



Director of Strategic Assessment  
NSW Department of Planning  
GPO Box 39  
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## **Re: Warnervale Town Centre and Wyong Employment Zone Exhibition**

Reference is made to the recent exhibition of the Warnervale Town Centre and Wyong Employment Zone documentation. The Urban Development Institute of Australia NSW (UDIA NSW) welcomes the opportunity to comment and appreciates the Department of Planning's consideration of this submission. UDIA NSW represents the interests of a wide range of organisations active in the development industry in NSW including developers, government agencies and local government and has reviewed the draft LEP in consultation with its Central Coast Chapter.

The successful and timely delivery of the Warnervale Town Centre (WTC) and Wyong Employment Zone (WEZ) will be central to achieving the objectives of the Central Coast Regional Strategy, which is still in draft form. Inherent in achieving the desired planning outcomes for the Region is the need to develop a financially sustainable approach to funding state and local infrastructure. Consequently, this submission addresses the Draft SEPPs for both projects, and in addition addresses Wyong Shire Council's Draft Section 94 Contribution Plans for the subject lands.

This submission does not seek to address detailed design issues in relation to the WTC or the specific requirements of the planning instruments for the WTC or the WEZ. UDIA NSW believes there are several interrelated issues which need to be addressed by The Department of Planning and Wyong Shire Council (WSC) for the WTC and WEZ to become a viable investment opportunity for the development industry. These include but are not limited to:

- the inhibitive total cost of contributions including the Special Infrastructure Contribution, Section 94 contributions and water and sewer DSP charges;
- the range of facilities, services and infrastructure being sought by both Wyong Shire Council and the Department of Planning; and
- staging and funding of certain key infrastructure elements.

## COMBINED COST OF DEVELOPMENT CONTRIBUTIONS

UDIA NSW understands that both Wyong Council and the Department of Planning have discussed at length the combined quantum of contributions for the WTC and WEZ. Both Council and DOP have been aware of the cost inhibitive nature of these levies for some time. While there has been some recognition that the proposed levies/contributions are too high, and in the case of the SIC, reduced from that originally proposed, further analysis reveals that development of the residential components of the WTC is unviable.

UDIA NSW is concerned that the proposed development contributions when combined with the costs of land, construction, associated holding costs and overheads, will provide conditions prohibitive to urban in the short to medium term. The following is an example of a feasibility derived from known inputs and outputs relevant to the residential marketplace at present. For simplicity, residential product that is tried and tested by the marketplace has been used in the analysis as a starting point.

Construction	\$40,500	18.5%
Consultants	\$5,000	2.3%
Contingency	\$5,000	2.3%
Legals/sales costs	\$6,000	2.7%
Finance/holding costs <sup>^</sup>	\$15,000	6.8%
Land acquisition <sup>#</sup>	\$62,000	28.2%
<b>Fees/contributions incl. SIC and s94</b>	<b>\$86,000</b>	<b>39.2%</b>
<b>Total Costs</b>	<b>\$219,500</b>	<b>100%</b>
<b>Sell<sup>^^</sup></b>	<b>\$190,000</b>	
<b>Margin/Residual</b>	<b>-\$29,500</b>	

### Assumptions

\* based on recent construction data in the area

\*\* total contributions based on a 600 sqm residential lot

<sup>^</sup> assumes two year development timeframe @ 8.5%

<sup>#</sup> based on last reported sale of englobo land in Warnervale area

<sup>^^</sup> average of 28 sales in area over last 12 months @ \$167.5k for an avg 605 sqm lot

The example clearly shows that development will not proceed in the WTC unless there is acceptance that contributions representing approximately 40% of total development costs are manifestly unjustifiable if the Department and Council wish to foster investment. Furthermore, while the land costs input could reduce, it cannot reduce below that which is achievable for the underlying land value for some other less intensive use.

While the combined contributions for the WEZ are less than the WTC they are still such that the development of employment lands is marginal in terms of risk to profit. The SIC applicable for the WEZ is \$91,000 per ha versus that of \$140,000 per hectare at the WTC.

