WESTERN SYDNEY PLANNING PARTNERSHIP

HillPDA CONSULTING

EARLY LAND ACQUISITION

Financing Approaches

JUNE 2024

Acknowledgement of Country

The Western Sydney Planning Partnership acknowledges more than 60,000 years of continuous Aboriginal connection to the land that makes up NSW.

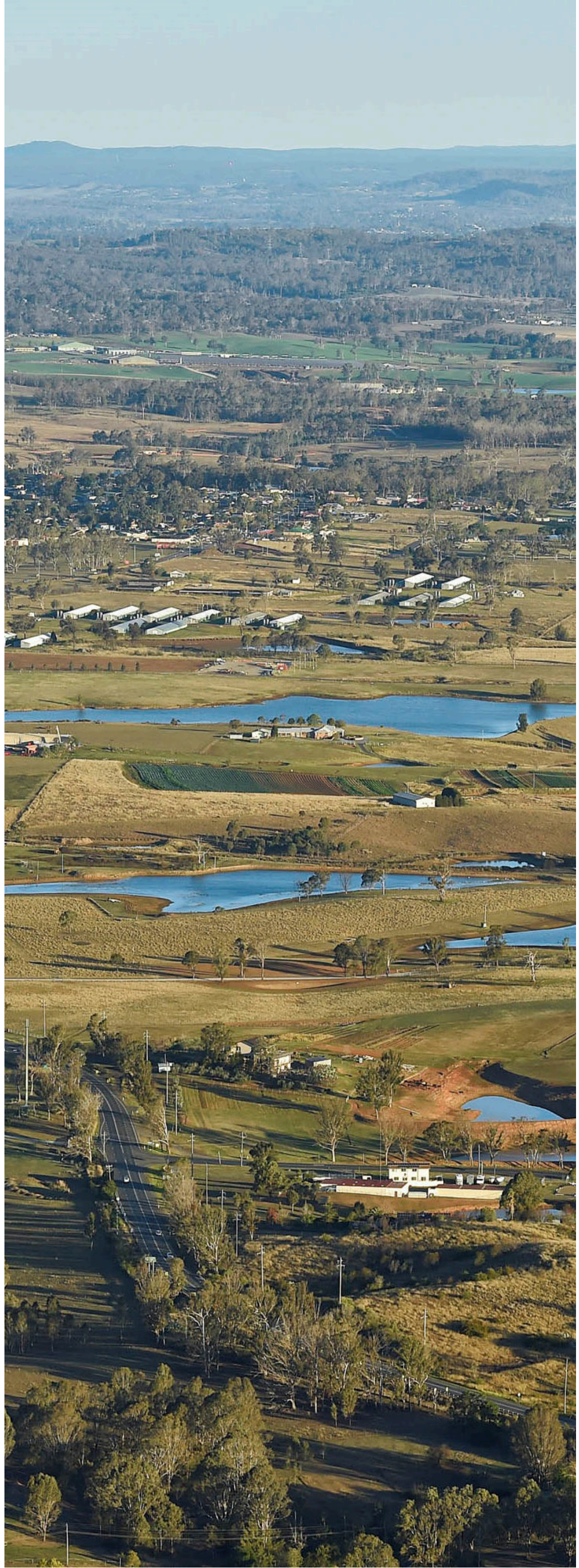
We acknowledge and pay our respects to the traditional custodians of Country within Western Sydney. As part of the world's oldest living culture, the traditional Aboriginal owners and custodians share a unique bond to the Country – a bond forged through thousands of years of travelling across lands and waterways for ceremony, religion, trading, and seasonal migration.

We acknowledge that Western Sydney is home to the highest number of Aboriginal people of any region in Australia and that the primary Aboriginal custodians with obligations for Country and connection to the place for many generations including the Dharug/Darug, Dharawal/Tharawal, Gundungurra/Gandangara, and Darkinjung people.

Western Sydney Planning Partnership partner organisations:

Blacktown City Council, Blue Mountains City Council, Camden Council, Campbelltown City Council, Fairfield City Council, Hawkesbury City Council, Liverpool City Council, Penrith City Council, Wollondilly Shire Council, NSW Department of Planning, Housing and Infrastructure, Transport for New South Wales, and Sydney Water.

WSPP would like to acknowledge the additional funding assistance provided by Camden Council and Liverpool City Council



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Quality control

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Reviewer

Signature		Dated	13/06/24

Report details

Job reference number	V24034
Version	Final
File name	V24034 Final Report Issue
Date issued	13 June 2024

EXECUTIVE SUMMARY

New communities need new infrastructure. One of the biggest challenges for councils is acquiring land for the provision of that infrastructure.

Councils must prepare a contribution plan, cost land prices, then wait until development occurs to buy land. Often it can take multiple years to secure sufficient funds to buy land for significant infrastructure items. Councils are also restricted in how they can invest and how much they can borrow, which compounds this challenge.

Early land acquisition, whereby councils acquire land before they have collected the funds in the contribution plan for those acquisitions, can help address this challenge. This promises to lower the overall cost of acquiring land under a contribution plan, speed the delivery of infrastructure to support housing supply, and reduce contribution rates for the development sector.

However, council access to funding to meet the costs of early land acquisition is needed.

The business-as-usual approach of delaying land acquisition and infrastructure works often leaves council unable to deliver all the infrastructure that is essential for a new community. New approaches are needed.

