9 May 2024

Reference: CM 14015

ATTENTION: Ron Dowd
Contributions Planning Team Leader
Wollondilly Shire Council
62-64 Menangle Street
Picton NSW 2571
via email: council@wollondilly.nsw.gov.au

RE: DRAFT CONTRIBUTIONS PLAN FOR THE APPIN GROWTH AREA

Dear Ron,

The Urban Development Institute of Australia NSW (UDIA) is the state's leading development industry body. We represent the leading participants in the industry and have more than 450 members across the entire spectrum of the industry including developers, financiers, builders, suppliers, architects, contractors, engineers, consultants, academics and state and local government bodies.

UDIA invests in evidence-based research that informs our advocacy to state, federal and local government, so that development policies and critical investment are directed to where they are needed the most. Together with our members, we shape the places where people will live for generations to come and in doing so, we are city shapers. In NSW alone, the property industry creates more than $581.4 billion in flow on activity, generates around 387,000 jobs and provides around $61.7 billion in wages and salaries to workers and their families.

The UDIA welcomes the opportunity to respond to Wollondilly Council's draft Contributions Plan for the Appin Growth Area. Industry is pleased to see that significant steps are being taken to progress the delivery of new infrastructure, housing and employment generating developments in the Appin growth area. The Wollondilly local government area plays an important role meeting demand for housing in greater Western Sydney, and it is imperative Council ensures that infrastructure is planned, funded and delivered to support both the development industry and new and emerging communities on the growing urban fringe.

Against this backdrop, it is also critical that consideration is given to the cumulative impact of development contributions, levies, and taxes that are pervading our industry and importantly new home buyers given the housing supply and affordability crisis. UDIA urges Wollondilly Council to consider this wider economic context in its determination of the draft Contributions Plan. UDIA has made several recommendations that we feel will help moderate the effect of accumulation of new charges and better improve the proposed Contributions Plan while still allowing vital local infrastructure to be delivered for the community.

UDIA has made the following recommendations:

- **Wollondilly Council should consider the other additional costs developers will be forced to pay when finalising the draft Appin Contributions Plan and mandate against any additional fees or charges being placed on developers in addition to Contributions Plan Costs.**
- **UDIA recommends Council revisit the location and development of infrastructure away from unconstrained land and implement a policy of flexibility to help drive down the overall cost of the Contributions Plan on prospective developers.**
- **UDIA recommends Wollondilly Council better align planning and contributions frameworks in order to reduce delays and commencements.**
- **UDIA urges Wollondilly Council to incorporate relevant technical studies, consider any additional lands outside of those that have been rezoned.**
- **UDIA recommends expanding the current IPART framework of benchmark costs to include the full range of costs for all essential WIK elements, including embellishment and maintenance, standard lists of road typologies, stormwater, drainage elements and local open spaces.**
- **UDIA and its members recommend Council consider alternative opportunities that different lands present for their dual use and continue to investigate ways of optimising this scare resource for as broad a variety of uses as possible.**

The current economic and cost environment:

The UDIA remains supportive of comprehensive contributions reform to create a simpler, more transparent and more equitable system in NSW, especially where productivity gains can offset costs. However, industry is currently being asked to accept multiple new and increased contributions, each resulting in increased costs and with no regard to the cumulative impact on development feasibility and no clear evidence that productivity will be improved.

Concurrently and during worsening economic conditions, industry is facing the reintroduction of DSPs, the Housing and Productivity Contributions Bill (H&PC) charges, changes to the National Construction Code, through increased BASIX requirements and increased local infrastructure contributions. Collectively these measures will add around $111,000 to the cost of a new detached greenfield home and $84,000 to new apartment dwellings. The cumulative impact of these multiple additional changes are already impacting development feasibilities, which are already precariously low, and placing significant stress on the ability of the NSW Government to meet its revised National Housing Accord target of 75,600 new, well-located homes per annum over the next 5 years. Figure 1 highlights the projected impact of new and increased contributions on new apartment and greenfield lots in NSW, which are especially significant in the context of our conservative average assumptions of current local contributions. UDIA have estimated that local contributions are topping over $100,000 in most Greenfields locations across Greater Western Sydney and NSW and will average more than this across the Wollondilly LGA, should the draft Contributions Plan be finalised in its current form.

