



Independent Pricing and Regulatory Tribunal  
New South Wales

# Assessment of revised Contributions Plan 15 for Box Hill

**The Hills Shire Council**

**Final Report  
Local Government**

**October 2018**

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# 1 Executive summary

Local infrastructure contributions plans set out the local infrastructure required to meet the demand from new development, and the contributions a council can levy on developers to fund the necessary land and works.<sup>1</sup>

The Minister for Planning has asked IPART to review certain aspects of The Hills Shire Council's revised *Contributions Plan No 15 Box Hill Precinct*, before the council submits its application for Local Infrastructure Growth Scheme (LIGS) funding. Throughout this report, we refer to this revised plan as CP15 (2017) and to the Hill Shire Council as 'THSC' or 'the council'.

CP15 (2017) applies to two precincts in the Hills Shire Local Government Area: Box Hill and Box Hill Industrial. It has been in force since August 2017. The total cost of land, works and administration in the plan is \$532.34 million. This is the third time IPART has assessed CP15.

The Ministerial Direction applying to the area currently applies a maximum developer contribution amount of \$40,000 per lot or dwelling.<sup>2</sup> In the absence of any cap on the amount the council is able to levy, the contribution for a dwelling house would be around \$68,960 per dwelling/lot in the Killarney Chain of Ponds catchment area and \$51,133 per dwelling/lot in the Second Ponds Creek catchment area.<sup>3</sup>

As a result of our assessment we recommend that, before it applies for funding from the NSW Government under LIGS, the council increase the total costs in the plan by \$3.53 million (0.7%). The increase in costs is a result of the council not having correctly updated the quantity of land it needs to acquire for Terry Road, nor having updated its assumptions about the underlying zoning of land to be acquired in response to changes to the *State Environmental Planning Policy (Sydney Region Growth Centres) 2006* in 2016. The recommended increase in land acquisition costs is, to some extent, offset by recommendations for decreases in the estimated cost of some works, including the cost of Mount Carmel Road.

Some of our recommendations could affect the calculation of contribution rates rather than total costs. For example, we recommend the council update population estimates which, for the same level of costs, would reduce contribution rates for some infrastructure categories. The other recommendations that affect the calculation of contribution rates rather than total costs relate to the apportionment of costs across development within the precincts and to the council's assumed timing of expenditure and receipt of revenue.

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<sup>1</sup> The provisions applying to the contributions plans we assess are found in section 7.11 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

<sup>2</sup> This is the maximum amount as of 1 July 2018: see *Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012*.

<sup>3</sup> CP15 (2017), p 19. A dwelling house has an assumed occupancy of 3.4 people.

## 1.1 What is CP15 (2017)?

CP15 (2017) applies to development in two separate precincts in Sydney's North West Growth Area (NWGA):

1. Box Hill Precinct, and
2. Box Hill Industrial Precinct.

This land was originally rezoned for urban development in 2013.

The Box Hill and Box Hill Industrial precincts had an existing residential population of 934 in 2011 and it is anticipated that the population will grow to at least 31,621, which is a net increase of at least 30,687.<sup>4</sup>

## 1.2 Why have we assessed CP15 (2017)?

Following IPART's assessment of draft CP15 (2016), THSC adopted the plan. The council subsequently amended the plan to include the changes requested by the Minister as a result of our assessment. It also made additional amendments relating to:

- ▼ increased land values throughout the precinct
- ▼ the realignment of Mount Carmel Road, and
- ▼ more detailed design for intersections along Terry Road.

The Minister has asked IPART to undertake a targeted review of CP15 (2017), focused on these additional amendments and other matters IPART considers relevant to these changes (see Appendix A). This review of CP15 (2017) is required for the council to be eligible for funding under the LIGS.

## 1.3 How have we assessed CP15 (2017)?

We have assessed CP15 (2017) against the criteria in the *Local Infrastructure Contributions Practice Note* published by the Department of Planning and Environment (DPE) in January 2018.<sup>5</sup> In doing so, we have considered our analysis of the previous version of CP15, and conducted additional analysis on aspects of CP15 (2017) where necessary: that is, where CP15 has changed or should have changed since our last assessment, we have conducted further analysis. Where CP15 has not changed, and no other available information indicates that the plan should change, we consider our previous assessment is still relevant.

We first assessed whether CP15 (2017) is consistent with the seven changes the Minister asked the council to make following our assessment of draft CP15 (2016). We also considered whether there have been changes in circumstances since our assessment of draft CP15 (2016) that may warrant further analysis of the recommendations the Minister did not require the council to address.

We then assessed all other aspects of the plan, including the additional amendments referred to in the Minister's letter.

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<sup>4</sup> CP15 (2017), p 20.

<sup>5</sup> Department of Planning and Environment, *Local Infrastructure Contributions Practice Note*, January 2018.

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We based our assessment on information in the plan, information provided by THSC officers and information provided by DPE.

#### **1.4 Has the council addressed the changes requested by the Minister’?**

We found that of the seven recommendations the Minister asked the council to address, it has:

- ▼ fully addressed three recommendation, and
- ▼ partially addressed four recommendations.

We found that the council has fully addressed the recommendations to remove the indoor recreation facility and recalculate administration costs, however further changes to administration costs will be required. We also found that the council considered escalating the contribution rate at its assumed cost of capital, however it made no change to its approach in CP15 (2017).

The recommendations it only partly addressed relate to the use of site-specific cost estimates for transport works, cost contingency allowances for transport works, and apportionment of costs to schools.

We have also considered whether there have been changes in circumstances since our assessment of draft CP15 (2016) that may warrant reconsideration of the recommendations the Minister did not ask the council to address. We note that the Minister’s advice to THSC on including raingardens in the plan is consistent with our conclusions in subsequent assessments. We also found that an increase in expected population may justify including all land zoned for open space. However, the council has not revised the population estimate in its apportionment of open space costs.

#### **1.5 Do other aspects of the plan meet the assessment criteria?**

In regard to the council’s additional amendments between CP15 (2016) and CP15 (2017), we found that CP15 (2017) satisfies the assessment criteria with the following exceptions:

- ▼ there is insufficient nexus for one signalised intersection change to a roundabout on Mount Carmel Road
- ▼ the costing method for Mount Carmel Road is not reasonable
- ▼ the council did not index the cost of some transport and open space items
- ▼ the council has incorrectly estimated the cost of one bridge
- ▼ the average values for constrained land used to estimate land costs in the plan are not reasonable
- ▼ the council’s application of average land values is not always reasonable, and
- ▼ the council’s forecast timing of revenue receipts are based on outdated information and its forecast timing for delivery of land and infrastructure expenditure is incorrect.

We also found that there was nexus for a further 1,241 m<sup>2</sup> of land required for Terry Road beyond what is included in the plan.

## **1.6 What have we recommended and what is the impact?**

We have made 15 recommendations as a result of our assessment. Thirteen of these are recommendations that we consider the council should address before it applies for LIGS funding. We consider the council should address the remaining two recommendations before January 2020 because it could otherwise delay the council's access to funding.

We have estimated the impact of most of the recommendations on the total cost of works.

### **1.6.1 Our recommendations would slightly increase the total cost of land, works and administration**

Our recommendations would marginally increase the total cost of land, works and administration by \$3.53 million (or 0.7%), as shown in Table 1.1. The main driver of this is an increase to land values to reflect updated information on underlying zonings.



**Table 1.1 Summary of recommendations**

	Recommendation	Cost in plan	IPART recommended adjustment	IPART assessed reasonable cost
<b>Transport works</b>		<b>91,601,388</b>		
Use site specific cost for 6 roundabouts (all in previous version of plan)	1		-159,566	
Reduce cost contingency allowance % for roundabouts	2		-188,543	
Reinstate cost of intersection	6		759,408	
Use VPA cost to estimate cost of main roads for Mt Carmel Rd	10		-1,053,006	
Correct minor errors and inconsistencies for transport items including bridge.	12		233,928	
<b>TRANSPORT SUBTOTAL</b>			<b>-407,778</b>	<b>91,193,609</b>
<b>Stormwater works</b>		<b>78,892,892</b>	No adjustment	
<b>STORMWATER SUBTOTAL</b>				<b>78,892,892</b>
<b>Open space embellishment</b>		<b>93,448,522</b>		
Apply correct indexation	13		392,642	
<b>OPEN SPACE SUBTOTAL</b>			<b>392,642</b>	<b>93,841,164</b>
<b>Total works</b>		<b>263,942,802</b>	<b>-15,136</b>	<b>263,927,665</b>
<b>Land (all infrastructure)</b>		<b>264,439,415</b>		
Include additional land for Terry Rd intersections	7		559,436	
Update land values to reflect current underlying zonings and constraints and apply single average value for constrained land	8		2,990,452	
<b>Total land</b>		<b>264,439,415</b>	<b>3,549,888</b>	<b>267,989,303</b>
<b>Administration costs</b>		<b>3,959,142</b>		
1.5% of cost of works for adjustments to past IPART recommendations	3		-5,222	
1.5% of cost of works for adjustments to other aspects	14		4,995	
<b>Total Administration</b>		<b>3,959,142</b>	<b>-227</b>	<b>3,958,915</b>
<b>Total land, works and administration</b>		<b>532,341,359</b>	<b>3,534,524</b>	<b>535,875,883</b>

Source: CP15 (2017), Works schedule and IPART calculations.

## 1.6.2 Our recommendations could slightly increase contribution rates

Our quantifiable recommendations would lead to a slight increase in the total cost of land, works and administration in the plan of \$3.53 million or 0.7 %. All other things being equal, this also suggests a possible slight increase to contributions rates in the plan. However, it is difficult to quantify the impact on contribution rates, in part because the council uses an NPV approach to modelling the contribution rates. We have also made recommendations that are yet to be quantified, including the need to update population estimates which, for the same level of costs, would reduce contribution rates for some infrastructure categories.

An NPV approach requires the council to make assumptions about the timing of revenue receipts and expenditure. We have recommended that the council adjust its timing assumptions, but we do not have sufficient information to determine exactly how the assumptions should be adjusted. The impact on contribution rates would vary as follows:

- ▼ If the timing of revenue receipts is moved forward (later), this would reduce (increase) the overall contribution rates for all development.
- ▼ If the timing of the expenditure is moved forward (later), this would increase (reduce) the overall contribution rates for all development.

The unquantified recommendations that may influence the contributions rates are:

- ▼ Including the area for schools in its apportionment of costs to residential development (Recommendation 4). This would increase the contribution rates for residential development only marginally.
- ▼ Updating the plan for revised population projections (Recommendations 5 and 15). This may have implications for the amount of local infrastructure required as a result of the new development and hence total costs of the plan. At a minimum, even if there is no impact on total costs, changes to population projections would impact the apportionment of costs and the calculation of contribution rates. For the same level of costs, a larger population would reduce contribution rates.

## 1.7 List of recommendations

Below is a list of our recommendations for CP15 (2017).

### Implementation of past IPART recommendations

1	THSC reduce the cost of transport works in CP15 (2017) by \$159,566 to reflect:	25
	– Site-specific cost estimates provided by AECOM, indexed to the base year of the plan, for six roundabouts (BHR01, BHR02, BHR03, BHR05, BHR06 and BHR07)	25
2	THSC reduce the contingency allowance for roundabouts from 30% to 20% to reflect the reduced risk associated with applying AECOM cost estimates. This would reduce the cost of transport works in CP15 (2017) by \$188,543.	27
3	THSC adjust plan administration costs so that the amount remains 1.5% of the total cost of works adjusted for all of the Minister's requested changes. This would reduce the cost of administration in CP15 (2017) by \$5,222.	27

4	THSC:	29
	– include the area for schools as ‘residential land’ in its initial apportionment of costs between residential and non-residential development, and	29
	– apportion the costs allocated to residential development across the expected increase in residential population to calculate per person contribution rates.	29
5	Before January 2020, THSC,	32
	– in consultation with DPE, review and if necessary revise the anticipated population in the Box Hill precincts	33
	– confirm whether the quantity of open space land and associated embellishment in the plan meets the needs of the anticipated population, and	33
	– ensure the apportionment of open space costs and calculation of contribution rates is based on the anticipated population.	33

### Other aspects of CP15 (2017)

6	THSC change item BHT09 from a roundabout to a signalised intersection to correct an oversight and thereby reinstate costs of \$759,408.	37
7	THSC include \$559,436 for an additional 1,241m <sup>2</sup> of land for intersections on Terry Road that was omitted from the plan.	37
8	THSC increase the cost of land in CP15 by \$2,990,452 to reflect:	43
	– the current underlying zonings and constraints applying to land in the plan, and	43
	– a single average value for all constrained land in the plan, which is equal to the value recently applied in neighbouring North West Growth Centre local infrastructure contributions plans.	43
9	THSC revise the cost of Mount Carmel Road (new main road items BHNRO1A, BHNRO1B and BHNRO2A) using the estimated cost in the executed Voluntary Planning Agreement. This would reduce the cost of transport works in CP15 by \$1,053,006.	48
10	THSC increase the cost of transport works by \$233,928 to:	48
	– correctly index the cost of the Boundary Road upgrade, Annangrove Road upgrade and cycle ways.	48
	– adjust the cost of bridge BR-NKB01.	48
11	THSC increase the cost of open space works by \$392,642 to correctly index the cost of local parks.	48
12	THSC adjust plan administration costs so that the amount remains 1.5% of the total cost of works adjusted for all our recommendations for the additional amendments. This would reduce the cost of administration in CP15 (2017) by \$4,995.	48
13	THSC adjust the forecast timing of revenue receipts to take account of the actual revenue received and number of development applications approved.	52

- 
- |    |   |    |
|----|---|----|
| 14 | THSC adjust the forecast timing of expenditure so that land acquisitions precede the associated infrastructure works.   | 52 |
| 15 | Before January 2020, THSC ensure that the land and works for stormwater management and transport infrastructure in the plan meet the needs of the anticipated population in the precincts and ensure the apportionment of costs and calculation of contribution rates is based on the anticipated population. | 56 |

## 2 Our approach

IPART assesses contributions plans from councils that propose to levy contributions above \$30,000 per lot or dwelling in identified greenfield areas and \$20,000 per dwelling in other areas.

An IPART-reviewed contributions plan entitles the council to levy:

- ▼ for specified transition areas, up to a capped amount (currently \$40,000 in greenfield areas including Box Hill), and apply the Local Infrastructure Growth Scheme (LIGS) funding for the amount of any contribution which is above the cap;
- ▼ for other areas, the full contribution amount.

The maximum contributions in CP15 (2017) exceed the \$30,000 threshold that applies to the plan. The plan is within a transition area and the council intends to apply for LIGS funding.

This is the third time IPART has assessed CP15. We concluded assessments of previous versions of CP15 in 2016 and 2014.

Throughout this report we refer to:

- ▼ the current version of CP15 as CP15 (2017), which is the subject of this review
- ▼ the version in force between 28 June 2016 and 23 August 2017 as CP15 (2016), and
- ▼ the version in force between 5 August 2014 and 27 June 2016 as CP15 (2014) .

### 2.1 Our terms of reference are issued by the Premier

IPART's assessment functions for local infrastructure contributions plans are based on terms of reference issued by the Premier under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*. The terms of reference are at Appendix B.

### 2.2 We assessed CP15 (2017) against the Practice Note criteria

We have assessed CP15 (2017) against the criteria in the *Local Infrastructure Contributions Practice Note* published by the Department of Planning and Environment (DPE) in January 2018 (see Box 2.1).<sup>6</sup> In doing so, we have considered our analysis of the previous version of CP15, and conducted additional analysis on aspects of CP15 (2017) where necessary. Where the previous version of CP15 has changed or should have been changed since our last assessment, we have conducted further analysis. Where no change has been made, and no other available information indicates that the plan should change, we consider our previous assessment is still relevant.

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<sup>6</sup> Department of Planning and Environment, *Local Infrastructure Contributions Practice Note*, January 2018.

The 2018 Practice Note replaces the 2014 *Revised Local Development Contributions Practice Note for the assessment of Local Contributions Plans by IPART*. It describes which plans councils should submit to IPART, consistent with the policy changes announced in June 2017 and the Minister's s94E Direction of 28 July 2017.<sup>7</sup> The assessment criteria for our review are unchanged since the 2014 Practice Note.

### **Box 2.1 Contributions plan assessment criteria**

IPART assesses contributions plans in accordance with the criteria set out in DPE's Practice Note. The criteria require us to assess whether:

1. the public amenities and public services in the plan are on the **essential works list**
2. the proposed public amenities and public services are reasonable in terms of **nexus**<sup>a</sup>
3. the proposed development contribution is based on a **reasonable estimate of the cost** of the proposed public amenities and public services
4. the proposed public amenities and public services can be provided within a **reasonable timeframe**
5. the proposed development contribution is based on a **reasonable apportionment** of costs
6. the council has conducted **appropriate community liaison and publicity** in preparing the contributions plan, and
7. the plan complies with **other matters** IPART considers relevant.

