

ECONOMY

ITEM NUMBER	8.3
SUBJECT	Outcomes of Public Exhibition - Discussion Paper on Infrastructure Planning and Funding in the Parramatta CBD
REFERENCE	F2015/01278 - D04693103
REPORT OF	Project Officer

PURPOSE:

The purpose of this report is to brief Council on the outcomes of the exhibition of the Discussion Paper on Infrastructure Planning and Funding in the Parramatta CBD, including the independent Peer Review of Council's past work on value sharing and the Draft Parramatta CBD Infrastructure Needs Analysis. The report recommends that Council authorise preparation of a Draft Parramatta CBD Infrastructure Strategy (including Draft Section 94a Plan and Draft Development Guideline relating to value sharing) for further consultation alongside the Parramatta CBD Planning Proposal.

RECOMMENDATION

- (a) **That** Council note the outcomes of the public exhibition of the Discussion Paper on Infrastructure Planning and Funding in the Parramatta CBD, including the independent Peer Review of Council's past work on value sharing and the Draft Parramatta CBD Infrastructure Needs Analysis, as outlined in this report.
- (b) **That** Council continues to support the inclusion of a value sharing mechanism in the Parramatta CBD Planning Proposal, as previously endorsed by the former Parramatta City Council on 11 April 2016.
- (c) **That** Council authorises preparation of a Draft Parramatta CBD Infrastructure Strategy for public exhibition alongside the Parramatta CBD Planning Proposal, including the following elements for consultation:
 - 1 A Draft Section 94A Contributions Plan maintaining the current 3% levy on developments with cost of development >\$250,000 to apply to the area to which the Parramatta CBD Planning Proposal applies; and
 - 2 A Draft Development Guideline pertaining to value sharing incorporating the recommendations of the independent Peer Review, namely:
 - 2.1 A Phase 1 value sharing rate of 20% (\$150/sqm);
 - 2.2 A Phase 2 value sharing rate of 50% (\$375/sqm);
 - 2.3 That value sharing applies to residential development only;
 - 2.4 That a mechanism for altering the rate in accordance with a residential market index be provided; and
 - 2.5 That value sharing should be re-evaluated after five years of implementation.
- (d) **That,** with regards to the Draft Section 94A Contributions Plan, Council authorises officers to approach the Department of Planning and Environment in order to start the process to update Clause 25K of the Environmental Planning and Assessment Regulation 2000 to reflect the proposed expansion

of the CBD under the Parramatta CBD Planning Proposal.

- (e) **That** the issues raised during this public exhibition period which pertain to Voluntary Planning Agreement (VPA) implementation be considered as part of a draft update to Council's VPA policy, and that this be the subject of a separate report to Council.
- (f) **Further, that** Council write to the Department of Planning and Environment to advise them of this resolution in order to facilitate release of a Gateway determination on the Parramatta CBD Planning Proposal, and thereby an opportunity for further consultation with stakeholders.

BACKGROUND

1. Significant growth in Parramatta CBD has been a feature of metropolitan strategic planning documents for many years. The NSW Government's metropolitan plan *A Plan for Growing Sydney* recognises Parramatta as Sydney "dual CBD", while more recently, the NSW State Government has identified Greater Parramatta at the heart of Sydney's "Central City". With the recent release of the draft West Central District Plan, there is now a clear strategic line of sight through all levels of strategic planning for Parramatta CBD's future as a centre of focused development of employment, housing, recreational and cultural opportunities.
2. Since 2013, Council has been undertaking a major initiative to amend planning controls in the Parramatta CBD to achieve this strategic vision. Major milestones of this work have included:
 - a. **July 2013:** Council resolution to undertake a study to identify how Council could develop and implement a planning framework to create a world class city.
 - b. **August 2013 – September 2014:** preparation of the aforementioned study and related technical work.
 - c. **October – November 2014:** Exhibition of the *Draft Parramatta City Centre Planning Framework Study* and accompanying *Draft Parramatta CBD Planning Framework: Economic Analysis*.
 - d. **April 2015:** Council endorsement of the resulting *Parramatta CBD Planning Strategy*, and resolution to prepare a major Planning Proposal to amend planning controls.
 - e. **May – November 2015:** preparation of the draft Parramatta CBD Planning Proposal
 - f. **December 2015:** Resolution of key strategic issues to finalise the draft Parramatta CBD Planning Proposal for Council endorsement.
 - g. **January – March 2016:** finalisation of the draft Parramatta CBD Planning Proposal.
 - h. **April 2016:** Council endorsement of the draft Parramatta CBD Planning Proposal for forwarding to the Department of Planning and Environment for Gateway
3. The concept of value sharing has been consistently present in Council's approach to CBD planning for more than two years, as it was included in the

key recommendations of the *Draft Parramatta City Centre Planning Framework Study* which was exhibited during October – November 2014. Most recently, a value sharing mechanism was endorsed by the former Parramatta City Council as part of the draft Parramatta CBD Planning Proposal in April 2016.

4. In May 2016, parts of the former Parramatta City Council were amalgamated with parts of Hornsby, The Hills, former Holroyd and former Auburn Councils to form the new City of Parramatta Council.
5. In June 2016, a report was put to Council to recommend finalisation of a policy position on infrastructure planning and funding in the CBD (the position recommended by Council officers at that point is discussed further in the following section of this report). In response to that report, Council resolved to undertake further work in relation to value sharing.
6. The further work which Council resolved to undertake has ultimately included preparation of a Discussion Paper on infrastructure planning and funding in the CBD, an independent Peer Review of Council's past work on value sharing, and a detailed draft infrastructure needs analysis. The key documents resulting from the June 2016 resolution have recently been exhibited, and are the subject of this report.

COUNCIL'S CURRENT APPROACH TO VALUE SHARING

7. The former Parramatta City Council endorsed a value sharing mechanism as part of the Parramatta CBD Planning Proposal in April 2016. Generally speaking, the value sharing mechanism is actualised through the floorspace ratio (FSR) controls contained within the Parramatta CBD Planning Proposal, and is divided into "Phase 1" and "Phase 2" value sharing. The value sharing mechanism is not proposed to apply to commercial floorspace, in order to preserve and promote the CBD's commercial core.
8. Phase 1 value sharing refers to sharing a proportion of the land value uplift between "Base" (current) FSR controls and "Incentive" FSR controls. Phase 2 value sharing refers to sharing a proportion of the land value uplift on Opportunity Site FSR, which is an additional 3:1 FSR achievable for certain sites in the B4 Mixed Use zone. The Parramatta CBD Planning Proposal also contains provisions relating to bonus schemes associated with Design Excellence processes, and High-Performing Buildings; however, these are not subject to value sharing. The below figure summarises the approach to FSR controls and value sharing as articulated in the Parramatta CBD Planning Proposal.

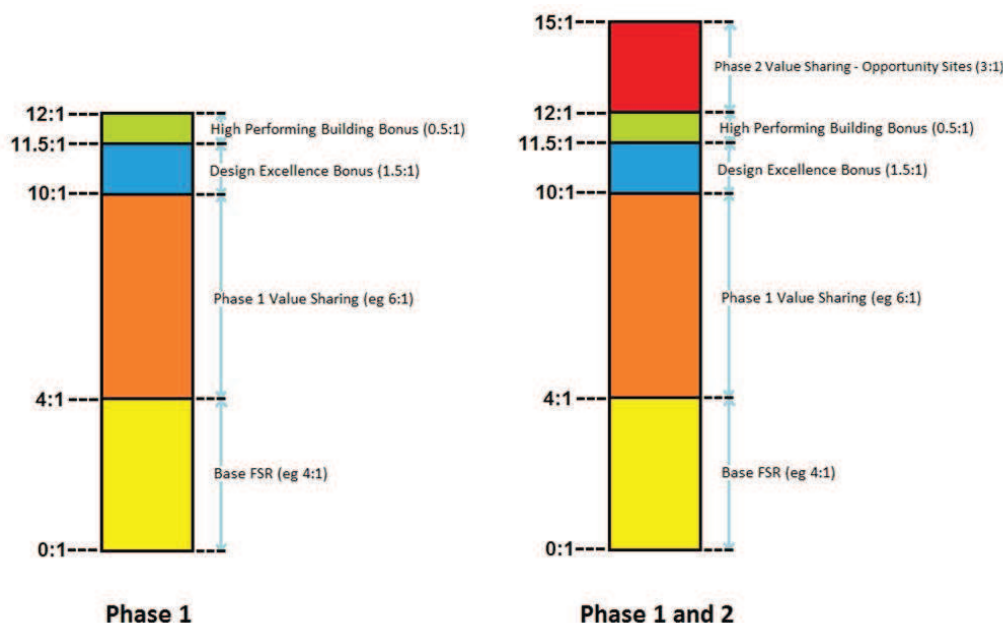


Fig. 1: FSR Controls and Phase 1 & 2 value sharing under the Parramatta CBD Planning Proposal

9. Council officers' last recommended position (June 2016) was based on work undertaken by consultants GLN Planning, the recommendations of the former Parramatta City Council's Infrastructure Funding Review Committee, and further work by Council officers, and included 46.7% Phase 1 value sharing (essentially being 20% towards Council's Phase 1 value sharing and 26.7% being the anticipated additional \$200/sqm rate potentially associated with the State government's Special Infrastructure Contribution (SIC) for Parramatta Light Rail) and 50% Phase 2 value sharing.
10. Work undertaken by Council officers and GLN Planning conservatively estimated the land value uplift under the Parramatta CBD Planning Proposal at \$750/sqm. This means that the 20% Phase 1 and 50% Phase 2 value sharing rates recommended by Council officers correspond to \$150/sqm and \$375/sqm respectively.
11. The State Government has not yet exhibited a draft SIC, and Council officers' best knowledge remains that the potential rate for the SIC may be \$200/sqm. Due to uncertainty around the timing and potential rate in the SIC, as well as administrative complexity, it is recommended that Council's value sharing mechanism be implemented independently of the SIC.
12. Finally, it is noted that, since the June 2016 report recommending the above position, eight site-specific planning proposals in the CBD have had associated Voluntary Planning Agreements (VPAs) negotiated in line with 20% Phase 1 value sharing. This means that, in effect, the aforementioned policy position is already operating in the CBD, and underscores the feasibility of the recommended approach. It also highlights the need for prompt resolution of this matter, and resolution of the aforementioned rates in a Draft Development Guideline in order to ensure consistency, transparency, equity and efficiency in negotiating VPAs.

DISCUSSION PAPER AND APPENDICES

13. In response to the June 2016 resolution, Council (with collaborative input from consultants Aurecon) prepared a Discussion Paper entitled *Infrastructure*

Planning and Funding in the Parramatta CBD. The Discussion Paper is included in this report at **Attachment 1**, and its contents are summarised as follows:

- a. Identification of the strategic alignment positioning Parramatta as Sydney's second CBD, and the resulting anticipated growth in residential dwellings and employment;
 - b. Identification of the local infrastructure needs associated with this growth, including cost estimates (approximately \$998 million);
 - c. Discussion of funding options, identification of potential income from existing/expected funding sources, and articulation of the expected funding gap (estimated at \$394-\$549 million);
 - d. Introduction and discussion of the concept of value sharing, including its potential to partially (though not fully) resolve the expected funding gap (gap reduced to an estimated \$26-\$312 million);
 - e. Discussion of Council's past work on value sharing, and summary of the related independent peer review of this work (including its recommendations – see further discussion below); and
 - f. A series of Discussion Questions to guide public submissions on the contents of the Discussion Paper.
14. The Discussion Paper had two key supporting appendices: the aforementioned independent Peer Review, and the detailed Draft Parramatta CBD Infrastructure Needs Analysis (which provides more detail to the needs summarised in the Discussion Paper as per paragraph 14b above). These appendices are discussed in more detail in the following sections.

Independent Peer Review of Council's past work on value sharing

15. In response to the June 2016 resolution, Aurecon and subconsultants Land Econ Group were engaged to undertake an independent Peer Review of Council's past work on value capture. This work included a review of Council's policy work relating to future infrastructure funding in the CBD, as well as a review of work undertaken by Council and consultants GLN Planning regarding feasibility and scenario modelling for different value capture rates. The independent Peer Review is included in this report at **Attachment 2**.
16. With regards to Council's past policy work on value sharing, the independent peer reviewers found that Council's "policy steps were carefully considered, well researched and consistent in approach" (pg. 6).
17. With regards to Council/GLN Planning's modelling work, two minor modelling issues were identified with the developer pro forma model; however, these issues were deemed not to have materially affected the modelling outcomes. The independent peer reviewers found that, "other than these minor issues, our opinion is that the study was comprehensive, well researched, thoughtfully modelled, provided some words of caution and accomplished its primary of comparing the likely revenue generation potential of different value sharing mechanisms" (pg. 8).
18. Based on the above findings, the independent peer reviewers did not recommend any material changes to Council's proposed policy position on value sharing. Their recommendations are summarised as follows:

- a. That Council implement the proposed value sharing mechanism “as promptly as possible to provide Council with an additional source of funding for community infrastructure”.
 - b. That Council set Phase 1 and Phase 2 value sharing rates of \$150/sqm and \$375/sqm respectively.
 - c. That Council re-evaluate the value sharing mechanism after five years of implementation.
 - d. Build flexibility into the mechanism to provide Council with the option to suspend or reduce the value sharing rates, should a selected residential market index show decline in five out of six consecutive quarters.
 - e. Apply value sharing to residential development only, in order to preserve and promote Parramatta CBD’s commercial core.
19. Officers broadly agree with the Peer Review recommendations, and recommend that these are incorporated into a draft Development Guideline addressing value sharing.

Draft Parramatta CBD Infrastructure Needs Analysis

20. The Draft Parramatta CBD Infrastructure Needs Analysis is the result of an extensive year-long internal collaborative process coordinated by the Land Use Planning team. This process involved early identification of local infrastructure needs associated with the anticipated growth under the Parramatta CBD Planning Proposal in a draft list in early 2016. This list was then refined over the course of 2016 and early 2017, by involving multiple Council teams through an iterative process of refining cost estimates, removing any project overlap, prioritisation and phasing, and ensuring alignment of projects to Council’s operational plan and other strategies.
21. As part of the refinement of the draft needs analysis, consultation was also undertaken with officers of the Greater Sydney Commission (GSC) and the Department of Planning and Environment (DPE). Council continues to work in partnership with GSC and DPE in planning for appropriate provision of infrastructure in Parramatta.
22. Another important feature of the refinement process was ensuring that projects aligned to Council’s *Statement of Vision and Priorities*, which was adopted in December 2016 and involved extensive community consultation, involving over 9,000 participants. The six priorities from the *Statement of Vision and Priorities* to which infrastructure needs were aligned are as follows:
- a. *Managing Growth and Transport*
 - b. *Promoting Green Spaces and the Environment*
 - c. *Providing opportunities for Recreation and Leisure*
 - d. *Creating a Strong Economy with a Strong City Centre*
 - e. *Having a Community Focus*
 - f. *Supporting Arts and Culture, Celebrations and Destinations*

The other two priorities – *Building a Stronger, more Innovative Council for our Community's Future* and *Creating Vibrant Neighbourhoods and Precincts* - are underpinned by all of the works identified in the needs analysis.

23. The Draft Parramatta CBD Infrastructure Needs Analysis is appended to this report at **Attachment 3**. Addressing the needs identified therein will help to ensure that Parramatta CBD grows into a sustainable, liveable and productive CBD. It is important to note that the Needs Analysis addresses *local* infrastructure needs – i.e. those needs which Council will likely be responsible for planning, delivering and/or funding a significant portion. Major regional infrastructure projects (such as Parramatta Light Rail, Parramatta Schools Project, Museum of Applied Arts and Sciences) are not included in the needs analysis, however, they were taken into consideration in identifying local infrastructure needs.

Summary

24. In summary, the Discussion Paper and Appendices work together to frame a problem, recommend an appropriate mix of solutions, and seek further feedback from community and industry on matters pertaining to funding the future infrastructure needs of the CBD. In order to seek this feedback, this package of materials was recently exhibited as described in further detail in the following section.

PUBLIC EXHIBITION

25. Public exhibition of the Discussion Paper and Appendices took place from 13 March to 24 March, and consisted of hard-copy exhibition in Customer Service and CBD Library, a dedicated exhibition page on Council's website, media release and coverage (for example, by the Sydney Morning Herald and Seven News), and an invited industry forum held to launch the exhibition period. It should be noted that this was not a statutory exhibition, but was undertaken to address a previous Council resolution.

Industry Forum and Issues Raised

26. Council held an invited industry forum to launch the exhibition period, and issued invitations to about 70 key stakeholders to the CBD planning process. These stakeholders included current proponents of site-specific Planning Proposals, relevant peak body organisations, State agencies, and peers in Local Government. The industry forum was held on Monday 13 March 2017, and there were 39 external attendees.
27. The forum consisted of a welcome from Council's Administrator, a technical presentation from Council staff covering the exhibited materials, and a facilitator-led forum wherein attendees wrote questions to be answered by a panel. The panel consisted of Greg Dyer (Interim General Manager, Council), Sue Weatherley (Director Strategic Outcomes and Development, Council), Dr. Tim Williams (CEO Committee for Sydney) and Rick Graf (Development Director, Billbergia).
28. The topics discussed at the forum are summarised in the following table, with a response from Council officers.

1	Engaging with the banking/finance industry to improve project feasibility <i>It is recommended that this be undertaken as part of the exhibition of the Draft Parramatta CBD Infrastructure Strategy.</i>
2	Indexation and review of value sharing rates <i>This report recommends a review of the value sharing mechanism after 5 years of implementation, as well as ongoing review against a residential market index, as per the recommendations of the Peer Review. It is proposed to include CPI adjustment as part of the Draft Development Guideline recommended for preparation in this report.</i>
3	Questioning the approach to standardising value sharing in a rate, rather than pursuing VPAs on a site-by-site basis <i>The reason for standardising the value sharing rates is to provide greater levels of certainty, equity, transparency, consistency and efficiency. It is considered that the current practice of negotiating VPAs on a site-by-site basis in the CBD is not the best outcome in terms of efficiency and equity for Council or industry.</i>
4	Feasibility testing of the rates; concern that rates will make developments financially unviable. In particular, there is a need to take into consideration the additional risk a developer takes on a larger development (i.e. additional construction risk, finance risk, etc.) <i>Work undertaken by GLN Planning consultants and Council staff, and peer reviewed by Aurecon, has indicated that the recommended rates are feasible for the large majority of sites in the CBD given land values in the Parramatta CBD. Since June 2016, eight VPAs have been negotiated in line with 20% Phase 1 value sharing, further underscoring the feasibility of the recommended position.</i>
5	Uncertainty about the interaction between Council's value sharing mechanism, the SIC, and the recent announcement of affordable housing targets in the Draft West Central District Plan. <i>A draft SIC has not yet been finalised and released for public exhibition, and is the responsibility of State Government. Council is seeking to finalise a policy position on funding mechanisms for local infrastructure as soon as possible to provide a greater level of certainty to both Council and industry, and will continue to work with State Government partners on matters of infrastructure planning and funding in the Parramatta CBD.</i> <i>Council will also be undertaking further work in relation to Affordable Housing, in line with the Draft West Central District Plan.</i> <i>The Department of Planning and Environment has advised that Council must resolve a policy position on this matter prior to the Parramatta CBD Planning Proposal receiving Gateway. Council does not want to delay the Parramatta CBD Planning Proposal. Council may wish to include interaction with any resulting State infrastructure funding or affordable housing targets as part of the 5 year review recommended in this report.</i>
6	How does Council propose to apply value sharing outside the CBD? <i>The proposed value sharing mechanism does not apply outside of the CBD. Negotiation of site-specific VPAs are the current method for sharing value outside of the CBD. This issue will be addressed as part of the forthcoming draft update to Council's VPA Policy.</i>
7	Hypothecation of collected funds, timing of payment, ensuring that funds collected through value sharing are spent in an efficient and transparent manner, and other VPA implementation issues. <i>Council officers appreciate these implementation concerns, and consider that these are best addressed as part of the forthcoming draft Parramatta CBD</i>

	<i>Infrastructure Strategy and draft update to Council's VPA Policy. The purpose of this report is effectively to recommend adoption of rates for the purposes of further consultation in the Draft Parramatta CBD Infrastructure Strategy, alongside a draft update to Council's VPA Policy.</i>
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Table 1: Issues raised at industry forum and Council officer response

Formal Submissions and Issues Raised

29. During the exhibition period, eight submissions were received. These included seven from the development industry (either developers or peak body organisations), and one from a Rosehill Street resident on behalf of a group of five residents.
30. **Attachment 4** contains a detailed table with issues raised in submissions and Council officer responses. (Two of the submissions from the development industry were very similar in language and issues raised, so have been treated together in the attached table.) Many of the issues raised at the forum were also raised in submissions. The following paragraphs summarise key additional issues raised, with a brief response.
31. **Impacts on development feasibility and housing affordability:** Feasibility testing undertaken by Council and GLN Planning established a conservative per-sqm land value uplift rate, upon which the recommended value sharing rates are based. This work suggested that these rates could be introduced with minimal impact for the large majority of sites on developer's bottom-line, indicating that impacts on housing prices should be marginal. Since June 2016, eight VPAs have been negotiated in line with 20% Phase 1 value sharing, further underscoring the feasibility of the recommended position.
32. **Further work needed on infrastructure needs analysis:** The Needs Analysis (Attachment 3) represents the first time Council has exhibited a comprehensive needs analysis for the Parramatta CBD under the Parramatta CBD Planning Proposal scenario, and it is noted that this is more detail than is traditionally provided with regards to local infrastructure planning. This work will continue to be refined in consultation with industry and community over the coming months. A key recommendation of this report is preparation of a Draft Parramatta CBD Infrastructure Strategy which will facilitate further, more detailed consultation on these matters; a policy position on value sharing needs to be resolved in order for preparation of that draft document.
33. **Council should consider other funding mechanisms, such as levies or approaching the State Government to advocate for a broad-based land tax:** Council's proposed value sharing mechanism aims to share a reasonable proportion of the land value uplift gained through the Parramatta CBD Planning Proposal with the community, through a Development Guideline which is equitable, transparent, consistent, and efficient. If Council resolves not to adopt the value sharing mechanism, Council will need to explore other approaches to funding local infrastructure needs, or significant reductions to the FSRs proposed under the Parramatta CBD Planning Proposal.
34. **This two week public exhibition period was inadequate:** The Department of Planning and Environment has advised that Council must resolve a policy position on this matter prior to the Parramatta CBD Planning Proposal receiving Gateway. Council does not want to delay the Parramatta CBD Planning Proposal. A central purpose of this report and recommendation is to gain

Council's endorsement to prepare materials for further public exhibition and consultation, and Council will welcome further feedback at that time.

35. Should Council receive any further late submissions, these will be provided to the Administrator under separate cover.

FINANCIAL IMPLICATIONS FOR COUNCIL

36. The financial implications for Council in resolving a policy position on value sharing are significant. Generally speaking, if value sharing does not proceed as part of the Parramatta CBD Planning Proposal, a funding gap of between \$394 - \$549 million is expected. Alternative funds will need to be sourced, or, alternatively, Council will not be able to fully fund the infrastructure requirements of the Parramatta CBD.
37. There are also financial implications of adopting a value sharing system, in that Council resources will be required to implement that system. However, it is considered that implementing a system that has standardised value sharing rates and an established local infrastructure plan would be less resource-intensive than negotiating and managing multiple VPAs without an established local infrastructure plan.

RECOMMENDATION AND ANTICIPATED NEXT STEPS

38. The Department of Planning and Environment has advised that Council needs to resolve a policy position on this matter prior to their release of a Gateway determination on the Parramatta CBD Planning Proposal. In order to avoid delaying the Parramatta CBD Planning Proposal, it is recommended that Council resolve a policy position on this matter as promptly as possible.
39. Based on the outcomes of the Independent Peer Review, and the outcomes of the public exhibition process outlined in this report, officers recommend that Council continue to support the inclusion of a value sharing mechanism as part of the Parramatta CBD Planning Proposal.
40. The next steps for resolving the specifics of that value sharing mechanism involve preparation of documentation for further public exhibition. To this end, officers recommend that Council authorise preparation of a Draft Parramatta CBD Infrastructure Strategy for public exhibition alongside the Parramatta CBD Planning Proposal. It is recommended that this draft strategy include the following elements for further consultation:
- a. A Draft Section 94A Contributions Plan maintaining the current 3% levy on developments with cost of development >\$250,000; and
 - b. A Draft Development Guideline relating to value sharing incorporating the recommendations of the independent Peer Review, namely:
 - i. A Phase 1 value sharing rate of 20% (\$150/sqm);
 - ii. A Phase 2 value sharing rate of 50% (\$375/sqm);
 - iii. That value sharing applies to residential development only;
 - iv. That a mechanism for altering the rate in accordance with a residential market index be provided; and
 - v. That value sharing should be re-evaluated after five years of implementation

41. With regards to formulating a Draft Section 94A Contributions Plan, it should be noted that the Parramatta CBD Planning Proposal proposes to expand the current statutory boundary of the City Centre. The current CBD Section 94a Contributions Plan (*Civic Improvement Plan Amendment No. 4*) applies to the current statutory boundary of the City Centre, which is referenced in the Environmental Planning and Assessment Regulation 2000 (the Regulation). Specifically, Clause 25K of the Regulation contains provisions allowing Council to levy Section 94A contributions at 3% in the current City Centre boundary. It is appropriate that a new Section 94A Contributions Plan associated with the Parramatta CBD Planning Proposal would correspond to the new City Centre boundary proposed under the Planning Proposal. Therefore, it is recommended that Council authorise officers to approach the Department of Planning and Environment in order to start the process to update Clause 25K of the Environmental Planning and Assessment Regulation 2000 to reflect the proposed expansion of the CBD under the Parramatta CBD Planning Proposal.
42. As noted in previous sections pertaining to feedback received during this consultation period, several issues were raised that are more directly related to VPA implementation (rather than value sharing or infrastructure funding generally). Therefore, it is recommended that the issues raised during this public exhibition period which pertain to VPA implementation be considered as part of a draft update to Council's VPA policy, and that this be the subject of a separate report to Council.
43. Should Council adopt the recommendations contained in this report, the anticipated next steps would be:
 - a. Advising the Department of Planning and Environment of Council's policy position on this matter (as it affects the Parramatta CBD Planning Proposal), in order to facilitate release of the Gateway determination as promptly as possible.
 - b. Receipt of Gateway determination from the Department of Planning and Environment, which would likely include a decision from the State Government with respect to including a value sharing mechanism in the planning proposal.*
 - c. Undertaking preparation of a Draft Infrastructure Strategy for the CBD, including a Draft Section 94A Plan and Draft Development Guideline addressing value sharing.
 - d. Undertaking preparation of a draft update to Council's Voluntary Planning Agreement Policy in line with the resolved policy position, and with consideration given to issues raised during this exhibition period relating to VPA implementation.
 - e. Undertaking further consultation on infrastructure planning and funding through public exhibition of the Draft Infrastructure Strategy and draft update to Council's VPA Policy alongside the Parramatta CBD Planning Proposal.
 - f. Report back to Council following that further public exhibition period.

