Ellis, MBA of ACT, PCA (ACT), HIA and Mr Ron Gilbert.

<sup>29</sup> A submission was received from Mr Ron Gilbert that focused on broader community concerns. He argued in favour of the introduction of development contributions, based on a sliding scale. However, given that the ACT Government decided in 1999 to reject a development contributions approach, it was not considered necessary to respond directly to this submission. However, the proposed codification schedule set out in Attachment 2 does incorporate a sliding scale of charges.

<sup>30</sup> The key functions of that statement are identified in the submission as: 'scrutiny of tax expenditure, comprehensive assessment of government activity, and contribution to public information and debate on tax system design.'



submission concluded that the ACT should be improving its accountability framework in this area.

During the course of this project, and as this Report recognises, much of the financial and other data supplied in Tables 1-4 were not readily available from the relevant government agencies. It was not possible to extract this information in a simple and timely manner. To obtain data (in some cases) it was necessary to go back to paper files including the original DAs (lease variations associated with DA applications). If the relevant agencies had appropriate IT systems in place the extraction of such data would be straight forward. However, at present this is not the case. For agencies to be able to summarize and supply land related data to each other, and other stakeholders, in a timely manner, appropriate IT systems need to be developed.

### **6.3 Dual System for Determining the CUC**

Two submissions from the valuation profession proposed that codification should be ‘a choice, not a requirement’. It was argued that leaseholders should be able to choose a development path of either using the codified approach or using a value based on a ‘before and after’ approach. However, this approach is not supported by the research and analysis undertaken for this Report, particularly given what has emerged under the current system in the case of residential developments.

A dual system would lead to administrative complexities within the system and would allow a developer to “shop around” for the best deal. This process would also be costly for government to undertake and would increase uncertainty.

### **6.4 Cost Benefit Analysis**

The need for a cost benefit analysis (CBA) was identified in the submissions. Such an analysis had been identified early in discussions relating to this project and will form part of the final report to government.

The CBA will analyse and discuss the impact of the introduction of the codification scheme on relevant stakeholder groups, and where relevant data is available, quantitatively compare the impact of the current system with the codification system. While significant revenue leakage has been identified due to the fixed fees, it is mainly due to the implementation of the current system rather than the inherent characteristics of the current system.

The CBA will address the benefits to government of developers undertaking mandatory offsite works associated with a development, particularly from the point of view of timeliness and cost effectiveness. The impact of the separation of these costs from the actual lease variation charge, for accounting purposes, will more accurately reflect both the actual lease variation



charge (CUC) and the contribution made by the developer to mandatory offsite development costs.

## 6.5 Townhouses and Multiple Units

It was proposed in one submission that an inequity is created if townhouse and apartment developments in RZ3 and RZ4 land zones receive the same valuation treatment (per unit) 'given that the Land Value of these two types of development/property is quite considerable'.

In the case of multi unit residential development, in determining the appropriate values in the codification schedules, the LDR has been applied. That is, on a particular site, in a particular suburb, as the number of units to be developed on the site increases, the lease variation charge per unit decreases. This will allow the developer to determine the best value for money from a particular development. It will be the developer's choice in the RZ3 and RZ4 zones as to whether he/she chooses to construct a number of townhouse, or a (larger) number of units.

## 6.6 CUC as a Disincentive to Development

Two submissions responded to a statement in the Discussion Paper which appeared in the ACTPLA Technical Paper 1 (2005) which stated that previous reviews indicated that the CUC was not a disincentive to development. One of these submissions quite rightly pointed out that this was as a result of the amount of CUC applicable. Given the levels of determined CUCs in recent years, particularly in the case of fixed CUCs for dual occupancies, townhouses and units, these could not be regarded as a disincentive to the development.

The same could also be argued in the case of commercial and industrial development. This could be exemplified by the fact that the property industry, at a forum arranged by the MBA in late December 2009, requested that the Government slow down the release of further large scale development as the industry was currently stretched in meeting its commitments to major developments being undertaken in the ACT. Such developments include major residential apartment/unit complexes, and mixes of these with commercial and retail uses.

As was identified in the Discussion Paper and in submissions, to encourage development the Government increased the remission by 25 per cent for the current financial year, and waived the entire CUC in the case of service station redevelopments, to encourage the redevelopment of these sites. The industry has indicated that this has been a success, particularly in the case of service station sites. Just how successful this has been will be able to be determined at the end of the financial year.

With the introduction of codification based on the schedules (produced from market sales by the AVO) in this Report, particularly in the case of residential land developments, the current



fixed fees for dual occupancies, townhouses and units will be replaced by market based codified fees on a suburb-by-suburb basis, and the LDR.

When microeconomic reform takes place there will be changes for which the market may take time to adjust. This is recognised as being inevitable, particularly in the case of inner suburbs where redevelopment is to be considered. However if there are specific sites where the Government wishes to encourage redevelopment, it always has the power under Sections 175-177 of the Regulation to partially or wholly waive a CUC. As has been indicated above, this has happened in 2009-10 in the case of disused service station sites.

## 6.7 Improvements, Onsite and Offsite Costs

The issue of improvements, onsite and offsite costs was identified in submissions, but has already been addressed earlier in this Report. We support the principle that demolition and onsite and offsite costs should not be taken into account in determining the CUC. This recognises the efficiencies associated with developers undertaking mandatory offsite works and that this practice should continue. However, while the costs of these mandatory offsite works should be offset against the CUC; both items should be separately determined and reported, with the developer being responsible for the payment of the relevant difference between the CUC payable and mandatory offsite costs.

One submission states:

‘... Values adopted in any codified value list will (and must) assume that there are no costs associated with demolition, remediation and mandatory offsite development requirements. The codified values will assume a development ready site. It is incongruous and goes against long standing valuation principles not to deduct these items from the resulting CUC arrived at by codification values’.

The first two statements are correct, the codified values have been determined from the land market values. The Draft Report has concluded that improvements, onsite costs (including demolition costs) and non-mandatory offsite costs should not be subsidised by the community. They are costs which should be the responsibility of the developer and should be reflected in the price paid for the land to be developed, the developers profit, the price paid by the end user(s) for the developed property, or a combination of all three of these. This overall approach is consistent with the original intention of the betterment levy and accords with some earlier versions of the CUC such as Method B discussed in Section 2.1.2.

In analysing the different approaches to the issue for the Draft Report, it has been difficult to reconcile what has been stated with respect to the current application of the ‘before’ and ‘after’ valuation approach to determining the appropriate CUC, and what has happened in practice. As has been highlighted elsewhere in the Draft Report, fixed fees have been applied in the



case of residential redevelopments involving dual occupancies, townhouses and multiple units, irrespective of location and block size. The submission also stated;

‘Omitting improvements from the before value risks halting all redevelopment until the existing improvements are well beyond their physical as well as economic life. This will result in urban decay and underutilised community facilities. Effectively development will only occur on Greenfield sites (i.e. no improvements).’

These statements are speculative and of a sweeping nature. It would be expected that the property market (and redevelopment activity) would undergo a period of transition but would then adjust to the new set of arrangements whilst continuing to function efficiently. During the transition, if necessary, the Government may choose to use its powers under Sections 175-177 of the Regulation to partially or wholly waive the CUC.

It is recognised that in some cases, for example, the amalgamation of blocks in inner suburbs for multiple unit redevelopment, the adoption of the proposed codification system will result in higher lease variation charges being applicable than in the case of the (small) fixed fees applicable for such redevelopments in recent years. However, they will more accurately reflect the true increase in the market value of land as a result of the change of use of the land.

## 6.8 Review/Appeals Processes

A number of submissions identified the need for a mechanism to review values assigned to different types of development, including an appeals process. This Report has proposed a review committee to annually review the codification schedules prior to their updating. The establishment and role of this committee has been supported by both the Regional Manager of the AVO and the President of the ACT Division of the API. It is for Government to agree to any review panel, and its membership.

For the determination of CUCs which are not fixed or are not covered by the codification schedules, and which require the determination of ‘before’ and ‘after’ land values, the Report recognises that the current mediation and appeals process through the ACAT could be applied. As the ACAT panel does not have a member with real property valuation expertise, this has resulted in an alternative mediation/appeals process being developed.

As the report indicates this process will involve the API appointing an independent expert to mediate on disputed determinations based on ‘before’ and ‘after’ values. Following this process either party would have the option to appeal the resulting decision to the ACAT. This alternative appeals mechanism is supported by the API. The amended appeals mechanism will be among the consultants final recommendations.



