

UDIA NSW RESPONSE TO Greater Macarthur Land Release Investigation



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INTRODUCTION

The Urban Development Institute of Australia (UDIA) NSW is the state's leading development industry body, representing more than 500 member companies and agencies across the public and private sector. Our members range from councils and state government departments to academics, lawyers, engineers and developers. UDIA NSW advocates for better planning; timely and affordable housing; effective infrastructure delivery; and the building of vibrant communities to stimulate jobs growth.

UDIA NSW welcomes the release of the Greater Macarthur Land Release Investigation Preliminary Strategy & Action Plan. Having been previously earmarked as a priority growth area for Sydney's South West in the County of Cumberland Plan (1948), the Sydney Region Outline Plan (1968) and A Plan for Growing Sydney (2014), the Macarthur region has endured a lengthy gestation period. UDIA NSW congratulates the NSW Government on progressing the next major growth centre in the Sydney basin.

The economic benefits of proceeding with the growth centre are enormous. In NSW, development and construction generates an economic multiplier effect in the order of 1.5 – 2.5. So for every dollar spent on building a house (planning, design, approvals, construction, furniture, decorating, landscaping, financing, managing, repairing and maintaining) 1.5 to 2.5 additional dollars of wealth are generated in the economy and community. UDIA NSW estimates that the multiplier impacts of the growth centre in its present configuration will add around \$25 billion to Gross State Product over the life of the project. For every job created in building a house in the new growth centre, a further 20 – 40 jobs will be created in industries that serve the household that is supported by that job. The benefits of the development industry to the economy and families of NSW are significant.

The current median lot price in Metropolitan Sydney is \$484,950 (\$1,078 per square metre) whilst in Melbourne it is \$211,000 (\$493 per square metre) (National Land Supply Survey Q3 2015 Report). The release of Greater Macarthur will prove crucial in responding to Sydney's chronic housing affordability problem and alleviate the pressures caused by 60,000 supply shortfall.

The proposed M9 Outer Sydney Orbital road and new rail networks will help create a growth corridor from the Illawarra through South West and Western Sydney with a potential aerotropolis at the Western Sydney Airport driving jobs and investment. This growth corridor will require additional housing and as a result the whole Great Macarthur Land Release Investigation Area should be included within the Growth Centre SEPP, not just the northern and southern extents.

The new growth area is a critical piece in the Sydney growth jigsaw and if done correctly will create a more liveable, affordable and connected city.

UDIA NSW supports the immediate addition of the new growth centres and also commends the addition of housing stock at Menangle Park and Mount Gilead.

BACKGROUND

The Greater Macarthur Growth Centre in the first major land release in Sydney since 2005. Since 2005 Sydney's population has grown by 14.8% and the population is expected to grow by a further 1.6 million by 2031. There are issues with meeting pent up demand and at the same time accommodating future growth. The recent surge in house prices is largely due to the price and scarcity of developable land.

The North West and South West Growth Centres have played a critical role in delivering new housing for Sydney and will continue to do so for many years. However, we have reached a stage in these Centres where land ownership is highly fragmented – of the remaining land yet to be developed in the growth centres approximately 95% in the North West and 75% in the South West is fragmented ownership – and it is becoming increasingly difficult to assemble parcels to deliver the scale of housing necessary to meet future demand.

The Greater Macarthur Growth Centre provides an opportunity to supplement development in the existing growth centres to be in a better position to meet Sydney's existing and future housing needs. However, under prevailing demand conditions production may need to go beyond the 34,700 by 2036 as outlined in the Preliminary Strategy & Action Plan. There is a strong appetite from the market. UDIA's 5-year lot production forecasts predict 6,650 lots to be produced and absorbed out of Sydney's South West annually. Extrapolating this trend to 2036 and the South West will be producing 133,000 new lots. Owing to its highly fragmented nature, the South West Growth Centre will be unable to fill this order alone. The Greater Macarthur Area will play an important role in delivering developable land supply.

SUMMARY OF RECOMMENDATIONS

In providing comments on the Greater Macarthur Land Release Investigation Preliminary Strategy & Action Plan, UDIA NSW has consulted widely with our Council, Land Development Committee and all major landowners within the centre. The following recommendations have emerged from our consultations:

THE OVERALL PLAN

UDIA NSW recommends that the land that has been excluded from the vision for Greater Macarthur be included to ensure the most efficient approach to planning and long term structure planning of the growth centre. The best way to deal with this would be to recut the growth centre boundaries. At the moment there are effectively two growth centres (Menangle Park/Mount Gilliard and Wilton). Simply include the Appin land and create one growth centre. In no way should such an approach impact on the viability of both the North and South areas that have already been identified.

