

19 December 2015

**Attention: Mr David Pitchford, Chief Executive Officer, UrbanGrowth NSW**

**Re: Draft Parramatta Road Urban Transformation Strategy**

This submission is made in relation to Draft Parramatta Road Urban Transformation Strategy (the Strategy) and supporting documents. The Strategy provides a long term vision for the transformation of the Parramatta Road Corridor including 8 (eight) growth precincts. The submission provides some specific comments and raises high level policy concerns regarding the direction and implementation of the Strategy.

The Urban Taskforce is keen to work closely with the Government to provide a development industry perspective on this issue. Please feel free to contact me on telephone number 9238 3927 to discuss this further.

Yours sincerely

**Urban Taskforce Australia**



Chris Johnson AM  
Chief Executive Officer

# Draft Parramatta Road Urban Transformation Strategy

Submission to Urban Growth NSW prepared by **Urban Taskforce Australia**, December 2015

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## **1. More jobs and housing are needed**

The Parramatta Road Urban Transformation Strategy (the Strategy) states that the vision, principles and strategic actions will contribute to a future Parramatta Road Corridor that is home to 70,000 people in 40,000 new dwellings, and 50,000 new jobs. The Urban Taskforce believes these targets are too modest. The provision of the WestConnex will provide additional access and amenity to the area. In order to optimise the benefits of the government's substantial financial investment in WestConnex, additional housing and jobs should be sought.

In June 2012, the Urban Taskforce released a strategy to transform Parramatta Road into a 'Liveability Corridor' (**Attachment A**) providing 100,000 new dwellings and 100,000 new jobs<sup>1</sup>. This Strategy was informed by advice from our members, who own significant development sites, ready for renewal, along the Corridor. We also obtained urban design advice from a number of highly regarded architects who were able to demonstrate the value of well-designed high density development as a driver of urban renewal, while delivering positive urban design outcomes. Nine financially viable development schemes were identified and outlined. Each scheme provides a diverse range of housing and employment. These schemes have not been able to progress and the owners of the sites are still waiting for clear direction from the government with regards to the future of the corridor.

Therefore we request UrbanGrowth NSW consider taking a bolder approach to the Strategy and revise its conservative aim of providing 40,000 dwellings and 50,000 jobs. The precincts along the Corridor are exceptionally well serviced by key transport infrastructure and are within easy access of employment opportunities and services. It is a lost opportunity if targets are set too low.

The proposed employment target of 50,000 new jobs appears to change throughout the Strategy and supporting documents. The *Open Space and Social Infrastructure Report*<sup>2</sup> the *Parramatta Road PRECINX Sustainability Report*<sup>3</sup> and the *Parramatta Road Precinct Transport Plan*<sup>4</sup> states that the Corridor will provide '30,000 new jobs'.

## **2. More precincts should be identified along the corridor**

The Parramatta Road Corridor covers eight precincts and land with direct frontage to Parramatta Road. 'Frame Areas' are also included, which extend to the first street / laneway running parallel to the north or south of Parramatta Road. This very prescriptive and generic selection of land will miss many opportunities for redevelopment of sites which are located in very close proximity of Parramatta Road, but are not included within the Precincts or Frame Areas. Additional precincts should be identified as there are many sites able to contribute to the realisation of the strategic aims of the Parramatta Road Strategy.

## **3. Voluntary Planning Agreements should be used sparingly**

The *Parramatta Road Open Space and Infrastructure Strategy* recommends that councils 'maximise the use of the existing mechanisms for financing social infrastructure through existing s94, 94A and Voluntary Planning Agreements, for upgrades and new infrastructure.'

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<sup>1</sup> Urban Taskforce Australia (2012) *Urban Ideas: 100,000 new apartments and 100,000 new jobs can transform Parramatta Road into a liveability corridor – new approach to mixed use zoning.* ([www.urbantaskforce.com.au](http://www.urbantaskforce.com.au))

<sup>2</sup> AECOM (September 2015) *Parramatta Road Open Space and Social Infrastructure Report* (September 2015) ([www.newparramattard.com](http://www.newparramattard.com))

<sup>3</sup> Kinesis (September 2015), *Parramatta Road PRECINX Sustainability Report* ([www.newparramattard.com](http://www.newparramattard.com).)

