

18 September 2020

Mr Peter Achterstraat AM
Productivity Commissioner
NSW Productivity Commission

Via email: ProductivityFeedback@treasury.nsw.gov.au

Dear Mr Achterstraat,

RE: UDIA NSW Submission into the Productivity Green Paper

The UDIA is pleased for the opportunity to make a submission into the Productivity Commission Green Paper.

The Urban Development Institute of Australia (UDIA) NSW is the peak body representing the interests of the urban development industry in New South Wales. We represent over 500 member companies that are directly involved in the industry including developers, consultants (engineering, planning, legal, environmental, design) and local government, for the goal of Liveable, Affordable & Connected Cities.

We echo the significant need to reform the productivity of the state. A significant learning from COVID-19 is that even when attempting to accelerate the planning system, it is slow and lacks integration between levels of government to deliver for the people of NSW.

UDIA's comments build upon the specific recommendations that we made to the Issues Paper, however we focus mainly on the recommendations within the Green Paper in this Submission.

UDIA supports extending the COVID regulations and looking to more opportunities for digitisation.

The Productivity Commission makes the following recommendations:

4.1 - Extend the operation of temporary COVID-19 regulatory changes for 12 months while we evaluate their success. Keep them in place where we see a net public benefit.

4.2 - Retain the temporary adjustments to regulatory and legal formalities, including digital solutions to replace paper-based reporting, physical witnessing and attestation of documents and various other in-person requirements for compliance. Explore opportunities to similarly update other outdated regulatory requirements.

UDIA NSW strongly supports these recommendations as our experience has been largely positive with the temporary measures introduced by the Department of Planning, Industry & Environment (DPIE) and would welcome attempts to make the measures permanent, in particular in relation to delayed payment for developer contributions, and extended timeframes to appeal to the NSW Land and Environment Court.

UDIA has found the acceptance of digital signatures to be a beneficial change that has improved the timeliness of approvals and reduced double handling. We are particularly excited about the digital land registration process that the LRS and ORG are currently developing.

LRS and ORG are working through creating digital surveying and titling, which will greatly accelerate the development process. Our shared estimate is that this would save in the order of eight weeks of time when developers are at peak debt on their projects and provide better clarity on what is already a paper-based process. We recommend the Productivity Commission explicitly supports this program as a critical improvement to productivity and encouraging investment in the State.

Create a pathway for innovation in water technology

UDIA supports the overarching theme to set a vision for water and create a plan for the challenges facing the sector. UDIA sees the possibility of substantial improvements in Water Management, we make our comments in the context of Western Sydney. The Western Parkland City is unique because we have the opportunity to implement improved water management from day one.

Water can be a temperamental resource - in 2018 and 2019, we were in drought conditions and dam supply levels dropped dramatically, saved only by excellent rains in early 2020. During normal conditions, Western Sydney actually has a surplus of water. Unfortunately, much of this water is used once or not at all, and then flows downriver and eventually out to sea. The future, for a 21st Century Globally competitive city, is in water conservation and recycling. We need policy and regulatory settings that would enable this to create the Parkland City. A Water Sensitive Western Sydney means:

- Recycled water is a conventional and reliable part of providing water services, reducing the demand on drinking water;
- Trade waste from businesses in Western Sydney is captured and treated at a local resource recovery plant, and used to create valuable resources including energy, biosolids for agricultural use, and other bio-resources that can keep resources in circulation for longer;
- Water sensitive urban design harnesses stormwater and treated recycled water to cool and green the city – including in large business precincts.

UDIA is keen to see an integrated water servicing solution to deliver a water-enabled circular economy to support the growing the Western City.

We recommend the following three measures:

- 1. Commitment to innovation, water recycling and guidance for uses** – Water Recycling faces the challenge that wastewater can be used for a very limited range of uses, enabling a greater range of uses would mean that recycled water could be used more widely and therefore more worthwhile to produce and this will reduce wasted recycled water that needs to be stored or discharged.
- 2. Water storage in Western Sydney to enable greater use of water** – Water storage solutions are needed in the West to retain water if discharge is not an option. As urban development creates additional stormwater run-off, we recommend wet detention basins are considered as an approach to create urban cooling and greening with integrated ponds, lakes, and dams within parks, that are managed by Councils and/or a water authority.

- 3. Allow discharge into South Creek** – The South Creek Bubble license stops water discharge beyond current levels. We recommend there is an option for discharge into South Creek, this is necessary to help prevent flood risk and manage excess water in the precinct.

UDIA does not support increased developer charges either generally or for recycled water. There is a limit to what the development industry can contribute to, and the cumulative infrastructure charges in NSW are already the highest in the country. Extending the scope of charges by adding a charge that has been set at \$0 since 2008 is not the right way to support housing and development and will come at the cost of jobs growth.

