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Australia's property industry

Creating for Generations

13 April 2021

Mr Brett Newman
Chief Executive Officer
City of Parramatta Council
126 Church Street
PARRAMATTA NSW 2124
By email to council@cityofparramatta.nsw.gov.au

Dear Mr Newman

DRAFT CITY OF PARRAMATTA (OUTSIDE CBD) DEVELOPMENT CONTRIBUTIONS PLAN 2021

The Property Council welcomes the opportunity to provide comment on the draft City of Parramatta (Outside CBD) Development Contributions Plan 2021.

As Australia's peak representative of the property and construction industry, the Property Council's members include investors, owners, managers and developers of property across all asset classes. Locally, our industry accounts for more than one in ten jobs within the City of Parramatta local government area and makes a contribution of more than \$3.5 billion to the city's economy.

Following the proclamation of the City of Parramatta in May 2016, Council has embarked on the harmonisation of a variety of planning controls inherited from the Parramatta, Holroyd, The Hills, Hornsby and Auburn local government areas. This involves the creation of a new citywide Local Environment Plan, Development Control Plan, and the preparation of the draft contributions plan for the non-CBD portions of the city.

In preparing the draft plan, Council has opted to use Section 7.11 of the Environmental Planning & Assessment Act, 1979 as the mechanism for collecting contributions. We have made our comments on Council's draft plan via the attached submission.

Should you have any questions regarding the content of this submission please contact Ross Grove, Western Sydney Regional Director on 0412 897 130 or rgrove@propertycouncil.com.au

Yours sincerely



Jane Fitzgerald
NSW Executive Director
Property Council of Australia

Submission to City of Parramatta Council

**Draft City of Parramatta (Outside
CBD) Development Contributions
Plan 2021**

April 2021

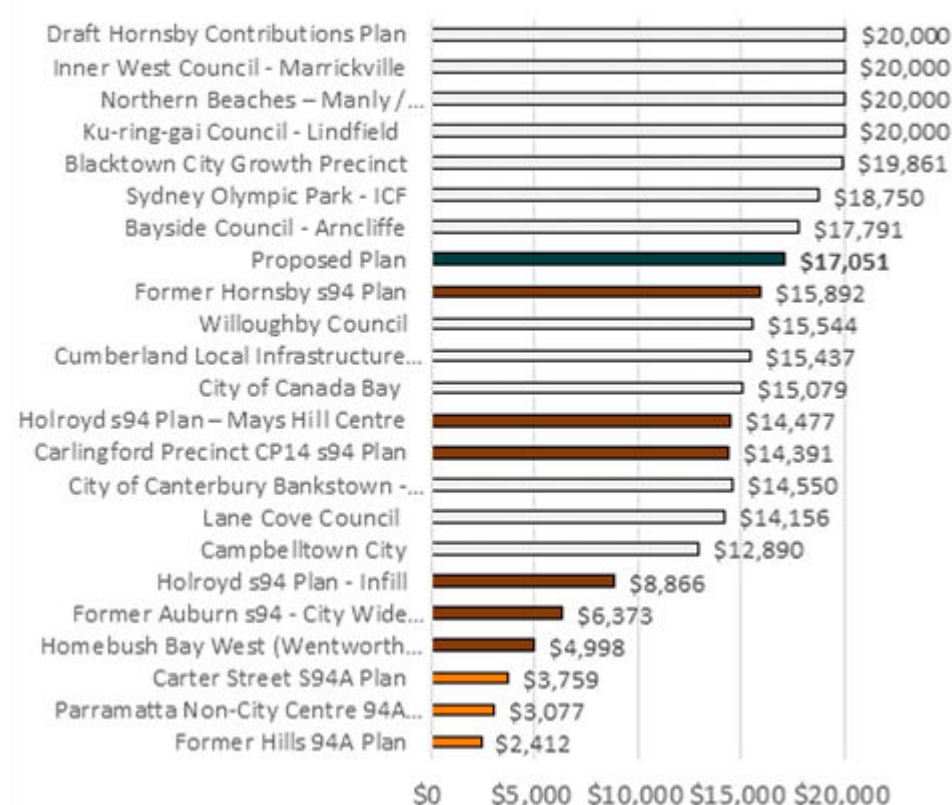
1.0 Planning context and response

The Property Council welcomes the opportunity to provide comments on the Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021 released in March 2021.

