Developers costs 'to be passed on'

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The NSW government's plans to make residential developers foot the bill for infrastructure spending in new housing precincts will lead to higher development costs, eventually passed on to home buyers, experts say.

While trying to improve housing affordability, the government is also planning to cut its $369 million Local Infrastructure Growth Scheme and allow councils to instead charge developers for the provision of local infrastructure.

The scheme, which was initially set up to help unlock new housing supply, will be abolished in three years.

At the same time, the NSW government will allow councils to borrow more money for infrastructure spending at a reduced interest rate.

It will support up to $500 million in additional borrowing by councils by halving the cost of borrowing for eligible projects.

"These changes to infrastructure funding are vital in getting homes up and ready for people to move into," Minister for Planning and Housing, Anthony Roberts said.

"Glenn Stevens has said we need the supply side to reply to demand in an elastic way but this actually puts a lot of constraints on supply. Developers will have to pass these additional costs on, or move away from projects," Urban Taskforce chief executive Chris Johnson said. "These are hidden costs to developers."

The Property Council of Australia agreed that a further cost to developers on top of "the myriad of other taxes and levies placed on the property industry" would eventually push up house prices.

Developer contributions to infrastructure spending were usually in the form of voluntary agreements with councils and have been known to be as high as 50 per cent of the uplift on land values, Mr Johnson said.