

# Infrastructure funding and delivery - Day 2

PIA PLANET Online, 23 and 25 July 2024

Peter McKenna, Director, GLN Planning

Jonathon Carle, Associate Director - Infrastructure, GLN Planning



# Tuesday recap

1. Contributions happenings & fundamentals
2. Planning agreements
3. Infrastructure costs

GLN

City of Sydney

Mitchell Brandtman

# Today

1.	Introduction	GLN	9:30 – 9:40	10 min
2.	Holistic infrastructure funding	GLN / Atlas	9:40 – 10:40	60 min
3.	Repealed plan funds	Holding Redlich	10:40 – 11.10	30 min
4.	Break	All	11:10 – 11:20	10 min
5.	Social infrastructure needs	Cred Consulting	11:20 – 11:50	30 min
6.	Chasing CDC contributions	Camden Council	11:50 – 12:20	30 min
7.	Wrap-up	GLN	12:20 – 12:25	5 min

# Holistic infrastructure funding

9.40am - 10.40am (60 mins)

Peter McKenna, Director, GLN Planning

Jonathon Carle, Associate Director - Infrastructure, GLN Planning

Esther Cheong, Director, Atlas Economics



# Holistic infrastructure funding

## Outline

### GLN Planning (30 mins)

- Need for a holistic approach
- Current approach
- Holistic approach
- Infrastructure funding 'menu'
- Case studies
- Q&A

### Atlas Economics (30 mins)

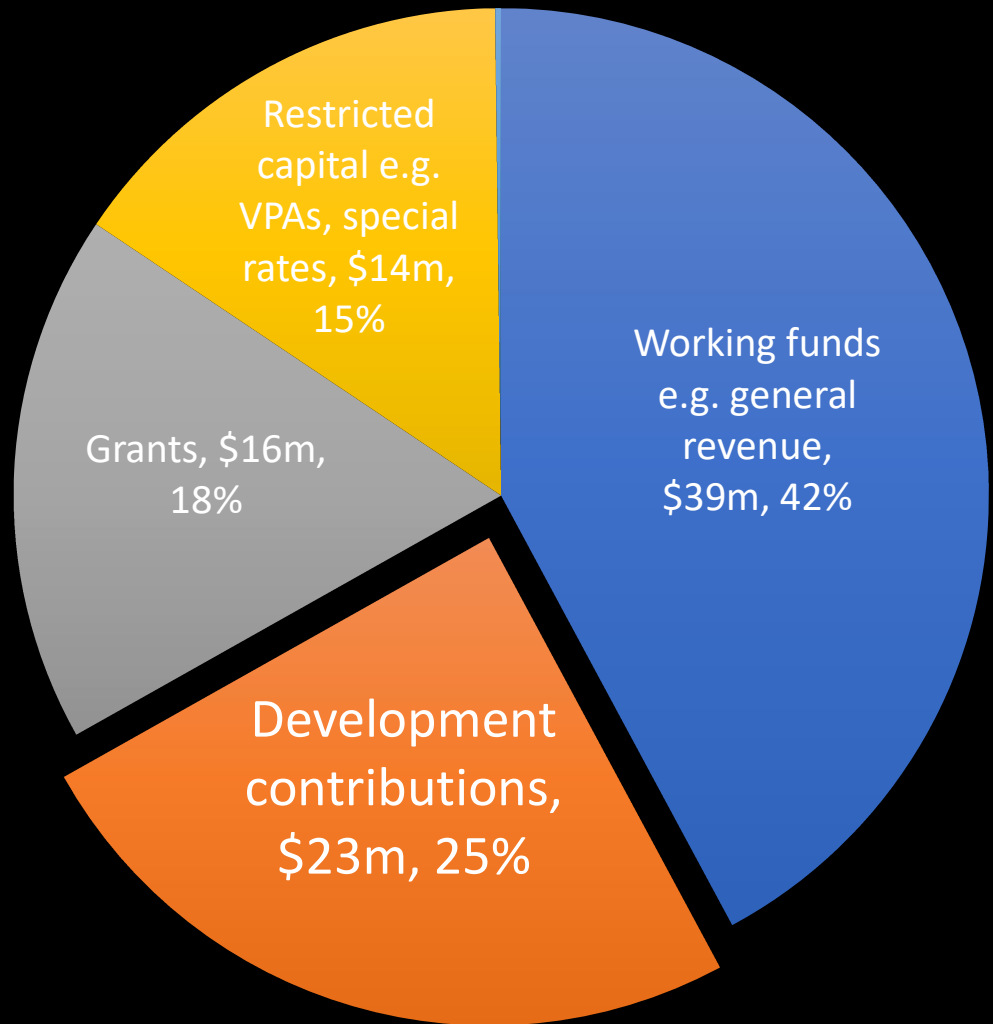
- Contributions & feasibility
- Affordable housing
- Q&A

# Need for a holistic approach

- Local contributions are important BUT rarely fully fund infrastructure needs e.g. due to:
  - s7.11 apportionment constraints
  - \$20k / \$30k per dwelling 'cap' (not indexed since 2011)
  - s7.11 IPART-review essential works list constraints
  - Land cost escalation
  - s7.12 constraints – 1%, increased levy Practice Note requirements
- Contributions reviews done well can help to limit / reduce the funding 'gap' BUT most councils still subject to significant budget (funding) constraints e.g.
  - Rate caps
  - Political constraints e.g. Special Rate Variations (SRVs)
- Options:
  - Deliver less infrastructure (but with lower service levels) OR
  - Holistic infrastructure funding strategy (more infrastructure & better service levels)