Following the proclamation of the City of Parramatta in May 2016, Council has embarked on the harmonisation of a variety of planning controls inherited from the Parramatta, Holroyd, The Hills, Hornsby and Auburn local government areas. This involves the creation of a new citywide Local Environment Plan, Development Control Plan, and the preparation of the draft contributions plan for the non-CBD portions of the city.

In preparing the draft contributions plan, Council has opted to use Section 7.11 of the Environmental Planning & Assessment Act, 1979 as the mechanism for collecting contributions. For the portions of the new council that were previously the subject of a Section 7.12 plan (such as those in The Hills and the former Parramatta City Council) this will result in a significant increase in contributions payable. In a report to the elected council, the comparative shift in contributions was illustrated via Figure 1.

Figure 1: Contribution rates, 2-bedroom dwellings various councils



To support the change in contribution rates, Council has demonstrated a need for \$1.69b in new infrastructure, with a projected funding gap of \$1.26b should the present contributions framework be retained. Under the proposed framework this funding gap would be reduced to a more manageable \$383m. It is more than reasonable for this funding gap to occur given the shared role some of this infrastructure will have in supporting the existing, rather than future, population.

While **the approach of transitioning to a 7.11 plan is supported**, it is noted the Draft Plan seeks higher contribution rates per dwelling than is permissible under the \$20,000 cap imposed by the Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012. For these contributions to apply in full, Council would have to seek Ministerial endorsement of the plan following a review from the Independent Pricing and Regulatory Tribunal. This is not the intended direction of Council. **Council intends for the higher charges to apply only when the cap is lifted beyond its current level. The**

Property Council supports this approach, subject to the full implementation of the recommendations of the NSW Productivity Commissioner’s Review of Infrastructure Contributions in NSW, in consultation with industry groups and peak bodies.

Recommendation 1: No contribution increases beyond the Minister’s \$20,000 cap until after the NSW Productivity Commissioner’s Review of Infrastructure Contributions in NSW is fully implemented.

2.0 Operation of the plan

Contribution rates

The draft contributions plan apportions infrastructure contributions rates on a per worker, per visitor and per resident basis, and makes assumptions about the occupancy rate of residential dwellings to inform contributions charges on a per-bedroom basis.

Development type	Contribution rates
<i>Per additional worker</i>	\$2,506
<i>Per additional visitor</i>	\$6,543
<i>Per additional resident</i>	\$7,750
Per 1 bed dwelling (assumes 1.9 residents)	\$14,726
Per 2 bed dwelling (assumes 2.2 residents)	\$17,051
Per 3 bed dwelling (assumes 3.0 residents)	\$23,251
Per 4+ bed dwelling (assumes 3.5 residents)	\$27,126
Per 1 bed secondary dwelling (1 resident charge at 50% discount)	\$3,875

While the per resident, worker and visitor charges seem reasonable, the assumptions for occupancy rates in new dwellings are driving up the cost of contributions in a manner that does not reflect the actual burden of the growth on infrastructure. Below is a table outlining the cost of Parramatta’s non-CBD contributions if the plan were to adopt the new dwelling occupancy rates of the City of Sydney’s Development Contributions Plan 2015:

Development type	Contribution rates	Saving vs proposal
<i>Per additional worker</i>	\$2,506	
<i>Per additional visitor</i>	\$6,543	
<i>Per additional resident</i>	\$7,750	
Per 1 bed dwelling (assumes 1.3 residents)	\$10,075	\$4,651
Per 2 bed dwelling (assumes 1.9 residents)	\$14,725	\$2,326
Per 3 bed dwelling (assumes 2.7 residents)	\$20,925	\$2,326 to \$6,201

When preparing their contributions plan, the City of Sydney provided detailed projections around not only population growth, but also details around forecast household dwelling sizes in Appendix A: Anticipated development. These details are not available in the same Appendix for the City of Parramatta.

