

28 February 2018

Ms Jennifer Richardson
Director - Transport and Strategic Infrastructure Planning
Department of Planning & Environment
GPO Box 39
SYDNEY NSW 2001

Thank you for the opportunity to comment on the *Draft Hunter – Special Infrastructure Contribution: Proposed approach for consultation* paper.

The Property Council and its members have worked closely with the Department of Planning and Environment (the Department) to provide an industry perspective on a Special Infrastructure Contribution (SIC) for the Hunter. We acknowledge the potential for a SIC to offer greater certainty and transparency in relation to the cost of delivering development across the region and continue to support the Department's efforts to establish a SIC that is regionally relevant.

However, we believe there is more work to be done in order for the draft SIC to achieve the stated intentions to:

- *Reduce the need for the NSW Government and proponents to negotiate voluntary planning agreements for regional infrastructure provision;*
- *Support regional infrastructure provision through reasonable cost sharing that equitably reflects infrastructure demand generated by new residential and industrial development; or*
- *Increase the level of certainty and transparency around the infrastructure required to support growth.*

As currently drafted it also risks undermining the NSW Government's stated objectives of improving housing affordability by easing housing prices, particularly for first home buyers, and increasing supply.

Outlined below is the Property Council's and its members concerns as well as recommendations designed to ameliorate them.

We would request the Department consult further with industry to address these issues before preparing a draft Determination.

Recommendation:

Add a new contributions category that is specific to individual (greenfield) growth corridors or precincts to establish more localised SIC rates.

Development costs can vary significantly across the Hunter, which is already demonstrated in the vastly different SIC values proposed for the Lower Hunter (\$10,664) as compared to the Upper

Hunter and Mid Coast service catchment areas (\$658). In our member's experience, this cost differential is also relevant across precincts within the Lower Hunter itself.

We believe these cost differences should be reflected in the planning process by encouraging lower cost areas to be brought to the market sooner. The currently proposed approach does the reverse by imposing the same rate on all areas within the Lower Hunter regardless of their cost profile. This could have the unintended consequence of limiting supply in areas close to strategic centres where land values are already high and driving up the cost of housing in outlying areas.

Costs unique to Greenfield developments across the Hunter largely arise from requirements to provide enabling works associated with utilities and road intersections and biodiversity offsets. Identifying more localised growth areas, either corridors or precincts, where several greenfield release areas would benefit from shared infrastructure or environmental offsets would allow for a more relevant contribution rate, demonstrating a clear nexus between the development and need for new infrastructure, to be established.

This is the approach currently applied for Growth Precincts in Sydney. The Victorian Government has also taken a similar approach in their application of Victoria Infrastructure Contributions Plans for growth areas, where different corridors have different standardised infrastructure levies.

Recommendation:

Revise the infrastructure list provided to identify roads projects that have a clear nexus between greenfield development and infrastructure need.

We acknowledge that new greenfield development, both residential and industrial, will place additional pressure on road assets across the Hunter. However, the nexus between future greenfield developments and several of the road projects identified in the proposed list is unclear. Currently, the regional infrastructure listed is not directly related to greenfield release areas. Instead, this list appears to identify projects required to deal with existing constraints across the road network arising from current demand. Furthermore, the project costs sought to be recovered through contributions from greenfield developments is considered too high in relation to the additional demands anticipated to arise exclusively from new greenfield development. This has a result of over-inflating the proposed SIC rate, with the cost of roads projects currently representing around 70 percent of the \$330 million projected to be raised through the SIC.

We strongly recommend the list of roads projects is reviewed, and request further consultation is undertaken on an updated list before a Draft Determination is prepared.

Identify "enabling works" on the infrastructure list, and establish a mechanism for administering this by application

The proposed approach does not address the requirements to deliver enabling works, for example, provide utilities or upgrade road intersections upon which individual development areas may rely. The cost of providing these improvements is often borne by a single developer or development area but can catalyse development for a much wider catchment.

