

Infrastructure funding and delivery

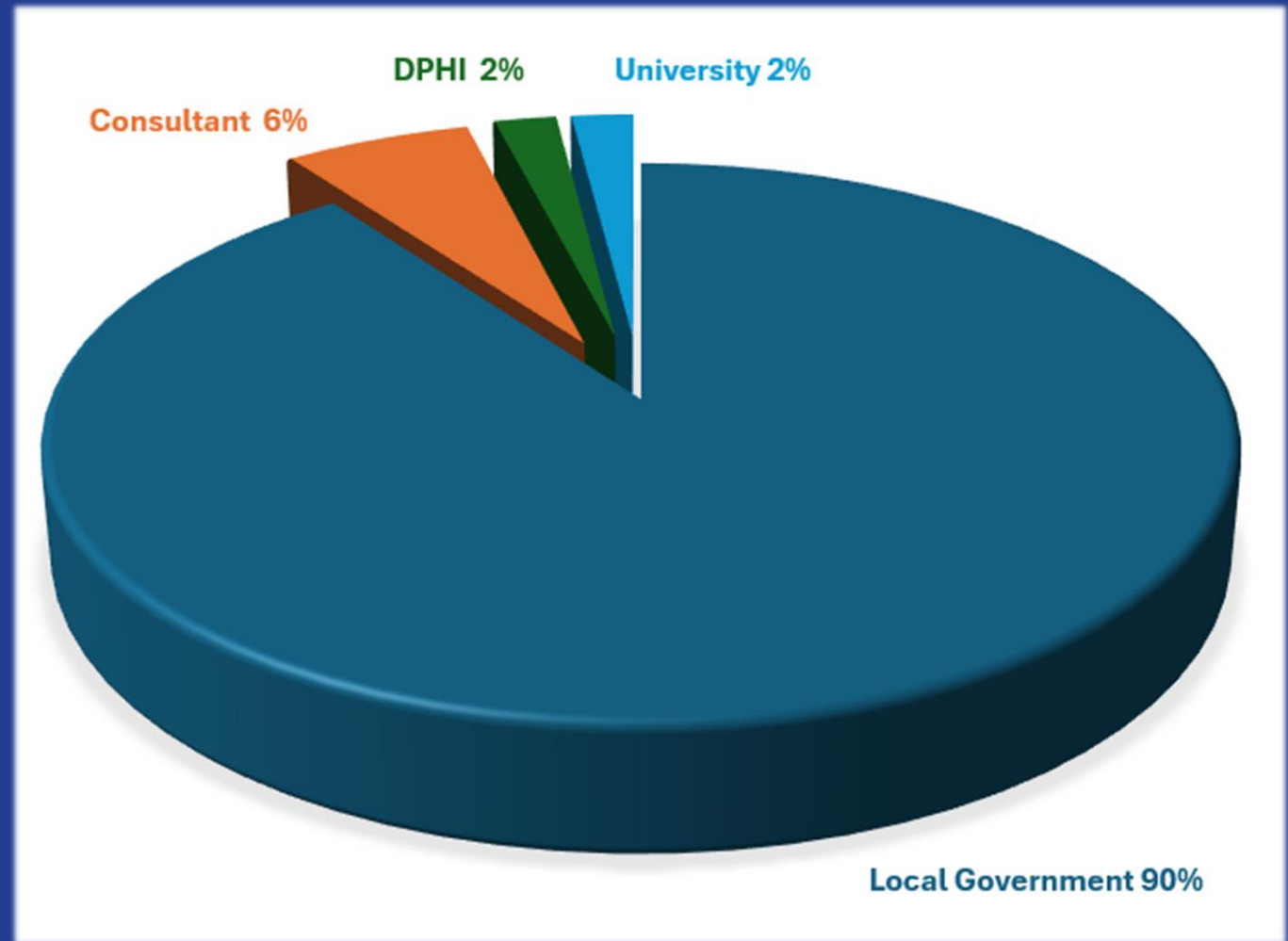
PIA PLANET Online, 23 and 25 July 2024

Peter McKenna, Director

Jonathon Carle, Associate Director - Infrastructure

Greg New, Infrastructure funding and delivery consultant

- New starter?
- Old hat?
- Rusted-on contributionista?
- Planner?
- Engineer?
- Finance?
- Social Planner?
- Contributions curious?
- Need to keep up the PIA CPD points?



