

*The Director Corporate Services, due to owning land in the Canning Vale ODP area, disclosed at Item 2 of the Agenda "Declarations of Interest", a Financial Interest in the following item in accordance with Section 5.60 of the Local Government Act 1995.*

#### **13.5.4 REVIEW OF CONTRIBUTION RATES - CANNING VALE OUTLINE DEVELOPMENT PLAN - DEVELOPMENT CONTRIBUTION ARRANGEMENT**

Author: S O'Sullivan  
Reference: Canning Vale Outline Development Plan  
Previous Ref: OCM 6 December 2005 (Resolutions 584-587)  
OCM 8 June 2004 (Resolutions 292 and 293)  
OCM 11 February 2003 (Resolution 49)  
OCM 18 December 2002 (Resolution 1036)  
Appendix: 13.5.4A Canning Vale Outline Development Plan – Draft Revised Schedule of Common Infrastructure Works

#### **PURPOSE OF REPORT**

For Council to consider adjusting the land valuation basis and common infrastructure works (CIW) contribution rate associated with the Canning Vale Outline Development Plan (ODP) development contribution arrangement (DCA).

#### **BACKGROUND**

The City administers a DCA for the shared provision of infrastructure and land for public purposes in the Canning Vale ODP area. Part of the arrangement involves the collection of development contributions to be used for the acquisition of land for public open space (POS), which includes land for conservation, drainage and recreational purposes and the provision of the following CIW:

- Wetland protection works (fencing and boardwalks)
- Reconfiguration of existing 132kV powerlines traversing the Canning Vale ODP area
- Service relocation works involved in widening Nicholson and Warton Roads
- Traffic management devices (roundabouts and signals)
- Land for road widening (Nicholson and Warton Roads)
- Regional road works (Nicholson and Warton Roads and Garden Street)
- Shared use paths
- Drainage infrastructure
- Administration and studies

The DCA was the subject of an extensive review by staff during 2005. The findings of the review were presented to Council at its meeting on 6 December 2005. At that meeting, Council resolved (Resolution 585) to update the DCA's broadacre land valuation basis and contribution rates, thereby setting the POS (and other public purpose land) value at \$800,000/ha and the CIW contribution rate set at \$40,663/ha.

Given over 12 months have passed since the last review, it is necessary for Council to again consider an adjustment to DCA values and rates to account for cost increases that have occurred over this time.

## DISCUSSION

DCA values and rates for the Canning Vale ODP area require adjustment in respect of:

- The basis for land valuation
- CIW contribution rates

The table below shows the history of adjustments made to values and rates over the life of the DCA.

HISTORY OF ADJUSTMENTS TO LAND VALUATION AND CONTRIBUTION RATES		
Date of Revision	Land Valuation Basis	Common Infrastructure Works (CIW)
	<i>Valuation rate/ha</i>	<i>\$ rate/ha</i>
Gazettal - 6/4/01	\$250,000/ha	\$27,563/ha
OCM – 18/12/02	\$350,000/ha	\$28,622/ha
OCM – 11/2/03	\$400,000/ha	\$29,532/ha
OCM - 8/6/04	\$500,000/ha	\$31,250/ha
OCM - 8/12/05	\$800,000/ha	\$40,663/ha
Proposed	\$1,350,000/ha	\$44,541/ha

## Land Valuation

To ensure that adequate funds are collected to acquire the land identified on the ODP for POS and other public purposes, it is necessary to adjust the broadacre land valuation to reflect current land values. An updated land valuation is needed as a basis to determine POS contribution and compensation amounts.

Previous adjustments have been adopted on the basis of valuation advice from Ray White Commercial Valuers (Ray White). Ray White has again been engaged to provide a valuation report based on current market conditions in the Canning Vale area.

Written advice from Ray White, dated 16 January 2007, has observed the following:

- The last two years has seen unprecedented growth in land values in the Perth residential real estate market driven by a combination of a booming resource and mining sector, low housing stocks and an increase in net migration.
- Continued consistent demand and price growth for vacant residential lots, with a steadily eroding supply of suitable developable land, has led to competitive purchaser interest for broadacre land parcels in urban development areas suitable for short to medium term subdivision. Canning Vale and Southern River are quoted as prime examples of this trend.
- An increased level of competition between major development companies and smaller private developers for broadacre landholdings has increased significantly in recent years. Recent land acquisitions have reflected the shortage of available sites, with suitable sites tending to be quickly sold and more often than not setting new price benchmarks. There are no clear signs that activity within this sector of the market is subsiding though the rate of

growth for broadacre landholdings could be expected to moderate in the foreseeable future given recent interest rate increases and a slowing of vacant lot price growth in the past two months.