The size of the service catchment areas proposed under the current approach do not allow an accurate estimation of enabling works to be established. This would best be determined by

taking the alternative approach recommended. However, if proceeding with the current approach, we recommend the infrastructure list identifies at least \$100 million for “enabling works”. The funding to create a Hunter Infrastructure Loan Fund should be administered to assist developers who are ready to proceed with either meeting the up-front costs, for example through seed funding, or providing assurance that these costs can be recovered, such as through rebates.

Recommendation:

Provide a mechanism for establishing a SIC rate cap for greenfield residential development in selected areas within the Lower Hunter.

The feasibility of new projects across the Lower Hunter service catchment area is highly variable. Introducing a single rate at the amount proposed for the Lower Hunter may unduly render new housing projects in some locations unfeasible, artificially constraining the supply of new housing.

The State Government has already introduced ‘hard caps’ limiting the amount of section 94 development contributions councils can collect to improve the supply of housing. This should similarly extend to the SIC in selected areas within the Lower Hunter, to assist with maintaining a consistent supply.

This approach would assist with increasing the supply of new housing in areas where it is strategically advantageous to achieving the distribution of growth envisaged by the Greater Newcastle Metropolitan Plan.

Rate caps for greenfield residential developments should specifically be considered to apply where they adjoin or are readily accessible to established urban areas and networks, or in outlying areas that are otherwise already well-served.

Feedback from our members would suggest that the proposed rate particularly in the lower Hunter is well above what is currently being negotiated in VPA’s.

In the cases of land offsets and works in kind agreements the Property Council believes there should be flexibility in the remaining SIC to recognise an additional contribution to infrastructure, for example, payment tied to the receipt of subdivision certificates.

Recommendation:

Vary the SIC rate for industrial development across the separate service catchments.

The single rate applied to industrial developments across all service catchment areas does not reflect the cost differential for development locations throughout the region. In line with recommendation 1 above, varying the SIC rate across these service catchment areas would assist with encouraging lower cost areas to be brought to the market sooner.

Recommendation:

Do not include land set aside for roads when calculating the net development area for industrial SIC.

The current approach identifies land that will not be included in the calculation of the Net Development Area applying to the industrial SIC. We do not believe land that will be set aside for roads, including local and service roads, should be included in this calculation.

Recommendation:

Establish a business-case or gateway-style process for prioritising SIC funding expenditure.

In the Property Council's submission to the 2016 Discussion Paper we recommended that a business-case or gateway-style process for prioritising SIC funding expenditure be implemented. We continue to recognise the need to align the SIC with other monitoring tools and processes to assist with sequencing the delivery of infrastructure to support growth. The approach described does not provide sufficient certainty as to the expenditure of SIC funds collected.

We believe contributions should be directed to the works and services necessary to support contributing developments, within a sufficiently short timeframe to ensure the initial purchasers can benefit from the infrastructure. This relies on similar provisions to those applying to s94 contributions, noting there is no reason why SIC contributions should have more lax restrictions on use.

Recommendation:

Align the SIC with the Greater Newcastle Metropolitan Plan and the Lower Hunter Urban Development Program.

The draft Greater Newcastle Metropolitan Plan (GNMP) has been exhibited alongside the draft SIC. The Department also recently provided the Property Council with its preliminary Lower Hunter UDP data and Transport NSW is also seeking comment on the Draft Greater Newcastle Future Transport paper. The Property Council will provide submissions to each of these initiatives separately, but we recognise that these initiatives cannot be considered in isolation. We urge the NSW Government to ensure the overlapping policy and operational aspects of these initiatives are considered collectively before they are finalised.

Collectively, the GNMP and UDP will provide a framework for projecting, sequencing, and monitoring growth across the SIC's Lower Hunter Service Catchment Area. Unfortunately, the Department has not provided sufficient certainty as to how they will collectively operate.

