

# Housing and Productivity Contribution

May 2023







# Acknowledgement

The Department of Planning and Environment acknowledges the Traditional Custodians of the land and pays respect to Elders past, present and future. We recognise Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and rich contribution to society.

Aboriginal people take a holistic view of land, water and culture and see them as one, not in isolation from each other. The *Housing and Productivity Contribution* is based on the premise upheld by Aboriginal people that if we care for Country, it will care for us.

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# Introduction

The NSW Government is committed to delivering vital community infrastructure so that people moving into a new home are also moving into a well-connected community. The efficient and timely delivery of this infrastructure is critical to the success of cities and regions.



## What is a Housing and Productivity Contribution?

The Housing and Productivity Contribution replaces the previous Special Infrastructure Contribution (SIC) in the NSW planning legislation.

The Housing and Productivity Contribution is a fair and consistent development charge that will help fund the delivery of infrastructure in high-growth areas. This new system will be simpler and fairer, increasing investment certainty and supporting connected communities.

The Housing and Productivity Contribution will be made through a Ministerial planning order that will set out:

- the amount of the contribution
- the area where the contributions will apply
- the types of development that the contributions will apply to
- when it needs to be paid and other details about how the contributions will be administered.

## The proposed new approach

The Housing and Productivity Contribution is proposed to apply over much larger areas and set fair and consistent contributions toward the costs of infrastructure provided by the NSW Government.

Housing and Productivity Contributions are planned for the high-growth areas of Greater Sydney, the Illawarra-Shoalhaven, Lower Hunter and the Central Coast.

Currently, SICs apply to small geographical areas that are subject to growth and change. These are a more bespoke approach which don't always provide for consistency and certainty.

The current fragmented approach to the existing bespoke SICs will be transitioned to:

- boost investment confidence in NSW by providing planning certainty for the provision of infrastructure to support new homes
- create opportunities for a consistent and growth-based approach to the planning and provision of infrastructure
- ensure greater consistency, predictability and certainty for budget planning by providing a greater supply of funds.

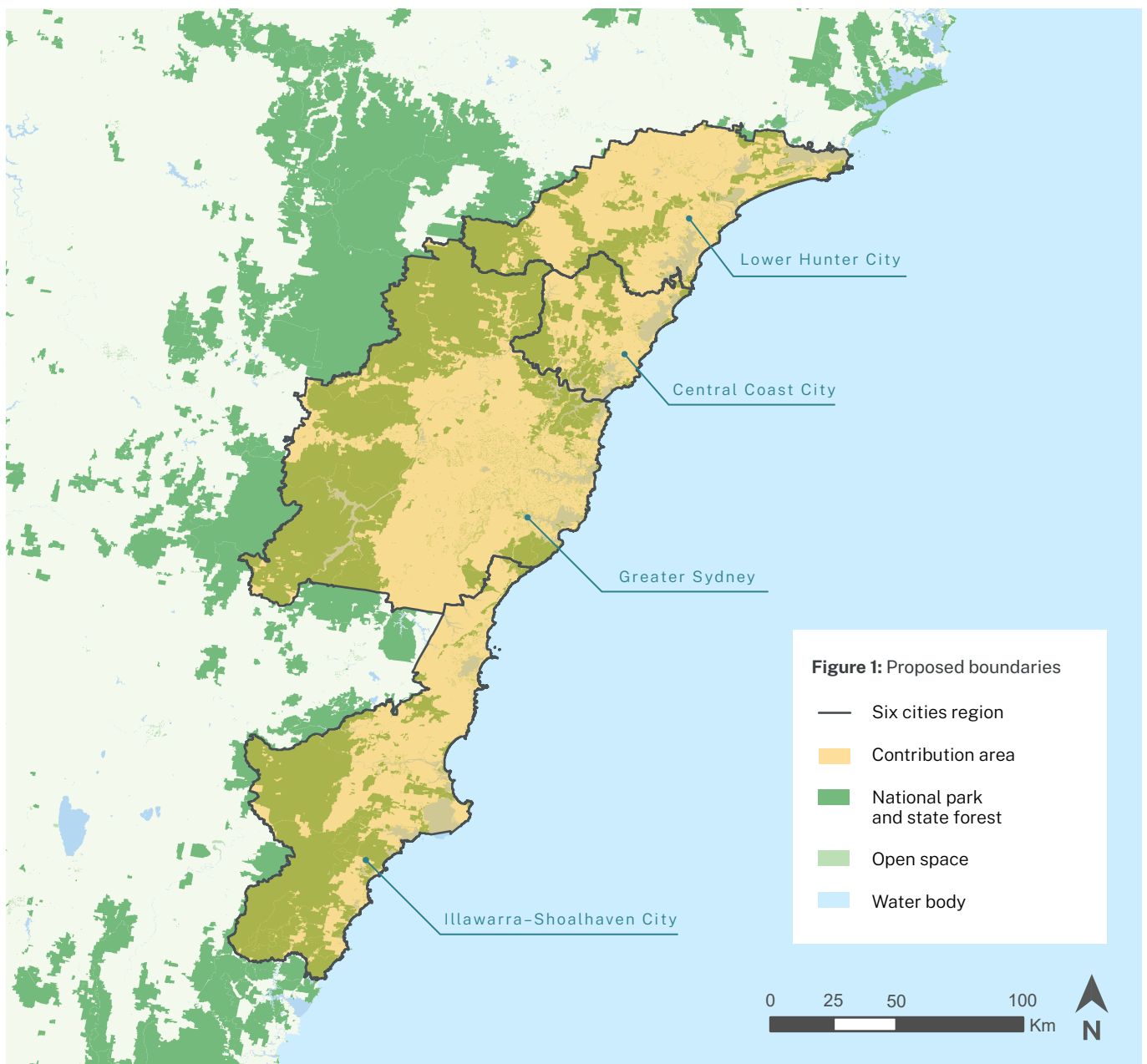
When fully implemented, the Housing and Productivity Contribution is expected to collect \$700 million annually across the four growth regions, to deliver the infrastructure needed to support housing and productivity.

