# 6 BARRIERS TO IMPLEMENTATION

## 6.1 Timing of Precincts

The staging of release areas is critical to the success of the Growth Centres. Well ordered releases that facilitate infrastructure construction in a logical and timely manner are dependent on the capacity of existing infrastructure, timeliness of investment from developers, utilities and government and the ability of large land parcels and fragmented areas to proceed in parallel.

UDIA NSW emphasises that a mix of small and large developers is required to avoid gaps in infrastructure and the urban fabric while maintaining a degree of competitiveness in the greenfield development market. Inherent in this process is:

i. an infrastructure levy that is responsive to the market;
ii. collection of the levy in timely fashion to fund infrastructure during delivery. Collection of the contributions too early prejudices the development by transferring available operating capital and generating onerous holding costs; and
iii. facilitating the amalgamation of fragmented land.

Section 6.3 and Appendix 2 contains an innovative solution that addresses both boundary concerns and the possible development of fragmented land in the growth centres. Furthermore UDIA NSW has evidence about the consequences of the proposed levy on dwelling supply and recommended alternatives funding mechanisms (section 4).

## 6.2 Fragmentation

The NW and SW release areas are highly fragmented. Aggregation of these lands is a complex, time consuming task that exposes the urban developer to a high degree of risk. Figures 10-12 have been compiled from fragmentation maps and describe fragmentation of proposed *residential land* in the growth centres in terms of:

i. its location (i.e. NW, SW and combined data);
ii. proportion of total lots; and
iii. proportion of total area.

The NW sector is the most highly fragmented of the two areas. UDIA NSW estimates that properties less than 5Ha account for 57% of the area (refer to Figure 10)

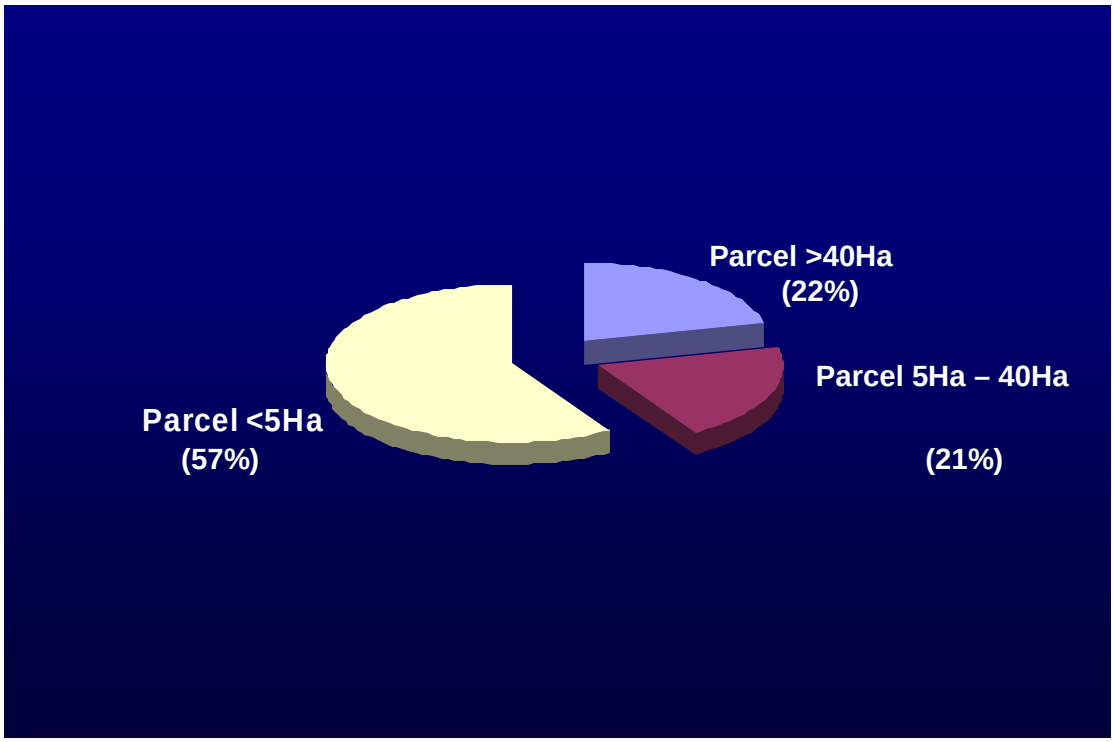


**Figure 10: NW Lot size as a proportion of area in the proposed residential zoned land**

Similarly, the SW sector describes a similar story with properties less than 5 Ha accounting for 60% of the area designated for residential development. The SW sector, however, while lacking the services available to the NW, has a larger proportion of lots over 40Ha (32%).

