Submission to the Inquiry into the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021*

11 July 2021

Prepared by Northern Sydney Regional Organisation of Councils

Member Councils: Hornsby Council

Hunter's Hill Council

Ku-ring-gai Council

Lane Cove Council

Mosman Council

North Sydney Council

City of Ryde Council

Willoughby City Council

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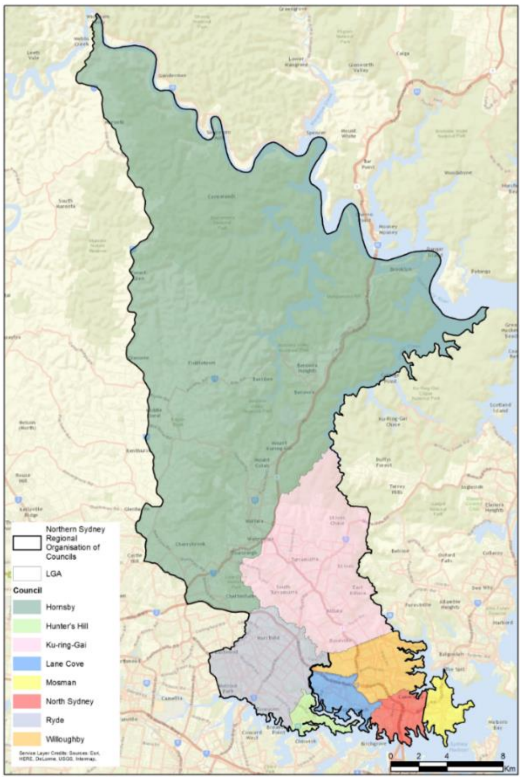
Introduction

The Northern Sydney Regional Organisation of Councils (NSROC) is pleased to make this submission to the Inquiry into the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021*.

The Northern Sydney Regional Organisation of Councils (NSROC) is a voluntary association of eight local government authorities in Sydney. NSROC assists member councils to collaborate on key issues and activities to develop regional solutions that generate benefits – social, environmental and economic – for their communities and for the region as a whole.

NSROC member councils service an area extending from the Hawkesbury River in the north to Sydney Harbour in the south, west to Meadowbank on the Parramatta River, as shown in Map 1.



Map 1: Northern Sydney Regional Organisation of Councils area

The eight NSROC member councils are:

- Hornsby Shire Council (HSC)
- Hunter's Hill Council (HHC)
- Ku-ring-gai Municipal Council (KMC)
- Lane Cove Council (LCC)
- North Sydney Council (NSC)
- Mosman Municipal Council (MMC)
- City of Ryde (CoR)
- Willoughby City Council (WCC)

The Gross State Product (GSP) for NSROC is estimated at $70.24 billion, or around 11% of the state's GSP (economy.id, 2019). The economy provides over 400,000 jobs (NIEIR, 2020).

The Northern Sydney Region, as an established region, is experiencing residential densification and demographic change. In 2020, the NSROC Region had an Estimated Resident Population of 655,817 (profile.id), representing 8% of the NSW total, with a population density of 10.26 persons per hectare.

Forecast population growth in the Northern Sydney region is lower than for other regions of Sydney (Greater Sydney Commission North District Plan, p 9). The region has limited new release development areas and faces considerable cost constraints in sourcing land for community infrastructure. As at June 2018, the median house price in the region was 144% more than the state average (profile.id).

Summary

NSROC acknowledges the need to reform the infrastructure contributions system but additional detailed modelling is required to ensure that appropriate policy settings are put in place and that **no council is worse off.**

NSROC strongly supports the draft submission provided by LGNSW to the Inquiry into the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021*.

Under the proposed infrastructure contribution reforms NSROC councils face losses of $171 million in the first five years, $325 million over 10 years and $461 million over 15 years.

This erosion of council revenue from infrastructure contributions will have a significant impact on local jobs and the economy.

