IPTI Xtracts

Property Tax and Assessment News from Around the World

AUSTRALIA - November 2017

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Australia Passes Property Tax Reforms

The Australian Parliament has passed legislation to tighten the property tax rules for investors in residential property.

The Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 implements the following measures:

An annual vacancy charge on foreign owners of residential real estate where the property is not occupied or genuinely available on the rental market for at least six months in a 12-month period. It applies to foreign persons who make a foreign investment application for residential property from 19:30 (AEST) on May 9, 2017 (Budget night).

From July 1, 2017, travel costs for individual investors inspecting and maintaining residential investment properties will no longer be deductible. The aim is to prevent residential property investors from taking holidays at taxpayers' expense.

A new limit on plant and equipment deductions to assets not previously removed, to remove existing opportunities for items to be depreciated by multiple owners in excess of their actual value.

Victoria Moves to Annual Land Valuations

Valuations upon which land taxes and council rates are calculated are set to be conducted annually throughout Victoria as the state moves to capture greater revenue associated with rising land prices and increase the fairness and consistency associated with the land valuation system.

Under new legislation introduced into Parliament, the current situation of land values being assessed by local councils every second year will be done away with.

Instead valuations will be assessed on an annual basis by the state Valuer-General.

The values which are assessed form the upon which calculations of land tax and council rates are charged.

In a statement, the Government said the new system would make land valuations more consistent and transparent.

The Valuer-General, it said, is best placed to undertake annual land valuations as they are able to let out larger contracts for valuation services across municipal boundaries.

The Valuer-General also possesses the expertise to manage valuation standards, it said.

In addition, the government says the change will resolve inherent inconsistencies in the current system.

As things stand, different councils use in-house valuation teams, private contractors or the Valuer-General to conduct their valuations – a system the government says results in inconsistencies across municipal boundaries.

Whilst being more consistent, however, the changes will also allow state and local councils to claim more tax from property owners in an environment of rising land values.

Under the current system of valuations being assessed every two years, property owners whose land increases in one year may not be hit with the higher taxes and charges associated with that increase until the following year when their land is revalued.

With valuations now being done every year, however, councils and the state government will reap the benefits associated with any rise in land prices and consequential higher value base on which taxes and charges are calculated each and every year.

The effect could be significant.

Over the 2016/17 financial year, for instance, HIA and CoreLogic reported that house prices in Melbourne rose by 16.7 per cent.

This means property owners whose land was not revalued are paying rates and taxes which are calculated on a base which is 16.7 per cent below the current market value of their land.

In a concession to local councils, the state has offered to pay the full cost associated with the revaluations, with councils paying the full cost of a supplementary valuation component.

This is a big win for councils compared with the initially proposed arrangement, which would have seen councils continue to pay for 50 per cent of the valuations but incur more cost as the valuations have to be conducted annually rather than every two years.

It is estimated that this measure will save councils between $8 million and $10 million annually.

Although the reforms will kick in in 2019, councils will have the option to 'opt-out' until 2022 to assist in the transition to the new arrangements.

Councillor Mayr Lalios, president of the Municipal Councils Association, said the latest version of the state's annual, centralised property valuation model is vastly improved from the initial proposal that was sprung on councils without consultation.

"The Treasurer and Valuer-General, and their senior staff, have listened to the impacts facing councils and the reforms have come a long way towards addressing the concerns of our sector," Lalios said.

Nevertheless, Lalios says the commitment of the state to pay the full cost of the valuations needed to be enshrined into law in order to prevent further cost-shifting back to councils.

Councils are also seeking a commitment from the Valuer-General to support local economies by using local contract Valuers in rural and regional communities wherever possible.

QUEENSLAND - Valuer-General rejects Ipswich council's 'fail' accusation

QUEENSLAND'S Valuer-General has rejected the council's call for fresh land valuations to be issued this year.

