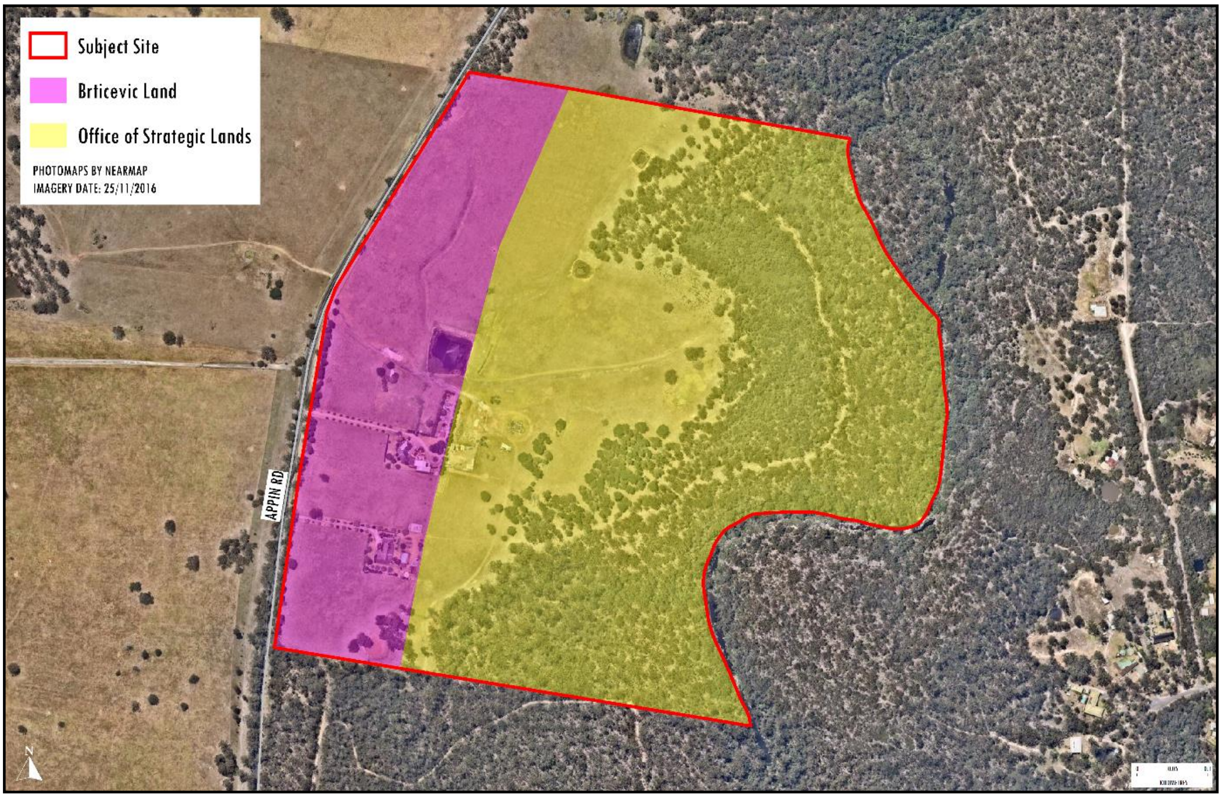
8th February 2019

Mr. Brett Whitworth
Executive Director – Growth Areas
Department of Planning & Environment
GPO Box 39
Sydney NSW 2001
E: brett.whitworth@planning.nsw.gov.au

Dear Brett,

RE: Submission to Greater Macarthur 2040: An Interim Plan for the Greater Macarthur Growth Area – Appin Road Gilead, Brticevic Family Planning Proposal.