*NB: Notwithstanding the position of Council in response to this report in relation to value sharing, the final decision with respect to a value sharing mechanism in the Parramatta CBD Planning Proposal rests with the State Government.

RISKS OF NOT PROCEEDING

44. The main risks of not proceeding with value sharing as part of the Parramatta CBD Planning Proposal are:
- a. An expected funding gap of between \$394 - \$549 million would persist with regards to funding local infrastructure in the Parramatta CBD. Alternative funds will need to be sourced, or, alternatively, Council will only be able to address a portion of the needs identified.
 - b. Receiving a Gateway determination on the Parramatta CBD Planning Proposal would be significantly delayed, as the Parramatta CBD Planning Proposal and related technical reports would need to be redrafted to reflect the alternative policy position. This redrafting could also potentially require revision of densities in the Parramatta CBD Planning Proposal.
 - c. VPAs would continue to be negotiated in the CBD on a site-by-site basis, which would be a worse outcome for both Council and applicants in terms of consistency, transparency, equity and efficiency.

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ATTACHMENTS:

1 	Discussion Paper: Infrastructure Planning and Funding in the Parramatta CBD	43 Pages
2 	Discussion Paper Appendix A: Peer Review	23 Pages
3 	Discussion Paper Appendix B: Draft Parramatta CBD Infrastructure Needs Analysis	7 Pages
4 	Detailed Table of Issues Raised and Council Officer Response	10 Pages

REFERENCE MATERIAL



City of Parramatta

Discussion Paper

Infrastructure Planning and Funding in the Parramatta CBD

March 2017



PARRAMATTA
WE'RE BUILDING AUSTRALIA'S NEXT GREAT CITY

Executive summary

Sitting at the heart of Greater Sydney's 'Central City', Parramatta CBD will grow significantly over the coming decades. This means city infrastructure such as green spaces, recreational facilities, arts and cultural destinations, and community spaces will face greater demands than ever before, necessitating clear infrastructure planning that aligns with City of Parramatta Council's ('Council') vision of being a liveable, sustainable, productive, and leading city.

Council has developed a draft list of the local infrastructure that the city will need in order to provide high-quality spaces and services that meet the needs of the CBD's growing community of residents, workers and visitors. Council is now seeking feedback on this needs analysis which, led by Council's *Statement of Vision and Priorities*, responds to the following themes:

- **Managing growth and transport** to improve accessibility, navigation and connectivity, which will provide a better city experience for pedestrians and active transport users.
- **Promoting green spaces and the environment** by creating and maintaining green spaces and transitioning towards a resilient city. The focus will be on developing Parramatta River as a key green public space for residents, workers and visitors, serving as a 'green' trail throughout the city.
- **Providing opportunities for recreation and leisure activities** to promote healthy and active lifestyles and maintaining a reputation as a premier sporting destination.
- **Creating a strong economy with a strong city centre**, which relies on improving the city's public domain backbone of streets and laneways, as well as flood management. There is also a push towards becoming a Smart City.

- **Having a community focus** that fosters and celebrates a sense of community through the new Civic Centre, community centres and spaces, and childcare facilities.
- **Supporting arts, culture, celebrations and destinations** which enrich people's lives by creating a collective sense of identity for the community and spaces to spark new ideas and imagination.

The local infrastructure identified to support growth in the CBD and the realisation of these priorities will cost approximately \$1 billion over the next 40 years. This exceeds Council's estimated income from user charges (section 94a developer contributions), taxes (rates), and potential Government grants. The total estimated income from these sources will likely fall in the range of \$449 - \$605 million between 2016 and 2056. This means there is an anticipated funding gap of between \$394 - \$549 million.

- This paper describes potential options for Council to reduce the funding gap, and feedback is welcomed on the funding options considered - in particular whether they are fair, equitable and transparent. Some of these options are currently used by Council (such as rates, developer contributions and grants), while others would represent new funding opportunities (such as City Deals and a planning uplift value share (PUVS) mechanism).

In particular, this paper focuses on funding options that Council can readily influence, and highlights the difference between user charges (i.e. meaning that those who benefit from something should pay for it) and taxes. Value sharing is a type of user / beneficiary charge that is currently not being implemented in Parramatta CBD, and this paper will provide more detail on value sharing and how it might apply in the CBD.

While the funding options considered may be able to raise a significant amount of funds, there remains

a funding gap. The identified local infrastructure needs of the Parramatta CBD represent an unprecedented level of investment, and finding the right mix of funding mechanisms will require innovative thinking and approaches.

Council welcomes your feedback on this discussion paper and the funding options considered, as well as on the draft infrastructure list. All submissions will be considered in Council's decision making process relating to CBD infrastructure planning and funding.

If you would like to provide feedback, visit www.cityofparramatta.nsw.gov.au.

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1 Introduction

1.1 What this paper is about

This paper identifies that Parramatta CBD will grow significantly over the next 40 years, and will need additional local infrastructure of all kinds costing approximately \$1 billion. Council cannot meet this requirement under its current revenue stream, creating a funding gap.

This paper introduces the additional infrastructure needs and assesses several options to reduce the funding gap. It highlights the challenges and opportunities of these options, and recommends a value sharing mechanism as a potential way forward.

This paper aims to provide the community with an understanding of infrastructure planning and funding in the CBD by:

- Providing an overview of the plans and strategies put in place by Council, the State Government and the Greater Sydney Commission, which all identify Parramatta's strategic importance.
- Highlighting that Parramatta CBD is set to grow significantly over the coming decades and identifying what infrastructure is needed to support this growth.
- Assessing several funding options, identifying challenges and opportunities, and demonstrating that a value share mechanism shows strong potential to help reduce the funding gap.
- Determining how a value share mechanism would work in a fair, equitable and transparent manner.
- Outlining a way forward and inviting the community and industry to provide feedback on Council's work to date.

1.2 How this paper was written

This paper is the result of a highly collaborative effort between City of Parramatta Council and Aurecon Australasia Pty Ltd. Aurecon also undertook an independent review of Council's original analysis around value sharing; this is provided as **Appendix A** to this paper, and provides further information on assumptions, market feasibility analysis and results. Council staff have undertaken a draft needs analysis identifying what local infrastructure will be needed in the CBD and this is included at **Appendix B**.

Parts of this work were also informed by discussions with staff of the Department of Planning and Environment and Greater Sydney Commission, and interviews with developers and real estate agents.

1.3 How to get involved

Council welcomes your feedback on this discussion paper, especially on the infrastructure list and the funding options considered. All submissions will be considered in Council's decision making process relating to CBD infrastructure planning and funding.

If you would like to provide feedback, visit www.cityofparramatta.nsw.gov.au.

2 Planning for growth in Parramatta CBD

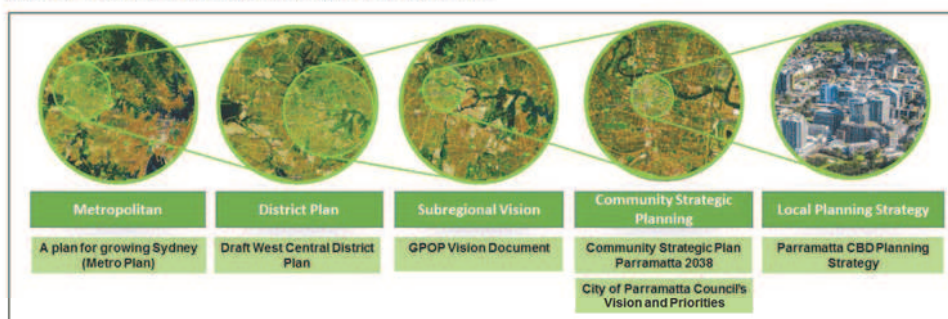
The NSW Government has identified Greater Parramatta to the Olympic Peninsula (GPOP) and surrounds as Sydney's Central City³⁴, with employment and population forecast to grow significantly over the coming decades. Parramatta CBD is one of four important precincts within GPOP.

Council and the NSW State Government are preparing for this growth and have developed several plans and frameworks outlining the vision for Parramatta. This vision seeks to transform the city into a sustainable, liveable, and productive world class city.

2.1 Frameworks guiding growth in Parramatta CBD

Great cities need a plan for growth. There are many examples of cities that have expanded too quickly without any kind of planning. The results are chaotic at best, and greatly threaten the quality of life in that city⁵. In order to transform Sydney's Central City (with Parramatta CBD at its heart) into a world class city, a series of plans and frameworks have been developed by the Greater Sydney Commission, NSW State Government and Council, which all agree on the need to grow the city while also addressing the impacts arising from that growth. The following sections outline this clear strategic line of sight in more detail.

Figure 1: Summary of Strategic Planning for Parramatta CBD



³ West Central District Plan (<http://greater.sydney/west-central-district>)

⁴ Greater Sydney Commission Greater Parramatta to Olympic Peninsula Vision (<http://www.greater.sydney/gpop>)

⁵ How to make a great city, McKinsey&Company (2013)

A Plan for Growing Sydney⁶

The NSW State Government envisions the transformation of Sydney's metropolitan area over the next 20 years in *A Plan for Growing Sydney* (The Metro Plan). The Metro Plan provides key directions and actions that will make Sydney more productive, liveable and sustainable.

The Metro Plan identifies Parramatta as a new priority growth area and a second CBD⁷. The NSW State Government commits in the Metro Plan to working with Council to review expansion opportunities in Parramatta CBD such as updating building height controls and removing other barriers to growth.

The result will be a city with a strong commercial centre supported by infrastructure together creating a dynamic and diverse place to work, live and play.

Draft West Central District Plan

The Greater Sydney Commission (GSC) has released draft District Plans for the six regions that make up the Sydney Metropolitan area. City of Parramatta sits within the West Central District, which also includes Blacktown, Cumberland and The Hills Local Government Areas. This area is forecasted to grow from 971,000 residents in 2016 to 1.5 million in 2036 (roughly 27,500 more people every year from now until 2036).

The *Draft West Central District Plan*, like the Metro Plan, has the priority of developing Parramatta CBD as the GSC seeks to "collaborate to create, own and deliver GPOP" [Greater Parramatta and the Olympic Peninsula; refer next section].

Greater Parramatta and the Olympic Peninsula Vision Document

The Greater Sydney Commission has also released a Vision Document for Greater Parramatta and the Olympic Peninsula ("GPOP")⁹. In line with the Metro and District plans, this document positions Parramatta as Sydney's "Central City", and identifies GPOP as "the geographic and demographic centre of Sydney". The Parramatta CBD and Westmead form one of four key precincts within GPOP.

BOX 1: Greater Sydney Commission's vision for Parramatta CBD

"The revitalised Parramatta CBD will be GPOP's commercial and civic centre. It will grow with a strong commercial core, an identifiable CBD skyline, a sound mix of finance, insurance, accountancy, legal, real estate, convention, public administration and IT services and a lively night-time economy. The revitalised Parramatta River will be the CBD's centrepiece and will connect to the prestigious commercial address of Parramatta Square via the Civic Link. Parramatta CBD will be designed as our central '30-minute city'"

GPOP Vision (Pg. 30)

⁶ <http://www.planning.nsw.gov.au/Plans-for-your-area/Sydney/A-Plan-for-Growing-Sydney>

⁷ Direction 1.2 of the plan being to "Grow Greater Parramatta – Sydney's second CBD"

⁹ <http://www.greater.sydney/gpop>

Community Strategic Planning: Parramatta 2038

Council's current long-term Community Strategic Plan is *Parramatta 2038*¹⁰. This plan closely aligns with metropolitan and regional plans in terms of planning for major growth in Parramatta CBD. It envisions four major transformational opportunities for Parramatta:

- Development of Parramatta CBD, Westmead, Camellia and Rydalmere
- A light rail network and local and regional ring roads
- Parramatta River entertainment precinct
- A connected series of parks and recreation spaces

Community Strategic Planning: City of Parramatta Council's Statement of Vision and Priorities

City of Parramatta Council released a *Statement of Vision and Priorities* in December 2016, following its formation through the amalgamation of parts of the former Parramatta City Council and The Hills, Hornsby, Auburn and Holroyd Councils.

While the Statement outlines the Council and community's vision and priorities for the area as a whole, its guidance for the CBD is clear. It supports a strategic vision for a Parramatta CBD which includes a strong city centre, effective transport and a focus on sustainability and equity. Council's new *Vision and Priorities* are referenced in Figure 2.

Parramatta CBD Planning Strategy and background work

In 2015, the former Parramatta City Council adopted the *Parramatta CBD Planning Strategy*¹¹, which, through careful consideration of urban design and economic outcomes, envisioned Parramatta's CBD as a world class city.

It concluded that significant changes to local planning controls would be required to drive change and growth in the CBD, and provided a clear implementation plan for delivery of a new planning framework for the Parramatta CBD.

This Strategy envisioned the preparation of a major Planning Proposal to change planning controls in the CBD to allow for significant growth and development, and help to realise the strategic vision laid out across all levels of planning for the CBD. This Planning Proposal is described in more detail in the next section.

BOX 2: Former Parramatta City Council's vision for Parramatta CBD

"Parramatta will be Australia's next great city, defined by landmark buildings and high quality public spaces with strong connections to regional transport. It will respect its heritage, be an exemplar in design excellence, facilitate job growth and ensure its streets are well activated."

Parramatta CBD Planning Strategy 2015

¹⁰ [https://www.cityofparramatta.nsw.gov.au/sites/council/files/inline-](https://www.cityofparramatta.nsw.gov.au/sites/council/files/inline-files/Community%20Strategic%20Plan%202038.pdf)

[files/Community%20Strategic%20Plan%202038.pdf](https://www.cityofparramatta.nsw.gov.au/sites/council/files/inline-files/Community%20Strategic%20Plan%202038.pdf)

¹¹ [https://www.cityofparramatta.nsw.gov.au/sites/council/](https://www.cityofparramatta.nsw.gov.au/sites/council/files/inline-files/Appendix_2_Parramatta_CBD_Planning_Strategy.pdf)

[files/Appendix_2_Parramatta_CBD_Planning_Strategy.pdf](https://www.cityofparramatta.nsw.gov.au/sites/council/files/inline-files/Appendix_2_Parramatta_CBD_Planning_Strategy.pdf)

Figure 2: Extract from Council's *Statement of Vision and Priorities*, 2016

2.2 Planning Proposal for the Parramatta CBD

The clear strategic line of sight for Parramatta CBD described in the previous section is given statutory (legal) expression through a major Planning Proposal for the Parramatta CBD. Planning Proposals are the legal mechanism for changing planning controls, like land use zoning, height and floor-space ratio (FSR) controls. This section explains in more detail the changes proposed under the Parramatta CBD Planning Proposal, which was endorsed by the former Parramatta City Council in April 2016, and is currently awaiting a "Gateway Determination" from the Department of Planning and Environment to allow public exhibition and community consultation.

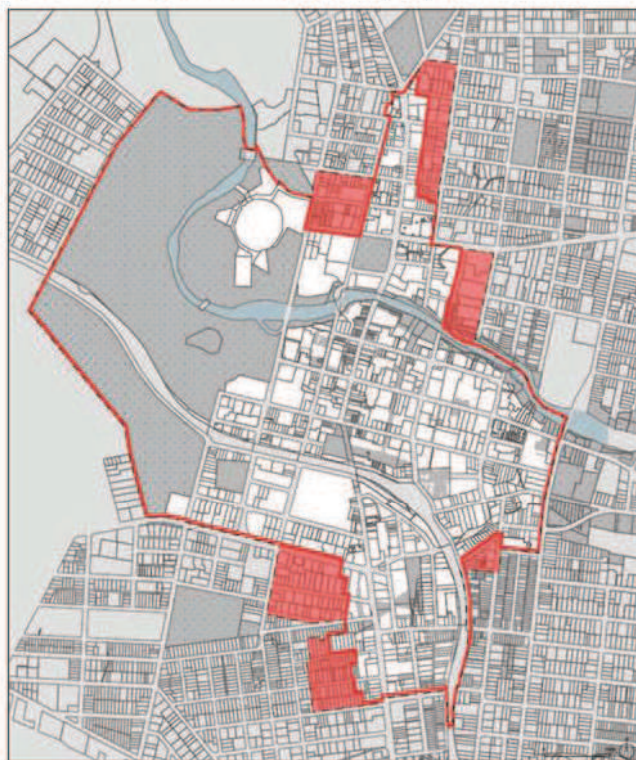
An expanding CBD

The CBD Planning Proposal proposes to expand the boundary of Parramatta's statutory "City Centre" as shown in the red shaded areas of Figure 3 below.

The Planning Proposal will not make any changes to the existing controls around the Park Edge Highly Sensitive Area adjacent to the world heritage-listed Old Government House and Domain Parramatta Park, the Stadium/Sports and Leisure Precinct and surrounds. However, these areas will still remain as part of the City Centre boundary.

Consideration of a further expansion of the city centre boundary will be undertaken as part of future planning studies in the CBD.

Figure 3: Expanded CBD footprint under the CBD Planning Proposal



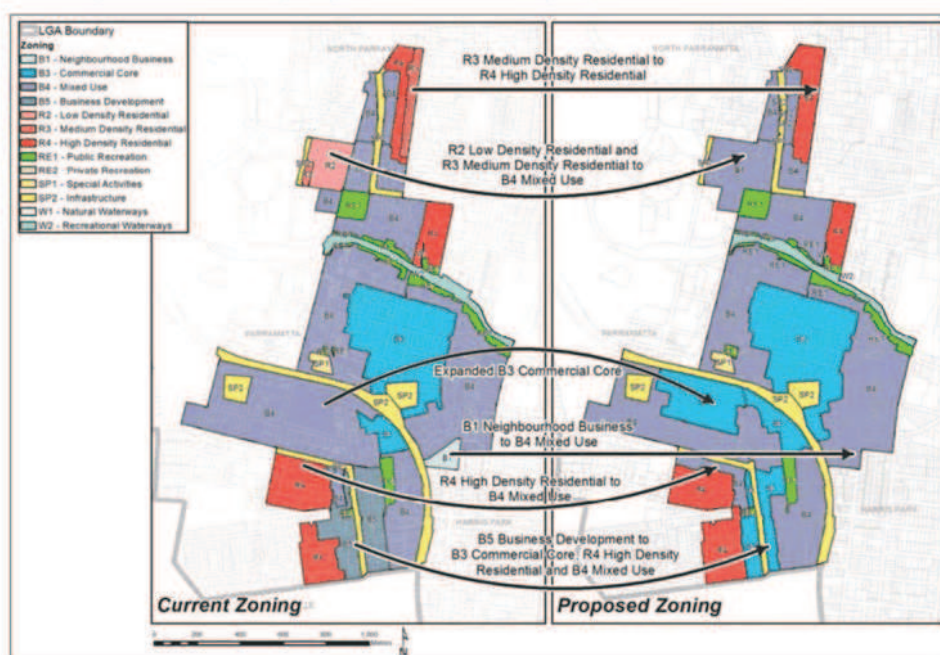
A changing CBD

The CBD Planning Proposal proposes changes to existing land use zones to protect and grow a strong commercial core, surrounded with vibrant mixed use areas.

These changes include expansion of the commercial core (bright blue) zone and changing some low and medium density residential zones surrounding the core to mixed use (purple) zones. These changes are shown in more detail at Figure 4 below.

In addition, the proposal will respond to several key issues facing Parramatta CBD in its new role as the heart of Greater Sydney's Central City. These issues include lifting environmental performance of buildings, creating active streets, protecting solar access to key public spaces, facilitating design excellence, responding to airspace operations issues, maintaining heritage protections, and managing flood risks.

Figure 4: Land use zoning changes under the CBD Planning Proposal

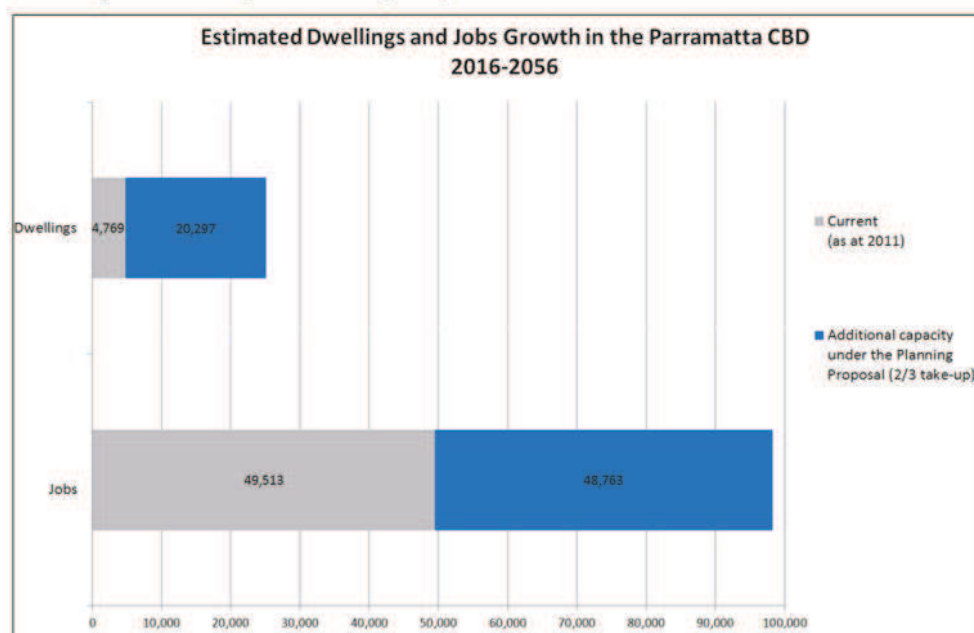


A growing CBD

Along with changes to land use controls, the CBD Planning Proposal also proposes to amend the existing planning controls of height and density. The key purpose of these changes is to meet the employment and housing targets outlined in the Parramatta CBD Planning Strategy.

As shown in Figure 5 below, the CBD Planning Proposal releases capacity for about **48,700 additional workers** and **42,600 additional residents**¹². This estimate is based on two-thirds take-up of the total floor space area released under the Planning Proposal, and is estimated to occur over the period from 2016-2056 (40 years). This growth means that all types of infrastructure in the CBD will experience new pressures and demands.

Figure 5: Estimated growth in dwellings and jobs the Parramatta CBD to 2056



The Planning Proposal will allow for significant development of the built environment in Parramatta's CBD, but this will generate a need for significant investment in new and upgraded local infrastructure. Without this investment in infrastructure, growth in the CBD will not occur in a well-managed and appropriately-serviced way, and the strategic vision for the heart of Greater Sydney's Central City will not be achieved. Chapter 3 will focus in more detail on this topic.

¹² Based on 2.1 persons/dwelling.

3 Infrastructure Needs in the Parramatta CBD

3.1 What the community has told us about the CBD, growth and infrastructure

Council's *Statement of Vision and Priorities* identifies 'creating a strong economy with a strong city centre', as a key priority that drives the conversation around infrastructure needs of the growing centre of a sustainable, liveable and productive city.

Addressing this priority will specifically involve:

- Creating a city centre that generates jobs and attracts business and investment
- Creating a well-connected, efficient city that attracts knowledge intensive jobs and promotes Parramatta as a centre for ideas
- Ensuring that Parramatta Square is a key economic driver for the CBD
- Working with key partners to create a high value-adding, employment hub and driving force behind the generation of new wealth for Western Sydney.

However, growing a city centre that is **economically** strong is only part of the picture. The community has clearly told Council that growth in Parramatta must be **well-managed**, and that we must **harness the benefits of growth for all**. This acknowledges that all stakeholders in the CBD – whether residents, businesses, workers, visitors, landowners or developers – will benefit when appropriate infrastructure is provided to service the growth in the CBD. Servicing growth in the Parramatta CBD will include providing better spaces, experiences and transport as follows:

Better Spaces

- Create innovative spaces and places for the community

- Create a place that encourages social connectivity and is inclusive and accessible for all
- Ensure that green and open spaces are created, protected and maintained in line with population growth

Better Experiences

- Provide a variety of cultural experiences and attractions unique to Parramatta which make it a destination of choice for residents and visitors
- Create a green city by creating and maintaining green spaces, bushland and waterways for residents and visitors to enjoy
- Create a resilient city that uses less energy and water as the city grows – doing more with less

Better Transport

- Create more active travel options and maintaining accessible and high quality facilities to promote healthy and active lifestyles
- Work with government partners to improve connections and traffic flow
- Manage the parking and transport needs of residents, visitors and workers

These actions will benefit the CBD's growing community of businesses, workers, residents and visitors. These actions will also benefit landowners and developers, as they will improve the Parramatta CBD's attractiveness, competitiveness and land values, and because the increased densities that benefit developers and landowners will not be supportable without these improvements to infrastructure.

After briefly touching on important regional infrastructure projects, this chapter will lay out the local infrastructure which is necessary to allow increased densities and growth in the CBD to occur.