## 6.9 Other Issues

One submission suggested that codification schedules need to reflect the value of the bundle of development rights without the value of land ownership. The bundle of development rights and the value of the land are not mutually exclusive; the value of land reflects the impact of the bundle of rights. As has been identified in this report, and is reflected in the codification schedules, the same bundle of rights attached to blocks in different suburbs will have a different impact on what developers are prepared to pay for land.

There was a proposal in one submission that the 'change of use' name attached to the charge for the lease variation is a misnomer; as is the case when the charge is related to expanding the current use, not changing the use. The report has recognised this and proposed a change of name to a 'lease variation charge (LVC)' to more correctly reflect reality.

When discussing codified values, one submission stated:

'The Government will conceptually need to give something in return for what is hoped to be a simpler and more transparent system. For example, if when setting/reviewing coded values the market evidence suggests a range of possible values in a particular Zone, then the adopted value will need to be at a point of that range that ensures the value is relevant .....

This point has been recognised in the Report in Section 4.6 when discussing rates of remission. It recognises that a codified value is a value based on the market value of land, averaged over three years, and in any one location there will be a distribution of values (in that location) around the land value index derived for that location. It has been proposed that this would be accounted for by giving a remission on the percentage of the relevant codified charge (currently 50 per cent in the case of the CUC, but to return to 25 per cent from 1 July 2010).

One of the submissions included a case study of a recent residential redevelopment in Forrest (the codified fees used in their examples were significantly different to those appearing in the relevant schedules in this Report). A copy of the submissions received can be found at <http://www.treasury.act.gov.au/about/publications.shtml>.

### Example 1

Example 1 contains an example from the submission of a developers' profit from undertaking a triple occupancy redevelopment in Forrest.

While the submission claims that codification will impact solely on the developers' profits, there are a number of ways the increased cost from codification could be passed on. These include sharing the costs between:

- the property owner (through a reduced price paid for the property);
- the developer (through a reduced profit and risk ratio);



- the end user (through paying a higher price for the property); and
- some combination of the above.

Table 6 below indicates the costs and profits to a developer from undertaking a residential redevelopment in Forrest (triple occupancy) and how they may vary depending on the actual transmission mechanism (whether via land value, sales price or profit margin). In that table we show the situation where 100 per cent of the adjustment occurs through changes to Land Values (Column 4), Sales Price (Column 5) and Profit Margins (Column 6).

Essentially, the submission argues that all the increase in CUC would impact on profits, and that there would be no ability to pass on this cost. However, any increase in CUC could be distributed between the developers' profit, the purchase price paid for the property to be redeveloped, or through the determination of the final design/construction costs of town houses and the resulting prices paid for them.

**Table 6: Example: Triple Occupancy Development in Forrest**

	Current Arrangements	Submission View of the Impact*	Codification 100% Impact on Land Values	Codification 100% Impact on Sales Price	Codification 100% Impact on Profit Margins
Sale Price of property (3 units)	\$4,575,000	\$4,575,000	\$4,575,000	\$4,749,375	\$4,575,000
Development and Constructions costs	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000
Other costs (selling, holding land, GST)	\$628,054	\$628,054	\$628,054	\$628,054	\$628,054
Stamp duty, rates	\$99,750	\$99,750	\$99,750	\$99,750	\$99,750
Change of Use Charge	\$5,625	\$325,000	\$180,000	\$180,000	\$180,000
Developers Profit (\$)	\$544,891	\$217,784	\$544,891	\$544,891	<b>\$370,516</b>
Developers Profit	<b>12%</b>	<b>5%</b>	<b>12%</b>	<b>12%</b>	<b>8%</b>
<b>Residual land value</b>	\$1,596,680	\$1,604,412	<b>\$1,422,305</b>	\$1,604,412	\$1,604,412

**Source:** Figures (construction, other costs, rates, etc.) cited in this table draw upon the relevant CUC submission.

\* The data in this column was drawn directly from the submission and presents a view of the project financials based on an inflated CUC charge of \$325,000. The actual LVC under the proposed system for this development would be \$180,000 as is presented in Columns 4 to 6 in the table above.



### Example 2

Example 2 contains an example of a dual occupancy in Higgins. Under the current system, a fixed fee of \$3,750 would be paid. The example provided in the submission assumes that under a codification system the CUC payable would be \$93,750. This is incorrect. Using the codification schedules included in this Report, it can be seen that the lease variation charge payable (assuming a remission of 25 per cent for comparative purposes) would be \$33,750 (75 per cent of \$45,000).

This LVC is based on the increase in the market value of land, averaged over three years and more accurately reflects reality than does the fixed fee of \$3,750. The claim in the submission is that 'development would not occur and force buyers to Greenfield's suburb.' It is not clear that this would occur, particularly when the costs associated with buying and selling, together with the outcomes resulting from both dwelling scenarios, are taken into account.

### Example 3

Example 3 contains an example of a multi residential unit development in Dickson, from 2 to 8 townhouses. Under the existing system the CUC payable is \$11,250 or \$1,875 each (75 per cent of \$2,500). This fixed fee does not reflect the true increase in the land value as a result of increasing the number of dwellings from 2 to 8.

Using the codification schedules contained in this report, an LVC for each of the 6 additional units of \$41,250 per unit (75 per cent of \$55,000) would be applicable.

The three examples have all used scenarios where, under the current system, a fixed fee dual occupancy or townhouse development has been adopted, irrespective of the location of the development. These figures do not accurately represent the additional benefits attributed to the leaseholder from a change in lease conditions. These fees treat all residential development in a similar manner and do not take into account the location of redevelopment in the ACT.

## 6.10 Conclusion

The final form of the codification system proposed in this Report has resulted from significant constructive inputs from stakeholders in the property industry. The approach will benefit from ongoing involvement and input from the industry, through its professional organisations, and individuals, during the consultation process following the release of this Draft Report, in the development and operation of a mediation/appeals process (through the API) and the creation of a committee to review and advise on the annual setting/updating of the codification schedules.



## 7 Public Consultation on Codification Schedules

The following section outlines the process for public consultation including the process for providing feedback on the proposed system.

### 7.1 The Public Consultation Process

The ACT community is encouraged to provide input into the development of the codification model for the CUC.

The Government has also commenced a formal six week consultation process commencing with the release of this Draft Report.

The release of the Draft Report follows the release of the Discussion Paper: A Codification Framework for the Change of Use Charge, which was issued on 20 November 2009 and called for written submissions from the general public. All of this material can all be found on the Treasury website at <http://www.treasury.act.gov.au/about/publications.shtml>.

### 7.2 Industry Briefings and Roundtable Discussions

The Government will address industry concerns and queries regarding codification through a roundtable discussion.

The consultants (**Macroeconomics** and the AVO) and government officials will provide briefings to industry and answer technical questions regarding the schedules.

The ACT Government has written to all industry participants who lodged submissions inviting them to participate in these forums.

Submissions are due by COB, Wednesday, **31 March 2010** and can be provided to:

The Secretariat  
Change of Use Charge Codification Project  
Policy Coordination and Development Division  
Department of Treasury  
GPO Box 158  
Canberra ACT 2601

Or:

[changeofuse@act.gov.au](mailto:changeofuse@act.gov.au).



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## Attachment 1: Legislation Relating to the Current CUC System

Following the Planning System Reform Project, new legislation governing planning and development in the ACT was enacted through the *Planning and Development Act 2007* (the Act) and the associated *Planning and Development Regulation 2008* (the Regulation). The current CUC system is controlled by this legislation, through Part 9.6 of the Act relating to lease variations, including the variation of nominal rent leases, and Part 5.5 of the Regulation relating to CUCs.

Appeals relating to decisions made with regard to the CUC system may be made to the ACT Civil and Administrative Tribunal (ACAT) in accordance with Sections 408 and 409 of the Act, with requests for reviewable decision notices being prescribed under the *ACT Civil and Administrative Tribunal Act 2008*.

### Part 9.6 of the Act

Part 9.6 of the Act relates to Lease variations.

The first section of Division 9.6.3 (section 276(1)) states that the planning and land authority must not execute a variation of a nominal rent lease unless the lessee has paid the Territory any CUC worked out by the authority, less any remission under section 278, plus any increase under section 279. A variation of a lease has no effect if the CUC payable under section 276(1) for the variation is not paid (section 276(2)), while section 276(3) states that this section does not apply to a variation of a nominal rent lease if the only effect of the variation would be to alter the common boundary between two or more adjoining leases and the land comprised in each adjoining lease is leased for the same purpose and none of the adjoining leases is a rural lease.

Section 277 relates to the calculation of the CUC. Section 272(1) states that the planning and land authority works out the change of use charge for a variation of a lease as follows:

$$\text{CUC} = (V_1 - V_2) \times 75\% \text{ where;}$$

*CUC* means the change of use charge payable for the variation of the lease.

