

9 April 2025

The Chief Executive Officer
Shoalhaven City Council
PO Box 42, Nowra NSW 2541

Via email: council@shoalhaven.nsw.gov.au

Re: UDIA submission to Shoalhaven Water & Sewer Headworks Charges (Section 64 Contributions) Assistance for Developments Policy – Amendments

Dear James,

Urban Development Institute of Australia NSW (UDIA) is the state's leading development industry body. We represent a broad swath of participants to the industry and have more than 450 members across the entire spectrum of industry including developers, financiers, builders, architects, engineers, consultants, academics, state government bodies, and local government. We also have established regional chapters across Western Sydney, Hunter, Central Coast, and Illawarra-Shoalhaven.

We thank Shoalhaven City Council (SCC) for the opportunity to comment on the amendment to their policy for Section 64 Contributions for Water and Sewer Headworks ("S64 policy") from the 2025/26 financial year.

Over the past 3 years, UDIA has consistently advocated to government on the cost pressures facing the urban development industry, which is creating a challenging environment for the market to deliver a product that is feasible from a financing perspective, or desirable from a consumer's perspective. Each condition and cost that is placed on the development industry may individually serve a purpose or appear justifiable, however the cumulative impact of these charges quickly becomes a burden on feasibility and a disincentive to housing development.

Unfortunately, SCC is looking to increase s64 charges by removing discounts in one of the most unfavourable market cycles, which will put a handbrake on new developments in the Shoalhaven Local Government Area at the same time Council is attempting to reach record levels of housing delivery. For this reason, UDIA cannot support the proposed s64

amendments, and offers recommendations in our submission to support a more balanced policy outcome.

Background to increases in Development Contributions

Less than 2 years ago, UDIA provided very similar feedback to this submission to both Sydney Water Corporation and Hunter Water Corporation who, after over a decade, had been instructed to reinstate Development Servicing Plan charges (DSPs). The introduction of DSPs, cumulative with impending changes to BASIX requirements and the introduction of the Housing & Productivity Contribution (HPC) were in some places forecast to add more than \$110,000 onto the cost of housing. Since that time, conditions have not improved for industry or the buyer's market, with other costs such as building costs and local contributions continuing to rise.

UDIA's advocacy was successful in achieving some winding back of charges for certain areas, and in maintaining an appropriate phase-in period that included discounts. While UDIA was principally disappointed at the reintroduction of DSPs in the Hunter and Sydney regions, these changes provided some respite to their full impact.

The reintroduction of DSPs in other parts of NSW created a competitive advantage for development in the Shoalhaven, given discounts still applied for s64 contributions. Now, the proposed changes by SCC place this competitive advantage at risk. We note that SCC's reasons for reducing the s64 discounts and the strategic intent of this change, has not been communicated in any exhibited materials, and therefore ask for a more detailed explanation as to why increased charges are needed to support Shoalhaven Water's operations at this time.

Recommendation 1: UDIA recommends that Council provides more detail into the justification of removing discounts to s64 charges at this time.

Scale of Increase

A summary of the changes proposed by SCC are as follows:

For Water services:

- Up to the first 2 ET's there was a 75% reduction – a 50% reduction is now proposed
- All ET's after the first 2 received a 50% reduction – a 0% reduction is now proposed

For Sewer services:

- Up to the first 2 ET's there was a 75% reduction – a 0% reduction is now proposed
- All ET's after the first 2 received a 50% reduction – a 0% reduction is now proposed

Additionally, for those scenarios listed as exempt from the policy (e.g., subdivisions of any sort), no discount applies at all.

Using SCC's example from the exhibited documents, the contribution charged on a hypothetical 6.2 ETs under the current discount model would be \$41,691. Under the proposed policy, this would be \$92,350, or a 122% increase, if the development was eligible for discounts. For developments exempt from the policy, this would be \$99,422, or a 138% increase on the current model. Appendix A contains our detailed workings for these numbers.

Regardless of the number of ETs on a development, the overall charge will at least double from the current s64 charge for development in the Shoalhaven, with the rate of increase more pronounced for developments that are smaller. Most concerningly, this is anticipated for introduction in less than 3 months from the closing of this public exhibition. Our analysis of these changes, and their proposed abrupt introduction, leads UDIA to express significant concern about the impact this could have on new developments in the Shoalhaven without appropriate phasing in.

