Regional Infrastructure Contributions

Discussion paper

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Executive summary

A new Regional Infrastructure Contribution Framework for NSW

The NSW Government has a plan to fix the uncertainty of infrastructure contributions, which will help deliver vital public infrastructure, support new housing supply, boost investment, and create public value in NSW.

Our growing communities need improved transport connections, great public spaces, and essential facilities such as schools to create quality places to live, work and play. The proposed new Regional Infrastructure Contribution (RIC) Framework offers a simpler and more efficient state infrastructure contributions system. It will provide a more consistent and reliable funding base to accelerate the delivery of priority growth infrastructure.

By providing more certainty, the RIC Framework will boost developers' confidence in their investment decisions and reduce feasibility risks. This, in turn, will support the release of new housing supply and job creation and create public benefit.

Supporting the new RIC Framework is a new approach to the planning and delivery of infrastructure that better aligns funding decisions with growth. This is a fundamental shift for state agencies, giving them incentives to spend their capital budgets in those areas where there is growth.

The RIC Framework will also provide a more strategic approach to protecting and conserving critical open space in areas being planned for large-scale development, while providing a simpler system for developers to meet their obligation to protect biodiversity.

The RIC Framework

The aims, enabling legislation and implementation tool for enacting the RIC Framework are illustrated in the Figure 1 below.

Figure 1. Regional Infrastructure Contribution Framework

The Regional Infrastructure Contribution

Component	What it is	Development this applies to	What it funds
Regional Infrastructure Contribution (Base Contribution)	Standard broad-based charge	All new development in RIC regions	State and regional infrastructure within RIC region as defined in the *Environmental Planning and Assessment Act 1979* (section 7.23)
Strategic Biodiversity Component	Variable charge rate for biodiversity offsets in relation to certified areas	Only new development in biodiversity-certified areas in RIC region, replaces site-specific offsetting under the NSW Biodiversity Offsets Scheme	Conservation measures approved under state and federal legislation
Transport Project Component	Variable charge for developments that benefit from government investment in major transport projects	Only new development in defined service catchments of major transport projects in RIC regions	Cost recovery for specific major transport project in a RIC region

Figure 2. The components of the Regional Infrastructure Contribution

Rates for the RIC (Base Contribution)

This RIC (Base Contribution) will be determined by the property type and the region that the development occurs in, as outlined in Figure 3. The proposed rates are based on the recommendations of the Productivity Commissioner and have been adjusted based on feasibility analysis.

Greater Sydney Region

Land use	Contribution rate
Houses (detached, semi-detached and townhouses)	**$12,000** per dwelling **$12,000** per lot for greenfield residential subdivision
All other residential accommodation (residential flat buildings and units)	**$10,000** per dwelling
Industrial	**$15** per m² of new GFA
Commercial	**$30** per m² of new GFA
Retail	**$30** per m² of new GFA

Illawarra-Shoalhaven, Central Coast and Lower Hunter Regions

Land use	Contribution rate
Houses (detached, semi-detached and townhouses)	**$8,000** per dwelling **$8,000** per lot for greenfield residential subdivision
All other residential accommodation (residential flat buildings and units)	**$6,000** per dwelling
Industrial	**$15** per m² of new GFA
Commercial	**$30** per m² of new GFA
Retail	**$30** per m² of new GFA

Figure 3. The proposed rates

Rates for the Strategic Biodiversity Component

The Strategic Biodiversity Component (SBC) of the RIC for new developments will be determined on a case-by-case basis within areas where biodiversity certification has been conferred. These rates will be based on the proposed development's impacts on biodiversity, new conservation lands required to offset impacts, and managing landscape-scale threats to biodiversity.

Where an area does not have the benefit of certification, legislative requirements to offset biodiversity impacts will need to be met on a development-by-development basis through the NSW Biodiversity Offsets Scheme.

To date, there have not been many areas in NSW where biodiversity certification has been conferred. However, the NSW Department of Planning, Industry and Environment has applied for the area identified in the Cumberland Plain Conservation Plan (CPCP) to receive strategic biodiversity certification. Proposed rates for the Cumberland Plain Conservation Area are provided in Figure 4.

Rates for the Transport Project Component

A Transport Project Component (TPC) of the RIC will only be considered new development within the service catchment of significant new transport investments such as a new metro station. The NSW government will determine the TPC charge rate for each applicable transport project, considering the objectives and outcomes of the specific major transport project, the level of nexus between the project and the development, and 'capacity to pay'. A 'capacity to pay' assessment will consider the value generated by the transport project, changes to planning controls and all other development charges associated with the development.

Development type	Proposed rate
Residential Development	**$5,000** per dwelling
Retail	**$30** m² of new gross floor area
Commercial	**$30** m² of new gross floor area
Industrial	**$15** m² of new gross floor area

Figure 4. Proposed SBC rates for Cumberland Plain Conservation Area

The RIC Fund

Contributions will be made to the RIC Fund, which will provide funding to state agencies through the budget process to plan and deliver infrastructure in the regions where contributions revenue is collected. Infrastructure investment will be subject to a rigorous prioritisation process that is aligned to state agency strategic plans.

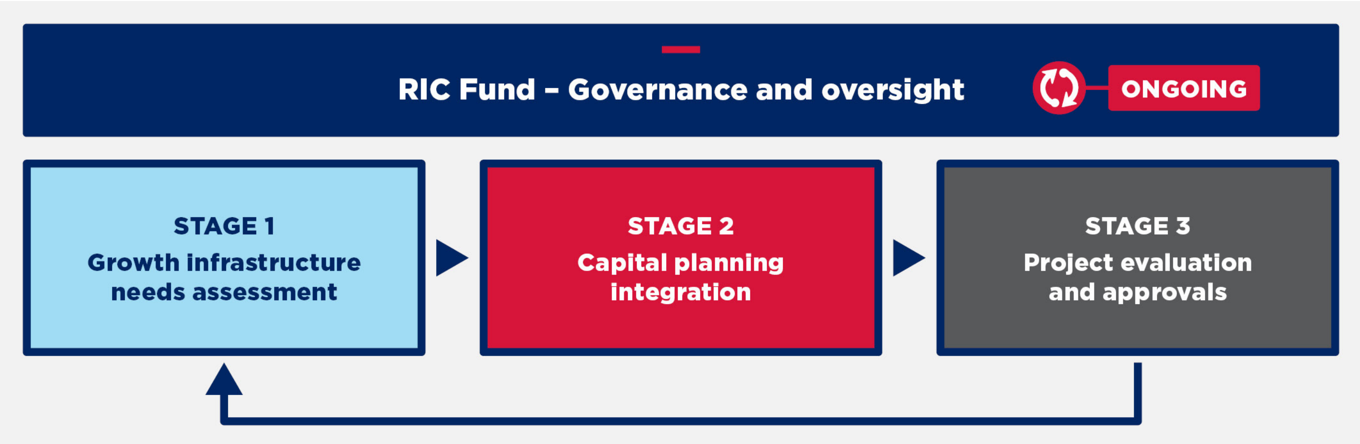

Figure 5. RIC Fund governance and oversight process

Paying the RIC

Contributions will mostly be made through a monetary payment. However, the RIC Framework allows developers to propose to meet their contribution obligations by providing infrastructure and/or dedication of land through Infrastructure Delivery Agreements (IDAs), instead of a monetary contribution. Delivery Agreements will be considered where there is an opportunity to bring forward development that otherwise would have been challenging to plan for, given the cost of upfront infrastructure requirements, and where the proposal meets the key principles and assessment criteria.

A new digital tool will support calculation and payment of contributions online, reducing the administrative burden and increase transparency of the new system. This tool will integrate with the NSW Planning Portal and automate the ongoing administration, tracking, and reporting of contributions.

1 Introduction

The NSW Government has a plan to fix the uncertainty of infrastructure contributions, which will help deliver vital public infrastructure, support new housing supply, boost investment and create public value in NSW.

1.1 Reforming the state infrastructure contributions system

The NSW Government is committed to ensuring our growing communities have the infrastructure they need and have great places to live, work and play. The efficient and timely delivery of this infrastructure is critical to the success of our cities and regions.

The NSW Government uses Special Infrastructure Contributions (SICs) and State Planning Agreements (SPAs) to recover some of the cost of the infrastructure required to support new growth. This system has evolved through incremental processes over many years. As a result, the system is complex, unpredictable and resource-intensive.

In April 2020, the Minister for Planning and Public Spaces requested the Productivity Commissioner conduct a comprehensive review of the infrastructure contributions system.

The Productivity Commissioner released its Review of infrastructure contributions in NSW in December 2020, which made 29 recommendations for reforming the state and local infrastructure contributions system to ensure that it is simpler, more certain, consistent, efficient, and transparent.

The NSW Government accepted all the review's recommendations, including the commitment to introduce a Regional Infrastructure Contribution (RIC) that would apply a broad-based state contribution system to 4 regions within NSW.

In response to the Productivity Commissioner's recommendations, the Department of Planning, Industry and Environment has developed a RIC Framework to replace the Special Infrastructure Contributions system, providing a simpler, more strategic and consistent approach to funding state and regional infrastructure.