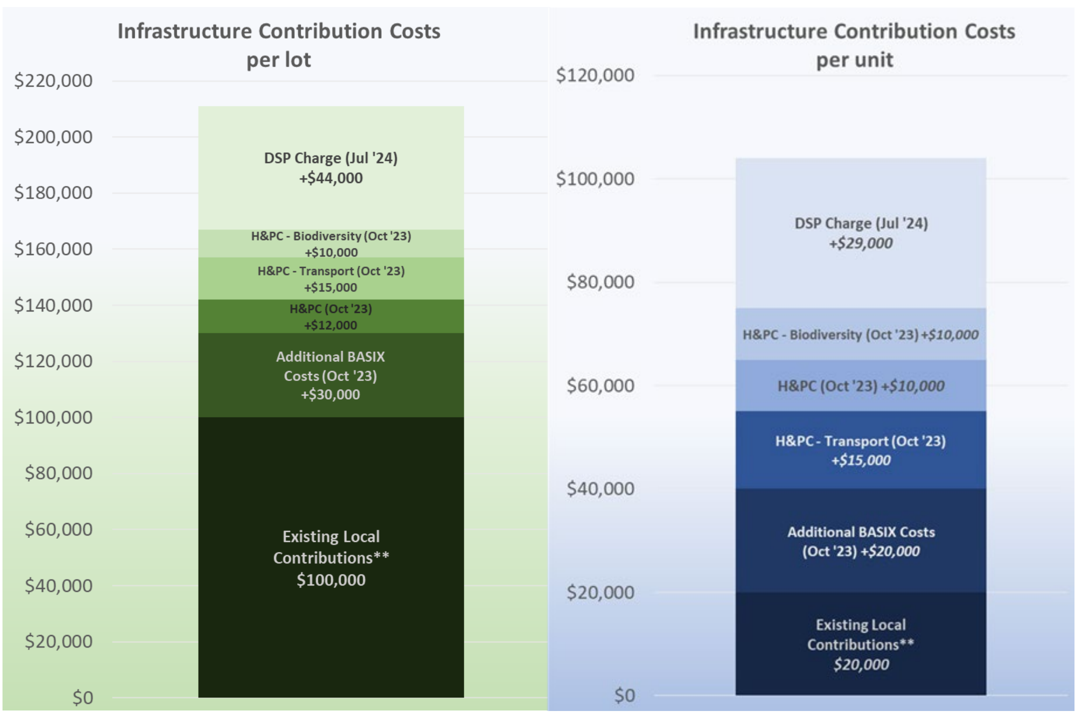

Figure 1: Cumulative Impact of Existing and Proposed Contributions in NSW, by Typology.
Source: UDIA NSW, Homeworld, Rider Levett Bucknall

Oxford Economics forecasts reveal that housing supply is expected to drop as low as 36,000 homes per annum over 2023 – 2025 in NSW (see Figure 2). Should this persist, NSW will face a shortfall of close to 200,000 homes against NSW's National Accord targets. NSW will require an increase of 60% on our current annual new completions, and for this to be sustained for 5 consecutive years.