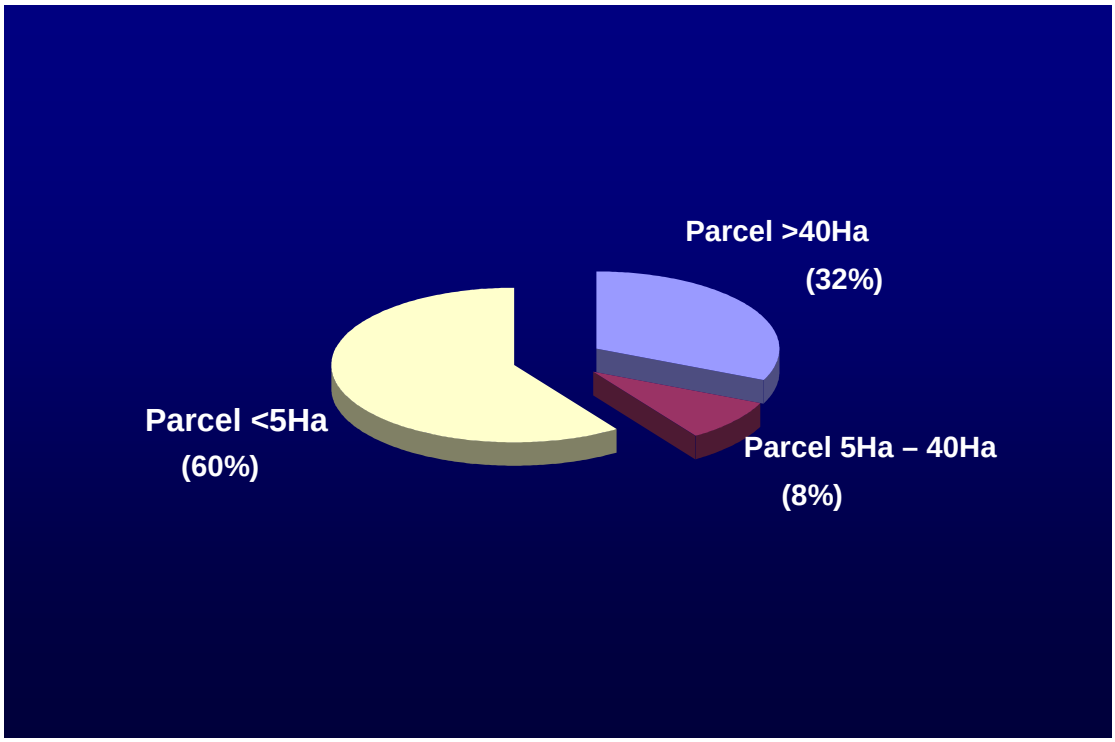


**Figure 11 SW Lot size as a proportion of area in the proposed residential zoned land**

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The combined figures show that the NW and SW release areas are each highly fragmented. This presents challenges associated with amassing land for development particularly with regard to the provision of infrastructure. Furthermore, overseas experiences with transit oriented development favours large parcels of land.

Developers will find it difficult to aggregate sites and generate momentum to create truly great places to live. This failure to amass land may result in piecemeal development of small estates interspersed with vacant land that cannot be acquired, creating "dead runs" and gaps in infrastructure.

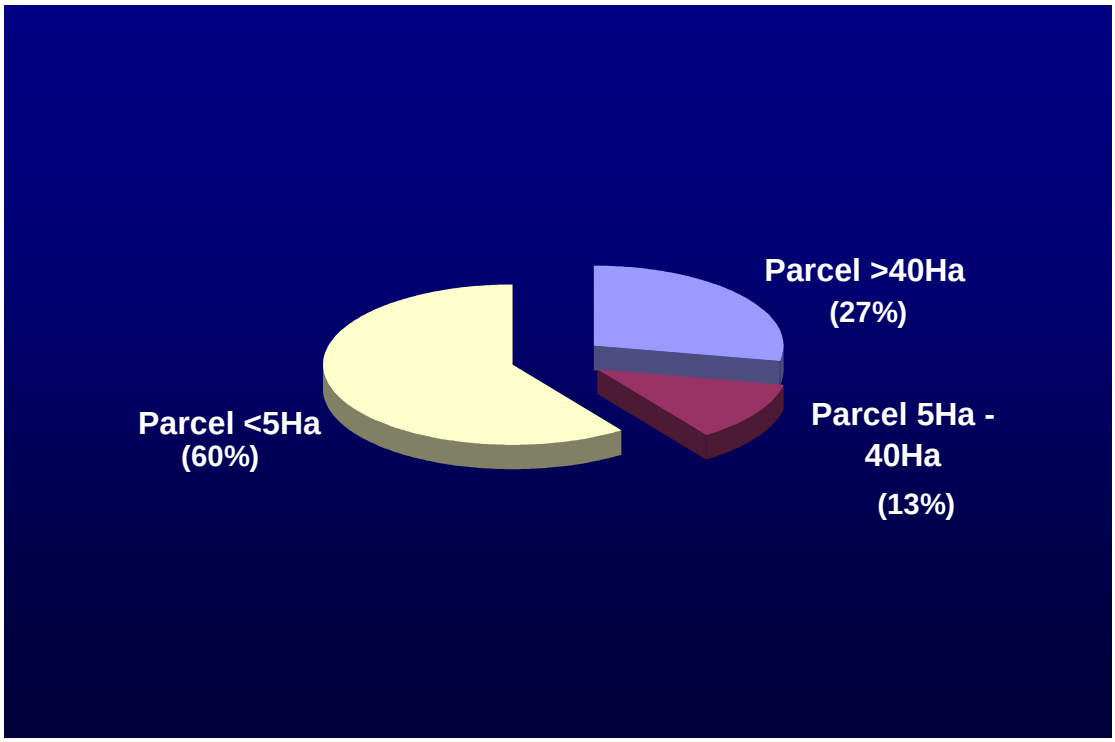


**Figure 12: Total NW & SW lot size as a proportion of area in the proposed residential zoned land**

Further, the NSW Government's reliance on large landholdings presents a considerable danger to the success of Metro Strategy. It is highly dependent on the goodwill of the landowners, notwithstanding that such parcels are highly dispersed.