<sup>4</sup> AECOM (September 2015) *Parramatta Road Precinct Transport Report* ([www.newparramattard.com](http://www.newparramattard.com))

Unfortunately, in many instances Voluntary Planning Agreements are not voluntary at all. Many councils are now using this mechanism as a tool to extract additional contributions from developers that would not typically have been paid. This generally occurs when the density controls are planned to be increased by a strategic plan, such as the Strategy. The Urban Taskforce believes that Urban Growth NSW should not be encouraging councils to rely upon VPAs as a key source of revenue for infrastructure.

Urbis<sup>5</sup> provides two examples of where this has occurred:

- North Sydney Council is increasing densities within St Leonards. The centre requires additional open space for the denser population that will reside in the centre. By increasing the density control, more units can be accommodated and council will collect more contributions through their Section 94 plan to embellish existing facilities or expand community services. However, Council is forcing applicants wishing to take advantage of the increased densities to prepare a Planning Proposal and concurrently enter into a VPA to pay in the order of \$500 per square metre for the additional floor space beyond the current controls. A recent VPA for the site included an additional contribution of \$1.5 million in the VPA to facilitate the amendment to the LEP to take advantage of the new height and FSR controls.
- Ryde Council are also increasing density controls in the Macquarie Park Centre. The increased densities cannot be accessed for land owners without entering into a VPA that will bind the developer to pay a contribution in the order of \$200-\$300 per square metre for the additional commercial floorspace beyond the current controls. Again, these VPA contributions are on top of the existing section 94 Plans.

These two examples illustrate how councils are manipulating the strategic planning process to extract more contributions from developers for routine reviews and changes to planning controls. Councils within the corridor must review their planning controls and update densities to respond to the Strategy without requiring developers to enter into 'voluntary' planning agreements requiring payment of exorbitant amounts of money to unlock the additional density.

#### **4. Special Infrastructure Contributions or value capture should be minimised as they drive up the cost of housing and create uncertainty**

Special Infrastructure Contributions or value capture levies are complex and often set too high. They discourage investment in housing, lower the overall supply of housing and raise housing prices. The Federal Government report on tax, *Australia's future tax system: Final Report*<sup>6</sup> (the Henry Tax Review) concluded that development levies were only justifiable when they reflected the avoidable costs of development. The report explained that 'where infrastructure charges are poorly administered', particularly where they are complex or set too high, 'they can discourage investment in housing, which can lower the overall supply of housing and raise its price.'

The Henry Tax Review also found: 'A particular form of tax used when land is re-zoned for alternative use is a 'betterment tax which attempts to capture some of the increase in land value. Betterment taxes are not infrastructure charges since the objective is to tax economic rent, although sometimes the revenues are hypothecated (that is, earmarked) to infrastructure provision'. The Review also observes that 'in general, infrastructure charges will

<sup>5</sup> Urbis Think Tank (7 February 2013) *When 'voluntary' contributions become just another cost to development in NSW*, [www.urbis.com.au](http://www.urbis.com.au), accessed November 2015.

<sup>6</sup> Australian Government (2010) *Australia's future tax system: Final Report*. [www.taxreview.treasury.gov.au](http://www.taxreview.treasury.gov.au)

operate more effectively if they are set to reflect the cost of infrastructure, not to tax the profit of development.'

According to the review, the consequences of a tax on the 'profit' of a development are clear: 'Where the charge exceeds the cost of providing infrastructure, it acts like a tax and can discourage development. This is more likely to occur where the size of the charge is not set relative to the cost of infrastructure but the developer's capacity to pay. In these cases, the charges may attempt to capture part of the increase in value resulting from the provision of infrastructure or from changes in zoning,

The random nature of government imposed levies has created considerable uncertainty. The Review notes that 'where developer charges are set in an ad hoc fashion or are subject to unexpected changes, they can create certainty around new developments. If infrastructure charges are increased after a developer has bought land from its original owner, they cannot be factored into the price previously paid for the raw land. In this case, the charge would lower the expected return from the development. In return, general uncertainty about charging is likely to discourage development activity, which could reduce the overall supply of housing.