Depending on the precinct within WTC, Council S94 contributions (excluding water and sewer) range from c\$700,000 to c \$930,000 per ha of developable land for single residential dwellings, and from c\$2,785,000 to c\$3,650,000 for non residential development in the WTC. S94 contributions in the WEZ range from \$230,000 – \$330,000 per ha, depending on the precinct.

UDIA NSW contends that the combined contributions (40% of development costs) create an environment that is not conducive to attracting investment into the WTC and the WEZ. For the WEZ and WTC to attract investment and provide employment they must be able to compete with alternative locations within the Central Coast and Lower Hunter regions. Anecdotal evidence suggests that the Lower Hunter is a more attractive investment area for industrial and residential development. As a consequence not only is there a large commuting work force travelling to Sydney, but there is a significant and growing work force commuting from the Central Coast to the Lower Hunter.

## **RECOMMENDATION 1**

*The draft Special Infrastructure Contribution and draft S94 Plans be rationalised to reflect the capacity of the market to make viable investment in the Warnervale Town Centre and Wyong Employment Zones and the achievement of the objectives of the draft Central Coast Regional Strategy.*

## **NEXUS AND RANGE OF FACILITIES AND SERVICES BEING SOUGHT**

Council proposes that certain facilities are to be partly funded from other sources other than development contributions. UDIA NSW questions whether both the extent and standard of facilities, resultant cost, and cost sharing arrangements, will be reasonable and equitable.

One of the objectives of the WTC proposal is to provide housing that is affordable to the market. This is manifested in the proposed housing mix and high target dwelling densities. It is incongruous that the standard and range of facilities being proposed exceed those provided in other parts of the Central Coast which exhibit higher household incomes. Indeed they exceed the standard of facilities available to many other communities within the Sydney Greater Metropolitan Region that have a higher capacity to pay than both the existing and desired market in the Warnervale area.

The Integrated Water Cycle Management (IWCM) scheme proposed for the WEZ and WTC appears to set an extremely high benchmark in terms of water reuse and water quality standards relative to other regions in NSW. UDIA NSW supports this objective but believes that these objectives are of broader concern to the entire community. As such these objectives must be balanced against the objective of creating employment and an environment that is conducive to investment.

The exhibited documentation does not adequately explain the overall benefits of the IWCM to the region's potable water supply, or how this has been properly factored into the cost apportionment. Further, there does not appear to be any assessment of how headworks charges have been determined in Council's DSPs given that there are significant cost benefits to the regional water supply.

It is noted that the WEZ is likely to be aimed at general industrial uses, which are generally not able to support high development costs. These industries rely on an available supply of reasonably priced developable land.

The methodology used to assess road cost apportionment between demand from existing development and the relationship between S94 and SIC funding is also unclear. Council has indicated that there may be an upward review of its S94 if the

SIC did not adequately allow for the works, deemed necessary by Council, as State responsibilities. Council also notes that its cost base for some items is 2004 and 2006. This is likely to understate the cost of the contributions given price rises and the inflationary environment which has developed over the past three years.

In its response to the Growth Centres Commission when the State Infrastructure Contribution was first proposed, UDIA NSW contended that if the contribution was to be applied, it must provide certainty, be transparent, and be reasonable. It has always been understood that the SIC will be used to fund vital, tangible infrastructure to support the economic development of the region. UDIA NSW is therefore very concerned that the SIC proposed for the Warnervale Town Centre (as below listed) is overwhelming biased towards the acquisition of biodiversity offsets.

Infrastructure Item	Contribution
Sparks Road upgrade between the F3 and Albert Warner Drive	\$400,000
Sparks Road upgrade between Albert Warner Drive and the Pacific Highway	\$640,000
F3 Interchange with Sparks Road	\$160,000
Bus public transport	\$1 million
Biodiversity offsets	\$4 million
Planning, delivery and implementation	\$250,000
<b>Total</b>	<b>\$6.5million</b>

It is disingenuous that future residents of the Central Coast should be required to pay two thirds of a SIC to provide biodiversity offsets that will be conserved for the benefit of the region. UDIA NSW is opposed to the implementation of a SIC in both Metropolitan Sydney and the Regions but contend that if they are to be applied, they should be used to provide real infrastructure, consistent with their name and objective.

