

DEVELOPMENT AND INVESTMENT INCENTIVE SUPPORT POLICY FOR ADOPTION

Kylie Nolan | 57/8/16 | #7158637

RECOMMENDATION:

That Council adopts the Development and Investment Incentive Support Policy.

INTERESTED PARTIES:

Note: The identification of interested parties is provided on a best endeavours basis by Council Officers and may not be exhaustive.

WS & JG Cummings
t/a Cummings Economics

Gilvear Planning Pty Ltd

EXECUTIVE SUMMARY:

In March 2022, Councillors supported the investigation of a new Development & Investment Incentive Support Policy to replace the current COVID-19 Support policy which is to expire on 1 July 2023.

Council contracted the services of Cummings Economics to provide a review of the current policy and assess potential incentive instruments to form a new policy and boost affordable housing within the region.

Key outcomes within the policy include providing incentives by:

- Waiving infrastructure charges for community housing providers who build social or affordable housing to assist in the delivery of social and affordable housing;
- Waiving infrastructure charges for industrial activities that broaden and strengthen Cairn's economy aligned to the Economic Development Strategy;
- Waiving infrastructure charges for specific residential development in key zones, aligned with the CairnsPlan 2016 and planning intent for the land to assist in the delivery of additional infill housing opportunities;
- Providing financial assistance to revitalise vacant shop fronts in the CBD to assist in urban regeneration of our City streets;
- Waiving infrastructure charges for development in key centres of Cairns including Gordonvale, Babinda, Cairns City and Cairns North to support and enhance the role of these centres;

- Waiving Infrastructure charges for the conversion of short-term accommodation to permanent accommodation to unlock available but underutilised housing opportunities;
- Waiving infrastructure charges for student accommodation development to assist in providing additional student beds for Cairn's universities; and
- Providing discounts on infrastructure charges where buildings provide exemplar tropical design features such as green walls.

The outcomes of the report and the recommended options for a new policy are discussed below.

BACKGROUND:

In March 2022, Councillors supported the investigation of a new Development and Investment Support Policy to replace the current COVID-19 Support policy which is to expire on 1 July 2023.

As part of the investigation, Cummings Economics were contracted to:

- Provide a review of the existing policy in terms of economic value and benefit;
- Provide an assessment of potential incentive instruments;
- Provide recommendations on a new policy;
- Provide recommendations on a new policy to boost affordable housing; and
- Complete a survey with members of the development industry.

The outcomes of the report and new policy recommendations are discussed below.

Existing Policy

Council's existing [COVID-19 Response Investment Incentive Policy](#) was adopted in August 2020 in response to the COVID-19 pandemic to stimulate investment in the development and construction industry.

The policy provided infrastructure charges waivers for development:

- In certain geographic areas (Cairns City, Cairns North, Gordonvale and Babinda); or
- Of a certain scale (small scale residential); or
- That reuses an existing site/tenancy (with restrictions); or
- For Centre activities; or
- For industry activities; or
- Catalytic development considered on a case by case basis; and must
- Use a predominantly (80%) local workforce.

The existing policy is due to expire on 30 June 2023.

A review of the waiver of Infrastructure Charges under the current charges policy identified a total of \$2.15 million in Infrastructure Charges have been waived to date. This results in a reduction of approximately 5% of the nearly \$41 million received by Council for infrastructure charges since the adoption of the current policy.

	2020/21	2021/22	Jul-22 to May-23	Total
Total Infrastructure Charges Revenue	\$15,697,141	\$16,269,283	\$8,807,410	\$43,742,238
Charges Waived under COVID Policy	\$531,365	\$1,030,245	\$485,962	\$2,215,180
COVID Waivers as a % of Total Charges	3.39%	6.33%	5.52%	5.06%

The value of development associated with the \$2.21 million waivers is estimated to be in the vicinity of \$45 to \$55 million (i.e. almost 22 times the amount of the cost of waivers). This estimate is based on the model which was applied to the Economic Strategy undertaken by Cummings Economics.

The waiver was joined by other major incentives from State and Federal Government, especially to house construction introduced by the Commonwealth Government and by the actions of the Reserve Bank in greatly reducing interest rates and in increasing the money supply, resulting in a major increase in value of house approvals in 2020-21 and 2021-22.

