NSW Budget Submission | 2018-19

March 2018

How this document should be used

This document has been developed by the Property Council of Australia, the representative of the property industry to assist the NSW Government in the finalisation of its budget for 2018 – 2019.

It has been prepared against the broader context of the critical housing affordability issues facing NSW, and particularly the greater Sydney area, and the renewed focus given to these issues by the Premier of NSW, the Hon. Gladys Berejiklian, MP.

The document is divided into four sections addressing housing affordability, tax reform, expenditure, and regional issues. Together, these sections – anchored in reality by research and the views of our membership – deliver a strong vision for the property industry but more importantly the community it serves.

Should the Government wish to expand on any of the topics included in this document, Property Council staff will make themselves and industry experts available upon request.

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Recommendations

The Property Council of Australia welcomes the opportunity to provide a submission to the 2018-19 New South Wales budget.

As the largest and most active organisation in the property industry, we are committed to driving solutions that enhance New South Wales' economic future. Property Council members are long-standing investors in our State and have a strong interest in seeing it prosper. Our members understand the need to constantly improve New South Wales' liveability, prosperity, and affordability. A robust economic strategy delivered through the State Budget will ensure that these objectives are reached.

The following pages of this submission focus on the industry's priorities for the year ahead – for this reason, the Property Council puts forward the following key recommendations.

KEY RECOMMENDATIONS:

Recommendation 1: That the NSW Government create a taskforce to drive the package of reforms that will have an impact on housing affordability.

Recommendations 2: Local developer levies should be 'capped' and indexed annually, signalling to the market future costs.

AND

The NSW Government should work with councils to put downward pressure on the cost of procuring local infrastructure and incentivise cooperation between councils to realise economies of scale.

AND

The NSW Government should provide ongoing funding, hypothecating five percent of transfer duty revenue into the Housing Acceleration Fund (HAF), to support councils to provide local infrastructure thereby implementing the growth targets outlined in the District Plans.

Recommendations 3: Release draft Special Infrastructure Contribution plans to enable public comment of proposed reforms before these mechanisms are finalised.

AND

Include transition arrangements to grandfather development projects already within the rezoning or development process to minimise potential adverse impacts.

Recommendation 4: That the NSW Government publicly confirm its commitment to supporting the emerging Build-to-Rent sector.

AND

Provide full land tax exemptions to encourage scaled portfolios of Build-to-Rent Developments.

AND

Contribute land to support Build to Rent through Property NSW land disposal programs.

Recommendation 5: Extend the deferral of the Biodiversity Conservation Reforms until a full cost-benefit analysis has been conducted and the impacts of the policy have been quantified.

Recommendation 6: The NSW Government should fund an independent dispute resolution mechanism for the Retirement Living sector.

Recommendation 7: Create a state-wide registration system for Short Term Holiday Letting (STHL) to control supply and exercise compliance on poor operators.

Recommendation 8: That funding for the Fire and Emergency Services Levy be sourced through consolidated revenue.

Recommendation 9: That an appropriate increase in funds be committed in forward years to the identification and protection of transport corridors in growth areas, particularly the North-South Rail Link, West Metro, Outer Sydney Orbital ($2.0 million currently committed) and through Restart NSW ($60.0 million currently committed).

Recommendation 10: That appropriate funding is committed to investigate and begin construction on the complete North South rail line through Western Sydney Airport before the Airport opens in 2026.

AND

That appropriate funding is committed to investigate the route from Parramatta to the Airport and link to West Metro in the next 0 – 15 years and that relevant corridors are protected.

Recommendation 11: The NSW Government provide appropriate funding to ensure that the reform to improve the performance of the NSW planning system is implemented and maintained, in particular investing in long term planning and land release activities.

Recommendation 12: The NSW Government should fund the Project Development Pipeline initiative to a total of $13.86 million over four years.

Recommendation 13: That the NSW Government align with other States and Territories and deliver the audits into flammable cladding as a government-funded program.

Recommendation 14: That the Government deliver on its promise and provide the funding to the *Climate Change Fund Strategic Plan*.

Recommendation 15: That the Government provide financial support in partnership with the Property Council for the *Girls in Property* initiative to foster diversity and encourage young women to take up careers in property.

Regional Recommendations

Hunter Region

Recommendation 1: Newcastle Light Rail Stage 2 – Wickham to Broadmeadow. $500 million should be allocated for the construction of Newcastle Light Rail Stage 2 – Wickham to Broadmeadow. Planning work should also be funded to undertake the route analysis for the extension to the University of Newcastle's Callaghan Campus.

Recommendation 2: Newcastle Airport - Terminal Upgrade. $50 million should be allocated for the Construction of Newcastle Airport Terminal Upgrade - Stages 1 & 2.

Recommendation 3: The establishment of a Hunter Infrastructure Loan Fund to accelerate housing supply in the Hunter. $100M should be allocated for the reestablishment of a Hunter Infrastructure Fund.

Recommendation 4: Lower Hunter Freight Corridor - Newcastle Freight Rail Bypass; Fassifern to Hexham. The NSW Government should commit to fund a dedicated freight rail line between Fassifern and Hexham; bypassing Newcastle while improving regional and interstate links.

Recommendation 5: Lake Macquarie Transport Interchange – Stage 1 Section 2. The NSW Government should provide $32 million to the extension of Pennant Street in Cardiff over the main northern railway line (Pennant Street Bridge) to the newly provided intersection of Glendale Drive and Stockland Drive in Glendale; creating a direct link between Glendale and Cardiff.

Illawarra Region

Recommendation 1: That the Government fund the extension of the M1 Princes Motorway from Waterfall to Alexandria and commit to fund the Mt Ousley Road Interchange.

Recommendation 2: That the Government complete the Maldon to Dombarton freight line called the South-West Illawarra Rail Link.

Recommendation 3: That the NSW Government absorb the transport infrastructure cost gap for West Dapto.

Recommendation 4: That the NSW Government fulfil their commitment to fund the Gong Shuttle in an ongoing manner.

