

INNOVATIVE

ITEM NUMBER	17.3
SUBJECT	FOR APPROVAL: Public exhibition - Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021
REFERENCE	F2019/00796 - D07285376
REPORT OF	Acting Team Leader - Land Use Planning

PURPOSE:

To seek Council's endorsement to publicly exhibit a new "Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021" that will apply across the entire local government area (LGA) (excluding the Parramatta CBD and Sydney Olympic Park areas) and replace the existing development contributions plans that currently apply following local government amalgamations in May 2016.

RECOMMENDATION

- (a) **That** Council approve the "Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021" (Draft Plan) at **Attachment 1** for the purposes of public exhibition for a minimum period of 28 days.
- (b) **That** a report on the outcomes of the public exhibition be provided to Council prior to finalisation of the Draft Plan.
- (b) **Further, that** Council authorise the Chief Executive Officer to make minor non-policy and/or administrative changes to the Draft Plan, if needed, prior to it being placed on public exhibition.

BACKGROUND

1. Current Council strategies, including the Local Strategic Planning Statement and Community Infrastructure Strategy, forecast significant population growth in the City of Parramatta LGA. The area outside the Parramatta CBD and Sydney Olympic Park will grow by approximately 166,839 new residents and 33,131 new workers between 2021 and 2041. This is a comparatively high rate of growth compared to other council areas in NSW.
2. The Draft Plan is based on population projections over a 20 year period. It is anticipated that the economic effects of the COVID-19 pandemic may impact on development and subsequent rate of population increase in the short term. However, in the long term, it is expected that the pandemic will have limited impact on our forecast population, given that development is seen as a key contributor in the post pandemic economic recovery effort, the NSW Government's investment in city-shaping infrastructure, including Sydney Metro West and Parramatta Light Rail, and the City of Parramatta's strategic location in the heart of the Greater Sydney region.
3. This new population will use local infrastructure and contribute to demand for its use. This local infrastructure includes open space, recreation facilities, community facilities such as libraries, and traffic and transport works.

4. If Council does not invest in new and upgraded local infrastructure to meet the needs of the people who live and work in the new development, the infrastructure service levels for the existing and future population will decline.
5. Under sections 7.11 and 7.12 (formerly referred to as sections 94 and 94A) of the *Environmental Planning and Assessment Act 1979* (EP&A Act), councils can collect contributions from new development to help fund local infrastructure needed to support population growth. Contributions must be in accordance with a development contributions plan. Such plans identify the forecast population growth in an area, the infrastructure needed to support that growth, and the contributions needed to fund the capital costs to Council of that infrastructure.
6. The plans ensure transparency and accountability for the community, developers and councils about the need to collect contributions for infrastructure and how councils will use the contributions.
7. As a result of NSW Government changes to council boundaries in May 2016, nine separate development contributions plans currently apply to areas in the LGA outside the Parramatta CBD and Sydney Olympic Park.
8. There are differences between these existing plans in terms of their approach to levying contributions, with contributions rates of some plans being relatively low compared to others. Some of the current plans are also more than 10 years old and no longer fully reflect current population projections, infrastructure demand and costs, or Council's current infrastructure priorities. A map showing existing contributions plans is shown at **Attachment 2**.
9. The Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021 ('the Draft Plan'), shown at **Attachment 1**, is intended to update and replace existing development contributions plans that apply outside Parramatta CBD and Sydney Olympic Park. It has been prepared by reviewing current population projections, infrastructure needs and capital works priorities as identified in current Council strategies and plans.
10. The preparation of the Draft Plan is a key component of the "Harmonisation Project", which also seeks to create a single consolidated local environmental plan and development control plan for the LGA.
11. It is noted that the development contributions framework applying to land inside the CBD is being reviewed separately in connection with the Parramatta CBD Planning Proposal. Sydney Olympic Park is also excluded as this area falls outside Council's land use planning jurisdiction.

