

INNOVATIVE

ITEM NUMBER	17.3
SUBJECT	FOR APPROVAL: Public exhibition – Draft Parramatta CBD Local Infrastructure Contributions Plan 2021
REFERENCE	F2019/04041 - D08128406
REPORT OF	Land Use Planning Manager

WORKSHOP/BRIEFING DATE: 7 July 2021

PURPOSE:

To seek Council's endorsement of the "Draft Parramatta CBD Local Infrastructure Contributions Plan 2021" for the purposes of public exhibition.

RECOMMENDATION

- (a) **That** Council approve the "Draft Parramatta CBD Local Infrastructure 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.
- (c) **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.

SUMMARY

1. At its meeting on 15 June 2021 Council considered a report on the outcomes of the public exhibition of the Parramatta CBD Planning Proposal (CBD PP). Council resolved to approve the revised Parramatta CBD Planning Proposal incorporating minor amendments and forward it to the Department of Planning, Industry and Environment (DPIE) for finalisation.
2. In doing so, Council also made resolutions regarding the preparation of a new section 7.12 contributions plan for Parramatta CBD, so as to ensure there is an adequate infrastructure funding framework in place to support anticipated growth. Specifically, it was resolved:
 - (g) **That Council:**
 - (i) *Approve the preparation of a new Section 7.12 development contributions plan for the Parramatta CBD within 12 months; and*
 - (ii) *Note the plan will include a new contributions levy rate set higher than the current 3% rate, subject to feasibility testing of the levy rate.*
 - (h) **That Council request DPIE not finalise the amendments to PLEP 2011 until:**

- (i) *Council has exhibited and endorsed a new Section 7.12 development contributions plan for the Parramatta CBD; and*
 - (ii) *DPIE has amended clause 25K of the Environmental Planning and Assessment Regulation 2000 to allow the higher Section 7.12 development contributions rate.*
3. The CBD PP seeks to evolve the character of the Parramatta CBD so that it can properly play the important role of the metropolitan centre for western Sydney and to ensure integration of land use with the significant investment in transport and other infrastructure being put in place by the State Government and Council.
4. One of the key elements of the exhibited CBD PP was the accessing of Incentive Floor Space Ratio (FSR) and Opportunity Site FSR through the inclusion of community infrastructure on site, to be formalised through a planning agreement. Since the CBD PP was exhibited, the DPIE finalised and released its new “Planning Agreements – Practice Note” in February 2021. This Practice Note does not support the use of Planning Agreements for the purposes of value capture.
5. To address this, the June 2021 Council report noted an alternative approach was recommended that preserves the original intent of the exhibited CBD PP by requiring compliance with key community infrastructure principles in order to access the Incentive FSR. A value sharing contribution will no longer apply and instead the report noted a new draft section 7.12 development contributions plan will be prepared with a higher rate. In this way, infrastructure funding will still be assured through this alternate funding pathway, if endorsed by both Council and the DPIE.
6. The June 2021 report noted the review of infrastructure funding for the CBD PP will lead to a new section 7.12 development contributions plan with a higher rate. This is the subject of the current report. It is intended that the new plan will be in place prior to the DPIE finalising the Council-endorsed CBD PP.
7. DPIE’s required timeframe for completing the amendment to Parramatta LEP 2011 under the CBD PP is by 30 September 2021. In accordance with Council’s resolution of 15 June 2021, Council officers submitted the CBD PP to DPIE for finalisation on 1 July 2021, consistent with Condition 6 of the Alteration to the Gateway Determination issued on 21 April 2021.
8. This report seeks Council’s endorsement of the Draft Parramatta CBD Local Infrastructure Contributions Plan 2021 (at **Attachment 1**) for the purposes of public exhibition.

BACKGROUND

9. Since 2013 Council has been engaged in a process to deliver a new planning framework to facilitate and strengthen the Parramatta CBD’s position as one of Sydney’s three metropolitan CBDs. The recently exhibited CBD PP is one of the main elements of the Parramatta CBD Planning Framework.

10. The CBD Planning Framework proposes planning controls that facilitate the delivery of an extra 46,000 jobs and 15,000 dwellings within the Parramatta CBD over the next 40 years. In doing so the CBD Planning Framework also delivers on key economic, social and cultural objectives for Western Sydney which is home to over half of Sydney's population.
11. The CBD PP was publicly exhibited for six (6) weeks from 21 September 2020 until 2 November 2020. As noted in the June 2021 Council report, some infrastructure funding issues have arisen that have implications for the CBD PP since it was publicly exhibited.
12. In February 2021, the DPIE finalised and released its new "Planning Agreements – Practice Note". The Practice Note has been made for the purposes of clause 25B of the Environmental Planning and Assessment Regulation 2000 to assist parties (including Councils) in the preparation of planning agreements. The new Practice Note does not support the use of Planning Agreements for the purposes of value capture. Relevant extracts of the Practice Note have been copied below for reference:

"2.1 Fundamental principles

Planning authorities and developers that are parties to planning agreements should adhere to the following fundamental principles.

