

21 February 2025

Ms Bronwen Sandland  
Principle Analyst  
Independent Pricing and Regulatory Tribunal (IPART)  
Level 16, 2-24 Rawson Place  
Sydney, New South Wales, 2000

**RE: UDIA's Submission to IPART reviewing our approach to assessing Contributions Plan**

Dear Ms Sandland,

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.

We thank the Independent Pricing and Regulatory Tribunal (IPART) for the opportunity to comment on the *Review of our approach to assessing contributions plans* Discussion Paper. Contributions Plans (CP) are a foundational aspect of the NSW Planning System that have well reported challenges for councils, developers, and ultimately communities, and we believe it is timely and important that IPART is undertaking this review.

We offer our comments below on select questions that were sought for comment in the exhibited document. There are additional comments provided thereafter on further work UDIA recommends IPART consider.

In addition to this submission, UDIA has recently commenced a research project into the operation of the overall local contributions framework. We would welcome an opportunity to present this work to IPART later in the year when this work is completed.

## UDIA NSW Responses to IPART's Questions

**IPART Question 1:** What do you think could be improved about how IPART assesses contributions plans?

UDIA notes four challenges and areas for improvement:

### *1) Timing*

The development of a CP and its adoption by Council is a time-consuming activity. The assessment process by IPART is a critical step, but one that can impact project timelines. Time means cost and adds to the challenges of delivering housing, where holding and construction costs accumulate together with contributions obligations to put further pressure on housing feasibility, and add costs for the purchaser, resulting in an erosion of affordability for them.

Delays in the development and assessment of a CP means that costs in new or revised CPs can quickly become outdated. Outdated CPs for councils mean that they never accurately reflect the actual costs required for infrastructure delivery. Cost shortfalls for councils then often result in significant delays in the provision of infrastructure to meet community needs.

It is essential that the CP process is streamlined, to (1) ensure accurate cost rates (for councils to deliver infrastructure); and (2) lead to reduced holding costs for industry that will result in improved feasibility for projects to progress, and allow housing and infrastructure to be delivered for the community.

### *2) Frequency of Review*

There are conflicting perspectives on how frequently CPs should be reviewed. The common element, however, is the need for a fixed timeline for when a CP is reviewed and updated. The aim is to balance the resourcing requirements for a CP review, while maintaining certainty and ensuring that CPs are updated to reflect contemporary cost rates.

### *3) Strategic Planning tied to Contributions Planning*

CPs should be assessed by IPART based on their alignment with broader strategic land-use planning. If the CP deviates from the established land-use framework, IPART should not automatically assume the CP is appropriate. In cases where, for example, a planning instrument sets a maximum dwelling yield based for a specific land-use, and the planning assumptions change, with a risk of reduced housing yield, the CP needs to reassess the full assumptions and incorporate the potential reduced yield in its analysis. Otherwise, as has been the case, there can be an inflated cost for infrastructure, particularly when it is for infrastructure that isn't required.

#### 4) *Reasonable Costs*

Recent cost escalations have significantly shifted the goalposts of what can be considered reasonable for future CP assessments. UDIA expresses concern with the 'Reasonable Test'. In particular, there are issues with the standard practices such as the role of comparing other CPs when testing reasonable costs. This position overly simplifies the task to compare CP's 'like for like'. Existing CPs should be used to test costs for infrastructure items in addition to testing against benchmark rates, however testing purely on a dollar per lot basis is not appropriate.

As an example, in the last 12 months Wollondilly Shire Council sought to compare the Draft Appin CP with Schofields, Austral & Leppington North and Lowes Creek Maryland CP's. The differences in infrastructure inclusions, population, and the quantum of infrastructure, makes this exercise unhelpful in the review process.

Another perspective on this issue was the comparison of transport works per person used recently in the 2024 West Dapto CP review. Despite the transport costs being significantly higher in West Dapto than any comparable CP of recent assessment, the cost was ultimately not considered unreasonable and allowed to progress.

From these two examples, UDIA raises the question of whether the CP comparison holds any utility in the test of reasonableness.

CPs should not be considered static documents and must be nimble to dynamic cost environments (that developers, councils and homeowners are all subjected to) and allow housing and infrastructure to be delivered. One way that UDIA suggests addressing this, is to consider incorporating development feasibility into the assessment of reasonableness against CPs, to observe whether housing delivery would be able to proceed against revised CP prices.

Development feasibility impacts all three stakeholders, as infrastructure contributions won't be realised revenue for a council if development is not feasible and not progressing, nor will housing or infrastructure be delivered for a community. A general lenders margin (based on standard bank requirements) could be used as a benchmark to assess CPs.

UDIA would be keen to work further with IPART to discuss how a consistent methodology might be applied.

<p><b>IPART Question 2:</b> Do you support using a suitable land value index to update land costs in your CP? Is there any other guidance about our assessment of land acquisition costs that would support your preparation of CPs?</p>
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UDIA supports a suitable land value index that is calibrated regularly against real costs. We have seen positive implementations of a purpose-built land value tracker at Blacktown City Council to support their land acquisition processes. This has served as an accurate tool in their CP processes as a measure for land values and construction costs.

IPART should work towards using real costs for targeted reviews into reasonableness. This includes a shift for cost escalations by reviewing the opportunity for other costs, e.g., full embellishment costs, being based on a specific construction price index, rather than more general CPI escalation.

**IPART Question 3:** Do you support IPART using Urban Development Program growth forecasts as the agreed measure for population forecasts when assessing contribution plans?

The centralisation of data and assumptions, agreed across Government and with stakeholders through the Urban Development Program (UDP), is supported.

UDIA does acknowledge, however, some identified shortfalls about the implementation of the UDP data from both the development industry and council perspectives. Shortfalls include the Sydney metropolitan focus of the dataset, with limited information on the housing supply forecasts beyond Sydney (including Illawarra-Shoalhaven, Central Coast, Lower Hunter and the 'Rest of NSW').

In addition, it has been highlighted that the Sydney Housing Supply Forecast data from the UDP does not accurately reflect on-ground development, particularly for certain dwelling types. It has also been highlighted by stakeholders that there are significant gaps in UDP data, potentially underestimating future infrastructure need. As such, the supply forecast methodology would need to be adjusted to accommodate these different typologies and data gaps, to have a true correlation with population and development demands across a region and of the different development typologies.

The UDP comprises multiple related, but separate data sets (Population Projections, Sydney Housing Supply Forecast, historic completions data, and greenfield snapshot). Clarity on which specific data set IPART intends to utilise is required before feedback on this question can be finalised. Each of the datasets represent different assumptions that have been implemented by the Department of Planning, Housing and Infrastructure (DPHI), and may not accurately reflect the likely delivery of housing when reviewed out of context.

Whichever dataset is used by IPART, full transparency on the adopted methodology will need to be published so that stakeholders can understand the inputs and assumptions (including any

limitations) used to formulate recommendations. Validation of data used by IPART is recommended to confirm data accuracy.

Councils are the custodians of local knowledge and local development patterns and have greater impetus to keep this information regularly updated, so that it reflects changing conditions and infrastructure needs. A flexible approach would allow councils to utilise the most appropriate and accurate data for their local context. Validation of the data will assist with the accuracy of input assumptions, and this can be undertaken by IPART or by the UDP.

It is acknowledged that not all councils may have the resources to track this data, so where detailed data isn't available to a council, then a default use of existing UDP data can be adopted.

**IPART Question 4:** Do you have any feedback on our proposal to provide guidance to councils on our assessment of reasonable timeframes in CPs?

The principle of providing development timeframes is supported. The enactment of this principle, however, will require further consideration to ensure enough flexibility is provided should development priorities shift over time.

There has been precedent of where priorities have shifted and significant issues such as fragmented landownership has resulted in development not being rolled out at the pace originally envisaged. Assistance may be required from a coordinated central agency (e.g. UDP) to assist with coordination and resolution of development constraints. Otherwise, while broad timing guidance is suitable, this should not extend beyond guidance unless other certainties can be guaranteed. IPART should note this when assessing individual CPs and providing an opinion of whether the indicative timeframes are reasonable.

**IPART Question 5:** Do you have any feedback on our proposal to develop guidance on how we identify and assess the Practice Note criterion 'other relevant matters'?

No feedback provided.

**IPART Question 6:** Are there any other areas of IPART's assessment of contributions plans that you would like guidance on?

Developed in collaboration with DPHI, IPART could design a non-mandatory Section 7.11 CP template specifically for IPART reviewed CPs. This will provide another degree of streamlining in the overall assessment process as it ensures that CPs to be reviewed, are following an already agreed to structure.

**IPART Question 7:** Do you support our proposal for IPART to convene regular forums about our CP assessment process? Should these be separate forums for councils and developers?

UDIA supports efforts to better understand the CP process. Having developers and councils together in the same forum would benefit each party to better understand various perspectives on how this process comes together. UDIA would be open to assisting in the coordination of these forums.

**IPART Question 8:** Would you support IPART holding a stakeholder workshop on the CP when we receive the council's plan for assessment?

It is assumed that this process won't significantly increase CP development and finalisation timelines. On that basis, this recommendation is strongly supported as it is crucial, especially for growth areas, that IPART gathers a broader understanding of the infrastructure needs and intentions of individual developers in the area before a plan is exhibited.

**IPART Question 9:** Would you support IPART inviting submissions on the CP as soon as we receive the council's plan for assessment in addition to submissions on our draft reports?

UDIA notes the current process of councils forwarding submissions, or issues raised in submissions from the council public exhibition, when it submits the CP to IPART for assessment. It must also be acknowledged that it is difficult for industry and the public to have informed views on a CP while councils may still be making changes. There may therefore be better avenues for gathering early information.

