



DEVELOPER CHARGES

PUBLIC EXHIBITION SUMMARY REPORT



Developer charges are location-specific, upfront charges that will help to recover the costs of providing and upgrading water and wastewater infrastructure for new developments in our area of operations. The reintroduction of developer charges follows recommendations set out by the NSW Productivity Commission's 2020 review of infrastructure contributions.

We invited feedback on our draft Development Servicing Plans (DSPs) during a public exhibition from Friday 28 April to Friday 7 July 2023. Each DSP details the developer charges applicable to the respective water supply, water headworks, wastewater transportation, treatment or transfer system for that area.

The public exhibition was promoted through paid advertising and by email to over 1,000 members of the development community. We also held a series of online information sessions for interested parties to learn more about developer charges, and five meetings with key industry bodies and local Councils.

This report provides an overview of the key themes raised in the 23 submissions received during the public exhibition period.



1,061

members of the local development community invited to provide feedback



40

people attended an online information session to learn more about developer charges



1,322

visits to the developer charges webpage



5

meetings held with key stakeholders and Councils



23

submissions received



Key themes raised in submissions



Viability of new developments

Several submissions raised concerns about the impact of developer charges on housing affordability and the viability of new housing development.

Independent economic analysis of the proposed reintroduced charges has confirmed that they will not impact the viability of new development in the Hunter. Further, in recommending the reintroduction, the NSW Productivity Commission found that developer charges were unlikely to put upward pressure on property prices in NSW and would encourage more efficient development decision making. The charges provide certainty to the development community about Hunter Water's servicing plans.

Developer charges provide a price signal to the development community of the different costs to deliver services in different locations across our region, promoting development in our region more efficiently.

Developer charges help to recover a portion of the costs of delivering new infrastructure from new development, which will in turn relieves the cost burden placed on Hunter Water's wider customer base.



Benefit to broader customers

Developer charges reduce the amount of revenue Hunter Water collects from customer bills, with some of the costs of providing new infrastructure instead being funded by new development. As a result, the typical household will be around \$20 better off each year following the reintroduction of water and wastewater developer charges. This benefit compounds over time, and is greater for non-residential customers who use more water.

Currently the costs of servicing new development are funded entirely by Hunter Water's existing customers. In 2019, the Independent Pricing and Regulatory Tribunal (IPART) estimated that by 2029 customers would be paying an additional \$150 per year for their water, wastewater and stormwater services if infrastructure contributions continue to be set to zero.

The NSW Government decision to phase in developer charges progressively to 1 July 2026 reduces bills for existing Hunter Water customers.



Social and affordable housing

Several submissions raised the impact of developer charges on social and affordable housing projects, citing that community housing providers are currently exempt from a range of local council rates, taxes and state developer contributions.

Hunter Water supports consistent exemptions, and will work with the NSW Government on options to exempt registered Community Housing Providers with Public Benevolent Institution status from the developer charges. This will be explored before the phased reintroduction of charges on 1 July 2024.



Calculating developer charges

A number of questions, queries and clarifications have been raised through the exhibition process relating to how to calculate a developer charges for residential and non-residential development, timing of payments, indexing, phasing, and implementation.

Hunter Water has followed the methodology outlined in IPART's [2018 Determination of Developer Charges](#).

To provide further clarity to the development community on the charges, Hunter Water has produced a [Guideline Document](#) for calculating developer charges, which provides information, explanation and outlines the assessment process and what is important in the calculation of the developer charge.

Key themes raised in submissions



Price signal vs postage stamp pricing

Many submissions raised the number of different DSPs, with suggestions that a smaller number should apply in the Hunter.

IPART requires developer charges to send effective price signals about the costs of development in different locations, to help foster efficient growth. A balanced approach is required.

Reducing the number of DSPs by creating very large DSP areas masks price signals and starts to move towards average costs. Increasing the number of DSPs by creating smaller areas increases administrative effort and complexity, and reduces the likelihood of cross subsidies and producing the strongest price signal.

In developing our DSP areas, we aimed to strike a balance between the two. We used catchment boundaries to create nine water DSPs and 20 wastewater DSPs across our area of operations. Within each, there is a clear connection between the assets and growth, and the value of infrastructure is more closely aligned to the beneficiary.



Implementation period

Several submissions provided feedback on the implementation period for developer charges, and requested further staging to the implementation.

The reintroduction of developer charges was proposed by the NSW Productivity Commission in 2020. To provide developers time to adjust to the new arrangements, the NSW Government has directed Hunter Water to gradually reintroduce developer charges over several years.

- Financial year 2023-24: 0%
- Financial year 2024-25: 25%
- Financial year 2025-26: 50%




Find out more

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Changes to the developer charges model



The DSP boundaries were created based on assumptions on how the areas would be serviced. Some developments, however, may be serviced by multiple DSPs. In this case, the boundaries are based on how the developer intends to service them.

During the public exhibition, a suggestion was made to adjust the Wastewater DSP boundary between the Farley Wastewater Treatment Works (WWTW) and the Kurri Kurri WWTW to align with the approved wastewater and water servicing strategy for a major development. A suggestion was also made to adjust a Water DSP boundary between Cessnock and Maitland.

Hunter Water agrees with these suggestions and adjusted the boundaries accordingly. This resulted in a slight shift of growth from one DSP area to the adjoining area, with an associated minor adjustment in both Water and Wastewater DSP values as a consequence.

Other changes made to the developer charges model include:

- The developer charges model that was on public exhibition was built using 2020-2021 dollars, where we used an estimated index of 1.128 to arrive at figures in today's dollars. In the final model, we've used the actual index of 1.125, which resulted in minor reductions to developer charges.
- During exhibition a developer raised a concern that two specific project costs detailed in Hunter Water's exhibited asset list for Shortland Wastewater DSP and South Wallsend/West Lake Macquarie Water DSP were based on proposed project costs rather than the actual cost of the assets. We investigated this and has adjusted the costs accordingly, resulting in minor changes in South Wallsend/West Lake Macquarie Water and Shortland Wastewater charges.
- Small corrections have been made in relation to the Kings Hill ET, as well as headwork calculations. This has resulted in minor reductions to Kings Hill developer charges, and increases to Lemon Tree Passage charges.

These changes have been updated in the model. We encourage you to explore our [interactive dashboards](#) to view the final developer charges for each DSP.

Next steps

Thank you to the organisations and individuals who provided feedback on developer charges during the public exhibition.

The developer charges model has been registered with IPART. We will continue to liaise with key stakeholders and interested members of the development community as the phased reintroduction of developer charges progresses.

We're here to help and answer any questions you have. You can reach our Development Services team by calling 1300 657 657 (business hours) or by email at developer.charges@hunterwater.com.au