This week Ipswich City Council revealed it plans to lodge a formal complaint on the Valuer-General's decision to skip Ipswich in the 2018 valuations.

It means property owners' rates will be calculated using the valuations issued this year, where the average valuations went up by 12.6%.

Ipswich City Council says the lack of annual valuations impacts its budget and that its paying for annual valuations, regardless of whether they are issued each year.

Deputy Mayor Wayne Wendt said the council had previously informed the Valuer-General of the need to conduct annual valuations owing to rapid population growth.

He labelled the decision a "failure" on the Valuer-General's behalf.

"Importantly, ratepayers are sometimes exposed to large increases in valuations and this forces Council into an overly complicated rates structure, and a method of valuation averaging and rates capping," Cr Wendt said in a statement.

But the State Government's Valuer-General has hit back, saying the council has "wide ranging powers to manage rates".

Valuer-General Neil Bray rejected the council's assertion annual valuations are necessary saying his department's decision was based on evidence, investigation and analysis.

He said the decision was made in consultation with the council.

"Land valuations are based on the investigation and analysis of the actual sales evidence of recorded property transfers in Queensland," Mr Bray said.

"Registered valuers based in the State Valuation Service's Ipswich office thoroughly analyse movements in the local property market when preparing valuations each year and a number of audit processes, including digital mapping, are used to ensure the accuracy of valuations.

"The decision not to undertake a revaluation for the Ipswich City Council LGA was made following consultation with the council and an evaluation of the property market survey report, in accordance with the Land Valuation Act 2010.

"The property market survey report showed minimal movement across most market segments including the residential land values which form the majority of properties across the Ipswich City Council LGA."

Mr Bray also said, while the council contributes regular fees, that money covers other services including providing fortnightly reports and detailed reporting.

"Section 203 of the Land Valuation Act 2010 requires that these fees are payable annually regardless whether or not an annual valuation is undertaken for the council in a particular year," Mr Bray said.

He said councils have a range of tools at their disposal to manage rates including differential rating, setting a minimum rate, capping, and the averaging of valuations before rates are set.

Land valuations for Ipswich were issued in March and there were significant increases in some suburbs.

Overall, valuations increased by an average of 12.6% across the city since 2015.

To minimise the impact of residents, Ipswich City Council applied a new rating system in the 2017-2018 budget; it calculated rates based on an average between the two values from 2015 and 2017.

The valuations issued in March will remain effective for rating, land tax and state land rental purposes until the next valuation, which is likely to be in 2019.

QUEENSLAND - Supreme Court of Queensland decision has major implications for rates and charges levied by Local Governments in Queensland

Local Governments and landowners in Queensland may need to consider whether rates and charges levied on rateable land in the relevant Local Government area are valid following a recent decision of the Supreme Court of Queensland in Linville Holdings Pty Ltd v Fraser Coast Regional Council [2017] QSC 252.

Background

The Local Government Act 2009 (the LGA) and the Local Government Regulation 2012 (the LGR) set out requirements for Councils when determining what rates and charges are to be levied for a particular period.

In June 2014 the respondent Council held a meeting for the purpose of considering the proposed 2014/2015 budget.

The Council ultimately passed a resolution that:

“1. Council adopt the 2014/15 Budget as presented in the following:

(a) 2014/15 Operational Plan as presented (refer to Attachment 4);

(b) 2014/15 Financial Year Budget and the Ten Year Budget Estimates for 2015/16 to 2023/24 as presented (refer Attachment 1 – page 116-126, Attachment 2 – Capital Works 2014/15, and Attachment 3 – Schedule of Fees & Charges 2014/15);

(c) Revenue Policy and Statement 2014/15;

(i) The Revenue Policy in respect of the 2014/15 financial year as presented (refer Attachment 1 page 1);

(ii) The Revenue Statement in respect of the 2014/15 financial year as presented (refer Attachment 1 page 4 – 30);

(iii) The Overall Plan for Special Rates & Charges for the 2014/15 financial year as presented (refer Attachment 1 page 31);

(iv) The Schedule of Rates & Charges for the 2014/15 financial year as presented (refer Attachment 1 pages 35-42);

(v) The Schedule of Fees and Charges for 2014/15 as presented (refer Attachment 3);

(d) …

2. Council adopt the revised Expenses and Provision of Facilities for Mayor and Councillors Policy as per Attachment 5” (emphasis added)[i].

