



Section 94 Contributions Plan No. 22 – Rouse Hill

UDIA NSW Response to IPART

June 2018

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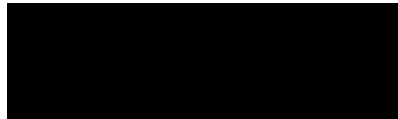
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CONTACT

For further information about any matter raised in the submission please contact:

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ABOUT THE UDIA

Established in 1963, the Urban Development Institute of Australia (UDIA NSW) is the oldest industry group representing the property development sector. Our 500 members include developers, engineers, consultants, local government, and utilities. Our advocacy is focussed on developing liveable, connected, and affordable cities.

INTRODUCTION

UDIA NSW welcomes the opportunity to comment on Blacktown City Council's *Section 94 Contributions Plan No. 22 – Rouse Hill (Land)* (CP22L) and *Section 94 Contributions Plan No. 22 – Rouse Hill (Works)* (CP22W).

The *Local Infrastructure Contributions Practice Note – January 2018* defines how IPART is to assess contribution plans. We understand the Practice Note is currently under review by the Department. The Practice Note requires assessment against the following criteria:

1. Essential Works List
2. Nexus
3. Reasonable Cost
4. Reasonable Timeframe
5. Apportionment
6. Appropriate Community Liaison
7. Other matters

We have sought to highlight the highest cost points in the plan in this submission. Where we have reserved comment does not necessarily indicate we support the items; however, are keen to continue to engage in the process where there is a lack of clarity.

We welcome the new opportunity for industry to engage in the IPART assessment process. We would recommend additional time is provided for industry consultation, so we can seek proper advice from our membership. UDIA NSW is keen to discuss our recommendations in more detail as the assessment process progresses, to ensure the best possible outcome.

IMPACT OF UNCAPPING CONTRIBUTIONS

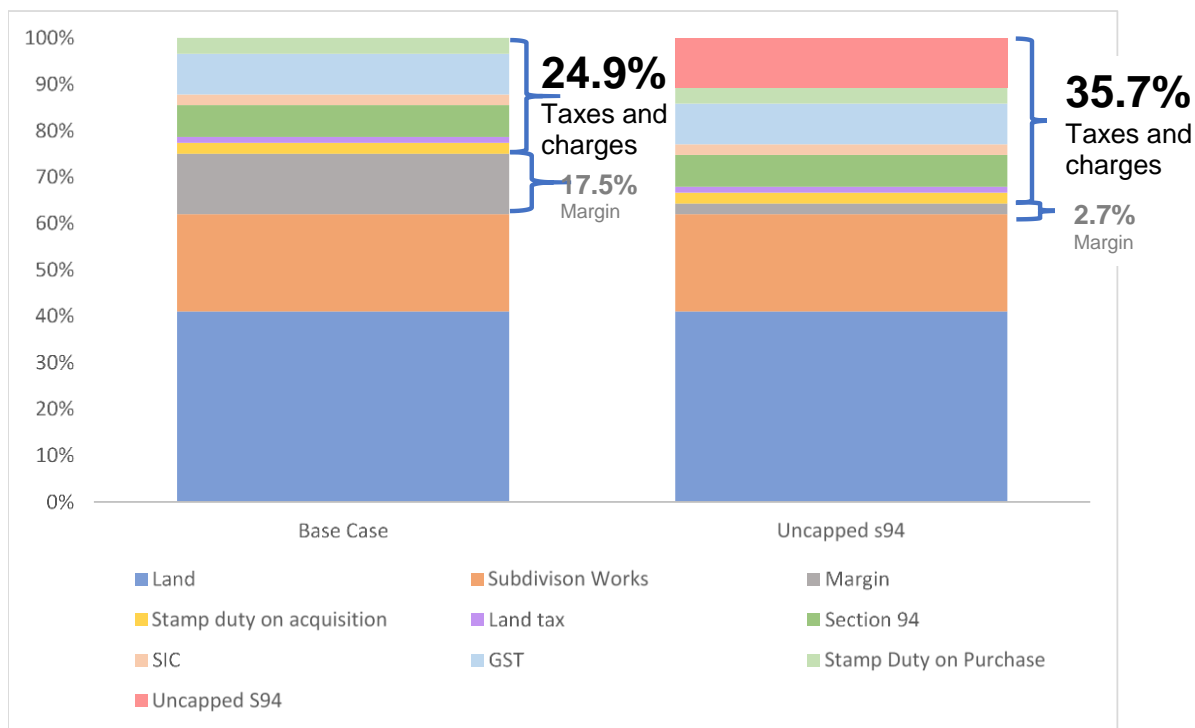
The urban development industry is critical to the success of NSW. Recent modelling by PwC shows the economic cost of a 10 per cent reduction in new housing investment in NSW, over five years, which would result in the loss of:



Continued housing supply is critical for housing affordability and the economic success of this state. Uncapping section 7.11 (formerly s94) contributions without adequate notice and transitional provisions places the continued economic growth of this state at risk.

