MERITON

14 October 2016

IPART
PO Box KI35
HAYMARKET POST SHOP NSW 1240

Attention: Mr Derek Francis

Dear Mr Francis

REVIEW OF NSW LOCAL GOVERNMENT RATING SYSTEM – DRAFT REPORT

Thank you for the opportunity to make a submission on the Draft Report. Upon review of the report and discussions with IPART representatives, we maintain our objection to the use of the CIV Method for establishing local government rates. In addition to points made in our previous submission (Annexure A), we object on the following grounds:

- The report does not outline the actual increase in Council rates for apartments. Further information provided by IPART suggests a possible increase in residential rates of up to a **160%** based on buildings within our portfolio. It does not verify that apartments cost more for Council to service then residential dwellings to justify the change. It also fails to take a holistic view of the market and existing contributions to the economy made by the apartment sector that far outweigh contributions made by existing residential dwellings (i.e. stamp duty, land tax, s94). Accordingly, the argument of equity is not justified.

- As NSW's largest apartment owner, we insist that specific analysis of the above matters be made available for review and we reserve our right to make further submissions when such information is made available. Otherwise, it is just another part of the growing trend by the Government to extract additional costs on our industry and it is dangerous for the Government to be so reliant on an industry that is subject of fluctuations – look at mining.

- Such an increase will affect apartment demand and further exacerbate any downturn or force landlords to increase rents to cover increased costs. The change is proposed at a time when the market is changing and stability in costs for developers and buyers/investors is critical. The continued performance of the industry is critical for Government as it makes some of the most significant contributions to the economy which have enabled the government to deliver significant infrastructure:

    - Contributes 11.5 percent of economic activity - or $182 billion to Australian GDP
    - Is the nation's second largest employer, creating 1.1 million jobs - which is more than mining and manufacturing combined
    - helps provide a wage to one in four Australians
    - Already delivers 16 percent of the nation's tax revenue, with $72 billion in taxes paid to federal, state and local governments
    - Meriton alone creates approximately 11,800 jobs per annum with capital expenditure in the order of $1Bn*

    *Based on UDIA Report on Australian Property Insights (2010)

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- Accordingly, apartment developments are already making substantial contributions to the broader economy and local infrastructure far beyond the contribution made by single dwellings. Outside of the financial contributions (e.g. land tax, stamp duty, VPA's, affordable housing etc), new multi-unit housing developments such as Meriton's also include new public roads, street lighting, new drainage infrastructure, consolidated waste collection, public parks and other local community facilities. Our developments also provide pools, gyms, communal areas and are located in areas which reduce demand on using cars (and roads) as they include shops and are close to public transport. Accordingly, it can be argued that we place less or no greater demand on Council services and infrastructure then dwellings. The recommended changes now seek further contributions from apartment owners over the life of the development, while reducing costs on housing.

Our recommendations:

- The report's narrow scope means that these matters are not considered and a holistic view is not taken so it is easy for IPART to recommend a further increase in costs for the apartment sector. The scope of the report must be widened to take a more realistic view of the contributions made by the residential apartment sector and additional information must be provided to justify the recommendations.

- The Report suggests that Council's will be encouraged to increase density under the CIV scheme as it will result in increased income based on new developments. Given that Council's would receive a higher income from apartment development over time, it is only fair that a reduction in other up-front developer contributions must be applied (i.e. s94, affordable housing, VPA's). Adoption of the CIV Method must only be permitted with a reduction in other developer contributions and recognition of any other pubic infrastructure provided.

- In addition, all existing developments must be exempt from any change given the substantial contributions already made. This will ensure equity while still allowing Council's to seek additional funding with new development.

As outlined above, Meriton reserves its right for further comment when more information is made available.

Please feel free to contact the undersigned should you wish to discuss this matter further.

Yours faithfully
MERITON GROUP

[redacted]

Matthew Lennartz
Executive Manager – Planning and Government

Annexure A – Previous Submission

MERITON

27 May 2016

IPART
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Attention: Mr Derek Francis

Dear Mr Francis

REVIEW OF NSW LOCAL GOVERNMENT RATING SYSTEM

Thank you for the opportunity to make a submission on the Discussion Paper. As you may be aware, Meriton is Australia's largest residential apartment developer with an extensive portfolio of residential apartments across the Sydney Metropolitan Region.

We have reviewed the report and believe that the final report must recommend to the Government to retain the current system for the reasons listed below:

- The market has already slowed down so extra taxes will only exacerbate any downturn. Any consideration of such a significant change must wait for the property market to stabilise and start increasing again.

- Using the CIV approach will increase cost of unit ownership and consequently reduce demand for units and slow down housing supply.

- Slowing of housing supply will slow down other forms of Government income – land tax, stamp duty, s94 etc. This has not been taken into consideration in the IPART Report.

- Multi-unit developments make contributions beyond private dwellings by:

  - Providing their own on-site services (childcare centres, shops,
  - pools, gyms, communal space, playgrounds etc) which reduce demand on Council services
  - Unit owners are also subject of strata fees to fund on-site services at the expense of relying on public services/facilities
  - Being well-located for access to public transport placing less demand on roads and other Council owned infrastructure

- Councils are already distracted by amalgamations and the requirements for this process are too great for Council's who cannot recover any additional rates through this process.

We trust that you can accommodate our points in your recommendation and we can discuss further oat our meeting next week.

Yours faithfully
MERITON GROUP

[redacted]

Matthew Lennartz
Executive Planner

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