It is therefore critical that small developers and small landowners be given an incentive to engage with the growth centres. UDIA NSW contends that a mix of large and small developers is essential to maintaining affordability in the release areas.

The Growth Centres Commission may have a role in facilitating the process particularly if gaps in infrastructure are to be avoided. In addition, the NSW Government's taxation policies will have an influence on the process with respect to the infrastructure levy, as previously discussed, as will other taxes that impede the development process. For example, assignor duty liable on put and call options will reduce the ability of agents to amass land on behalf of developers. The assignor duty removes any financial incentive to amass fragmented land and therefore creates another hurdle for the growth centres.

## 6.3 Lot Delivery in Fragmented Landownership

UDIA NSW has identified the development of fragmented land as a significant hurdle to the delivery of the NW and SW release areas. Fragmented land accounts for approximately 60% of the growth centres (less than 5Ha lots). There are a number of interrelated and connected planning and delivery issues regarding the production of lots in fragmented land, particularly where there is a fine grain mix of housing/urban areas (the 'white') with the landscape and Rural Lifestyle areas (the 'green'). They include:

1. Land owner resistance to Landscape and Rural Lifestyle Area Overlay Principles.
2. Expediting development to restore lot supply
3. Certainty of delivery processes and establishment of sound investment conditions for developers.
4. Protection of high value biodiversity areas for the wider community.

Each point is discussed below and a copy of the supporting paper which addresses the proposal in further detail is contained in Appendix 1.

It should be noted, however, that such proposals may not be relevant to areas which do not contain significant areas of biodiversity, as well as to large landholdings capable of full urban development.

**Landowner Concerns**

Concerns of landowners are focussed on their inability to subdivide property. This may be due to perceived environmental values of their land; devaluation of property arising from limitations to the expansion of and/or continuation of existing uses; and increased landowner responsibility to enhance, protect and manage the environmental attributes of a property for the benefit of the wider community.

In order to avoid the situation where landowners who own land with high environmental value are disadvantaged, the underlying principle should arguably be that any landowner in a fragmented area is put into a position whereby their land value after rezoning is no less than its current value. In addition, where rezoning enables development to occur, the land value should reflect the potential of the new zoning.

Ideally, the high value environmental land should be consolidated. Compensation to the landowner could be funded through the development project by a mechanism that distributes the derived acquisition component of the project budget. In this way there is no cost to government and the cost (based on current rural values – note indexation is taken into account through the mechanism) is distributed across all landowners in the release.

Using an area currently zoned Rural 1(a) as an example, the area may have a base value reflected under the current zone. For illustrative purposes, we can use an average rate of $750,000 per hectare.

If a base density can be determined that in 2005 dollars enables that price to be achieved at, say, five dwellings per hectare, that density could be transferred to other properties capable of urban development. An index mechanism is thus established that does not disadvantage current owners from achieving current values. In this way, lots with high biodiversity value could be consolidated for conservation and the development right transferred to areas that are suitable for development.

The rate of five dwellings/hectare assumes development of 2,000m$^2$ lots. Such lots could be expected to have an englobo land value of about $150,000 per lot. Obviously, any land deficiencies such as slope, flooding and the like would be considered and the price adjusted accordingly. For example, if the land is 20% flood prone, the value would be based on four dwellings per hectare.

Where land is deemed to have development potential, it also follows that properties that are considered capable of development at densities above five dwellings per hectare will become more valuable in line with the zoning assigned to them. This assignment would follow the usual planning assessment process and the subsequent town planning principles applied through a structure plan / master plan.

***Worked Example***

| | | |
|---|---|---|
| Release Land Area: | | (say) 766 ha |
| Less environmental areas: | (say 20%) | 156 ha |
| Total Urban area available | | 610 ha |

Total yield of urban area at gross density of 12 dw/ha x 610 ha = 7,320 dw.

Less development yield from biodiversity areas of 5 dw/ha x 156 ha = 780 dw.

Gives base yield of urban areas: 7,320 – 780 = 6,540

Gives base density of urban areas: 6,540 / 610 = 10.72 dw./ha (say 11 dw./ha)

Points to consider:

1. The ultimate form of development in the urban areas is realistically set at a gross density of 12 dwellings per hectare and includes land used for roads, local open space, schools and other urban uses. The net density is likely to be around 16 dwellings per hectare and would enable a range of housing product from 2,000m$^2$ to 300m$^2$. This would be a suitable product mix to achieve the Government's objectives for a balanced approach

2. The transfer of yield from environmental areas to urban areas must be applied in sensible proportions and at a rate that does not concentrate density inappropriately. For example the ideal would be to apply the transfer density at a rate of 1 additional dwelling per hectare.

