planning
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strategy

8 April 2019

Our Ref: GLN 10833 Lendlease Interim SIC Submission

The Secretary
Department of Planning and Environment
GPO BOX 39
SYDNEY NSW 2001

Attention: Adrian Miller

Dear Adrian,

RE: **Submission on the Proposed Special Infrastructure Contribution for Greater Macarthur**
Property: **Lendlease Communities (Mt Gilead) Pty Ltd landholding at Gilead**

We write on behalf of Lendlease Communities (Mt Gilead) Pty Limited (**Lendlease**) that have a significant land interest in the Greater Macarthur Growth Area. This letter provides Lendlease's interim submission on the Department of Planning and Environment's (**DPE**) *Proposed Special Infrastructure Contribution for Greater Macarthur* (**SIC**). This interim submission outlines high level concerns and recommendations formed on the back of significant work undertaken to ensure that the NSW Governments vision for Greater Sydney are aligned to the timing and functionality of the infrastructure funded through the SIC. As agreed, a more comprehensive submission will be provided following further consultation and collaboration with DPE and other government agencies.

This submission should be considered in conjunction with the Lendlease response to the draft *Greater Macarthur 2040 An interim plan for the Greater Macarthur Growth Area* (**LUIIP**). Our response to the LUIIP highlights a number of competing aspirations and potential inconsistencies between the LUIIP vision and the infrastructure outcomes proposed in the SIC. In this regard, the LUIIP response supports the high-level vision, principles and objectives and the SIC should reflect this vision. Proposed changes to the LUIIP are also supported by SIC alternatives outlined below or to be confirmed pending review of additional information being provided.

Insufficient detail provided

The draft SIC document provides a high-level overview of what infrastructure is funded, the associated total cost (for land and works) and indicative per lot contribution rate for the different catchments. As a summary document to inform the broader community this format is potentially appropriate. However, it does not contain sufficient information to allow the development industry, who will be tasked with paying for and or delivering the infrastructure, to interrogate the mechanics, assumptions and inclusions to understand the impacts on development interests and therefore conclude whether the rates are fair and reasonable.

Lendlease is prepared to pay its fair share of the infrastructure costs and will most likely propose to enter into Planning Agreements with Government to deliver specific works contained in the SIC. However, prior to any SIC being further exhibited or adopted, greater transparency is required on the detail of the costings included in the SIC, the contingencies applied, timing for the delivery of infrastructure and the rationale for apportionment between the Special Contribution Area (**SCA**). This will assist industry to better understand risks and opportunities relating to infrastructure delivery. We understand that as part of the preparation of a draft Ministerial Determination to formally declare the SIC, DPE intend to provide more detailed information providing further scope for industry to respond. Lendlease is supportive of this initiative on the basis detailed information is provided, and appropriate periods of time are afforded to industry to interrogate and understand the SIC and make a more informed submission to Government.

Alignment of the SIC with the LUIIP vision and market trends

The proposed SIC currently focusses on the funding and delivery of long-term road-based infrastructure (some items planned as far out as 2051) as a priority over the early delivery of public transport. We note that only an allowance for land acquisition/reservation has been made for the critical enabling infrastructure of public transport, education, health and emergency service provision.

The lack of capital works funding to deliver the public transport infrastructure must be reprioritised to align the SIC with the vision for Greater Macarthur and supporting the Greater Sydney Region Plan and Western City District Plan. Funding of capital works associated with the public transport corridor should be given greater priority in the SIC at the expense of more longer-term road upgrades. Without significant change to the SIC, the current funding structure would not be able to achieve the vision for any of the three city shaping plans and the goal of delivering a '30-minute city' (refer to our submission on the LUIIP for further detail).

The traffic modelling and subsequent report takes the 'business as usual' approach that results in a road-based movement strategy and road hierarchy for the Growth Area. This then forces the SIC to follow the same approach to prioritise and fund the proposed infrastructure. This traffic model relies on historical data to predict and provide for future infrastructure requirements. This approach will deliver 'business as usual' heavy reliance on private vehicle ownership, limiting the opportunities for increased access to employment opportunities in the region[1].

Further collaboration from DPE, Transport for NSW (**TfNSW**) and Roads and Maritime Services (**RMS**) with private sector consultants is urgently required to respond to the movement objectives in the LUIIP and deliver a future proofed mobility strategy that prioritises early and efficient public transport usage. This collaboration must include Government providing access to the transport model and data relating to the Outer Sydney Orbital and North-South Metro as a matter of urgency and encouraging the private sector to work with government to challenge the inputs with more up to date data that considers current trends in mobility.

Access to the model and additional scenario testing in collaboration with TfNSW and RMS will allow a more detailed and informed response to the SIC which can then include considered, innovative and importantly substantiated alternative proposals. This mindset change, aimed to align the transport modelling and ultimate SIC funded elements, is critically important in delivering the vision for the Greater Macarthur Growth Area.