- *Planning agreements should not be used as a means of general revenue raising or to overcome revenue shortfalls.*
- *Value capture should not be the primary purpose of a planning agreement.*

...

2.3 Value capture

The term value capture is widely used and covers several different practices. This practice note does not attempt to define or discuss them all. In general, the use of planning agreements for the primary purpose of value capture is not supported as it leads to the perception that planning decisions can be bought and sold and that planning authorities may leverage their bargaining position based on their statutory powers.

Planning agreements should not be used explicitly for value capture in connection with the making of planning decisions. For example, they should not be used to capture land value uplift resulting from rezoning or variations to planning controls. Such agreements often express value capture as a monetary contribution per square metre of increased floor area or as a percentage of the increased value of the land. Usually the planning agreement would only commence operation as a result of the rezoning proposal or increased development potential being applied."

13. One of the key elements of the exhibited CBD PP is that access to "Incentive FSR" and "Opportunity Site FSR" was through the inclusion of community infrastructure on site. The process for provision of the community infrastructure was intended to be stipulated through a separate Development Guideline, which would have included "value capture" monetary contribution rates to calculate the quantum of community infrastructure required, the contribution of which would be formalised through a planning agreement.
14. Inclusion of these rates was to ensure fairness, transparency and equity in the planning agreements process, and to improve efficiencies in making planning agreements between applicants and Council. However, given the effect of the new Practice Note for planning agreements, this approach is no longer possible, and a review of the planning proposal was required in the post-

exhibition phase to remove this requirement and establish an alternative approach.

15. DPIE, in its approval of the CBD Planning Proposal in July 2020 to go on public exhibition, allowed these community infrastructure provisions to be retained for the purposes of exhibition, but noted that “further resolution of this matter will be required at the finalisation of the planning proposal”. This was because DPIE noted that the “draft planning agreements policy framework released by the DPIE in April 2020 provides a point of tension in applying Council’s intended approach”. The planning agreements practice note was only a draft at that time but has since been finalised by the DPIE, in February 2021.
16. In considering a way forward, Council officers referred back to the original Gateway determination for the CBD Planning Proposal, which included the following condition 1(m)iv:

“(m) in relation to infrastructure funding:
...
iv. consider a funding mechanism to support the provision of community infrastructure, such as the preparation of a new section 7.11 contributions plan or a potential increase to the levy under the current 7.12 contributions plan.”
17. In lieu of providing a community infrastructure provision system “in-built” within the CBD PP (as exhibited), a new draft section 7.12 contributions plan with an increased levy has been prepared for public exhibition purposes that, if adopted, will sit alongside the new Parramatta LEP 2011 Amendment for the Parramatta CBD.
18. The report of 15 June 2021 recommended that as a part of the resolution in finalising the CBD PP, Council also resolve to prepare a new section 7.12 contributions plan with a higher levy, so as to send a clear message to the market and community that whilst the ‘value sharing’ system (through the provision of community infrastructure) is being removed, infrastructure funding will still be pursued through this alternate funding pathway.
19. To preserve the original intent of the exhibited CBD PP, officers also recommended that rather than completely removing the original community infrastructure clause and base and incentive FSR maps, the clause instead be amended to include compliance with key community infrastructure principles in order to access the incentive FSR. The recommended key community infrastructure principles, as endorsed by Council on 15 June 2021, are:
 - Public access to the community infrastructure network has been maximised in the design of the development.
 - There is appropriate community infrastructure in place or planned to meet the needs of the proposed development acknowledging the additional density permissible under this clause.
 - The development includes community infrastructure where the size of the site, the location of the site, and the nature of the development will allow for the provision of that community infrastructure.

CONTRIBUTION RATES

20. In its resolution of 15 June 2021, Council resolved to note the new section 7.12 plan will include a new contributions levy rate set higher than the current contribution rate of three (3) per cent of the development cost, subject to feasibility testing of the levy rate.
21. Under the existing section 7.12 plan that applies in the CBD, the Parramatta CBD Development Contributions Plan 2007, contributions for both residential and non-residential development are calculated at three (3) per cent of the development cost over \$250,000 with contributions payable at the construction certificate stage.
22. The Draft Plan (at **Attachment 1**) proposes increasing existing contribution rates from three (3) per cent to the following:
 - Development for the purpose of residential accommodation – five (5) percent of the development cost where the total development cost is over \$250,000.
 - Other development (excluding residential accommodation) – four (4) percent of the development cost where the total development cost is over \$250,000.
 - Mixed-use development (development including both residential accommodation and other land uses) – five (5) percent of the development cost where the total development cost is over \$250,000.
 - Any development where the development cost is \$250,000 or less – no contribution required.
23. The Draft Plan also proposes to defer payment of contributions from the Construction Certificate (CC) stage to the Occupation Certificate (OC) stage for all development.
24. The Draft Plan's proposed contribution rates have been prepared having regard to the following objectives:
 - Development feasibility – ensure development remains feasible.
 - Existing plan and value sharing income – at least match income that would have been received if the existing plan and CBD value sharing scheme was retained.
 - Apportioned costs – provide a reasonable contribution towards development-generated ('apportioned') infrastructure demand and costs.
25. These are discussed separately in the following subsections. In summary:
 - The infrastructure cost reasonably apportioned to development is approximately \$1.19 billion over 40 years.
 - If the existing plan and CBD value sharing scheme was to be retained, it is forecast that approximately \$870 million in income would have been generated over the next 40 years.
 - Feasibility testing indicates the maximum contribution rates that can be imposed while keeping development feasible is 5.02 per cent of the