   ***Reworked Example:***

   - Total Urban area available 610 ha
   - Total yield of urban area at base density of 11 dw/ha x 610 ha = 6,710 dw.
   - Plus development yield from biodiversity areas of 1 dw/ha x 610 ha = 610 dw.

   This provides a Release Area yield of: 6,710 + 610 = 7,320 (equals the original assumed yield). Every master plan cell must accommodate the yield transfer in its planning and every effort should be made to enable a single developer to acquire, master plan and develop an entire cell.

3. Transfer of development yield could occur across cells where surpluses or shortfalls arise.

4. If the owner of land within a biodiversity area does not wish to sell, the credits remain but the land is heavily restricted to current land uses. Ultimately, these cases will need to be dealt with as part of a 'wash up' when development is nearing completion. At that time different imperatives may prevail and solutions that are not obvious now may present themselves. The worst that can happen is that a few private landowners remain within biodiversity areas and government instigates a consolidation exercise.

5. Establish biodiversity value of the land in question by balancing environmental values, economic considerations and social outcomes such as maximising the opportunity to create walkable communities. This will require ground-truthing of biodiversity areas prior to rezoning.

6. Establish "Transition zones" (as noted in Part 5 of this submission above) of 2,000 square metre minimum lot sizes that reflect the capacity to retain trees as landscape elements but permit housing and establishment of Asset Protection Areas. Asset Protection Areas would be managed by the homeowner through activities permitted in the setback areas. These would occur through management of the understorey and the undertaking of reasonable residential land use activity - such as pools, tennis courts, native gardens etc.

7. The ongoing management of the environmental areas could be achieved by:
   - The establishment of a viable environmental target area via site specific 'ground truthing' on the basis of retaining the highest value environmental areas, maximising the potential of the infrastructure spend and optimising the social and planning outcomes of the new community.

   - The dedication of all high value biodiversity areas to a DEC trust as part of the subdivision process and fund ongoing management through a capped percentage-based differential rate system applied to the development area.

Accordingly, UDIA NSW recommends that the potential development of fragmented land be considered via several alternatives. This may include development using masterplan cells and the transfer of lot yield from areas of high biodiversity in the growth centres to a transition zone on the boundary based on the ratio described in UDIA NSW's proposal.

**RECOMMENDATION**

*That alternative methods for developing fragmented areas be investigated, including development using masterplan cells and the transfer of lot yield from areas of high biodiversity in the Growth Centres to a transition zone on the boundary based on the ratio described in UDIA NSW's proposal.*

## 6.4 Governance

The exhibition documentation lacks sufficient detail concerning measures to ensure expeditious rezoning, development consent and production of lots.

The UDIA NSW has a number of concerns. Each is addressed below.

**The Proposed SEPP**.

The proposed SEPP has not been included with the exhibition material. This is considered to be a significant component of the growth centres proposal, for without analysis of the mechanism for the implementation of the Growth Centre, it does not permit a full evaluation of the merits, opportunities and constraints of the Growth Centre proposals presented for exhibition is not possible. (A simple analogy would be to compare it to purchasing a car; no person would purchase a car until they were satisfied that the means of movement (the engine) worked effectively).

Furthermore, the limited details that are provided regarding the SEPP, particularly with regard to the Landscape and Rural Lifestyle Zone reduce certainty. It is acknowledged that the government is committed to removing the green layer but the UDIA NSW will comment on the zone as contained in the exhibited material.

The characteristics of the proposed zone are described in the following manner, *'Existing opportunities to build a house will not be removed and current uses such as rural residential living, agriculture and tourism will be allowed to continue. The new zone … will not change the existing zoning'* (P.16). … *There will be financial and other incentives to encourage landowners to retain the existing vegetation and undertake revegetation on their land"* (P.17).

However the documentation proceeds to add that actions include 'acquisition of land' and that the SEPP will *"implement controls to ensure that any development is consistent with the protection of the existing values and significance of these areas"* and will include *"strict controls on vegetation removal"*. In our view these details are inconsistent and lack clarity and do not provide adequate detail on which we can confidently gain a complete understanding of the new zone. They certainly call into question the ability to practice agricultural and tourism activities within the zone (as well as a host of other non rural, but permissible, uses).

This lack of clarity also undermines the ability of landowners to not only provide informed comment on the proposed zone as it affects their interests, but also, due to the uncertainty it creates, unfairly jeopardises planning for the long term use of their land.

It is important that the details of the Landscape and Rural Lifestyle zone, as it is proposed to be implemented in the SEPP, are presented in a detailed and unambiguous manner. The Landscape and Rural Lifestyle zone should be amended to provide certainty to the landowner while not imposing onerous constraints on its use or being detrimental to the peaceful enjoyment of their land.

**RECOMMENDATION**

*The SEPP should be clarified and should allow for changes to the underlying zoning of the land to permit the identification of new land uses which can achieve the objectives of the Growth Centre in a truly balanced manner.*

**Agency Concurrence**.

The exhibition documentation advises that the SEPP will 'provide certainty by removing the need for further State Agency approvals and concurrences in areas such as threatened species, heritage and waterways' (p.7).

