Unlocking Local Contributions in NSW

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Urban Development Institute of Australia
NSW

URBIS

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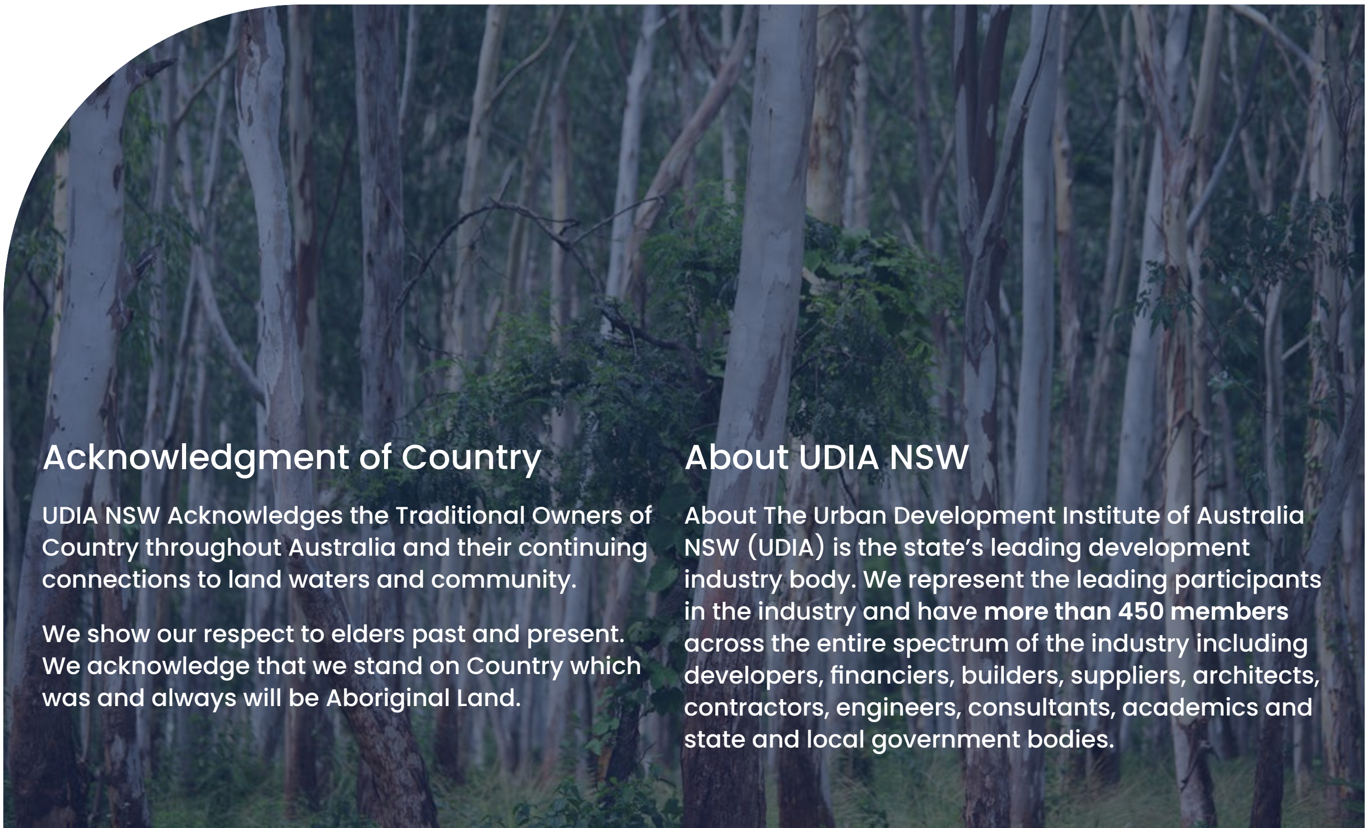
NEW SOUTH WALES

Contents



Acknowledgment of Country

UDIA NSW Acknowledges the Traditional Owners of Country throughout Australia and their continuing connections to land waters and community.

We show our respect to elders past and present. We acknowledge that we stand on Country which was and always will be Aboriginal Land.

About UDIA NSW

About 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.

Executive Summary

We need to Unlock Local Contributions to Unlock Housing Supply

Solving the housing challenges in NSW requires improvements to how local infrastructure is planned and funded. Every new home requires essential enabling infrastructure, including roads, stormwater systems, and utilities. When supported by social infrastructure such as parks, libraries, and community facilities, new homes can help build vibrant, liveable communities.

To ensure timely rezonings, viable development, and high-quality outcomes, it is vital to provide certainty around the funding and delivery of local infrastructure. A well-functioning contributions system, guided by Sections 7.11 and 7.12 of the Environmental Planning and Assessment (EP&A) Act, can ensure that new developments equitably support the infrastructure they rely on.

UDIA and Urbis have collaborated on a comprehensive stakeholder engagement process to shape a practical and forward-looking reform agenda. These reforms are designed to place infrastructure planning, funding, and delivery at the heart of housing supply—creating stronger, more resilient communities through a proactive, well-aligned contributions system.

What's Wrong With the Current System?

1. Issues with Infrastructure Integration During the Rezoning Process

- Strategic infrastructure planning is often reactive and disconnected from funding feasibility.
- Structure plans are prepared without integrating a clear and feasible funding strategy, limiting the ability to deliver infrastructure in a timely and coordinated manner.
- Infrastructure delivery sequencing is rarely addressed before rezonings take place, leading to challenges in aligning infrastructure rollout with staged development.

2. Challenges in Balancing Infrastructure Funding Responsibilities Between Developers and Councils

- The increasing number of local and state government charges creates challenges for developers in planning and funding infrastructure contributions, particularly when there is limited clarity around the timing and delivery of the infrastructure.
- Councils are currently restricted from using development contributions for the construction of community facilities, such as libraries, aquatic centres, and community hubs; and rate capping limits their ability to pursue alternative funding sources to meet growing infrastructure demands.

3. Lack of Early Funding for Enabling Infrastructure

- Development contributions are designed to fund essential infrastructure; however, much of this infrastructure must be delivered upfront to enable development to commence.
- Delays in land acquisitions lead to unplanned cost escalation and delivery delays.
- Fragmented land ownership prevents coordinated development without upfront investment in planning and delivering initial infrastructure.
- Councils have limited borrowing capacity, as contributions income is excluded from debt ratio calculations under current Office of Local Government (OLG) rules.

4. Capacity and Capability Limitations Within Councils Compound Delivery Issues

- Many councils are under-resourced and face challenges updating or administering contributions plans. This can often lead to a lack of integration with capital works and infrastructure planning teams.
- Contributions balances accumulate due to uncertainty about future income and infrastructure cost increases.

5. 'Non-Essential' Social Infrastructure is Still Essential

- Capital works for libraries, aquatic centres, and similar assets are excluded from the Essential Works List, despite being critical to city shaping outcomes and general liveability.
- This disproportionately affects rapidly growing communities, particularly in Western Sydney.

6. Reforms to Date Have Been Patchy and Piecemeal

- The 2020 Productivity Commission review led to the introduction of state contributions (such as the Housing and Productivity Contribution), but did not fix governance and delivery challenges at the local level.
- New layers of charges have eroded developer capacity to support local infrastructure funding.

What Reforms Are Proposed?

The report outlines **three phases of reform**, aligned to the different stages of housing delivery:

Phase 1: Infrastructure Planning Prior to Rezoning

- Require contributions rates and infrastructure delivery plans to be published at the time of rezoning.
- Revise practice notes to ensure Infrastructure Delivery Plans (IDPs) are living documents that include details regarding delivery programming, early funding requirements and contributions rates.
- Standardise funding gap analysis and viability testing.

Phase 2: Enabling Infrastructure Delivery

- Permit councils to include contributions income in debt servicing ratios to support borrowing.
- Expand the Low-Cost Loan Initiative to help support Councils with upfront funding for enabling infrastructure.
- Secure a commitment from State and Federal Governments to establish a pilot program to co-fund up-front investment in local housing enabling infrastructure.
- Pilot a policy to allow contributions to be paid at Occupation Certificate (OC) stage to improve developer cash flow.
- Bolster resourcing for Councils by diversifying skillsets and developing new training material.

Phase 3: Housing and Social Infrastructure Delivery

- Enable the use of Special Area Rates to co-fund community infrastructure.
- Mandate five-yearly reviews of contributions plans and annual reporting of delivery progress and financial health.
- Provide standardised guidance on using community benefit and uplift schemes to provide community infrastructure via development yield incentives.
- Require surplus credits for in-kind works undertaken by developers to be repaid within 2–5 years to support timely infrastructure delivery.

Why This Matters

Without effective contributions reform, housing delivery in NSW will continue to underperform.

- **Councils** need confidence, capability, and early funding to deliver infrastructure on time.
- **Developers** need certainty and feasibility to bring projects to market.
- **Communities** need liveable places, not just housing supply.

This report presents a comprehensive, staged, and pragmatic roadmap to unlock local infrastructure funding and accelerate housing delivery in a fair and financially sustainable way.

