

LAND RELEASE AND HOUSING SUPPLY IN NEW SOUTH WALES

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Parliament of New South Wales
Parliamentary Committee on Environment and Planning

Attention: David Hale

Dear Mr Hale,

Blacktown Council's submission to the Parliamentary Inquiry into Land Release and Housing Supply in NSW

Thank you for allowing us to make comments to the Parliamentary Inquiry into Land Release and Housing Supply in NSW and for granting us an extension of time.

Blacktown City supports the Terms of Reference for the Parliamentary Inquiry. We agree that the provision of timely, high quality, well-resourced and well-planned housing supply is critical to the future of NSW and critical in addressing housing affordability. We are pleased to present a number of key matters which we believe should be covered by the Parliamentary Inquiry.

Should you require any further information regarding this matter, please contact our Manager Strategic Planning, Chris Shannon, on [REDACTED]

Yours faithfully,

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Glennys James
Assistant General Manager

Blacktown City Council Submission

Parliamentary Inquiry into Land Release and Housing Supply in NSW

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1. Blacktown City context

1.1 Status of growth and development

Over the past 40 years over 5,000 hectares of land has been released for urban development in Blacktown, contributing an additional 170,000 people, and making Blacktown one of the largest and the fastest growing LGAs by actual population in NSW.

Over the next 20 years, we will remain one of Sydney's primary sources of new housing supply. The Department of Planning and Environment (DPE) project that Blacktown's population will grow to 522,000 people by 2036, with the majority of this growth occurring in the North West Priority Growth Area (NWPGA) where Blacktown is forecast to provide 70,000 of the 90,000 new dwellings.

We have significant experience and expertise in managing growth and assisting in the efficient delivery of housing supply and supporting local infrastructure. We are committed to providing high quality residential estates for our residents, and ensuring that the necessary infrastructure is provided.

1.2 Lessons we have learnt in the NWPGA

There is a lack of coordination between land release and rezoning, and the timing and funding of necessary infrastructure. This significantly impacts on the ability of the market to provide housing to accommodate the incoming population. Funding and resources need to be made available to both State and local governments to ensure that the required regional and local infrastructure is provided when land is rezoned.

For example, the Riverstone Precinct was rezoned in 2010, however large parts of the Precinct are still yet to serviced with sewer and water.

2. Terms of Reference (a)

- a. *The resources and support needed within the Department of Planning and Environment for:*
 - i. *The delivery of a housing supply process*
 - ii. *The coordination of funding of enabling infrastructure.*

2.1 Role of the Department of Planning and Environment (DPE)

We support additional resources being made available to the DPE to undertake its important role in establishing consistent and transparent planning processes and procedures that can assist in delivering housing supply. We would support the DPE undertaking a comprehensive review of the plan-making provisions outlined in Part 3 of the *Environmental Planning and Assessment Act 1979* (EPAA) in order to ensure that a more efficient streamlined process is available that recognises the different scales and complexities of changes to planning instruments.

We do not believe that the DPE has as significant a role in the delivery of infrastructure as other State agencies and councils. We suggest a review of the resources and support needed by State agencies and councils who are directly involved in the delivery of enabling infrastructure. Local government's significant role as a consent authority also needs to be recognised and supported in the development assessment process.

3. Terms of Reference (b)

b. Delivery mechanisms following the rezoning of land through to construction

3.1 Strategic assessment and approval

Biodiversity certification of the NWPGA provides a strategic level assessment of biodiversity and conservation matters, to avoid the need for further detailed assessment as part of each development application (DA). This has improved the efficiency in the development assessment process.

Given the extensive strategic level investigations that are undertaken during precinct planning across the NWPGA, the inquiry should consider whether there are any other matters that could be similarly considered for strategic approval.

The process for assessing bushfire affectation, in particular, is an area which would benefit from review. In the NPWGA there are large areas of existing vegetation that may be identified as bushfire prone. Biodiversity certification may enable land to be cleared and development to occur, thereby reducing the bushfire risk. However, the Bushfire Prone Land Map may not be updated, and therefore an unnecessary legislative requirement for concurrence may still be required from the NSW Rural Fire Service. This adds unnecessary delays and cost to the development assessment process.

3.2 Improved coordination with State agencies

The development assessment process often requires advice and input from various State agencies, particularly for 'integrated development' and 'designated development' applications. However, there are often significant delays in receiving advice or concurrence from State agencies, which adds cost and delay to the development process.