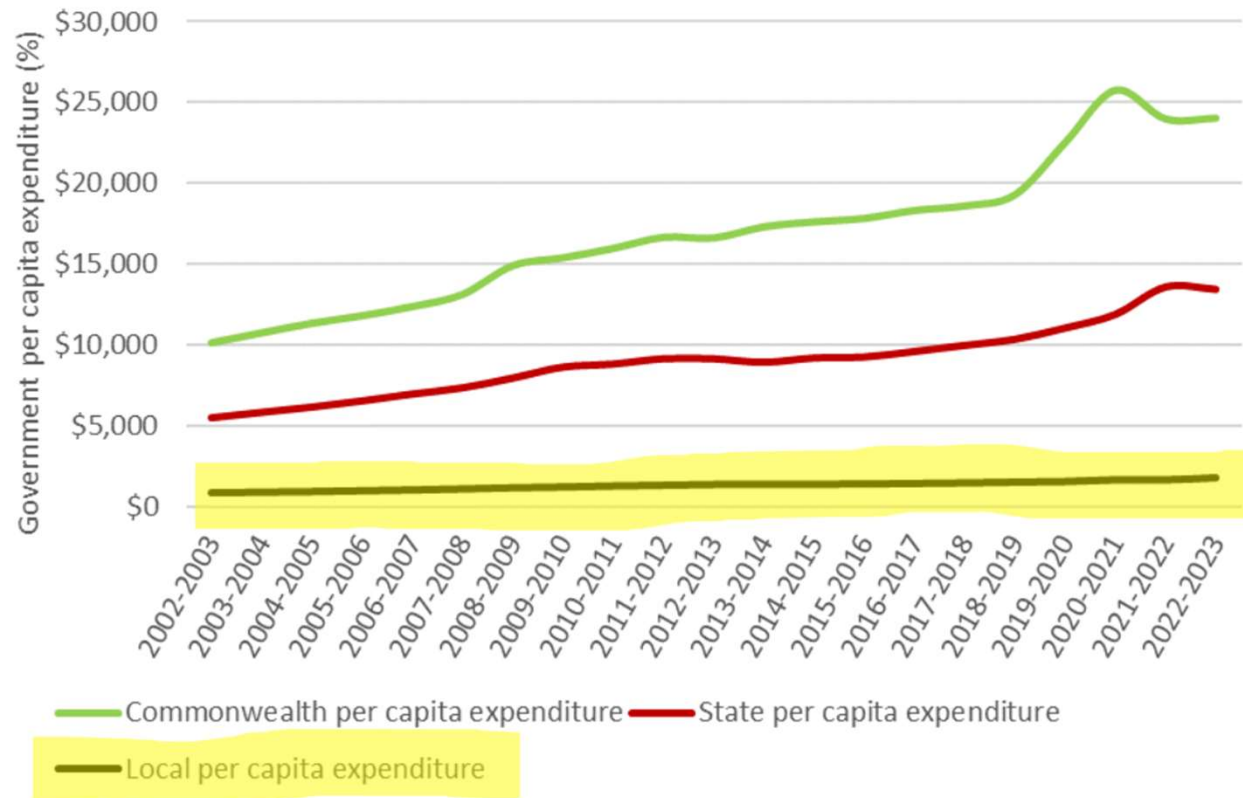
# Inner West capital works expenditure 21/22 by funding source

- Contributions funded 25% of capital expenditure



# Most councils are under significant budget pressures

GOVERNMENTS' PER CAPITA EXPENDITURE, 2002-03 TO 2022-23



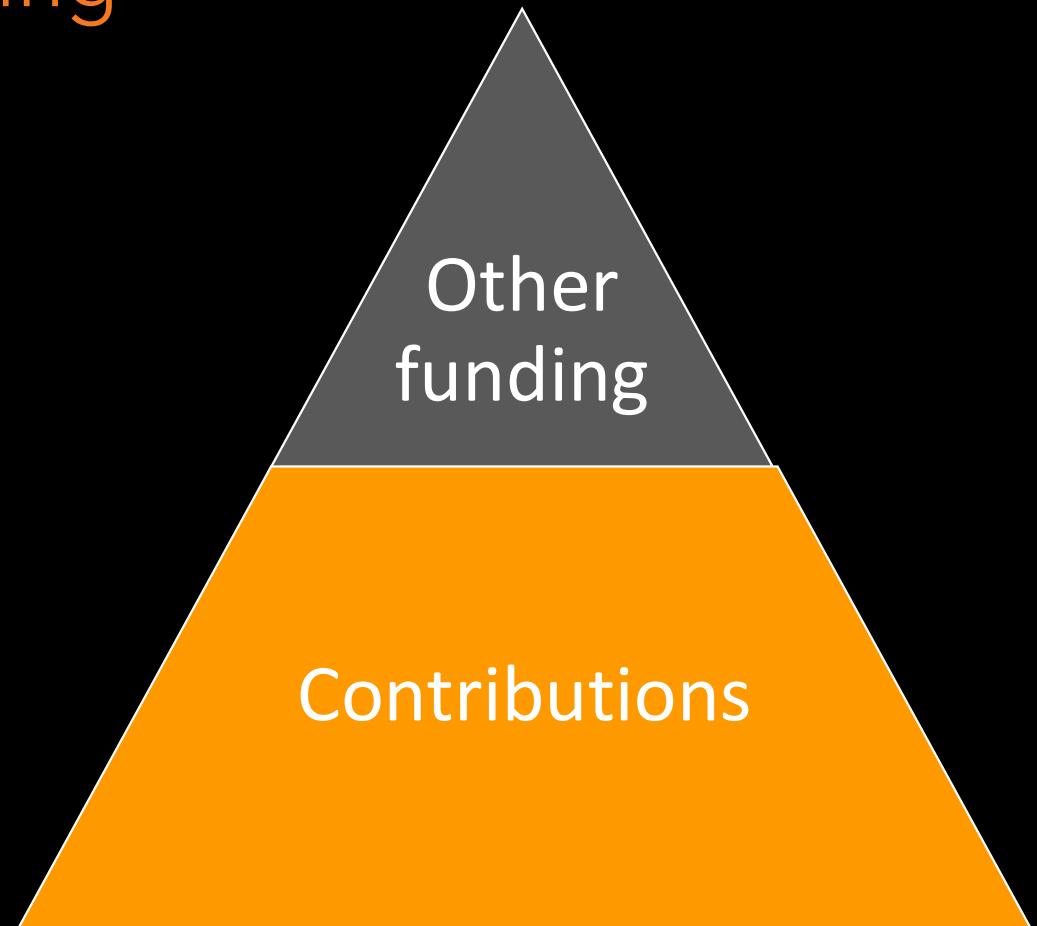
Source: SGS Economics and Planning (2024), ABS Government Finance Statistics.





