



HOUSING INDUSTRY ASSOCIATION



# Housing Australians



## Reforming Building & Planning Laws

Submission to the Department of Planning and Environment

**Rhodes East Special Infrastructure Contribution**

16 March 2018



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Housing Industry Association contact:

**Craig Jennion**  
**Executive Director – Hunter**  
Housing Industry Association  
17 Murray Dwyer Circuit  
Steel River Estate  
MAYFIELD WEST NSW 2304  
Phone: 4014 2000  
Email: c.jennion@hia.com.au

**Troy Loveday**  
**Assistant Director, Residential Development & Planning**  
Housing Industry Association  
4 Byfield Street,  
MACQUARIE PARK NSW 2113  
Phone: 02 9978 3342  
Email: t.loveday@hia.com.au

HOUSING INDUSTRY ASSOCIATION



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## ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 40,000 member businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

*"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."*

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 23 centres around the nation providing a wide range of advocacy, business support including services and products to members, technical and compliance advice, training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.



## 1.0 INTRODUCTION

The Housing Industry Association (HIA) would like to provide the following comments on the proposal to establish a Special Infrastructure Contribution (SIC) for Rhodes East released for public comment in December 2017. The SIC is associated with a Planning Precinct rezoning proposal released in September 2017.

HIA has for some months been working closely with the Department of Planning and Environment on local infrastructure contributions, SICs and reforms to Voluntary Planning Agreements. Housing industry stakeholders support the development of an improved process of infrastructure funding and delivery.

It is understood the funds collected through the establishment of the Rhodes East SIC will assist with the delivery of regional infrastructure to support the development of the Rhodes East Planned Precinct should it be approved. The proposal will provide for the collection of about \$75 million over 20 years partially funding new regional infrastructure needed to support the accelerated redevelopment of the planned precinct.

HIA does not support the introduction of SICs to fund regional infrastructure as the cost of providing this infrastructure should be met from other sources such as the State government Budget process.

The Department of Planning and Environment has developed a SIC framework to extend SICs to all Planned Precincts and Growth Areas across Sydney. Currently this infrastructure is funded using voluntary planning agreements (VPAs) between developers and the Minister for Planning. The proposed SIC will replace a process which is considered to involve considerable uncertainty and delay for all parties involved.

Although the establishment of the SIC will be an improvement compared to the existing arrangements, imposing the SIC on new housing directly increases its cost which is passed onto new homebuyers. The additional costs also mean that dwelling prices increase as developers pass on the cost of the SIC onto their customers and ultimately, housing affordability will decline. HIA commissioned research in 2011 which found between 22% and 44% of the cost of housing in Sydney comprised Government taxes and charges.

Escalating costs associated with the establishment of SICs, affordable housing contributions, biodiversity offsets and other legislative changes may undermine the Government's broader objective of addressing housing affordability, particularly for first home buyers.

The SIC will collect revenue for regional infrastructure which has traditionally been funded by the Government through traditional sources such as the Budget process or grants and the like. The SIC process, and prior to it the "satisfactory arrangements" requirements has transferred responsibility for funding infrastructure that is used by both existing and future residents onto mostly future residents. For this reason, the concept of the SIC is unfair and inequitable.

In this submission, HIA will further explore these matters and implementation issues associated with the draft Rhodes East SIC and urges the Government to reconsider its position regarding the Rhodes East SIC so that it will not impact on the cost of new residential development.

## 2.0 APPLICATION OF THE RHODES SIC

The draft Rhodes East SIC will be applied to the development of new residential dwellings within the Rhodes East Planned Precinct and excludes employment or commercial land uses. The SIC will be implemented in conjunction with an accelerated rezoning proposal currently being investigated by the Department of Planning and Environment under the Planned Precinct program. Development applications will become the trigger for

assessing a SIC liability. Applicants will need to determine any SIC liability and make a monetary contribution prior to undertaking any construction work.

The alternative to a SIC would be the collection of funds for regional infrastructure through voluntary planning agreements. As was the case in the western part of the Rhodes peninsula, a clause was inserted within Sydney Regional Environmental Plan No 29 – Rhodes Peninsula which required satisfactory arrangements to be made for rail and bus transport and road infrastructure before the approval of any development application.

Development applications could not be approved before an agreement was negotiated to provide funding of infrastructure. It is accepted that the SIC process does offer an improvement compared to the negotiation of individual agreements for every development proposal.

Based on the details of the proposed rezoning, a further 3,500 homes are proposed to be developed over the next 20 years. The amount of the SIC has been assessed at \$21,943 per additional dwelling and this is to be paid in addition to any monetary contribution paid to the City of Canada Bay for funding local infrastructure. The recent removal of caps on local contributions combined with the establishment of the new SIC has potential to adversely impact housing affordability.

We would ask the Department of Planning and Environment to take into consideration the cumulative impact of both a SIC, uncapped local contributions and any other proposed levy likely to impact on housing affordability. This should be considered separate to development feasibility which also needs to be taken into account.

### **3.0 INFRASTRUCTURE TO BE DELIVERED BY COLLECTION OF SIC**

The draft Rhodes East SIC will comprise funds allocated to four categories of regional infrastructure, covering roads, education, pedestrian and cycling facilities and open space. A number of the infrastructure items proposed to be provided have been identified in the exhibition material for the proposed rezoning and estimates of costs have also been made.

In excess of \$25 million has been allocated to regional pedestrian and cycling facilities. Individual projects to be delivered are identified in Section 7 of the Rhodes East Priority Precinct Investigation Area – Planning Report (September 2017) and the bulk of the funds (\$16.4 million) will be allocated to item P3 Land Bridge Construction, which is to provide for a land bridge to McIlwaine Park from the mixed use development within Rhodes East Gateway. Approximately \$3.5 million will be allocated to Item P2 which is a railway overpass to improve connectivity over the Main Northern Railway line.

Land and building work for education facilities will be allocated about \$20 million. The planning report indicates that Item E1 Primary Education Contribution will be \$15.8 million which includes the land and a shell structure for a new primary school. A smaller contribution amount of \$5.1 million is allocated towards secondary education.

Almost a quarter of the funding raised by the SIC will be allocated to roads, intersections and bridges. Examples of projects identified include Item R1, being an intersection upgrade (\$14.6 million) and Item R2 which is an upgrade to an existing arterial road (\$3.7 million).

It is important that the projects funded by the SIC have some relationship to the development they support and it does not become a replacement of traditional sources of infrastructure funding. A number of the projects listed above should be funded by the State government budget. Also a number of the estimates need to be very robust to ensure that projects funded through the SIC process are not over-designed or gold plated, just because the “developer” is paying for them.

#### **4.0 PAYMENT PROCESS**

Payment of the Rhodes East SIC will be required at the time of release/issue of the Construction Certificate for new residential building work. The Department has previously indicated that the timing of payments has been made to balance the need for revenue security, statutory and business processes and cash flow for developers.

It is important that the design of the SIC provides some degree of flexibility to be built into the payment arrangements to provide developers with an opportunity to reduce costs and pass those savings onto the home buyer.

#### **5.0 CONCLUSION**

HIA does not support the introduction of a SIC which will be passed onto new homebuyers to provide infrastructure that should be funded by the State government through taxation revenue. We do acknowledge that the SIC will replace the current VPA process used to comply with the satisfactory arrangements provision attached to the rezoning of urban land in Planned Precincts and Growth Areas. X

The major infrastructure categories to be funded by the SIC are road and transport projects (roads and bridges) as well as funding allocated to health, schools and emergency services facilities. The scope of the infrastructure list is consistent with the categories identified in the council LEP (designated State public infrastructure) for which satisfactory arrangements must be made. Despite this, the works list for the proposed SIC does include many projects that will deliver benefits to the broader Canada Bay community and as such should be funded by the State government using other revenue sources.

