Lane Cove Council
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Date: 12 November 2021
Doc Ref: 68922/21

Local Government Contributions Plan Team
Independent Pricing & Regulatory Tribunal NSW
PO Box K35
HAYMARKET POST OFFICE
SYDNEY NSW 1240

Attention: Ms Felicity Hall

Dear Ms Hall,

Re: Draft Assessment of St Leonards South Precinct Contributions Plan

Council thanks IPART for the opportunity to comment on the draft Assessment of the *St Leonards South Precinct Contributions Plan*. Council appreciates your support for the Plan insofar as it reflects reasonable costs for local infrastructure in the precinct's development. This response addresses the 3 major recommendations of the assessment.

1. Shared Path Costs Removed

The Assessment recommends the Council removes shared path costs from the works schedule to avoid a double recovery of these costs – Council accepts this view.

Council accepts footpaths are normally provided by condition of development consent. The shared paths can be done in the same way. The paths would be removed from the infrastructure schedule of the Plan but remain in the Quantity Surveyor's report (to illustrate the cost to developers).

2. Investigate earlier Park delivery

The Assessment does not consider it reasonable to deliver the local park after 70% of total contributions are collected. It is therefore recommended that Council investigates how to deliver the local park earlier.

Ultimately a decision on the timing of the acquisition of the land is a matter for the elected Council to determine and should not be done so in isolation. It can be considered in the future as the Council is ultimately responsible for prioritisation and allocation of resources to meet the competing needs of the whole community.

The costs of borrowing the funds for the park (which would be $37 million) have been investigated and the following matters are relevant. They are based on the existing $20 million loan Council has secured from NSW Treasury Corporation (T-Corp) to partially finance a nearby (1.6km) Indoor Sports Facility which is at development application stage, that would also service the St Leonards South precinct.

- Borrowing costs of a $37m loan over 20 years at 2.88% would be $11.7 million. This would increase the total cost of the Plan to $64.3 million and dramatically increase contribution rates. This will have a negative impact on viability and therefore the timeliness of developments. The following table illustrates this increase in contributions.

	Infrastructure cost	per resident	per studio or 1 bed dwelling	per 2 bed dwelling	per 3 or more bed dwelling
Essential works total – No debt	$53,762,443	$14,818	$20,745	$29,636	$45,936
Essential works total – With Debt	$64,269,850	$17,714	$24,800	$35,428	$54,913

Council is aware of the State Government's Low-*Cost Loans Initiative* that aims to provide subsidised finance to councils to encourage new housing supply where councils are reimbursed 50% of the interest cost of a maximum 10-year loan for infrastructure that enables new housing supply. While a 10 year loan would decrease the total interest payable, the principal repayments would effectively double when compared with a 20 year loan. This poses considerable financial risk for Council in servicing/honouring the repayment schedule, particularly given the uncertainty of timing of developer contributions being received to match repayment obligations. This is discussed further below.

- Given the necessary due diligence checks Council had to negotiate with T-Corp to secure the $20 million loan and the conditions associated with same, it is doubtful Council would receive approval from T-Corp (or any other financial institution) for an additional $37 million loan. This would see debt at almost 1.2 times Council's own source revenues and would more than likely result in Council running ongoing operational deficit budgets. As noted in the current DPIE Practice note on exhibition, in relation to forward funding infrastructure via debt, s7.11 contributions are capital contributions, while borrowing costs are operational costs, thus a council's debt service ratio will be adversely impacted.

By way of illustration, the following table highlights the negative impacts a $37 million loan (if the $20M debt is included the results are worse) would have on some of Council's key financial indicators over the next 5 years.

Table 1 – Impacts on financial indicators

Financial Indicator	Benchmark	Without Loan (Year 2026/27)	With Loan (Year 2026/27)
Unrestricted Current Ratio	> 150%	716%	57% (benchmark not met)
Cash Expense Coverage Ratio	> 3 months	7.8 months	0.5 months (benchmark not met)
Unrestricted Cash	>$0	$3m	Minus $7m (benchmark not met)

- Council does not have surplus funds to honour the loan in the event forecast cash inflows from developer contributions do not transpire at the rate necessary to service the loan repayments. This is exacerbated by the NSW Government's decision to delay payments until Occupation Certificate stage of any development. Based on average construction times, this introduces a 2-year lag into the payment of developer contributions.

- Servicing a loan of this magnitude would undoubtably put pressure on existing projects, operations, services and service levels and may lead to expenditure cuts, including putting an inordinate amount of pressure on Council's existing staff establishment, which exposes considerable risk to Council.