development cost for residential development and 4.19 per cent for non-residential development.

- The Draft Plan's proposed contribution rates are forecast to generate approximately \$1 billion in income over 40 years – this is less than the \$1.19 billion in costs reasonably apportioned to development, but slightly more than the \$870 million forecast to be received if the existing plan and value sharing scheme were retained.

Development-generated infrastructure demand and cost

26. As noted, a key objective in preparing the Draft Plan's contribution rates is to ensure development provides a reasonable contribution towards development-generated ('apportioned') infrastructure demand and costs.
27. The provision of new and upgraded infrastructure is critical to realising Council's vision and strategic objectives for Parramatta CBD as articulated in various strategies, policies and plans. Examples include Council's CBD PP, Local Strategic Planning Statement, Local Housing Strategy and Community Infrastructure Strategy.
28. Council needs to provide a range of infrastructure to meet both the existing and new (development-generated) population's infrastructure demand and cost. If Council does not provide this infrastructure then service levels for both the existing and new population will decline.
29. The Draft Plan includes approximately \$2 billion of local infrastructure works to be provided by Council over the next 40 years. Of this, approximately \$1.19 billion or 59 per cent can be reasonably attributed or 'apportioned' to development-generated infrastructure demand.
30. The Draft Plan's contribution rates are forecast to generate approximately \$1 billion in income over 40 years. This is reasonable as it is less than the \$1.19 billion in costs reasonably apportioned to development. Due to feasibility testing results, Council officers do not recommend higher contribution rates to recover the full amount – this is discussed further in this report below.
31. Council will need to fund the balance using existing available funding (approximately \$359 million) and other funding sources, such as future planning agreement contributions, general revenue and grants. This is discussed further in the financial implications section of this report.

Income under existing plan and CBD value-sharing scheme

32. In establishing the Draft Plan's proposed contribution rates, a critical objective has been to ensure that income that will be generated under the new plan will at least match income that would be generated if the existing plan and CBD value sharing scheme was retained. As noted, the CBD value sharing scheme can no longer continue and this is a key reason for preparing the Draft Plan with higher contribution rates.
33. Hypothetically, if the CBD value sharing scheme was allowed to continue and it was retained along with the existing CBD contribution plan (with a contribution

rate of 3%), analysis indicates approximately \$870 million in income would be received over 40 years, as shown in Table 1. The analysis allows for value sharing rates to escalate at three (3) per cent each year.

Table 1 – Forecast income, existing plan and CBD value sharing scheme (over 40 years)

Source	Forecast income
Existing s7.12 levy @ 3%	\$664m
Phase 1 value sharing @\$150/sqm	\$144m
Phase 2 value sharing @\$375/sqm	\$61m
Total	\$870m

34. The Draft Plan's contribution rates are forecast to generate approximately \$1 billion in income over 40 years. This is more than the \$870 million in income forecast to be generated if the existing plan and value sharing scheme was retained. This is consistent with the objective to ensure that income under the Draft Plan at least matches income if the existing plan and value sharing scheme was retained.
35. As noted, it is reasonable for income under the Draft Plan to be more than income under the existing plan and value sharing scheme as the income will still be less than the total infrastructure demand and cost reasonably apportioned to development. Council officers do not recommend to fully recover the costs due to the adverse impacts on feasibility, which is discussed further below.

Development feasibility

36. In its resolution of 15 June 2021, Council resolved to note the new section 7.12 plan will include a new contributions levy rate set higher than the current contribution rate of three (3) per cent of the development cost, subject to feasibility testing of the levy rate.
37. Consistent with Council's resolution, Council engaged consultants Savills to undertake feasibility testing to establish a contribution rate which could be charged before adversely impacting development feasibility. A copy of the Savills report is provided at **Attachment 2**.
38. Two representative scenarios were tested:
- A commercial development with ground floor retail and upper floor offices
 - A residential development with ground floor retail and upper floor residential apartments.
39. Council also sought advice from Savills on the impact of increasing section 7.12 contribution rates either immediately or over a period of time, that is, whether any increases to contribution rates need to be 'phased-in' over time.
40. Testing allowed for potential future regional infrastructure contributions for residential, retail and commercial development and transport infrastructure contributions based on the Productivity Commission's recommendations in its 2020 Review of Infrastructure Contributions report.

