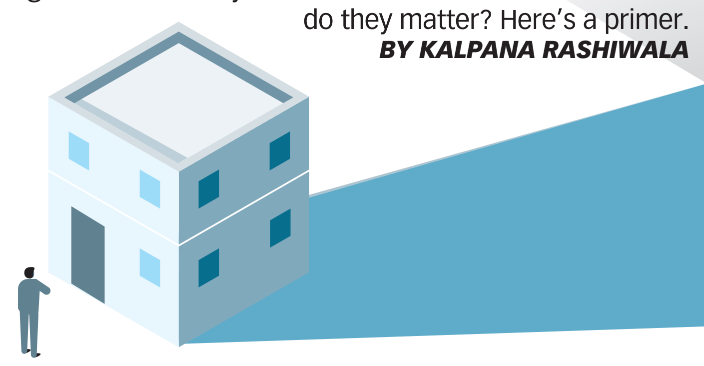
BT Explains

What is DC?



The latest development charge rates will be released by the government today. Just what are DC rates and to whom do they matter? Here's a primer.

BY KALPANA RASHIWALA

We often hear the term "development charge" being mentioned when collective sales are discussed, or when some properties undergo redevelopment. Just what is a development charge (or DC)?

DC is a tax that is payable by the owner of a property to the state as a result of the state approving a development proposal that will increase the land value.

This may arise, for instance, from:

- An increase in the intensity or plot ratio, which means a bigger project, ie with more gross floor area, may be built on the site or
- A change of use of the site to a higher-value use. (eg from industrial to residential).

How is DC calculated?

DC is computed based on the difference between development ceiling and development baseline.

DEVELOPMENT CEILING:
This is the value of the proposed development that has been submitted to the Urban Redevelopment Authority (URA) for planning permission.

DEVELOPMENT BASELINE:
This is the value of the approved development for the site based on the approved use and intensity of the site.

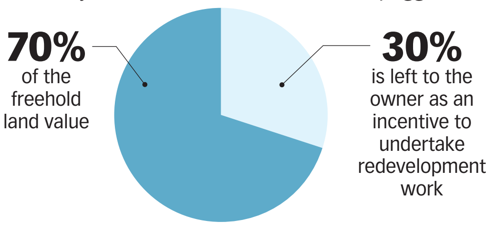
To determine the value of the development baseline, one has to compare the provisions in the historical 1958 and 1980 Master Plans, the 2003 Master Plan, as well as the previously approved development in accordance with certain principles as laid out in the Planning Act.

- If the development ceiling is equal to or less than the development baseline, no DC is payable.
- DC is payable when the development ceiling is higher than the development baseline.

State's share of enhancement in land value

The principle of DC:
The DC system is based on the principle of allowing the state to have a share of the gains from the enhancement in land value arising from its grant of planning approval.

Since July 18, 2007, DC rates have been pegged at



How often are DC rates revised?

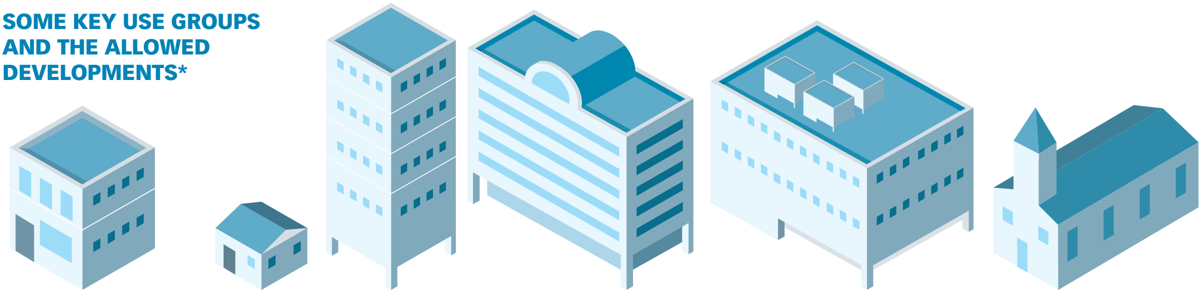
DC rates are revised twice a year, on March 1 and Sept 1. The review is conducted by the Ministry of National Development in consultation with the Chief Valuer, who takes into account the prevailing market values in the half-yearly review of the rates.

How are DC rates stated?

DC rates are generally expressed in per square metre (psm) of gross floor area (GFA). They are specified according to **use groups** across **118 geographical sectors** cutting across Singapore. Hence the DC rate is an average value within a geographical sector. The 118 geographical sectors are covered in two maps on the URA website.