MacroPlan has on a number of occasions made representations on behalf of the Brticevic Family to the Department of Planning & Environment (DP&E), the Greater Sydney Commission (GSC) and Campbelltown City Council (CCC) about the urban capability of the subject lands, shown below:

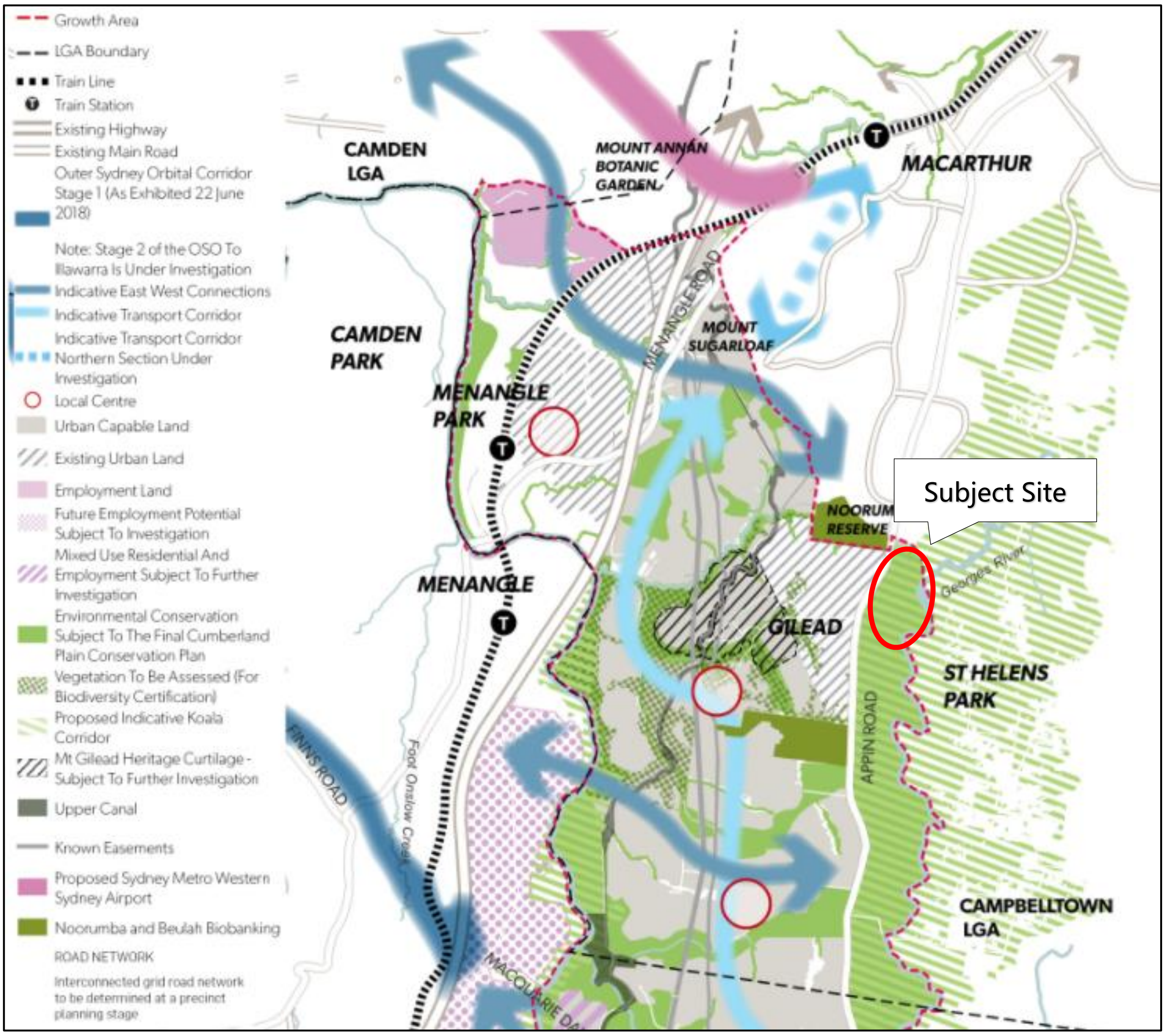


In response to the Greater Macarthur Priority Growth Area released by the DP&E in 2015, MacroPlan submitted a Planning Proposal to Campbelltown City Council on the 15th of June 2018 for 550 residential lots. The proponents prepared this Planning Proposal based on the strategic initiatives promoted by Government, given that the Greater Macarthur (and the subject lands) is a logical extension of the urban form of Sydney's south west. Due to significant investment into the upgrade of

Appin Road to facilitate development of the Greater Macarthur Land Release Area, early activation of both sides of this corridor (where land is unencumbered) will be fundamental in establishing a coordinated approach to land-use and infrastructure planning for the corridor.

