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Infrastructure Contributions Framework Discussion Paper

Provided to the Tasmanian Parliament's Public Accounts Committee.

12 October 2026

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Executive summary

Local government plays a critical role in enabling housing development by ensuring the right infrastructure is planned and delivered at the right time. But Tasmania's current infrastructure contribution arrangements for council infrastructure are fragmented, uncertain, and difficult to scale. To overcome this, Tasmania needs a statewide, legislated framework that links contributions to infrastructure planning, and applies consistent and transparent cost-sharing arrangements. Such a framework would improve certainty for councils, developers and landowners, enable infrastructure to be funded and delivered earlier, and support faster housing delivery.

The scheme would focus on infrastructure that councils plan, deliver, own or maintain and that is directly influenced by development demand. Categories may include:

- Local transport infrastructure, such as council roads, intersections, footpaths and traffic management works that support new development.
- Stormwater infrastructure, including drainage networks and associated trunk detention or treatment assets required to manage runoff impacts.

The scheme would clearly differentiate council infrastructure from state or federal responsibilities. Major highways, arterials, bridges and state-funded facilities are not intended to be funded through local infrastructure contributions.

Current arrangements

Tasmanian councils currently rely on case-by-case permit conditions and agreements under the *Land Use Planning and Approvals Act 1993*. This arrangement does not provide certainty for councils or proponents regarding costs and is cumbersome to administer.

The open space contribution framework, under section 117 of the *Local Government (Building and Miscellaneous Provisions) Act 1993*, is working well. Its purpose is to provide for a payment where a subdivision development cannot provide public open space as part of its development or where investment is better deployed nearby. It provides:

- a defined legislative basis
- consistent application across councils
- flexibility through land or cash-in-lieu contributions
- clear expectations for developers.

The following two case studies detail the challenges with the current arrangements.

Case study 1 - South Brighton, Brighton Council

The Brighton Council, in partnership with multiple stakeholders, recently completed the South Brighton Specific Area Plan and the Brighton Council Infrastructure Contributions Policy.

This work will release 417 new housing lots, with clear infrastructure requirements and contributions. To achieve this, the council:

- Integrated infrastructure planning with rezoning and development sequencing.
- Identified and planned for the necessary shared, precinct-scale infrastructure that supports development across multiple landowners.
- Used policy and planning controls to support developer contributions toward that infrastructure.

This was a costly, time-consuming process that took six years from start to finish. It relied on agreements among multiple landowners and utility providers, which are difficult to negotiate and rarely achieved given stakeholders' sometimes diverging interests.

The Brighton approach, while successful, is not scalable across multiple growth areas or municipalities. It tied up limited capital for an extended period and was inefficient due to the absence of a specific legislated framework.

Case study 2 – delayed housing in greenfield development

The site, on the fringe of an established metropolitan area, could deliver more than 1,000 residential lots across 100 hectares of mostly privately owned land held under multiple titles. However, before development can proceed, the land must be rezoned and supported by significant enabling infrastructure.

The required infrastructure includes a spine road, upgraded intersections, new stormwater systems, and water and sewer upgrades. Currently, no legislated mechanism exists to equitably share the cost of this infrastructure or the substantial technical and planning work required upfront. As a result, landowners have had to organise themselves, commission expensive studies, negotiate cost-sharing arrangements privately, and attempt to reach consensus despite differing interests, financial capacity, and development timeframes.

The absence of a clear methodology for allocating infrastructure costs has led to disputes, delays in structure planning and rezoning, and uncertainty over who pays for what and when. As a result, the release of new housing supply in a precinct specifically identified for growth has been delayed.

Rationale for an infrastructure contributions framework

The case studies demonstrate what is happening in Tasmania in the absence of a coherent, legislated infrastructure contributions framework that supports orderly, plan-led growth and development.

The current arrangements result in a first-mover disadvantages that delay and disincentivise development and once things are moving, we often see fragmented and inefficient infrastructure delivery. Rather than enabling integrated, precinct-wide solutions, such as a central stormwater basin, infrastructure is often considered incrementally on a site-by-site basis as development occurs, increasing individual proponent costs and risks, and reducing efficiency.

A statewide framework would:

- provide certainty for proponents and councils
- enable early, coordinated infrastructure planning and then delivery
- allow costs to be known upfront and equitably shared across beneficiaries
- support housing supply and broader economic development.

What an infrastructure contributions scheme is

An infrastructure contribution scheme is a growth-driven cost-sharing mechanism that requires new development to contribute to the cost of essential public infrastructure required to support it.

Recovers the cost of growth-related infrastructure
Charges are levied on development because new dwellings, subdivisions or intensified land uses increase demand on shared infrastructure networks.

Is based on impact or demand
Contributions are calculated on the incremental demand placed on infrastructure.

Funds establishment and capacity upgrades
Contributions are one-off charges used for new or upgraded infrastructure, rather than ongoing operations, maintenance or renewal. Ongoing costs are funded separately through rates or service charges.

