

14 May 2025

Aerotropolis Stormwater Project team
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To Whom it may concern

Sydney Water Aerotropolis Draft Integrated Stormwater Schemes

I write in response to the Sydney Water Aerotropolis Draft Integrated Stormwater Schemes.

Urban Taskforce welcomes the stated objection to minimise the amount of stormwater infrastructure required on development sites. However, Urban Taskforce members have expressed concern over the non-publication of the details of the MUSIC modelling and the MARV target analytics.

Opening this modelling to scrutiny is critical to securing private sector confidence in the outcomes.

Setting a contributions framework that can fairly allocate resources to support precinct-scale infrastructure and its early delivery, is vital to the development of the region.

There is a further concern from Urban Taskforce members that the structure provided in this exhibition will create a framework that will require a per-developable-hectare levy that will work against development feasibility. There is real concern that a per hectare levy will threaten the success of both the Wianamatta Badgerys and Cosgroves schemes.

The responsibilities, structure and timeframes laid down in this discussion paper mean nothing without the quantum of the levy (or even a range) being published. An indicative cost per hectare gives industry something meaningful to comment on. Its absence renders this Discussion Paper little more than a slick marketing brochure.

Development proponents are striving to meet the stringent financial requirements of financiers in order to demonstrate feasibility and get projects off the ground. At every turn there is increased planning, environmental and building regulatory burden. This all adds risk. When the feasibilities for development of these lands were initially undertaken, land was purchased without any expectation that DSP fees were to be applied, let alone at the rates we have recently seen in Mamre Rd precinct and beyond.

To realise the opportunities provided by the development of the Western Sydney Airport and the surrounding precincts, it is critical that government, through agencies like Sydney Water, respect the consequences of adding unaffordable charges to development land.

If Sydney Water is unable to deliver water infrastructure without adding an intolerable burden to the cost of development, alternative funding sources should be urgently explored. Alternative providers and alternative solutions (from private competitors to Sydney Water) should be considered.

Integrated Water Cycle Management Model and Waterway Health Targets

The Integrated Water Cycle Management Model and subsequent Waterway Health Targets were set in place by the NSW Government. However, Sydney Water as the Regional Stormwater Authority responsible for the development, delivery and ongoing maintenance of the stormwater system, possess the onus to engage with the private sector regarding these models and targets.

Within this Discussion Paper, there is an underlying assumption that the MUSIC Water Cycle Management Model must be applied. Thus, with this taken axiomatically, any provision and cost to meet the Waterway Health Targets deriving from the model are justified. The MUSIC model should not be assumed to be applicable and there should be a public debate associated with the costs and benefits of using alternative models, even where they produce different water and environmental outcomes.

Urban Taskforce questions the rigour underpinning the assumptions used by Sydney Water for this scheme. The Reports produced were not peer reviewed and did not consider models other than MUSIC. Further, we understand that no cost-benefit analyses was undertaken. In short, the MUSIC model was assumed without question nor assessment to be the right model for this work. Put simply, we disagree.

Further, the MARV Targets under the MUSIC model seek to protect the blue-green grid. However, these targets have risen significantly in other DSPs under the MUSIC model as a result of undisclosed modelling calculations.

The NSW Government should review the model and its targets. A comparative study involving the MUSIC model, previous models and alternative models and their outcomes and costs, should be conducted and exhibited.

Urban Taskforce is not convinced that the environmental protection of previous catchment areas (Mamre Road) requires the capacity that the MARV targets have previously indicated. The industry is not convinced that the MUSIC model is the most efficient method for balancing environmental protect with regional development and sustainable growth.

Without access to the MUSIC model analytics, we have little confidence in this.

The Mamre Rd Integrated Stormwater DSP, similarly, did not provide MUSIC modelling nor MARV Target analyses to the private sector for interrogation.

It is one thing to base further planning of modelling assumptions and the targets that come from this; however, it is another thing to not allow development proponents, who are the most highly effected stakeholder, the opportunity to scrutinise this scheme.

Recommendation 1: Sydney Water should release the MUSIC model and MARV target modelling for interrogation by stakeholders and consult with industry stakeholders to compare models and discover is the best balance of environment and enabling sustainable growth.

