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Property Council of Australia
ABN 13 00847 4422

Level 1, 11 Barrack Street
Sydney NSW 2000

T. +61 2 9033 1900
E. nsw@propertycouncil.com.au

propertycouncil.com.au
 [@propertycouncil](https://twitter.com/propertycouncil)

26 February 2021



Department of Planning Industry and Environment
Lodged via NSW Planning Portal
Dear Mr Betts,

Western Sydney Aerotropolis Special Infrastructure Contribution

The Property Council of Australia welcomes the opportunity to provide comment on the Draft Special Infrastructure Contribution (**SIC**) for the Western Sydney Aerotropolis.

As Australia's peak representative of the property and construction industry, the Property Council's members include investors, owners, managers and developers across all property assets.

Our primary concern regarding contributions in the Western Sydney Aerotropolis relates to the cumulative impact of taxes, fees and charges on the cost and viability of developing this portion of Western Sydney. Specifically, we are concerned the Section 7.12 contribution rate of 6.5% proposed by Penrith and Liverpool City Councils is excessive and needs to be reduced. Any final decision regarding the SIC needs to have regard to the future of local contributions within the same precinct.

We are pleased to provide the attached comments for your consideration.

Should you have any questions regarding the content of this submission, please contact Ross Grove, Western Sydney Regional Director on 0412 897 130 or Troy Loveday, NSW Policy Manager, on 0414 265 152.

Submission to the Department of Planning, Industry and Environment

Draft Special Infrastructure Contribution for the Western Sydney Aerotropolis

26 February 2021

1.0 General Comments

The Property Council of Australia welcomes the opportunity to provide comment on the Draft Special Infrastructure Contribution (SIC) for the Western Sydney Aerotropolis.

We enthusiastically support the construction of the Western Sydney Airport, the supporting infrastructure, and the economic activation and development of the surrounding Aerotropolis to better realise the economic and employment benefits of the government's investment. We see this task as critical to reducing the jobs deficit in Western Sydney and delivering on the NSW Government's Commitment to deliver an additional 200,000 jobs in the Western Parkland City.

Our primary concern regarding contributions in the Western Sydney Aerotropolis relates to the cumulative impact of taxes, fees and charges on the cost and viability of developing this portion of Western Sydney. We are concerned the Section 7.12 contribution rate of 6.5% proposed by Penrith and Liverpool City Councils is excessive and needs to be reduced. This rate is significantly higher than the proposed SIC and any final decision needs to have regard to the future of local contributions within the same precinct. A copy of our submission regarding local contributions is included as an appendix to this submission and recommends the following steps be taken to address the challenge of contributions at the local level:

1. Council favour the use of planning agreements to fund local infrastructure within the Aerotropolis in the first instance.
2. Council consider amending the proposed fixed rate levy to a rate contemplated in the Discussion Paper released by the Department (and assess requirements against the criteria outlined therein) on an interim basis.
3. Following the finalisation of precinct planning for the Western Sydney Aerotropolis, Council prepares nexus-based Section 7.11 contribution plans for each of the initial precincts and approaches the NSW Government seeking financial support for the plan's implementation.

In the Department's fact sheet supporting the SIC charge, it was acknowledged the final decision to approve any Section 7.12 rate over 6.5% rests with the Minister and "this decision may impact the contribution rate for the proposed aerotropolis." As stated earlier, we support the approach of considering the SIC in the context of other charges and contributions.

Consistent with the findings of the Greater Sydney Commission's draft Place-based Infrastructure Compact for Western Sydney, the Property Council understands the infrastructure costs for activating the Aerotropolis are relatively high, however the enhanced logistics capacity and initial airport-supporting development has wider economic benefits to Greater Sydney and may require a level of government support that cannot be recouped by initial development contributions.

2.0 Structure of the SIC

The Draft SIC proposes a mixture of rates which vary based on the type of zoning. The contributions involve a blend of Net Developable Area (NDA) charges per hectare, combined with station precinct charge (levied as a percentage of development costs, similar to a 7.12 contribution). A summary of the charges is provided below:

The proposed contribution rates are:

Zone	NDA charge per hectare of net developable area (indexed annually)	Station precinct charge (% of the cost of carrying out development)
Mixed Use	\$500,000	2%
Enterprise	\$200,000	1%
Agribusiness	\$200,000	n/a
Industrial (Mamre Road)	\$200,000	n/a
Environment and recreation	Nil	n/a
SP2 Infrastructure	Nil	n/a

2.1 Net Developable Area Charge

Across all precincts designated for economic activation, a Net Developable Area Charge will apply. The Property Council supports the approach of excluding public roads, land beneath the 1% flood level, and land subject to an easement in favour of a public utility. We encourage the Department to expand these exclusions to include land which will not be developable as a result of the initial precinct planning for the Aerotropolis. These include, but are not limited to, native soil zones and “green fingers” across private property.