Instead, the regulator needs to place value on a recycled water solution, instead of continuing to prefer investment in traditional technology. Sydney Water and Hunter Water have some of the broadest charging bases of any infrastructure provider and can adequately support growth solutions that will create broader environmental and social benefits.

City shaping outcomes must be considered as part of infrastructure decisions

UDIA supports the move to encourage Transit Oriented Development from the commission, creating housing and business activity within transport hubs. UDIA believes that TOD centres enable better use of efficient public transport cities; however, this must be enabled through integrated planning decisions both for land-use and infrastructure.

Infrastructure planning must take into account the future city that will be enabled by the investment. Too often, our infrastructure planning is focussing on transport outcomes for the present day.

UDIA continues to investigate the future city outcomes from integrated transport and urban planning. We have collaborated with the academic, public, and private sector to develop the Urban AI. This program uses machine learning and computational design to support the investigation of the value alternatives for the future city.

Land-use Planning must also take into account the transport connections that exist. Many UDIA members are disappointed with the repeated decline in expected densities around transport stations, losing in some instances up to 20 storeys from draft plans to final plans, most recently in St Leonards/Crows Nest, which is supported by both heavy rail and metro.

The Case Study in Camellia illustrates the disconnect between transport decisions and the future city.

Case Study: Camellia Metro

The planning for Sydney West Metro failed to take into account the city-shaping potential for a station at Camellia. Instead, Sydney Metro opted to create an unusually long distance of approximately 7km between Sydney Olympic Park and Parramatta.

UDIA considers a station between the Olympic Park and the Parramatta CBD as critical to creating the Second CBD to provide further growth opportunities with jobs and housing in a mixed-use precinct of the Second CBD's inner-city.

There is strong agreement from industry stakeholders and Council, that Camellia has the potential to help catalyse Parramatta as a super-hub and decisions of this type of city-defining infrastructure cannot be done in isolation.

UDIA sees clear strategic land use planning and transport alignment for a Sydney Metro West station at Camellia. The City of Parramatta's executive leadership and elected Councillors express a strong preference for a station at Camellia, and the Council's Local Strategic Planning Statement (as endorsed by the Greater Sydney Commission) highlights the critical importance of Camellia Town Centre to Parramatta as a future mixed-use centre. There is consolidated support from landowners and the community, given the current isolation of Camellia from Parramatta City.

Camellia holds the long-term potential to strategically extend the footprint of the Parramatta CBD by rezoning employment lands as exhibited by DPIE in 2018 as a 'Planned Precinct'. This would broaden Camellia's economic base and facilitate the transition towards an integrated mixed-use employment and residential hub, including a high-density town centre core of knowledge intensive jobs in commercial office floorspace and advanced manufacturing et.al. in other employment facilities across the peninsula.

Research by Value Advisory Partners – Sydney Employment Lands Study March 2020 (commissioned by UDIA) shows that by separating out Rosehill in the SA2 statistics, industrial employment in Camellia has fallen 92% from its peak in 1976, to only 1,600 jobs today. This is below the number of jobs that existed in the 1930s.

Camellia is a prime example of derelict and underutilised land in Greater Parramatta and provides a substantial opportunity for urban renewal. The Camellia peninsula is large enough to accommodate multiple uses at over 350 hectares, with the Town Centre currently only requiring circa 35 hectares at the North Western gateway.

Mixed-use urban renewal at Camellia has the potential to support an additional 25,000 jobs.

Unfortunately, these benefits were not considered and despite having the possibility for significant urban renewal and transportation as part of an extended Parramatta CBD, Metro and other parts of the NSW Government declined to consider alternatives.

The Department of Planning must introduce an Urban Development Program (UDP) to coordinate growth and infrastructure.

Since the Department of Planning ceased the Metropolitan Development Program in 2011/12, a void in strategic planning has emerged which has impacted most demonstrably on infrastructure servicing agencies. In the absence of 'one source of truth' and transparent reporting of results to targets, various growth forecasts and servicing strategies are being produced by infrastructure providers with differing base data, different assumptions, differing language and differing time horizons. As a result, there are now many areas that could be supplying new housing but for one piece of missing infrastructure. These missing pieces were identified in the UDIA's 2018 Building Blocks Report (see attachment 1).

The UDIA has long advocated for the reinstatement of a UDP across Greater Sydney. The re-establishment of a UDP was a key recommendation of UDIA's *Making Housing More Affordable* report. The re-establishment of a UDP is urgently required for Sydney and would:

- Coordinate and monitor housing supply and targets in urban renewal areas, infill and new communities in land release areas;
- Coordinate and prioritise the delivery of the necessary supporting infrastructure;
- Signal early identification of blockages;
- Integrate social and affordable housing targets and ensure their programming; and
- Involve a transparent annual program including robust industry liaison/engagement enabling monitoring and input back into policy development and housing supply programs.