3.2 State-led infrastructure projects

Due to its metropolitan and regional importance Parramatta is and will continue to be the focus of significant State-led infrastructure investment.

Many of these State-led infrastructure projects are outlined in the *Parramatta Strategic Framework*¹³, and regional infrastructure investment in Parramatta CBD will allow the city to grow over the coming decades. Key regional projects include:

- Major transport projects (like Parramatta Light Rail and Sydney Metro West),
- Major investment in new and upgraded educational facilities (like the Parramatta Schools projects),
- Major Cultural Facilities (like the relocation of the Museum of Applied Arts and Sciences),
- Major sporting facilities (Western Sydney Stadium), and
- Major utility upgrades.

These State-led projects are important city-shaping infrastructure elements which will help to effectively service and manage the growth of Parramatta CBD.

Council remains an important partner and stakeholder on these activities. However, it is not generally the responsibility of Council to fund and deliver major regional infrastructure projects. Therefore, this paper focuses on **local** infrastructure, and a few locally-led aspects of State-led projects (for example, works led by Council resulting from the Parramatta Light Rail project).

¹³ <http://www.greater.sydney/news/parramatta-strategic-framework> - a joint endeavour by Infrastructure NSW, the Department of Planning and Environment, Office of the Government Architect, the former Parramatta City Council and consultants Terroir.

3.3 Local infrastructure needs of the CBD

The growing Parramatta CBD will require all kinds of local infrastructure projects, including both new infrastructure and upgrades to existing assets.

Six of the eight priorities identified in Council's *Statement of Vision and Priorities*, have direct implications for infrastructure provision in the CBD. Therefore, this Discussion Paper organises the projects around these six priorities as follows:

- Managing Growth and Transport
- Promoting Green Spaces and the Environment
- Providing Opportunities for Recreation and Leisure
- Creating a Strong Economy with a Strong City Centre
- Having a Community Focus
- Supporting Arts and Culture, Celebrations and Destinations

(Please note that many of the local infrastructure projects identified are related to more than one of these priorities.)

The other two priorities identified in the *Statement* are less directly related to infrastructure provision in the CBD, but still underpin all of Council's actions relating to planning for growth in the CBD. These two priorities are *Building a Stronger, More Innovative Council for our Community's Future* and *Creating Vibrant Neighbourhoods and Precincts*.

The following sections will describe the infrastructure needs under each of the above six priorities. **Appendix B** of this Discussion Paper contains the *Draft Parramatta CBD Infrastructure Needs Analysis*, including projects descriptions, estimated costs and timelines.

Managing Growth and Transport

Managing growth and transport in Parramatta CBD will require improvements to accessibility, navigation and connectivity. Of particular importance will be improving the experience of pedestrians and active transport users.

Many projects needed for the Parramatta CBD have already been identified through the City Ring Road¹⁴ vision. The City Ring Road is mainly comprised of Victoria Road, and O'Connell, Parkes and Harris

Streets, and will help create an identifiable boundary to the city centre with entrances and thresholds, while also simplifying traffic flow, and reducing through-traffic and congestion in the CBD. Projects related to the City Ring Road include pedestrian improvement projects, intersection upgrades, median islands and road widenings.

A program of other road widenings will also be needed in association with further development of public and private transport options throughout the CBD.

New and upgraded active transport connections are also needed to span the Parramatta River and improve connectivity. These include improvements to Gasworks Bridge and Barry Wilde Bridge, as well as a new pedestrian bridge at Morton Street.

More detail on each of the required projects associated with *Managing Growth and Transport* can be found in **Appendix B**.

Promoting Green Spaces and the Environment

Green spaces and the environment will be promoted throughout the CBD as it develops, with a particular focus around the Parramatta River as a key green public space for residents, workers and visitors to enjoy.

Under the *Parramatta City River Strategy*¹⁵, Council is planning for upgrades to every section of the Parramatta River foreshore from the Marsden Street Weir to Parramatta Quay. This includes major projects at River Square and Parramatta Quay (on which Council will partner with key State agencies), public domain upgrades to the river foreshore throughout the CBD precinct, and improved active transport links to and along the foreshore.

A naturalisation project at Brickfields Creek and a river pool have been identified as requirements for Council to further its aim of returning swimming to Parramatta's natural waterways and to broaden recreational options in the CBD.

Upgraded parking and access paths at Lake Parramatta and significant investment in the CBD portion of the Parramatta Ways project will also help Council work to this priority, as will a major street tree planting project to help green the CBD.

More detail on each of the required projects associated with *Promoting Green Spaces and the Environment* can be found in **Appendix B**.

¹⁵ <https://www.cityofparramatta.nsw.gov.au/sites/council/files/2016-11/River%20City%20Strategy%20Volume%2001%20Report%20Part1.pdf>

¹⁴ <http://www.designparramatta.com.au/projects/>

Providing Opportunities for Recreation and Leisure

As the CBD grows, Council will need to provide new and improved opportunities for recreation and leisure to the community.

A new aquatic and leisure centre is needed to support the growing CBD community and to provide a range of accessible, sustainable, attractive and safe recreation opportunities.

An increased number of residents and the shortage of potential new recreation sites in the high-density CBD mean that our existing green open spaces must be significantly upgraded to meet new demands. These upgrades include improvements to sportsgrounds – like all-weather playing surfaces, better lighting and improved amenities – and provision of new multi-purpose outdoor spaces as well as playgrounds.

More detail on each of the required projects associated with *Providing Opportunities for Recreation and Leisure* can be found in **Appendix B**.

Creating a Strong Economy with a Strong City Centre

All of the projects described in this paper underpin this priority, but of particular importance are three key needs: improving the public domain, streets and laneways of the CBD, addressing flooding issues and undertaking Smart City initiatives.

The backbone of any city is its streets and major public spaces, which in Parramatta CBD are the river foreshore (see 3.3.2), the Civic Link, and Parramatta Square. The public domain of Parramatta Square will serve as the heart of the new city centre, and the upcoming Civic Link project will connect Parramatta Square and the river to complete the CBD's core of world-class public spaces. Major CBD streets and laneways also need upgrades to create great places for the community, cope with additional foot traffic and elevate them to the standards of a world-class city centre.

Major infrastructure works will be needed to address both localised overland flooding issues, as well as flooding risks associated with the river itself. These works will help to protect people and property in the CBD, as will installation of an early flood warning system. This system also connects to Council's vision for Parramatta as a Smart City, which raises several needs for infrastructure like improved CCTV, multi-function street poles, and utilities rationalisation.

More detail on each of the required projects associated with *Creating a Strong Economy with a Strong City Centre* can be found in **Appendix B**.

Having a Community Focus

The local community of the Parramatta CBD will grow by an estimated 42,600 additional residents over the next 40 years. This growing community will need all sorts of new and upgraded community facilities.

A key need of the growing Parramatta CBD is the new Civic Centre at 5 Parramatta Square, which has been the subject of a recent international design competition, and will provide state of the art library and community facilities.

Aside from the major facility at Parramatta Square, a wide variety of new community spaces are needed throughout the CBD. These include a new community centre, new childcare centres, and flexible community rooms of various sizes located throughout the CBD and CBD fringe. Because the growing CBD will impact on community facilities in North Parramatta, provision is also made here for a contribution towards those facilities.

As the CBD develops, we will also need better infrastructure for assisting disadvantaged community members with food and amenities.

More detail on each of the required projects associated with *Having a Community Focus* can be found in **Appendix B**.

Supporting Arts and Culture, Celebrations and Destinations

Many cultural infrastructure projects and facilities will be required to support arts, culture, celebrations and destinations in the new Parramatta CBD.

A key major cultural project will be modernising and expanding Riverside Theatres, to accompany the public domain river foreshore projects outlined in a previous section. Expansion of Parramatta Artists Studio and a new world class art exhibition and gallery space will elevate the place of the arts in the Parramatta CBD, providing new and improved spaces for production and presentation of diverse art forms. Aboriginal cultural infrastructure will showcase the local Darug peoples' sites of significance, history and contemporary connections to Parramatta. An incubator in the new Civic Link will house cultural organisations focusing in media, digital and creative industries, and provision is also made for appropriate storage of and public access to cultural and archaeological materials (as

Council's collections grow due to increased construction in the CBD).

More detail on each of the required projects associated with *Supporting Art and Culture, Celebrations and Destinations* can be found in **Appendix B**.

3.4 Funding the CBD's infrastructure needs

The preceding sections – along with the detailed *Draft Parramatta CBD Infrastructure Needs Analysis* at **Appendix B** – lay out what is needed to transform Parramatta CBD into a world class city centre over the next 40 years. This list presents exciting opportunities and challenges for Council and the community.

The total cost of local infrastructure needs in the CBD is currently estimated at approximately **\$1 billion**.

It is important to remember that infrastructure planning for a growing centre is a dynamic process. The estimates contained in the *Draft Infrastructure Needs Analysis* reflect Council's current knowledge about the needs and costs of infrastructure in the CBD, and will continue to be refined as Council and its partners progress the planning and delivery of CBD infrastructure projects.

The *Draft Infrastructure Needs Analysis* reflects what will be an unprecedented level of investment in local infrastructure for the Parramatta CBD, and finding the right mix of mechanisms to fund this infrastructure will require innovative thinking and approaches. This will be the focus of the following chapters of this paper.

3.5 Chapter 3 discussion questions

1. Has Council considered the right types of local* infrastructure projects in its *Draft Parramatta CBD Infrastructure Needs Analysis* at Appendix B?
2. In your mind, what are the most important local* infrastructure priorities for Parramatta CBD?
3. Is there anything you feel is missing from the draft list?

**Remember that Council is not directly responsible for infrastructure like schools, hospitals and public transport. While Council advocates for the community and partners on projects where appropriate, provision of these types of infrastructure are generally the responsibility of the NSW State Government.*

4 Infrastructure Funding Options

4.1 Introduction

This chapter will explore different funding options that Council might use in meeting the approximately \$1 billion local infrastructure funding requirement laid out in the last chapter.

First, it is helpful to clearly establish the difference between infrastructure funding and financing. In 2012, Infrastructure Australia, an independent Federal Government body that has the mandate to prioritise and progress nationwide infrastructure, commissioned a paper entitled *Infrastructure Finance and Funding Reform*¹⁶. It clearly explains the difference between financing and funding of infrastructure projects. The term *funding*, as defined in this paper, refers to sourcing an amount of money to fund infrastructure. However, *financing* refers to the way in which debt and/or equity is raised for the delivery and operation of an infrastructure project, with the expectation to 'pay back' the borrowed amount with interest.

The Infrastructure Australia report also presents a useful framework for considering who should pay for infrastructure and how those arrangements should be structured. The idea proposed in this report was supported and improved in the recent 'Value Capture' discussion paper released by the Australian Government in November 2016¹⁷. Together, these papers highlight an Australia-wide infrastructure investment backlog, mainly as a result of funding constraints from its two main sources – **user charges** and **taxes**. This chapter will address each of these funding source types in turn, beginning with user or "beneficiary" charges.

¹⁶ <http://infrastructureaustralia.gov.au/policy-publications/publications/Infrastructure-Finance-Reform-Issues-Paper-Report-prepared-by-the-Infrastructure-FWG-2012.aspx>

¹⁷ <http://investment.infrastructure.gov.au/whatis/Value-Capture-Discussion-Paper.pdf>

4.2 Beneficiary charges

Beneficiary charges can be explained as, 'those who benefit from infrastructure should pay for it'. Beneficiary charges include both *direct* and *indirect* user charges.

Infrastructure projects have both direct and indirect beneficiaries. Take, for example, a museum, which has direct users/beneficiaries in the form of ticket holders who may be residents, workers or visitors and who directly benefit due to increased utility (satisfaction) from visiting the museum. However, the museum also has indirect users/beneficiaries including property owners; for example, store owners may benefit from increased shoppers due to increased foot traffic from people visiting the museum, and home owners may see an uplift in the value of their property due to their proximity to the museum. Indirect users may never set foot in the museum but may benefit from positive externalities (an economic term for benefits enjoyed by a third party).

This paper suggests that the most appropriate way to fund the infrastructure projects listed in Appendix B is by moving towards a 'beneficiary-pays' (charges) model to demonstrate stronger links between infrastructure funding sources and those who benefit.

4.3 Principles of beneficiary charges

The core challenge of a beneficiary charges model is defining who the direct and indirect users are, their 'willingness-to-pay' for the associated benefits, and how much they should be charged.

There are many ways of pricing shared costs or benefits; prices might be developed with reference to the following methods:

- **Market prices:** Prices in existing markets are the best indicator of consumer demand and supplier provision. Market prices may be changed by new demand or preferences due to an infrastructure initiative under consideration.
- **Hedonic prices:** In the context of land use planning, hedonic prices are derived from factors that determine land values such as changes to site accessibility or changes to existing planning controls. These factors ultimately drive changes in land values which may be realised when the infrastructure project under consideration is planned or implemented.
- **Revealed preference:** This method analyses consumer's purchasing habits to uncover their preferences. Travel cost methods use information about how much people are willing to pay to visit locations, to infer to how much they value changes in those attributes. (For example, the costs that people are willing to incur to visit Parramatta CBD for recreation is an indication of the benefits provided by the CBD infrastructure.)
- **Stated preference:** This principle explains the assumed choices and sacrifices of beneficiaries by using questionnaires to obtain a value based on the results. This method indirectly includes the inputs of the project users or beneficiaries in its planning process.

The application of these principles and concepts must be within the established regulatory framework or other governmental requirements to estimate a value to the benefits of the infrastructure project. The use of these principles and concepts also vary from project to project and the nature of the project will essentially determine which principle or combination of principles to use. This paper recommends that the collective use of the above principles and concepts is fundamental in developing beneficiary charging.

4.4 Types of beneficiary charges

Council already has a few beneficiary charges in place, such as developer contributions and a variety of other service fees and charges, where the collected charges are typically reinvested into infrastructure or facilities.

Developer contributions

Developer contributions are a form of *direct* beneficiary charge, in that the developer benefits from being able to develop in an area and, in return, is required to contribute towards infrastructure, in

either monetary terms or works in kind, as a way of remedying the impact of their development on the community. Essentially, developer contributions reflect a 'user charges' system in that those who create the demand for infrastructure help pay for the provision of that infrastructure. Developer contributions are levied on developers for efficiency, but are passed through to property owners (on sale of property) and ultimately residents (through ownership or rent). These contributions are collected by Council through Section 94 and 94A of NSW Environmental Planning and Assessment Act (EP&A) 1979.

Section 94 Contributions

Section 94 contributions require a direct connection (a "nexus") to be established between the development and the infrastructure it is contributing towards (through monetary contributions and/or works in kind).

Section 94 contributions are limited by "caps" set by the NSW State Government. The relevant cap for Parramatta CBD is \$20,000 per dwelling (for dwellings in in-fill development areas), which has been set by a Ministerial Direction. Any upward changes to Section 94 contributions as a funding source are likely to be controversial across government and industry, and would require support at the State level to progress amendment.

City of Parramatta Council does not currently use Section 94 contributions in the CBD. Should Council attempt to prepare a section Section 94 contributions plan that authorises a Section 94 contributions above the cap, the contributions plan would need to be reviewed by IPART and the contributions collected could only be directed towards items on the "essential works" list. In order for the Parramatta CBD to achieve its potential as the heart of Greater Sydney's Central City, a broader range of infrastructure is needed than that of the "essential works" list.

Section 94A Contribution

Section 94A contributions do not require a direct nexus to be established, and instead take the form of a levy based on a percentage of the total cost of development.

Currently in the Parramatta CBD the Section 94A levy is 3% of the cost of development (where the cost of development exceeds \$250,000; the levy is not progressive). The cost of development is determined in accordance with Clause 25J of the Environmental and Planning Assessment Regulation 2000 (EP&A Reg.).

Despite the significant additional capacity offered under the Parramatta CBD Planning Proposal, the current 3% levy will be insufficient on its own to fund the local infrastructure requirements associated with Parramatta's new role as the heart of Greater Sydney's Central City. Council has estimated the potential range of Section 94A contributions under the Parramatta CBD Planning Proposal at \$207 - \$323 million.¹⁸ This range reflects two site consolidation scenarios – the low range being minimal site consolidation and the high range being a greater amount of site consolidation.

Summary of Council's Past Work on Section 94 and 94A Contributions

Council has considered increasing developer contributions, and with the input of consultants GLN Planning modelled the impacts this would have on market feasibility and ability to raise funding for local infrastructure. The main finding was that increasing Section 94A contributions to 4.5% would only marginally increase funding, and that changes to Section 94 contributions are complex as a relationship (nexus) needs to be formed for all different types of developments and brings in a number of legal issues.¹⁹

Fees and charges

Fees and charges are (mostly) direct charges for providing services. Fees and charges are levied by Council on all chargeable services, requests, applications, approvals, licences, hire bookings and memberships. Fees and charges tend to have relatively fixed levy-base, so these sources are unlikely to grow substantially and support the funding requirement of major infrastructure projects. Furthermore, they would not relate generally directly to the provision of local infrastructure.

4.5 Taxes

Taxes are mandatory payments that usually have no direct link with infrastructure, though tax revenue can go towards funding projects that benefit the community as a whole. Types of taxes include income tax, GST and capital gains tax, land tax, transfer of assets duty, and Council rates; these taxes are governed by different levels of governments.

¹⁸ Refer to Council Business Papers 27 June 2016, Item 7.4 for further discussion.

¹⁹ Refer to Council Business Paper 27 June 2016, Item 7.4, Attachment 2 for further discussion.

Federal taxes

Income tax, GST and capital gains tax are collected by the Federal Government. Tax payers rarely know specifically how their tax dollars are being spent. It is unlikely that federal taxes will go directly to spending the types of local infrastructure outlined in Appendix B.

Land tax

Land tax is collected by the NSW State Government, and applies to land regardless of whether income is earned from the land. Payment of land tax generally arises when the sale or transfer of land occurs. Land tax would not generally be directed towards local infrastructure projects.

Transfer of land or business duty

Transfer of land or business duty (formerly known as stamp duty) is a duty levied by the NSW State Government on the sale or transfer of land, including improvements and, business assets, and a declaration of trust over dutiable property in NSW. The buyer or seller is liable to pay the duty, and must be paid within three months from the transfer arising. When purchasing property 'off the plan', the duty must be paid within a three month period from the date of completion of the agreement, the assignment of the whole or any part of the purchaser's interest under the agreement, the expiration of 12 months after the date of the agreement, whichever occurs first. Stamp duty is not currently directed towards local infrastructure provision, nor is a change towards this outcome expected.

Box 3: ACT Taxation Reform Plan Example

The ACT Taxation Reform Plan 2012 makes taxes fairer, simpler and more efficient. On July 1 2012, the ACT Government announced it would phase out stamp duty and increase reliance on rates. This is part of key tax reforms undertaken by the ACT Government to generate wider economic benefits. This option was open to the ACT Government since it collects both rates and stamp duty – unlike City of Parramatta Council.

²⁰

Council Rates

Rates are an important source of Council revenue that can be used to provide essential infrastructure

²⁰ http://www.cmd.act.gov.au/open_government/inform/act_government_media_releases/barr/2012/fairer_simpler_and_more_efficient_taxes

and services such as waste collection, drainage maintenance, public parks, and building inspections and construction certificates. These rates are determined in accordance with the provisions of the Local Government Act 1993, and in NSW, are calculated by land value²¹, multiplied by a rate-in-the-\$. (that is the rate multiplied by value of the land). The Act also restricts rate revenue growth by rate pegging that is set by the Independent Pricing and Regulatory Tribunal (IPART) which sets the maximum increase allowed in each Council's general revenue for the financial year. It applies to general income in total, not specifically to individual ratepayers, and means these rates may vary by higher or lower than the rate peg. (Note rate pegging does not apply to storm water, waste collection, water and sewerage charges.)

IPART sets the rate peg each year and in doing so, they consider the Local Government Cost Index (LGCI), which measures price changes over the previous year for the goods and labour an average Council will use, as well as productivity changes over the same period. The increase approved by IPART for 2016/17 is 1.8%, on the basis that LGCI was 1.78% and no adjustment for productivity.

Notwithstanding the above, Council can apply for a special variation to the rate peg, which if accepted, allows Council to increase their general revenue by more than the rate peg. Note that IPART accepted a special variation requested by the former Parramatta City Council in 2011. As part of the request, Council sought to replace an existing time-limited special variation of 4.9% from 2013/14 onwards with a special variation of a similar size to be incorporated into its rate base permanently. This was approved, and the 4.9% increase in general income is to be allocated as such:

- 2 percentage points applying to all ratepayers as part of the Council's financial sustainability strategy
- 2.9 percentage points applying to certain business ratepayers for the CBD Infrastructure and Economic Development special rates.

Table 1 summarises the types of rates that Council currently implements that could potentially fund local infrastructure, and their potential to raise revenue, stability and limitations.

The rate at which Council revenue grows is generally a reflection of (Council) budgetary requirements. However, 'rate pegging' limits how much the Council can spend on local infrastructure

and other facilities. When there is a positive revenue growth through general growth, it can be used to fund local infrastructure and other assets.

Council has estimated the potential for rates growth under the Parramatta CBD Planning Proposal which is likely to be directed towards funding infrastructure at \$111 - \$151 million over the expected build-out period (2016-2056). This estimate is based on the rate types laid out in Table 1, and represents a combination of projecting a proportion of revenue from general rates towards infrastructure, as well as applying the current special infrastructure rates to the growth envisioned under the Planning Proposal. The range represents different possibilities for how much of general rates revenue might be directed towards capital works. This growth in rates will make an important contribution to funding local infrastructure, but would not address the entire \$1 billion funding requirement.

²¹ Land values are issued every four years and are defined under Section 64 of the Valuation of Land Act 1916.

Table 1: Summary of Council rate types and their potential to help fund local infrastructure in the CBD

Rate	Potential to Raise Revenue*	Stability and Predictability	Limitation
Ordinary Rate	High	Stable and predictable Depends on external economic conditions	Ad valorem** subject to a minimum Only a proportion of ordinary rates will go to funding infrastructure
Special Rates for Open Space	High	Stable and predictable Depends on external economic conditions	Part ad valorem and part base amount (fixed amount)
Special Rates for CBD Infrastructure	Medium	Stable and predictable Depends on external economic conditions	Limited tax base
Special Rates for Economic Development	Medium	Stable and predictable Depends on external economic conditions	Limited tax base
Annual Charges for Storm Water & Waste Management services	Low	Stable and predictable Depends on external economic conditions	Limited tax base Directed towards storm water and waste management

*High is defined as having a tendency to expand annually, is stable and has been a predictable source of revenue over the last five years

Medium is defined as having a slight tendency to expand and has been a predictable source of revenue over the last five years

Low is defined as less stable and a less predictable source of revenue

** Ad valorem rates are not fixed, but depend on property value as determined by the NSW Valuer General.

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City Deals

City Deals are partnerships between the Australian Government and State, Local and Territory governments for investments or projects that enhance quality of life and the knowledge-based economy. These deals provide cities of all sizes with a level playing field to receive funding for investments through coordinated governance, strategic planning, investment and reform.

The Australian Government has so far committed to early City Deals for Townsville, Launceston, and Western Sydney. As of 21 October 2016, the Prime Minister, Malcolm Turnbull, and the then-NSW Premier, Mike Baird, signed a Memorandum of Understanding to formalise a partnership to work together on the Western Sydney City Deal. It will involve "deliver[ing] a Western Sydney Airport and leverage[ing] other key infrastructure investments to catalyse jobs growth and better transport links".²⁴

Further details on how the Australian Government intends to roll out a City Deals program will be released in 2017. At this stage, the Australian Government has yet to indicate support for a City Deals partnership involving GPOP or Parramatta CBD.

and densifying CBD. An appropriate mix of funding sources must be identified in order for the densities proposed under the Parramatta CBD Planning Proposal to proceed.

The next chapter explores another type of beneficiary charge that could help address the local infrastructure funding gap. Chapter 5 will introduce the definition, forms and benefits of planning uplift value sharing.

4.7 Summary: establishing the funding gap

This chapter has reviewed potential funding sources which could contribute to funding the approximately \$1 billion local infrastructure requirement outlined in Chapter 3. The potential impact of these sources is summarised in Table 2 below, which demonstrates that the combined expected funding sources are insufficient to meet the anticipated \$1 billion local infrastructure requirement. As shown in Figures 6 and 7 **a funding gap of roughly \$394 - \$549 million remains.**

All levels of governments are experiencing budgetary constraints. It is unlikely, for example, that the NSW State Government will take on additional borrowings to help fund local infrastructure, as its increased debt position will impact its current AAA credit rating. To service the gap, alternative funding sources need to be considered.