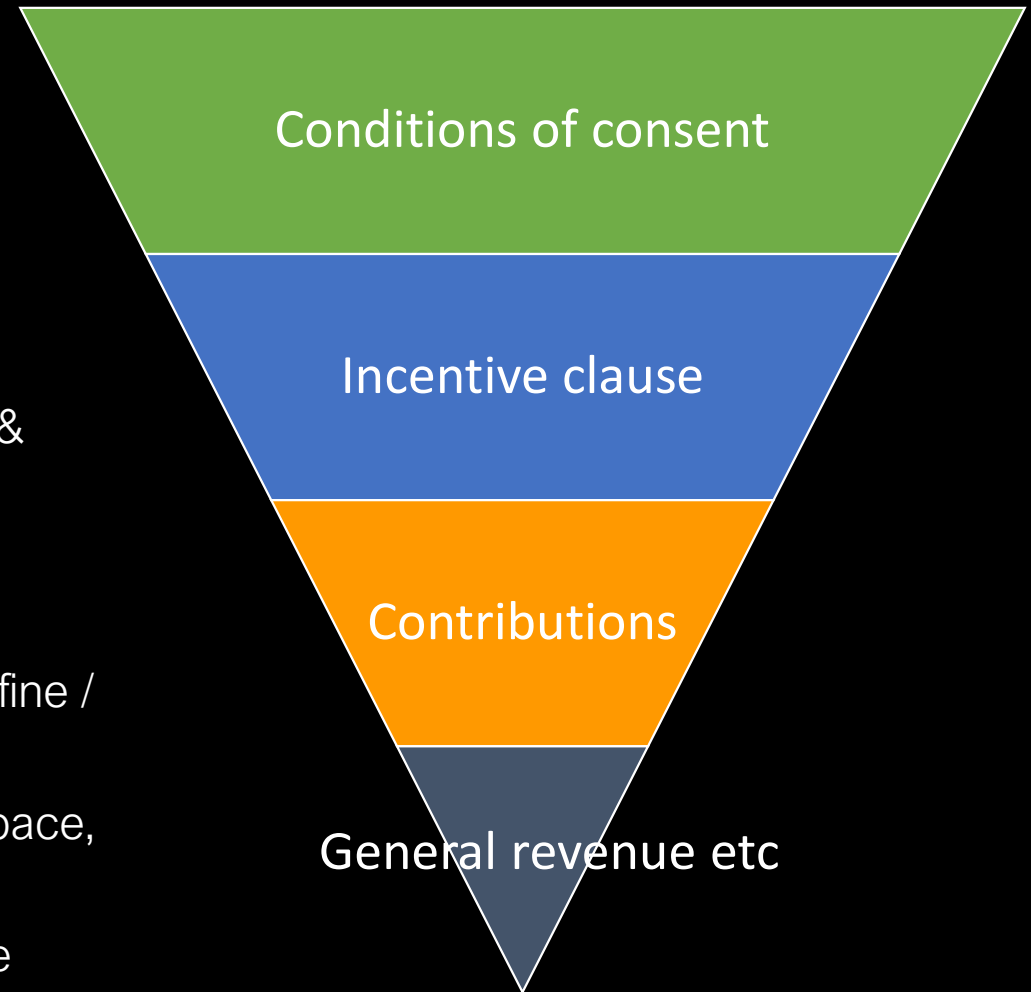
# Common approach to using contributions to fund infrastructure costs

- Contributions-led
- May be limited consideration of:
  - Unapportioned costs
  - Other funding sources
  - Cash flow analysis
  - Lifecycle costs
  - Financial integration & sustainability
- 'Hope for the best'
- Significant financial and reputational risks



# Holistic approach

- 'Invert the pyramid'
- Lead with infrastructure needs and costs (not contributions)
- Consider range of other funding mechanisms & opportunities first
- Only then, optimise s7.11/s7.12 contributions strategy – to minimise budget impacts
- Check budget impact can be funded; if not, refine / prioritise works schedule to reduce costs
- Collaborate with colleagues – finance, open space, traffic etc
- Outcome: financial sustainability, infrastructure deliver per plan/strategy, public trust



# Consider non-contributions opportunities first

## Planning system mechanisms

- Local contributions (s7.11, s7.12)
- Repealed plan funds
- Funds pooling
- Planning agreements
- Conditions of consent
- 'Key sites' incentive clause
- Affordable housing contributions

