

27 April 2020

Dr Paul Paterson
Chair
IPART
PO Box K35
Haymarket Post Shop NSW 2140

Dear Dr Paterson,

Prices for Sydney Water Corporation from 1 July 2020

The Urban Development Institute of Australia (UDIA) NSW is the leading industry body representing the interests of the urban development sector and has over 500 member companies in NSW. UDIA advocates for better planning, timely and affordable housing, and the building of vibrant communities to increase local job opportunities.

The IPART Draft Report on the Review of Prices for Sydney Water Corporation from 1 July 2020 includes a draft decision to defer all future expenditure on the Prospect to Macarthur Link because:

- Dam storages are significantly in excess of (more than double) the construction trigger set out in the drought options study.
- Deferring this scheme allows time for a comprehensive drought response and long term supply-demand plan to be developed.
- There are benefits, in present value terms, of deferring this expenditure.

UDIA believes this draft decision may overlook the temporary nature of the current respite from severe drought as a result of recent rainfall, the constrained nature of the existing infrastructure, and the immediate demand for the Link to supply current and ongoing growth in Western Sydney.

Existing Sydney Water infrastructure in Western Sydney is at capacity. Where water infrastructure exists at all in these areas of Western Sydney, it was originally designed with rural servicing in mind and is unable to meet growth servicing needs, even in the short-term. Parts of the existing network are already over-committed due to the growth that has already occurred. Our 2018 [Building Blocks report](#) highlighted water supply as one of the key missing pieces of infrastructure holding back the delivery of up to 90,000 new homes in Western Sydney within three years.

In many of the areas that would be serviced by the Prospect to Macarthur Link, development approvals have been issued and construction has commenced. The major active greenfield supply precincts are all located in Western Sydney, with over 80 active estates on average in 2019. Further details on this current growth within the Prospect to Macarthur Link service area are available in our [State of the Land 2020 report](#).

Urban Development
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NEW SOUTH WALES


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In the last year, the NSW Government has also significantly progressed land use plans for the Western Sydney Aerotropolis, with new planning instruments expected mid-year. Many of the first release precincts have major landholdings ready to develop as soon as possible. UDIA notes that precincts in Pondicherry and South Creek West are significantly progressed and likely to begin supplying new housing and employment land within the 2020-2024 pricing timeline. The NSW Government has also declared a Greater Macarthur Growth Area and is progressing rezonings.

UDIA believes it is vital that the Prospect to Macarthur Link is progressed as soon as possible to meet current and ongoing demand in Western Sydney given the constraints of the existing system. Without this infrastructure Sydney Water will be forced to deliver costly and inefficient short term solutions which continue to mask a growing deficiency. We recommend that IPART support Sydney Water's proposed expenditure on the Link during the 2020-204 pricing timeline.

UDIA would be pleased to meet to discuss this recommendation, please contact Keiran Thomas, Greater Western Sydney Manager, [REDACTED] to arrange.

Yours sincerely,

A black rectangular redaction box covering the signature of Steve Mann.

Steve Mann
Chief Executive

Attached:
UDIA NSW Building Block 2018 – Greater Sydney
UDIA State of the Land 2020

BUILDING BLOCKS

UDIA NSW
2018





Message from the CEO

Sydney has a housing affordability crisis; for three consecutive years we have been the second least affordable city in the world.¹ In 2016 the average house cost 10.8 times the average income.²

The housing affordability crisis is being caused by a lack of supply we have yet to properly supply our growth, despite housing supply at record levels. Sydney needs to be producing 41,250 homes per year, we have never sustained that level of housing supply. While supply peaked with a rising market, we need to ensure that housing supply remains robust over the medium term, otherwise, housing will continue to be extremely unaffordable.

When UDIA first completed Building Blocks in 2012 the Sydney market had been delivering less supply than Adelaide, and housing completions had been at record lows. This led to a 100,000-dwelling backlog that created the housing affordability crisis. The original Building Blocks report provided a plan to kick-start growth in NSW and led to the establishment of the Housing Acceleration Fund.

The last building blocks report focussed on the key trunk infrastructure to unlock housing

¹ Demographia
² ABS 2016

supply within a three year period for Lots above 10 hectares. We have continued that analysis in the Building Blocks 2 report, and it now includes the fragmented land holdings above 1,000 square metres, particularly given the progress of land development in the North Western Growth Precinct.

Now the landscape has changed, we do not need development to be kickstarted, but a lack of coordination has meant that there are many areas where 'one last piece of infrastructure' is delaying housing supply. Leading consulting firm Mott Macdonald in collaboration with the UDIA NSW Land Committee has identified 17 projects costing a total of \$286 million that can enable the delivery of 94,500 lots within the next three years (see below), while the development pipeline faces critical shortages.

UDIA NSW has called on the NSW Premier to set up an Urban Development Program (UDP) to

lead Government Departments, Agencies and infrastructure providers to coordinate the delivery of serviced and rezoned land. This would mean that there would be greater focus on strategic infrastructure planning looking at the medium and long term needs of the market. This will eliminate the situation where many areas have one last piece of infrastructure holding up development.

There remain major pressures on supply and affordability. Government investment is needed to catalyse supply and deliver the last piece of infrastructure, which is too big for a developer, but not big enough for typical focus from government. These lots will bring forward the homes that can help fill the 100,000 dwellings backlog and meet our economic and population growth targets.

