Urban Taskforce
AUSTRALIA

The Urban Taskforce represents Australia's most prominent property developers and equity financiers. We provide a forum for people involved in the development and planning of the urban environments to engage in constructive dialogue with government and the community.

4 February 2016

Department of Planning & Environment

GPO Box 39

SYDNEY NSW 2001

Attention: Ms Carolyn McNally, Secretary – Department of Planning and Environment

Sydenham to Bankstown Urban Renewal Corridor Strategy

Thank you for the opportunity to comment on the Sydenham to Bankstown Urban Renewal Corridor Strategy (the Strategy) and associated documents. The Strategy identifies opportunities for additional homes and jobs close to existing public transport, employment areas and town centres along the Bankstown Rail Line, specifically Bankstown, Punchbowl, Wiley Park, Lakemba, Belmore, Campsie, Canterbury, Hurlstone Park, Dulwich Hill, Marrickville and Sydenham. The submission raises high level policy concerns regarding the direction and implementation of the Strategy.

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

The *Sydenham to Bankstown Urban Renewal Corridor Strategy* intends to shape the development of approximately 36,000 additional dwellings and 9,925 additional jobs over the next 20 years[1]. The Urban Taskforce believes these targets are too modest. The provision of the Sydney Metro line, which has capacity to run trains on the Bankstown line at least every four minutes in the peak periods[2], will provide additional access and amenity to these areas. In order to optimise the benefits of the government's substantial financial investment in the new Sydney Metro line, additional housing and jobs should be sought.

We therefore request that the Department of Planning & Environment (the Department) consider taking a bolder approach to the Strategy, and revise its conservative aim of providing 36,000 dwellings and 9,925 jobs. We also request the precinct boundaries be extended from a 400 metre radius around each station to an 800 metre radius, which is a widely accepted measurement of a 'walking catchment' from a transport hub[3].

The precincts along the Corridor will be within easy access to employment opportunities, schools and services. It is an opportunity lost if housing and employment targets are set too low.

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[1] Department of Planning & Environment (October 2015) *Sydenham to Bankstown Urban Renewal Corridor Strategy*, www.planning.nsw.gov.au

[2] Department of Planning & Environment (October 2015) *Sydenham to Bankstown Urban Renewal Corridor Strategy*, www.planning.nsw.gov.au

[3] Australian Government – Department of Infrastructure and Transport (2013) *Walking, Riding and Access to Public Transport: Supporting active travel in Australian communities – Ministerial Statement*, www.infrastructure.gov.au

Urban Taskforce Australia Ltd. ABN: 21 102 685 174 | GPO Box 5396 Sydney NSW 2001

T 612 9238 3955 | F 612 9222 9122 | Level 12, 32 Martin Place Sydney NSW | Level 6, 39 London Circuit, Canberra ACT

admin@urbantaskforce.com.au | www.urbantaskforce.com.au

2. ***Value capture should be avoided as this drives up the cost of housing, creates uncertainty in the market, and deters investment***

The Strategy states *'The Government is investigating a range of funding sources for infrastructure to support the Strategy. This will include mechanisms which enable the Government to share the value uplift created by increased development density and investment in better infrastructure and services*[4]*.'*

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*[5] (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...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'*. Also, *'in general, infrastructure charges will operate more effectively if they are set to reflect the cost of infrastructure, not to tax the profit of development.'*

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 Henry Tax Review notes that *'where developer charges are set in an ad hoc fashion or are subject to unexpected changes, they can create uncertainty 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.'*

There is already a large number of government taxes, levies and charges which apply to development of property in NSW. This includes Stamp Duty, Section 94 contributions, Special Infrastructure Contributions, rates and other payments.

We recommend that no value capture levies are introduced for development along the Sydenham to Bankstown Urban Renewal Corridor. If any value capture mechanisms are considered for introduction:

- There must be a subsequent uplift in gross floor area to minimise the financial impact upon development feasibility;
- The levy should be dispersed over as wide an area as possible, for example over the Sydney Metropolitan Area or a large district, and

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[4] Department of Planning & Environment (October 2015) *Sydenham to Bankstown Urban Renewal Corridor Strategy*, www.planning.nsw.gov.au

[5] Australian Government (2010) *Australia's future tax system: Final Report.* www.taxreview.treasury.gov.au

- The levy should be based upon land value, not upon a developer's perceived capacity to pay.

3. *Timeframes for delivery are uncertain*

Aside from stating that the Strategy intends to be completed by 2036, the Strategy does not contain any clearly defined timeframes for delivery. Dates for key milestones are essential for the development industry, such anticipated timeframes for completion of the rezoning process and dates for when development approvals can be submitted and construction may commencement. In the interests of accountability and transparency, these timeframes should be identified and make available to the public.

4. *Unproductive or under-utilised industrial land within the Corridor 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. At present price and rental levels, unless land can be assembled cheaply into large scale non-residential development is not feasible.

The Urban Taskforce is keen to engage with the Department of Planning and Environment and the Greater Sydney Commission to develop a process for rezoning unproductive and under-utilised industrial land along the Corridor to mixed use or residential.

The Urban Taskforce is always willing 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

Chris Johnson AM

Chief Executive Officer

Urban Taskforce Australia