## Other (non-planning) mechanisms

- General revenue – rates etc
- Grants – Commonwealth and State
- Debt funding (borrowings)
- Redevelopment of surplus Council land ('asset recycling')

# Developer works conditions of consent through the DA process

## 4.17 Imposition of conditions (cf previous s 80A)

(1) **Conditions—generally** A condition of development consent may be imposed if—

- (f) it requires the carrying out of works (whether or not being works on land to which the application relates) relating to any matter referred to in section 4.15(1) applicable to the development the subject of the consent, or

## 4.15 Evaluation (cf previous s 79C)

(1) **Matters for consideration—general** In determining a development application, a consent authority is to take into consideration such of the following matters as are of relevance to the development the subject of the development application—

- (b) the likely impacts of that development, including environmental impacts on both the natural and built environments, and social and economic impacts in the locality,

Some common examples:

- new local roads, parks, and drainage works within the development site or precinct
- Streetscape upgrade works adjoining the development site

# 'Key sites' incentive clause

- Council, developer or State rezoning (planning proposal)
- Rezoning (changes to floor space, height, permissible land use) can increase land value
- May provide increased capacity for landowner to provide community (public) infrastructure on the site back to council at no cost to council
- Requires feasibility testing (and urban design testing for increased floor space)
- Works best on large sites; must be onsite infrastructure (not
- Implemented through a site-specific LEP clause with supporting DCP controls and/or guideline
- A developer can access increased FSR or height specified in the LEP at the DA stage in return for delivering defined community infrastructure (via a planning agreement)
- Can be instead of or in addition to local contributions
- Council-led examples: City of Sydney (Green Square), Canada Bay (Parramatta Rd Corridor), Ryde (Macquarie Park), Lane Cove (St Leonards South)
- State-led examples: Macquarie Park Stage 1 and 2

# Example: Canada Bay Council – Parramatta Rd

## Key Site 35

Key Site 35 is located at 51-65 Parramatta Road, Five Dock and 33-43 Queens Street, Five Dock with an approximate size of 18,625m<sup>2</sup>. The following provisions of the Canada Bay LEP 2013 apply to Key Site 32:

- Base maximum building height – 12 metres
- Community infrastructure maximum building height – part 20 metres, part 22m, part 28 metres and part 35 metres
- Base floor space ratio – 1.0:1
- Community infrastructure floor space ratio – 1.8:1

Community infrastructure will include:

- Public domain enhancements (minimum width of 6m) and additional public domain enhancements in accordance with Transport for New South Wales requirements (variable width up to 1.9m) including street tree planting and a shared path setback from the kerb and bordered by understorey planting to provide a sense of separation between the adjacent roadway and footpath areas.
- A neighbourhood park (minimum 2,910m<sup>2</sup>) fronting Queens Road that will create a new recreational space for the daily social activities and gatherings of the community.
- A desired neighbourhood park (minimum 900m<sup>2</sup>) located centrally within Key Site 32 and to support the immediate recreational needs of the local residents and community.
- A pedestrian through-site link connecting the neighbourhood park and Parramatta Road (minimum width of 6m).
- A desired pedestrian through-site link south connecting to Key Site 33 and Key Site 34 (minimum width of 6m). Finishes and treatment are to be contiguous with the pedestrian through-site link adjoining on the western boundary (Key Site 33 and Key Site 34).

## Infrastructure Strategy Parramatta Road Corridor Stage 1 Precincts

City of Canada Bay Council

FINAL | September 2022

## Key Site 35



### LEGEND

- Amalgamation Blocks
- Lot Boundary
- Context Lot Boundary
- Proposed Built Form
- Variable TfNSW road widening allocation
- Area for public domain enhancement (dedicated to Council)
- Area for through-site link (not dedicated to Council)
- Area for open space (dedicated to Council)
- Area for desired through-site link (not dedicated to Council)
- Area for desired open space (not dedicated to Council)

Land for community infrastructure for Key Site 35 apply to the following lots, sections, deposited plans and strata plans descriptions:

Lot 13 DP 718237	Lot 14 DP 718237	Lot 15 DP 718237	Lot 16 DP 718237	Lot 17 DP 718237
Lot B DP 366113	Lot 4 DP 421391	Lot 1 DP 788226	Lot A DP 360990	Lot B 360990

Figure 40 Key Site 35 – Lands required for embellishment and dedication to Council

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- Area for public domain enhancement (dedicated to Council)
- Area for through-site link (not dedicated to Council)
- Area for open space (dedicated to Council)
- Area for desired through-site link (not dedicated to Council)
- Area for desired open space (not dedicated to Council)



# Asset recycling Marrickville Library



Inner West Council partnered with Mirvac to develop the former Marrickville Hospital site

Under a development agreement Mirvac was able to develop part of the site for residential purposes in return for delivering a new public library, community facilities and open space back to council at no cost to council.