NSROC is firmly of the view that:

- Councils require sustainable ongoing funding to deliver the NSW government priorities for open spaces and community placemaking;
- The reforms must not shift the cost of additional community infrastructure from development to the existing community;
- Rate reform must be considered separately from infrastructure contribution reform;
- Government must undertake further detailed modelling to ensure that local settings, historical data and robust projections inform the reforms
- Government must undertake meaningful consultation prior to implementing the reforms;
- The reform must include a mechanism to ensure that no council is worse off
- The essential works list should not apply to developer contribution (s7.11) plans
- Alteration/additions and knock down rebuilds should remain eligible for s7.12 levies
- Further consideration of nonresidential levies per square meter is required given the demand for services generated
- Developer contributions should revert from COVID-19 measures and be paid prior to the construction certificate stage

Rate reform must be considered separately to infrastructure contributions reform

NSROC strongly objects to Government linking the rate peg and infrastructure contribution reforms. By linking the reforms, government is shifting the cost of meeting increased infrastructure demand from developers to existing rate payers.

Historically, councils have used income from rates to maintain services and renew assets. Increased rate revenue is needed to meet increased service demand. It cannot be used to build and meet infrastructure demands created by development.

Infrastructure contributions are used to build infrastructure to meet increased demand generated by development

Infrastructure contributions help deliver the infrastructure needed as communities grow and change. They are a means of financing the public infrastructure and increased service provision that is required as a direct or indirect result of new dwellings, alterations/additions and knockdown rebuilds.

Councils require contributions from all types of development to deliver the high quality infrastructure, open spaces, services and the placemaking activities that communities and governments expect.

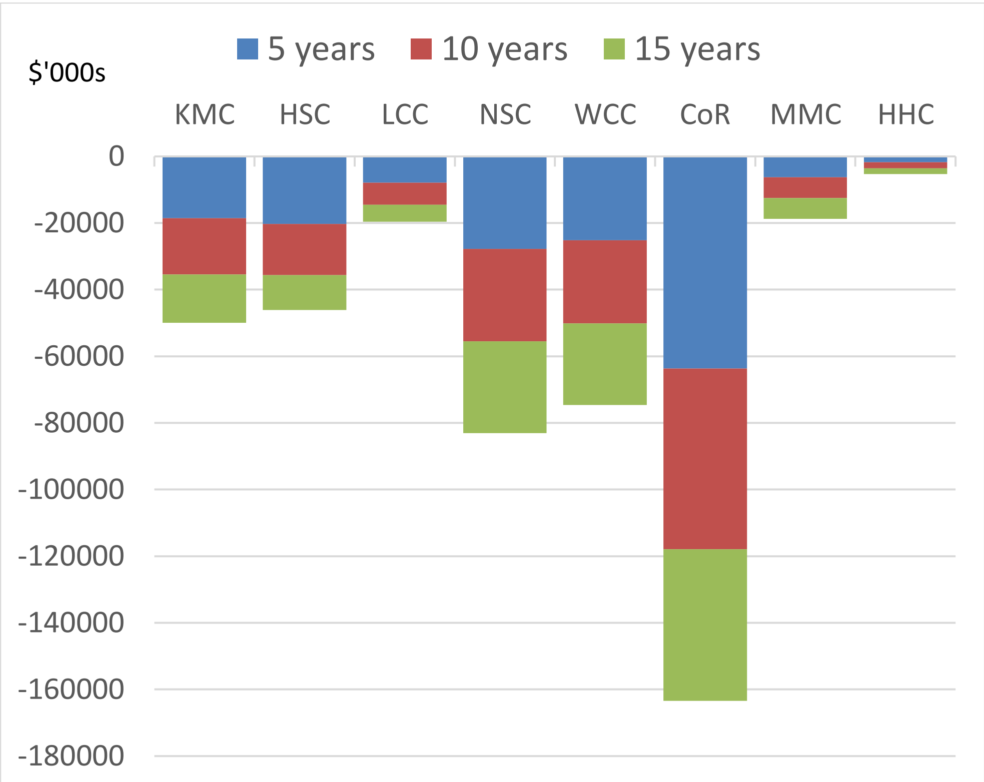
Councils' social licence for increased density/development comes from the associated improvements to community infrastructure and services.

