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## ***MEDIA RELEASE***

### **Development report confirms industry concerns**

DEVELOPERS are being forced to rethink plans for future retail and commercial projects in Townsville under a recently adopted infrastructure charges regime, according to a new report.

An independent report commissioned by the Urban Development Institute of Australia (UDIA) Townsville branch found that most retail and commercial developments, including schools and medical centres, are not feasible to build under the increases.

The charges, which were adopted by Townsville City Council in June as required by State legislation, are designed to move the funding of services such as roads and water towards a user-pays system for the developers of new projects.

While the UDIA supports the move for developers to provide greater funding for 'trunk infrastructure', the group is concerned that the policies will lead to a shortage of much-needed retail and commercial facilities for Townsville residents.

UDIA Townsville president Pat Brady said the leading body had been working closely with the Council to find a feasible solution for developers and the local community.

Mr Brady said the community stood to lose the most from the situation.

"The worst case scenario is developers will stop building neighbourhood shopping centres, including medical centres or schools, because it will be impossible to avoid developing those facilities at a loss," Mr Brady said.

"If those much-needed projects don't go ahead, Townsville will be without new education, medical, lifestyle and retail amenities in our growth areas, such as the northern beaches.

"In addition, this will lead to a loss of job opportunities and it would increase the level of traffic on our roads because residents in new estates would need to drive even further for simple services and supplies.

"Ironically, most of the cost increases facing development relate to the creation of road infrastructure yet without these new neighbourhood centres our roads would be even more congested and overused."

A case study provided in the UDIA report showed how a 4000sq m shopping centre being developed by Lancini Group would cost \$6 million more and be built at a substantial loss – meaning it would not have gone ahead under the new cost regime.

The report also found that increased fees on residential development would most likely need to be absorbed by both developers and home buyers.

The report stated that the new fees would reduce developer profit margins to about 12 – 15 per cent, making it extremely hard to secure finance.

“Without a profit margin of around 20 – 25 per cent, developers won’t be able to secure funds from a bank or financier,” Mr Brady said.

“We could see many new residential estates stall at a time when we already have a severe shortage of homes locally and nationally,” Mr Brady said.

“That’s why we are working closely with the Council to try and establish a system of staging the fee increases over three to five years so that the industry can absorb costs and find other solutions to ensure projects go ahead where needed.

“Without any certainty over how these charges will be implemented and how much they will rise, developers will walk away from projects and that will have dire impacts on services, jobs and the economy.

“However, we are confident of reaching a compromise with Council on ensuring a sensible outcome.”

**ENDS**

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