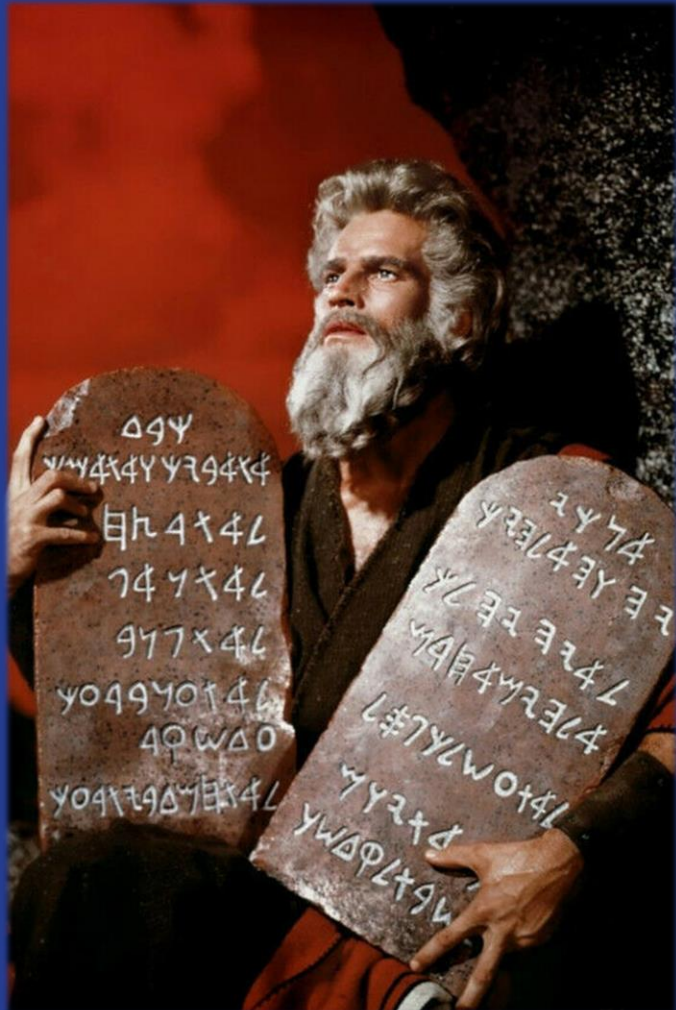
Contributions Snakes & Ladders

<p>43 Contributions coordinator resigns, various customer service and assessment staff imitate headless chooks</p>	<p>44</p>	<p>45</p>	<p>46 Greenfield land prices surge 20% in 12 months</p>	<p>47</p>	<p>48 Daily Telegraph publishes its 'Top 10' list of councils unspent contributions funds, with your council at No.3</p>	<p>49 FINISH</p>
<p>42</p>	<p>41</p>	<p>40</p>	<p>39 Developer appeals contributions for self-storage units – argues circulation space should not be counted as GFA</p>	<p>38</p>	<p>37</p>	<p>36</p>
<p>29 NSW Audit Office announces a review of Council's contributions finances Miss a turn</p>	<p>30</p>	<p>31 ICAC announces that it is investigating non-payment of \$4m in s7.11 contributions by developer</p>	<p>32</p>	<p>33</p>	<p>34 Local member announces \$20m grant for new swimming pool Go ahead 6 spaces</p>	<p>35</p>
<p>28</p>	<p>27</p>	<p>26</p>	<p>25 Council adopts a revised contributions plan Go ahead 3 spaces</p>	<p>24</p>	<p>23</p>	<p>22</p>
<p>15</p>	<p>16 Council successfully implements comprehensive contributions and planning agreement tracking system</p>	<p>17</p>	<p>18</p>	<p>19</p>	<p>20</p>	<p>21 Planning agreement involving delivery of all infrastructure for 5,000 new house lots executed</p>
<p>14</p>	<p>13</p>	<p>12</p>	<p>11</p>	<p>10 Council pools funds from various CPs to acquire over 50% of the land needed for drainage facilities in its greenfield development areas</p>	<p>9 Can't find suitable staff Move 2 steps forward and 3 steps back on each of your 3 next turns</p>	<p>8</p>
<p>1 START</p>	<p>2 DPE approves SIC grant to Council to build sub arterial road that will open up development area</p>	<p>3</p>	<p>4 Contributions calculator goes live</p>	<p>5</p>	<p>6</p>	<p>7 gln.</p>



**MAKE
CONTRIBUTIONS
GREAT
AGAIN**

10 contributions commandments



1. Review thy infrastructure studies
2. Update thine costs
3. Index thine land values
4. Thou shalt use planning agreements wisely
5. Update thine contributions policies
6. Understand thine funding mix
7. Keep thine plans simple (but robust)
8. Review thine plans regularly (~5 years)
9. Educate thine colleagues and thyself
10. Collaborate with thine contributions brothers and sisters!

Today

1.	Welcome + 2023/2024 contributions update	PIA, GLN	9:30 – 9:45	15 min
2.	Contributions fundamentals	GLN	9:45 – 10:45	1 hr
3.	Break		11:00 – 11:10	10 min
4.	Planning agreements	City of Sydney	11:10 – 11:50	40 min
5.	Infrastructure costs	Mitchell Brandtman	11:50 – 12:25	35 min
6.	Wrap up	GLN	12:25 – 12:30	5min

Thursday

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5.	Social infrastructure needs	Cred Consulting	11:20 – 11:50	30 min
6.	Complying development	Camden Council	11:50 – 12:20	30 min
7.	Wrap-up	GLN	12:25 – 12:30	5 min

GLN Planning infrastructure team



gln.
planning
consulting
strategy

The background of the slide is a dense field of 3D-rendered numbers in various shades of blue and white. The numbers are scattered across the frame, creating a sense of depth and movement. Some numbers are larger and more prominent, while others are smaller and recede into the background. The overall effect is a vibrant, data-driven aesthetic.