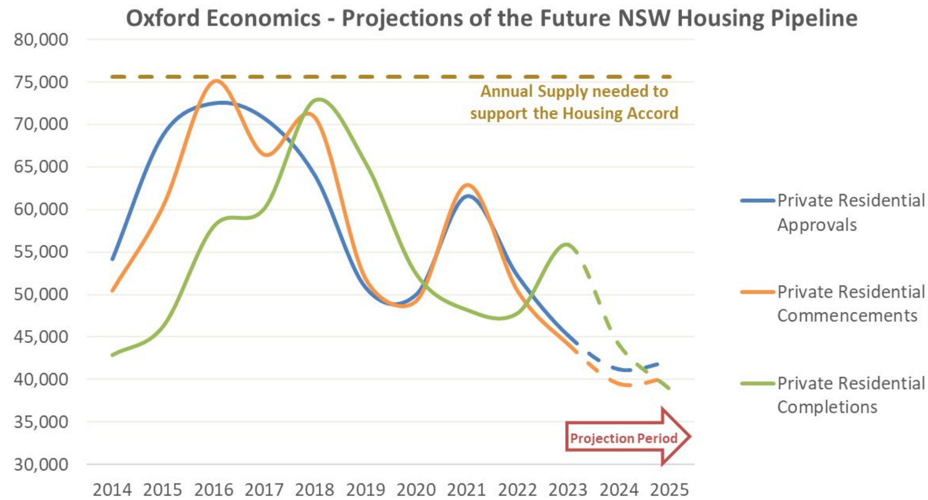

Figure 2: Projections of the Future NSW Housing Pipeline

Source: Oxford Economics; ABS; UDIA NSW

Further, delivering new housing supply in the current environment requires developers to contend with the largest building cost increases since the 1980s, a shortage of staff, and the fastest interest rate hikes in Australia's history. Adding more upfront costs to development at this time, and without any commitment to improved productivity outcomes, will be disastrous for development and housing supply as well as the economic and social well-being of our communities.

Other Contribution Costs:

There are several costs which fall within a reasonable definition of "infrastructure" and are required to be delivered in most greenfield developments, which are therefore paid for by the developer, do not always appear in local contributions plans. These include:

- ***Collector Roads*** – often imposed as conditions of consent rather than included in local contribution plans.
- ***Drainage land and works*** – sometimes included in local contribution plans, but not always.
- ***Walking and cycling tracks –*** often imposed as conditions of consent rather than included in local contribution plans when they comprise a valuable active recreational resource.
- ***Riparian Corridors*** - infrequently included in local contribution plans but providing both passive and active open space options.
- ***Conservation Reserves (outside of biobanks and CPCP)*** - not included in local contribution plans but with definite public benefit.

Then there are also other costs that can sit outside of local contribution plans such as the Appin CP. It is not unknown for Councils to implement their own policy positions that also sit parallel with contribution plans and impose their own costs on top of those plans. Examples of this include:

- 20%+ contingency applied to works costs; and
- the policy position of one Shire Council to require a 30-year maintenance payment for any open space or drainage land handed to it.

Any developer wishing to execute a VPA in accordance with the Council's contribution plan will then have to find significant additional costs for local infrastructure over and above those identified in the contribution plan. Hidden costs included as inflated contingencies and/or policy positions are a form of double dipping and should be mandated against.

Recommendation:

- **UDIA recommends Wollondilly Council consider the other additional costs developers will be forced to pay when finalising the draft Appin Contributions Plan and mandate against any additional fees or charges being placed on developers in addition to Contributions Plan Costs.**

Infrastructure Development Costs:

The draft Appin Plan seeks to identify the local infrastructure contributions required to support new development within the Appin Precinct – part of the State Government Greater Macarthur Growth Area. The draft Appin Plan provides an example of what could be improved in the contribution's regime. The Contributions Plan can be modified, over time, as and when land uses, populations, dwelling yields, transport options and traffic volumes are confirmed through the planning proposal process.

The UDIA and its members are concerned that the draft Appin Plan proposes local infrastructure contributions of over $94K per dwelling, making it one of the most expensive local contribution plans in NSW. The detail of what comprises this cost per dwelling deserves further justification, but a fundamental element of this very high cost comes from the cost of land, as a result of the volume of land sought, and its specific location. The spatial distribution of local infrastructure needs to consider all other development delivery issues, including costs and not assume all facilities can be delivered on the most accessible, unconstrained and costly land. Not all infrastructure needs to be on unconstrained land and there must be flexibility in balancing competing needs including having due regard to land values.