STEVEN MANN
UDIA NSW CEO

Building Blocks Sydney Partner



NORTH WEST

6 Infrastructure Projects
38,600 Dwellings Unlocked
\$127 Million Investment

SOUTH WEST

7 Infrastructure Projects
49,700 Dwellings Unlocked
\$118 Million Investment

WILTON

3 Infrastructure Projects
4,000 Dwellings Unlocked to
Seed Development in the Area
\$26+ Million Investment

GREATER MACARTHUR

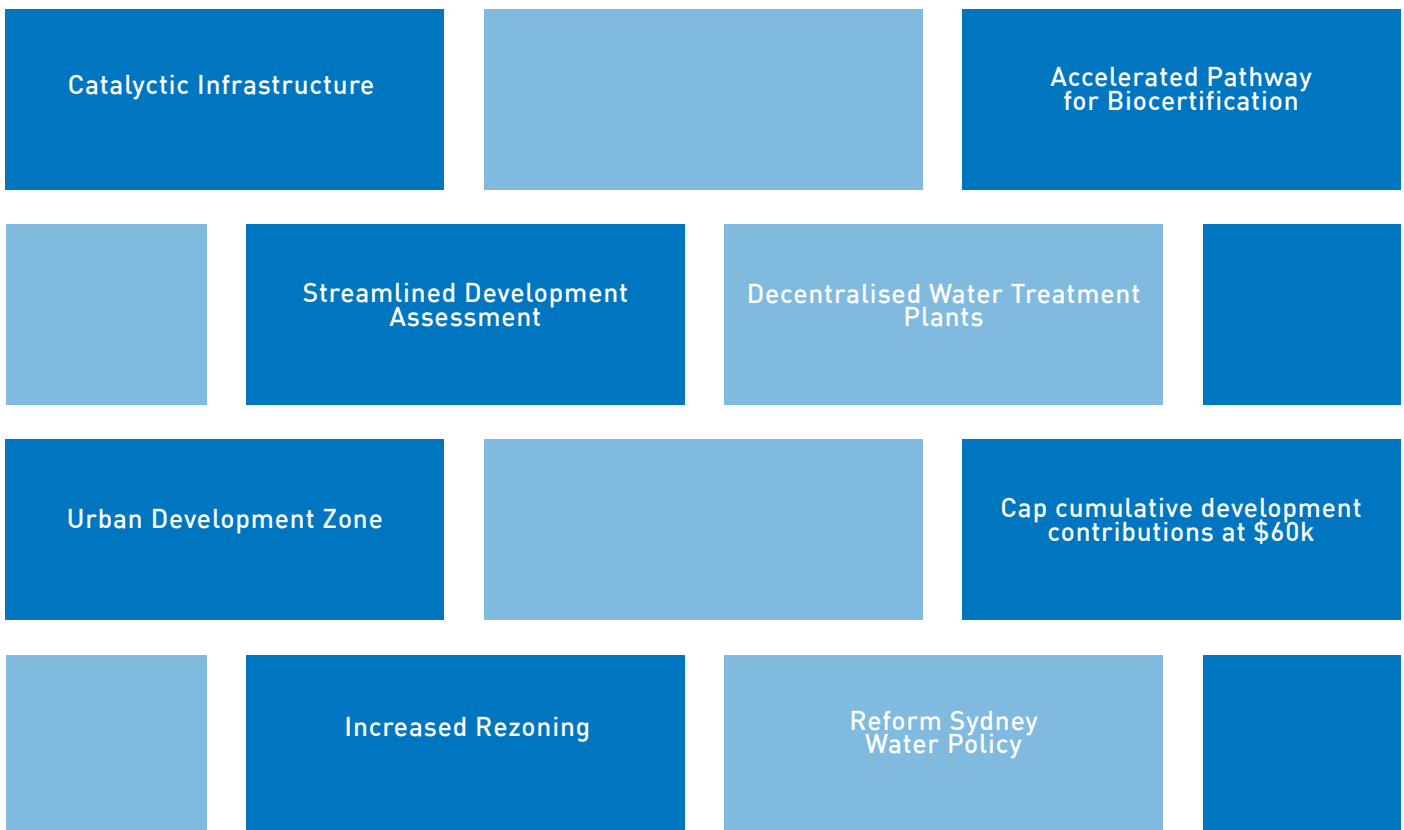
1 Infrastructure Projects
2,000 Dwellings Unlocked to
Seed Development in the Area
\$15 Million Investment

BUILDING BLOCKS FOR HOUSING SUPPLY

There are 8 key “quick fix” Policy Building Blocks that can support the delivery of housing within the next three years as well as establish the framework to fast track housing supply into the medium term:

1. **Greater Adoption of the Urban Development Zone** - the use of the Urban Development Zone adopted in the Wilton Priority Growth Area and the Aerotropolis Precinct should be extended to all greenfield release areas comprising large land holdings in limited land ownership. This will streamline planning and accelerate rezoning where opportunities prevail. Fragmented areas will still require greater coordination.
2. **Release more Precincts for Rezoning** – this is a simple building block. Yet it is illustrative of the lack of progress of the rezoning of Sydney’s Priority Growth Area Precincts, particularly in the South West. Of the 7 sites endorsed by The NSW Government’s Potential Home Sites Program in 2012 as suitable for immediate rezoning, only 1 site has been rezoned today, 6 years later.
3. **Streamline Development Assessment** – There are unnecessary bureaucratically induced delays in development assessment. Approvals for major projects over \$20 million in value took over 9 months in 2015-16. There are also long delays (over 6 months) to seek recourse in the Land and Environment Court. Legislated time limits on responses from Agencies need to be enforced. Multiple agency referrals need to be rationalised and reduced; and more funding must be provided to the Court to increase its capacity and responsiveness.
4. **Reform Sydney Water Certification Policy** – Sydney Water’s recent removal of bonding for S.73 Certificates has created significant and pointless delays in land registration. This has been exacerbated by inefficient work practices in the disinfection process. Certification, and the steps within it should be opened up to private, appropriately accredited, third parties.

5. **Cap Cumulative Development Contributions at \$60,000** – Today, 25% of the cost of a new home in NSW comprises taxes and charges. It is the highest in the country. The uncapping of local S7.11 Contributions and increased cost shifting to home buyers to pay for state infrastructure could push this to beyond 35%. This is not reasonable and the industry is burdened with uncertainty. Contributions need to be set and capped immediately at \$60,000. This still maintains new homes in NSW as the most heavily taxed in the country. However, it provides for a 50% increase on S7.11 Contributions.
6. **Accelerated Pathway for Bio certification** – Biocertification is complex, requires excessive investigation, is time consuming and inherently conflicting between State and Federal requirements. Yet there is sufficient understanding to enable the introduction of benchmark offset credits and a streamlined process that can dramatically simplify and speed up Biocertification.
7. **Decentralised Water Treatment** – Package Treatment Plants can be installed on site, quickly and cheaply. They can also be expanded giving ultimate flexibility. Adoption, however, is constrained by existing Sydney Water Policy that favours large expensive centralised treatment plants, and EPA constraints on discharging treated water into Sydney’s rivers. Adopting the use of decentralised water treatment and discharging water into riparian systems such as South Creek will significantly contribute to the achievement of the Greater Sydney Commission’s liveability, parkland and amenity goals. It is a simple, but critical, policy change that is essential for Western Sydney.
8. **Catalytic Infrastructure** - Catalytic Infrastructure remains at the heart of the building blocks report. Mott MacDonald has analysed the key pieces of infrastructure that is necessary to unlock housing supply over the next three years. Investing in catalytic infrastructure will accelerate the growth of Sydney and the NSW economy.

