



THE HILLS
Sydney's Garden Shire

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29 November 2019

NSW Productivity Commissioner
Mr Peter Achterstraat AM

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

Our Ref: FP99

Dear Mr Achterstraat

SUBMISSION – KICKSTARTING THE PRODUCTIVITY CONVERSATION

I refer to the Productivity Commission's Discussion Paper and thank you for the opportunity to provide input, appreciating that the Paper represents the early stages of a reform agenda that aims to determine how NSW Government can support growth in the State's living standards.

These comments are provided having regard to previous resolutions of the Hills Shire Council and the strategic framework provided by the Hills Future Community Strategic Plan and the recently endorsed Hills Future 2036 - Local Strategic Planning Statement; however the submission itself has not been reported to Council given the reporting timeframes.

The six focus areas identified as part of the Commission's initial research and consultation are wide ranging and reflect some issues that are faced by Council on a regular basis, particularly in the areas of infrastructure, taxation, planning and regulation. The Hills Shire is well placed to provide input to productivity reforms from a local government perspective, noting we are debt free and in a strong financial position and have considerable experience in delivering services and infrastructure and planning for growth.

The Shire has for many years contributed greatly to the growth of Sydney in terms of housing, jobs and economic output and will continue to do so. By 2036 the population of The Hills is expected to grow by around 80% to over 290,000 people. To accommodate these new residents we will need to deliver around an additional 38,000 new homes and 50,000 new jobs. New housing will be provided in release areas as well as urban renewal along the corridor of the Sydney Metro Northwest, with seven new stations within or immediately adjacent to our LGA.

Council is working hard to create living, working and leisure spaces that contribute to an exceptional quality of life for residents. However despite reforms to the State planning system over recent years, challenges continue to be faced as we seek to deliver a diversity of housing types and provide for growth aligned with infrastructure and service levels expected by the community.

I have attached some preliminary comments and suggestions on the productivity focus areas where it is considered that Council's experience and expertise can add value to discussion:

- Getting the most out of infrastructure investments
- Enabling Council to deliver better services
- Unlocking the potential of employment zones
- Building dwellings that match residents' preferences
- Making the most of public and green space
- More efficient and equitable developer contributions
- Minimising red tape and complexity

The Discussion Paper talks to other issues including sustainable water and energy usage, building human capital to support productivity growth, reducing inefficiencies in property tax, getting the most out of road and rail assets and using smart infrastructure and innovative service delivery models. Council looks forward to being involved in further conversations on these issues.

I note that the Commission intends to seek additional feedback through targeted face to face consultation and I would greatly appreciate the opportunity to meet and discuss in more detail the matters raised. Prior to the formulation of the Green Paper, I look forward to Council being further involved to assist in refining priority areas and developing meaningful policy responses to enhance both State and local productivity.

Should you have any enquires or wish to arrange a meeting to discuss further, please contact

[REDACTED]

Yours faithfully

[REDACTED]

ATTACHMENT

1. Preliminary comments and suggestions on the productivity focus areas



ATTACHMENT 1 - PRELIMINARY COMMENTS AND SUGGESTIONS

NSW PRODUCTIVITY COMMISSION - KICKSTARTING THE PRODUCTIVITY CONVERSATION

The NSW Productivity Commission seeks to open a discussion on how the NSW Government can best support continued growth in living standards into the future, with a focus on increasing productivity. This submission provides some feedback on parts of the focus areas where Council's local experience and expertise can add value to discussion:

- Getting the most out of infrastructure investments
- Unlocking the potential of employment zones
- Building dwellings that match residents' preferences
- Making the most of public and green space
- More efficient and equitable developer contributions
- Minimising red tape and complexity

Council officers are willing to meet with the Commission to further detail on the matters outlined below, upon request.

Getting the most out of infrastructure investments (pages 83-84)

The Discussion Paper questions how strategic land use planning and coordination with major infrastructure delivery can be improved. It is agreed there is a need to secure land early before the inevitable increase in land values once projects are announced and strategic plans executed. How this will occur in practice is clearly a challenge. Existing landowners close to the new stations of the Sydney Metro Northwest have benefitted from massive increases in the value of their land with no risk, no investment in public infrastructure and in majority of cases no payment of land tax.