<sup>a</sup> Nexus ensures that there is a connection between the land and facilities in a contributions plan and the demand for them arising from the new development.

### **2.2.1 We assessed whether the council addressed the Minister's advice**

On 27 June 2017, the Minister for Planning asked the council to make seven changes to CP15 (2016) before it could access LIGS funding.

In assessing CP15 (2017) against the Practice Note, we have considered whether the council addressed the Minister's requested changes to CP15 (2016).

We have also considered whether there have been changes in circumstances since we assessed draft CP15 (2016) that may warrant further analysis of our 2016 recommendations that the Minister did not require the council to address.

Our analysis of whether the council made the changes requested by the Minister, and our further consideration of past recommendations is presented in Chapter 4 of this report.

### **2.2.2 We assessed additional changes identified by the council**

In addition to the changes requested by the Minister following IPART's assessment of draft CP15 (2016), the council:

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<sup>7</sup> From 1 March 2018, the provisions applying to Ministerial Directions concerning contributions plans are set out in section 7.17 of the *Environmental Planning and Assessment Act 1979*.

- ▼ updated actual income and expenditure (land, capital and debt servicing), model indexes, the indexation start date and the projected timing of income and expenditure to reflect actual rates of development experienced and updates to the council's works program
- ▼ updated the estimated cost of outstanding land acquisition and capital works
- ▼ amended the length, location and cost of Mount Carmel Road and associated intersections to reflect rezoning completed by DPE
- ▼ updated land acquisition costs associated with intersection upgrades along Terry Road to reflect detailed designs not available when preparing the previous plan, and
- ▼ removed the roundabout at Terry Road and Old Pitt Town Road.<sup>8</sup>

We have assessed these amendments against the criteria in the 2018 Practice Note.

### **2.2.3 For most other aspects our analysis of draft CP15 (2016) remains relevant**

In assessing CP15 (2017) against the criteria in the 2018 Practice Note, we have also:

- ▼ Analysed other minor changes made by the council since CP15 (2016).
- ▼ Considered whether the council should have made any other changes since CP15 (2016), but did not. During our assessment, the council itself identified some changes to the amount, location and cost of land in the plan, and provided us with revised information on land acquisitions.

Our assessment findings and recommendations relating to these issues, as well as the issues identified by the council in its application (see 2.2.2 above), are presented in Chapter 5 of this report.

For all other aspects of the plan, we consider our previous analysis of CP15 (2016) against the Practice Note criteria remains relevant, except where discussed in Chapter 4, and we have not presented the analysis in this report.

## **2.3 We consulted with The Hills Shire Council and DPE**

We have based our assessment of CP15 (2017) on information provided by THSC officers in response to several information requests and on information provided by DPE.

Council officers provided comments on a draft of this report, which we considered in finalising our assessment. The draft was also provided to DPE.

## **2.4 The Minister will consider our recommendations**

We have provided a copy of this report to the Minister for Planning, DPE and THSC. The report is also available on IPART's website.

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<sup>8</sup> Letter from THSC, *Application for assessment of Contributions Plan no. 15 – Box Hill Precinct*, 28 February 2018. Note: The changes identified in the Minister for Planning's letter to IPART are increased land values throughout the precinct, the realignment of Mount Carmel Road, and more detailed design for intersections along Terry Road: see Appendix C.

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The Minister will consider our report and the Minister (or Minister's nominee) will advise the council of any required amendments to the contributions plan. This advice will be published on DPE's website.



## 3 Overview of CP15 (2017)

THSC's *Contributions Plan No 15 Box Hill Precinct* (CP15) applies to development in the Box Hill and Box Hill Industrial precincts. Both precincts are within the North West Growth Area (NWGA) and were zoned for urban development in 2013.

### 3.1 Status of CP15 (2017)

CP15 (2017) was placed on public exhibition by THSC between 6 July 2017 and 4 August 2017. THSC received no public submissions and CP15 (2017) was adopted on 8 August 2017, coming into force on 24 August 2017.<sup>9</sup>

The Ministerial Direction applying to the area currently applies a maximum developer contribution amount of \$40,000 per lot or dwelling.<sup>10</sup>

### 3.2 Expected development in Box Hill

Table 3.1 shows the mix of land uses in the Box Hill and Box Hill Industrial precincts.

Figure 3.1 is the Indicative Layout Plan (ILP) for the area. It incorporates changes relating to the realignment of Mount Carmel Road, which were finalised in 2016.

When initially rezoned in 2013, Box Hill was expected to accommodate at least 9,600 new dwellings, and a net additional population of 30,687 persons when fully developed. The official population forecast, which THSC uses for apportionment of costs in CP15 (2017), has not changed. However, development yields across the NWGA have so far exceeded expectations, and DPE is considering changes to planning controls which would permit significant increases to the projected population of most precincts, including Box Hill (see section 3.2.2).

Employment land of 115.4 hectares is expected to support approximately 17,789 jobs.<sup>11</sup>

THSC anticipates a 25-year development path, for both residential and non-residential development.<sup>12</sup> Since 2013, approximately 25% of the anticipated development has been approved.<sup>13</sup>

<sup>9</sup> THSC Application for assessment of CP15 (2017), January 2018, p 14.

<sup>10</sup> This is the maximum amount as of 1 July 2018. *Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012*.

<sup>11</sup> CP15 (2017), p 25. Employment land refers to land within an 'IN' or 'B' zoning.

<sup>12</sup> CP15 (2017), pp 5 and 25.

<sup>13</sup> THSC Application for assessment of CP15 (2017), January 2018, p 3.

**Table 3.1 Net developable area in Box Hill (ha)**

Land use zone	Description	Area
R1	General residential	2.81
R2	Low density residential	457.41
R3	Medium density residential	124.67
R4	High density residential	28.72
IN2	Light industrial	6.05
B2	Local centre	13.00
B6	Enterprise corridor	26.93
B7	Business park	69.40
<b>Total</b>		<b>728.99</b>

**Note:** There are minor inconsistencies between the areas in the adopted plan and the areas used in the council's current model for determining contribution rates.

**Source:** CP15 (2017), p 25 and THSC Work Schedule, Tab Population.

**Figure 3.1 Box Hill and Box Hill Industrial Indicative Layout Plan (2016)**



Source: THSC, submitted with Application, January 2018.

### 3.2.1 Changes to land use zonings in Box Hill

Since Box Hill was rezoned for urban development in 2013, there has been one change to the ILP and maps in the *State Environmental Planning Policy (Sydney Region Growth Centres) 2006* (Growth Centres SEPP). Another proposal to amend the ILP has been submitted to DPE and was placed on exhibition on 7 September 2018.

#### Relocation of Mount Carmel Road

As a result of a planning proposal from a major landholder, in 2017 the Growth Centres SEPP was amended to facilitate the relocation of Mount Carmel Road and make various



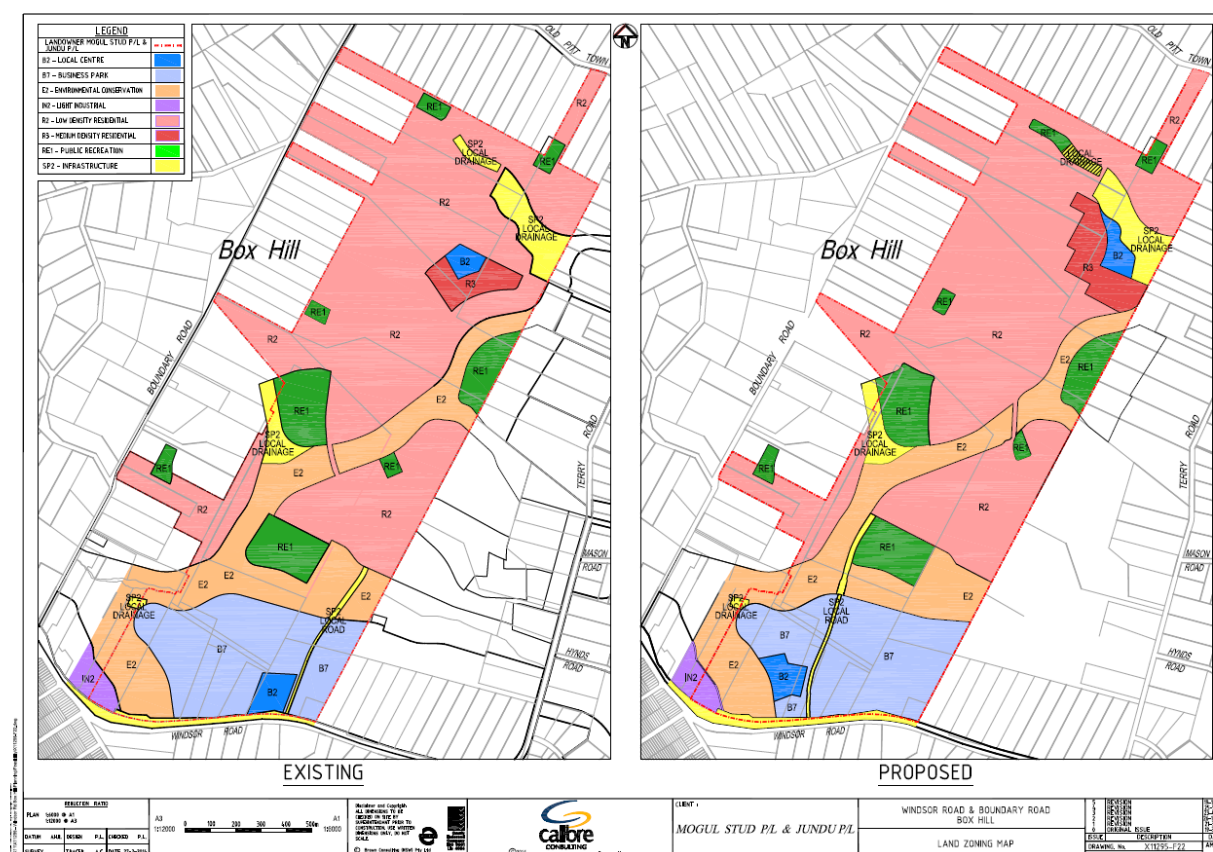
other consequential adjustments to land uses in the western half of the Box Hill Precinct including:

- ▼ relocation of two village centres (zoned B2 Local Centre)
- ▼ adjustments to the land zoned B7 Business Park, E2 Environmental Conservation, R2 and R3 Residential Development as a result of moving the village centres
- ▼ realignment or relocation of four RE1 Public Recreation areas, and moving a sports field east, resulting in an increase of 0.19 ha zoned for public recreation
- ▼ moving the primary school site (zoned R2) and expanding it by 0.5 ha, and
- ▼ removing provision of a site for a substation as it was no longer necessary.<sup>14</sup>

The zonings revisions are shown in Figure 3.2.

The *Box Hill and Box Hill Industrial Development Control Plan* (Box Hill DCP) was updated to reflect the changes, coming into effect on 25 May 2017.<sup>15</sup>

**Figure 3.2 Land Zoning Map, amendment to relocate Mt Carmel Rd**



**Source:** DPE, Explanation of Intended Effect, State Environmental Planning Policy to amend the Growth Centres SEPP – The Hills Growth Centre Precincts Plan, p 5.

<sup>14</sup> Department of Planning and Environment, *Amendment to the Box Hill Precinct Plan (Mount Carmel Road) State Environmental Planning Policy (Sydney Region Growth Centres) 2006 Finalisation Report*, August 2016.

<sup>15</sup> *Box Hill Growth Centre Precincts Development Control Plan* (DCP), March 2018, pp 44-45. Note: the March 2018 version of the DCP includes the ILP as revised in 2017.

## Terry Road rezoning for road widening

THSC submitted a proposal to DPE for minor rezoning to accommodate the necessary widening of Terry and Mason Roads, as the original rezoning did not identify sufficient land for construction. This will require a further 'housekeeping' amendment to the Growth Centres SEPP. DPE placed the necessary draft changes to the Growth Centres SEPP and consequential changes to the *Box Hill Growth Centres Precincts Development Control Plan* on exhibition on 7 September 2018.<sup>16</sup>

### 3.2.2 Possible changes to population projections

In May 2017 DPE released the *North West Growth Priority Area Land Use and Infrastructure Implementation Plan* and planned amendments to the Growth Centres SEPP. The package updated the planning framework and proposed changes to the SEPP in light of the extent of urban development and demand for housing that has occurred in the NWGA since 2006. The principal change proposed was to introduce simplified, more consistent residential density controls, which would permit increased dwelling yields and provide for more housing-type choice. To balance the higher permissible residential growth with the provision of infrastructure to support it, the SEPP specified permissible minimum and maximum dwellings per hectare and minimum lot sizes for different land use zonings.<sup>17</sup>

Under the revised Implementation Plan, the North West Growth Area could ultimately provide up to more than 20,000 dwellings than originally anticipated. A housing market needs analysis, released with the package, calculated that land zoned for residential development in Box Hill and Box Hill Industrial precincts has the latent potential to accommodate 13,276 dwellings (an additional 3,624 dwellings) if increased densities could be achieved. An open space audit also released in the package reported that the anticipated population for Box Hill and Box Hill Industrial precincts would be 42,483 residents (an additional 12,783 residents compared to the original estimates).<sup>18</sup>

DPE recently advised IPART that these Growth Centres SEPP amendments are still under consideration.<sup>19</sup>

## 3.3 Cost of land and works

The cost of land, works and administration in CP15 (2017) are \$532.34 million, an increase of \$121.11 million over the costs in CP15 (2016), the version we previously assessed. The total increase in cost is made up of an increase of \$149.69 million in the cost of land, a decrease of

<sup>16</sup> See DPE, *North West Housekeeping Amendments Discussion Paper*, August 2018, and Box Hill Precinct exhibition maps at [http://planspolicies.planning.nsw.gov.au/index.pl?action=view\\_job&job\\_id=9609](http://planspolicies.planning.nsw.gov.au/index.pl?action=view_job&job_id=9609), accessed 17 September 2018.

<sup>17</sup> See DPE, *North West Growth Priority Area Land Use and Infrastructure Implementation Plan* and DPE Explanation of Intended Effect: Amendments to State Environmental Planning Policy (Sydney Region Growth Centres) 2006 – For North West Priority Growth Area. The NWPGA is now known as the North West Growth Area (NWGA).

<sup>18</sup> *Land Use and Infrastructure Implementation Plan* p 3 and AEC group (AEC), *Priority Growth Areas Housing Market Needs Analysis (NWGC) Final Draft*, July 2015, p 41; GHD, *Priority Growth Areas open space audit – North West Area*, April 2016, p 34; and IPART calculations.

<sup>19</sup> See <https://www.planning.nsw.gov.au/Plans-for-your-area/Priority-Growth-Areas-and-Precincts/North-West-Growth-Area/Community-feedback>

\$28.16 million in the cost of works and a corresponding decrease in administration costs of \$0.42 million.

A breakdown of the costs in CP15 (2017) for land, works and administration is in Table 3.2.

**Table 3.2 CP15 (2017) – Total cost of land and works (\$June2016)**

Infrastructure	Land	Works	Administration	Total
Transport	20,641,553	91,601,388		<b>112,242,941</b>
Stormwater (KCP)	77,108,850	77,929,227		<b>155,038,077</b>
Stormwater (SPC)	566,577	963,665		<b>1,530,242</b>
Open space	166,122,435	93,448,522		<b>259,570,957</b>
Plan administration			3,959,142	<b>3,959,142</b>
<b>Total cost</b>	<b>264,439,415</b>	<b>263,942,802</b>	<b>3,959,142</b>	<b>532,341,359</b>

Source: CP15 (2017), Works Schedule, p 43.

### 3.4 Contribution rates in CP15

For the purposes of determining contributions under CP15 (2017), THSC has specified two catchment areas, Killarney Chain of Ponds (KCP) and Second Ponds Creek (SPC) (see Figure 3.3). Contribution rates are uniform across the two catchments for the infrastructure categories of transport and open space, but different rates apply for stormwater management infrastructure.