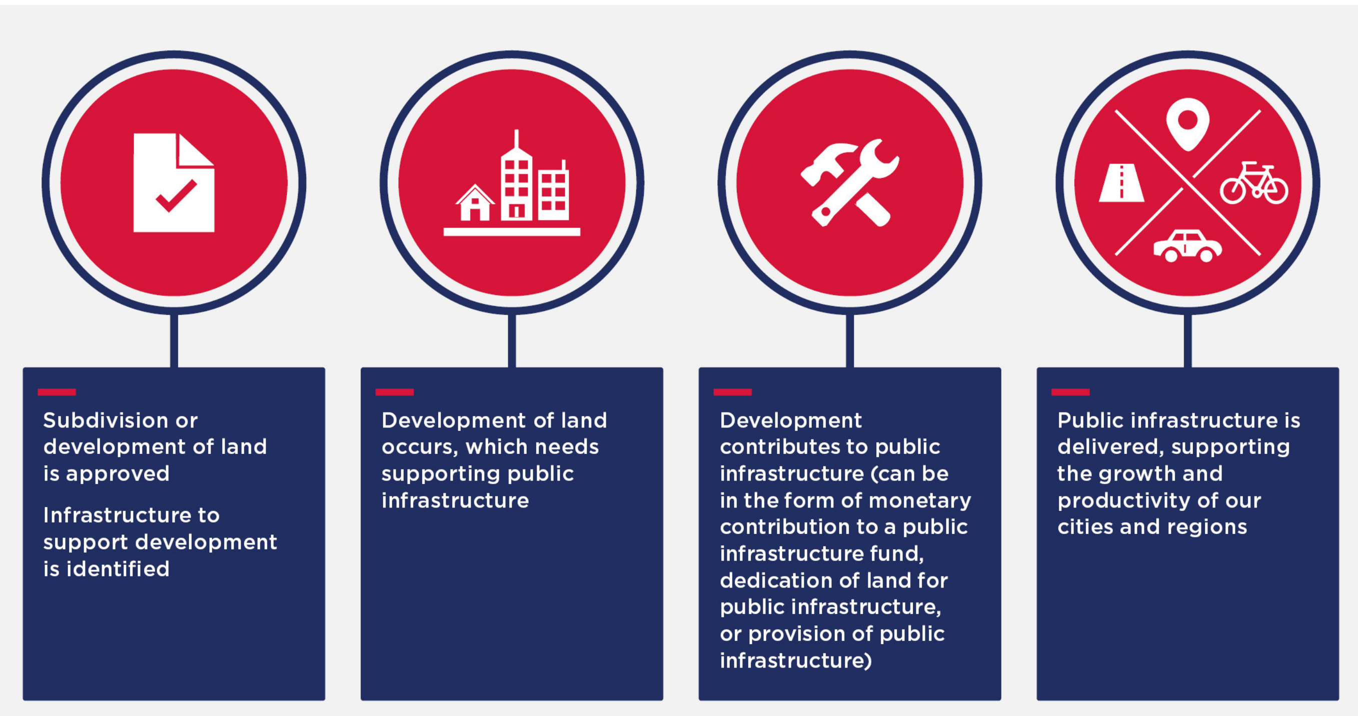

Figure 6. What are infrastructure contributions?

1.2 Purpose of this discussion paper

This discussion paper outlines why the new RIC Framework has been developed, what it will achieve, how it will be implemented and how stakeholders can provide feedback on the proposed new framework.

The RIC Framework comprises:

- introduction of the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021*, tabled in June 2021, which enables the creation of a new State Environmental Planning Policy (SEPP)
- introduction of a new SEPP (Regional Infrastructure Contributions) 2022 (RIC SEPP), the mechanism through which a RIC can be imposed
- amendments to the *Environmental Planning and Assessment Regulation 2000* to improve transparency in accounting for, and reporting on, state and local contributions revenues
- guidelines on the role of partnerships between developers and government on infrastructure provision, governance and prioritisation and State Planning Agreements
- governance and prioritisation framework to ensure contributions are directed to the growth areas most in need
- introduction of a new digital tool within the NSW Planning Portal to calculate and pay state and local contributions
- changes to the management of state infrastructure contributions within the planning system, including through greater ongoing training and professional development for planning practitioners.

This discussion paper has been developed alongside an explanation of intended effect (EIE) of the proposed RIC SEPP, which outlines how it will give effect to the Productivity Commissioner's recommendations.

Figure 7 outlines the context for this discussion paper.

Figure 7. RIC Framework

1.3 Structure of the discussion paper

The structure of this paper is as follows:

1. Introduction and purpose of this paper
2. Overview of how the RIC Framework was developed
3. Key components of the RIC Framework including the regions and types of development to which the RIC applies, charge rates, timing of payment, indexation, and exemptions
4. Implementation of the RIC Framework
5. Overview of how RIC funds are allocated through the budget process under the RIC Fund investment program.

Supporting the new RIC Framework are:

- the proposed SEPP, as detailed in the explanation of intended effect for the RIC SEPP
- Guidelines for RIC Fund Investment Prioritisation
- Guidelines for Infrastructure Delivery Agreements
- Guidelines for State Planning Agreements in the RIC System.

1.4 Structure of the proposed exhibition package

The department is exhibiting a suite of documents to seek feedback on the design of the RIC Framework. In addition to this discussion paper, the exhibition package includes:

- an explanation of intended effect (EIE) that seeks feedback on the proposed state environmental planning policy, which is the mechanism to introduce regional infrastructure contributions
- supporting documents to communicate changes and guide practitioners on the governance and prioritisation framework, and partnerships between developers and the NSW Government on the provision of development infrastructure
- a detailed feasibility analysis undertaken to analyse the implications of the Productivity Commissioner's recommendations, with specific regard to the state contribution reforms.

An overview of the exhibition package is provided below in Figure 8.

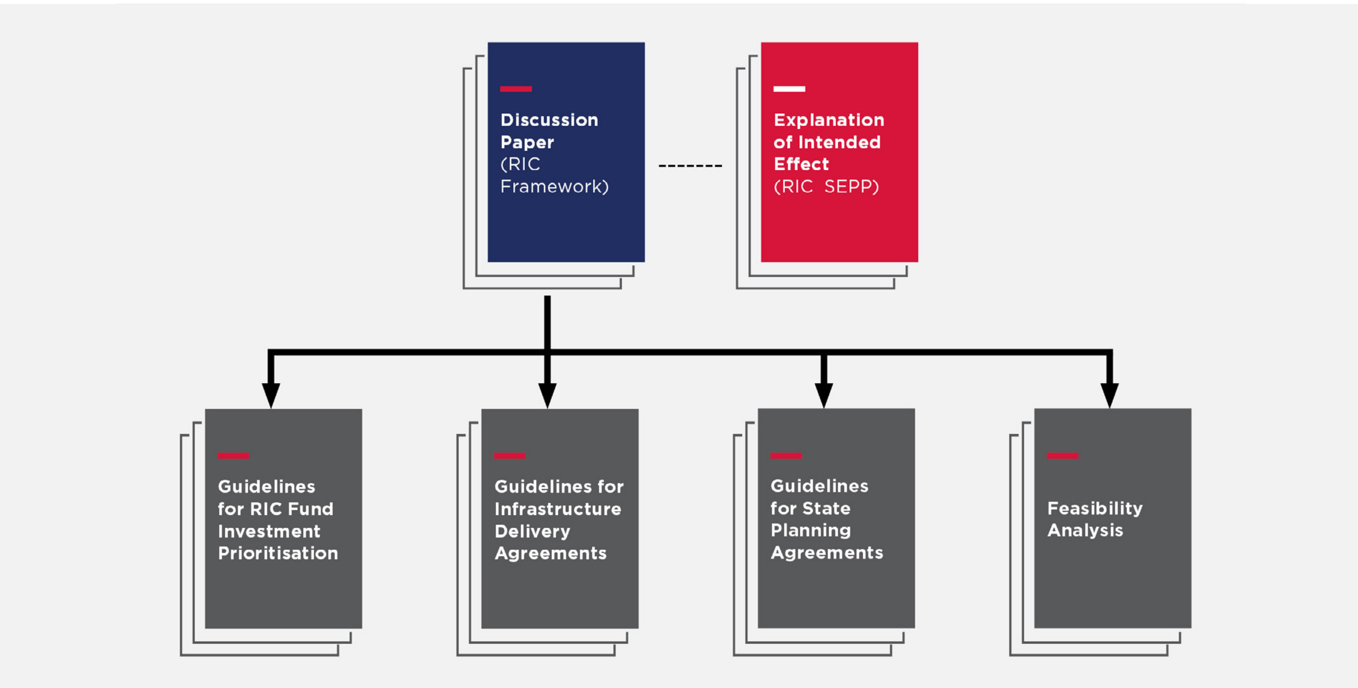

Figure 8. Exhibition package

1.5 Have your say

The department has been engaging with key stakeholders since early 2020 regarding reforms to the state and local infrastructure contributions system. To date, the department has received feedback through the exhibition of initial system improvements, responses to the Productivity Commissioner's review, and a Parliamentary inquiry into the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021.

Your feedback on this discussion paper is valuable in helping us improve the contributions system to deliver better outcomes for our communities and the environment.

The department welcomes your feedback on this discussion paper to help us understand your views and inform the design and development of the RIC SEPP.

You can provide your feedback by making a submission to the department through the NSW Planning Portal at www.planningportal.nsw.gov.au/draftplans/on-exhibition

Submissions may address the details presented in this discussion paper or provide additional input regarding the proposed RIC SEPP.

Following public exhibition and engagement, submissions, and feedback on this discussion paper will be reviewed and analysed to inform the drafting of the proposed RIC SEPP. A response to submissions will be published following the close of the exhibition period.