The inquiry should investigate how State agencies could provide more efficient advice, approvals or concurrences to consent authorities. This may include clearer upfront guidelines on when concurrence is required or providing standard conditions of approval that if satisfied may avoid the need for concurrence.

A more efficient development assessment system will reduce costs and delays in housing supply.

4. Terms of Reference (c)

c. The complementary roles of state authorities, local councils and utilities

4.1 Ensure better coordination of planning and infrastructure

The delivery of the significant amounts of land and housing supply required to meet the needs of Sydney's projected future growth requires strong central coordination rather than a piecemeal, market driven approach. The model of the former Growth Centres Commission was successful in that it had the authority to bring together essential infrastructure providers and correlate the delivery of zoned land with infrastructure in an orderly and progressive manner.

This level of coordination and authority to direct State agencies and providers is lacking in the current State Government environment. As a result, the provision of essential infrastructure is lagging behind the delivery of zoned land, creating delays in the development of newly released land. The practice of allowing market-driven priority precinct planning to take precedence over the orderly roll-out of infrastructure creates pockets of land which have some but not all required infrastructure, limiting development opportunities and creating uncertainty as to the timeframe in which public utility infrastructure will become available.

4.2 Undertake a holistic view of open space and recreation needs planning across the Growth Areas

Access to quality open spaces, including recreational facilities, is highly valued by our community. As residential densities increase, the accessibility and proximity of local open spaces and facilities becomes even more important. Access to quality open spaces leads to increased physical activity, tolerance and social connectedness, which impact on the perception of liveability of our suburbs and cities.

Provision for open spaces and recreational facilities needs to be considered holistically across new greenfield areas. In our experience in the NWPGA, a narrower precinct-by-precinct approach resulted in shortfalls in the provision of open space in each precinct, cumulating in a significant net shortfall across the whole of the NWPGA, with limited ability to address needs. This problem is exacerbated by the higher than anticipated densities allowed by State legislation to be approved in the area, further increasing unmet demand for quality open spaces and recreational facilities.

4.3 Simplify the process for minor amendments to environmental planning instruments

There is a pressing need for a simplified process to make minor amendments to LEPs and SEPPs. The current process is lengthy and costly, taking up to 18 months to finalise. These

amendments can directly affect the provision of new land and housing supply. For example, a simple Planning Proposal to modify a zone boundary to align with a future subdivision can take 12-18 months, which delays the subdivision of the land. There is no provision in the *Environmental Planning and Assessment Act 1979* (EPAA) to streamline simpler planning proposals. All Planning Proposals must follow the same process, irrespective of size or complexity.

The former Blacktown Local Environmental Plan 1988 contained a provision that enabled minor zone boundary variations to be determined at the point of registration of a plan of subdivision, thereby avoiding 12-18 months delayed processes. The introduction of the Standard Instrument LEP does not allow that clause to be carried forward.

Part 3 of the EPAA should contain different approval pathways for amendments to environmental planning instruments, similar to Part 4 that contains different approval pathways for development assessment depending on the type of development, such as exempt development, complying development, integrated development and designated development. The lack of a streamlined process to give effect to minor amendments to LEPs and SEPPs is having a detrimental impact on the efficient and timely release of new supply.

The focus should be on upfront strategic planning and not the minor readjustments of zone boundaries. Where a zoning change occurs that is entirely consistent with the strategic planning outcome, then the process should be streamlined. Where there is a change to the strategic intent of an area, then the process should be more thoroughly investigated and should follow a separate pathway.

4.4 Provide funding assistance for resources

Planning for delivery, design and construction of new infrastructure supply across a greenfield area is a significant undertaking which generates a demand for staffing and other resources over and above the day-to-day operation of local councils and State infrastructure authorities. The effective and efficient design of drainage basins and channels, roads and sporting facilities is required in order to set the parameters for a new land release area. When there are limited resources to undertake this work, it creates additional delays in the ability of State and local governments to enable practical implementation of the future use of the land.

On the development assessment end of the process, the availability of large areas of rezoned land has resulted in an enormous increase in number of DAs and associated modification applications submitted to consent authorities. This creates a great deal of pressure on staff to assess and determine the influx of applications.

There needs to be greater recognition and acknowledgement of the impact this additional workload has on organisations such as councils. A funding source for additional staff needs to be created to ensure the efficient, orderly and progressive provision of services and assessment of development, releasing new land and housing into the market. This is critical

to the retention of specialist knowledge, understanding of history and learnt experiences as to what will work in practice in areas such as the NWPGA.