41. The Commission recommended introducing new regional infrastructure contributions in place of special infrastructure contributions set at \$10,000 per apartment, \$35 per square metre of retail floor space (internal area), and \$25 per square metre of commercial floor space (internal area). For transport infrastructure contributions, it recommended an additional \$5,000 per dwelling (minimum). The Commission suggest that a transport infrastructure contribution for commercial development could also be considered, however no information is provided on specifically what that might be – any contribution amount would be subject to further consideration by DPIE.
42. In summary, the results of the feasibility modelling found that rates could be increased as shown in the table below while still maintaining a viable development:

Table 2 – Summary of results of feasibility testing (Savills)

FSR	S7.12 Rates - Residential (Mixed Use)	S7.12 Rates - Commercial
10:1	5.02%	4.19%
12:1	5.65%	4.49%
15:1	6.31%	4.59%

43. The results of this testing (in Table 1 above) are subject to the contribution being charged at the later Occupation Certificate (OC) stage (as opposed to the earlier Construction Certificate (CC) stage). By deferring payment from the CC stage to the OC stage, any financial burden on the development would have been resolved (ie. the project is completed, and, for example, the majority of units would have been sold or major tenants secured). This provides a significant financial benefit to the developer as the substantial financial imposition of development contributions is deferred until the project's completion, in lieu of requiring payment prior to construction commencing.
44. In terms of the implementation timeframe, Savills provides the following conclusion:
- “Savills recommends that if Council increases the section 7.12 contributions, that the increase is announced as soon as possible and could be introduced in the short term. However, we also recommend Council discusses with the State Government the likely timing of new Regional Infrastructure Contributions and Transport Infrastructure Contributions.”*
45. The Draft Plan proposes increasing contribution rates as described in Paragraph 22 of this report. These recommended contribution rate increases are at the lower end of the range put forward by Savills as being feasible. The Draft Plan proposes to defer payment of contributions from the earlier Construction Certificate stage to the later Occupation Certificate stage. Further, it is proposed that the new plan would only apply to development applications lodged after the new plan's commencement date, which would act as a type of “phase in” approach (noting that the new rates would need to be exhibited in draft form, then endorsed by Council, and then approved by the State Government prior to coming into effect).

46. In terms of residential development, which has been subject to the value sharing charge under the CBD PP, the increase to the contributions rate is effectively offset by the removal of the current value sharing charge (which has been in place for some time). However, in the case of commercial development, it is noted that this has never been subject to a value sharing charge under the CBD PP, so an increase to the contribution rate to four (4) per cent could reasonably be considered as a 'new charge' by the market. However, it is noted that since the commencement of the CBD PP preparation process in 2013 the viability of commercial office development has improved significantly in the Parramatta CBD (as evidenced by the significant office tower development that has been built or is under construction) and under the CBD PP unlimited commercial office floor space is available in the B3 Commercial Core zone and large sections of the B4 Mixed Use zone (adjacent to the B3 zone). Given this substantial uplift under the CBD PP, an increase to the s7.12 rate for commercial development is considered reasonable to help fund the infrastructure generated by this new development. If evidence around feasibility concerns was provided by stakeholders during the exhibition of the Draft Plan, this could be reconsidered at that time.

Contribution rate options tested

47. In deriving the Draft Plan's contribution rates, Council officers tested income that would be received under several contribution rate options. Options tested comprised:
- Existing (base case) – that is, if the existing plan contribution rate of three (3) per cent was applied to all development and the value sharing scheme was retained.
 - Options 1 and 2 – contribution rates needed to generate the same income as the existing (base case).
 - Option 3 – contribution rates needed to generate more income than the existing (base case) and partially fund infrastructure costs reasonably apportioned to development.
 - Options 4 and 5 – contribution rates needed to generate more income than the existing (base case) and fully fund infrastructure costs reasonably apportioned to development
48. Forecast income that would be received under each option is shown in Table 3 below, including the officer recommendation.

Table 3 – Options testing for new s7.12 levy rates

Options	Forecast income	Officer Recommendation
Existing (base case)		
<ul style="list-style-type: none"> • All development 3% • Value sharing 	\$870m	<i>Not applicable – value sharing not supported by DPIE</i>
Income same as existing / base case		