As Parramatta continues to grow, it is reasonable to expect the size of households and dwellings in its surrounding suburbs will change too. The Property Council recommends the City of Sydney’s lower population per bedroom assumptions be adopted when calculating residential contribution rates.

Recommendation 2: The City of Sydney's lower population per bedroom assumptions be adopted when calculating residential contribution rates.

Similarly, the workforce occupancy rates in the non-CBD areas of Parramatta according to the draft plan are denser than the many of the workforce occupancy rates anticipated for the Sydney CBD. While the City of Sydney has relied on its 2012 Floor Space and Employment Survey to support their assumptions, the **City of Parramatta appears to rely on previous development applications, which are more likely to be designed to anticipate maximum occupancy than the reality on the ground. This needs to be reviewed and supported by a more scientific evidence base.**

Alternatively, Council may elect to adopt a 1% Section 7.12 charge for non-residential development. This approach would also be supported.

Recommendation 3: Council defer contributions for non-residential development and provide additional supporting justification for workforce densities per square metre OR considers applying a Section 7.12 rate of 1% for this development type.

Deferred payments and payment by instalment

The draft plan expressly rules out requests to defer payment of the contribution beyond the release of the first construction certificate. This has a significant adverse impact on the cashflow of property builders, owners and developers and makes good projects less viable, particularly for smaller and medium sized companies.

A number of councils, including the adjoining Hornsby Shire Council and Cumberland Council make provision for deferred payment and/or payment by instalment. These approaches are reasonable, and provide security to local government while better supporting the capacity of industry to deliver on the housing and employment goals of the local government area.

Recommendation 4: The draft plan incorporate wording from Cumberland Council's Local Infrastructure Contributions Plan 2020 or the Hornsby Shire Council 2020-2030 Section 7.11 Development Contributions Plan, incorporating provision for deferred payments and payments by instalment in limited circumstances.

Role of Voluntary Planning Agreements

While not covered directly in the draft plan, Section 51(i) of the report to the elected council from 30 November 2020 suggests Voluntary Planning Agreements could be used to reduce Council's contribution to the infrastructure funding gap.

While the Property Council accepts there is a bespoke role for Voluntary Planning Agreements in limited circumstances, these agreements should not be used with regularity or for the indirect purpose of driving up total developer contributions without a clear and transparent nexus to an immediate planning proposal or development application.

5.0 Key Recommendations

The Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021 is an important part of the harmonisation of planning instruments following the creation of the City of Parramatta from five former local government areas. The adoption of a Section 7.11 plan will significantly increase the funding (and likelihood of delivery) of infrastructure to support the new council's future growth.

In finalising this plan, contributions need to be charges fairly, and options need to be made available to ensure contributions do not overwhelm the capacity of small and mid-sized business. To this extent, we make the following recommendations:

Recommendation 1: No contribution increases beyond the Minister's \$20,000 cap until after the NSW Productivity Commissioner's Review of Infrastructure Contributions in NSW is fully implemented.

Recommendation 2: The City of Sydney's lower population per bedroom assumptions be adopted when calculating residential contribution rates.

Recommendation 3: Council defer contributions for non-residential development and provide additional supporting justification for workforce densities per square metre OR considers applying a Section 7.12 rate of 1% for this development type.

Recommendation 4: The draft plan incorporate wording from Cumberland Council's Local Infrastructure Contributions Plan 2020, incorporating provision for deferred payments and payments by instalment in limited circumstances.