

Property Council urges city overhaul

By John Thistleton

Business Editor

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The ACT Property Council will bring a festering backroom row into the open air today, accusing the ACT Government of monopolising land and ignorance of fundamental economic principles.

In a wide-ranging “action plan” the council warns failing to revamp planning and stimulate growth will cause crumbling infrastructure, declining health and community services and “a boring, provincial town with a limited future”.

The criticism coincides with the release of a draft policy aimed at returning millions of dollars in fees from property redevelopments to the ACT Government.

Policy authors Professor Des Nicholls of the ANU and **Macroeconomics** director Stephen Anthony say reducing change-of-use charges can spur development, but the lower it drops the more the “community benefit” from development falls into private hands.

The policy’s aim is to find the right balance between the two competing objectives.

Change-of-use charges are regularly contested and are at the centre of a battle between the ACT Planning and Land Authority and a proposed \$200 million redevelopment in Northbourne Avenue, Turner.

Codification of the charge is aimed at avoiding such disputes.

The revenue base for change-of use charges is very broad, potentially covering every established residential and commercial block of land in the ACT.

Macroeconomics said in 2008 -09 dual occupancy residential developments generated \$292,500 in change-of-use charges revenue. Under the codification system it would have been about \$3.8 million.

Commercial agency CB Richard Ellis ACT managing director Nick McDonald Crowley said the revenue grab for short-term gain would drive down values of many residential blocks suitable for redevelopment (the new fees will be effective from July). “They just don’t get it,” he said. “Those redevelopments wouldn’t have happened, the money is not going to fall out of the sky for this [redevelopments] to happen.

“Vendors of properties are frustrated.

It is in someone’s head people are getting a freebie.” Colliers International ACT chief executive Paul Powderly said if codified fees were not set correctly development would stop. Alternatively property values would fall, which would impact on rating revenue. “Not a lot of thought has gone into it,” he said.

The Property Council, a powerful lobby representing large institutional investors and developers in the ACT’s lucrative office market, says the Government could easily overcome an \$85 million hole in its budget from GST revenue shortfalls by stimulating projects.

Macroeconomics said the change of use was not an infrastructure or development charge, but a payment for a lease variation which resulted in increased rights to be associated with the lease. Under the present system ACT developers use the cost of infrastructure works associated with new projects to offset the fees.

That could stop as a result of this policy, which has also upset the property sector.

Macroeconomics said the freehold land title systems in Victoria, Queensland and NSW generally required property developers to pay infrastructure charges.

“The underlying principle is that the primary beneficiary from a property development should cover the costs to the public of that development.”

Costs were transparent and pre-notified in other states, but not in the ACT’s leasehold system, according to the draft policy authors.

The Property Council’s paper, *The Urgency is Now – Action Plan for Canberra’s Future*, to be issued today, says existing change-of-use charges are counter-productive, outdated and underscore ACT Government agency ignorance of fundamental economic principles.

Land supply is also under fire.

“Keeping land control in the hands of the few distorts the market and means planning, design and construction focuses almost entirely on maximising revenue.”

Other grievances include long lead times on planning, too much focus on process, weak vision and confused governance.

The Property Council calls for integrated infrastructure and transport plans, new plans for Civic and diversifying the economy for broader economic activity. It accuses the Government of a complete lack of trust in the private sector.