The Property Council also supports the application of a higher (relative) NDA charge for Mixed Use developments as these land uses have a higher infrastructure cost burden. The specific NDA rates need to be considered in the context of the cumulative impact of state and local contributions, which will need to be reduced to guarantee development viability.

2.2 Station Precinct Charge

Two precincts surrounding designated metro stations have been identified for the application of a Station Precinct Charge, which will be levied as a percentage of development cost. The application of the station precinct charge reflects the intensity of land use surrounding the stations and the higher cost of supporting infrastructure. The Property Council supports the principle of applying charges that are proportionate to infrastructure costs and land use outcomes to different precincts.

We note the intention of this contribution is for the charges to be paid as a monetary contribution to the Department. We encourage the Department to keep the door open to considering options for works-in-kind agreements, where doing so would be mutually beneficial.

Similar to our comments regarding the NDA rates, the final charges need to be considered in the context of the cumulative impact of state and local contributions, which will need to be reduced to guarantee development viability.

2.3 Conflict with Western Sydney Growth Areas SIC

The Property Council supports the approach of discounting contributions collected under the Western Sydney Growth Areas SIC against the proposed Aerotropolis SIC to avoid the double payment of contributions.

2.4 Status of Voluntary Planning Agreements

The Property Council supports the approach of not imposing a Special Infrastructure Contribution where a voluntary planning agreement has already been negotiated for the provision of state and regional infrastructure.

3.0 Discounting and COVID provisions

In order to transition to a Special Infrastructure Contributions, the draft SIC determination makes provision for the following discount rates to apply over a two year period:

1. Before 1 July 2022 - 50% discount.
2. Between 1 July 2022 and 30 June 2023 - 25% discount.

Additionally, the NSW Government has made provision for the deferral of payments throughout the designated COVID-19 pandemic period. This provision enables contributions to be deferred until the issue of the first occupation certificate.

These two provisions have the potential to incentivise early investment in the Western Sydney Aerotropolis, however they will need to operate over a longer period of time in order to account for the timelines required for the preparation of masterplans, applications and assessment and referral across government agencies.

4.0 Conclusion and Recommendations

The Property Council acknowledges the significant cost of developing the Aerotropolis to all levels of government, and the role for industry in making a contribution to partially contribute to the delivery of this work.

The Western Sydney Aerotropolis is a project that will deliver economic benefits to all of Sydney by improving international connectivity, improved logistics coordination, jobs for Western Sydney and progress toward the goal of creating 30-minute cities, where commute times are reduced and to support an improving quality of life. It is important that any proposed contribution have regard to both the site-specific benefit and whole-of-city benefit when apportioning costs.

In achieving the economic vision for the Aerotropolis, it is important to ensure development remains economically viable. Rising costs are being driven through increased contributions and new planning controls, while the initial areas of developable land are diminished as more (draft) planning controls are released.

In finalising a Special Infrastructure Contribution for the Western Sydney Aerotropolis, we recommend the Department to take the following steps:

Recommendation 1: A reduction in the cumulative cost of local and state contributions to a level which does not impair the economic and employment outcomes. This may include reductions to the SIC, Section 7.12 contributions, a government subsidy, or any mixture of these options.

Recommendation 2: The Department exclude land which is undevelopable under the draft Aerotropolis Precinct Plans Net Developable Area Charge.

Recommendation 3: Early investment discounts to encourage initial activity in the Aerotropolis be expanded to apply over a staggered five-year period, to encourage industry to take bold decisions around locating new industries to the Aerotropolis.

We look forward to continuing to work with the Department, local and state government agencies and the industry as a whole to continue to drive strong economic outcomes for the Western Sydney Aerotropolis.



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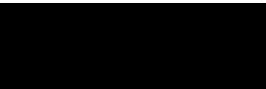
Property Council of Australia
ABN 13 00847 4422

Level 1, 11 Barrack Street
Sydney NSW 2000

T. +61 2 9033 1900
E. nsw@propertycouncil.com.au

propertycouncil.com.au
 [@propertycouncil](https://twitter.com/propertycouncil)

30 November 2020



Liverpool City Council
Locked Bag 7064
LIVERPOOL BC NSW 1871

Email – lcc@liverpool.nsw.gov.au

Dear Dr Jackson

Draft Aerotropolis Contributions Plan 2020

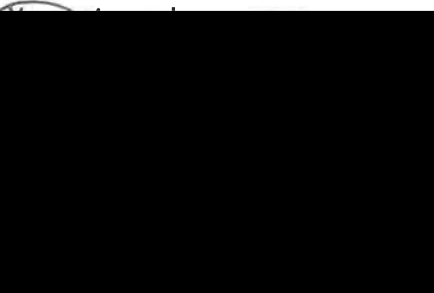
The Property Council welcomes the opportunity to provide comments to Liverpool City Council on the draft Aerotropolis Contributions Plan (the Plan).