Waivers approved over the course of the policy are broken into the below:

Waiver	Total amount waived
Geographical area	\$270,055.19
Small scale residential	\$1,749,498.13
Centre and industry activities	\$195,626.84
Catalytic development	\$0

COMMENT:

Non-financial support offered to development industry

Aside from the current policy, Council is committed to supporting the Development & Investment industry in the below non-financial ways. These non-financial incentives include:

- Express assessment of low-risk development applications (launching 1 July 2023);
- Free Prelodgement service;
- Access to local intelligence;
- Assisting with property searches;
- Hosting visits to the area;
- Supporting access to Government funding schemes;
- Brokering connections with local industry groups, business and other Government Departments;

- Discretionary support to approved projects that stimulate significant economic and community benefits;
- Being a Small Business Friendly Council;
- The Industry Reference Group; and
- Assistance with the preparation and implementation of Infrastructure Agreements and mechanisms for offsetting levied charges against infrastructure contributions.

Benchmarking

As part of the project benchmarking was undertaken with the following Councils:

- Sunshine Coast Regional Council;
- Western Downs Regional Council;
- Bundaberg Regional Council;
- Rockhampton Regional Council;
- City of Gold Coast;
- Brisbane City Council;
- Townsville City Council;
- Mackay Regional Council; and
- Moreton Bay Regional Council.

All Councils listed above have some form of development incentive. From benchmarking, the following findings were made:

- Councils utilise infrastructure charges to stimulate development;
- Infrastructure charges waivers are used to seek specific forms of development in specific locations; and
- Councils adopt a percentage of charges waived instead of a full waiver in some circumstances. For example, Sunshine Coast offer a 50% waiver on Industry Uses.

Priorities

A review of the Cairns economy was undertaken to assist in developing priorities for support.

Outcomes of the review highlighted:

- Cairns remains a tourist transport and accommodation hub which results in a dominant role in tourism earnings;
- In comparison to other cities and regions of Cairns size, we are underdeveloped in services, especially in education and medical services;
- In alignment with the Council's Economic Development Strategy the identified priority industries for development, include maritime, aviation, defence and manufacturing;

- Despite the surge of house construction during the COVID period, the sharp rise in population growth in 2021-22 has led to shortages of accommodation availability in the city is creating issues for workers moving to the area and returning international students;
- Social difficulties are occurring in part due to the lack of availability of affordable unit development; and
- Spatial considerations are a strong consideration with the need to support the high value farming land to ensure the economics of the Mulgrave Mill and support the need for densification.

Given the current and likely conditions over the next three (3) years it is suggested that the incentivisation policy align to longer term projects and improvements by:

Broadening Cairns Economic Development

By aligning the support policy to Council's approved Economic Development Strategy, Council will assist in growing opportunities in beyond traditional tourism. By broadening the policy focus, it will assist with the promotion of development of industries for health, education, maritime, aviation and manufacturing.

Assist in addressing housing concerns

As outlined in the Cairns Social and Affordable Housing and Homelessness Action Plan (CSAHHAP), the sharp rise in dwelling costs, rentals costs and lack of choice in the housing market leads to broader challenges and indicates a special need at this point in time to consider incentivising low cost (affordable) housing development aligned with Core Response Option 1.5.

The proposed policy ensures that community housing providers, where developing projects for social and affordable housing have their infrastructure charges waived.

Commerce

There is a strong focus of medium and larger scale development within greenfield sites within Cairns as economic conditions have favoured this form of development over infill.

In consideration of this, there is a clear need to consider a policy of rejuvenation of existing urban areas as a desirable objective for incentivisation with particular reference to the CBD urban area as well as the towns of Gordonvale and Babinda. This will ensure that the efficiencies of the existing infrastructure networks can be realised as well as ensuring that there is more housing choice for consumers in the market without expanding the city disproportionately.

Beautification of the City

As with all cities, economic conditions change over time and new financial challenges emerge, especially in the CBD areas. These challenges include (but are not limited to) the aging of buildings and structures which often results in an increase in financial barriers for maintenance and repurposing.

In consideration of this, there is an opportunity to incentivise the rejuvenation and repurposing of existing buildings within the Cairns CBD, to support the local economy and encourage the re-use of existing buildings and structures.

Timing of Policy

The policy intends to support new development within the Cairns region. It is recommended that the policy be in effect for any development approved post 1 July 2023. This will ensure that any development that benefits from the policy has been assessed against the current Planning Scheme and is conditioned with our recently adopted standard condition packages. The intent is for the policy to have affect for three (3) years to motivate development.