The plan levies contributions for:

- ▼ Transport and plan administration costs on a per person basis for residential developments, and on a per square metre of gross floor area (GFA) basis for non-residential development.
- ▼ Stormwater infrastructure costs on a per person basis for residential developments, and on a per square metre of GFA for non-residential development and schools.
- ▼ Open space land and embellishment costs on a per person basis for residential developments only.<sup>20</sup>

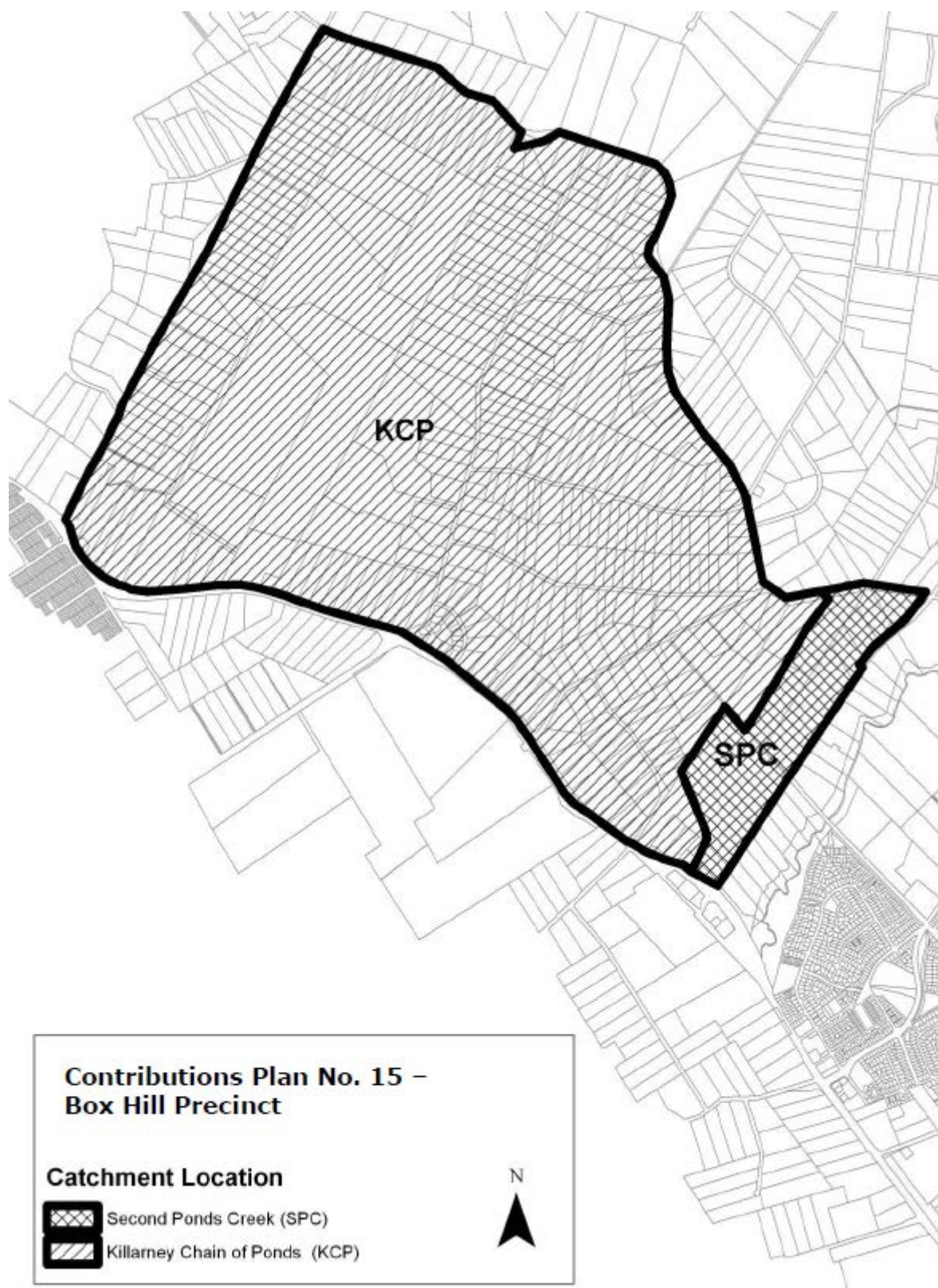
THSC used a net present value (NPV) approach to calculate the contribution rates in CP15 (2017). The NPV model accounts for the time difference between the costs the council incurs in constructing infrastructure and the receipt of development contributions. THSC selected this approach to ensure that the value of contributions is not eroded over time. The NPV model covers a period of 25 years (the expected life of the plan).

The contribution rates for each infrastructure type in CP15 (2017) are set out in Table 3.3.

<sup>20</sup> CP15 (2017), pp 5 and 6.



**Figure 3.3** Catchments for stormwater management in CP15



Source: CP15 (2017), p 52.

**Table 3.3 Contribution rates in CP15 (2017) by infrastructure category (\$Jun2016)**

Infrastructure	Residential per person	Non-residential per m <sup>2</sup> GFA	Schools per m <sup>2</sup> GFA
Transport	2,664	62.17	
Stormwater (KCP)	6,190	30.94	30.94
Stormwater (SPC)	946	4.81	4.81
Open space	11,318		
Plan administration	111	0.78	

**Source:** CP15 (2017), pp 48 and 50 and IPART calculations.

### 3.4.1 Indicative residential contributions

The contribution for any residential lot or dwelling in CP15 will depend on the contributions rate for the catchment in which it is located (Table 3.3), as well as the council's assumed occupancy rates for different dwelling types. Table 3.4 sets out indicative contribution amounts for various residential development types.

**Table 3.4 Contribution amounts by residential dwelling type (\$Jun2016)**

	Average occupancy rates	KCP	SPC
Per person		20,282	15,039
Dwelling House	3.4	68,960	51,133
Integrated Housing	2.7	54,762	40,606
Senior Housing	1.5	30,424	22,559
<b>Multi residential</b>			
1 Bedroom	1.7	34,480	25,567
2 Bedroom	1.8	36,508	27,071
3 Bedroom	2.5	50,706	37,598
4 Bedroom	3.1	62,875	46,622

**Source:** CP15 (2017), pp 6, 19 and 48.

### 3.4.2 Credits and exemptions

CP15 (2017) provides for credits in two circumstances:

- ▼ Where a developer carries out works in kind that are consistent with those in the contributions plan, and the cost exceeds the contribution due from that developer for that infrastructure category.
- ▼ For development which does not increase the residential population or GFA above that which existed on 5 August 2014. CP15 (2017) assumes an existing population of 934.<sup>21</sup>

<sup>21</sup> CP15 (2017), pp 4 and 13.



The only exemptions specified in the plan are those that are the subject of a direction of the Minister under section 94E (now 7.17) of the *Environmental Planning and Assessment Act 1979* (EP&A Act).<sup>22</sup>

### 3.4.3 Voluntary planning agreement

THSC agreed on 12 June 2018 to enter into a voluntary planning agreement (VPA) with a major developer with respect to development on 223 hectares of land in the Box Hill Precinct.<sup>23</sup>

The VPA requires the developer to provide specific items of local infrastructure works and transfer specified parcels of land in association with residential subdivision for approximately 1,900 dwellings. The developer will either be credited against its contributions for transport and water management infrastructure determined in accordance with CP15, or reimbursed by the council in relation to the agreed cost of each of the items.

The total value of the developer's potential offset and/or reimbursement claim under the VPA is \$43.93 million, consisting of:

- ▼ stormwater management works: basin, raingardens and drainage structures, and culvert crossings (\$9.88 million).
- ▼ transport land and works: construction of three sections of Mount Carmel Road, a bridge and four roundabouts (\$31.11 million), and dedication of land (\$2.94 million).

The land and infrastructure that is the subject of the VPA is shown in Figure 3.4. We discuss the cost of the transport land works in section 5.3.2 because it is part of the three additional amendments made by the council, which the Minister has explicitly asked us to assess.

Since the VPA was exhibited in late 2017, the value of the developer's potential offset and/or reimbursement claim has been reduced by \$4.3 million from \$48.2 million, without any change to the scope of land and works to be provided under the VPA. The lower value agreed between the council and developer is based on matching the values of:

- ▼ stormwater management works in CP15 (2016),
- ▼ Mount Carmel Road (road) land and works, bridge works in CP15 (2016), and
- ▼ Mount Carmel Road (roundabouts) works in CP15 (2017).<sup>24</sup>

The exhibited values of the offset and/or reimbursement claim matched the values in CP15 (2017).

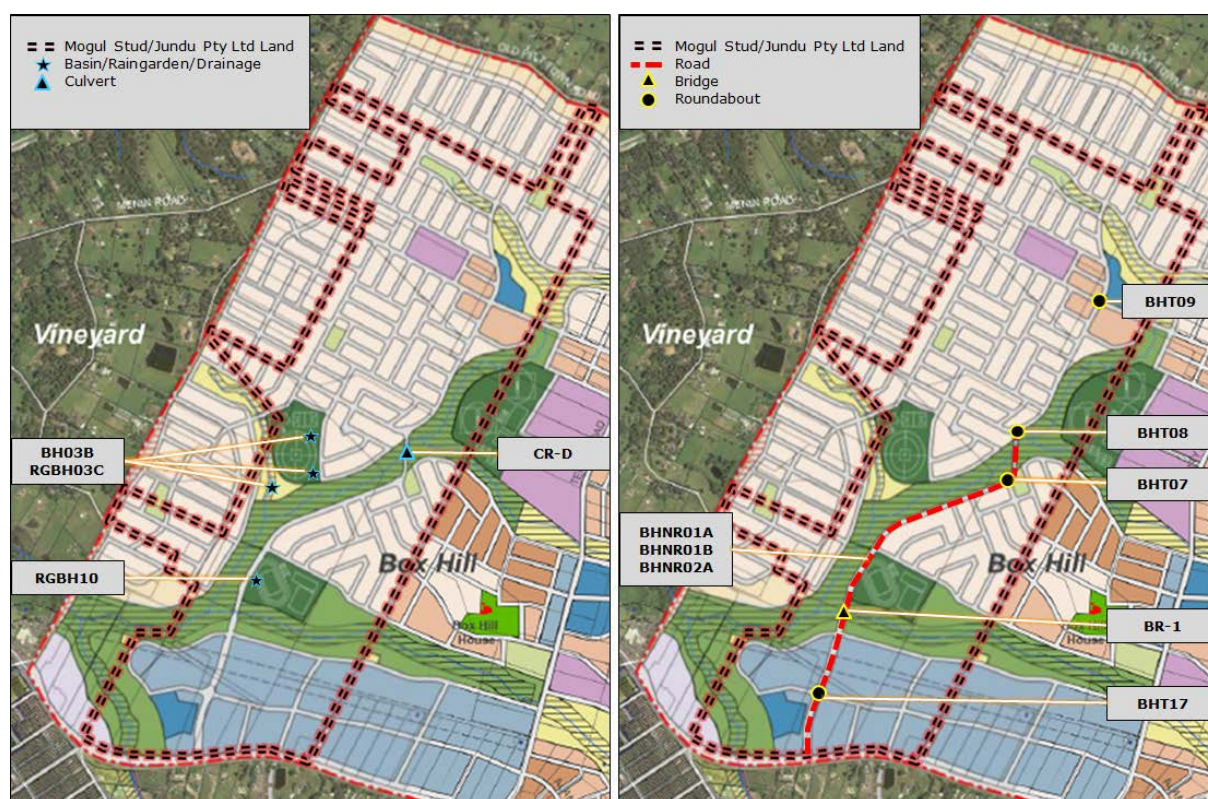
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<sup>22</sup> CP15 (2017), p 13.

<sup>23</sup> See THSC, *Council Business Paper, Agenda and Minutes, Meeting of 12 June 2018*, Item-2.

<sup>24</sup> See Planning Agreement between The Hills Shire Council and Jundu Pty Ltd as trustee for Hills of Carmel Estate Partnership and Mogul Stud Pty Ltd, 19 June 2018.

**Figure 3.4 Location of infrastructure in the VPA**



**Source:** THSC, Business paper, Ordinary Meeting of Council 12 June 2018, p 25.

## 4 Implementation of past recommendations

Our assessment of CP15 (2016) included 10 recommendations to the Minister for Planning for THSC to address. The Minister for Planning considered IPART's assessment and asked the council to address seven of the recommendations before it applied for LIGS funding.

As part of this assessment we have examined whether the council adequately addressed the seven recommendations as requested by the Minister. We found the council fully addressed three of the recommendations, and only partially addressed the other four. The council's changes and our assessment are explained in detail in section 4.1 and a summary is provided in Appendix C.

In section 4.2 we consider whether there have been changes in circumstances since we assessed CP15 (2016) that may warrant further analysis of the recommendations the Minister did not require the council to address.

We recommend THSC make adjustments to the plan to ensure that all changes required by the Minister are fully addressed. We estimate this would reduce the costs in CP15 (2017) by around \$0.35 million. Our findings and recommendations are summarised in Table 4.1.

**Table 4.1 Assessment of CP15 (2017) against the Minister's requests**

Minister's requested amendment	IPART 2018 finding	IPART 2018 recommendation	Cost adjustment to CP15 (2017) (\$ June 2016)
1. Remove the cost of indoor recreation facility	Addressed	n/a	n/a
2. Use site-specific cost estimates for road and roundabouts	Addressed in part	Update roundabout costs with site-specific AECOM costs, where available, and median AECOM costs where site-specific costs are not available	-159,566
3. Reduce cost contingency from 30% to 20% of base cost of transport infrastructure	Addressed in part	Reduce cost contingency allowance for roundabouts	-188,543
4. Recalculate administration costs to adjust for any changes to capital works of CP15	Addressed, further changes will be required	Reduce administration costs to be 1.5% of the revised cost of works	-5,222
5. Consider escalating the contribution rate in NPV model at the council's assumed cost of capital	Addressed but no change made	n/a	n/a
6. Include 33.64 ha of land for three schools and disabled housing in total NDA. <sup>a</sup> Amend the contributions formula for non-residential development to include school land and apportion cost for stormwater	Addressed in part	Adjust apportionment of costs between residential and non-residential development for stormwater	No impact on total cost <sup>b</sup>
7. Include 8.13 ha of land for catholic school in total NDA	Addressed in part	Adjust apportionment of costs for stormwater	No impact on total cost <sup>b</sup>
<b>Total cost adjustment</b>			<b>-353,330</b>

<sup>a</sup> The Minister's advice erroneously referred to disabled schools.

<sup>b</sup> The recommendation does not impact the *total cost* of land or works in the plan, however the recommendation affects the present value of costs and therefore the *contribution rates* in the plan.

## 4.1 Changes requested by the Minister

In response to the Minister's request, THSC reduced the total cost of the plan by \$33.67 million, comprising \$33.18 million for works and \$0.49 million for administration. Of the seven recommendations the Minister asked the council to address, we found it has:

- ▼ fully addressed three recommendations, and
- ▼ partially addressed four recommendations.

The recommendations only partly addressed relate to the use of site-specific cost estimates for transport works, cost contingency allowances for transport works and apportionment of costs to schools.

#### 4.1.1 The council removed the cost of the indoor recreation facility

The Minister asked the council to remove the cost of works for the indoor recreation facility. The council has done this, resulting in an overall reduction in open space costs of \$19,154,519 between CP15 (2016) and CP15 (2017). This is the recommended \$18,176,340 reduction, indexed to the base year of the plan.

#### 4.1.2 The council adopted some site-specific cost estimates for transport works

The Minister asked the council to use site-specific cost estimates for roads and roundabouts. Site-specific costs were prepared for CP15 in 2014 by consulting firm AECOM.<sup>25</sup>

Table 4.2 shows the costing sources THSC used in CP15 (2017). We found that:

- ▼ the council did not use the available AECOM costs for roundabouts, and
- ▼ there are no AECOM costs for some transport items.

**Table 4.2 Costing sources for transport works**

Infrastructure	CP15 (2016)	CP15 (2017)	2018 IPART recommendations
Roads	Benchmark	Benchmark <sup>a</sup> and AECOM	See chapter 5 for Mt Carmel Rd (road) items
Road upgrades	Benchmark	AECOM	None
Roundabouts	Benchmark	Benchmark	Use site-specific AECOM costs for 6 roundabouts: see chapter 5 for Mt Carmel Rd roundabouts
Signalised intersections	AECOM	AECOM	None
Bridges	AECOM	AECOM	None
Bus stops	Benchmark	Benchmark	None
Cycle ways	Council Estimate	Council Estimate	None

<sup>a</sup> THSC used benchmark costs for three road items (BHR01A, BHR01B and BHR02A) because AECOM costs were not available.

**Note:** AECOM prepared an addendum report which revised the cost estimates for transport works in March 2014. The benchmark costs are sourced from an IPART report (IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014).

#### Recommendation

- 1 THSC reduce the cost of transport works in CP15 (2017) by \$159,566 to reflect:
  - Site-specific cost estimates provided by AECOM, indexed to the base year of the plan, for six roundabouts (BHR01, BHR02, BHR03, BHR05, BHR06 and BHR07)

#### The council did not use the available AECOM costs for roundabouts

THSC did not apply the AECOM cost estimates for roundabouts in CP15 (2017). We have identified six roundabouts (BHR01, BHR02, BHR03, BHR05, BHR06 and BHR07) for which AECOM cost estimates are available. THSC indicated that the changes to the cost estimates of roundabouts were unintentionally not made.