$V_1$ —

- (a) for a variation other than a consolidation or subdivision, means the capital sum that the lease might be expected to realise if—
  - (i) the lease were varied as proposed; and



- (ii) the lease were genuinely offered for sale immediately after the variation on the reasonable terms and conditions that a genuine seller would require; and
  - (iii) the rent payable throughout the term of the lease or, for a variation that involves the surrender of a lease and issue of a new lease, the new lease, were a nominal rent; or
- (b) for a variation that is a consolidation or subdivision, means the capital sum that the new lease or leases to be granted under the consolidation or subdivision might be expected to realise if—
- (i) the consolidation or subdivision were to take place as proposed; and
  - (ii) the new lease or leases were genuinely offered for sale immediately after the variation on the reasonable terms and conditions that a genuine seller would require; and
  - (iii) the rent payable throughout the term of the new lease or leases were a nominal rent.

V<sub>2</sub>—

- (a) for a variation other than a consolidation or subdivision, means the capital sum that the lease might be expected to realise if—
- (i) the lease were not varied during the remainder of its term; and
  - (ii) the lease were genuinely offered for sale immediately before the variation on the reasonable terms and conditions that a genuine seller would require; and
  - (iii) the rent payable throughout the term of the lease, or lease to be surrendered, were a nominal rent; or
- (b) for a variation that is a consolidation or subdivision, means the capital sum that the lease or leases to be surrendered under the consolidation or subdivision might be expected to realise if—
- (i) no consolidation or subdivision were to take place during the remainder of the term of the surrendered lease or leases; and
  - (ii) the lease or leases were genuinely offered for sale immediately before the consolidation or subdivision on the reasonable terms and conditions that a genuine seller would require; and
  - (iii) the rent payable throughout the term of the lease or leases to be surrendered were a nominal rent.



If the capital value assessed as  $V_1$  is equal to or less than the capital value assessed as  $V_2$ , no change of use charge is payable (Section 277(3)).

Section 278(1) relates to the requirement that the planning and land authority must remit all or part of a CUC for a variation of a lease under section 276 as prescribed by regulation, with a regulation being able to prescribe the amount to be remitted (section 278(2)). Section 279(1) states that the planning and land authority must increase a CUC for a variation of a lease under section 276 as prescribed by regulation and that a regulation must prescribe this amount (section 279(2)).

### Part 5.5 of the Regulation

Section 170(1) defines **added value** as the difference between  $V_1$  and  $V_2$ , i.e.  $V_1 - V_2$ .

Division 5.5.2 relates to remission of CUCs.

Section 175 (Act section 278(1) and (2)) concerns remission of CUCs generally and states that:

- (1) The planning and land authority must remit all or part of a CUC for a variation of a lease:
  - (a) if the variation of the lease is necessary and desirable to—
    - (i) promote development in an area; or
    - (ii) change the purposes for which land or buildings, or parts of land or buildings, in an area may be used; or
    - (iii) promote the construction of well designed or constructed housing; or
    - (iv) promote the construction of attached houses, apartments or 2 or more detached houses on a single lease; or
    - (v) promote the construction of housing that is suitable for frail or disabled people; or
    - (vi) provide land for the exclusive use of a community organisation; or
    - (vii) assist occupiers of premises affected by the *Smoking (Prohibition in Enclosed Public Places) Act 2003*, part 2 (Smoking prohibited in enclosed public places) to provide additional facilities at the premises;
  - (b) in a circumstance, or for a period, stated in a policy direction.
- (2) The amount of the change of use charge to be remitted is—



- (a) if a policy direction applies to the variation—the amount worked out in accordance with the policy direction; or
  - (b) in any other case—the amount (if any) that the planning and land authority decides is appropriate in the circumstances.
- (3) Subsection (1) (a) (vii) applies only if the application for a variation of the lease is made before **1 December 2009**.
- (4) In this section:
- policy direction*** means a policy direction under section 177.
- (5) Subsection (1) (a) (vii), subsection (3) and this subsection expire on **1 December 2010**.

With respect to the remission of CUCs for the housing commissioner (Act section 278(1) and (2)), section 176 states that the amount of the CUC charge to be remitted for the variation of a lease granted to the housing commissioner for a term beginning before 17 December 1987 is an amount equal to 25 per cent of the added value for the variation. Section 177 allows the Minister to make a policy direction which allows for a remission of CUCs (Act section 278(1) and (2)), in a circumstance, or for a period, stated in the policy direction. Section 177(2) states that a policy direction is a disallowable instrument.

Division 5.5.3 relates to increasing the CUC. Section 180(1) defines the meaning of a recently commenced lease in relation to the variation of a lease as:

- (a) a lease that commenced not more than 5 years before the application for the variation is made; or
- (b) a further lease granted under the Act, section 254 following the surrender of a lease that commenced not more than 5 years before the application for the variation is made; or
- (c) a lease regranted following the surrender of a lease if—
  - (i) the regranted lease includes all or part of the land comprised in the surrendered lease and is not in an area identified in the territory plan as a future urban area; and
  - (ii) the surrendered lease commenced not more than 5 years before the application for the variation is made; or
- (d) a market value lease granted following the surrender of a concessional lease if—
  - (i) the market value lease is granted to the same lessee as the surrendered lease; and



- (ii) the surrendered lease commenced not more than 5 years before the application for the variation is made; or
  - (e) a lease granted following the surrender of two or more leases of the same size if any of the leases commenced not more than 5 years before the application for the variation is made; or
  - (f) a lease granted following the surrender of two or more leases of at least 2 different sizes if the largest lease commenced not more than 5 years before the application for the variation is made.
- (2) In this section:

**largest lease**, of the surrendered leases, means the lease, or any of the leases, with the largest area.

**regrant**, of a surrendered lease, means the grant of a new lease, subject to different provisions, to the same lessee as the surrendered lease.

Section 181 concerns increases in the CUC for concessional leases (section 279(1) and (2) of the Act).

- (1) The variation of a concessional lease is prescribed if—
- (a) the variation is for a use other than a community use; or  
*Note Community use*—see the Territory Plan (13 Definitions).
  - (b) the lease was not granted to the housing commissioner for a term beginning before **17 December 1987**; or
  - (c) if the lease as varied is a consolidated or subdivided concessional lease—
    - (i) the lease is a recently commenced lease; and
    - (ii) the amount payable under section 182 in relation to the variation is less than the amount payable under this section for the variation.
- (2) The CUC for the variation must be increased by an amount equal to 25 per cent of the added value for the variation.
- (3) In this section:
- consolidated or subdivided concessional lease**—see the Act, section 235 (3).

Section 182 increases of CUC for recently commenced leases—(Act, section 279 (1) and (2)). Section 182 relates to increases of CUC for recently commenced leases



(Act section 279(1) and (2)) and states that the variation of a recently commenced lease is prescribed if—

- (1) The variation of a recently commenced lease is prescribed if —
  - (a) the variation is not only to correct an error in the surrendered lease; or
  - (b) the lease is a concessional lease and the amount payable under section 181 in relation to the variation is less than the amount payable under this section for the variation.

*Note Concessional lease*—see the Act, section 235.

- (2) The CUC for the variation must be increased by an amount equal to 25 per cent of the added value for the variation.



## Attachment 2: Codification Schedules

The codification schedules presented below have been prepared by the AVO. Each schedule has been determined from a three year average of the market value of land, in particular land use zones, in particular suburbs, as at **31 March 2007, 2008 and 2009**. For the proposed introduction of the new system from 1 July 2010, these values will be updated to reflect land market values as at **31 March 2010**.

### SCHEDULE 1: RESIDENTIAL CODIFICATIONS

Schedule 1 contains the relevant codified fees (in dollars per unit) relating to residential developments. This schedule is sectioned into three categories of suburbs:

- Category A – Inner suburbs
- Category B – Mid location suburbs
- Category C – Outer location suburbs

Blocks are grouped into different localities (A, B, C) within each suburb. An applicant wishing to develop a particular block will consult the **ACTmap-i** (located at <http://www.actmapi.act.gov.au>) and determine its locality (by block reference and section number). It is then straightforward to refer to the appropriate entry in Schedule 1 to determine the codified fee. This fee represents the added value from the variation of a lease. A percentage of the value (50 per cent until 30 June 2010 but 75 per cent from 1 July 2010) will represent the CUC payable.