PHASE 1
Prior to Rezoning

REFORM 1

REQUIREMENT FOR CONTRIBUTIONS TO BE EXHIBITED ALONGSIDE REZONINGS

REFORM 2

REQUIREMENT TO PUBLISH AN INFRASTRUCTURE DELIVERY PROGRAM ALONGSIDE REZONINGS

Supporting Actions

Revised Practice Notes for Infrastructure Funding Planning Prior to Rezoning
Revised Practice Notes for Infrastructure Delivery Planning
Planning Circular on Contributions Plans Prepared Prior to Rezoning

PHASE 2
Early Stage of Rezoning

REFORM 3

CHANGES TO DEBT COVER RATIO FROM OFFICE OF LOCAL GOVERNMENT (OLG)

REFORM 4

STRENGTHEN THE LOW COST LOAN INITIATIVE AS A MECHANISM FOR SEED FUNDING CONTRIBUTIONS PLANS

REFORM 5

STATE AND FEDERAL GOVERNMENT COMMITS TO A PILOT PROGRAM TO CO-FUND LOCAL CONTRIBUTIONS INFRASTRUCTURE

REFORM 6

TRIAL CONTRIBUTIONS PAID PRIOR TO ISSUE OF OCCUPATION CERTIFICATE

Supporting Actions

WiKA guidelines revised - cross bucketing encouraged
Reprioritisation of skills within Councils - shift towards project management and engineering, rather than only relying on planning

PHASE 3
Housing Delivery

REFORM 7

INTRODUCE 'SPECIAL AREA RATES' FOR NEW RESIDENTS AS A MECHANISM TO FUND COMMUNITY INFRASTRUCTURE

REFORM 8

REQUIREMENT FOR COUNCIL TO REPORT ANNUAL DELIVERY STATUS OF CONTRIBUTIONS PLAN INFRASTRUCTURE AND 'NET POSITION' OF CONTRIBUTIONS ACCOUNTS

REFORM 9

MANDATORY REVIEW OF CONTRIBUTION PLANS EVERY 4/5 YEARS

REFORM 10

SURPLUS CREDITS TO BE REPAID WITHIN 2-5 YEARS OF WORKS IN KIND COMPLETION

Supporting Actions

Guidelines on use of community benefit and uplift schemes to fund non-essential infrastructure
Reprioritisation of skills within Councils - shift towards project management and other numeric based skills

There is No Housing Without Infrastructure

Infrastructure Contributions as the Critical Link Between Housing and Infrastructure

The housing crisis is intricately linked to the availability and quality of infrastructure to support incoming residents. New development needs new enabling infrastructure funded by local contributions for transport and stormwater management, while new communities need social infrastructure for recreation.

Recent initiatives like Transport Oriented Development (TOD) and Low and Mid Rise (LMR) to boost the supply of housing in NSW have been met with concerns from Councils due to a lack of concurrent support for infrastructure. Moreover, the feasibility of infill high-rise housing is currently being challenged by soaring construction costs and issues with the infrastructure contributions framework, where high contributions are not being well utilised to fund local infrastructure.

Leveraging existing infrastructure investment for new infill housing is an important enabler for more development, however, without more greenfield housing, building 377,000 new homes by 2029 will remain an elusive goal. Greenfield housing has historically been effective in driving the consistent supply of new homes. However, greenfield developments necessitate significant investment in new infrastructure, which requires an efficient and implementable local infrastructure contributions system.

The implications of inadequate infrastructure funding arrangements extend beyond the supply of new homes. Without important social infrastructure such as pools, libraries, and parks, we risk facing a broader community crisis. Infrastructure contributions were traditionally relied on to fund these community facilities in NSW; however previous contributions reforms have left Councils without a certain funding source for this important category of infrastructure.

Therefore, when infrastructure contributions are misaligned or insufficient, the ripple effects hinder our ability to address the housing crisis effectively. Traditionally, development of new local infrastructure systems has taken a reactive approach - seen as an afterthought rather than a key driver in the planning for new infrastructure. A new approach is needed to ensure that more consideration is provided to funding and delivery planning before finalisation of new housing development.

UDIA have partnered with Urbis to research some of the fundamental issues that local Councils and the development industry alike are continuing to experience when it comes to local contributions, and to identify potential reforms to the governance of local contributions that can support the timely unlocking of more housing.

Reforming infrastructure contributions is a critical step towards unlocking housing potential, ensuring sustainable growth and ensuring communities have essential infrastructure to function.

This report highlights the urgent need for reforms to the local infrastructure contributions system and proposes achievable processes and policy reforms, in collaboration with industry and users who interact with this system daily.

UDIA continues to represent industry stakeholders like developers and Councils in pursuing these reforms and commits to ongoing work with the NSW Government to implement the changes proposed.

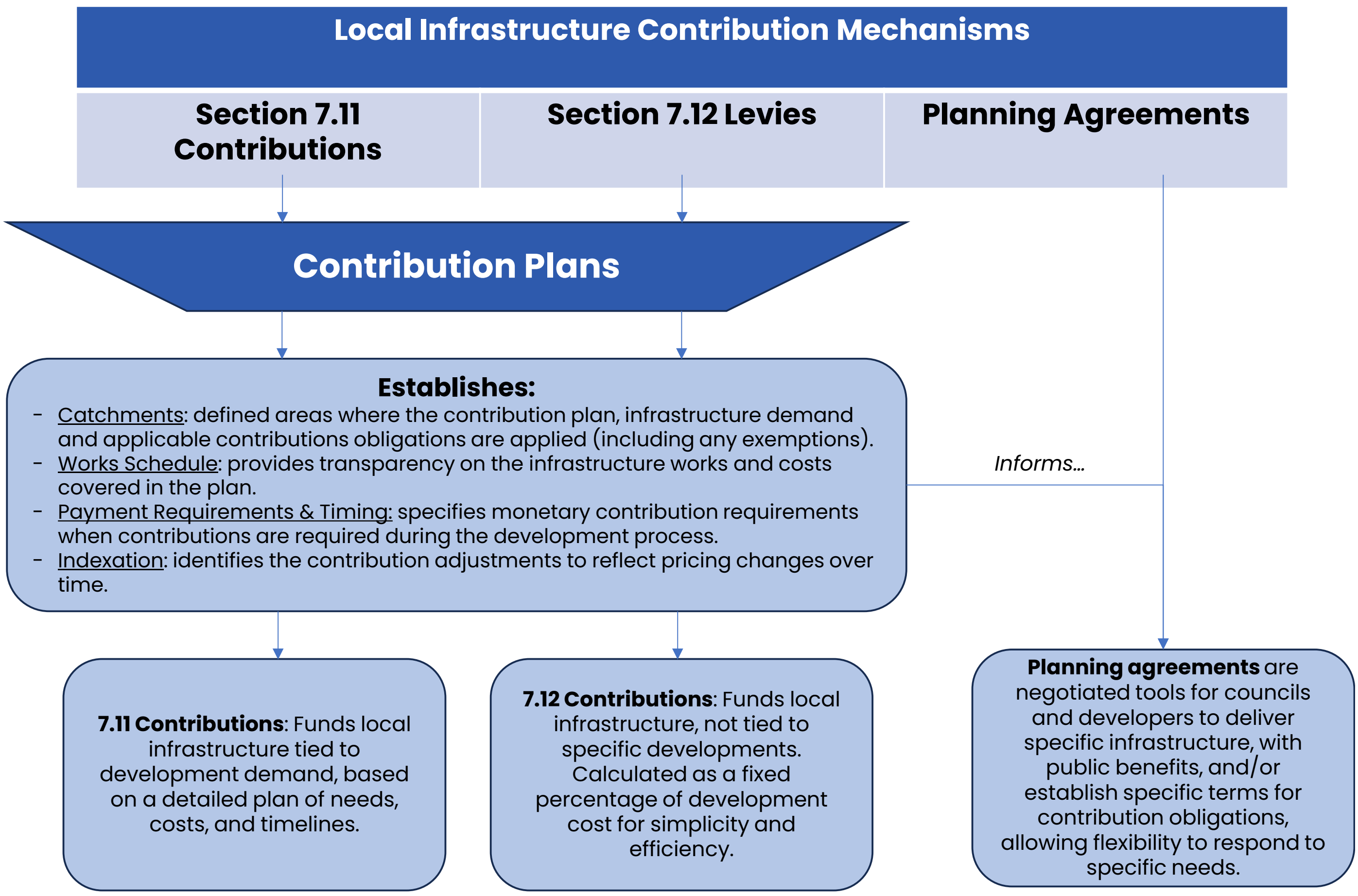
Current System Overview

Understanding the Existing Infrastructure Contributions Framework

The existing Local Infrastructure Contributions framework requires developers to contribute to local infrastructure through monetary payments, land dedication, or direct provision of works. These contributions are calculated based on the specific needs and demands of their development (Section 7.11) or as a fixed percentage of development costs (Section 7.12).

The contribution obligations under planning agreements are negotiated between councils and developers. Councils specify the timing of contribution obligations under Conditions of Consent (typically tied to post-consent milestones such as releases of Construction Certificates or Subdivision Certificates) with the contributions to be indexed to maintain their value over time.

A summary of the current Local Infrastructure Contributions framework is demonstrated in the diagram below:



The Urgent Need for Local Contributions Reform

The development of this report has included extensive stakeholder engagement. We worked with stakeholders through a series of workshops aimed at generating ideas that would deliver the desired project objectives, be straightforward to implement, and be capable of delivering immediate positive impacts. This engagement included:

- 5 Greenfield Councils
- 2 Infill Councils
- 1 Peak Body
- 8 Planning/Infrastructure experts, and
- 8 Developers.

Our consultation process also included:

- 9 initial information gathering meetings with councils, industry and peak bodies
- An UDIA Member Survey completed by 32 participants from councils and industry
- 3 workshops including councils and the development industry, and
- 1 briefing workshop with the Department of Planning, Housing, and Infrastructure.

The survey of councils representatives and stakeholders from the development industry, assessing the overall effectiveness of the current local infrastructure contributions system, resulted in an average score of **3.4 out of 10**.