Go to these 2 links for the URA maps. bit.ly/uramapa bit.ly/uramapb

SOME KEY USE GROUPS AND THE ALLOWED DEVELOPMENTS*



A Commercial, eg office, shop, F&B, entertainment, clinic

B1 Landed residential

B2 Non-landed residential

C Hotel, hospital

D Industrial, warehousing, business park, transport facilities (eg MRT station), telecom infrastructure

E Place of worship, civic and community institution

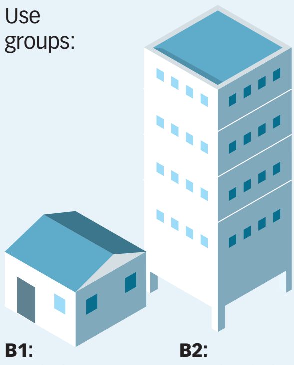
list is not exhaustive

Examples on the calculation of development charges

SCENARIO 1

A single-storey bungalow along Upper East Coast, with planning permission obtained in February 2016 for the redevelopment of the site into a five-storey apartment development with a proposed gross floor area (GFA) of 2,100 sq m.

Use groups:



B1: Landed residential

B2: Non-landed residential

Key development parameters:

- **Site area:** 1,500 sq m
- **2014 Master Plan zoning:** Residential at plot ratio 1.4 (Equivalent GFA: 2,100 sq m)
- **1980 Master Plan zoning:** Residential at plot ratio 0.7 (Equivalent GFA: 1,050 sq m)
- The property is located in **Geographical Sector 96**.
  Corresponding DC rates for this sector as at Sept 1, 2015 are as follows:
  Use Group B1 (Landed Residential): S$5,600 psm
  Use Group B2 (Non-Landed Residential): S$4,900 psm

DEVELOPMENT CEILING
Proposed GFA **(2,100 sq m)** X DC rate† **(S$4,900 psm) = S$10.29m**

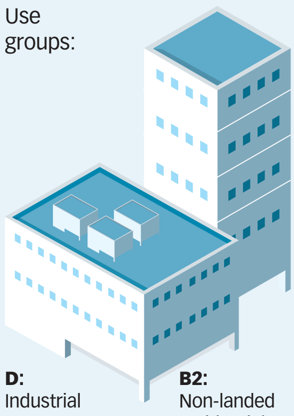
DEVELOPMENT BASELINE*
Historical permitted GFA **(1,050 sq m)** X DC rate† **(S$5,600 psm) = S$5.88m**

DEVELOPMENT CHARGES
Development ceiling – Development baseline **= S$4.41m**

SCENARIO 2

A 3-storey industrial building in Balestier, with necessary approvals obtained for redevelopment into an apartment project with a plot ratio of 2.8.

Use groups:



D: Industrial

B2: Non-landed residential

Key development parameters:

- **Site area:** 3,000 sq m
- **Proposed development:** Residential at plot ratio 2.8 (Equivalent GFA: 8,400 sq m)
- **Existing approved use and intensity:**
  Industrial at plot ratio 2.5 (Equivalent GFA: 7,500 sq m)
- The property is located in **Geographical Sector 59.**
  Corresponding DC rates for this sector as at Sept 1, 2015 are as follows:
  Use Group B2 (Non-Landed Residential): S$5,460 psm
  Use Group D (Industrial): S$1,470 psm

DEVELOPMENT CEILING
Proposed GFA **(8,400 sq m)** X DC rate† **(S$5,460 psm) = S$45.864m**

DEVELOPMENT BASELINE*
Approved GFA **(7,500 sq m)** X DC rate† **(S$1,470 psm) = S$11.025m**

DEVELOPMENT CHARGES
Development ceiling – Development baseline **= S$34.839m**

**The Development Baseline takes into account the value of the existing approved GFA of the site, the value of the historical 1958 and 1980 Master Plans as well as the 2003 Master Plan value based on Sept 1, 2015 DC rates.*

In general, when the 1958 or 1980 Master Plan baseline value is higher than the approved development of a site, the development baseline will be the higher of the two values.

If the higher of the 1958 or 1980 MP values exceeds the 2003 Master Plan value, the development baseline will be capped at the 2003 level.

Scenario examples prepared by JLL

The above are simplified illustrations on the calculation of development charges.
Readers may refer to URA's example scenario on how it calculates development charge bit.ly/uraguidelines

†For the site based on its geographical sector number and use group

BT Graphics: Simon Ang, Hyrie Rahmat