As currently presented, it appears that the expenditure of SIC monies collected from greenfield development across the Lower Hunter would be prioritised to unlock and accelerate growth in the Greater Newcastle metropolitan area. This would specifically disadvantage Lower Hunter greenfield developments situated outside the metropolitan area's "indicative boundary", which are almost exclusively located in Port Stephens local government area.

Similarly, the preliminary UDP data does not currently identify those sites to which the SIC would apply, or the proportion of dwellings within these sites that may be exempt from the SIC due to existing Voluntary Planning Agreements. This alignment is required to determine the remaining estimated capacity applying to the SIC, and project the SIC funding likely to be collected based on the supply.

We recognise the considerable work being undertaken by the Department to establish these new planning tools for the Hunter but continue to recommend sufficient time is taken to ensure they are regionally relevant and collectively fit-for-purpose before they are each finalised.

Recommendation:

Re-convene an industry-only workshop to undertake and test the outcomes of the above recommendations before preparing the draft determination

The Property Council is committed to taking an active role in supporting the Department to finalise the SIC. The concerns raised by our members at the workshop held on 2 February 2018 have been reflected in our submission above. This recognises that the proposed SIC approach is not yet fit for purpose. We believe significant work is still required to ensure the SIC, once finalised, achieves its intentions and aligns with the draft Greater Newcastle Metropolitan Plan and Lower Hunter UDP to offer a clear and transparent approach to planning for growth within our Region.

At the workshop on 2 February, Department staff advised they were currently anticipating a short window between the closing of the exhibition period for the proposed SIC approach and draft Greater Newcastle Metropolitan Plan and the finalisation of these documents. We strongly recommend the Department delay preparation of the draft Determination for the SIC. This should, at minimum allow for a detailed review of the Infrastructure List upon which the current SIC rate has been calculated, with more direct input from industry. We would welcome the opportunity to meet with the Department and representatives of relevant infrastructure agencies, particularly RMS and Transport for NSW, to assist in this regard.

The Property Council notes that currently the SIC only applies to greenfield sites that are being used for residential and industrial purposes and it no longer encompasses developments related to infill residential, commercial and retail uses as proposed in the 2016 Discussion Paper. If in the future, the Department investigates the requirement to expand the SIC to these sites, the Property Council would request to be consulted due to the impact this measure could have on our members and potentially on the economic growth of, and development in, the Hunter region.

About the Property Council of Australia

The Property Council of Australia is the leading advocate for Australia's biggest industry – property.

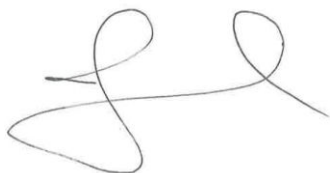
The Property Council champions the interest of more than 2200-member companies that represent the full spectrum of the industry, including those who invest, own, manage and develop in all sectors of property. Creating landmark projects and environments where people live, work, shop and play is core business for our members.

Property is the nation's biggest industry – representing one-ninth of Australia's GDP and employing more than 1.1 million Australians. Our members are the nation's major investors, owners, managers and developers of properties of all asset classes. They create landmark projects, environments and communities where people can live, work, shop and play. The property industry shapes the future of our cities and has a deep long-term interest in seeing them prosper as productive and sustainable places.

The property industry contributes \$3.4 billion to economic growth, pays \$1.48 billion in wages and generates 23,287 jobs in the Hunter.

Thank you again for the opportunity to comment on the Draft Greater Newcastle Future Transport Plan. The Hunter Chapter of the Property Council of Australia and its members looks forward to ongoing dialogue and consultation on the objectives of plan once the Plan has been finalised. Please don't hesitate to contact Emma Ashton, Regional Consultant for the Hunter on 0402 277 247 or eamshon@propertycouncil.com.au if you would like to discuss any aspect of this submission further.

Kind regards,



Jane Fitzgerald
NSW Executive Director
Property Council of Australia