

IPART REVIEWS HIGHLIGHT THE COST OF PROVIDING INFRASTRUCTURE IN WESTERN SYDNEY

Embargoed until 10:30am on Thursday, 27 October 2011

The Independent Pricing and Regulatory Tribunal (IPART) today published assessments of three Section 94 contributions plans in western Sydney.

The plans set the levies that councils seek developers to pay for the provision of local infrastructure in three greenfield development areas: Riverstone and Alex Avenue precincts within Blacktown City Council, and the North Kellyville precinct and Balmoral Road release area within The Hills Shire Council.

New residential development requires councils to provide significant amounts of infrastructure but the cost of providing this infrastructure needs to be carefully considered in its potential impacts on both development costs and land supply.

IPART's Acting Chairman, Mr James Cox, said: "These are the first three plans that IPART has reviewed under the arrangements that the NSW Government introduced in 2010."

"The reviews show the high cost to councils of providing local infrastructure to service Sydney's new residential release areas."

In its review of the three plans, IPART found that there were particularly high costs for land and stormwater facilities in the Riverstone and Alex Avenue precincts, and land for open space and recreation in all precincts.

Mr Cox said, "Councils are required to purchase large amounts of land, and in the case of north west Sydney, land is expensive".

"The cost of infrastructure should be borne by different groups in proportion to the benefits they receive from them," said Mr Cox.

"For example, much of the stormwater expenditure is to improve water quality in the Hawkesbury-Nepean River. This expenditure benefits all residents of Sydney, not just those in the new growth areas where the works are located.

"Then it's reasonable that all residents of Sydney should contribute towards meeting this cost".

"Further consideration of options for financing infrastructure in growth areas is therefore warranted".

"Over recent years, the rate of residential building activity in NSW has remained at relatively low levels. This no doubt reflects economic conditions and the high cost of housing on Sydney's fringe, which in part reflects the high costs of providing this infrastructure".

“In seeking to stimulate residential development activity a key issue that must be addressed is determining how to share these infrastructure costs between the State Government (via general taxation revenue), developers, councils, local residents or the wider community.”

The developer contributions in the plans IPART reviewed greatly exceed the \$30,000 cap for greenfield sites set by the Minister for Planning in September 2010. The maximum contribution rate per lot in the following precincts is:

- ▼ \$60,000 (\$2010) within Contributions Plan No 20 for Riverstone and Alex Avenue
- ▼ \$53,780 (\$2006) within Contributions Plan No 12 for Balmoral Road Release Area
- ▼ \$45,068 (\$2008) within Contributions Plan No 13 for North Kellyville Release Area.

“Our review has identified a number of amendments that the councils could make to their plans, which would reduce the cost of the infrastructure being provided. However, the impact on contribution rates is relatively small, and the reduction would have little impact on developers as the contributions are capped.”

IPART’s recommendations include:

- ▼ removing the cost of certain items that are not on the Essential Works List
- ▼ allocating a share of the cost of some infrastructure and facilities to non-residential development or adjacent areas that are outside the area covered by the relevant plans
- ▼ reducing contingency allocations for certain infrastructure works.

Although IPART has not been able to quantify the impact on costs for all of our recommendations, amendments to the plans would reduce the total cost of works by at least:

- ▼ \$45.1 million for the Riverstone and Alex Avenue Contributions Plan (total cost of \$700.1 million after recommended reductions)
- ▼ \$11.3 million for the Balmoral Road Contributions Plan (total cost of \$155.7 million after recommended reductions)
- ▼ \$7.2 million for the North Kellyville Contributions Plan (total cost of \$151.5 million after recommended reductions).

There will be a significant gap between the \$30,000 cap and the cost of essential infrastructure in the plans. Councils are able to apply to the State Government for Priority Infrastructure Funding to meet this gap for the period to June 2011. Alternatively, councils may apply to IPART for a special rate variation so that ratepayers will meet the additional costs. Any applications from councils will be assessed by IPART against criteria that address factors such as demonstrated need for the rate increases, community consultation and the impact on ratepayers.

Background

Under Section 94 of the *Environmental Planning and Assessment Act 1979* (EP&A Act) councils can obtain contributions from developers to fund the purchase of land and the construction of infrastructure, and facilities required to meet the demand from new development areas.

If councils wish to seek contributions under section 94, they are required to prepare a Contributions Plan.

The Minister for Planning issued a direction under Section 94E of the EP&A Act in September 2010 that limits contributions to a cap of \$30,000 per residential lot or dwelling for greenfield areas, and a cap of \$20,000, per residential dwelling for all other areas (though transitional arrangements exempt certain plans from the caps). These plans may only recover the cost of providing infrastructure that is on an "Essential Works List". The Minister also gave IPART the responsibility for reviewing certain contributions plans where the developer contributions in the plans exceed the caps.

IPART was asked to assess whether:

- ▼ the infrastructure and facilities included in the plan are consistent with the 'essential works list'
- ▼ the estimated costs of infrastructure and facilities are reasonable
- ▼ the costs of infrastructure and facilities are allocated between new and existing residents according to the expected use.

The reports are available on IPART's website <<http://www.ipart.nsw.gov.au>>.

For further information, contact: Alison Milne, Director Local Government

T (02) 9113 7710