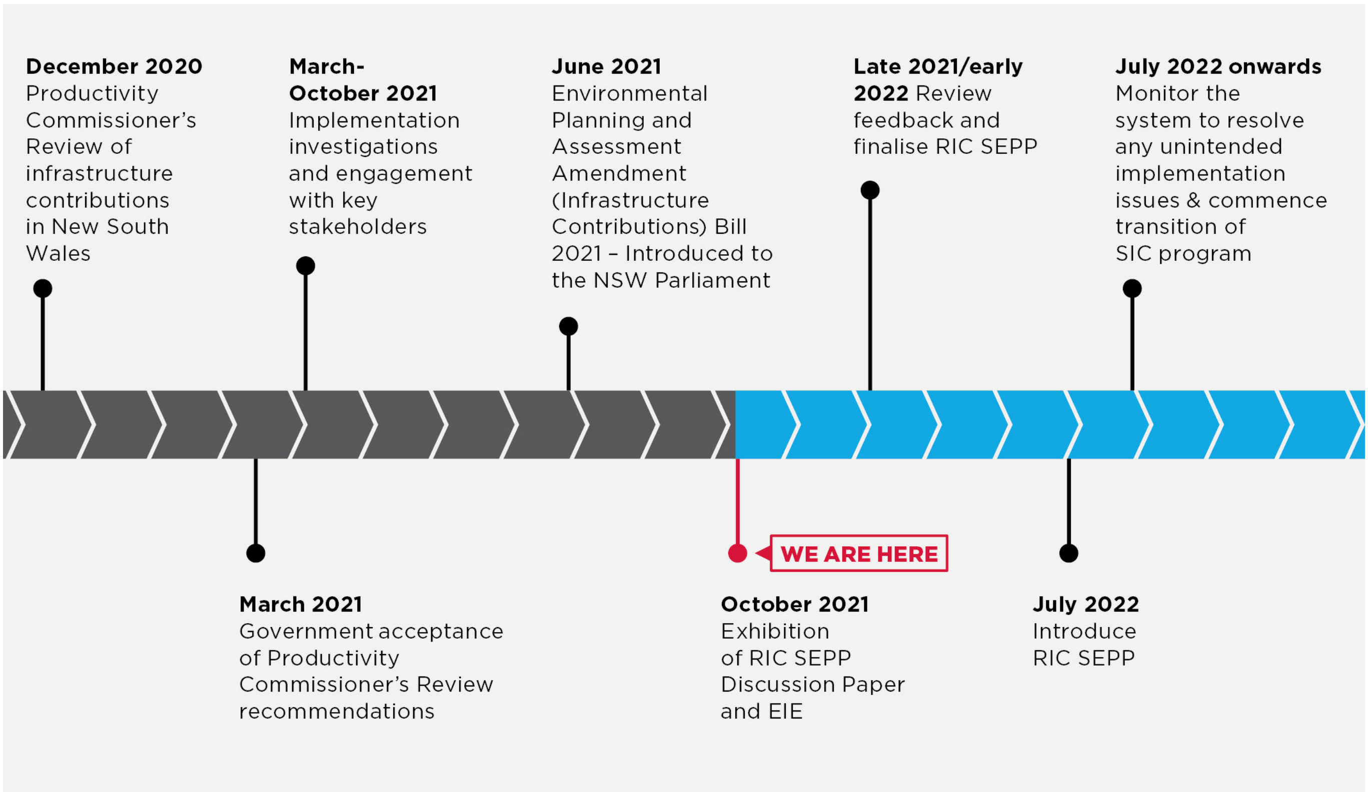

Figure 9. RIC Framework timeline

2 Development of the RIC Framework

The new Regional Infrastructure Contributions Framework (RIC Framework) aims to create a simpler and more certain state contributions system for high-growth regions of NSW to manage the impact of that growth on communities.

The RIC Framework is guided by a set of objectives that aim to establish a reliable funding base and better alignment of state agencies with growth infrastructure priorities delivered through the state's budget process. The new framework will ensure that expenditure is focused on the right infrastructure, in the right place, at the right time.

The development of the RIC Framework is based upon principles underpinning the reform. The feedback received to date through exhibitions including the Productivity Commissioner's Review and the Parliamentary inquiry have been incorporated into this package. This feedback, along with direct engagement with local government and private sector stakeholders through a technical working group, has helped inform and develop the key components of the RIC Framework outlined in this discussion paper.

The department has also sought technical expertise to analyse and consider the feasibility of the Productivity Commissioner's recommendations to ensure the new RIC Framework delivers the desired outcomes and benefits, while minimising any adverse impacts during its implementation.

2.1 Principles

The RIC Framework aligns with the common set of principles underpinning the reforms to both the state and local infrastructure contributions system. These principles are:

1. **Certain**: provide a certain and predictable application of the infrastructure contributions system
2. **Efficient**: create market signals to guide efficient development
3. **Simple**: make the contributions system simple and easy to understand, with minimal administrative costs
4. **Transparent**: allow for the transparent, open and accountable collection and expenditure of infrastructure contributions
5. **Consistent**: deliver consistent and fair contributions, based on impactor and beneficiary-pays principles.

2.2 Objectives of the RIC Framework

By introducing a consistent, broad-based state contribution system in high-growth regions of NSW, the RIC Framework will support the delivery of infrastructure to support growing communities in NSW. The framework will seek to:

- create a simpler state contributions system where new development contributes to ensuring better and more productive places are created through infrastructure provision

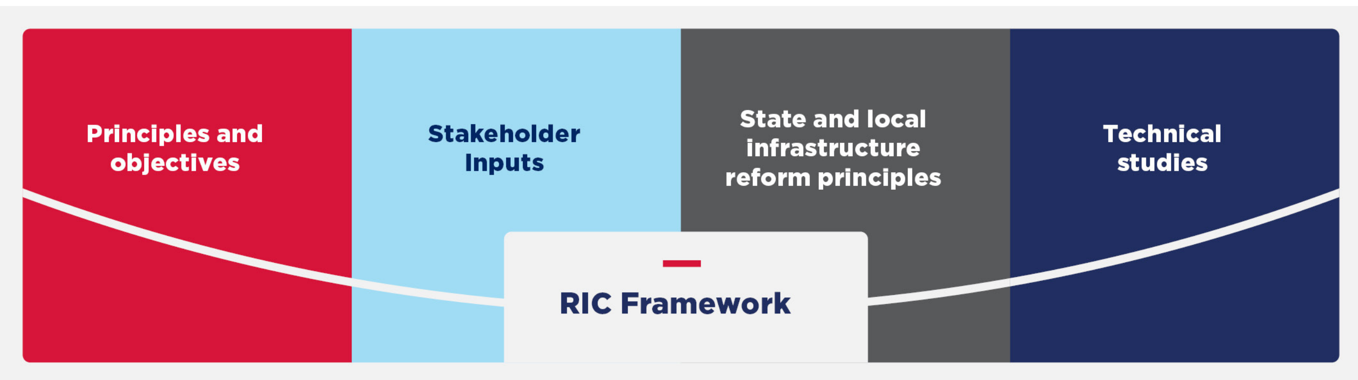

Figure 10. How the RIC Framework was developed

- generate a more consistent and reliable funding base to accelerate the planning and delivery of priority growth infrastructure by state agencies within the specified regions using the budget process
- reduce development feasibility risks by applying a predictable and modest contribution requirement to all development
- create a more efficient system of infrastructure planning and delivery to support the release of vital housing supply and employment lands, and to stimulate economic activity
- ensure a more strategic and integrated approach to land use and infrastructure planning to deliver great communities
- ensure that developers contribute towards the cost of the large taxpayer investments in major transport infrastructure that results in a significant uplift in their property values
- allow for a strategic approach to biodiversity conservation where careful planning is needed to avoid, minimise and offset biodiversity impacts.

2.3 What we've heard from stakeholders

Stakeholders have told us that they support the objectives of the reform to improve the transparency and efficiency of the infrastructure contributions system and to provide additional guidance and certainty to users of the system.

Key issues stakeholders have asked to be addressed include:

- the complexity of the current planning system
- the mismatch between the planning and delivery of infrastructure by agencies and the extent of housing in growth areas
- productivity impacts when growth areas lack efficient transport, community services or regional open space
- the timing of contribution payments, that is before subdivision, construction or occupation certificate
- transitional arrangements in relation to the existing SIC framework
- transparency around the use of the funds and prioritisation of investment
- reporting on the collection and expenditure of the RIC
- role of consent authorities including councils and certifiers
- administration and compliance costs for councils
- lack of detail in the Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021.

The department has considered these issues in the development of the RIC Framework. This discussion paper and supporting documents address these matters. The department will continue to engage directly with the community, councils, industry, and peak bodies to further understand key concerns and ensure they are appropriately considered.

2.4 Technical studies

The RIC Framework has been informed by a detailed feasibility analysis undertaken by Atlas Urban Economics to analyse the implications of the Productivity Commissioner's recommendations, with specific regard to the state contribution reforms. The feasibility analysis is provided in the supporting documentation. The analysis investigated issues relevant for feasibility and development supply, charging methodology and appropriate charge rates by land use.

The findings of the feasibility analysis have informed the proposed charge rates and methodology discussed in Section 3.3.

The department also commissioned a report by GLN Planning about the role of developer-led delivery of infrastructure and land (often known as works-in-kind or WIK) in the new RIC Framework. It defines the role of WIKs in delivering state and regional infrastructure under the RIC Framework and has been used to inform the Guidelines for Infrastructure Delivery Agreements provided in the supporting documentation. The report addresses the opportunities and benefits of retaining the principles of WIK for specific circumstances through delivery agreements and the issues and risks that need to be managed.

3 Key components of the RIC Framework

As shown in Figure 11, this section describes the key components of the RIC Framework including where it applies, applicable development types, charge rates, exemptions, the form of contribution, indexation, and timing of payment. Implementation of the framework will be addressed in Section 4.

To date, state infrastructure contributions have been applied in different ways across NSW. The proposed framework standardises the process to provide certainty to industry and a stronger funding base for infrastructure that supports the release of vital housing supply and employment lands.

Where does it apply?
Section 3.1

- Four regions where the contributions will apply

What development is subject to the contribution?
Section 3.2

- Applicable development types
- Exemptions and exclusions

What are the contribution rates?
Section 3.3

- Contribution rates
- Form of contribution
- Timing of payment
- Indexation

How will it be implemented?
Section 4

- Phasing in the new framework
- Transitioning existing state contributions
- Infrastructure delivery agreements
- New digital tool
- Infrastructure planning and prioritisation

Figure 11. Key components of the RIC Framework

Figure 12. RIC regions

3.1 Where the RIC Framework applies

Creating a simpler state contributions system is a key objective of the proposed RIC Framework. To achieve greater simplicity and certainty, the new contributions framework will apply a broad-based charge to the following high-growth regions – Greater Sydney, Lower Hunter, Central Coast, and Illawarra-Shoalhaven (the RIC regions). For administrative simplicity, the boundaries align with local government area boundaries (see Figure 12 and Figure 13).

The RIC regions have been identified due to the significant requirements of the state to deliver and invest in critical and enabling infrastructure to support their growth. This broader region-based approach will provide:

- clarity and consistency in the charging process
- a stronger funding base to support the region in which the contribution is collected.

The proposed RIC SEPP will define the regions where the RIC will apply and may be amended to include additional regions in the future as required. As the RIC is intended for high-growth regions of NSW, it will not apply to land within a rural zone (as defined in the Standard Instrument LEP).

To prevent 'double payment', a RIC will not apply to development on land within any SIC area that is in effect when the RIC SEPP commences, or development to which a State Planning Agreement applies (see Section 4 for information on transitioning existing state contributions to the new framework). As SICs for existing special contribution areas are repealed, the new RIC Framework will be applied.

	Region	LGAs included
1	**Lower Hunter**	Cessnock City, Lake Macquarie City, Maitland City, Newcastle City and Port Stephens
2	**Central Coast**	Central Coast
3	**Greater Sydney**	Bayside, City of Blacktown, City of Blue Mountains, Burwood, Camden, City of Campbelltown, Canada Bay, Canterbury-Bankstown, Cumberland, City of Fairfield, Georges River, City of Hawkesbury, Hornsby, Hunters Hill, Inner West, Ku-ring-gai, Lane Cove, City of Liverpool, Mosman, North Sydney, Northern Beaches, City of Parramatta, City of Penrith, City of Randwick, City of Ryde, Strathfield, Sutherland Shire, City of Sydney, The Hills Shire, Waverley, City of Willoughby, Wollondilly and Woollahra.
4	**Illawarra-Shoalhaven**	Kiama, Shellharbour City, Shoalhaven City and Wollongong City

Figure 13. RIC regions and local government areas (LGAs)

3.2 Development subject to the contribution

3.2.1 Development types

The RIC is to apply only to new development. The EIE outlines the proposed development types to which the RIC will apply. The consistent application across the region will also help to create a simpler state contributions system.