**SCHEDULE 1: CATEGORY A – INNER SUBURBS**

Description	Locality A	Locality B	Locality C
<b>Suburb: Barton</b>			
Dual Occupancy	\$130,000		
3 Units	\$80,000		
4 Units	\$75,000		
5-10 Units	\$70,000		
11-20 Units	\$65,000		
21-40 Units	\$60,000		
41-100 Units	\$55,000		
>100 Units	\$50,000		
<b>Suburb: Braddon</b>			
Dual Occupancy	\$100,000		
3 Units	\$80,000		
4 Units	\$75,000		
5-10 Units	\$70,000		
11-20 Units	\$65,000		
21-40 Units	\$60,000		
41-100 Units	\$55,000		
>100 Units	\$50,000		
<b>Suburb: Deakin</b>			
Dual Occupancy	\$130,000	\$150,000	
3 Units	\$80,000	\$92,000	
4 Units	\$75,000	\$86,000	
5-10 Units	\$70,000	\$80,000	
11-20 Units	\$65,000	\$75,000	
21-40 Units	\$60,000	\$69,000	
41-100 Units	\$55,000	\$63,000	
>100 Units	\$50,000	\$58,000	
<b>Suburb: Forrest</b>			
Dual Occupancy	\$180,000		
3 Units	\$80,000		
4 Units	\$75,000		
5-10 Units	\$70,000		
11-20 Units	\$65,000		
21-40 Units	\$60,000		
41-100 Units	\$55,000		
>100 Units	\$50,000		
<b>Suburb: Griffith</b>			
Dual Occupancy	\$150,000	\$140,000	\$110,000
3 Units	\$80,000	\$75,000	\$62,000
4 Units	\$75,000	\$71,000	\$59,000



Description	Locality A	Locality B	Locality C
5-10 Units	\$70,000	\$66,000	\$55,000
11-20 Units	\$65,000	\$61,000	\$51,000
21-40 Units	\$60,000	\$57,000	\$48,000
41-100 Units	\$55,000	\$52,000	\$43,000
>100 Units	\$50,000	\$47,000	\$39,000
<b>Suburb: Kingston</b>			
Dual Occupancy	\$110,000		
3 Units	\$80,000		
4 Units	\$75,000		
5-10 Units	\$70,000		
11-20 Units	\$65,000		
21-40 Units	\$60,000		
41-100 Units	\$55,000		
>100 Units	\$50,000		
<b>Suburb: Red Hill</b>			
Dual Occupancy	\$110,000	\$130,000	\$160,000
3 Units	\$80,000	\$92,000	\$119,000
4 Units	\$75,000	\$87,000	\$113,000
5-10 Units	\$70,000	\$81,000	\$105,000
11-20 Units	\$65,000	\$75,000	\$97,000
21-40 Units	\$60,000	\$69,000	\$90,000
41-100 Units	\$55,000	\$64,000	\$83,000
>100 Units	\$50,000	\$58,000	\$75,000
<b>Suburb: Reid</b>			
Dual Occupancy	\$110,000	\$100,000	
3 Units	\$80,000	\$75,000	
4 Units	\$75,000	\$71,000	
5-10 Units	\$70,000	\$66,000	
11-20 Units	\$65,000	\$61,000	
21-40 Units	\$60,000	\$57,000	
41-100 Units	\$55,000	\$52,000	
>100 Units	\$50,000	\$47,000	
<b>Suburb: Turner</b>			
Dual Occupancy	\$110,000		
3 Units	\$80,000		
4 Units	\$75,000		
5-10 Units	\$70,000		
11-20 Units	\$65,000		
21-40 Units	\$60,000		
41-100 Units	\$55,000		
>100 Units	\$50,000		



Description	Locality A	Locality B	Locality C
<b>Suburb: Yarralumla</b>			
Dual Occupancy	\$120,000	\$160,000	
3 Units	\$80,000	\$99,000	
4 Units	\$75,000	\$93,000	
5-10 Units	\$70,000	\$87,000	
11-20 Units	\$65,000	\$81,000	
21-40 Units	\$60,000	\$74,000	
41-100 Units	\$55,000	\$68,000	
>100 Units	\$50,000	\$62,000	

**SCHEDULE 1: CATEGORY B – MID LOCALITY SUBURBS**

Description	Locality A	Locality B	Locality C
<b>Suburb: Ainslie</b>			
Dual Occupancy	\$100,000	\$110,000	\$110,000
3 Units	\$65,000	\$73,000	\$76,000
4 Units	\$60,000	\$67,000	\$70,000
5-10 Units	\$55,000	\$62,000	\$65,000
11-20 Units	\$50,000	\$56,000	\$58,000
21-40 Units	\$45,000	\$50,000	\$52,000
41-100 Units	\$40,000	\$45,000	\$47,000
>100 Units	\$35,000	\$39,000	\$41,000
<b>Suburb: Bruce</b>			
Dual Occupancy	\$80,000		
3 Units	\$65,000		
4 Units	\$60,000		
5-10 Units	\$55,000		
11-20 Units	\$50,000		
21-40 Units	\$45,000		
41-100 Units	\$40,000		
>100 Units	\$35,000		
<b>Suburb: Campbell</b>			
Dual Occupancy	\$90,000	\$90,000	\$120,000
3 Units	\$65,000	\$69,000	\$85,000
4 Units	\$60,000	\$64,000	\$79,000
5-10 Units	\$55,000	\$59,000	\$73,000
11-20 Units	\$50,000	\$53,000	\$65,000
21-40 Units	\$45,000	\$48,000	\$59,000
41-100 Units	\$40,000	\$43,000	\$53,000
>100 Units	\$35,000	\$38,000	\$47,000
<b>Suburb: Chifley</b>			
Dual Occupancy	\$60,000	\$60,000	
3 Units	\$65,000	\$67,000	
4 Units	\$60,000	\$62,000	
5-10 Units	\$55,000	\$57,000	
11-20 Units	\$50,000	\$52,000	
21-40 Units	\$45,000	\$47,000	
41-100 Units	\$40,000	\$42,000	
>100 Units	\$35,000	\$36,000	
<b>Suburb: Curtin</b>			
Dual Occupancy	\$70,000	\$100,000	
3 Units	\$65,000	\$83,000	
4 Units	\$60,000	\$76,000	



Description	Locality A	Locality B	Locality C
5-10 Units	\$55,000	\$70,000	
11-20 Units	\$50,000	\$64,000	
21-40 Units	\$45,000	\$57,000	
41-100 Units	\$40,000	\$51,000	
>100 Units	\$35,000	\$45,000	
<b>Suburb: Dickson</b>			
Dual Occupancy	\$60,000		
3 Units	\$65,000		
4 Units	\$60,000		
5-10 Units	\$55,000		
11-20 Units	\$50,000		
21-40 Units	\$45,000		
41-100 Units	\$40,000		
>100 Units	\$35,000		
<b>Suburb: Downer</b>			
Dual Occupancy	\$50,000		
3 Units	\$65,000		
4 Units	\$60,000		
5-10 Units	\$55,000		
11-20 Units	\$50,000		
21-40 Units	\$45,000		
41-100 Units	\$40,000		
>100 Units	\$35,000		
<b>Suburb: Farrer</b>			
Dual Occupancy	\$60,000	\$120,000	
3 Units	\$65,000	\$114,000	
4 Units	\$60,000	\$105,000	
5-10 Units	\$55,000	\$96,000	
11-20 Units	\$50,000	\$88,000	
21-40 Units	\$45,000	\$79,000	
41-100 Units	\$40,000	\$70,000	
>100 Units	\$35,000	\$62,000	
<b>Suburb: Garran</b>			
Dual Occupancy	\$80,000	\$120,000	
3 Units	\$65,000	\$98,000	
4 Units	\$60,000	\$90,000	
5-10 Units	\$55,000	\$83,000	
11-20 Units	\$50,000	\$75,000	
21-40 Units	\$45,000	\$68,000	
41-100 Units	\$40,000	\$60,000	
>100 Units	\$35,000	\$53,000	



Description	Locality A	Locality B	Locality C
<b>Suburb: Greenway</b>			
Dual Occupancy	\$60,000		
3 Units	\$65,000		
4 Units	\$60,000		
5-10 Units	\$55,000		
11-20 Units	\$50,000		
21-40 Units	\$45,000		
41-100 Units	\$40,000		
>100 Units	\$35,000		
<b>Suburb: Hackett</b>			
Dual Occupancy	\$50,000	\$90,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: Hughes</b>			
Dual Occupancy	\$80,000	\$70,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: Isaacs</b>			
Dual Occupancy	\$90,000	\$100,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: Lyneham</b>			
Dual Occupancy	\$90,000	\$100,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	