The draft structure plans state, however, that heritage curtilages are 'under investigation' and the exhibition is silent on bushfire hazard. In the experience of the UDIA, protracted negotiations with these agencies can unreasonably extend a development timetable. The forthcoming SEPP should explicitly provide the mechanism to remove the need for other agency approval and the structure plan should ensure that the objectives of these agencies are consistent with the objective of the growth centres to avoid onerous delay in delivering the ambitious dwelling targets.

**RECOMMENDATION**

*The SEPP and final Structure Plans should effectively establish the policy mechanism, agreed prior at a state-wide level, which reflects the balanced agreement of the often competing interests of government agencies prior to the commencement of the rezoning and development consent process, in order to expedite the release of lots.*

# 7 OUTSIDE THE GROWTH CENTRES

UDIA NSW has established that the occupancy rates and dwelling densities in the Growth Centres have been overstated. UDIA NSW contends that an occupancy rate of 2.4 persons per household is a more realistic forecast than the Department of Planning's average occupancy rate of 2.75 for the SW and 2.8 for the NW by 2031. The realisation of any occupancy rate lower than the Department's estimate will thus require additional dwellings.

The Growth Centres are forecast to yield 150,000 dwellings over 25 years at the current occupancy rate. Alternatively, UDIA NSW forecasts that 180,000 to 240,000 dwellings over 25 years are required, or 7,200 – 9,600 dwellings per annum in the Greenfield estates.

This creates a deficit of 30,000 – 90,000 dwellings which will have to be accounted for either in an expanded Growth Centres or in developments outside the proposed release areas in order to satisfy the 30%-40% greenfield target. This is a significant potential shortfall and is exacerbated by the NSW Government's inability to account for market expectations in its dwelling density forecasts.

The application of the infrastructure levy of $25,000 for apartments in addition to conventional s94 Contributions, coupled with the increased cost per square metre of higher rise development makes such a product largely uncompetitive on the urban fringe. Mid to high rise apartment buildings incur Workcover/union costs and have added construction costs associated with carparking, ventilation and elevators.

The NW and SW sectors are limiting in terms of market diversity and geographic diversity – other areas need to be introduced to spread the production load and improve the viability and competitiveness of all areas. The danger of having every developer developing trying to develop in a single geographic area is increased development risk – perhaps to a point where there will be resistance from developers to participate.

While UDIA recommends that the NSW Government expedite the creation of new communities in the Growth Centres, the structure plans as proposed are unlikely to accommodate the forecast population growth. On this basis, UDIA NSW recommends that the boundary of the growth centres be supplemented by a transition zone.

The Growth Centres may accommodate population growth for the immediate future but as the land resource becomes exhausted, the possibility exists that other release areas may need to be examined. The only remaining urban development corridor, as identified in 1968 and 1988 is Macarthur South. If the state is not to fall behind on its long term plan and infrastructure provision this area needs to be considered in detail and made ready for development when required. Macarthur South does have the advantage of being on a railway, a motorway, close to Sydney water's supply and is served by a regional centre.

**RECOMMENDATION**

*The Growth Centres are the priority and should remain the focus of the Greenfield development for the next two decades. However, contingency plans should be developed should the Growth Centres fail to accommodate the project population growth.*

UDIA NSW believes that the Growth Centres are the priority and should remain the focus of the greenfield development for the next two decades. Nonetheless, contingency plans should be developed should the Growth Centres fail to accommodate Sydney's projected population growth.

# 8 CONCLUSION

The NSW Government should be commended on pursuing such an ambitious, structured vision for Sydney. While UDIA supports the structure plans in principle and is committed to their implementation, it contends that the proposed plan needs to improve its responsiveness to the market. UDIA NSW as the *Voice of Development* is uniquely placed to offer such advice.

The Growth Centres seek to achieve a production target of 150,000 dwellings over 25 years which equates to at least 6,000 dwellings per annum. UDIA NSW anticipates that this yearly target will be apportioned to create approximately 4,000 dwellings/annum in the SW release and 2,000 dwellings/annum in the NW.

Sydney has struggled to produce 3,000-4,000 lots annually since 2003, as illustrated in Figure 2. The Metro Strategy therefore envisions a doubling in annual dwelling production. To achieve these dwelling targets, the industry will require a sympathetic regulatory and economic environment. For this reason, it is vital that the NSW Government increase its commitment to the NW and SW release areas in terms of regulatory streamlining and infrastructure investment.

Excluding macro economic influences such as migration and interest rates, UDIA NSW has identified the following issues that necessitate a response:

i. vendor expectations;
ii. infrastructure levies;
iii. effective planning and design;
iv. market expectations;
v. timing of stages and linkage to infrastructure programs;
vi. fragmentation; and
vii. governance.

At present the proposed magnitude of the infrastructure levy presents the greatest hurdle to the delivery of new communities in the Growth Centres. If $495,000 per acre is paid to vendors in accordance with expectations then this will result in a retail price for a 450m$^2$ lot of $440,000[6]. This is $170,000 above what the market is prepared to pay and accordingly exceeds the mortgage ceiling of the average homebuyer.

UDIA NSW therefore requests that infrastructure levy be reduced by seeking alternate methods of financing, and that it be broadened to include commercial and industrial lands so that the majority of residential lands in the growth centres can be delivered at an affordable price that is in line with market expectations.