The MUSIC Model

If, after a comprehensive comparative review is undertaken, the MUSIC model is retained, other opportunities (beyond simply slapping the cost onto developers) to offset the financial burden should be considered.

Urban Taskforce is advised that the MUSIC model fundamentally changes the way stormwater is managed from previous iterations of models used to manage stormwater by Sydney Water.

The MUSIC model prioritises detention rather than retention, directing stormwater into trunk drainage, basins, and wetlands rather than promoting on-site capture. Instead of allowing rooftop collection and storage, which industry could reuse efficiently, stormwater is diverted to Sydney Water's infrastructure and later resold at the standard price of water. This system is both financially and environmentally inefficient.

On-site water capture and retention is a predictable, effective, and manageable stormwater solution. It allows industry to reuse captured rainwater in operations, reducing reliance on external water sources. However, the MUSIC model discourages on-site retention, shifting the cost burden of additional downstream capacity onto the private sector.

This approach forces developers to absorb upfront infrastructure costs while also paying for operational expenses associated with treating and processing stormwater. Instead of allowing businesses to manage water use efficiently, the system requires water to be sent offsite, treated, and then sold back to operators: an unnecessary and costly cycle.

Under this model, development proponents will likely be required to pay DCP charges for the supply of recycled water and well as the DSP per-developable-hectare levy rate. There are concerns regarding a likely substantial increase in the levy compared to other stormwater management models.

Changes to water quality standards may also introduce significant additional treatment requirements. Even small adjustments to quality thresholds can drastically increase treatment costs, further burdening developers while benefiting Sydney Water, which would require less processing at its recycling facilities.

If the MUSIC model is deemed applicable, the NSW Government and Sydney Water should fund its implementation, rather than imposing excessive costs on developers that may hinder uptake and damaging the job creation potential of this precinct. A balanced approach is needed. One that ensures effective stormwater management while maintaining development feasibility.

Recommendation 2: in the case that the MUSIC model is retained, Sydney Water should explore additional funding options to bring the levy rate down in line with an amount tolerable by project viability.

Contribution Framework

As noted in the introduction to our submission, there is insufficient detail presented in the Discussion Paper to allow commentary on whether this framework will allow the uptake needed to match the goals of the Aerotropolis precinct.

Nonetheless, Urban Taskforce members are concerned that what is proposed in the scope of this scheme will lay the foundations for a DSP contribution framework that will be even more burdensome than previous stormwater scheme levies.

It is concerning that this discussion paper supports the implementation of a contributions framework that simply takes the cost of a stormwater infrastructure scheme, with only limited testing in NSW, and applies the cost of the treatment plan across multiple catchment areas and divides that cost against the number of developable hectares, to arrive at a rate to be levied against development proponents.

Simple – but employment and housing development feasibility killing. At the very least, this concern should be reflected in the Discussion Paper.

The impact of additional costs on the development of this broad precinct must be front and centre to any analysis.

To address the servicing of the two schemes while not sanitising development, other funding mechanisms should be explored.

One such option that government should consider (and this option should be explicitly stated in the Discussion Paper) is to draw from the broader Sydney Water rates base. Another would be to seek support from the NSW or Commonwealth consolidated funds.

The Federal election campaign saw commitments towards meaningful investment for Western Sydney's water infrastructure. This should be a focus of the NSW Government to ensure that the joint NSW/Commonwealth vision for the Aerotropolis precinct is realised.

Recommendation 3: Sydney Water should pursue additional funding options to support the delivery of stormwater infrastructure in of the Wianamatta Badgerys and Cosgroves stormwater schemes.

Operational Costs

The discussion paper alludes to operational cost being placed on private sector development proponents, as our members were distressed to see in case of the Mamre Rd scheme DSP.

Urban Taskforce strongly holds the view that this is an inappropriate burden to place on those responsible for delivering housing and employment centres in the precinct. For the success of the Aerotropolis precinct, any DSP levy should not risk project viability, but instead, prioritise uptake by leveraging landowners to carry infrastructure maintenance costs, year-to-year as they arise, through council rates.

Recommendation 4: Sydney Water, in drafting the DSP, should exclude operational costs from any levies placed on developments.