Options	Forecast income	Officer Recommendation
<u>Option 1</u> <ul style="list-style-type: none"> All development 4% No value sharing 	\$870m	<i>Not recommended</i> <ul style="list-style-type: none"> Residential could be charged more and still be feasible Insufficient income to fund costs apportioned to development
<u>Option 2</u> <ul style="list-style-type: none"> Residential 4.5% Commercial 3% No value sharing 	\$870m	<i>Not recommended</i> <ul style="list-style-type: none"> Residential and commercial could both be charged more and still be feasible Insufficient income to fund costs apportioned to development
Income higher than existing / base case + partially fund \$1.19b costs apportioned to development		
<u>Option 3</u> <ul style="list-style-type: none"> Residential 5% Commercial 4% No value sharing 	\$1b	<i>Recommended</i> <ul style="list-style-type: none"> Best balance of funding apportioned costs (though it will not fully fund apportioned costs) while ensuring contribution rates are feasible
Income higher than existing / base case + fully fund \$1.19b costs apportioned to development		
<u>Option 4</u> <ul style="list-style-type: none"> All development 5% No value sharing 	\$1.19b	<i>Not recommended</i> <ul style="list-style-type: none"> Commercial not feasible
<u>Option 5</u> <ul style="list-style-type: none"> Residential 8.5% Commercial 3% No value sharing 	\$1.19b	<i>Not recommended</i> <ul style="list-style-type: none"> Residential not feasible

49. The Draft Plan's proposed contribution rates are consistent with Option 3. Option 3 is recommended as it provides the best balance of providing income towards development-generated infrastructure costs while ensuring development remains feasible.
50. Other options are not recommended because development will either be unfeasible, could be charged more and still be feasible, or the income generated would be insufficient to fund development-generated infrastructure costs.

Other Councils' contribution rates

51. As noted, the Draft Plan proposes increasing existing residential contribution rates from three (3) per cent to five (5) per cent, and existing non-residential contribution rates from three (3) per cent to four (4) per cent, and also deferring payment of contributions from Construction Certificate stage to Occupation Certificate stage for all development.
52. The highest section 7.12 levy rate that has been approved for a NSW Council is at Burwood town centre, which is at four (4) per cent of the development cost over \$250,000. Liverpool and Penrith Councils recently proposed a draft section 7.12 levy of 6.5 per cent of the development cost for the Western City "Aerotropolis". They are awaiting DPIE's decision on whether the proposed rates are supported or not. A list of Councils which have been approved for contribution rates above the standard 1% levy are provided in Table 4 below.

Table 4 - Maximum percentage rates for other Councils – Clause 25K of the Environmental Planning and Assessment Regulation 2000

Council	Maximum s7.12 Percentage Rate
Wollongong	2%
Randwick (Kensington/Kingsford)	2.5%
Liverpool	3%
Newcastle	3%
Parramatta	3%
Willoughby	3%
Burwood	4%

DPIE criteria for a higher contribution rate

53. In February 2021 the Department of Planning, Industry and Environment (DPIE) released a Practice Note for section 7.12 fixed development consent levies which includes the process and criteria for Councils to seek a higher maximum rate.
54. The Practice Note indicates Councils can apply to the Department requesting an increase to the maximum section 7.12 percentage levy above the percentages specified in clause 25K(1)(a) of the Environmental Planning and Assessment Regulation 2000 (EP&A Regulation), which is generally one (1) per cent of the development cost over \$200,000. Clause 25K(1)(b) of the EP&A Regulation lists areas that are subject to higher maximum s7.12 percentage levies, which includes the Parramatta CBD with its current three (3) per cent rate. Increasing the rate further will require approval of the Minister.
55. The Department assesses a Council's request, makes recommendations to the Minister, and if supported, has an amendment to the EP&A Regulation prepared to increase the levy. In assessing Councils' requests, the Department consider individual geographical, socio-economic, and development contexts.
56. The Practice Note includes tables that provide guidance on the type of information required to assist the Department to make recommendations to the Minister. It indicates that the Minister retains the discretion to determine the rate of a Council's maximum section 7.12 levy, including the ability to refuse a request even if the Council demonstrates that it meets the criteria.
57. The Department will assess all requests for higher maximum rates on their merits, including any requests to deviate from the outlined criteria or percentages. It notes that Councils may consider different maximum rates and thresholds for different types of development.
58. A summary of the criteria and Council Officer preliminary assessment of Parramatta CBD's consistency with the criteria is provided in the tables below. This will be refined after the public exhibition to incorporate stakeholder and community feedback. In summary, Council Officers' assessment indicates that the Parramatta CBD meets all the Department's criteria for the Draft Plan's proposed contribution rates.
59. If Council approves the Draft Plan for public exhibition and then later approves it for finalisation and adoption after the exhibition, Council Officers will write to the Department to formally seek approval for the Draft Plan's contributions

rates and an associated amendment to clause 25K of the Regulations to reflect the higher rates.

