




Australia's property industry

Creating for Generations

Property Council of Australia
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27 March 2020

Liz Livingstone
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
Sydney NSW 1240

Dear Ms Livingstone,

Review of Wollongong City Council's West Dapto Development Contributions Plan

The Property Council of Australia welcomes the opportunity to provide comments on the final report of IPART's review of Wollongong City Council's West Dapto Contributions. We acknowledge our collaborative working relationship with Wollongong City Council and will continue to engage with Council on this matter to address the recommendations raised by your recent review.

As Australia's peak representative of the property and construction industry, the Property Council's members include investors, owners, managers and developers of property across all asset classes. We also represent a diverse group of members spread across all parts of the Illawarra and Shoalhaven region.

One of the Property Council's priorities in the Illawarra is housing affordability and ensuring that we are working with local councils to develop more innovative ways of delivering housing, as well as coordinating housing with the delivery of infrastructure in an efficient and effective way. This is vital when considering the impact that contributions have on investment and affordability of housing for our local communities.

We are generally supportive of the draft report. We support the adjustments to the cost of land, however, believe another review of costs in future with industry and an independent third party would also be a suitable recommendation to council. Overall, we are pleased that the draft recommendations provided by IPART have addressed a range of concerns from the property industry. Some of the key concerns raised include:

- Council should adopt the recommendation of IPART and apportion contribution rates based on the infrastructure requirements of each development precinct/stage of release.

- Council should split the transport contribution rate into two so that the cost of providing transport infrastructure is fairly apportioned between Stages 1-3 and Stages 4-5.
- Council should split the stormwater management rate into two so that the cost of providing stormwater management is fairly apportioned between Stages 1-3 and Stages 4-5.
- Council should review the proposed contingency rates and ensure they are in line with industry best practice.
- Council should reconsider the proposed contribution rates for the southern part of the release area (Stages 4-5) to reflect the actual cost of infrastructure being provided in that area and to ensure that housing is affordable once the LIGS ends in June 2020.

The Property Council broadly supports the list of recommendations contained in the final report and in particular we strongly agree with the following specific actions:

Recommendation 22 for the apportionment of costs across stages:

- Maintain the current approach of having the same contribution rates across all stages for open space and community facilities costs.
- Create two separate contributions catchments for the apportionment of transport, stormwater management and plan administration costs: Catchment 1 comprising Stages 1-4 of the release area; Catchment 2 comprising Stage 5 of the release area.

We encourage IPART to strongly support the draft recommendations outlined in the report and ensure the implementation of these by Council. We will also continue to work with Wollongong City Council on this matter, as we believe further collaboration and providing input from the industry is vital.

We also attach our original submission to Council for your further consideration. Should you have any questions, please do not hesitate to contact myself on [REDACTED] or Troy Loveday, Senior Policy Advisor on [REDACTED]

Yours sincerely



Michelle Guido
Illawarra Regional Director
Property Council of Australia



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16 August 2019

Mr Greg Doyle
The General Manager
Wollongong City Council
Locked Bag 8821
Wollongong NSW 2500

By email – council@wollongong.nsw.gov.au

Dear Mr Doyle

Draft West Dapto Development Contributions Plan (2020)

The Property Council of Australia welcomes the opportunity to provide comments on the draft West Dapto Contributions Plan (DWDCP) open for public comment. We acknowledge our collaborative working relationship with Wollongong City Council and would like to continue engaging with you on this matter to address the recommendations raised.

As Australia's peak representative of the property and construction industry, the Property Council's members include investors, owners, managers and developers of property across all asset classes. We also represent a diverse group of members spread across all parts of the Illawarra and Shoalhaven region.

The draft plan on exhibition is the product of a biennial update to the current contributions plan for the West Dapto urban release area. Regular reviews of the contribution plan were a requirement of the Minister for Planning's endorsement of the contribution plan in September 2017.

We are pleased to provide the following comments for Council's consideration.