Infrastructure contributions happenings

July 2023 – July 2024

Greg New

Infrastructure contributions 2023-24

Housing and Productivity Contribution (HPC) commenced

Special Infrastructure Contribution (SIC) discontinued & 'satisfactory arrangements' clauses removed

HPC components: Base, Transport Project and Strategic Biodiversity

Metro area water and sewer Developer Servicing Plan (DSP) charges reintroduced

Draft local contributions practice notes

IPART contributions plan reviews

Finalised IPART reviews

		IPART Recommended Contribution	
Frenchs Forest Town Centre	Warringah	\$25,500	per 2 bed dwelling
East Leppington	Liverpool	\$66,000	per lot
Austral and Leppington North	Liverpool	\$60,000	per lot
Lowes Creek Maryland	Camden	\$75,141	per lot
Schofields	Blacktown	\$116,787	per lot @ 15 dwgs / ha
Box Hill	The Hills	\$77,362	per lot

Contributions fundamentals

Peter McKenna
Jonathon Carle

Outline

1. NSW contributions system
2. Recent reforms and guidance
3. Section 7.11 contributions
4. Section 7.12 levies
5. Plan preparation process
6. Contributions commandments

1. NSW contributions system

NSW contributions system

EP&A Act &
Regulation



Ministerial
directions



Practice
notes



Circulars



Case
law



Planning
agreements



Housing & Productivity
Contributions (HPC)



Local infrastructure
(s7.11 & 7.12)
contributions plans

“The timely delivery of infrastructure to support growth”

- What?
- Where?
- When?
- Who?
- How?

2. Recent reforms and guidance



Recent reforms and guidance

- Productivity Commission's review into contributions
- 2021 reforms package:
 - Essential works list and benchmark costs review ✗
 - Land Value Contribution (LVC) ✗
 - Changes to s7.12 – flat rates instead of % of cost of development ✗
 - 2021 Planning agreements practice note ✓
 - 2021 Section 7.12 levies practice note ✓
 - Housing and Productivity Contribution (HPC) ✓
 - Water and sewer Developer Servicing Plans (DSPs) ✓
 - 2023 Draft local infrastructure contributions practice notes (x5) ✓

2023 Draft Practice Notes

- Overhaul and update of existing 2005 practice note
- Five practice notes broken into modules – easier to navigate and includes links to relevant legislation
 1. Local infrastructure contributions system
 2. Section 7.11 contributions
 3. Section 7.12 levies
 4. Planning agreements
 5. Administering contributions



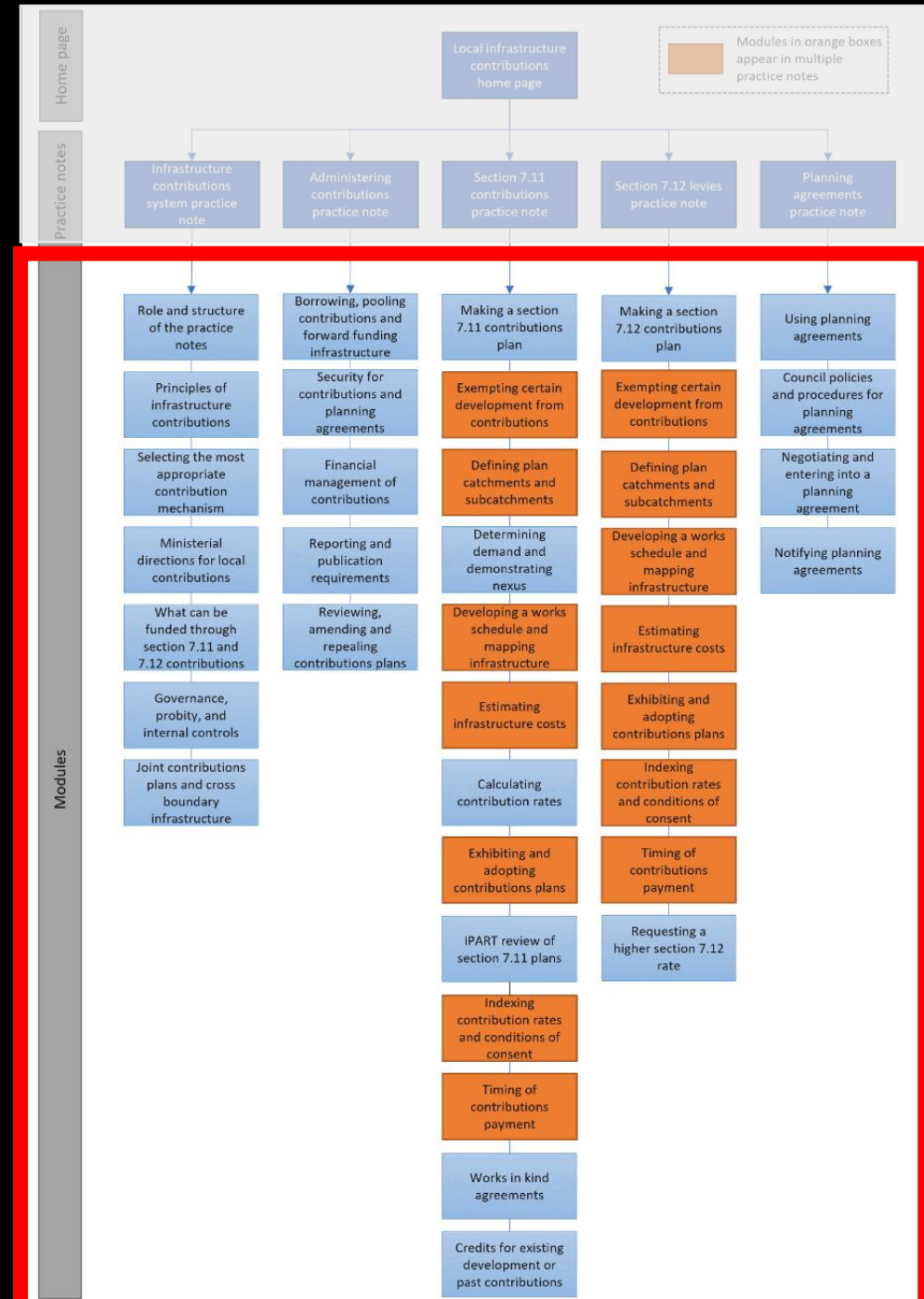
2023 Draft Practice Notes

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2023 Draft Practice Notes

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What do I need to know about the Draft Practice Notes?