KEY COMPONENTS OF THE DRAFT PLAN

12. The Draft Plan will replace all existing contributions plans that apply outside the Parramatta CBD and Sydney Olympic Park with a single, consolidated Section 7.11 nexus-based plan. A Section 7.11 plan is proposed instead of a 1% fixed-rate Section 7.12 plan as it will deliver a higher share of the costs of infrastructure required as a result of forecast development.

Population forecasts

13. The Draft Plan also includes updated population forecasts. All development contributions plans include population forecasts, as the forecasts are the key indicator of anticipated development and associated infrastructure demand and cost.
14. The Draft Plan is based on forecast development and associated infrastructure demand during the 20-year period from 2021 to 2041.

15. Council's Community Infrastructure Strategy, adopted by Council in July 2020, forecasts an additional 253,000 people will live in the City of Parramatta LGA by 2041. 66 per cent of this growth, or 166,839 residents, is forecast in the area where the Draft Plan will apply. The remaining balance is forecast to be located in the Parramatta CBD and Sydney Olympic Park.
16. In addition, 33,131 workers and 2,306 visitors are forecast in the Draft Plan area between 2021 and 2041. It is anticipated that the economic impacts of the COVID-19 pandemic will only impact on development and subsequent rates of population growth in the short term, without impacting on long term population forecasts.

Updated works program

17. Contributions plans include a works program, which identifies the infrastructure required to meet the needs of the forecast development and an estimate of the timeframe within which it will be delivered. The works program also includes an estimate of the capital costs to Council of building each infrastructure item, and the share of costs that the plan seeks to recover through development contributions (known as 'apportionment').
18. The Draft Plan includes an updated works program that reflects Council's current strategic infrastructure priorities. Infrastructure items identified in the Draft Plan have been drawn from existing Council plans and strategies that identify infrastructure needs, including:
- Community Infrastructure Strategy;
 - Parramatta Bike Plan;
 - Parramatta Ways Walking Strategy;
 - Road network improvement projects identified by the Traffic Engineering and Advisory Group;
 - Projects identified through growth precinct strategic planning; and
 - Projects identified in existing plans, which remain consistent with identified needs.
19. The draft works program in the Draft Plan has an estimated capital cost to Council of **\$1.69 billion** over 20 years (2020 costs). A breakdown of the costs is provided in the table below:

Infrastructure works category	Estimated cost to Council	Amount apportioned to new development
Community facilities	\$252.8M	\$101.0M
Recreation facilities – Aquatic facilities	\$47.0M*	\$23.5M
Recreational facilities – Open space/outdoor	\$924.1M	\$887.1M
Recreational facilities – Indoor recreation	\$153.7M	\$76.9M
Traffic and transport	\$301.0M	\$287.8M
Plan administration costs	\$14.9M	\$14.9M
Total (approx.)	\$1.69B	\$1.39B

*Note - Covers Epping and Parramatta aquatic facilities. Balance of costs to Council, excluding costs for which funding has already been confirmed through State Government grants/funding.

20. The draft works program is contained in Appendix F of the Draft Plan provided at **Attachment 1**.
21. The draft works program has been prepared in accordance with key legal requirements underpinning Section 7.11 plans of 'nexus' and 'apportionment'. 'Nexus' refers to the connection between development and identified infrastructure – only projects which can be demonstrated to meet a need created by future development can be included in the Draft Plan.
22. 'Apportionment' refers to the share of infrastructure costs that can be recovered through development contributions – this need to be proportionate to the extent to which a works item is required to serve the demand created by new development.