To help chart the way forward, a UDP Pilot was undertaken in conjunction with Blacktown Council with Research Partners Urbis and Mott MacDonald in 2018/19. This UDP Pilot trialled a data collation and validation process culminating with a regional development forum to ensure all stakeholders were on the same page and resulting in a robust 5-year growth outlook for this jurisdiction.

UDIA has since commenced a further pilot with DPIE and South West Sydney Councils to further inform the development of a Sydney-wide UDP. UDIA is using its Urban Pinboard to develop a 3D future city and enabling infrastructure platform to enable scenario analysis to better inform infrastructure funding frontier. We expect this could lead to significant productivity gains for industry and can be kept as a live model of infrastructure funding and delivery in key growth areas. We have received some promising indications that the government intends to commence a UDP, which we recommend should be further supported by the Productivity Commission.

A Sydney-wide UDP has an important role to play in the prioritisation and coordination of infrastructure funding and delivery. It will identify infrastructure requirements and ensure the forward growth agenda is appropriately scheduled and is funded jointly by government and industry. It can also troubleshoot infrastructure bottlenecks, which would support the orderly delivery of housing supply and affordability.

Planning reform remains vital for NSW's success

The Commission notes that the planning system is overly complex, inflexible, and a driver of continued lack of support and poor affordability. We agree that there is a compelling case for change in NSW.

UDIA notes the Commission has made broad recommendations in the body of the report and more specific recommendations in Appendix 3. In many cases these recommendations align with the specific proposals we made in our issues paper response. Therefore, we will not reiterate those comments here, instead, we will make specific comments on each of the recommendations, as follows:

UDIA supports improved housing supply analysis (recommendation 7.1)

UDIA supports requiring Councils to regularly analyse housing supply and show there is a sufficient housing supply pipeline and capacity, and to respond to constraints that are identified. We believe that a single point of truth, enabled by a UDP, will support this initiative and should be prioritised by the Productivity Commission.

Any data generated through this analysis should, wherever possible be available to industry and the community in accessible formats on the planning portal. Providing data and transparency is critical to building accountability in our planning system.

Create Flexibility in Apartment Design (recommendation 7.2)

We encourage a review of SEPP 65 and the Apartment Design Guide. We note the Department is currently undertaking a review into SEPP 65 and is seeking to bring in other matters such as placemaking and BASIX. It is critical that this process does not create another layer of regulation.

The approach to planning must be performance and objective based, particularly retaining the flexibility to secure site-specific outcomes.

Similarly, the approach to traffic and carparking needs to be customised to the development and the urban context. UDIA members catering for downsizers report that in some areas downsizers would not accept an apartment with fewer than two car spaces, as they are used to two to four in their existing home. In practice, many of these cars are not used.

Whereas, in more urban environments connected to public and active transport car parking may not be necessary, and therefore fewer car spaces could be provided, particularly where there are shared cars provided.

UDIA recommends councils embrace economic development (recommendations 7.3, 7.4)

The system of employment lands zoning is complex, which is driven by a desire to drive outcomes, which the market does not wish to deliver, and preserve uses in certain areas. A more commercial and productive use of land would allow enterprise uses to be shared across a wider area.

In many cases, the categorisation of employment lands depends on the type of retail and office that is permitted. As employees have started to work from home more due to COVID, and it could be assumed this would trend further, greater flexibility to allow low cost office accommodation in some industrial areas closer to where people live for start-ups could be permitted.

A comprehensive economic development strategy for these areas to boost employment and jobs, across a range of industry and interventions would support this outcome.

UDIA believes that in many cases land-use planning is preventing flexibility and the evolution of land-uses. For example, light industrial (such as car servicing) or even heavier industrial uses (such as concrete batching) could be integrated within an apartment or office building through innovative design solutions.

Improve the retain and manage category to optimise employment and productivity outcomes (recommendation 7.5)

UDIA commissioned Value Advisory Partners to review the impact of the GSCs 'retain and manage' policy across five precincts in Sydney, in each instance their report found that 'retain and manage' would lead to inferior jobs outcomes. The report is attached as attachment 2.

Instead we consider a more nuanced approach that categorises land-use and infrastructure interventions that could facilitate or catalyse jobs growth. In many cases greater flexibility could support the retention of employment and urban services land in a mixed-use urban environment.

For example, at Battersea Power Station the Cringle Dock Waste Transfer Station was redeveloped to retain waste transfer uses, but also deliver new homes, and enclosed the box with an eco-roof. This type of flexibility is currently not contemplated in a Sydney context and would open up greater productive use of finite land.



Cringle Dock, Battersea

Continue to reduce complexity and red tape (recommendation 7.6)

UDIA acknowledges the recent government announcements and tracking of development approvals that can occur through ePlanning. The NSW Government has recently announced the Planning Delivery Unit, and the Public Spaces Legacy Program.

