

Illawarra Shoalhaven State Infrastructure Contribution: Submissions Summary Report

May 2021



Overview

A Special Infrastructure Contribution (SIC) is proposed to apply to the Illawarra–Shoalhaven Special Contribution Area (SCA). The SCA comprises the two growth areas of Nowra Bomaderry and West Lake Illawarra.

The SIC apportions the costs of new and upgraded infrastructure to support future development for new communities. It supports the implementation of the Illawarra–Shoalhaven Regional Plan 2041 and establishes a contributions framework to help fund state and regional infrastructure in areas such as education, road, transport, and community and emergency facilities.

The Department of Planning, Industry and Environment (the Department) publicly exhibited the proposed SIC alongside the draft Illawarra–Shoalhaven Regional Plan 2041 from 2 November to 17 December 2020. We invited the community, government agencies, local groups and other stakeholders to view and comment on the proposal through the NSW Planning Portal.

This report provides an overview of the engagement process, submissions that we received, key themes identified and how we've responded.

Consultation and engagement

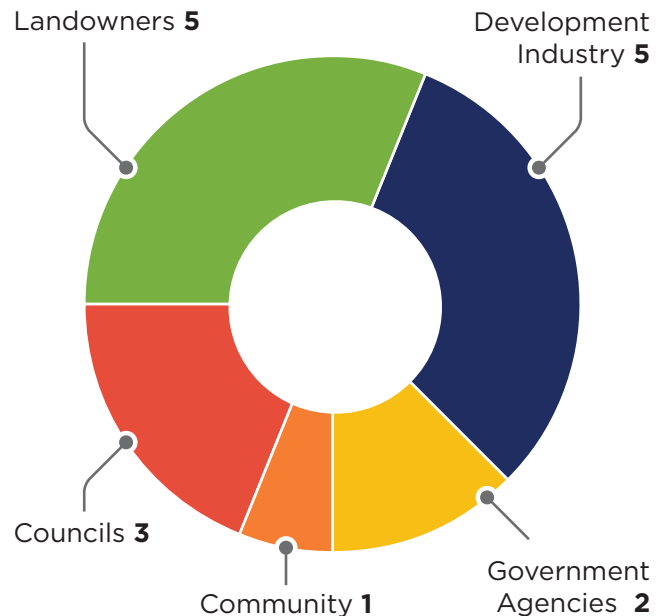
The Department engaged with councils, the community, and key stakeholders in different formats and utilised effective engagement tools including:

- Email notifications to subscribers who had registered for project updates via the Department's website
- Letters sent to industry stakeholders.
- A media release was issued on 2 November 2020.
- Letters to the general managers of Wollongong, Shellharbour and Shoalhaven Councils.
- A dedicated webpage displayed the exhibition documents, details of how to get involved, a brochure summarising the key elements of the SIC and links to make a submission.
- Three online consultation sessions with stakeholders to discuss the proposed draft SIC and welcome questions prior to making a formal submission through the exhibition process.

- A webinar and question and answer session with local governments.
- Consultations with the Illawarra–Shoalhaven Urban Development Committee, which comprises representatives from Wollongong City Council, Shoalhaven City Council, Shellharbour City Council and Kiama Municipal Council, key agencies and the development industry.
- A workshop with the development industry to market test and refine assumptions and inputs into the feasibility model.

Who we heard from

We received a total of 16 submissions from the community:



What we heard

None of the submissions objected to the application of a SIC. Five submissions supported the SIC, while 11 submissions partially supported the SIC and suggested how it could be improved.

Full submissions are available on the department's major projects website at

www.majorprojects.planning.nsw.gov.au

Key themes

We grouped the themes raised by the submissions into the following categories:

We have reviewed the 16 submissions received.
The following provides a summary of the key themes and our responses.

Development feasibility and SIC rate

There was a concern that the cumulative effect of developer contributions and other charges has the potential to affect development feasibility and impose a regulatory burden.

Responders requested further detail on how the SIC rate was developed. It was raised that the proposed SIC rate is higher than what was proposed in the draft 2011 SIC and what is currently being paid through voluntary planning agreements.

Our response:

The Department engaged a third-party consultant to undertake a feasibility study to determine capacity to pay within the two growth areas of Nowra Bomaderry and West Lake Illawarra.

The feasibility analysis helped to understand the impact of a SIC on development feasibility. It took into consideration development timeframes, land

purchase and sales values, development yields, lot formation costs, location factors, major estate works, and developer charges. These inputs were verified by the development industry at workshops, with refinements made to align with industry costs and assumptions. This ensured that the assumptions that underpin the Illawarra–Shoalhaven feasibility model were market tested and relevant to the area.

A document summarising the inputs that underpin the Illawarra–Shoalhaven feasibility model is available on the Department’s planning portal.

The SIC rate is reflective of the apportioned cost of infrastructure to support the anticipated growth in Nowra Bomaderry and West Lake Illawarra. The SIC is determined at a rate that does not impact on development feasibility and is cost-reflective of developers’ capacity to pay.