IPART Condition 29

The Council report of 24 June 2019 has responded to the IPART recommendation and subsequent condition of the Minister for Planning that required it to consider either:

- (a) *Removing Stages 4 and 5 from the plan for inclusion in a new or another section 94 contributions plan, or*
- (b) *Introducing separate contributions in the West Dapto CP for developments in Stages 1-3 and developments in Stages 4 and 5, which are more reflective of the cost of facilities to meet demand from the new development in each of the stage.*

Council has provided a number of reasons for not accepting this request. These include:

1. Shared demand nexus
2. Whole of release area planning
3. IPART indicative rates
4. Consistency throughout Plan reviews
5. IPART 2019 Discussion Paper – “Inclusion of Roads in Contribution Plans”

Council considers that “development in the release area has a shared responsibility to contribute to local infrastructure requirements as all stages, neighbourhood planning areas and individual subdivisions will benefit from urban zoning uplift and all stages will play a role in meeting the region’s housing supply needs within the same competitive housing market”.

The West Dapto Urban Release Area covers a significant area with urban development being spread across five distinct development precincts (or stages of release). The draft contribution plan indicates there is considerable difference in infrastructure requirements (particularly in respect of stormwater and traffic improvements) between the precincts/release stages. It is appropriate that these variations are reflected in the rates applicable to each precinct/stage of release.

This approach is consistent with the recommendations from the IPART and Minister for Planning conditions that Council was requested to give further consideration. It is the view of the Property Council members that the contribution rates levied on land owners should better reflect the actual costs incurred to deliver infrastructure for the relevant precinct/stage of release.

Recommendation: Council should adopt the recommendation of IPART and the Minister for Planning and apportion contribution rates based on the infrastructure requirements of each development precinct/stage of release.

Total cost of infrastructure works

The 2017 West Dapto Contribution Plan provided identified a need for approximately \$950.8 million of infrastructure, comprising both land and works, to support the new community at West Dapto. The draft plan has been reviewed and updated to reflect the revised Structure Plan adopted by Council in 2018 and involves approximately \$972 million of expenditure on local infrastructure. This is a \$22 million or 2.3% increase in infrastructure costings over the course of 2 years.

Council’s report of June 2019 indicates that the main change is in the cost of delivering stormwater management which accounts for a \$12.1 million increase. Transport costs also have increased by \$7.7 million and open space costs have increased by \$2.3 million. Some of these cost changes reflect the difference between estimate and actual costs realised after the infrastructure is delivered.

Recommendation: Council should provide the detailed costings for each infrastructure category contained in the plan to IPART as part of its review role.

Transport

The draft contribution plan involves provision of a significant capital investment in transport facilities, including \$36.1 million for land and \$724.7 million for works. Transport improvements represent about 78% of the total cost of the draft contribution plan. Council’s statement that transport has a “shared demand nexus” is not supported by the Property Council. Given the scale of the West Dapto Urban Release Area it is unlikely that there will be a high degree of sharing of road network infrastructure between precincts.

There may be potential for a shared nexus between 1 or 2 stages of release but unlikely for all stages. Given the considerable linear distance from the northern end of the release area to the southern end (being more than 10km), it is likely that future residents of stages 1/2 and 3 will drive on roads within the other precinct and the same would apply to the future residents of stages 4 and 5. It is more the residents of the southern precincts will in fact leave the release area for regional travel and use M1 Princes Motorway for those journeys rather than use internal collector roads within Stages 1-3.

Recommendation: Council should look at splitting the transport contribution rate into two so that the cost of providing transport infrastructure is fairly apportioned between Stages 1-3 and Stages 4-5.

Stormwater Management

The draft plan involves expenditure of \$29.3 million for land and \$93.1 million for works related to stormwater drainage. It includes detention basins, gross pollutant traps, enhanced storage areas and trunk drainage.

The cost of enhanced storage areas in the 2017 plan was \$32.6 million and in the 2020 plan is \$36.4 million. The majority of these facilities cost between \$4 million and \$6 million, apart from the Duck Creek facility (SM06) which has been costed at \$15.7 million. There is no explanation for this variation. Council should provide detailed breakdown of the costs for delivery of SM06.

Table 17 of the draft plan indicates timeframes for the delivery of these structures. SM01 has an indicative timing of 2020/21 to 2059/60. SM06 has an indicative timing of 2046/47 to 2050/51. It would be helpful for Council to provide additional details regarding the expected timeframes for delivery of this infrastructure.