- The median house price in Canning Vale increased 31.6% between September 2005 and September 2006. The sales prices for new lots (lot size of 500m<sup>2</sup> to 550m<sup>2</sup>) increased from \$165,000 to \$260,000 over the same period.
- Based on limited sales evidence, recent broadacre land sales in the ODP area reflect a broad range of between \$1,300,000 and \$2,470,000 per hectare and vary dependant on the date of sale, lot size, location, zoning and the nature of development approvals.

In view of the above matters and other detailed valuation considerations involved in sales transactions, the valuation advice concludes that the typical broadacre value within the ODP area is in the order of \$1,350,000/ha and that while current market conditions suggest some sectors of the residential market are slowing down, the current economic climate and relatively low interest rate indicate that this value would be sustainable in the foreseeable future.

It is therefore recommended that Council adopt \$1,350,000/ha as the revised land valuation basis for the Canning Vale ODP DCA.

#### **Common Infrastructure Works (CIW) Contribution Rate**

Adjustments to the CIW contribution rate have previously been determined on the basis of increases to the construction price index, changes to infrastructure unit cost rates and other inflationary indicators, in addition to factoring in the impact of changes to land values given that certain CIW include a land component.

A recent report released by the Australian Bureau of Statistics has observed that nationally the construction price index has increased 4.1% over the twelve months between September 2005 and September 2006. No figure is provided for Perth, though the report notes that increases in Perth have been greater than the national average. The consumer price index for Perth over the same period has increased 4.8%, compared to 3.9% nationally. Wages growth in Western Australia in the construction and property sectors is at 6.6% and 5% respectively during this time. There is much anecdotal evidence from development industry professionals that construction costs have escalated at higher rates, which is largely attributed to high demand for labour, materials and machinery given the extent of urban development occurring in Perth and regional areas and competition with the mining sector.

It is therefore considered reasonable to apply a 5% increase to the unit cost rates for CIW required in the Canning Vale ODP.

The draft revised Schedule of Works for the DCA, contained in Appendix 13.5.4A, reflects increases to unit rates by 5%. The document also details revisions made to cost allowances for those CIW that involve a land acquisition component (that is, regional road acquisition) and reflects the impact of the recommended adjustment to the land valuation basis. The resulting change to the CIW contribution rate is a recommended new rate of \$44,541/ha.

**CONCLUSION**

It is recommended that Council adopt a revised land valuation basis of \$1,350,000/ha and CIW contribution rate of \$44,541/ha for the purposes of the Canning Vale ODP DCA.

**FINANCIAL IMPLICATIONS**

Revisions to the land valuation will increase the amount payable by developers for POS contributions. Conversely, it will also increase the amount payable for POS compensation. Adjustment is necessary to ensure the DCA is financially sound and operates as equitably as possible.

Revisions to the CIW contribution rate are necessary to ensure that infrastructure identified in the ODP is equitably provided, without placing a financial burden on the wider community.

STAFF RECOMMENDATION (1 of 2) AND COUNCIL RESOLUTION
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**39 Moved Cr R Hoffman Seconded Cr J Henderson**

That Council adopt a revised contribution rate of \$44,541/ha for common infrastructure works and a land valuation basis of \$1,350,000/ha for public open space contributions and the acquisition of other land necessary to satisfy the objectives of the Development Contribution Arrangement for the Canning Vale Outline Development Plan.

CARRIED 10/0

*FOR:* Cr P Wainwright, Cr R Mitchell, Cr J Henderson, Cr C Matison, Cr D Griffiths, Cr J Brown, Cr R Hoffman, Cr R Croft, Cr W Barrett and Cr PM Morris.

*AGAINST:* Nil.

STAFF RECOMMENDATION (2 of 2) AND COUNCIL RESOLUTION
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**40 Moved Cr R Hoffman Seconded Cr J Henderson**

That Council inform all landowners with outstanding contribution obligations within the Canning Vale Outline Development Plan area of Council's decision.

CARRIED 10/0

*FOR:* Cr P Wainwright, Cr R Mitchell, Cr J Henderson, Cr C Matison, Cr D Griffiths, Cr J Brown, Cr R Hoffman, Cr R Croft, Cr W Barrett and Cr PM Morris.

*AGAINST:* Nil.