FUNDING DEVELOPMENT INFRASTRUCTURE

It is recommended that following the public consultation on the preliminary strategy and action plan that the strategy with respect to funding development infrastructure be considered in totality. It is important to identify infrastructure costs upfront and then consider the suite of mechanisms available to finance that infrastructure in a consolidated fashion. This may include the need to quarantine areas of the growth centres into sub-precincts with separate SICs to be applied to each sub-precinct i.e. Menangle/Mount Gilead, Wilton Junction and Appin

It is recommended that a 5-year review process be implemented to assess areas subject to 'no additional cost to government'.

BIODIVERSITY AND ENVIRONMENTAL PROTECTION

It is recommended that following the public consultation process that further consideration be given to biodiversity and protection of the investigation area. Biodiversity in the pre-existing Growth Centres should be used as a guide when determining offset ratios and calculations for Greater Macarthur.

MINING AND HOUSING

It is recommended that lands in the identified growth centre areas that are acknowledged as being mined in the 15 to 30 year time frame have the encumbrance removed from them.

The following section provides commentary on key elements of the Strategy & Action Plan and supports the recommendations outlined above.

THE OVERALL PLAN

As highlighted earlier the industry congratulates the NSW Government on releasing the proposal and putting it on public exhibition.

UDIA NSW has undertaken a great deal of work on developing a policy regarding land release (attached). We have also considered previous policies with respect to the release of growth centres. The proposed new growth centre does not follow either the principles of a best practice land release policy nor is it consistent with previous approaches adopted.

Best practice planning of Greater Macarthur would include broad scale structure planning of the area between the two Growth Centres (Menangle/Mount Gilead and Wilton). The exclusion of Appin and other areas only weakens the ability to plan for an integrated and connected urban expansion corridor underwritten by future road and rail corridors, new water and sewer services and employment, education, retail, health, recreational and other associated land uses. To retrofit such infrastructure after planning is concluded comes at a cost and we need look no further than Oran Park. At Oran Park, significant difficulties have become evident in the planning for an extension of the South West Rail Link through the suburb, only a short time after it has been established. However, the exclusion of a major area of the growth centre, primarily Appin, is confusing. The residents of the area need certainty that will not be achieved by leaving it out of the growth centre at the moment.

Furthermore, growth centres will need to be structure planned, funded and sequenced. Leaving a substantial tract of land out of the initial investigations will create issues with land release.

The approximate 34,700 new dwellings to be delivered by 2036 in Menangle Park, Mount Gilead and Wilton Junction is rather optimistic. Assuming 200 lots are developed annually per development front. Menangle Park and Mount Gilead will produce approximately 600 lots/year from three development fronts starting 2018 while Wilton will likely produce 600 lots/year starting in 2017 from three development fronts. On this basis the Greater Macarthur Area will produce approximately 22,000 – 23,000 new homes, well short of 34,7000 target in the preliminary strategy. If the whole Macarthur area is included in the Growth Centre SEPP and the additional areas manage three development fronts each producing 200 lots/year starting in 2020 the Greater Macarthur area will deliver 32,000 new homes by 2036, still short of the preliminary strategy's target of 34,700 homes but far closer than with only the two development frontiers to the north and south.

UDIA NSW recommends that the land that has been excluded from the vision for Greater Macarthur be included to ensure the most efficient approach to planning and long term structure planning of the growth centre. The best way to deal with this would be to recut the growth centre boundaries. At the moment there are effectively two growth centres (Menangle Park/Mount Gilliard and Wilton). Simply include the Appin land and create one growth centre. In no way should such an approach impact on the viability of both the North and South areas that have already been identified.

FUNDING DEVELOPMENT INFRASTRUCTURE

The Greater Macarthur Land Release Strategy and Action Plan appears to float a number of suggestions with respect to funding infrastructure for future development. It mentions Voluntary Planning Agreements, Special Infrastructure Charges and no cost to Government. The discussion within the paper gives rise to many uncertainties in respect of infrastructure funding.

Furthermore, given that the paper does not include costs relating to proposed infrastructure it is difficult to work out how to actually comment or estimate what the various strategies apply to or even intend to raise.

As part of the former Planning Minister Brad Hazzard's open call for potential new home sites in 2011 the phrase 'at no additional cost to government' was born. Four years on and there is still no definitive explanation as to what this means. Is it that government will not be making any financial contribution to a site/precinct? Or is it government will contribute as normal but only when hurdle rates are met? Or that government will contribute a fraction of what it would if that project was a sequenced development? Clarification on this issue is required as at present the definition is highly ambiguous and there are capital works programs that have been prepared with 'at no additional cost to government' in mind without really knowing what it means. Further, there is currently no review process for 'no additional cost to government'. As a matter of economic principle we would suggest no marginal costs to government as it is unrealistic to expect new developments to provide infrastructure that would be needed regardless of whether the development proceeded or not.

