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**Creating for Generations**

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26 February 2021

Jim Betts  
Secretary  
Department of Planning Industry and Environment  
Lodged via NSW Planning Portal  
Dear Mr Betts,

**Western Sydney Aerotropolis Special Infrastructure Contribution**

The Property Council of Australia welcomes the opportunity to provide comment on the Draft Special Infrastructure Contribution (SIC) for the Western Sydney Aerotropolis.

As Australia's peak representative of the property and construction industry, the Property Council's members include investors, owners, managers and developers across all property assets.

Our primary concern regarding contributions in the Western Sydney Aerotropolis relates to the cumulative impact of taxes, fees and charges on the cost and viability of developing this portion of Western Sydney. Specifically, we are concerned the Section 7.12 contribution rate of 6.5% proposed by Penrith and Liverpool City Councils is excessive and needs to be reduced. Any final decision regarding the SIC needs to have regard to the future of local contributions within the same precinct.

We are pleased to provide the attached comments for your consideration.

Should you have any questions regarding the content of this submission, please contact Ross Grove, Western Sydney Regional Director on 0412 897 130 or Troy Loveday, NSW Policy Manager, on 0414 265 152.

Yours sincerely,



**Jane Fitzgerald**  
NSW Executive Director  
Property Council of Australia

# **Submission to the Department of Planning, Industry and Environment**

## **Draft Special Infrastructure Contribution for the Western Sydney Aerotropolis**

**26 February 2021**

## 1.0 General Comments

The Property Council of Australia welcomes the opportunity to provide comment on the Draft Special Infrastructure Contribution (SIC) for the Western Sydney Aerotropolis.

We enthusiastically support the construction of the Western Sydney Airport, the supporting infrastructure, and the economic activation and development of the surrounding Aerotropolis to better realise the economic and employment benefits of the government's investment. We see this task as critical to reducing the jobs deficit in Western Sydney and delivering on the NSW Government's Commitment to deliver an additional 200,000 jobs in the Western Parkland City.

Our primary concern regarding contributions in the Western Sydney Aerotropolis relates to the cumulative impact of taxes, fees and charges on the cost and viability of developing this portion of Western Sydney. We are concerned the Section 7.12 contribution rate of 6.5% proposed by Penrith and Liverpool City Councils is excessive and needs to be reduced. This rate is significantly higher than the proposed SIC and any final decision needs to have regard to the future of local contributions within the same precinct. A copy of our submission regarding local contributions is included as an appendix to this submission and recommends the following steps be taken to address the challenge of contributions at the local level:

1. Council favour the use of planning agreements to fund local infrastructure within the Aerotropolis in the first instance.
2. Council consider amending the proposed fixed rate levy to a rate contemplated in the Discussion Paper released by the Department (and assess requirements against the criteria outlined therein) on an interim basis.
3. Following the finalisation of precinct planning for the Western Sydney Aerotropolis, Council prepares nexus-based Section 7.11 contribution plans for each of the initial precincts and approaches the NSW Government seeking financial support for the plan's implementation.

In the Department's fact sheet supporting the SIC charge, it was acknowledged the final decision to approve any Section 7.12 rate over 6.5% rests with the Minister and "this decision may impact the contribution rate for the proposed aerotropolis." As stated earlier, we support the approach of considering the SIC in the context of other charges and contributions.

Consistent with the findings of the Greater Sydney Commission's draft Place-based Infrastructure Compact for Western Sydney, the Property Council understands the infrastructure costs for activating the Aerotropolis are relatively high, however the enhanced logistics capacity and initial airport-supporting development has wider economic benefits to Greater Sydney and may require a level of government support that cannot be recouped by initial development contributions.

## 2.0 Structure of the SIC

The Draft SIC proposes a mixture of rates which vary based on the type of zoning. The contributions involve a blend of Net Developable Area (NDA) charges per hectare, combined with station precinct charge (levied as a percentage of development costs, similar to a 7.12 contribution). A summary of the charges is provided below:

The proposed contribution rates are:

| Zone                       | NDA charge per hectare of net developable area (indexed annually) | Station precinct charge (% of the cost of carrying out development) |
|----------------------------|---|---|
| Mixed Use                  | \$500,000   | 2%  |
| Enterprise                 | \$200,000   | 1%  |
| Agribusiness               | \$200,000   | n/a   |
| Industrial (Mamre Road)    | \$200,000   | n/a   |
| Environment and recreation | Nil   | n/a   |
| SP2 Infrastructure         | Nil   | n/a   |

### 2.1 Net Developable Area Charge

Across all precincts designated for economic activation, a Net Developable Area Charge will apply. The Property Council supports the approach of excluding public roads, land beneath the 1% flood level, and land subject to an easement in favour of a public utility. We encourage the Department to expand these exclusions to include land which will not be developable as a result of the initial precinct planning for the Aerotropolis. These include, but are not limited to, native soil zones and “green fingers” across private property.