Recommended Policy

The recommended policy was developed after considering:

- Past and likely future economic trends affecting Cairns;
- Council’s Economic Development Strategy;
- Survey completed with development industry members; and
- Existing policy costs and benefits.

The policy aims to support the Cairns Region by:

- Broadening the economy;
- Encourage development of key centres of the CBD, Gordonvale and Babinda;
- Encourage low cost housing;
- Beautification of Cairns City; and
- Encouraging tropical urbanism.

Costings and Financial Implications

It is anticipated that the policy would be effective for three (3) years, for the financial years of 2023/24, 2024/25 and 2025/26.

Costings are estimated at a full 100% waiver of infrastructure charges of the preferred options with the full extent of the revitalization scheme included.

	Life of the Policy	Yearly breakdown
Broadening the economy	\$2,500,000	\$833,333
Key centres development	\$600,000	\$200,000
Revitalise Cairns CBD	\$300,000	\$100,000
Rental accommodation development	\$3,000,000	\$1,000,000
Total	\$6,400,000	\$2,133,333

Encourage catalytic projects to promote high value development

Costings for catalytic projects are unable to be calculated due to the nature of the potential projects. It should be noted that no applications for Catalytic Development were approved under the current policy.

OPTIONS:

Option 1 (Recommended):

That Council adopts the Development and Investment Incentive Support Policy.

OR

Option 2:

That Council does not endorse the Development and Investment Incentive Support Policy.

CONSIDERATIONS:

Risk Management:

The primary risk to Council associated with the proposed recommendation is financial. If more projects are incentivised than factored for, there are positive follow-on economic benefits for the broader ratepayer – access to new employment pathways, new housing in key areas and a strengthening of the economic diversity in Cairns. The policy is also able to be revoked as a control mechanism if necessary.

Council Finance and the Local Economy:

The risk associated with Council finance are discussed within *Costings and Financial Implications* above.

The recommended policy has been developed to align with Council's endorsed Economic Development Strategy and local economy by:

- Broadening the economy;
- Assisting in addressing housing concerns;
- Incentivising commerce of the key centres including Cairns City, Cairns North, Gordonvale and Babinda;
- Supporting high value (catalytic) development; and
- Encouraging the beautification of the Cairns CBD.

Community and Cultural Heritage:

CairnsPlan 2016 currently protects the heritage of Cairns, through its extensive codes and policies. Development requesting consideration of this policy will be assessed against these codes and policies.

Natural Environment:

As discussed above CairnsPlan has rigorous requirements to protect the natural environment. Any application for the proposed policy, will be required to conform to these requirements.

Corporate and Operational Plans:

The proposed recommendation aligns with Council's endorsed Economic Development Strategy.

Statutory:

The Infrastructure Planning and Charging framework for Queensland is prescribed under the *Planning Act 2016*, and associated *Planning Regulation (2017)*.

Policy:

Infrastructure Charges are calculated in accordance with Council's Infrastructure Charges Resolution.

CONSULTATION:

Consultation has occurred with the following:

- Development Industry through survey completed by consultants;
- Council departments including:
 - Finance;
 - Development Assessment;
 - Community Life; and
 - Community Resilience.

ATTACHMENTS:

Attachment 1 – Development and Investment Incentive Support Policy ([#7144994](#))



