

IPART Draft Assessment of West Dapto Contributions Plan 2020

UDIA NSW Response

March 2020

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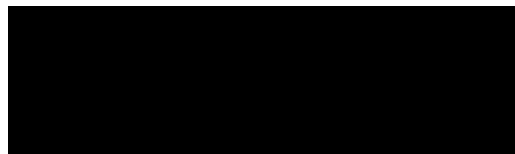
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CONTACT

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ABOUT THE UDIA

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

EXECUTIVE SUMMARY

The Urban Development Institute of Australia – NSW (UDIA) welcomes the opportunity to make a submission on IPART's Draft Assessment of West Dapto Contributions Plan 2020 (the Report). We have an excellent working relationship with Wollongong City Council, and UDIA's Illawarra Committee includes all the major developers active in West Dapto and these parties have led the response. We bring a high level of industry knowledge and experience to our submission.

Our two primary concerns with the Report are:

- There is insufficient evidence demonstrating the nexus between transport works and demand in the West Dapto Urban Release Area (WDURA) area. We believe lower order roads that only serve individual sites should be deleted from the Plan, and that too many signalled intersections have been included.
- There is real evidence that transport work costs (roads and bridges) have been overestimated and should be reduced to reflect both the actual costs emerging in West Dapto and more appropriate design standards.

We have a number of other concerns which we have raised in the submission – all of them are practical ways to reduce the cost of developing West Dapto without compromising the quality, safety or efficiency of the new communities. It is disappointing that IPART has only identified a 2.7% reduction in costs compared to the significant reductions it has found in other recent assessments.

In fact, there is a real risk that costs in the final Plan will *increase* rather than decrease because:

- Council has indicated it opposes the recommended reduction in cycleway works costs.
- The Report leaves the door open for Council to increase open space costs in the near future.
- UDIA does not support IPART's recommendation to reduce the price of flood constrained land because this has led to difficulties in acquiring that land in a timely manner elsewhere in the State.

Given these cost risks, and the housing affordability crisis in the Illawarra, it is vital that the concerns raised in our submission are addressed. In summary, UDIA provides the following recommendations:

Recommendation 1: IPART request Council provide updated traffic modelling demonstrating the nexus for 38 signalled intersections and justify why the approach adopted in Calderwood (i.e. no signalled intersections) would not work in West Dapto.

Recommendation 2: IPART recommend the deletion of lower order roads from the transport works schedule, as they do not serve the broader release area.

Recommendation 3: IPART not support the inclusion of the additional stormwater works that were added after the consultation period for the Plan.

Recommendation 4: IPART recommend Council reduce the cost of future roads by approximately 30% to reflect the actual costs being incurred so far in West Dapto.

Recommendation 5: IPART require Council to demonstrate the need for the proposed bridge designs and why culverts would not be acceptable, in at least some circumstances in West Dapto.

Recommendation 6: IPART not recommend the reduction of the land costs in the Plan for flood constrained land.

Recommendation 7: IPART not support the apportionment of 100% of the Cleveland outdoor sports facility to the Plan, because there is not enough evidence that it will only be used by WDURA residents.

Recommendation 8: IPART require further analysis and consultation to occur before a split approach to developer charges between Stages 1-4 and Stage 5 is introduced.

Recommendation 9: IPART require the next review of the Plan within 12 months, including the exhibition of all information that was not released in the current review.

HOUSING AFFORDABILITY CRISIS IN WEST DAPTO

The Illawarra has some of the least affordable housing in NSW. It takes more than 12 years to save a deposit, and more than half of a household's income to service a mortgage¹. Rental stress is also high².