<sup>25</sup> AECOM Report, *Traffic Management and Open Space Strategic Design*, January 2014.



We recommend that THSC update the cost of roundabouts using AECOM's cost estimates. This would reduce the cost of roundabouts by \$159,566.

### **There are no AECOM costs for some transport items**

The council used the IPART benchmark rate or council estimates for the following transport works, where no site-specific cost estimates are available:

- ▼ three main roads (BHNR01A, BHNR01B and BHNR02A)
- ▼ five roundabouts (BHT07, BHT08, BHT09, BHT17 and BHR08)
- ▼ cycle ways, and
- ▼ bus stops.

Of the 10 items, three main roads and four roundabouts (BHT07, BHT08, BHT09 and BHT17) relate to the relocation of Mount Carmel Road. Our assessment of these costs is in Chapter 5.

The council estimated the cost of the remaining roundabout on the Water Lane (BHR08) using IPART's benchmark rate for roundabouts. This is because the council added the item to the plan after AECOM had completed its cost estimates for the other transport infrastructure items in the plan. The value of the roundabout is insignificant compared with the total cost of transport infrastructure in the plan. Given this, and the lack of an available site-specific cost estimate, we consider the use of the IPART benchmark rate is reasonable in this context.

THSC has applied its own cost estimate for the base rate of the cycleways. The rate applied is based on the council's experience. We consider the use of council estimates in this situation to be reasonable.

The council estimated the cost of bus stops using IPART's benchmark rate for bus stops. The cost of bus stops is not significant relative to other costs in the plan, and there is no better information in the technical studies. Therefore, we consider the use of the IPART benchmark rate is reasonable in this context.

Our 2016 assessment did not raise any concerns about the roundabout BHR08, cycleways and bus stops and we have not identified any circumstance or triggers that indicates the council should have revised its estimates of the costs of these items since that time.

### **4.1.3 The council reduced cost contingencies for some transport works**

The Minister asked the council to reduce the cost contingency from 30% to 20% of the base cost of transport infrastructure works.

In CP15 (2017), the council only updated the contingency allowances for transport works where it applied AECOM costs. However, because it did not use AECOM costs for all roundabouts in CP15 (2017), the contingency allowances are still 30% of the base cost of the roundabouts.

We recommend that THSC reduce the cost contingency allowance from 30% to 20% in conjunction with the update of the AECOM costs for roundabouts. This would reduce the contingency cost of the six roundabouts by \$188,543.

#### Recommendation

- 2 THSC reduce the contingency allowance for roundabouts from 30% to 20% to reflect the reduced risk associated with applying AECOM cost estimates. This would reduce the cost of transport works in CP15 (2017) by \$188,543.

#### 4.1.4 The council recalculated administration costs

The Minister asked the council to reduce the cost of administering the plan to maintain an allowance equivalent to 1.5% of the cost of works in the plan.<sup>26</sup>

The council addressed this request. However, it will need to recalculate plan preparation and administration costs again in line with our recommendations in this current assessment. We estimate that if THSC applies the reductions in works to satisfy all the requested changes from the Minister, administration costs would decrease by \$5,222.

#### Recommendation

- 3 THSC adjust plan administration costs so that the amount remains 1.5% of the total cost of works adjusted for all of the Minister's requested changes. This would reduce the cost of administration in CP15 (2017) by \$5,222.

#### 4.1.5 The council did not change the escalation factor applied to contribution rates

The Minister asked the council to consider escalating contribution rates at the council's assumed cost of capital, which is the same as the discount rate we recommended councils apply when using an NPV approach to calculate contributions in our 2016 Technical Paper.

THSC considered the approach proposed by IPART and agrees that escalation of contributions rates by the discount rate will neutralise any financial risk for the council resulting from development delay. However, the council wishes to pay down borrowings as soon as possible. Setting the escalation factor lower than the discount rate will mean the initial contribution rate will be higher, allowing the council to obtain more revenue earlier to repay its debts. THSC also commented that:

This approach (escalating contribution rates at the discount rate) has the impact of incentivising development early in the life of the Precinct and dis-incentivising development later in the life of the precinct as contribution rates escalate annually at a rate greater than CPI. This approach has been considered however it is deemed to be unreasonable and unequitable within a Precinct where development is expected to roll out over an extended period of time and where there are constraints to the timing of development (such as the availability of servicing) which are beyond a developer's control.<sup>27</sup>

<sup>26</sup> The 1.5% allowance is based on guidance in IPART's Benchmark Report, IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014.

<sup>27</sup> THSC, Ordinary meeting of council 8 August 2017, Minutes.

We acknowledge these concerns and agree that contribution rates could escalate to a point in the later years of a plan where development becomes unviable.

If the escalation factor is equal to the discount rate, the council would be able to fully recover the costs it incurs in providing infrastructure for the development, regardless of the timing of development. However, this means the council would be financially indifferent to the pace of development and have no financial incentive to facilitate timely development.

Effective development requires coordinated action by developers and the council and each party must have incentives to undertake expenditure in a timely manner. If one party is incentivised to accelerate the pace of development while others were either incentivised to delay or be indifferent to timing, there is a mismatch of incentives which could lead to a coordination problem.

We have updated our position on the escalation of contribution rates within an NPV approach to modelling local infrastructure contributions.<sup>28</sup> Our updated August 2018 Technical Paper recommends an escalation factor of 2.5%, which is the midpoint of the Reserve Bank of Australia's (RBA) target range for inflation. Using this escalation rate, the contribution rates would remain close to constant in real terms. This is consistent with the council's current practice. By setting the escalation factor lower than the discount rate, councils have an incentive to facilitate timely development and use the higher contribution rates recovered initially to pay off their debts earlier.

#### **4.1.6 The council included a schools contribution rate**

The Minister asked the council to:

- ▼ Include 33.64 hectares of land for three schools and a disabled school<sup>29</sup> in the total net developable area of CP15, for cost allocation purposes.
- ▼ Amend the contributions formula for non-residential development to include school land and apportion infrastructure costs for stormwater management only.
- ▼ Include 8.13 hectares of land for a proposed Catholic school in the total net developable area of CP15 for cost allocation purposes.

In response, the council included a 'schools contribution rate' in CP15 (2017) in addition to the existing non-residential contribution rate, although it did not adjust the total catchment area for non-residential development.

It also added land for disabled housing to the catchment area for residential contributions and the contribution rates for this type of development are the same as for all residential development.

We based our 2016 recommendation on the understanding that the exemptions for public schools were at the discretion of the council. In a more recent assessment we have ascertained that it is typically not possible for councils to secure contributions from the Department of Education. As a result, we looked at the principles for allocating costs

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<sup>28</sup> IPART, *Modelling local infrastructure contributions in a present value framework, Final Technical Paper*, August 2018, pp11-12.

<sup>29</sup> The Minister's advice should have referred to disabled housing.



councils incur in providing local infrastructure for public schools (and other Crown Development).<sup>30</sup>

Application of these principles suggests that if the council cannot collect contributions from the Department of Education, it is reasonable for it to apportion any cost for servicing public schools to residential development as a proxy for the party that created the need for the council to incur the cost. However, if the council does expect to be able to collect contributions from the Department of Education then it should amend the apportionment of costs in CP15 (2017) to address some errors in its apportionment calculations.

We consider the council's apportionment of costs to disabled housing development in CP15 (2017) is reasonable.

## Recommendation

### 4 THSC:

- include the area for schools as 'residential land' in its initial apportionment of costs between residential and non-residential development, and
- apportion the costs allocated to residential development across the expected increase in residential population to calculate per person contribution rates.

### Local residents are a proxy for the Department of Education in this instance

IPART has generally adopted or promoted a funding hierarchy, which we have used to guide our cost allocation and pricing decisions in a range of sectors.<sup>31</sup> According to the hierarchy:

1. Preferably, the party that created the need to incur the cost (the impactor) should pay in the first instance.
2. If that is not possible, the party that benefits (the beneficiary) should pay. Further, it is preferable for direct beneficiaries to pay, but if that is not possible then indirect beneficiaries should pay.
3. In cases where it is not feasible to charge either impactors or beneficiaries (for example, because of social welfare policy, public goods, externalities, or an administrative or legislative impracticality of charging), the government (taxpayers) should pay.

In the context of local infrastructure for Crown development, it may not be practical or possible for the council to levy a charge and recover funds from the impactor (ie, the relevant State agency).<sup>32</sup> If this is the case, we consider it reasonable that the council consider the beneficiaries of Crown development as a proxy for the impactor.

<sup>30</sup> IPART, *Assessment of Camden Growth Areas Contributions Plan*, May 2018.

<sup>31</sup> See for example: IPART, *Review of funding framework for Local Land Services NSW – Final Report*, March 2014; and IPART, *Review of Rural Water Cost Shares – Issues Paper*, April 2018.

<sup>32</sup> Section 4.33(1)(b) of the EP&A Act prohibits a consent authority imposing a condition of consent (including for on-site mitigation or payment of contributions) on Crown development, except with the approval of the applicant or the Minister for Planning. Camden Council officers told us that the approval of the applicant or Minister to the imposition of development contributions conditions on Crown applications is, in their experience, never granted.

Given this, in terms of apportioning the costs of local infrastructure required as a result of the Crown development:

- ▼ If all beneficiaries of the Crown development are inside the plan's catchment area, there is a case to spread the costs of local infrastructure required as a result of the Crown development across other development within the plan's catchment area (via local infrastructure contributions).
- ▼ On the other hand, if some of the beneficiaries are outside the plan's catchment area, then the council should look at whether it is practical, given the size and spread of the beneficiaries, to use alternative means, such as general rates, to cover the portion of the costs that are attributable to beneficiaries external to the plan's catchment area.

We expect that the beneficiaries of public primary schools in Box Hill are likely to be limited to Box Hill residents and so it is reasonable to apportion any cost of servicing the school to the residential development in the precincts.

### **The apportionment of costs requires consideration of NDA for some infrastructure types**

THSC first apportions the costs of land and works for each infrastructure category between residential and non-residential development. This occurs on an NDA basis for stormwater management, and based on the traffic management study for transport. After this initial split, costs are then apportioned amongst:

- ▼ residential development on a per person basis, and
- ▼ non-residential development on a per m<sup>2</sup> of gross floor area basis.

The means that to apportion the cost of stormwater management land and works to residents of Box Hill, the council needs to:

1. Include the area for schools **as residential land** in the initial split of costs between residential and non-residential development, and
2. Apportion the costs allocated to residential development across the expected increase in the residential population to calculate the per person contribution rates for each stormwater catchment.

## **4.2 Past recommendations the council was not required to address**

Our assessment of CP15 (2016) recommended that THSC remove the cost of raingardens, excess open space land and excess open space embellishment. The Minister did not ask the council to make these changes. The Minister's decision was informed by a consultant report by GLN Planning, commissioned by DPE, which reviewed the recommendations made by IPART.

In this assessment we have considered whether there have been changes to circumstances since our previous assessment of CP15 that may warrant further analysis of the recommendations the Minister did not require the council to address.

#### 4.2.1 THSC was not required to remove the cost of raingardens

Our assessment of draft CP15 (2016) recommended that the council remove the cost of raingardens from the plan because they are tertiary, not primary, stormwater water treatment measures.<sup>33</sup> The Minister did not ask the council to remove these items. The Minister's advice is consistent with our conclusions in subsequent assessments in which we have recognised that raingardens can be essential for compliance with state government stormwater quality targets and objectives.<sup>34</sup>

#### 4.2.2 THSC was not required to remove excess open space land and embellishment

Our assessment of CP15 (2016) recommended THSC remove:

- ▼ \$26.07 million for the cost for 22.28 hectares of excess open space land (\$14.42 million for active open space and \$11.65 million for passive open space), and
- ▼ \$30.39 million for the cost of excess open space embellishment (\$24.41 million for active open space and \$5.98 million for passive open space).

The Minister did not accept the above two recommendations and there is no change in the quantity of open space land or embellishment between CP15 (2016) and CP15 (2017) relating to these two recommendations.

We made our past recommendation on the grounds that the amount of active open space exceeded that recommended by the Urbis technical study by 12.32 hectares. We also found that the council did not take into account the dual use capacity of stormwater land and so 9.96 hectares of planned 'passive' open space was unnecessary.<sup>35</sup>

Since our assessment we have received further information about constraints on the use of land designated for open space and the expected population of the precincts.

Following our 2016 assessment, the council advised DPE that around 21% of the zoned RE1 areas contain riparian vegetation, watercourses, environmental protection and or co-located drainage facilities, which limit the capacity of the land for alternative uses.<sup>36</sup> GLN Planning agreed with the council's claim that the apparent excess of 12.32 hectares of active open space is due to legitimate constraints on the RE1 zoned areas notionally designated as active open space.

GLN Planning also considered that the population estimates for Box Hill are likely to be significantly underestimated. As noted in section 3.2.2, DPE has released a revised Land Use Implementation Plan, accompanied by draft amendments to the Growth Centres SEPP, which indicate that population projections for residential development in all precincts in the NWGA, including Box Hill and Box Hill Industrial precincts, are likely to be higher than initially anticipated.<sup>37</sup> GLN concluded that all existing open space, and possibly some

<sup>33</sup> IPART, *Assessment of The Hills Shire Council's Section 94 Contributions Plan No 15*, March 2016, p 7.

<sup>34</sup> IPART, *Assessment of Blacktown City Council's Section 94 Contributions Plan No 20*, July 2016, p 25 and IPART, *Assessment of revised Section 94 Contributions Plan No 21 Marsden Park*, August 2017, p 60.

<sup>35</sup> CP15 (2016), p 33.

<sup>36</sup> GLN Planning, *Draft Review of IPART's Assessment of Contributions Plan No. 15 – Box Hill Precinct*, May 2016, p 8.

<sup>37</sup> To date these SEPP amendments have not been progressed.

additional land, will be required to meet the baseline open space needs of the precincts.<sup>38</sup>

We agree that the increase in expected population is likely to justify the inclusion in the plan of all of the land zoned for open space. However, the council has not revised the population estimate in its apportionment of open space costs. This means the per person contribution rate is still likely to be too high, if the revised population estimates are accepted (see Box 4.1).

#### **Box 4.1 Impact of a higher expected population on contribution rates**

The impact of a higher expected population, for a given cost of facilities, on contribution rates is demonstrated by examining two hypothetical scenarios.

In both scenarios, the cost of land and embellishment for open space is \$250 million. In scenario 1, the expected population of the precinct is 30,000 people. In scenario 2, the expected population of the precinct is 40,000 people. The contribution rate in scenario 1 is greater than the contribution rate in scenario 2.

	<b>Scenario 1</b>	<b>Scenario 2</b>
Cost of facilities	\$250,000,000	\$ 250,000,000
Population	30,000	40,000
Contribution rate (ie, cost / population)	\$8,333 per person	\$6,250 per person

We also note that, beyond a point, a higher population will drive the need for more infrastructure and hence increased costs, so the \$250,000,000 cost of facilities in the example above could increase with a sufficiently large increase to the population.

To resolve this issue, we recommend the council:

- ▼ in consultation with DPE, review and, if necessary, revise the anticipated population in the Box Hill precincts
- ▼ confirm whether the quantity of open space land and associated embellishment in the plan meets the needs of the anticipated population, and
- ▼ ensure the apportionment of open space costs and calculation of contribution rates is based on the anticipated population.

We recommend this review is completed by January 2020 so that any changes can be made in an amended plan prior to July 2020 when all caps on contributions will be removed.

In section 5.7 we also make a similar recommendation in relation to stormwater and transport infrastructure.

#### **Recommendation**

5 Before January 2020, THSC,

<sup>38</sup> This conclusion is supported by an Open Space Audit commissioned by DPE for the *Land Use and Infrastructure Implementation Plan* (see GHD, *Department of Planning and Environment – Priority Growth Areas – Open Space Audit – North West Area*, April 2016).

- 
- in consultation with DPE, review and if necessary revise the anticipated population in the Box Hill precincts
  - confirm whether the quantity of open space land and associated embellishment in the plan meets the needs of the anticipated population, and
  - ensure the apportionment of open space costs and calculation of contribution rates is based on the anticipated population.

## 5 Additional amendments to CP15 (2017)

This chapter presents our assessment of the changes to CP15 in addition to those requested by the Minister following IPART's assessment of draft CP15 (2016). It also identifies some further changes that the council should have made, but did not.