Similar resolutions were passed by the Council in respect of the 2015/2016 and 2016/2017 budgets.

Issues considered by the Court

The Landowner challenged the resolutions on the basis that the resolutions did not comply with the requirements of the LGA and the LGR. In particular, the Landowner submitted that the resolutions did not comply with the relevant requirements in the following ways:

“(a) first, contrary to s 94 of the LGA and r 81 of the LGR, there was no separate resolution to levy the rates and charges from the resolution to adopt the budget for the relevant year;

(b) second, contrary to s 94 of the LGA and r 81(3) of the LGR, the challenged resolution failed to state the rating categories of rateable land for the differential general rates and a description of the rating categories;

(c) third, contrary to s 94 of the LGA and r 94 of the LGR, the challenged resolution failed to identify the rateable land to which the special rates or charges apply; and

(d) fourth, contrary to s 94 of the LGA and rr 81 and 94 of the LGR the challenged resolution is uncertain or too vague.”[ii]

The decision of the Court

In respect of the first issue, the Court considered the requirements of the LGA and the LGR and the need for the Council to consider and pass a resolution levying rates and charges and determined that the Council had failed to comply with the relevant requirement in that the resolutions for each financial year did not decide what rates and charges were to be levied. Although the resolutions adopted the relevant budget for each financial year, the resolutions did not do enough to satisfy the requirements for a resolution to decide what rates and charges are to be levied.

The failure to satisfy the requirements invalidated the rates and charges adopted by the Council in the budget for the relevant financial years.

The substance of the Landowner’s complaint in respect of the second issue was that the relevant resolution needed to include the rating categories of rateable land for the differential general rates and a description of the rating categories in the text of the resolutions. That detail was not included in the text of the resolutions but was included in Attachment 1 to the resolutions – an indexed booklet.

The Court considered the requirements of the LGA and the LGR but does not expressly address the inclusion of the detail in the indexed booklet. The Court appears to accept that including the detail in the indexed booklet was appropriate, and goes further to say that if it was not appropriate, the non-compliance did not amount to a breach of the statute that made the resolutions invalid.

The Court resolved the third issue on the same basis as the second issue and found that if the resolutions did not identify the rateable land, only because the identification was made in the cross-referenced parts of the indexed booklet, the non-compliance did not amount to a breach of the statute that made the resolutions invalid.

The Landowner’s concerns raised in respect of the fourth point were rejected by the Court.

Impact of the decision

The decision may be subject to appeal, but notwithstanding that, highlights the need for Local Governments to exercise care when preparing resolutions for budgets and for rates and charges to ensure that the resolutions comply with the relevant requirements of the LGA and the LGR.

Local Governments and landowners may need to review resolutions of rates and charges to ensure that the resolutions comply with the requirements of the LGA and the LGR.

NORTHERN TERRITORY - Land tax on the table for NT Labor govt

Introducing a land tax and scrapping stamp duty are both on the table for the NT government as it scrambles to boost revenue amid a weak housing market.

The Northern Territory government could introduce a land tax despite ruling it out earlier this year, saying all options are on the table as it scrambles to boost revenue.

Labor on Tuesday launched a discussion paper calling for community and industry input on ways to broaden the NT's revenue base.

Treasurer Nicole Manison is seeking feedback on possible reforms to taxes on payroll, property, gambling, banking, motor vehicles, and insurance - as well mineral and petroleum royalties.

The Territory is the only jurisdiction in Australia without a land tax, but it could be introduced to replace a dumped or reduced stamp duty as the housing market suffers.