The rates are higher than the rates exhibited in the draft SIC (2011) reflecting increases to land prices and the cost of infrastructure.

Infrastructure selection and the Regional Transport Plan

More detail on the infrastructure projects funded through the SIC was sought and responders proposed that detailed information be provided for each of the individual SIC items.

It was also noted that key SIC transport items are not identified in the draft Illawarra-Shoalhaven Regional Transport Plan.

Our response:

The Department worked closely with the key delivery agencies to determine the infrastructure required to support growth in the two Special Contribution Areas (SCAs) at Nowra Bomaderry and West Lake Illawarra.

Other key state agencies were consulted to ensure the infrastructure schedule reflects the potential future needs of the community, removing any duplication of items. The descriptions and grouping of infrastructure items has been clarified in response to comments received during consultation.

The Department has been working with TfNSW to improve consistency across the draft SIC, the draft Illawarra-Shoalhaven Regional Plan and the draft Regional Transport Plan. TfNSW is a key stakeholder and we have consulted them throughout the preparation of the draft SIC to refine transport infrastructure needs and costings for the growth areas and to better align these key strategic plans. As a result, we have added an active transport item in the infrastructure schedule.

Infrastructure cost and apportionment

Further transparency was requested regarding the allocation of funding and works between development areas. It was raised that the SIC only generates a proportion of the cost of the overall capital item and queried whether government has made a commitment to the remainder of the costs.

Further, there were queries on the proposed allocation for schools and why it was less than what was previously identified in the draft 2011 SIC.

Responders proposed that the infrastructure costs be reviewed to ensure currency and accuracy.

Our response:

The costs identified within the SIC infrastructure schedule have been provided directly by the nominated delivery agency.

Where an infrastructure item is only partially required to service growth, the cost of the infrastructure will be apportioned to users outside of the SCA (i.e. the cost will be recovered from sources other than the SIC). The amount of SIC revenue collected will help recover some of the future infrastructure costs. This will influence the state and regional infrastructure delivery within the Illawarra-Shoalhaven Region by providing a source of funding for State infrastructure agencies.

Scope (including timing, implementation and location)

Responders found that there is limited information on the timing of infrastructure delivery. It was requested that mechanisms be developed to ensure the timely transfer of funds to local councils where they have a role in the delivery of infrastructure and to guide developers on when infrastructure will be delivered. Requests were made for more detail on governance arrangements associated with SIC funding.

Our response:

SIC revenue can take some years to accumulate to an adequate level to fund a major capital investment program. SIC funding can be disbursed to discrete project components including the preparation of business cases, strategic planning, concept design, detailed design or construction funding.

Investment decisions will be aligned to a SIC-specific prioritisation process and the Infrastructure NSW Infrastructure Investor Assurance Framework. The prioritisation process subjects nominated projects to both qualitative and quantitative assessments. The outcomes of the nomination and prioritisation process are documented in an investment recommendations report, which is submitted for approval by the Minister for Planning and Public Spaces.

Biodiversity certification

Further details of biodiversity certification were requested, particularly in relation to local councils' biocertification plans.

Our response:

The Department has worked closely with Wollongong City Council. Council's application is currently under assessment, with further details of its application across West Dapto to be made public when it has been formally approved.

As prescribed within the SIC determination, the component of the SIC for biodiversity measures is not payable unless and until certification is conferred.

Contributions area

Clarification was sought on the inclusion of land that is not zoned for residential purposes in investigation areas within an SCA and a review of the SCA boundaries to align with lot boundaries was requested.

Our response:

The SIC is imposed on new development on residential zoned land within the Illawarra-Shoalhaven SCA. The SIC aligns with the two regionally significant growth areas identified in the Illawarra Shoalhaven Regional Plan 2041 and the Illawarra Shoalhaven Urban Development Program.

Because the SIC intends to support the long-term growth of the region, it includes land currently zoned rural and other areas identified for 'future investigation'. A SIC payment is only triggered in these areas if, over time, these areas are deemed suitable to be rezoned to residential.

Should these boundaries change in the future, the SIC can be amended to ensure the SCA boundaries remain accurate and current.

NSW Productivity Commission's Review of Infrastructure Contributions

There was a concern that it is too early to progress the finalisation of the SIC until the Minister responds to the NSW Productivity Commission's report.

Our response:

The Productivity Commission conducted a comprehensive review of infrastructure contributions in NSW. On 5 March 2021, the NSW Government announced its acceptance of all 29 recommendations. It will undertake major reforms to create a stronger funding base for State and regional infrastructure and to create a more efficient, simple, transparent, consistent, and certain planning system.

The Department is developing the framework for a regional-based state infrastructure charge in line with the Productivity Commission recommendations to be implemented by mid 2022. Transitional and savings arrangements for SIC determinations made prior are being considered as part of the regional charge and may affect the Illawarra Shoalhaven SIC.