Description	Locality A	Locality B	Locality C
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: Lyons</b>			
Dual Occupancy	\$70,000	\$70,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: Mawson</b>			
Dual Occupancy	\$70,000	\$70,000	
3 Units	\$65,000	\$78,000	
4 Units	\$60,000	\$72,000	
5-10 Units	\$55,000	\$66,000	
11-20 Units	\$50,000	\$60,000	
21-40 Units	\$45,000	\$54,000	
41-100 Units	\$40,000	\$48,000	
>100 Units	\$35,000	\$42,000	
<b>Suburb: Narrabundah</b>			
Dual Occupancy	\$100,000	\$70,000	\$70,000
3 Units	\$65,000	\$73,000	\$76,000
4 Units	\$60,000	\$67,000	\$70,000
5-10 Units	\$55,000	\$62,000	\$65,000
11-20 Units	\$50,000	\$56,000	\$58,000
21-40 Units	\$45,000	\$50,000	\$52,000
41-100 Units	\$40,000	\$45,000	\$47,000
>100 Units	\$35,000	\$39,000	\$41,000
<b>Suburb: O'Connor</b>			
Dual Occupancy	\$100,000	\$90,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: O'Malley</b>			



Description	Locality A	Locality B	Locality C
Dual Occupancy	\$130,000	\$120,000	\$120,000
3 Units	\$65,000	\$73,000	\$76,000
4 Units	\$60,000	\$67,000	\$70,000
5-10 Units	\$55,000	\$62,000	\$65,000
11-20 Units	\$50,000	\$56,000	\$58,000
21-40 Units	\$45,000	\$50,000	\$52,000
41-100 Units	\$40,000	\$45,000	\$47,000
>100 Units	\$35,000	\$39,000	\$41,000
<b>Suburb: Pearce</b>			
Dual Occupancy	\$70,000	\$110,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	
<b>Suburb: Phillip</b>			
Dual Occupancy	\$90,000		
3 Units	\$65,000		
4 Units	\$60,000		
5-10 Units	\$55,000		
11-20 Units	\$50,000		
21-40 Units	\$45,000		
41-100 Units	\$40,000		
>100 Units	\$35,000		
<b>Suburb: Torrens</b>			
Dual Occupancy	\$60,000	\$70,000	\$110,000
3 Units	\$65,000	\$73,000	\$76,000
4 Units	\$60,000	\$67,000	\$70,000
5-10 Units	\$55,000	\$62,000	\$65,000
11-20 Units	\$50,000	\$56,000	\$58,000
21-40 Units	\$45,000	\$50,000	\$52,000
41-100 Units	\$40,000	\$45,000	\$47,000
>100 Units	\$35,000	\$39,000	\$41,000
<b>Suburb: Watson</b>			
Dual Occupancy	\$50,000	\$50,000	
3 Units	\$65,000	\$73,000	
4 Units	\$60,000	\$67,000	
5-10 Units	\$55,000	\$62,000	
11-20 Units	\$50,000	\$56,000	



Description	Locality A	Locality B	Locality C
21-40 Units	\$45,000	\$50,000	
41-100 Units	\$40,000	\$45,000	
>100 Units	\$35,000	\$39,000	

**SCHEDULE 1: CATEGORY C – OUTER SUBURBS**

Description	Locality A	Locality B	Locality C
<b>Suburb: Amaroo</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Aranda</b>			
Dual Occupancy	\$60,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Banks</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$64,000	
4 Units	\$45,000	\$58,000	
5-10 Units	\$40,000	\$51,000	
11-20 Units	\$35,000	\$45,000	
21-40 Units	\$32,000	\$41,000	
41-100 Units	\$30,000	\$39,000	
>100 Units	\$25,000	\$32,000	
<b>Suburb: Bonner</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Bonython</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		



Description	Locality A	Locality B	Locality C
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Casey</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Calwell</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$56,000	
4 Units	\$45,000	\$51,000	
5-10 Units	\$40,000	\$45,000	
11-20 Units	\$35,000	\$40,000	
21-40 Units	\$32,000	\$36,000	
41-100 Units	\$30,000	\$34,000	
>100 Units	\$25,000	\$28,000	
<b>Suburb: Charnwood</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Chapman</b>			
Dual Occupancy	\$50,000	\$60,000	\$90,000
3 Units	\$50,000	\$61,000	\$82,000
4 Units	\$45,000	\$55,000	\$74,000
5-10 Units	\$40,000	\$49,000	\$66,000
11-20 Units	\$35,000	\$43,000	\$58,000
21-40 Units	\$32,000	\$39,000	\$52,000
41-100 Units	\$30,000	\$37,000	\$50,000
>100 Units	\$25,000	\$31,000	\$42,000



Description	Locality A	Locality B	Locality C
<b>Suburb: Chisholm</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Condor</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$56,000	
4 Units	\$45,000	\$51,000	
5-10 Units	\$40,000	\$45,000	
11-20 Units	\$35,000	\$40,000	
21-40 Units	\$32,000	\$36,000	
41-100 Units	\$30,000	\$34,000	
>100 Units	\$25,000	\$28,000	
<b>Suburb: Cook</b>			
Dual Occupancy	\$50,000	\$45,000	
3 Units	\$50,000	\$39,000	
4 Units	\$45,000	\$35,000	
5-10 Units	\$40,000	\$31,000	
11-20 Units	\$35,000	\$27,000	
21-40 Units	\$32,000	\$25,000	
41-100 Units	\$30,000	\$23,000	
>100 Units	\$25,000	\$20,000	
<b>Suburb: Dunlop</b>			
Dual Occupancy	\$45,000	\$50,000	
3 Units	\$50,000	\$57,000	
4 Units	\$45,000	\$51,000	
5-10 Units	\$40,000	\$46,000	
11-20 Units	\$35,000	\$40,000	
21-40 Units	\$32,000	\$37,000	
41-100 Units	\$30,000	\$34,000	
>100 Units	\$25,000	\$29,000	
<b>Suburb: Duffy</b>			
Dual Occupancy	\$50,000	\$70,000	\$90,000
3 Units	\$50,000	\$66,000	\$82,000
4 Units	\$45,000	\$60,000	\$75,000
5-10 Units	\$40,000	\$53,000	\$66,000



Description	Locality A	Locality B	Locality C
11-20 Units	\$35,000	\$46,000	\$57,000
21-40 Units	\$32,000	\$42,000	\$52,000
41-100 Units	\$30,000	\$40,000	\$50,000
>100 Units	\$25,000	\$33,000	\$41,000
<b>Suburb: Evatt</b>			
Dual Occupancy	\$45,000	\$50,000	
3 Units	\$50,000	\$64,000	
4 Units	\$45,000	\$58,000	
5-10 Units	\$40,000	\$51,000	
11-20 Units	\$35,000	\$45,000	
21-40 Units	\$32,000	\$41,000	
41-100 Units	\$30,000	\$39,000	
>100 Units	\$25,000	\$32,000	
<b>Suburb: Fadden</b>			
Dual Occupancy	\$45,000	\$50,000	
3 Units	\$50,000	\$56,000	
4 Units	\$45,000	\$50,000	
5-10 Units	\$40,000	\$45,000	
11-20 Units	\$35,000	\$39,000	
21-40 Units	\$32,000	\$36,000	
41-100 Units	\$30,000	\$34,000	
>100 Units	\$25,000	\$28,000	
<b>Suburb: Forde</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Franklin</b>			
Dual Occupancy	\$50,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Fisher</b>			



Description	Locality A	Locality B	Locality C
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Florey</b>			
Dual Occupancy	\$50,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Flynn</b>			
Dual Occupancy	\$45,000	\$50,000	
3 Units	\$50,000	\$58,000	
4 Units	\$45,000	\$52,000	
5-10 Units	\$40,000	\$47,000	
11-20 Units	\$35,000	\$41,000	
21-40 Units	\$32,000	\$37,000	
41-100 Units	\$30,000	\$35,000	
>100 Units	\$25,000	\$29,000	
<b>Suburb: Fraser</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Giralang</b>			
Dual Occupancy	\$45,000	\$50,000	
3 Units	\$50,000	\$58,000	
4 Units	\$45,000	\$52,000	
5-10 Units	\$40,000	\$47,000	
11-20 Units	\$35,000	\$41,000	



Description	Locality A	Locality B	Locality C
21-40 Units	\$32,000	\$37,000	
41-100 Units	\$30,000	\$35,000	
>100 Units	\$25,000	\$29,000	
<b>Suburb: Gilmore</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Gordon</b>			
Dual Occupancy	\$45,000	\$45,000	\$45,000
3 Units	\$50,000	\$56,000	\$47,000
4 Units	\$45,000	\$51,000	\$43,000
5-10 Units	\$40,000	\$45,000	\$38,000
11-20 Units	\$35,000	\$40,000	\$34,000
21-40 Units	\$32,000	\$36,000	\$30,000
41-100 Units	\$30,000	\$34,000	\$29,000
>100 Units	\$25,000	\$28,000	\$24,000
<b>Suburb: Gowrie</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Gungahlin</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Hall</b>			
Dual Occupancy	\$90,000		