[1] Refer to Movement section in the LUIIP submission for more detail on 'business as usual' outcomes for access versus other public transport alternatives that could be investigated and implemented in the Greater Macarthur Growth Area.

Dollar per lot regime impacts on housing diversity and affordability

The SIC regime proposed for Greater Macarthur adopts an average rate per dwelling approach. As the development industry expressed to DPE in the North West Growth Area where a similar regime is being proposed, this approach fails to recognise the different development metrics that apply to more diverse ranges of housing compared to conventional land subdivision.

The application of an average rate serves to compress the price differentiation between project homes on conventional lots and terraces and apartments. This approach to the SIC will likely steer development in the Growth Area towards straight land subdivision as developers determine the most efficient land density that can deliver required returns without the degree of risk or additional development costs of small lot housing. As such, the desired LUIIP outcome of creating great place, broader housing diversity and affordability will not be achieved. Alternative structures need to be considered in the preparation of the final infrastructure funding regime for Greater Macarthur to encourage innovative and diverse housing delivery.

It is anticipated that further collaboration with DPE will be needed to identify alternative contribution regimes that balances Government's need for certainty for funding against the need to deliver more affordable and diverse housing types through Greater Macarthur. Further details on alternative approaches are proposed to be provided in a following submission post this collaboration and engagement.

Apportionment

The identification of the different infrastructure funding SCAs in the SIC is supported. It is surprising though that there is little differentiation in the rates between the different catchments. However, without a complete understanding of apportionment, we are unable to comment on what is fair and reasonable.

As a natural extension to the existing housing and infrastructure in the established suburbs to the immediate north, it is incongruous that the infrastructure burden for the North SCA is similar to the Central and South SCA's. It is recognised that significant infrastructure upgrades and additions are required to deliver the LUIIP, however, logically the demand on the required infrastructure generated from the SCAs to the south is superior to cater for the locational challenges and greater extensions needed to connect these areas and should therefore carry the greater portion of contribution to these costs.

The inferred staging of development of the SCAs (North, South and Central based on timing of road links) would also seem to suggest the South SCA development front has now been prioritised over the Central SCA. Given the South SCA was initially not included in the Preliminary Growth Area, then added with a caveat of being identified for development only post 2036. It now appears that the South SCA is required, at least from a traffic viewpoint, in advance of the more logical land in the Central SCA. This advancement of the South SCA at a similar SIC rate to the other areas further confuses the concept of a fair and equitable infrastructure and cost contribution. This leads us to question whether the inferred rollout of infrastructure is the most efficient use of SIC funds. In taking this approach, does it increase the costs of contributions in North and Central SCAs versus a more linear roll out of development of the Growth Area from north to south that would represent a more progressive and orderly roll out of infrastructure.

Prior to the SIC progressing to the next stage of exhibition, greater engagement is required with industry to demonstrate that an appropriate nexus of apportionment has been embodied in the SIC. Whilst some additional detail has since been provided to confirm the apportionment of infrastructure costs to the different catchments, further detail is required to understand:

- how the catchments were defined
- the assumed quantum of developable land and yields in the catchments
- the rationale for how infrastructure costs have been apportioned
- likely traffic generation by SCA guiding the infrastructure proposed and therefore nominated contribution

Once greater detail is provided on how the quantum of each infrastructure items cost has been apportioned and programmed between the SCAs, we would be in a better position to rationalise whether this is the appropriate nexus for the proposed rates and confirm whether it reflects a fair and reasonable cost.

As sought during the exhibition of the SIC and LUIIP, access to the traffic and transport model is critically important to allow the unpacking of assumptions that would allow for more detailed and constructive submissions. This would also provide the opportunity to investigate, challenge and propose alternative inputs to ensure industry can provide appropriate technical expert input into the creation of market responsive and future proofed infrastructure. This is critical to align the items within the SIC to the vision of the LUIIP and the Greater Sydney Region Plan which puts place-based planning at the forefront of planning for Greater Macarthur.

Biodiversity Certification allocation in the SIC

The draft SIC for Greater Macarthur includes a provisional 'per lot' amount to go towards funding the Biodiversity Certification and impact offset strategy for the wider release area. Given the uncertainty around the timing and benefit of the Cumberland Plain Conservation Plan (**CPCP**), a standalone approach to Biodiversity Certification of the Gilead 2 lands will be taken. This follows on from the separate Biodiversity Certification that has been adopted for the Gilead 1 land. As such, it is not necessary for the development of the Gilead land to make a contribution towards the CPCP and this should be recognised in the final SIC determination to ensure there is suitable flexibility to allow for the adjustment of the final SIC rate for the Gilead 1 and Gilead 2 lands by removing this provisional and ultimately final sum.