4.5 Monitoring of housing supply

There should be a model developed that monitors housing supply and infrastructure delivery that is universally available to State and local government. The model should track the lodgement of development applications, approved development and development under construction. The model would then provide clearer direction to infrastructure providers as to where and when key infrastructure is needing to be supplied, and also gives an indication as to whether the actual dwelling supply is aligning with the planned numbers of dwellings for a particular locality. This is particularly important in the NWPGA where actual dwelling supply is far exceeding the planned growth, which causes significant challenges for infrastructure providers to constantly readjust programs and funding in order to service the growth.

4.6 Whole of Government commitment

The delivery of new land and housing supply cannot be achieved effectively by DPE and local councils in isolation. The creation of vibrant, viable, liveable places is a multi-disciplinary exercise which requires commitment from the whole of government. While land can be rezoned to make delivery of residential areas permissible, this is far from the whole story. Permissibility on its own is ineffective without every government department also making important commitments to enable the creation of a community.

Where thousands of new dwellings are proposed, there must also be commitments which are funded and time-bound to provide the means for tens of thousands of new residents to transit between those homes, jobs, schools, recreation and community facilities. Public transport and road networks must be aligned and coordinated to maximise accessibility and usage of more sustainable forms of transport. The sites must be able to be made healthy and safe, with means to evacuate from natural emergencies. Significant heritage items and environmentally sensitive areas must be managed and protected.

A fragmented and reactive approach to land release runs the risk of important details being missed or decisions put aside until the relevant agency has the capacity to deal with it. This then leads to delays as parts of an area are designed and parts are managed, but the full area is not prepared in full in an orderly manner to be available to the market. A piecemeal approach, which is not bolstered by firm commitments from all relevant agencies, also opens up the risk of the best outcome becoming unachievable where infrastructure and structural decisions are made on an ad hoc basis or as a work-around.

4.7 Funding for local infrastructure in greenfield sites

When new land is released by government in a greenfield context, councils are required to determine the best funding solution for local infrastructure. This is traditionally funded

through Section 94 contributions plans. Where there is one single landowner in a release area, such as Oran Park in the South West Priority Land Release Area, a voluntary planning agreement may be the best method to ensure local infrastructure is delivered to meet the demands of the single landowner's precinct-wide development, and to ensure that the future community is well serviced with the local infrastructure that a council is required to provide.

However, in most cases with release areas, land ownership is fragmented and Section 94 contributions plans are the most effective and appropriate legislative mechanism to fund the local infrastructure required by development, and expected by future communities. It is well established that the costs to deliver local infrastructure in a greenfield context is very expensive, mainly due to the amount of zoned land required for acquisition by councils in those contributions plans. This generally results in a local infrastructure contribution of between \$40,000 and \$95,000 per lot/dwelling in greenfield release areas, depending on location.

4.8 Previous local infrastructure funding arrangements

Until recently, councils could prepare new Section 94 contributions plans, adopt them, levy developers a capped amount of \$30,000 per lot/dwelling and then submit the relevant contributions plan to the Independent Pricing and Regulatory Tribunal (IPART) in accordance with the DPE's 'Essential Works List' for assessment. Subject to IPART's assessment and the Minister for Planning's determination, councils became eligible for funding for the 'above the cap' contribution component through the government's Local Infrastructure Growth Scheme (LIGS). Blacktown City, in particular, has used this scheme to great effect and has submitted 4 new and 2 revised contributions plans to IPART and the Minister for Planning. In turn we have received 'gap funding' to start acquiring land and provide facilities ahead of contributions being received from developers. The Essential Works List will be discussed in detail, later in this submission.

4.9 Recent policy changes to local infrastructure funding arrangements

Under recent reforms to local infrastructure funding introduced by government, the LIGS, which was used in the past to fund the gap between the maximum contribution that councils can charge developers and what it actually costs councils to deliver the infrastructure, is being phased out.

The government will continue to provide LIGS subsidies to certain areas for the next 3 years before ending the scheme. The subsidies will be gradually reduced and the cap on developer contributions gradually increased. The cap will be increased by \$5,000 on 1 January 2018, 1 July 2018 and 1 July 2019. At the end of the 2019/20 financial year, the cap will be removed entirely and LIGS funding will cease. The phase-out of LIGS will help developers adjust to the change.