THSC advised that, in addition to the changes requested by the Minister following IPART's assessment of draft CP15 (2016), it:

- ▼ updated actual income and expenditure (land, capital and debt servicing), model indexes, the indexation start date and the projected timing of income and expenditure to reflect actual rates of development experienced and updates to the council's works program
- ▼ updated the estimated cost of outstanding land acquisition and capital works
- ▼ amended the length, location and cost of Mount Carmel Road and associated intersections to reflect rezoning completed by DPE
- ▼ updated land acquisition costs associated with intersection upgrades along Terry Road, to reflect detailed designs not available when preparing the previous plan, and
- ▼ removed the roundabout at Terry Road and Old Pitt Town Road.<sup>39</sup>

During our assessment, the council also identified some changes to the amount, location and cost of land in the plan that it should have made, and provided us with revised information on land acquisitions which we refer to in our analysis.

Our findings and recommendations that relate to all matters other than the Minister's advice following IPART's assessment of draft CP15 (2016), are summarised in Table 5.1.

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<sup>39</sup> Letter from THSC, *Application for assessment of Contributions Plan no. 15 – Box Hill Precinct*, 28 February 2018. Note: The changes identified in the Minister for Planning's letter to IPART are increased land values throughout the precinct, the realignment of Mount Carmel Road, and more detailed design for intersections along Terry Road (see Appendix A).

**Table 5.1 Summary of IPART's assessment of additional amendments**

Criterion	Finding	Recommendation	Cost adjustment (\$June 2016)
<b>Essential Works List</b>	All items are on the Essential Works List		
<b>Nexus</b>	The council unintentionally removed a signalised intersection	Amend BHT09 from roundabout to intersection costs	759,408
	Plan does not include all land for intersections on Terry Rd	Include additional land for Terry Rd intersections	559,436
<b>Reasonable costs</b>			
Changes to land costs	Land values are based on incorrect underlying zonings	Update land values to reflect current underlying zonings and constraints	2,990,452
	Average values for constrained land costs are not reasonable	Apply single average value for constrained land	
Changes to works cost	The method for estimating transport infrastructure costs on Mt Carmel Rd is not reasonable	Use executed VPA costs to estimate the cost of main roads for Mt Carmel Rd	-1,053,006
	Some transport items are not correctly indexed to base year and there are inconsistencies in the cost of Bridge BR-NKB01	Correct minor errors and inconsistencies	233,928
	Some local parks are not correctly indexed to base year	Correct indexation	392,642
	Plan administration costs are calculated using IPART benchmark of 1.5% of capital costs of infrastructure	Reduce administration costs to be 1.5% of the revised cost of works	4,995
<b>Apportionment</b>	Apportionment of costs is reasonable		No adjustment <sup>a</sup>
<b>Timing</b>	Forecast timing for receipt of revenue in the CP15 (2017) model is outdated and forecast timing for delivery of land and infrastructure expenditure is not reasonable	Adjust timing assumptions	No adjustment <sup>b</sup>
<b>Total cost adjustment</b>			<b>3,887,854</b>

<sup>a</sup> The recommendation does not impact *total costs*. However, the recommendation affects the *contribution rates* in the plan.

<sup>b</sup> The recommendation does not impact *total costs*. However, the recommendation affects the present value of costs and therefore it does affect the *contribution rates* in the plan.

## 5.1 Criterion 1: Essential Works

The council has changed the treatment of some intersections but it did not make any other changes to the type of infrastructure in the plan. We found that all items in CP15 (2017) are included on the Essential Works List.

## 5.2 Criterion 2: Nexus

In assessing whether there is nexus between the land and works and the development in the precincts we considered that our previous analysis of CP15 (2016) remains relevant with the exception of the amendments made by the council. In our assessment of these amendments, we considered the:

1. relocation and changes in the length of Mount Carmel Road
2. inclusion of Mount Carmel Road as a sub-arterial road
3. change in treatment of several intersections on Mount Carmel Road, and
4. upgrades along Terry Road to reflect detailed designs not available when the previous plan was prepared.

We found that the supporting technical studies listed in Table 5.2 establish nexus for most items on Mount Carmel Road.

**Table 5.2 Technical studies for Mount Carmel Road**

Author	Title	Date
Calibre Consulting	<i>SEPP Amendments to rezone land for the relocation of Mount Carmel Road, Box Hill</i>	March 2014
Brown Consulting	<i>Intersection Design and Traffic Assessment</i>	March 2014

The following DPE precinct planning and infrastructure delivery reports also provide justification for the infrastructure changes on Mount Carmel Road:

- ▼ DPE, *Amendment to the Box Hill Precinct Plan (Mount Carmel Road), State Environmental Planning Policy (Sydney Region Growth Centres) 2006 – Finalisation Report*, August 2016, and
- ▼ DPE, *Box Hill and Box Hill Industrial Development Control Plan*, 25 May 2017 (DCP).

THSC did not commission additional technical studies for the upgrades along Terry Road. However, THSC provided us with explanations and the relevant Terry Road intersection design maps to support the inclusion of additional land in the plan. After submitting the plan to IPART for assessment, the council revised the land requirements for Terry Road intersections as the design maps showed that the plan does not include all land necessary for these works. We consider the council's explanations establish nexus between the land and infrastructure and the development in the precincts.

We found two items that required further analysis:

- ▼ The classification of Mount Carmel Road (North of Killarney Chain of Ponds) as a sub-arterial road differed from its classification in the DCP.
- ▼ Brown Consulting did not recommend the change of one signalised intersection (BHT09) on Mount Carmel Road to a roundabout.



## Recommendation

- 6 THSC change item BHT09 from a roundabout to a signalised intersection to correct an oversight and thereby reinstate costs of \$759,408.
- 7 THSC include \$559,436 for an additional 1,241m<sup>2</sup> of land for intersections on Terry Road that was omitted from the plan.

### 5.2.1 There is nexus for the change in length of Mount Carmel Road

CP15 (2017) includes three main road items for Mount Carmel Road with a combined length of 1,708 metres, compared with 1,651 metres in CP15 (2016).<sup>40</sup> We have summarised the change in the length of each item in Table 5.3. We asked the council to explain and provide evidence for the changes in road length.

The council explained that the length of each segment of the new road in the realigned location was measured using GIS data of the gazetted zoning provided by DPE. We consider this process is reasonable and that the council's explanation establishes nexus for the works.

CP15 (2017) includes an additional 9,401m<sup>2</sup> of land for the relocation of Mount Carmel Road. As THSC has established nexus for the length of road associated with this relocation, we consider nexus is also established for the associated additional land acquisition.

**Table 5.3 Mt Carmel Rd – length of main road works**

Item ID	Details	CP15 (2017)	CP15 (2016)	Difference
BHNR01A	New Main Road - Mt Carmel Rd - Windsor Rd to Killarney Chain of Ponds	870m	609m	261m
BHNR01B	New Main Road - Mt Carmel Rd - Killarney Chain of Ponds to Mason St	606m	413m	193m
BHNR02A	New Main Road - Mt Carmel Rd - Mason Rd to Boundary Rd "Link Rd"	232m	629m	-397m
<b>Total</b>		<b>1,708m</b>	<b>1,651m</b>	<b>57m</b>

**Source:** CP15 (2017), Table 16: Works schedule and CP15 (2016), Works schedule

### 5.2.2 There is nexus to include Mount Carmel Road as a sub-arterial road

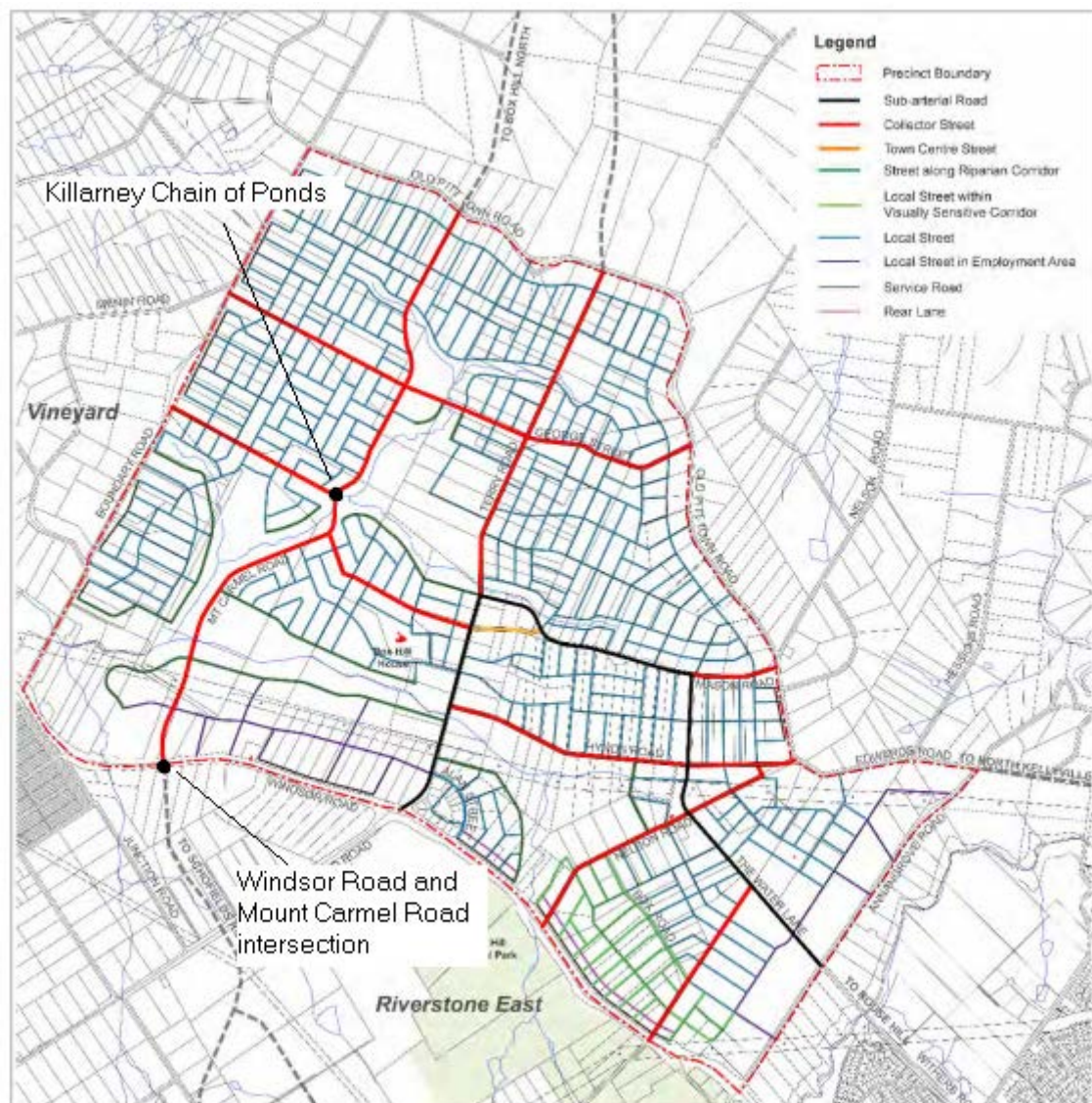
CP15 (2017) includes Mount Carmel Road as a sub-arterial road connecting Windsor Road and Killarney Chain of Ponds (on Link Road).<sup>41</sup>

The DCP identifies the entire length of Mount Carmel Road between Windsor Road and Old Pitt Town Road as a collector road (see Figure 5.1). However, the DCP also specifies the collector road requirements of the section of Mount Carmel Road between Windsor Road and Killarney Chain of Ponds as having an additional median and carriageway to accommodate traffic flows (see Figure 5.2).

<sup>40</sup> CP15 (2017), Works schedule.

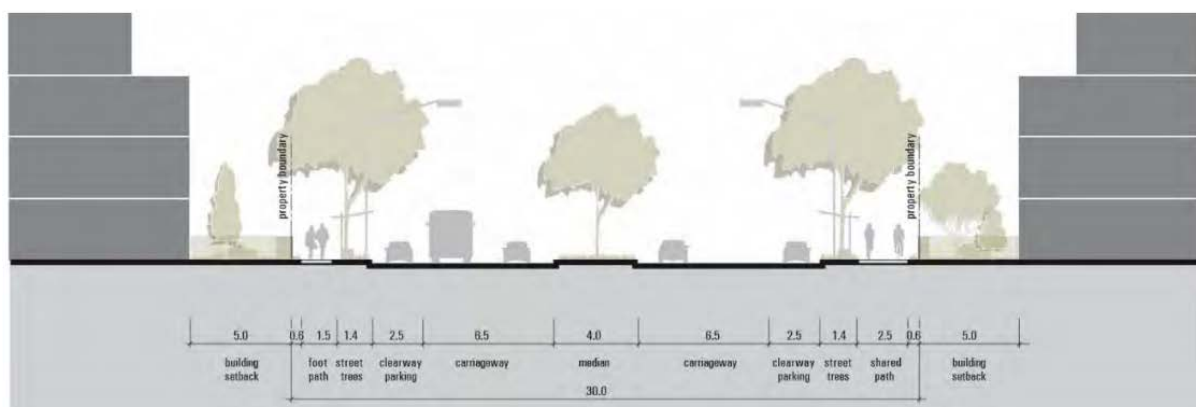
<sup>41</sup> CP15 (2017), p 31.

**Figure 5.1 Box Hill Precinct road network**



Source: DCP 2018, Figure 14, p 70.

**Figure 5.2 Mount Carmel Road between Windsor Road and the Killarney Chain of Ponds**



Source: DCP 2018, Figure 19, p 76 and Brown Consulting, *Intersection Design and Traffic Assessment*, Figure 3-2, p 11.

While the DCP has identified the road between Windsor Road and Killarney Chain of Ponds as a major collector road, Brown Consulting advises that this section of Mount Carmel Road should be either a sub-arterial or arterial road (see Box 5.1).

Brown Consulting has assumed traffic flows for Mount Carmel Road to carry up to 21,960 vehicles per day indicating that it will operate towards the upper notional limit of a sub-arterial road.<sup>42</sup> Furthermore, the road layout in Figure 5.2 indicates that Mount Carmel Road will have a width of 30 metres, which is wider than other typical collector roads (19.6 metres) and sub-arterial roads (25.7 metres).<sup>43</sup>

We consider the Brown Consulting report establishes sufficient nexus for the sub-arterial nature of the new Mount Carmel Road between Windsor Road and Killarney Chain of Ponds in the plan.

#### **Box 5.1 Classification of Roads**

The DCP and RMS provide the following definitions and characteristics in terms of traffic volumes for arterial, sub-arterial and collector roads:

- ▼ Arterial roads – typically a main road carrying over 15,000 vehicles per day and fulfilling a role as a major inter-regional link (over 1,500 vehicles per hour).
- ▼ Sub-arterial road – defined as secondary inter-regional links, typically carrying volumes between 5,000 and 20,000 vehicles per day (500 to 2,000 vehicles per hour).
- ▼ Collector road – provides a link between local roads and regional roads, typically carrying between 2,000 and 10,000 vehicles per day (250 to 1,000 vehicles per hour). At volumes greater than 5,000 vehicles per day, residential amenity begins to decline noticeably.

**Source:** Brown Consulting, *Intersection Design and Traffic Assessment*, p 10.

#### **5.2.3 The council unintentionally replaced a signalised intersection with a roundabout**

CP15 (2017) includes five roundabouts on Mount Carmel Road. One of the roundabouts (BHR05) was also in CP15 (2016). The council changed the remaining four roundabouts from signalised intersections to align with the new rezoning requirements of Mount Carmel Road.

We found that the technical studies only supported the replacement of three signalised intersections with roundabouts (BHT07, BHT08 and BHT17).<sup>44</sup> Council has provided the relevant development consents for the three roundabouts and we have verified the location of the roundabouts is consistent with the approvals granted.

Council has downgraded roundabout BHT09 at the same time as the other three intersections. We found there was no traffic modelling or approval for this downgrade. THSC has indicated that the downgrade was unintentional.<sup>45</sup>

<sup>42</sup> Brown Consulting, *Intersection Design and Traffic Assessment*, March 2014, p 10.

<sup>43</sup> DCP 2018, Figure 17-19, pp 75-76.

<sup>44</sup> Calibre Consulting, *SEPP Amendments to rezone land for the relocation of Mount Carmel Road – Box Hill*, March 2014, p 33.

<sup>45</sup> THSC, Response to information request by IPART, 23 March 2018, Question 9.

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We recommend that THSC amend the item and cost of BHT09 to reflect the planned outcome of a signalised intersection. For signalised intersections in the plan, THSC has applied a contingency allowance of 20% and a planning and design allowance of 15%. This would increase the cost of the transport works by \$759,408.