Since the time of lodgement, there has been ongoing correspondence with yourself and Graham Pascoe about the impact of a proposed Koala corridor on the future urban development of the site. Since the land proposed for development relates only to cleared land and protects and buffers all of the existing bushland in a manner designed to respect the natural environment and any potential Koala habitat, inclusion of this site in a habitat corridor would result in the sterilisation of land at significant cost to Government.

We do not disagree with Koala's being placed 'at the heart of planning for the Greater Macarthur', the key rhetoric embellished throughout the Plan, but the East Appin Road site provides an opportunity to develop a community integrated within its natural environment, celebrating its scenic qualities and environmental assets. More worryingly, it seems that there has been very little consideration given to the economic impact of assigning this corridor in areas of cleared land, nor how the inclusion of cleared lands would actually contribute to Koala protection. It is our view that all cleared lands in the growth area play a vital role in the delivery of housing for Sydney's growing population.



The *Greater Sydney Region Plan* and the *Western City District Plan* recognise that the District's natural landscape is a great asset and attractor, sustaining and supporting a unique, parkland city. The prospect of a major new arterial road being lined on one side by a high fence is hardly best practice planning, or urban design or for that matter, seen to be achieving this objective. As such, page 5 of the Greater Macarthur Interim Plan states:

> "High quality urban design of the public and private realm will complement areas of conservation to provide high amenity."

This is a key element of the Planning Proposal lodged in June 2018, to provide a design-led community that integrates its residences within the natural environment, whilst respecting the potential for conservation on its eastern fringe. That being said, we have a number of concerns with the Koala Habitat Report prepared by Office of Environment & Heritage and as such, the proponents commissioned an independent peer review of the OEH Report, by James Warren and Associates which states:

"There appears to be no scientific reason why the Brticevic land could not be developed. I base this conclusion on the following:

- *The subject site has been included in the Greater Macarthur Priority Growth Area;*
- *All threatening processes considered relevant to the Campbelltown Koala population e.g. habitat loss, provision of corridor habitat, vehicle collision, dog attack, fire management have been assessed in Campbelltown CKPoM and detailed recommendations provided. All strategies are considered to be effective given that there will be long term maintenance of infrastructure.*
- *OEH have provided no scientific evidence to preclude development from the subject site. The scientific evidence they have provided, correctly, shows that an important corridor occurs along the Georges River and surrounding habitats. It is not sufficient to then state that it is obvious that all cleared areas in the vicinity should be classified as Primary corridor. Particularly as their own definition does not provide for the inclusion of cleared lands.*
- *It seems counter intuitive for OEH to be promoting the restoration of the lands east of Appin Road as the priority when it seems that the corridors linking the Georges and Nepean River i.e. crossing through the Greater Macarthur Priority Growth Area should be the priority.*

There appears to be no scientific basis for preventing the exclusion fence from deviating east from Appin Road, traversing the perimeter of the subject site and then linking up with Appin Road again on the southern boundary of the subject site."

Additionally, there are a number of major concerns in relation to the overall approach that has been taken to the strategic planning relevant to the subject site:

- The Minister, the Department, and the Greater Sydney Commission continually emphasised the importance of evidence-based planning. The OEH Koala Habitat Report identifies no evidence of Koala presence on the cleared land and yet it makes a completely unsubstantiated jump to including that land in a Koala corridor. What that analysis does demonstrate is that most Koala deaths occur where that habitat intersects with major roads, yet the proposed corridor creates a continual frontage to a major arterial road. A well managed and buffered low-key urban interface would surely create a better outcome.

- There has been no consideration of the value foregone by Government from development of the cleared land or whether realisation of that value to acquire areas of more critical habitat (such as areas east of the Georges River) would provide greater public benefit.

- There has been no consideration of the economic impact on private landowners of the proposed approach, or how the cleared land would actually contribute to Koala protection.

- There is, in my considerable experience in the practice of land reservation and acquisition (particularly as Chairman of WAPC), a major risk of exposing the Government to substantial compensation claims for the 'effective reservation' of land, unless it can be clearly demonstrated the land is otherwise unsuitable for development.

- Given the significance of the Macarthur corridor to meeting Sydney's future housing needs and limited alternate opportunities within the Sydney basin, it is irresponsible to preclude otherwise developable land without a clearly established scientific justification.