# Asset recycling Former City of Sydney depot site



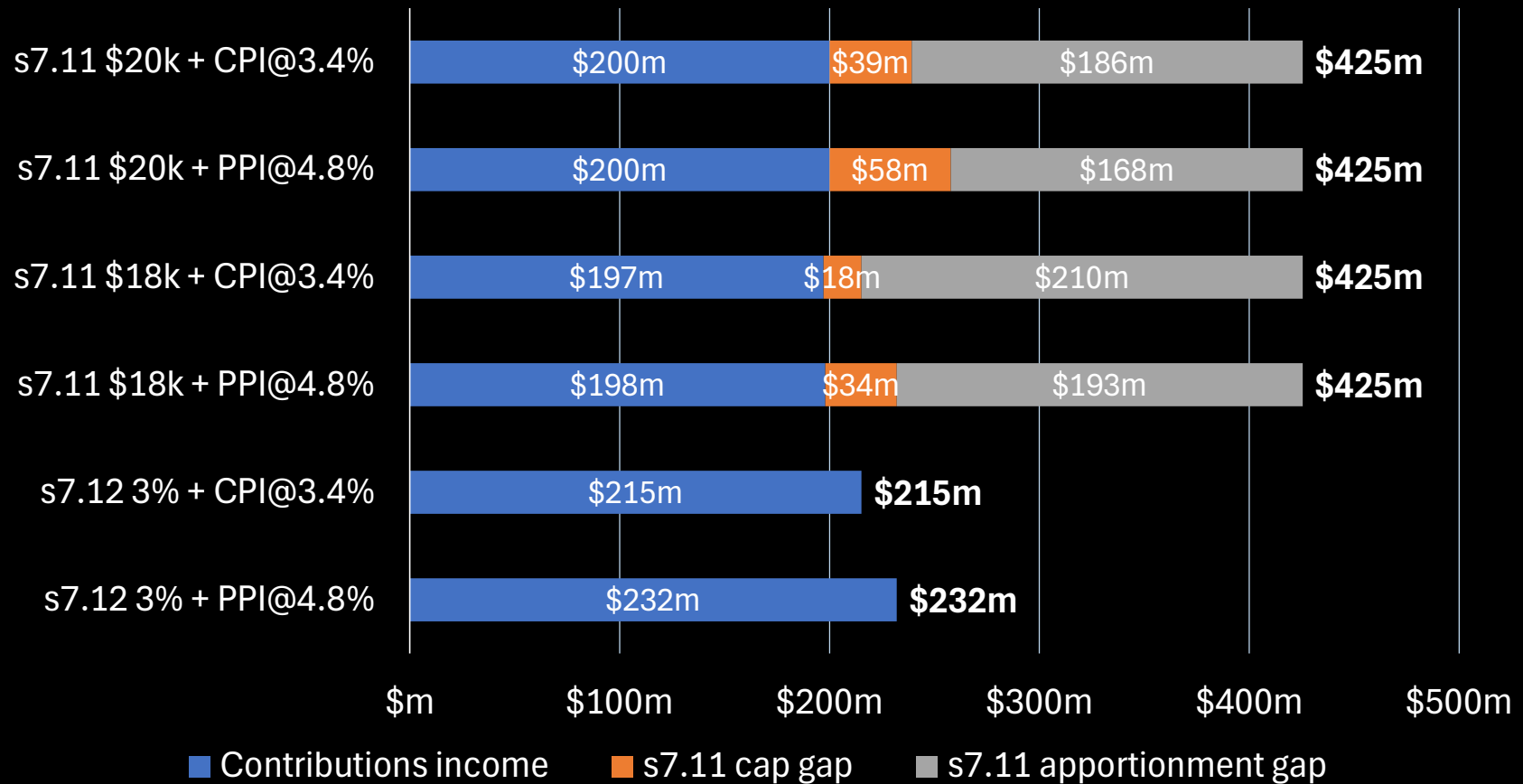
Former City of Sydney-owned depot site opposite Wentworth Park in Pyrmont

Council offered the site to the market for residential redevelopment (230 apartments) subject to delivering a childcare facility, commercial spaces, and Council-owned indoor recreation centre

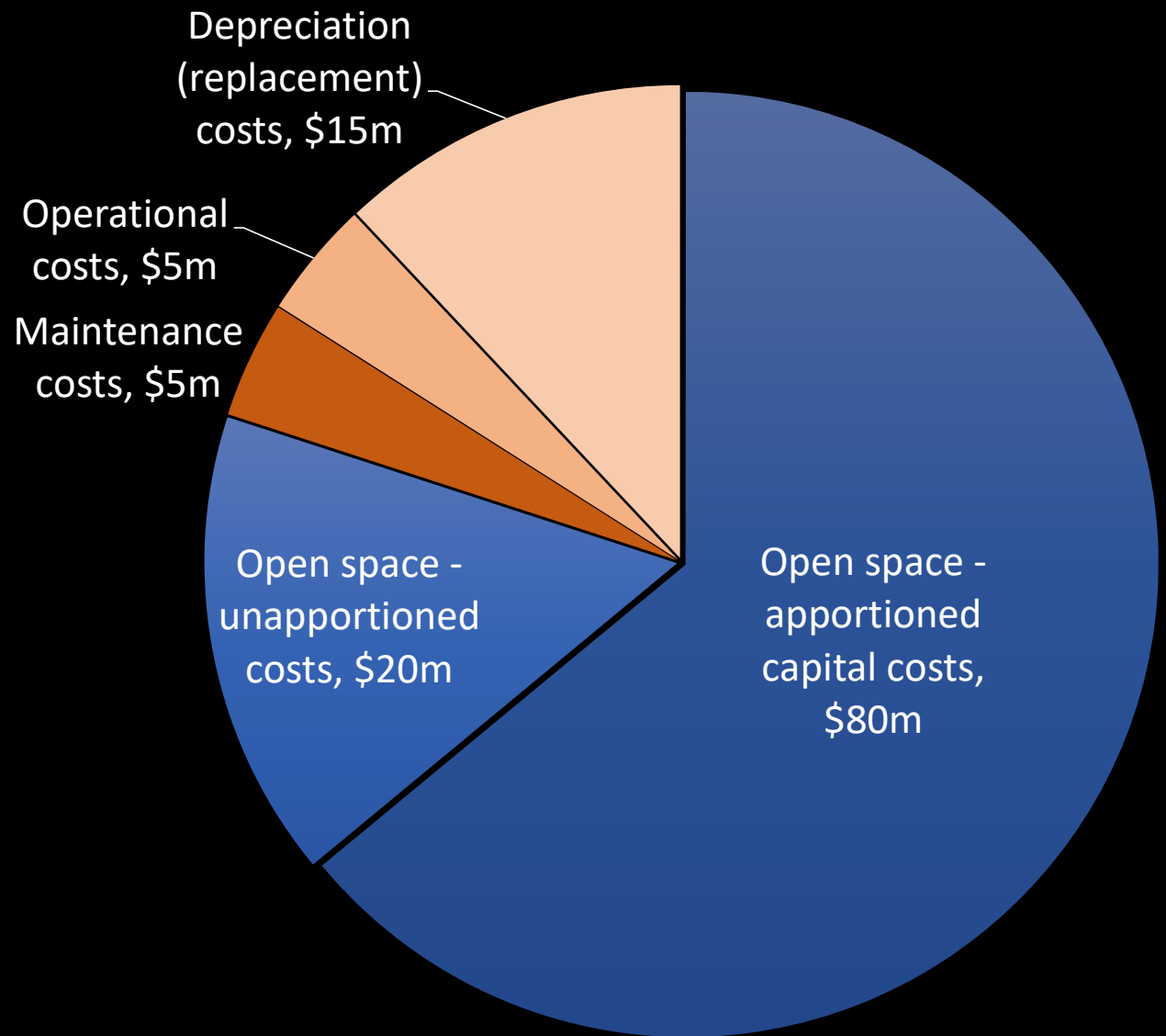
# Debt funding (borrowing)