Fragmentation is another challenge to effective and ordered development of the release areas. Fragmented land in parcels of 5 hectares or less accounts for approximately 60% of the Growth Centres. There are a number of interrelated and connected planning and delivery issues regarding the production of lots in fragmented land. Accordingly, UDIA NSW recommends that fragmented land be developed using masterplan cells and transfer of lot

[6] Bruce R (2005) Australian Congress on New Urbanism. Development Challenges.

yield from areas of high biodiversity in the Growth Centres to a transition zone on the boundary based on the ratio described in UDIA's proposal.

UDIA NSW has also made a number of recommendations with regard to effective planning and design. In particular, UDIA contends that dwelling densities are optimistic and not responsive to market demands.

The application of the infrastructure levy of $25,000 for apartments in addition to conventional s94 Contributions, coupled with the increased cost per square metre of higher rise development makes such a product largely uncompetitive on the urban fringe. Mid to high rise apartment buildings incur Workcover/union costs and have added construction costs associated with carparking, ventilation and elevators. Homebuyers are unlikely to purchase apartments on the fringe when a centrally located unit can be bought for the same price in a more central location. Apartments on the fringe are essentially largely uncompetitive.

UDIA NSW recommends that the government expedite the creation of new communities in the Growth Centres. However, the structure plan as proposed is unlikely to accommodate the forecast population growth. Accordingly, UDIA NSW recommends that the boundary of the Growth Centres be supplemented by a transition zone which will also address boundary management issues.

UDIA NSW has established that the occupancy rates and dwelling densities in the Growth Centres have been overstated. UDIA NSW contends that an occupancy rate of 2.4 persons per household is a more realistic forecast than the Department of Planning's average occupancy rate of 2.75 for the SW and 2.8 for the NW by 2031. The realisation of any occupancy late lower than the Department's estimate will require additional dwellings.

The Growth Centres are forecast to yield 150,000 dwellings over 25 years at the current occupancy rate. Alternatively, UDIA NSW forecasts that 180,000 to 240,000 dwellings over 25 years are required.

This creates a deficit of 30,000 – 90,000 dwellings which will have to be accounted for either in an expanded Growth Centres or in developments outside the proposed release areas in order to satisfy the 30%-40% greenfield target. This is a significant shortfall and is again exacerbated by the government's failure to account for market expectations in its dwelling density forecasts.

In conclusion, UDIA NSW seeks a regulatory and economic environment that is conducive to the immediate construction of homes in the Growth Centres. The targets are necessarily ambitious and will require focussed cooperation from vendors, industry and government to yield the requisite new homes. Failure to achieve this will only exacerbate housing affordability as supply falls further behind demand.

We contend that the Growth Centres alone cannot accommodate all future population growth in greenfield areas over the next 25 years but it is bold plan, it is the only plan and it has UDIA NSW's support.

# APPENDIX 1

## Release Area Implementation Principles
## And
## Landscape and Rural Lifestyle Areas
## Proposal

Release Area Implementation Principles
And
Landscape and Rural Lifestyle Areas
Proposal

**19th September 2005**

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## Introduction

This paper proposes a set of principles to enable early production of land in fragmented areas. At the same time it seeks to address the need to set aside land with high biodiversity values and achieve a fair outcome for landowners without cost to government.

It should be noted, however, that such proposals may not be relevant to areas which do not contain significant areas of biodiversity, as well as to large landholdings capable of full urban development.

The Metropolitan Strategy has sought to establish a Landscape and Rural Lifestyle Area within the Growth centres boundaries that effectively sterilises landholdings without compensation to landowners. This concept has not been well received by affected landowners and the response from those landowners has necessitated a review of the concept. The UDIA will make a formal submission in relation to this and other matters as part of its response to the Metropolitan Strategy.

However, as a consequence of a more urgent need for resolution of certain implementation principles, the UDIA's Executive wish to submit this paper for early consideration. This paper is an outcome of a meeting between Andrew Abbey and Kate Foy of DIPNR and Ross Blancato an executive of both the publicly listed developer Australand and Jnr. Vice President of the Urban Development Institute of Australia; a prominent industry representative group.

The paper has been prepared in consultation with other senior executives of major developers and the UDIA:

| | |
|---|---|
| Ralph Bruce | Winten/ President UDIA |
| Nick Duncan | Stocklands/Snr. Vice president UDIA |
| Dr David Poole | Executive Director UDIA |
| Scott Woodcock | Deputy Director UDIA |

## General Comments – Land Pooling

Australand, Winten and Stocklands have all participated in the development of the Warriewood Valley within the Pittwater LGA. The Warriewood Valley was characterised by small acreage and as a consequence was highly fragmented. Council promoted a sector approach to facilitate aggregation of land, master planning and rezoning.

The developer was required to achieve 80% control of the sector, usually via options over the land, before submitting a master plan, DCP, DA and rezoning application. Although supportive of the principles employed in the Warriewood Valley, we have identified improvements to the concept that would enable it to be used with greater success in the new land releases of South West and North West Sydney.

The Warriewood Valley concept is also being adapted to the Edmondson Park release, albeit in much larger precincts and with a sequenced order of development. Our experience in the Warriewood Valley suggests that these two major differences could be significant impediments to production from the Edmondson Park release.