Ms Manison said for a very long time there's been no property taxes "for very good reasons", but also noted the NT has the highest stamp duties in the country.

With the nation's smallest population, the Territory has below average land tax capacity, but the government noted it could raise "$72 million annually if state average policy was imposed".

"It's important to understand what the trade offs are," Ms Manison said.

"Some people would say that because you've got high stamp duties, that hinders people investing and making the purchase in the first place, whilst others would argue that a land tax creates more of an ongoing annual cost to doing business."

Other proposals include tax incentives for employers designed to boost sustainable local jobs by discouraging interstate fly-in fly-out mining workers.

Ms Manison said the Territory is facing the biggest fiscal challenge in its history following the federal government's "$2 billion cuts" to GST receipts over the next four years.

"And we do have the largest infrastructure deficits in the nation," she said.

More than 99 per cent of the Territory's 1.35 million square kilometres is grazed native pastures, Aboriginal land or conservation areas.

Opposition Leader Garry Higgins says the pool of Territorians eligible for land tax is so small that the cost of introducing it would far outweigh the revenue earned.

"It's not incentivising people to invest," he said.

"My gut reaction would be, it would have a downward effect on the price of property."

Submissions will be accepted until late February and will inform the 2018 budget.

NORTHERN TERRITORY - Another stimulus package on table for NT economy

THE Gunner Government is considering another stimulus package with measures being canvassed in Cabinet.

Chief Minister Michael Gunner confirmed the state of the economy was being closely watched and he wanted to be ready to act.

The NT News understands a package of measures was taken to Cabinet on Tuesday by Treasurer and Infrastructure Minister Nicole Manison but was rejected without Mr Gunner being present.

The Chief Minister was in transit returning from an overseas trip. But speaking after his State of the Territory address to the Property Council, Mr Gunner would not rule another stimulus package despite listing almost $500 million in projects in the speech.

“Last year we made a decision to put one in,” he said. “We will continue to talk to industry about how it is going.

“We have to get the timing of whatever we do right and be responsive to the economic needs so for me it is how business is travelling in the New Year.

“I’ve been having conversations at Cabinet on what could or would a stimulus package look like. Do we need to keep targeting our steel industry? How are our tradies going? Do we need to look at regional areas?

“We won’t rule out another stimulus package.”

However, it was the taxation review and the possibility of a land tax which captured the attention of the room.

In a welcoming address, Knight Frank senior director Peter McVann called for better leadership describing the Dan Murphy’s saga as a “debacle.”

“Any tax is a negative tax,” he said. “If we get a land tax, and it is a wealth tax by the way, if you single out individuals to pay tax, it is not an efficient tax.

“You have to make a broad based land tax so everyone pays. But the conversation has to be had.

“As a Territorian, if you are going to do it and I’m not saying you should, then make it broad. Take the hard decision not the soft options.

“We need leadership if you are going to be there to drive it ... we need it now.”

Mr Gunner defended the inclusion of the land tax.

He said the review was about giving business a chance to shape revenue collection rather than having it forced on them.

The Myilly Point Museum also came up during question time.

Mr Gunner said there was no polling which showed 70 per cent of people opposed it.

NEW SOUTH WALES - NSW home buyers still paying too much tax

LAST financial year NSW property buyers paid $9.8 billion in stamp duty after a record 228,000 sales. Close to $3 billion has been paid by buyers since July.

This stamp duty is paid by the already stretched Sydney property buyer to the NSW state government based on the price of their land and the building acquisition.

The tax has been stuck at the current 4.5 per cent level since the 1986 Unsworth government, a time when the median stamp duty paid was $1500.

Given the rise in the median Sydney property price over the 31 years since, the typical buyer now pays $36,000 duty for a $905,000 median dwelling price acquisition.

Stamp duty affects affordability by making buying a home dearer, especially for first home buyers.