Description	Locality A	Locality B	Locality C
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Harrison</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Hawker</b>			
Dual Occupancy	\$60,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Higgins</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Holder</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		



Description	Locality A	Locality B	Locality C
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Holt</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Isabella Plains</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Kambah</b>			
Dual Occupancy	\$45,000	\$45,000	\$60,000
3 Units	\$50,000	\$54,000	\$70,000
4 Units	\$45,000	\$49,000	\$63,000
5-10 Units	\$40,000	\$44,000	\$57,000
11-20 Units	\$35,000	\$38,000	\$49,000
21-40 Units	\$32,000	\$35,000	\$45,000
41-100 Units	\$30,000	\$33,000	\$43,000
>100 Units	\$25,000	\$27,000	\$35,000
<b>Suburb: Kaleen</b>			
Dual Occupancy	\$50,000	\$45,000	
3 Units	\$50,000	\$47,000	
4 Units	\$45,000	\$43,000	
5-10 Units	\$40,000	\$38,000	
11-20 Units	\$35,000	\$33,000	
21-40 Units	\$32,000	\$30,000	
41-100 Units	\$30,000	\$29,000	
>100 Units	\$25,000	\$24,000	
<b>Suburb: Latham</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		



Description	Locality A	Locality B	Locality C
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Macarthur</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Macgregor</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$43,000	
4 Units	\$45,000	\$39,000	
5-10 Units	\$40,000	\$35,000	
11-20 Units	\$35,000	\$30,000	
21-40 Units	\$32,000	\$28,000	
41-100 Units	\$30,000	\$26,000	
>100 Units	\$25,000	\$22,000	
<b>Suburb: Macquarie</b>			
Dual Occupancy	\$60,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: McKellar</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		



Description	Locality A	Locality B	Locality C
>100 Units	\$25,000		
<b>Suburb: Melba</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$54,000	
4 Units	\$45,000	\$49,000	
5-10 Units	\$40,000	\$44,000	
11-20 Units	\$35,000	\$38,000	
21-40 Units	\$32,000	\$35,000	
41-100 Units	\$30,000	\$33,000	
>100 Units	\$25,000	\$27,000	
<b>Suburb: Monash</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Ngunnawal</b>			
Dual Occupancy	\$45,000	\$50,000	
3 Units	\$50,000	\$57,000	
4 Units	\$45,000	\$52,000	
5-10 Units	\$40,000	\$46,000	
11-20 Units	\$35,000	\$40,000	
21-40 Units	\$32,000	\$37,000	
41-100 Units	\$30,000	\$35,000	
>100 Units	\$25,000	\$29,000	
<b>Suburb: Nicholls</b>			
Dual Occupancy	\$50,000	\$60,000	
3 Units	\$50,000	\$58,000	
4 Units	\$45,000	\$52,000	
5-10 Units	\$40,000	\$46,000	
11-20 Units	\$35,000	\$41,000	
21-40 Units	\$32,000	\$37,000	
41-100 Units	\$30,000	\$35,000	
>100 Units	\$25,000	\$29,000	
<b>Suburb: Oaks Estate</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		



Description	Locality A	Locality B	Locality C
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Oxley</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Page</b>			
Dual Occupancy	\$50,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Palmerston</b>			
Dual Occupancy	\$50,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Richardson</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		



Description	Locality A	Locality B	Locality C
<b>Suburb: Rivett</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Scullin</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Spence</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Stirling</b>			
Dual Occupancy	\$50,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Tharwa</b>			
Dual Occupancy	\$50,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		



Description	Locality A	Locality B	Locality C
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Theodore</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$59,000	
4 Units	\$45,000	\$53,000	
5-10 Units	\$40,000	\$47,000	
11-20 Units	\$35,000	\$41,000	
21-40 Units	\$32,000	\$38,000	
41-100 Units	\$30,000	\$35,000	
>100 Units	\$25,000	\$30,000	
<b>Suburb: Wanniasa</b>			
Dual Occupancy	\$45,000	\$45,000	
3 Units	\$50,000	\$47,000	
4 Units	\$45,000	\$42,000	
5-10 Units	\$40,000	\$38,000	
11-20 Units	\$35,000	\$33,000	
21-40 Units	\$32,000	\$30,000	
41-100 Units	\$30,000	\$28,000	
>100 Units	\$25,000	\$24,000	
<b>Suburb: Waramanga</b>			
Dual Occupancy	\$45,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Weetangera</b>			
Dual Occupancy	\$60,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		
<b>Suburb: Weston</b>			



Description	Locality A	Locality B	Locality C
Dual Occupancy	\$60,000		
3 Units	\$50,000		
4 Units	\$45,000		
5-10 Units	\$40,000		
11-20 Units	\$35,000		
21-40 Units	\$32,000		
41-100 Units	\$30,000		
>100 Units	\$25,000		



## Summary of Commercial Interpretations

If a commercial property owner is seeking to vary a current Crown Lease or increase the allowable GFA of an existing Crown Lease they firstly need to correctly identify location of the property. The location through the use of the **ACTmap-i** zones will define the subject commercial centre and zone classification within a commercial centre. Once the correct centre and zone classification is identified the owner can refer to the codification tables. These zone classifications define the allowable usage and the values of varying usages within the codification tables for each type of centre. The codification tables reflect the values associated with the location and usage allowed within each zone of a centre. All commercial zones are structured to reflect the concept of a hierarchy of allowable usages with centres, which comprise the following City Centre, town centres, group centres and local centres.

The allowable usages of these commercial centres are defined in the Territory Plan as following:

### **CZ1 Core Zone**

This Zone is the main business core of higher commercial centres and is the primary location of shop, non-retail commercial uses, restaurants, commercial accommodation, and indoor entertainment facilities. Residential and community uses are also permissible, subject to design and siting to minimise incompatibility with primary uses.

### **CZ2 Business Zone**

This Zone is intended for more fringe commercial activities, primarily non-retail commercial uses, commercial accommodation, and some restaurants and indoor entertainment and recreation facilities.

### **CZ3 Services Zone**

This Zone is intended for fringe retailing, which includes bulky goods, light industry, services trades, services stations, restaurants and indoor entertainment and recreation facilities.

### **CZ4 Local Centre Zone**

This Zone is intended for local shops, non-retail commercial and community uses, service stations, and restaurants to service a local community uses.

### **CZ5 Mixed Use Zone**

This Zone provides for high-density residential users in highly accessible locations in conjunction with non-retail commercial uses, commercial accommodation and limited shops, restaurant and community uses.



## **CZ6 Leisure and Accommodation Zone**

This Zone provided for indoor entertainment and recreation facilities, clubs, drink establishments, restaurants and commercial accommodation. Limited shops, residential and non-retail commercial and community uses may also be included.

Three commercial schedules are presented in turn below. They are Schedule 2: Local Centres; Schedule 3 Town Centres (including City Centre); and Schedule 4 Commercial Centres.



## SCHEDULE 2: LOCAL CENTRES

Schedule 2 lists the Local Centres' codification schedule of values for the Commercial CZ4 zone based on average value of GFA per square metre for each suburb.