This paper considers 5 new approaches to facilitate early land acquisition:

1. **Pooling and borrowing funds between plans** – Councils already pool and borrow within and between plans. While on a macro-level there are substantial balances, often the funds have a specific purpose as part of a works schedule. For example, one Western Sydney Council could only forward fund $10 million for land acquisition, equivalent to the purchase of a single lot only.
2. **State Government grants** – State Government grants can assist councils deliver infrastructure. Austral and Leppington alone require $1.5 billion in land acquisition. However, given budgetary constraints State Government grants are unlikely to be scalable across Western Sydney but are suitable for the delivery of targeted infrastructure outcomes.
3. **Residual land strategic acquisition funds** – Creating a seed fund to acquire residual parcels that would otherwise attract severance payments, with those residual lands then being on-sold to generate revenue for other acquisitions, can help address acquisition funding shortfalls but is not scalable and most likely suitable for individual sites only.
4. **Council debt financing** – Councils are willing to look at debt, but the Office of Local Government rules for debt means that councils are unable to leverage contribution balances or consider contribution income to raise finance. Creating a specific benchmark for contribution plans and an appropriate financial product for councils would help enable debt financing.
5. **State-government forward funding** – Contribution plans have a form of recoupment embedded through the contributions that are received. By forward funding councils for early land acquisition and then recouping those funds from councils as contribution plan revenue is receipted, State Government can help councils provide the infrastructure needed to support new housing, help lower contribution rates over the life of a plan, and support the financial sustainability of councils in a revenue neutral way.

   Forward funding contributions would be predicated on an availability payment arrangement, whereby the council repays the State Government as and when contributions are received. If there is a reasonable expectation that development will occur, as evidenced by the Urban Development Program for example, this constitutes a relatively low-risk way of supporting early land acquisition.

The key actions to unlock early land acquisition are:

1. Develop a framework to forward fund early land acquisition through an availability payment.
2. Enable regular updates to contribution plans.
3. Clarify the way interest costs are treated in a contribution plan.
4. Allow regular updates to contribution plans so that land acquired, and any associated interest costs can be immediately included in the plan.

APPROACHES TO FINANCING

1.0 INTRODUCTION

The Western Sydney Planning Partnership (**WSPP**) was established as an initiative of the Western Sydney City Deal. The WSPP facilitates collaborative work between the nine-local governments of Western Sydney, the Department of Planning, Housing and Infrastructure (**DPHI**), Transport for NSW and Sydney Water.

WSPP completed a land acquisition and dedication study in partnership with local councils and DPHI. It found that councils were often unable to meet the full cost of acquiring land for infrastructure due to

- Insufficient revenue being collected through contribution plans caused by a mismatch between when funds are collected and spent, and by indexation not keeping pace with increases in land value; and
- The increasingly high cost of acquiring privately owned land driven by cost acceleration during the development period, potential additional costs when land is compulsorily acquired, and unanticipated cost escalation in property markets.

The WSPP has commissioned HillPDA to work with Camden Council and Liverpool City Council to pilot early land acquisition schemes. This includes:

- Preparation of early land acquisition principles and selection criteria;
- Use of these principles to identify and rank in priority land in Camden Council and Liverpool City Council which could be considered for early land acquisition;
- Development of early land acquisition schemes (one in each local government area) including eligibility, timing for acquisition, method of acquisition, resourcing for implementation, take-up assumptions, relationship to hardship and compulsory acquisition;
- Development of a paper on financing of the early acquisition schemes, ensuring contributions plans make adequate provision for funding land acquisition over the life of the plan;
- Development of a resourcing plan to finance early land acquisitions (including an estimate of hardship claims); and
- Drafting of an early land dedication and acquisition policy and land acquisition guideline for consideration by local council and DPHI.

HillPDA has prepared a *Principles of Early land Acquisition* report to identify the key criteria for acquisition, identify some of the benefits of early land acquisition, and provide councils with tools to rank land for potential early acquisition.

This report, *Early Land Acquisition Financing Approaches*:

- summarises the work to date including the potential savings and housing outcomes;
- identifies funding options for early land acquisition;
- identifies advantages, disadvantages, barriers, and enablers needed for each funding option; and
- recommends policy changes that will help enable councils identify funding approaches for early land acquisition.

This report looks at five strategies for early land acquisition:

- Pooling and borrowing from plans
- State Government funding (with and without recoupment)
- Developing an acquisition pool
- Delaying works
- Council debt financing

These are considered from the perspective of councils, State Government, the community, and developers. It then considers in more detail mechanisms and potential models for State Government forward funding ensuring that: they enable sufficient infrastructure to be funded; councils are no worse-off; overall contributions are no higher than they would otherwise be; and State Government is able to recoup the cost of financing if needed.

2.0 PRINCIPLES

The principles for the identification of land for early acquisition are established in the report *Principles of Early Land Acquisition*. These are summarised below:

1. Acquire land with the highest potential for escalation to provide the greatest cost saving to councils and industry.
2. Acquire land for infrastructure that will stimulate development to provide housing for community and encourage replenishment.
3. Acquire whole lots where possible to minimise land acquired outside of the contribution plan initially.
4. Acquire part of an item and then consider staged delivery of works to help hedge against the risk of development not occurring and balancing delivery.

Councils should have a reasonable expectation that development will occur prior to pursuing early land acquisition. The DPHI Urban Development Program provides evidence of the likely pattern of future development to inform any early land acquisition program.

The *Principles of Early Land Acquisition* report applied the principles using the methodology outlined in Figure 1. This involved overlaying GIS with the sites, infrastructure, items and characteristics to consider the alignment of each site to potential ELA priorities. This could be adapted according to individual council priorities, with the final prioritisation a decision of the elected council.

Figure 1 Early Land Acquisition Site Identification Process

3.0 POTENTIAL SAVING AND HOUSING OUTCOMES

Early land acquisition has the potential to produce a substantial saving and housing delivery outcome depending on how it is applied.