- There is a major challenge to Government to fund the acquisition of all the privately owned green corridors in Western Sydney and the opportunity for development of cleared, urban suitable land owned by the Government should be realised. The alternate of loading these costs onto future development will only further exacerbate Sydney's housing affordability dilemma.

This would be the second example of current planning approaches creating major infrastructure that services only one side of a new road (along The Northern Road/Metropolitan Rural Area in the Luddenham area). This is the total antithesis of the much lauded new policies of integrating planning and infrastructure.

We look forward to working with the Department of Planning & Environment and Campbelltown City Council as the Greater Macarthur Growth Area Plans are finalised.

Regards,

Gary N Prattley

RPIA Life Fellow
Chief Planner – MacroPlan

Attachment A:

8 February 2019

Mr Adrian Miller
Director, Planned Precinct Infrastructure Delivery
Department of Planning and Environment
GPO Box 39
Sydney NSW 2001

Dear Mr Miller,

RE: Submission to proposed Greater Macarthur Special Infrastructure Contribution 2019 - Economic Evaluation

MacroPlan commends Government for releasing the *Greater Macarthur 2040: An Interim Plan for the Greater Macarthur Growth Area* and the proposed *Greater Macarthur Special Infrastructure Contribution* for public comment.

MacroPlan has been engaged by key landholders to make representations on their behalf with respect to the proposed SIC for the Greater Macarthur Growth Area (GMGA). The sites are located in the Special Contribution Area of the GMGA.

This submission finds that:

- There are fundamental flaws in the EPS feasibility analysis.
- SIC rates of this magnitude will have (unintended) consequences on the market price of land in fringe metropolitan suburbs as well as Wilton.
- The cost of the SIC will largely be passed on to house-buyers and will not be completely absorbed by developers.
- There is no principle that an infrastructure 'wish list' should be imposed as a cost on a new development considering infrastructure will benefit residents outside of the GMGA.

According to the proposed Special Infrastructure Contribution Plan by the Department of Planning and Environment (DP&E) (*published in November 2018*), the Plan proposed three (3) Special Infrastructure Contribution (SIC) rates per additional dwelling/lot in the corridor - $39,710 for GM North, $43,985 for GM Central and $43,432 for GM South.

To substantiate the allocated SIC rates, EPS has been engaged by DP&E to undertake high-level feasibility assessment in order to quantify the impact of an additional SIC funding mechanism on development feasibly within the Greater Macarthur SCA. The EPS study (*published in January 2019*) proposes that the SCA could support a contribution up to $75,000 per additional residential lot through increased permissible development density as a result of re-zoning.

This EPS figure compares with a SIC of $15,000 proposed by an AEC Study for the North West Priority Growth Area (NW PGA), and it implies a significant premium on development in the GMGA.

The economic principle underlying infrastructure charges is (see Henry Tax Review) that cost of infrastructure in new developments in a particular area is higher than the cost of building infrastructure in other areas, e.g. due to steep terrain. There is no principle that a list of infrastructure that might be desirable should be imposed as a cost on a new development.

There has been an understanding by major landowners that development of Greater Macarthur would entail more infrastructure (i.e. higher infrastructure costs relative to other areas). However, this understanding has been extended to an ambit claim for infrastructure projects both within and in the vicinity of the Growth Area.

A significant proportion of the infrastructure is not related to the development at Greater Macarthur – it will provide a significant benefit to residents outside the GMGA. It asks the future residents of the Greater Macarthur to subsidise this infrastructure. The Spring Farm and M9 Link through to Appin along Macquariedale Road are strategic transport links that have been discussed for years and would be required regardless of whether the area was developed for urban purposes. The M9 link in particular presents a strategic connection for NSW freight network. In addition, the actual costings appear to be significantly inflated.

The DPE report also references the AEC report (November 2018) which appears to rely on the SIC as a value capture tax. Their calculation is not related to the cost of infrastructure but is based on the premise that it is the amount that can be passed down to the landowner (by the developer), with no impact on the cost of land to house-buyers. The DPE report states (page 10) that "the cost of the SIC should not be passed to buyers."

This assertion is not correct. Theory and empirical evidence (Breuckner 2001, Been 2005, Henry Tax Review) make it clear that a SIC is akin to a tax on land and that its cost will be largely passed on to new house-buyers. It does not work as a value capture tax – a capital gain tax on landowners would be a value capture tax.

