

**Submission
No 18**

**INQUIRY INTO ENVIRONMENTAL PLANNING AND
ASSESSMENT AMENDMENT (HOUSING AND
PRODUCTIVITY CONTRIBUTIONS) BILL 2023**

Organisation: NSW Productivity Commission

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Legislative Council Portfolio Committee No. 7 – Planning and Environment
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Re: Environmental Planning and Assessment Amendment (Housing and Productivity Contributions) Bill 2023

I welcome the opportunity to make a submission to the Inquiry into the *Environmental Planning and Assessment Amendment (Housing and Productivity Contributions) Bill 2023* (the Bill).

I am pleased to see the recommendations from my *2020 Review of Infrastructure Contributions in New South Wales Final Report* (the Review) are being implemented by the NSW Government. These reforms will deliver a transparent, certain, cost-reflective, and simpler system that will unlock new housing supply, deliver vital infrastructure, and boost investment in New South Wales.

Population growth in New South Wales grew to an annualised rate of 1.8 per cent a year in 2021-22, well above the previous 10-year average of 1.3 per cent. Escalating residential rents and a record low vacancy rate are evidence that housing supply is not keeping up with demand. Delivering infrastructure where and when growing communities need it is essential for ensuring communities can have confidence in the planning system's ability to manage growth. Addressing these twin challenges was a foundational objective of my 2020 Review.

State contributions reform was an important component of the estimated \$12 billion in net benefits of the reform package over 20 years. At a macro level, the reforms were estimated to support an additional 2,600 jobs and increase gross state product by more than \$600 million each year. Benefits arise from more infrastructure to support development (including housing supply), improved incentives for local government and communities to support growth, and lower compliance costs for business.

Special Infrastructure Contributions (SICs) are not fit-for-purpose

The Review found the application of SICs across New South Wales is inconsistent and lacks transparency, creating complexity and uncertainty for stakeholders. SICs apply to limited geographic areas, different charging methodologies are used, and, in places where they are imposed, charges can be quite high. For example, some SIC charges are up to \$55,000 per dwelling (excluding biodiversity offsets), while, for nearby developments, nothing is charged because a SIC is not in place.

The current patchwork of SICs across New South Wales is a reason for the lack of timely infrastructure to support growth. Growth areas where SICs were not levied but development occurred did not get the additional infrastructure they needed, compromising community confidence in the planning system.

Broad-based Housing and Productivity Contributions (HAPC) will simplify the system, unlock development, and deliver quality services and public spaces

The HAPC will provide a simple, transparent, and certain approach to the funding of State and regional infrastructure in metropolitan New South Wales. When consistently applied, the new arrangements will be easier for industry to comply with. Moreover, it will support further integration of the land use planning and infrastructure delivery systems.

Funds collected from the HAPC will be administered by NSW Treasury and allocated towards development-enabling infrastructure in priority growth areas. Spending of these contributions revenues will require the Treasurer's approval, in consultation with the Minister for Planning. The new approach will enable Treasury and the Department for Planning and Environment to work more closely through the annual budget process. This will ensure growing communities get the quality services and public spaces they need.

Transport and biodiversity charges will reflect the costs of development in relevant areas

Both the benefits of major transport projects and the costs of biodiversity losses are location-specific and should not be part of the HAPC, which is a broad-based charge on all development. The Bill enables charges to reflect these site-specific costs to the State:

- Major transport projects reduce travel times and expand development capacity in their service catchments, resulting in higher land values. Where this is the case, a transport contribution for major projects should be applied. This will ensure that those who benefit from government investment in major transport projects contribute to the cost of these projects.
- Growth can impact native biodiversity in undeveloped areas of the State. To reflect the cost to Government of offsetting biodiversity losses where development occurs, areas subject to biodiversity certification will also be subject to a biodiversity offset contribution. Funds from these charges will be managed by the Minister for Planning and can only be applied to measures that conserve or enhance the natural environment.

Timely adoption of these reforms will lay part of the foundations for more sustainable infrastructure funding arrangements. Only this way can the Government unlock the State's development needs and support growing communities as it addresses the challenge of encouraging jobs growth and increasing housing supply.

Yours sincerely,

Peter Achterstraat AM
NSW Productivity Commissioner

7 June 2023