UDIA recommends that SCC maintains the current discounts on Section 64 contributions and does not remove the discount model. However, should SCC view it as necessary to remove these discounts at this time, we would recommend that a significant phase-in period is introduced, commencing in one year's time. This will allow developments in the current development pipeline to progress and contribute to housing in the National Housing Accord period (2024-2029), supporting both housing supply and affordability. We would propose a staggered phasing out of the discounts, reducing by 25% each year for four consecutive years to July 2029. This would provide industry with a fair lead-time to factor the new charge into future feasibilities, help support the feasibilities of current projects, and ensure land that is currently transacting is not retrospectively subject to these major changes.

Additionally, given the methodology for calculating DSPs has not been updated since 2005, should SCC be considering a review, we would strongly encourage this is done simultaneously to the current proposed amendments, or before any change to the discount model is finalised, to ensure the development sector has clarity on overall costs.

Recommendation 2: UDIA recommends that Council maintains the current discounts applied to s64 charges and does not increase charges noting the need for incentives to deliver housing over the National Housing Accord period.

Recommendation 3: Should Council progress with removing discounts, UDIA recommends that the discounts are phased out 25% at a time over a 4-year period starting from July 2026.

Recommendation 4: UDIA recommends that any review into the DSP calculations, including exhibition and feedback from industry, occurs before finalisation of the s64 amendments.

Exemptions

UDIA and our members are concerned at how Section 4.2 – “Exemptions” of the draft policy is drafted and believe it includes many vague and non-specific comments that do not improve or provide clarity for industry. UDIA provides the following suggestion for exemptions that industry would view as necessary for a policy change of this magnitude, which encourages fairness in the implementation of the policy.

UDIA encourages SCC to adopt the following exemption into the finalised policy:

Proposed Exemption: The new policy should only apply to new Development Applications (DAs) in the Shoalhaven LGA. Any project that has a Development Application submitted before the policy is effective should be exempt from the new policy to avoid retrospective application of the changes.

Recommendation 5: UDIA recommends that Council more clearly defines the exemptions for the new policy, including only applying the new policy to DAs that are submitted after the policy takes effect.

We thank Shoalhaven City Council for the opportunity to respond to this public exhibition. If you would like to discuss the contents in our submission further, please reach out to Nathan Boulous, Southern Regional & Research Manager, UDIA NSW at nboulous@udiansw.com.au.

Regards,



Stuart Ayres
Chief Executive Officer
UDIA NSW

Appendix A

Example #1: The first worked example is based on the assumption of a development with 6.2 ETs that are eligible for the policy discounts. The first table provides the point in time cost based on the current discount model, and the second table provides the cost under the proposed changes.

Current Discount Model

| | First 2 ETs | Beyond 2 ETs |
|-----------------------|-----------------|--------------|
| Water Services | \$3,536 | \$14,849 |
| Sewer Services | \$4,482 | \$18,825 |
| TOTAL CHARGE = | \$41,692 | |

Proposed Discount Model

| | First 2 ETs | Beyond 2 ETs |
|-----------------------|---------------------------------|--------------|
| Water Services | \$7,071 | \$29,700 |
| Sewer Services | \$17,929 | \$37,650 |
| TOTAL CHARGE = | \$92,350 (122% increase) | |

Example #2: The second worked example is based on the assumption of a development with 6.2 ETs that are exempt from the policy discounts.

Current Discount Model

| | First 2 ETs | Beyond 2 ETs |
|-----------------------|-----------------|--------------|
| Water Services | \$3,536 | \$14,849 |
| Sewer Services | \$4,482 | \$18,825 |
| TOTAL CHARGE = | \$41,692 | |

Proposed Discount Model

| | First 2 ETs | Beyond 2 ETs |
|-----------------------|---------------------------------|--------------|
| Water Services | \$14,143 | \$29,700 |
| Sewer Services | \$17,929 | \$37,650 |
| TOTAL CHARGE = | \$99,422 (138% increase) | |