This funding gap must be considered by landowners and developers in the CBD, as this infrastructure is required to service the needs of a rapidly growing

²⁴ <https://cities.dpvc.gov.au/western-sydney-city-deal/documents/44846/download>

Table 2: Chapter 4 Summary table – Funding options

Chapter 4 Summary Table: Funding options			
Type of funding		Likelihood of contributing to Local Infrastructure	Estimated Contribution
Beneficiary Charges	Section 94	Not recommended due to capping and scope of works	n/a
	Section 94a	High likelihood	\$207 - \$323 million
	Fees and Charges	No	n/a
Taxes	Federal Taxes	Unlikely	n/a
	Land Taxes	Unlikely	n/a
	Stamp Duty	Unlikely	n/a
	Council Rates	High likelihood	\$111 - \$151 million
Government Support	Direct State Funding	No (more likely for regional infrastructure projects)	n/a
	Federal Funding	Unlikely	n/a
	Grants	High likelihood (only for some projects)	\$131 million
	City Deals	Unknown	n/a

Figure 6: Infrastructure Funding Needs for Parramatta CBD (Low estimated potential income)

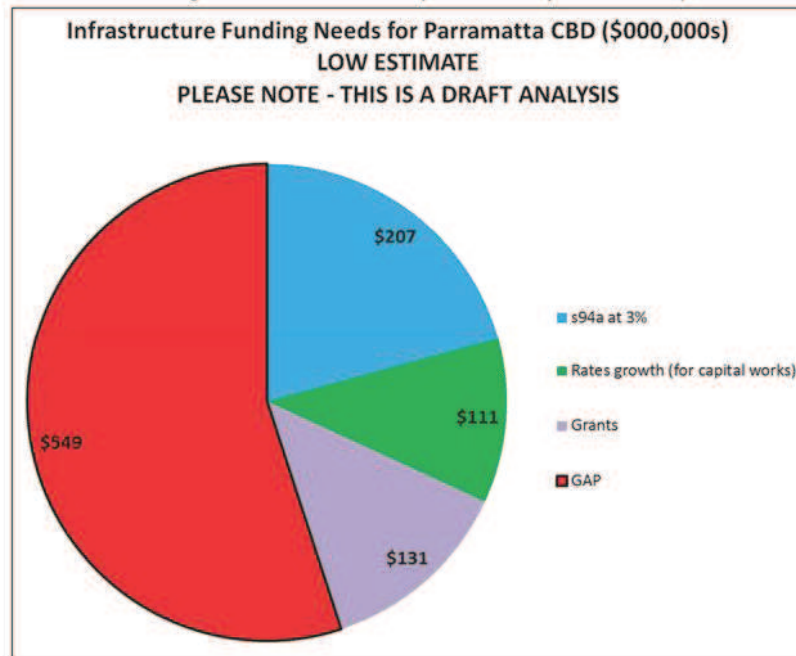
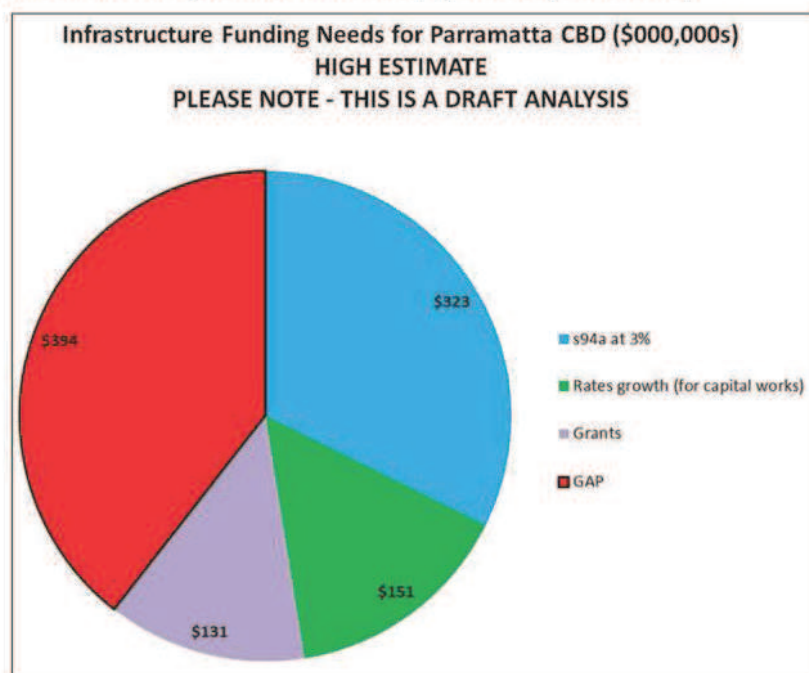


Figure 7: Infrastructure Funding Needs for Parramatta CBD (High estimated potential income)



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5 Value Sharing: Harnessing the Benefits of Growth for all

5.1 Introduction

Value sharing is a funding strategy that seeks to raise contributions towards the capital cost of infrastructure from those who benefit from planning decisions or from the provision of infrastructure. Value sharing could be an important way for Council to alleviate (though not fully resolve) the funding gap for infrastructure provision.

Value sharing is not a tax. It is a mechanism that offers the potential to generate new funding streams by tapping into the value created by infrastructure or planning decisions for beneficiaries. This in turn can allow governments to deliver new infrastructure which they would not otherwise be able to fund, or to enable borrowings (financing) to bring forward planned infrastructure ahead of time. Delivering projects earlier also brings forward the benefits of those projects. Implementing value sharing could ensure that projects would be in a better position to deliver an adequate level of return.

Even though value sharing can help alleviate funding constraints, it is unlikely to provide enough funding for all required infrastructure – it is not a “silver bullet” to fund all infrastructure.²⁵

5.2 What is value sharing?

Value sharing is an alternative way of funding infrastructure projects. It is an approach that seeks to fund the planned infrastructure project by capturing some of the benefits that are generated from implementing the project or from related planning decisions. Well-planned public infrastructure such as the Parramatta CBD projects can create benefits for a diverse range of stakeholders, including property owners, developers and occupiers, public transport users and operators,

businesses and employees, and government. Value generally accrues:

- Directly to those who use the infrastructure through improved quality of service or
- Indirectly to those in proximity to the infrastructure.

Infrastructure projects exist within broader networks of economic activity, which means that the infrastructure will create benefits for individuals, businesses and governments beyond those who directly use the infrastructure. This can lead to increased value of residential and commercial properties and land surrounding the new infrastructure; growth in commercial activities for businesses; and improved connections between individuals and businesses, encouraging greater market competition, and opening up new employment and labour market opportunities.

Broad forms of value sharing arising from infrastructure investment include the following:

- **User charging**, which is a targeted way of ensuring users who derive benefits from infrastructure investment, such as a new motorway, rail line or utility asset, make a contribution to the provision, maintenance and operation of that asset. A charge is applied for the use of a specific asset each time the asset is used. The price charged typically depends on the use made of the asset and the length of time the asset is being used. Examples of user charges include various toll roads, access charges for ports, retail electricity, gas, water and telecommunications network usage charges, and public transport fares. As will be discussed further in this chapter (see Sections 5.4 - 5.5), value sharing based on a density-bonus scheme is also a type of user charge, as planning decisions to increase density create benefits for particular groups of users.

²⁵ <https://blogs.crikey.com.au/theurbanist/2016/02/22/is-value-capture-the-silver-bullet-for-funding-infrastructure/>

- **Sale or rent of a public asset**, such as government-owned land or development rights. This form of value sharing occurs when government owns or acquires land in the vicinity of the infrastructure project, and after construction, the land, air rights, or rights to develop the land are sold or leased.

The key principle of value sharing is that increased land values arising from government decisions should be shared with the government and public in order to defray the resulting infrastructure costs.

Growing acceptance of user charges

As mentioned above, value sharing is one example of a user charge. There has been growing acceptance of the "user pays" principle as technological advancements have reduced the transaction costs of exclusion and charging for use.²⁶ Funding sources, therefore, should reflect benefits to users, with public funding (taxes) making up the shortfall between user charges and the overall costs of the infrastructure (construction and operation).

Value Sharing in Australia

Value sharing as a method of funding infrastructure has been around for well over 100 years in Australia – notably to fund the Sydney Harbour Bridge²⁷. In NSW, value sharing as a method of funding infrastructure projects is still not widely used, though there are examples as discussed in this paper.

Recent examples of value sharing across Australia include:

- The upgrades to Chatswood station in Sydney and Melbourne Central were a joint development form of value sharing between the developer and the local Council. The developer provided the infrastructure, in return for air rights.
- In Queensland, the Gold Coast City Council established a land value sharing scheme, which was based on a charge applied to certain areas that benefited from the Gold Coast Rapid Transit Stage 1 project, and helped fund the project.
- In Western Australia, a Metropolitan Regional Improvement Tax has been in place since 1959 to help fund the cost of land for roads, public spaces and other public facilities in greater Perth. This levy is an additional 0.14% charge on the aggregate taxable value of all metropolitan properties in excess of \$300,000. The revenue

from the levy is hypothecated (legally directed) to fund the acquisition of land by government for parks and transport corridors.

- The Macquarie Park Corridor Access and Open Space infrastructure scheme allows sites to be developed with increased floor space and heights provided that there will be adequate provision for recreation areas, and an access network. Similar to the Green Square Scheme discussed later in this paper, this mechanism operates in addition to the Section 94 contributions plan and the provisions are formally satisfied under a Voluntary Planning Agreement (VPA).
- The Waverley Variation Floor Space Infrastructure Scheme allows developments in certain areas to achieve up to 15% additional floor space above that permitted under existing planning controls, provided the developer enters a VPA with Council to provide affordable housing units.

5.3 Strategic endorsement of value sharing

The Australian Government's discussion paper²⁵ sets out the strategic justification for value capture (or value sharing) – at least from the point of view of value uplift arising from land transport infrastructure investment. Similar arguments apply to other infrastructure, to the extent that there are beneficiaries of local infrastructure.

Infrastructure Australia's paper *Capturing Value – Advice on making value capture work in Australia*²⁵ discussed the role value sharing can play in infrastructure funding. Value sharing can be used "as part of both a project funding mix and a broader policy agenda". It allows for more equitable and sustainable funding while creating an incentive structure to engage the local community throughout the planning, project development and delivery process.

Value sharing mechanisms have recently received a great deal of attention with the following statements from significant public sector bodies. It is noted that these statements more often relate to value sharing associated with transport investments, rather than planning uplifts.

Department of Prime Minister and Cabinet:
Supports the concept and notes that all levels of

²⁶ <http://www.pc.gov.au/research/supporting/public-infrastructure-financing/public-infrastructure-financing.pdf>

²⁷ https://bitre.gov.au/publications/2015/files/is_069.pdf

²⁵ http://infrastructureaustralia.gov.au/policy-publications/publications/files/Capturing_Value-Advice_on_making_value_capture_work_in_Australia-acc.pdf

government can do more to realise the potential benefits of value capture.³⁰

Commonwealth Department of Infrastructure and Regional Development:

Assessment of proposals for public funding of transport projects should include consideration of what proportion of the project can be funded by the beneficiaries of the infrastructure through targeted contributions and what proportion of the project should be funded by the broader community.³¹

Infrastructure Australia:

Infrastructure Australia in 2016 said that:

"... value capture can work in Australia and should be regularly considered for all public infrastructure projects, but with realistic expectations about the role it can play in funding the infrastructure we need."³²

"All governments should routinely consider land value capture in public infrastructure investments".³³

Federal Productivity Commission:

The Australian Government should encourage direct user charging and value capture measures (such as betterment levies and property development charges) where justified. When the benefits from infrastructure accrue to more than users, governments should also consider value capture initiatives — such as betterment levies and property development — so that wider beneficiaries contribute to funding.³⁴

The then-NSW Minister for Planning:

"Councils should be able to capture a reasonable share of the uplift in value from a rezoning, to help pay for community facilities and amenities."³⁵

Infrastructure New South Wales:

Infrastructure NSW supports the use of targeted value capture mechanisms, including special purpose property levies, in situations where there is a clear link to new infrastructure.³⁶

Greater Sydney Commission – Western Central draft District Plan Nov 2016:

"We will continue to work across government on the amount, mechanisms and purpose of value capture to create a more consistent approach to capturing value for public benefit, complementary with other existing mechanisms".³⁷

IPART:

IPART recommends that councils capture 50% of the uplift in land value from a rezoning decision through negotiations with the developers. These funds can be used to fund community benefits in the local government area.³⁸

Infrastructure Victoria:

"... individuals and businesses who receive significant financial benefits from planning decisions made by government should also contribute to providing infrastructure the community needs".³⁹

³⁰ Better Cities, Department of Prime Minister and Cabinet, May 2016.

³¹ Department of Infrastructure and Regional Development, Principles for Innovative Financing, March 2016. http://investment.infrastructure.gov.au/whatis/Principles_for_Innovative_Financing_Mar2016.pdf

³² Infrastructure Australia 2016, Capturing Value - Advice on making Value Capture Work in Australia, from <http://infrastructureaustralia.gov.au/policy-publications/publications/Capturing-Value.aspx>

³³ Infrastructure Australia: Australian infrastructure Plan February 2016.

³⁴ Chapter 4 – Funding Mechanisms Infrastructure report 2014)

³⁵ (Media Release 4 November 2016)

³⁶ (State Infrastructure Strategy 2014)

³⁷ (Section 1.2.3 - Infrastructure funding and delivery)

³⁸ <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/local-government-tribunal-briefings-full-tribunal-2016/ipart-submission-to-the-draft-voluntary-planning-agreement-policy-22-december-2016.pdf>

³⁹ <http://www.infrastructurevictoria.com.au/node/84>

Box 4: Case study in value sharing - Infrastructure Funding at Green Square

The Green Square Urban Renewal Area is subject to significant transformation from a heavy industrial area to a high density residential area surrounding the Green Square Town Centre. This renewal has so-far progressed over 20 years, originally starting in 1996.

As a consequence of the transformation, an array of new public infrastructure is being provided or funded by the new development, including new roads and traffic improvements, recreation and community facilities, drainage and flood mitigation works. Some of these are being funded Section 94 developer contributions under the *City of Sydney Development Contributions Plan 2015* and its predecessor plans. Other works may involve land dedication or works provided in-kind, formalised by Voluntary Planning Agreements.

Sydney Local Environmental Plan 2012 enables additional floor space at Green Square to be sought above the amounts set out on the Floor Space Ratio Map if the development includes Green Square community infrastructure. "Green Square community infrastructure" is specifically defined within the LEP and includes recreation areas, indoor and outdoor recreation facilities, public roads, drainage or flood mitigation works. The provisions of the LEP are supplemented by Sydney Development Control Plan 2012 and, more specifically, a Development Guideline "Providing Community Infrastructure in Green Square".

This Development Guideline sets out the processes involved if a proponent seeks to access the additional floor space within Green Square. The development guideline also sets out a dollar value per square metre of additional floor space which is used to calculate the value of any additional floor space depending on the type of development proposed. At the time of publication of this Discussion paper, the rates were \$475/sqm (residential floorspace), \$275/sqm (retail floorspace) and \$200 (other non-residential floorspace).

These values are applied to the additional floorspace sought by a developer to formulate the total value of the contribution. This value is then used to identify particular works that could be delivered by the developer either physically on-site in accordance with the Development Control Plan, or off-site by way of a monetary contribution. A proportion of the contribution always forms a monetary payment towards infrastructure within the Green Square Town Centre. The outcome of this process is formalised by a Voluntary Planning Agreement with an offer from the developer to provide certain Green Square community infrastructure and/or a monetary payment towards the infrastructure.

Box 5: Case study in value sharing - Infrastructure Funding at Macquarie Park

Macquarie Park is undergoing transformation from a traditional large campus-style business park to a higher density commercial and mixed use area. The traditional large lots in private ownership historically limit the permeability of the area and, consequently, rely mainly on private car as the dominant form of transport.

As a consequence of the transformation, new infrastructure – primarily new roads and open space areas – will be provided. Some of these are being funded Section 94 developer contributions under the Ryde Section 94 Development Contributions Plan 2007 (as amended). Other works may involve land dedication or works provided in-kind, formalised by Voluntary Planning Agreements.

Ryde Local Environmental Plan 2014 enables additional building height and floor space at Macquarie Park to be sought above the amounts set out on the Floor Space Ratio Map if the development includes adequate provision for recreation areas and an access network. The amount of additional building height and floor space available throughout the corridor is prescribed on the "Macquarie Park Corridor Precinct Incentive Height of Buildings Map" and "Macquarie Park Corridor Precinct Incentive Floor Space Ratio Map".

The provisions of the LEP are supplemented by Ryde Development Control Plan 2014 and, more specifically, provisions in Part 4.5 of the DCP. The DCP sets out the type and preferred location of the access network and recreation areas throughout the Macquarie Park corridor which would be subject to dedication or provision by the developer in accordance with the DCP. The DCP also sets out the procedure to implement the planning incentives mechanism.

A dollar value per square metre of additional floor space is used to calculate the value of any additional floor space depending on the type of development proposed, and this amount is set out in the annual Fees and Charges document published by the council. This value is then used to identify particular works that could be delivered by the developer either physically on-site in accordance with the Development Control Plan, or off-site by way of a monetary contribution.

The outcome of this process will be formalised by a Voluntary Planning Agreement with an offer from the developer to provide certain infrastructure on-site where relevant and in accordance with the DCP and/or a monetary payment towards the infrastructure where the infrastructure is located elsewhere in Macquarie Park.

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5.4 Why value sharing is not a tax

Value sharing mechanisms only apply to parties who benefit (albeit indirectly) from proposed infrastructure, so should not be regarded as a tax. If a scheme has a threshold before which value sharing is not applicable (i.e. in a density bonus scheme) developers also would have the option of not exceeding this threshold. This also supports the proposition that such a scheme is not a tax.

Economic theory states that the primary purpose of a user charge is to recoup the costs of a good or a service. This is in contrast to taxes which are used to raise revenue irrespective of benefits. Charges also have a clear and direct nexus to benefits. Taxes do not. When thinking about value sharing as a charge, therefore, it is necessary to identify the service being provided and the benefits that accrue; this highlights the importance of clearly linking value sharing mechanisms with infrastructure planning.

5.5 The benefits of density

A key group of benefits accruing from the planning context in the Parramatta CBD are the benefits of density.

When governments undertake planning changes that create density (i.e. a "service"), a charge can be used to recoup the costs of providing this service, such as the costs of stronger local infrastructure. This recognises the economic opportunity of providing this service and allows property owners to contribute to the locale. Density allows for economies of agglomeration or the benefits that arise when households and firms locate near each other.⁴⁰ These benefits include the following:

Amenity

High density areas benefit from increased amenity as providers of goods and services can enjoy economies of scale. Social infrastructure and public spaces will attract more funding if it is likely to impact a greater number of people. Public services also tend to be better in more populated areas. Moreover, density increases demand for products and services creating a viable environment for shops, restaurants, bars and cafes. Empirically, higher-amenity cities are also higher-growth cities.⁴¹

Convenience

Density creates convenience. When personal services are within a short distance, residents and workers enjoy a higher quality of life. Increased density reduces the need for driving, which reduces petrol spend, eases traffic congestions and cuts air pollution.

Speed

Speed is a function of location. The accessibility of a location determines how mobile residents and workers can be and how quickly goods and services can reach that area. Higher-density areas are more fast-paced than lower-density areas, whether in terms of information sharing or travel.

5.6 Conclusion

Local infrastructure is required to support a certain level of density, such as that being established in the Parramatta CBD through the Parramatta CBD Planning Proposal. As the population grows, it will trigger the need for additional infrastructure, which can be partly funded by a value sharing mechanism (even though the resulting infrastructure will be used by all).

The next chapter will examine in more specific detail how Council has sought to apply value sharing under the Parramatta CBD Planning Proposal, in an effort to partly fund the infrastructure requirements outlined in this paper.

⁴⁰ National Bureau of Economic Research 2007

⁴¹ http://scholar.harvard.edu/files/glaeser/files/consumer_city.pdf

6 Council's Proposed Value Sharing Mechanism

6.1 Introduction

As outlined in Chapter 2, the former Parramatta City Council endorsed the draft Parramatta CBD Planning Proposal in April 2016 to be submitted for "Gateway Determination" from the NSW Department of Planning and Environment, so as to enable public exhibition.

An important part of the CBD Planning Proposal is a proposed Planning Uplift Value Share (PUVS) mechanism to suit the infrastructure needs of the CBD. This PUVS mechanism is essentially a density bonus scheme, in which incentive density (FSR) controls are achievable, provided that development makes an appropriate contribution to Community Infrastructure (i.e. local infrastructure projects such as those listed in Appendix B).

Without providing appropriate infrastructure to meet the needs of the growing CBD, the proposed densities will not be able to be supported.

Furthermore, developers stand to gain much from the provision of this infrastructure, as it will make the CBD a functional and attractive place to live, work, do business and play; this will only serve to further increase the competitiveness and land values of the Parramatta CBD.

In summary, and as outlined in the previous chapter, the proposed densities and accompanying infrastructure directly and indirectly benefits developers.

Before proceeding any further with the PUVS mechanism in the Parramatta CBD Planning Proposal, Council has resolved to undertake further work on its proposed approach to value sharing, including an independent peer review of Council's work on value sharing so far, as well as community consultation on the matter, which is the key purpose of this discussion paper. This chapter will introduce and explain Council's past work on value sharing (Sections 6.2 – 6.4), and share the results of the

independent peer review undertaken by Aurecon and Land Econ Group (Section 6.5); please also refer to the peer review report at **Appendix A**.

6.2 Introducing Council's proposed mechanism

As introduced in the case studies in the previous chapter, the principle of value sharing by way of a density bonus scheme is in place in several council areas across Greater Sydney. Locations where value sharing is currently used include the City of Sydney at Green Square; City of Ryde at Macquarie Park; Burwood Council in Burwood Town Centre; Inner West (former Leichhardt) Council and Waverley Council. Some of these programs have been established for over 10 years (e.g. Green Square) while others have recently commenced within the last two years (e.g. Macquarie Park).

In these cases, the application of value sharing has been localised to a limited area and not applied at the scale of a full CBD environment. The Parramatta CBD Planning Proposal contains provisions seeking to apply a value sharing mechanism based on incremental density across the entire Parramatta CBD area.

The proposed value sharing mechanism is intended to apply to new residential development within the Parramatta CBD seeking to develop beyond the current density controls. Non-residential (i.e. commercial) development is excluded from the value sharing mechanism, in order to promote commercial uses in the CBD.

The proposed value sharing mechanism is based on sharing a portion of the uplift in density controls (and therefore land value) proposed under the Parramatta CBD Planning Proposal. Such a mechanism can be referred to as a "Planning Uplift Value Share" (PUVS) mechanism (as opposed to value uplift related to transport or other major

infrastructure provision). The purpose of the proposed PUVS mechanism is to share part of the economic value gained from the increase in development rights with the community. The monetary contributions generated through the PUVS mechanism would then assist Council in providing necessary infrastructure in the Parramatta CBD over the next 40 years (refer to the *Draft Parramatta CBD Infrastructure Needs Analysis at Appendix B*).

The following subsections explain the general approach of the proposed PUVS mechanism in more detail.

Phase 1 Value Sharing

The Parramatta CBD Planning Proposal seeks to introduce "Base" and "Incentive" FSR controls for sites within the CBD. Base controls are generally the current Floor Space Ratio (FSR) controls under Parramatta Local Environmental Plan (LEP) 2011. Incentive controls are generally (though not always) increased FSR controls, and are achievable provided that a contribution to Community Infrastructure is made. An example of the Base and Incentive FSR maps from the draft LEP maps are shown in Figure 8 below.

Figure 8: Example of Base and Incentive FSR maps⁴²



Under the proposed PUVS mechanism, a value sharing contribution is made based on the uplift between the Base and Incentive FSR controls. This contribution is referred to as "Phase 1 value sharing".

Phase 2 Value Sharing

The Parramatta CBD Planning Proposal also proposes amendments to the existing planning

⁴² Note: numbers on this example image indicate FSRs (e.g. 6.0 signifies 6.1 FSR).

controls through the identification of "Opportunity Sites". Opportunity Site FSR controls are applied to a significant portion of land zoned B4 (Mixed Use) within the City Core area, with the intent to allow additional residential development within this zone. An example of the Opportunity Site FSR controls is shown in Figure 9 below.

Identification as an Opportunity Site means that a site is eligible for an additional 3:1 FSR on top of the Incentive FSR, provided that an additional contribution to Community Infrastructure is made. This contribution is made based on the uplift between the Incentive and Opportunity Site FSR controls, and is referred to as "Phase 2 value sharing".

Figure 9: Example of Opportunity Site Map⁴³



Summary

All development – including residential development – can achieve the Base FSR without being subject to the PUVS mechanism. The PUVS mechanism would only apply when a residential development seeks to develop beyond the Base FSR controls, with value sharing contributions made based on the difference between the Base and Incentive FSRs (otherwise known as Phase 1 value sharing), and on the difference between the Incentive and Opportunity Site FSR controls (otherwise known as

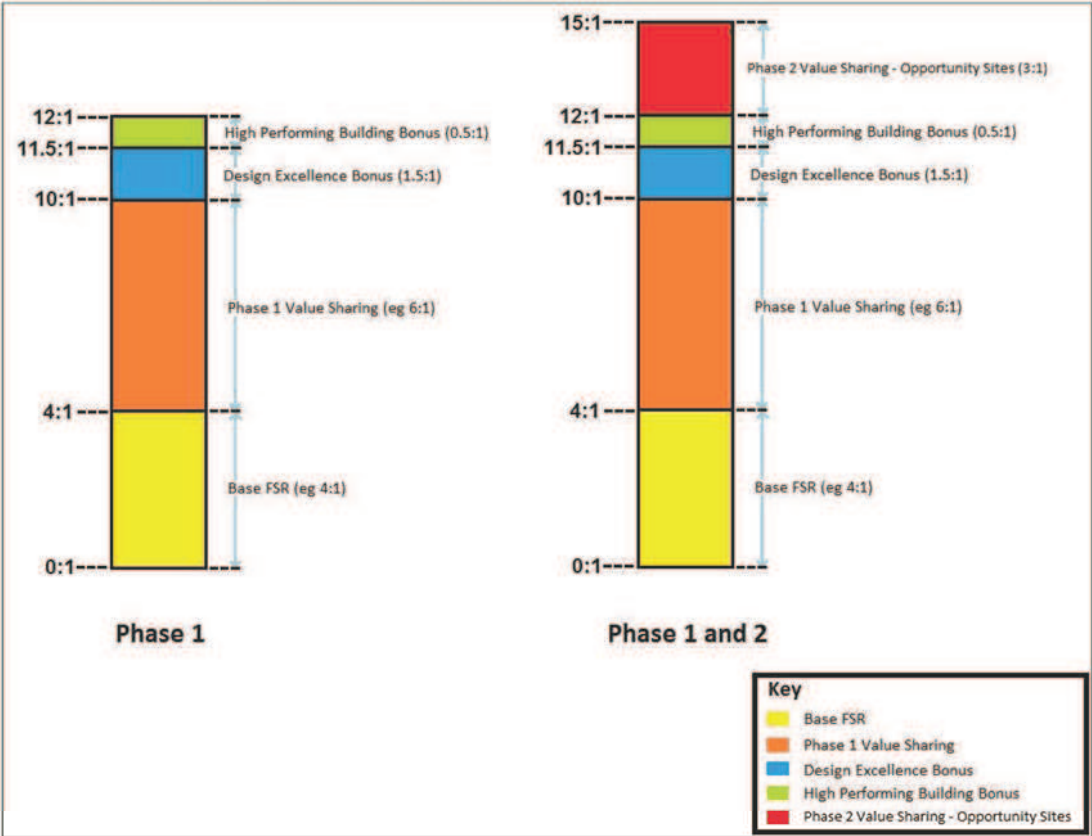
⁴³ Note: "OS" on this example map indicates an Opportunity Site area.