About the Property Council of Australia

Who we are

Property is the nation's biggest industry – representing one-ninth of Australia's GDP and employing more than 1.4 million Australians. The largest employer in Australia.

In NSW, the industry creates more than $81.4 billion in flow on activity, generates around 387,000 jobs and provides around $61.7 billion in wages and salaries to workers and their families.

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.

A pillar of NSW

The property and construction industry also underpins the health and prosperity of the NSW economy. The industry:

- generates over 387,000 jobs – 12 per cent of the workforce.
- provides $61.7 billion in wages and salaries to workers and their families.
- pays $20.9 billion in state taxes, Local Government rates, fees, and charges - the state's single largest tax payer, accounting for 54.1% of Taxes.
- contributes $63.4 billion directly to Gross State Product – 12.7 per cent of total GSP.
- is invested in by 4.5 million NSW residents who have a stake in the industry through their superannuation funds.

Further information is available at www.propertycouncil.com.au or by contacting Tim Wheeler, NSW Senior Policy Advisor, on 02 9033 1909 or twheeler@propertycouncil.com.au.

Housing Affordability

Recommendation 1: That the NSW Government create a taskforce to drive the package of reforms that will have an impact on housing affordability.

Background: Premier Berejiklian rightly identified the need to improve housing affordability in NSW, in particular Sydney, as a key priority for her on becoming Premier early last year.

In June 2017, the Government released the *Housing Affordability Package* which presented a range of policies to increase affordability in NSW. We welcomed the focus of the paper on increasing supply through reforms to the NSW planning system to provide long-term land use certainty and more efficient Development Application processes to facilitate dwelling construction.

However, there are several policy initiatives from the NSW Government that run contrary to achieving increased housing affordability, these include:

- The creation of new Special Infrastructure Contributions (SIC) areas, that will increase the cost base of housing in these locations;
- Changes to biodiversity regulations that have the potential to add to the cost base of housing;
- The uncapping of Section 94 contributions; and
- Inclusionary zoning and the provision of affordable housing targets of 5-10 percent of each development raised in the District Plans that will increase the cost base of housing in the identified locations;

The above are all policy changes that will add considerable cost to the provision of new dwellings. Early modelling shows that the biodiversity regulations could add up to $20,000 per lot, while the uncapping of Section 94 could add anywhere between $30,000 to $80,000 per dwelling.

Infrastructure contributions have their origin in a burden-sharing principle whereby the costs of infrastructure (with a clear connection between development and usage demand) were contributed to by developers. This principle seems to be being eroded in favour of a system that places the entire cost of infrastructure onto new homebuyers only. This contributes to the increasing cost of housing and fuels market distortion across NSW.

There does not appear to be a unified approach across government to address housing affordability with Planning, Environment and Local Government portfolios working in isolation. Under this system there is no consideration given to the cumulative impact of all the policies on housing affordability.

We urge the NSW Government to create a taskforce with wholistic oversight of the package of reforms and the mandate of assessing and quantifying the impact each policy is having on the cost of housing. We suggest that it would best be housed in the Department of Premier and Cabinet.

Tax Reform

Recommendations 2: Local developer levies should be 'capped' and indexed annually, signalling to the market future costs.

AND

The NSW Government should work with councils to put downward pressure on the cost of procuring local infrastructure and incentivise cooperation between councils to realise economies of scale.

AND

The NSW Government should provide ongoing funding, hypothecating five percent of transfer duty revenue into the Housing Acceleration Fund (HAF), to support councils to provide local infrastructure thereby implementing the growth targets outlined in the District Plans.

Background: Development contributions were first legislated for in 1979 in the *Environmental Planning and Assessment Act* (EP&A) by the inclusion of Section 94, requiring developers to contribute to the provision of infrastructure as a condition of subdivision approval. A raft of changes has been introduced subsequently:

1989 - the Simpson Inquiry led to the requirement for councils to prepare and exhibit contribution plans to be able to levy Section 94 contributions.

2000 - reforms to the EP&A Act provided legal validation for the imposition of an affordable housing levy.

2005 - reforms included the introduction of voluntary planning agreements (VPAs) and Section 94A fixed levies, enabling councils to choose the method, or combination of methods.

2006 - reforms were introduced to enable the Minister for Planning to direct a council to make, amend or repeal a contributions plan within a certain period; changes were intended to improve the coordination of infrastructure provision between neighbouring councils, within councils (via pooling funds) and to coincide with development activity.

2007 - non-statutory reforms were introduced clarifying the types of local infrastructure able to be funded from Section 94 and 94A levies; clarifying that only infrastructure directly related to a development site or precinct could be funded.

April 2009 - non-statutory reforms capped infrastructure contributions at $20,000 per residential lot, with any contributions exceeding the cap requiring approval from the Minister for Planning.

June 2010 - exemptions from the cap were disallowed, and instead councils were required to apply for a special rate variation to meet costs arising from development, requiring the Independent Pricing and Regulatory Tribunal (IPART) to assess and approve variations.

September 2010 - changes were introduced, retaining a $20,000 per dwelling or per residential lot in existing areas and applying a $30,000 per dwelling or per residential lot in greenfield areas. An 'essential works list' was introduced to apply where councils sought contributions above the cap, and a $50 million *Priority Infrastructure Fund* was established to fund essential works above the cap, this funding program was later expanded to become the *Local Infrastructure Growth Scheme (LIGS)* to support housing development activity during the global financial crisis.

June 2017 - the NSW Government announced as part of its Housing Affordability Package the closure of the LIGS. Until mid-2017, only two councils received LIGS funding (Blacktown and The Hills). As part of the staged closure of LIGS, Wollongong, Bayside, Camden and Liverpool councils have been granted access. The Government has allocated $369 million over the next three years for the staged closure of LIGS, with the cap on contributions increased by $5,000 on 1 January 2018 to $35,000 in greenfield areas and $5,000 to $25,000 in infill areas, and from 1 July 2018, an annual $5,000 increase to the caps each year for two years applied. The caps will be removed entirely in these areas on 1 July 2020 (although councils will still need to have contribution plans vetted by IPART before the caps can be breached).