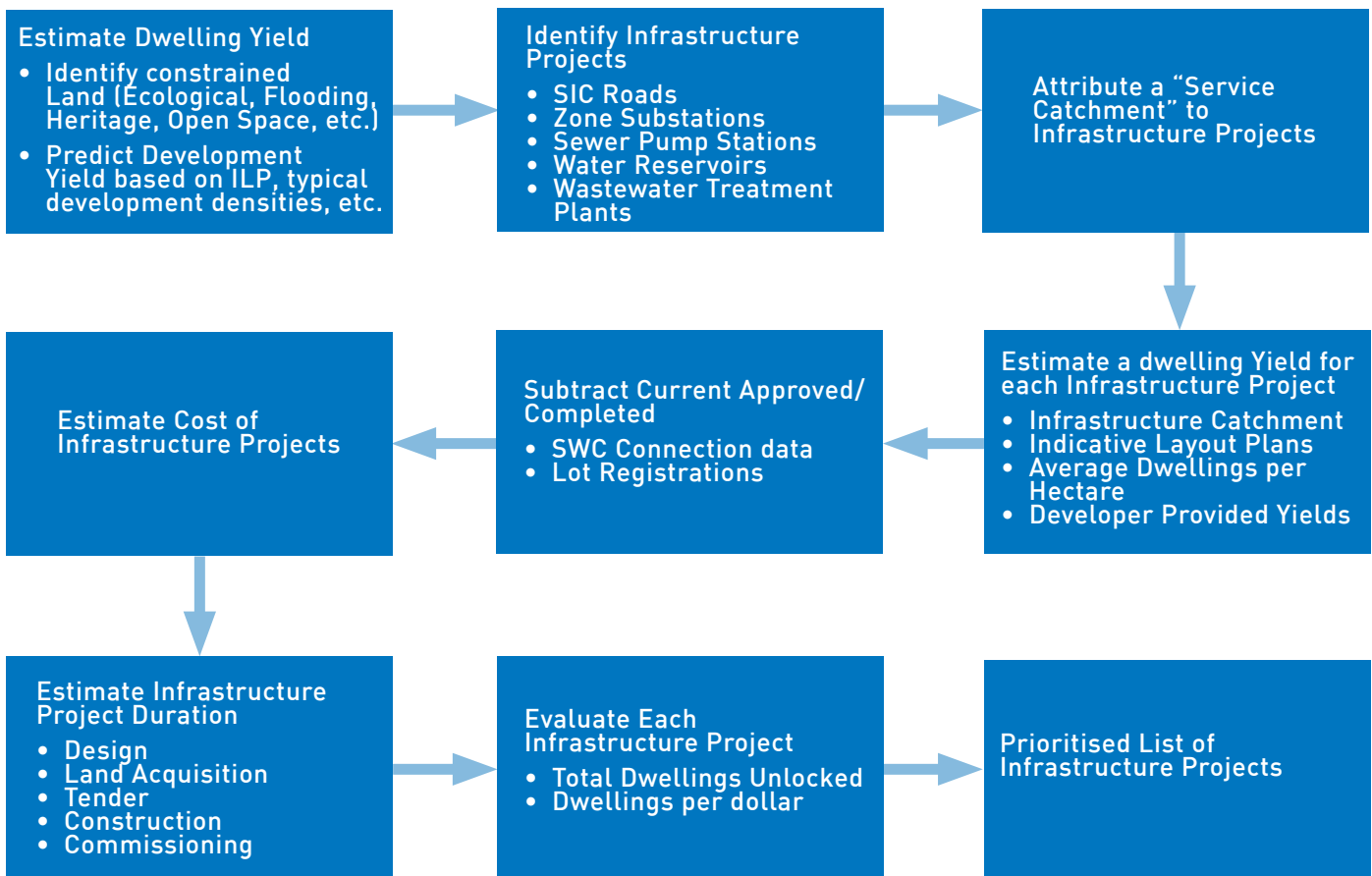


BUILDING BLOCKS CATALYTIC INFRASTRUCTURE METHODOLOGY

UDIA and Mott MacDonald sought to deliver catalyst infrastructure on land that was 'ready to go' immediately. We have identified areas where there is the last missing piece of infrastructure that cannot be delivered by the development industry. The focus was on catalytic infrastructure that unlocks development: roads, electricity, sewer, and water, that can be delivered in three years. UDIA and Mott Macdonald have developed a framework that addresses the current market conditions and can unlock the most supply.

- Investigate all greenfield land in Sydney's Growth Areas that can supply dwellings to market within 3 years (i.e. land that is either Rezoned or Released)
- Only investigate land that is released and/or zoned for residential development (no analysis has been undertaken on Employment Land Supply)
- Only investigate infrastructure projects that can be typically delivered within a 3-year timeframe
- Only investigate infrastructure projects unlikely or unable to be delivered by developers (too small for Government, too big for Developer)

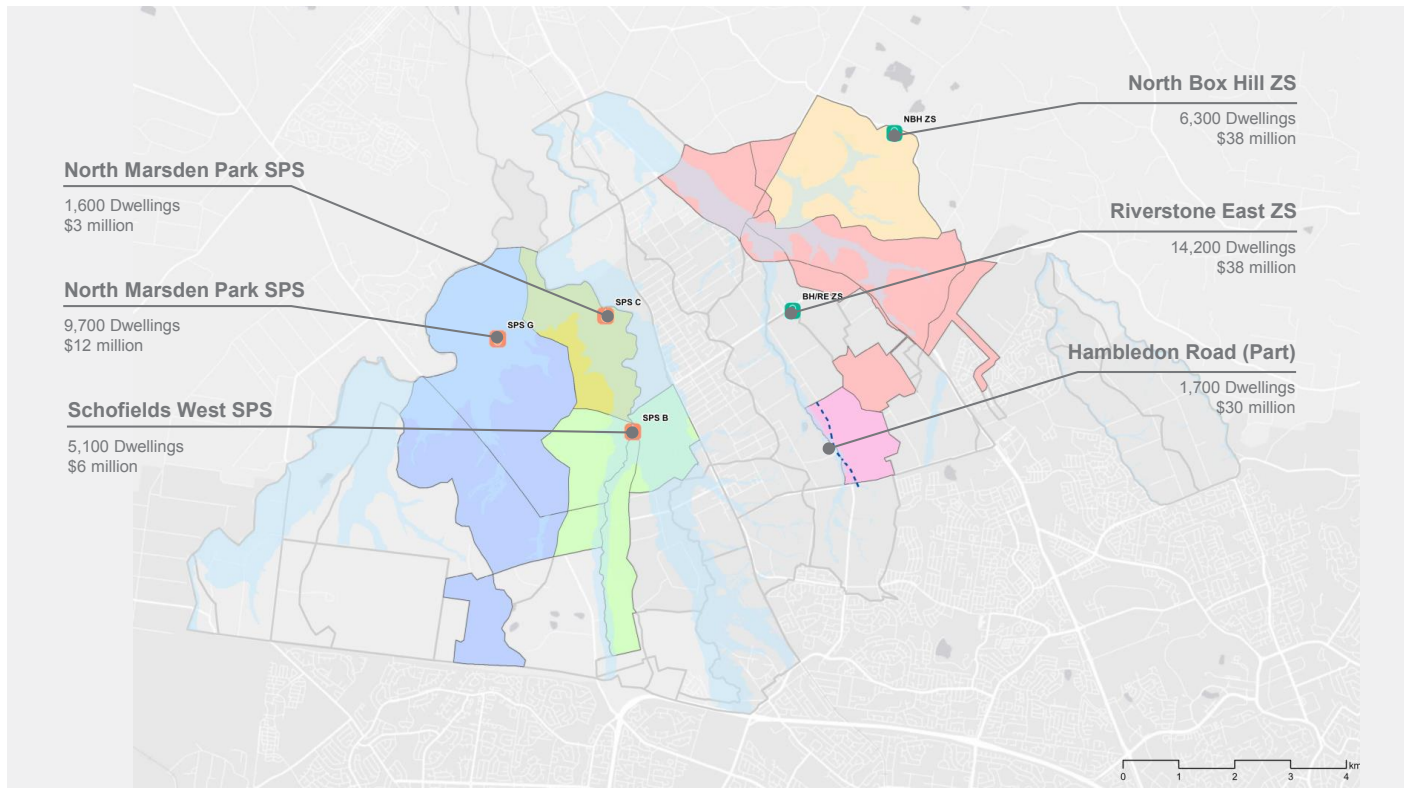
Building Blocks Methodology



THERE REMAINS A CRITICAL NEED FOR LONG-TERM INFRASTRUCTURE PLANNING

CATALYSING THE NORTH WEST

North West Growth Area



Source: Mott MacDonald

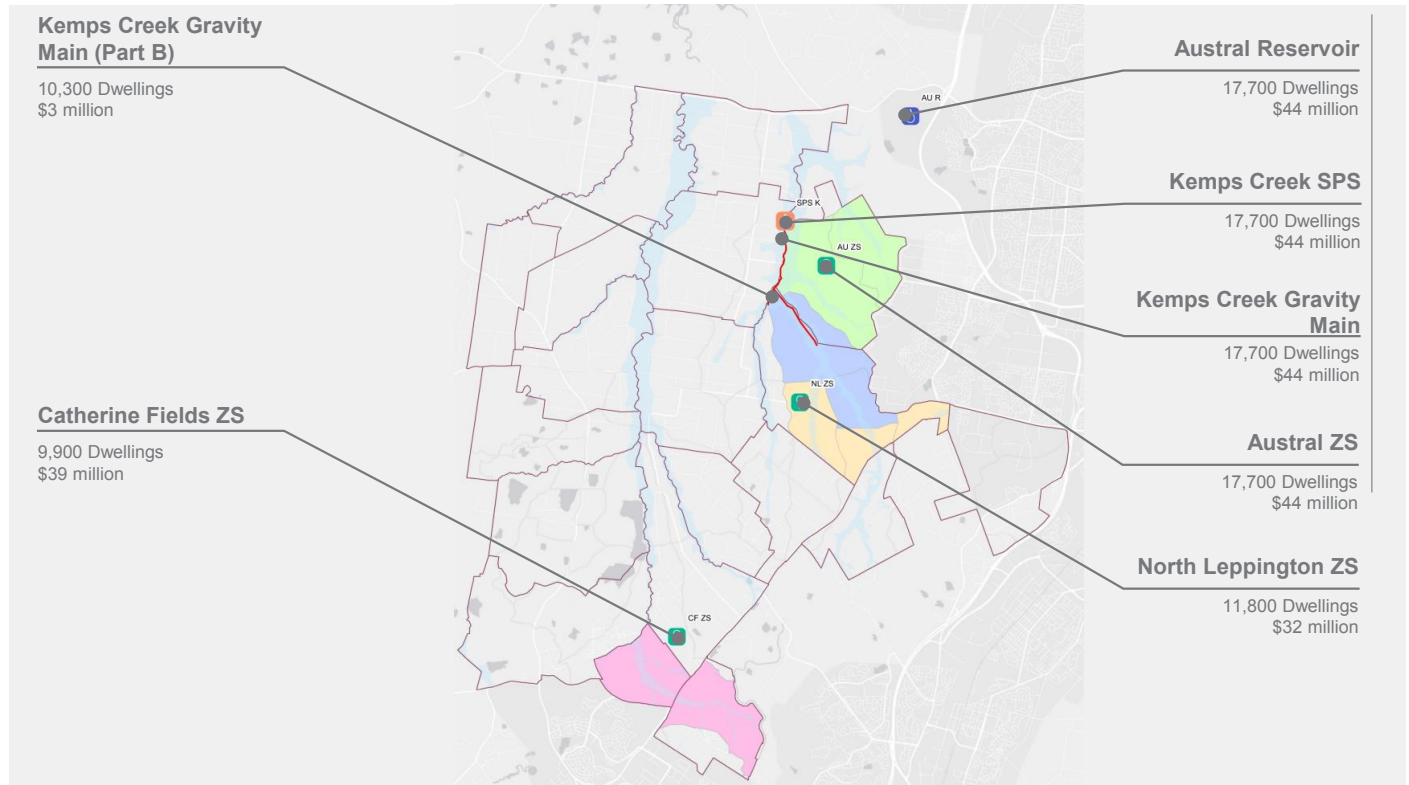
Critical infrastructure investment needed to accelerate land holdings in the North West:

INFRASTRUCTURE	COST	LOT YIELD	COST PER LOT
North Box Hill Zoned Substation	\$38 Million	6,300	\$5,990
Riverstone East Zoned Substation	\$38 Million	14,200	\$2,670
Hambleton Road (Part)	\$30 Million	1,700	\$7,560
North Marsden Park Sewer Pump Station	\$3 Million	1,600	\$760
North Marsden Park Sewer Pump Station	\$12 Million	9,700	\$340
Schofield West Sewer Pump Station	\$6 Million	5,100	\$290
TOTAL	\$127 Million	38,600	