### SCHEDULE 2: LOCAL CENTRES

Zones	Description	Cost per GFA/m <sup>2</sup>
<b>Suburb: Ainslie</b>		
Commercial CZ4	Local Centre	\$1,100
<b>Suburb: Aranda</b>		
Commercial CZ4	Local Centre	\$385
<b>Suburb: Banks</b>		
Commercial CZ4	Local Centre	\$580
<b>Suburb: Bonner</b>		
Commercial CZ4	Local Centre	\$400
<b>Suburb: Bonython</b>		
Commercial CZ4	Local Centre	\$435
<b>Suburb: Campbell</b>		
Commercial CZ4	Local Centre	\$915
<b>Suburb: Chifley</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Cook</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Downer</b>		
Commercial CZ4	Local Centre	\$700
<b>Suburb: Duffy</b>		
Commercial CZ4	Local Centre	\$470
<b>Suburb: Dunlop</b>		
Commercial CZ4	Local Centre	\$400
<b>Suburb: Evatt</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Fadden</b>		
Commercial CZ4	Local Centre	\$485
<b>Suburb: Farrer</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Fisher</b>		
Commercial CZ4	Local Centre	\$400
<b>Suburb: Florey</b>		
Commercial CZ4	Local Centre	\$685
<b>Suburb: Forrest</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Fraser</b>		
Commercial CZ4	Local Centre	\$585



Zones	Description	Cost per GFA/m <sup>2</sup>
<b>Suburb: Garran</b>		
Commercial CZ4	Local Centre	\$785
<b>Suburb: Giralang</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Gordon</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Gowrie</b>		
Commercial CZ4	Local Centre	\$600
<b>Suburb: Hackett</b>		
Commercial CZ4	Local Centre	\$665
<b>Suburb: Hall</b>		
Commercial CZ4	Local Centre	\$600
<b>Suburb: Higgins</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Holder</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Hughes</b>		
Commercial CZ4	Local Centre	\$835
<b>Suburb: Issacs</b>		
Commercial CZ4	Local Centre	\$835
<b>Suburb: Isabella Plains</b>		
Commercial CZ4	Local Centre	\$600
<b>Suburb: Kaleen</b>		
Commercial CZ4	Local Centre	\$600
<b>Suburb: Latham</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Lyons</b>		
Commercial CZ4	Local Centre	\$1,165
<b>Suburb: MacGregor</b>		
Commercial CZ4	Local Centre	\$400
<b>Suburb: McKellar</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Melba</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Monash</b>		
Commercial CZ4	Local Centre	\$835
<b>Suburb: Narrabundah</b>		
Commercial CZ4	Local Centre	\$485
<b>Suburb: Ngunnawal</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Nicholls</b>		



Zones	Description	Cost per GFA/m <sup>2</sup>
Commercial CZ4	Local Centre	\$685
<b>Suburb: O'Connor</b>		
Commercial CZ4	Local Centre	\$1,200
<b>Suburb: Page</b>		
Commercial CZ4	Local Centre	\$485
<b>Suburb: Palmerston</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Pearce</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Red Hill</b>		
Commercial CZ4	Local Centre	\$685
<b>Suburb: Richardson</b>		
Commercial CZ4	Local Centre	\$435
<b>Suburb: Rivett</b>		
Commercial CZ4	Local Centre	\$470
<b>Suburb: Scullin</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Spence</b>		
Commercial CZ4	Local Centre	\$685
<b>Suburb: Tharwa</b>		
Commercial CZ4	Local Centre	\$300
<b>Suburb: Theodore</b>		
Commercial CZ4	Local Centre	\$685
<b>Suburb: Torrens</b>		
Commercial CZ4	Local Centre	\$585
<b>Suburb: Waramanga</b>		
Commercial CZ4	Local Centre	\$685
<b>Suburb: Watson</b>		
Commercial CZ4	Local Centre	\$1,100
<b>Suburb: Weetangera</b>		
Commercial CZ4	Local Centre	\$485
<b>Suburb: Yarralumla</b>		
Commercial CZ4	Local Centre	\$985



## SCHEDULE 3: TOWN CENTRES

Schedule 3 lists the Town Centres' codification schedule of values based on average value of GFA per square metre for each suburb.

### SCHEDULE 3: TOWN CENTRES

Zones	Description	Cost per GFA/m <sup>2</sup>
<b>Suburb: Braddon</b>		
Commercial CZ2	Town Centre-Business	\$1,935
Commercial CZ3	Town Centre Service Zone	\$1,565
Commercial CZ5	Mixed Use Area	\$1,735
<b>Suburb: Belconnen</b>		
Commercial CZ1	Town Centre -Retail Core	\$700
Commercial CZ2	<b>Town Centre -Business</b>	
Commercial CZ2	Less than 10,000m <sup>2</sup> GFA maximum	\$970
Commercial CZ2	10,000m <sup>2</sup> to 20,000m <sup>2</sup> GFA maximum	\$785
Commercial CZ2	20,000m <sup>2</sup> GFA maximum and above	\$585
Commercial CZ3	<b>Services Zone</b>	
Commercial CZ3	Less than 5,000m <sup>2</sup> GFA maximum	\$885
Commercial CZ3	5,000m <sup>2</sup> GFA maximum and above	\$735
<b>Suburb: City</b>		
Commercial CZ1	Retail Core a1	\$695
Commercial CZ1	Retail Core a2	\$1,270
Commercial CZ1	<b>Business Area b1</b>	
Commercial CZ1	Less than 10,000m <sup>2</sup> GFA maximum	\$1,070
Commercial CZ1	10,000m <sup>2</sup> to 20,000m <sup>2</sup> GFA maximum	\$775
Commercial CZ1	20,000m <sup>2</sup> GFA maximum and above	\$675
<b>Suburb: Greenway</b>		
Commercial CZ1	Town Centre Retail Core	\$885
Commercial CZ2	Town Centre Business	\$465
Commercial CZ3	Town Centre Service Zone	\$420
<b>Suburb: Gungahlin</b>		
Commercial CZ1	Town Centre -Retail Core	\$700
Commercial CZ2	Town Centre -Business	\$535
Commercial CZ3	Town Centre Service Zone	\$400
Commercial CZ5	Mixed Use Area	\$290
<b>Suburb: Oaks Estate</b>		
Commercial CZ5	Mixed Use Area	\$500
<b>Suburb: Philip</b>		
Commercial CZ1	Town Centre Retail Core	\$700
Commercial CZ2	Less than 10,000m <sup>2</sup> GFA maximum	\$970
Commercial CZ2	10,000m <sup>2</sup> to 20,000m <sup>2</sup> GFA maximum	\$685
Commercial CZ2	20,000m <sup>2</sup> GFA maximum and above	\$585



Zones	Description	Cost per GFA/m <sup>2</sup>
Commercial CZ3	Town Centre Service Zone	\$885



## SCHEDULE 4: COMMERCIAL PROPERTIES

Schedule 4 lists the Commercial Properties' codification schedule of values in relevant commercial zones for particular suburbs.

### SCHEDULE 4: COMMERCIAL PROPERTIES

Zones	Description	Cost per GFA/m <sup>2</sup>
<b>Suburb: Amaroo</b>		
Commercial CZ3	Group Centre-Service Zone	\$480
<b>Suburb: Bruce</b>		
Commercial CZ4	Local Centre	\$685
Commercial CZ5	Mixed Use Area	\$485
<b>Suburb: Calwell</b>		
Commercial CZ1	Group Centre-Core Zone	\$885
Commercial CZ3	Group Centre-Service Zone	\$625
Commercial CZ4	Local Centre	\$325
<b>Suburb: Casey</b>		
Commercial CZ4	Local Centre	
Commercial CZ5	Mixed Use Area	
<b>Suburb: Charnwood</b>		
Commercial CZ1	Group Centre-Core Zone	\$835
Commercial CZ2	Group Centre-Business	\$685
Commercial CZ3	Group Centre Service Zone	\$485
Commercial CZ4	Local Centre	\$585
<b>Suburb: Chisholm</b>		
Commercial CZ1	Group Centre-Core Zone	\$760
Commercial CZ3	Group Centre-Service Zone	\$635
Commercial CZ4	Local Centre	\$485
<b>Suburb: Conder</b>		
Commercial CZ1	Group Centre-Core Zone	\$935
Commercial CZ2	Group Centre-Business Zone	\$840
<b>Suburb: Curtin</b>		
Commercial CZ1	Group Centre-Retail Zone	\$885
Commercial CZ2	Business Zone	\$585
Commercial CZ3	Services Zone	\$685
Commercial CZ4	Local Centre	\$585
<b>Suburb: Deakin</b>		
Commercial CZ2	Group Centre-Business Zone	\$1,535
Commercial CZ4	Local Centre	\$850
Commercial CZ5	Mixed Use Area	\$600
<b>Suburb: Dickson</b>		
Commercial CZ5	<b>Mixed Use Area</b>	
Commercial CZ5	Less than 10,000m <sup>2</sup> GFA maximum	\$735