# Proposed Housing And Productivity Contribution

The proposed Housing and Productivity Contribution is an integrated approach for growth planning and infrastructure provision to support the delivery of new housing and jobs.

## Where will the contributions apply?

For simplicity and certainty, the Housing and Productivity Contribution will apply a broad-based charge to the whole of the local government areas located within the Greater Sydney, Illawarra-Shoalhaven, Lower Hunter and Central Coast regions, as shown in the map below.





## What development will be subject to the contribution?

The Housing and Productivity Contribution will apply to:











- residential development that intensifies land-use where new dwellings are created, such as houses, apartments, terraces and dual occupancies
- commercial and retail development such as shops, neighbourhood shops, supermarkets, and commercial office buildings where new floorspace is created
- industrial development such as warehouses and industrial buildings, where new floorspace is created.

The contribution will not apply to replacing existing houses (knock-down/rebuild).

Some types of development may be exempt from paying the contribution. This may include public housing, seniors housing (within the meaning of the Standard Local Environmental Plan), affordable housing and secondary dwellings (sometimes called 'granny flats') carried out under the Housing State Environmental Planning Policy (SEPP).



# What are the contribution rates?

Greater Sydney Region		Illawarra, Shoalhaven, Central Coast and Lower Hunter	
Land use	Contribution rate	Land use	Contribution rate
 Houses (detached, semi-detached and townhouses)	\$12,000 per dwelling / lot	 Houses (detached, semi-detached and townhouses)	\$8,000 per dwelling / lot
 All other residential accommodation (residential flat buildings and units)	\$10,000 per dwelling / lot	 All other residential accommodation (residential flat buildings and units)	\$6,000 per dwelling / lot
 Industrial	\$15 per square metre of new gross floor area for industrial development	 Industrial	\$15 per square metre of new gross floor area for industrial development
 Commercial	\$30 per square metre of new gross floor area for commercial development	 Commercial	\$30 per square metre of new gross floor area for commercial development
 Retail	\$30 per square metre of new gross floor area for retail development	 Retail	\$30 per square metre of new gross floor area for retail development

Rates will be indexed quarterly using ABS PPI index.

As is currently the case, developers can dedicate land for infrastructure or build a piece of required infrastructure rather than make a monetary contribution. This is known as a works-in-kind agreement. Agreed works or dedication of land may be offset from the required monetary contribution.

These arrangements are at the discretion of the Minister for Planning and Public Spaces.

## What types of infrastructure will the contribution fund?

Contributions will go towards the provision of state and regional infrastructure needed to unlock development and support forecast growth, such as roads, parks, hospitals and schools. Infrastructure investment will align with timeframes for land use planning, rezoning and forecast development.

The Housing and Productivity Contribution can contribute towards the following growth-enabling types of infrastructure:

- Active transport
- Transport
- Education
- Health
- Emergency
- Justice
- Open Space and conservation

Funds will also be provided to support councils in delivering infrastructure that supports housing and productivity.

# Proposed Implementation

The Housing and Productivity Contribution will be introduced on 1 October 2023.

## When will the contribution be payable?

For commercial, retail and industrial development involving construction only, the contribution must be paid before a construction certificate is issued.

For residential subdivision development, the contribution must be paid before a subdivision certificate is issued.

## Phasing-in the contribution

Transition arrangements will consider implications for development and will apply once the Housing and Productivity Contribution comes into effect from 1 October 2023. The following discounts apply at the time payments are considered payable.