Kylie Nolan
Acting Directorate Project officer



Claire Simmons
Executive Manager Development & Planning



Ed Johnson
Director, Planning, Growth & Sustainability

DEVELOPMENT AND INVESTMENT INCENTIVE SUPPORT POLICY

- Intent** The intent of the Policy is to provide support to the Cairns economy and encourage development that:
- Broadens the economy;
 - Enlivens and enriches our key centres;
 - Adds additional housing options into the market;
 - Is catalytic;
 - revitalises the Cairns CBD; and
 - Champions tropical design.
- Council also provides support via non-financial incentives of:
- a. Express Assessment of Low-Risk Development Applications;
 - b. Free prelodgement process;
 - c. Access to local intelligence;
 - d. Supporting access to Government funding schemes; and
 - e. Brokering connections with local industry groups, business and other Government Departments.
- Scope**
1. The Policy waives, in their entirety, the infrastructure charges payable for Development that satisfy clauses 2-7.
 2. The Policy has effect from 1 July 2023 until 30 June 2026 (“the policy period”).
 3. The Policy applies to the Development listed in clauses 4-9 inclusive, that meet all of the below eligibility requirements of:
 - a. Development approved post 1 July 2023; and
 - b. Has substantially commenced building works prior to the expiration of the policy period; and
 - c. No less than 80% of the workforce on site consists of locals; and
 - d. Is acted upon within the initial currency period; and
 - e. Is not as a result of a compliance matter; and
 - f. Is not located within the Cairns South State Development Area.
 4. Community housing providers who build social or affordable housing.
 5. Development that broadens the economy by:
 - a. Including the following land uses contained within the Industry Zones:
 - Aviation (defined as Air Services land use);or
 - Marine and Defence (defined as Marine Industry land use);or

- Manufacturing (defined as Medium Impact, High Impact and Special Industry land uses).
- b. Including the following land uses contained within the Centre or Mixed-Use precinct 1 Commercial or Mixed-Use precinct 2 – Trades and Services Zones:
 - Medical Services (defined as Health Care Services land use); or
 - Education and Training (defined as Educational Establishment land use).
6. Development within key centre localities of:
 - a. The area shown in Map 1 in Attachment 1 in Cairns City; or
 - b. The area shown in Map 2 in Attachment 1 in Cairns North; or
 - c. The area shown in Map 3 in Attachment 1 in the Gordonvale CBD; or
 - d. The area shown in Map 4 in Attachment 1 in the Babinda CBD; or
 - e. The area shown in Map 5 in Attachment 1 in the Babinda – Mill re-development.
 7. Development that encourages strong development of residential accommodation by:
 - a. Multiple Dwelling land use on Medium Density or Mixed Use – Precinct 3 – Residential zoned land that has a minimum area of 800m²; or
 - b. Small-scale Multiple Dwelling land use (maximum of 4 units/townhouses) on Low-Medium Density zoned land that has a minimum area of 800m²; or
 - c. Conversion of Short-Term Accommodation land use to Multiple Dwelling land use where compliant with the car parking requirements Acceptable Outcome of the Parking and Access Code of CairnsPlan 2016; or
 - d. Rooming Accommodation land use for the purpose of Student Accommodation on Medium Density, Mixed Use precinct 3 – Residential, Principal Centre or District Centre zoned land.
 8. Development that is considered to be catalytic development is eligible for consideration by the full Council on a case by case basis.
 9. Development that encourages tropical design by:
 - a. A 10% reduction of infrastructure charges for development that meets the shading requirements by providing a minimum 50% shading to the external surfaces of the buildings; and/or
 - b. A 15% waiver of infrastructure charges for development contained within Centre or Mixed-use zones that demonstrates buildings and structures are vertically landscaped for a minimum of 15% of the surface area of each façade for the full height of the development.
 10. Revitalisation of the Cairns CBD: where eligible development satisfies all of the following additional requirements, a stimulus payment will be provided (subject to the cap stated below) equal to the lesser of: (a) \$25,000; or (b) 50% of the costs of renovating the façade of the relevant building. The additional requirements are as follows—
 - a. the eligible development must involve façade repurposing / revitalising works for an existing building which has been vacant for 6 months or more;
 - b. Development Permit for Building Works for the façade work approved post 1 July 2023; and
 - c. Works are to be completed by a local contractor;
 - d. Is not as a result of a compliance matter; and
 - e. Is located within the are shown in Map 6 in Attachment 1 – Cairns CBD.

However, the total of all payments provided by Council under this clause 10 per financial year will be capped at \$100,000. If that cap is reached, no further payments will be provided under this clause for that financial year. Any payment that would otherwise result in the cap being exceeded will be reduced to comply with the cap (for example, if \$90,000 in payments have been given under this clause 10 in a financial year, any further payment will not be more than \$10,000, even if a higher payment would otherwise apply).

PROVISIONS

1. Confirmation of the Development's eligibility must be provided to Council at the time the infrastructure charges become payable.
2. An application must be made in writing to the Chief Executive Officer for any Development to be considered Catalytic Development and will be decided by the full Council.
3. This policy is to be reviewed annually and amendments to the policy may be made at Council's sole discretion.
4. Council will not charge infrastructure charges for any development that occurs on land zoned as Strategic Port Land.
5. If credits for demand calculations or trunk infrastructure provision, waivers within this policy are taken to have no effect. For example, refunds for trunk infrastructure will be calculated in accordance with the Charges Resolution in effect at that time and refund amounts will be calculated on the additional demand methodology.