It has emerged over recent times that stamp duty also leads to the inefficient use of housing by constraining the capacity of many to move towards downsizing into a more appropriately sized home or for workers to take advantage of new employment opportunities elsewhere.

Many tax reviews, including the Productivity Commission’s recently completed five year productivity review, have proposed that the one-off stamp duty be removed and replaced by a universal land tax paid annually on all properties. At the moment only some investors pay land tax.

This universal land tax differs from the current situation in that it would apply to all properties, residential and commercial, whether they are owned as an investment or by an owner occupier. The Henry Tax Review in 2010 proposed such a land tax.

More recent AHURI research modelling of a universally applied land tax forecast 46 per cent of the land tax revenue would be raised from land plots within 10km of CBDs where land is most expensive, while only 4 per cent of land tax revenue would come from the urban fringe 30-50km out.

AHURI went further suggesting as a consequence of introducing the tax, overall land values would decline leading to more affordable housing.

Political reality dictates that changes to stamp duty and land tax would be implemented over a long time frame. This is happening in the ACT where stamp duty is being abolished progressively over 20 years having started from 2012.

Any move in NSW from stamp duty to land tax would involve transitional arrangements so that landowners would only begin paying land tax if they have not already had to pay stamp duty, i.e. as each property is sold it would move onto the new land tax arrangements.

It has been concluded that during this transitional phase the revenue shortfall experienced by state and territory governments would require bridging finance from the Commonwealth Government, although this revenue shortfall will quickly recede as more and more owner-occupied housing joins the universal land tax base. Our politicians have yet to bite the bullet, and perhaps never will.

Victoria is now Australia’s leading property market, as NSW lags

VICTORIA is now Australia’s leading property market, as one of the only states to see growth while the rest of the country falters.

The state has emerged as the biggest market for property loans since last quarter, growing 11 per cent, according to one of Australia’s largest mortgage broking groups, AFG.

Comparethemarket.com.au found that Victorians are streets ahead of the rest of the country in total funds lodged in residential property transactions across the first quarter of the 2018 financial year.

In that same time frame, New South Wales only recorded a 1 per cent increase in funds lodged in property transactions across the same period.

“The property market is facing a fork in the road, ahead of rising interest rates and in response to a bull run in real estate, as borrowers and lenders respond to tighter lending rules,” Comparethemarket.com.au’s Abigail Koch said.

“Existing and prospective property owners need to do their homework as Sydney’s property market is plateauing after recent highs, while other markets like Melbourne are improving, which will produce plenty of good buying opportunities, but also risks in some markets.”

Year-on-year, NSW recorded a 4 per cent decline in total funds lodged in property transactions, with the Queensland market declining as well.

Western Australia’s market remains depressed, with total funds lodged in real estate transactions in the mining state down for the fifth straight quarter.

The new standards that restrict the percentage of loans banks can issue to lenders taking out interest-only loans are affecting the property market, according to the mortgage broking group.

New research shows that investor loans are at the lowest since the first quarter of 2013 Financial Year, at just 29 per cent of all transactions lodged last quarter.

"With interest rates on the rise in other markets such as the US and Canada, this is an indication that it's only a matter of time until rates rise in Australia," Ms Koch said.

"Property investors need to consider how rate rises will affect their loan repayments and plan accordingly so there are no nasty surprises when their mortgage repayments go up."

Queensland Property Sector Questions Integrity of Land Valuations

Queensland's property sector has raised significant concerns about a decision not to issue new statutory valuations for a number of the state's most significant local government areas, arguing that the refusal to issue new valuations might adversely impact landowners who are suffering the effects of a slowing or changing market.

Unveiling its latest analysis of the state's property market earlier this month, the Queensland Valuer-General Neil Bay has issued new statutory land valuations for only 22 of the state's 62 rateable local government areas.

The valuations will form the basis upon which government ratings and state land tax are calculated throughout the 2018/19 financial year.