HillPDA has prepared potential schemes for two Western Sydney councils as part of this project.

For one of these councils, an $85 million early land acquisition scheme could:

- support the provision of infrastructure for 1,950 new dwellings
- result in savings of approximately $45 million in land acquisition costs
- deliver a 1% reduction in contribution rates for all development in the plan area, equating to approximately $1,300 per dwelling
- provide for accelerated delivery of critical infrastructure

For the other council, a $75 million early land acquisition scheme could:

- support providing infrastructure for 150 ha of new development land
- result in a reduction in contribution rates of approximately $2,238 per dwelling
- save up to $100 million in land acquisition costs
- provide for accelerated delivery of critical infrastructure

4.0 FUNDING CHALLENGE AND APPROACHES

The key challenge for councils in ELA is ensuring that there is a cashflow that provides sufficient total revenue to cover the cost of the contribution plan (over the life of the plan). HillPDA identified six approaches to funding ELA which can work in isolation or in combination with each other.

4.1 The challenge

Development requires infrastructure to support increased density. While private actors complete the majority of development, councils are responsible for the majority of local infrastructure, including collector roads, drainage, open space and community facilities to support this increased density. To provide this infrastructure and support development, councils collect Section 7.11 contributions which fund both land acquisitions and infrastructure works.

The key challenge for councils in land acquisition is cashflow. Contributions are paid prior to a construction certificate being issued, which means councils get revenue only once the development has started. During that time, nearby land to be acquired has become more expensive and infrastructure construction has not yet even begun, causing misalignment with the delivery of new housing.

This project is about bridging the gap between housing delivery and infrastructure delivery, looking at ways land can be acquired at an early stage to ensure infrastructure is delivered alongside growth and at the lowest possible cost.

ELA provides the ability for councils to lock in land at a price lower than would have otherwise occurred, thereby limiting the risk that infrastructure is unfunded, or that contributions must escalate to meet requirements down the track.

4.2 Approaches

This paper identifies five approaches for funding ELA beyond the current business-as-usual approach of delaying the delivery of infrastructure. For each of the new approaches it considers the key enablers, advantages, and disadvantages. These approaches are summarised in Figure 2. They have been tested with Camden Council and Liverpool City Council for suitability, with some initial testing of the cashflow implications of each of the approaches and suitability to address the overall challenge described above.

Figure 2: Approaches to Early Land Acquisition

Business-as-usual delay infrastructure delivery
- Delay delivery of infrastructure to fund acquisition

Pooling between plans
- Council pools funds between plans

State Government Grants
- State Government provides grants for acquisition

Residual Land Strategic Acquisition Fund
- Council has a pool of funds that help support acquisition of lots outside of the plan, to help create a return and reimburse the contribution plan

Council Debt Financing
- Council takes on debt in accordance with Office of Local Government Guidelines

State Government Forward Funding
- State Government provides funding with recoupment as plans recieve income

5.0 BUSINESS AS USUAL – DELAYING WORKS

Currently, councils often fund land acquisition by delaying infrastructure works and instead allocating that funding to purchasing land. This is often the approach in precincts where councils are unable to secure debt financing, and do not have land to commence works.

5.1 Key enablers

- The approach of delaying works is fully enabled through the current system as councils have the ability to manage their cashflow as necessary.

5.2 Advantages

- Low risk approach for councils as it ensures cashflows remain positive over the life of the plan.
- Can provide a relative cost saving for councils as land costs tend to escalate faster than construction costs.
- Helps councils manage their balance sheets.

5.3 Disadvantages

- Infrastructure is not delivered in a timely manner or aligned with growth.
- Construction costs may escalate to the point where a council is unable to complete all the works in a plan or result in later development paying a disproportionately high share of the infrastructure cost.
- It relies upon receiving contribution revenue, meaning the opportunity to achieve savings before development occurs is missed.

5.4 Finding

- Delaying infrastructure works to instead fund land acquisition is an approach taken by many Councils to fund acquisition, as they seek to have cashflow positive plans. This approach results in a loss of money for councils in real terms as while land price escalation is minimised, construction costs will still escalate.
- Delaying works can potentially work when acquisition and infrastructure works across a council are being managed across a wide range of plans. It is also intrinsically linked to the pooling funds approach - that is, if you are pooling funds between plans to prioritise land acquisition, others work items may be delayed.

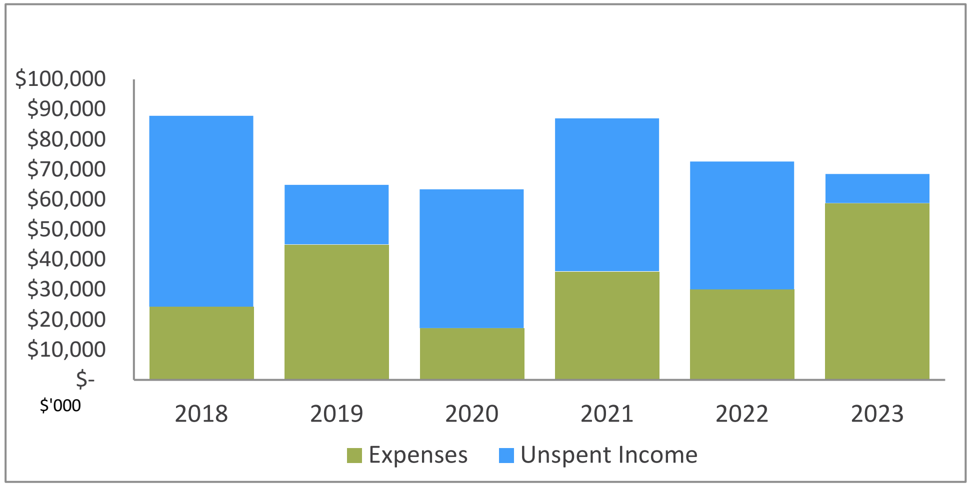
Figure 3: A park with works

6.0 POOLING AND BORROWING BETWEEN PLANS

Councils can pool funds and borrow between plans to help support ELA and infrastructure delivery. The *Environmental Planning and Assessment (Local Infrastructure Contributions – Pooling of Contributions) Direction 2020* and *Environmental Planning and Assessment (Local Infrastructure Contributions – Information) Direction 2020* both seek to encourage councils to pool funds between plans.

