

FACT SHEET

Summary of The Hills Shire Council's Contributions Plan No 15 reviewed by IPART

Based on IPART's assessment of *The Hills Shire Council's Contributions Plan No 15 – Box Hill Precinct*

Background

In 2010, the Government asked IPART to review section 94 development contributions plans, which propose contributions rates above a capped amount. The contributions plans that require review by IPART are:

- ▼ new contributions plans that propose a development contributions rate above the relevant cap, for which a council seeks funding from the Local Infrastructure Growth Scheme (LIGS) or through a special rate variation under the *Local Government Act 1993*
- ▼ existing contributions plans above the relevant cap for which a council seeks funding from the LIGS or through a special rate variation
- ▼ other contributions plans referred by the Minister for Planning.

Our current role is set out in a Practice Note issued by the Department of Planning and Environment (DP&E) that was updated in February 2014.¹ The Practice Note also sets out the requirements for submissions of contributions plans to us for review, and the criteria against which contributions plans will be assessed.

¹ Department of Planning & Infrastructure, *Revised Local Development Contributions Practice Note – For the assessment of Local Contributions Plans by IPART* (Practice Note), February 2014. The Department of Planning & Environment advised IPART of a further clarification regarding the review of new plans in September 2014.

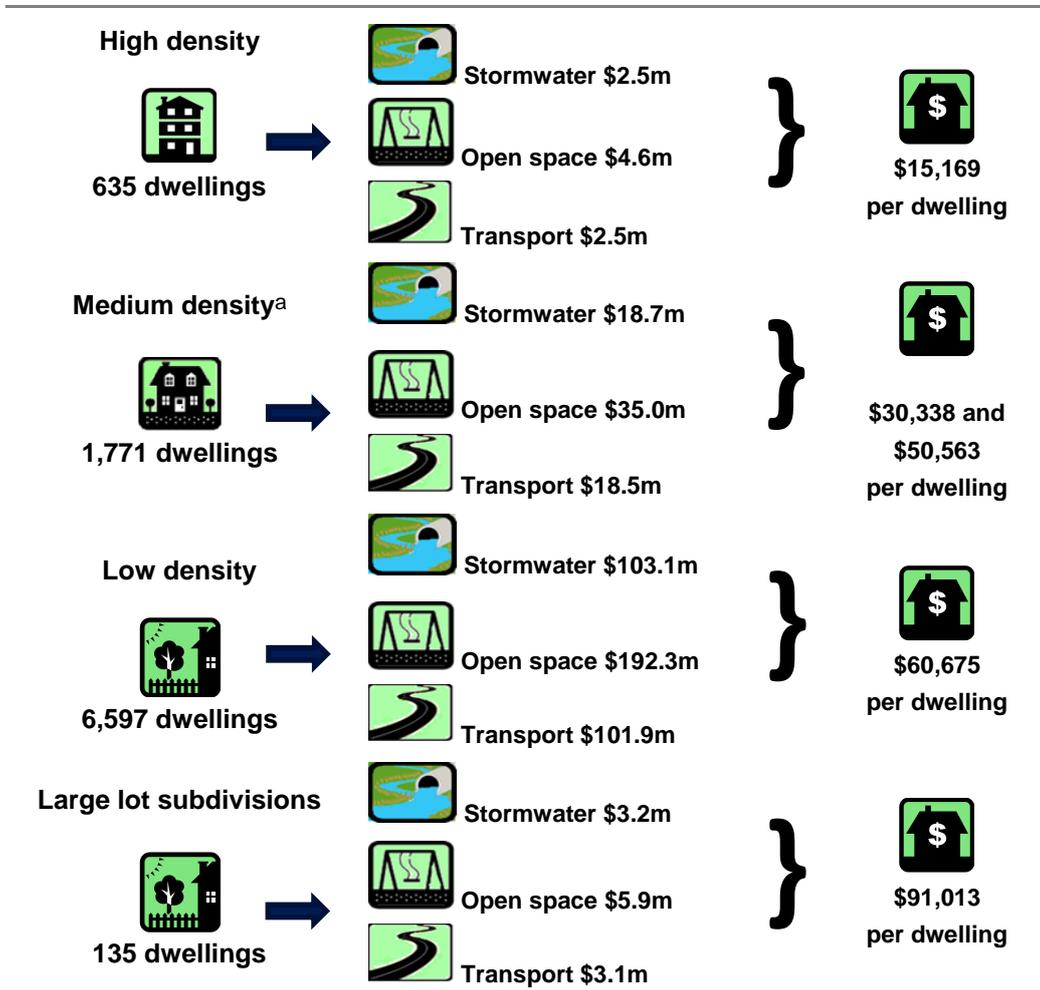
Why did we review Contributions Plan No 15 – Box Hill Precinct?