Users of the current system for infrastructure funding and contributions in NSW highlighted gaps and inefficiencies, which included a lack of focus on infrastructure funding, or planning for infrastructure delivery, during the strategic planning phase of government-led rezonings.

While many rezonings require the preparation of an Infrastructure Delivery Plan (IDP), these plans often lack detailed information about detailed delivery programming, funding gaps and infrastructure costs. When such details are not included, there is no feedback loop between the cost of infrastructure and the rezoning structure plan, leading to misaligned infrastructure provision and development density.

The framework has a counterintuitive cycle where infrastructure contributions are expected to fund early enabling infrastructure, playing an important role in areas with fragmented land ownership. However, history has shown in Sydney's growth centres that development that would generate these local contributions does not occur due to the absence of this same infrastructure.

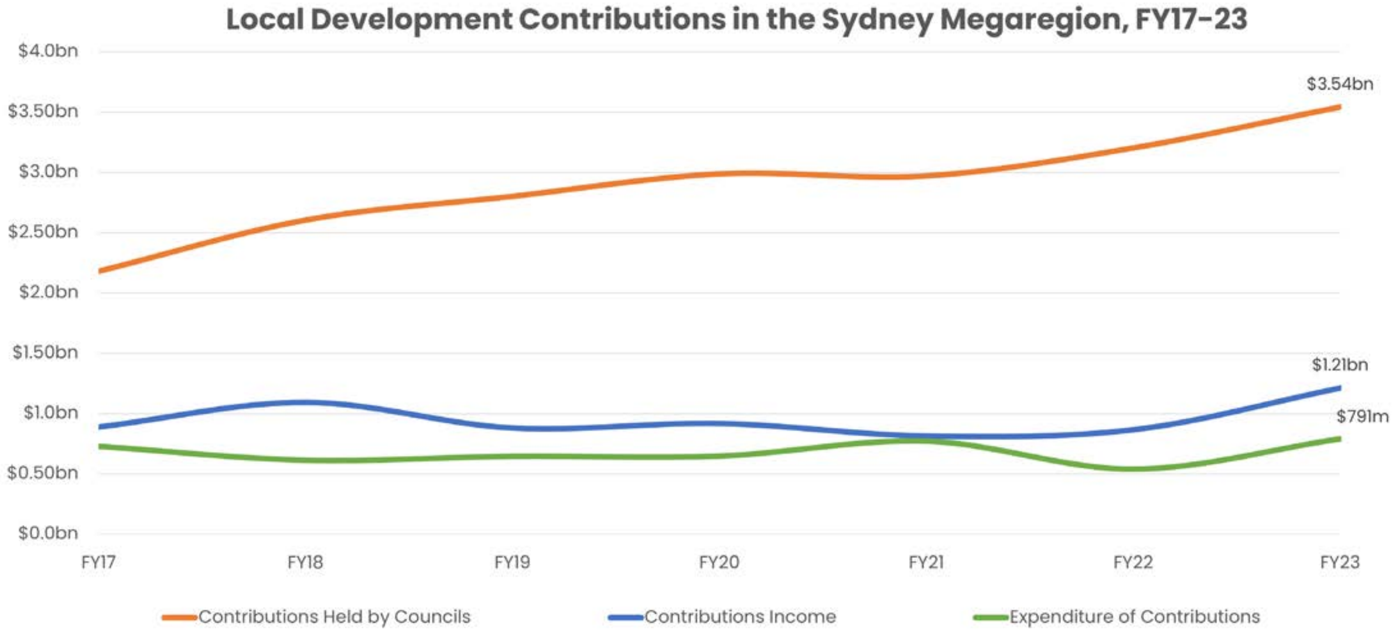
The delays in land acquisition for enabling infrastructure can significantly impact councils' ability to deliver infrastructure identified in contribution plans. In many cases, escalating land values outpace the indexation provisions within contribution plans, creating funding shortfalls.

In addition to cost pressures councils face a range of practical challenges when acquiring land. These include the need to purchase parcels larger than what is funded by the Contribution Plan to align with lot boundaries, as well as incurring additional costs due to the Just Terms Compensation Act which cannot be fully recovered through a contributions framework.

Contributions planning within councils is a highly specialised field, currently affected by a significant shortage of qualified professionals. Despite its importance, infrastructure contributions are largely absent from tertiary urban planning curricula in New South Wales, and there are no dedicated professional training programs available to build expertise in this area.

Organisationally, contributions planning is structured differently across councils, falling under strategic planning, finance, capital works, or other departments. This variability often results in fragmented processes and limited clarity around best practice for cross-department coordination and information sharing.

Resourcing constraints further limit councils' capacity to effectively program infrastructure delivery alongside their contribution plans. Many councils do not regularly track the financial position of their plans, undertake infrequent reviews, and have limited capacity to borrow funds for early infrastructure works. Furthermore, the removal of key community assets, such as libraries and



Source: Local Council's Annual Financial Statements
Note: The graph accounts for the 43 Councils of Greater Sydney, Lower Hunter, the Central Coast and the Illawarra-Shoalhaven

aquatic centres, from the Essential Works List has left councils without a clear funding mechanism for these critical social infrastructure projects.

The combination of these factors has led to extraordinary sums of unspent local contributions being held by Councils. While UDIA has called for these funds to be spent to clear the infrastructure backlog, research has highlighted that the **collected funds are still not sufficient to meet their infrastructure obligations and their expenditure on selected infrastructure could create even greater shortfalls for the remaining infrastructure**.

The above image charts how held contributions have progressively increased over the years to $3.5 Billion to the close of FY23.

The local contributions system functions most effectively when a developer-led rezoning, involving concentrated land ownership, provides all necessary infrastructure via a planning agreement. Developers are more capable of meticulously planning infrastructure delivery costs during the strategic planning phases of their rezonings, highlighting the benefit of having these processes become standard and consistent across the state.

A History of Contributions Reforms

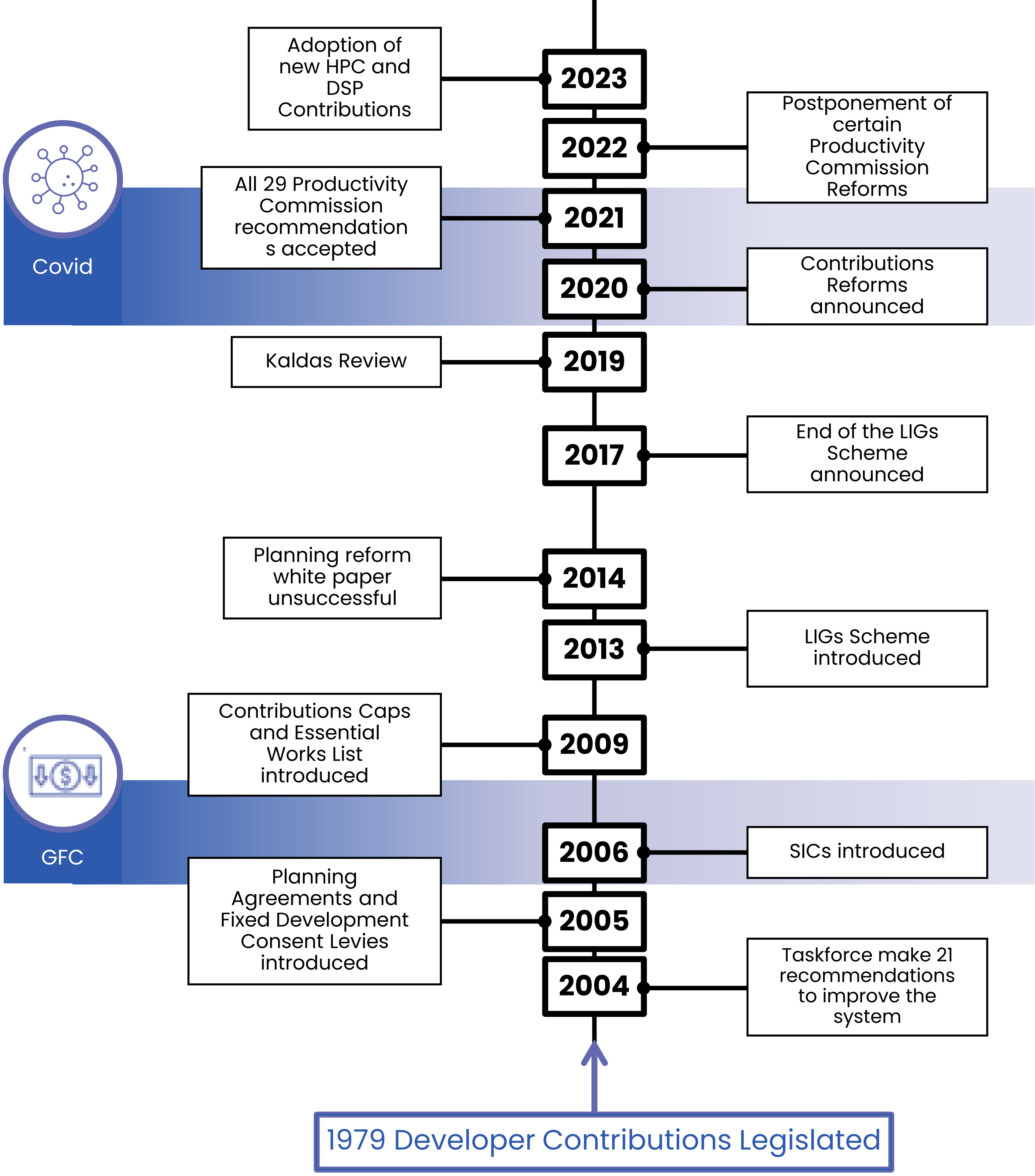
There have been numerous attempts to reform the infrastructure contributions system (state and local) in NSW over the years. However, these efforts have often been characterised by selective implementation of reforms, with many crucial recommendations either not actioned or inadequately addressed. Key areas that require comprehensive reform are frequently overlooked, leading to a piecemeal approach that has failed to resolve underlying issues. This has continued to compound an inefficient system that is unable to meet the growing infrastructure demands facing local councils, as they concurrently look to unlock and support local housing supply.