One improvement at Edmondson Park over the Warriewood model is that the land will be rezoned upfront. Under the Warriewood model the developer's risk was magnified and his negotiating position eroded by reliance on Council to rezone the site. Rezoning was held back until Council got exactly what they wanted, regardless of the legitimacy of their request or the cost to the developer. Clearer guidelines were needed and a greater degree of flexibility should have been demonstrated. Issues that arose included landowners who would not commit or delayed commitment until they realised that development would proceed without them, Council requirements that could not be satisfied (usually as a result of more detailed knowledge of the site emerging at DA preparation stage) and unrealistic and often competing development controls, particularly at the building stage.

Despite the difficulties, if properly administered, the Warriewood sector master planning approach has considerable merit for the new land releases of the northwest and southwest Sydney. We have expanded our thoughts on the approach to accommodate the particular issue of high-value biodiversity areas. The concept has been developed with particular reference to the North Kellyville area but is intended for application to all fragmented areas. It relies on manageable sectors where the opportunity to aggregate fragmented holdings, undertake the master planning and subsequently develop the land, is of a scale that underpins its potential to be delivered. Annexure "A" nominates notional sectors within the North Kellyville precinct that could be established using the criteria in section 2 a.) i – x.

## Sample Area: North Kellyville

Primary Issues

1. Landowner resistance to Landscape and Rural Lifestyle Area Overlay Principles.
2. Government has a need to expedite development to restore lot production.
3. Developers have a need for certainty and a delivery process that establishes fundamental investment conditions.
4. Protection of high value biodiversity areas for the wider community.

**1.) Concerns of landowners centre on:**

a) Inability to subdivide property due to biodiversity values of their land and devaluation of property arising from limitations to the expansion of and/or continuation of existing uses.
b) Responsibility to enhance, protect and manage the biodiversity attributes of a property for the benefit of the wider community.

**Possible Response:**

Item 1 a.) – Inability to subdivide and loss of value

In order to avoid the situation where landowners who own land with high biodiversity value are disadvantaged as a consequence of the rezoning, the underlying principle needs to be that any landowner in the release is put into a position whereby his land value after rezoning is no less than it's current value. Also, where rezoning enables development to occur the land value should reflect the potential of the new zoning.

Ideally, the high biodiversity land should be consolidated. Compensation to the landowner could be funded through the development project, by a mechanism that distributes the derived acquisition component of the project budget. Developers acquire land on a residual valuation method that establishes the price to the landowner from estimates of developed lot realisations less costs and margins.

In order to do fund acquisition of high value biodiversity land from a project budget, a method of cross subsidy has to be implemented that transfers a part of the acquisition price from the residential land to the high value bio diversity land. To do this a marketable commodity has to be created from the high value biodiversity land; in effect a development "credit". In this way there is no cost to government. The compensation level has to be set at the rural value current at that time. This will take care of indexation.

Using North Kellyville as an example, it follows that the entire area has a base value reflected under the current zone. For illustrative purposes we can use a minimum rate of $750,000 per hectare. This is about $1.5million for a 2hectare rural residential property with an average home of about 20 years old.

If we could establish a base density that in today's dollars enables that price to be achieved, say 5 dwellings per hectare and, that density could be transferred to other property, we have established an indexed mechanism that does not disadvantage current owners from achieving current values. The concept being that lots with high biodiversity value could be consolidated for conservation and the development right transferred to areas that are suitable for development.

The rate of 5 dwellings/hectare assumes development of 2,000m$^2$ lots. Such lots could be expected to have an englobo land value of about $150,000 per lot. Obviously, any land deficiencies such as being below residential flood levels would be considered and the price adjusted accordingly. For example, if the land were 20% flood prone the value would be based on 4 dwellings per hectare and a nominal value assigned to the flood prone land.

Where land is deemed to have development potential, it also follows that properties that are considered capable of development at densities above 5 dwellings per hectare will become more valuable in line with the zoning assigned to them. This assignment would be applied through a structure plan / master plan, following the usual planning assessment process and the application of the resultant town planning principles.

Worked Example for North Kellyville

| | |
|---|---|
| North Kellyville Release Land Area: | 766 ha |
| Less High Value Biodiversity areas @ 20% | 156 ha |
| Total urban area available | 610 ha |

| | |
|---|---|
| Total yield of urban area at gross density of | 12 dw/ha x 610 ha = 7,320 dw. |
| Less development yield from biodiversity areas of | 5 dw/ha x 156 ha = 780 dw. |

Gives base yield of urban areas: 7,320 – 780 = 6,540
Gives base density of urban areas: 6,540 / 610 = 10.72 dw./ha (say 11 dw./ha)

Points to consider:

1. The ultimate form of development in the urban areas is at a gross density of 12 dwellings per hectare and includes land used for roads, local open space, schools and other urban uses. The net density is likely to be around 16 dwellings per hectare and would enable a range of housing product from 2,000m$^2$ to 300m$^2$. This would be a suitable product mix for the area.

2. The transfer of yield from biodiversity areas to urban areas must be applied in sensible proportions and at a rate that does not concentrate density inappropriately. For example the ideal would be to apply the transfer density at a rate of 1 additional dwelling per hectare.

