

Tabled Ms Sharp  
1/6/23

## ENVIRONMENTAL PLANNING AND ASSESSMENT AMENDMENT (HOUSING AND PRODUCTIVITY CONTRIBUTIONS) BILL 2023

### STATEMENT OF PUBLIC INTEREST

#### **Need: Why is the policy needed based on factual evidence and stakeholder input?**

In April 2020, the NSW Government requested the NSW Productivity Commissioner undertake a comprehensive review of the infrastructure contributions system under the NSW planning framework. The *Environmental Planning and Assessment Act 1979* (EP&A Act) establishes an infrastructure contributions system to facilitate the delivery of local and State infrastructure where development in the relevant area is likely to result in a need for additional infrastructure.

On 3 December 2020, the Productivity Commissioner published his Final Report titled "Review of Infrastructure Contributions in New South Wales". The Review made 29 recommendations for reform, including legislative reform to provide greater certainty, transparency and accountability to the NSW infrastructure contributions system.

A key recommendation of the Review was to replace the existing Special Infrastructure Contribution (SIC) system with a new broad-based charge to fund infrastructure and support growth. Recommendation 5.2 suggested broad-based regional levies in the Greater Sydney, Hunter, Central Coast and Illawarra-Shoalhaven areas to fund growth infrastructure.

The Bill implements the recommendations of the Review to increase the efficiency of the infrastructure contributions system and replace the SIC system with a broad-based developer charge. This charge will help government meet the cost of infrastructure needed to support growing communities and aid housing delivery.

#### **Objectives: What is the policy's objective couched in terms of the public interest?**

The Bill will allow the Government to levy a broad-based developer charge to help meet the cost of infrastructure needed to support growing communities and maintain a social licence to increase density in infill areas.

The broad-based charge will be more consistent, fair, transparent and effective. Stakeholders, including industry, State agencies, local government and the community, will have increased certainty around charges.

The greater certainty for industry and additional revenue for infrastructure delivery will help accelerate the delivery of more housing.

#### **Options: What alternative policies and mechanisms were considered in advance of the bill?**

The proposed reforms arose out of the recommendations made by the Review. The Review considered alternative policies and revisions to the existing contributions framework, such as cost recovery mechanisms: user charges, state contributions and planning agreements, and benefits capture mechanisms (sale of development rights on publicly owned land and betterment levies). The Productivity Commissioner recommended a broad, flat State contribution as it would provide a transparent, consistent and certain approach to funding State and regional infrastructure.

The Government's election commitments included reviewing the amended SIC revenue assumed in the 22/23 Half Yearly Budget Review.

The Government reviewed the Half Yearly Budget and considered whether it would be possible to achieve the same objectives under the existing SIC framework. However, without a systematic broad-based approach in legislation, there will be increased administration and complexity in the collection of contributions and delayed delivery of infrastructure to support new homes.

**Analysis: What were the pros/cons and benefits/costs of each option considered?**

The Bill delivers a key recommendation of the Review to replace the existing SIC system with new broad-based developer charges. These new charges will help resolve existing uncertainty around SIC rates, and ensure developer contributions are charged more consistently, fairly, transparently and effectively.

The Government cannot deliver on the Productivity Commissioner's key recommendations without changes to the EP&A Act. Accordingly, it is necessary to amend the EP&A Act to implement the recommendations of the review.

Accordingly, if the Bill is not passed, the Government will need to continue to progress place-based SICs across the State or through voluntary planning agreements. Where rezonings increase residential density, provisions requiring the Secretary's concurrence may need to be included in environmental planning instruments to ensure contributions to the provision of State infrastructure. Ultimately, this will increase reliance on planning agreements, which will involve considerable costs and time delays.

**Pathway: What are the timetable and steps for the policy's rollout and who will administer it?**

If the Bill is passed, the amending Act will commence by proclamation, which is proposed for 1 October 2023. It is intended that the Department of Planning and Environment (DPE) and Treasury will jointly administer the new State infrastructure contributions system.

**Consultation: Were the views of affected stakeholders sought and considered in making the policy?**

Treasury and DPE have worked collaboratively to develop the Bill. Consultation has also occurred with external stakeholders and NSW Government agencies.

As part of earlier measures in response to the Review's recommendations that were exhibited in 2021, DPE undertook extensive consultation with the public, local government and industry bodies. NSW Government agencies have previously been engaged on the broad-based charge, for example, delivery agencies such as Transport for NSW, Infrastructure NSW, School Infrastructure NSW and the Greater Cities Commission.

Additionally, local government and development industry peak organisations were engaged through the External Advisory Group. The EAG met regularly to discuss implementation and comprised stakeholders such as the Urban Development Institute of Australia, the Property Council of Australia, Urban Taskforce and the Housing Industry Association.