A RIC is proposed to apply to the following broad categories of development:

- development for the purposes of residential accommodation (**residential development**) such as houses, apartments, terraces, and dual occupancies where new dwellings are created
- development for the purposes of commercial premises (**commercial and retail development**) such as shops, neighbourhood shops, supermarkets, and commercial office buildings where new floorspace is created
- development for the purposes of industry (**industrial development**) such as warehouses and industrial buildings, where new floorspace is created.

For simplicity and consistency, the categories of development to which the RIC will apply will be described using the same terminology as that used in the Standard Instrument LEP.

Some development types such as hotel or motel accommodation may not readily fit under the above land use categories. However, where the development type is of a commercial or industrial nature, a RIC is likely to apply. Other development types such as social and affordable housing will be exempt from a RIC charge. This is outlined in more detail in Section 3.2.2, below.

A RIC, like existing Special Infrastructure Contributions, may only be imposed through a condition of development consent, including a complying development certificate. No RIC will be payable for development that does not require consent or is exempt development.

A RIC will apply to all new development across the region, irrespective of whether changes to planning controls have recently occurred. This includes a knock-down and rebuild of a house and/or alterations and additions to non-residential land uses where the development includes an enlargement of the floorspace. This aligns with the objective of reducing the impact on development feasibility by applying a predictable and modest contribution to all development.

3.2.2 Exemptions

An objective of the RIC Framework is to help create a simpler state contribution system whilst also being fairly applied to development to which it is appropriate to apply a charge. To achieve this outcome, it will include a simple, clear, and consistent exemptions framework. This will support the objective of creating a simpler system whilst also supporting the release of vital housing supply and employment lands.

Exemptions have always played an important role in contributions frameworks as a lever to manage the impact of charges where necessary. However, the current exemptions framework is complex and inconsistent. A range of exemption mechanisms are used, leading to inconsistencies in application.

Exemptions will be applied in limited circumstances and will be underpinned by the principles of:

- a simple, clear, and standardised approach
- supporting the delivery of critical infrastructure and essential services
- encouraging affordable housing development and promoting housing diversity
- supporting the delivery of social infrastructure provided by the state for a public purpose (for example education, hospitals, seniors and social housing, public recreation facilities)
- supporting the efficient and cost-effective delivery of infrastructure.

The proposed list of exemptions and exclusions is provided in the EIE accompanying this discussion paper.

3.3 Contribution rates

3.3.1 Components of the RIC

The RIC Framework will create a more efficient system to support the release of vital housing supply and employment lands and stimulate economic activity. The RIC comprises a standard, broad-based component, which is supplemented by 2 additional components that are only applied to specific areas within the region. A key outcome of this approach is the reduction in development feasibility risks while generating a more consistent and reliable funding base.

The 3 components of the RIC are set out below and, which will be broadly applied as follows and explained in detail in sections 3.3.2 – 3.3.3:

- **Regional Infrastructure Contribution (Base Contribution)**: all applicable development within a RIC region
- **Transport Project Component**: only applicable development within a specified service catchment of a major transport project within a RIC region
- **Strategic Biodiversity Component**: only applicable development within specified areas subject to strategic biodiversity certification within a RIC region.

The 3 components of the RIC are also illustrated in Figure 14.

The department will apply exemptions to the RIC charge as outlined in section 3.2.2.

Component	What it is	Development this applies to	What it funds
Regional Infrastructure Contribution (Base Contribution)	Standard broad-based charge	All new development in RIC regions	State and regional infrastructure within RIC region as defined in the *Environmental Planning and Assessment Act 1979* (section 7.23)
Strategic Biodiversity Component	Variable charge rate for biodiversity offsets in relation to certified areas	Only new development in biodiversity-certified areas in RIC region, replaces site-specific offsetting under the NSW Biodiversity Offsets Scheme	Conservation measures approved under state and federal legislation
Transport Project Component	Variable charge for developments that benefit from government investment in major transport projects	Only new development in defined service catchments of major transport projects in RIC regions	Cost recovery for specific major transport project in a RIC region

Figure 14. Components of Regional Infrastructure Contributions

3.3.2 Regional Infrastructure Contribution (Base Contribution)

The Base Contribution provides a reliable funding source for priority growth infrastructure, while also reducing the risk of impact on development feasibility, by ensuring that contribution requirements are simple, predictable, and relatively modest.

The Base Contribution will be calculated consistently across all regions, using per dwelling rates for residential development and per square metre for new gross floor area (GFA) for commercial, retail, and industrial development. The only exception is where subdivision is proposed in greenfield areas, where the number of residential lots created by a subdivision will be charged.

Charging per dwelling or new GFA for commercial, retail, and industrial development ensures the contribution reflects the density and intensity of development to ensure funding of infrastructure supports continued growth.

The Base Contribution proposed for the calculation of the monetary contribution across the 4 RIC regions is outlined in Figure 15. These rates have been informed by initial research by the Productivity Commissioner and refined through feasibility testing commissioned by the department.

Greater Sydney Region

Land use	Contribution rate
Houses (detached, semi-detached and townhouses)	**$12,000** per dwelling **$12,000** per lot for greenfield residential subdivision
All other residential accommodation (residential flat buildings and units)	**$10,000** per dwelling
Industrial	**$15** per m^2 of new GFA
Commercial	**$30** per m^2 of new GFA
Retail	**$30** per m^2 of new GFA

Illawarra-Shoalhaven, Central Coast and Lower Hunter Regions

Land use	Contribution rate
Houses (detached, semi-detached and townhouses)	**$8,000** per dwelling **$8,000** per lot for greenfield residential subdivision
All other residential accommodation (residential flat buildings and units)	**$6,000** per dwelling
Industrial	**$15** per m^2 of new GFA
Commercial	**$30** per m^2 of new GFA
Retail	**$30** per m^2 of new GFA

Figure 15. RIC (Base Contribution) rates

Calculating Base Contribution for residential development

The Base Contribution for residential development (except the subdivision of residential land in greenfield areas, which is detailed below) will be derived from the total number of dwellings for which development consent is granted. In recognition of the broad-based nature of the charge all new development will be levied.

The charge rates applicable are outlined in Figure 15. Typical development scenarios to help illustrate how the Base Contribution is calculated are provided in Figure 16.

Example calculation of Base Contribution for infill residential development (Greater Sydney)

A developer purchases an existing dwelling in an infill area. The developer demolishes the existing building and constructs a new residential flat building with 30 apartments. Given a Base RIC charge of $10,000/dwelling, the developer will be required to make a total contribution of $300,000 prior to the issue of an Occupation Certificate.

Example calculation of RIC for a 'knock-down-rebuild' dwelling (Central Coast)

A homeowner knocks down an existing home and rebuilds a new dwelling on the site. The homeowner will be required to make a contribution of $8,000 prior to the issue of an Occupation Certificate.

Figure 16. Examples of Base Contribution calculations (infill)

Calculating the Base Contribution for greenfield residential areas

To better accommodate all residential development scenarios, a separate charging methodology has been included for development in greenfield residential areas. The calculation of the Base Contribution for this type of development will be derived not just from the number of dwellings authorised by the development consent, but also on the number of residential lots in a subdivision (other than strata subdivision). Where the development consists only of residential subdivision for detached houses (and associated subdivision works), the Base Contribution will be calculated wholly from the number of residential lots. In the case of 'super-lots', the RIC will be charged when the subsequent subdivision or integrated housing is approved.

This is designed to ensure that large-scale subdivision in newly or recently released urban areas will make a contribution towards regional infrastructure, and that those who build their homes on new lots will not have to pay the Base Contribution twice.

Figure 17 outlines how the charge is calculated under 2 different scenarios.

To support this approach, the RIC SEPP will:

- include maps of the areas where this approach will apply
- ensure that if a Base Contribution has already been paid for a lot in a residential subdivision, a Base Contribution does not have to be paid subsequently to construct a new house on that lot.

A formula for calculating the Base Contribution for greenfield residential areas is provided in the explanation of intended effect provided as part of the exhibition package.

Example calculation of RIC on greenfield residential subdivision (Greater Sydney)

A developer subdivides one lot into 50 residential lots, capable of accommodating one dwelling on each lot. The future homeowner will construct the dwelling.

A contribution of $600,000 ($12,000 x 50 lots) is required to be paid prior to the issue of the subdivision certificate. The future homeowner is not required to pay a RIC unless instead of only one dwelling house more dwellings are constructed on one lot.

Example calculation of RIC on greenfield residential subdivision + dual occupancy (Greater Sydney)

A developer purchases one lot and subdivides it into 30 lots with approval to construct a dwelling on each lot. A contribution of $360,000 ($12,000 x 30 lots) is required to be paid prior to the issue of a subdivision certificate.

Following subdivision, a homeowner purchases one of the residential lots and constructs another dwelling on the lot so as to construct a dual occupancy. An additional payment of $12,000 is required to be paid by the homeowner for the additional dwelling, prior to the issue of an Occupation Certificate.

Figure 17. Examples of Base Contribution calculations (greenfield)

Calculation of the Base Contribution for commercial, retail, and industrial development

A Base Contribution for commercial or industrial development will be derived from the new gross floor area (GFA) of the buildings to which the development consent relates. The proposed SEPP will adopt the same concept of GFA that is used in the Standard Instrument LEP, as consent authorities and the development industry are both familiar with this definition. The GFA, in relation to any development, will be the sum of the following:

- the GFA of any new building that the development consent authorises to be erected
- the GFA of any enlargement or expansion of an existing building, including any internal alteration that increases the GFA of the building
- the GFA of any existing building that is to be converted to a commercial or industrial use from another use.

Two development scenarios are outlined in Figure 18 demonstrating how the calculation of the Base Contribution would apply for commercial, retail and industrial development. Further detail on calculating the RIC component for commercial, retail and industrial development is provided in the EIE.

Example calculation of RIC for subdivision + construction of three industrial warehouses (Greater Sydney)

A developer subdivides a 120,000m² lot into 3 lots and constructs a warehouse on each lot. Each warehouse has a total GFA of 35,000m².

A total contribution of $1,575,000 is required to be paid prior to the issue of an Occupation Certificate, comprising the following:

- $15 x 105,000m² (industrial GFA)

Example calculation of RIC for mixed-use development (Greater Sydney)

A developer demolishes an existing house and constructs a six-storey mixed-use development comprising 20,000 m² of retail GFA, 40,000 m² of commercial GFA and 10 residential apartments above.

A total contribution of $1,920,000 is required prior to the issue of an Occupation Certificate comprising the following:

- $30 x 20,000 m² (retail GFA)
- $30 x 40,000 m² (commercial GFA)
- $10,000 x 10 (no. of units).

Figure 18. Examples of Base Contribution calculations (non-residential development)

3.3.3 Transport Project Component

The Transport Project Component (TPC) is a contribution for new developments within a defined service catchment of a major transport project. The TPC is not expected to be universally applied, being used in those places where significant additional development potential is created by and benefits from investment decisions for new transport services. As such, the TPC can apply to land benefiting from a new or improved access point, such as a new public transport project or motorway interchange. It will seek to ensure that developers contribute towards the cost of large, taxpayer-funded investments in major transport infrastructure that results in a significant uplift in their property values.

The TPC recognises the city-shaping benefits of major transport investment, including both the ability to influence land use patterns and densities, as well as generate significant increases in the value of land within their service catchments.

As outlined below, the application of a TPC will be informed by:

- criteria for defining eligible transport infrastructure projects
- principles for defining a service catchment
- process for applying a TPC
- considerations for calculating the TPC charge rate.

Criteria for defining major transport projects

The purpose of the TPC is to share the value created in increased development potential through changes to planning controls resulting from a major transport project investment. This generally occurs for projects with an easily defined service catchment around a new or improved access point.

The eligibility of a major transport project will be guided by a clear and simple set of criteria including:

- it provides significant opportunity for structural change in land-use activities such as greenfield land redevelopment, significant infill densification or major industrial, commercial, or warehousing efficiencies to surrounding land
- it aligns with outcomes in state or local government strategic planning and policy documents
- it is being considered through the NSW Government's Investor Assurance (Gateway) process to increase certainty of delivery.

Defining a service catchment

Service catchments differ depending on several factors, including geography, development patterns and the type of transport project. Service catchments will define the area that the TPC will apply, for example within typical walking catchments of a public transport interchange or within the boundaries of an urban development area around a new or upgraded motorway interchange. The boundaries of the area will be determined using the principles in Figure 19.

Process for applying a TPC

The TPC will be applied in specific locations to support eligible transport projects. The application of the TPC will be determined on a case-by-case basis, based on the following process:

1. The major transport project is identified, and the intention to apply a TPC is announced.
2. Transport for NSW will work closely with the department to integrate land-use planning and transport planning outcomes as part of the planning to inform the Gateway process.

If there is strategic merit in the application of the charge, then a transport contributions plan will be prepared that establishes:

- the transport service catchment based on the principles in this discussion paper
- the TPC rate which will be reasonable, guided by developments' capacity to pay, changes in planning controls and resulting uplift in land values attributed to the project.

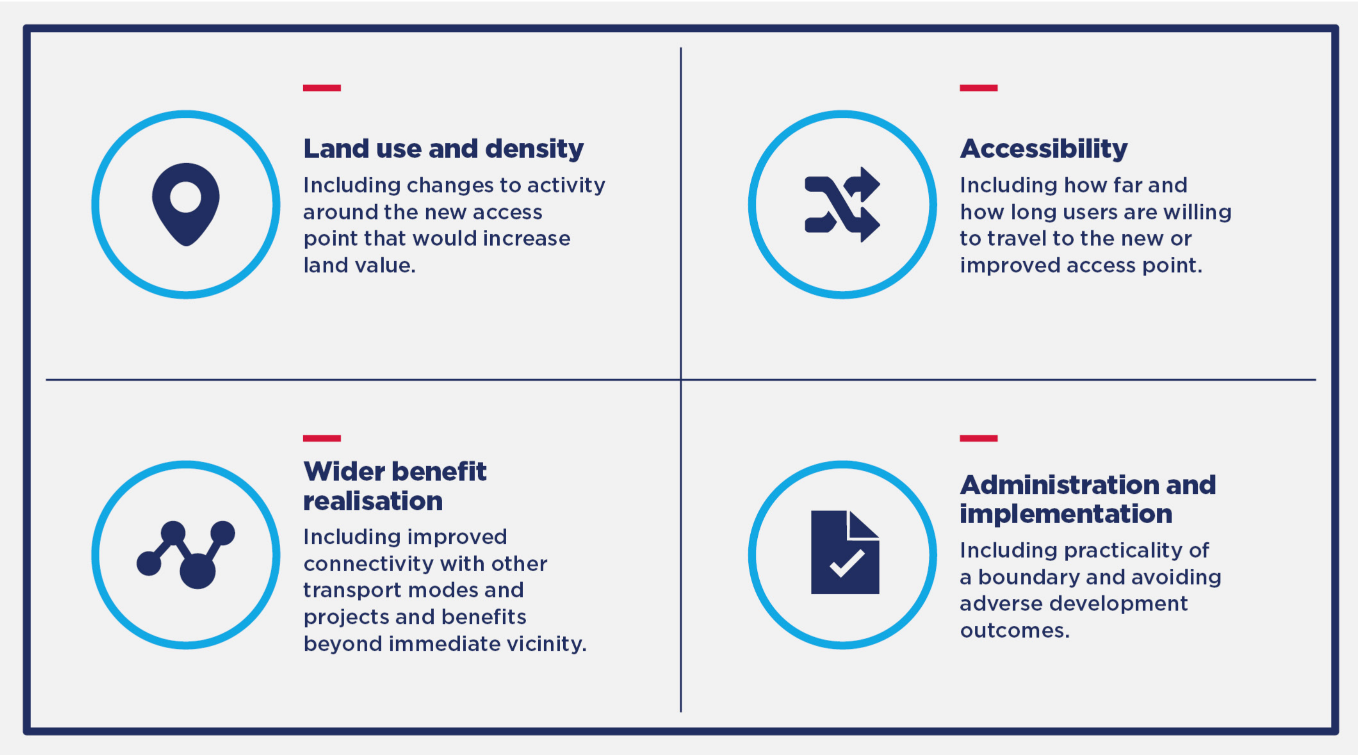

Figure 19. Service catchment definition principles

The transport contributions plan will be presented as part of the NSW Government's Gateway process and considered as part of the government's investment decision (typically taken by Cabinet's Expenditure Review Committee). The community will be aware of these processes through the summary of the project business case published by Infrastructure NSW.

If accepted, the intent to apply a Transport Project Component contribution will be publicly announced, either at the time the project is announced or during the land-use planning process to increase development potential, and the transport contributions plan will be exhibited.

Following public exhibition, the RIC SEPP will be updated to include the proposed TPC.

Calculating the TPC contribution rate

The TPC contribution rate will be applied to all new development in the defined service catchment and calculated in the same way as the RIC, based on:

- per dwelling for residential development
- per square metre of gross floor area for industrial, commercial, and retail development.

The contribution will take into consideration:

- the objectives and outcomes of the specific major transport project
- the extent of the land or area benefitted by the major transport project
- the 'capacity to pay' with consideration to the increased land value generated by the project, the changes to planning controls and all other development charges associated with the development.

The TPC will be exhibited as part of a transport contributions plan, either at the time the project is announced or during the precinct planning process, and prior to the SEPP being amended to include the new charge.

3.3.4 Strategic Biodiversity Component

The Strategic Biodiversity Component (SBC) is a contribution that will be required for new developments on land that has been biodiversity-certified (based on a strategic application for biodiversity certification). The SBC is required in addition to any RIC in the relevant region. Where an area does not have the benefit of strategic biodiversity certification, legislative requirements to offset biodiversity impacts will need to be met on development–by–development basis through the NSW Biodiversity Offsets Scheme.

Strategic biodiversity planning is a landscape-scale approach to assessing and protecting biodiversity upfront in planning for large scale development. This strategic approach allows for the streamlined delivery of housing and infrastructure while protecting regionally important land for conservation and publicly accessible green space.

A key objective of the new framework is to provide a simpler process for biodiversity offsetting by enabling the government to apply a charge on development and use this revenue to fund a program of conservation, land acquisition, biodiversity stewardship sites and ecological restoration. This also provides efficiencies for developers and landowners to meet their biodiversity offset obligation without the need for individual site assessments and offsetting. Revenue collected through the SBC will be paid into the Strategic Biodiversity Component Fund and will be distributed to delivery partners, such as the Biodiversity Conservation Trust to undertake approved conservation measures or other approved measures under state and federal requirements.

Where the SBC component will apply

The SBC will apply to land that has been biodiversity-certified following a strategic application for biodiversity certification made by the NSW Government or local council under the *NSW Biodiversity Conservation Act 2016* (BC Act). Land that may be certified under the BC Act includes land that is proposed for development that would benefit from early planning to avoid and minimise biodiversity impacts and to give upfront certainty about development potential and conservation outcomes.

The department has applied for the area identified in the Cumberland Plain Conservation Plan (CPCP) to receive strategic biodiversity certification (refer to Figure 20 on the following page). The RIC SEPP will impose an SBC on the biodiversity certified land if:

- the NSW Minister for the Environment and Energy makes an order conferring biodiversity certification on the land
- the federal Minister endorses the CPCP and grants approval for taking actions in accordance with it.

As other areas are certified, the RIC SEPP will be amended to include these areas.