Council's experience with the precinct planning led by State Government for Showground Station, Bella Vista and Kellyville Precincts has not been reassuring and we have no certainty that the future population in these areas can be adequately serviced by school infrastructure. Similarly where residential growth and densities have exceeded what has been planned for in the north west growth centre, solutions to respond and manage the implications for infrastructure and the character of the area, have stalled at the Department of Planning Industry and Environment for over 2 years.

Whilst alignment is a key consideration of the new strategic planning framework created by the Greater Sydney Region Plans, District Plans, State Infrastructure Strategy, Future Transport 2056, and the proposed Place-based Infrastructure Pilot (currently on exhibition) there are a number of projects identified as 'visionary' projects with no firm commitment to planning or delivery.

For example in Future Transport 2056 a mass transit link between Norwest and Parramatta is nominated for 20+ years before planning will commence, even though this link would cement Parramatta at the heart of the Central City. Likewise the Outer Sydney Orbital will connect productive rural and employment land to customers and markets in the Central Coast and the Western Sydney International Airport but is yet to have the full length of the corridor preserved between northwest Sydney and the Central Coast.

Commitment is needed from all stakeholders including a willingness from relevant agencies to

consider earlier investigations where there are clear productivity benefits. There is also a need for more frequent and responsive reviews of the strategic infrastructure plans and State regulatory plans such as the Growth Centres State Policy.

Enabling Councils to deliver better services (pages 103-105)

This section of the Discussion Paper speaks to the delivery of Council services and how these are funded now and into the future. Issues identified in the Paper include rate pegging, the broadening scope of Council services, community expectations and transparency and monitoring.

The rationale of rate pegging to ensure costs are controlled and to manage local government costs within limits is recognised, however greater flexibility is needed to better reflect the costs being borne by councils and respond to challenges in delivering the service levels sought by residents. In the long term Council will continue to face challenges in funding increased levels of service in new areas unless an adjustment to Council's income base is achieved with certainty. For any Council, the process of seeking a Special Variation is onerous and time consuming with no certainty that favourable consideration will be given by IPART.

The position set out in the Discussion Paper is supported, however not all councils are as efficient as others and clearly any removal of pegging would require careful management and accountability which, as noted in the Discussion Paper, is ultimately provided by local government elections every 4 years.

The Hills Shire Council is one of the most competitive, financially responsible and high performing in the State and would welcome the opportunity contribute our expertise to progress this conversation, we would also encourage a critical examination of the costs shifted onto local government by other levels of government.

Unlocking the potential of employment zones (pages 116-118)

The Discussion Paper correctly identifies that the role of planning is to shape the environments which spur and support productivity. The zoning framework is the key tool for planners in shaping environments which balance the needs of business, individuals and the community more broadly.

Whilst it is acknowledged that where controls are overly prescriptive they can negatively impact the ways a place develops, the same can be said about having too much flexibility within the zoning framework. Council is currently seeking ways to encourage higher order employment in strategic centres, consistent with the focus of the Region and District Plan to grow investment, business opportunities and jobs in strategic centres. A key challenge is how to achieve and preserve opportunities for employment development when there is continued pressure by way of rezoning proposals for high density residential development. Once residential land use values are signaled in traditional business, employment uses will struggle to compete.

Collapsing the business zones to just two, as suggested in the Paper, is not necessarily the answer. Whilst the Standard Instrument Local Environmental Plan only mandates a small number of uses in employment zones, there is sufficient flexibility for Council to include other uses which complement the mandated uses, enabling a more tailored approach which supports the creation of great places.

Building dwellings that match residents' preferences (page119)

This section of the Discussion Paper talks about minimum apartment sizes contained in the Apartment Design Guide and suggests that having a minimum is limiting housing supply, increasing price, impacting amenity and limiting choice for purchasers. The paper seems to suggest that purchasers may be willing to 'trade-off' additional space for factors such as location or price, that they must therefore want smaller apartments.

Rather than rely on material prepared by an industry lobby group, Urban Taskforce, Council firmly believes that independent research that explores the housing type and dwelling mix and size that may be desired and is missing from the market place should be carried out to inform any change in this area. Council's own modelling indicates more and larger families looking to access apartment living in the future and providing functional amenity remains a key factor in the role of regulation for long term community benefit. Consumers will then have the opportunity of maintaining choice through a diversity of high quality product rather than letting the developer limit the freedom of the market to act by only providing a reduced and restricted product offering. We need to focus on building the housing we need not just what is cheap. A mix is needed to keep price relativity.