- Option to fund key infrastructure through external borrowings
- Borrowings can include:
  - loans from commercial providers
  - T-Corp low-cost loans from NSW Treasury
- Borrowings come with challenges:
  - Debt servicing – general fund, rates revenue, special rate variations?
  - Competing infrastructure priorities - which project gets a guernsey?
  - Council debt to service ratio and “Fit for the Future” criteria which limits the extent of borrowings
  - Interest costs incurred

# Optimise s7.11 and s7.12 approach

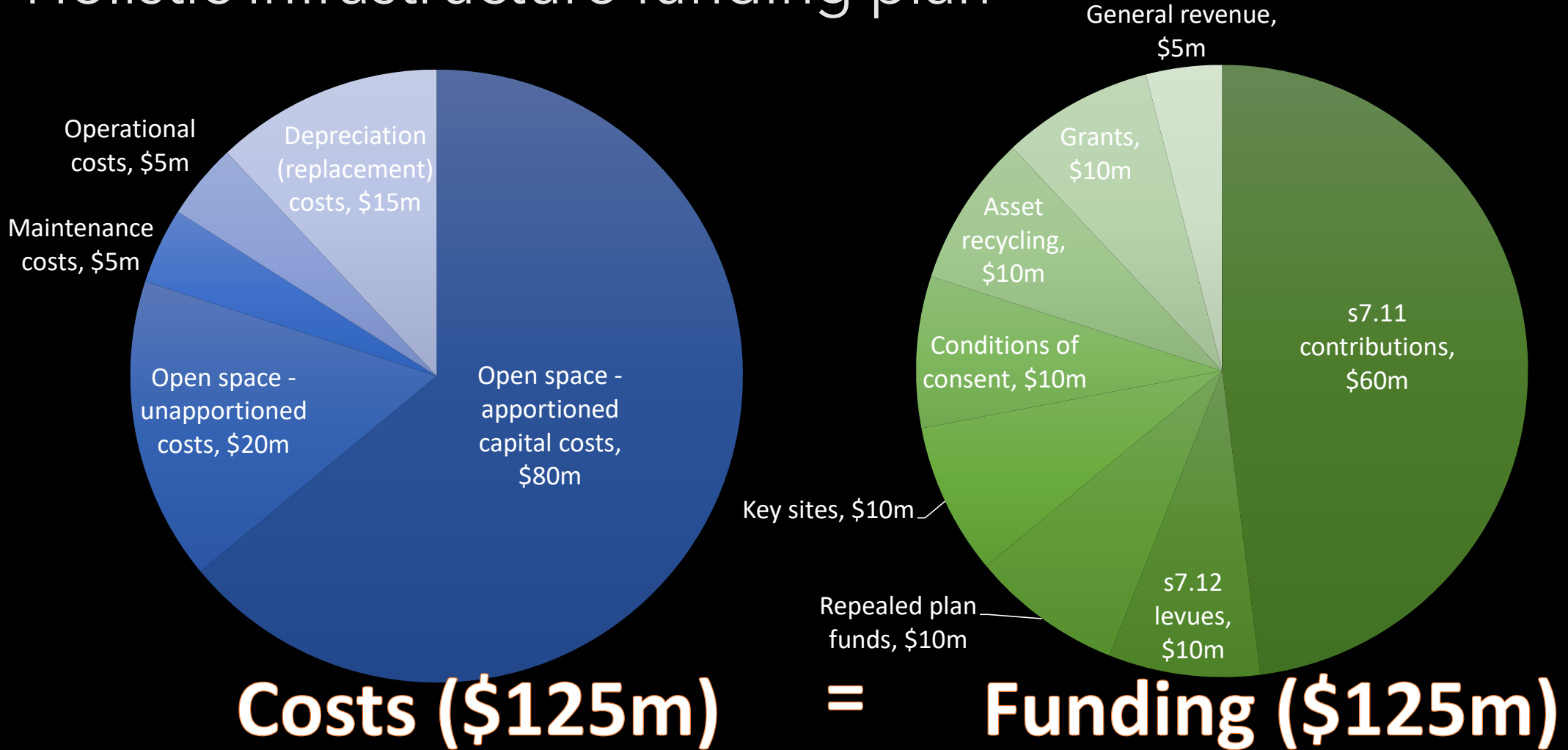


# Lifecycle costs Example



# Putting it all together

## Holistic infrastructure funding plan





# Evaluate funding and delivery opportunities

Table B1: Infrastructure funding opportunities matrix

Item	Name	Local infrastructure contributions	Planning agreement	Key sites LEP provisions	Planning controls in LEP or DCP	State Budget allocation	Grants	Council general revenue	Non-govt providers	Affordable housing levies
<b>Transport</b>										
T1	Contra-flow bus lane - Harris St and Regent St					●				
T2	Shared zones around UTS and TAFE	●	●	○			○	○		
T3	Close Jones St for new open space	●	●	○			○			
T4	Harris St signalised pedestrian crossing	●				○	○	●		
<b>Open space</b>										
O1	New district park at Bank St		●	●						
O2	Jones St new linear park	●					○	○		
O3	Wentworth Park capacity improvements	●				●		●		
O4	New urban park/plaza connecting Allen St		●	●		○				
O5	Expand Carmichael Park	●	●			●		○		
O6	Landing sites for passive craft - Blackwattle Bay and Banks St			●		○				
O7	New harbour pool		●	●		●				

