



27 March 2020

Lotta Jackson  
The General Manager  
Cessnock City Council  
PO Box 152  
Cessnock NSW 2325

Via email: [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au)

Dear Lotta,

**Re: 58/2019/2/1 – Draft City Wide Infrastructure Contributions Plan 2020**

The Urban Development Institute of Australia (UDIA) NSW is the leading industry body representing the key participants in the development sector in NSW, with over 500 member companies including developers, planners, engineers, state agencies and local government.

UDIA is pleased to count Cessnock City Council (Council) as a long-time and highly valued member of the organisation, and we are grateful for the ongoing collaborative working relationship between industry and Council.

We appreciate the opportunity to comment on the Draft Cessnock City Wide Infrastructure Contributions Plan 2020 (draft Plan) currently on exhibition.

UDIA supports proactive, regular and transparent reviews of local infrastructure contributions regimes. This helps keep the contributions regime up to date and focused on the infrastructure that is required by the development that is likely to take place in each local government area. We therefore congratulate Council for undertaking this s7.11 review.

UDIA NSW offers the following recommendations, which are expanded upon below:

- 1. Provide supporting documentation to explain rate calculations.**
- 2. Extend the draft Plan to 2036 to align with the time horizons of the LSPS, HRP and Metro Plan.**
- 3. Adopt 2019 DPIE population, dwelling and household size projections.**
- 4. Provide timing for delivery of infrastructure items.**
- 5. Accelerate the delivery of local infrastructure from existing funds.**
- 6. Clarify assumptions on land acquisition funding.**

## **Background**

UDIA's developer members are proud of the communities they build and aim to deliver a high quality of life for the families who call them home. Appropriate infrastructure provision is critical to both the delivery and long-term success of development projects. Residents need access to safe and adequate transportation and to appropriate social infrastructure to support a positive lifestyle. Toward those goals, the development industry is not opposed to paying its fair share of infrastructure costs to assist local government in meeting community needs.

It is critical to strike the right balance for infrastructure delivery, including within the local infrastructure contributions planning regime. The cumulative impact of new taxes, charges and levies can result in development becoming unfeasible and not going ahead. It is important that any contributions must be justified through evidence that the infrastructure is both necessary and aligns to the new development.

The excessive levying of local infrastructure contributions on development typically results in one of the following possible outcomes:

1. Developers pass on the increased costs to maintain margins, which increases the price of new lots and homes; or
2. Where costs are unable to be passed on, new homes cannot be built as the margin is eroded to the point that it is uneconomic to develop, meaning housing supply is not delivered as forecast. This then places upward pressure on local house prices.

Under either of the above scenarios, contributions may undermine Council's efforts to address housing supply and affordability, and instead leads to higher home prices. We therefore urge caution in balancing rate and revenue collection with Council's desire for adequate new housing supply at affordable prices.

## **Rate Calculations**

UDIA commends the move to consolidate Council's s.7.11 plans into one City Wide Infrastructure Contributions Plan. This move should facilitate greater transparency and consistency in Council's approach to infrastructure contributions.

However, we are disappointed that the draft Plan does not offer full transparency in the form of supporting documentation on how Council has arrived at its final rate calculations. UDIA strongly recommends that complete rate calculation inputs be included in exhibited material, in order to allow industry and the public to evaluate drafts in their entirety and arrive at fully informed positions.

## **Planning Time Horizons**

We note that the various other strategic plans to which the draft Plan relates, including Council's Local Strategic Planning Statement (LSPS), the Hunter Regional Plan (HRP) and the Greater Newcastle Metropolitan Plan (Metro Plan) have a time horizon to 2036. By contrast, the time horizon for this Plan is 2031.

This lack of consistency makes it confusing and challenging for the community and industry to gauge the successful coordination and implementation of plans. UDIA is urging all local councils to align their local infrastructure contributions plans, LSPSs and Housing Strategies with the timing of the HRP and Metro Plan.

UDIA recommends that the final Plan be adjusted to a time horizon of 2036 in order to align with the local and state strategic planning documents that it supports.

## Population, Dwelling and Household Size Projections

We commend Council for recognising that new housing supply is influenced by many factors including infrastructure and market constraints, and that contributions plans should be regularly reviewed to ensure they reflect updated information and projections. We support Council's intention to review the Contributions Plan "at a minimum every two years".

The adopted Contributions Plan should establish an accurate baseline of population and dwelling projections, as well as an accurate household size (occupancy rate). We question Council's assumptions on this matter.