The cost of trunk drainage in the 2017 plan was \$25 million and in the 2020 plan is \$26.7 million. As most of the trunk drainage for the urban release area is yet to be designed and costed, it is difficult to accurately estimate the cost of trunk drainage between each stage of release. For this reason, it is appropriate that the later release stages should have a separate contribution plan or contribution rates to reflect the actual cost of delivering those works.

Recommendation: Council should look at splitting the stormwater management rate into two so that the cost of providing stormwater management is fairly apportioned between Stages 1-3 and Stages 4-5.

Open space

The draft plan involves expenditure of \$38.5 million for land and \$35.5 million for works to deliver the open space and recreation facilities for the new West Dapto community. This includes multiple local and neighbourhood parks and partial costs of providing regional sporting facilities.

Given the scale of the urban release area there will be a total of 16 local parks provided in the northern precinct (Stages 1-3) at a cost of \$47 million and 7 local parks provided in the southern precinct (Stages 4-5) at a cost of \$21 million.

The variation in cost and timing of delivery of this infrastructure between the land release stages warrants further consideration being given to splitting the contribution rate for open space into two. So that the cost of providing this infrastructure better reflects the actual cost and quantity of infrastructure delivered to each stage of release.

Recommendation: Council should look at splitting the open space and recreation contribution rate into two so that the cost of providing open space is fairly apportioned between Stages 1-3 and Stages 4-5.

Costings

The draft contributions plan involves a contingency allowance of 20% for open space and transport and 30% for stormwater management. These should be consistent with accepted standards for similar scale infrastructure projects delivered by NSW Government entities.

Recommendation: Council should review the proposed contingency rates and ensure they are in line with industry best practice.

Contribution rates

The 2017 contribution plan currently (after indexation) involves a contribution rate of \$49,784 for a detached dwelling/subdivision lot. Lower contribution rates apply to multi-unit housing developments, being \$34,226 for 2-bedroom dwellings and \$38,894 for 3-bedroom dwellings. These costs are currently shared between the developer and the NSW Government under the Local Infrastructure Growth Scheme (LIGS). After 30 June 2020, the full cost of providing local infrastructure will be borne by the developer (and ultimately the homebuyer).

The draft contribution plan proposes the following contribution rates:

- Multi-unit housing (2-bedroom) \$36,403
- Multi-unit housing (3-bedroom) \$41,367
- Subdivision lot/ detached house \$52,950

The proposed contribution rates for residential development apply to all land within the urban release areas and are not reflective of the type and quantity of infrastructure being delivered locally. These contribution rates are very high for a regional area of New South Wales and if adopted will be a disincentive for future residential development in parts of the urban release area. Council should consider reviewing the contribution rates for the southern part of the urban release area which do not have the same level of accessibility to employment and services in the Wollongong CBD and further afield as those in the northern part of the release area.

Recommendation: Council should reconsider the proposed contribution rates for the southern part of the release area (Stages 4-5) to reflect the actual cost of infrastructure being provided in that area and to ensure that housing is affordable once the LIGS ends in June 2020.

We would like to continue working with Wollongong City Council on this matter, we believe further collaboration and providing input from the industry is vital and suggest the development of a working group to conduct an industry review as an appropriate option to assist Council in finalising their proposed charges and plans for West Dapto.

One of the Property Council's focuses in the Illawarra is on housing affordability and ensuring that we are working with local councils to develop more innovative ways of delivering diverse and more affordable housing, as well as coordinating housing with the delivery of infrastructure in local communities in an efficient and effective way.

Overall, we want housing to be more affordable for our local residents, and unfortunately the proposed increase in infrastructure charges will inevitably be passed on to home buyers

through the increased purchase price of a home, putting a new home out of reach for many. It is our intention that together as an industry we can look at the cumulative impacts of existing fees and charges on housing with Council, to enable a more transparent and collaborative approach to deliver housing and infrastructure at an affordable price.

We are all passionate advocates for our region and are very willing to be involved in further discussions around the recommendations. Should you have any questions, please do not hesitate to contact myself on [REDACTED] or Troy Loveday, Senior Policy Advisor on [REDACTED]

Yours sincerely

A large black rectangular redaction box covering the signature area.

Michelle Guido
Illawarra Regional Director
Property Council of Australia