While not directly in IPART's remit, IPART as a key economic adviser to government has a role to play in providing advice for reasonable transitional arrangements for section 7.11 plans. We consider the step change in the transition from \$45,000 per residential lot to between \$73,554 and \$112,056 (in this plan) at 1 July 2020 to be substantial and is unlikely to be absorbed by the development industry. The graph below indicates the impact of a \$55,000 increase in section 7.11 contributions from the current \$35,000. It is clear industry cannot absorb increased costs, and if the market cannot absorb increased prices, then supply will halt.

Uncapping Section 7.11 Contributions



We call on IPART to recommend additional transitional arrangements for the uncapping of section 7.11 contributions, particularly with plans for extremely high costs.

CP22 – LAND

Land Costs account for 56% of the total cost of both contribution plans. We consider this is a function of sustained increases in englobo land prices.

The NSW Government needs to act to stabilise englobo land prices, we have developed a taskforce that is developing a range of policy solutions to infrastructure funding provisions. The taskforce will release a series of recommendations for reform later this year.

Our comments aligned with the Practice Note Criteria are below, although we make separate comments about open space land below, which makes up most of the costs in the plan:

1. Essential Works List – Land acquisition is consistent with the essential works list.
2. Nexus – the nexus for many items were established through the precinct planning process.
3. Reasonable Cost – without conducting detailed site by site analysis, we are unable to test the veracity of land prices.
4. Reasonable Timeframe - In many instances, land prices tend to increase over time. We would recommend Blacktown City Council purchasing land upfront to ensure certain prices and to insulate against the risk of future englobo land price increases.
5. Apportionment – we are unable to make a comment on the level of information provided.
6. Appropriate Community Liaison – while the contributions plan met statutory consultation time frames, we note the plan was exhibited over the Christmas/New Year period, in many instances industry is asked to extend notifications for DAs for this period.

OPEN SPACE

72.4% of the land costs in the CP22 are accounted by open space costs. This is a function of increased englobo land values, alongside poor master-planning that does not consider the impact of the highest and best use of the land. We recommend the master-planning process has consideration for the cost of delivering the masterplan, by integrating infrastructure and land-use planning. For a single dwelling home in the area, the land cost for open space alone costs \$36,859, which exceeds the current total contributions cap.

Without completing a detailed analysis of land prices in the area, we are unable to determine if the proposed average rate per square metre of \$392 for open space is accurate, although understand this is supported by a registered valuer's analysis.

UDIA NSW recommends where possible efficiencies in land use are found to minimise costs for homebuyers. We recommend IPART includes a recommendation highlighting the cost impacts of decisions as part of the master-planning process would lead to a more efficient outcome.

We acknowledge the open space is provided for as part of the indicative layout plan, although we also note the provision is beyond the '2.83ha/1,000' resident standard. We consider there should be consideration of the need, and the location of open space for the precinct. Particularly, noting much of the open space is located in high cost areas. Furthermore, we would consider the 2.83ha standard to provide an overprovision of open space in many instances.

CP22 WORKS

The works cost in CP22 total \$439 million. Without looking at the plan forensically we are unable to determine if the costs are reasonable or nexus has been established for all of the items.

We ask IPART to check

1. If the facilities are gold-plated or designed to last beyond a reasonable lifespan.
2. The level of contingencies in the plan, UDIA NSW would recommend contingencies are reviewed regularly as projects are progressed and de-risked resulting in lower contingencies and reductions in the plan as appropriate.

We consider the plan administration cost to be high, despite being consistent with the IPART benchmark report. Further work as to the actual cost of plan administration can be considered. As the cost is approximately \$6 million, this amounts to \$200,000 per year over twenty years.

OPEN SPACE

The cost of open space is the most significant works cost in the contributions plan, accounting for 46% of the works costs in the plan. We consider the works cost to be unreasonably high given the population, as it averages at \$6,460 per person.

UDIA NSW more broadly recommends the open space works cost for base level embellishment is measured as a per person cap of works, which would also cater for additional embellishment in infill areas. A recommendation that provides a reasonable per person cap on works would be welcome, although we consider that if IPART provides a recommendation it is subject to further industry consultation.

CONCLUSION

UDIA NSW welcomes the opportunity to comment on the CP22 plans. UDIA NSW wishes to continue to work collaboratively with IPART to resolve issues and concerns relating to this plan.

It is critical the plans serve to enable growth as opposed to stop growth, which is a risk with the uncapping of section 7.11 contributions and the significant threat of a step-change in July 2020.

UDIA NSW has made a series of recommendation requesting further reviews of costs in the plans in particular:

- Review the quantum and location of open space to more affordable areas
- Base level embellishment is defined as a per person cap on works

UDIA NSW is actively looking at the policy reform for infrastructure contributions. We recognise councils are severely limited in their ability to properly fund infrastructure, which forces increased upfront costs through higher section 94 contributions.

UDIA NSW has developed a taskforce that is looking at the issue of infrastructure contributions and how it impacts upon development.

We recommend:

- State Government finds an alternative funding source while the system undergoes much needed reform.
- Government works with UDIA NSW and the development industry to find a permanent solution to the current infrastructure funding challenges.

If you wish to discuss any aspect of this plan in more detail, please contact Mr Sam Stone, Manager, Policy and Research on [REDACTED]

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