Contribution rates

23. One item in the works program that should be noted is that the potential acquisition of the former bowling club site fronting Blaxland Road has been included in the Draft Plan to be exhibited. The site is currently zoned RE1 Public Recreation and under the provisions of the Hornsby LEP 2013 Council is the acquisition authority responsible for acquiring the land. The site has been included in this Draft Plan to recognise this legal and financial liability however funding to acquire the site would be a longer term proposition given the significant amount (\$26.4 million identified in the plan) required to fund the acquisition would take significant time to accumulate via a contributions plan.
24. Council Officers recommend that other options that might address the legal and financial liability associated with the acquisition of the former bowling club site be considered in the short term including whether the site can be acquired via a Planning Agreement. The outcome of these negotiations will be reported to Council and should this approach be endorsed the contributions plan would be adjusted accordingly.
25. The Draft Plan includes updated contribution rates that will replace the existing plans' various contribution rates. Contribution rates are determined based on the infrastructure costs that can be reasonably apportioned to development. The contribution payable by a particular development is calculated by multiplying the population increase that will arise from the development by the applicable contribution rate.
26. Contribution rates are specified in section 2.1 of the Draft Plan provided at **Attachment 1**. Charts comparing existing contribution rates, proposed contribution rates under the Draft Plan and various other councils' contribution rates are shown in **Figures 1 and 2** below. These include contribution rates for 2-bedroom dwellings and workers (for non-residential/employment-generating development). Rates for 2-bedroom dwellings are shown as this will be the most common number of bedrooms in new development.
27. The Draft Plan proposes rates comparable to those already paid in some areas, such as those around the Carlingford train station formerly part of The Hills Council and land formerly part of Hornsby Council. In other areas like the Carter Street precinct, existing residential contribution rates are low and do not reflect current land values and infrastructure costs.
28. The proposed rates under the Draft Plan are comparable to rates being charged by many neighbouring and high growth councils in Sydney, including Cumberland City Council, which recently adopted its own harmonised development contributions plan.

29. The Draft Plan does not propose to exceed contribution caps imposed by the NSW Government. Since 2012, this has been set at a maximum of \$20,000 per dwelling, despite land and infrastructure costs having increased significantly since that time. This cap means the full contribution rate for 3 and 4 bedroom dwellings is currently not able to be charged (\$23,251 and \$27,126 respectively under the Draft Plan).
30. However, the NSW Government recently consulted on draft proposals to increase the cap, potentially to as high as \$45,000 per dwelling. Accordingly, the Draft Plan includes provisions that will enable Council to recover the full contribution rate for 3 and 4 bedroom dwellings should the current contributions cap be increased by the NSW Government in the future.
31. To ensure that the value of contributions is not eroded over time, the contributions rates in the Draft Plan will be indexed on a quarterly basis in line with changes to CPI so that they reflect changes in the cost of facilities. Contributions applied to development consents will also be indexed so that they account for inflation at the time of payment.

Discounts and exemptions

32. The Draft Plan proposes to update and harmonise various other provisions within existing plans, including development that is excluded from the need to pay development contributions.
33. It is proposed to exempt the following types of development from having to pay contributions:
 - home renovations, including extensions (such as an additional level or bedroom) to existing homes;
 - demolition of an existing dwelling and construction of a replacement single dwelling (whether of the same size or larger);
 - development undertaken by or on behalf of Council, including works listed in the Draft Plan's works program; and
 - development required to be excluded from contributions by a Ministerial Direction/Government Circular.
34. The exemption for home renovations and 'knock-down-rebuilds' is proposed so that growing families do not need to pay a contribution if they upgrade their home, making it easier for them to remain within the area without needing to move. The exemption would apply to all single dwelling alterations and additions, including those that propose additional bedrooms, and also replacement of an existing single dwelling with a new single dwelling, irrespective of size.
35. The Draft Plan's proposed exemption for Council works is consistent with a recent minor amendment adopted by Council to the Parramatta CBD 7.12 Development Contribution Plan.