Phase 2 value sharing, and only if the site is identified as an Opportunity Site).

Figure 10, below, summarises the proposed PUVS mechanism in terms of floor space. Other FSR schemes in the Planning Proposal include a Design Excellence bonus scheme (up to 15% bonus FSR on Incentive FSR), and High Performing Buildings bonus scheme (additional 0.5:1 FSR for meeting

certainly environmental sustainability requirements). Both of these operate separately to the proposed PUVS scheme, so are not discussed in further detail here. However, they are shown in Figure 10 to demonstrate how all of the FSR schemes are proposed to work together in the CBD.

Figure 10: Summary of Proposed FSR controls and PUVS mechanism



6.3 Modelling Council's proposed approach

During 2015-2016, Council and consultants GLN Planning undertook development feasibility testing of a number of hypothetical development scenarios to determine the effect of introducing a Phase 1 and Phase 2 PUVS mechanism as outlined in the previous section.

Given that sales data over the preceding two years indicated that property transactions generally occurred on the basis of the potential controls outlined in the Parramatta CBD Planning Strategy (rather than existing statutory controls under the Parramatta LEP 2011) the base case used in the testing was modelled to reflect this.

The results of the development feasibility modelling undertaken by GLN and Council were based on a conservative land value uplift rate of \$750/sqm.⁴⁴

Table 3, below, shows the funding potential under the proposed PUVS, using multiple rate scenarios for Phase 1 and Phase 2 (with rates being a set percentage of the \$750/sqm value rate). As previously mentioned in Section 4.4, this low and high range reflects two site consolidation scenarios – the low range being minimal site consolidation and the high range being a greater amount of site consolidation.

Table 3: Revenue potential under a Phase 1 and Phase 2 value sharing mechanism

Phase Scenario	Rate (% of \$750/sqm)	Potential revenue (low range)	Potential revenue (high range)
Phase 1			
1	50%	\$483 million	\$589 million
2	40%	\$387 million	\$471 million
3	30%	\$290 million	\$353 million
4	20%	\$193 million	\$235 million
5	10%	\$97 million	\$118 million
Phase 2			
1	50%	\$44 million	\$133 million

Further Options Analysis

In early 2016, Council formed an Infrastructure Funding Review Committee to further review its work on the proposed PUVS mechanism. The Committee recommended that Council concurrently analyse two options for infrastructure funding as part of its review of the Parramatta CBD Planning Framework:

- 4.5% section 94A levy to apply to the whole development (subject to Ministerial approval), plus 50% value capture for Phase 2 (being \$375/m²); and
- 3% section 94A levy to apply to the whole development, plus 20% value capture for Phase 1 uplift (being \$150/m²) and 50% value capture for Phase 2 uplift (being \$375/m²); and

The financial implications for Council of each of these two Options are shown in Table 4 and 5 below.

Table 4: Revenue potential under funding option (i)

Option (i) No Phase 1, Phase 2 @50%, S94A @4.5%

Source	Rate	Low Range	High Range
S94A	4.5%	\$310.5 million	\$484.5 million
Phase 2	50%	\$44 million	\$133 million
Revenue potential		\$354.5 million	\$617.5 million

Table 5: Revenue potential under funding option (ii)

Option (ii) Phase 1 @20%, Phase 2 @50%, S94A @ 3%

Source	Rate	Low Range	High Range
S94A	3%	\$207 million	\$323 million
Phase 1	20%	\$193 million	\$235 million
Phase 2	50%	\$44 million	\$133 million
Revenue potential		\$444 million	\$691 million

The above tables demonstrate that Phase 1 value sharing generates significantly more revenue than a 1.5% increase in the section 94A levy. Therefore, Option (ii) - which uses Phase 1 value sharing - would generate significantly more income than Option (i) - which uses the 4.5% section 94A levy.

Development Feasibility Testing

GLN Planning and Council also undertook development feasibility testing of various scenarios of value sharing and section 94A charges.⁴⁵ The key outcomes of this testing are summarised as follows:

- 10-20% Phase 1 value sharing could likely be tolerated in the current market by those who have purchased land at above average rates, while a higher Phase 1 value sharing rate could likely be tolerated by those who have purchased land at below average rates.

⁴⁴ See Council Business Papers 27 June 2016, Item 7.4 for further discussion of this rate.

⁴⁵ See Council Business Paper 27 June 2016, Item 7.4 for further discussion of this feasibility testing.

- Sites which were acquired and held for a lengthier time would be more likely to be able to absorb a higher Phase 1 value sharing cost
- Phase 2 value sharing at 50% will still enable higher (i.e. more risky) developments to meet lending authority benchmarks.

In addition, since late 2016, eight recent Voluntary Planning Agreements in the CBD have been negotiated on the basis of 20% Phase 1 value sharing. This further underscores the feasibility of Council's proposed approach, and how it is being applied in practice.

6.4 Council's proposed implementation of the PUVS

As part of the Parramatta CBD Planning Proposal, Council has proposed three key implementation mechanisms which would work together to formalise the proposed PUVS mechanism. These three mechanisms are provisions in Council's Local Environmental Plan (LEP), a Development Guideline containing the value sharing rates and Voluntary Planning Agreements.

Local Environmental Plan (LEP) provisions

As outlined previously in this chapter, the proposed LEP provisions to enact the PUVS mechanism would include Base, Incentive and Opportunity Site FSR controls. These controls would be contained in statutory maps as part of the LEP. The maps would be accompanied by an LEP clause which outlines that the Incentive and Opportunity Site FSR controls are only achievable if Community Infrastructure is provided. The conditions by which Community Infrastructure can be provided will be set out in more specific detail in a Development Guideline (see next section). This is similar to the approach used by the City of Sydney for Green Square.

Development Guideline

Alongside the LEP provisions, a separate Development Guideline would lay out in clear detail the value sharing rates on a "per square metre" basis for both Phase 1 and Phase 2 value sharing. The Development Guideline would highlight how community infrastructure is to be provided, which could be through dedication of land, monetary contributions, construction of infrastructure, provision of materials for public benefit and/or use,

or a combination of these.²⁷ The main purpose of this Development Guideline would be to ensure certainty, transparency and fairness for Council and developers.

Voluntary Planning Agreements

The third key implementation component for the proposed PUVS mechanism is an update to Council's Voluntary Planning Agreement (VPA) policy. This update would articulate that VPAs are the intended way of formalising the PUVS mechanism for each individual development. Each individual development's contribution under the PUVS mechanism would be formally described and agreed to in a VPA for that site. All contributions collected under Voluntary Planning Agreements must be spent or utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

6.5 Peer Review of Council's work on value sharing

As part of this project, Aurecon working with Land Econ Group undertook an independent Peer Review of Council's work on value sharing to date (as described in Sections 6.2 – 6.4). The peer review report is included at **Appendix A** of this Discussion Paper.

The peer review covered interviews with selected real estate agents and developers that are active in the Parramatta and greater Sydney market, and critically examined core documents:

- Parramatta CBD Planning Framework: Economic Analysis (2014) by SGS Economics and Planning
- Parramatta CBD Infrastructure Funding Models Study (2016) by GLN Planning
- Council staff reports and other relevant materials

The review highlighted that real estate development is a highly cyclical business, where developers are eager to apply for additional floor space during strong market conditions, but tend to hold back when the market conditions are weak as building higher may not necessarily translate to more profits. Because of the unpredictability of income flow, the review recommends that Council views the value sharing mechanism source as an important supplemental rather than primary source of funding for the construction of local infrastructure and

²⁷ <https://www.planningportal.nsw.gov.au/understanding-planning/voluntary-planning-agreements>

amenities in the Parramatta CBD. It also recommends a method for reviewing the rate, based on a selected residential market index (see more detail in recommendations below).

Market Feasibility

As noted in the peer review, several interviews were conducted with selected real estate agents and developers active in the Parramatta and greater Sydney market. The responses indicate some slowing of the Western Sydney apartment market but with no expectation of serious oversupply and resulting dramatic downturn. The reasons cited include:

- Population growth pushing out from the more developed portions of the Sydney region.
- Government policy support and planned infrastructure investment in and around Parramatta.
- Central location of the Parramatta CBD.
- High housing cost in the Sydney region.
- Major development projects being constructed that will elevate the market perception of the Parramatta CBD when completed.

However, there are early signs of a slowing apartment market due to some foreign governments beginning to slow capital outflow, which has been a factor in the Parramatta apartment market, making local banks more restrictive on financing for apartment investment, combined with expectations of higher global interest rates due to USA election results.

In addition, developers expressed their concerns on a value sharing mechanism needing to be easily predictable, flexible to market conditions, and that Council implement speedy development approval processes (which in some cases can take up to 18 months).

Review of Developer Responses

The interviews undertaken with three real estate agents and two developers active in the Parramatta and Greater Sydney market indicated some slowing of the Western Sydney apartment market, but with no expectation of serious oversupply resulting in a dramatic downturn. The peer review also reviewed and responded directly to past comments from the development community regarding Council's proposed value sharing strategy; these comments are addressed in turn in Section 2.4 of the Peer Review (Appendix B).

Recommendations of the Peer Review

Council is generally supportive of the peer review recommendations, and subject to consultation, proposes to adopt them as part of the CBD Planning Proposal. Balancing the continued local market optimism with the need for caution due to macroeconomic considerations, the recommendations based upon the peer review are as follows:

- **Implement the PUVS mechanism as promptly as possible to provide Council with an additional source of funding for community infrastructure** during this up-market cycle and the development community with cost predictability as the market moves toward less certain times.
- **Provide the developer community with cost predictability** through smoothing the implementation of PUVS over five years,
 - Set the Phase 1 (Incentive) contribution to a maximum of \$150 per square metre for new residential developments that seek to develop beyond the existing planning controls up to the incentive controls.
 - Set the Phase 2 (Opportunity) contribution to a maximum of \$375 per square metre for new residential developments that seek to develop beyond the incentive controls up to the opportunity site controls, applicable to certain areas in Parramatta CBD.

This will allow developers to internalise this contribution into their pro forma calculations, and the impact will be on the amount they are willing to pay for land going forward. For future major projects, removing the uncertainty of the amount of PUVS contribution and the time required for negotiations will allow Council to continue to communicate its "open for business" attitude essential for the continued rapid transition into a world class city.
- **Re-evaluate the PUVS process after five years of implementation to make sure the contributions reflect market conditions**, and are on track to assist in meeting funding requirements for community infrastructure.

- **Build flexibility into the PUVS mechanism that provides Council with the option to either suspend or reduce the dollar per square metre contributions** for a finite one to two year period should a selected residential market index decline in five of six successive quarters. In the event of a severe real estate recession, this provides Council with an efficient tool to temporarily lower development cost and therefore reduce the mechanism's impact on

residential development and construction industries operating in Parramatta CBD. In effect, this operates as a concession to developers to account for the volatility inherent in the property market.

- **Apply the PUVS mechanism on residential development in excess of existing planning controls only**, as per Council's intent of creating a commercial core through improving the appeal of commercial developments.

This set of recommendations balances two objectives. First, it provides a revenue stream for the construction of CBD infrastructure essential to elevate Parramatta's position at the heart of Greater Sydney's Central City. Second, it provides the development community with cost predictability for five years. The developers will quickly internalise this added costs into their pro forma calculations, and the impact will be on the amount they are willing to pay for land going forward. For future major project removing the uncertainty of the amount of value sharing cost burden and the time required for negotiations will allow Council to continue to communicate its "open for business" attitude essential for the rapid creation of Greater Sydney's Central City.

Responding to the Peer Review recommendations

Together with the feedback received during this consultation period, Council will consider the recommendations from the independent Peer

Review in making decisions around infrastructure planning and funding in the CBD. Please refer to section 7.2 for a more detailed discussion of next steps.

6.6 Value sharing's contribution to closing the funding gap

The Peer Review undertaken by Aurecon and Land Econ Group has recommended value sharing rates of \$150 for Phase 1 and \$375 for Phase 2 (i.e. 20% and 50% of the benchmark \$750/sqm). If these rates were to be applied to development in the CBD, the funding gap established in Chapter 4 would be reduced (though not entirely resolved).

Based on two-thirds build-out of the Planning Proposal and the site consolidation scenarios previously discussed in this report, setting a Phase 1 Value Sharing rate at \$150/sqm (20%) would yield an estimated **\$193 - \$235 million**.

Based on two-thirds build-out of the Planning Proposal and the site consolidation scenarios previously discussed in this report, setting a Phase 1 Value Sharing rate at \$375/sqm (50%) would yield an estimated **\$44 - \$133 million**.

Figures 11 and 12 demonstrate the impact of this recommendation on the funding gap established in Chapter 4. The funding gap is reduced from an estimated **\$394 - \$549 million to \$26-\$312 million**.

Figure 11: Value sharing's potential impact on the funding gap (low estimated income)

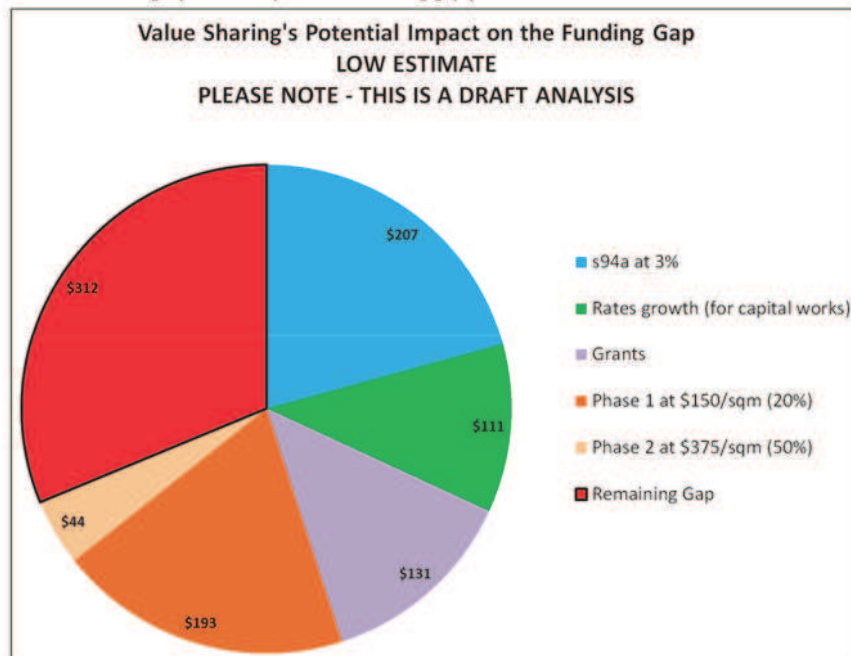
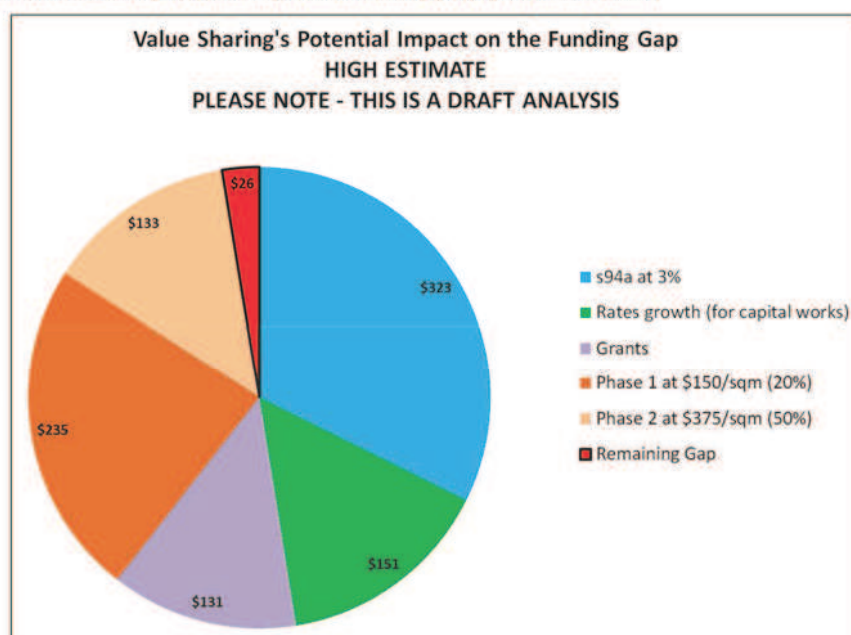


Figure 12: Value sharing's potential impact on the funding gap (high estimated income)



6.7 Chapter 6 discussion questions

4. What are your views on using value sharing to fund infrastructure?
5. Do the proposed value sharing charges strike an appropriate balance between public and private interests?
6. Are there other infrastructure funding mechanisms that should be considered by Council instead of (or in addition to) the PUVS?*

** Remember that Council has limited powers to raise revenue. Stamp duty, land taxes and special area levies are the responsibility of the State Government. Refer to Chapter 4 for further discussion.*

7 Discussion Questions and Next Steps

7.1 Discussion questions

This discussion paper has posed the following questions:

1. Has Council considered the right types of local* infrastructure projects in its *Draft Parramatta CBD Infrastructure Needs Analysis* at Appendix B?
2. In your mind, what are the most important local* infrastructure priorities for Parramatta CBD?
3. Is there anything you feel is missing from the draft infrastructure needs analysis?
4. What are your views on using value sharing to fund infrastructure?
5. Do the proposed value sharing charges strike an appropriate balance between public and private interests?
6. Are there other infrastructure funding mechanisms that should be considered by Council instead of (or in addition to) the PUVS?***

** Remember that Council is not directly responsible for infrastructure like schools, hospitals and public transport. While Council advocates for the community and partners on projects where appropriate, provision of these types of infrastructure are generally the responsibility of the State Government.*

*** Remember that Council has limited powers to raise revenue. Stamp duty, land taxes and special area levies are the responsibility of the State Government.*

7.2 Next steps

This Discussion Paper (including the Peer Review and Draft Parramatta CBD Infrastructure Needs Analysis included in the appendices) are being exhibited during March 2017.

Council welcomes your feedback on the matters outlined in this Discussion Paper. Please visit Council's 'On Exhibition' webpage for more information about making a submission:

<https://www.cityofparramatta.nsw.gov.au/about-parramatta/news/on-exhibition>

In moving forward, Council will consider all submissions and input received during this consultation period, as well as the peer review recommendations.

The immediate next step for this project will be reporting to Council on the outcomes of the consultation period.

Pending the outcomes of Council's decision at that meeting, the intended next step is for preparation of a detailed draft CBD Infrastructure Strategy containing an updated CBD Works Schedule, as well as the appropriate funding implementation mechanisms.

It is intended that the draft CBD Infrastructure Strategy would then be exhibited alongside the CBD Planning Proposal (pending receipt of a Gateway Determination from the Department of Planning and Environment), at which point the community will have further opportunity to comment on issues on planning and funding infrastructure in the Parramatta CBD.

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PARRAMATTA
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Parramatta CBD Infrastructure Funding
Peer Review
City of Parramatta

28 February 2017
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*Bringing ideas
to life*

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Executive Summary

Parramatta central business district (CBD) is forecasted to grow significantly over the coming decades as it transitions into a world class city. This will mean new residential and commercial developments as well as additional community infrastructure will be required to provide a good environment for people to work, play and live. Community infrastructure is typically funded by local council rates revenue, development contributions, and other funds from State Government Agencies. However, the City of Parramatta Council's (Council) potential income towards infrastructure from these sources is estimated to be between \$449 - \$605 million, which will be insufficient to meet the additional community infrastructure cost of approximately \$1 billion.

As a result, Council has invested considerable time and resources in planning for the future and exploring ways they can reduce the community infrastructure funding gap. This included developing several frameworks and papers on changing existing planning controls for the CBD, and undertaking a study (by GLN Planning) to explore funding options. The GLN Planning study suggested implementation of a planning uplift value share (PUVS) mechanism. The PUVS would apply to residential apartment developments in the CBD in excess of the existing planning controls under a two-phase approach, which essentially involves a reallocation of benefits from the developer to the community in the form of community infrastructure. Our review of these documents indicate that the policy steps were carefully considered, well researched and consistent in approach, and that a PUVS mechanism (implemented via voluntary planning agreements) is an important funding source for additional community infrastructure that will support the overall CBD strategy.

Following the amalgamation of local government areas in May 2016, the NSW State Government appointed an Administrator of the new City of Parramatta Council, who has called for an independent review of the proposed PUVS mechanism for fairness, equity and transparency.

This document provides the requested independent review of the work undertaken to date and in particular the recommendations based on the funding study by GLN Planning. Our review found two issues with some of the model runs, in the form of arithmetic errors and understatement of total development costs, which had a minor impact on project viability outcomes. Other than these minor issues, our opinion is that the study was comprehensive, well researched, thoughtfully modelled, and provided some words of caution and accomplished its primary objective of comparing the likely revenue generation potential of different value sharing mechanisms based on a development pro forma model of hypothetical projects. Aurecon also gleaned some insight into the residential property market by undertaking one-on-one interviews with developers and real estate agents.

Our findings indicate there is continued local market optimism, however, there is a need for caution due to macroeconomic considerations centred mainly on the stage in the business cycle that a PUVS mechanism would be implemented. This is mainly for two reasons: (i) in a strong upswing in the business cycle there tends to be more resilience of the business sector and individuals to absorb government imposts; and (ii) the real estate and property market is inherently risky lending itself to a

level of unpredictability where revenues are concerned. Accordingly, our recommendations for implementing the PUVS mechanism are as follows:

- **Implement the PUVS mechanism as promptly as possible to provide Council with an additional source of funding for community infrastructure** during this up-market cycle and the development community with cost predictability as the market moves toward less certain times.
- **Provide the developer community with cost predictability** through smoothing the implementation of PUVS over five years.
 - Set the Phase 1 (Incentive) contribution to a maximum of \$150¹ per square metre for new residential developments that seek to develop beyond the existing planning controls up to the incentive controls.
 - Set the Phase 2 (Opportunity) contribution to a maximum of \$375 per square metre for new residential developments that seek to develop beyond the incentive controls up to the opportunity site controls, applicable to certain areas in Parramatta CBD.

This will allow developers to internalise this contribution into their pro forma calculations, and the impact will be on the amount they are willing to pay for land going forward. For future major projects, removing the uncertainty of the amount of PUVS contribution and the time required for negotiations will allow Council to continue to communicate its “open for business” attitude essential for the continued rapid transition into a world class city.
- **Re-evaluate the PUVS process after five years of implementation to make sure the contributions reflect market conditions**, and are on track to assist in meeting funding requirements for community infrastructure.
- **Build flexibility into the PUVS mechanism that provides Council with the option to either suspend or reduce the dollar per square metre contributions** for a finite one to two year period should the selected residential market index decline in five of six successive quarters. In the event of a severe real estate recession (see Section 2.3 for more detail), this provides Council with an efficient tool to temporarily lower development cost and therefore reduce the mechanism's impact on residential development and construction industries operating in Parramatta CBD. In effect, this operates as a concession to developers to account for the volatility inherent in the property market.
- **Apply the PUVS mechanism on residential development in excess of existing planning controls only**, as per Council's intent of creating a commercial core through improving the appeal of commercial developments.

At the time of writing, there was limited published information regarding the Special Infrastructure Contributions (SIC) levy proposed by the NSW State Government to assist in the funding of regional projects including construction of Parramatta Light Rail. However, the State Government has indicated publically that the levy may require a contribution of \$200 per square metre for areas that benefit from the light rail project (which includes the Parramatta CBD). In the event that the SIC levy materialises, it is expected that this would be *in addition* to the PUVS mechanism. This means that if a developer wants to develop beyond existing planning controls and in an area that benefits from the light rail project, then they will need to make essentially *two* contributions, one to Council under the PUVS mechanism (for community infrastructure), and the second to State Government through the SIC levy (for regional infrastructure). It is important for both transparency and statutory reasons that any contributions under the PUVS mechanism and the SIC levy remain completely separate.

On assessing the impacts the PUVS mechanism will have on the residential market, this review understands that real estate development is a cyclical business. During strong market conditions,

¹. Contributions will be indexed against a residential market index sourced from the Australian Bureau of Statistics, rather than a Consumer Price Index, as detailed in this review



where higher demands (in excess of supply) causes prices to increase, developers have a greater interest for developing beyond existing planning controls as it provides them with greater return. Therefore a PUVS mechanism, in most instances, won't significantly impact excess developer profit margins if set above base planning controls. In this regard, the PUVS mechanism is an effective alternative funding strategy for Council to source funds towards community infrastructure in a relatively fair and transparent manner. However, the converse is true under weak market conditions, and is likely to generate little to no funding. Because real estate market fluctuations make the income flow from PUVS funding unpredictable, our recommendation is that Council views this source as an important supplemental rather than primary source of funding for the construction of community infrastructure.

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1 Introduction

This document provides an independent review of a series of frameworks and papers that acknowledge Parramatta CBD will undergo significant growth over the next 20 years, bringing about new developments, and the need for additional community infrastructure. The City of Parramatta Council's (Council) potential income towards infrastructure from these sources is estimated to be between \$449 - \$605 million, which will be insufficient to meet the additional community infrastructure cost of approximately \$1 billion.