Table 5: DPIE criteria for Greater Sydney Region Councils for an increased levy of more than 1% of the cost of development

Criteria	Council Officer assessment
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.	Consistent. Parramatta CBD is identified as a strategic centre and growth centre in the relevant regional plan, district plan and Local Strategic Planning Statement.
b. Local planning controls reflect, or are being amended to reflect relevant strategic direction and targets for the centre or defined area.	Consistent. Council is seeking to amend planning controls for the Parramatta CBD to reflect its strategic importance through the Parramatta CBD Planning Proposal, which was recently endorsed by Council for submission to DPIE for finalisation.
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.	Consistent. The Draft Plan says Council will review it at least every 5 years.
d. Ongoing consultation with the Department regarding changes to works schedules will be undertaken, otherwise the higher percentage levy will no longer apply.	Consistent. Council Officers have consulted extensively with DPIE on the Parramatta CBD Planning Proposal and associated infrastructure priorities. Council Officers will continue to consult with the Department on the Draft Plan's works program.
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.	Consistent. The Draft Plan works program focuses on delivering quality place-based community and green infrastructure, and public space improvements that enhance amenity of the Parramatta CBD.
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.	Consistent. Parramatta CBD has been identified in the relevant regional plan, district plan and Local Strategic Planning Statement to accommodate significant employment growth as the "Central City" for the Greater Sydney metropolitan area. Under the Parramatta CBD Planning Proposal, changes to the planning controls will facilitate the delivery of an extra 46,100 jobs within the Parramatta CBD over the next 40 years. Compared with 51,100 jobs in 2016, this represents a 90% increase in employment in the Parramatta CBD.

Table 6: DPIE criteria for an increased levy of more than 2% of the cost of development

Criteria	Council Officer assessment
<p>a. The works schedule has been prepared in consultation with the Department. 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.</p>	<p>Consistent. Council has consulted extensively with the Department on the Parramatta CBD Planning Proposal and associated infrastructure priorities. Attachment 17c to the Parramatta CBD Planning Proposal includes a Draft Infrastructure Needs Analysis (2017), which was in effect an early draft of the works plan schedule. Further, based on the advice of DPIE, a review of the works plan schedule was undertaken so as to ensure justification for the higher contribution rates would only be based on that portion of the works program that could be attributable to new development. So, even though the Draft Plan includes approximately \$2 billion of local infrastructure works to be provided by Council over the next 40 years, in determining rates, Council officers only considered 59 per cent or approximately \$1.19 billion as being reasonably attributed or 'apportioned' to development-generated infrastructure demand. Council officers will continue to consult with the Department on the Draft Plan works program.</p>
<p>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.</p>	<p>Consistent. Council Officers have prepared financial modelling demonstrating that a maximum 2% levy on the cost of development is insufficient to deliver identified infrastructure in the proposed timeframe. The Draft Plan's contribution rates will provide significant funding towards the development-generated infrastructure demand and cost but will not fully fund this cost. Feasibility testing indicates the Draft Plan's contribution rates and deferred payment to occupation certificate are feasible. Council Officers do not recommend increasing the Draft Plan's contribution rates further as this may have an unacceptable feasibility impact on development.</p>

OTHER KEY COMPONENTS

60. Apart from proposed updates to contribution rates, other key components of the Draft Plan include updates to population forecasts, works program and exemption provisions. These are described below.
61. When preparing local infrastructure contributions plans, Councils can choose to prepare section 7.11 'nexus-based' plans or section 7.12 'fixed-rate' plans. The existing Parramatta CBD plan is a section 7.12 fixed-rate plan. The Draft Plan is also a section 7.12 fixed-rate plan. A section 7.12 fixed-rate approach is considered to provide the best balance of income and flexibility in Parramatta CBD, noting that a substantial proportion of the forecast growth in the CBD will be non-residential development. A section 7.11 plan approach is not recommended for Parramatta CBD given the high levels of non-residential development forecast, and nexus and apportionment requirements that would

limit Council’s capacity to fund infrastructure to meet development-generated demand.

- 62. The Draft Plan will apply to the ‘Parramatta City Centre’ area, as identified in the CBD PP. A map showing the area is provided in Figure 2 of the Draft Plan at **Attachment 1** and is also copied below in Map 1 of this report. It is noted that where there is some overlap between the Draft Plan and the Outside CBD Contributions Plan for sites which are currently not within the CBD boundary, but will be once the CBD PP is finalised, the Draft Plan will supersede the Outside CBD Contributions Plan for those sites once it takes effect.

Map 1 – Land Application Area of the Draft Plan



Population forecasts

- 63. The Draft Plan includes updated population forecasts. All contributions plans include population forecasts. They are the key indicator of development-generated infrastructure demand and cost.
- 64. The Draft Plan includes updated population forecasts reflecting growth that will be enabled by the CBD PP. As noted, the CBD PP is expected to facilitate the delivery of an extra 46,000 jobs and 15,000 dwellings within the Parramatta CBD over the next 40 years.

Works program

65. Contributions plans include a works program, which identifies the local infrastructure that the relevant Council will deliver 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 land and capital costs to Council of delivering each infrastructure item.
66. The Draft Plan includes an updated works program that reflects Council's current strategic infrastructure priorities for the Parramatta CBD. 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 City River Strategy
 - Parramatta Ways Walking Strategy
 - Parramatta City Centre Lanes Policy
 - Parramatta CBD Strategic Transport Study
 - Parramatta Bike Plan
 - Parramatta Integrated Transport Plan.

