HERALD

Public assets a prime risk

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AN INDUSTRY group representing the state's top developers and builders says community amenities worth up to $51 million may never be built because of risky investments by councils.

The NSW Urban Taskforce has called for a review of guidelines that regulated council investments in the wake of the sub-prime mortgage market crash in the United States.

Taskforce chief executive Aaron **Gadiel** said yesterday that councils had been investing in collateralised debt obligations, which had fallen rapidly in value following the collapse of the sub-prime mortgage market in the United States.

"It is clearly too early to know how many local councils are affected, but it it is clear that their number includes Manly, Woollahra and Gosford councils," Mr **Gadiel** said.

The Herald revealed this month that Newcastle City Council had $2.5 million in an investment fund linked to the stricken sub-prime market.

Mr **Gadiel** said that up to $51 million in developer contributions, set aside by councils to pay for roads, playgrounds, parks, libraries and other facilities, may be at risk.

Developers normally paid a contribution to councils to cover the cost of community amenities needed by residents of new housing developments.

"Instead of being spent straight away on building new community facilities, councils have been trying to make money by buying into high-risk, high-return investments," Mr **Gadiel** said.

The NSW Urban Taskforce called for rules to be introduced requiring councils to spend developer contributions on new amenities in a more timely way.