#### **5.2.4 There is nexus for the upgrade to Terry Road intersections**

CP15 (2017) includes additional land for five intersections along Terry Road. The additional land requirements were identified in detailed designs that were not available when CP15 (2016) was prepared. CP15 (2017) does not include any additional works costs and we have therefore only considered whether there is nexus between the additional land and the development in Box Hill.

The Terry Road intersection upgrades account for an additional 1,037m<sup>2</sup> of land in CP15 (2017). However, after submitting the plan to IPART for assessment the council identified a further 1,241 m<sup>2</sup> of land required for this purpose.

Table 5.4 shows the additional land for Terry Road intersections in the plan, the further land identified by the council since submitting the plan for assessment, and the council's justification for this further land.

We consider that nexus is established for all additional land and recommend that THSC include the additional 1,241m<sup>2</sup> of land that it omitted from the plan. We estimate that the cost of the additional land is \$559,436.<sup>46</sup>

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<sup>46</sup> The council's cost estimate for the additional 1,241m<sup>2</sup> of land is \$560,176 using a higher average value for constrained land than we have recommended. Our estimate includes our recommended average value for constrained land (see section 5.3.1 and Recommendation 8).

**Table 5.4 Updated land acquisitions for Terry Road intersections**

Item ID	Description	CP15 (2017) (m <sup>2</sup> )	THSC updated area (m <sup>2</sup> )	Difference (m <sup>2</sup> )	THSC explanation
BHT10	Terry Rd and Hynds Rd signalised intersection	462	511	49	The areas for land acquisition were incorrectly identified by the council.
BHT11	Terry Rd and Mason Rd signalised intersection	149	149	0	No change
BHT12	Terry Rd and George St signalised intersection	204	204	0	No change
BHT18	Terry Rd and High St signalised intersection	221	996	774	Previous measurements were based on DPE cadastral information. Further review identified that this information was incorrect and underestimated the land to be acquired.
New item	Terry Rd and Alan St intersection	0	418	418	The council erroneously omitted the additional land acquisitions from CP15 (2017). The works for this intersection will be delivered through the Special Infrastructure Contributions system, however the land will not.
<b>Total</b>		<b>1,037</b>	<b>2,278</b>	<b>1,241</b>	

**Sources:** CP15 (2017): *Adopted CP for review – CP15 Works Schedule (Submit to IPART Feb 18)*; and THSC, Response to IPART information request, 9 May 2018.

### 5.3 Criterion 3: Reasonable cost

In assessing whether THSC based the development contributions in CP15 (2017) on a reasonable estimate of the cost of the additional amendments, we:

- ▼ compared the land and works cost to our previous assessment of CP15 in 2016,
- ▼ considered the costing approach it used to prepare the updated plan, and
- ▼ considered whether the choice of indices to escalate cost estimates to the base period of the plan were reasonable.

We found that the council made some changes to the cost estimates and relied on other cost estimates from our CP15 (2016) assessment. Box 5.2 sets out when a council should revise ‘IPART-approved’ costs from previous assessments.



### Box 5.2 When should a council revise costs in an 'IPART-approved' plan?

We consider that when councils are revising costs in a contributions plan, the council should not rely on costs in plans previously assessed by IPART if the nature or scope of the infrastructure has changed or has been refined, or if more accurate, site-specific information has since become available. This may occur when:

- ▼ there are changes to the Local Environmental Plans or State Environmental Planning Policies that apply to the area
- ▼ significant time has passed since the previously assessed costs were prepared
- ▼ the planning and delivery of the infrastructure is more advanced (for example, the project has moved from the strategic planning stage to the concept design stage), and/or
- ▼ the infrastructure strategy has changed (eg, a revised stormwater management strategy).

#### 5.3.1 Changes to land costs

The cost of land in CP15 (2017) is \$146.12 million (123%) more than the cost of land in CP15 (2016). Table 5.5 shows the cost of land by infrastructure category in CP15 (2017) and CP15 (2016).

**Table 5.5 Cost of land for local infrastructure in CP15 (2016) and CP15 (2017) (\$Jun16)**

	CP15 (2016)	CP15 (2017)	Difference (\$)	% change
Transport	\$11,747,003	\$20,641,553	\$8,894,551	76%
Stormwater	\$31,334,411	\$77,675,427	\$46,341,016	148%
Open space	\$75,242,076	\$166,122,435	\$90,880,359	121%
<b>Total</b>	<b>\$118,323,489</b>	<b>\$264,439,415</b>	<b>\$146,115,926</b>	<b>123%</b>

**Sources:** CP15 (2017): *Adopted CP for review – CP15 Works Schedule (Submit to IPART Feb 18)*; and CP15 (2016): *Previous Plan reviewed by IPART – CP15 NPV Model Spreadsheet – Works Schedule – Nov 2014*.

Most of the increase in land costs is a result of increased land values that are reflected in:

- ▼ actual costs of acquiring land that are higher than the estimates in CP15 (2016), and
- ▼ increases in the cost estimates for land acquisition.

Until CP15 (2017), the council had not updated or indexed the land values used to estimate land costs in CP15 since it first adopted the plan in 2014.<sup>47</sup> The land values in CP15 (2014) were based on a valuer's report dated June 2011.<sup>48</sup> Therefore, most of the increase in land costs in CP15 (2017) reflects the changes in land values in the precincts over the six years from 2011 to 2017.

The remaining increase in land costs in CP15 (2017) is a result of additional land required for transport infrastructure, including the:

- ▼ relocation of Mount Carmel Road, and
- ▼ redesign of intersections on Terry Road.

<sup>47</sup> Land costs in CP15 (2016) increased from CP15 (2014) only because of increases in the areas of transport and open space land in the plan.

<sup>48</sup> RG Furney, *Land Value Table, Box Hill Precinct*, 2 June 2011.



To assess the reasonableness of land costs in CP15 (2017), we considered the council's approach to costing land, including its application of average land values to the land not yet acquired. We found that the council's approach to costing land in CP15 (2017) is mostly reasonable. However, we identified two issues with the land costs in the plan:

- ▼ The council's application of average land values to land yet to be acquired does not always reflect the underlying zonings and constraints that apply to the land, and
- ▼ the average land values for constrained land appear unreasonable when compared with the value of constrained land in other precincts in the North and South West Growth Centres and the evidence provided by THSC did not justify the application of the range of values or a flat rate above that used by a neighbouring council in a similar context.

We made two recommendations in our Draft Report to address these findings:

1. THSC revise its application of average land values to land to be acquired for CP15 and adjust land costs in the plan so they more accurately reflect the underlying zonings and constraints applying to the land, and
2. THSC reduce the cost of land in CP15 to reflect a single average value for all constrained land in the plan equal to the value recently applied in neighbouring North West Growth Centre local infrastructure contributions plans.

In response to these draft recommendations, the council proposed adjusted land costs to reflect:

- ▼ the underlying zonings and constraints applying to additional land for transport infrastructure,
- ▼ rezoning decisions made in August 2016<sup>49</sup> for which the corresponding land values had not been adjusted in CP15 (2017), and
- ▼ a single average value for all constrained land, at a higher per square metre rate than we had recommended.

We consider that the council's proposed adjustments to reflect the constraints applying to land in the plan and current underlying zonings are reasonable. However, the council's proposed average value for constrained land is high compared with the value of constrained land in other neighbouring precincts in the North West Growth Centre.

### Recommendation

- 8 THSC increase the cost of land in CP15 by \$2,990,452 to reflect:
- the current underlying zonings and constraints applying to land in the plan, and
  - a single average value for all constrained land in the plan, which is equal to the value recently applied in neighbouring North West Growth Centre local infrastructure contributions plans.

<sup>49</sup> *The Hills Local Environmental Plan Amendment (Sydney Region Growth Centres – The Hills Growth Centre Precincts) 2016* and *State Environmental Planning Policy (Sydney Region Growth Centres) Amendment (Box Hill) 2016*, gazetted on 22 August 2016.

## The council estimated the cost of land using advice from a valuer

At the time of our assessment of CP15 (2016), the council had not acquired any land for local infrastructure. Since we reviewed CP15 (2016), the council has acquired 137,079m<sup>2</sup> of land for local infrastructure at a cost of \$32.9 million. The cost of land acquired in CP15 (2017) is the actual cost to the council, indexed by CPI.

For land not yet acquired for CP15, the council has estimated the costs based on:

- ▼ its assumptions about the underlying zonings and constraints applying to the land
- ▼ the average land values for the plan, and
- ▼ a fee of 1.5% to cover any compensation that may be payable to a land owner under the *Land Acquisition (Just Terms Compensation) Act 1991*.<sup>50</sup>

The average land values the council has used to estimate the cost of land to be acquired in CP15 (2017) are based on:

- ▼ valuation advice from a qualified valuer (MJ Davis),<sup>51</sup> including advice about:
  - average market values for nine land use zonings (and for constrained land within these zonings), and
  - the appropriate approach to valuing land with an underlying E2 Environmental Management zoning,
- ▼ the average value for E4 Environmental Living land located in North Kellyville (CP13) for a bridge that services both North Kellyville and Box Hill, the costs of which are apportioned between the two precincts, and
- ▼ the council's assumption about the appropriate value of land with an underlying zoning of R1 General Residential, ie, that it has the same value as R4 High Density Residential land because the permitted land use and likely development outcomes are similar to that zone.

We consider that the council's approach to costing the land acquired and land to be acquired for CP15 is generally reasonable.

## The council's application of average land values is not always reasonable

For this assessment of CP15 (2017), we have reviewed the council's assumptions about underlying zonings and constraints based on the zoning and flooding maps it provided and initially focused on the additional land required for transport infrastructure. Our review found that the council's assumptions are not always reasonable for two reasons:

- ▼ The council's assumptions for some parcels of land do not reflect the applicable underlying zonings and constraints, and
- ▼ The council had not updated the plan to reflect the rezoning of land in Box Hill in 2016. This rezoning changed the underlying zoning for some land in the plan.

<sup>50</sup> THSC, Response to IPART information request, 9 May 2018.

<sup>51</sup> MJ Davis, *Valuation Report: Update 2 – Review of Land Values for Contributions Plan No.15 – Box Hill Precinct*, 8 May 2017.

Table 5.6 provides an example of our assessment of the council's assumptions about underlying zonings and constraints for the additional land required for the intersection at Terry Road and Hynds Road (BHT10).

**Table 5.6 Underlying zonings and constraints for BHT10 land acquisitions**

Land acquisition	Zoning and constraint	IPART assessment – CP15 (2017)
47 Hynds Rd	R3 (unconstrained)	Land is flood affected
8 Terry Rd	R3 (unconstrained)	Land is flood affected and underlying zoning is incorrect
6 Terry Rd	B7 (unconstrained)	Land is partially flood affected
4 Terry Rd	B7 (unconstrained)	No issues
2A Terry Rd	B7 (unconstrained)	No issues

**Source:** CP15 (2017): *Adopted CP for review – CP15 Works Schedule (Submit to IPART Feb 18)*.

Our assessment of the other additional land required for transport infrastructure in CP15 (2017) showed similar issues with the council's assumptions about underlying zonings and constraints. Altogether we found that the cost estimates for five of the eight infrastructure items that require additional land in CP15 (2017) are based on unreasonable assumptions, leading to unreasonably high cost estimates.

In response to our Draft Report, the council proposed adjustments to land values in the plan that reflect the underlying zonings and constraints applying to additional transport land. We consider these adjustments are reasonable.

The council also reviewed the underlying zonings and constraints applying to other land in CP15 (2017) and proposed further adjustments to land values to reflect rezoning of some land in Box Hill in August 2016 that THSC had not updated in the plan. This land rezoning occurred through amendments to the *State Environmental Planning Policy (Sydney Region Growth Centres) 2006*.<sup>52</sup>

We consider that the land costs in CP15 (2017) should reflect the current land zonings in Box Hill and therefore it is reasonable for the council to update land costs in the plan to achieve this. We reviewed THSC's proposed amendments for rezoned land and found that:

- ▼ it has made reasonable assumptions about the underlying zonings for this land, and
- ▼ the proposed amendments to land costs are consistent with the underlying zonings and average land values recommended by the council's registered valuer and are therefore reasonable.

The rezoning of land in Box Hill in 2016 generally involved changes from zones with lower average per square metre values to zones with higher average per square metre values (eg, land previously zoned IN2 Industrial is now zoned B6 Enterprise corridor). Therefore, the impact of the council's amendments to reflect the rezoning is an overall increase in land costs in the plan.

<sup>52</sup> Amendments made by: *The Hills Local Environmental Plan Amendment (Sydney Region Growth Centres – The Hills Growth Centre Precincts) 2016* and *State Environmental Planning Policy (Sydney Region Growth Centres) Amendment (Box Hill) 2016*, gazetted on 22 August 2016.

## Average values for constrained land costs are unreasonable

The estimated costs of stormwater and open space land in CP15 (2017) have increased from the costs in CP15 (2016) at a greater rate than the estimated cost of transport land. This is shown at Table 5.5, above.

Our analysis shows that this greater increase in stormwater and open space land costs is at least in part because:

- ▼ the average land values for constrained land recommended by the council's valuer (MJ Davis) have increased at a far greater rate than the value of unconstrained land over the 2011 to 2017 period, and
- ▼ stormwater and open space facilities use a larger proportion of constrained land.

For CP15 (2017), MJ Davis provided average land values for most unconstrained land zonings and an average value for the equivalent constrained land of each zoning. For example, MJ Davis provided an average land value for unconstrained R2 Low Density Residential land and an average land value for constrained R2 Low Density Residential land, and so on for most of the land zonings in the plan.

Based on the average values provided by MJ Davis, the average values for constrained land in CP15 have increased between 11% and 214% between 2011 and 2017, compared with changes in average values for unconstrained land of between -22% and 167%.

In other recent contributions plans submitted to IPART for assessment, the average value of constrained land has not varied by its underlying zoning. In relation to constrained land in CP15 (2017) and other recent contributions plans in the North West Growth Centre (NWGC), MJ Davis has argued:

'Constrained lands'...carry no prospects or potential for development due to their inherent nature.

We therefore reject the connotation that as significant increases in demand for Englobo land have led to substantial price increases then such similar significant increases would be apparent for Constrained Land owing to the overall poor utility of such constrained land, particularly given that actual market sales indicate limited price movement in the constrained market.<sup>53</sup>

For other recently submitted plans in the NWGC,<sup>54</sup> MJ Davis recommended a single average value applying to all constrained land. This value is less than eight of the ten average land values used to estimate constrained land costs in CP15 (2017). For Camden Council's *Camden Growth Areas Contributions Plan*, applying to the Leppington and Leppington North Precincts in the South West Growth Centre, MJ Davis also recommended a single average value for all constrained land.

In our Draft Report we recommended that the council apply the same average value for constrained land that MJ Davis has recently recommended for neighbouring NWGC precincts, with reference to the same sample of sales. While THSC agrees with our recommendation to apply a single average value for constrained land in CP15, it considers that the average value should be higher than we proposed.

<sup>53</sup> MJ Davis, Advice to The Hills Shire Council, 15 June 2018, p 13; MJ Davis, advice to IPART on Constrained Land Rate, 21 June 2017, p 7 ; MJ Davis, *Periodic Review of Proposed Contributions Plan No.22 – Rouse Hill*: Valuation Report, 1 November 2017, p 40.

<sup>54</sup> Blacktown City Council's *Contributions Plan 21 (Marsden Park)* and *Contributions Plan 22 (Rouse Hill)*.

The council provided two valuation reports for recently acquired land in CP15 that show higher per square metre values for constrained land than the average value we proposed, which was based on MJ Davis' advice for neighbouring precincts in Blacktown City Council's *Contributions Plan No 22 (Rouse Hill)* (CP22). In relation to THSC's proposed higher average value for constrained land, we note:

- ▼ MJ Davis is the valuation consultant engaged by both THSC for CP15 (2017) and Blacktown City Council for CP22.
- ▼ The council's recommended average value for constrained land is based on a sample of two valuations for recent acquisitions in Box Hill dated October 2016 and January 2017. This is a small sample compared with the sample of nine comparison sales (May 2015 to July 2017) used by MJ Davis to recommend a lower single average value for constrained land in CP22.<sup>55</sup> The same sample of nine comparison sales was also used by MJ Davis in support of the range of values in CP15 (2017).
- ▼ The council's two valuations show an average land value for constrained land that is within the range demonstrated by MJ Davis' sample for CP22.
- ▼ MJ Davis' sample for recommending an average value for constrained land in CP22 included sales across a number of precincts in the North West Growth Centre.

Given these considerations, we do not consider it reasonable to apply a higher average value for constrained land in Box Hill than the average value for constrained land in neighbouring precincts. We therefore maintain our recommendation that the council apply the same average value for constrained land that MJ Davis has recently recommended for neighbouring NWGC precincts.