Following the Productivity Commission's 2020 review into infrastructure contributions, the selective implementation of recommendations has led to a suboptimal outcome.

The development industry is now facing significantly higher costs due to the introduction of new statewide contributions (in addition to rising local contributions), such as all components of the Housing and Productivity Contributions (HPC) and Sydney Water and Hunter Water Development Servicing Plan (DSP) charges.

Despite these new statewide contributions, the critical issues associated with the local contributions framework and governance have been largely left unaddressed. The lack of reform in this area means that the inefficiencies and funding gaps in local infrastructure contributions remain and often grow. **Any potential capacity for the development industry to absorb higher local contributions, which could have been used to fund critical social and community facilities like libraries and pools, will now be consumed by the new state-level charges.**

Contributions Reform Timeline



Operating Context

Local Government

Councils in NSW face a challenging operating environment. Addressing issues such as rate capping, outdated contributions cap, and barriers to borrowing is essential to enable councils to fulfill their responsibilities in delivering community infrastructure effectively.

Role of Local Governments in Delivering Community Infrastructure: Local councils in New South Wales (NSW) are responsible for delivering the majority of community infrastructure required to support new housing development. This includes critical social and community facilities such as parks, libraries, and pools. However, councils operate in a constrained financial environment that significantly hampers their ability to meet these obligations effectively.

Rate Capping: Council rates are capped in NSW, limiting revenue growth. NSW's council rates per capita are among the lowest in Australia, putting councils at a distinct disadvantage compared to their counterparts in other states.

S7.11 Contributions Cap: Originally introduced as a temporary measure, the cap on S7.11 contributions has remained in place for 14 years without adjustment for inflation or rising construction and land costs.

Limited Scope of Contributions: S7.11 contributions only fund 'essential infrastructure', excluding construction costs for critical social infrastructure like libraries and pools.

Land Acquisition Costs: Factors such as contamination and requirements from the Just Terms Act often make land much more expensive than forecast in contributions plans. Additionally, councils frequently need to acquire multiple parcels of land to assemble sufficient space infrastructure, like public parks, which further increases costs.

Reluctance to Use Borrowing and Contributions Revenue: There is a general hesitation among councils to use external borrowing. Even when councils decide to borrow, contributions income is not considered when calculating their debt cover ratio, which must remain under 2 as per the Office of Local Government's rules. This discourages councils from taking on necessary debt. Furthermore, many Councils are not aware of regulations around the pooling of contributions and internal borrowings.

Additionally, councils are reluctant to spend collected contributions because using the funds for one project risks short-changing other planned infrastructure. As a result, councils hold substantial contributions revenue without being able to utilise it effectively.

Workforce Limitations: Furthermore, councils struggle to regularly update and review their contributions plans due to a shortage of qualified contributions planners. This lack of expertise exacerbates delays and inefficiencies in the planning and funding process.

Development Industry

The development industry in New South Wales (NSW) plays a pivotal role in delivering housing to meet the needs of a growing population. Beyond market-rate housing, developers are also critical to delivering social and affordable housing, often through planning agreements or contributions. Their work supports economic growth, creates jobs, and contributes to addressing the state's housing affordability challenges.

However, developers in NSW are also operating in a highly constrained environment, which poses significant risks to their ability to deliver housing projects.

High Cost of Finance: Rising interest rates have dramatically increased the cost of borrowing, making it more expensive for developers to finance projects. This is particularly challenging for smaller developers with limited access to capital.

High Construction Costs: The cost of materials and labor has surged in recent years, driven by global supply chain disruptions and local workforce shortages. These costs erode profitability and make projects less feasible.

Regulatory Environment and Delays: Lengthy planning approval processes increase holding costs for developers, as they must carry the financial burden of land acquisitions and pre-development costs for extended periods. This delays project delivery and reduces overall housing supply.

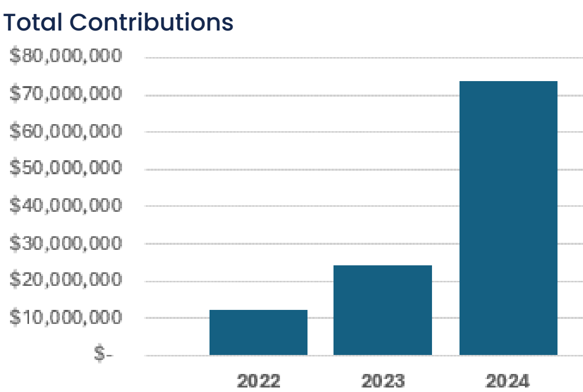
Taxes and Contributions: High government taxes and charges, including development contributions, add significant costs to projects. These charges often make up a substantial portion of a development's budget, reducing affordability.

Shift from Greenfield to Infill: Governments are increasingly prioritising apartment developments in urban areas over greenfield housing in outer suburbs. While apartments align with long-term strategic planning goals, they are currently less feasible for developers due to high construction costs, market saturation, and financing challenges. This is shifting attention away from the key constraints on greenfield housing development, namely infrastructure funding and delivery.

Works-in-Kind Challenges: Delivering infrastructure through works in kind is complicated by factors like surplus credits, which often mean developers have to deliver significantly more than their obligations to provide housing on time.

Market Uncertainty and Infrastructure Planning Issues: The NSW planning system creates uncertainty for developers and sends misleading market signals. Contributions for infrastructure are often determined years after a rezoning has occurred, significantly undermining feasibility assumptions at the time of land purchase.

Contributions	Recipient	2022	2023	2024
Local - Section 7.11 (~ $20,000 per dwelling)	Ryde	$6,000,000	$0	$0
Local - Section 7.12	Ryde	$0	$9,000,000	$9,000,000
Utilities – Sydney Water DSP	Sydney Water	$0	$0	$1,202,700
Incentive GFA (clause 6.9)	Ryde	$6,200,000	$6,200,000	$6,200,000
Affordable Housing Contribution	Ryde	$0	$3,450,000	$53,250,000
Public Art Allocation	Ryde	$0	2,250,000	$2,250,000
Regional - HPC	State	$0	3,147,933	$3,147,933
Total		**12,200,000**	**24,047,933**	**$75,048,633**
Rate per apartment $		40,667	80,160	$250,162.11
Rate per sqm of GFA $		407	802	2,502
Increase			97%	505%



Total Contribution Charges on Key Sites in the Macquarie Park Innovation Precinct

Home Buyers and Future Residents

In New South Wales (NSW), the availability and quality of infrastructure are directly linked to housing affordability and accessibility. For many home buyers, the lack of adequate infrastructure in affordable areas or the high prices in well-serviced areas creates a challenging environment.

Unaffordable Prices in Serviced Areas: In regions where infrastructure like transport, schools, and health services is established, housing prices are prohibitively high. For example, as of 2025, the median detached house price in Greater Sydney is over $1.4 million, and even apartments in well- connected inner CBD areas are averaging over $1 million (Source: Cotality), putting homeownership out of reach for many families.

Affordable Options Farther Out: To find cheaper housing, buyers must often move to the city's outskirts where infrastructure is either incomplete or significantly delayed.

While this may reduce upfront housing costs, it introduces new challenges related to commuting and access to essential services.

Missing Community Infrastructure: Residents of growing suburbs face a critical lack of social infrastructure like pools and libraries. This important category of social infrastructure cannot be properly funded by infrastructure contributions or general rates. An analysis of Blacktown LGA found a provision of 1 pool for every 80,000 residents, 5 to 6 times below the national average, meaning many families are unable to access swimming lessons for their children.

Market Signals and Planning Gaps: The lack of synchronised infrastructure planning and housing development exacerbates the housing crisis. Rezoning decisions frequently precede infrastructure commitments, leading to:

- **Misleading Market Signals:** Buyers are drawn to newly rezoned areas expecting timely infrastructure delivery, only to face years of delays.
- **Increased Pressure on Existing Services:** Without proper infrastructure in place, population growth in affordable areas overwhelms existing services, such as schools and hospitals.
- **Disenfranchisement with Outer Suburbs:** These issues combine to dissuade new residents and governments from greenfield housing. Many of these issues can be resolved via reforms to local contributions.

Case Study
North West Growth Area

In the North West Growth Area of Sydney, more affordable options for housing exist, but key infrastructure lags behind:

- **Traffic Congestion:** Major Arterial roads like Richmond Road face severe traffic jams as residents commute for school drop offs, work or access to public transport hubs. These delays significantly impact on quality of life and economic productivity.
- **Lack of Schools:** Families moving into these growth areas face a shortage of local schools, leading to overcrowding in existing schools and long commutes for children and parents.
- **Public Transport Struggles:** While the Sydney Metro has expanded to some areas, the lack of adequate bus services or active transport options forces residents to rely on their cars to reach metro stations, leading to parking at stations reaching capacity quickly.

Proposed Reforms

A Roadmap for Transforming Infrastructure Contributions

INFRASTRUCTURE PLANNING PRIOR TO REZONING → DELIVERY OF ENABLING INFRASTRUCTURE → DELIVERY OF HOUSING AND SOCIAL INFRASTRUCTURE

The infrastructure contributions planning process is intricately linked to the stages of housing delivery. Each stage of housing development is accompanied by a corresponding stage of local contributions planning to ensure a seamless and effective approach to infrastructure provision.

