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EXECUTIVE SUMMARY

The Urban Development Institute of Australia (UDIA) NSW is the leading industry organisation for the property development sector of NSW. We represent over 500 organisations and our members include developers, regulators, and leading professional advisors. Local councils, particularly growth area councils, are also active members of the Institute. The Institute’s advocacy is focused on creating more liveable, affordable and connected cities.

The Greater Parramatta Interim Land Use and Infrastructure Implementation Plan (the Plan) is welcomed in principle. UDIA NSW has long advocated for the need to align land use planning with infrastructure delivery. This lack of coordination has been a significant and obvious flaw in the planning undertaken in Sydney during the last decade.

It is currently unclear what infrastructure is proposed to enable development, how the infrastructure is to be provided and funded, therefore our submission focusses on the general principles of infrastructure funding and the opportunity to develop a single, broad based infrastructure charge for Greater Parramatta. We welcome the opportunity to provide additional comments once the infrastructure required is identified and released.

We recognise the plan is interim and intended to be updated annually, we welcome the opportunity to continue to engage throughout the updated process.

UDIA NSW makes the following recommendations as guiding principles for the continued development of the Greater Parramatta Land Use and Infrastructure Implementation Plan.

Recommendation 1

Infrastructure funding is clear transparent and upfront to enable community and industry engagement.

Recommendation 2

Infrastructure requirements should be coordinated, with funding collected and distributed, by a single agency using an infrastructure prioritisation model to ensure the delivery of the necessary infrastructure. Because the range of infrastructure projects is so broad and covers all 3 levels of government (Federal, State and Local), the process, timeline and scope of changes to the relevant legislation that will give effect to the delivery and operation of the Infrastructure is critical for the industry to be able to plan for the increased costs and opportunities.

Recommendation 3

A holistic, broad based, single infrastructure charge is developed for Greater Parramatta incorporating SIC, Section 94, and any VPA, value capture, or betterment levies that would otherwise be proposed.

Recommendation 4

New development is only charged for infrastructure where the new development creates the demand for new development. There are no contributions for cultural facilities.
Recommendation 5

The cost of the infrastructure should be borne by all that share in the benefits it delivers and not just property developers, which includes existing land owners, businesses who use the infrastructure and adjacent local government areas.

Recommendation 6

2016 census data is used as the baseline for the estimated population and jobs growth in the region.

Recommendation 7

Provide benchmarks and develop targets for dwelling delivery to introduce accountability for local government in the area.

Recommendation 8

Future revisions of the plan are placed on exhibition for comment.

Recommendation 9

Greater certainty as to the responsible planning authority for the Greater Parramatta region.

INFRASTRUCTURE FUNDING SHOULD BE UPFRONT AND TRANSPARENT DELIVERED THROUGH A SINGLE AGENCY

UDIA NSW welcomes the coordinated planning and delivery of infrastructure, generally, and in the Greater Parramatta and Olympic Park region. We have previously recommended the best option is through an Urban Development Program that prioritises infrastructure based on maximising yield. We consider infrastructure planning and costings should be upfront and welcome the opportunity to provide input into the detailed analysis including indicative costs, delivery timeframes, and funding arrangements as they become known.

As a SIC is being developed for the region along with section 94 contributions as part of the planning process the infrastructure needs for the Greater Parramatta region will be anticipated. Therefore, it would be inappropriate for additional value to be captured through value capture, planning gain, betterment taxes or VPAs.

It is unclear how the Greater Sydney Commission’s proposed Growth Infrastructure Compacts would interplay with Special Infrastructure Contributions, Section 94, Planning Gain, and betterment levies. We would welcome greater clarity as to what the cumulative impact of the policies would be.

UDIA NSW in its “How to Make Sydney’s Housing More Affordable” Action Plan, identified that the housing supply chain absorbs considerable development fees, charges, levies and a variety of taxes which all contribute to the cost of producing housing. These include stamp duty, GST, rates, land tax, Section 94 and Special Infrastructure Contribution (SIC) levies. Combined, these charges account for
30-40% of the total cost of development. The table below indicates the allocation of these charges and taxes on the cost of an average development in an infill context.