Potential Yield → 38,600 Dwellings

CATALYSING THE SOUTH WEST

South West Growth Area



Source: Mott MacDonald

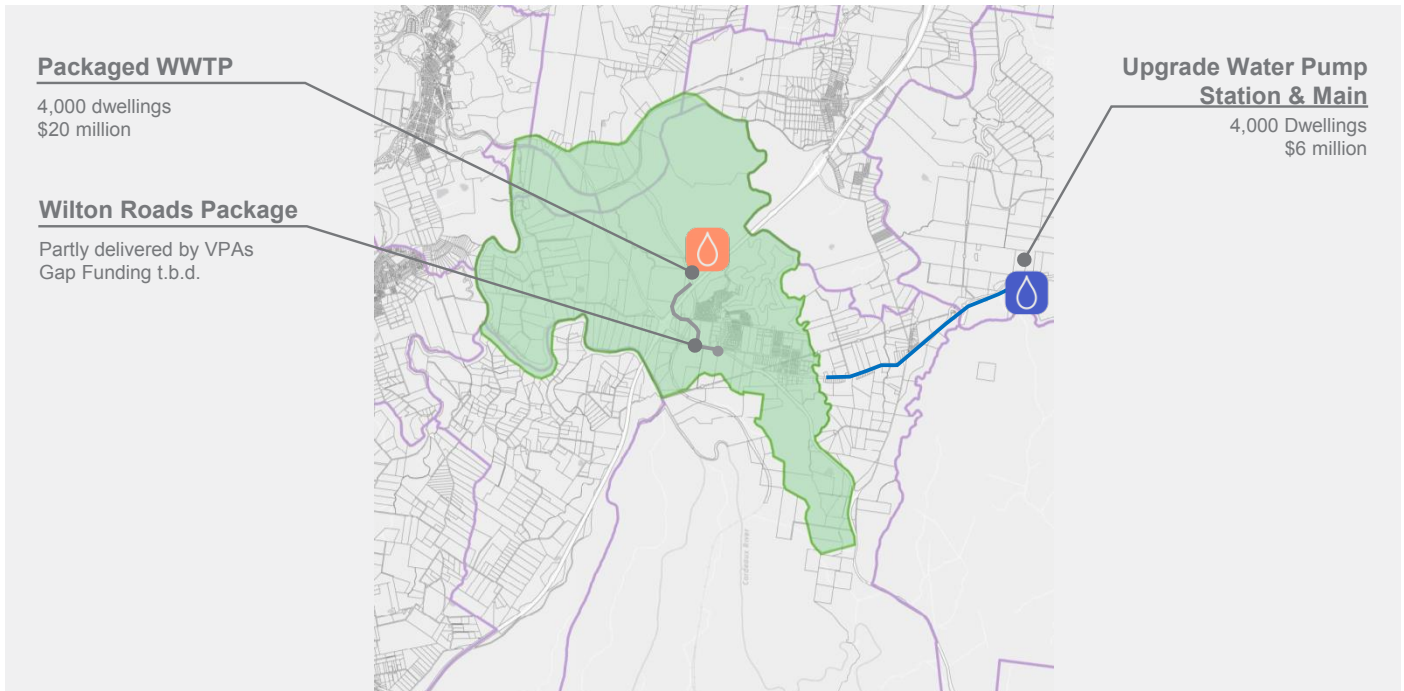
Critical infrastructure investment needed to accelerate land holdings in the South West:

INFRASTRUCTURE	COST	LOT YIELD	COST PER LOT
Austral Leppington Package	\$49 Million	21,000	\$2,333
- Austral Reservoir			
- Kemps Creek Sewer Pump Station			
- Kemps Creek Gravity Main			
- Kemps Creek Gravity Main (Part B)			
- Kemps Creek Zoned Substation			
North Leppington Zones Substation	\$32 Million	11,800	\$2,710
Catherine Fields Zoned Substation	\$39 Million	9,900	\$3,960
TOTAL	\$118 Million	49,700	

