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Australia's property industry

Creating for Generations

19 October 2020

Ms Debra Just
Chief Executive Officer
Willoughby City Council
PO Box 57
CHATSWOOD NSW 2057

Email – email@willoughby.nsw.gov.au

Dear Ms Just

Revised Draft Planning Agreement Policy & Draft Chatswood CBD Community Infrastructure Funding Study

The Property Council of Australia welcomes the opportunity to provide comments to Council on the Revised Planning Agreement Policy & Chatswood CBD Community Infrastructure Funding Study.

As Australia's peak representative of the property and construction industry, the Property Council's members include investors, owners, managers and developers of property across all asset classes. We are pleased to provide the attached comments for your consideration.

The Property Council is concerned about the impact of this Policy on the future viability of office and residential development within the Chatswood CBD. The cost of the Community Infrastructure Charge (CIC) is excessive and appears to be designed as a 'value capture' scheme in all respects but name. We do not support the implementation of the CIC in its current form and request Council to reconsider the proposed infrastructure funding mechanism for the Chatswood CBD.

Should Council proceed with the Policy and CIC as proposed, the impact of the COVID-19 induced recession must be factored into the start date for the new charges. As the NSW economy begins its recovery, it is vital that land use planning settings are tuned to deliver a strong and productive response. It is imperative that Council give careful consideration to economic recovery as part of its decision-making on this draft policy.

Should you have any questions regarding the content of this submission please contact Troy Loveday, NSW Policy Manager, on 0414 265152 or tloveday@propertycouncil.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read "Belinda Ngo".

Belinda Ngo
Acting NSW Executive Director
Property Council of Australia

Submission to Willoughby City Council

**Revised Draft Planning Agreements
Policy & Chatswood CBD Community
Infrastructure Funding Study**

19 October 2020

1.0 General Comments

An earlier version of the Revised Draft Planning Agreements Policy (**the Policy**) was previously exhibited in early 2019 and attracted several submissions that opposed the Policy due to the use of a value capture approach.

Council has since revised the policy and has now developed a Community Infrastructure Contribution (CIC) funding scheme. The Policy defines community infrastructure as the “civil works, facilities and public domain required to support additional density permitted on certain land and may also benefit the wider residential and business community”.

The CIC will be implemented through the use of planning agreements for proposals within the Chatswood CBD. Council have developed the *Chatswood CBD Planning and Urban Design Strategy to 2036* (**the Strategy**) which identifies opportunities for new development within the CBD.

Despite the initial discount being provided to the CIC rate, the implementation of the Policy within the Chatswood CBD policy represents a further cost on the supply of new housing that includes, but is not limited to, Section 7.11/12 contributions, affordable housing contributions and other charges.

Many aspects of the State’s infrastructure contributions system are currently under review by the NSW Productivity Commissioner and the results of the review are due to be delivered to the Government before the end of 2020. The role of planning agreements and contributions levies will form a significant part of that review.

2.0 Commercial Development

It is noted that page 32 of the Strategy indicates that the Policy’s requirements (and those of the linked contribution scheme) will apply to commercial land-uses with a Floor Space Ratio (FSR) greater than 10:1. This is despite page 26 of the revised Policy indicating the contribution is only based on residential accommodation floor space.

We understand that the Chatswood CBD Community Infrastructure Funding Study has only assessed residual land values and opportunity land costs to test the tolerance to the potential CIC rate has only considered areas zoned for mixed-use residential development. Given no tolerance testing has been undertaken in relation to sites zoned for commercial use within the B3 Commercial Core, the proposed rate must not be applied to any additional commercial office use having a FSR above 10:1.

The application of the proposed contribution rate to commercial development is probative and will significantly impact the feasibility of these types of developments. In some cases, where a development can achieve a FSR greater than 20:1 under the Strategy, the relevant CIC payment would exceed \$20 million.

If the proposed CIC is imposed on commercial floor space above a 10:1 FSR in accordance with the Strategy, proponents may be forced to reconsider the amount of commercial floor areas being developed. This significant reduction in employment floor space would not be a desirable outcome as it would reduce the number of jobs that can be provided within the development. Such a reduction would also be contrary to the aims of the Strategy.

3.0 Residential and Mixed-Use Development

Section 5.1 of the Policy indicates that Council is expecting most of the new development within the Chatswood CBD under the Strategy will be residential development. Full implementation of the Strategy would deliver approximately 440,625m² of residential floor space by 2036.

Council has proposed a CIC rate (initially \$765/m² increasing to \$900/m²) that is significantly higher than similar schemes implemented in other parts of Sydney (apart from Burwood CBD). The rates for other schemes that have been implemented or are under development are significantly lower, being between \$150/m² and \$475/m².

We understand recent valuation studies in the Chatswood CBD have found uplift component to be in a range between \$1,250 to \$1,750 per square metre of GFA. If about half of this was provided as a contribution under the previous value sharing approach, this would reflect a contribution within a range between \$625/m² and \$875/m² of GFA. Clearly, the current \$950/m² is higher than the previously proposed value capture arrangement.

Although Council's earlier value capture approach was rejected by both the development industry and the Department of Planning, Industry and Environment (**DPIE**), the current CIC includes feasibility modelling which uses 'opportunity cost' and 'residual land value' to determine the rate, which clearly indicates that this CIC approach is just a form of 'value capture' in disguise.

4.0 Community Infrastructure Works Program

The details and costings of many of the community infrastructure works schedule set out in Appendix A of the Policy are vague. Some of the identified works appear to be based on draft unreleased strategies or in some instances they do not even reference a formal plan or a Council adopted strategy.

Unlike the *Willoughby Local Infrastructure Contributions Plan 2019*, the works schedule does not provide any nexus/details of the demand for community infrastructure generated by the additional floor space generated under the Strategy. The Strategy states that dwelling growth to 2036 will be aligned to the *Draft Willoughby Housing Strategy 2019* (the Housing Strategy). The Housing Strategy forecasts growth consistent with the growth identified in *Willoughby Local Infrastructure Contributions Plan 2019* of around 400 dwellings per year. The contributions generated under the existing contributions plan can clearly provide for the additional demand for infrastructure generated by the forecast growth of Chatswood CBD.

Some of the infrastructure identified in the CIC works program such as Pacific Highway shared path and CBD public domain upgrades are already identified in the *Willoughby Local Infrastructure Contributions Plan 2019*. As section 7.12 contributions will still apply to development under the Strategy, this appears to be double-dipping.

5.0 Conclusion

The Property Council is concerned about the impact of this Policy on the future viability of office and residential development within the Chatswood CBD. The cost of the Community Infrastructure Charge (CIC) is excessive and appears to be designed as a 'value capture' scheme in all respects but name. We do not support the implementation of the CIC in its current form and request Council to reconsider the proposed infrastructure funding mechanism for the Chatswood CBD.

Should Council proceed with the Policy and CIC as proposed, the impact of the COVID-19 induced recession must not be ignored. As the NSW economy begins its recovery, it is vital that land use planning settings are tuned to deliver a strong and productive response. It is imperative that Council give careful consideration to economic recovery as part of its decision-making on this draft policy.