Existing items from the works program of the current Section 7.12 CBD Contributions Plan have been carried across to the new works program in the Draft Plan, for example, the new Aquatics Centre at Mays Hill. The exceptions are works items that have already been constructed. In terms of new items that have been added, they generally reflect endorsed Council policies, for example, the regional cycleways network, smart city initiatives and Robin Thomas and James Ruse Reserves upgrades.

67. The Draft Plan works program includes 141 works items with a total estimated cost to Council of approximately \$2 billion over 40 years. A breakdown of the total estimated costs by infrastructure category is shown in Table 7 below.

Table 7 – Draft Plan works program estimated costs, by infrastructure category

Infrastructure category	Estimated cost
Community facilities	\$736m
Open space and recreation	\$512m
Public domain works	\$576m
Transport	\$192m
Total	\$2,015m

68. It is expected that development contributions collected under the Draft Plan will fund around \$1 billion of this over 40 years. This is discussed further in the financial implications section of this report.

Exemptions

69. In preparing contributions plans, Councils can choose to exempt certain development from the need to pay contributions under the plan.
70. The existing plan exempts: (a) Development undertaken by or on behalf of Council, including works listed in the plan's works program; (b) Development with a development cost of less than \$250,000; and (c) Development excluded by a Ministerial direction.
71. The Draft Plan proposes to retain these exemptions and include a new exemption for affordable housing and social housing where this is delivered by or on behalf of a social housing provider or public authority.
72. An exemption to affordable and social housing development will actively support Council's affordable housing target in its Local Housing Strategy – a target of 9,500 affordable housing dwellings being delivered by 2036 by removing the obligation to pay section 7.12 levies on these developments.
73. Council officers also recently recommended exempting this type of development outside the CBD in the Draft (Outside CBD) Parramatta Local Infrastructure Contributions Plan 2021, so this approach will ensure consistency across the entire LGA and facilitate the provision of more social and affordable housing.

NSW INFRASTRUCTURE FUNDING REFORMS

74. The NSW Government is currently reviewing the NSW infrastructure contributions system, including section 7.12 contributions. As noted, the Draft Plan has been prepared as a section 7.12 fixed-rate plan.
75. In November 2020 the NSW Productivity Commission released its report on the Review of Infrastructure Contributions in New South Wales. The Commission's report included 29 recommendations to reform the NSW infrastructure contributions system. Relevant recommendations include:
 - Change the way section 7.12 contributions from a percentage of the development cost to a standard contribution rate per square metre with the rate for greater Sydney equivalent to three (3) per cent of capital cost for residential development (\$10,000 per dwelling) and one (1) per cent for non-residential development.
 - Only apply section 7.12 contributions to the net increase in development, that is, allow credit for existing development, contributions, similar to the way credits are provided under the existing framework for section 7.11 contributions.
 - Allow draft plans exhibited before the new provisions commence, expected towards the middle of 2022, to continue.
 - Require all plans to be updated consistent with the new provisions in 2024.
76. In March 2021, the NSW Government accepted all 29 recommendations in the Commission's Final Report. The Government has indicated it is aiming to release draft provisions for public comment by the end of 2021 so the new provisions can commence towards the middle of 2022.

77. It is recommended that Council proceed with exhibiting the Draft Plan for the following reasons:

- the Productivity Commission has recommended that draft plans exhibited before the new provisions commence in 2022 can continue until 2024.
- there is significant uncertainty about the draft provisions to be released and the final provisions to be adopted - the final provisions to be adopted may be amended based on submissions from Councils and other stakeholders.
- delaying the Draft Plan would reduce development contributions income to Council and the amount of infrastructure that can be funded and delivered to meet development-generated infrastructure demand.

78. A similar issue arose during the recent exhibition of the Draft (Outside CBD) Parramatta Local Infrastructure Contributions Plan 2021. The draft outside CBD plan was exhibited from 17 March 2021 to 16 April 2021. As detailed in the report about the outcomes of the public exhibition considered by Council at its meeting on 12 July 2021, a total of 29 submissions were received in response to the exhibition. Of these, three (3) submissions from developers and industry groups recommended amending the exhibited draft plan to be consistent with the Commission's recommendations. Council officers did not accept these submitters' recommendations and recommended to finalise the draft plan for reasons similar to the reasons outlined above.

CONSULTATION & TIMING

Stakeholder Consultation

79. Should Council endorse the Draft Plan for the purposes of public exhibition, consultation with stakeholders will occur during the exhibition period.