<table>
<thead>
<tr>
<th>Charge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Stamp Duty</td>
<td>3%</td>
</tr>
<tr>
<td>Federal GST</td>
<td>14.2%</td>
</tr>
<tr>
<td>Council Rates</td>
<td>0.2%</td>
</tr>
<tr>
<td>State Land Tax</td>
<td>1.5%</td>
</tr>
<tr>
<td>Local Council s.94.</td>
<td>12.4%</td>
</tr>
<tr>
<td>State Infrastructure Contributions</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Total Taxes and Charges</strong></td>
<td><strong>35.6%</strong></td>
</tr>
</tbody>
</table>

Further taxation by negotiation and Agreement either through Voluntary Planning Agreements, Planning Gain, Value Capture or Inclusionary Zoning will only continue to add costs that impact housing affordability. Seeking more taxes out of development is likely to freeze land production as it did in 2005.

At that time, taxes and charges accounted for around 50% of the land sale value which pushed the cost of development beyond feasible levels, effectively stopping supply. This caused a downward slide until 2009, resulting in a decade of under-building in Sydney. Sydney’s housing supply chain cannot afford any delays to supply, or additional and increased taxes that will affect affordability.

In addition, we consider, multiple charges can create uncertainty and limits the ability for developers to make informed investment decisions. Therefore, proposed infrastructure and indicative funding needs to be upfront clear and transparent. This will allow the cost of infrastructure to be priced within the market.

It is imperative that the driver for expenditure of the SIC levy is to facilitate the release of dwellings. Decisions on prioritisation of projects should reflect the ability to deliver dwellings outcomes (targets) on a monthly basis into an Urban Development Program.

A Government agency needs to take a lead role in the collection and distribution of SIC revenue to project delivery agencies.

Clarity is also required to differentiate the various funding sources. NSW Government has, or intends to fund directly the Hill road off ramp, Parramatta Light Rail, and the Museum of Applied Arts and Science.

We welcome the development of more detailed analysis of the infrastructure requirements and consider it should include both local and regional infrastructure. We will be able to comment more comprehensively on infrastructure needs once the infrastructure contributions framework is delivered.

**Recommendation 1**

Infrastructure funding is clear transparent and upfront to enable community and industry engagement.
Recommendation 2

Infrastructure requirements should be coordinated, with funding collected and distributed, by a single agency using an infrastructure prioritisation model to ensure the delivery of the necessary infrastructure. Because the range of infrastructure projects is so broad and covers all 3 levels of government (Federal, State and Local), the process, timeline and scope of changes to the relevant legislation that will give effect to the delivery and operation of the Infrastructure is critical for the industry to be able to plan for the increased costs and opportunities.

OUR PROPOSAL

As the Department of Planning and Greater Sydney Commission are planning the Greater Parramatta and Olympic Park area holistically considering all the infrastructure needs and demands over the area, we consider there is an excellent opportunity to trial a new infrastructure funding model for the region.

As the expected employment and housing growth is known, we consider all different funding streams could be consolidated into a single, broad based infrastructure charge for the entire region. This would provide certainty and clarity and eliminate the need for ad-hoc measures such as VPAs and Planning Gain levies, because the development of the region has been planned more generally.

This model can only work with upfront infrastructure planning with indicative costs and charges on development. By broadening the base, there is an opportunity to collect additional revenue, without front ending charges on new development.

Recommendation 3

A holistic, broad based, single infrastructure charge is developed for Greater Parramatta incorporating SIC, Section 94, and any VPA, value capture, or betterment levies that would otherwise be proposed.

WHAT SHOULD NEW DEVELOPMENT FUND?

New development should only be required to contribute to infrastructure where a nexus exists. It is a well-established principle that development contributions should be linked to infrastructure for which demand is created, and is reflected in section 94 of the Environmental and Planning Act:

*If a consent authority is satisfied that development for which development consent is sought will or is likely to require the provision of or increase the demand for public amenities and public services within the area, the consent authority may grant the development consent subject to a condition requiring:*

1. *the dedication of land free of cost,* or
2. *the payment of a monetary contribution,*

*or both.*

We consider the nexus between demand and infrastructure is a reasonable basis for the allocation of infrastructure funding. However, at times consent authorities seek to go beyond delivering basic
amenities and services to meet increased demand, and deliver items to a greater standard, or for which development creates no demand. For example, City of Parramatta Council’s Draft Parramatta CBD Infrastructure Needs Analysis proposes charging developers either through Section 94a, betterment levies, or planning gain for:

- $80.6 million for visual and performing arts facilities
- $15 million for swimming and recreational opportunities in the Parramatta River
- $54 million for River Square, a performance space

In addition to contributions to bring the public domain and parks to ‘world class’ standard. It is unclear how new development creates the need for arts facilities, performance spaces, museums, or facilities beyond a basic standard. State Government and Council should fund this type of infrastructure through its tax revenue, as it reflects a government aspiration.

