



Improving the Review of Local Infrastructure Contributions Plans

UDIA NSW Response

June 2020

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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 the discussion paper Improving the Review of Local Infrastructure Contributions Plans (the Discussion Paper). Many of our members operate under local infrastructure plans that are subject to review, including both large listed developers and smaller private operators.

We bring a high-level of industry knowledge and experience with development under these contributions plans, and have made detailed submissions to IPART during their reviews. We support efforts to reduce the timeframes for an IPART review, but we do not support increasing the threshold that trigger a review, or reducing the number of plans subject to IPART review in any other way. While not perfect, the IPART review process adds a degree of independent rigour to local infrastructure plans which the industry believes often include unreasonable costs and apportionment, and unclear nexus.

We believe that the IPART review process and the application of an essential works list to local contributions plans are important checks on ever-rising infrastructure charges and worsening housing affordability.

To this end, the UDIA makes the following recommendations in response to the Discussion Paper:

- Recommendation 1: Do not increase the thresholds that trigger an IPART review (other than CPI indexation).
- Recommendation 2: Apply the lower threshold to greenfield/urban release areas outside of Sydney.
- Recommendation 3: Apply the essential works list to all infrastructure contributions plans in NSW.
- Recommendation 4: Expand IPART's Terms of Reference to include reviewing the efficiency of and alternatives to the design of infrastructure works.
- Recommendation 5: Consider allowing some targeted reviews to avoid the need to exhibit the draft report.
- Recommendation 6: Maintain the requirement for IPART to consult with appropriate persons.

UPDATE THE THRESHOLDS THAT TRIGGER THE REVIEW PROCESS

UDIA supports the indexation of the thresholds that trigger the review process, based on CPI. This is a reasonable approach to ensuring the thresholds are applied consistently over time and avoiding triggering the review process for smaller plans. However, we do not support any other increase to the current thresholds of \$20,000 per lot/dwelling and \$30,000 per lot/dwelling in greenfield/urban release areas.

The Discussion Paper notes that these thresholds, when introduced, aligned with the maximum caps on contributions. It notes three rationale for increasing the thresholds:

- the review process is taking longer
- the caps on contributions have now increased and will soon be removed altogether.
- capital and land costs have increased.

However, UDIA does not see a logical connection between any of these points and increasing the trigger for an IPART review. Instead, we would argue that the trigger for an IPART review should be based on whether the proposed charge would affect affordability for the end purchasers and therefore deserves additional scrutiny to ensure costs are reasonable.

While we agree the review process is taking longer, we are supportive of the proposed changes to shorten the review period. This should not be a reason to reduce the number of plans triggering a review. A better approach would be increasing resourcing at IPART, including with qualified civil engineers, to speed up and improve the review process.

While the cap on contributions has increased (and will soon be removed), a charge that is between the current review trigger and the current cap is still a significant charge that warrants scrutiny to ensure costs are reasonable.

If the triggers for IPART review were to increase, UDIA believes that NSW would see increased charges across the State and at great cost to the State economy and the community. Councils have no 'efficiency incentive' to minimise infrastructure charges if they are below the IPART review trigger. In addition, the essential works list does not apply below the threshold. The end result will be charge 'creep' to charges at or near the new threshold. This will impact the feasibility of development, and ultimately put upward pressure on house prices across NSW, reducing supply and jobs needed in the current COVID-19 crisis.

In addition to opposing increases to the trigger thresholds beyond indexation, UDIA recommends that the lower threshold (\$20,000 per dwelling/lot) be applied to non-Sydney greenfield/urban release areas. In other words, the higher \$30,000 trigger for greenfield/urban release areas should only apply in Sydney. Given the lower lot sale prices in regional areas, charges above \$20,000 per dwelling/lot have a significant impact on development feasibility and should be subject to independent scrutiny. We do not believe this would significantly increase the volume of plans being referred to IPART from the regions.

UDIA also questions why the essential works list only applies to plans that trigger IPART review. We believe it would be more equitable to apply the essential works list to all contributions plans in NSW. Otherwise, Councils may adjust their work items to remain at or near the trigger threshold

in order to be able to charge for infrastructure that is not essential to service development. Applying the essential works list to plans below the review trigger threshold would not mean these plans got to IPART for review. There could be an appeal or periodic assurance review process applied to these plans to ensure compliance with the essential works list.

RECOMMENDATION 1: DO NOT INCREASE THE THRESHOLDS THAT TRIGGER AN IPART REVIEW (OTHER THAN CPI INDEXATION).

RECOMMENDATION 2: APPLY THE LOWER THRESHOLD TO GREENFIELD/URBAN RELEASE AREAS OUTSIDE OF SYDNEY.

RECOMMENDATION 3: APPLY THE ESSENTIAL WORKS LIST TO ALL INFRASTRUCTURE CONTRIBUTIONS PLANS IN NSW.

REVIEW OF THE IPART TERMS OF REFERENCE

The Discussion Paper proposes to review IPART's Terms of Reference to:

- Defer to the practice note for detailed guidance on the review process.
- Consider introducing a targeted review of additional information where a plan has already been reviewed.
- Only require IPART to consult with the relevant council. While IPART may still consult with other parties as appropriate on a case by case basis.
- Modernise and clarify wording, references and definitions.

DPIE's rationale is that there is duplication between the Terms of Reference and the Practice Note, and that wide consultation on/analysis of every aspect of a Plan is not necessary if it is an update to a plan that has already been reviewed by IPART.

UDIA is supportive of reducing duplication between the guidance documents for IPART and ensuring that the scope of their review is clear. We would not support any changes to the Terms of Reference or the Practice Note that would reduce the scrutiny of costs, apportionment, nexus and the essential works list.

In fact, we recommend that IPART's Terms of Reference be expanded to require a consideration of efficiency and alternatives in the design of infrastructure works. In many of our submissions to IPART we have identified significant potential savings of up to 20% of the cost of a plan through more efficient alternative road alignments and intersection treatments. However, IPART has been limited in its ability to address these issues in their review.

UDIA also supports a targeted review of additional information where a plan has already been reviewed as this avoids unnecessary delay in the review process. We note, however, that IPART appears to already limit its scope in reviewing updated plans. For example, the recent review of the West Dapto Contributions Plan did not revisit issues raised with the previous version of the Plan.

We believe that in some cases, this targeted review could also proceed without IPART exhibiting its draft report. If there are no significant changes to the plan, we believe it may be appropriate for IPART to save time by not exhibiting its draft report. There would need to be additional guidance provided around the decision not to exhibit the draft report as there are some cases where changes to an already reviewed plan are still significant and warrant exhibition of the draft report.

We do not support removing the requirement for IPART to consult with appropriate persons. It is important that this guarantee of engagement with submitters to the contributions plan is maintained. It can be done concurrently with the consultation with council and should not delay the review process.

- RECOMMENDATION 4:** EXPAND IPART'S TERMS OF REFERENCE TO INCLUDE REVIEWING THE EFFICIENCY OF AND ALTERNATIVES TO THE DESIGN OF INFRASTRUCTURE WORKS.
- RECOMMENDATION 5:** CONSIDER ALLOWING SOME TARGETED REVIEWS TO AVOID THE NEED TO EXHIBIT THE DRAFT REPORT.
- RECOMMENDATION 6:** MAINTAIN THE REQUIREMENT FOR IPART TO CONSULT WITH APPROPRIATE PERSONS.

REMOVE THE EXISTING EXEMPTIONS FROM THE REVIEW PROCESS

UDIA does not object to removing the current exemptions from the review process. We understand most of these plan areas have been developed or do not currently have significant development activity.

However, we would appreciate clarification from DPIE that removing the exemption would not (of itself) trigger a review of these plans. They should only be reviewed in the event that council makes any amendments to the plans that result in increased charges.

REMOVE RE-EXHIBITION REQUIREMENTS FOR COUNCILS

UDIA supports the removal of the requirement for councils to re-exhibit the contributions plan for 28 days. Given the limited ability for council to make any changes at this stage in the process, regardless of what submissions it receives, we believe this requirement serves little purpose.

CONCLUSION

UDIA NSW looks forward to working with DPIE and IPART in promoting certain and fair contributions for the development industry, and improving the local infrastructure contributions review process to promote nexus, transparency, affordability and housing supply. We believe the recommendations in this submission will support more timely IPART review without compromising their rigour, and ensuring an independent check on infrastructure charges in NSW.

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