## RECOMMENDATION 2

*Wyong Shire Council and the Department of Planning give greater consideration to the capacity of the market in Warnervale Town Centre and Wyong Employment Zone to partly fund infrastructure that cannot be reasonably attributed to future development in these centres.*

## STAGING OF CERTAIN KEY INFRASTRUCTURE

Development of the WTC and WEZ will require significant upfront investment in infrastructure. The WEZ and parts of the WTC are dependent on the proposed IWCM scheme. The IWCM requires significant financial investment before development can proceed. There appears to be no timeline for this to occur. For example if the SEPP is to be made there is no indication of how quickly development will be able to take place, and what constraints will apply.

Further, there is no clarity as to what the NSW Government and Council will fund and when and whether there are sufficient funds to complete the infrastructure in a timely

manner. Similarly, there is a very high proportion of community facilities, open space, water facilities, etc that will serve the broader community that should be considered as regional assets and the cost / benefit spread over a larger population than that espoused under the draft S94 contributions plan.

Council and the Department would also no doubt be cognisant of the proposed reforms to the NSW Planning System including the need for Council to only levy for infrastructure and facilities it can deliver in a reasonable time frame. There is a clear direction from Government that Council can no longer levy excessively for infrastructure that is will not have the capacity to deliver in the short term to support development.

UDIA NSW also notes that there appears to be no indication of the funding and timing of the proposed railway interchange and asks why this important item of infrastructure was not called in with the WTC and WEZ. There does not appear to be any commitment to this particular part of the project.

### **RECOMMENDATION 3**

*Clarity should be provided as to what essential infrastructure will be funded by Council and the State Government and when, including a commitment to the funding and timing of the proposed railway interchange.*

### **AMBITIOUS RESIDENTIAL YIELDS FOR WTC**

The projected residential yields for the WTC are based on a relatively high proportion of apartments, town houses and small-lot integrated housing. UDIA NSW notes that the proposals for Gosford City Centre assume a very significant take up of apartments relative to detached housing. Gosford City Centre and WTC both cater to a limited market segment, and are therefore in competition with each other. In order to achieve such densities, there is a need to bring forward essential infrastructure, particularly in the area of the town centre itself. It is only then that support for a significant increase of densities in this particular area is viable.

In its submissions on the draft Central Coast Regional Strategy and Gosford City Centre, UDIA NSW highlighted the apparent inconsistency between the projected supply of medium and higher density housing compared to the projected supply of detached housing. Market viability of the proposed housing typology compared to demographic characteristics of the region appears to be a critical issue for the Central Coast.

UDIA NSW believes this may further reduce the viability of development in the WTC. Coupled with competition from Gosford City Centre, this will ultimately affect the overall housing supply within the region required to meet market requirements. This in turn is likely to further weaken the region's ability to compete with areas such as the Lower Hunter.

### **RECOMMENDATION 4**

*Flexibility be provided in the planning framework for the Wanervale Town Centre to provide urban developers with the capacity to respond to market demands for dwelling types and densities.*

## CONCLUSION

UDIA NSW has reviewed the exhibition material and appreciates the opportunity to provide comment. The urban development industry will be responsible for delivering the objectives of the Warnervale Town Centre and Wyong Employment Zone and this offering provides recommendations that UDIA NSW believes will be essential in providing a suitable framework to facilitate the desired investment in the region.

UDIA NSW recommends that:

1. The draft Special Infrastructure Contribution and draft S94 Plans be rationalised to reflect the capacity of the market to make viable investment in the Warnervale Town Centre and Wyong Employment Zones and the achievement of the objectives of the draft Central Coast Regional Strategy.
2. Wyong Shire Council and the Department of Planning give greater consideration to the capacity of the market in Warnervale Town Centre and Wyong Employment Zone to partly fund infrastructure that cannot be reasonably attributed to future development in these centres.
3. Clarity should be provided as to what essential infrastructure will be funded by Council and the State Government and when, including a commitment to the funding and timing of the proposed railway interchange.
4. Flexibility be provided in the planning framework for the Wanervale Town Centre to provide urban developers with the capacity to respond to market demands for dwelling types and densities.