In the case of the 40 local government areas for which new valuations were not issued, valuations will be considered to have been unchanged from those applicable in 2017/18.

These include significant LGAs such as Brisbane, Townsville, Logan and Ipswich.

That has the Queensland division of the Property Council of Australia concerned about landowners being slugged with charges beyond what is reasonable given current market conditions.

In a statement, Property Council Queensland executive director Chris Mountford said many landowners might find themselves being impacted by slowing conditions but stuck paying land tax and rates based upon values which had been issued at the peak of the market.

Mountford also raised concern about the integrity of the system in light of the high number of LGAs where revaluations had not occurred.

Under the Land Valuation Act 2010, valuations are to be issued annually across the state except under the exceptional circumstance where the Valuer-General, after consultation with local government and industry groups, determines there has been insufficient market movement in a local government area to warrant an annual valuation.

"Valuations are meant to be undertaken annually, and are primarily used for the purpose of setting local government rates and state government land tax," Mountford said.

"Such a scaled back annual valuation is not a good look and raises serious questions about the state's valuation system.

"Has the government made this decision because the State Valuation Service doesn't have the resources to undertake the task? Or perhaps the state is looking to ensure its land tax revenue is locked in at a certain level for next year? Either way, it's not the basis of a fair tax system."

Mountford said this was especially concerning as in Brisbane alone, as many as 1,200 objections were lodged in respect of the valuations provided last year.

But Valuer-General Neil Bray defended the decision not to undertake a revaluation of the non-revalued areas.

"The decision not to undertake a revaluation for LGAs such as Brisbane, Townsville, Logan and Ipswich was made following consultation with those councils, stakeholders and industry representatives, and consideration of the property market survey report," he said in a statement.

"Valuers research the property market, examine trends and sales information for each land use category and inspect vacant or lightly improved properties that have recently been sold.

"The property market survey reports for those LGAs not being revalued showed minimal movement across most market segments. In Brisbane, for example, there were some small pockets that showed some change, however overall the changes did not justify inclusion in the annual valuation program."

Bray said it was neither unprecedented nor unusual for new valuations not to be issued in each local government area every year.

None of the Townsville, Logan City or Ipswich City LGA were revalued in either 2014 or 2016, whilst Brisbane skipped revaluations in 2006 and 2009, he said.

Those unhappy with their valuations could lodge objections and could appeal to the Land Court where they were dissatisfied with the outcome, he pointed out.

WESTERN AUSTRALIA - How does your council compare? WA's most expensive rates revealed

WAtoday can reveal Perth residents who have forked out the big bucks for a home in the Shire of Peppermint Grove are paying nearly the same amount in council rates as the Shire of Halls Creek, a remote East Kimberley town.

Data obtained by the WA Local Government Association's *Know Your Council* feature spells out the rates paid by homeowners on their residential properties for the 2016-17 period.

Peppermint Grove ratepayers have coughed up around $4134 over the 2016-17 financial year for their prime real estate overlooking the Swan River, while **Halls Creek** residents have paid $3788 for a home seven hours away from Broome.

Peppermint Grove also saw the biggest rate increase over the eight year period from 2009 to 2017, going up by almost $3234.86.

Mosman Park also saw dramatic increase over time, going from $599 to $2477.91 this year.

Both areas also ring in as Perth's most expensive metropolitan suburbs for council rates.

On the flip side, student-favourite **Canning** has taken home the title of least expensive suburb for council rates.

Canning only charged its residents $1251.83 to access the council's services in 2017, and **Belmont** comes in at a close second at just $1320.92.

Both Canning and **Vincent** also recorded the lowest increases in the Perth metro suburbs, and overall, the typical Perth metropolitan ratepayer can now expect to pay around $1747 per year.

Which Perth council has increased its rates the most?

It was a similar story in regional WA, with the Shire of **Halls Creek** deemed the most expensive for council rates and the Shire of Menzies the least expensive.

Halls Creek was closely followed by the nearby Shire of Wyndham- East Kimberley, and the Shire of Broome.