The Property Council also supports the application of a higher (relative) NDA charge for Mixed Use developments as these land uses have a higher infrastructure cost burden. The specific NDA rates need to be considered in the context of the cumulative impact of state and local contributions, which will need to be reduced to guarantee development viability.

### 2.2 Station Precinct Charge

Two precincts surrounding designated metro stations have been identified for the application of a Station Precinct Charge, which will be levied as a percentage of development cost. The application of the station precinct charge reflects the intensity of land use surrounding the stations and the higher cost of supporting infrastructure. The Property Council supports the principle of applying charges that are proportionate to infrastructure costs and land use outcomes to different precincts.

We note the intention of this contribution is for the charges to be paid as a monetary contribution to the Department. We encourage the Department to keep the door open to considering options for works-in-kind agreements, where doing so would be mutually beneficial.

Similar to our comments regarding the NDA rates, the final charges need to be considered in the context of the cumulative impact of state and local contributions, which will need to be reduced to guarantee development viability.

### 2.3 Conflict with Western Sydney Growth Areas SIC

The Property Council supports the approach of discounting contributions collected under the Western Sydney Growth Areas SIC against the proposed Aerotropolis SIC to avoid the double payment of contributions.

### 2.4 Status of Voluntary Planning Agreements

The Property Council supports the approach of not imposing a Special Infrastructure Contribution where a voluntary planning agreement has already been negotiated for the provision of state and regional infrastructure.

## 3.0 Discounting and COVID provisions

In order to transition to a Special Infrastructure Contributions, the draft SIC determination makes provision for the following discount rates to apply over a two year period:

1. Before 1 July 2022 - 50% discount.
2. Between 1 July 2022 and 30 June 2023 - 25% discount.

Additionally, the NSW Government has made provision for the deferral of payments throughout the designated COVID-19 pandemic period. This provision enables contributions to be deferred until the issue of the first occupation certificate.

These two provisions have the potential to incentivise early investment in the Western Sydney Aerotropolis, however they will need to operate over a longer period of time in order to account for the timelines required for the preparation of masterplans, applications and assessment and referral across government agencies.

## 4.0 Conclusion and Recommendations

The Property Council acknowledges the significant cost of developing the Aerotropolis to all levels of government, and the role for industry in making a contribution to partially contribute to the delivery of this work.

The Western Sydney Aerotropolis is a project that will deliver economic benefits to all of Sydney by improving international connectivity, improved logistics coordination, jobs for Western Sydney and progress toward the goal of creating 30-minute cities, where commute times are reduced and to support an improving quality of life. It is important that any proposed contribution have regard to both the site-specific benefit and whole-of-city benefit when apportioning costs.

In achieving the economic vision for the Aerotropolis, it is important to ensure development remains economically viable. Rising costs are being driven through increased contributions and new planning controls, while the initial areas of developable land are diminished as more (draft) planning controls are released.

In finalising a Special Infrastructure Contribution for the Western Sydney Aerotropolis, we recommend the Department to take the following steps:

**Recommendation 1: A reduction in the cumulative cost of local and state contributions to a level which does not impair the economic and employment outcomes. This may include reductions to the SIC, Section 7.12 contributions, a government subsidy, or any mixture of these options.**

**Recommendation 2: The Department exclude land which is undevelopable under the draft Aerotropolis Precinct Plans Net Developable Area Charge.**

**Recommendation 3: Early investment discounts to encourage initial activity in the Aerotropolis be expanded to apply over a staggered five-year period, to encourage industry to take bold decisions around locating new industries to the Aerotropolis.**

We look forward to continuing to work with the Department, local and state government agencies and the industry as a whole to continue to drive strong economic outcomes for the Western Sydney Aerotropolis.