We recommend that no value capture levies are introduced for development along the Parramatta Road Corridor. If any value capture mechanisms are introduced, there must be a subsequent uplift in gross floor area to minimise the financial impact upon development feasibility.

#### **5. The Urban Taskforce is keen to be consulted in the preparation of the Housing Diversity Policy**

Principle 1 of the Strategy, "*Plan for a diversity in housing and employment to meet existing and future needs*" notes that 'this may require possible amendments to planning mechanisms or development controls. Decisions may be guided by a future Housing Diversity Policy<sup>7</sup>.' The Urban Taskforce is keen to be consulted in the development of the Housing Diversity Policy. Input from an industry perspective will help ensure that this Policy delivers a diverse range of housing without imposing onerous requirements upon developers or impacting upon the financial feasibility of proposed development.

#### **6. Timeframes for delivery are far too long**

The Strategy indicates that 'development approvals and construction' are anticipated to commence in '2018 onwards'. The investigation and preparation of strategies for the planning of the Parramatta Road Corridor has been underway for many years. In the interests of progressing the strategy, we urge the Government to move expediently towards rezoning and finalising of the statutory plans to implement the strategy. This can be done quickly and efficiently through a State Environmental Planning Policy. Waiting for local government initiated planning processes through a Section 117 direction could result in even greater delays for development.

An alternative approach is to identify 'best practice' sites along the corridor. These sites could be developed to set the standard and approach to development along the corridor, and could be part of a special fast-track assessment system.

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<sup>7</sup> UrbanGrowth NSW (September 2015) *Draft Parramatta Road Urban Transformation Strategy*, [www.newparramattard.com.au](http://www.newparramattard.com.au)

## **7. The Urban Taskforce is keen to be consulted in the preparation of the Economic Development and Intervention Strategy**

The Strategy states that an Economic Development and Intervention Strategy will be prepared for the corridor. The Urban Taskforce is keen to provide input and information to assist in the development of this strategy.

## **8. Performance Monitoring should be meaningful**

A number of Performance Monitoring Indicators are provided on page 97 of the Strategy. In the interests of accountability and transparency, and in order to provide a true and accurate measurement of the implementation of progress of the development along the Parramatta Road Corridor we suggest the following indicators are also provided:

- Number of dwellings approved along the Corridor
- Number of dwelling completions along the Corridor
- Time taken to assess planning proposals along the Corridor
- Time taken to assess development applications along the Corridor

These 4 indicators would assist in demonstrating how development is meeting the 40,000 indicative dwelling target outlined in the strategy. Regular updates should be provided and made public to ensure that all parties are informed.

Time taken to assess planning proposals and development applications is a valuable and useful indicator to developers and investors interested in sites along the Corridor to determine risk and feasibility. It is important for the property development and equity finance industry that these are included in Performance Monitoring.

## **9. A State Policy (SEPP) is the most effective mechanism to implement the Strategy**

The Strategy states that there are 2 options for implementation. Firstly, the Strategy could be supported by a section 117 Direction that requires planning and development proposals for new land uses or transport infrastructure within the Corridor to be consistent with the vision, principles and actions of the Strategy. Alternatively, a new State Policy (presumably a State Environmental Planning Policy) may be prepared for the Corridor to identify the state and regional planning principles that would need to be considered and to potentially rezone.

Of these two options, the Urban Taskforce believes the implementation of a new State Policy, which rezones the corridor and gives the Strategy strong statutory weight would be the most efficient and effective mechanism for implementation. An amendment to the existing State Environmental Planning Policy (Urban Renewal) would be appropriate, or an entirely new State Policy could be prepared, drafted, exhibited and gazetted in an expedient manner.

A Section 117 Direction is not as direct nor as effective as a State Policy. Many years could pass waiting for Councils to prepare a new Local Environmental Plan to give the Strategy effect, and lead to a fragmented and disjointed development process. A State Policy to implement the strategy in its entirety is more appropriate. This could be combined with the Priority Precinct Process.