The planning proposal process is already long enough without having to add an additional, sequential process to confirm local infrastructure contributions – all of which are capable of being quantified in the technical studies supporting a rezoning. We have a system which permits all relevant inputs into a site specific LEP amendment and a site-specific DCP to be prepared by qualified experts, and it is not so difficult to create a local contributions plan (LCP). This should already be self-evident, given many LCPs are already prepared for Councils by relevant experts, in accordance with State Government guidelines, and under the provisions of the EP&A Act.

Recommendation:

- **UDIA recommends Council revisit the location and development of infrastructure away from unconstrained land and implement a policy of flexibility which helps drive down the overall cost of the Contributions Plan on prospective developers.**

Delays to Planning & Commencements:

NSW remains in the grips of an acute housing crisis with development approvals and completions near record lows and rents remaining sky high as a result of record low vacancy rates. This is being further compounded by the broader inflationary pressures which have resulted in escalating interest rates and come on the back of global supply chain pressures which resulted in escalating construction material costs over the past couple of years. This is all compounding making housing delivery in NSW extremely challenging at a time when the government has signed NSW up to deliver more housing than we ever have delivered in this state, through the National Housing Accord target, of 377,000 new homes over the next five years.

Crucial to tackling this crisis is more housing supply but also speeding up delivery of supply to help bring down the purchase price for consumers of new homes. The draft Appin Growth Area Contributions Plan 2024 (draft Appin CP) has been placed on public exhibition 18 months after the Appin Precinct plans were placed on exhibition and 10 months after the announcement by the NSW Government of land rezonings within the precinct. The UDIA is supportive of an audit of the draft Appin Plan by IPART however, that process will likely add a further 12 to 18 months before the local contributions plan for the Appin Growth Area are fully adopted by Council. That amounts to a three-year delay between the planning proposal documents being prepared and placed on exhibition, and the local contributions for that planning proposal being completed.

This is a significant concern for all members with an interest in the Wollondilly LGA and demonstrates a need for greater alignment between the state and local governments during planning and rezonings. The UDIA is concerned that the detrimental impacts on housing delivery and supply should be self-evident, with landowners, developers, contractors, councils and State Government all losing out from decreased activity and a reduced volume of contributions being paid into the Plan. Disappointingly, developers will need to pay additional holding costs while awaiting finalized CP's which will need to added to the final marketed cost for a new home if projects are to remain economically viable.

The State Government's most recent draft guidelines on local contributions suggest that:

> *"When a contributions plan relates to a planning proposal, the exhibition period should be concurrent to ensure transparency and efficiency…, help ensure a local contributions plan is in place before the rezoning and associated development takes place; and allow the full implications of development to be factored into developer's feasibility studies, as well as infrastructure planning and costing".*

Unfortunately, all too often, local contribution plans are prepared in sequence rather than in parallel with a planning proposal. UDIA and its members contend that there is no reason why a draft LCP could not be prepared by a suitably qualified expert at the same time as a planning proposal, form an integral part of the package of rezoning documents, and be exhibited and assessed all at the same time. There would need to be a minor change in the law – but the efficiency dividends would suggest this is a step worth taking due to the sped-up delivery of housing supply and approvals.

Recommendation:

- **UDIA recommends Council better align planning and contributions frameworks, in order to reduce delays to planning approvals and commencements.**

Key Improvements – Technical Documentation:

The draft Appin Contribution Plan fails to take into account key technical documents that were prepared as part of the Appin Precinct planning proposal and reaches a series of different interpretations and conclusions in both the volume, number, and location of facilities and services required. This results in a significant over provision of open space, when over 30% of the site is already defined as open space and a basic mismatch with the structure plan approved under the rezoning. The draft Appin Plan assumes a similar dwelling yield compared with the approved rezoning but allocates a significant volume of open space over the land identified for residential development, with no regard for the consequential loss in developable area and ultimately homes being built.

