

Submission - Greater Macarthur Land Release Investigation Area

In welcoming the proposed land release investigation I would like to bring a number of matters to your attention.

Urban development is a natural part of a growing city however it is important that the land use be managed effectively to maximise the benefits to the community as a whole. Optimal land use results in a better performing economy and society.

It is noted from the material provide that the development of land throughout the Greater Macarthur (Macarthur) area will be subject to the proponent developers/landowners paying for necessary infrastructure. I would agree with this in principal, however caution that if managed poorly, this requirement has the potential to greatly inhibit the efficient and effective development of the area.

State Infrastructure Contributions

It is acknowledged that the State as a whole should not pay for infrastructure which will benefit a limited number of people. It is however important to ensure there is not double counting or double charging and that the charges are fair and reflect the cost of the infrastructure, not some other arbitrary measure. There should be no attempt to capture the value of increases in land as a result of providing infrastructure as this becomes an additional tax which inhibits economic development.

Any such land taxes, imposed to raise revenue other than for infrastructure for the land from which they are raised should be raised overtly and should not be imposed without broad consultation. There is a risk that such taxes could create uncertainty in the market and that the 'sovereign risk' associated with them could significantly limit investment in land for future development.

In general, I would argue that infrastructure should be provided by organisations along commercial lines as an investment in future revenue. That is, for example Sydney Water should provide sewer mains into a new area on a commercial basis with a view to retrieving its investment in the long term from charges it levies on users. If these charges are in some way inhibited by regulatory regime (IPART) the regulations should be altered or new mechanisms introduced. There will be a role for developers to pay for a portion the initial capital cost, however there should be no explicit requirement that this be all of it or even a fixed amount. If it is not commercial for Sydney Water to supply sewer/water, owners should be given the opportunity to use other suppliers and technologies that they consider appropriate. A developer of a large area may choose to build their own sewerage treatment plant and/or residents on larger lots may use enviro-cycle sewerage systems. If Sydney Water has a funding issue, the developer may choose to enter into a joint funding arrangement (eg Infrastructure Bond) to assist with funding.

The outcome should be driven by commercial and market parameters, not artificial regulatory or procedural constraints. What this may mean is that development proceeds in accordance with practical commercial and urban design constraints and in a large variety of forms, without the

precise form being prescribed by the planning system. If an area can be developed in a particular way, but not in another, because of the constraints, it should be allowed to do so. This will result in the most efficient land use over the long term.

In the context of Macarthur, the costs to provide adequate infrastructure should be estimated and these should be open to scrutiny by land owners and developers. It should be evident that there is no double counting. Is the State funded for roads indirectly from Federal petrol excise which will increase with additional road use from a development? What portion of Council Rates currently fund new road construction, would full compensation unfairly prejudice existing or future land owners. Developers/landowners collectively and infrastructure providers should then negotiate the most economically efficient form and delivery of infrastructure in the short, medium and long term and this should inform and be informed by the optimal and evolving development form.

I would recommend the establishment of a release area special infrastructure trust (RESIT) to act on behalf of land owners and work with government and infrastructure providers to co-ordinate the provision of infrastructure. The Trust could operate in a similar manner to a community title scheme with sub-areas (like strata plans) and then individual property owners. Once the infrastructure was complete and handed over to the relevant providers the trust could be dissolved. The establishment of RESITs may require legislation to compel all affected land owners to take part. Relative rights and obligations could be based on relative land values.

Phased Development

As far as possible, urban planning and the market should be aligned. Previous greenfield planning regimes have tended to be at either one extreme or the other. That is, either large rural lots or small residential lots, with little in between. Arguments in favour of this approach have centred on the need to ensure land was not fragmented prior to residential subdivision to allow developers a large enough project to be commercially efficient. This argument is primarily an admission that planning and infrastructure provision is not sophisticated enough to be able to deal with multiple parties. That is, it is easier to deal with one big developer rather than several smaller ones. This is analogous to saying that we should have only one or two large grocery suppliers or banks because it is easier for government to deal with them. Whilst this may be true, it also limits competition in the market and reduces economic efficiency. Government should work to facilitate optimal economic and social outcomes, not necessarily just seek to simplify its role.

It is proposed that as part of the planning process for the new release precinct, a phased subdivision model be adopted. This would mean that larger rural lots could be subdivided into smaller rural lots then rural/residential lots then residential lots over time as it becomes economically efficient and viable to do so. This could be facilitated by developing urban planning parameters that allow for incremental subdivision that does not sterilise land against further subdivision as it becomes viable. For example, a ten hectare lot could be subdivided into ten, 1 hectare lots, provided that allowance was made for future subdivision to 450 square metre lots. By stipulating building envelopes on the 1 hectare lots that did not impede future road or service provision, subsequent development could proceed when the market for smaller lots made the cost of additional infrastructure provision viable. (A simple sketch of the possible subdivision pattern of 1 hectare lots into smaller residential lots has been provided to illustrate this point).

There are numerous examples of land which has been identified for future residential development however because it was not viable or funding was not available to provide infrastructure, existing owners chose not to invest in the existing properties due to uncertainty about how long it would be before they were fully redeveloped. If investment is consistent with the future redevelopment, it will not be obsolete when the new development becomes viable and hence will take place appropriately.

It is therefore proposed that the Wilton Parklands area, to the west of Wilton junction be re-zoned large lot residential R5, with DCP requirements that lots created have building envelopes and other design features which allow for future subdivision without the need to demolish dwellings created.

Yours faithfully

Michael Blight