## **10. Local councils should support the strategy**

The Parramatta Road Corridor spans several local government areas. Collaboration and cooperation is required between local and state government to successfully deliver the Strategy. We note the recently announced amalgamation of councils in the Sydney Metropolitan area and applaud this move. The Urban Taskforce supports UrbanGrowth NSW's consultative and inclusive relationship with councils in the development of the

Strategy. However, our members have informed us that some councils are more supportive of the Strategy than others. Certain councils have been deliberately obstructive of proposed development along the corridor and we fear that these councils may deliberately delay making changes to their planning instruments to implement the strategy. This effort to sabotage the state government's plans for the Parramatta Road Corridor will hinder development and will lead to the failure to provide sufficient zoned land for housing and jobs to meet the targets set out in the strategy.

In these instances, state government must demonstrate leadership and not indulge the interests of small-minded anti-growth councils. Where local council opposition cannot be satisfactorily resolved in a timely fashion, local planning powers for that portion of Parramatta Road should be removed from the local council and given to the Minister for Planning or the Greater Sydney Commission.

### **11. Unproductive or under-utilised industrial land should be rezoned to mixed use or residential**

The cumulative impact of lot and ownership patterns, existing uses and perception of certain areas within the Corridor make large scale non-residential development challenging to feasibly develop. In many cases, residential uses are required to cross subsidise non-residential development. The Parramatta Road Economic Analysis Report states that 'At present price and rental levels, unless land can be assembled cheaply into large scale non-residential development is not feasible.'<sup>8</sup>

The report also states that 'owing to the high cost to assemble a brownfield / infill site, large scale urban renewal of non-residential uses is not as yet feasible unless a site can be assembled competitively (<\$1500 square metre of site area) or unless there is a transition in use to a higher order use e.g. mix of uses that when combined result in a higher rate per square metre of revenue.'

The government's constant stalling and delaying in developing the Parramatta Road corridor, combined with lot patterns are have created land value expectations, mostly speculative, which drive up the cost of land and suppress non-residential development activity. These circumstances can make non-residential development difficult and unprofitable. We note that Appendix A Immediate Strategic Action items states:

*"With the Parramatta Road Retail and Commercial Market Demand Study and the Parramatta Road Economic Development and Intervention Strategy (to be prepared) as a base, develop specific provisions for each Precinct to apply to rezoning decisions, including retaining strategic significant employment precincts..."*

The Urban Taskforce is keen to engage with Urban Growth NSW, Department of Planning and Environment and the Greater Sydney Commission in the development of any policy, guidelines, fact sheets and / or guidance notes on this issue.

#### **Comments on the Immediate Strategic Action items**

Appendix A: Immediate Strategic Action includes the following action item:

- Collaborate with the NSW Department of Industry and local businesses to develop an Economic Development and Intervention Strategy that include:
  - constraints to economic growth and productivity including accessibility, amenity, infrastructure, planning and development controls, lot sizes and ownership

<sup>8</sup> AEC Group Ltd (September 2015) *Parramatta Road Economic Analysis Report*, [www.newparramattard.com.au](http://www.newparramattard.com.au)

*patterns, land values and market dynamics, managing underperforming industrial lands through planning responses such as greater flexibility in land use and development controls.'*

The Urban Taskforce wishes to be consulted in the development of the Economic Development and Intervention Strategy. We strongly support flexibility in land use and development controls for under-utilised industrial land. The rapidly changing nature of Australia's manufacturing and industrial sectors has led to the decline in demand for industrial land and it is highly likely that alternative uses may be possible.

- *'Reform and expand the Employment Lands Program to public annual employment development data and analysis to inform the development and revision of economic and industrial demand and supply factors, and employment projections in the Corridor'*

The Urban Taskforce supports the reformation and expansion of the Employment Lands Program and the public reporting of annual employment data. We also request that a group, similar to the Employment Lands Taskforce, be formed, including representation from industry and other relevant stakeholders, to assist in the development and supply of employment land along the Corridor.