The Urban Development Institute of Australia New South Wales Council Infrastructure Funding Performance Monitor FY22 found that across the Six Cities Region, councils held nearly $3.2 billion in unspent development contributions. In the Western Parkland City, councils spent only one third of their FY22 income, and contribution balances held totalled $664 million. This has been increasing each year indicating councils tend to spend less than they receive. This has been the case for Camden and Liverpool councils for each of the past five years, as shown in Figure 4.

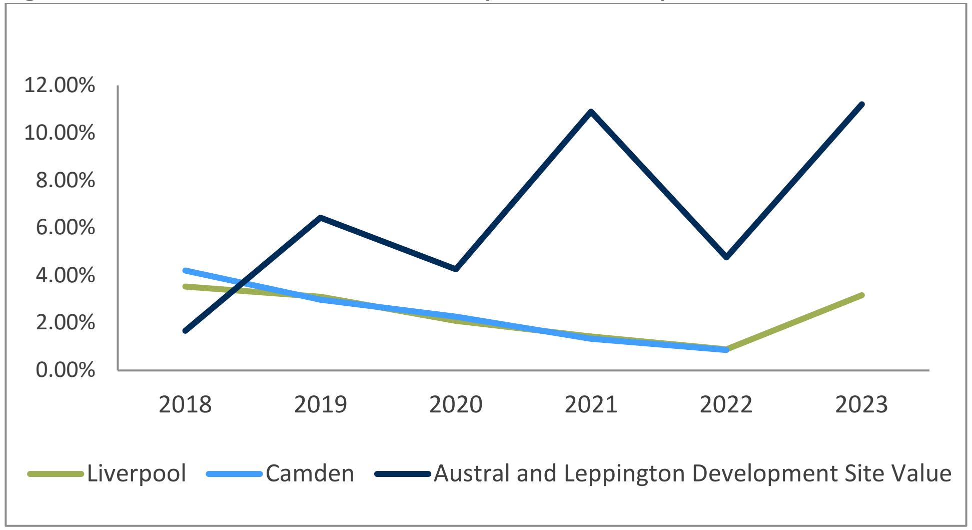
Figure 4: Historic income and expenses for Liverpool and Camden Contribution Plans



Source: HillPDA based on Council Annual Reports

OLG Requirements[1] provide councils with a restricted ability to make investments, typically limited to government bonds and term-deposits. While delivering a steady return, these investment types typically deliver below market returns compared to development sites. Figure 5 below shows that in each of the last five years, site values grew faster than invested development contribution funds. This means that councils tend to lose money in real terms if they do not utilise funds earmarked for land acquisition when received.

Figure 5: Council return on investment compared to development site values



Source: HillPDA Analysis based on Liverpool and Camden Council Annual Reports 2018-2023 and RP Data 2024
Camden 2023 not available at time of analysis.

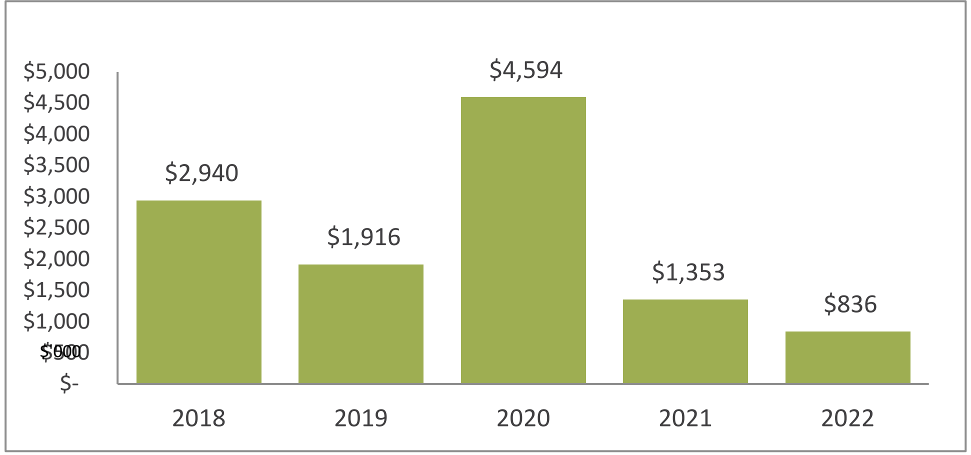
Liverpool City Council's annual reports did not show significant evidence of pooling, however Camden Council's annual report showed pooling and borrowing across plans. However, the annual pooling averages approximately only $2.3 million per year. This would indicate that pooling is typically used when there are expenditure gaps that need to be filled, and the council is confident that unexpected expenditure items will not occur.

[1] Local Government Act 1993 Investment Order dated 12 January 2011

Pooling also often takes the form of works-in-kind agreements, which apply a total contribution offset from multiple categories to deliver an item sooner. This is the most common form of pooling seen.

