PROPERTY COUNCIL of Australia

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Martin Reason
Executive Director, Infrastructure and Delivery
Department of Planning and Environment
GPO Box 39
SYDNEY NSW 2001

Dear Mr Reason,

Proposed Special Infrastructure Contribution (SIC) for Greater Macarthur Growth Area

The Property Council of Australia welcomes the opportunity to provide comments to the Department of Planning and Environment (the Department) on the proposed Special Infrastructure Contribution (SIC) for the Greater Macarthur Growth Area.

The information brochure released by the Department in November 2018 identifies the proposed rates of the SIC (between $39,710 and $43,985) and the proposed infrastructure schedule, comprising more than $1.58 billion over the next 30 years.

In September 2017, a 210 hectare site at Mount Gilead was rezoned for urban development with the making of *Campbelltown Local Environmental Plan 2015 (Amendment 2)*. In November 2017, the Menangle Park release area was rezoned for urban development with the notification of *Campbelltown Local Environmental Plan 2015 (Amendment 3)*. Future planning proposals to rezone land at Appin are under development.

This submission requests the Department take the following issues into consideration when it evaluates the proposed SIC.

Cumulative Impact of proposed SIC and other development levies and charges

If the proposed SIC is made, its commencement is likely to occur at a time when the current cap on local contributions (section 7.11) will be lifted to $45,000 per dwelling. This is likely to result in total infrastructure contributions in Greater Macarthur exceeding $90,000.

In addition to the SIC, new home buyers will be required to contribute to local infrastructure (paid to Campbelltown City Council for land at Menangle Park/Gilead and Wollondilly Shire Council for land at Appin) under section 7.11 of the Environmental Planning and Assessment Act 1979. The planned removal of the cap on these contributions after July 2020 is likely to coincide with the development of land at in the Greater Macarthur Growth Area.

Escalating local infrastructure contributions combined with the proposed SIC will add more costs to the development of new housing in the Greater Macarthur region. There are several other development charges that are placing further costs and regulatory burden on the housing and property sectors. These include a potential 5-10% contribution for affordable housing, potential reinstatement of water and sewer connection charges and Council imposed levies to fund compliance activity.

In NSW, the property industry contributes over $8 billion in stamp duty alone and is the State's largest source of revenue. Charges incurred through the planning process, compliance costs for regulation and holding costs due to slow planning approvals all increase the cost of providing new housing.

Other costs that we are concerned about include:

- The uncapping of section 7.11 (formerly section 94) contributions,
- The creation of new Special Infrastructure Contributions,
- Expansion of inclusionary zoning without incentives,
- Changes to the biodiversity regulations, including potential offset charges,
- Continued uncertainty over introduction of one or more value capture mechanisms, and
- Contributions to State authorities, such as Ausgrid, RMS and Sydney Water.

Rate of Proposed SIC

The rate of the proposed SIC is between $39,710 and $43,985 per dwelling. In comparison to other SICs that have been recently announced (apart from Wilton), this is a very significant contribution.

The proposed SIC for the Greater Macarthur Growth Area will be more than double the current SIC for the South West and North West Growth Areas ($14,500) and the proposed new SIC for the North West Growth Area ($15,267). Many of these areas share the same attributes in terms of current availability of regional infrastructure.

There is only limited information provided with the exhibition package to indicate the proposed rate has been determined on the basis of expected infrastructure needed for the new community or the expected capacity to pay (based on feasibility). It is concerning if the contribution rate has been determined on the basis of land value (or likely impact on feasibility) alone.

Costings for Regional Infrastructure

The proposal includes a schedule of proposed infrastructure in Greater Macarthur's land release precincts, which includes $1.23 billion for roads, $96 million for a future public transport corridor, $60 million for education, $1.5 million for health, $1.75 million for emergency services, $174 million for biodiversity conservation and $23.4 million for planning/delivery. The total infrastructure investment for Greater Macarthur to be funded by the SIC is $1.58 billion.

More than 78% of the funds collected by the Greater Macarthur SIC will be allocated towards road infrastructure, including intersections and bridges.

Despite this, it is not clear why the package of documents released with the proposed SIC does not include a traffic study to explain the basis for specific items of infrastructure and its connection to future development in the area.

There are several projects contained in the SIC that provide for improvements to major arterial roads carrying high volumes of traffic. As an example, Appin Road is a major regional road connecting Sydney's south west to the Illawarra and needs upgrading. More than $100 million has been identified from the SIC revenue to widen Appin Road to 4 lanes. It is unclear if these works will be fully funded by the SIC or partially funded with additional funding sources. This must be made clearer.

Even if the SIC will only be used to partially fund these works, it is unreasonable and inequitable for future residents of Greater Macarthur to be burdened with the cost of these significant road improvements when the benefits will be shared with the wider community and other road users. The project costs sought to be recovered from the SIC from greenfield development is considered too high in relation to the additional demand anticipated to arise exclusively from new greenfield development. This has the result of over-inflating the proposed SIC rate, with the cost of road projects representing more than 78% of the $1.58 billion projected to be raised through the SIC.

It is recommended the list of projects be reviewed and there should be further consultation undertaken on an updated list of infrastructure projects before a draft determination is prepared.

Unlike local infrastructure contribution plans, which must be reviewed by the Independent Pricing and Regulatory Tribunal (IPART) if they exceed a certain threshold, there is currently no mechanism for independent review of the cost estimates for infrastructure provided within the SIC.

For the sake of better transparency, the Department should release a breakdown of costings for individual infrastructure projects included in the SIC. Because a significant proportion of these infrastructure projects are intended to be funded by the development sector, the Government agencies responsible for each project should be required to publicly release the businesses cases and costings for projects within the SIC.

Thank you again for the opportunity to comment on the proposed Special Infrastructure Contribution for the Greater Macarthur Growth Area. The Property Council and our members look forward to ongoing dialogue and consultation on the next stage of the process.

Please do not hesitate to contact Troy Loveday, Senior Policy Advisor on (02) 9033 1907 or tloveday@propertycouncil.com.au if you would like to discuss any aspect of this submission further.

Yours sincerely

Jane Fitzgerald
NSW Executive Director
Property Council of Australia