Cultural facilities such as the Museum of Applied Arts and Sciences, and the Roxy Theatre restoration are included in the draft infrastructure list. It is unclear if these items will be included as part of the SIC; however, it is clear new development does not create the demand for these types of facilities. There should be no contributions toward cultural facilities. What infrastructure development pays for should be clearly relevant to implementing the employment and higher density housing which is expected in the corridor.

Given that the two ends of Greater Parramatta and Olympic Park (GPOP) are completely different, one becoming Australia’s third largest CBD and the other one of Australia’s largest sporting complex, it is hard to see whether there is nexus between infrastructure requirements for the two areas, and how one benefits the other. We note, Sydney CBD contributions do not pay for Moore Park development.

It is important that there is an acknowledgement of how the contributions expected for Sydney’s residential development impacts on the cost of housing and the ability to achieve government housing supply targets.

In revising the plan, it should be made clear that new development will only be responsible for the infrastructure for which it creates a demand for.

**Recommendation 4**

New development is only charged for infrastructure where the new development creates the demand for new development. There are no contributions for cultural facilities.

**Recommendation 5**

The cost of the infrastructure should be borne by all that share in the benefits it delivers and not just property developers, which includes existing land owners, businesses who use the infrastructure and adjacent local government areas.
TARGETS AND MONITORING

The Greater Parramatta Priority Growth Area will accommodate an additional 72,000 additional homes from 2011 to 2026, we recommend the baseline is updated to reflect the most recent 2016 Census data.

We note there is discrepancy in the proposed job creation within the GPOP region and the targets. On page 4 of the report the Job Growth GPOP box refers to a 60-70% increase in jobs with jobs in 2016 at 126,000 and Jobs in 2036 between 201,000-217,000 or an increase between 75,000 and 91,000 jobs. On the same page, the plan refers to 113,000 additional jobs by 2036 from a 2011 baseline of 133,360 – which would result in approximately 246 thousand jobs. While recognising these are indicative and based on planning to date, we recommend this is resolved and 2016 census data is used as the baseline in the updated plan.

UDIA NSW commends the Department and Greater Sydney Commission commitment to monitor and report on

- Number of housing approvals, construction commencements and completions for all housing types within the priority growth area.
- Pipeline for additional jobs and housing throughout the West Central District.
- Performance of Councils development processing times.

We consider the monitoring should be benchmarked against achievable targets to ensure supply is able to be achieved. This will introduce accountability and enable better tracking to prioritise future investment.

Recommendation 6

2016 census data is used as the baseline for the estimated population and jobs growth in the region.

Recommendation 7

Provide benchmarks and develop targets for dwelling delivery to introduce accountability for local government in the area.

FUTURE CERTAINTY

While the development of the Interim Land Use and Infrastructure Plan is welcome for the Greater Parramatta and Olympic Park area, there is currently uncertainty as to the status of the plan in relation to the district plans and the GPOP Vision statement released by the Greater Sydney Commission.

We consider clearer certainty as to the responsible planning authority for GPOP will assist industry and the community understand the future directions of GPOP. As part of this process we recommend future revisions of the plan are placed on exhibition as more detail is provided.

Recommendation 8

Future revisions of the plan are placed on exhibition for comment.
Recommendation 9

Greater certainty as to the responsible planning authority for the Greater Parramatta region.

CONCLUSION

Given the long-term duration of the Plan, it is important that flexibility is included to allow Sydney’s development to continue to evolve to respond to changing circumstances and requirements, many of which will not be apparent, or easy to predict today. The introduction of clear land use and infrastructure implementation plan of Greater Parramatta is welcomed. As further work is undertaken to provide additional detail to this living document we look forward to providing more detailed comment.

UDIA NSW welcomes the opportunity to meet with the Department to discuss any aspect of this submission or any alternative solutions the Department may wish to consider.

If you require clarification on any of the above matters please do not hesitate to contact Justin Drew, General Manager, Policy and Corporate Affairs on jdrew@udiansw.com.au