Following the closure of LIGS, developers face increased levy costs (with the State Government no longer funding any 'gap'). The Property Council has commissioned research to ascertain how many and which councils are likely to seek to impose contribution plans in excess of the 'caps'. Currently, no composite list of Section 94 plans exists to enable policy makers to ascertain a comparison of what infrastructure charges councils are applying across NSW (or Sydney). While Section 94 plans are publicly available (on council websites) this information is fragmented, making it difficult to truly ascertain the potential for infrastructure costs to rise or to compare what and how councils use developer levies to fund infrastructure.

The Property Council's research aims to increase transparency of Section 94 developer levies to enable policy makers to examine both the macro as well as micro composition, and impact of these charges.

The closure of LIGS will result in either increased house prices (born by home buyers) or less housing supply (because the feasibility of projects cannot be assessed due to the uncertainty of costs). Both outcomes harm rather than improve housing affordability in NSW.

Three key aspects need to be addressed to improve the operation of Section 94 levies:

1. industry needs certainty of costs to enable it to make investments. Developers are unable to assess the feasibility of projects if the cost of developer levies is unknow.
2. downward pressure should be maintained to minimise the cost of local infrastructure.Some councils are more efficient in procuring or delivering infrastructure, their experience and knowledge should be shared across local government.
3. the NSW Government should be an ongoing partner in funding local infrastructure to support growth, representing a contribution from the broader community to invest in building future cities and communities.

Providing industry with certainty of costs is fundamental. Business investments simply cannot be made without this information. Infrastructure 'caps' provide a strong signal to the market (developers and land owners) of future costs. We urge that caps be reintroduced and indexed to factor in incremental rises commensurate with the increased cost of funding infrastructure. Developer contributions are an accepted component of development activity, but poorly designed levies undermine market activity through sheer uncertainty.

While the NSW Government has developed an 'Essential Works List' to clarify what infrastructure councils can include in contribution plans, this list is only applied if councils seek to breach 'caps' and the cost of infrastructure is assessed by IPART in terms of whether it is a 'reasonable estimate'. The Property Council believes more assistance and guidance should be provided to councils to put downward pressure on costs, including the release of best practice guidelines to guide councils and incentives offered (i.e. access to finance) to encourage councils to explore regional infrastructure solutions with neighbouring councils to achieve economies of scale.

The Property Council also believes there is an ongoing role for the NSW Government to assist councils in funding local infrastructure that is required to support growth. The inevitability of future growth is accepted, with the NSW Government examining options to manage and support this growth by tasking the Greater Sydney Commission with revising the Metropolitan Plan for Sydney and developing District Plans. Growth will not be uniformly accommodated; some parts of Sydney will be required to absorb more people and live with increased densities. These communities should not be expected to fund the infrastructure to support this growth. The entire community benefits and the entire community should contribute. Those areas that accept significant growth (or even a greater level of growth than that identified in a District Plan) should be rewarded not penalised.

In addition to pursuing actions to put downward pressure on the cost of growth supporting infrastructure, NSW Government support is still needed to fund the gap between the cost of local infrastructure and what is a fair contribution for homebuyers to make.

We urge that the NSW Government assign a portion of its annual transfer duty revenue, forecast in 2017/18 to be $9.7B, to help fund the delivery of essential local infrastructure to support growth. An annual allocation of 5 percent of annual stamp duty revenue would generate approximately $500 million in revenue which could be injected into the HAF to continue to fund infrastructure critical for housing development in NSW. Hypothecation of this revenue would represent a reinvestment by the NSW Government of money raised from the property industry into supporting future industry activity.

Recommendations 3: Release draft Special Infrastructure Contribution plans to enable public comment of proposed reforms before these mechanisms are finalised.

AND

Include transition arrangements to grandfather development projects already within the rezoning or development process to minimise potential adverse impacts.

Background: The NSW Government introduced Special Infrastructure Contribution (SICs) in 2006, with reforms to the EP&A Act to enable the NSW Government to impose a development contribution in specified areas to help finance public amenities and services, affordable housing, transport and other infrastructure and environmental conservation. SICs were applied to greenfield areas.

A Special Contributions Areas Infrastructure Fund was established to receive and distribute the funds, with the pooling of funds enabling the Government to fund projects in a timely and effective manner. Initially developers were required to fund 100 percent of the infrastructure costs, this was reduced in 2007 to 75 percent, with the NSW Government to fund the remaining 25 percent. Other changes reduced the scope of infrastructure to be funded by SICs, to infrastructure directly attributable to development and not general population growth.

In 2008, reforms introduced temporary change, reducing the developer's share from 75 to 50 percent for all levies paid before 1 July 2011.

On 1 June 2017, the NSW Government announced as part of its Housing Affordability Package that SICs would be expanded to an additional 10 areas across Sydney to help fund infrastructure in communities with significant housing growth. The 2017/18 NSW Budget released 20 June 2017 forecast an increase in SIC revenue of $545 million over four years to be raised from SICs applied to 15 areas, including 12 precincts across Sydney. To date, most draft SICs have not been released for industry to comment, making it difficult to ascertain the impact of the levies. The scope, scale and application of these levies remains unclear.

The Property Council understands that the expansion of SICs from greenfield to infill locations is aimed at improving the transparency of developer contributions, replacing the ad hoc use of voluntary planning agreements. Providing industry with greater certainty of costs is welcome, however until the details of the SICs are released, industry is unable to assess whether quantum costs are being increased, or the mechanism for payment simply refined.

The Property Council is not opposed to reforms to improve the transparency and certainty of the application of state developer levies. We urge the Government, however, to implement reforms with a transition period provided to carve out potential impacts on projects which have commenced either the rezoning or development process under existing arrangements.

