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30 August 2023

Assessment of Contributions Plan No. 24 – Schofields Precinct (2022)
Independent Pricing and Regulatory Tribunal
PO Box K35
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Dear Sir/Madam

Review of Blacktown City Council's Contributions Plan no 24 – Schofields Precinct (2022)

Introduction

The Housing Industry Association (HIA) is making a written submission to IPART on its review of Blacktown City Council's Contributions Plan No. 24 - Schofields Precinct (2022) (draft contributions plan).

HIA represents about 60,000 members in Australia involved in the housing industry. Our members include the volume house builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members are involved in delivering more than 170,000 new homes each year.

As a general principle, HIA advocates that developers and homebuyers should only be required to pay for infrastructure which is development specific, or infrastructure that provides essential access and service provision. This is considered by HIA to be core requirements for housing development and includes local roads and stormwater drainage, and land for neighbourhood open space.

Levies and charges applied to development to cover physical and social infrastructure significantly affect new housing supply and affordability. As NSW is in the midst of a housing crisis, increases in developer contributions will severely impact on the state's ability to recover from the current situation. Any developer levies and charges should also be subject to a full cost benefit analysis to assess the impact on housing affordability.

HIA would be pleased to discuss any of the issues raised in this submission in more detail with IPART and contact details are provided at the end of this letter.

Proposed increased in contributions will result in a significant burden on development

HIA is concerned that the application of the contributions proposed by the Council in the draft contributions plan will place a significant burden on the costs of new residential development in the Schofields Precinct.

HIA therefore, supports IPART's draft recommendations to remove the 'public art and signage costs' from the open space embellishment costs.

However, this reduction in cost will have limited effect on the overall cost of the proposed contribution charges which are up to \$131,254 per lot. Whilst the current 2018 IPART approved plan includes contribution rates of up to \$106,338 per lot, the increases proposed are nearly 3 times higher than the increase in the Consumer Price Index (CPI) for the same period.

In addition to local developer contributions to cover physical and social infrastructure costs, developers are also expected to pay Special Infrastructure Contributions (SICs) for regional infrastructure, affordable housing, and biodiversity offsets.

The Special Infrastructure Contribution applicable to the Schofields precinct is currently set at \$250,577 per hectare of net developable area, or up to \$20,046 per dwelling. It is recognised however that this will be transitioned to the new Housing and Productivity Contribution by 1 July 2026.

Furthermore, Sydney Water has announced its intention to reintroduce Developer Service Plan (DSP) charges to help recover the cost of providing infrastructure to new developments. This further increases the burden on developers and will be reflected in the price of the new land lots. For Schofields, a DSP charge of \$13,754 is proposed.

HIA has calculated how much developers will be required to pay in contributions per standard residential lot with both the draft contributions plan, SIC and DSP in place. This is shown in Table 1 below:

Table 1 - Developer Contributions for Schofields Precinct

Contribution	Low Density (Eastern catchment 12.5 dwellings/ha)	Low Density (Eastern catchment 15 dwellings/ha)
Schofields Contributions Plan (IPART reviewed)	\$130,918	\$116,648
Special Infrastructure Charge	\$20,046	\$16,705
Sydney Water DSP	\$13,754	\$13,754
Total Cost of Contributions	\$164,718	\$147,107

The proposed combined contributions outlined above is approximately 14.45% of the current median house price for Schofields (\$1,140,000). This is a large proportion of the cost of a home and a significant barrier to housing affordability.

Transparency of Costs

It is understood that the transport, open space and stormwater management costs associated with the draft contributions plan have been developed based on independent quantity surveyor reports. It is the position of the HIA that the manner in which the up-front charges or levies are costed should be transparent and cover capital and implementation costs only. HIA is concerned that the reports associated with the draft contributions plan were not made publicly available as part of the exhibition process. This demonstrates a lack of transparency as the community and other stakeholders have no ability to assess and comment on whether the costs associated with the draft contributions plan are reasonable and appropriate.

Any reports on which the draft contributions plan is based must be made publicly available for review and comment prior to the adoption of the plan.

Further detail on the Unimproved Land Value Index is required

It is noted that IPART considers the use of an appropriately designed and applied Unimproved Land Value Index (LVI) is reasonable. Whilst the HIA does not have a concern with this position, it is concerned that information about the LVI, its methodology, calculations, inputs and assumptions does not appear to be publicly available. This prevents any assessment the suitability of the LVI being undertaken and further reduces transparency. Similarly, the peer review report on the LVI undertaken by Glenwood Capital and referenced in the application to IPART also appears to have not been made available to the public. Concerns about the lack of transparency are heightened by the fact the LVI will provide for a faster rate of increase of contributions than would be expected if indexation was linked to CPI.

Similar to the cost assessment reports, further detail on the LVI and any associated reports must be made publicly available for review and comment prior to the adoption of the plan.

Cost Benefit analysis should be undertaken

Developer contributions are effectively a tax on new housing. It is the position of HIA that the proposed draft contributions plan should be subject to a full cost benefit analysis to assess the impact of any proposed infrastructure charges on housing affordability. Such an assessment would need to demonstrate that any proposed contribution charge would deliver a net benefit to the future homeowners and relate to infrastructure that is necessary for the creation of the allotment.

Conclusions

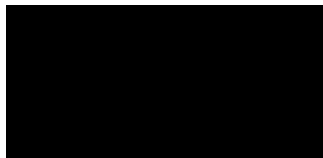
Whilst HIA fully supports IPART's recommendation for a reduction in the developer contribution rates in the draft contributions plan, there is still considerable concern about the impact of any levy on the residential housing industry.

As outlined above, developer contributions (including SICs and DSPs) are in effect, a tax on new homes and this can push up the cost of purchasing a new dwelling for consumers. In the case of the Schofields Precinct, the impact is significant, and could potentially add up to \$164,718 to the cost of a new dwelling (refer Table 1). This will also have an impact on the orderly development of land by the industry as costs become prohibitive. This appears to be counter-productive when governments are focussing on strategies to improve housing affordability.

It is also of concern that the process of calculating the contributions rates within the draft plan have not been transparent.

Thank you for your attention to this submission and should you require any further information, please contact Michael Said, Senior Building and Planning Policy Advisor, [REDACTED]

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED



David Bare
NSW Executive Director