> Pooling represents a low risk and efficient funding approach for a council
> **Department of Planning Housing and Infrastructure Draft Infrastructure Contributions Practice note.**

Figure 6: Camden Council pooling and borrowing (cash) across plans



Source: HillPDA Analysis based on Camden Council's Annual Reports 2018-2022

6.1 Key enablers

- Councils must have a common delivery plan for infrastructure across all the plans and work items to determine the infrastructure roll-out to ensure equitable distribution of infrastructure.
- Council must have the resources or software to efficiently administer contribution plan income and expenditure so that borrowings across plans can be reconciled.
- Councils must understand current and projected growth to ensure development is serviced with infrastructure alongside growth.
- Councils must have sufficient uncommitted funds available for pooling between contribution plans.

6.2 Advantages

- Helps smooth continuous infrastructure delivery across the plans by utilising income efficiently.
- Avoids funding gaps by ensuring that funds are expended as close to possible to when they are collected.

6.3 Disadvantages

- Administratively complex to keep track of borrowing across plans and requires close management of fund allocation.
- Without a clear plan for delivery across each growth area, and across plans, pooling can result in disorderly infrastructure delivery. It can leave some areas overfunded and other areas underserviced.
- Uncommitted contribution funds are useful for councils to manage unexpected expenditures, and it is therefore useful to have some level of reserve funding across each contribution plan.

How much capacity is for pooling?

Council capacity for pooling is dependent on council having achieved a balance for pooling. On 30 June 2023, Camden Council had **$107 million** held as a restricted asset, including $44 million for Oran Park and Turner Road of which a substantial amount is committed. Leppington has $19.2 million in cash reserve, and Leppington North and Catherine Field has $7 million and $5.4 million, respectively. Considering current commitments, Camden Council might have capacity for up to $10 million in pooling. Liverpool City Council has approximately $87 million of unspent contributions in Austral and Leppington North. However, as it is attempting to complete stormwater basins over the next few years with a total cost exceeding $230 million it is already using pooling within the plan to deliver its immediate priorities to create a safe precinct.

6.4 Finding

- Councils can pursue pooling and borrowing of funds within and between plans as part of the overall funding mix for infrastructure. It is most often used currently as part of works-in-kind agreements.
- The administrative burden of borrowing across plans creates a significant barrier to pooling. Developing tools for councils to manage infrastructure revenue collection and allocation, as well as reconciliation, would be helpful to ensure that it is a success.
- A full infrastructure delivery strategy for the LGA is needed to ensure pooling occurs. This understanding of growth and infrastructure delivery, which is often out of council's control, should be informed by the NSW Government's Urban Development Program.
- As councils deliver infrastructure, the capacity for using unspent balances would be reduced, and pooling and borrowing between plans would be limited to smooth out gaps in revenue and expenditure in each year.

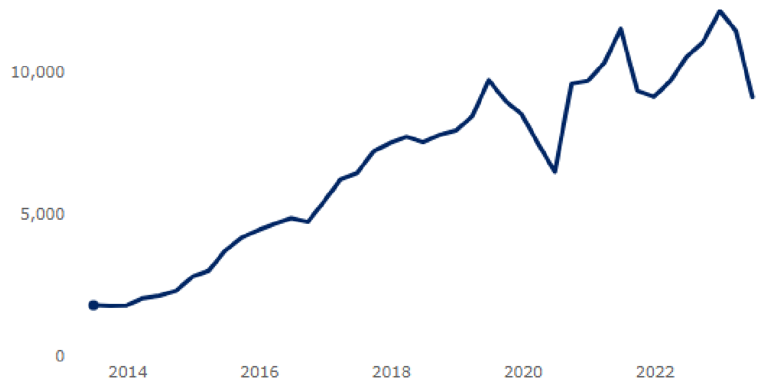
7.0 STATE GOVERNMENT GRANTS

The New South Wales Government could provide grants to support the cost of local infrastructure provisions. Greenfield growth in Western Sydney precincts came about as a result of the NSW Government instigation of growth centres in the mid 2000's and subsequent state-led planning process for these areas. The scale of infrastructure to service these new communities often goes beyond what can be funded by developer contributions alone. These precincts provide housing supply which supports all of Sydney. In the ten years to June 2023, greenfield precincts contributed 73,606 dwellings or 22.5% of Sydney's total housing supply of 327,468.

These precincts are subject to significant uplift in dwelling values as a result of zoning but without a funding mechanism for councils to acquire land to deliver infrastructure early or in line with development. Instead, councils must wait until development occurs to begin securing funds. Arguably, State Government has a role to help secure targeted essential infrastructure through the provision of grant funds.

The Greenfield Pipeline[2] is currently sitting at nearly 60,000 dwellings, of which only 6,471 are council-led. The growth directed in these areas results in significant population uplift and means that some councils have shifted from being rural or peri-urban to suburban and urban. Accordingly, there is a case for the State Government to do more to contribute as councils seek to maintain services for existing residents while also providing infrastructure to support new State-led housing delivery.

Figure 7: Rolling annual dwellings completed



Source: DPHI

7.1 Key enablers

- A grant program with substantial funding to enable early land acquisition where land to be acquired is expensive.
- Administrative and regulatory concerns around State Government funding would need to be resolved. Specifically, where an item in an infrastructure contribution plan has been funded by the State Government, unless recoupment arrangements are in place, current rules would suggest it needs to be removed from the plan.

7.2 Advantages

- State funding provides certainty of infrastructure delivery for councils, developers, the community and the State Government.
- Lowers risks for councils and developers.
- Can help seed growth in designated areas.
- Potentially reduces infrastructure contribution rates.

