

27 February 2018

Carolyn McNally
The Secretary
Department of Planning and Environment
PO Box 39
SYDNEY NSW 2001

Dear Carolyn,

SIC Submission

The Planning Institute of Australian NSW Division (PIANSW) appreciates the opportunity to comment on Hunter Special Infrastructure Contribution (SIC). PIANSW recognises that with growth and development there needs to be the associated infrastructure to support Hunter region communities. The cumulative impact of State infrastructure levies or local Section 94 contributions applied in NSW need to be considered holistically and must be affordable.

PIANSW generally supports the intent of the Hunter SIC and recognises the importance of progressing the SIC determination as soon as practical. PIA NSW also recognises that the full cost of infrastructure identified in the Hunter SIC is not being applied. PIANSW commends the Department of Planning and Environment (DPE) for facilitating a joint dialogue with regional industry bodies and strongly recommends that DPE builds on this initiative convening this industry reference group during implementation and review of the SIC. PIANSW provides the following comments in relation to the draft Hunter SIC for the DPE's consideration and response.

Principles

PIANSW notes that the Hunter SIC is a strategic identification of regional infrastructure requirements to support housing and employment land delivery. PIANSW fully supports the concept that the SIC should;

- be fair, reasonable and proportional; and
- Not hinder housing and industrial land supply in the Hunter.

The nexus between essential infrastructure works, apportionment and the contribution payable by developers and/or the regional community must be credible,

transparent and accountable. In this respect we believe DPE must consider and address the following key points:

- The DPE in consultation with relevant agencies has identified and costed infrastructure projects required over the next 20 years. PIANSW notes that explicit and visible linkages to NSW Treasury's 4 year forward budget estimates and agency 10-year Total Asset Management (TAM) plans will be key to Hunter SIC acceptance and successful implementation. However, the governance and operational links between Hunter SIC, the Hunter Regional Plan 2036, draft Greater Newcastle Metropolitan Plan 2036, Transport Futures 2056 and the Hunter Urban Development Plan (UDP) must be clearly explained. It is believed that without this, the perception of good planning will be missed.
- PIANSW notes that different cost recovery percentages apply to different asset classes. DPE should clearly identify and explain what percentage cost recovery has been applied to each asset class. PIANSW recommends the NSW Government adopts the lower end of the cost recovery ranges to support current economic development and economic diversification efforts in Hunter communities.
- a clear outline of the assumptions or inputs into the SIC, which can then provide transparency, even if people do not think it is the correct cost/items. PIANSW supports the use of the Producer Price Index (PPI) for construction inputs and costs rather than the using the Consumer Price Index (CPI). However, this does raise the question whether this indicates a shift in DPE policy generally and whether this form on indexation might be applied to Section 94 Contributions?
- the nexus and cost apportionment of SIC and local contributions together, in order to manage costs and attract investment, balanced with the right development outcome for communities.

PIANSW understands that the DPE will be reviewing the need for a SIC covering infill development. PIANSW would welcome the opportunity to work with other industry bodies to assist the DPE to shape this policy.

Hunter SIC Contribution

Our key comments concerning unanswered questions or current information gaps and clarifications are outlined below:

- PIANSW notes that approximately \$6m has been collected in the Hunter under previous SIC charges. The DPE is requested to confirm how these funds will be spent and what infrastructure will be prioritised? Clearly there is a need for transparently and accountability in terms of the expenditure of these funds within the Hunter?
- There is a concern that the \$10,664/ lot rate in the Lower Hunter is considered too high and will negatively impact investment and affordability. If the SIC levy is set too high development feasibility is compromised and development will not proceed, resulting in reduced SIC contributions being

paid. A SIC levy below the current estimated \$8,000/ lot is outlined by the UDIA as being feasible to the industry has merit and may be more reasonable.