- Essential reading for all infrastructure contributions practitioners
- Solid foundation for the preparation of contributions plans
- Complements the existing EP&A Act and Regulation - no legislative changes proposed
- No changes to ministerial directions or other matters e.g. contributions caps, essential works list

What could be improved?

- “Setting the charge” – how to get works schedules right
 - Refinement of infrastructure schedules – considering all options for infrastructure delivery
 - Accurate land and works costs and indexation
- Infrastructure delivery - best-practice implementation for local government e.g.
 - Prioritisation of infrastructure delivery
 - Early delivery of infrastructure including loans and borrowings
 - Pooling of funds
 - Use of funds from amended or repealed plans
 - Timely spend of infrastructure contributions income

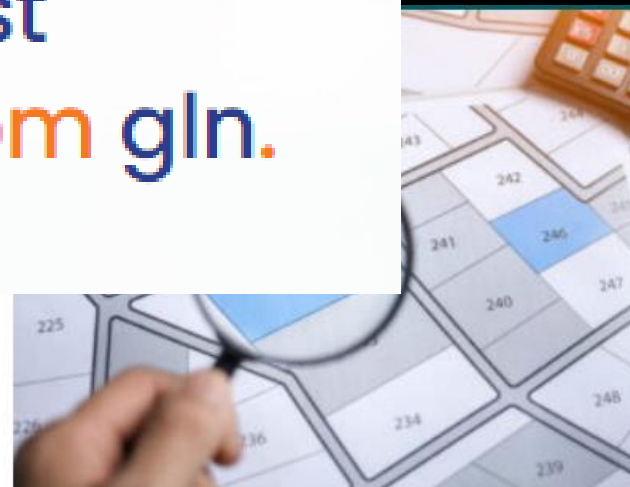
the latest news from gln.



Submission on Draft Local Infrastructure Contributions Practice Note



PIA Planet Infrastructure Funding Short Course into orbit



Western Sydney Land Acquisition and Dedication Study



4 Ideas for a Simpler System

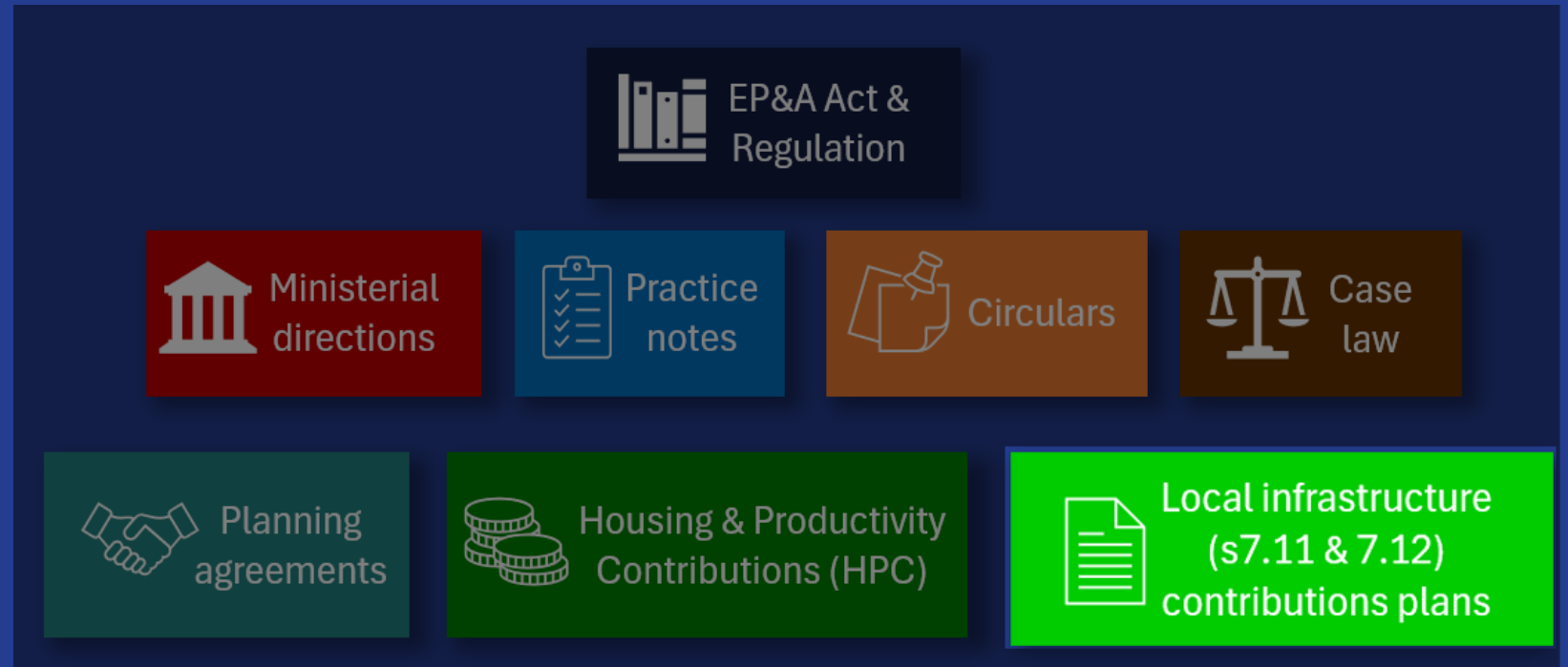


Tallawong Station Interim Activation Area and Placemaking



Sydney's infrastructure lag: what can planning do about it?