DEFINITIONS

Terms used but not defined in this Policy have the meaning given in the CairnsPlan 2016 or the *Planning Act* (in that order).

CairnsPlan 2016 means the current planning scheme adopted by Cairns Regional Council at the time of request for assessment against this policy.

Catalytic development means Development that, is likely to satisfy several of the below elements:

- Create a positive legacy for community and delivery of enduring planning and economic outcome;
- Generates significant enduring investment within the Cairns Regional Council local government area;
- Creates, as a result of and/or directly associated with the development, ongoing post construction jobs that significantly contribute to the community and create a positive legacy;
- Reinvigorates a locality;
- Is an activity that is not already established within the region;
- Demonstrates strong alignment with an endorsed strategy/plan of Cairns Regional Council

Note: Reconfiguring a lot development is not considered to be catalytic.

Note: All catalytic development waiver requests will be assessed by officers to determine eligibility, having regard to this policy and other relevant matters. After this review, Officers will present a recommendation to Council for decision at an Ordinary or Committee meeting. If there is not alignment with the eligibility criteria, Officers at their sole discretion may elect to not proceed to present the request to Council.

Community Housing Providers means a provider that is registered as a Community Housing Provider under the National Regulatory System for Community Housing (NRSCH). Community housing providers are not-for-profit, mission driven organisations. They own, develop and maintain rental housing for people on very low, low and moderate incomes who require social and affordable homes.

Currency period has the meaning given to the term under the *Planning Act 2016*. For the purposes of this policy, the currency period does not include any extended period granted pursuant to an Extension Application, Ministerial Notice or other similar mechanism.

Development means making a material change of use of premises.

Façade Repurposing / Revitalising Works means building work, requiring a development permit for building work, involving repurposing or revitalising the façade of a building, and which is associated with Eligible Development.

Note: This definition is intended to ensure that only building work that is substantial enough to require a development permit in its own right is eligible for waiver. For example, it is not intended that merely painting or cleaning a façade will be sufficient

Land uses are defined under *Planning Regulation 2017*.

Localities are defined and administered under the Place Names Act 1994 by the Department of Resources.

Shading requirements means a minimum of 50% shading provided to the external surface of buildings (as measured between 9am and 3pm on both 21 June and 21 December). Shading is to be provided through the use of permanent components of the built structure such as protruding balconies, overhangs or building articulation. Temporary features, performance glass or design elements that rely upon behavioural or operational actions to provide the required shading to external facades cannot be used in the calculation of the shading requirements.

Student accommodation means Rooming Accommodation for the sole purpose of the use of students.

Substantially started means the stage in the completion of building work for eligible development where the total cost incurred by the developer for site establishment activities (clearing, fencing and equipment storage, earthworks) and construction work has exceeded 20% of the total value of all building work for the Eligible Development.

Note: This definition is intended to ensure that only costs directly relating to physical works are taken into account, rather than administrative costs, such as preparatory, design or supervision costs.

Vertical landscaping requirements means buildings and structures are vertically landscaped for a minimum of 15% of the surface area of each public facing façade, for the full height of the development.

Note – Compliance with the vertical landscaping requirements can be achieved through mature vegetation projecting out of the horizontal plane. Only landscaping contained **within the site** is to be used in the calculations. Landscaping located off-site (including street trees) cannot be used in the calculation of vertical landscaping. Will be required to be certified by a registered Landscape Architect.



This policy is to remain in force until otherwise determined by Council.

Director responsible for Review:

Director, Planning, Growth & Sustainability.

ORIGINALLY ADOPTED: 10 May 2021

CURRENT ADOPTION: {Enter Date}

DUE FOR REVISION: {Enter Date}

REVOKED/SUPERSEDED: {Enter Date}

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Mica Martin
CHIEF EXECUTIVE OFFICER

Attachment 1 – Maps of Eligible Locations

Map 1 – Cairns City



Map 2 - Cairns North



Map 3 -Gordonvale CBD Area of Eligibility



Map 4 – Babinda CBD Area of Eligibility



Map 5 – Babinda Mill Re-Development Area of Eligibility.



Map 6 – Cairns CBD