We reviewed Contributions Plan No 15 for the Box Hill and Box Hill Industrial Precincts (CP15) submitted by The Hills Shire Council (the council) because it is a new plan and we estimate that it has a maximum contribution rate of \$91,013 per lot/dwelling.² This is above the contributions cap of \$30,000 for a greenfield area, set by the NSW Government. The council submitted this plan for review so that it is in a position to seek alternative funding sources to fund the gap in development contributions for infrastructure costs in the plan.

Figure 1 shows the main types of residential dwellings to be developed in the Box Hill Precinct, how much the council has proposed that these developments will contribute to the cost of infrastructure in CP15 and the contributions rates. We have estimated the contribution rates on a per dwelling basis using the dwelling densities and the rates in CP15. The council adopted CP15 in July 2014 before submitting the plan to IPART for review, and so these are the rates it is currently levying developers (subject to the \$30,000 contributions cap).

² We converted the contributions rates in CP15 on a per hectare of Net Developable Area (NDA) basis to a per dwelling basis using the council's dwelling density and occupancy assumptions.

Figure 1 Indicative contribution rates for residential development in CP15, based on THSC's proposed costs and development densities



^a This includes integrated housing (\$30,338 per dwelling) and multi-dwelling housing/attached housing dwellings (\$50,563 per dwelling).

Note: The contributions rates are for the main Killarney Chain-of-Ponds catchment. We have not included the contributions rate for residential development in the Second Ponds Creek Catchment (because there are only 19 dwellings in this catchment), non-residential development and seniors housing (295 dwellings).

Source: IPART calculations based on CP15.

How did we review Contributions Plan No 15 – Box Hill Precinct?

We reviewed CP15 using the assessment criteria in the Practice Note. This includes whether:

- ▼ the public amenities and public services in the plan are on the 'Essential Works List' as identified within the Practice Note
- ▼ there is nexus between the development in the area to which the plan applies and the kinds of public amenities and public services identified in the plan
- ▼ the proposed development contribution is based on a reasonable estimate of the costs of the proposed public amenities and public services

- ▼ the proposed public amenities and public services can be provided within a reasonable timeframe
- ▼ the proposed development contribution is based on a reasonable apportionment between existing demand and new demand for the public amenities and public services
- ▼ the council has conducted appropriate community liaison and publicity in preparing the contributions plan
- ▼ the plan complies with other matters IPART considers relevant.

We have based our assessment on information provided by the council and have consulted with other stakeholders, including DP&E, on specific matters.

Following our assessment, the Minister for Planning will consider our recommendations and may ask the council to amend the contributions plan, which it has already adopted. We note that the council made significant cost changes to infrastructure costs, which were not re-exhibited (around \$100m more compared to the exhibited CP15), before adopting the final plan.

Summary of IPART's findings against the assessment criteria

This is the seventh contributions plan reviewed by IPART since 2010. Our assessment reinforces our previous findings in our other reviews that the cost of providing infrastructure in North West Sydney is significant and well above the contributions caps. In particular, open space infrastructure represents a significant cost in CP15 - around \$180.7m for open space land and embellishments or 44% of the total cost.

The council uses a Net Present Value (NPV) model to calculate development contributions in CP15 and so our assessment of costs in the plan also included an assessment of the council's NPV modelling assumptions. We found that most of the infrastructure and costs in CP15, and the NPV modelling assumptions underpinning the costs and contributions rates, are reasonable.

However, we made some recommendations to reduce the cost of CP15 because some infrastructure does not meet the assessment criteria and other cost estimates require revision. In addition, we consider that the timeframe in CP15 should be reduced from 40 to 25 years to reflect the expected rate of development, and that the apportionment approach for open space should be adjusted so that contributions are levied based on population, rather than the hectares of net developable land area.

Impact of our recommendations on contributions rates

Although we have not been able to quantify the cost impact for all of our recommendations, we estimate that our assessment would reduce the total cost of works by around \$48.3m or 11.7%, from \$411.1m to \$362.8m. Most of the contributions rates will decrease except for the rates for high density dwellings, which would increase by 8.7% (Table 1). The increase is because of our recommendation to change the apportionment approach for open space infrastructure so that costs are apportioned on the number of residents in the development, rather than the area of the land being developed.

Table 1 Impact of our recommendations on contributions rates in CP15

Development type	Current contributions rate	IPART adjustments	
	\$	\$	%
Killarney Chain of Ponds catchment			
Large lot	91,013	-31,312	-34.4
Low density	60,675	-13,627	-22.5
Integrated housing	50,563	-12,208	-24.1
Senior housing	16,548	-1,333	-8.1
Multi-dwelling/attached housing	30,338	-1,377	-4.5
High density	15,169	1,326	8.7
Second Ponds Creek catchment			
Low density	47,706	-12,060	-25.3
Senior housing	13,011	-905	-7.0
Non-residential (per hectare)			
Killarney Chain-of-Ponds catchment	472,844	-93,117	-19.7
Second Ponds Creek catchment	278,296	-69,622	-25.0

Note: We have based our estimates on the council's dwelling density and occupancy assumptions.