Figure 1: Contribution rates, 2-bedroom dwellings, various Councils

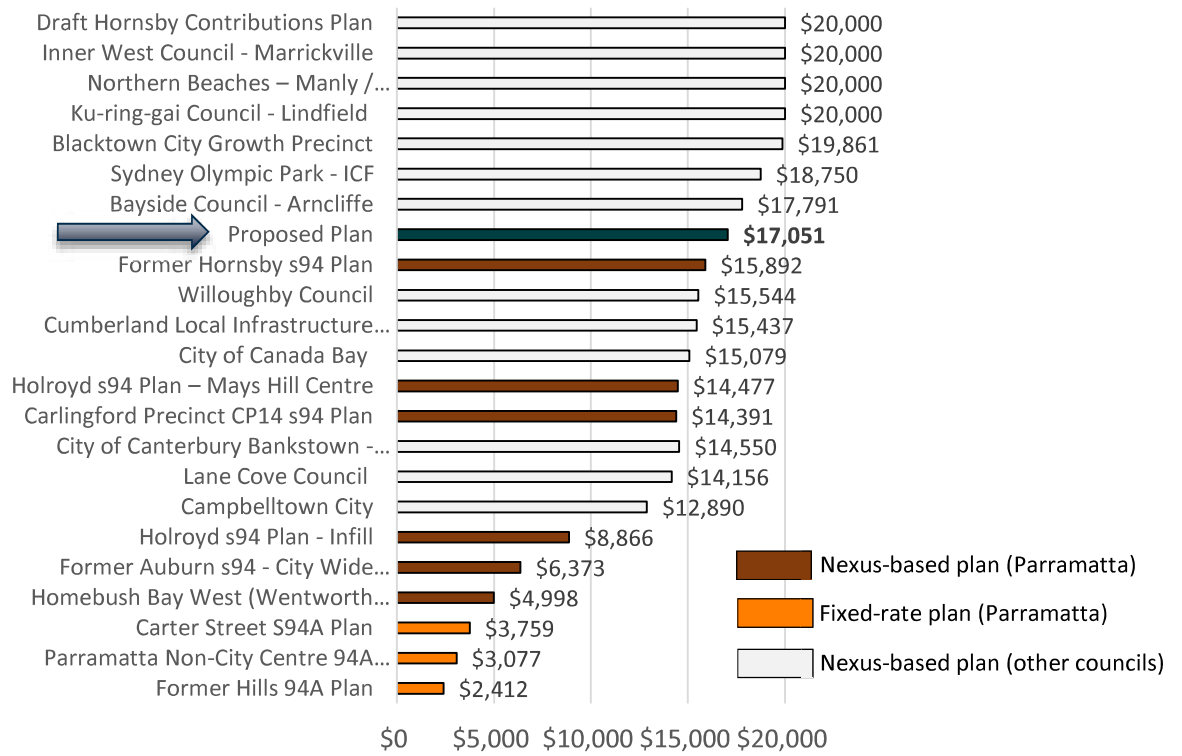
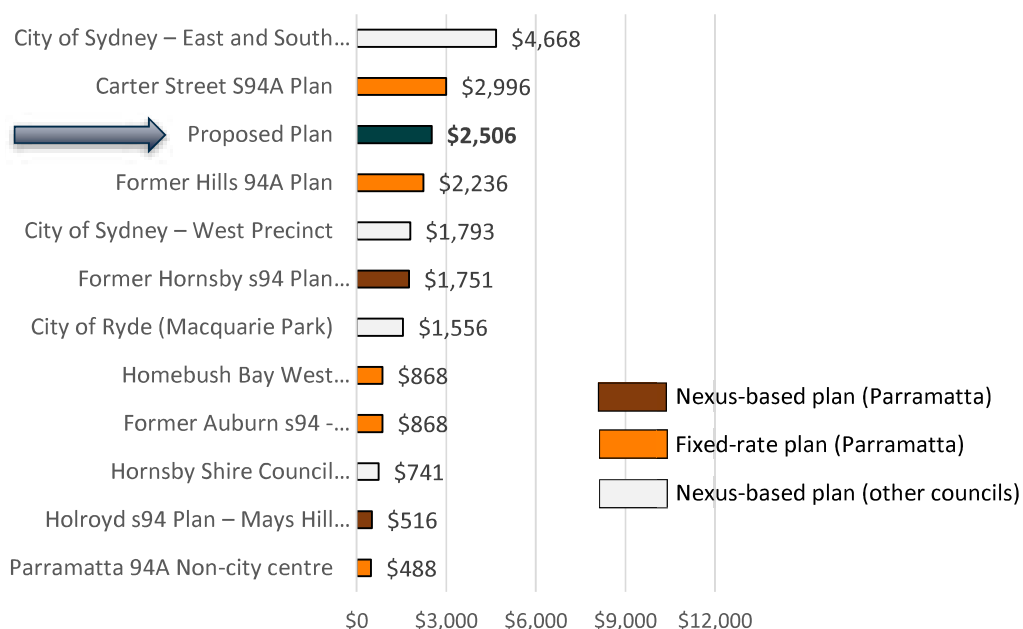


Figure 2: Contribution rates, per worker, various councils

36. The Draft Plan also proposes to apply a 50% discount to the contribution rates that Council could reasonably impose (based on occupancy rates) for secondary dwellings (commonly referred to as “granny flats”). The proposed rate (with discount) is \$8,138 per 2 bedroom and \$3,875 for 1 bedroom/studio secondary dwellings.

37. While secondary dwellings will typically provide an attractive rental return even without a 50% discount and contribute to increased demand for infrastructure, a discount is proposed given the benefits they provide. They provide additional, more diverse, low scale and relatively affordable housing. They also provide flexibility for family members, such as aging grandparents or children in the 20-30 age group to live with their parents but in separate dwellings.

Proposed transitional arrangements

38. Under the Draft Plan’s proposed transitional provisions, the new contribution rates will apply to development applications lodged *after* the Draft Plan’s commencement date but not *before*. This is so that existing development applications are not affected by any changes to development contributions.

LEGAL IMPLICATION FOR COUNCIL

39. Council has obtained legal advice for the inclusion of provisions in the Draft Plan to enable Council to recover the full contribution rate for 3 and 4 bedroom dwellings should the current contributions cap be increased by the NSW Government without the need for an amendment to the plan. The Draft Plan shows the uncapped rates for these dwelling types but will only apply a contribution up to the maximum amount allowable under the relevant prevailing Ministerial Direction applicable at the time of consent. This approach is transparent to the community as it shows the actual cost of infrastructure demand created by new development, but importantly ensures Council does

not forego potential contributions income should the current contributions cap be increased by the NSW Government.

40. The current development contributions framework consists of nine separate plans applying to different areas of the LGA (refer to map at **Attachment 2**). Differences in these plans has resulted in a framework that is complex to administer and prone to error. The Draft Plan proposes a single, consolidated plan for the area, which will be simpler to administer and will greatly assist in minimising legal risks associated with having multiple plans that use different rates and approaches to levying contributions, and are also of varying ages. There is also added complexity in that some of the existing plans apply to land across local government boundaries. A new single plan, which will apply wholly within the City of Parramatta LGA, will also ensure that all development within the area contributes equally to the share of the cost of providing the infrastructure needed to meet the demand created by the new incoming population.
41. Two existing contribution plans cover land formerly part of the Auburn and Holroyd LGAs that are now part of the Cumberland LGA. Under the *Local Government (City of Parramatta and Cumberland) Proclamation 2016*, Council is required to consult with Cumberland Council as the Draft Plan seeks to repeal the shared plans. This will be undertaken during the exhibition period of the Draft Plan.

FINANCIAL IMPLICATION FOR COUNCIL

42. The Draft Plan forms part of Council's Resourcing Strategy, including its Long Term Financial Plan, and will provide funding towards priorities in the Community Strategic Plan, 10-year capital works plan and four yearly Delivery Program. Whilst the Draft Plan will increase contributions revenue to Council, inclusion of works within this plan will also create operating and unrestricted cash deficits as the result of costs that cannot be attributed to the Draft Plan, such as operational and maintenance costs.
43. The Draft Plan's works program contains approximately \$1.69 billion of local infrastructure over 20 years, from 2021 until 2041. Of this, the Draft Plan is forecast to generate approximately \$1.24 billion in contributions over the life of the Plan.
44. Based on this forecast, the capital costs that Council will need to fund the works identified in the Plan using other funding sources is estimated to be up to \$451.5M. This is equivalent to \$22.3M per year from 2021 to 2041.
45. Approximately \$69 million of this can be funded using contributions already collected under existing contributions plans that have not yet been spent. This is appropriate as contributions collected under existing plans relate to previous population growth and associated infrastructure demand, whereas the Draft Plan relates to future population growth. It is common for accumulated contributions to be rolled over in this manner when a new plan is introduced.
46. It is noted that the value of the works program excludes operational and maintenance costs as contributions plans are not able to include these costs. These costs are estimated to be approximately \$429M over 20 years (approximately \$21.5M per year).
47. Depreciation costs have been estimated at \$420M over 20 years (approximately \$21.0M per year), whilst not affecting cash flow it is considered

good financial planning to quantify costs associated with renewal of infrastructure identified in the draft works program over the life of the Draft Plan.

48. The total funding gap, including costs that cannot be recovered under the Draft Plan, is provided in the table below:

Proposed contributions framework Total infrastructure costs (20 years)	\$1.69B
Estimated income (from Draft Plan)	\$1.24B
Credit - Existing contributions income (outside CBD)	\$69M
Infrastructure funding gap (excluding operational, maintenance and depreciation costs)	\$383M
+ Operational and maintenance costs	\$429M
+ Depreciation costs	\$420M
Infrastructure funding gap	\$1.23B (\$61.5M/year)

49. While forecast contributions income does not reflect the full cost of infrastructure identified in the draft works program, the new contributions plan will fund a significant proportion of costs, equivalent to 73% of capital costs or approximately 59% of total capital, operational and maintenance costs. The forecast income is also significantly more than that being received under the current development contributions framework, which is approximately \$18.1m per year, on average.
50. A comparison of the funding gap under the existing contributions framework and Draft Plan is provided in the table below:

Total infrastructure costs (excluding operational and maintenance costs)	\$1.69B	
	Existing contributions framework	Proposed contributions framework
Estimated income	\$362M	\$1.24B
Credit - Existing contributions income (outside CBD)	\$69M	\$69M
Infrastructure funding gap (excluding operational, maintenance and depreciation costs)	\$1.26B	\$383M
New plan contribution to funding gap	\$877M	

51. Council's co-contribution could be reduced including through the following methods over time:
- i. Voluntary planning agreements providing additional funds or works-in-kind to deliver infrastructure. For example, delivery of a new community facility or open space, as part of development within our high growth precincts.
 - ii. Explore state and federal government grants – for example, in 2019/2020, Council received \$13M in grants for capital works outside the CBD.
 - iii. NSW Government increasing its contributions cap (as was suggested in recent Government draft exhibited materials). Currently capped at a maximum of \$20,000 per dwelling, this would increase contributions for 3 and 4 bedroom dwellings to \$23,251 and \$27,126 per dwelling respectively under the Draft Plan (depending on what level the cap was raised to).
 - iv. The detailed project design and development phase for infrastructure projects may also identify opportunities for cost and efficiency savings, or by cross-subsiding new facilities as part of mixed-use development schemes on Council owned land, for example by including an element of residential or commercial floorspace above community facility floor space.
 - v. Explore utilisation of Internal Reserves, e.g. Property Development Reserve.
 - vi. Undertake a review of existing Council service offerings and prioritise these against the works identified in the Draft Plan's infrastructure works program, with a view to reducing some service offerings (that may no longer be required or considered a priority).
52. The Draft Plan identifies priorities and timeframes for delivery of the infrastructure items in the works program. Council's annual review of available funding can also assist in determining how it prioritises delivery of capital works, including those works identified in the Draft Plan. This will assist with the allocation of contributions income and other funding that becomes available during the life of the Draft Plan against the needs of the new population.
53. The Draft Plan also includes a commitment that it be reviewed at least every five years to ensure it reflects updated population projections, infrastructure demand and cost, review of funds received, and consideration of Council's capital works plan and strategic infrastructure priorities.