Local infrastructure contributions

Planning agreement

Key sites LEP provisions

Planning controls in LEP or DCP

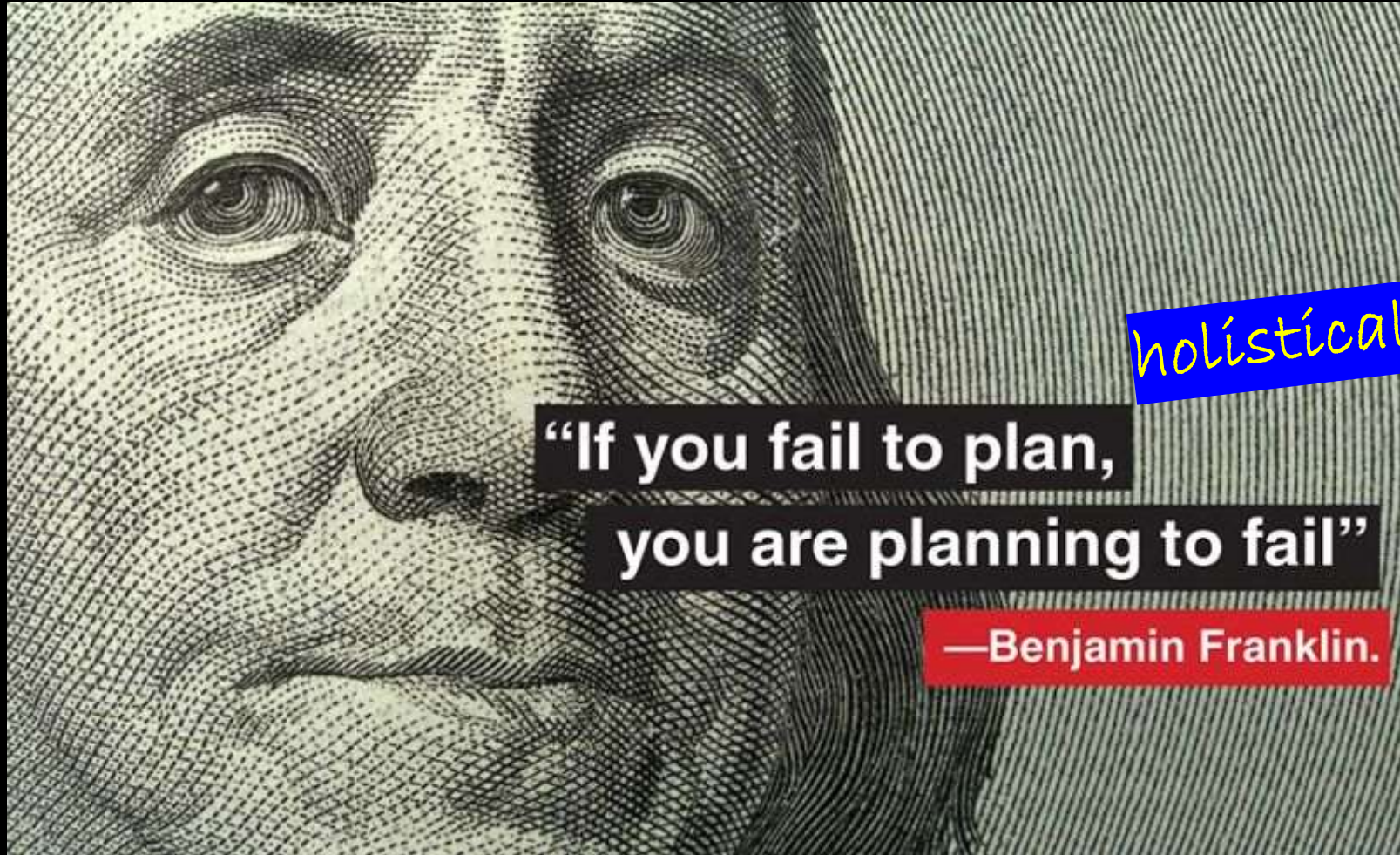
State Budget allocation

Grants

Council general revenue

Non-govt providers

Affordable housing levies



*holistically*

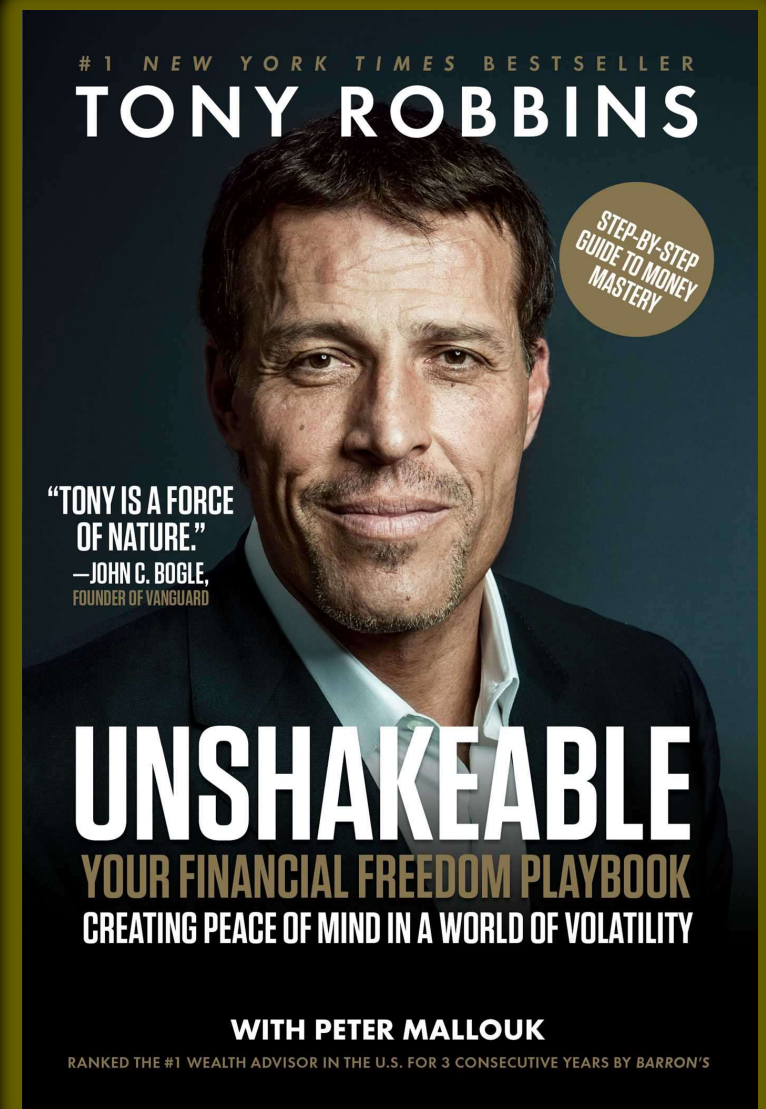
**“If you fail to plan,  
you are planning to fail”**

**—Benjamin Franklin.**



## Key takeaways

- Invert the pyramid
- Educate thine self
- Collaborate with thine brothers and sisters
- Be holistic!



Holistic infrastructure funding

# Questions?

10.05am – 10.10am

# Feasibility

10.10am - 10.40am (30 mins)



**Esther Cheong**  
Director  
Atlas Economics

# Repealed plan funds

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7.	Wrap-up	GLN	12:20 – 12:25	5 min

# Repealed plan funds

10.40am - 11.10pm (30 mins)