While most of the documents provide policy intentions and background for the reviewer, the 'Infrastructure Funding Model Study and Appendices' by GLN Planning and the recommendations from the Parramatta CBD Infrastructure Funding Review Committee warranted focused attention because the planning uplift value share (PUVS) mechanism, when implemented, will have financial consequences on:

- Future residential developments within Parramatta CBD
- Council's ability to fund community infrastructure and amenities important for the creation of a world class city

The findings from this review will provide Council with a way forward on implementing a PUVS mechanism that is fair, equitable and transparent.

2 Review of documents

As part of this review, Council provided a series of documents, and for convenience, we divided these into three groups:

- **Policy and planning documents** prepared by Council and consultants, and provided primarily to communicate policy development background.
- **Core documents** analyse the PUVS mechanism and recommendations from Council's Parramatta CBD Infrastructure Funding Review Committee's meeting minutes.
- **Feedback** from developers and community about the proposed value sharing mechanism and strategy.

This review focuses on the core documents, which inform our final recommendations.

2.1 Review of Policy and Planning Documents

We reviewed the following documents to gain an understanding of the Council's motivations for changing the existing planning controls and amending policies to allow these to changes to materialise. The work to date by Council and its consultants were well prepared and of high professional quality, and are summarised below.

Auto Alley Precinct – Economic Advice

Prepared for Parramatta City Council by SGS Economics & Planning, October 2013

This study provides the market economics perspective for protecting the Auto Alley Precinct intended to accommodate future CBD office expansion, since residential development is now able to support higher land values and displace future office development.

"Therefore, taking a longer-term view, it is important that Council 'holds the line' on commercial development in Auto Alley to 'future proof' the CBD from future commercial floor space shortages. Taking a medium to long-term perspective development controls should allow for at least 400,000 square metres (GFA) of employment only floor space in Auto Alley (in addition to any residential development potential allowed). Any employment related floor space in the mixed use zone would be in addition to this allowance."

This study further cites that Auto Alley has the advantage of providing larger floor plate office sites and the potential to accommodate a substantial cluster of office only buildings where the critical mass provides agglomeration economies of scale and enhances market appeal.



Parramatta CBD Planning Framework: Economic Analysis Draft Report

Prepared for Parramatta City Council by SGS Planning and Economics, August 2014

This economic analysis is a companion document to the '*Planning Framework Study*' by Architectus (September, 2014), and it examines three interrelated questions:

- How can Parramatta compete with other centres to attract employment?
- How can Parramatta protect its capacity to accommodate employment and housing in the future?
- What are the dynamic market implications for Parramatta's planning framework?

Parramatta, in order to become a world class city must compete for office development with newly emerging suburban centres. The study indicates:

"In the short term, Parramatta is unlikely to attract many large commercial office buildings (e.g. greater than 30,000 square metres) due to the limited scale of growth in the office market, and need for high proportions of pre-commitment before office developments get off the ground, and competition from other centres noted above. This is not to say additional large office developments will not locate in Parramatta, but that the process of attracting such development needs to be viewed as a long-term undertaking.

Parramatta's planning framework has been built on a clear and consistent strategy to maintain a commercial core (employment only) as a focus for future employment growth. In the face of pressure for residential development it is important that Council takes a clear position to either 'hold the line' on this policy, or, to change policy and accept a mix of uses.

If the development potential in the Parramatta CBD is increased as a result of changes to planning controls (rezoning and/or increases in permissible densities or heights) Council would be justified in seeking to sharing part of the value uplift created by these changes, and to use the proceeds of this value sharing for broader public benefit (for example: upgrades to the public domain, public transport improvements, affordable housing, open space provision, public art, and so on)."

This study suggests that for Council to preserve a commercial core within the CBD, the use of a PUVS mechanism to fund public improvements in support of that objective is justified on economic grounds. The selective or weighted imposition of a value sharing mechanism on residential development due to uplift in floor space ratio (FSR) would skew the development economics away from residential and improve the appeal of commercial developments. Without policy protection, the current robust residential market demand, in part powered by foreign investment, has the potential to erode the CBD's future capacity to become a true employment centre.



Parramatta City Centre Planning Framework Study

Prepared for Parramatta City Council by Architectus (and SGS Economics and Planning) and adopted by Council for exhibition on 8 September 2014

This study relates to the development of Parramatta CBD, in summary it:

- Reviewed the current planning framework that controls the development of Parramatta CBD
- Identified the opportunities, constraints and market conditions that are impacting on development in the Parramatta CBD
- Developed and recommended a planning framework that Council can implement to firmly establish Parramatta CBD and a real alternative to Sydney CBD as an employment and mixed-use centre.

Value sharing recommendations from this study:

- The proposed FSR controls to become the base, and additional higher FSR controls can only be achieved by sharing the value of the uplifts. That is any additional new FSR is to be purchased by landowners based on 50% of the nominated dollar value per sqm of GFA. The dollar value is to be scheduled to provide certainty and reviewed annually.
- This is to operate for residential uses only, not employment uses.
- This system will operate in addition to the existing Section 94A contributions."

On 8 September 2014, Council adopted for public exhibition the recommendations and planning controls from this study (with some amendments), they include adjustments to the city centre boundary, outlining primary built form controls, changed land use mix, introducing a sharing of value uplift resulting from higher FSR controls, maximum floor plates to insure tower slenderness, and incentives for design excellence.

The Draft Auto Alley Planning Framework

Prepared by Parramatta City Council and adopted for exhibition by Council at the meeting on 22 October 2014

This is a planning policy document designed to guide the transformation of the former Auto Alley along Church Street (South of Great Western Highway) into an important and integral part of the future CBD through rezoning and uplift in FSR. However, it explicitly states:

"Existing controls will be maintained until such time that a land owner:

- Contributes to and/or provides public infrastructure/benefits as per Draft Public Domain Plan
- Partakes in a Design Excellence Competition for their site."

This framework supports the economic advice provided by SGS Economics & Planning in October 2013, that Auto Alley will become an important part of growing Parramatta CBD, and that a PUVS mechanism is integral to Council's expansion plans.



Parramatta CBD Planning Strategy

Prepared by Parramatta City Council and adopted by Council at the meeting on 27 April 2015

The objectives of the CBD Planning Strategy are as follows:

- To set the vision for the growth of the Parramatta CBD as Australia's next great city.
- To establish principles and actions to guide a new planning framework for the Parramatta CBD.
- To provide a clear implementation plan for delivery of the new planning framework for the Parramatta CBD.

This strategy document confirms the Council's objective to share in the value uplift due to higher FSR controls. It states:

"That additional higher FSR controls than those proposed in this Strategy can only be achieved by sharing the value of the uplift. That is any additional new FSR is to be purchased by landowners based on 50% of the nominated dollar value per sqm of GFA. The dollar value is to be scheduled to provide certainty and reviewed annually. Such a system would apply for residential uses only, not employment uses. Further, the system would operate in addition to any section 94A contributions payable."

Parramatta City Council Section 94A Development Contribution Plan (Amendment No. 4)

Adopted by City of Parramatta Council on 27 April 2015 and commenced 20 May 2015

This is the legal and administrative document under Section 94A of the Environmental Planning and Assessment Act 1979 (EP&A Act) that lays out the development contributions framework for areas outside the Parramatta CBD and within the former Parramatta City Council boundaries. Note there are also other contributions plans, which apply outside the CBD to those areas amalgamated under the new City of Parramatta boundaries. The primary purposes of this plan are:

- To authorise the imposition of a condition on certain development consents and complying development certificates requiring the payment of a development contribution pursuant to Section 94A of the Act.
- To assist Council in providing the appropriate public facilities that are required to maintain and enhance amenity and service delivery within the area covered by this Plan.
- To publicly identify the purposes for which the development contributions are required.

This document provides detailed instructions and forms to establish the cost of the development, which would be used as a basis for a Section 94A contribution. For works to be performed by Council, it provides a schedule of projects and cost estimates plus a set of maps indicating where the works will be performed.



Parramatta Civic Improvement Plan (CIP) Amendment No. 4

Prepared by Regional Cities Taskforce and initially adopted by Parramatta City Council on 11 July 2007; most recent Amendment (No. 4) adopted on 27 July 2015

This plan provides a description, both in text and graphic form, of the civic infrastructure needed and desired to support the growth and development of the Parramatta CBD and outlines the framework for funding contribution. The plan indicates:

"The public domain projects, special city centre projects, and Parramatta Square projects for the city centre are to be funded in part by monetary contributions levied from new development in the city centre under Section 94A of the Environmental Planning and Assessment Act 1979 (EP&A Act), and by other sources of funds sought by Council."

The public domain projects totalled \$169 million in cost, and the Parramatta Square Project amounted to an additional \$42 million. Note the CIP corresponds to an old strategic planning context for Parramatta CBD, it does not reflect current plans which envision a major step change in the scale of growth projected for in the CBD.

Summary of Review of Policy and Planning Documents

Over the past two and a half years, Council has undertaken a series of policy steps to facilitate the ability of the Parramatta CBD to evolve into a world class city. Aurecon are of the view that the above mentioned documents indicate that the policy steps were carefully considered, well researched and consistent in approach. In short, a value sharing mechanism based on planning uplift (i.e. PUVS) implemented through voluntary planning agreements is an important funding source for additional community infrastructure that will support the overall CBD strategy.

2.2 Review of Core Documents

This review focusses on two core documents that, together, provide an evaluation of the PUVS mechanism.

Infrastructure Funding Model Study and Appendices

Prepared for Parramatta City Council by GLN Planning, May 2016

The recommendations for this review are based on the analysis undertaken in this study, whose key objectives were to:

- Investigate alternative and innovative infrastructure funding mechanisms and models, including specifically schemes that share some of the uplift in value of development sites as a result of the additional FSR.
- Compare both the viability impacts on development projects and the revenue generation likelihood of alternative value sharing mechanisms.
- Recommend a fair, appropriate and workable development contributions system to apply to development in the Parramatta CBD area.

At the core of this study is the application of GLN's real estate development pro-forma model to test the impact of value sharing mechanisms on the financial viability of hypothetical developments planned for different heights and FSR. This modelling and its results are detailed in the Appendices and summarised in the main report. In our review, we uncovered two issues with some of the model



runs that had a minor impact on project viability conclusions – these were found in Appendix D: Value Sharing Development Feasibility Analysis and Assumptions:

1. In a number of the summary sheets for the different scenarios, the gross revenue per unit was shown to be less than net revenue per unit. This is shown in Figure 1. The arithmetic error appears to be related to the allocation of GST between the residential units and the commercial portion of the mixed-use project. Since most of the numbers shown in the summary sheet were not used as drivers in the model, this misstatement does not appear to have materially affected the model outcome.
2. In the summary sheets of scenarios B, C and D, again housed in Appendix D, the model omitted one key row in summing total development cost. It was the all-important row identifying "value sharing contribution" cost. In Scenario D, the total development cost was shown as \$105.3 million instead of the \$110.1 million if the \$4.83 million in value sharing contribution was included (refer to Figure 1 below). Fortunately, the amount of project surplus brought forward was the correct amount linked to a back sheet. However, because the total development cost was understated by \$4.83 million, the percentage of project surplus (net revenue less total development cost) was over stated by a half percent, 12.6% instead of 12.1%. The following additional impacts also arise from the above issue:
 - a. In Scenarios B and C, the value sharing costs were lower so the impacts on percentage of project surplus were also lower.
 - b. In Scenario B, the correct project surplus percentage should have been 16.2% instead of the 16.4% indicated.
 - c. In Scenario C, it should have been 15.1% instead of the 15.4% indicated. These minor errors did not appear to have a material impact on the conclusions of the analysis.

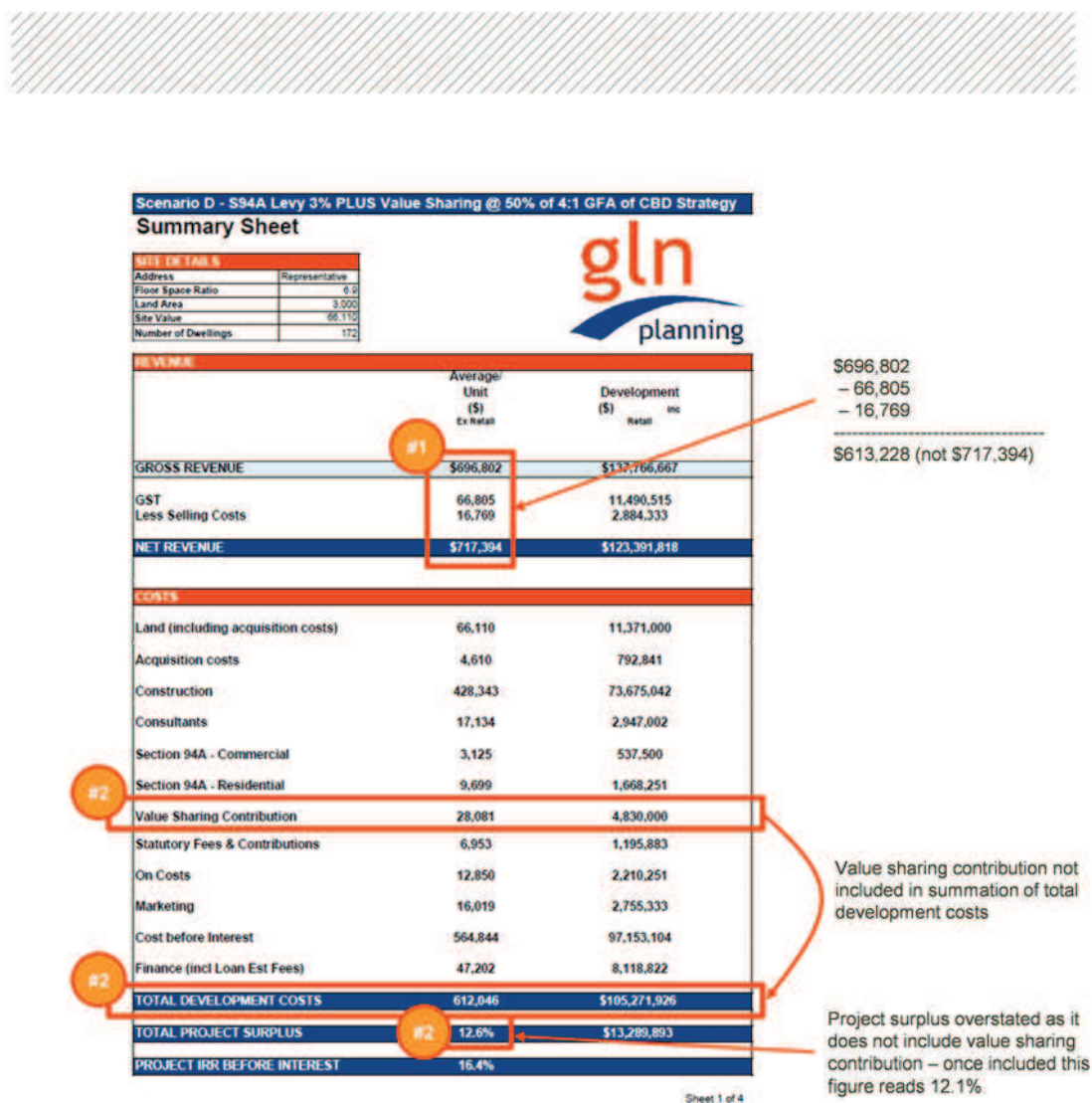


Figure 1 Two minor issues with the developer pro forma model developed by GLN Planning (May 2016). Example shown here is based on Scenario D.

Other than these minor issues, our opinion is that the study was comprehensive, well researched, thoughtfully modelled, provided some words of caution and accomplished its primary objective of comparing the likely revenue generation potential of different value sharing mechanisms based on a development pro forma model of hypothetical projects.

Minutes of the City Council Meeting of 27 June 2016 responding to the Parramatta CBD Infrastructure Funding Review Committee Report

The outcomes of the Parramatta CBD Infrastructure Funding Review Committee meeting held on 1 March 2016 were reported to Council on 27 June 2016. The report detailed the GLN Study, the findings of the Committee and also subsequent analysis undertaken by Council officers. The key recommendations of that report were as follows:

- That Council adopt the following recommendations of the Parramatta CBD Infrastructure Funding Review Committee meeting held on 1 March 2016, as follows:
 - That the Committee notes the legal advice received from Council's Legal Services Manager that confirms Council's ability, with the concurrence of the State Government, to amend the Parramatta LEP as proposed to introduce the value sharing scheme and that preparation of necessary clauses and maps include consultation with the NSW Department of Planning and Environment and also the NSW Parliamentary Counsel's Office.
 - That the value sharing rates be included in a Draft Development Guideline which is to be exhibited alongside the Parramatta CBD Planning Proposal and that the Guideline include a mechanism to enable a regular review of the rates from time to time.
 - Further, that the Parramatta CBD Infrastructure Funding Review Committee be dissolved given that it has completed its core function.
- That Council, with respect to infrastructure funding for the Parramatta CBD:
 - endorse a 3% Section 94A levy to apply to all applicable developments, **plus 46.7% value sharing for Phase 1 uplift (being \$350/m2) and 50% value sharing for Phase 2 uplift (being \$375/m2); and**
 - that the Phase 1 uplift incorporate any SIC levy as determined by the State Government, but only if a minimum 20% (or higher) value sharing rate (being \$150/m2 or higher) is maintained for local infrastructure.
- That Council notes that it requires approximately \$835 million for local infrastructure to make Parramatta Australia's next great city, and that there is a funding gap of between \$512 and \$628 million if Council relies solely on the current section 94A levy of 3% to fund this infrastructure.

This Council report builds on the study by GLN Planning and applies various value sharing strategies that only apply to the residential component of developments;

- Phase 1 ("Incentive") PUVS where development seeks to increase existing planning controls to incentive planning controls. The value share contribution is only applicable to the incremental portion of the uplift.
- Phase 2 ("Opportunity sites") PUVS builds on conditions set under Phase 1, and allows an additional 3:1 FSR in areas that meet certain criteria such as minimum land area and site width. Again, only the incremental portion of uplift is subject to the value sharing mechanism.
- Other FSR schemes include the Design Excellence bonus (additional 1.5:1 FSR), and High Performing Buildings bonus (additional 0.5:1 FSR) – both of which are unaffected by the value sharing mechanism.

These strategies were applied to the entire Parramatta CBD to estimate a low to high funding range to fund community infrastructure and amenities that were estimated at that point in time to cost a total of \$835 million (estimate based on preliminary information available at the time).

Council provided infrastructure funding estimates based on assumed development yields contained in CBD Planning Proposal (which has also been used to estimate future CBD transportation demand).



Table 1 Infrastructure funding potential under a Phase 1 and Phase 2 value sharing mechanism

Phase/Scenario	Rate	Potential Income	
		Low range (\$ million)	High range (\$ million)
Phase 1			
1	50%	483	589
2	40%	387	471
3	30%	290	353
4	20%	193	235
5	10%	97	118
Phase 2			
1	50%	44	133

Source: City of Parramatta Council Meeting 27 June 2016

The **low funding** estimate of each range assumed that each parcel would develop independently with no property consolidation to facilitate larger projects. The residential yield, which would be subject to the Phase 1 value sharing mechanism, reflects the site-by-site difference between the base FSR and the incentive FSR. Smaller parcels would be subject to a sliding scale FSR constraint to limit maximum yield attainable. Since on an area basis the actual development yield (across the city) almost never reaches planning capacity, an additional assumption was made that at build-out the development yield would only reach two-third of planning capacity. The resulting yield was approximately 1.29 million square metres of floor space. This amount of floor space was multiplied by the different value sharing rates to provide the low end funding estimate for each rate.

The **high funding** estimate of each range assumed that developers and/or land owners are able to consolidate property to avoid the sliding scale penalty imposed upon smaller parcels. Again, the residential yield, which would be subject to the Phase 1 value sharing mechanism, reflects the site-by-site difference between the base FSR and the incentive FSR, and the development yield at build-out is assumed to be two-thirds of planning capacity. The resulting yield was approximately 1.57 million square metres of floor space. This amount of floor space was multiplied by the different value sharing rates to provide the high end funding estimate for each rate.

From Council's perspective, the CBD has a finite amount of land and the 2016 CBD Planning Proposal defines the FSR capacity of this land. Given the high expectations of Parramatta CBD, Council expects essentially all developments will require some reasonable percentage of the permitted FSR. Should a development be delayed or lost, another will take its place at a later date perhaps in the next development cycle. In development economics terms, Council has very low discount rate (essentially zero) for the time value of money. From this perspective, applying a PUVS mechanism against a sample of achievable development capacity is a reasonable approach to estimate the amount of funding for community infrastructure.

However, when considering these potential ranges of alternative income, we advise that consideration needs to be given to the importance of the discount rate or the time value of money. The discount rate accounts for the time value of money since a dollar today is worth more than a dollar next year because it has the capacity to earn interest or an alternative form of return on investment. If Parramatta had \$100 million for community infrastructure today rather than 20 years in the future, it could achieve its objectives much sooner. For this reason, developments lost in a business cycle results in loss of revenue in present value terms.



From our reading of GLN's analysis and experience with real estate market cycles, we want to highlight that, in present value terms, a higher value sharing contribution will not necessarily lead to a proportionately higher level of funding for community infrastructure. The IFRC assumes there is a constant relationship between value sharing rate and range of revenue generated, however, this is a simplified assumption that may not hold true. Higher value sharing contributions could cause more projects to be either postponed or reduced in scale resulting in lower revenue for the Council on a present value basis.

For the same parcel of land, the same construction cost and the same selling prices, the PUVS contribution to Council is effectively viewed by the developer as a higher development cost. As this amount climbs, in order to maintain the level of profit/project rate of return required by either the developer or an external financier, several outcomes may result:

- **Land value adjustments may result in delayed funding for Council.** If the developer has not already acquired the land, they will reduce the land price offer. The seller, upon seeing recent transaction amounts, may not accept the lower offer. The result is the project comes to a halt at least until the landowner's expectations adjust to the new reality, which is likely to take several years. The result could be cancellation of the current project, possibly replaced by a new project some years later, resulting in delayed funding for Council and lost funding on a present value basis.
- **Developers decide to build smaller to protect profit margins and result in reduced funding for Council.** In designing a high-rise development, the developer will test the return at alternative heights on a pro forma basis. The test would likely include the additional cost of construction, PUVS contributions, additional sales price, interest cost should the sales be slow and other factors. A rigorous developer may test dozens of alternative heights and unit mix configurations in order to optimise return. The additional (value sharing) contributions required on additional heights may cause the developer to build a somewhat smaller building, especially if the overall market softens and presales decline. The result is a lower level of value sharing funding than estimated.
- **Compromise in quality of materials used for developments may mean potential buyers look elsewhere.** Another possible strategy to offset the higher cost, particularly if the developer already owns the land, is to reduce the cost of the building, such as less common area or less expensive features within the limitations established by the State Government's Apartment Design Guidelines. However, there is a likely consumer market response to a less expensive building in terms of lower selling price and/or slower sales.

In summary, the relationship between PUVS mechanism and community infrastructure funding to Council is not constant on a present value basis. Because the added cost has an impact on individual development decisions at the margin, as the rate climbs some projects may fall away, be postponed or require less FSR resulting in lower infrastructure funding generated for Council. Since as a percentage of development cost the value sharing contribution is likely in the one to five percent range according to GLN Planning, the impact is marginal. The primary influencing factor on funding flow over the next 20 or 30 years will be the number and depth of recessions in the Parramatta residential market.

This PUVS mechanism has been conceived during a period of robust residential real estate market condition with brisk sales and climbing prices. The mechanism is effective if the market stays strong. However, based upon over four decades of analysing real estate markets mostly in North America and from observing the quarterly changes in the residential market index (see Section 2.3) in the Sydney region, our view is that real estate markets are cyclical. Each up cycle is more or less offset by a down cycle. Even Silicon Valley, arguably the strongest economic region in the world over the last 40 years, has had severe down cycles for residential real estate. Because PUVS elevates the viability threshold of development projects, the impact of the down cycles will be amplified. As sales prices fall and absorption slows, projects will be halted more quickly. During the rebound phase, they will

rekindle more slowly. While value sharing contributions recommended by the Committee, when computed as a percentage of total project development cost, are not high, they will have some impact at the margin in the Parramatta CBD residential development market.

2.3 Residential market index

Council may wish to build in to the PUVS mechanism a concession that, in the event of a severe and sustained real estate recession², either: (i) suspends or (ii) reduces the PUVS contribution for a finite one to two year period to lower development cost, and therefore mitigate the recession's impact on the real estate development and construction industries in Parramatta.

To implement this approach an independent benchmark reference to identify when a sustained downturn is happening in the property market is required. We recommend using a *residential market index*, which has the following attributes:

- It is provided by a trusted source with no vested interests other than to provide objective data.
- It is a source that is easily accessible and ideally free or of nominal cost.
- It covers not only Parramatta but also the areas that compete with Parramatta for residential sales in the Sydney region.
- It provides quarterly data, so as to not overly burden Council with unnecessary detail.
- It measures not only the median price of residential sales but also median price per square metre as not to be influenced by the changing size of property being constructed. (Note, although with a sufficiently large sample, the median size of apartments is not likely to change very much.)

The Australian Bureau of Statistics compiles and publishes the Residential Property Price Index for Eight Capital Cities including Sydney covering all dwelling types including established houses and attached dwellings (flats, units and apartments and semi-detached, row and terrace houses). As the PUVS mechanism will be applicable to high density residential developments (i.e. apartments), we recommend Council use the Attached Dwellings Index (see Figure 2) to closely monitor the market and determine if there is a need to suspend or reduce the PUVS contribution. As an observation, we note the Sydney residential market has not had five quarters of decline within six successive quarters since the index was first compiled in 2003.