The UDIA has commenced engagement with the PDU to provide a pathway to resolve planning delays, particularly with concurrences and referrals. We understand that service level agreements have been recently signed between key agencies, and the PDU will seek to reduce unnecessary services. UDIA is collaborating with the PDU to assist identify key issues to resolve. However, there need to be broader work to secure culture change to deliver planning system reform.

The Public Spaces Legacy Program has sought to provide financial incentives for councils delivering improved assessment timeframes. However, we are concerned this provides an incentive for Councils to reject complex applications prematurely, instead of working with proponents to resolve issues.

In many instances a council is not willing to enter in depth discussions about an application prior to an applicant lodging a development application. There are two reasons:

1. There is the perceived corruption risk of 'coaching' an applicant, and
2. An applicant must pay a fee for a council to assess a development application, which indicates a level of commitment to a project and provides council with revenue to justify the resourcing.

Therefore, a complex application may have detailed work that is progressed in collaboration with council and industry, however if councils and industry are not given time, then we will see unnecessary refusals, which will then clog the LEC.

In most instances however, within more standard DAs there are areas where efficiencies can be found, ePlanning will assist industry identify particular pain points.

UDIA supports the specific proposals identified in appendix 3; however, we would reiterate our concerns in relation to local planning panels. In relation to planning proposals, the local panel provides an advisory role only, and in that case adds an extra month (at a minimum) to the assessment of a planning proposal, we believe that they either need to be made a decision-maker or seeking their advice is made optional.

Create consistency with green and open space (recommendation 7.7)

UDIA supports the development of liveable, affordable, connected cities. The development of public space guidelines should be performance based and included in the Design and Place SEPP.

Critically the regime cannot provide unreasonable imposts onto homeowners, we have concerns about shifting the requirements to private landowners. The obligation to provide green and open space must be matched with local government adequately resourced to maintain high quality open space in an ongoing manner through increased rate revenue.

UDIA will review the findings of the review into Infrastructure Contributions

The UDIA will review the findings of the Productivity Commission's review into infrastructure contributions once it is released. We wish to ensure that it delivers and efficient, transparent, accountable, predictable, and equitable system. UDIA has made several submissions to the Commission in relation to infrastructure contributions and we refer to our comments in those submissions.

The Impacts of Replacing Stamp Duty are Unclear

UDIA provides in-principle support for the replacement of stamp duty with a broad-based land tax. It has been our long-held position that stamp duty is an inefficient transaction tax, which impacts negatively on mobility and people's housing choices. Stamp duty stifles turnover in the market and can operate to prevent key housing moves such as downsizing, which makes the housing continuum inefficient.

We support the Treasurer's ambition to transition away from inefficient taxes, but we will have to look at specific proposals and see what they mean for the development industry. We believe it is the most important consideration for improved productivity in the development industry is cleaning up the uncertainties, large variations and heavy impost new homes bear in excess of a third of the price of a new home in some parts of NSW is taxes, levies and charges. The Productivity Commission must continue to prioritise this reform work. One thing that the adoption of a broad-based land tax does, is open new ways to finance infrastructure by leveraging private sector investment such as through TIF - Tax Increment Financing delivering productivity and scale benefits.

There needs to be careful consideration in creating a balance for a transition and mitigating the impacts on the housing market. If only newly purchased homes pay a full rate of land tax, then the shift could create an even greater disincentive to relocating – as existing homeowners seek to avoid paying a land tax.

There must be a more in-depth conversation about the price impacts of a shift from stamp duty to land tax. While the deposit hurdle may be eased, there is also increased challenges to servicing loans with further ongoing costs. Reducing the capacity of purchasers to borrow will inevitably soften demand in the housing sector.

Therefore, we recommend more detailed analysis of any proposal to replace stamp duty with a broad-based land tax.

UDIA encourages Rate Peg Reform

UDIA along with other groups raised concerns about the Council rate peg, and the disincentive it provides on growth. We consider there is merit in reforming the rate peg and the recommendation that there is a plebiscite of ratepayers is insufficient, UDIA believes that the Productivity Commission should complete an economic analysis of this reform process.

Conclusion

UDIA is keen to continue the productivity dialogue and we see the implementation of recommendations based on our industry comments to be critical. We are pleased to continue to engage with the Commission and the implementation agencies to ensure that necessary changes are made to improve productivity for development in NSW.

Please contact Mr Kit Hale on 02 9262 1214 or khale@udiansw.com.au to arrange a meeting to discuss any further matter related to Productivity Reform.

Yours sincerely,

A handwritten signature in black ink that reads "Steve Mann". The signature is written in a cursive style with a horizontal line underneath the name.

Steve Mann
Chief Executive Officer
UDIA NSW