Despite this, local and State governments continue to apply upward pressure to house prices by increasing developer charges. The charges paid by developers in the WDURA have increased by 50% in the last two years, and are now proposed to increase further in 2020. If the rate recommended in the Report is approved, developers in West Dapto will pay \$50,953 per lot, in addition to approximately \$7,000 per lot in Special Infrastructure Contributions, and an average of approximately \$4,000 per lot for biodiversity conservation³. This would mean a total of approximately \$62,000 per lot in developer charges. Wollongong City Council is also considering applying SEPP 70 affordable housing requirements in the future.

This is approximately double the charges payable in any other release area outside of Greater Sydney. It is comparable to the charges paid in South West Sydney. The key difference is that land sale prices are significantly higher in South West Sydney, so the charges form a much smaller portion of the revenue from each lot. These increases have a very detrimental impact on investment confidence and development feasibility. Most of the increases are inevitably passed on in the price of a new home. There is therefore an onus to ensure that developer charges are reasonable and reflect the true costs, design requirements and demand for infrastructure in the WDURA.

¹ ANZ-CoreLogic Housing Affordability Report, November 2019

² SGS Economics & Planning (2019) Rental Affordability Index

³ Based on UDIA NSW member estimates.

ISSUES RAISED IN OUR ORIGINAL SUBMISSION

We are aware IPART has received the UDIA's original submission to Wollongong City Council during the exhibition of the Draft West Dapto Contributions Plan 2020. We also thank IPART for the opportunity to meet directly with the IPART staff assessing the Plan to discuss our concerns.

Unfortunately, it appears that some of the key concerns raised by UDIA have not been adequately addressed in the Report – particularly the industry's concerns with the unreasonable cost of transport works. In addition, we understand Wollongong City Council did not provide a response to the submissions it received during exhibition in its application for the IPART review. The Report notes that Council subsequently provided a response during IPART's assessment, but this response has not been made publicly available. Under these circumstances it is very hard to see how the valid concerns raised by UDIA and others have been addressed by Council or IPART.

We address IPART's assessment criteria below, and have repeated the key concerns raised in our original submission which we feel have not been adequately addressed in the Report.

ESSENTIAL WORKS

UDIA supports IPART's findings with regard to whether the works in the Plan are on the essential works list in the Department's Practice Note.

NEXUS

UDIA believes that nexus has not been established for the proposed transport network, specifically roads and bridges. Many of the lower order roads included in the Plan are within individual project sites that do not serve the broader release area.

Council should reconsider reallocating responsibility for the delivery of lower order roads to individual development applicants and focusing on the delivery of Northcliffe Drive extension, West Dapto Road and the Western Ring Road. There are several road sections and bridges with little regional benefit in Stage 1 and 2 that could be reasonably removed from the Plan. These roads were identified in our submission to Wollongong City Council.

UDIA also believes that nexus for 38 signalled intersections has not been established given the level of traffic generated within the release area. It adds significant cost to the Plan and would also reduce the efficiency of key distributor/ring roads through West Dapto. The neighbouring development, Calderwood, which follows a similar subdivision pattern has avoided signalled intersections all together. Therefore, IPART and Council must clearly justify why nexus exists for this development.

Finally, the Report notes that stormwater management costs would increase due to the addition of works in four sub-catchments. UDIA does not support the addition of these works in the Plan because:

- Council previously advised in 2016 that these works should be removed from the Plan
- There was no public consultation on the inclusion of these works in the Plan.

RECOMMENDATION 1: IPART REQUEST COUNCIL PROVIDE UPDATED TRAFFIC MODELLING DEMONSTRATING THE NEXUS FOR 38 SIGNALLED INTERSECTIONS AND JUSTIFY WHY THE APPROACH ADOPTED IN CALDERWOOD (I.E. NO SIGNALLED INTERSECTIONS) WOULD NOT WORK IN WEST DAPTO.

RECOMMENDATION 2: IPART RECOMMEND THE DELETION OF LOWER ORDER ROADS FROM THE TRANSPORT WORKS SCHEDULE SINCE THEY DO NOT SERVE THE BROADER RELEASE AREA.

RECOMMENDATION 3: IPART NOT SUPPORT THE INCLUSION OF THE ADDITIONAL STORMWATER WORKS THAT WERE ADDED AFTER THE CONSULTATION PERIOD FOR THE PLAN.

REASONABLE COST

IPART has recommended a cost reduction of only 2.7%, which is a much smaller percentage reduction than the most recent Plan assessments by IPART:

- Contributions Plan 17 – Castle Hill North: 11.4% reduction
- Vineyard Contributions Plan: 6.8% reduction
- Contributions Plan 24 – Schofields Precinct: 8.2% reduction
- Contributions Plan 12 – Balmoral Road – 4.1% reduction

TRANSPORT

We submit that the UDIA's primary concern regarding reasonable cost (and the largest cost component of the Plan) – transport works – has not been adequately assessed in the Report.

The current road design standards being used in costing West Dapto roads are excessive and will lead to 'gold-plated' infrastructure that is significantly over-engineered. Council is seeking RMS standard road designs in West Dapto when less onerous local standards would provide a fit for purpose road network.

The unreasonable cost estimates are demonstrated by the actual costs Council provided to IPART during IPART's assessment. Bong Bong Road (section BB6) was delivered for 39% less than estimated in the Plan. Cleveland Road (bridge and other works) was delivered for 29% less than estimated in the Plan.

UDIA is also concerned that Council is at risk of 'gold-plating' bridges in West Dapto. The Plan requires 41 bridges up to 127 metres long and up to 44 metres wide. Council should release the traffic and watercourse assumptions behind these design requirements and provide further evidence why culverts would not be more appropriate for parts or all of each of these proposed bridges. We note that in at least one case, a recently-built \$1 million crossing is proposed to be

removed and replaced by a new \$3 million crossing, without sufficient evidence as to why the current crossing is not suitable.

UDIA commends IPART's recommendation to reduce the per-kilometre rate for cycleway works, saving \$27 million from the Plan. We believe this recommendation is based at least in part on the fact that several cycleway sections have been delivered in West Dapto for a third of the estimated works cost in the Plan. UDIA urges IPART to apply a similar approach to road and bridge works costs in the Plan.

If the above issues are considered, our review suggests that approximately \$200 million could be saved from the Contributions Plan, equating to approximately \$10,000 per dwelling. This would be a saving of almost 20% and significantly improve development feasibility and flow to improved housing affordability. At approximately \$45,000 per dwelling, the charge under the 2020 Plan would be consistent with the current charge on developers and ensure the smooth development of West Dapto.

OPEN SPACE AND STORMWATER

UDIA notes that the overall reduction recommended by IPART masks the recommendation to *increase* the cost of stormwater management by more than \$20 million and open space by almost \$1.3 million.

The overall reduction recommended by IPART is only achieved through a significantly reduced rate for the cycleway network (saving \$27 million) and a reduction in the cost of acquiring floodprone land (saving almost \$10 million). While we support the reduction in cycleway costs, we note that Council has indicated it will oppose this recommendation. In addition, UDIA is aware that reducing acquisition costs for floodprone land may jeopardise the delivery of this infrastructure, so we do not support this recommendation. This position is explained in the next section.

RECOMMENDATION 4: IPART RECOMMEND COUNCIL REDUCE THE COST OF FUTURE ROADS BY APPROXIMATELY 30% TO REFLECT THE ACTUAL COSTS BEING INCURRED SO FAR IN WEST DAPTO.

RECOMMENDATION 5: IPART REQUIRE COUNCIL TO DEMONSTRATE THE NEED FOR THE PROPOSED BRIDGE DESIGNS AND WHY CULVERTS WOULD NOT BE ACCEPTABLE IN AT LEAST SOME CIRCUMSTANCES IN WEST DAPTO.