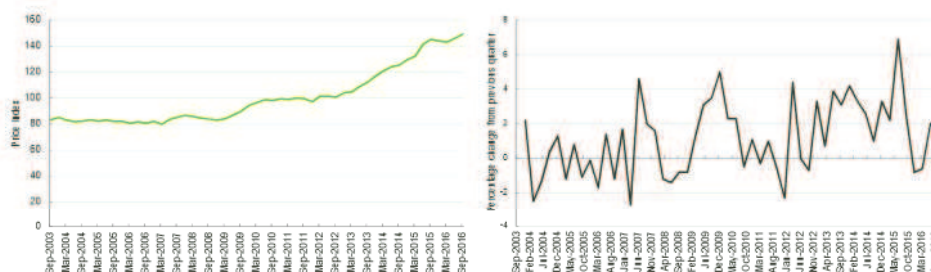


Figure 2 Residential property price index for attached dwellings: eight capital cities – Sydney

Source: Australian Bureau of Statistics table 6416.03 based on the period from September 2003 to September 2016 and indexed quarterly.

² For the purposes of the PUVS policy, the definition of a severe and sustained recession might be negative growth in five of six successive quarters.



2.4 Review of Developer and Community Responses

Public Forum Minutes from the Meeting of City of Parramatta Council held on 27 June 2016

We received one document that covered the development community responses in the public forum discussion on the proposed value sharing strategy. Some of the concerns raised primarily by developers and Aurecon's comments are listed below:

- The proposed infrastructure plan is ambitious.
 - Agreed, but great cities are built by leaders who have a clear vision for growth and investment in community infrastructure
- Value sharing mechanism is a form of tax that will have a negative impact on the viability of projects.
 - PUVS is not a tax because it is based upon voluntary agreements with property owners who elect to gain land value due to planning uplift.
- The strategy will cool the development climate in Parramatta as some developers perceive a value sharing mechanism will significantly reduce profit margins, which may shift interests elsewhere.
 - The impact is largely on the landowners who will still gain much value from the planning uplift. Since the impact is likely one to five percent of development cost, providing cost certainty going forward is the key to maintaining a favourable development climate.
- A standard value sharing contribution will impose an uneven and therefore unfair burden on development properties because of their variation in size, location, purchase date, etc.
 - Having individually negotiated contributions, which is the most likely alternative process, would be costly and time consuming for both sides. In addition, individual negotiations lack transparency and can create suspicions of favouritism or corruption.
- Previous time and efforts spent in negotiating Voluntary Planning Agreements (VPAs) become wasted sunk cost.
 - Existing VPAs that already receive some level of Council endorsement will not be re-negotiated under a newly introduced PUVS mechanism. Furthermore, VPAs in the CBD are generally currently being negotiated in line with Council's work to date on value sharing.
- There is no direct link between cost of development and the benefits received from the contribution, made through the value sharing mechanism, to the construction of community infrastructure – therefore unfair.
 - The details of the individual infrastructure and public amenity projects and their costs and benefits have yet to be presented. These matters are explored in the Discussion Paper.
- More time is required for response.
 - Given that real estate markets fluctuate and the Sydney region is currently in a "hot" market, it may not be in the interest of the development community to delay this policy implementation and their projects' required approvals.

The objections and criticisms are to be expected, and one of the key purposes of the Administrator's request for a Peer Review and compilation of a Discussion Paper was to encourage informed debate on both the community infrastructure and funding options.



Results of interviews with selected real estate agents and developers on 1 and 2 December 2016

Our interviews with three real estate agents and two developers active in the Parramatta and greater Sydney market indicate some slowing of the Western Sydney apartment market but with no expectation of serious oversupply resulting in a dramatic downturn. The reasons cited include:

- Population growth pushing out from the more developed portions of the Sydney region.
- Government policy support and planned infrastructure investment in and around Parramatta.
- Central location of Parramatta CBD
- High housing costs in the Sydney region means developers are looking elsewhere and Parramatta is seen as a good alternative
- Major development projects being constructed that will elevate the market perception of the Parramatta CBD when completed.

However, there are early signs of a slowing residential market due to some foreign governments beginning to slow capital outflow, which has been a factor in the Parramatta residential market, local banks being more restrictive on financing for apartment investment, and expectation of higher global interest rates due to USA election results.

The developers we interviewed saw the impact of PUVS as falling primarily on the property owners. A developer will run his/her project pro forma to compute how much he/she can pay for the land parcel. To the extent that value sharing adds to project development cost, the developer will simply offer less for the site. A developer will also typically purchase an option on the site and only complete the transaction once all approvals have been secured and major cost items are defined. For these reasons, a skilled developer is not likely to directly pay for the value sharing contribution but will pass that on to the landowner and seller.

The landowner stands to gain a substantial amount of land value from the planning uplift, and the proposed value sharing policy provides him/her with the voluntary option to partake in that value gain while sharing a portion of that gain with Council. The eventual home buyer, if he or she has done the homework, will realise that his/her investment in the Parramatta CBD has substantial long-term value appreciation potential because of the planned investments in transport infrastructure, community infrastructure and public amenities.

3 Conclusions

Over the past two and a half years, Council has undertaken a series of policy steps to facilitate the ability of the Parramatta CBD to evolve into a world class city. The reviewed documents indicate that the policy steps were carefully considered, well researched and consistent in approach. In short, a value sharing mechanism based on planning uplift implemented through voluntary planning agreements is an important funding source (for community infrastructure) that will support the overall CBD strategy.

Balancing the continued local market optimism with the need for caution due to macroeconomic considerations, our recommendations based upon this review are as follows:

- **Implement the PUVS mechanism as promptly as possible to provide Council with an additional source of funding for community infrastructure** during this up-market cycle and the development community with cost predictability as the market moves toward less certain times.
- **Provide the developer community with cost predictability** through smoothing the implementation of PUVS over five years,
 - Set the Phase 1 (Incentive) contribution to a maximum of \$150³ per square metre for new residential developments that seek to develop beyond the existing planning controls up to the incentive controls.
 - Set the Phase 2 (Opportunity) contribution to a maximum of \$375 per square metre for new residential developments that seek to develop beyond the incentive controls up to the opportunity site controls, applicable to certain areas in Parramatta CBD.

This will allow developers to internalise this contribution into their pro forma calculations, and the impact will be on the amount they are willing to pay for land going forward. For future major projects, removing the uncertainty of the amount of PUVS contribution and the time required for negotiations will allow Council to continue to communicate its "open for business" attitude essential for the continued rapid transition into a world class city.

- **Re-evaluate the PUVS process after five years of implementation to make sure the contributions reflect market conditions**, and are on track to assist in meeting funding requirements for community infrastructure.
- **Build flexibility into the PUVS mechanism that provides Council with the option to either suspend or reduce the dollar per square metre contributions** for a finite one to two year period should the selected residential market index decline in five of six successive quarters. In the event of a severe real estate recession (see Section 2.3 for more detail), this provides Council with an efficient tool to temporarily lower development cost and therefore reduce the mechanism's impact on residential development and construction industries operating in

³. Contributions will be indexed against a residential market index sourced from the Australian Bureau of Statistics, rather than a Consumer Price Index, as detailed in this review



Parramatta CBD. In effect, this operates as a concession to developers to account for the volatility inherent in the property market.

- **Apply the PUVS mechanism on residential development in excess of existing planning controls only**, as per Council's intent of creating a commercial core through improving the appeal of commercial developments.

At the time of writing, there was limited published information regarding the Special Infrastructure Contributions (SIC) levy proposed by the NSW State Government to assist in the funding of transport projects including construction of Parramatta Light Rail. However, the Transport for NSW website has advised that the levy may require a contribution of \$200 per square metre for areas that benefit from the light rail project (which includes the Parramatta CBD). In the event that the SIC levy materialises, it is expected that this would be *in addition* to the PUVS mechanism. This means that if a developer wants to develop beyond existing planning controls and in an area that benefits from the light rail project, then they will need to make essentially *two* contributions, one to Council under the PUVS mechanism (for community infrastructure), and the second to State Government through the SIC levy (for regional transport infrastructure). It is important for both transparency and statutory reasons that any contributions under the PUVS mechanism and the SIC levy remain completely separate.

On assessing the impacts the PUVS mechanism will have on the residential market, this review understands that real estate development is a cyclical business. During strong market conditions, where higher demands (in excess of supply) causes prices to increase, developers' have a greater interest for developing beyond existing planning controls, as it provides them with greater return. Therefore a PUVS mechanism, in most instances, won't significantly impact developer profit margins and is an effective strategy for raising funds towards community infrastructure in a relatively fair and transparent manner. However, the converse is true under weak market conditions, and is likely to generate little to no funding. Because real estate market fluctuations makes the income flow from PUVS funding unpredictable, our recommendation is that Council views this source as an important supplemental rather than primary source of funding for the construction of community infrastructure.



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Swaziland, Tanzania, Thailand, Uganda,
United Arab Emirates, Vietnam.

DRAFT PARRAMATTA CBD INFRASTRUCTURE NEEDS ANALYSIS

Summary Table

Priority	Cost Estimate
Growth and Transport	\$139,200,000
Green Spaces and Environment	\$211,030,000
Recreation and Leisure	\$101,100,000
Strong economy and City Centre	\$369,414,000
Community Focus	\$79,749,500
Arts and Culture	\$98,200,000
TOTAL ESTIMATE	\$998,693,500

Notes on exhibited information

1. Infrastructure Planning is an iterative process. The projects identified in this needs analysis reflect Council's understanding of CBD Infrastructure Needs at the time of publication, and are subject to change as work progresses on infrastructure planning in the CBD.
2. This is a Needs Analysis which seeks to identify local infrastructure projects for which Council is likely to be responsible for funding all or part, as well as some regional projects for which there may also be Council funding implications; the projects listed reflect Council's understanding of CBD infrastructure needs.
3. Project costs are best estimates at time of publication, and are subject to change as more detailed planning progresses. Costs have been estimated in 2016/17 dollars. More information including CPI adjustment, operational/maintenance costs, and other modelling will be included in the forthcoming draft Parramatta CBD Infrastructure Strategy.
4. The "Council Funding" column indicates whether it is expected that Council will pay for "All" or "Part" of the project (with Council funds coming from various sources including rates, developer contributions, VPAs, etc). Projects marked as "Part" funding indicate potential funding by another level of Government, and are subject to agreement from the relevant agencies.
5. Some projects listed here are already underway. However, these projects are appropriate for inclusion in the needs analysis, as they are associated with growth consistent with the aims of the CBD Planning Framework.

Disclaimer: The costs provided in this needs analysis are high level estimates only. Costs are generally based on experience with similar projects, benchmarking or analysis undertaken in other strategic work. Significant further cost planning will be required on a project by project basis.

MANAGING GROWTH AND TRANSPORT								
Number	Type of works	Project Description	Location	Cost Estimate	Council Funding	Timeline	Corporate Plan Link	Related Project, Policy or Strategy
1	Pedestrian Improvement	Pedestrian and Street Lighting under Parkes Street rail overbridge	Parkes Street at Railway Bridge	\$100,000	ALL	Short	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	City Ring Road
2		Closure of Cowper Street at Parkes Street and a pedestrian fence along the south side of Parkes Street between the rail bridge and Wentworth Street	Intersection of Parkes St and Cowper St	\$1,500,000	PART	Short	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	City Ring Road
3		Widen footpath on north side of Hassall St to accommodate pedestrian volume. Hassall St one-way westbound from between the driveway for No.2 and Station Street. Traffic Signal changes.	Hassall Street, immediately east of Station Street	\$400,000	ALL	Short	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	Council-approved Master Plan (14/12/2015)
4	Median Islands	Median Island in Marsden St between Macquarie St and George St to ensure driveways are left in/left out; includes kerb realignment and new tree planting on the west side of the street.	Marsden Street between Macquarie Street and George Street	\$1,000,000	ALL	Long	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	Identified as part of ongoing CBD traffic management
5		Median Island in Parkes Street between Wigram Street and Harris Street to ensure driveways are all left in/left out	Parkes Street between Wigram Street and Harris Street	\$200,000	ALL	Long	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	City Ring Road
6	Intersection Upgrades	Intersection upgrades	10 locations throughout CBD	\$7,000,000	PART	Short	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	Integrated Transport Plan
7		Intersection upgrade and road widening at Harris and Parkes St.	Intersection of Harris Street and Parkes Street	\$5,000,000	ALL	Medium	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	City Ring Road
8	CBD Road Widening	Road widening for eastbound right turn bay for traffic turning from Parkes Street into Wigram Street.	Intersection of Parkes Street and Wigram Street	\$3,000,000	ALL	Medium	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	City Ring Road
9		Road widening in Church Street to provide additional northbound right turn lane into Parkes Street. Minor widening on the north east corner is also required.	Intersection of Church St, Great Western Highway and Parkes St	\$6,000,000	PART	Medium	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	City Ring Road
10	CBD Road Widening	Other road widenings associated with growth throughout North Parramatta and CBD	Throughout North Parramatta and CBD	\$50,000,000	ALL	Medium-Long	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	CBD Planning Proposal project
11	Bridge Improvement	Duplicate Gasworks (Macarthur St) Bridge including a pedestrian and bike path on the east side, to be progressed as Light Rail plans are finalised	Gasworks Bridge	\$25,000,000	PART	Medium	C1.5 - Managing and maintaining civil infrastructure to ensure it is safe, effective and accessible, including roads, footpaths, drainage systems, bridges and street furniture	City Ring Road
12		Morton Street Pedestrian Bridge	Morton Street over the Parramatta River	\$15,000,000	PART	Short	C1.5 - Managing and maintaining civil infrastructure to ensure it is safe, effective and accessible, including roads, footpaths, drainage systems, bridges and street furniture	Elizabeth Street Precinct Planning
13		Barry Wilde Bridge biking and pedestrian upgrade	Barry Wilde Bridge	\$20,000,000	ALL	Short-Medium	C1.5 - Managing and maintaining civil infrastructure to ensure it is safe, effective and accessible, including roads, footpaths, drainage systems, bridges and street furniture	River Strategy
14	Smart Parking	Smart wayfinding, ticketless parking, onstreet smart metering, and parking data capture	Throughout CBD	\$5,000,000	ALL	Medium	C1.2 - Implementing programs focused on safer local roads, managing traffic congestion and the regular turnover of traffic in commercial centres	Smart Cities Program
Total				\$139,200,000				

PROMOTING GREEN SPACES AND THE ENVIRONMENT								
Number	Type of works	Project Description	Location	Cost Estimate	Council Funding	Timeline	Corporate Plan Link	Related Project, Policy or Strategy
1	CBD Street Trees	Street Tree Planting Project to continue the City of Trees Project	All Streets within City Centre	\$750,000	ALL	Short	D4.9 - Protecting, enhancing and proactively maintaining trees in the city streetscape.	Design Parramatta Public Domain Framework, City of Trees project
2	River Square and surrounds	River Square	South Bank between Lennox Bridge and Barry Wilde Bridge	\$54,000,000	PART	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
3		Sorrell Street foreshore parcel - public domain upgrade including terraced landscape and access way (parcel opposite River Square)	North Bank between Lennox Bridge and Barry Wilde Bridge	\$14,000,000	PART	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
4		New footbridge across the Parramatta River	Next to Barry Wilde Bridge	\$10,000,000	PART	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
5		Relocate sewer pipe across the Parramatta River	Next to Barry Wilde Bridge	\$2,000,000	PART	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
6	Parramatta Quay upgrades supporting works	Charles Street Weir - redesigned weir and river crossing to include improved active transport movement and hydraulic flows	Charles Street Weir	\$10,000,000	ALL	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
7		Charles Street Square and ferry terminus surrounds	Surrounding Ferry terminus	\$15,000,000	PART	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
8	Parramatta River Foreshore Parcel upgrades	Ferry terminus to Gas Works Bridge South bank parcel upgrades	East of Ferry Terminus to Gas Works Bridge, South side of the River	\$2,000,000	ALL	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
9		Northern Terrace parcel foreshore upgrades	Queens Ave Steps to Elizabeth St	\$10,000,000	ALL	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
10		Playground parcel foreshore upgrade	North bank, east of Barry Wilde Bridge	\$5,000,000	ALL	Medium	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
11		Southern foreshore parcel upgrade	Wilde Ave to Charles St Weir	\$15,000,000	ALL	Medium	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
12		Justice Precinct parcel foreshore upgrade	Foreshore between Marsden St and O'Connell St	\$3,000,000	ALL	Long	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
13		Kings School parcel Foreshore upgrade	Foreshore between new school and river	\$4,000,000	ALL	Medium	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
14		Marsden St. Weir Upgrades	Marsden St. Weir	\$5,000,000	ALL	Long	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
15	Links to Parramatta River CBD Foreshore	Harrisford Link	East of Ferry Terminus, South bank (near existing State Heritage Item Harrisford House)	\$1,000,000	ALL	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
16		Stewart Street Link	North Bank, East of Charles St Weir	\$1,980,000	ALL	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
17		O'Connell Street underpass links	Links between between foreshore and Parramatta Park/Old Kings Oval foreshore	\$10,000,000	PART	Medium	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
18		Escarpment Boardwalk	North Bank, East of Charles St Weir, connected to foreshore by Stewart Street Link	\$11,300,000	PART	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
19	Enhanced swimming and recreational opportunity	Enhanced swimming and recreational opportunity associated with the Parramatta River	Location to be confirmed	\$15,000,000	ALL	Medium	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
20	Prince Alfred Square	Improving facilities for events, protecting heritage assets including significant trees, and improving overall amenity and passive recreational use	Prince Alfred Square	\$4,500,000	ALL	Short	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Prince Alfred Square Masterplan
21	Brickfields Creek Naturalisation	Brickfields Creek naturalisation project	North bank, east of Barry Wilde Bridge	\$1,500,000	ALL	Short	A5.6 - Activating lanes, retail precincts and riverbank	River Strategy Program
22	Parramatta Ways	Parramatta Ways links in the CBD - local delivery of Sydney "Green Grid" project	Throughout CBD	\$15,000,000	ALL	Short	C1.1 Developer and implement River City network of pathways (Parramatta Ways) to improve connectivity	Sydney Green Grid Project
23	Lake Parramatta Upgrade	Lake Parramatta new overflow parking facilities and access paths	Lake Parramatta	\$1,000,000	ALL	Short	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Lake Parramatta Reserve Plan of Management
Total				\$211,030,000				

PROVIDING OPPORTUNITIES FOR RECREATION AND LEISURE								
Number	Type of works	Project Description	Location	Cost Estimate	Council Funding	Timeline	Corporate Plan Link	Related Project, Policy or Strategy
1	Aquatic and Leisure Centre	New modern aquatics and leisure centre	Location to be confirmed pending outcomes of Council's site investigations	\$60,000,000	PART	Medium	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	CBD Pool relocation and expansion project
2	New CBD Sportsgrounds	New sports grounds - 2 full size ovals (overlay 4 full size rectangular fields) are needed; includes construction, civil works, amenities, flood lighting, parking and related infrastructure.	Location(s) to be confirmed	\$10,000,000	ALL	Long	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Preliminary findings - Open Space and Recreation audit
3	Existing CBD Sportsgrounds Upgrades	Improve capacity of existing sportsground playing surfaces	Throughout CBD	\$2,000,000	ALL	Short	D1.2 - Providing strategic planning and asset management for high quality open space including parks, reserves, playground and sporting grounds.	Preliminary findings - Open Space and Recreation audit
4		Amenities and facilities associated with sportsground use	Throughout CBD	\$4,500,000	ALL	Short	D1.2 - Providing strategic planning and asset management for high quality open space including parks, reserves, playground and sporting grounds.	Preliminary findings - Open Space and Recreation audit
5		Sportsground floodlighting	Throughout CBD	\$1,000,000	ALL	Short	D1.2 - Providing strategic planning and asset management for high quality open space including parks, reserves, playground and sporting grounds.	Preliminary findings - Open Space and Recreation audit
6		All weather recreation synthetic playing surface at existing sites	Throughout CBD	\$10,000,000	ALL	Medium	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Preliminary findings - Open Space and Recreation audit
7	CBD Park Improvements	Upgrade the quality of parks within the city to cater for increased demand and bring up to a world-class city standard	Throughout CBD	\$6,000,000	ALL	Medium	D1.2 - Providing strategic planning and asset management for high quality open space including parks, reserves, playground and sporting grounds.	Preliminary findings - Open Space and Recreation audit
8		Multi-purpose outdoor spaces for active recreation (e.g. half-court basketball sites)	Throughout CBD	\$600,000	ALL	Medium	D1.2 - Providing strategic planning and asset management for high quality open space including parks, reserves, playground and sporting grounds.	Preliminary findings - Open Space and Recreation audit
9		Pavilion and Open Space improvements at Robin Thomas Reserve	Robin Thomas Reserve	\$3,500,000	ALL	Short	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Robin Thomas Masterplan
10	CBD Playgrounds	New playground at Belmore Park	Belmore Park	\$700,000	ALL	Short	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Preliminary findings - Open Space and Recreation audit
11		Other new CBD Play Spaces	3x locations to be confirmed	\$2,100,000	ALL	Medium-Long	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Preliminary findings - Open Space and Recreation audit
12		Existing playground upgrade	Location to be confirmed	\$700,000	ALL	Short	D1.3 - Ensure a range of active recreation, leisure and sporting opportunities is available for all ages, genders, ethnicities, ability levels and socio-economic groups	Preliminary findings - Open Space and Recreation audit
				Total	\$101,100,000			

CREATING A STRONG ECONOMY WITH A STRONG CITY CENTRE								
Number	Type of works	Project Description	Location	Cost Estimate	Council Funding	Timeline	Corporate Plan Link	Related Project, Policy or Strategy
1	Parramatta Square	Parramatta Square Public Domain	Parramatta Square	\$36,500,000	ALL	Short	Major Priority: Parramatta Square	Parramatta Square Urban Design Guidelines
2	Civic Link	Civic Link Public Domain	2 blocks from Macquarie St to Phillip St	\$40,000,000	ALL	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Civic Link Project
3	Major upgrades to bring public domain of major CBD streets up to world class city standard (including paving, tree cells and multi-function poles)	George Street Public Domain (including paving, tree cells and multi-function poles)	George Street (btw O'Connell & Harris)	\$23,500,000	ALL	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
4		Macquarie Street Public Domain (including paving, tree cells and multi-function poles)	Pitt to Church St (non Light Rail)	\$10,000,000	ALL	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
5		Macquarie Street Public Domain - Council-led works on light rail affected blocks (including paving, tree cells and multi-function poles)	Harris St to Church St (Light Rail)	\$18,000,000	ALL	Short	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
6		Church Street Public Domain (including paving, tree cells and multi-function poles)	Macquarie St to Auto Alley (non Light Rail)	\$18,000,000	ALL	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
7		Church Street Public Domain - Council-led works on light rail affected blocks (including paving, tree cells and multi-function poles)	Macquarie St to North Parramatta (Light Rail)	\$28,000,000	ALL	Short	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
8		Phillip Street Public Domain (including paving, tree cells and multi-function poles)	Phillip Street (btw Marsden and Charles Square)	\$14,000,000	ALL	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
9		Smith and Station Streets Public Domain (including paving, tree cells and multi-function poles)	Macquarie St to Hassall St	\$14,000,000	ALL	Long	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
10		Wentworth/Valentine Streets Public Domain (including paving, tree cells and multi-function poles)	Wentworth and Valentine Streets	\$10,500,000	ALL	Long	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
11		Hassall Street and Station Street (including paving, tree cells and multi-function poles)	Hassall St from Harris to Station St Station St from Hassall to Parkes St	\$11,000,000	ALL	Long	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
12		O'Connell Street - in conjunction with Western Sydney Stadium redevelopment (including paving, tree cells and multi-function poles)	Ross St to Macquarie St	\$16,000,000	PART	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
13		Charles Street (including paving, tree cells and multi-function poles)	Macquarie St to Phillip St	\$6,500,000	ALL	Medium	A5.10 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Design Parramatta Public Domain Framework
14	Develop and Improve CBD Laneway Network to bring (including paving, tree cells and multi-function poles)	Freemason Arms and Justice Lanes (including paving, tree cells and multi-function poles)	Freemason Arms and Justice Lanes	\$4,000,000	ALL	Medium	A5.10 - Activating lanes, retail precincts and riverbank	Lanes Strategy
15		Erby Place & Lane 13 (including paving, tree cells and multi-function poles)	Erby Place & Lane 13	\$4,000,000	ALL	Medium	A5.10 - Activating lanes, retail precincts and riverbank	Lanes Strategy
16		Wentworth Car Park Lanes (including paving, tree cells and multi-function poles)	Lanes around and through Wentworth Car Park	\$5,000,000	ALL	Long	A5.10 - Activating lanes, retail precincts and riverbank	Lanes Strategy
17		Macquarie Street Lanes (including paving, tree cells and multi-function poles)	Lanes North of Macquarie Street, between Smith and Harris Streets	\$5,000,000	ALL	Medium	A5.10 - Activating lanes, retail precincts and riverbank	Lanes Strategy
18	Major program of works responding to CBD flooding issues	Integrated program of works to address localised flooding and water quality issues	Throughout CBD	\$40,000,000	ALL	Short	B1.1 - Setting policy direction to manage current and future environmental issues	Council's Floodplain Risk Management Activities
19		Large-scale flood mitigation program of works to address flooding from the Parramatta River	Throughout CBD	\$40,000,000	ALL	Medium	B1.1 - Setting policy direction to manage current and future environmental issues	Council's Floodplain Risk Management Activities
20	Flood Warning System	Flood Warning System - installation of Phase 1	Priority area in CBD	\$114,000	ALL	Short	B1.1 - Setting policy direction to manage current and future environmental issues	Council's Floodplain Risk Management Activities
21		Flood Warning System - 3 major expansions and upgrades as CBD grows	Throughout CBD	\$600,000	ALL	Medium-Long	B1.1 - Setting policy direction to manage current and future environmental issues	Council's Floodplain Risk Management Activities
22	Smart Cities	CCTV and associated works	Throughout CBD	\$2,200,000	ALL	Short	D4.10 Developing and maintaining clean and attractive streets and public spaces where people feel safe	Smart Cities Program
23		Rationalisation of utilities (e.g. undergrounding power in Auto Alley and North Parramatta)	Throughout CBD	\$20,000,000	ALL	Short-Medium	B1.1 - Setting policy direction to manage current and future environmental issues	Smart Cities Program
24		Multi-function poles for non-major streets	Throughout CBD	\$2,500,000	ALL	Short	A5.14 - Maintaining the spaces and public domain to the standard that supports the economic growth of the City	Smart Cities Program
Total				\$369,414,000				