[2] Greater Sydney Urban Development Program

7.3 Disadvantages

- Unlikely to be scalable across all new areas. For example, the total cost of acquisition for Liverpool and Camden Council in Leppington, Leppington Town Centre, Leppington North, and Austral is estimated at $1.5 billion in the contribution plan (based on the cost estimate at the time of the plans were prepared, the actual cost would likely be substantially higher.
- Undermines the policy intent of the contribution framework. The contribution framework seeks to ensure that those who create the need for the infrastructure, pay for the infrastructure, thereby minimising the need for the State Government or council to fund the infrastructure from other tax or rating revenue.

7.4 Finding

- State Government grants are a useful tool to help catalyse specific precincts, support lower costs of development, or achieve outcomes that might be out of the ordinary. However, it is unlikely to be a scalable approach to apply more generally to other locations.
- Grants would be best directed to provide seed-funding for other financing approaches that have replenishment or recoupment.
- More effective collaboration between state and local government is critical to providing communities with essential infrastructure.

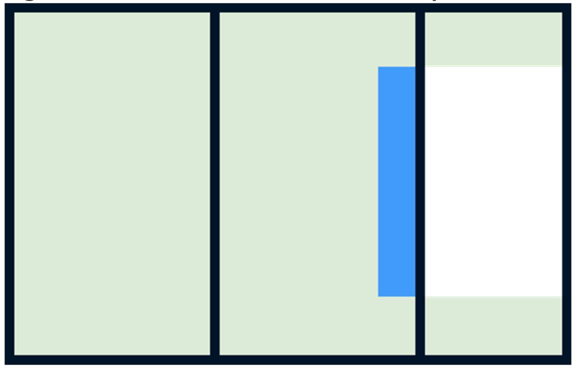
8.0 RESIDUAL LAND STRATEGIC ACQUISITION FUND

Land acquisition sometimes leaves residual parcels of land which are unable to be developed and without an ongoing use. In a just-terms acquisition the acquiring authority would need make a severance value payment to compensate the landholder for the loss of value of the residual parcel that would have otherwise been developable.

Compensation for the residual land cannot be collected through section 7.11 contributions. However, in some instances it may only be marginally more expensive for the council to acquire the residual land because the severance payment typically accounts for most of the residual land value.

In those instances, it could be better for a council to acquire the whole lot through a voluntary negotiation rather than only that potion of the land required under the contribution plan. While the parcel is severed, council might be able to partner with neighbouring landowners to realise value from that land. This could provide a level of reimbursement in excess of the cost of acquiring the residual land.

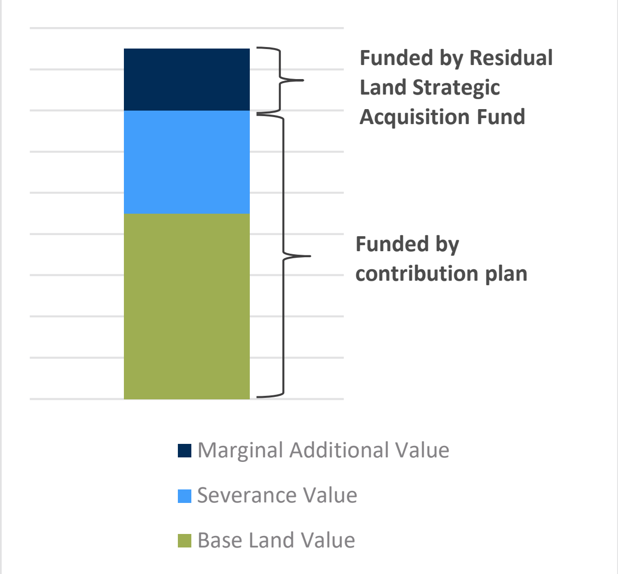
Figure 8:Illustration of a suitable example



Note: The black borders show example lot boundaries. The green shows land to be acquired in the plan for various uses, the blue shows the residual land in the parcel. On its own the land would be rendered undevelopable, with isolated lots. Under the status quo a council would need to compensate the landowner a substantial portion of the value of the land but would not necessarily be able to acquire the land. Through the residual land strategic acquisition fund, a council would be able to acquire the land, and potentially work with the neighbouring owner to achieve an integrated outcome.
Source: HillPDA 2024

The cost of the additional acquisition for the residual land cannot be funded by the contribution plan, which only authorises a council to acquire land prescribed in the plan. However, if under a just-terms acquisition severance value would need to be paid, that should be included in the cost of acquisition under the contribution plan. Therefore, the residual land strategic acquisition fund would only be required to provide funds to cover the marginal additional cost of acquiring the residual land. The permissible funding structure under the current rules for contributions is outlined in the figure below:

Figure 9 Funding structure for residual strategic land acquisition fund



Source: HillPDA 2024

Council is not able to acquire the residual land through a compulsory acquisition, instead needing to pursue a voluntary acquisition, where both parties agree. It is likely that a negotiated outcome could be achieved at the early land acquisition stage, where the neighbouring parcel is still owned by an original landowner and not a developer. Council might then be able to hold the site until the neighbouring site is purchased or work with the neighbouring landowner to sell it as an amalgamated site. Through this approach a council might be able to profit from the acquisition.

There are significant uncertainties around the timing when value can be realised. However, where there are funds outside of the contribution plan used to acquire the land, a council could:

- consider an appropriate return for the portion funded by the Residual Land Strategic Acquisition Fund to allow the fund to continue to operate,
- provide a cash injection into the contribution plan to help reimburse the severance value payment made pursuant to the plan, and
- where general revenue has been used to fund the acquisition, provide a financial return or dividend to ratepayers.