Zones	Description	Cost per GFA/m <sup>2</sup>
Commercial CZ5	10,000m <sup>2</sup> and 20,000m <sup>2</sup> GFA maximum	\$615
Commercial CZ5	20,000m <sup>2</sup> GFA maximum and above	\$515
<b>Suburb: Franklin</b>		
Commercial CZ4	Local Centre	\$600
Commercial CZ5	Mixed Use Area	\$300
<b>Suburb: Greenway</b>		
Commercial CZ1	Town Centre Retail Core	\$885
Commercial CZ2	Town Centre Business	\$465
Commercial CZ3	Town Centre Service Zone	\$420
<b>Suburb: Griffith</b>		
Commercial CZ1	Group Centre-Core Zone	\$2,435
Commercial CZ2	Group Centre-Business	\$1,470
<b>Suburb: Harrison</b>		
Commercial CZ4	Local Centre	\$600
Commercial CZ5	Mixed Use Area	\$300
<b>Suburb: Hawker</b>		
Commercial CZ1	Group Centre-Core Zone	\$1,435
Commercial CZ2	Group Centre-Business	\$970
Commercial CZ3	Group Centre Service Zone	\$485
<b>Suburb: Holt</b>		
Commercial CZ1	Group Centre-Retail Core	\$970
Commercial CZ2	Group Centre-Business	\$785
Commercial CZ3	Services Zone	\$785
Commercial CZ4	Local Centre	\$685
<b>Suburb: Kambah</b>		
Commercial CZ1	Group Centre-Core Zone	\$1,270
Commercial CZ2	Group Centre-Business	\$485
Commercial CZ3	Group Centre Service Zone	\$585
Commercial CZ4	Local Centre	\$585
<b>Suburb: Kingston</b>		
Commercial CZ1	Group Centre-Core Zone	\$1,635
Commercial CZ2	Group Centre-Business	\$1,170
Commercial CZ5	Mixed Use Area	\$735
<b>Suburb: Lyneham</b>		
Commercial CZ4	Local Centre	\$1,135
Commercial CZ5	Mixed Use Area	\$750
<b>Suburb: Macquarie</b>		
Commercial CZ1	Group Centre-Core Zone	\$970
Commercial CZ2	Group Centre-Business	\$685
Commercial CZ3	Group Centre Service Zone	\$585
Commercial CZ4	Local Centre	\$585



Zones	Description	Cost per GFA/m <sup>2</sup>
<b>Suburb: Mawson</b>		
Commercial CZ1	Group Centre-Retail Core	\$785
Commercial CZ2	Group Centre-Business	\$585
Commercial CZ3	Group Centre Service Zone	\$885
Commercial CZ4	Local Centre	\$585
<b>Suburb: Oakes Estate</b>		
Commercial CZ5	Mixed Use Area	\$400
<b>Suburb: Turner</b>		
Commercial CZ2	Town Centre-Business Zone	\$1,470
Commercial CZ5	Mixed Use Area	\$735
<b>Suburb: Wanniasa</b>		
Commercial CZ1	Group Centre-Core Zone	\$935
Commercial CZ2	Group Centre-Business	\$780
Commercial CZ3	Group Centre Service Zone	\$620
<b>Suburb: Weston</b>		
Commercial CZ1	Group Centre-Core Zone	\$935
Commercial CZ3	Group Centre Service Zone	\$620
Commercial CZ4	Local Centre	\$550



## SCHEDULE 5: INDUSTRIAL CODIFICATIONS

Schedule 5 lists the Industrial codification schedule of values.

### SCHEDULE 5: INDUSTRIAL CODIFICATIONS

Zones	Description	Cost per GFA/m <sup>2</sup>	
		Locality A	Locality B <sup>31</sup>
<b>Suburb: Fyshwick</b>			
Industrial IZ1	General Industrial Zone	\$385	
Industrial IZ2	Mixed Use Industrial Zone		
Industrial IZ2	Precinct 'a'	\$485	
Industrial IZ2	Precinct 'b'	\$685	\$385
Industrial IZ2	Precinct 'c'	\$585	
Industrial IZ2	Precinct 'd'	\$485	
Commercial CZ2	Business Zone	\$685	
<b>Suburb: Hume</b>			
Industrial IZ1	General Industrial < 5,000m <sup>2</sup> GFA	\$425	
Industrial IZ1	General Industrial 5,000m <sup>2</sup> to 10,000m <sup>2</sup> GFA	\$335	
Industrial IZ1	General Industrial > 5,000m <sup>2</sup> GFA	\$225	
Commercial CZ4	Local Centre	\$500	
<b>Suburb: Mitchell</b>			
Industrial IZ1	General Industrial	\$325	
Industrial IZ2	Mixed Use Industrial	\$485	
Commercial CZ4	Local Centre Zone	\$585	
<b>Suburb: Symonston</b>			
Industrial IZ1	General Industrial	\$585	

<sup>31</sup> Locality B refers to the area south of the railway line and between Ipswich and Newcastle Streets.



## Attachment 3: Matrix of Comments

A copy of the submissions received can be found at <http://www.treasury.act.gov.au/about/publications.shtml>.

Issue/Concern	Industry Body raising Concern	Comment/How issue addressed
<b>Undertake a Cost Benefit Analysis on the proposed codification model</b>	Australian Property Institute (API) CB Richard Ellis	<b>Supported.</b>  This is included in the project work plan and will be undertaken as part of the Final Report to Government.
<b>Implement a dual system for determining the amount of CUC payable. (Allow developer the choice between codification and the current system for determining the CUC payable.)</b>	CB Richard Ellis Property Council	<b>Not Supported.</b>  This approach was analysed, but it was not supported on a number of grounds. A dual system would lead to administrative complexities within the system and would allow a developer to “shop around” for the best deal. It would also be costly for government and increase uncertainty.
<b>Allow for a reduced CUC rate for a higher number of units and townhouses.</b>	Housing Institute Australia	<b>Not Supported.</b>  The codification schedules have been developed with the understanding that these will be diminish returns from multi unit developments as the number of units increases. For example, in Lyneham, it will cost \$60,000 per dwelling for the construction of four units, however, it will only cost \$55,000 per dwelling for the construction of 5-10 units.
<b>“CUC is a disincentive to development.”</b>	API CB Richard Ellis Property Council	<b>Not Supported.</b>  Given the relatively low fixed flat fee charges for residential development under the current system, CUC could not be regarded as a disincentive to development. Under codification, the Government will still retain the right to waive CUC payments to stimulate redevelopment under certain circumstances.  With the introduction of codification, there will be a period of adjustment for the market to adjust to the new set of arrangements.
<b>Establish a review process for the codification schedules.</b>	API MBA HIA CB Richard Ellis	<b>Supported.</b>  It has been proposed to establish a committee to annually review the codification schedules. This proposal has been discussed and agreed with the Regional Manager of the Australian Valuation Office and the President of the ACT Division of the API.



Issue/Concern	Industry Body raising Concern	Comment/How issue addressed
<p><b>Allow codification schedules to be appealable.</b></p>	<p>API MBA HIA CB Richard Ellis</p>	<p><b>Not Supported.</b></p> <p>Under codification, there will be no right to appeal the schedules. However, in special cases where codification does not apply, the current mediation and appeals process through ACAT is proposed to be retained. The API will appoint an independent expert to mediate on the disputed valuations. If this process is unsuccessful, either party will retain the option to appeal the decision to ACAT.</p>
<p><b>Offsetting improvements, onsite/offsite against the amount of CUC payable.</b></p>	<p>API Property Council HIA</p>	<p><b>Supported in part.</b></p> <p>The proposed framework does not support the principle that demolition and onsite/offsite costs should be taken into account when determining the amount of CUC payable. Under the current system, these costs are subsidised by the community. However, these costs are the responsibility of the developer and should therefore be reflected in the price paid for the land to be developed, the developers profit or the price paid by the end user of the property.</p> <p>Where offsite costs are mandated, however, then developers should be able to deduct the value of these works from the CUC for the project.</p>
<p><b>CUC for townhouses/units/dual occupancy would inhibit development</b></p>		<p><b>Not Supported.</b></p> <p>Through this review, it has become apparent that CUC determinations under the current system are grossly understated and as a result, the government is missing out on a large portion of revenue. Under current arrangements, all dual occupancy developments CUCs are based on a fixed added value of \$5,000 per dwelling, regardless of location or block size. Under the proposed codification model, the added value for a dual occupancy would be \$45,000 in Higgins, or \$100,000 in Braddon, which more accurately reflects the changes in lease conditions.</p> <p>The consultants consider that contrary to the suggestions from the Property Council, the costs (which reflect market values) will be passed backwards to land values, or forwards to the purchase price of the developed dwellings.</p>



Issue/Concern	Industry Body raising Concern	Comment/How issue addressed
<p>CUC is the wrong name for a charge relating to lease variation.</p>	<p>HIA</p>	<p><b>Supported.</b></p> <p>During the course of this project it has become obvious that CUC is a misnomer for what is actually occurring. There are occasions where a lease variation must be made which incurs a charge, but there is no change of use. For example, if a lease allows for a commercial building and the owner wishes to increase the GFA then he/she must pay a CUC relating to the increase in GFA. In such cases this is not a change of use but a lease variation.</p> <p>The consultants consider that a more appropriate terminology would be a Lease Variation Charge (LVC).</p>