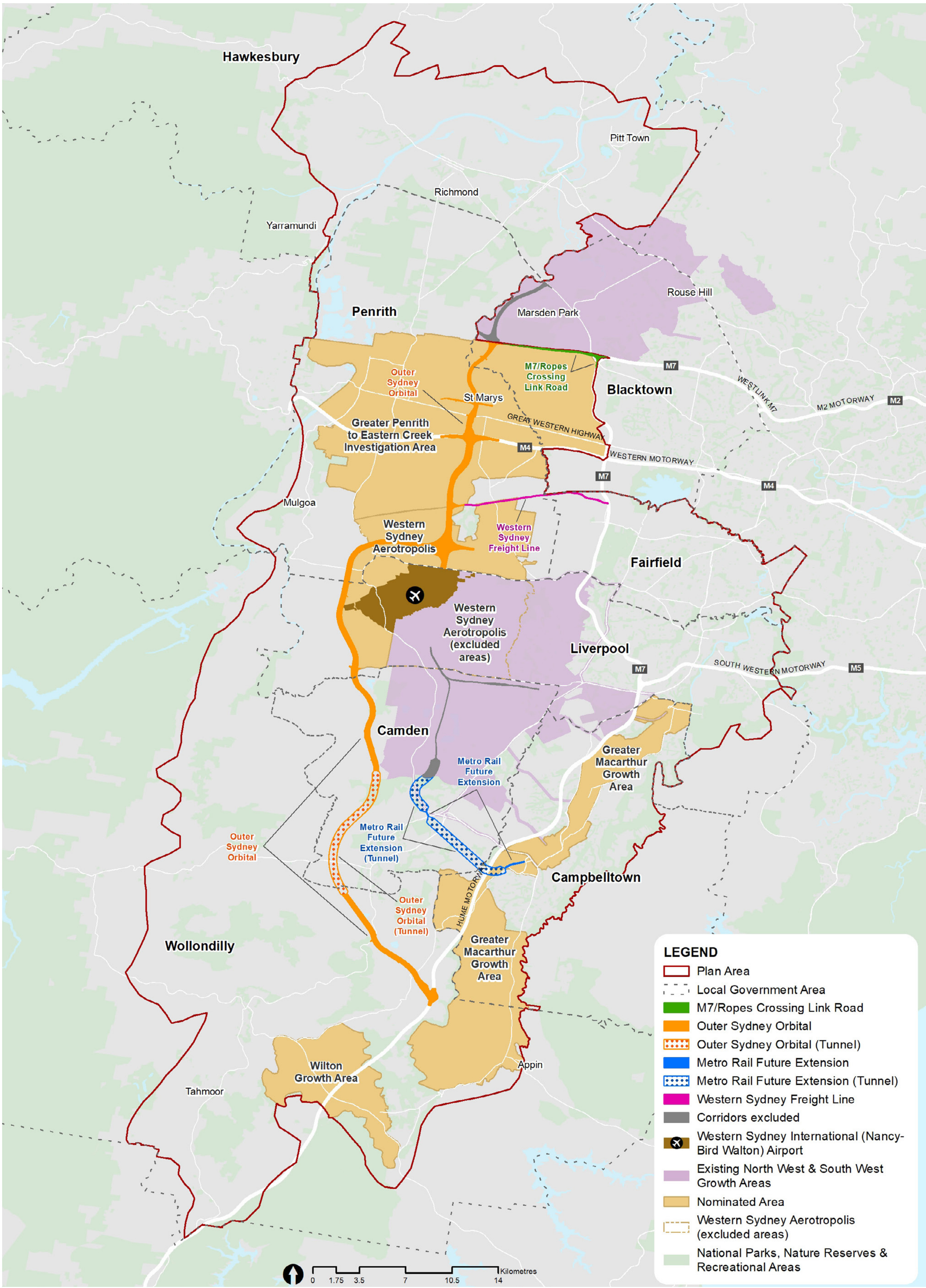

Figure 20. Draft Cumberland Plain Conservation Plan

Calculation of SBC

The calculation of SBC charges will be determined as part of the strategic biodiversity certification process. The SBC will be derived from the cost of:

- assessing direct, indirect, and cumulative impacts to biodiversity of the proposed development by a person accredited to use the Biodiversity Assessment Method
- establishing and managing new conservation lands to offset impacts to biodiversity to protect threatened ecological communities, species, and their habitats in perpetuity
- managing landscape-scale threats to biodiversity by addressing weeds, pest animals, fire, disease.

As the first SBC, the draft charge rates for the Cumberland Plain Conservation Plan the department proposes to include in the RIC SEPP are provided in Figure 21.

A development scenario is provided in Figure 22 for the application of a RIC and SBC.

Other biodiversity offset requirements

The *Biodiversity Conservation Act 2016 (the BC Act)* requires development applications for certain development (being development that is likely to significantly affect threatened species, as defined in the BC Act) to be accompanied by a biodiversity development assessment report. With some exceptions, a consent authority must require the developer to retire biodiversity credits as specified in the report.

The obligation to pay the SBC will replace these requirements where the development application relates to biodiversity-certified land. If the land concerned also has the benefit of an approval under Part 10 of the *Environment Protection and Biodiversity Conservation Act 1999*, further approvals under that Act will not be required.

Development type	Proposed rate
Residential Development	$5,000 per dwelling
Retail	$30 m^2 of new gross floor area
Commercial	$30 m^2 of new gross floor area
Industrial	$15 m^2 of new gross floor area

Figure 21. Draft Charge Rates – CPCP

Example calculation of RIC and Strategic Biodiversity Component (Greater Sydney)

A developer purchases a vacant block of land that is biodiversity certified. The developer subdivides it into 20 lots and proposes to construct a dwelling on each lot.

A total contribution of $340,000 is required comprising the following:

$12,000 (RIC) x 20 (no. of dwellings) +
$5,000 (SBC) x 20 (no. of dwellings).

Figure 22. Example of SBC calculations

3.3.5 Form of contribution

The RIC will generally be paid through a monetary contribution via a condition of development consent or complying development certificate.

However, in certain circumstances, instead of a monetary contribution, an equivalent contribution can be delivered through an Infrastructure Delivery Agreement and/or a combination of both. This is detailed below.

Infrastructure Delivery Agreements

Infrastructure Delivery Agreements (IDAs) allow a developer or landowner to act as a delivery partner with government by building and dedicating infrastructure to the public that supports development. In circumstances where IDAs are considered appropriate, RIC obligations can be met through the provision of infrastructure or the dedication of land for future infrastructure such as schools, transport, and open space.

IDAs offer significant benefits for the community including:

- substantial cost savings, where community land is secured prior to cost escalations from development
- allowing infrastructure to be delivered more cost efficiently and sooner than if it had been delivered by state agencies, advancing the realisation of economic benefits, in terms of economic activity and jobs
- securing infrastructure that is required or is advantageous to orderly development such as regional roads
- enabling developers to masterplan and cashflow development to incorporate significant community benefits such as improved access to community facilities, open space, and transport.

In considering a developer's proposal to partner for the delivery of infrastructure or land under an IDA, the department will assess whether the proposal meets the key principles that underpin the RIC Framework, being:

Principle 1

The proposal reflects state-endorsed infrastructure priorities and aligns with other development and infrastructure plans

Works or land to be provided through an IDA must be consistent with the infrastructure planning and investment priorities of the government. This will ensure that councils, utility providers, state agencies and the development industry are contributing to an efficient infrastructure delivery program.

Principle 2

The proposal achieves time and/or cost delivery efficiencies

When proposing to act as a delivery partner for the direct dedication of infrastructure or land instead of a financial contribution, developers must demonstrate that the proposed IDA would result in accelerated delivery, reduced cost and promote better integration of land-use planning and infrastructure delivery. In doing so, developers will need to provide evidence on how community outcomes will be improved by acting as a delivery partner for government.

Principle 3

Offsets can apply to multiple stages of a single development; however, surplus offsets cannot be applied to other development

IDAs can result in infrastructure assets being contributed at an earlier stage than when a monetary contribution under a RIC falls due. Under these circumstances, offsets generated through the direct dedication of land or works will result in a 'credit' balance existing between the value of the infrastructure assets dedicated and the value of the applicable RIC contribution. Developers can draw on these credits to meet their RIC financial obligations in later stages as the development progresses.

Alternatively, IDAs may propose for infrastructure to be delivered or dedicated at a later stage of the development. In these instances, developers may seek to defer RIC obligations, securing these obligations through the provision of bank guarantees, until such time as the infrastructure assets are transferred to the government.

This ability to fund in advance, defer, and progressively draw down on offsets generated from the direct dedication of infrastructure over multiple stages of a development provides certainty of cashflow to developers and supports the alignment of infrastructure with development for the benefit of the broader community.

Although offsets can be applied to multiple stages of a single development consent, residual offsets remaining at the completion of the development subject to the IDA will not be transferrable to other development sites. This is to ensure that the principles of the RIC Framework, particularly the importance of a clear and consistent budget planning process, are not undermined.

For IDAs to achieve the intended benefits, there must be clear guidelines and consistently applied procedures underpinning their operation. More detail about IDAs, including detailed principles, governance, criteria, and next steps can be found in the supporting Infrastructure Delivery Agreements Guide.

3.4 Timing of RIC payments

The timing of payment of the RIC can have significant implications on development feasibility and cash-flow, as well as on the planning and delivery of state infrastructure. It is proposed that the timing of the RIC payment aligns with the relevant stages of the land-use planning system.

For development involving construction only, a charge per dwelling (residential) or per square metres of GFA (non-residential) will be paid prior to the issue of an occupation certificate. The relevant development consent will specify when the RIC must be paid.

For greenfield residential subdivision applications, a charge per lot will be imposed and must be paid before the issue of the subdivision certificate. Houses in greenfield areas will not pay a charge if a RIC has already been paid at subdivision.

3.5 Indexation of RIC Charge

The RIC SEPP will set out how the RIC rates will be indexed. It is proposed that the Base Contribution and the Transport Project Component will be indexed using the Australian Bureau of Statistics Producer Price Index (Roads & Bridges Construction) (PPI). This includes all charges as well as offsets and is consistent with the new approach to indexation of local infrastructure contributions.

The rates will be adjusted on a quarterly basis. In the unlikely event that the PPI in the quarter is negative, the index will be zero and the charge rate of the previous quarter will continue to apply. This principle reflects the long-term nature of infrastructure planning and the strategic nature of the RIC as a cost-recovery mechanism. The RIC amount specified in a condition of development consent will be indexed in the same way at the time of payment.

The SBC, however, will be indexed to accommodate increases in land values that will be identified in the RIC SEPP. Acquisition of land for conservation and restoration and biodiversity credits are the main cost of approved conservation measures under biodiversity certification.

4 Implementation of the RIC Framework

The successful implementation of the RIC Framework for developers, agencies, councils, and the broader community requires careful consideration of factors such as market cycles, feasibility, funding commitments and existing obligations. It is important to ensure there is a smooth transition and that users are not charged twice where they have already met their state infrastructure contributions.

Phasing-in and transition arrangements are proposed to achieve successful implementation of the new RIC Framework once the RIC SEPP comes into effect from 1 July 2022.