### Population and Dwelling Projections

Council utilises a set of data sourced from *Forecast .ID*, stating that the 2016 population projections from the Department of Planning (now Department of Planning, Industry and Environment [DPIE]) are considered too conservative. However, DPIE have recently released 2019 data. For consistency across state and local strategic planning, UDIA recommends Council replace its' data with the DPIE 2019 NSW Population Projections data for Cessnock City Council, as copied here:

## Cessnock City Council 2019 NSW Population Projections

Key Indicators: Projected Population, Households and Dwellings - all data at 30th June						
	2016	2021	2026	2031	2036	2041
Total Population	56,700	60,050	65,550	72,000	77,300	80,050
2016 Population Projection	56,100	59,900	63,550	67,150	69,250	
Total Households	21,800	23,450	25,850	28,650	31,050	32,300
Household Size*	2.52	2.48	2.45	2.42	2.39	2.38
Implied Dwelling Projection**	24,000	25,800	28,450	31,500	34,100	35,500

\*Average persons resident per occupied private dwelling  
\*\*Dwellings required if the population forms households in the same ways as in 2016

While the above 2019 DPIE projections are closer to Council's Draft LSPS, we also urge Council to fine tune its final LSPS to reflect the 2019 DPIE figures.

Below is an excerpt from page 23 of the Draft LSPS, with 2019 DPIE figures noted in brackets:

*With our community expected to grow to between 70,000 and 80,000 by 2036, an additional 6,350 [8,300] between 2021 to 2036 dwellings need to be built. In recent years Cessnock has exceeded growth projections. Furthermore, the way we live and our household structure are also changing. Our average household size has declined from 2.54 people per household in 2011, to 2.51 [2.52] people in 2016 and is predicted to be 2.42 [2.39] by 2036.*

### Occupancy Rate

DPIE's forecasts and Council's Draft LSPS both show a falling occupancy rate (household size) in Cessnock in the coming years. DPIE predicts the household size will be 2.42 in 2031, and 2.39 in 2036. Existing Census data shows that the current people per household in Cessnock is 2.6, yet Council utilises an occupancy rate of 2.9 persons per household without explanation/justification.

UDIA requests clarification on Council's rationale for the higher occupancy rate. We note that a higher occupancy rate will result in a higher contribution rate per new dwelling, which will levy a disproportionate financial burden on residents of new dwellings. We urge Council to adopt the DPIE figures for consistency across all its contributions and strategic plans.

## **Timing of Infrastructure Delivery**

UDIA notes that the draft Plan lacks timing, or triggers, for the delivery of the infrastructure items listed in the schedule of works. The draft Plan also fails to consider forward funding of works.

We urge Council to provide these details. Unfortunately, the development industry and the community continue to be frustrated by the slow release of funds and delivery of infrastructure identified in existing plans. The draft Plan provides no indication that the situation will be improved.

Recent UDIA research reveals that Council currently holds \$10.6 million in unspent s7.11 funds; while acknowledging that the s7.11 plan allows for pooling of contributions to deliver works. Town centre upgrades, road works, active and public transport infrastructure, public open space, parks, sports and leisure facilities, etc. are funded in part by new development and help to support that development by improving public amenity and therefore improving the marketability of new homes. However, none of these benefits can be realised until the infrastructure is delivered, and we urge Council to accelerate its delivery plan.

## **Land Acquisition Funding**

UDIA offers two comments regarding land acquisition funding.

Firstly, we note that there appears to be an allowance for land acquisition for community facilities, but the budget seems to be quite low. We query whether Council has based this calculation on current land values and seek clarification on that point.

Secondly, we note there appears to be no land acquisition allowance for open space and recreation. UDIA therefore assumes that Council would expect developers to dedicate land for that purpose. We note that where fragmented land ownership exists, this could be problematic. We request clarification as to how land would be acquired for open space and recreation.

## **Conclusion**

One of UDIA's recommendations for system wide planning reform is to reform the infrastructure contributions system, which has a direct relationship to housing affordability. UDIA maintains that there is a key need to reform the infrastructure contributions system under the principles of a beneficiary pays model. Such reform would enable greater investment to the benefit of residents without inhibiting development. We are engaging with DPIE on this complex State wide problem and would be pleased to work with Council on this also.

Thank you for considering UDIA NSW's comments on the Draft City Wide Infrastructure Contributions Plan 2020. Should you have any questions or wish to discuss further, please contact our Regional Manager Elizabeth York on 0434 914 901, or by email at [eyork@udiansw.com.au](mailto:eyork@udiansw.com.au).

Yours sincerely



Steve Mann  
**CEO**  
**UDIA NSW**