UDIA recommends that the draft Appin CP should have been more squarely based around the technical studies that informed the rezoning of the Appin precinct. Those technical studies yielded results from an extensive Technical Assurance Panel (TAP) process, managed by the NSW Department of Planning, Housing and Infrastructure (DPHI), which a whole of agency approach. They were then publicly exhibited, scrutinised, assessed, the land rezoned and a Structure Plan was then prepared, as a second level of detail, to show where the major facilities, local centres, parklands and playing fields were to be located.

Recommendation:

- **The UDIA urges Wollondilly Council to incorporate the relevant technical studies, consider any additional lands outside of those that have been rezoned.**

Works in Kind (WIK) Costs Framework:

Land costs are clearly site-specific and geographically driven. However, that does not mean a transparent framework could not be created, equivalent to the WIK framework, where a series of costs could be identified for a standard list of land uses such as open space, community facilities, roads and drainage. WIK costs are generally constant across geographic areas and industry standard costs are easily verifiable through the continuous tender and delivery process, which is preferable to developers. The proposed system might be created and monitored by IPART for efficacy and transparency. If this was to be disaggregated to take account of a series of standardised circumstances such as encumbered v unencumbered; englobo v serviced, the UDIA and its members believes this is a far better outcome than what is currently included in the draft CP. There would appear to be an opportunity in NSW to create a fully accessible WIK data base possibly created and managed by IPART, with inputs from licenced providers that might help complete the exercise.

Recommendation:

- **UDIA recommends expanding the current IPART framework of benchmark costs to include the full range of costs for all essential WIK elements, including embellishment and maintenance, standard lists of road typologies, stormwater, drainage elements and local open spaces.**

Dual Use of Land:

The Productivity Commission's report into the Infrastructure Contributions Framework 2020 and the latest State draft Guidelines both promote dual use of land for infrastructure contributions as an obvious efficiency, where land is a scare resource. Yet too many local contribution plans avoid locating open space on:

- Land that sits between the 1:20 AEP and the 1:100 AEP.
- APZs that are otherwise eminently suitable for grassed kick-about spaces and walking tracks.
- Areas of bushland (devoid of threatened species) suitable for passive recreation use (as well as affording community access to help maintain and manage).

UDIA and its members recommend Wollondilly Council consider alternative opportunities that different lands present for their dual use and continue to investigate ways of optimising this scare resource for as broad a variety of uses as possible. Equally, there is an obvious efficiency to looking at the dual use of land at the same time as master planning during the planning proposal stage, coordinating locations and incorporating the outcomes into financial and feasibility modelling – at the very time it is most important – rather than after the event and out of sequence with the other technical inputs. The draft Appin Plan is a case in point where the location of playing fields and open space appears as an "after thought" and unconnected with the broader master planning process.

Recommendation:

UDIA and its members recommend Council consider alternative opportunities that different lands present for their dual use and continue to investigate ways of optimising this scare resource for as broad a variety of uses as possible.

Conclusion:

The UDIA supports infrastructure contributions regime that is fair and equitable, creates greater certainty and greater efficiency. However, the regime industry operates under today is far from that and would benefit from greater standardisation with the objective of increasing transparency, reducing costs and rule out the potential for additional costs.

Industry is currently in a position where any introduction of increased developer contributions must maximise certainty for infrastructure delivery and clearly demonstrate productivity gains. We appreciate that Council has prepared a robust and well-considered contributions plan, but we note some key improvements could be made. The recommendations outlined above in our submission if implemented by Council would deliver greater certainty for industry. The UDIA welcome the opportunity to collaborate with Council as they look to roll out a Contributions Plan that is fair and reasonable for all stakeholders in the Appin area.

Please reach out to Charles Kekovich at ckekovich@udiansw.com.au or call via 0409 776 588 if you would like to discuss these matters further.

Kind regards,

Gavin Melvin
A/Chief Executive Officer
UDIA NSW