3. Section 7.11 contributions



s7.11 contributions

- Based on reasonable apportionment of costs ('nexus')
- Maximum contribution: \$30k/dwelling in notified greenfield areas, \$20k/dwelling in all other areas, unless the plan:
 - Reviewed by IPART
 - Only funds 'essential works'
 - Approved by the Minister
- Cash or works in-kind
- Applicant appeal rights

- Commonly applied to new residential development (~90% of areas)
- Advantages:
 - cost reflective (fair)
 - income from new residential development usually higher than 'standard' s7.12 (1%)
- Limitations:
 - Complexity associated with nexus
 - Can't fund unapportioned costs
 - IPART-reviewed plans can't fund non-essential works e.g. community facilities capital costs
 - IPART-review threshold not indexed since 2011

Nexus

CAUSAL

- How much and what type of development is expected?
- Development-generated infrastructure demand e.g.
 - Existing provision rates
 - Demand benchmarks
- What infrastructure will be provided?
- Apportionment of demand between:
 - existing population
 - New (development) population

SPATIAL

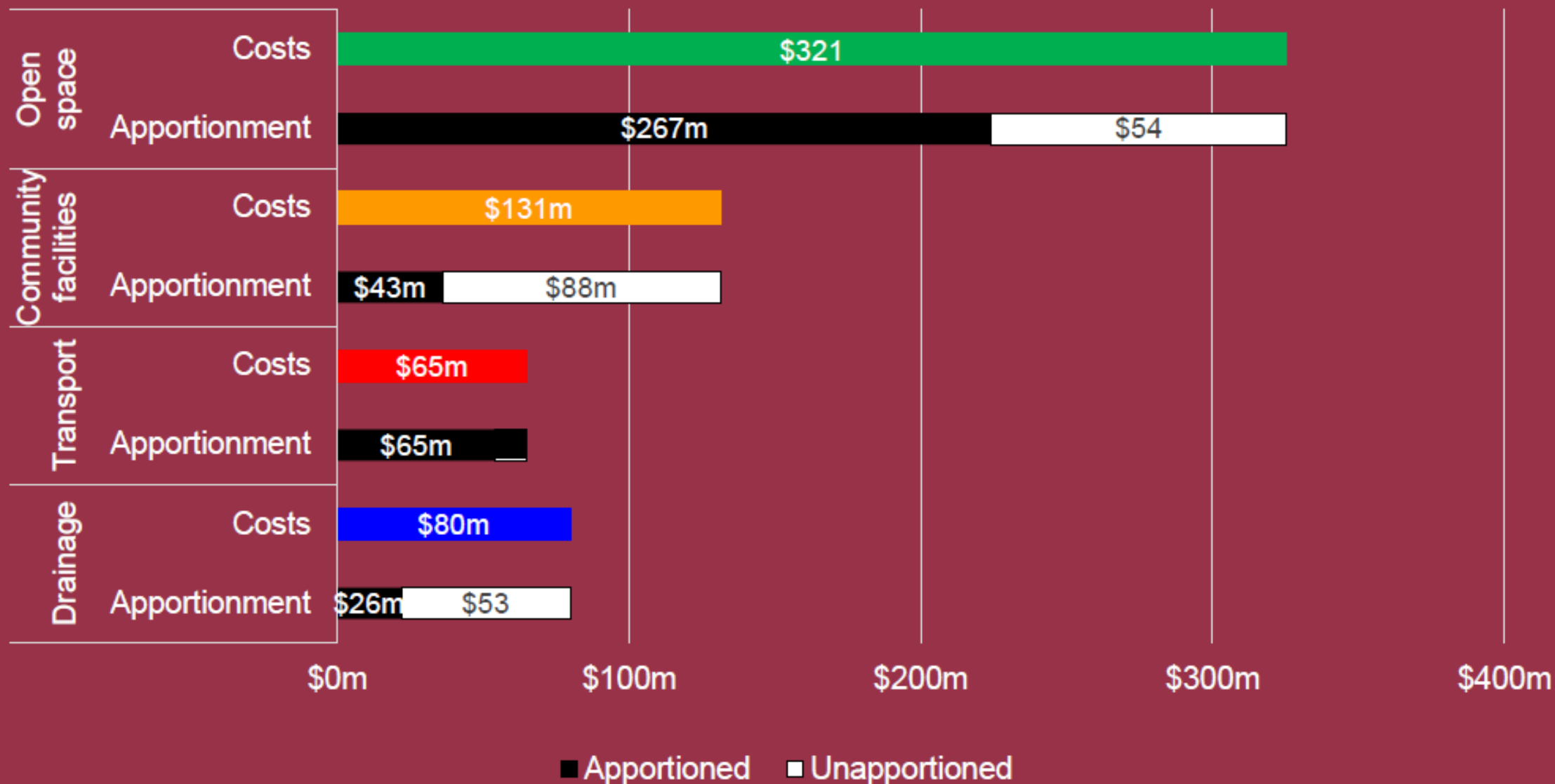
- Where is development expected?
- Precincts
- Infrastructure service catchments

TEMPORAL

- Timing for:
 - Development
 - Infrastructure demand
 - Infrastructure provision

Works program

Costs apporportioned to development



Essential works list

Secretary's Practice Note: Local Infrastructure Contributions, January 2019, p14.