Potential Yield → 49,700 Dwellings

SEEDING GROWTH IN WILTON

Wilton



Source: Mott MacDonald

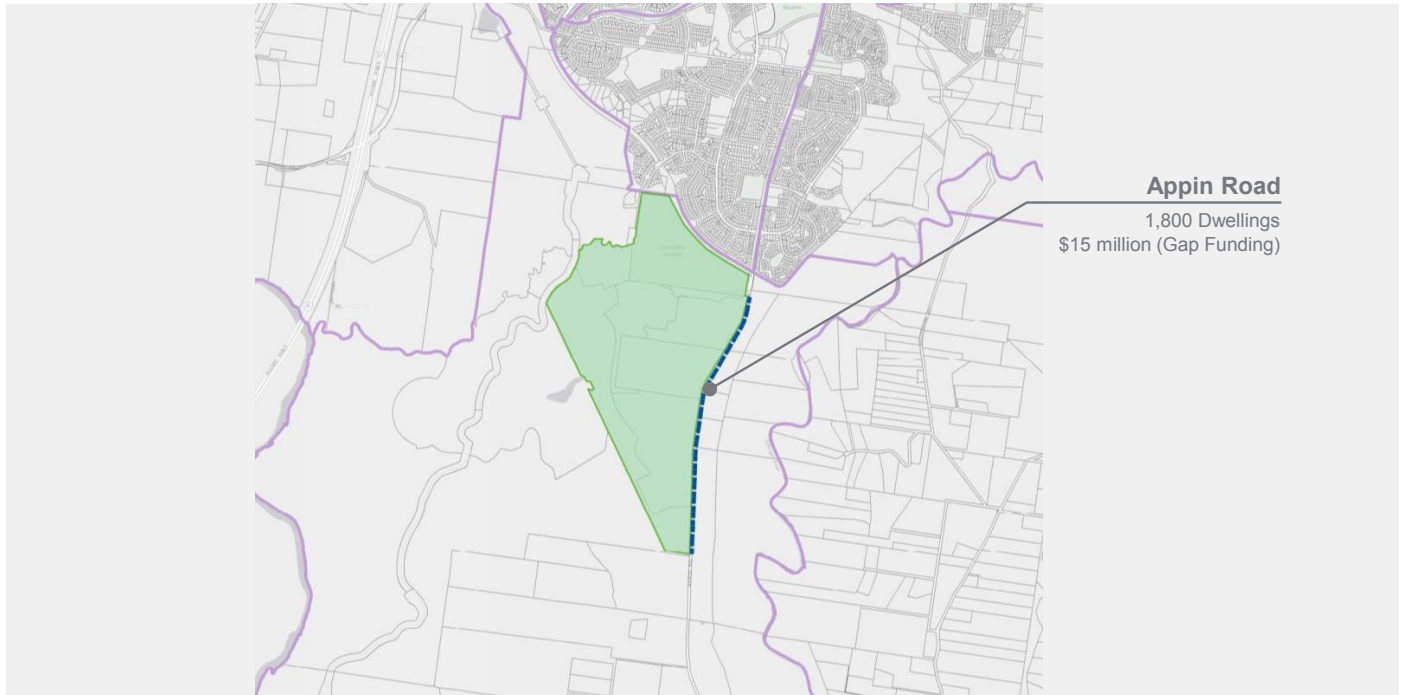
Critical infrastructure investment needed to seed development in Wilton:

INFRASTRUCTURE	COST	LOT YIELD	COST PER LOT
Packaged Waste Water Treatment Plan	\$20 Million	4,000	\$5,000
Upgrade Waste Water Pump & Main	\$6 Million	4,000	\$1,500
Wilton Roads Package	TBD	TBD	
TOTAL	\$26+ Million		

Potential Yield → 4,000 Dwellings in Three Years

SEEDING GROWTH IN GREATER MACARTHUR

Greater Macarthur



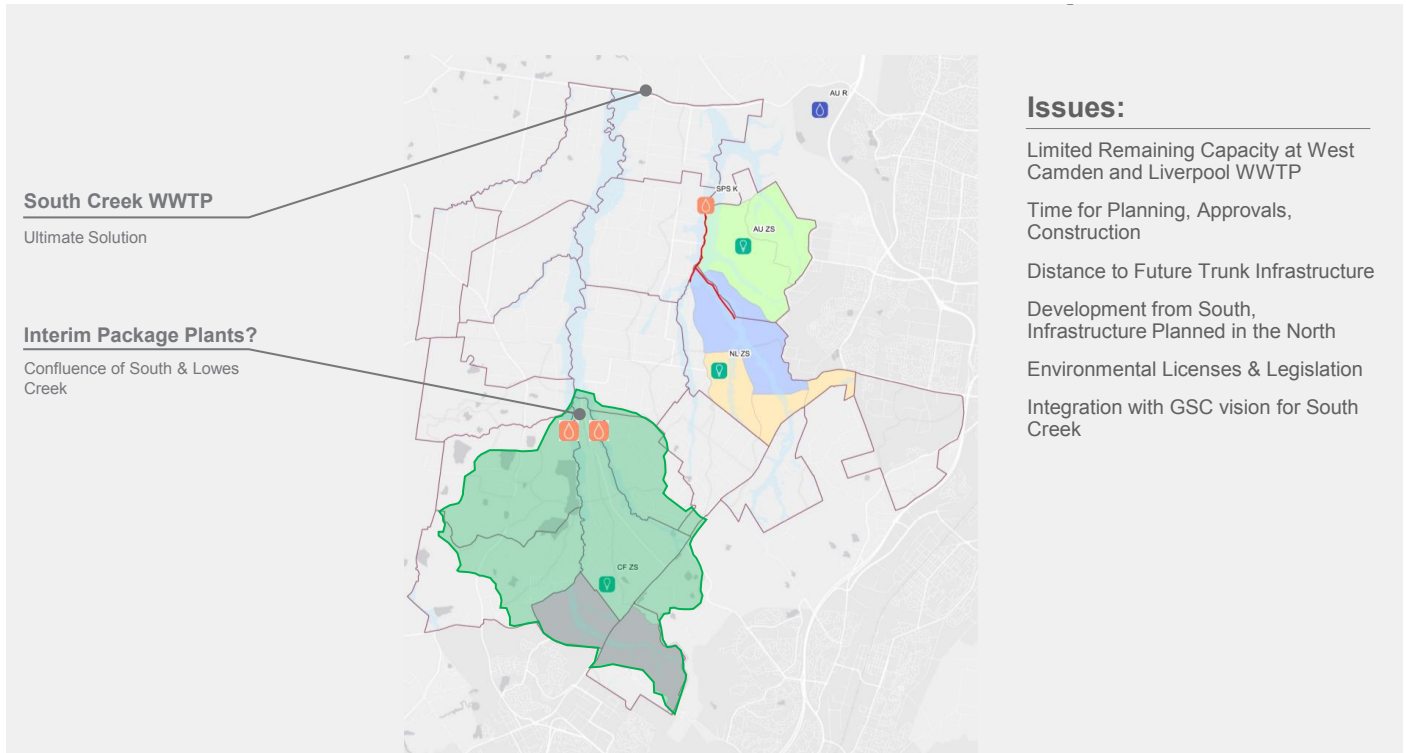
Source: Mott MacDonald

Critical infrastructure investment needed to seed development in Greater Macarthur:

INFRASTRUCTURE	COST	LOT YIELD	COST PER LOT
Appin Road	\$15 Million	2,000	\$7,500
TOTAL	\$15 Million	2,000	

Potential Yield → 2,000 Dwellings in Three Years

SOUTH WEST SEWER - INTERIM SOLUTIONS REQUIRED



Source: Mott MacDonald

There is limited capacity for sewerage treatment in the South West. There are two options for wastewater treatment in the South West:

1. A Waste Water Treatment Plant at South Creek, or
2. Decentralised Waste Water Treatment at South Creek and Lowes Creek.

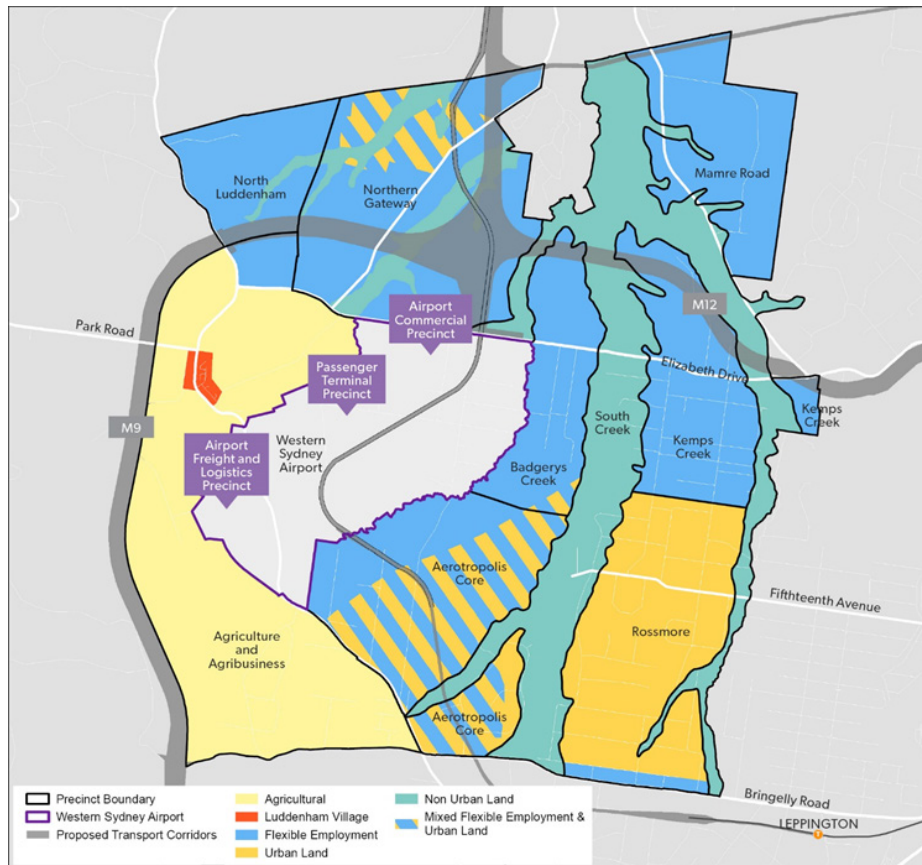
Option 1 would cost approximately \$500 million take 7-10 years to deliver and require changes to Sydney Water's bubble licence to enable treated water to be discharged into South Creek. Decentralised Waste Water treatment can be delivered in a faster timeframe and at a much lower cost.

Resolving the waste water crisis for South West Sydney by allowing treated water to trickle into South Creek is critical to create the spine of the Western Parkland City. It will enable the emergence of a living waterway that can form the basis for cool, green and attractive urban communities the NSW Government is seeking to create.

Critical to enabling the future growth of the South West and Aerotropolis regions is beginning planning for waste water treatment including the development of decentralized waste water treatment, by enabling treated water to flow in South Creek.

WESTERN SYDNEY AEROTROPOLIS PRECINCT

The Western Sydney Aerotropolis Precinct will transform the Western Sydney providing a mix of residential and urban lands in Western Sydney, creating Sydney's third city.



Source: Mott MacDonald

UDIA supports the rezoning of the aerotropolis through the Urban Development Zone. We understand from briefings from the Department and Greater Sydney Commission rezoning will be completed by 2019.

Critical to the success of the aerotropolis will be enabling the delivery of jobs and homes in the next three years. It is welcome to see the adoption of an accelerated rezoning process. However, to actually deliver homes we will also need to see key policy building blocks adopted

1. Streamlined Development Assessment
2. Certain and Capped Development Contributions
3. Accelerated Pathway for Bio-certification
4. Decentralised Water Treatment
5. Catalytic and Seed Infrastructure to kick-start the development.

Without these elements coming together the aerotropolis will be sterilised, and become just another airport, without the employment and housing outcomes.



BUILDING
BLOCKS 

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