The timely provision of infrastructure holds the key to unlocking Greater Macarthur. Large landowners routinely acknowledge their requirement to contribute to infrastructure but it has to be fair and equitable. The North West and South West Growth Centres have been operating for more than 5 years with a 50% discount on the Special Infrastructure Contribution (SIC) whilst the Illawarra Growth Centre has had a 25% discount applied, with this in mind it is not an equitable situation for the Greater Macarthur region to have a SIC applied at full freight.

It is recommended that following the public consultation on the preliminary strategy and action plan that the strategy with respect to funding development infrastructure be considered in totality. It is important to identify infrastructure costs upfront and then consider the suite of mechanisms available to finance that infrastructure in a consolidated fashion. This may include the need to quarantine areas of the growth centres into sub-precincts with separate SICs to be applied to each sub-precinct i.e. Menangle/Mount Gilead, Wilton Junction and Appin

It is recommended that a 5-year review process be implemented to assess areas subject to 'no additional cost to government'.

BIODIVERSITY AND ENVIRONMENTAL PROTECTION

UDIA NSW fully supports creating new towns and communities in Greater Macarthur based on the Garden City principles of 'planned, self-contained communities, containing residences, industry, social and cultural facilities surrounded by "greenbelts"'. Greater Macarthur is about more than housing supply. It is about creating places with amenity that attracts people to a desirable living environment. They should be places where people will establish businesses and work. Families will enjoy social, cultural, recreational, high order retail facilities and education.

It is acknowledged that biodiversity and environmental protection are important consideration for the land release investigation. Once again, it is difficult to make a comment on the preliminary strategy without concrete proposals. We are aware of issues with the availability (and therefore price) of offsets under bio-banking. We are also uncertain whether the existing conurbations are sufficient for Commonwealth/State bio-certification.

The overriding issue we have with respect to the environment is that all of the lands will be constrained to a greater or lesser extent. Typically, the price that is paid for land initially will reflect these constraints (highly constrained lower price and vice versa). This makes it difficult to establish a general approach to the entire investigation area.

It is recommended that following the public consultation process that further consideration be given to biodiversity and protection of the investigation area. Biodiversity in the pre-existing Growth Centres should be used as a guide when determining offset ratios and calculations for Greater Macarthur.

MINING AND HOUSING

The balancing of mining and development interests is quoted as a key challenge for the area with a suggested response that development may have to be deferred until mining is concluded. Much of these areas lie on top of existing and future mining districts. Additionally, much of the mining areas below the proposed urban areas will not be mined for several decades, if ever.

However, such land uses are compatible with diligent attention to the adoption of appropriate construction techniques. This has been demonstrated elsewhere. The suggestion to sequence development after mining creates the danger of restricting land supply in order to protect what is an industry with a limited lifespan. The costs and economic benefits of mining are easily outweighed by the economic benefits and employment involved with urban development. It is critical that a key principle relating to this growth centre release is that mining and housing should be able to co-exist. This is a long standing policy of UDIA NSW.

The investigation strategy mentions on numerous occasions mining and mining activities that could take place within the growth centre. This is acknowledged but provides limited certainty with respect to future housing release.

This issue is larger than the investigation area and has the potential to have an impact on the entire Sydney basin. UDIA NSW supports the findings of the AgEconplus report on mining that development should precede where mining is unlikely to proceed within 15 years, and between 7 and 15 years, a cost benefit analysis should be carried out to determine whether development precedes mining.

It is recommended that lands in the identified growth centre areas that are acknowledged as being mined in the 15 to 30 year time frame have the encumbrance removed from them.

CONCLUSION

On 14 September 2015, Premier Baird updated his list of 12 Premier Priorities. 3 of Premier Baird's Priorities – Creating Jobs, Building Infrastructure and Faster Housing Approvals – are touchstones of the Greater Macarthur area.

Greater Macarthur is in the unique situation, owing to its large land holdings, of development being unconstrained by the fragmented land ownership which has afflicted the North West and South West Growth Centres. It is prime to be released in whole, structure planned and sequenced for infrastructure servicing.

UDIA NSW congratulates the government on the release of the Preliminary Strategy & Action Plan and the identification of Greater Macarthur as a new Growth Centre. UDIA NSW has championed the land release of Greater Macarthur and its role in providing homes, jobs, infrastructure and services for Sydney's growing population. It provides the ideal link between Western Sydney, the airport site including employment lands and the Illawarra. Drawing from the government's recently updated memorandum "*NSW, Making It Happen*" UDIA NSW urges the government to do exactly that with Greater Macarthur.

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