Recommendation 4: That the NSW Government publicly confirm its commitment to supporting the emerging Build-to-Rent sector

AND

Provide full land tax exemptions to encourage scaled portfolios of Build-to-Rent Developments

AND

Contribute land to support Build to Rent through Property NSW land disposal programs

Background: The institutionally owned market rental options offered by Build-to-Rent will provide a significant piece of the broader housing affordability puzzle, providing stable, long term choice of tenure. Importantly, a successful Build-to-Rent sector could support the supply of residential rental made available to lower income households.

Mature Build-to-Rent markets such as those operating in the U.S., Germany and Japan have their origins in the supply of discount to market housing.

Over time these markets then pivoted because government policies were introduced to promote broader rental supply with a framework that supports and incentivises institutional investment into at-market residential rentals.

The UK introduced a suite of policy changes to support institutional investment in market-rate rental housing to introduce a step change in the supply of new rental housing.

Policy incentives included the release of public sector land, land tax and stamp duty changes, working with councils to identify sites and targeted incentives to seed the industry.

As a result, the British Property Foundation estimates that Build-to-Rent could deliver 240,000 homes by 2030 across England.

Recommendation 5: Extend the deferral of the Biodiversity Conservation Reforms until a full cost-benefit analysis has been conducted and the impacts of the policy have been quantified.

Background: The Property Council supports sustainable growth and the conservation of biodiversity across NSW.

We welcomed the confirmation that steps will be taken to ensure that historical conservation arrangements will be afforded a status by the Biodiversity Conservation Regulation 2017 and that developers will not be required to duplicate their efforts. It is important that developers who have already addressed conservation arrangements be exempt not only from making additional contributions but also from excessive red tape. The Property Council would welcome the opportunity for further consultation and to provide input to ensure the outcomes meet the needs of industry.

We remain concerned by the possible effects that this policy will have on the price of housing in NSW. Modelling commissioned by the Property Council indicates that these reforms could add $20 thousand to the cost of a new home. Further, there is no final assessment of the impact of these reforms available for review.

This issue is exacerbated by the fact that the biodiversity calculator allocates higher biodiversity values for development sites than offset sites with identical entries. This is not a one-for-one offsetting system and homebuyers in NSW are paying the price.

The Government decided to push back the implementation of this reform by another three months from the original transition period, which is further testament that this policy is not ready to be implemented.

We urge the Government to defer the implementation of these reforms until the impact of the policy has been quantified and adjusted to achieve a fair balance between biodiversity conservation and housing affordability.

Expenditure

Recommendation 6: The NSW Government should fund an independent dispute resolution mechanism for the Retirement Living sector.

Background: The current dispute resolution system does not adequately meet the requirements of residents or operators. Issues that cannot be solved at a village manager or portfolio level have few alternatives than being escalated to the legal system. This disadvantages residents whose issue may have been with the village manager and who are then forced to take legal action which is often costly. There is also a perception that even if an outcome in favour of the resident is delivered by the court, operators would appeal it.

Therefore, the Property Council is in favour of a cost-effective and government-backed independent dispute resolution process. It would provide residents with an alternative to costly legal proceedings and deliver faster outcomes for operators when disputes cannot be solved at a village level.

We see the best way of achieving this to be the mediation pathway as it is cost-effective and does not lead to drawn out litigation.

Funding: $500-750 thousand annually from consolidated revenue.

Recommendation 7: Create a state-wide registration system for Short Term Holiday Letting (STHL) to control supply and exercise compliance on poor operators.

Background: The swift rise of the shared economy has been subject to much examination and debate across sectors and the property industry is no different.

The Property Council views the current regulatory approach as fragmented and incomplete. STHL must be defined at a State-level to avoid the chequered approach currently taken up by councils to fill a perceived regulatory void. There needs to be greater regulatory oversight and we urge the Government to introduce a registration and a licensing system.

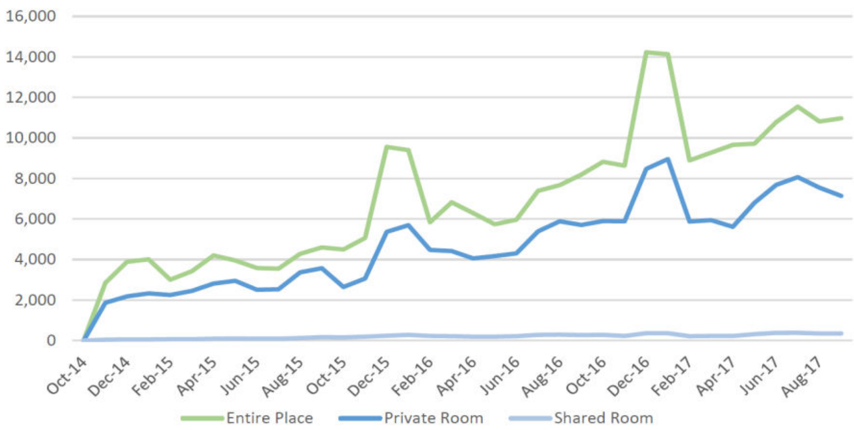

Figure 1 - Total available listings in Sydney from 2014 to present.[1]

[1] Airdna, Market Watcher data, October 2017

Implementing a licensing system will allow the enforcement of a threshold to the number of nights that a property can be leased for STHL per calendar year which will prevent commercial operators from masquerading as 'participants in the shared economy'.

Assigning a unique identifier to properties made available for STHL in a registration system will facilitate compliance activities to be carried out against poor operators as well as accurately quantifying the supply of short-term leases and make informed policy decisions.

Recommendation 8: That funding for the Fire and Emergency Services Levy be sourced through consolidated revenue.

Background: The Property Council welcomed the deferral of the Fire and Emergency Services Levy by the Government earlier this year.

Had it progressed in its proposed form, it would have led to some commercial, inner city and industrial property owners seeing rises in their contributions of nearly 600 per cent. This would have been a significant and unforeseen impact on the cost of property and doing business in NSW.

Fire and emergency services are available and called upon in times of need by all inhabitants of NSW regardless of whether they own a property with insurance or not. Other similar essential services in NSW such as police and health services are funded through consolidated revenue. A rationale is yet to be provided to deviate from this source of funding for Fire and Emergency Services.

Funding fire and emergency services costs approximately $1 billion annually (of which the Government is already funding a portion). At a time when the State Budget delivered a $4 billion surplus, the time to redress historical inequalities in shouldering the tax burden is now. It would cost the state approximately $730 million to fund these essential services through consolidated revenue. This would be a more efficient form of taxation and contribute to reducing red-tape and encouraging economic activity in NSW.

The Property Council urges the Government to source the funding for fire and emergency services through consolidated revenue.

Funding: $730 million from consolidated revenue.

Recommendation 9: That an appropriate increase in funds be committed in forward years to the identification and protection of transport corridors in growth areas, particularly the North-South Rail Link, West Metro, Outer Sydney Orbital ($2 million currently committed) and through Restart NSW ($60 million currently committed).

Background: The benefits of protecting key transport corridors now include reduced costs, a reduced risk of the corridors being 'built out' and subsequently, a reduced need to tunnel or acquire property.

The Productivity Commission's 2014 report on Australia's infrastructure drew attention to weaknesses in corridor protection practices, recommending that 'Australian governments should also consider ways in which land policies can be improved in this area, given the deficiencies in the current planning of land reservation in most jurisdictions in Australia'.

Sydney is experiencing increasing land values. Previous analysis by Infrastructure Australia found that, in the 20 years to 2012, underlying land values in the three East Coast capital cities grew around 3 percent per year faster than the rate of inflation.

Vacant land in Sydney cost $808/sqm in 2016, considerably more than other States. On a rate/sqm basis, the changes in prices over the past year have been recorded at +3.7 percent in Sydney

As a result, land lot size is also trending down with the ultimate effect being that more lots of land need to be purchased for a transport corridor at increasingly greater prices. The economics of purchasing land for transport routes is increasingly making investment unfeasible.

Land that is protected now provides further opportunities to supplement the cost of the future infrastructure. As land for transport corridors is acquired and protected, the land can be leased on a limited term basis, with rent contributing to the overall cost of the future infrastructure. Once the transport route is being constructed, the zoning of the land can be reassessed.

Corridors outlined in the Future Transport Strategy 2056 such as the Outer Sydney Orbital, Western Sydney Freight Line and a potential link to the Illawarra and Port Kembla must be protected now to ensure financial savings and provide certainty to the community and industry.

Key passenger routes, such as a North-South rail link to the airport and to Parramatta or Leppington are already in danger of being infringed upon by development or have been developed. These routes will subsequently be more expensive to deliver.

Effective corridor protection in the future may necessitate more flexible or unique land zoning approaches. Prospective corridor zones may need time reliant zoning with development approved in these zones done so in the understanding that the land will be required to develop a transport corridor after a set period. Industrial land use could be more appropriate in these circumstances as development can be moved or changed more easily than other development.

Recommendation 10: That appropriate funding is committed to investigate and begin construction on the complete North South rail line through Western Sydney Airport before the Airport opens in 2026.

AND

That appropriate funding is committed to investigate the route from Parramatta to the Airport and link to West Metro in the next 0 – 15 years and that relevant corridors are protected.

Background: It is widely accepted that rail and road connections to the Western Sydney Airport are critical to its development. The Outer Sydney Orbital is also essential to transport freight to and from the airport and ports, and transfer goods through intermodal terminals to the end user.

More dedicated orbital public transport corridors are critical to maintain freight and logistic mobility. As well as providing a competitive alternative to car use for orbital trips, these links also help to support the development of secondary centres outside the CBD. In doing so, these links also consolidate employment and residential growth near these centres.

Currently the Future Transport Strategy states that this route, and the route from Parramatta to the Airport, will be investigated in the next 1 – 10 years.

The Property Council congratulates the Government on its recent announcement in the Western Sydney City Deal that the first stage of the North-South rail link will be constructed from St Mary's to the Western Sydney Airport.

With the west and south west of Sydney growing in population by nearly 500,000 people in the next 30 years, a complete rail link from Richmond to Macarthur is needed to encourage further commercial and residential investment.

The time is right to commit to and begin construction on the full North South rail line by the time the Airport opens in 2026. This investment must be seen not as simply 'airport infrastructure' but as future proofing the airport's infrastructure and surrounding area. There is no guarantee that the Airport and surrounding area will produce the growth that is forecast. One way of making success more likely is by locking in infrastructure investment that supports not just the Airport but also the surrounding area.

It is more than likely that the productive employment land surrounding the Airport will be the key economic driver for Western Sydney during the infancy of the Airport and transport infrastructure that supports this land will be the key driver. A commitment of transport infrastructure also provides development and investment certainty to other utility and service providers who must also service the area.

The North-South line will also provide the opportunity for the NSW Government to work with local councils and communities on integrated transport and land use planning and investigate the potential to develop 20-year precinct plans and develop strategically important centres and places.

If we consider the housing targets for local government areas in Sydney's west and south west over the next five years, Liverpool will have an additional 8,050 dwellings, Camden 11,800, Campbelltown 6,700, and Penrith 6,600. A rail link to our north west and eventually though the Airport will provide a key city shaping piece of infrastructure that will promote the growth of the Airport, but also communities in the area.

A link from Parramatta to the Airport must also be investigated and committed to in the next 1 – 15 years with identified corridors protected and must link to the West Metro that services Olympic Park and the Bays Precinct.

This cross-city trunk service will be the key transport element in ensuring the development in the middle ring of Sydney is serviced by appropriate transport. Linking these areas through a metro to an airport connection, will activate urban areas in Sydney's middle ring and service the Sydney Fish Market redevelopment and Bays Precinct development. The Metro is also critical to ensuring Olympic Park continues to develop from purely a sporting precinct, into a commercial and residential hub.

Recommendation 11: The NSW Government provide appropriate funding to ensure that the reform to improve the performance of the NSW planning system is implemented and maintained, in particular investing in long term planning and land release activities.

Background: The Property Council advocates that the Department of Planning, the Greater Sydney Commission, and other key players such as Joint Regional Planning Panels (JRPPs) be adequately resourced to deliver roles assigned to them within designated timeframes by the newly mandated Independent Hearing and Assessment Panels (IHAPs).

The NSW Government increased funding to the Department of Planning and Environment cluster in the 2017/18 Budget, from $2.6 billion in recurrent funding 2016/17 to $3.8 billion in 2017/18 (an increase of 43%). Capital funding likewise increased, from $226.5 million to $373.4 million, a 65 percent increase. Of these funds, most have been allocated to enhance the State's planning system and facilitate housing, including:

- $131.6 million in additional funds (42 percent increase on 2016/17) for regional planning; integrating land use and infrastructure and delivering zoned and serviced land for housing and employment. Including 74 new staff (167 to 241).
- $39 million in additional funds (more than doubling 2016/17 figures) to improve the planning system; setting strategic plans, state-wide planning policies (complying development and

SEPPs) and improved coordination between infrastructure, zoning, and assessments. Including 143 new staff (181 to 324).
- $47 million in additional funds (15 percent increase on 2016/17) to administer environmental impact assessments and development applications (major projects, supporting JRPPs). Including 35 new staff (334 to 369).
- $122.8 million in additional funds (581 percent increase on 2016/17) to fund the Greater Sydney Commission, with staffing set to more than double from 29 to 80.

While the allocation of these additional funds, and the substantial increase in staff, is strongly supported, we note that there is little that has been produced for this substantial cost. We encourage Government to ensure that spending is focused on outcomes.

Ongoing investment of this type will be required by the NSW Government in coming years to support the implementation and embedding of reforms such as the forthcoming revised Metropolitan Strategy and final District Plans, which will only become effective once recognised in councils' Local Environmental Plans (LEPs). In outward years, the NSW Government will likely need to increase resources or provide specialist expertise to local councils to update their LEPs and process an increased volume of development assessment applications flowing from an increase in land being made available and serviced, ready for development.

In the short term, IPART will need to have sufficient personnel to address an expected influx of Section 94 plans following the removal of 'caps' and the newly established IHAPs may also require resourcing support.

We welcome the NSW Government's creation of a $30 million Western Parklands City housing package, announced as part of the Western Sydney City Deal. The provision of $2.5 million as incentive payments to six local councils (Camden, Campbelltown, Fairfield, Liverpool, Penrith and Wollondilly) to accelerate the adoption of new LEPs reflecting revised housing strategies is an important step towards delivering new housing . Likewise, the piloting of Growth Infrastructure Compacts to coordinate planning and delivery of infrastructure to support new housing is a welcome initiative which should be replicated in high growth areas across NSW. Significantly, we look to future and ongoing investment by the NSW Government during the life of the twenty year City Deal.

Recommendation 12: The NSW Government should fund the Project Development Pipeline initiative to a total of $13.86 million over four years.

Background: The property industry is the beating heart of NSW's economy with an annual contribution to Gross State Product of $63.4 billion and delivering more than 387,000 jobs. The gateway to releasing this economic activity is the development process which is paper based, complex and requires manual intervention. It is common for large projects to take several years from the beginning of the planning process to the registration of new land titles. Industry estimates that the cost of delays caused by the approvals process is $3 billion annually.

The Government has a responsibility to remove unnecessary obstacles and streamline their processes to foster unhindered economic growth for NSW.

Under a business case put forward by the Department of Finance and Services, it is suggested that there are significant efficiencies to be achieved by implementing:

- An end-to-end digital process with the Development Application as its starting point and Title Registration as its end point.

- A 'Proposed Layer' so that proposed land/property parcels are created at the start of the Permit/Approval phase for reference by all participants, rather than at the end point (Registration).
- Development of an automated workflow system to route permit/approval information to and from all participants as required, and to 'parallelise' as many workflow elements as possible.
- A rich Business Intelligence layer sitting over the workflow to extract insight into impediments, inefficiencies, and bottlenecks, and allow appropriate interventions to be developed.

The solution relies on fully digitising and automating the underlying cadastral data which is Spatial Services' core business.

The cost of implementing this project would be an additional $13.86 million over three years which would complement an existing budget of $5.2 million annually.

The benefits of this project to Government which would occur in the third year are a net $40 million in increased revenue and avoided costs in the first five years. Thereafter it would deliver a projected $30 million in savings annually.

The project also provides a net $350 million in savings to industry in the first five years. Thereafter savings to industry are more than $200 million annually.

Funding: $13.86 million over three years from consolidated revenue.

Recommendation 13: That the NSW Government align with other States and Territories and deliver the audits into flammable cladding as a Government-funded program.

The property industry acknowledges the gravity of the issues surrounding combustible cladding and the need for urgent action to mitigate fire risk. For this reason, in November 2017, the Property Council made a strong statement supporting the ban on the future importation and sale of 100 percent polyethylene core aluminium composite panels and the systematic auditing of existing buildings with cladding.

We are concerned about the proposed method for the building audits. Consistently, State and Territory governments have chosen to conduct audits themselves rather than placing this burden on building owners. We encourage Government to consider the merits of a Government-led audit as it presents several clear benefits:

- Under the draft regulation currently out for consultation, an owner must determine whether their building has combustible cladding applied to its external walls. This is problematic as the definition provided defines ***combustible cladding*** as *"…materials that are capable of readily burning*". This definition leaves significant room for interpretation based on individual understanding of what can readily burn. If the audits were being conducted by a central body under Government supervision, there would be a consistent interpretation of this definition.

- The draft regulation prescribes that owners must engage a ***properly qualified person*** to give a statement on whether the cladding represents a risk and details of actions required to rectify it. However, this qualified opinion is subject to be overturned by Fire and Rescue NSW or agents of a local council, which brings the question of why it would not be handled by the ultimate decision makers in the first instance.

- Initial reports from industry indicate that there would not be large numbers of ***properly qualified persons*** available to undertake the work. This has the potential to lead to significant delays in conducting audits while occupants remain at risk. It will also jeopardise the ability of some owner to comply with this regulation in the allotted 11 months from commencement.

- Many building owners have already audited their portfolios and acted to rectify any fire risks that were detected. The audit process described in the draft regulation is prescriptive and previous efforts may not be given a status or regard under the regulation. This would force building owners to replicate their efforts and bear the costs of engaging a ***properly qualified person***.

We urge the Government to align with other States and Territories and to deliver the audits as a Government funded program.

Funding: $3.5 million from consolidated revenue

Recommendation 14: That the Government deliver on its promise and provide the funding to the *Climate Change Fund Strategic Plan*.

Background: In November 2016 the NSW Government released the *Climate Change Fund – Draft Strategic Plan* for comment. This policy was supported by an announcement of an investment of $500 million over five years. The Property Council lodged a submission which was strongly supportive of the high-level measures described in the draft policy.

Since November 2016, there has been no further action from Government to implement this important strategy.

Improving energy management will deliver a number of benefits to NSW. The Finkel Review highlighted that energy efficiency can improve the reliability, affordability and sustainability of our electricity system. The Finkel Review recommended that:

> *"Governments should accelerate the roll out of broader energy efficiency measures to complement the reforms recommended in this Review." (Recommendation 10.6)*

Energy prices are rising rapidly across the National Electricity Market. NSW businesses and households are seeing severe increases in their bills.[2] A suite of actions is required to address these challenges. Improving the energy efficiency of homes and businesses will help them to adjust to these prices and reduce their energy bills, while also delivering wider benefits to electricity market.

The Climate Change Fund was established in 2007 under the Energy and Utilities Administration Act 1987 and is administered by the NSW Office of Environment and Heritage. Licensed electricity distributors are required to contribute to the Fund on an annual basis. The Fund specifically supports activities that will help homes, businesses, communities, and government agencies manage the impacts of climate change and reduce energy consumption, water use, greenhouse gas emissions and utility bills.

Given these funds have already been raised through contributions from electricity distributors and are designated specifically for energy efficiency programs, the Property Council urges the Government to deliver on its promise and fund the *Climate Change Fund Strategic Plan*.

Funding: $500 million over 5 years from the Climate Change Fund.

Recommendation 15: That the Government provide financial support in partnership with the Property Council for the *Girls in Property* initiative to foster diversity and encourage young women to take up careers in property.

[2] Australian Industry Group 2017, *Energy Shock: No Gas, No Power, No Future.* Australian Industry Group, Sydney.

Background: Girls in Property Week is an initiative of the Property Council of Australia's NSW Diversity Committee and ran as a pilot program in May 2017 in four public girls' schools in Northern Sydney:

- Cheltenham Girls High
- Northern Beaches Secondary College
- Mackellar Girls High
- Riverside Girls High and
- Asquith Girls High.

The objective of Girls in Property Week is to raise awareness of female participation in the property industry, increase exposure to the various careers available to women in the property industry and to help high school aged girls make informed choices about a career in property in the future. We hope that through this initiative, we can foster a pipeline of talent into the industry. Girls in Property Week will be delivered again in May 2018 in conjunction with the NSW Department of Education with the objective of doubling student participation through a consolidation program.

Funding:

- $150k – Project Officer 2019 to help expand the successful initiative
- $50k – project expenses/defrayment of costs
- Release from Face-to-face teaching in participating schools

Hunter Region

Recommendation 1: Newcastle Light Rail Stage 2 – Wickham to Broadmeadow. $500 million should be allocated for the construction of Newcastle Light Rail Stage 2 – Wickham to Broadmeadow. Planning work should also be funded to undertake the route analysis for the extension to the University of Newcastle's Callaghan Campus.

Background: The long-term sustainability of Newcastle's transport network will require a focus on interchange, multimodal integration, digital mobility, and light rail extensions. This investment is vital to the ongoing productivity and growth of Newcastle.

Moving people between high-activity areas where they live, learn, work and play is the basis for a successful light rail network.

As population and employment density is higher in the inner suburbs and day-to-day trips are locally oriented there is a propensity to use public transport and active modes such as walking and cycling. We therefore encourage government to invest in the construction of Stage 2 which:

- Extends the public transport spine to Broadmeadow
- Services the Beaumont Street Precinct
- Promotes urban regeneration along the corridor.
- Supports access to Hunter Stadium, the Showground and Entertainment Centre
- Will spur longer-term growth and redevelopment of legacy sites for infill housing.
- Coupled with park and ride facilities will reduce the demand for parking in the inner city.
- Will improve the viability and patronage of the Newcastle Light Rail

Funding: $500 million from consolidated revenue.

Recommendation 2: Newcastle Airport - Terminal Upgrade. $50 million should be allocated for the Construction of Newcastle Airport Terminal Upgrade - Stages 1 & 2.

Background: The Newcastle Metropolitan Plan has identified passenger numbers through the Newcastle Airport reaching five million PAX by 2036. In order to achieve this Stage 1 and 2 of the terminal upgrade should be accelerated to provide dedicated international departures and arrivals areas and two air bridges. This would allow Newcastle Airport to attract a hub operator which will substantially reduce the leakage from the Newcastle Airport to Sydney and is an enabler to build the regions tourism industry and will bolster local business.

Construction of Stage 1 & 2 will:

- Help meet the objectives of the Newcastle Metro Plan.
- Entice a hub operator to the Airport.
- Relieve the pressure on Kingsford Smith Airport until the Western Sydney Airport is completed.
- Bolster the NSW economy through increased domestic and international tourism.

Recommendation 3: The establishment of a Hunter Infrastructure Loan Fund to accelerate housing supply in the Hunter. $100 million should be allocated for the reestablishment of a Hunter Infrastructure Fund

Background: This fund would be used to fund enabling infrastructure that is preventing housing supply on zoned land from being developed. It is envisaged that this Fund would finance enabling infrastructure, and that this investment would be recouped through the Hunter SIC as the lots are developed.