State Government could help seed the acquisition fund, which could work on an ongoing basis across councils. Alternatively, councils could look to invest contribution plan funds in an acquisition pool. However, the intent of contribution schemes is that funds are to be used for the intended infrastructure, and therefore it is not recommended to use contribution funds for investment in this way.

8.1 Key enablers

- The acquisition pool requires seed funding to be established. However as only residual land is being acquired, the seed funding would be relatively small. We note that across Leppington and Leppington North, there are few sites where this is applicable.
- Councils cannot use contribution funds to acquire land outside of a plan. This makes the establishment of an acquisition pool difficult.
- The structure and agreements between key participants would need to be comprehensively established, including for councils, the State Government (possibly able to seed the Fund) and neighbours.

8.2 Advantages

- Selling undevelopable land to neighbours can enable better development outcomes on the whole through larger site areas.
- Acquiring entire lots can be more financially efficient than acquiring part of the lot and paying a severance payment.
- There can be some mechanism to gain a level of return and leverage the land into a more productive use.

8.3 Disadvantages

- Risk allocation is difficult, and a return may not be realised on some lots.
- Administratively complex as negotiation, acquisition and disposal cross over numerous council functions.
- It is unclear how to distribute the costs between the council and the contribution plan. One option would be for the contribution plan to reimburse the cost of acquiring land required under the contribution plan plus the severance value of the residual land as a base case.
- There might be an issue with competitive neutrality, which is the principle that governments must not compete with the private sector by leveraging their public powers. This can be avoided by focussing on residual land that can only be developed in partnership, on commercial terms, with the neighbour. Using a voluntary acquisition process would also help mitigate this risk.

8.4 Finding

- A pool of funds to support acquisition that is seed funded by the State Government would be beneficial for acquiring lots with residual undevelopable land in isolation.
- In our view, the returns would be shared between the Contribution Plan, Council, and State Government, with the bulk of the funds re-imbursing the severance value in the plan, allowing a cash injection to the contribution plan (and lowering future contribution rates). Alternatively, it could be used to build specific infrastructure items.
- This is particularly important where proposed acquisitions (due to indicative layout plans) sever houses or acquire the dwelling portion of the lot, and result in hardship applications forcing councils to acquire and pay severance.
- We recommend further investigations of the acquisition pool approach to complement other ELA approaches.

9.0 COUNCIL DEBT FINANCING

Councils are currently encouraged to utilise debt financing through contribution plans. DPHI has clarified that councils are able to collect the cost of forward funding infrastructure through a development contributions plan.

Borrowings related to contributions are subject to the same *Local Government Act* and OLG borrowing restrictions. For council debt, there are two key benchmarks: the debt service cover ratio and debt service ratio. These are described in the box titled "OLG Benchmarks" below. The benchmarks aim to ensure responsible borrowing. However, they are not suited for infrastructure contribution plan borrowing because the revenue from a contribution plan does not factor into calculating a council's ability to borrow.

OLG Benchmarks

The **Debt Service Cover Ratio** measures the availability of operating cash to service debt including interest, principal, and lease payments. Councils must have approximately twice as many financial assets as they do outstanding borrowings. The **benchmark for this ratio is greater than 2.0**. The ratio is calculated by operating results (excludes fair value adjustments, net gain/loss on sale of assets, net share/loss on joint ventures) before capital, excluding interest and depreciation/impairment/amortisation divided by principal repayments (from Statement of Cashflow) and interest on loans.

The **Debt Service Ratio** measures the proportion of general income that is used to repay debt and interest charges. Prudent and active debt management is a key part of councils' approach to both funding and managing infrastructure and services over the long term. It is considered appropriate for councils to hold some level of debt. **The benchmark for this ratio is greater than 0% and less than 20%.** The ratio is calculated by the cost of debt service (interest expense and principal repayments) divided by total continuing operating revenue (excludes fair value adjustments, net gain/loss on sale of assets, net share/loss on joint ventures) excluding capital grants and contributions.

> There is limited appetite for debt - it compromises our other infrastructure priorities
>
> **Western Sydney Council**

9.1 Key enablers

- The existing framework allows councils to utilise debt financing, however they have limited capacity to do so. For example, to meet the OLG benchmarks, Liverpool City Council has no capacity for additional borrowing until at least 2029, and Camden Council until at least 2028, if they take on no more debt for any other purposes. With the need to provide other infrastructure for the community that cannot be funded by contribution plans, it means the existing framework does not provide sufficient capacity for debt financing.
- To enable council debt financing for the contribution plan, there needs to be a suitable financial product that reflects the relative uncertainty of contribution plan revenue (compared to rate revenue) at each stage of the plan.
- There also needs to be policy changes to the OLG benchmarks that assess debt related to a contribution plan acquisition, assessing debt against contribution plan revenue only as opposed to general income. The Urban Development Program provides a forecast of future development completions in an area over the life of a contribution plan. This is robust NSW Government data, which could be used to forecast future contribution revenue. If councils were to use these completion forecasts, it would be relatively easy to forecast revenue and develop an appropriate new benchmark against these forecasts.

9.2 Advantages

- Allows councils to take advantage of ELA and achieve savings when development has not yet occurred in an area.

- Existing regulatory framework is in place.
- Can smooth the timing and delivery of infrastructure to better manage cashflows, which occurs as councils seek to be cashflow positive in plans, and therefore avoid delaying works/acquisition as a contribution plan management strategy.

9.3 Disadvantages

- Restrictions mean that council debt funding for contributions limit the ability to fund other projects outside of the contribution plan. This might also amplify the restriction on funding community facilities as a result of the essential works list.
- Councils need to fund repayments, which they may not be able to do until development commences, thereby affecting the delivery of core council services, especially without flexible financing terms.

