

Item 3.3

Infrastructure Contributions

File No: S051491

Minute by the Lord Mayor

To Council:

The City of Sydney strongly opposes the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021 that was introduced in June 2021 as part of the budget legislation with no public consultation or detail and that will radically change the way local infrastructure is planned, funded and delivered.

This Bill is an attack on the living conditions and amenity of the people of New South Wales. Currently, we have a system where developer contributions are used by councils to provide community infrastructure in the areas where development occurs.

This Bill will have far-reaching consequences, including in the City of Sydney, which hosts over 1.3 million people each day and generates over 20 per cent of the State's economy.

The proposed changes would see developers pay up to half their contributions to the State Government instead of councils, to spend on opaquely defined "regional" infrastructure.

Sydney's success over the last two decades, and its future success, depends very much on what the city does to make it liveable, workable and a desirable destination for global companies.

The changes risk curtailing our ability to deliver the infrastructure essential to supporting Australia's global city, which is a major contributor to the State economy. Infrastructure contributions from developers should be spent locally. Developer contributions should be spent on infrastructure that relates to the development of the local neighbourhood.

It is critical to delivering parks, open spaces, community facilities, roads and footpaths. The bill filches funding from the areas of greatest infrastructure need and puts it into a pot that can be disbursed anywhere, with little or no accountability on where or what it is spent on.

To compensate, the State Government has said it will allow councils to charge higher rates. This is blatant cost shifting and could seriously impact the ability of councils to provide vital improvements to neighbourhood amenity associated with development.

This could result in urban blight or councils having to raise rates to provide essential infrastructure to improve neighbourhoods, where development occurs.

Regardless, our communities will be far worse off.

Based on the information in the Bill, there is no requirement for a clear plan for the allocation of regional contributions and no commitment to transparent reporting on how they are spent.

In effect, the State Government is proposing to take infrastructure dollars from each community, and in the City of Sydney's case one of Australia's densest communities with rapidly changing needs, with no guarantee the money would be spent on infrastructure to support those neighbourhoods.

Developers will also be granted a "payment holiday", to delay contributions until after construction is completed. Infrastructure will inevitably lag behind new development and people will be moving into homes without adequate associated civic improvements for access, safety, and amenity.

It is clear that councils will be significantly worse off financially and the ultimate cost will be borne by ratepayers who will lose the benefits of adequate infrastructure or will have to pay for it through significant rate increases.

We have not yet seen the detail but what we do know from the NSW Productivity Commission Report is that the State may take half of our development infrastructure contributions. For the City that is estimated to be lost revenue of at least \$35 million a year – or \$350 million over our 10-year long term financial plan. To make this up in rates revenue, the City would need to raise rates by 13 per cent per year instead of the annual increase stipulated by rate pegging for all local councils – usually around 2 per cent.

Of the \$1.57 billion allocated towards new infrastructure in the City's current 10-year capital works program, around \$400 million is currently budgeted through development contributions. A 50 per cent reduction puts significant projects at risk. We would have to plead to the State Government to fund critical flood mitigation, essential new sport facilities to meet population growth, or planned park and playground upgrades.

As it is, the State Government is still playing catch-up on delivering essential state services in the City, despite having collected an estimated \$11 billion in stamp duty from our local government area since 1994. If the State Government wants to establish a regional infrastructure fund, that should be funded from its own revenue sources, such as stamp duty, rather than robbing local government revenue.

This is nothing short of a State Government tax rise by stealth – using local government as its proxy. It also robs developers of the valuable contributions they make to support the areas they're building in, diverting money to fund State Government infrastructure in other areas of Sydney.

At its core, the Bill represents a diffusion of valuable infrastructure funding from areas of greatest infrastructure demand, putting the financial viability of local councils at risk with no discernible benefit to either the community or industry, and no likely improvement to housing affordability.

The Bill has been nefariously introduced in the middle of a major crisis, and on the eve of pre-Local Government election caretaker period.

Recommendation

It is resolved that:

- (A) Council note:
 - (i) the City's submission to the Parliamentary Inquiry on the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021; and
 - (ii) on 16 July 2021, the Lord Mayor and Chief Executive Officer gave evidence at the Parliamentary Inquiry into the proposed Bill in relation to the City's serious concerns with the draft legislation;
- (B) Council endorse calls for the NSW Government to not proceed with the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021; and
- (C) the Lord Mayor be requested to write to the Premier and Minister for Planning and Public Spaces seeking them to withdraw the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021.

COUNCILLOR CLOVER MOORE

Lord Mayor