Phase 1: Infrastructure Planning Prior to Rezoning

This initial stage involves the identification of infrastructure requirements and the assessment of funding options. It ensures that the infrastructure can be adequately funded before any commitments are made. This stage is crucial for setting a solid foundation for future development by aligning infrastructure needs with available resources.

Phase 2: Delivery of Enabling Infrastructure

In this stage, the early provision of critical infrastructure such as roads, stormwater drainage, and utilities is facilitated using alternative funding sources. This allows development to proceed by removing initial barriers. A detailed assessment of infrastructure requirements is conducted, and funding mechanisms are updated accordingly to reflect the evolving needs of the development.

Phase 3: Delivery of Housing and Social Infrastructure

As housing delivery begins and residents move in, this stage focuses on the provision of social infrastructure to meet the growing demand. Contributions plans are updated in accordance with revised development take-up and forecasts. Borrowing used to fund early infrastructure is repaid using collected contributions. If demand exists, additional development density may be allowed to fund any remaining unfunded infrastructure, ensuring that the community's needs are met comprehensively.

These three stages ensure that infrastructure contributions planning is aligned with the phases of housing delivery, providing a structured and effective approach to supporting sustainable growth.

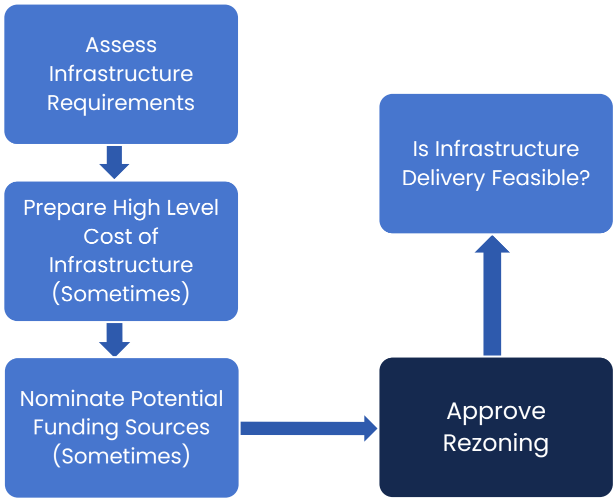
Importantly, while each stage is distinct; they are not independent - shortcomings in one stage inevitably increase the chances of failure within the next stage.

For each stage we have set out the current process, highlighting issues and describing what an ideal process should look like. We have then considered reforms and supporting actions that would need to be implemented to ensure success of the reforms, which would allow us to transition to this ideal process and remove the barriers to these reforms.

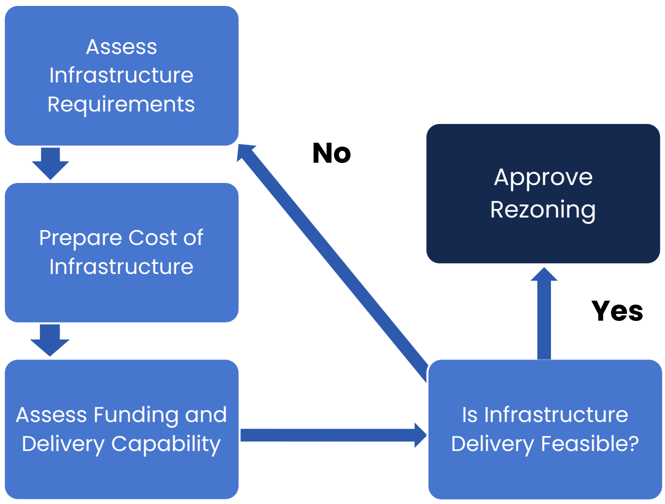
Phase 1 – Infrastructure Planning Prior to Rezoning

The assessment of local infrastructure requirements should be detailed and undertaken early in the planning process, prior to large scale government led rezonings being gazetted. The current planning processes do not facilitate consistent, adequate consideration of local infrastructure contribution requirements at a critical stage of strategic development. The diagram below provides an overview of current infrastructure planning processes as part of the rezoning phase, and the ideal process.

Current Process



Ideal Process



Issues with the Current Process

Focus on Perfect Infrastructure Over Feasibility

The current phase often prioritises identifying the 'perfect' infrastructure for the job rather than ensuring that this ideal infrastructure can be fully funded. This approach can lead to unrealistic planning and funding gaps that hinder a development's progress.

Reactive Rather Than Proactive Infrastructure Planning

In some instances, an Infrastructure Delivery Plan (IDP) or Contributions Plan is prepared and exhibited alongside the rezoning. However, these documents are typically 'reactive,' completed as the last piece of work before exhibition. This reactive approach fails to integrate funding assessments into the planning process effectively.

Need for Active Documents

IDPs should be 'active' documents. The results of funding assessments should feed back into the precinct structure plan, working to either reduce infrastructure costs or increase the number of dwellings sharing the cost. They should also include details of delivery programming like how enabling works will be funded, when detailed designs will be prepared and contractors engaged, and staffing requirements. This proactive approach ensures that infrastructure planning is both realistic and financially viable.

Testing Contributions Rates for Viability

The resulting contributions rate should be tested to determine whether the development can absorb these costs while remaining viable. This step is crucial to ensure that the planned infrastructure does not render the development financially unfeasible. Results of the viability assessment need to be undertaken as part of the aforementioned active IDPs.

Uncertainty in Funding Commitments

While higher-order regional infrastructure is often nominated in IDPs, decisions about funding commitments are usually delayed until many years after a rezoning. This delay creates uncertainty for developers and the community, as there is no clear timeline or commitment for infrastructure delivery.

Lack of Identified Contributions Rates

It is typical for areas to be rezoned without identifying contributions rates to fund infrastructure amplifications. This oversight creates investment uncertainty for developers, who are unsure of the financial implications of their projects, resulting in delayed housing.

Impact on Residents

Residents who move into these areas based on promised infrastructure often do not receive it on time, or in many instances, never receive it. This failure to deliver critical infrastructure undermines community trust and the overall liveability of new developments.

Addressing these issues in Phase 1 is critical to ensure that infrastructure planning is realistic, financially viable, and aligned with the needs of developers and future residents. We have identified reforms below that could bring this phase closer to the ideal process and set up future phases for success.

Phase 1 Actions

The following actions would facilitate the achievement of the ideal process in infrastructure planning at the rezoning phase.

Proposed Reforms for Phase 1

***Target Consultation Themes**: The Imperative for Early Infrastructure Funding and Delivery Planning, Unfair Cost Sharing in Housing Infrastructure, Enhancing Council Capabilities*

Proposed Reforms

1. Requirement for Contributions to Be Exhibited Alongside Rezonings This reform ensures transparency and predictability in the planning process, allowing developers to understand the financial implications upfront. The compulsory requirement also encourages proactive infrastructure planning.	**2. Requirement to Publish an Infrastructure Delivery Plan Alongside Rezonings** Publishing an Infrastructure Delivery Plan (required to be regularly updated) provides certainty and confidence to developers and the community, ensuring that infrastructure projects align with development timelines. The compulsory requirement ensures government proponents proactively plan for delivery.

Supporting Actions

A. Revised Practice Notes for Infrastructure Funding Planning Prior to Rezoning Revised practice notes need to address the evolving role of IDPs as active documents. IDPs should be dynamic, with the results of funding assessments feeding back into the precinct structure plan to either reduce infrastructure costs or increase the number of dwellings sharing the cost. The practice notes should emphasise the importance of testing the resulting contributions rate to determine whether the development can absorb these costs while remaining viable. Additionally, they should outline the need to calculate and express a funding gap as a percentage of the total infrastructure cost. After industry consultation, a minimum acceptable funding gap should be determined, recognising that it is unrealistic for no gap to exist.	**B. Revised Practice Notes for Infrastructure Delivery Planning** The practice notes should apply to the lead proponent of a rezoning and emphasise the need for collaboration between state government and Council on infrastructure delivery capabilities for government-led rezonings. They should require governments to prepare a delivery program prior to the finalisation of a rezoning, demonstrating how they will fund early works and outlining their plan to mobilise their capital works team. This program should include project management and delivery strategies, such as setting clear milestones for projects, allocating resources, and establishing timelines for key milestones such as the preparation of detailed designs and contractor procurement. The practice notes should highlight that doing this early work is the first step in enhancing Council infrastructure delivery capabilities.	**C. Planning Circular on Contributions Plans Prepared Prior to Rezoning** The planning circular needs to address the lengthy process of preparing contributions plans. It should advocate for allowing developers to prepare draft contributions plans and hand them over to Council for finalisation and adoption. The circular should emphasise that while Councils often resist this approach, they remain the final decision maker and can update the draft contributions plan as needed. This method is faster than preparing a plan from scratch and can significantly streamline the contributions planning process. The circular should also highlight the importance of transparency and information sharing between stakeholders, and the need for regular stakeholder meetings and shared information platforms.

Impact on Timing

Concerns about timeline implications of completing some contributions planning prior to rezoning must be considered against the issues associated with not addressing infrastructure funding early on.

This includes recognition that the long-term benefits of proactive planning will deliver housing faster at the development stage. Delivery of early enabling infrastructure facilitated by the completion of infrastructure funding and delivery planning carried out in the manner set out in this section will ultimately lead to faster approvals and delivery of housing.

Furthermore, much of the infrastructure planning set out above can be completed in parallel with other concurrent processes, without relying on the completion of final reports for various technical streams.