Contributions levied on development under an 'IPART-reviewed' s7.11 contributions plan can only fund the reasonable, apportioned cost of infrastructure included in the 'essential works list'.

The following public amenities or public services are considered essential works:

- **land for open space (for example, parks and sporting facilities) including base level embellishment***
- **land for community services (for example, childcare centres and libraries)**
- **land and facilities for transport (for example, road works, traffic management and pedestrian and cyclist facilities), but not including carparking**
- **land and facilities for stormwater management**
- **the costs of plan preparation and administration.**

*Base level embellishment

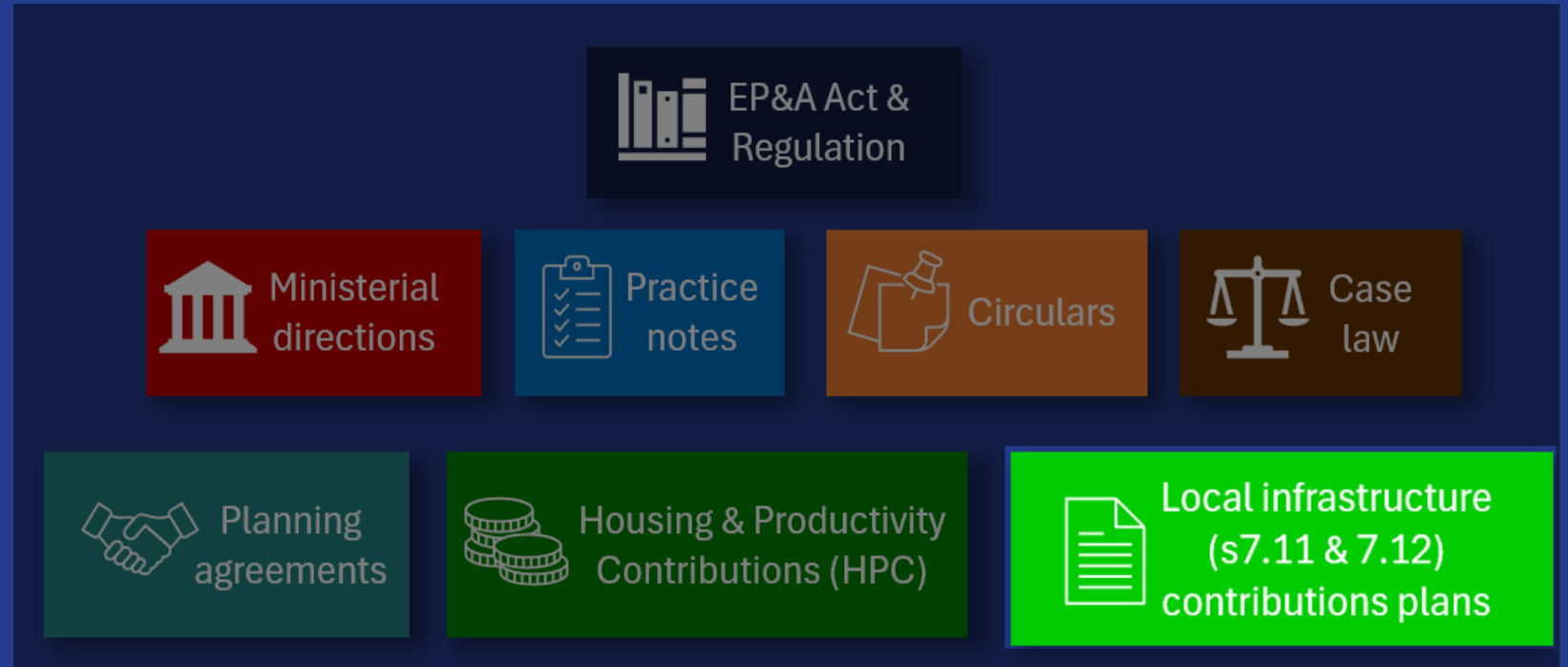
Base level embellishment of open space is considered to be those works required to bring the open space up to a level where the site is secure and suitable for passive or active recreation. This may include:

- site regrading
- utilities servicing
- basic landscaping (turfing, asphalt and other synthetic playing surfaces planting, paths)
- drainage and irrigation
- basic park structures and equipment (park furniture, toilet facilities and change rooms, shade structures and play equipment)
- security lighting and local sports field floodlighting
- sports fields, tennis courts, netball courts, basketball courts (outdoor only), but does not include skate parks, BMX tracks and the like.

Non-essential works

- Community facilities works (new and upgrade works) e.g.
 - Libraries
 - Aquatic centres
 - Skate parks
 - Performing arts centres
 - Childcare centres
- Open space embellishment beyond base-level embellishment
- Car parking
- Streetscape upgrades? (unclear)

4. Section 7.12 levies



s7.12 levies

- Fixed-rate levy
- Maximum levy: 1% of development cost over \$200k
- Can go higher if:
 - meets DPHI Practice Note criteria for increased s7.12 levies, AND
 - approved by Minister (also requires Regulation amendment)
- Cash only (no works in-kind)
- Can't fund plan administration costs
- No developer appeal rights

- Commonly applied to:
 - Residential alterations & additions
 - New non-residential
- Increased s7.12 levies (~2-5%) commonly applied to:
 - All development in medium to high growth commercial centres
 - New residential development in urban renewal areas where:
 - s7.11 rate exceeds IPART-threshold
 - Infrastructure includes non-essential works
 - Aerotropolis