A willingness to accept a smaller apartment due to cost or limited choice does not equate to an expression of preference for that dwelling type. Improving housing diversity will create more choice in the market place which will, in the long term, improve the affordability of housing and will make high density living a more attractive housing option for a broader range of household types and budgets.

There is a need to build confidence that increased density can deliver high quality housing product, exhibit excellent design, contribute to local character and provide associated amenity and public domain improvements for the community.

Council introduced a housing diversity clause in 2016 that required a greater proportion of apartments to have three or more bedrooms and larger living areas, noting the expected number of new family households as the Shire grows. To date the provision has been well received and is enabling Council to ensure that as our higher density areas develop that there will be new homes suitable for our resident's needs, lifestyles and preferences. Consideration could be given to similar incentive provisions on a wider scale to better respond to consumer preferences.

Making the most of public and green space (pages122-124)

The Discussion Paper speaks to finding innovative solutions to the provision of open space. Meeting our communities' needs for passive and active open space is a significant challenge, particularly in urban renewal areas where there are limited opportunities to secure new areas of open space for active recreation.

Council has entered into a shared use arrangement with the recently opened Bella Vista Public School for use of a playing field and indoor recreation facility. Whilst this arrangement has some advantages, it also presents a number of challenges including fragmentation of sporting facilities and challenges in negotiating appropriate shared use arrangements. Council would welcome the opportunity to discuss this arrangement and share our learnings from the experience which will assist in shaping decision making on future shared use arrangements.

More efficient and equitable developer contributions (pages125-126)

This section of the Discussion Paper categorizes infrastructure costs as development-dependent (water, wastewater, stormwater) and population-dependent (public transport, motorways) and suggests that efficiencies can be gained by funding population-dependent infrastructure from other sources (including local government rates).

Equitable funding for infrastructure is a significant challenge for State and Local Government alike and the principles of nexus, apportionment and reasonableness have been part of the local infrastructure framework for many years. Suggestions to use the local rate base to fund the cost of infrastructure necessary for the growing population has the potential to give rise to more inequities than the current framework, noting that unlike some other parts of Sydney, existing development in Western Sydney, have already paid their share towards local and regional infrastructure.

Of more relevance to achieving productivity gains is the need for timely payment of gap funding to councils under the Local Infrastructure Growth Scheme, review of the IPART process and essential works list for contributions plans and implementation of infrastructure items under State Special Infrastructure Contributions. Council is continually frustrated by significant and ongoing delays in these matters and the limitations of the essential works list that seriously hamper efforts to align infrastructure with growth and achieve places that provide true quality of life for residents.

As a provider of infrastructure with greater access to finance than individual Councils, the State Government must consider funding the timely acquisition of land through a central agency. Councils could then engage with Government in new release areas as roads, drains, parks and other facilities were required to be delivered.

Additionally, the role of infrastructure NSW should be reviewed with a view to allowing it to become the 'master delivery' agent of infrastructure on an englobo basis in green field release areas. This would satisfy the project value level necessary for Infrastructure NSW to engage and they could then progressively recoup developer contributions against project finance perhaps obtained at rates available to Government through TCorp.

Council is well experienced in the development and application of contributions schemes for release areas and urban renewal projects and would be pleased to share our experiences of the challenges in developing and implementing contributions schemes.

Minimising red tape and complexity (pages 127-130)

This section speaks to the administration of the planning system and the cost of compliance, with a particular focus on time taken for development approvals. It is noted that the *Environmental Planning and Assessment Act 1979* has only recently been reviewed with the purpose to provide an 'updated, modern planning system that is simpler, faster and designed to ensure high quality decision and planning outcomes.' There is a need to review and evaluate the success or otherwise of the changes that have been implemented.

Whilst the Discussion Paper generally alludes to delays in decision making for development applications determined by Council, it is worth mentioning that the increased role of planning panels has greatly reduced the number of applications able to be determined by Council's and can result in significant delays.

There is minimal value in the role and function of Local Planning Panels as they erode Council's ability to promote good development outcomes, having regard to local context and expectations, including ongoing issues regarding alleged conflicts of interest for Council Officers sitting on these panels. To improve efficiency and ensure economic and community benefit there is a need to diminish the role and ambit of Planning Panels.

With respect to alleged delays on planning proposals (spot rezonings), much time and consideration is given to community and councillor concerns in an effort to balance development controls against their expectations. This would seem to indicate that the current system could be improved for all parties.