CONSULTATION & TIMING

Councillor Consultation

54. A Councillor workshop on the draft Plan was held on 14 October 2020. The feedback received at the workshop has been considered by Council officers in preparing both this report and the Draft Plan and is summarised in the table below. An advanced copy of the Draft Plan was circulated to Councillors via a briefing note issued on 30 October 2020 and subsequently followed up via email on 10 November 2020 to provide Councillors with the opportunity to review and provide feedback on the Draft Plan ahead of a report to Council.

Date	Councillor	Councillor Comments	Council Officer Response	Responsibility
14 October 2020	Councillor workshop	<ul style="list-style-type: none"> - Timeframe - 20 year period of the Draft Plan. - Exemptions for knock-down-rebuilds of single dwellings. - Discount for secondary dwellings (granny flats). - Development contributions rates above maximum allowable cap (should cap be raised by Government). - Review period of the plan. 	<ul style="list-style-type: none"> - 20 year period of the Draft Plan aligns with Council's adopted strategies, including the Community Infrastructure Strategy and Local Housing Strategy. - These exemptions are included in the Draft Plan. - 50% discount applied to secondary dwellings in Draft Plan. - Provisions included to allow for higher contributions caps without the need for an amendment. - Draft Plan will be reviewed at least every 5 years. 	Group Manager City Planning
30 October 2020 (10 Nov 2020)	Councillor Briefing Note (and follow up email)	<ul style="list-style-type: none"> - No Councillor comments received at the time of writing this report. 	<ul style="list-style-type: none"> - N/A 	Group Manager City Planning

Community/Stakeholder Consultation

55. In preparing the Draft Plan, City Planning staff have consulted extensively with all relevant internal business units within Council.
56. Subject to Council endorsement, the Draft Plan will be publicly exhibited for at least 28 days in accordance with statutory requirements, including consultation with Cumberland Council in accordance with the provisions of the *Local Government (City of Parramatta and Cumberland) Proclamation 2016*.
57. The outcome of the public exhibition will be reported back to Council after the exhibition summarising any submissions received, Council officers' response to those submissions and providing a recommendation to Council for updating and finalising the Draft Plan accordingly.
58. Subject to endorsement by Council following the outcomes of the exhibition period, it is intended that the Draft Plan would commence operation in mid-2021.

CONCLUSION

59. The Draft Plan seeks to replace and harmonise nine existing Council-administered development contributions plans that apply outside Parramatta CBD and Sydney Olympic Park with a single, consolidated development contributions plan that reflects updated population forecasts, infrastructure demand, strategic infrastructure priorities and costs.
60. The Draft Plan will increase development contributions funding to help meet the infrastructure needs of future development and help ensure that infrastructure service levels for the existing population do not decline as a result of the new development's infrastructure demand.
61. It is recommended that Council endorse the Draft Plan for the purposes of public exhibition to enable community and stakeholder feedback.

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Jon Greig
Executive Director Community Services

Brett Newman
Chief Executive Officer

ATTACHMENTS:

- | | | |
|-------------------|--|--------------|
| 1 | Draft City of Parramatta (Outside CBD) Development Contributions Plan 2021 | 108
Pages |
| 2 | Map showing application of current development contributions plans framework | 1 Page |

REFERENCE MATERIAL