DPHI 2021 Practice Note criteria

Increased s7.12 levies

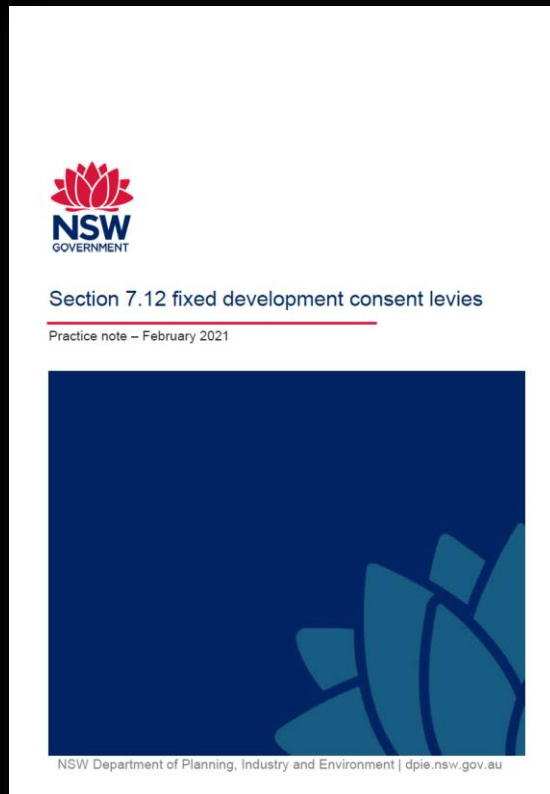


Table 1.1: Councils should demonstrate how an area meets the following criteria for an increased levy of more than 1% on the cost of development.

Item	Criteria for Greater Sydney Region councils*
a.	The strategic areas are identified in a regional plan, district plan or respective Local Strategic Planning Statement, as a strategic centre, growth area, local centre or economic corridor.
b.	Local planning controls reflect, or are being amended to reflect relevant strategic direction and targets for the centre or defined area.
c.	A requirement for a review every 5 years from the date the new contributions plan comes into force is written into the contributions plan.
d.	Ongoing consultation with the Department regarding changes to works schedules will be undertaken, otherwise the higher percentage levy will no longer apply.
e.	The contributions plan should focus on delivering quality place-based community and green infrastructure, and public space improvements that enhance amenity of the centre. Criteria for all other councils: Contributions should focus on delivering high cost infrastructure items identified in regional plans and strategic plans such as roads.
f.	The centre has been identified by the relevant strategic plan/s to accommodate significant employment growth. An example of this includes facilitating an increase of at least 25% more employment opportunities than currently available in the centre. Criteria for all other councils: Not applicable.

* Defined as councils within the boundary of Greater Sydney Region as defined in Schedule 1 to the *Greater Sydney Commission Act 2015*.

Table 1.2: Councils should demonstrate how an area meets the criteria in Table 1.1 and the following criteria for an increased levy of more than 2% of the cost of development.

Item	Criteria
a.	The works schedule has been prepared in consultation with the Department.**
b.	Financial modelling is provided demonstrating that a maximum 2% levy on the cost of development is insufficient to deliver identified infrastructure in the proposed timeframe.

** This gives an opportunity for the Department to liaise and coordinate with broader infrastructure agencies in identifying strategic, place-appropriate infrastructure. Additionally, the Department can also help to ensure infrastructure needs are met in the most efficient manner.

5. Plan preparation process

Plan preparation process

Expected development

- Type, location, amount and staging

Works schedule

- Infrastructure studies
- Capital works priorities in LTFP
- Estimate land and capital costs

Contribution rates

- Decide on role of s7.11 v s7.12
- Determine contribution catchments
- Determine nexus and apportionment