### 5.3.2 Changes to works costs

The cost of works in CP15 (2017) is \$36.27 million less than the cost of works in CP15 (2016), as shown in Table 5.7.

**Table 5.7 Cost of works in CP15 (2016) and CP15 (2017) (\$Jun16)**

	CP15 (2016)	CP15 (2017)	Difference	% change
Transport	108,381,347	91,601,388	-16,779,958	-15%
Stormwater	78,892,892	78,892,892	0	0%
Open space	112,995,682	93,448,522	-19,547,161	-17%
<b>Total</b>	<b>300,269,921</b>	<b>263,942,802</b>	<b>-36,327,119</b>	<b>-12%</b>

**Source:** CP15 (2017): *Adopted CP for review – CP15 Works Schedule (Submit to IPART Feb 18)*; and CP 15 (2016): *Previous Plan reviewed by IPART – CP15 NPV Model Spreadsheet – Works Schedule – Nov 2014*.

We found the main reasons for the decrease in the cost of works from our previous assessment of CP15 (2016) is due to THSC:

- ▼ adopting amendments to CP15 as required by the Minister<sup>56</sup> (see discussion in Chapter 4)

<sup>55</sup> MJ Davis, *Periodic Review of Proposed Contributions Plan No.22 – Rouse Hill – Average Estimated Land Values as at 1 November 2017*.

<sup>56</sup> Letter from the Minister for Planning, Anthony Roberts MP, 23 June 2017.

- ▼ changing several intersections on Mount Carmel Road from signalised intersections to roundabouts, and
- ▼ removing the roundabout at Terry Road and Old Pitt Town Road from the plan.

These decreases were partly offset by an increase in the length of Mount Carmel Round associated with its relocation.

We found that the council's costing method for the additional amendments is reasonable for the Terry Road intersection works. However, the costing method for the infrastructure items on Mount Carmel Road is not reasonable and results in high cost estimates. We also found:

- ▼ incorrect indexation of some items, and
- ▼ inconsistencies on the cost estimate for bridge BR-NKB01.

We note that as a result of our recommendations in this current assessment, the council will need to recalculate plan preparation and administration costs again if the Minister advises it to make changes to the cost of works in CP15 (2017).

### Recommendations

- 9 THSC revise the cost of Mount Carmel Road (new main road items BHNRO1A, BHNRO1B and BHNRO2A) using the estimated cost in the executed Voluntary Planning Agreement. This would reduce the cost of transport works in CP15 by \$1,053,006.
- 10 THSC increase the cost of transport works by \$233,928 to:
  - correctly index the cost of the Boundary Road upgrade, Annangrove Road upgrade and cycle ways.
  - adjust the cost of bridge BR-NKB01.
- 11 THSC increase the cost of open space works by \$392,642 to correctly index the cost of local parks.
- 12 THSC adjust plan administration costs so that the amount remains 1.5% of the total cost of works adjusted for all our recommendations for the additional amendments. This would reduce the cost of administration in CP15 (2017) by \$4,995.

### The method for estimating the costs of intersections on Terry Road is reasonable

THSC has not changed the cost estimates of the intersection works on Terry Road to reflect the updated design. THSC explains that:

The designs were used for the purpose of identifying the extent of land-take required to accommodate the intersection works and not for the purpose of providing cost estimates.<sup>57</sup>

Since the updated design does not demonstrate any change in size or nature of the Terry Road intersection works, we consider the council's use of AECOM cost estimates from CP15 (2016), indexed to the base year of the plan is reasonable.

<sup>57</sup> THSC, Response to information request by IPART, 23 March 2018, Question 14.



## Using IPART benchmark costs for Mount Carmel Road main road items is not reasonable

The council commissioned AECOM to prepare site-specific cost estimates for most transport infrastructure in CP15 (2014). Mount Carmel Road was a last minute addition to the plan and the council was not able to obtain a detailed costing without delaying its finalisation and submission to IPART for assessment. In the absence of site-specific cost estimates for Mount Carmel Road, the council used IPART's 2014 benchmark rate for a four lane sub-arterial road.<sup>58</sup>

In CP15 (2017) the council updated the length of the road, consistent with its realignment confirmed by the Growth Centres SEPP amendments (see section 3.2.1). As part of the planning proposal for the Growth Centres SEPP amendments, Brown Consulting prepared concept designs for the road.<sup>59</sup> However, the council continued to use the IPART benchmark rate to estimate the cost of the road in the plan. It explained that in doing so, it has relied on IPART's assessment of CP15 (2016), which did not raise any concerns with the use of the IPART benchmark rate for this road.

We consider that the council's use of the IPART benchmark rate is no longer reasonable and that the progress of the project to the concept design stage should have triggered a revision of its costs for CP15 (2017), particularly given the size or cost of this project.

In the absence of site-specific cost estimates, we investigated alternate methods of estimating the cost of constructing the items in the plan. This included comparing the median cost of the other sub-arterial roads in the plan. We also analysed a site-specific estimate for the upgrade of Annangrove Road, which is a similar sized sub-arterial road in the precinct. Both methods resulted in estimates that were significantly below the cost included in the CP15 (2017).

As detailed in section 3.4.3, the council has recently entered into a VPA with a major developer to construct Mount Carmel Road. The agreed value of the main road works in the VPA is based on the costs in CP15 (2016). While the costs in CP15 (2016) were based on the IPART benchmark rate, the assumed length of the road was shorter. This means that the costs in CP15 (2016) are lower than in CP15 (2017). The costs in CP15 (2016) are also closer to the cost estimates we derived using the two alternative methods described above.

We consider that, in this situation, the agreed value of works in the VPA is a reasonable estimate of the costs of the Mount Carmel Road main roads items, and we recommend that the council amend the estimates in CP15 (2017) so that they are consistent with agreed values in the VPA. This would reduce transport works costs by \$1,053,006 (see Table 5.8).

The VPA requires the council to reimburse the developer for the agreed value of the works, less the value of the monetary contributions payable towards transport infrastructure it would otherwise have to pay. Including the main road items in CP15 (2017) at the agreed value in the VPA means that the council will be able to recover, through contributions levied elsewhere in the precincts, the amount it is liable to pay the developer.

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<sup>58</sup> IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014.

<sup>59</sup> Brown Consulting, *Box Hill – Mt Carmel Road Concept Design*, April 2014.

**Table 5.8 Estimated cost of main road items for Mt Carmel Road**

Item	Costs in CP15 (2017)	Costs in VPA	Difference
BHNR01A	11,725,842	8,103,050	-3,622,792
BHNR01B	8,167,655	5,495,172	-2,672,483
BHNR02A	3,126,891	8,369,160	5,242,269
<b>Total</b>	<b>23,020,388</b>	<b>21,967,382</b>	<b>-1,053,006</b>

**Note:** Differences are due to rounding.

**Source:** CP15 (2017), Works Schedule, p 41.

### Using IPART benchmark costs for roundabouts BHT07, BHT08 and BHT17 is reasonable

The council changed the items BHT07, BHT08 and BHT17 on Mount Carmel Road from signalised intersections in CP15 (2016) to roundabouts in CP15 (2017). These changes were included in the planning proposal for the realignment of the road. The cost of the roundabout in CP15 (2017) is based on IPART's 2014 benchmark rate for four leg roundabouts.<sup>60</sup>

Consistent with our assessment of the main road items for Mount Carmel Road, we consider the council should have obtained site-specific estimates based on the concept designed prepared by Brown Consulting.

In the absence of site-specific costs, we compared the cost of each roundabout on Mount Carmel Roads with the median cost of the roundabouts in AECOM's advice. We found that the difference was relatively small and so we consider the use of the IPART benchmarks in this context is reasonable.

We also note that the agreed value of the works for the roundabouts in the VPA are the costs in CP15 (2017).

### Calculation of the cost of bridge BR-NKB01 is inconsistent

CP15 includes a bridge on Edwards Road over Smalls Creek, which connects the Box Hill precinct to the North Kellyville Precinct. The costs of the bridge are apportioned between CP15 (2017) and *Contributions Plan No 13 North Kellyville*.

In reviewing the cost of the bridge BR-NKB01, we found that the base cost of the entire bridge in the works schedule in CP15 (2017) is \$2,524,835, and is inconsistent with the base cost of \$3,037,396 presented in the works schedule in CP15 (2016). THSC acknowledged that the cost in the CP15 (2017) works schedule is incorrect and should be consistent with the costs originally presented to IPART in CP15 (2014). This is because there have been no changes to the cost of the bridge other than indexation. We also found that the on-cost and contingency allowances are inconsistent with the other bridge items in CP15 (2017).

We recommend that THSC correct the base costs, on-costs and contingency allowances applied to bridge BR-NKB01 and adjust the cost estimates in CP15 (2017) to reflect the correct indexation. This would increase transport works costs in CP15 (2017) by \$32,759.

<sup>60</sup> IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014.

## The cost of some items is not indexed

THSC has indexed the cost of each infrastructure category using the Producer Price Index (PPI) published by the Australian Bureau of Statistics (ABS). The indexes applied to each infrastructure category are as follows:

**Table 5.9 PPI index used for cost escalation by infrastructure category**

Infrastructure category	Index
Transport	Road and bridge construction NSW (3101)
Stormwater management	Road and bridge construction NSW (3101)
Open space	Non-residential construction NSW (3020)

Source: CP15 (2017), p 14.

We consider THSC's use of PPI (Road and Bridge Construction) for transport and stormwater management and PPI (Non-residential Construction) for open space to be cost-reflective for the type of infrastructure. The indexes used by THSC are consistent with the indexes recommended by IPART for Rockdale Contributions Plan (RCP) and West Dapto Contributions Plan (West Dapto).<sup>61</sup>

However, we identified four items with no indexation in THSC's works schedules: the Boundary Road upgrade, Annangrove Road upgrade, cycle ways and local parks.

THSC has agreed that these costs have not been indexed since the 2013-2014 financial year. The adjusted values are shown in Table 5.10.

**Table 5.10 IPART-assessed indexed costs for works items with no indexation in CP15 (2017) (\$Jun16)**

Works	Cost in CP15 (2016) and CP15 (2017)	IPART-assessed indexed cost	IPART-assessed cost increase
Boundary Rd upgrade	\$1,086,090	\$1,100,169	\$14,079
Annangrove Rd upgrade	\$12,500,000	\$12,662,037	\$162,037
Cycle ways	\$1,932,676	\$1,957,729	\$25,053
Local parks	\$7,296,000	\$7,688,642	\$392,642
<b>Total</b>	<b>\$22,814,766</b>	<b>\$23,408,577</b>	<b>\$593,811</b>

Source: CP15 (2016) and CP15 (2017); and IPART calculations.

We recommend THSC adjust the cost estimates in CP15 (2017) to apply the indexation using PPI (Road and Bridge Construction) for transport and PPI (Non-residential Construction) for open space. This would increase total works costs in CP15 (2017) by \$593,811 (\$201,169 for transport works and \$392,642 for open space embellishment).

<sup>61</sup> See IPART, *Assessment of Camden Growth Areas Contributions Plan*, May 2018, *Assessment of Bayside Council's Rockdale Contributions Plan – Urban Renewal Area*, December 2016, p 72, and IPART, *Assessment of Wollongong City Council's Draft West Dapto Section 94 Development Contributions Plan*, October 2016, p 20.

### 5.3.3 Updates to modelling assumptions

THSC used a nominal approach in its NPV model. This involves using a nominal discount rate and forecasting inflation in costs and revenues over time (to calculate nominal cash flows).

In preparing CP15 (2017), the council updated the following assumptions within its NPV model:

- ▼ nominal discount rate
- ▼ indices for escalation of costs
- ▼ assumed timing of revenue receipts, and
- ▼ assumed timing of expenditure for delivery of land and infrastructure

When a council uses an NPV approach to modelling contributions, the contribution rates are affected by the assumed timing of expenditure and revenue receipts.

We found that the council has scheduled land acquisitions after associated works within the same infrastructure category. In response to our Draft Report, the council acknowledged that the timing of land acquisitions should be brought forward by 2-3 years.<sup>62</sup> This would increase the present value of costs and, other things being equal, the contribution rates. However, we also found that the council's assumptions about the timing of revenue receipts are based on outdated information and it is likely that the timing of revenue receipts will also be brought forward. This would offset, at least to some degree, the impact of bringing forward the assumed timing of expenditure.

### Recommendations

- 13 THSC adjust the forecast timing of revenue receipts to take account of the actual revenue received and number of development applications approved.
- 14 THSC adjust the forecast timing of expenditure so that land acquisitions precede the associated infrastructure works.

### Council's model uses IPART's recommended discount rate

In the model for draft CP15 (2016), the council used a nominal discount rate of 4.5% based on the 20-day average of the 10-year NSW Treasury Corporation bond yield.<sup>63</sup> The calculation of the discount rate was based on the recommendation in IPART's 2012 NPV Technical Paper.<sup>64</sup>

We changed our recommended approach to the discount rate in our 2016 Technical Paper.<sup>65</sup> Our method of calculating the nominal discount rate is to obtain the midpoint of the 10 year Commonwealth bond rate and 10 year non-financial corporate bonds with an 'A' credit rating, and add debt raising costs of 12.5 basis points (0.125%).

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<sup>62</sup> Email from THSC, Response to IPART information request, 13 June 2018.

<sup>63</sup> IPART, *Assessment of The Hills Shire Council's Section 94 Contributions Plan No 15 – Box Hill Precinct*, March 2016, p 50.

<sup>64</sup> IPART, *Modelling local development contributions*, September 2012.

<sup>65</sup> IPART, *Modelling local development contributions in a present value framework*, February 2016.

The council updated its model for CP15 (2017) using a discount rate of 4.6%, consistent with our biannual update of the nominal discount rate in February 2017.<sup>66</sup> We consider the council's use of IPART's most recent discount rate available when council reviewed the model reasonable and consistent with our recommended approach to modelling local infrastructure contributions.

### Council escalates the costs of works from 2017/18 onwards

A nominal modelling approach requires the use of escalation assumptions to forecast costs and revenues to nominal values before discounting them to present values. The council used the same index series in CP15 (2016) and CP15 (2017):

- It escalated the cost of land yet to be acquired by the historic average of the ABS Established House Price Index (Sydney).
- It escalated works costs by the historic average of the ABS Producer Price Index (PPI) (Roads and Bridges for stormwater management and transport works, and Non-residential Building Construction for open space embellishment).
- It escalated administration costs by the midpoint of the Reserve Bank of Australia's target range for CPI, ie 2.5%.

Table 5.11 shows the annual average change in index values applied in the model. We checked the council's calculation of the averages and found it is accurate.

**Table 5.11 Indices used to convert real costs to nominal costs in CP15 (2017) model**

Index	Sample period	Average annual change in index value
Established House Price Index (Sydney)	13 years to June 2016	6.19%
PPI (Non-residential Building Construction)	15 years to June 2016	3.48%
PPI (Roads and Bridges)	15 years to June 2016	3.69%

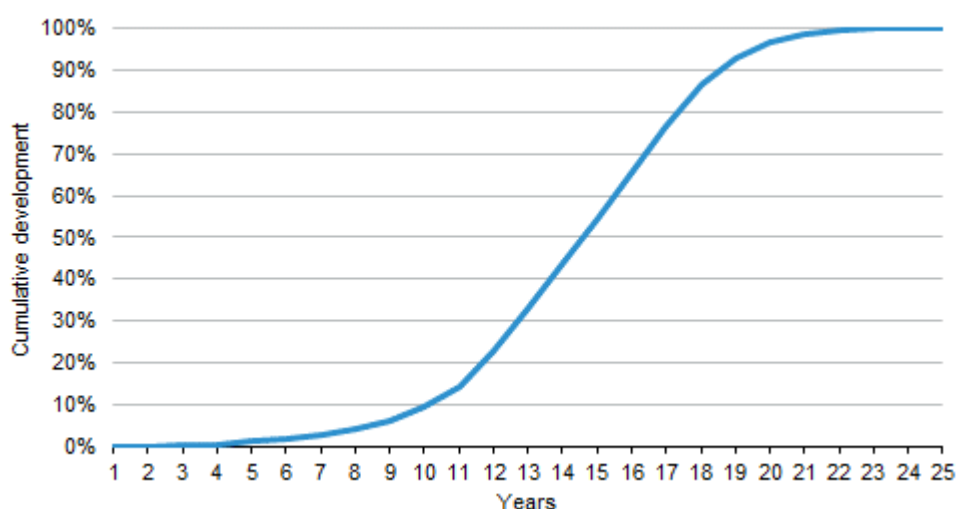
**Source:** CP15 (2017): *Adopted CP for review – CP15 Resi NPV model (May 17 review)*; CP15 (2017): *Adopted CP for review – CP15 Non Resi NPV model (May 17 review)*; and CP 15 (2016): *Previous Plan reviewed by IPART – CP15 NPV Model Spreadsheet – Works Schedule – Nov 2014*.