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 on the Plan for your consideration.

The separate proposal to amend Council's *Contribution Plan 2009 (Draft Amendment 2)* to exclude the Aerotropolis Precinct from that plan is acknowledged. We do not raise any objection to these changes.

Should you have any questions regarding the content of this submission, please contact Ross Grove, Western Sydney Regional Director, on 0412 897 130 or Troy Loveday, NSW Policy Manager, on 0414 265 152.



Submission to Liverpool City Council & Penrith City Council

Draft Aerotropolis Contributions Plan 2020

30 November 2020

1.0 General Comments

The Property Council welcomes the opportunity to provide comments to Liverpool City Council and Penrith City Council on the draft Aerotropolis Contributions Plan 2020 (the Plan) prepared for five (5) precincts comprising the Western Sydney Aerotropolis.

We enthusiastically support construction of the Western Sydney Airport and the economic activation and development of the surrounding Aerotropolis to better realise the economic and employment benefits of the government's investment. We see this task as critical to reducing the jobs deficit in Western Sydney and delivering on the NSW Government's commitment to deliver an additional 200,000 jobs in the Western Parkland City.

Our submission does not support the imposition of a 6.5% section 7.12 charge across the initial precincts of the Western Sydney Aerotropolis on an interim or permanent basis. The proposed rate is without precedent in New South Wales and will make the Aerotropolis less competitive as a destination for investment, particularly when considered in the context of the cumulative impact of the Special Infrastructure Contribution (SIC) and increased costs imposed at the precinct planning level.

We propose that a reduced section 7.12 rate be adopted as an interim measure for the purposes of providing local government with the higher level of contributions needed to fund essential enabling infrastructure while more detailed section 7.11 plans are prepared at the local precinct level to justify any higher level of contribution.

The Property Council is supportive of exploring opportunities to advocate for a level of State Government subsidy to support these plans and would encourage the NSW Government to consider establishing a referral process to the Independent Pricing and Regulatory Tribunal (IPART) to carry out a peer-review of any contribution plan prior to its adoption.

2.0 Appropriateness of using Section 7.12 for local contributions

2.1 Interim Rate until Section 7.11 contribution plans prepared

The proposed Plan should be regarded to be an interim measure until Council has the level of information and resources required to prepare a robust section 7.11 contributions plan.

Part 1 of the Plan indicates that a decision was made to prepare a "fixed rate levy" plan because "the specific location and extent of local infrastructure for each Aerotropolis precinct is not yet finalised" and "a nexus-based or section 7.11 contribution plan cannot be prepared without specific layouts of collector road, trunk drainage, open space and community facilities".

For this reason, Council has prepared a "fixed rate levy" plan "so that development can be determined without being held up by delays in preparing a section 7.11 contribution plans. It is concerning that a contribution plan is being prepared in the absence of any detail of what local infrastructure will be needed and how much it will cost.

Council should be using the VPA process to negotiate with landowners and developers for early development applications. To assist with this process, Council should consider the preparation of a standard template agreement that could be adapted to suit most proposals and provide a reduction in legal and administrative costs.

2.2 When Section 7.12 levy should be used

The relevant practice note that applies to section 7.12 levies is “*Section 94A development contributions plans*” issued in December 2006. This recommends that fixed rate levies be used where “development is sporadic” and “it is difficult to determine the expected rates of development”.

Following the rezoning of the Aerotropolis in September 2020, and public exhibition of precinct plans in October 2020, Council should be in a position to better understand the future development pipeline and receive information it needs regarding expected rates of development and infrastructure requirements.

3.0 Appropriateness of proposed 6.5% Contribution Rate

3.1 Maximum 1% Levy Rate

Currently the *Environmental Planning and Assessment Act 1979* (the Act) sets 1% as the standard highest maximum percentage which councils can levy under a section 7.12 contributions plan. However, the *Environmental Planning and Assessment Regulation 2000* (the Regulation) identifies specific areas which are subject to a higher maximum percentage levy.