The proposed reforms are significantly detrimental to council revenues

Although the details of the infrastructure contributions reforms are not yet available, modelling of what is known suggests significantly reduced income for NSROC councils. Declines are likely to occur to both the s7.11 contributions and s7.12 fixed-rate levy projected income levels depending on the finer details of implementation.

This will drive the cost of meeting increased infrastructure demand generated by development to existing community members, or stifle growth altogether.

Under the proposed reforms NSROC councils face losses of $171 million in the first five years, $325 million over 10 years and $461 million over 15 years.



Note: Scenario assumes community and indoor recreation facilities are excluded from the 7.11 essential works list, there is no s7.12 levy for alterations/additions and a consistent annual average development yield applies.

Raising the s7.12 levy from 1% to 3% will not result in the anticipated increase in income for NSROC councils; instead s7.12 changes could have further negative impacts. This is due to the proposed new monetary contribution limits of $10,000 on houses, $8,000 on apartments and other rate limits for all forms of non-residential development[1].

We calculated these residential amounts to represent around 1.8% of the development cost for dwellings; not 3% . Non-residential rates amount to 0.2% of the development cost for non-residential uses, well below the existing 1%.

S7.12 income losses will be compounded by the proposal to exempt non-demand based development (essentially, alterations and additions, changes of use and fit outs) and instead only apply the levy to net additional floor area. For councils such as Hunter's Hill and Mosman that heavily rely on this form of s7.12 income, this proposed change alone would remove the majority of their contributions revenues. This revenue is needed to provide and enhance essential community infrastructure, recreational and sporting facilities required to meet community needs and expectations.

The short to medium term negative revenue impacts of the reforms will only be exacerbated by the proposal to delay contribution payments to the development's occupation certificate (OC) stage. While this was appropriate as a support measure under COVID-19, this should not remain in perpetuity.

Our localised results clearly demonstrate the need for Government to undertake further detailed modelling to ensure that local settings, historical data and robust projections inform the reforms.

There is a significant economic impact with a reduction in local government spending

Local Government spending improves and increases the level of private sector investment which brings new business sectors, new business formation and job creation. Businesses want to be near other successful businesses, in an area with a skilled workforce, and high levels of expenditure, footfall, and public safety.

The reduction in council investment will reduce confidence in the local economy and decrease private sector investment. Where local governments invest in the public domain (streets, parks, sports facilities, business parks, retail environments etc) it stimulates additional ongoing private sector investment that leverages off the public domain investments. As there is less public investment we can expect corresponding decrease in private investment.

The reduction of council spending on infrastructure will have direct impacts on employment relating to design, project management and construction. It will also have an indirect impact on the use of consultants and contractors undertaking the work.

In addition, each development attracts a large number of employees at the construction phase who spend locally on goods and services (car parking, food and drink, entertainment, construction materials). It also encourages further visits into the district by workers that are new to the area. The economic benefit generated by these activities will be lost as less council infrastructure is built.

[1] $35/sqm of additional Gross Floor Area (GFA) for commercial uses, $25/sqm for retail uses and $13/sqm for industrial uses.

Local Government spending is not cyclical. It occurs irrespective of the state of the economy and maintains ongoing potential for job creation, retention and growth. A continuing level of investment creates new business formation, retention and growth resulting in additional employment opportunities.

Conclusion

The erosion of council revenue from infrastructure contributions will have a significant impact on local jobs and the economy.

We urge the NSW Government to undertake meaningful consultation with Local Government to ensure that local settings, historical data and robust projections inform the reforms. It is also critical that no council is worse off under the proposed changes.

Further information and consultation

NSROC member councils would welcome further engagement on this matter as the new policy settings are being developed. If you require further information, please don't hesitate to contact NSROC Executive Director Dr Meg Montgomery 0401 640 823 or mmontgomery@lanecove.nsw.gov.au.