### Council did not change the expected pace of development

The council's assumed timing of revenue receipts is based on the expected pace of development in the precincts, shown in Figure 5.3.

<sup>66</sup> IPART, *Fact Sheet – Latest discount rate for local infrastructure contributions plans*, February 2017.

**Figure 5.3 Forecast pace of development in Box Hill**



**Source:** IPART based on CP15 (2017), p 23.

We have compared the revenue forecast in the model with the actual revenue received from contributions using the council's financial statements for 2016-2017. We found that the council's financial statements for 2016-17 show that it received contributions of \$12.96 million from developers in Box Hill, with \$0.18 million from non-residential development and the remaining \$12.78 million from residential development.<sup>67</sup> This is \$11.41 million greater than the forecast revenue in the model for the same year. While we acknowledge that the council's financial statements were not available when CP15 (2017) was prepared, it appears that the timing assumptions in the model are based on outdated information.

The council's application for assessment of the plan also says that 25% of development in the precincts has been approved.

We recommend the council use information on approved applications and actual revenue received to update the forecast pace of development in the precincts, on which the timing of revenue receipts is based.

### **Council updated the expected timing of land acquisition and infrastructure delivery**

Table 5.12 shows the expected timing of land acquisition and infrastructure delivery in CP15 (2017). It is based on the council's internal forecast of when infrastructure and the associated land acquisitions would be required in order to facilitate orderly development of the precinct. The council considers the priority of projects across all contribution plans to determine the timing of infrastructure.

We found that CP15 (2016) shows large land acquisitions of \$44.81 million (\$5.58 million for transport and \$39.23 million for stormwater infrastructure in the KCP catchment) in 2026 (ie, the last year of expenditure). However, the council only delivers transport and stormwater infrastructure until 2025. This would mean that the council is acquiring land

<sup>67</sup> THSC, General purpose financial statements for the year ended 30 June 2017, September 2017.



after all development of stormwater and transport infrastructure in the precinct has already been completed.

In response to our Draft Report, the council acknowledged that the timing of land acquisition for transport and stormwater management is incorrect and should be moved forward by 2-3 years.<sup>68</sup>

We recommend that THSC adjust the forecast timing of expenditure so that land acquisition precedes the associated infrastructure works.

**Table 5.12 Expected timing of land acquisition and infrastructure delivery in CP15 (2017)**

Infrastructure category	Timing
Transport	THSC will acquire all of the land for transport infrastructure by 2025-26. Transport infrastructure will be provided by 2024-2025.
Open space	THSC will acquire around 30% of land for open space from 2014-18 and the remaining 70% from 2021-26. Open space infrastructure will be provided from 2017-26.
Stormwater management	THSC will acquire all of the land for stormwater infrastructure by 2025-26. Stormwater infrastructure will be provided in the: <ul style="list-style-type: none"> <li>▼ KCP catchment over eight years from 2017-25, and</li> <li>▼ SPC catchment over three years from 2021-23.</li> </ul>

Source: CP15 (2017), pp 45-46.

## 5.4 Criterion 4: Apportionment

The council has not made any changes to the apportionment of transport costs as a result of the change in transport costs for Terry Road and Mount Carmel Road. However, our 2016 assessment incorrectly reported that transport costs in CP15 (2016) were apportioned on an NDA basis.

Both CP15 (2016) and CP15 (2017) apportioned transport costs between residential and non-residential development based on a transport needs assessment prepared by GHD. The GHD study estimated the demand for each individual traffic infrastructure item generated by each of four different types of development: residential, industrial, retail and business park. THSC's apportionment of costs assumes non-residential land uses include industrial, retail and business park development.

Transport costs for residential development are then apportioned across the net increase in population to derive a per person contribution rate. Transport costs for non-residential development are apportioned on a 'per metre of gross floor area' basis.

We consider this apportionment approach reasonable because it quantifies the relative contribution of each land use type to the demand for transport infrastructure.

<sup>68</sup> Email from THSC, Response to IPART information request, 13 June 2018, p 3.

## 5.5 Criterion 5: Timing

In our assessment of CP15 (2016), we found that the timing of development for CP15 is 25 years and is considered reasonable. We have discussed the assumed timing of development and updated timeframe for delivery of infrastructure in section 5.3.3, which also deals with other contributions modelling assumptions.

## 5.6 Criterion 6: Community consultation

In preparing CP15 (2017), THSC:

- ▼ publicly exhibited the draft revised plan from 6 July 2017 to 4 August 2017
- ▼ notified all landowners within the area subject to CP15 in writing
- ▼ advertised the plan's exhibition in local papers, and
- ▼ made the draft plan available at the council's administration building, the local library, and on its website.

The council received no public submissions and no post-exhibition amendments were made to the plan.

We consider the THSC's consultation in preparing CP15 (2017) was appropriate.

## 5.7 Criterion 7: Other matters

IPART must assess whether the plan complies with other matters IPART considers relevant. In section 4.2.2 we discuss the impact of higher than initially anticipated population in the precincts. We noted that higher than initially forecast population can increase the amount of infrastructure, and hence the costs of this infrastructure, to serve a new development area. At a minimum, even if higher than initially forecast population is not sufficient to generate higher infrastructure costs, it should affect the apportionment of costs within a precinct and the contribution rates. This discussion was in the context of open space and associated embellishment included in CP15 (2017).

We note that higher population projections may also have implications for the provision of stormwater management and, more likely, transport infrastructure in the precincts.

Even if the changes to anticipated population do not have an impact on the type or quantity of infrastructure required, the council would need to adjust the contribution rates to ensure it has reasonably apportioned all costs.

### Recommendation

- 15 Before January 2020, THSC ensure that the land and works for stormwater management and transport infrastructure in the plan meet the needs of the anticipated population in the precincts and ensure the apportionment of costs and calculation of contribution rates is based on the anticipated population.

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## A Minister's request for a targeted review of CP15



**Anthony Roberts MP**

Minister for Planning, Minister for Housing, Special Minister of State

→ Hugo  
Sarah

Dr Peter Boxall  
Chair

Independent Pricing and Regulatory Tribunal  
PO Box K35 HAYMARKET POST SHOP NSW 1240

PB 29/5/18



IRF18/1025

Dear Dr Boxall

Thank you for your advice of March 2016 regarding the Hills Shire Council's Contribution Plan No.15 – Box Hill Precinct (CP15), which is enclosed.

Based upon IPART's recommendations I requested that Council make seven changes to the plan prior to its adoption for it to be eligible for funding under the Local Infrastructure Growth Scheme (LIGS). The Department has advised me that Council has made these changes and I am keen to provide Council the appropriate financial support under the LIGS to fund essential local Infrastructure, alongside new development. However, when adopting the amended contributions plan, Council also made (3) additional changes that IPART had not considered in its assessment of the plan. These changes were:

- increased land values for acquisition in general
- updated the land acquisition and capital works costs associated with the Mt Carmel Road realignment and
- updated land acquisition requirements and costs associated with more detailed design for five intersection treatments on Terry Road

As CP15 has recently been assessed by IPART, I would like to proceed with funding as a matter of urgency. However, I would also like to ensure that IPART has considered the changes and is satisfied that they are consistent with its requirements. On this basis, I am requesting that IPART undertake a targeted review of the plan which focuses on these three items and other matters IPART considers relevant to these changes.

I have enclosed a copy of the Council report as background. Council is aware of my request and will be able to provide any additional information you require. Should you have any questions in relation to this matter, please contact Mr John Borg, Acting Director, Developer Contributions, at the Department on 9274 6226.

Yours sincerely

21 MAY 2018

**Anthony Roberts MP**  
Minister for Planning  
Minister for Housing  
Special Minister of State

Encl: The Hill Shire Contributions Plan No. 15 – Box Hill Precinct  
Agenda and minutes of The Hills Shire Council meeting – 8 August 2017

GPO Box 5341 Sydney NSW 2001 ■ P: (02) 8574 5600 ■ F: (02) 9339 5544 ■ E: [office@roberts.minister.nsw.gov.au](mailto:office@roberts.minister.nsw.gov.au)

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## B Terms of reference



**Anthony Roberts MP**

Minister for Planning, Minister for Housing, Special Minister of State

→ Hugo  
Sarah

Dr Peter Boxall  
Chair

Independent Pricing and Regulatory Tribunal  
PO Box K35 HAYMARKET POST SHOP NSW 1240

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## Premier of New South Wales



30 SEP 2010

Mr Rod Sims  
Chairperson  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB POST OFFICE NSW 1230

Dear Mr Sims *Rod,*

I am writing about the Independent Pricing and Regulatory Tribunal undertaking work to:

- develop and publish a local government cost index and a productivity factor;
- assist with the preparation of revised contributions plan guidelines, and to assess and report on reviewable contributions plans against the guidelines and *Environmental Planning and Assessment Regulation 2000*; and
- prepare an annual report on the operation of functions delegated to it under the *Local Government Act 1993* and assistance it provides to the Minister for Planning and councils under the *Environmental Planning and Assessment Regulation 2000*.

Please find enclosed references under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* for the Tribunal to undertake this work.

If your officers wish to discuss this matter, they should contact Mr Tim Hurst, Executive Director, Infrastructure, Environment and Economic Development Policy, Department of Premier and Cabinet on (02) 9228 5493.

Yours sincerely

  
Kristina Keneally MP  
Premier

## TERMS OF REFERENCE

I, Kristina Keneally, Premier of New South Wales approve the provision of services by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)* to the Minister for Planning and the Councils for the review of Reviewable Contributions Plans in accordance with the following terms of reference.

### Background

Since 4 June 2010, the NSW Government has announced changes to local council charges on new housing development including:

- (1) imposing a cap of \$20,000 per lot for council imposed charges on new development on land in established areas and a cap of \$30,000 per lot for council imposed charges on new development on land determined by the Minister for Planning as being within Greenfield areas; and
- (2) requiring IPART to review certain council Contributions Plans.

The changes will lower the cost of new housing construction and provide certainty, transparency and fairness to councils, landowners, developers and the community.

The Department of Planning, in conjunction with the Division of Local Government and IPART (overseen by the Land and Housing Supply Coordination Taskforce) are to develop guidelines for preparing Contributions Plans. Councils with contributions within their Contributions Plans that exceed the relevant cap will be required to submit them to IPART for review unless otherwise exempt by the Minister for Planning. Further, when Councils conduct a review of their Contributions Plans, they will be required to submit them to IPART for review prior to finalising those plans if the contributions within those plans exceed the relevant cap. The Minister may also refer to IPART for review any Contributions Plan that is below the relevant cap, where changes are proposed to that plan that the Minister considers merit having an independent assessment. Once IPART receives those plans, IPART is to assess them against the Guidelines and the Regulation and report to the Minister for Planning and Councils on the compliance of those plans.

### Terms

In providing the services, IPART must:

- (a) assist with the preparation of revised contributions plan guidelines;
- (b) conduct an assessment of the Reviewable Contributions Plan against the Guidelines and the Regulation. As part of that assessment, IPART should consider whether:
  - (i) the infrastructure listed in the plan is essential infrastructure
  - (ii) the costs in the plan are reasonable
  - (iii) the Contributions Plan complies with the Guidelines and the Regulation;

- (c) provide a report to the Minister for Planning and the relevant Council on IPART's assessment of the Contributions Plan under paragraph (a); and
- (d) publish a copy of the report in paragraph (b) on IPART's website.

In conducting the assessment under paragraph (a), IPART is to:

- (a) consult with the Department of Planning (NSW);
- (b) consult with the relevant Council and any other person IPART considers necessary; and
- (c) consider any criteria set out in the Guidelines (in addition to any other matters IPART considers relevant).

#### **Definitions**

Cap means:

- (a) the \$20,000 cap per residential dwelling or per residential lot on land in established areas; or
- (b) the \$30,000 cap per residential dwelling or per residential lot on land determined by the Minister for Planning as being within Greenfield areas.

Contributions Plan means a contributions plan prepared and approved by the relevant Council under Part 4, Division 6 of the EP&A Act.

Council has the meaning given to that term under the EP&A Act.

EP&A Act means the *Environmental Planning and Assessment Act 1979*.

Guidelines means the current guidelines or practice notes (as the case may be) issued by the Department of Planning on Contributions Plans under Part 4, Division 6 of the EP&A Act.

Regulation means the *Environmental Planning and Assessment Regulation 2000* relating to the Contributions Plan.

Reviewable Contributions Plan means either:

- (a) a Contributions Plan which has a contribution that exceeds the relevant Cap, other than a Contributions Plan for which a Council, as at 31 August 2010, has received (in aggregate) development applications for at least 25 per cent of potential development within that existing Contributions Plan; or
- (b) a Contributions Plan which the Minister for Planning determines from time to time should be subject to review by IPART.

## Interpretation

- (a) A reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacement of them.
- (b) A reference to an officer includes a reference to the officer who replaces him or her, or who substantially succeeds to his or her powers or functions.
- (c) A reference to a body, whether statutory or not:
  - a. which ceases to exist; or
  - b. whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (d) Words importing the singular include the plural and vice versa.
- (e) Explanatory notes do not form part of the terms of reference, but in the case of uncertainty may be relied on for interpretation purposes.

## C Summary of Minister's advice on CP15 (2016)

IPART recommendations from CP15 (2016)	Amendments requested by the Minister	Request addressed?
THSC removes the works for the indoor recreation facility (\$18,176,340) from the cost of essential works in CP15.	Remove indoor recreation facility from open space costs (\$18,176,340).	Addressed.
THSC removes the marginal cost of the raingardens (\$11,460,000) from the cost of essential works in CP15.		N/A
THSC removes the \$26.07 million of costs for 22.28 hectares of excess open space comprising: – \$14.42 million for 12.32 hectares of excess active open space, and – \$11.65 million for 9.96 hectares of excess passive open space.		N/A
THSC removes the \$30.39 million of costs for 22.28 hectares of excess open space embellishment comprising: – \$24.41 million for 12.32 hectares of excess active open space embellishment, and – \$5.98 million for 9.96 hectares of excess passive open space embellishment.		N/A
THSC uses the base cost estimates for the new main roads, road upgrades and roundabouts in CP15 recommended in the AECOM Report (January 2014) to ensure that the costs are based on site-specific considerations. THSC should also use the IPART recommended contingencies and allowance for these works. This will reduce the cost of essential works in CP15 by \$17,150,158.	Use site-specific cost estimates for road and roundabouts provided by AECOM rather than benchmark cost estimates provided by IPART (\$17,150,158).	Addressed in part. The council did not use the available AECOM costs for roundabouts.
Given the reduced risk associated with the availability of detailed designs and cost estimates, THSC reduces the contingency allowance for: – Those transport infrastructure projects with contingencies listed at 30% to 20%. This will reduce the cost of essential transport works in CP15 by \$3,970,423.	Reduce cost contingencies from 30% to 20% of the base cost of transport infrastructure (\$3,970,423).	Addressed in part. Contingency allowance is still 30% for some items.
The council recalculates the administration charge using 1.5% of the reduced costs of CP15 recommended in this assessment.	Recalculate administration costs to adjust for any changes to the total capital works of CP15.	Addressed, but further changes will be required.
THSC considers escalating the contribution rate in the NPV model at the council's assumed cost of capital, which is the same as the discount rate currently applied in the NPV model.	Considers escalating the contribution rate in the NPV model at the Council's assumed cost of capital.	Addressed, but no change made (or required).
THSC should include all land it intends to exempt voluntarily from development contributions in the total NDA of CP15 for cost allocation purposes.	- Include 33.64 ha of land for three schools and a disabled school <sup>a</sup> in total net developable area of CP15.	Addressed in part. The council included a 'schools

IPART recommendations from CP15 (2016)	Amendments requested by the Minister	Request addressed?
	- Amend the contributions formula for non-residential development to include school land and apportion infrastructure costs for stormwater management only.	contribution rate' but did not adjust the total catchment area for non-residential development.
THSC should include the 8.13 hectares of the proposed Catholic school site in the total precinct NDA for cost allocation purposes. This will lower the development contribution to all sites in CP15 and avoid over recovery of development contributions. THSC has acknowledged that this is an error and will rectify it.	Include 8.13 ha of land for a proposed Catholic school in the total net developable area of CP15 for cost allocation purposes.	Addressed in part. The council included a 'schools contribution rate' but did not adjust the total catchment area for non-residential development.

**Source:** CP15 (2016), Appendix A: List of Findings and Recommendations, pp71 – 74, Letter from the Minister of Planning, 23 June 2017.

**a** The Minister's advice erroneously referred to disabled schools, this should refer to disabled housing.