Currently there are seven (7) precincts in NSW where contributions above 1% have been given approval, including Burwood town centre 4%, Liverpool CBD 3%, Parramatta CBD 3%, Chatswood CBD 3%, Newcastle CBD 3%, Wollongong CBD 2% and Kensington/Kingsford town centres 2.5%. In all these cases, these are well developed urban precincts where town centres will be significantly transformed by high intensity mixed-use development. At least in the next 20-30 years, we do not consider the future development of the Aerotropolis precinct to resemble the development pressures and infrastructure requirements faced in these existing precincts. In any case, none of these precincts are also subjected to a SIC charge, which will be the case in the Aerotropolis.

Council has indicated that the Plan will only be approved and come into effect if the levy rates are approved by the Minister via a Direction being made under section 7.17 of the Act or by an amendment of the Regulation. We note that the State Government must agree to any increase above the 1% levy rate and it is unclear from the contribution plan whether Council has made an initial request to the State Government to seek approval for a higher contribution rate.

3.2 Criteria to exceed 1% maximum levy rate

Earlier this year the Department released a discussion paper providing draft criteria to be considered with requests for a higher section 7.12 percentage. The discussion paper provides criteria that will be used to determine increases in the flat-rate levy to 2% and specific criteria for application of a 3% levy. A fixed rate levy of 6.5% was not contemplated by the draft criteria.

The Property Council has considered the draft criteria and the Plan would satisfy many of the criteria relevant for a 2% levy. We suspect the unique nature of the Aerotropolis precinct would provide Council with a strong argument with the State Government for a contribution rate above the usual 1%. We would support Council to make the case to the Minister for such an increase on an interim basis provided Council commit to preparing section 7.11 contribution plans for each Aerotropolis precinct.

3.3 Comparisons to other industrial/employment precincts in Sydney

The Property Council has noted that Council, in support of the proposed Plan, has made comparisons between the proposed section 7.12 contribution rate of 6.5% and the current section 7.11 contribution rates that apply to the industrial precincts at Marsden Park and Box Hill in Sydney's northwest.

Aside from the differences between plans prepared under section 7.11 and those prepared under section 7.12, there are significant differences between the current proposal and the rate per hectare contribution imposed at the Marsden Park and Box Hill precincts. The identified costings for the precincts in Sydney's northwest have a heavier reliance on essential engineering and civil works to enable development of these precincts, while the draft Aerotropolis rate in large part is designed to facilitate land acquisition and provides for generous assumptions and contingencies as part of the plan.

We would like to see any section 7.12 plans replaced by their section 7.11 equivalent following the confirmation of precinct plans for the Western Sydney Aerotropolis. As stated previously, we would support some level of State Government subsidy for these plans following an independent peer review of the plans to benchmark infrastructure costs, ideally through a request to the IPART.

4.0 Staged delivery of infrastructure

We note that Appendix A of the Plan provides detail regarding the likely demand for local infrastructure and estimates of the cost of delivering that infrastructure. The initial rezoning of five (5) precincts will cater for up to 102,000 new jobs and 34,000 additional residents. The development of the Aerotropolis will occur over many decades and the funding of local infrastructure delivery must also reflect this.

The Plan indicates there will be considerable variance between the infrastructure needs and costs that are attached to each precinct. The Aerotropolis Core is expected to require approximately \$1.4 billion of local infrastructure, the Agribusiness precinct \$467 million, Northern Gateway precinct \$423 million and the Badgerys Creek precinct \$212 million. The total infrastructure needs of the rezoned precincts is expected to be in the order of \$2.5 billion. In the interest of fairness and equity it is important that Council proceed to prepare a nexus-based section 7.11 contribution plan as soon as possible so that the infrastructure costs can be apportioned appropriately between precincts and between new and existing communities.

5.0 Conclusion and recommendations

While the Property Council does not support the rate as currently opposed, we are nonetheless committed to supporting local government in reaching an outcome that provides for the funding of critical infrastructure that enables the development of Western Sydney's Aerotropolis.

We recommend:

1. Council favour the use of planning agreements to fund local infrastructure within the Aerotropolis in the first instance.
2. Council consider amending the proposed fixed rate levy to a rate consistent with those contemplated in the Discussion Paper released by the Department (and assess requirements against the criteria outlined therein) on an interim basis.
3. Following the finalisation of precinct planning for the Western Sydney Aerotropolis, Council prepares nexus-based section 7.11 contribution plans for each of the initial precincts and approaches the NSW Government seeking financial support for the plan's implementation.

The Property Council looks forward to an ongoing dialogue with respect to the future of the Western Sydney Aerotropolis.