

22nd June, 2021

### State Budget commits to infrastructure contributions reforms

Urban Taskforce welcomes the commitment by the Treasurer and Minister for Planning today to implement the NSW Productivity Commission recommendations arising from its review released in December 2020.

The “*Environment Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021*” will give legal effect to many of the recommendations. This Bill is a cognate Bill to the Budget.

Urban Taskforce supports the postponement of the timing of payment of local infrastructure charges till the building is complete and ready for occupation (OC). The Bill gives the Minister for Planning the power to issue a Direction to this effect and Urban Taskforce members look forward to him doing so.

However, Urban Taskforce is concerned that the net impact of the Bill will actually raise more money from new home buyers for infrastructure, rather than less.

This can only be supported if there is a **substantial and immediate** change in culture and practice across the planning system with a renewed focus on housing supply right across Sydney. Without immediate steps to increase the supply of housing across Sydney, then the new fees and charges represent nothing more than extra taxes on the supply of new homes.

The proposed replacement of State Infrastructure Charges (SICs) with new Regional Infrastructure Charges (RICs) of \$12,000 per new home must not be applied to areas where there is existing State infrastructure capacity. This capacity has already been factored into the land price and to add this new charge would represent double dipping. However, Urban Taskforce does support the broader (but lower) charge in greenfield locations where new state infrastructure must be built.

Urban Taskforce has been working with the Government on the implementation of the Productivity Recommendations. Urban Taskforce has strongly stated in all consultation forums that the overall impact of the reforms must be a reduction in fees and charges which add to the cost of new homes.

The GSC “protect and manage” policy for urban services and employment lands has contributed to the under supply of housing in brownfield areas. Many old, abandoned, often contaminated sites have sat idle for decades. Without mixed use development, no-one can afford to remediate and renew those sites. It has been a disaster for Sydney.

As per the Productivity Commission recommendations, Urban Taskforce calls on the Government to pro-actively prohibit Councils applying value capture mechanisms to Voluntary Planning Agreements. In particular, Urban Taskforce calls for the prohibition of Councils charging developers for their past failure to provide for sufficient local infrastructure.

Urban Taskforce calls on the State Government to require Councils to lower infrastructure fees and charges where the rate caps now allow for an automatic linking of rates to population changes. Further, affordable housing levies should be banned as they do not fit with a “principled based approach to infrastructure contributions” (p.82, NSW Productivity Commission Final Report, November, 2020). That is, the Productivity Commission found that additional housing supply actually contributes to increased affordability of housing – so it is quite wrong to tax those that deliver more housing to pay for the supply of “affordable housing”.

The Government has been quick to implement the increases in fees and charges proposed by the Productivity Commission, but much slower to implement the reductions in other areas.

In Greater Sydney, the total cost of fees, charges and taxes (Local, State and Federal) is \$300,000 for a \$1 million apartment – significantly more than in Melbourne (circa \$220,000) or Brisbane (circa \$180,000).

The Government is quite rightly boasting a record infrastructure spend – but if this is at the expense of young families who are already priced out of the suburban Sydney marketplace, Government needs to do more, not tax more.

The comments above can be attributed to Tom Forrest, CEO, Urban Taskforce.

The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.

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