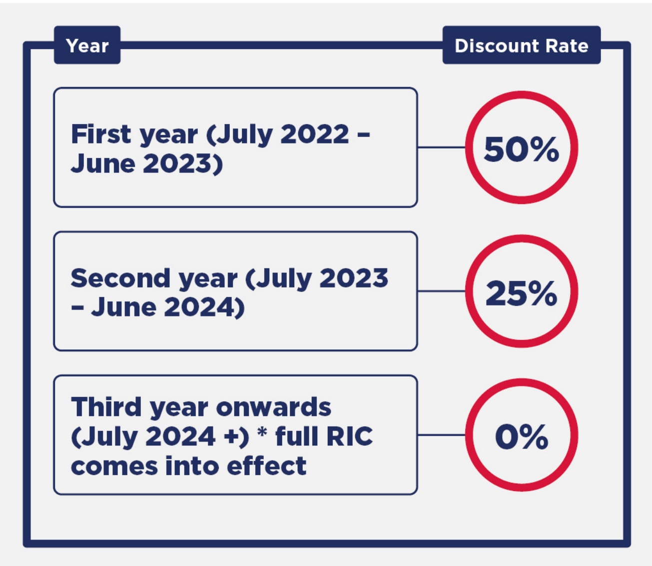

Figure 23. Phasing-in discount rates for the RIC

4.1 Phasing-in the RIC

An objective of the RIC Framework is to remove the complexities of the existing system, in turn encouraging development and providing a stronger funding base for infrastructure delivery. To achieve this, the early implementation phase needs to be managed to limit adverse impacts on existing investment plans, development supply and infrastructure delivery.

Phasing-in the RIC will:

- allow industry stakeholders to adapt to the new charge
- ensure councils and other consent authorities have the appropriate skills and resources to calculate the RIC
- ensure savings provisions are in place in relation to applications that have already been lodged and are being considered.

The industry was first made aware of potential changes to infrastructure contributions in early 2020 and the recommended charge rates were published by the NSW Productivity Commissioner in November 2020. The proposed charge rates under the RIC SEPP are consistent with or lower than these recommendations, which has allowed some time for industry to begin to adjust.

The RIC SEPP is proposed to commence on 1 July 2022. It will include charges for all 4 RIC regions. To further minimise the potential for adverse impacts on current development supply, and in light of ongoing impacts of the COVID-19 pandemic, it is proposed that the RIC SEPP will allow for a discount to the Base Contribution rate for the first 2 years after the SEPP is introduced, in situations where early payment is made. From the third year, no discount will be applied, and the full RIC will come into effect (refer to Figure 23).

4.2 Transitioning existing state contributions to the new RIC Framework

4.2.1 Existing Special Infrastructure Contribution Areas

The NSW Government currently operates a Special Infrastructure Contributions (SIC) system, which supports growing communities by levying a contribution from development to help recover the cost of state and regional roads, public transport infrastructure, pedestrian and cycling paths, health facilities, emergency services, schools and open space improvements. SICs also fund biodiversity offsets in Western Sydney.

A SIC is paid by the developer in Special Contributions Areas. Existing and proposed Special Contributions Areas are shown in Figure 24.

The RIC will not apply where an implemented SIC is in place. However, to realise the benefits of the proposed RIC Framework to implement a simple and consistent state infrastructure contributions system, it is intended that all land within the 4 RIC regions is transitioned into the new framework over time.

The timing of transition for each SIC is being considered. The key principles underlying the proposed transitional arrangements are to:

- minimise impact on existing infrastructure commitments
- manage the transfer of existing credits
- minimise impact on development feasibility and stakeholder expectations.

When the RIC Framework comes into effect, it is proposed that all implemented SICs will be transitioned into the new system over time, and no new SICs will be made.

It is expected that the Bayside West and St Leonards/Crows Nest special contributions areas will transition first. The Western Sydney Growth Areas, Illawarra-Shoalhaven, Gosford City Centre special contributions areas are expected to transition later as complexities are resolved in consultation with impacted landowners and developers.

Should the proposed Western Sydney Aerotropolis, Frenchs Forest and Pyrmont SIC be finalised prior to the implementation of the RIC Framework, they also will be transitioned into the new system.

Details on the timing of transition of all other SICs will be communicated once specific transitional arrangements for each are further developed. The RIC SEPP will be updated each time a SIC is transitioned into the RIC Framework.

Implemented

- Western Sydney Growth Areas
- Warnervale Town Centre
- St Leonards and Crows Nest
- Gosford City Centre
- Bayside West
- Illawarra-Shoalhaven
- Wyong Employment Zone

Proposed

- Aerotropolis
- Rhodes
- Frenchs Forest
- North West Growth Area
- Greater Macarthur
- Pyrmont
- Hunter Region
- Wilton

Figure 24. Implemented and proposed Special Infrastructure Contribution schemes

Where an existing SIC determination remains in force when the proposed RIC SEPP is implemented, a RIC charge will not be imposed. Until the SEPP is introduced in July 2022, all existing SIC determinations remain in effect.

Should the RIC Framework not come into effect in July 2022, improvements to the existing system will be made to make it more transparent and easier to use until the broader reform is implemented.

4.2.2 Existing biodiversity commitments

Biodiversity certification was conferred on the *State Environmental Planning Policy (Sydney Region Growth Centres) 2006* (the Growth Centres SEPP) in December 2007. The Growth Centres SEPP provides a statutory framework to release land for urban and employment development in the North West and South West growth centres in Western Sydney.

The growth centres also benefit from an approval under Part 10 (strategic assessments) of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) in relation to development in the Growth Centres. Together, the federal approval and biodiversity certification streamline the assessment of impact of development proposals on biodiversity, delivering efficiencies for planning and infrastructure authorities and the development industry.

The Western Sydney Growth Areas Special Infrastructure Contribution supports this arrangement by levying a charge to fund the biodiversity offsetting obligations. These arrangements will continue while the SIC remains in place. Consideration of how existing biodiversity funding commitments will transition into the new RIC Framework will occur as decisions are made about those SIC areas.

4.2.3 State Planning Agreements (SPAs)

State Planning Agreements (SPAs) are a method of securing development contributions that help cover the cost of delivering infrastructure needed to support new businesses, communities, and homes.

The department does not propose to impose a RIC on development that has already made state infrastructure contributions under existing SPAs. Similarly, where an existing SPA remains in place when the proposed RIC SEPP is implemented, a RIC charge will not be imposed on development subject to the SPA.

The NSW Government will consider the need for new SPAs within RIC regions where a developer proposes a substantial greenfield or infill rezoning that will:

- deliver benefits for the region or support broader government objectives
- result in significant demand for infrastructure that the government has not yet planned for or prioritised.

Further information on how SPAs will be applied in RIC regions is provided in the supporting documentation.

4.2.4 SIC Works-in-kind Agreements

A Special Infrastructure Contribution (SIC) Works-in-Kind Agreement (WIKAs) is a legal agreement between a developer and the Minister for Planning and Public Spaces, which aims to deliver works or land and satisfy SIC obligations. SIC WIKAs establish an indicative WIK value and the scope, timing, milestones and requisite security for construction/land dedication. They may allow for the generation of offset credits for WIK above and beyond a SIC obligation. SIC WIKAs can result in the timely and cost-effective delivery of regional infrastructure to support growth.

For SIC WIKAs that have been executed within a RIC SEPP region prior to 1 July 2022, these will continue to operate as per the entitlements granted under the agreement. This means:

- where work or the dedication of land is yet to be completed, the terms of that WIK agreement will be honoured, including works completed or land dedicated after 1 July 2022, and/or
- where an agreement permits, the ability to generate, draw down on or transfer accumulated offset credits will continue, with established offset credits to be carried over into the RIC Framework.

Accumulated offset credits will be publicly identified and used by government agencies to inform infrastructure planning and delivery.

To ensure there is no double-charging of state infrastructure contributions, development inside a RIC SEPP region which is subject to a SIC WIKA that excludes the application of SIC contributions (on delivery of infrastructure or land), will also be excluded from the application of a RIC charge.

4.2.5 Transfer of credits to the new system

In some instances where a works-in-kind contribution exceeds the value of the financial contribution that would have otherwise been payable, SIC WIKA land and works contributions have resulted in the generation of surplus offset credits.

It is proposed that offsets accrued through a SIC WIKA will be publicly recognised and transferred to the RIC Framework. This will allow SIC offset holders to satisfy RIC obligations through a drawdown of these credits.

4.3 New digital tool

The department is developing a digital tool for infrastructure contributions to provide a user-friendly, single point for the administration and collection of local and state contributions.

The tool will be integrated with the existing online NSW Planning Portal, enabling consent authorities to easily calculate local and state infrastructure contributions for development consents. The department will provide support to consent authorities to assist in resolving any implementation issues. The department will maintain an oversight and auditing role for the implementation of the RIC through the tool.

The tool will give industry quick and easy estimates of contribution liabilities and enable applicants to pay their contributions online. A digital receipt will then be issued, confirming payment of the RIC. This will ensure contributions are paid before the issue of an occupation certificate (or subdivision certificate in the case of subdivision in a greenfield residential area).

Automating the ongoing administration, tracking, and reporting will reduce the administrative burden and increase transparency.

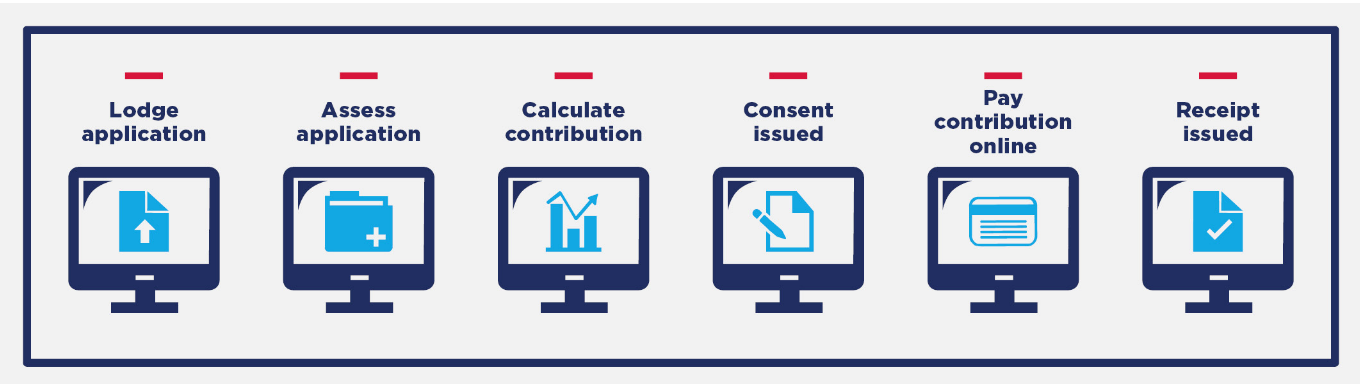

Figure 25. New Contributions digital tool

5 RIC Fund Investment Program

5.1 RIC Investment Program overview

The RIC Fund will provide the NSW Government with a reliable and predictable source of revenue that can be used to better align infrastructure investment with land-use planning and development in high-growth regions in NSW. Creation of the RIC Fund will be incorporated into new infrastructure planning, delivery, and budgeting mechanisms to ensure state agencies are better linking infrastructure delivery to new growth.