Year	Discount rate
Initial period (1 October 2023-June 2024)	50%
Second year (July 2024-June 2025)	25%
Third year onwards (July 2025 +) *full contribution comes into effect	0%

## Transition of existing Special Contribution Areas

A SIC has been implemented for the following Special Contribution Areas:

- Bayside West
- Gosford City Centre
- Frenchs Forest
- Illawarra-Shoalhaven
- Pyrmont Peninsula Metro
- St Leonards Crows Nest
- Warnervale Town Centre
- Western Sydney Aerotropolis
- Western Sydney Growth Areas
- Wyong employment zone

A draft SIC was prepared and exhibited, but not adopted for the following Special Contribution Areas:

- Greater Macarthur
- Hunter Region
- North West Growth Area
- Rhodes
- Wilton



The implemented SICs will be transitioned as set below:

### Transition on 1 October 2023

- Bayside West
- St Leonards and Crows Nest
- Gosford City Centre
- Wyong Employment Zone
- Warnervale Town Centre
- Illawarra – Shoalhaven
- Frenchs Forest

### Transition by 1 July 2026

- Western Sydney Growth Areas
- Western Sydney Aerotropolis

The Pyrmont Peninsula Metro Special Contribution Area will remain in place, for the purpose of collecting contributions towards the Sydney Metro station.

## Digital tool

We are developing a digital tool to allow for contributions to be calculated online. This tool will be integrated into the NSW Planning Portal and automates the ongoing administration, tracking and reporting of contributions.

## State planning agreements

A planning agreement is a legal agreement between a developer and a planning authority, such as the Minister for Planning and Public Spaces. State planning agreements secure infrastructure contributions to help cover the cost of infrastructure needed to support housing, jobs and connected communities.

The NSW Government will consider the need for new planning agreements if a developer proposes a substantial greenfield or infill rezoning that will:

- benefit the region or support broader NSW Government objectives
- result in significant demand for infrastructure that the NSW Government has not yet planned for or prioritised.

Planning agreements executed before the introduction of the Housing and Productivity Contribution will remain and continue to operate. If a planning agreement excludes the application of a SIC, then it will also exclude a Housing and Productivity Contribution.

## Works-in-kind agreements

A works-in-kind agreement establishes an indicative works-in-kind value and the scope, timing, milestones and requisite security for construction/land dedication.

Works-in-kind agreements executed before the introduction of the Housing and Productivity Contribution will remain and continue to operate.



# A Framework For Better Governance

The Housing and Productivity Contribution will provide a reliable and predictable source of public revenue that can better align infrastructure investment with land-use planning and development in high-growth regions.

It requires a robust and transparent governance framework that takes a whole-of-government approach to infrastructure investment and provision. This will drive better and more transparent decision-making, giving greater confidence to communities and the development industry.

The following initiatives are embedded into the framework.

## An Infrastructure Opportunities Plan

An Infrastructure Opportunities Plan will outline 0–20-year growth expectations and infrastructure projects that will be eligible for funding in Greater Sydney, Illawarra-Shoalhaven, Lower Hunter and Central Coast.

The plans will be developed through an Urban Development Program coordinated by the department that includes state agencies, councils and industry, drawing from strategic planning. The plans will outline the ‘long list’ of infrastructure required to effectively support housing and productivity growth in the identified regions.

## Housing and productivity fund

Payments of the Housing and Productivity Contribution will be held by Treasury in a Special Deposits Account. The legislation establishes the purposes of the fund being for the provision of regional infrastructure that supports housing and promotes economic activity.

Contributions collected in a region must only be spent in that region.

## Infrastructure prioritisation

The Infrastructure Opportunities Plan provides the ‘long list’ of infrastructure needs for each Housing and Productivity Contribution area.

Stakeholder engagement is critical to reviewing the Infrastructure Opportunities to identify a ‘shorter list’ of funding priorities.

The Urban Development Program will provide forums for stakeholders to discuss the growth challenges for the regions where the Housing and Productivity Contribution will apply. Using construction data, dwelling forecasts and inputs from stakeholders, a set of infrastructure priorities will be recommended for each region.

The recommendations of each of the regions will feed into an Urban Development Program Oversight Committee. This forum will include representatives of LGNSW, peak industry groups and key government agencies. They will consider and balance the competing needs of each region to review and refine the infrastructure priority list.

A Government Coordination Group will review the growth challenges, agency capital programs and infrastructure priority recommendations from the Urban Development Program Oversight Committee to refine a list of priority infrastructure projects to inform government funding allocation decisions.

## Proposed Governance Arrangements



## Role for councils

Councils play a vital role in delivering infrastructure in for their local communities such as local roads, drainage and local open space. There is no change to how councils collect their local contributions.

Some of the infrastructure councils provide function at a district or regional scale and may not be fully funded through their local contribution plans.

The new framework will provide:

- a strong voice for councils to advocate for infrastructure needs as part of the prioritisation process
- ability for councils to make submissions on the regional infrastructure that should be funded
- opportunity to access grant funding for infrastructure projects that support housing, jobs and connected communities, such as large scale community and sporting facilities.

## What's Next

NSW is growing at a rapid pace. We need a contributions system that is fair and consistent, so that new development helps pay for infrastructure such as roads, parks, schools and hospitals.

A Bill has been introduced into Parliament to change how we levy contributions for state infrastructure. The reforms are consistent with the recommendations of the NSW Productivity Commissioner.

The department will continue to work with stakeholders to build the digital service that will modernise how infrastructure contributions are managed, giving councils confidence that funds will be collected and improving transparency for all users. Support and onboarding assistance will be provided to users of the digital service, ensuring appropriate training is available.



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## Planning and Environment

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