Councillor Consultation

80. Infrastructure funding has been a critical component of the preparation of the CBD PP, which has been subject to a number of workshops with Councillors. In relation to the matter of a new contributions plan specifically, this has been subject to discussion at two Councillor workshops, as follows:

Date	Councillor	Councillor Comment	Council Officer Response	Responsibility
24 March 2021	Councillor Workshop (need for a new contributions plan considered at CBD PP workshop)	Councillors noted the information provided. Subsequently, Council resolved to prepare a new contributions plan on 15 June 2021.	Council officers to prepare a new draft contributions plan, which has now been completed and is the subject of this report.	City Planning
7 July 2021	Councillor Workshop	Councillors sought further	Council officers prepared a briefing	City Planning

		information in relation to the matter.	note which addressed the requested additional information.	
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LEGAL IMPLICATIONS FOR COUNCIL

81. There are no legal implications for Council associated with this report.

FINANCIAL IMPLICATIONS FOR COUNCIL

82. Local infrastructure contributions form 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.
83. The Draft Plan includes updated contribution rates and an updated works program that will be funded, in part, from contributions under the plan. The Draft Plan will generate new / additional funding compared to if the existing plan was retained, however, it also includes an updated works program where the estimated total cost of the works is greater than the existing plan's works total. A comparison between the estimated income under the current framework with the proposed framework is provided in Table 8 below, which shows the new framework will generate \$130 million in more income for Council.

Table 8 – Comparison of estimated income under current and proposed frameworks

Current Contributions Framework	Proposed Contributions Framework
S7.12 Plan (2007) - \$664 million	Draft S7.12 Plan (2021) - \$1 billion
Value Sharing - \$205 million	No value sharing - \$0
Total - \$870 million	Total - \$1 billion

84. It is common for section 7.12 plan works program costs to be significantly greater than the income forecast under the plan. This is because unlike section 7.11 plans, section 7.12 plans do not need to demonstrate 'nexus' between development and infrastructure provision or specify the maximum amount that will be funded using contributions. There is thus greater scope for section 7.12 plan works programs to be more flexible and aspirational.
85. The total estimated cost of works in the Draft Plan's works program is approximately \$2 billion over 40 years whereas the forecast contributions income during this period is approximately \$1 billion. The amount already funded is approximately \$359 million. The balance needed to fully fund the works program over 40 years is approximately \$656 million (or approximately \$16 million per year).
86. Mechanisms that can be applied to this include:
- Additional planning agreements that provide additional funds or works-in-kind to deliver infrastructure. For example, delivery of a new community facility or open space, as part of development on large sites.

- State and federal government grants.
 - The detailed project design and development phase for infrastructure projects may also identify opportunities for cost and efficiency savings.
 - 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.
 - Explore utilisation of internal reserves, for example, the property development reserve.
87. Council will seek to the deliver works in the Draft Plan's works program as funds from contributions and other sources become available. The indicative timeframe for delivering the works is specified in the Draft Plan's works program.
88. The Draft Plan also indicates Council will review it at least every five years to ensure it reflects updated population projections, infrastructure demand, costs and funding. If actual or expected funding is different to what was forecast the works program can be updated to reflect this. This is a standard approach for reviewing development contributions plans.

COVID-19

89. COVID-19 may impact on development activity and associated development contributions income in the short term but is not expected to impact on development activity and contributions income in the long term, particularly given the prominence of the Parramatta CBD and its strategic importance.
90. The Parramatta CBD Planning Proposal provides capacity for new commercial and residential development in the Parramatta CBD that will last for a period of approximately 40 years.
91. In the short term, the economic effects of COVID-19 pandemic may impact on development and subsequent rates of worker and resident population increases, and potentially associated development contributions income.
92. In the long term, it is expected that the pandemic will have a limited impact on the forecast population for the Parramatta CBD. This is because 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 Parramatta CBD's strategic location in the heart of the Greater Sydney region.

CONCLUSION

93. This report recommends Council approve the Draft Parramatta CBD Development Contributions Plan 2021, shown at **Attachment 1**, for public exhibition purposes.
94. The Draft Plan has been prepared following the release of a planning agreement practice note by DPIE in February 2021 which means Council's

CBD value sharing scheme can no longer continue, as had originally been envisaged under the CBD PP.

95. The Draft Plan will generate more income than would have been generated if the existing plan and CBD value sharing scheme was retained. This is reasonable as the income that will be generated is less than the infrastructure cost reasonably apportioned to development. The Draft Plan's contribution rates are also supported by feasibility testing.
96. It is recommended that Council approve the Draft Plan for public exhibition purposes and that a report on the outcomes of the public exhibition be provided to Council prior to finalisation of the Draft Plan.

Roy Laria
Land Use Planning Manager

Robert Cologna
Acting Group Manager, City Planning

Michael Tzimoulas
Executive Director Corporate Services

David Birds
Acting Executive Director, City Planning & Design

Brett Newman
Chief Executive Officer

ATTACHMENTS:

- | | | |
|---|---|-------------|
| 1 | Draft Parramatta CBD Local Infrastructure Contributions Plan 2021 | 55
Pages |
| 2 | Parramatta CBD Contributions Framework Review Feasibility Testing - Savills | 23
Pages |

REFERENCE MATERIAL