Phase 2 – Delivery of Enabling Infrastructure

Consultation conducted for this research revealed a counterintuitive cycle for enabling infrastructure delivery, as described earlier in this report. A lack of initial funding to kickstart the delivery of enabling infrastructure can cause the cycle, summarised in the diagram below. The lack of initial infrastructure funding and delivery leading can lead to a lack of timely development activity and ultimately leads to growing challenges in delivering growth in the release area.

New release area with no development

- A new area is released for development after rezoning, but no development activity occurs. This is because no seed funding exists from state or federal governments to kickstart the delivery of essential enabling infrastructure—such as roads, utilities, and drainage—which makes the area unattractive for developers and potential residents.

Land prices escalate

- Over time, land prices in the release area increase due to speculative activity and general market trends. Alongside other land acquisition challenges, this price escalation renders the assumptions in the original infrastructure contributions plan outdated. The estimated costs for land acquisition and infrastructure provision no longer reflect the reality of the market.

Insufficient contributions collected to fund enabling infrastructure

- Because no development has occurred, developers have not paid infrastructure contributions. This means that no funds are available to initiate the delivery of essential enabling infrastructure.

Council is unable to borrow to fund enabling infrastructure

- Councils face restrictions on borrowing to fund the necessary infrastructure. The Office of Local Government does not consider infrastructure contributions as a form of Council income, which adversely affects their debt cover ratio. As a result, Councils risk breaching OLG requirements by borrowing to fund cirtical infrastructure.

No enabling infrastructure discourages development

- Without enabling infrastructure, development remains stalled. Developers are unwilling to proceed with housing projects in areas that lack basic infrastructure, leaving the precinct underdeveloped.

Cycle Repeats
The lack of enabling infrastructure perpetuates the cycle. Land prices continue to rise, contributions remain uncollected, and development is delayed indefinitely.

Fundamental to mitigating the risk or preventing the counterintuitive cycle described above is the availability of an early source of funding, so that enabling infrastructure can be delivered in a timely matter. While the use of internal borrowing and pooling of contributions funds can be further expanded by councils, in most instances, an external source of borrowing.

Early access to funding could facilitate the following 'ideal process' for the delivery of enabling infrastructure.

The ideal process, where state or federal governments provide seed funding or facilitates external loans for councils, offers numerous benefits:

- Early acquisition of land parcels at unimproved prices minimises the risks associated with price escalation, ensuring more predictable and manageable expenses.
- Prompt delivery of enabling infrastructure attracts early development, creating a positive feedback loop that stimulates further growth.
- Early infrastructure delivery increases the certainty of planned development occurring in accordance, or greater, than development forecasts prepared during Phase 1.
- Efficient collection and utilisation of developer contributions ensures that additional infrastructure needs are met without delay.
- Surplus contributions created by the external funding can then be used to repay the initial seed funding or loans, including any interest payments that can be recouped from the contributions plan.

New release area | Rezoning Gazettal	The process begins with the formal rezoning of a new precinct, where the government designates areas for new development or for intensification. This step establishes the foundation for growth and the need for associated infrastructure.
Initial Funding to Kickstart Infrastructure	Once rezoning is complete, state or federal governments provide seed funding or facilitate access to external loans for Councils to initiate the delivery of essential infrastructure. This financial boost ensures that enabling infrastructure, such as roads, utilities, and stormwater drainage, is established promptly to support future development.
Delivery of Enabling Infrastructure	The initial funding is utilized to deliver critical enabling infrastructure. This includes the physical and service systems necessary to make the precinct functional and attractive for early development. Without these foundational systems, the development process would stall.
Early Stages of Housing Delivery	With enabling infrastructure in place, the precinct moves into the early stages of housing delivery. Developers begin constructing housing units, and new residents start moving into the area.

Phase 2 Actions

The following actions would facilitate the achievement of the ideal process in delivering enabling infrastructure.

Proposed Reforms for Phase 2	
***Target Consultation Themes:** Breaking the Cycle: Enabling Infrastructure for Development, Enhancing Council Capabilities, Comprehensive and Interlinked Reforms*	
Proposed Reforms	
3. Changes to debt cover ratio from Office of Local Government (OLG) OLG guidelines require a Councils debt cover ratios to remain below 2, and does not consider contributions income as part of the calculation. This requirement dissuades councils from borrowing for the purposes of contributions funded infrastructure, as it could be in breach of OLG requirements. Changes to the Debt Cover Ration to include contributions income would allow councils to borrow funds to kick start infrastructure delivery, especially early land acquisition at unimproved rates, to support a new precinct.	**4. Strengthen the Low Cost Loan Initiative as a mechanism for seed funding contributions plans** Leveraging the changes to the debt cover ratio and infrastructure delivery planning conducted during Phase 1 will support councils in preparing a list of enabling infrastructure, in particular land acquisitions, that need to be funded. In order for the loans to be provided to a council, they would need to have prepared at least concept or detailed designs for infrastructure items, or identify land parcels for acquisition, demonstrating a delivery program which considers resourcing, delivery timelines with key milestones, and financial forecasting to show how and when the fund could be paid back using contributions funds. The funds delivered in this manner would have the dual effect of funding enabling infrastructure, including plugging leakages due to delayed land acquisition, while helping councils to improve their delivery planning.
5. State and Federal Government commits to a pilot program to co-fund local contributions infrastructure The NSW Government should allocate an initial $950 million over the forward estimates to establish a pilot program to co-fund infrastructure in IPART approved contributions plan. This allocation would serve as a scalable and flexible funding mechanism to supplement funds from local contributions plans, and would help cover additional costs incurred due to Just Terms acquisitions, contamination etc. Importantly, this funding would be structured as repayable in instances where councils' local contributions receipts ultimately exceed the value required to deliver all infrastructure identified in the IPART-approved contributions plans. Any surplus could be redirected to the next priority contributions plan or returned to the NSW Government if no further priorities exist. To access this funding, councils will need to demonstrate a detailed delivery program for the subject infrastructure, including preparation of detailed designs, updated costs estimates and procurement program. This approach will provide councils with greater financial certainty and support, more coordinated infrastructure and housing delivery. It complements existing commitments under the National Housing Accord and supports the state's broader housing supply and infrastructure objectives. This can be accommodated in addition to the other recommendations that will structurally reduce the funding gap and ameliorate the need to bridge this gap in time.	**6. Trial contributions paid prior to issue of Occupation Certificate** The previous Phase 2 reforms would allow councils to no longer be solely reliant on contributions to fund early infrastructure. If the first two reforms are implemented, councils would be more willing to allow the payment of contributions at the Occupation Certificate (OC) stage, when financing arrangements for contributions obligations are easier for developers. This will allow more developments to progress and leave developments better placed to absorb higher contributions. It is recommended that this reform be trialled first over a two-year period or by staging contributions over Construction Certificate (CC) stages and OC stages. This will demonstrate the impact of delayed development activity on councils and provide valuable insights and evidence for future policy adjustments.

Proposed Reforms for Phase 2		
Supporting Actions		
A. WiKA guidelines revised – cross bucketing encouraged The revision of WiKA guidelines to encourage cross bucketing introduces greater flexibility in the allocation of funds, enabling more responsive and adaptive infrastructure planning. This change supports the efficient use of resources, ensuring that funds can be directed to where they are most needed, ultimately benefiting the community and enhancing the overall development process.	**B. Repriotisation of skills within Councils – shift towards project management and engineering rather than only relying on planning** Contributions planning is a critical function within councils, but important actions like tracking plan progress and updating contributions plans often do not occur due to a lack of experienced contributions planners. It is important to utilise other skillsets, such as project management and engineering, which have transferable and practical skills for contributions planning.	**C. New training courses for Contributions Planning** An investment needs to be made in short courses that provide the basics of contributions planning to new staff. This approach will ensure that councils have greater expertise to manage contributions plans effectively and improve infrastructure delivery.

Link to reforms for Phase 1

The success of Phase 2 reforms is intrinsically linked to the effective implementation of Phase 1 reforms. By establishing a robust framework for infrastructure funding and delivery planning prior to rezoning, Phase 1 reforms lay the groundwork for efficient utilisation of funds made available by Phase 2 reforms. The work completed over Phase 1 and early in Phase 2 allow Councils to demonstrate that the funds being sought are for 'fit for purpose' infrastructure and can unlock a high quantum of housing. Additionally, the requirement for contributions to be paid prior to the issuance of an Occupation Certificate is only viable if government funding support and changes to borrowing rules reforms are progressed, which in turn are only viable if the infrastructure funding and delivery planning recommended during Phase 1 occurs. Together, these reforms create a cohesive and comprehensive approach to infrastructure planning and delivery, supporting sustainable growth and development.

Phase 3 – Delivering Housing and Social Infrastructure

An ideal process for Phase 3, commencing once early enabling works have been completed, could be as per the below graph:

Council Reconciliation of Contributions	Councils regularly review their net infrastructure contributions and obligations, ensuring an accurate understanding of their net financial position and infrastructure needs.
Revisions and Identification of Needs	Contributions plans are reviewed and updated periodically to address funding gaps and unforeseen infrastructure costs, ensuring that contributions rates reflect the cost of delivering the remaining infrastructure and that costs reflect market conditions.
Infrastructure Contributions Collected	Developers contribute funds as planned. The prompt collection of contributions enables further infrastructure development, including early land acquisition for social infrastructure.
Delivery of Social Infrastructure	Critical social infrastructure like parks, sports fields is funded and delivered on schedule, meeting the needs of the growing community.
Later Stages of Housing Delivery	Housing development proceeds smoothly, supported by adequate infrastructure delivery, ensuring liveable communities with necessary amenities.
Public Benefit Schemes and Uplift Funding	Other funding sources like, Public benefit and value uplift schemes or special area rates, are used to address any funding gaps for non-essential infrastructure, once there is sufficent market demand to make them viable.
Repayment of Borrowings	Surplus contributions are used to repay initial borrowings, ensuring long-term financial sustainability.