Reimbursement vs Voluntary Planning Agreement

Structuring a delivery framework that can fairly allocate resources to support precinct-scale infrastructure and drive its streamlined delivery is vital to the development of the Aerotropolis region.

The Discussion Paper points to the September 2024 Stormwater Developer Works Policy document for the private sector funding and delivery of infrastructure, adopting a reimbursement method. This mechanism is highly inefficient for the private sector and places additional funding hurdles and stress on projects that are trying to get up and go. Under this model, proponents are required to outlay double the expenditure for infrastructure costs and DSP levies, then seek the infrastructure funds back.

With the costs involved with this system, there needs to be other solutions explored and innovative ways to reduce these costs examined. A better model for the private sector to deliver infrastructure would be a mechanism whereby proponents can enter into a Voluntary Planning Agreement to deliver the works on behalf of Sydney Water, in lieu of paying the applicable DSP levy.

This would involve the ownership and management of the infrastructure and associated land parcel remaining with Sydney Water in perpetuity and would provide for alternative approaches that meet the capacities required and allow for innovation.

Recommendation 5: Sydney Water, when making the draft DSP, should propose a flexible Voluntary Planning Agreement (or equivalent) as an option for development proponents delivering stormwater solutions in this precinct.

Delivery

It is vital for development proponents to be able to grasp the planning processes to be proposed for the private sector to deliver infrastructure on public land. Uncertainty surrounding the planning implications associated with the Developer Works Policy disadvantage landowners and developers as they attempt to understand timings and make sense of how they might deliver in the catchment area.

Not all land is developable. Not every developer will be able to build infrastructure to handle runoff on their sites. Some development proponents will need to sterilise portions of their site for irrigation and stormwater detention. Stormwater requirements can also mean that portions of a site are not able to be physically accessed. Certainty to understand the dynamics of these stormwater provisions on sites are vital to development proponents.

For these reasons, greater transparency is needed surrounding the processes by which this catchment area will affect sites. Taking the perspective of the significant trickle-down effects on private land, will allow those who are responsible for delivering housing, employment and industry, the private sector, to make crucial decisions that allow investment to move into the area to meet the goals of the precincts.

Recommendation 6: in the making of the DSP, Sydney Water should provide more transparency, certainty and accessible information surrounding the timing and delivery of infrastructure.

Utilising a non-land-tax institution

Urban Taskforce Australia is advised land acquisition issues may arise from Sydney Water's positioning as a Regional Stormwater Authority that is majority privately owned, with a

minority stake holder in the form of the NSW government. This means that Sydney Water will need to pay land tax to Local Council.

The concern is that this cost will, most likely, be passed on to development proponents.

If the City of Liverpool and City of Penrith Councils, both non-land-taxed bodies, were to be the acquisition authority, acquiring for the benefit of the regional scheme, there would be no land tax cost.

Recommendation 7: Sydney Water should reconsider the proposed ownership arrangements and explore options to reduce land tax burdens.

Conclusion

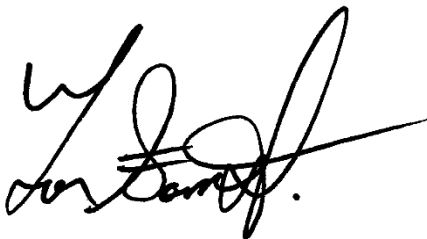
Urban Taskforce acknowledges the importance of getting the funding of stormwater infrastructure right at this vital stage of the planning and development of the Aerotropolis region. However, there needs to be transparency afforded to all stakeholders.

Solutions to delivering vital stormwater infrastructure needs to remain flexible and innovative, in order to meet the challenges of today's macroeconomic setting and housing supply crisis.

Environmental protection does not have to threaten the development of employment land in the of the Wianamatta Badgerys and Cosgroves scheme areas. Shaping the draft DSP to balance these factors is vital.

Should you wish to discuss any aspect of this submission further, please call our Policy, Planning and Research Analyst, Benjamin Gellie, on 0461 566 807 or via email benjamin@urbantaskforce.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', written in a cursive style.

Tom Forrest
Chief Executive Officer