- The industrial land levy of \$38,232/ lot applied uniformly across the SIC area (Lower Hunter, Upper Hunter and Mid Coast) could act as a major impost on economic development and significantly impact negatively on diversification efforts of the NSW government and local communities. This outcome would be considered counterproductive and contradictory. A proportionately reduced amount should be examined and provided to industry stakeholders as a priority for further feedback. DPE is encouraged to use the industry forum to facilitate this necessary revision ensuring the adopted Hunter SIC can support improved productivity or efficiency for employment or the better access to jobs.
- PIANSW requests further clarification on how the issue of sub-markets was considered in formulating the SIC contribution and how this impacts housing and industrial lands delivery in the Hunter. For example, there are up to 3 sub markets for residential land in the Lower Hunter. The market for industrial land reflected in square metre rates is very different in the Lower Hunter compared to the Upper Hunter. When considered in combination with infrastructure requirements, levies and sub-market price sensitivities, a uniform SIC levy must work for the base case scenario.
- It is understood that the significantly smaller residential levy for the Upper Hunter and Mid Coast reflects that no new road links/intersections are required reflected in the \$658/ lot rate. Road intersections comprise the major part of the SIC contribution and presumably has been apportioned to residential and industrial land. Presumably industrial land in Upper Hunter and Mid Coast relies on similar roads that residential land relies on. If this logic is sound why then is the industrial land contribution equivalent to Lower Hunter?
- An option warranting further review is to consider a base line Regional SIC contribution applying to all residential and industrial land in SIC area and a catchment specific SIC contribution applying to specific areas (Urban Release Areas (URA), Priority Precinct Areas (PPA), etc). For example the Regional component would capture health, education, emergency services and key regional arterial road links/ intersections. The catchment specific part of the SIC could respond to infrastructure and/ or sub-market characteristics.
- In addition, provision for regional biodiversity payments made via the Hunter SIC process should be considered. In the event that Lower Hunter bio-certification is achieved, the need for this payment facility within the Hunter SIC should be reviewed.

SIC Infrastructure Schedule

The draft Infrastructure schedule is critical to outline the items, timing and justification for the SIC.

Based on the information presented by DPE at the consultation session with industry and professional groups earlier this month, the consensus was that the road

infrastructure projects identified by the RMS in the SIC infrastructure schedule do not appear to specifically support housing and industrial land delivery. Accordingly, the SIC infrastructure schedule would benefit from amended project descriptions, spatial extent, clear outline or justification of costs and commentary to address this issue. It is also critical that the projects link to the recent Hunter Strategies and regional Plans in order to ensure coordination between land use and infrastructure.

PIANSW would like information on the construction contingency applied to the identified infrastructure projects. To further support transparency it is recommended that the project costings could be independently reviewed by IPART or INSW.

Many of the infrastructure schedule items identified could support residential or employment lands. It is therefore important to ensure more transparency in the schedules and avoid “double dipping” If the proposed infrastructure supports existing urban development, then cost sharing should be broader.

Supporting initiatives

In addition to the Hunter SIC and local S94 infrastructure contributions, PIANSW recognises the need to address enabling regional provision (the “missing middle”) to help unlock key residential and employment land precincts identified in the DPE’s regional and metropolitan plans. It is recommended that a government low interest loan-based scheme made available to bona fide developers providing seed funding to support and accelerate enabling infrastructure to unlock key precincts in the Hunter should be introduced. This would require an initial once off injection of funds from the State government to get the loan scheme up and operating however, it would not require ongoing top up funding as when loans were repaid these funds could be made available once again. This proposed stimulus or seed funding would serve to reinforce and support economic development and economic diversification efforts in the Hunter. A seed fund in the order of \$100m is suggested with oversight provided by the HDC and/or INSW.

Concluding comments

As outlined above, PIANSW’s preference is that the Hunter SIC proceeds to determination as soon as possible, ideally below \$8000/ lot for residential allotments in the Lower Hunter. The proposed \$654/ lot residential levy in Upper Hunter and Mid Coast is seen as affordable and therefore from a planning point of view is supported.

Based on current available information the uniform industrial land levy is questioned in terms of overall nexus and discouraging investment and employment growth across the Hunter, particularly having regard to the need to support existing and emerging economic development initiatives and diversification efforts of the NSW government and local communities in the Hunter. A reduced amount accompanied by supporting calculations, apportionment and assumptions should be provided and may be considered acceptable to most stakeholders.

PIANSW, in collaboration with other Hunter industry and professional bodies, is keen to work with the DPE and the NSW Government to identify and implement an integrated regional infrastructure delivery model that can be deployed not only in the Hunter but also throughout regional NSW.

If you have any queries concerning this submission please do not hesitate to contact Scott Anson PIANSW Hunter Convenor c/o nswmanager@planning.org.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Rudolph', written in a cursive style.

Jenny Rudolph
President PIA NSW