HAVING A COMMUNITY FOCUS								
Number	Type of works	Project Description	Location	Cost Estimate	Council Funding	Timeline	Corporate Plan Link	Related Project, Policy or Strategy
1	Civic Centre at 5 Parramatta Square	Civic Centre including facilities new CBD library, community meeting space, and experience centre	5 Parramatta Square	\$67,000,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study and 5 Parramatta Square project
2	New Childcare Centres	2 new CBD childcare centres	Locations to be confirmed	\$4,000,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
3	Flexible Community Spaces	Community rooms of various sizes, including kitchen facilities & accessibility requirements	Throughout CBD	\$3,000,000	ALL	Medium-Long	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
4	New Community Facilities in Harris Park	Expansion of Jubilee Park Childcare Centre to create a Family & Children's Centre - daycare, OOSH, playgroup, meeting space, activity rooms, and facilities for related services	Jubilee Lane	\$3,000,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
5		District level community facility for Harris Park, including childcare centre	Marion Street	\$1,500,000	ALL	Short-Medium	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
6	CBD Contribution to New Community Facilities in North Parramatta	New multi-purpose community centre sufficient in design and capacity to accommodate multiple user groups	North Parramatta	\$450,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
7		Incubator for multiple Community Organisations in the gifted "Admin Building"	North Parramatta	\$75,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
8		Community facility in the gifted "Hall" - fit-out	North Parramatta	\$124,500	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Community Facilities Needs Study
9	Homelessness Support Projects	Infrastructure for food provision to disadvantaged members of the community	Prince Alfred Square	\$500,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Homelessness Policy
10		Upgrade amenities for homeless (laundry, showers, etc)	Within existing non-profit facilities in CBD	\$100,000	ALL	Short	D3.1 - Providing high quality services and engaging with the local community	Homelessness Policy
Total				\$79,749,500				

SUPPORTING ARTS AND CULTURE, CELEBRATIONS AND DESTINATIONS								
Number	Type of works	Project Description	Location	Cost Estimate	Council Funding	Timeline	Corporate Plan Link	Related Project, Policy or Strategy
1	Anchor Arts Production and Presentation Facilities	Expanded Parramatta Artists Studio: Cross-arts professional production facility with art studios, workshop facilities, wet/dry areas, collaboration between old and new technologies	Civic Link	\$5,000,000	ALL	Medium	E2.2 - Grow Creative Industries and provide opportunities for creative practice and cultural production.	Cultural Discussion Paper and current project "Planning Parramatta's Cultural Infrastructure"
2		Art Exhibition and Gallery Space: exhibition space (including some double-height) and back of house facilities.	Civic Link	\$7,600,000	PART	Medium	E2.2 - Grow Creative Industries and provide opportunities for creative practice and cultural production.	Cultural Discussion Paper and current project "Planning Parramatta's Cultural Infrastructure"
3	Anchor Performing Arts Facility	Modernised and expanded performing arts anchor facility, including presentation and production incorporating the new Riverside Theatres	River foreshore	\$77,000,000	PART	Long	E4.1 - Undertaking strategic planning for Riverside Theatres as a regional centre for performing arts in Western Sydney and as the key anchor arts and cultural venue in Parramatta CBD	State Infrastructure Strategy (Chapter 9) Create in NSW Parramatta Strategic Framework Council's Cultural Planning Program
4	Aboriginal Cultural Projects	Aboriginal Cultural Infrastructure	River Foreshore or North Parramatta	\$2,000,000	ALL	Medium	E1.6 - Interpreting the stories of Parramatta.	Cultural Discussion Paper and current project "Planning Parramatta's Cultural Infrastructure"
5		Aboriginal Cityscape Cultural Walk: An interpretative walk of Parramatta including new public artwork, sites of importance and digital tour to showcase local Darug peoples' sites of significance, history and contemporary connection to Parramatta	Throughout CBD	\$1,000,000	ALL	Short	E1.6 - Interpreting the stories of Parramatta.	Cultural Discussion Paper and current project "Planning Parramatta's Cultural Infrastructure"
6	Creative Industries Cluster	Creative Industries Incubator: Incorporates media/digital center, cultural organisations such as Western Sydney Centre for Writing and CuriousWorks, hot desk office space and production offices for film and screen	Civic Link	\$4,600,000	ALL	Medium	E2.2 - Grow Creative Industries and provide opportunities for creative practice and cultural production.	Cultural Discussion Paper and current project "Planning Parramatta's Cultural Infrastructure"
7	Cultural Collections Storage	Publicly accessible storage for cultural collections and archaeological items	Location to be confirmed	\$1,000,000	ALL	Short	E1.6 - Interpreting the stories of Parramatta.	Cultural Discussion Paper and current project "Planning Parramatta's Cultural Infrastructure"
Total				\$98,200,000				

Attachment 4: Detailed Table of Issues Raised and Council Officer Response

Submission # & organisation	Issue	Council Officer Response
1 Meriton	The Parramatta CBD Planning Proposal and associated strategy is being delayed.	Prompt resolution of this matter is recommended in this report, in order to allow the Parramatta CBD Planning Proposal to proceed as efficiently as possible.
1 Meriton	The cumulative costs of developer contributions, stamp duty, SIC, etc. is contributing to raising housing prices.	Feasibility testing undertaken by Council and GLN Planning established a conservative per-sqm land value uplift rate, upon which the recommended value sharing rates are based. This suggested that these rates could be introduced with minimal impact on developer's bottom-line for the majority of sites, indicating that impacts on housing prices would be marginal.
1 Meriton	Council should be more conservative in its public domain improvements schedule, or prioritise the works so that some of the items are only facilitated if adequate funding is secured.	The Draft Parramatta CBD Infrastructure Needs Analysis represents Council's current best knowledge of the infrastructure needs of the CBD, and how Parramatta CBD will achieve the strategic vision as the heart of Sydney's Central City. Shaping infrastructure planning to currently available funding sources is not a preferable policy approach; rather, Council has elected to attempt to define <i>all</i> of the local infrastructure needs of the CBD and to then shape a mix of funding mechanisms which will allow this portfolio of needs to be met. Infrastructure planning for the CBD will continue to be refined as development in the CBD proceeds.
1 Meriton	Council must look at alternative funding mechanisms so the burden is not placed exclusively on the development industry; this should include State Government funding given the priority given to Parramatta/GPOP under current stage government priorities	Local infrastructure needs in the Parramatta CBD will be funded through a variety of sources, and development contributions and value sharing are recommended to be part of that mix. Other parts of the funding mix include State grants and both general and special Council rates. In addition, the State Government has made major regional infrastructure commitments to Parramatta CBD. Further, should value sharing be adopted at the recommended rates, there remains a funding gap towards the local infrastructure needs. Council will continue to pursue alternative funding mechanisms to address this, including State Government funding sources.
1 Meriton	While developers in the CBD are beneficiaries, so is the entire Parramatta LGA; Council should consider a special levy on all landowners (excluding the CBD	Noted. Should value sharing be adopted as per the recommendations of this report, Council will likely still need to consider additional funding sources to fund the remaining gap. It is noted that Council has many Section 94A plans, as a result of amalgamation, and developments outside the CBD contribute under those contributions plans which apply to their area. Planning Proposals outside of the CBD tend to contribute to the areas in which the

	landowners who contribute via VPA) as an option to fill the gap. This may allow Council to engage with developers outside of the Parramatta CBD to assist in the funding gap.	development occurs.
1 Meriton	Extensive ground floor retail/commercial has not been successful in other areas of Sydney, therefore the mandatory 1:1 commercial floorspace requirement under the Parramatta CBD Planning Proposal should be removed.	This is a matter pertaining to the content of the Parramatta CBD Planning Proposal, and is therefore outside the scope of this report. However, it is noted that the 1:1 commercial requirement has been a consistent part of the policy approach in the CBD for some time, and is intended to activate street frontages, provide for jobs and ensure that Parramatta CBD remains a vital commercial centre, rather than just a residential suburb.
1 Meriton	CBD land vendors do not sell land based on the proposed Base (i.e. current) FSR, so buyers of land in the CBD are buying based on higher FSRs. Therefore, the value sharing system is a broad-based tax on development.	Property speculation based on forthcoming or draft policy decisions is not a matter that is within Council's control. However Council's past work on value sharing undertook feasibility analysis which indicated that Phase 1 value sharing at 20% is feasible for all but a very small proportion of recent land sales in the CBD. The Discussion Paper outlines in detail why the proposed value sharing system is not a tax.
1 Meriton	The system as proposed forces developers into a voluntary process.	The system as proposed allows any landowners to develop under the current/Base FSR controls without value sharing applying. Applicants voluntarily seeking FSRs higher than the base must provide an appropriate contribution to Community Infrastructure, and this may be through monetary contribution, works-in-kind, or a combination.
1 Meriton	Submission provides several suggestions for VPA processes, including: - Streamlined VPA documents that can be easily adapted between developments without protracted individual negotiations - Council should engage a qualified and experienced person to run the	These suggestions are all noted. These suggestions are more appropriately addressed as part of an update to Council's VPA Policy. This report recommends that Council endorse preparation of a draft update to the VPA Policy, and the issues raised as part of this exhibition (such as these) will be forwarded to the officers preparing that report.

	VPA process, and who has appropriate delegations to direct other departments of Council - The standard VPA must allow parties to make small variations without re-exhibition (i.e. if the public benefit doesn't change, but timing of delivery does) - Allow exhibition of the explanatory statement only with the DA, and allow the VPA to be finalised between the parties. - Defer all payments to the end of the project, prior to Occupation Certificate at the earliest - Only require a Bank Guarantee if the developer seeks an extension of the payment or works, or allow alternatives for security; current practice of Bank Guarantees is onerous. - Provide live tracking of funds secured through VPA processes so developers are aware of where and when contributions are being spent.	
2 Housing Industry Association	Based on the proposed value sharing mechanism that has been recommended in the discussion paper being voluntary in nature there may be merit in the model being pursued.	Noted. Council officers would clarify that, under the Parramatta CBD Planning Proposal, value sharing does not apply to the Base (i.e. current) FSR controls.
2 Housing Industry Association	The value sharing scheme has significant embedded risk to the cost of housing.	Feasibility testing undertaken by Council and GLN Planning established a conservative per-sqm land value uplift rate, upon which the recommended value sharing rates are based. This suggested that these rates could be introduced with minimal impact on developer's bottom-

		line for the large majority of sites, indicating that impacts on housing prices would be marginal.
2 Housing Industry Association	The Peer Review has correctly identified that the value sharing scheme must be seen as a supplemental rather than primary source of funding.	Noted. As outlined in the Discussion Paper, value sharing is one component of an expected mix of funding sources, which also includes development contributions, State government grants, and Council rates.
2 Housing Industry Association	Council should provide clear information regarding the operation of the scheme to allow the development industry to better understand and validate the implications on new home prices. The final scheme should be easily understood so there is certainty regarding its operation and the costs involved.	Noted. This report recommends resolution of a transparent policy position towards this end. Council officers are available to answer any policy questions which might arise as the CBD planning process proceeds, and the expected next steps for this project include further formal consultation. The proposed Draft Development Guideline will clearly explain in more detail the process by which value sharing in the Parramatta CBD will be implemented.
2 Housing Industry Association	The Draft Parramatta CBD Infrastructure Needs Analysis should be independently reviewed to ensure the items are essential and accurately costed.	Noted. As outlined in this report, the needs identified in the Needs Analysis are aligned with Council's Operational Plan and Statement of Vision and Priorities, and are underpinned by other pieces of strategic work undertaken by Council. Council will continue to refine the costs associated with projects outlined in the needs analysis as further information becomes available. It is also noted that Council has provided a much greater level of detail than is usually made available during "strategic" infrastructure planning processes. Finally, the expected next steps for this process include further public consultation on the matter, and Council would welcome further feedback from community and industry about the infrastructure list during future exhibitions relating to infrastructure in the CBD.
3 DFP Planning on behalf of Holdmark	The two-week notification period is an inadequate period of time to comment on these matters.	The Department of Planning and Environment has advised that Council must resolve a policy position on this matter prior to the Parramatta CBD Planning Proposal receiving Gateway. Council does not want to delay the Parramatta CBD Planning Proposal. A central purpose of this report and recommendation is to gain Council's endorsement to prepare materials for further public exhibition and consultation, and Council will welcome further feedback at that time.
4 Resident of Rosehill St,	Several large development sites have proceeded through site-specific	Council has negotiated several site-specific VPAs in the CBD in association with development proposals in the CBD, and, since the June 2016 report, there have been eight VPAs

Parramatta	Planning Proposals prior to finalisation of funding mechanisms in the CBD; therefore, it is not equitable to apply value sharing to smaller development sites that have not yet proceeded.	negotiated in line with 20% Phase 1 Value Sharing. A central purpose of the recommended policy position is to ensure equity and consistency throughout the CBD, rather than relying on these resource-intensive site-specific processes.
4 Resident of Rosehill St, Parramatta	There does not appear to be much high-density residential lands remaining after site-specific Planning Proposals have been processed; it is unrealistic to rely on these remaining residential lands to close the gap.	Council officers consider that this comment may arise from a misunderstanding about zone names. It is anticipated that many (if not most) development sites in the B4 Mixed Use zone will yield residential developments, which will contribute to the value sharing mechanism; therefore, it is not just the "high-density residential" (i.e. R4) lands which will be contributing. Notwithstanding the density proposed under the site-specific planning proposals, there is still significant capacity for further residential development under the Parramatta CBD Planning Proposal.
4 Resident of Rosehill St, Parramatta	The proposed value sharing mechanism will create uncertainty in doing business in that it has not been tested on real developments.	There are examples of value sharing mechanisms at work in Sydney today. As outlined in the report, eight site-specific VPAs have been negotiated in the CBD in line with 20% Phase 1 value sharing. There are also density-bonus schemes in operation in other parts of Sydney, such as Green Square and Macquarie.
4 Resident of Rosehill St, Parramatta	Current landowners may elect not to sell their land due to unfavourable deals which might delay development in the CBD.	Property speculation based on forthcoming or draft policy decisions is not a matter that is within Council's control. However Council's past work on value sharing undertook feasibility analysis which indicated that Phase 1 value sharing at 20% is feasible for all but a very small proportion of recent land sales in the CBD. Furthermore, the recommended position is to include a provision to review the rate in light of a residential market index to ensure market responsiveness.
4 Resident of Rosehill St, Parramatta	Suggestion that the market would provide funding for infrastructure through achieving higher profits, and that local government intervention is not required.	A key principle of the proposed value sharing mechanism is to facilitate an uplift in land value and then to 'share' part of that uplift to fund community infrastructure. It is considered unlikely that the funding gap for local infrastructure in the Parramatta CBD will be resolved without government intervention of some kind.
4 Resident of Rosehill St, Parramatta	The proposed value sharing mechanism only applies in the Parramatta CBD, making areas just outside the CBD boundary more	It is correct that the CBD value sharing mechanism is not proposed to apply outside the CBD; however, the planning uplift associated with the Parramatta CBD Planning Proposal is also not proposed to apply outside the CBD. Therefore, sites seeking additional development potential just outside the CBD would have to go through a site-specific planning proposal

	appealing for development; this could cause traffic and other infrastructure issues at the CBD fringe.	process, which would include some sort of planning agreement. Council considers the traffic and infrastructure implications of all planning proposals and development application in line with relevant State and Council policies.
4 Resident of Rosehill St, Parramatta	Section 94A Contributions should be utilised instead, and could be adjusted slightly from the current percentage.	Maintaining the current Section 94A contribution rate of 3% is recommended as part of the funding mix; however, this is a limited funding source. Even if the current Section 94A rate was raised by a factor of 50% to 4.5%, the value sharing mechanism would still be preferably in terms of funds generated.
4 Resident of Rosehill St, Parramatta	Increase FSR and Building Heights for high-density and mixed-use zones if it is appropriate given a site's characteristics; more contributions will be collected. Provide incentives for developer to build higher if it is justified given a site's characteristics	The Parramatta CBD Planning Proposal seeks to increase FSR and Building Heights in order to achieve the strategic vision for Parramatta CBD as the heart of Sydney's Central City. The Planning Proposal was undertaken with consideration to the characteristics of land within the CBD, and future planning proposals/development applications in the CBD are also assessed with regard to the site's characteristics.
4 Resident of Rosehill St, Parramatta	Increase FSR and Building Height consistent with Council's vision to create an attractive and distinctive city skyline defined by tall, slender towers.	This is one of the central goals of the Parramatta CBD Planning Proposal.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	The policy does not reflect development feasibility concepts such as increasing marginal costs and risks associated with larger construction projects	Work undertaken by GLN Planning consultants and peer reviewed by Aurecon has indicated that the recommended rates are feasible for the large majority of sites given land values in the Parramatta CBD. Since June 2016, eight VPAs have been negotiated in line with 20% Phase 1 value sharing, further underscoring the feasibility of the recommended position.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	The value uplift rate does not consider site-specific nuances and adopts a 'one size fits all' approach	The recommendation to establish value sharing rates in a Draft Development Guideline is underpinned by the goal of establishing a consistent, equitable, efficient and transparent system for both Council and industry. The total value/sqm uplift (\$750/sqm) is considered conservative based on analysis of land transactions in Parramatta CBD.
5/6 JBA on	Council has not sufficiently	Each project listed in the Draft Needs Analysis is aligned with Council's Statement of Vision

behalf of Dyldam & on behalf of JHJ Group	demonstrated need, value or justification for the \$1 billion of infrastructure that is suggested to be required.	and Priorities, current Operational Plan, and other strategic work and/or technical studies undertaken by Council. It is also noted that Council has provided a much greater level of detail than is usually made available during strategic infrastructure planning processes. The needs analysis will continue to be refined, with recommended next steps for this project being preparation of a more detailed Draft Infrastructure Strategy which will outline infrastructure planning in more detail, and facilitate further consultation on these matters.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	The two-week notification period is an inadequate period of time to comment on these matters.	The Department of Planning and Environment has advised that Council must resolve a policy position on this matter prior to the Parramatta CBD Planning Proposal receiving Gateway. Council does not want to delay the Parramatta CBD Planning Proposal. A central purpose of this report and recommendation is to gain Council's endorsement to prepare materials for further public exhibition and consultation, and Council will welcome further feedback at that time.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	A cost benefit analysis of the proposed projects listed in the needs analysis should be undertaken; this may reduce the gap and subsequent planning uplift rates. The cost benefit analysis should: - demonstrate why existing mechanisms cannot fund the infrastructure - address the opportunity costs for the expenditure on infrastructure - Outline the decision-making criteria that were used to determine the list of infrastructure items. - Provide greater clarity on the timing and delivery of the infrastructure over the next 40 years and how it aligns with growth assumptions and objectives.	Noted. However, thorough and comprehensive strategic infrastructure planning and analysis underpins the needs analysis. Given this, a detailed cost benefit analysis is not considered necessary for this type of broad-based strategic infrastructure planning process. Given the link between the anticipated development yield under the Parramatta CBD Planning Proposal and the strategic infrastructure needs analysis, it is likely that proposed FSRs under the Parramatta CBD Planning Proposal would need to be reduced significantly should funding sources (including value sharing) be reduced. Significant further cost planning will be required on a project by project basis as the individual projects in the needs analysis proceed.

5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	Proposed value sharing rates do not take into account variations in sales prices – i.e. sites will sell for more or less than the average rate.	The recommendation to establish value sharing rates in a Draft Development Guideline is underpinned by the goal of establishing a consistent, equitable, efficient and transparent system for both Council and industry. The total value/sqm uplift (\$750/sqm) is considered conservative based on analysis of land transactions in Parramatta CBD. Furthermore, both independent peer reviewers and Council officers recommend that the Draft Development Guideline include a mechanism to review the rates at 5 years, or sooner, if there is an observed decline in a chosen residential market index.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	The proposed rates would have impact on the viability of new developments, or cause developments to be scaled back.	Since June 2016, eight VPAs have been negotiated in line with 20% Phase 1 value sharing, underscoring the feasibility of the recommended position. A review after 5 years of implementation is also recommended in the Council report.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	The sale price of land includes financing, land holding costs, insurance and construction and will vary from development to development.	Noted. As stated above, the \$750/sqm rate is considered conservative based on analysis of land transactions in the Parramatta CBD.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	A 50% Phase 2 value sharing rate may disincentivise take-up of Opportunity Site floorspace. The variance between 20% Phase and 50% Phase 2 does not account for increasing marginal costs of development.	Work undertaken by GLN Planning showed that Phase 2 value sharing – even at 50% - would be acceptable from a feasibility perspective for the large majority of sites in the Parramatta CBD.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	Value sharing may be passed on to unit sale prices, affecting housing affordability.	Feasibility testing undertaken by Council and GLN Planning established a conservative per-sqm land value uplift rate, upon which the recommended value sharing rates are based. This suggested that these rates could be introduced with minimal impact for the large majority of sites on developer's bottom-line, indicating that impacts on housing prices would be marginal.
5/6 JBA on behalf of Dyldam & on	The Discussion Paper does not clarify how the policy will be implemented.	The Discussion Paper outlines the proposed implementation mechanisms for the value sharing mechanism – namely, LEP controls, Development Guideline, and VPAs. In terms of specific implementation issues, these are recommended to be the subject of further additional

behalf of JHJ Group		public exhibition and consultation through the Draft Parramatta CBD Infrastructure Strategy and draft update to Council's VPA Policy.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	Value sharing may serve to delay development, as developers delay construction activity so they can benefit from infrastructure provision.	This might be the case, regardless of the final resolved mix of funding mechanisms. One alternative to not adopting value sharing is that much less infrastructure would be able to be provided and Council would need to consider lowering FSRs in the Parramatta CBD Planning Proposal, both of which could equally serve as a deterrent to construction activity.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	A delay in construction activity may require Council to raise debt to fund infrastructure, negatively influencing Council's financial position and widening the funding gap.	Raising debt to fund infrastructure is a potential option which Council may need to explore in the future regardless of the final resolved mix of funding mechanisms. Resolving a policy position on value sharing will help Council in determining its long-term financial and asset management programs.
5/6 JBA on behalf of Dyldam & on behalf of JHJ Group	The impact of the SIC has not been fully tested.	A draft SIC has not yet been finalised and released for public exhibition, and is the responsibility of State Government. Council is seeking to finalise a policy position on funding mechanisms for local infrastructure as soon as possible to provide a greater level of certainty to both Council and industry, and will continue to work with State Government partners on matters of infrastructure planning and funding in the Parramatta CBD.
7 Urban Taskforce	The proposed value sharing mechanism is unfair and inequitable; a broad-based land tax is a fairer and simpler mechanism than value capture.	Council does not have the capability to raise a broad-based land tax; this is a matter for consideration by the State Government. Council's proposed mechanism is an equitable means of sharing a proportion of the planning uplift associated with the Parramatta CBD Planning Proposal.
7 Urban Taskforce	The proposed value sharing mechanism may deter development, especially given early signs of a downturn in the apartment market.	Since June 2016, eight VPAs have been negotiated in line with 20% Phase 1 value sharing, underscoring the feasibility of the recommended position. Including in a Draft Development Guideline a review of the mechanism after 5 years of implementation, as well as ongoing review against a residential market index is recommended by the independent peer reviewers and Council officers as part of this report.
7 Urban Taskforce	No value capture scheme should be introduced until state-level infrastructure funding and proposed affordable housing targets are finalised.	The Department of Planning and Environment has advised that Council must resolve a policy position on this matter prior to the Parramatta CBD Planning Proposal receiving Gateway. Council does not want to delay the Parramatta CBD Planning Proposal. Council may wish to include interaction with any resulting State infrastructure funding or affordable housing targets as part of the 5 year review recommended in this report. Council will also be undertaking

		further work in relation to Affordable Housing, in line with the Draft West Central District Plan. Notwithstanding the position of Council in response to this report in relation to value sharing, the final decision with respect to a value sharing mechanism for the Parramatta CBD ultimately rests with the State Government.
7 Urban Taskforce	As alternatives to the proposed value sharing mechanism, Council could propose a broad-based land tax to the State Government or introduce a "Special Purpose" levy.	Council may wish to pursue these options. However, for reasons outlined in this report, Council officers recommend maintenance of the existing position on value sharing. Should the State Government not accept Council's approach to value sharing, Council will need to examine other potential approaches to closing the infrastructure gap, or significant reductions in FSRs proposed under the Parramatta CBD Planning Proposal.
8 Property Council	The Property Council supports the development of infrastructure that meets the needs of the CBD's growing community.	Noted.
8 Property Council	The funding gap must be addressed in a way to minimise the impact on business and investment; there is concern that the proposed approach would add significant cost to investing in Parramatta, undermining housing supply and affordability.	Noted; feasibility testing undertaken by Council and GLN Planning established a conservative per-sqm land value uplift rate, upon which the recommended value sharing rates are based. This suggested that these rates could be introduced with minimal impact on developer's bottom-line for the majority of sites, indicating that impacts on housing prices would be marginal. Since June 2016, eight VPAs have been negotiated in line with 20% Phase 1 value sharing, further underscoring the feasibility of the recommended position.
8 Property Council	The two-week notification period is an inadequate period of time to comment on these matters. Request that Council conduct further, more in-depth consultation on this important issue.	The Department of Planning and Environment has advised that Council must resolve a policy position on this matter prior to the Parramatta CBD Planning Proposal receiving Gateway. Council does not want to delay the Parramatta CBD Planning Proposal. A central purpose of this report and recommendation is to gain Council's endorsement to prepare materials for further public exhibition and consultation, and Council will welcome further feedback at that time.