In 2009, a number of WA regional shire residents were also paying upwards of $2000 for planned infrastructure and upgrades to their region – including locals in Menzies, Sandstone and Cue.

These shires have now dropped dramatically in how much their residents pay, and now record some of the lowest figures in regional WA.

The average ratepayer in regional WA can expect to pay around $1386 per year.

NEW SOUTH WALES - Funding Sydney: Where's the value capture?

The release of the Greater Sydney Commission's "A metropolis of three cities" at the same time as Transport for NSW's Future Transport strategy amounts to a great step forward for planning and delivering Sydney's growth.

For the first time in decades we have a plan for our city plausibly based on an integration between transport and land use. As part of this unprecedented cross government coordination we also have major government departments like health and education committing to matching population growth with new schools and health services.

Even more importantly, the new citywide plan can give Sydneysiders a sense of the shape of the city emerging around its "three city" nodes of the Sydney CBD, Greater Parramatta and the cluster of centres around the new airport at Badgerys Creek. Crucially, if the plan is implemented, Western Sydney will no longer be the poor cousin of eastern Sydney.

But there is one missing ingredient that needs to be resolved before this new plan can be successfully implemented. That is a proper "value capture" mechanism to help finance the infrastructure we will need to ensure a city of eight million people is as liveable, if not more so, than the current city. While such a mechanism is alluded to in the GSC plan and clearly supported by it, it is not defined yet or agreed by the NSW government. The need for this mechanism is in our view urgent. Why?

When we change the planning rules for a suburb or neighbourhood we can sometimes dramatically increase the value of land. Rezoning an old industrial estate or a farm to higher density residential can make the land worth millions more, all at the stroke of pen.

Similarly, as we roll out new transport infrastructure like light rail in Parramatta or the new North-West Metro we can increase land and property prices because as neighbourhoods along these transport routes are now better connected they become more desirable places to live.

This increase in land values is all driven by government decisions and policies. It is created by government, but the beneficiaries are lucky private landowners who have done nothing for the windfall gains. Public pain, private gain, as it were.

Nowhere is this best demonstrated then at site of the new airport at Badgerys Creek. Last month the Sydney Morning Herald reported that a local landowner had sold a small farm in the area for hundreds of millions of dollars. This small farm is not particularly productive and apparently only has a few cows grazing on it. Yet this farm must be one of the most expensive farms in the country. Why? Because the Commonwealth decided to build a new airport nearby, and the state government decided to designate this area as the centre of a new "Parkland City".

The Committee for Sydney believes that when government decisions generate such staggering windfall gains to local landowners, some of it should be captured and returned to a public purpose. Cities around the world are doing this all the time and it's time for Sydney to do the same. It's not just fair to do this – it's stupid not to.

In the US they are building more new rail lines and tram tracks than at any time in their history all funded through simple value capture mechanisms. In London the largest extension of their rail and underground system in two generations is underway, much of it funded through a special levy on landowners.

In Sydney, the need for new public transport is even more urgent, but we have to ask how we are going to pay for it. Part of the reason we do roads when public transport may be more appropriate is because we can pay for it through tolling users. Unless we apply some form of "beneficiary pays" value capture mechanism to uplift in land values, we simply will not be able to fund the public transport network the city so desperately needs, such as a Sydney West Metro.

And anyway, why should massive beneficiaries of public investment not give something back to the public for making them an unearned fortune? We didn't insist on such an approach when the government made landowners along the North West Metro line into millionaires. We must have this approach in place urgently around the new airport if the public interest is to be protected – and if we are to have enough resources to build the infrastructure the city needs.

Who would argue against capturing the massive windfall gains of landowners from public investment which generated the windfall? Crucially, without increasing the return for government of its huge investment, we cannot build the infrastructure we need to make the “Parkland City” liveable. And we cannot deliver some of the key aspirations of the new Sydney Plan.