TIMING OF DELIVERY

UDIA supports Council's delivery program for local infrastructure in West Dapto. IPART's recommendation to reduce acquisition costs for floodprone land may jeopardise the delivery of this infrastructure. In other areas of the state, our members are finding that valuations for this land are coming in higher than anticipated, leaving a shortfall in funding for acquisition. This delays land acquisition and the delivery of vital community infrastructure.

RECOMMENDATION 6: IPART NOT RECOMMEND THE REDUCTION OF THE LAND COSTS IN THE PLAN FOR FLOOD CONSTRAINED LAND.

APPORTIONMENT

UDIA does not support the recommended apportionment of 100% of the Cleveland outdoor sports facility to the Plan. This recommendation seems to be based solely on a single statement by Council that “the facility will service the needs of the WDURA residents only”. No other evidence has been provided to show that residents outside the WDURA will not use the facility, and this turnaround from the 50% apportionment in the exhibited Plan has not been subjected to public consultation. It is unclear how the Council has accounted for the existing community in determining this apportionment.

IPART has recommended Council consider applying different contribution rates to Stages 1-4 compared to Stage 5 of the WDURA. Council’s initial analysis of this recommendation indicates that under this scenario, lots in Stages 1-4 would be charged \$58,000 and lots in Stage 5 would be charged \$33,000. UDIA members are active in all stages of the WDURA and we support a coordinated approach to the development of the release area. We neither support nor oppose a split approach to developer charges, but recommend that much more detailed analysis be completed on the impacts on development feasibility, Council work schedules, infrastructure servicing timeframes and housing supply. Any split approach should also be subject to industry consultation prior to implementation.

RECOMMENDATION 7: IPART NOT SUPPORT THE APPORTIONMENT OF 100% OF THE CLEVELAND OUTDOOR SPORTS FACILITY TO THE PLAN BECAUSE THERE IS NOT ENOUGH EVIDENCE THAT IT WILL ONLY BE USED BY WDURA RESIDENTS.

RECOMMENDATION 8: IPART REQUIRE FURTHER ANALYSIS AND CONSULTATION TO OCCUR BEFORE A SPLIT APPROACH TO DEVELOPER CHARGES BETWEEN STAGES 1-4 AND STAGE 5 IS INTRODUCED.

CONSULTATION

UDIA believes there have been several problems with the consultation process on the Plan. While Council did publicly exhibit the Plan in accordance with requirements:

- Adequate information on the data underlying the transport network and design was not available in response to a formal request for this information during the exhibition period.
- Council resolved not to respond to the issues raised in submissions before applying for IPART assessment.
- Council added more than \$10 million worth of additional infrastructure to the Plan during the IPART assessment. These additional items were not placed on public exhibition.
- Council provided actual cost information for completed works during the IPART assessment. These actual costs were not made publicly available for consultation.

UDIA is aware of the time constraints that apply to the finalisation of the Plan – if it is not finalised by 30 June 2020, we understand Council can charge \$30,000 per lot until the Plan is finalised. UDIA NSW strongly supports Council’s delivery program for West Dapto and we do not wish to see Council lose funding. However, it is also vitally important that the industry is properly consulted

on all costs and works in the Plan as the charges have a strong influence on investment decisions, development feasibility and the delivery of housing in West Dapto.

RECOMMENDATION 9: IPART REQUIRE THE NEXT REVIEW OF THE PLAN WITHIN 12 MONTHS, INCLUDING THE EXHIBITION OF ALL INFORMATION THAT WAS NOT RELEASED IN THE CURRENT REVIEW.

CONCLUSION

UDIA is supportive of Council delivery program for local infrastructure in West Dapto. However, we have identified a number of areas where the cost of developing West Dapto can be reduced without compromising the quality, safety or efficiency of the new communities. Transport work costs, in particular, are unreasonable and do not reflect a nexus with demand within the WDURA.

With the recommended revisions, UDIA believes the Plan will support the development of the WDURA and the provision of housing at an affordable price.

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