

NSW Productivity Commission
Review of Infrastructure Contributions in NSW - Issues Paper

Submission on behalf of Blue Mountains City Council

Introduction

Thank you for the opportunity to provide comment on the Review of Infrastructure Contributions in NSW – Issues Paper, currently on exhibition. Reform of the Contributions system is broadly supported. This is an area of planning policy that has many layers due to attempts over time to patch issues rather than reform the system. An investigation and process that is genuinely considering meaningful reform needs to be collaborative and consider infrastructure needs of today and the future. This includes understanding the full breadth of where the impacts or demand for infrastructure comes from and who benefits from it.

Following is general feedback, concerns, and comments in response to the Issues Paper.

General comments

As part of the first stage of a review into the infrastructure contributions system, the Issues Paper raises the notion of striking the right balance (Issue 1.1), particularly between efficiency, equity, certainty and simplicity in relation to reform. Council agrees that the right balance is required. While achieving this balance is challenging, it is also necessary in order to maintain confidence in the planning system. Notwithstanding, a ‘one size fits all’ approach is not likely to be ideal, with some bespoke solutions required – examples of the need for localised responses, such as the differing infrastructure needs between high growth and low growth areas, are discussed throughout this submission.

There is support for a transparent centralised reporting system (Issue 4.8) inclusive of the collection and expenditure of developer contributions, provided it does not increase the burden of reporting at the local level. Council agrees there is clear benefit in the creation of practice notes for planning agreements, in order to provide clarity and guidance (Issue 3.1). Improving the alignment between timing of payment of contributions and the delivery of infrastructure is also supported (Issue 3.5).

Climate change and resilience

Climate change, and the associated increase in frequency of extreme weather conditions, as well as the increased likelihood and severity of natural hazards, has implications for infrastructure provision and emergency preparedness. Therefore, the correlated infrastructure requirements (and associated costs) to respond to these conditions, as well as the demand for infrastructure (such as evacuation routes) to respond to the risks of natural hazard events, should be given greater consideration in the review of infrastructure contributions.

Areas exposed to increased risks from natural hazards bare the accompanying demands and requirements on infrastructure to respond to these risks. With new development in these areas comes further increased exposure to these risks. The contributions system should recognise the necessity of infrastructure to respond to climate change and increased risk from and frequency of natural hazards, and ensure that there are appropriate mechanisms to fund it.

Ensuring approach is not Sydney centric

The Issues Paper places significant focus on issues that affect high growth, high change areas of metropolitan Sydney. This is understandable given that this is where there is greatest demand for new or improved infrastructure and where the greatest rate of change is occurring. However, any reforms to the contributions system also need to consider the applicability in regional or outer metropolitan areas where there is lower growth but still a need to plan for and provide infrastructure.

The proportion of revenue of different Councils shown in figure 2.4 highlights these differences. For regional or outer metro areas that are established and experiencing lower growth, developer contributions represent a small proportion of income. However, local infrastructure that responds to changing requirements and community expectations still needs to be provided in these areas. This means that the funding for this infrastructure depends much more on general revenue or direct user charge.

The concern with any reform aimed at addressing issues in high growth areas of Sydney is that it could result in limitations or restrictions on the ability for Local Government in lower growth areas to collect developer contributions.

Planning system complexity

Chapter 2 of the Issues Paper concerns itself with complexity in the planning system and the impacts this can have. Arguably, much of this complexity comes from ad hoc changes and layers of competing State Government policy, particularly in instances where it overrides local controls. At a local level, the planning controls and contribution rates applying to a development are usually straight forward. The complexity comes when State Government policy seeks to override or provide alternate pathways or controls. The resulting complexity and uncertainty is often levelled as a criticism of local government, but it should be acknowledged that Local Government is often as much a victim of this complexity and uncertainty as other stakeholders. Of particular concern for Local Government is the considerable time and resources committed to strategic land use and infrastructure planning which could then be undermined by changes in policy at a State level.

Consideration of sustainable management of visitors

While the Issues Paper discusses public infrastructure and the need to support growing communities, it is silent in the area of visitor growth and visitor infrastructure. The Blue Mountains LGA is a low growth area with a population of just under 80,000 people. Despite this, we are responsible for the sustainable management of nearly 5 million visitors per annum (forecast to rise to approximately 7 million) and an LGA of over 140,000HA including a World Heritage listed National Park. The ongoing protection of the environmental and cultural values of this World Heritage area, and the sustainable management of visitors, puts significant strain on local infrastructure, and currently much of the financial burden for this rest with Councils general revenue, and ultimately rate payers.

The types of infrastructure that need to be provided to support a community, and how that can differ between areas and change over time, should include consideration of visitor infrastructure. Not only because of its importance to sustainably managing tourism and the management of the impacts that large volumes of visitors create, but this includes benefits to the local economy and liveability of the area. It is also responsive to the planning priority identified in the Western City District Plan of providing services and social infrastructure to meet people's changing needs.

Notably, in the case of the Blue Mountains, a considerable portion of visitor growth is domestic visitors from Greater Sydney. Daytrip visitors are forecast to range between 5.2

million-5.5 million visitors annually by 2038, which represents a 40% increase over 2018 levels. As Sydney grows, the Blue Mountains is increasingly a recreation destination for Sydney residents, and is identified as the scenic backdrop to the Western Parkland City. Yet despite this, the burden of providing the infrastructure to manage increase in volume of visitation falls on the local Council, with a relatively small rate base and little growth from which to levy contributions.