A lack of consistency in regular reviews of contributions plans across councils leads to outdated cost estimates and insufficient funds due to land value escalation and rising infrastructure costs. This can result in over-expenditure on certain infrastructure projects, resulting in shortfalls for other planned items. The lack of appropriate funding for the total quantum of infrastructure obligations does not provide councils with confidence in spending existing funds, leading ballooning contributions accounts.

While works-in-kind (WIK) are beneficial and facilitate the delivery of specific infrastructure works, they can often only be feasible for developers with large land holdings. As it is difficult to align contributions obligations and works in kind values, and councils lack the funds to meet all infrastructure obligations, the surplus value provide by developer works in kind is often foregone.

The outcome of the above process, alongside the lack of viable funding sources for important social infrastructure like libraries and pools, is that outer urban areas end up becoming examples of vaunted 'suburban sprawl.'

Phase 3 Actions

The following actions would facilitate the achievement of the ideal process in delivering enabling infrastructure.

<table>
<tr><th colspan="4">Proposed Reforms for Phase 3</th></tr>
<tr><td colspan="4">Target Consultation Themes: Unfair Cost Sharing in Housing Infrastructure, Enhancing Council Capabilities, Funding Social Infrastructure: An 'Essential' Need</td></tr>
<tr><td colspan="4">Proposed Reforms</td></tr>
<tr>
<td>7. Introduce 'Special Area Rates' for new residents as a mechanism to fund community infrastructure
An infrastructure levy (special) paid by new residents in a new release area over a 20-30 year period to cover the cost of community facilities deemed 'non-essential' by IPART. This ensures new residents who benefit from new facilities contribute towards their provision, broadening the sharing of housing infrastructure costs.</td>
<td>8. Requirement for Council to report annual delivery status of contributions plan infrastructure and 'net position' of contributions accounts
To ensure accurate understanding of their net financial position and evolving infrastructure needs, annual delivery and 'net position' reports need to be prepared by Councils. This initiative ensures that stakeholders are well- informed about the progress and financial health of infrastructure projects funded by contributions. It also helps in identifying any discrepancies or delays early, allowing for timely interventions and adjustments.</td>
<td>9. Mandatory review of contribution plans every 4/5 years
The existing Practice Notes recommend a 5-year review period. This needs to become a mandatory requirement for all councils in NSW.
Reviews of infrastructure costs and evolving development forecasts are critical for ensuring infrastructure contributions remain efficient. Plan administration levies in contributions plans can be utilised to progress more regular reviews.</td>
<td>10. Surplus credits to be repaid within 2-5 years of works in kind completion
The adoption of all previous recommendations will significantly improve the capability for councils to fund local infrastructure and ensure local contributions accurately reflect infrastructure obligations, in turn allowing Councils to repay surplus value provided by developers within a set timeframe.
Enacting this reform will require revisions to existing practice notes or the preparation of a new Works in Kind Agreement Practice Note.</td>
</tr>
<tr><td colspan="4">Supporting Actions</td></tr>
<tr>
<td colspan="2">A. Guidelines on use of community benefit and uplift schemes to fund non-essential infrastructure
To support councils access to capital from the beneficiaries of social infrastructure, guidelines should be developed for the use of Community Benefit and Uplift Schemes where additional development rights are provided in return for provision of public benefits. These guidelines should identify key principles that must be followed when adopting these schemes to support council in identifying where there may be beneficiaries of social infrastructure, and to help understand the viable amount of public benefit that can be provided by a development.
The use of such schemes will only be viable in certain areas where there is market demand for additional density beyond the current controls.</td>
<td colspan="2">B. Reprioritisation of skills within Councils – shift towards project management and other numeric based skills
To facilitate the effective, consistent review of Contribution Plans, council's infrastructure delivery team will need upskilling and staff resources with strong numeric backgrounds, including engineers and property developers. The development of new contributions planning training material remains imperative.</td>
</tr>
</table>

Conclusion

The local infrastructure contributions system in NSW must strive to create new living areas that are vibrant, enhance livability, and are affordable. The current system is problematic and not fit for purpose and hence struggles to deliver on these ideal outcomes.

With the Federal Government advancing an ambitious housing delivery agenda under the National Housing Accord, there is an opportunity to reintroduce local contributions reform to the policy agenda in NSW and acknowledge it as a critical enabler of housing supply.

This report places the local infrastructure contributions system at the heart of housing supply and delivery, which impacts all stakeholders, as:

- Councils need the tools and confidence to deliver local infrastructure on time so that local contributions do not accumulate unsustainably.
- Developers need predictable costs and viable pathways to deliver homes that have infrastructure.
- Communities need not just more housing, but thriving, well-serviced places to live.

UDIA and Urbis have created a comprehensive reform package for the local contributions system, guided around emphasising the three phases of infrastructure contributions - Planning before Rezoning, Enabling Infrastructure Delivery, and Delivering Housing and Social Infrastructure.

Each of these phases is critical in its own right; however, their true value lies in how they integrate to form a contributions system that is underpinned by certainty, timeliness, equity, and a focus on outcomes. Drawing on past experience, it is clear that reforms to infrastructure contributions will have limited impact if pursued in isolation. For change to be meaningful and enduring, these reforms must be implemented as part of a cohesive, holistic program; an approach this report seeks to advance.

We welcome the opportunity to collaborate with all levels of government to refine and advance the pathway for local contributions reform in NSW, building on the foundational work of the Productivity Commission in 2020. Without meaningful reform, housing supply will continue to be constrained, and communities' risk being left without the essential local amenities that support livability and long-term growth.

Liverpool Civic Place by Built

Glossary

Term	Definition
Capital Works Team	A team within a government body that is responsible for planning, designing and managing (including budgeting and programming) the construction of public infrastructure projects.
Contributions	Also known as developer contributions, these are charged by government agencies when new development occurs to help fund infrastructure. This can occur through monetary payments, which can be offset by value of land dedication, or the direct provision of works.
Contributions Cap	A limit ($20K or $30k per dwelling) to the amount that could be levied by councils to residential developments as part of a Section 7.11 contribution obligation. This was introduced during the Global Financial Crisis to ensure that the contribution framework was supportive of housing and employment targets.
Contribution Plan	A document that outlines how developers will provide contributions to the government authorities to support the delivery of infrastructure. This typically includes the types of development and areas where the contribution obligations apply, the methods of calculation for contributions as well as the requirements for developers to satisfy contribution obligations before development can be finalised.
Conditions of Consent	Specific requirements and rules that a developer must follow, including requirements to get subsequent certifications and approvals, for a development after it has received a determination (including approval) from the relevant, government consent authority.
Construction Certificates	An official document that confirms that development plans comply with all the relevant regulations, standards and conditions and thus, confirms that construction of a development can commence.
Cost-Sharing Model	Division of contribution obligations amongst multiple parties, which can include developers and government authorities.
Cross-Bucketing	Refers to the practice of re-allocating or pooling monetary funds collected from contributions across different infrastructure categories or project, as opposed to strictly using funds for the specific purpose they were originally allocated to.
Debt cover ratio calculations	A financial metric used to assess the ability for an organisation to meet its debt obligations.
Direct provision of works	Developers building or installing infrastructure on behalf of a government authority.
Enabling Infrastructure	Infrastructure that must be in place before new homes can be built and occupied. In the scope of local contributions, these are typically roads and stormwater drainage infrastructure.
Funding Gaps	The shortfall between the cost of desired infrastructure and the funds available to Councils from infrastructure contributions.
Greenfield Housing	Building of new dwellings on previously undeveloped land, typically in rural areas that have not been used for urban development.

Term	Definition
Essential Works List / Non-Essential Works	Works identified by the Independent Pricing and Regulatory Tribunal (IPART) Practice Note on Local Infrastructure Contributions (dated January 2019) under clause 3.2. The Essential works list includes: • land for open space (for example, parks and sporting facilities) including base level embellishment • land for community services (for example, childcare centres and libraries) • land and facilities for transport (for example, road works, traffic management and pedestrian and cyclist facilities), but not including carparking • land and facilities for stormwater management • the costs of plan preparation and administration. By extension, non-essential works include works that are not nominated in clause 3.2 of the Practice Note. For example, this would include contributions for the community facilities (the land for community facilities are included, but not the community facility itself).
Higher-order regional infrastructure	Large-scale, significant infrastructure that serves a broader area and is often essential for supporting major population centres and/or economic activities.
Infrastructure	Refers to the services and facilities needed to support a community e.g. roads, water supply, sewage systems, electricity, schools, parks, community facilities, and public transport.
Infrastructure Delivery Plan (IDP)	Most common name for a deliverable that is also called an Infrastructure Delivery Strategy, or Infrastructure Funding Strategy. It identifies the land and works needed to meet the infrastructure needs for a future community and high level funding sources for infrastructure.
Just Terms Acquisitions	The process where government authorities can purchase private land for a public use while ensuring that the landowner is fairly compensated.
Land Dedication	The transfer of land from a private owner to a government authority, including as works in kind. This is often to allow the land to be used for a public purpose, including local infrastructure.
Land Acquisition	The purchase of private land by a government authority, often for the use of a public purpose, including local infrastructure.
Local Infrastructure Contributions System / Framework	A policy framework which manages the charging of developer contributions to fund local infrastructure, which is infrastructure owned and managed by local councils.
Occupation Certificate	A formal document issued by a certifying authority (Council or registered private certifier) that a development building satisfies all the relevant codes and regulations, is developed in accordance with the approved plans and specifications, satisfies all the requirements under conditions of consent and thus, is suitable for occupation.
Planning Agreements	A voluntary agreement or other arrangement between a planning authority (or 2 or more planning authorities) and a person (the developer) who has sought a reform, a development application or CDC under which the developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards a public purpose.