According to analysis commissioned by the NSW Productivity Commissioner, the base regional infrastructure contribution is forecast to levy, on average, $793 million per annum over the next 20 years (CIE, 2020).

The RIC Fund will contribute towards the timely delivery of regional infrastructure to unlock new development and support forecast housing and employment growth in the regions where contributions are collected. Infrastructure investment will be aligned with timeframes for land-use planning, rezoning and forecast development. This will ensure the right infrastructure proposals are developed at the right time and are integrated into the infrastructure priorities of delivery agency capital planning.

5.2 Investment Prioritisation Framework

The allocation of RIC funding will be subject to prioritisation, as well as strong governance, oversight, and project assurance requirements. The prioritisation and governance process has been designed to meet the legislative requirements set out in the Bill and integrate into the NSW Government's capital planning and State Budget processes.

The process for prioritising and allocating RIC funding to state agencies and local councils involves 3 key stages:

1. **Growth Infrastructure Needs Assessment –** to set out the investment priorities needed to enable new development and support housing and employment growth in each region over the next 10 years
2. **Capital Planning Integration –** projects identified in Stage 1 are nominated for investment by eligible councils and considered for inclusion in the Capital Planning Process by state agencies
3. **Project Evaluation and Approvals –** state agency and local council submissions seeking RIC funding will be assessed by NSW Treasury as part of the State Budget process.

A governance committee structure will be established, involving NSW Treasury, Infrastructure NSW, the department, and key infrastructure delivery agencies, to coordinate investment and operational decision-making and provide oversight of the RIC Fund.

To ensure these requirements are met and that RIC Fund investments are coordinated to achieve the objectives set out in the guidelines, the core governance framework for the RIC Fund involves a partnership between NSW Treasury, the Department, and Infrastructure NSW as shown in Figure 26 on the following page.

Further information on the prioritisation process and governance of the RIC Fund is provided in the supporting documentation.

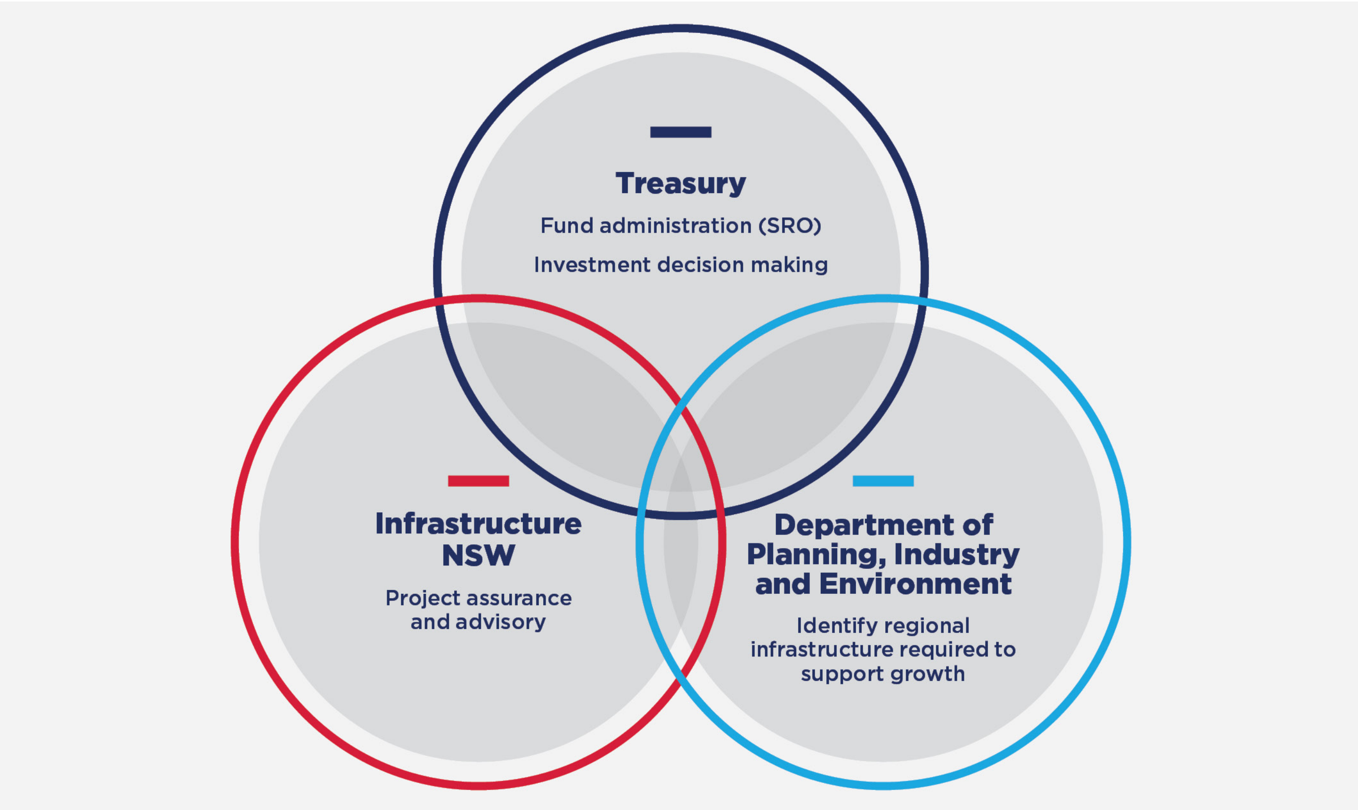

Figure 26. RIC Fund Oversight

5.3 Embedding the principles of the reform into the RIC Fund Investment Program

In line with the principles of the reform, the RIC investment framework will:

- provide infrastructure delivery agencies with an incentive and obligation to factor forecast growth into their infrastructure planning and delivery programs
- deliver a simple and familiar process for infrastructure agencies by integrating investments from the RIC Fund into established capital planning and state budget processes
- pursue efficiencies by leveraging other government funding sources to enable more rapid delivery of enabling infrastructure projects
- provide transparency on all RIC expenditure decisions through the reporting of investments via the NSW Budget
- improve certainty that land-use planning activities will have supporting infrastructure investments.

6 Next steps

Your feedback is welcomed on this discussion paper. This will help us understand your views and inform the design and development of the RIC SEPP.

Submissions may address the details presented in this discussion paper or provide additional input regarding the proposed RIC SEPP. For more information about how you can provide feedback, please refer to Section 1 of this discussion paper.

The department will review and analyse submissions and feedback on this discussion paper to inform the drafting of the proposed RIC SEPP. The department will publish a response to submissions after the exhibition period ends.

Glossary

Charging methodology

The way in which the charge is levied, for example per dwelling/m^2 of gross floor area (GFA), net developable area (NDA) and capital investment value (CIV)

Credit offsets

Ability to offset Regional Infrastructure Contributions (RIC) obligations if the value of a works-in-kind (WIK) exceeds a RIC obligation

Cumberland Plain Conservation Plan (CPCP)

A strategic conservation plan to improve ecological resilience and function, and offset biodiversity impacts from development.

Environmental Planning and Assessment Act 1979 (EP&A Act)

The legislation that enables the Minister for Planning and Public Spaces to levy contributions for state and regional infrastructure

Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021 (The Bill)

Enabling legislation (amending the EP&A Act) to support implementation of the contributions reform

Exemptions

Specific types of development not required to pay a Regional Infrastructure Contribution

Gross Floor Area (GFA)

Defined as per the Standard Instrument—Principal Local Environmental Plan (2006 EPI 155a)

Gross floor area means the sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building, measured at a height of 1.4 metres above the floor, and includes—

(a) the area of a mezzanine

(b) habitable rooms in a basement or an attic

(c) any shop, auditorium, cinema, and the like, in a basement or attic,

but excludes—

(d) any area for common vertical circulation, such as lifts and stairs, and

(e) any basement—

  (i) storage

  (ii) vehicular access, loading areas, garbage and services

(f) plant rooms, lift towers and other areas used exclusively for mechanical services or ducting

(g) car parking to meet any requirements of the consent authority (including access to that car parking)

(h) any space used for the loading or unloading of goods (including access to it)

(i) terraces and balconies with outer walls less than 1.4 metres high

(j) voids above a floor at the level of a storey or storey above.

RIC Fund Investment Prioritisation Framework

Framework that prioritises infrastructure projects funded by the Regional Infrastructure Contribution

Productivity Commissioner (PC)

The NSW Productivity Commissioner is responsible for helping to shape the NSW Government's productivity agenda and overseeing and reviewing the economic impacts of its regulatory framework

Regions

Areas to which the Regional Infrastructure Contribution will apply.

Regional Infrastructure Contributions (RIC) Framework

A contribution made by new development for regional infrastructure that may consist of 3 components: base regional contribution + transport project component (where applicable) + strategic biodiversity component (where applicable)

Special Infrastructure Contributions (SIC)

Contribution towards state and regional infrastructure to be made by development and determined by the Minister for Planning and Public Spaces under the EP&A Act.

State Environmental Planning Policy (SEPP)

Legislative instrument under the EP&A Act that will require a RIC to be made (Regional Infrastructure Contribution SEPP)

State Planning Agreements

A legal agreement between a developer and the Minister for Planning and Public Spaces, for the provision of regional or state infrastructure.

Strategic Biodiversity Component (SBC)

Contribution applying to land that has been biodiversity certified following a strategic application for biodiversity certification made by the NSW Government or local council under the *NSW Biodiversity Conservation Act 2016*

Timing of payment

When the contribution is required to be paid (that is, before subdivision certificate or occupation certificate)

Transitional provisions

Matters for consideration regarding the transitioning of existing SICs to RIC Framework, including infrastructure schedules, voluntary planning agreement (VPA) and WIK agreements, credits, charge rates and methodology, agency commitments, biodiversity payments

Transport Project Component (TPC)

Contribution applying to land within a service catchment of major transport projects that benefit from an increase in land value

Works-in-kind (WIK)

Direct delivery of infrastructure instead of monetary contribution for example land dedication or infrastructure works

Regional Infrastructure Contributions

Discussion Paper

October 2021

NSW
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