This could be addressed by reserving a separate, formal process for CP input by key stakeholders, that is not a secondary public exhibition process. Precedent exists, with major developers recently engaged by IPART ahead of a relevant formal exhibition. Feedback from this process has been that the process benefited IPART; particularly in understanding the strategic planning process that led to the CP outcomes. While further resolution is required for the format of these sessions, UDIA supports the idea of formalising a pre-exhibition information gathering process by IPART.

**IPART Question 10:** Do you support a performance-based approach to assess nexus for open space, consistent with the Draft Greener Places Design Guide?

As IPART notes, the nexus for open space should be established at the strategic planning stage. It would therefore not be appropriate for IPART to materially change a masterplan that has been determined. It is usually too late once the CP drafting stage is reached for this to change. The only way this approach could work is for the CP and master plan and open space provision to be developed in parallel. This will require a shift in the standard planning approach for structure and master plans, opening the opportunity for feasibility to be considered in the design approach.

It is noted that this principle should not be limited to open space; but should include land apportionment for roads, and other infrastructure such as schools or community centres in other rezoning studies.

#### Quality Over Quantity

Principally, UDIA supports moving closer to a performance-based approach that values 'quality' over 'quantity,' as was most recently included in the Draft Greener Places Design Guide (GPDG). Any CP that includes open space infrastructure should be informed by an open space study that makes direct recommendations as to how open space provision will meet demand. A clear example of this is the 2.83Ha per 10,000 people approach to open space. This is found to increase contribution costs in areas where this apportionment is not appropriate and quality outcomes for open space have resulted.

Developers do note that where this is applied consistently, it allows for open space to be taken into consideration at the acquisition stage of a development and therefore is appropriately reflected in the land cost. This issue will need to be considered in a shift from this approach, as it has a direct impact with feasibility and capacity for open space and housing outcomes to be delivered.

**IPART Question 11:** Do you have any feedback about the list of local infrastructure benchmarks? Are there any other infrastructure items that you think should be included?

No feedback provided.

**IPART Question 12:** Do you have any feedback about the updated draft individual infrastructure benchmarks?

The infrastructure benchmarks are crucial to the success of Plan administration and infrastructure delivery because they provide a standardised and reliable way to estimate the cost of necessary infrastructure. It enables certainty for industry on the estimation of costs in business cases.

In the establishment of the standardised costs, UDIA requests that there is a requirement for multiple Quantity Surveyors to review and provide opinions of estimated costs for infrastructure elements. This will improve accuracy of cost provision and benefit the delivery of the CP.

**IPART Question 13:** Do you have any feedback on our proposal to adopt the updated draft benchmarks for individual local infrastructure items?

No feedback provided.

**IPART Question 14:** Would our updated individual infrastructure benchmarks be useful to you in preparing your contributions plan, particularly at an early stage?

It is essential for industry certainty that the infrastructure benchmarks be publicly accessible. It will also assist with transparency in decision making to understand the assumptions that have been used in CP development.

**IPART Question 15:** Do you have any feedback about the draft aggregate benchmarks?

No feedback provided.

**IPART Question 16:** Do you have any feedback on using the draft aggregate benchmarks to assess reasonable costs in a CP?

Aggregate benchmarks are supported as they make sense for understanding the construction cost of open space. They should be used as the maximum allowance for open space, and therefore maximum cost for the CP. The Council should then be able to use this for further discussions around quality / quantity discussions of potential embellishment. There is the opportunity to reduce the amount of open space, and provide higher quality embellishment without impacting feasibility analysis undertaken by the development industry.

**IPART Question 17:** Do you have feedback on the methodology used to develop the draft aggregate benchmarks?

No feedback provided.

**IPART Question 18:** Would you be willing to provide work schedules or other relevant information to us to support the development of our aggregate benchmarks?

UDIA volunteers the ability to work further with IPART in the development of aggregate benchmarks.



## **Other Comments/Further Work**

UDIA provides some feedback on further work to support IPART's holistic review.

### *Indexing Local Contributions caps*

In the same way that local contributions are indexed, UDIA sees it as inherently logical to also index contributions caps in the same way. Neither the \$30,000 greenfield cap nor the \$20,000 infill cap remain relevant.

Having clear calculations, which are consistent and able to be relied upon, create much greater certainty than having to wait for an IPART review in all instances. A new and increased base should be carefully set and then indexed annually from there. This needs to be carefully considered though, as this will increase the price of new homes.

### *Essential Works List*

Reviewing the essential works list appears a sensible next step in this overall review process of the contributions process as developed by IPART. Some issues members have initially noted include:

- The scope of definition of base embellishment for open space, particularly in infill/urban renewal areas.
- The inclusion of build costs for community facilities where deemed essential.
- The costs of plan administration, especially once a CP is established.

We again thank IPART for the opportunity to provide a submission to this exhibition. Should you or your team have further questions about our submission please contact David Petrie, Director Infrastructure at [dpetrie@udiansw.com.au](mailto:dpetrie@udiansw.com.au) or on 0447 646 202.

Kind regards,



**Hon. Stuart Ayres**  
**Chief Executive Officer**  
**UDIA NSW**