The need to shift the way that we manage and plan for the movement of large numbers of people includes establishing core infrastructure throughout the LGA, (including bus layover, transport hubs and satellite parking). This is identified in the Blue Mountains Local Strategic Planning Statement, to foster the movement of tourists via sustainable modes of transport. To this end, there is clear need for support of all levels of Government to manage visitor infrastructure in a tourist destination that is nationally and internationally recognised. However there is currently no funding source outside of Council's general revenue to contribute to this necessary infrastructure.

It also raises an issue for equity – for example, funding is provided to National Parks and Wildlife Service for the important work of upgrading walking tracks, but there is no linkage to associated infrastructure (such as toilet facilities) which is often within the local government area boundary or ways to fund this through contributions. The funding of infrastructure to aid the long term management of tourist volumes is essential, in order to support tourism as an important economic contributor, address impacts on residential amenity and reduce emissions.

It is recommended that when considering the demand for infrastructure, the focus of the current contributions model on population and employment growth be expanded to consider other types of growth, such as visitor growth, and the demands this places on local infrastructure. Any reform should consider flexibility to address different infrastructure demand in different areas, that otherwise have to be funded through general revenue. Such an approach would be an appropriate response to integrating land use and infrastructure planning (Issue 2.2).

Provision of flexibility for lower growth areas

Focus in the Issues Paper is predominately on planning agreements and S7.11 levies, and commentary that S7.12 fixed development consent levies aren't widely applied (Issue 3.7). It is necessary to note that, particularly for lower growth established areas, the purpose and role of S7.12 plans is still valid and important.

In areas such as the Blue Mountains where there is low growth, it is difficult to forecast exactly where new development or growth will occur, in terms of location and sector. A S7.12 plan provides the flexibility to collect developer contributions and allocate what relatively modest funds are collected toward local infrastructure without the limitations of demonstrating nexus.

As the charts in the Issues Paper highlight, for regional Councils or established areas with only limited infill development, the funds collected from developer contributions are a small proportion of overall revenue for Council. This means that most of the funding for local infrastructure comes from general revenue, providing an argument for why a nexus shouldn't need to be demonstrated in these situations. Whilst a developer may pay contributions under a plan that funds infrastructure it doesn't necessarily have a nexus with. It is also likely that that development will benefit from, or impact upon the need for infrastructure that is funded from general revenue. This is quite different to high growth greenfield areas where there may be a clear nexus between contributions paid and infrastructure, and it is less likely that such a development will directly benefit from infrastructure funded under general revenue.

A S7.12 plan may not be able to collect the same amount of funds as a S7.11 plan, however the trade-off is the simplicity and the increased certainty of what is to be paid and that it will deliver local infrastructure. The reform of the contributions system is the opportunity to ensure that S7.12 levies not only provide **simplicity** and **certainty**, but are also **equitable** and **efficient**.

Due to the fixed percentage levy, any increase in the base levy is likely to have an impact on more marginal development. Whilst it would also increase the cost to more significant larger scale developments, it is reasonable that this is more likely to be within the development budget of larger scale proposals.

It is recommended that the reforms investigate flexibility under S7.12 to levy a rate on a sliding scale or by development type. The ability to levy a higher percentage on larger developments would recognise that there are thresholds where developments (through their size and scale) have greater impacts on infrastructure demand. Similarly, the ability to levy a higher percentage for certain types of development would allow local Councils to recognise those types of development which have the greatest impact on infrastructure needs for their local area. In more regional areas this may be different to more urban areas.

Affordable housing

The Issues Paper discusses affordable housing contributions (Issue 3.10), how effective this mechanism is, and whether it meaningfully increases the supply of affordable housing. Affordable housing is key social infrastructure, and the contributions system needs to have the ability to levy contributions for its provision. Reform should ensure that the mechanisms for levying contributions for affordable housing work for lower growth LGAs, as well as high growth areas. This is to ensure equity in where affordable housing is provided, to improve housing affordability and reduce housing stress.

Conclusion

It is understood that the review is not a change in policy per se, it does coincide with system changes/improvements being led by DPIE. For this to be a truly collaborative process, it is considered essential that there be further consultation prior to the finalisation of recommendations and certainly prior to any reform changes.

In this regard, Blue Mountains City Council (BMCC) would like to be involved in any future stakeholder consultation, including roundtables, to represent the views of outer metropolitan areas, low growth areas and LGAs that manage significant tourist volume. In addition, BMCC wishes to be involved in any broader discussion on reforms outside of the contribution system, such as rate pegging, 'value capture' mechanisms for sharing land value uplift, any introduction of an 'infrastructure development charge' or land acquisition for public infrastructure purposes.

As detailed in this submission, flexibility in any proposed reform to the system is required, such that it remains relevant to both high and low growth areas, as well as contain consideration of different infrastructure demands outside of population and/or housing infrastructure. Council looks forward to the opportunity to discuss the contents of the Issues Paper and provide further feedback.

Council will continue to collaborate within the Western City Planning Partnership in order to achieve considered and locally responsive outcomes for the region.