Term	Definition
Planning Circular	An advisory document on principles, procedures and practices to assist in implementing planning laws and policies in a consistent and correct way. While planning circulars are non-statutory, they typically convey critical information regarding changes to planning systems, such as new legislation and interpretations of planning laws.
Practice Note	An advisory document released by a government authority that provides guidance and clarification on specific planning policies, and regulations or procedures to assist in the consistent and correct application of planning rules.
Public Benefit and Uplift Schemes	Mechanisms that can identify increases to land values generated by changes to applicable planning controls and new developments to then be captured in the contribution obligations either financially and/or through new infrastructure developments.
Section 7.11	A type of contribution plan prepared by councils in accordance with Section 7.11 of the Environmental Planning and Assessment Act 1979 No 203 which allows council to charge developers contribution fees for the payment of infrastructure. A contribution plan prepared under Section 7.11 includes specific fee calculations which have been prepared to capture the infrastructure costs for the respective development and demand planned for the area in which the contribution plan applies.
Section 7.12	A type of contribution plan prepared by councils in accordance with Section 7.12 of the Environmental Planning and Assessment Act 1979 No 203 which allows council to charge developers contribution fees for the payment of infrastructure. A contribution plan prepared under Section 7.12 applies a flat percentage fee based off the cost of development and thus, the contributions are often not reflective of a specific development outcome for the area in which the contribution plan applies.
Social Infrastructure	Infrastructure like open space and community facilities which provides the required services for communities to thrive, including developments which provide social services such as schools, parks, hospitals etc.
Special Area Rates / Infrastructure Levy (Special)	Additional contribution charges imposed onto property owners to fund specific infrastructure projects that service and benefit a particular area.
Structure Plan	A plan establishing a strategic framework for future development across an area, including the land use and density mappings (informed by the relevant technical support) which will be incorporated into planning policy and inform future rezonings, staging of the development, and the land use and infrastructure to be delivered in future development processes.
Surplus Credits	The excess value or benefits provided by a developer which is beyond their contribution obligations or stipulated requirements.
Subdivision Certificates	An official document that approves the allotments across a piece of land, confirming that the requirements and works have been met to allow a subdivision to take place.
Works-in-kind	When a developer provides physical infrastructure (direct provision of works) to offset the monetary payments under their contribution obligations. This is often facilitated through a Planning Agreement.
Works-in-kind Agreement (WiKA)	An agreement between a developer and a government authority, specifically for the developer to deliver infrastructure works in lieu of specific, monetary contribution obligations.

Appendix 1 - Themes From Our Consultation

Key Themes and Findings from Stakeholder Engagement

In response to ongoing challenges, UDIA and Urbis have taken a collaborative approach to identify potential practical reforms that should be considered by government.

Throughout the consultation processes there were six recurring themes that found consensus between council and the development industry. This alignment between groups that often have opposing views reinforced the significance of these themes in dictating our recommendations for reform.

#1 The Imperative for Early Infrastructure Funding and Delivery Planning

A critical issue in government-led rezonings is the limited integration of infrastructure funding and delivery planning during the strategic planning phase. While Infrastructure Delivery Plans (IDPs) are often required, they are typically reactive in nature, responding to, rather than shaping the planned infrastructure provision.

Key considerations such as the feasibility impacts of local contributions rates, identification of funding gaps (including for non-essential infrastructure), opportunities to adjust infrastructure provision to reduce per capita costs, or to increase densities to improve viability, are often overlooked. As a result, the financial sustainability and deliverability of the structure plan may be compromised.

There is also minimal focus on the timing and implementation of infrastructure delivery. While IDPs may provide indicative staging in five-year blocks, they rarely address how the responsible delivery agency, most often council, will meet these timeframes. Detailed cash flow modelling to inform internal or external borrowing is seldom undertaken, and capital works teams are typically not engaged early enough to plan for design development or procurement.

Collectively, these gaps constrain the ability of councils to undertake early land acquisition or deliver enabling infrastructure in alignment with rezoning outcomes.

#2 Inequitable Cost Sharing in Housing Infrastructure

The current approach to funding housing-related infrastructure places significant financial pressure on both developers and councils. Developers are required to contribute to infrastructure costs; however these contributions are often insufficient to fully fund the infrastructure needed to support new communities, particularly for 'non-essential' community facilities like pools, libraries, and leisure centres, which are excluded from the essential works list.

Councils face parallel constraints. Rate capping limits their revenue-raising capacity, and the existing regulation prevents the use of developer contributions for constructing non-essential community infrastructure. As a result, councils lack access to consistent and adequate funding streams to meet the demands of growing populations. This situation is compounded by the infrequent updating of contributions plans, which are often based on early concept designs rather than actual delivery costs, further widening the funding gap.

In addition, developers indirectly fund a substantial portion of state infrastructure through works-in-kind and other contribution mechanisms. The introduction of new charges, such as Housing and Productivity Contributions (HPC) and Development Servicing Plans (DSPs), has added further financial strain. Given the current inefficiencies in the local contributions system, any residual capacity for developers to absorb additional costs has effectively been exhausted.

These challenges highlight the need for a re-evaluation of the cost-sharing model for infrastructure delivery. Councils require a stable and predictable funding framework, including sustained support from state and federal governments. Reliance on competitive or ad hoc grant funding is not sufficient for long-term, proactive infrastructure planning and delivery

#3 Breaking the Cycle: Enabling Infrastructure for Development

The current infrastructure funding model creates a self-reinforcing barrier to development in new growth areas. Infrastructure contributions are intended to fund early enabling infrastructure, such as roads, utilities and stormwater systems, particularly in areas with fragmented land ownership. However, this infrastructure is often a prerequisite for development, and without it, the development needed to generate contributions does not proceed. This creates a significant barrier to initiating development, impeding the timely activation of growth precincts.

Local councils face additional constraints due to borrowing limitations. Under current guidelines from the Office of Local Government (OLG), income from developer contributions is excluded from debt serviceability calculations. This restricts councils' ability to borrow funds for early infrastructure works, limiting financial flexibility and delaying the delivery of critical infrastructure required to unlock development potential.

#4 Enhancing Council Capabilities

The research identified several constraints that councils face within the current local contributions system. However, two key areas for council improvement emerged as common themes.

Delivering infrastructure using contributions funds remains a significant challenge for many councils. Organisational structures and resourcing are often not aligned to support efficient delivery. A lack of coordination between infrastructure planning and capital works teams that lead infrastructure delivery hampers integration, while limited understanding of internal borrowing mechanisms, plan administration, and project management allowances further constrains the effective use of contributions.

Contributions planning is another area where many Councils experience difficulties. Councils routinely face challenges in updating contributions plans, and the cost estimates within these plans frequently lag behind actual delivery costs and changing infrastructure requirements. Additionally, there is very little reconciliation of changes to growth forecasts and infrastructure requirements, resulting in misaligned planning and funding priorities.

Improved capability in these areas is essential to ensure that councils can effectively manage and utilise local contributions. Strengthening these functions will enable more timely, coordinated infrastructure delivery that aligns with community needs and growth projections.

#5 Funding Social Infrastructure: An 'Essential' Need

The current system for funding social infrastructure, such as pools, libraries, and leisure centres, is inadequate and places a significant burden on both developers and councils. Councils in NSW have limited ability to fund 'non-essential' community facilities because contributions cannot be used for building works—only land acquisition. This leads to a crippling lack of essential community infrastructure in growth suburbs, exacerbating the housing crisis.

Councils face additional limitations due to rate capping, which restricts their ability to fund new infrastructure to support population growth. Without essential community infrastructure, growth suburbs risk becoming areas where residents face long commutes, lack access to libraries, and community learning opportunities.

Importantly, raising contributions to fund social infrastructure, by expanding the Essential Works List, was not considered a viable solution. Developers are already burdened by existing contributions and new additional charges. The capacity for developers to absorb higher contributions is limited, and further increases could jeopardise the feasibility of new developments, ultimately hindering the delivery of new housing.

#6 Comprehensive and Interlinked Reforms

It was identified that the NSW Planning System has often addressed complex infrastructure and development challenges through short-term or piecemeal policy responses. While often well-intentioned, these measures have, in some cases, led to unintended consequences that have exacerbated rather than resolved underlying structural issues.

For instance, the cap on contributions introduced during the Global Financial Crisis (GFC) aimed to aid development but did not provide an alternative funding source for local infrastructure, leading to systemic funding shortfalls. Similarly, the creation of an Essential Works List failed to identify how items on the 'non-essential' list would be funded, resulting in a lack of critical social and community facilities.

Another example is the introduction of new contributions like the HPC and DSP charges not coming with a reduction in developer costs elsewhere, further straining financial viability and hence not considering the cumulative impact of development contributions.

Any new reforms need to be comprehensive and consider other actions needed to make them successful. Piecemeal solutions will only perpetuate the cycle of inefficiency and funding gaps. A holistic approach is required to ensure that reforms address the root causes of the issues and create a sustainable and effective infrastructure contributions system.

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