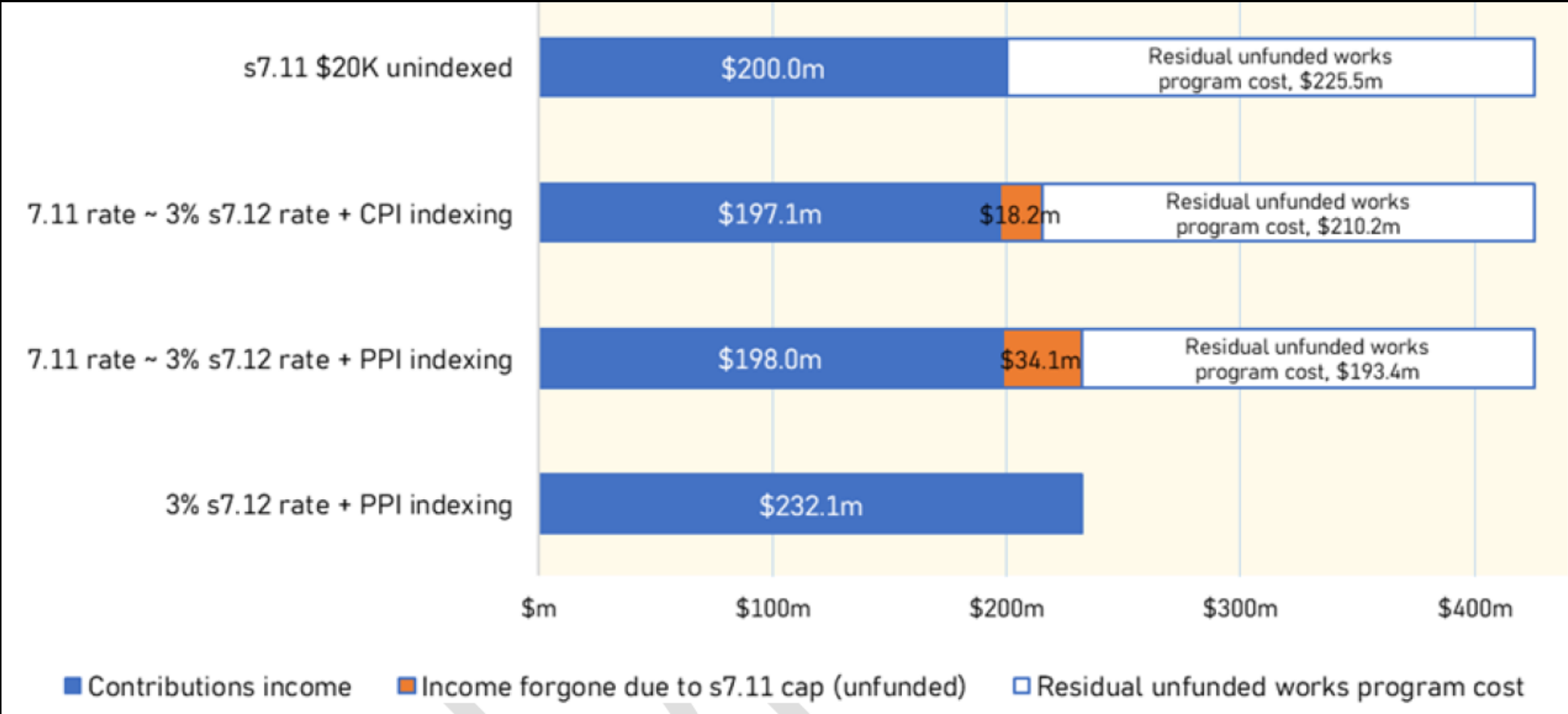
Income & options testing

- Assess projected income
- Identify the funding gap (Council co-contribution)
- Assign priorities and staging / cash flow analysis
- Adjust s7.11 rates and s7.11/s7.12 mix if necessary

Prepare plan

- Prepare & exhibit draft plan
- Consider submissions
- Finalise & adopt

Example income testing



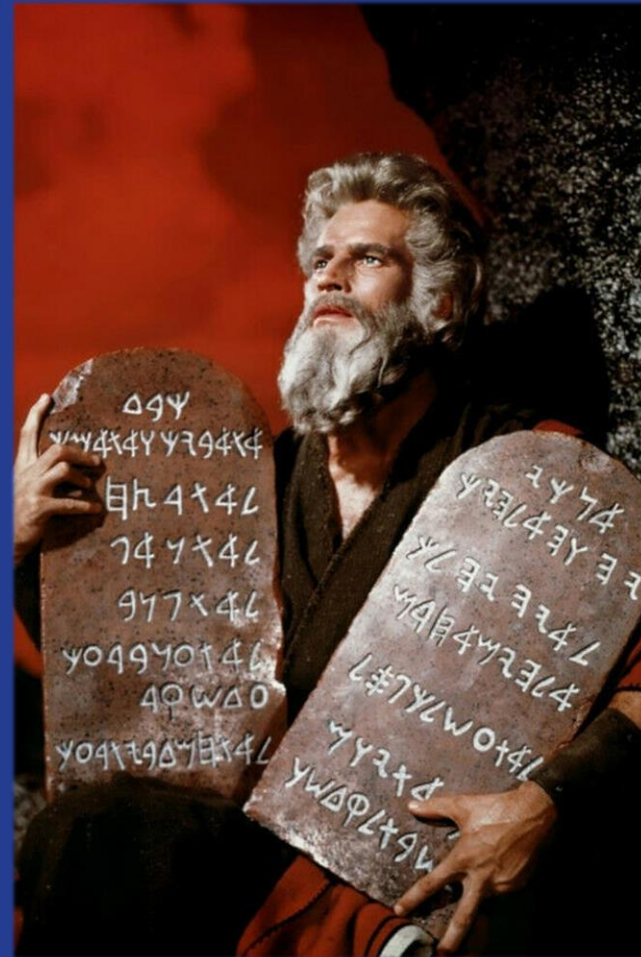
Example options testing

Option	Income	Appeal rights	Funding flexibility	Cap gap	Non-essential works	Feasibility	Ease of preparation	Ease of use
s7.11 BAU	Red	Red	Red	Red	Green	Green	Yellow	Yellow
s7.12 All 1%	Red	Green	Green	Green	Green	Green	Green	Green
s7.12 All 2%	Yellow	Green	Green	Green	Green	Green	Yellow	Green
s7.12 3%/3%/1%	Yellow	Green	Green	Green	Green	Green	Yellow	Green
s7.12 All 3%	Green	Green	Green	Green	Green	Yellow	Yellow	Green

10 contributions commandments

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Questions?



Break until 11.10am

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Planning agreements

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Planning agreements

City of Sydney

11.10am – 11.50am (40 mins)



Greg Longmuir

Senior Project Manager
Planning Agreements



Brett Callear

Senior Project Manager
Planning Agreements

Infrastructure costs

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Infrastructure costs

11.50am - 12.25pm (35 mins)



Matthew Kritzer
Partner
Mitchell Brandtman

Day 1 wrap up

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Thursday (Day 2)

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