Reworked Example:

| | |
|---|---|
| Total urban area available | 610 ha |

| | |
|---|---|
| Total yield of urban area at base density of | 11 dw/ha x 610 ha = 6,710 dw. |

Plus development yield from biodiversity areas of 1 dw/ha x 610 ha = 610 dw.

Gives Release Area yield of: 6,710 + 610 = 7,320 (equals the original assumed yield)

1. Every master plan sector must accommodate the yield transfer in the planning and every effort should be made to enable a single developer to acquire, master plan and develop an entire sector.

2. Transfer of development yield should occur across sectors where surpluses or shortfalls arise.

3. If the owner of land within a biodiversity area does not wish to sell, his credits remain but his land is heavily restricted to current land uses. Ultimately, these cases will need to be dealt with as part of a 'wash up' when development is nearing completion. At that time different imperatives may prevail and solutions that are not obvious now may present themselves. The worst that can happen is that a few private landowners remain within biodiversity areas and government instigates a consolidation exercise.

4. Establish biodiversity value of the land in question by balancing environmental values, economic considerations and social outcomes such as the maximising the opportunity to create walkable communities. This will require ground-truthing of biodiversity areas prior to rezoning.

5. Establish "Transition zones" of 2,000 square metre minimum lot sizes that reflect the capacity to retain trees as landscape elements but permit housing and establishment of Asset Protection Areas. Asset Protection Areas would be managed by the homeowner through activities permitted in the setback areas. These would occur through management of the understorey and the undertaking of reasonable residential land use activity - such as pools, tennis courts, native gardens etc etc.

Item 1 b.) - Ongoing management of biodiversity areas.

1. Establish a viable biodiversity target area (say 20% of the release area) on the basis of retaining the highest value biodiversity areas, maximising the potential of the infrastructure spend and optimising the social and planning outcomes of the new community.

2. Dedicate all high value biodiversity areas to a DEC trust as part of the subdivision process and fund ongoing management through a capped percentage-based differential rate system applied to the development area.

**2.) Concerns of Government**

a) Urgent need for rezoned land to increase supply
b) Inability to fund acquisition of land with high biodiversity values

**Possible Response:**

a) Use SEPP to rezone land but identify fundamental structure planning elements, servicing program and catchment-based master plan sectors that can access existing roads and programmed services. (See Attachment A).

Generally and widely advertise the rezoning proposal but once rezoning has been gazetted, limit advertising or consultation to those landowners, service authorities or agencies operating within the release area that are directly affected by the subsequent master plan and DA proposals.

Structure planning elements should be limited to only those necessary to "connect" the individual sectors created for acquisition, planning and development purposes.

Some services need to be installed (or suitable arrangements made for the installation) to provide the certainty developers need to establish the terms of acquisition of land within a master plan sector. In the case of North Kellyville an upfront expenditure of $60million will unlock contributions of $366million from the infrastructure levy (if it remains in the current form, being 7320lots @ 50k/ lot) plus Sydney Water charges ($70m) and section 94s ($300m) = Total of $736m.

Master plan sectors should be defined to allow:

i. A minimum yield of about 400 lots.
ii. The ability to plan to defined edges such as property boundaries, ridges, existing roads, creeks etc etc.
iii. Control over an entire drainage catchment.
iv. A limited but clearly defined set of planning objectives so as to allow a proponent to prepare a master plan concept that can be assessed against those objectives and approved for the purposes of development control.
v. Master plans must be consistent with the zoning and must encompass the entire area within a sector.
vi. The master plan must be able to be lodged with the Growth Centres Commission for approval if the proponent has at least 60% control over the properties in the sector.
vii. Control should be by way of properties under contract, ownership or letters of authority.
viii. Those properties within a precinct that are not under the control of a proponent or disagree with the master plan (the other 40%) are given the opportunity to make a submission to the Growth Centres Commission.
ix. The boundaries of each sector should be flexible enough to allow additions or removal of properties from or to a sector, provided that such an action does not compromise an adjoining sector's capacity to develop.
x. Any sector can proceed at any time.

b) The acquisition of land for those lots in high value biodiversity areas will be funded from the returns to the project arising from the capacity to transfer development rights as discussed in Section 1.

**3. Concerns of Developers**

a) Inability to acquire land due to uncertainty as to timing of services and rezoning and a need for structure planning to establish basis of feasibility assessments.

**Possible Response:**

Most of the concerns of developers would be addressed but infrastructure levies remains an issue that prevents implementation of any proposal.

**4. Concerns of Conservation/Environmental groups**

1. Loss of areas with biodiversity values to development

**Possible response:**

High value biodiversity areas would be preserved under this proposal and consolidated into government ownership. A differential rating base would allow for ongoing management of the land. The NSW Government will need to bring the Department of Environment and Conservation's expectations into line with its budgetary constraints.

**Conclusion**

We believe that the challenge to develop an implementation plan that addresses the following issues would be satisfied by this proposal.

1. Addresses as many of these issues as possible.
2. Facilitates the government's aim of increasing the annual production levels of developed land to about 8,000 lots per annum as quickly as possible.
3. Balances and optimises environmental, financial and social outcomes.
4. Biodiversity funding is derived from project outcomes.

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Attachment A – Map of Possible Development Sectors

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