The Fund would be:

- The lever that will substantially increase housing supply in the Hunter.
- Perpetual as it has an ongoing source of revenue, i.e. cost neutral to Government.
- A mechanism to lower the cost of land in the Hunter.

Funding: $100 million from consolidated revenue

Recommendation 4: Lower Hunter Freight Corridor - Newcastle Freight Rail Bypass; Fassifern to Hexham. The NSW Government should commit to fund a dedicated freight rail line between Fassifern and Hexham; bypassing Newcastle while improving regional and interstate links.

Background: Transport for NSW is currently undertaking preliminary investigations to assess options for the Lower Hunter Freight Corridor rail line. These discussions have been ongoing for many years, with $12 million allocated in the 2017/18 NSW budget for "planning and pre-construction" activities.

When built the Lower Hunter Freight Corridor would:

- Provide essential rail capacity for passenger and freight train growth across the broader rail network.
- Increase the efficiency and reliability of the rail network by separating the majority of freight and passenger rail services on the congested area between Fassifern and Newcastle.
- Enhance urban amenity and liveability in the Newcastle Region by removing most of the freight trains from within the urban area and at the Adamstown and Islington Junction level crossings.

Preservation of the Lower Hunter Freight Corridor is an Action in the NSW Freight and Ports Strategy, the State Infrastructure Strategy and a 'high priority initiative' in Infrastructure Australia's Infrastructure Priority List.

Establishing long term strategic freight corridors is essential for increasing capacity to meet future demand which will provide greater separation of freight and passenger movements on the rail network and improve the rail service reliability[3].

Recommendation 5: Lake Macquarie Transport Interchange – Stage 1 Section 2. The NSW Government should provide $32 million to the extension of Pennant Street in Cardiff over the main northern railway line (Pennant Street Bridge) to the newly provided intersection of Glendale Drive and Stockland Drive in Glendale; creating a direct link between Glendale and Cardiff.

Background: The Lake Macquarie Transport Interchange (LMTI) will help turn Glendale into a new employment "super hub" for the Lower Hunter unlocking over 3,800 local jobs, and the construction of around 2,700 new homes.

The project will provide a major connection between Glendale and Cardiff, creating an important transit interchange to meet the future transport needs of the Lower Hunter region.

The NSW Government's Hunter Regional Plan 2036 identified the LMTI as a high-priority infrastructure project because of its potential to unlock growth and improve the connectivity and viability of major centres throughout the Hunter Region.

Following the opening on the first road links, the next step is the LMTI project is construction of the anticipated Pennant Street Bridge, which once complete would provide the "missing link" between Glendale and Cardiff, and confirm Glendale as the growth centre for the Lower Hunter.

Studies commissioned by Lake Macquarie Council estimate more than 16,000 vehicles would use the bridge daily, including 1,500 trucks, vans, and other heavy vehicles.

The campaign to secure $32 million in funding for the next stage of this project has been backed by local MPs, other councils in the Hunter region and regional business groups, as well as individual businesses, such as Stockland, the Hunter Development Corporation, NRMA and Lake Mac Business.

Funding: $32 million from consolidated revenue.

Illawarra Region

Recommendation 1: That the Government fund the extension of the M1 Princes Motorway from Waterfall to Alexandria and commit to fund the Mt Ousley Road Interchange.

The Princes Motorway (M1) currently provides a vital road link between the Illawarra and Sydney. As mentioned in the draft Regional NSW Services Infrastructure Plan, the roads between Sydney and Wollongong requires upgrading. The M1 is an important corridor that moves freight to and from Port Kembla and the Sydney catchment. The Government allocated $2.5 million for early planning of the Mt Ousley Road Interchange, however further funding or timing of the project has not been confirmed. Work should include providing a northbound overpass from Mount Ousley Road onto the M1 Princes

[3] Source - https://www.transport.nsw.gov.au/projects/current-projects/lower-hunter-freight-corridor

Motorway, separated heavy separated heavy vehicle bypass lanes and an additional entry and exit for the University of Wollongong. This will improve traffic flow as well as safety.

The Property Council is concerned that the status of Stage 4 of the proposed F6 extension, from Loftus to Waterfall, has not been determined by the NSW Government. The benefits of this stage which include decreased travel times for Illawarra residents and we would encourage Government to confirm its status.

Recommendation 2: That the Government complete the Maldon to Dombarton freight line called the South-West Illawarra Rail Link

Background: The Property Council Australia believes that efficient transport connections from Port Kembla to South and Western Sydney are crucial. The delivery of infrastructure to provide for the needs of a growing population is imperative and the South-West Illawarra Rail Link (SWIRL) is a prime example that supports a growing community. SWIRL would provide a critical passenger and freight service connecting the Illawarra and Sydney. This would also improve freight capacity to-and-from the Illawarra, as well as supporting the long-term growth in NSW freight.

Recommendation 3: That the NSW Government absorb the transport infrastructure cost gap for West Dapto.

Background: IPART have recently released their assessment of the Section 94 infrastructure Contributions Plan, which found the contributions required for local infrastructure per lot would be $50,000, which is a significant increase on the current cap of $30,000. The discrepancy in the infrastructure cost is due to the extensive upgrade to the road network required as the area is highly prone to flooding. As these costs are significantly higher than the current cap, if introduced it is likely that new land development will be stalled. We therefore urge Government to absorb this cost increase and maintain the current $30 thousand contribution.

Funding: An additional $20,000 per lot.

Recommendation 4: That the NSW Government fulfil their commitment to fund the Gong Shuttle in an ongoing manner.

Background: The Gong Shuttle provides a well utilised service by many segments of the community, including residents, students, workers as well as domestic and international visitors. It allows members of the local community to remain connected and assists students to travel to and from the University of Wollongong and TAFE. An added benefit is that it also minimises congestion and relieves parking pressures in this vicinity.

In the Illawarra Regional Transport Plan 2014, the Government stated it would ‘continue to operate the free shuttle bus in the Wollongong City Centre’. It is the NSW Government’s role to fund public transport and it should commit to ongoing funding for this free vital service.