However, the LIGS has now been closed to any other new areas. In these areas, the cap on developer contributions has effectively been removed immediately. By removing the cap on contributions, the government states that it will assist councils in these other areas to fund local infrastructure directly through their developer contributions. In these areas, if contribution rates exceed the current cap levels (\$30,000 for greenfield areas), contributions plans will continue to be subject to review by IPART in accordance with the Essential Works List prior to allowing development to be charged the full apportioned contribution rate.

The government states that this will help to put downward pressure on local infrastructure costs and ensure that only appropriate, efficient infrastructure is funded through developer contributions. Although Blacktown City supports the lifting of the cap, government has inadvertently created a potential funding hole for councils. Although we believe that this was not the government's intention, if left unaddressed it will either slow the supply of housing or leave councils in these 'new areas' in a financially vulnerable position. This is explained in the next section of this submission.

4.10 The IPART process (for new Section 94 contributions plans)

New policy prescribes that councils must submit their Section 94 contributions plans to IPART and the Minister for Planning if it wishes to impose a contribution above the \$30,000 per lot/dwelling 'threshold' on a development consent. As stated above, Blacktown City has already submitted numerous Section 94 contributions plans to IPART and the Minister through the 'IPART process'. We do not have a problem with IPART's assessment. We believe it provides transparency and certainty to the development industry that a council's contributions plan is not 'gold plated'. It simply seeks to recover the cost of the infrastructure that development demands. However, the IPART process, from when an application is lodged with IPART to the determination by the Minister, can take up to 18 months. We have experienced this first-hand.

It is already a significant challenge for any council to prepare a new Section 94 contributions plan concurrently with the precinct planning process, and then have it exhibited and adopted at the same time as a release area is gazetted. Under the new policy, a council is now only allowed to levy the full contribution on a developer after the IPART process has completed its course (18 months). This means that there is no means for a council to recover the 'above the threshold' amount it has imposed on a development consent until the Minister determines the contributions plan, i.e. it cannot go back to the developer and require them to pay the amount above the threshold.

This is unacceptable for councils and will potentially lead to many millions of dollars in lost revenue that is needed to fund basic infrastructure for new residents. Unless this is addressed, councils will have no choice other than to consider not granting consents in these new release areas. Until this is addressed we request that the government does not rezone land until the Minister has determined a contributions plan, or alternatively, government provides a policy to address these concerns.

4.11 The IPART process (revised Section 94 contributions plans)

We have made 2 revisions of *Section 94 contributions Plan No. 20 – Riverstone & Alex Avenue* since it was first assessed and approved by IPART and the Minister for Planning. The revisions were required to react to steep increases in land acquisition values in the Riverstone and Alex Avenue Precincts. This is typical in new greenfield land release areas. Unfortunately, each time IPART has looked at these revisions, it has assessed them as if they were new contributions plans submitted to them for the first time. This has added to the time it takes for us to amend our acquisition rates to accommodate the steep prices in land. We contend that IPART should only review that part of the contributions plan that has changed since it was made or its last review.

One of our biggest challenges as a growth council is ensuring that estimated land acquisition and infrastructure costs keep pace with the actual costs of land and infrastructure in Sydney. Under the current legislative and policy framework, contributions plans can only set a contribution rate when adopted. They cannot factor in anticipated costs. These can only be amended through a review of the contributions plan. The process for reviewing plans, even those that are not required to be submitted to IPART, takes considerable time and we cannot keep pace with actual costs, particularly rising land acquisition costs.

As an example, we submitted our latest revision of Section 94 Contributions Plan No. 20 – Riverstone & Alex Avenue to IPART in December 2015. IPART concluded its assessment in July 2016 and provided its report to the Minister for Planning. At the time of writing this submission, the Minister for Planning has yet to determine that Plan. If this arrangement continues under the new policy, councils stand to lose millions of dollars.

We believe this is an important component influencing the delivery of housing supply. We believe the inquiry should investigate a more efficient way of amending these costs in our contributions plans. One way would be to allow councils to use indexation methods for land acquisition variances without the requirement to formally review and make a contributions plans, i.e. there would be no requirement to submit a contributions plan to IPART or the Minister if the only change was indexed land acquisition values using a suitable land index. However, we understand that this would require a policy/legislative change for the revision of contributions plans.

4.12 Essential Works list

In 2010 the government introduced an Essential Works List (EWL) for councils who wished to seek funding from the Priority Infrastructure Fund (now the Local Infrastructure Growth Scheme). The scheme is administered by the DPE, with IPART assessing the contributions plan against the DPE's EWL to determine the 'true levy' or 'a special rate variation', which is also assessed by IPART.

