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Australia's property industry

Creating for Generations

7 February 2019

Mr Martin Reason
Executive Director
Department of Planning and Environment
GPO Box 39
SYDNEY NSW 2001

Dear Mr Reason

Proposed Special Infrastructure Contribution (SIC) for St Leonards and Crows Nest

The Property Council of Australia (PCA) welcomes the opportunity to provide comments to the Department of Planning and Environment (the Department) on the proposed Special Infrastructure Contribution (SIC) for St Leonards and Crows Nest.

The information brochure released by the Department in October 2018 identifies the proposed rate of the new SIC (\$15,100 per lot or dwelling) and the proposed infrastructure schedule, comprising more than \$113 million of public facilities to be delivered over 20 years.

Background

In 2016, the Minister for Planning announced a strategic planning investigation of the St Leonards and Crows Nest station precinct (the precinct). The precinct was identified as Strategic Centre in the Greater Sydney Commission's draft North District Plan.

In August 2017, the Department released an Interim Statement for the precinct which outlined a draft vision and objectives for the expected changes to happen within the precinct as a consequence of the development of the Sydney Metro City and Southwest project.

This submission requests the Department to take the following matters into consideration when it evaluates the proposed SIC.

Cumulative Impact of proposed SIC and other development levies and charges

If the proposed SIC is made, its commencement will occur in an environment of uncapped local contributions (section 7.11). Subject to IPART and Ministerial approval, a local council can implement a contribution plan levying development in excess of \$20,000 per dwelling.

This could increase the local contribution for St Leonards & Crows Nest to more than \$35,000 per dwelling.

There are several other development charges, such as a potential 5-10% contribution for affordable housing, potential reinstatement of water and sewer connection development charges and council imposed levies for compliance activity, that are placing further costs and regulatory burden on the housing and property sectors. In NSW, the property industry contributes over \$8 billion in stamp duty alone and is the State's largest source of revenue.

Charges incurred through the planning process, compliance costs for regulation and holding costs due to slow planning approvals all increase the cost of providing new housing.

Other costs we have concerns about include:

- The uncapping of section 7.11 (formerly section 94) contributions,
- The creation of new Special Infrastructure Contributions (SIC),
- Expansion of inclusionary zoning without incentives,
- Changes to the biodiversity regulations, including offset charges,
- Individual VPA negotiations with local councils, and
- Contributions to other State authorities such as Ausgrid, RMS and Sydney Water.

Industry is not adverse to contributing towards the provision and funding of infrastructure to support growth and development. Proposals should be supported by well-researched community need. Industry stakeholders are concerned, however, that new and increased SIC levies add to the cost and complexity of building new homes in NSW, and the cumulative impact is that they may render many projects unviable, in effect hindering the supply of new housing in NSW.

Certainty regarding contribution rates

The exhibition package indicates that the SIC rates and projects will be reviewed regularly to ensure that the most appropriate infrastructure solutions are delivered to support growing communities into the future. Any review of SIC rates should provide sufficient lead-in time for the development industry to factor in any significant change in costs, particularly for any increase in SIC rates.

Feasibility of residential projects are determined well in advance of lodgement of the development application and, apart from small indexation of SIC rates, any significant variations should be avoided wherever possible.

Costings of infrastructure

The proposal includes a schedule of proposed infrastructure items which includes \$57.6 million for open space, \$27.5 million for pedestrian and cycle improvements, \$21.9 million for education and \$4.7 million for roads. The total infrastructure to be funded by the SIC is approximately \$113.6 million.

Unlike local infrastructure contributions plans which are reviewed by the Independent Pricing and Regulatory Tribunal (IPART), there is currently no mechanism for independent review of the cost estimates for works delivered under the SIC.

The proposal provides no detail about the cost estimates of individual infrastructure projects to be part funded by the SIC. There needs to be more transparency concerning the development of each SIC proposal and the cost estimates provided to the Department by relevant State agencies.

Thank you again for the opportunity to comment on the proposed SIC for St Leonards and Crows Nest. The Property Council of Australia and our members look forward to ongoing discussion and consultation on the development of this SIC.

Please do not hesitate to contact Troy Loveday, Senior Policy Advisor on (02) 9033 1907 or tloveday@propertycouncil.com.au if you would like to discuss any aspect of this submission further.

Yours sincerely



Jane Fitzgerald
NSW Executive Director
Property Council of Australia