Applies at approval stage
Charges are imposed through planning or development approvals with costs known up-front to be factored into feasibility.

Supports fair cost sharing and timely delivery
By spreading infrastructure costs across all beneficiaries (including later developers), charging regimes help resolve issues such as the 'first mover' problem and enable infrastructure to keep pace with growth.

Is underpinned by infrastructure planning
Infrastructure plans identify what infrastructure will be delivered, when, and how costs are apportioned, improving certainty, transparency, and accountability.

What an infrastructure contribution scheme is not

An infrastructure contribution scheme is not:

Anti-development
Properly designed, developer charging regimes facilitate development by providing certainty on costs and ensuring infrastructure is available when needed, rather than delaying projects due to capacity constraints.

A tax or general revenue measure
It is not a discretionary revenue-raising tool. Charges must be tied to development impacts and infrastructure needs, not used to fund unrelated council activities or rates.

Payment for internal or site-specific works alone
Developers are already expected to build connection and on-site infrastructure (e.g. internal roads, pipes, parking). Contributions relate to shared, network infrastructure beyond the site.

A blanket or arbitrary fee
Charges must be proportionate, reasonable and defensible, scaling with the nature and intensity of development and avoiding double-charging.

A subsidy for existing infrastructure shortfalls
Contributions are intended to address additional demand created by development, not to retrospectively fund historic infrastructure backlogs unless explicitly planned and justified.

State Government commitments

So far, several recommendations and commitments have been made towards developing an infrastructure contributions framework in Tasmania. These include:

The **Future of Local Government Final Report**[1] recommended (#18) that:

> *The Tasmanian Government should work with the sector and the development industry to further investigate and consider introducing a marginal cost-based integrated developer charging regime.*

The State Government response[2] was that:

> *The Government will consult with the sector and industry to investigate how a new statewide developer charges framework could work if supported by industry. This would be designed to support and incentivise effective development in designated geographic areas for defined purposes.*
>
> *The purpose of the framework would be to provide developer certainty, remove disadvantage for early movers and support redevelopment and urban design. The framework would also include transparency measures to ensure that the developer charges were not used for general revenue raising. As a priority, the framework would target areas of medium density residential development.*

The **Tasmanian Housing Strategy: Delivering more homes for a growing Tasmania and ending homelessness, 2023-2043**[3], noted in Priority 1.2 that

[1] See: https://www.justice.tas.gov.au/__data/assets/pdf_file/0003/937515/Future-of-Local-Government-Review-Final-Report.pdf
[2] *Tasmanian Government response to the Future of Local Government Review Final Report recommendations*, November 2024, https://www.justice.tas.gov.au/__data/assets/pdf_file/0009/934830/OLG-FLG-Response.pdf
[3] See: https://www.tasmanianhousingstrategy.tas.gov.au/__data/assets/pdf_file/0005/600944/230265_Homes_Tas_Strategy_document_wcag.pdf

Where land is prioritised for housing development, a transparent and consistent infrastructure charging regime can provide clarity and certainty, and address 'first-mover' disincentives.

This action is not specifically addressed in the *Tasmanian Housing Strategy Action Plan 2023-27*[4]. It refers to the development of local structure/strategic plans (Action 1.2.3). This does not address infrastructure funding.

Coordination and alignment

To deliver housing and other key growth projects as efficiently as possible, the full range of supporting infrastructure must be ready to go, or available in the short term. This includes local government infrastructure (as detailed above), water and sewerage, electricity and telecommunications. To achieve this, two important aspects must be addressed:

- Infrastructure planning across councils and utilities needs to be aligned so delivery can properly support timely development.
- A clear charging regime that provides upfront cost estimates to support business cases and fairly allocates costs, enabling infrastructure to be delivered when needed.

It is neither feasible nor necessary to provide detailed infrastructure planning across the entire state. Rather key growth areas, as identified within the Regional Land Use Strategies, and subsequent precinct planning, can provide certainty about the timing and sequencing of rezoning and development, enabling utility providers to identify existing capacity and where further work is required. This coordinated infrastructure planning is essential to identify where capacity is available now and over the medium and long term, determine the actions and investment required by utility providers to address capacity constraints, and enable the establishment of a clear and equitable charging regime that gives proponents certainty.

Conclusion

Tasmania urgently needs a statewide, legislated infrastructure contributions framework to unlock housing and other development through timely infrastructure delivery. A well-designed framework will fairly allocate the cost of essential shared infrastructure to the developments that create demand, rather than rely on the first mover to fund upgrades. Without reform, infrastructure delivery will lag growth, costs and risks will continue to be inappropriately assigned, and housing supply will remain constrained.

[4] See: https://www.tasmanianhousingstrategy.tas.gov.au/__data/assets/pdf_file/0006/600945/230265_Homes_Tas_Action_Plan_Document_wcag.pdf