The list aims to ensure that only 'essential' local infrastructure is delivered by councils. The EWL contains most of the elements that are traditionally funded through Section 94 contributions plans, but omits community facility buildings and environmental works. It allows the land acquisition cost for each community facility but does not recognise the built form as being essential.

By omitting these facilities, councils are left with either a funding shortfall or can choose not to deliver these works at all.

We have long advocated, and continue to advocate, that these facilities are definitely 'essential' to the health and wellbeing of new communities in release areas. Blacktown City estimates that the capital cost of delivering community facility buildings to its growth precincts in the NWPGA is \$276 million.

4.13 Alternative measures

We have also looked at alternative measures to fund these facilities, including an IPART approved Special Rate Variation (SRV). If this was permitted, we believe the fairest and most equitable approach would be to apply the SRV to only the properties that would benefit from the delivery of the facilities in the NWPGA.

By applying the special rate to the expected residential rateable properties in the NWPGA only, limited to a fixed 10 year period, there would be an additional annual rate of \$374.66 or \$7.21 weekly. This represents a 41% increase on the minimum residential rate. However, current legislation does not allow for this type of increase. We have discussed this matter with IPART and the Office of Local Government, but still have no solution or way forward.

We believe that including community facility buildings on the EWL is the fairest and most efficient outcome. New house and land packages in the NWPGA are currently priced between \$750,000 and \$950,000. We estimate that by adding community facility buildings to the EWL, it would only add \$5,000 to \$7,500 to the price of a new home.

4.14 State Infrastructure Contribution Practice Note (SIC) – enabling councils to deliver State funded infrastructure in their local government areas

We have submitted a number of applications to the DPE to acquire land and construct roads funded by and listed in the SIC. We have now reached agreement with the DPE to deliver a number of SIC funded roads to cater for development in the Blacktown LGA precincts of the NWPGA.

Unfortunately although approved, the DPE has been unable to process and deliver the approved funds. As a result we have incurred additional costs in delivering essential infrastructure to assist the delivery of planned residential development. The delays by the DPE have now also increased the safety risks to our community, in particular safe access to the State's largest public school at The Ponds.

We contend that a more streamlined and collaborative process should be introduced to enable those councils who have the capacity to deliver SIC infrastructure on behalf of government. This mechanism would complement the delivery of infrastructure by developers in-kind and other agencies that deliver SIC infrastructure for government.

4.15 Need for a dedicated infrastructure investment package

The National Growth Areas Alliance (NGAA) represents those areas on the outskirts of capital cities (like Blacktown) that are designated to receive population growth. Five million people live in these areas now, and with growth at double the national rate, another 2.5 million.

These areas are doing the heavy lifting in providing much of the nation's affordable housing for Australia's growing population. But the lack of infrastructure means that living there is not affordable.

A benchmarking analysis by NGAA demonstrates that the fast growing outer suburbs are significantly disadvantaged, having demonstrably poor access to health and transport infrastructure compared to neighbouring more established areas closer to city centres. The research finds that to catch up, and then to keep up with the infrastructure needs of the growing population in these areas, investment of around \$5 billion each year over the next 15 years will be needed.

SGS Economics and Planning has calculated a \$50 billion infrastructure backlog in outer growth areas, with another \$23 billion being needed for roads, rail and health facilities to 2031.

As such, a dedicated investment package for the fast growing outer suburbs for strategic roads and rail and other transformational infrastructure is needed. The package should incorporate:

- A funding mechanism that goes beyond one off grants based approaches and takes a long term strategic approach
- A 15 year priority project pipeline, developed in conjunction with other levels of Government
- A quantum commensurate with starting to seriously tackle the current backlog of \$50 billion.

We believe that land release and housing supply is significantly impacted upon by the commitment and timing of delivery of key infrastructure. For Blacktown, the major infrastructure investment that we believe is needed in the North West Priority Growth Area is:

- Rail connection from the Sydney Metro Northwest to Marsden Park, and extending to the South West Rail Line via the Western Sydney Airport. A corridor has already

been preserved to Marsden Park. We believe that the metro extension needs to be built. Beyond Marsden Park, a corridor needs to be preserved to link north-west and south-west Sydney, particularly to the Western Sydney Airport.

- The extension of the Castlereagh Freeway. A corridor for the extension of the freeway has been identified on planning instruments for many decades. We believe that it needs to be constructed.