As an alternative, IPART is asked to consider recommending to the NSW Government that T-Corp, on behalf of the NSW Government, forward fund infrastructure, i.e. off-balance sheet for councils, and recover borrowings via s7.11 contributions received and remitted by councils.

T-Corp has far greater capacity to aggregate/absorb irregular repayment cycles based on when development contributions are received than councils do. Given local government debt is considered State debt by rating agencies, there would be no additional impact on the State Government's balance sheet.

3. Stormwater

The Assessment requests that Council provides further information and justification to establish nexus for the stormwater upgrades. Sydney Water has previously confirmed that the system currently has adequate capacity to service the new development however, the mains and outlets may need to be upsized (see **AT-1**).

In response to IPART's questions:

I. *Is the stormwater upgrade part of the council's current asset management plan or strategy?*

The proposed stormwater upgrade is not part of Council's asset management plan or strategy.

II. *To what extent is the council bringing forward the stormwater upgrade by including it in the contributions plan for St Leonards South?*

The need for the construction of the stormwater lines on Park Road, Berry Road and Holdsworth Avenue has come about due to the St Leonards South development. The stormwater from the existing properties in these streets discharges directly to the kerb and gutter as there is no trunk drainage system.

Any DA for multi-unit dwellings (all requiring basement pump-out systems) would be conditioned to construct a new drainage system to connect to Council's existing trunk drainage.

As it is not possible to know which DA will commence construction first, it is not practical to condition the developers to construct the stormwater line in front of their property if there is no Council system adjacent to the site. For example, If the construction of the precinct were to commence at a property at the top of the catchment, they would be required to build the entire length of drainage line to connect to Council's existing stormwater system at the bottom of the catchment. This could be up to 200m and would not be an equitable way to undertake these works.

As such, the most straightforward and fair way to implement the drainage required for the St Leonards South precinct is for Council to build the drainage and allow each development to connect directly into that line in front of their property.

III. *What would the standalone cost of the stormwater upgrade cost be, if it was not in SLS CP?*

The standalone drainage costs would be similar to those in the Quantity Surveyor's report.

4. Cost of Plan Administration

It is recommended that Council recalculates the cost of plan administration (1.5% of works costs) based on the recommended adjusted works costs.

These costs are based on construction of essential works only and are capped at 1.5%.
Council accepts that with the removal of shared paths (considered an essential work) from the Infrastructure schedule, this would automatically need to be reduced.

5. Review of Plan

It is recommended that Council reviews the plan within 3 years to include updated information on planning assumptions, and the scope and cost of land and works in the plan.

This is supported as it would allow Council an opportunity to review any relevant (approved) development applications for the precinct and examine infrastructure costings. This time period is accepted, particularly given the State Government's recently proposed changes to timing of the payment of infrastructure contributions.

In conclusion, Council welcomes IPART's mostly supportive Assessment of the draft St Leonards Contributions Plan and trusts that your consideration of Council's responses to recommendations will lead to an improved outcome.

Yours sincerely

[redacted]

Craig Wrightson
General Manager

Sydney WATER

01 March 2018

Our Ref: Case 169526

Michael Mason
Executive Manager
Environmental Services
Lane Cove Council
PO Box 20, Lane Cove NSW 1595

RE: Planning Proposal St Leonards South Residential Precinct

Dear Mr Mason,

Thank you for notifying Sydney Water of the development application listed above. We have reviewed the application and provide the following information to assist in planning the servicing needs of the proposal, based on the information supplied.

Water

- Our servicing investigation shows that the trunk drinking water system has adequate capacity to service the proposed development.
- However, the existing 150mm mains along Pacific Highway and Marshall Ave may need to be upsized to service the proposed development.

Wastewater

- Our servicing investigation shows that the trunk drinking water system has adequate capacity to service the proposed development.
- However, the existing 225mm wastewater outlets may need to be upsized to service the proposed development.

This advice is not a formal approval of our servicing requirements. Detailed planning and servicing requirements, including any potential extensions or amplifications, will be provided once the development is referred to Sydney Water for a Section 73 compliance certificate, usually following assessment of the development application.

More information about the Section 73 application process is available on our web page in the Land Development Manual.

Sydney Water E-Planning
Sydney Water has an email address for planning authorities to submit statutory or strategic planning documents for review. This email address is urbangrowth@sydneywater.com.au.

Further advice and requirements for this proposal are in the attachments. If you require any further information, please contact Mary Ellen Trimble of Growth Planning and Development on [redacted] or email [redacted]

Yours sincerely,

[redacted]

Paul Mulley
Manager, Growth Planning and Development