Source: IPART calculations based on CP15.

Criterion 1: Essential Works List

We found nearly all of the works in the contributions plan are on the Essential Works List except for the indoor recreation centre in one of the parks (valued at \$18.9m). We consider that this open space work exceeds the definition of base level embellishment in the Practice Note. We also found that the miscellaneous 'sundry unmeasured items' in open space costs, valued at \$5.2m, are not reasonable to include in the costs in CP15 and should be removed. We consider that these items have not been defined compared with other sundry items, and that they also double count the contingency allowance for unforeseen risks.

Criterion 2: Nexus

We found that there is nexus between the infrastructure in the plan and the development in the Precinct. However, we found that the council has not included the costs for acquiring two parcels of land for a major road for which infrastructure costs have already been included in CP15. We recommend that the council includes these parcels of land in CP15 so that the acquisition costs are shared among all development in the Precinct. We also found that the good quality of open space facilities, in terms of the location, standard and accessibility of the facilities, helps to mitigate the low rate of open space provision.

Criterion 3: Reasonable costs

We found that most of the infrastructure costs in CP15 are reasonable, except for some costs which should be revised:

- ▼ Some transport cost estimates based on IPART benchmark costs³ should be replaced with detailed, site-specific estimates which are already available.
- ▼ The cost estimate for embellishing 12 hectares of passive open space (local parks) appears high and should be updated with a more recent cost estimate.
- ▼ The cost for around 3.4 hectares of land for a park (Park 3) was erroneously omitted from the cost sheets in CP15, but should be included.
- ▼ The contingency allowances applied to most transport and open space capital cost estimates do not align with the reduced risk associated with the availability of current designs and detailed cost estimates. The allowances should be reduced from 30% to 20%, and 20% to 15% respectively.
- ▼ Administration costs should be allocated over 25 years, rather than 40 years, consistent with our recommendation for a shorter development timeframe.

We found that the assumptions in the Net Present Value model used for CP15 are reasonable, and generally consistent with the recommendations in our 2012 Technical Paper.⁴ Although we prefer the use of real values for the model, we consider that the council's assumptions in its nominal model are reasonable. However, we recommend that the council consider adjusting its escalation assumptions by using specific producer price indices for each works category.

Criterion 4: Reasonable timeframe

We found that the proposed timing of infrastructure is reasonable. The council proposes to acquire all land for infrastructure by 2022; and stage stormwater, transport and open space infrastructure delivery over 23 years from 2017.

³ IPART, *Local Infrastructure Benchmark Costs - Costing Infrastructure in Local Infrastructure Plans - Final Report*, April 2014.

⁴ IPART, *Modelling local development contributions, Selection of a discount rate for councils that use an NPV methodology*, Final Technical Paper, September 2012, p 3.

However, we consider that the estimated rate of development over 40 years in CP15 is longer than the rate of development suggested both by development in nearby precincts, and by the timing of Sydney Water's servicing strategy. We recommend that the council reduce the timeframe in CP15 to 25 years, which could reduce the contributions rates by around 12% compared with the current 40-year timeframe.

Criterion 5: Apportionment

We found that the council's approach to apportioning the cost of infrastructure is mostly reasonable except for open space infrastructure, and a local bridge:

- ▼ We recommend that the cost of open space infrastructure be apportioned to residential development on a per person, rather than a per hectare basis, because it is more equitable. The demand for open space infrastructure will be driven more by higher density developments (generally, with more people) than larger lot developments.
- ▼ We consider that that 64% of the capital and land costs for the Edwards Road bridge (between Box Hill and the North Kellyville precincts) should be apportioned to CP15 and the remaining 36% to CP13 (North Kellyville).

Criterion 6: Consultation

The council made significant changes to infrastructure in CP15 since it was exhibited in August/September 2012. The changes have increased the cost of CP15 by around \$100m. However, the council did not consult with stakeholders on most of the changes. We have now recommended cost reductions of \$48.3m or 11.7% of the value of the existing plan. We recommend that the council re-exhibit CP15 after it has considered our recommendations and any requests made by the Minister, to enable stakeholders to comment on the new plan.

Criterion 7: Other matters

CP15 complies with the information requirements set out in the legislation and the 2005 Practice Notes. However, the council adopted the plan prior to submitting it to IPART for review. We recommend that, consistent with the Practice Note, councils should submit plans to IPART for review prior to their adoption. This will ensure that councils have an opportunity to make changes recommended by IPART (or requested by the Minister) before establishing the contributions rates.

Further information

For the full report, please visit our website:

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt