

3 July 2018

Chris Chesterfield
Chair
Improving Stormwater Management Advisory Committee

Dear Mr Chesterfield

Re: Kingston Submission - Improving Stormwater Management Advisory Committee

Thank you for the opportunity to provide a submission in relation the *Improving Stormwater management Advisory Committee – Issues Paper*.

This submission builds on the presentation provided to the Committee at Workshop 3. It seeks to provide the committee with a detailed appreciation of Kingston's approach to stormwater management with a focus on the development and implementation of our stormwater offset mechanism, mindful such an outcome sits within the scope of the Committee's Terms of Reference.

In providing this submission to the Committee, Council wishes to acknowledge the ongoing support received from Melbourne Water through the development of the in-lieu contributions scheme and the technical input provided by Marsden Jacobs and Associates. Council's detailed submission is outlined below:

1. Strategic Context – Kingston's Approach to Stormwater Management

Kingston has sought over the past decade to develop a well thought out whole of catchment master plan approach to stormwater quality management. Kingston's master plan provides an integrated vision to deliver stormwater treatment and reuse across the municipality and builds on the direction contained in our adopted Integrated Water Cycle (IWC) Strategy.

Kingston's IWC Strategy (2012) commits Kingston to pursuing the best practice urban water performance objectives for stormwater quality in line with the Urban Stormwater Best Practice Environmental Management Guidelines to achieve SEPP (WoV) objectives. This included a commitment to achieving 100 percent of the Kingston catchment treated to best practice and a 15 percent reduction in potable water use by 2040.

Driven by the stormwater quality best practice targets in the IWC Strategy and concerns over the performance and longevity of privately built stormwater quality assets in Kingston, Council has explored over the past four years how it could best improve stormwater water quality in the municipality.

Kingston's evaluations have shown that the municipality cannot meet the stormwater quality targets in the Strategy or SEPP (WoV) targets within a reasonable timeframe by relying on privately built stormwater assets and smaller streetscape treatments alone.

Kingston's evaluations showed the most cost effective means of achieving stormwater targets is for Kingston to build and manage an alternative type and scale of Water Sensitive Urban Design (WSUD) project compared to lot-scale. These are medium scale WSUD assets like stormwater harvesting schemes located on public land or recreational open space that effectively treat around 50 hectares of impervious area each.

Modelling work undertaken by DesignFlow in 2013 identified 31 locations where Council could implement WSUD projects. These medium scale council projects will primarily be located on passive space within Council reserves and open spaces, and will add to the amenity of these areas. Importantly, the modelling work associated with Kingston's master plan concluded that medium scale projects were more cost effective than small scale projects. On average:

- The typical suite of small scale onsite projects (managed by developers or home owners) would require an investment of around \$8 million for every 1 percent contribution towards achieving Kingston's best-practice stormwater targets for the entire municipality,
- Medium scale off-site projects would require an investment of around \$2.2 million for every 1 percent contribution towards achieving the same target.

The medium scale off-site projects managed by Council offer additional benefits compared to smaller onsite projects. These benefits include:

- Stormwater runoff from Kingston flows into Port Phillip Bay with a strong nexus between the objectives of Council's Integrated Water Strategy and the location and outcomes delivered from constructing the identified projects. This means the Kingston stormwater treatment assets help Kingston achieve its IWS and Port Philip Bay objectives better than distributed small scale on-site projects.
- Potable water savings, plus increasing drought resilience at many Council reserves by using treated stormwater for irrigation.
- Avoiding missed opportunities for implementing onsite WSUD solutions where developers are unable to comply due to space or technical constraints.
- Potentially overcoming risks of failure associated with decentralised stormwater management on private land. The WSUD asset maintenance burden is removed from future home owners and shifted to Council to take the responsibility for the long term asset management of WSUD assets located on public land.

Implementation and maintenance of the 31 medium scale Council projects requires an investment in the order of \$27.5 million between now and 2030 which raised a question as to how Council could provide the funds required to deliver the necessary infrastructure. This led to an in depth investigation of other offset schemes and the realisation that the existing Victoria Planning Provisions do not provide a clear or easily implementable pathway by which to secure the funds.

2. Kingston Stormwater Quality In-lieu Contributions Mechanism

To fund the off-site Kingston stormwater investments, Kingston has developed a mechanism that allows developers in Kingston to voluntarily opt-in to achieve BPEMG compliance through off-site stormwater infrastructure investments designed, built and maintained by Kingston City Council. The Scheme applies to all privately owned residential and non-residential properties in the City of Kingston and is available to persons who are required to deliver stormwater quality works on-site in accordance with a planning permit or any relevant policy forming part of the Kingston Planning Scheme. The objectives of this scheme are to provide:

- Flexibility for new developments in Kingston to meet Best Practice stormwater management.
- Council with the opportunity to raise revenue from one or more sources towards costs of providing medium-scale stormwater treatment projects, in a manner that does not put upwards pressure on rates or create cross-subsidies.
- An alternative pathway to achieve Best Practice stormwater management for the whole of the municipality.
- A mechanism that is easy to calculate, simple to implement and streamlines the planning permit application and engineering assessment process.

The Stormwater Quality In-lieu Contributions Scheme presents two alternative pathways for applicants to achieve Best Practice stormwater management:

- The applicant may opt to undertake stormwater works on-site in accordance with an approved Stormwater Management Plan (Drainage). The type and complexity of information required to accompany each permit application would be proportionate to the type of development taking into consideration the risks and opportunities associated with each.
- If the applicant prefers not to achieve the required Victorian Best Practice stormwater management objectives on-site they 'opt in' to pay a nominated stormwater quality contribution in-lieu of the on-site works. The in-lieu contribution is determined by Council using a set formula and is paid to Council prior to the development commencing. All other stormwater related conditions remain unchanged.

3. Calculating the In-lieu Contribution Fee

Kingston's in-lieu contribution rate is a per square meter developed impervious area based charge that decreases with increasing impervious area. The rate is calculated with reference to the standalone cost that developers would face if they opted for on-site compliance, and the cost that Kingston will incur to design, construct, operate, maintain and renew the green stormwater infrastructure, plus scheme administration costs. The fee covers the up-front construction cost to Kingston, plus operating, maintenance and rehabilitation costs that Kingston will incur. As a result, the Scheme is cost-neutral to Kingston and the fee creates a risk buffer for Kingston's projects to manage overruns with.

The charge decreases with increasing impervious area because the available evidence suggests as the area of hard (impervious) surface increases, the cost to treat stormwater on-site also increases, but at a decreasing rate. Basing the rate on impervious area allows developers to reduce impervious area to reduce the stormwater compliance obligations.

For developments with impervious areas of 300 square meters or less, a flat rate of \$2,000 per development is applicable. This flat rate reflects that development sites of 300 square meters and less generally face lower on site WSUD compliance costs than larger developments. Kingston's online contribution calculator allows developers to estimate their contribution, accounting for % of best-practice achieved on site.

Kingston is using a single rate schedule for residential, commercial and industrial developments because this approach is simple to implement, transparent and can be easily understood by developers.

Council, at its discretion, can decide whether the Scheme will apply to large developments with an impervious area greater than 8000 square metres. Council will also reduce the fee for partial compliance on-site by the developer, based on the assessed contribution of the on-site works towards achieving BPEMG.

The 2016 rates will be adjusted at the commencement of each financial year to account for inflation adopting an appropriate index applicable to drainage infrastructure or the construction sector. The rates will also be assessed and adjusted by Council for comparison with actual developer on-site costs and offset fees charged by Melbourne Water to ensure that contribution rates are competitively priced.

The in-lieu mechanism differs from offsets and developer charges in several important ways:

- Generally, offsets and developer charges only cover the up-front construction costs, with operating and renewal costs passed on to Council to fund. The in-lieu mechanism price includes the whole of lifecycle cost, including asset renewal.
- Developer charges and offsets are generally priced based on the estimated cost to (Council) to design and deliver the infrastructure. This results in the risk of cost overruns being transferred from the developer to Council (and Council ratepayers as a result). The in-lieu mechanism is priced between what it costs Council to design, construct, operate, maintain and renew the assets, and what it would cost a developer to achieve BPEM compliance on site. This results in more cost effective outcome for developers, and reduces cost overrun risk to Council

Similar to offsets but in contrast to developer contributions, the in-lieu mechanism is voluntary for developers to opt into. This increases flexibility of choice for developers. An opt-in approach also offers a number of other advantages to Kingston. They do not require a Planning Scheme Amendment to implement and can, in principle, be implemented quickly compared to developer charges.

Evaluation undertaken by Council suggests the scheme has the potential to deliver equivalent or better stormwater quality outcomes at less than half the cost developers would incur to deliver the BPEMG compliance on-site. Because this cost estimate excludes the administrative cost to developers of achieving on-site compliance, the total savings could be more than half, especially for larger developments which face higher compliance costs.

4. Implementation

The in-lieu mechanism is forecast to raise in the order of \$14 million over the next 10-20 years depending on take-up by developers and development rates.

Council will monitor report and review the monies received and expended in the Reserve Fund through the annual financial statements in line with the principles of sound financial management as contained in the Local Government Act 1989. These Financial Statements are subjected to an external Audit process and may also be included in Kingston's internal audit schedule. The Reserve Fund amounts including expenditure shall be reported to Council as part of the annual financial briefing. Council's Manager Infrastructure will be responsible for regular monitoring, reporting and review of the monies received and expended under the Scheme.

In partnership with Melbourne Water, Council is currently establishing a framework to monitor, evaluate and communicate findings and outcomes of the scheme. This framework includes modelling and evaluating the performance of the off-site stormwater assets against BPEMG standards.

The learnings obtained from Council's development and implementation of its in-lieu mechanisms are well documented and readily transferrable to other municipalities. Further policy direction and advisory information in relation the use and establishment of in lieu mechanisms would greatly assist the industry in taking up such an option moving forward. Such a move would also assists in further reinforcing their legitimacy and benefits as a tool to fund stormwater infrastructure.

Council is appreciative of the opportunity to provide the Committee with this submission and looks forward to receiving the committee's final advice later this year. Should you require any further information in relation any of the matters raised in this submission, please contact Emily Boucher, Principal Environmental Planner on 9581 4789 or emily.boucher@kingston.vic.gov.au

Regards



Paul Marsden
MANAGER CITY STRATEGY