The DPE report (page 14) argues that it has been "working closely with other Government agencies, Campbelltown and Wollondilly Councils, external consultants and industry representatives to ensure that the proposed SIC for Greater Macarthur will not impact housing supply in the area." In what way does working closely with these bodies negate the simple economic principle that an increase in costs will reduce supply? A developer locked in may state that it will go ahead regardless but that is only the short term. Beyond these short-term 'promises', it will impact adversely on supply.

Interestingly, having adopted a higher SIC (about $60,000) for Wilton, which will push up the cost of land and housing in Wilton which will then lead to the market price of land in closer-in areas (e.g. GM, NW), leading to higher market prices paid by homebuyers in GM. Thus, ironically and perversely, landowners in GM will be net beneficiaries from the Wilton SIC being higher. Surely, this is an unintended, or simply misunderstood, consequence of badly designed policy?

In boom times, developers might have been happy to acquiesce to this ambit claim, simply to 'enable development to happen'. Indeed, the capacity to enable development has been a major appeal of infrastructure contributions. However, the boom has ended.

Looking beyond cycles of boom or bust, policymakers need to fully understand the long-term ramification of adopting a SIC of this magnitude.

MacroPlan has tested the EPS feasibility assessment under the Scenario 2 (Rural land, with anticipated residential rezoning potential), which generated the SIC rates of $75,000 (rounded from $76,270) and a 20% IRR. There appears to be a serious discrepancy in the numbers and assumptions, with the IRR more like 10.2% at best (MacroPlan), i.e. land development will not be feasible.

The reconciliation of these two disparate results appears to be in the timing of the SIC and s94 contributions. Here, the EPS study was not explicit on its assumption, but MacroPlan's assumption is that the statutory fees and the SIC are paid at the commencement of the project – i.e. a developer must make an upfront payment for these contributions, upon development approval (i.e. the first 3 years/36 months). This is normal practice to enable delivery of infrastructure to commence and be delivered prior to, or in tandem with, the delivery of new housing.

By contrast, the EPS numbers seem assume that contributions be paid by the developer after completion of the development.

In addition, MacroPlan make the point that, if more normal (non-boom) market conditions are assumed, feasibility will be further substantially eroded. Forecasting prices is always problematic. But taking market prices at a market peak – which the indicative revenue of $420,000 per lot figure is looking increasingly to be the case - and making no allowance for the risk of a fall in prices, would appear to be highly problematic. After the previous boom ended in 2004, prices dropped about 30% in real terms. We also note that this revenue figure is about 10% higher than what is implemented in their Wilton SIC feasibility assessment (2018).

In the short term, the current cyclical weakness in market conditions may see some developers absorb a portion of this (including making losses), but the medium to long-term impacts are what should be governing policy. The high SIC will create winners and losers.

The winners will be:

- For landowners/developers in closer-in precincts, e.g. NW PGA, the value of their lots will rise by the value of the premium (~$25,000), and potentially more.
- For established landowners in the Greater Sydney metro area, the value of housing will also rise by the value of the premium.

The losers will be:

- New entrants to the housing market, either paying high prices for land or higher prices for established housing. (These are the biggest losers).
- Some landowners in Greater Macarthur but only in the short-term. Longer term, with development deferred and Greater Sydney growing, prices will incorporate the SIC.
- Renters will face higher rents. Longer-term, the higher cost of land will feed into higher rents. This will particularly hurt low/middle income households not able to contemplate home-ownership. This will in turn add to the cost to Government of public/social housing programs.

This economic evaluation is a working draft as we develop a deeper understanding of the SIC rates proposed for the Greater Macarthur and the implication of infrastructure delivery in the corridor. We wish to further refine our analysis following workshops with key stakeholders and the Department.

We look forward to working with the Department of Planning and Environment in the finalisation of SIC rates for the Greater Macarthur and hope that this evaluation assists the Department in its initial review of SIC rates for the Greater Macarthur. Should you wish to discuss any of the information contained in this submission, please don't hesitate to contact Nigel Stapledon on 9221 5211.

Yours sincerely,

Gary Prattley
Chief Planner

Dr Nigel Stapledon
Chief Economist
nigel.stapledon@macroplan.com.au