**Thomas Kwok**  
Partner  
Holding Redlich

# Break: until 11.20am

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# Social infrastructure needs

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7. Wrap-up	GLN	12:20 – 12:25	5 min

# Social infrastructure needs

11.20am - 11.50am (30 mins)



**Sarah Reilly**  
Managing Director  
Cred Consulting



# Complying development

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# Chasing CDC contributions

11.50am - 12.20am (30 mins)



**Ben Richards**

Manager Contribution Planning  
Camden Council

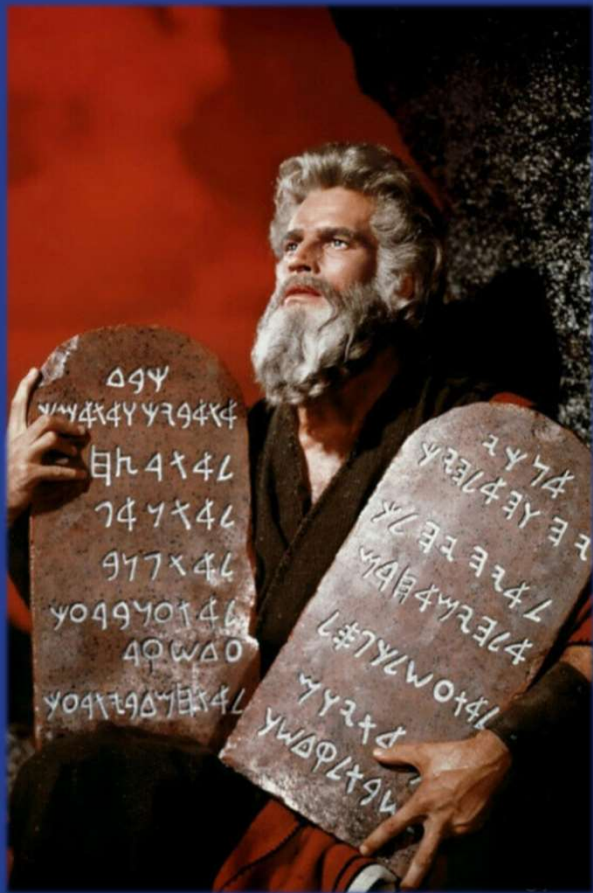
# Wrap up

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# Contributions Snakes & Ladders

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

# 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!



**THANK YOU!**