Feasibility assessment assumptions

The EPS Feasibility Study is noted as a supporting document aimed at justifying the reasonableness of the proposed SIC rates. From a cursory review, there appears to be significant deficiencies in the assumptions made in the feasibility models within the report. The above-mentioned disconnect between the three SCA's having similar SIC rates needs to be considered in this report. It also needs to better consider the additional cost of forward funding all necessary infrastructure to unlock land as a consequence of the 'no additional cost to Government' approach. The assumed local contributions to be paid by developers do not align with Government policy for greenfield release areas or reflect current Council Contributions Plans or Planning Agreements. The assumed $20,000/dwelling local contribution rate is highlighted as significantly understated with local contributions both in Wollondilly and Campbelltown Councils generally closer to $50,000/dwelling. This feasibility study requires further critique in line with alternative SIC funding regimes to be proposed during ongoing collaboration with DPE.

Every dollar spent on the SIC will ultimately impact the cost of housing, either directly or indirectly, so efficient spending on infrastructure will always be in the interests of industry, Government and future residents and neighbours. Lendlease is committed to paying their way for infrastructure, however DPE need to confirm the cumulative total of all contributions are fair and reasonable across the Growth Area.

Flexibility in the use of the SIC

As noted above, funding of the physical public transport infrastructure is not included in the SIC. This is in complete contrast to the Greater Macarthur vision. In addition, capital works for education, health and emergency services are also not funded. The SIC should engrain flexibility and encourage opportunities for private sector intervention to deliver these critical public infrastructure items as SIC creditable works on Government's behalf. The value of unfunded Government infrastructure and capital works associated with Greater Macarthur is significant, with circa $1.2b required in the region for road infrastructure alone. Developers should be incentivized through a Voluntary Planning Agreement to deliver any of these works as agreed, whether included in the SIC or not, as creditable contributions against the SIC. Further detail on this approach will be provided in our final submission following greater understanding of the alternative level of infrastructure required.

In trying to unpack development in Greater Macarthur being at no additional cost to Government, it is necessary for the SIC to provide a transparent infrastructure staging plan that identifies the intended delivery program. At present, industry can only infer timings based on the traffic and transport report. A clear staging plan identifying Government's commitment to the roll out of infrastructure will allow industry to make informed decisions about pursuing land releases in the southern extents of Greater Macarthur by having an understanding of the infrastructure that would need to be forward funded.

In addition to the SIC being flexible in the infrastructure it can fund, industry should also be incentivised to deliver this infrastructure forward of Government's program. This is particularly so where the infrastructure will provide a greater benefit that just the proposed development. Such incentives could include discounted SIC rates that are payable on development.

Conclusion

A SIC will only deliver a vision for Greater Macarthur as good as the inputs it is based on. Reliance on the 'business as usual' approach for the identification of long term road infrastructure ahead of the prioritisation of funding the early delivery of the public transport corridor is likely to deliver a Greater Macarthur that is more reliant on private vehicle use with access to employment and amenity being well outside the mandate of a '30 minute city'. It is strongly recommended that the investment in longer term road infrastructure should be deferred to allow the prioritisation of early public transport, potentially reducing the overall amount of infrastructure required and the ultimate cost of such infrastructure.

In this regard, Lendlease is committed to further engagement with DPE, TfNSW and RMS to challenge the current movement strategy that underpins the SIC to deliver a mobility strategy centred on public transport and better accessibility to amenity and employment opportunities for the Greater Macarthur. Access to Government's traffic model is essential to better understand and define the opportunities that can be pursued to deliver this outcome.

It should be made clear that Lendlease is more than happy to pay their fair share towards the delivery of regional infrastructure in the Greater Macarthur Growth Area. However, the level of detail provided to date to review and interrogate, particularly with regard to the apportionment of cost, is not sufficient to understand whether the proposed SIC regime delivers a fair and reasonable cost allocation for any of the three SCAs. Prior to the progression of a Draft Determination for the SIC, greater engagement with industry is required to determine whether more cost-effective options may exist to ultimately deliver more efficient and affordable development aligned to the vision for Greater Macarthur.

As a key landholder with a proven track record in delivery of masterplanned communities, Lendlease looks forward to working further with DPE, TfNSW and RMS to deliver the vision for Greater Sydney Region Plan, Western City District Plan and the Greater Macarthur Plan identified in the LUIIP. Should you wish to discuss this submission in further detail or progress the consideration of an alternative mobility strategy and scenario testing, please do not hesitate to contact Cameron Beames at Lendlease or myself directly.

Yours faithfully

GLN PLANNING PTY LTD

MATT COOPER
ASSOCIATE DIRECTOR