9.4 Finding

- Debt is a valid approach for councils in managing contribution plans. However, the current OLG restrictions result in limited capacity to borrow and therefore restrict the take-up.
- There are currently few products available to councils to support debt financing, due to the risks associated with funding repayments.
- Debt financing is suitable for both strategic and ongoing ELA schemes and is investigated further in Appendix A.

10.0 STATE GOVERNMENT FORWARD FUNDING (REVOLVING CREDIT)

Forward funding with revolving credit refers to the State Government providing funding for ELA that would then be recouped through contribution plans. Councils prefer this approach because it provides them with significant certainty around funding which they can plan around. For this approach to be successful, the repayment for the council has to be flexible enough to work within the OLG rules, the contribution plan and council's cashflow. This means that the State Government likely needs to wait until contribution revenue is received for the repayment of the forward funding. Please refer to Appendix A for mechanisms for forward funding.

10.1 Key enablers

- Creating a product for the State Government to participate in contribution planning.
- Allocating adequate risk sharing for delays, which should be largely informed by a functional Urban Development Program.
- Consider how it aligns to OLG requirements around debt as a funding agreement.
- Guidance on how to recoup cost of debt in a contribution plan is needed.
- In order to have contributions aligned with the price of land and the terms of the loan, the plan should be able to be regularly updated to reflect the cost of acquisition and the financial terms. These updates should be able to occur at the time of the acquisition, and when the financial terms are known.

10.2 Advantages

- Takes advantage of the recoupment of costs and expenditure from contribution plans.
- Highly cost effective. In most cases it will result in a contribution saving and lower expenditure, even if the interest rate is higher than the escalation in land.
- Can result in lower overall contributions, thereby stimulating development.

10.3 Disadvantages

- Requires capital outlay from the State Government on contribution plans.
- The design needs to be managed to ensure that the cashflows work for both council and State Government.
- Can create uncertainty with the time period for paying back.
- Negotiation between council and State Government could create a point of contention in delivering infrastructure.

10.4 Finding

- State Government Forward Funding (potentially with a recoupment ability for State Government) provides a viable pathway for funding early land acquisitions.
- There may be difficulty with finding the right pathway for plans that are midway through their lifecycle. These plans can sometimes have components which are underfunded, so co-funding can improve certainty for infrastructure delivery.
- New plans have less certainty on revenue streams, but availability payments can be determined more easily, and there is less chance for potential shortfalls on revenue collected if there have been accurate and recent costings.

How to make forward funding work?

There are four approaches to forward funding. These are:

- **Amortised payments**
- **Interest only payments**
- **Capitalised payments**
- **Availability payments**

We recommend that the NSW Government explores an availability payment for contribution plans to help it manage cashflows, enable early land acquisition and infrastructure deliver and minimise overall costs to developers.

Appendix A is a technical appendix outlining initial modelling demonstrating how these approaches might be applied.

11.0 POLICY CHANGES TO ENABLE FORWARD FUNDING APPROACHES

Regular updates to contribution plans

Consider a new section for the Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012 allowing a plan to be updated with actual costs of land acquisition without an IPART review.

The IPART review seeks to ensure that the estimate of the costs is reasonable. The key considerations include how the cost estimates were prepared, are they up to date, do they consider all of the costs required to bring essential works into operation, have relevant professionals been engaged, has CPI been taken into account, are assumptions and calculations robust, has an appropriate discount rate been applied, and is it recouping funds.

IPART has not found actual costs incurred with the delivery of items to be unreasonable. Council processes rely on valuations to ensure appropriate acquisition, and future consideration through just-terms. Therefore, updating the plan to revise the costs for land acquisition to be based on the actual cost incurred should automatically be considered a reasonable cost, and therefore the plan should be able to be amended without additional Ministerial or IPART review.

This would ensure costs in plans are reflective of actual costs, not estimates, and help facilitate early land acquisition by enabling cost reflective contributions.

OLG vary the treatment of debt or similar in respect to contributions

Councils are encouraged to use forward funding or debt for development contributions. However, the current OLG rules do not separate debt that is being used for restricted funds (contributions) that have their own revenue stream and debt that is being used for general council revenue. This means that councils' capacity to repay debt and servicing ratios do not take into account the income from contributions. This makes councils appear financially irresponsible if they seek borrowings in relation to contribution plan income. This might also limit their capacity to borrow funds for other council priorities.

Creating flexibility in how contribution revenue is treated, especially when in an urban development program, would allow development to occur in a prudent way and ensure that councils are able to responsibly raise debt to fund early land acquisition schemes.

Amend Net Present Value Guidance

Consider amending the guidance for net present value contribution plans to ensure that IPART considers the cashflow of the plan in addition to the NPV. This is particularly important to ensure availability payment arrangements deliver recoupment of forward funding by the State Government.

Develop an LGA wide infrastructure delivery strategy to support pooling

Councils could develop an LGA wide infrastructure delivery strategy to support pooling and prioritisation across plans to help support prioritising land acquisition and delivering acquisition alongside pooling and works delivery.

Clarify treatment of interest

DPHI has advised that councils can charge financing costs in a contribution plan. However, clarification is needed as to how this might be done. It could be through a separate line item in the plan, as part of the acquisition cost, or through alterative indexation. Furthermore, IPART may have a view on how indexation is appropriately applied through real and nominal interest rates, to avoid doubling up with indexation.

DPHI could further clarify how financing costs are included in the contribution plan to provide councils with certainty on how to implement the clarification.

12.0 LAND ACQUISITION STRATEGIES

Councils will need to determine a bespoke funding strategy that will work for them. However, in almost all instances some form of State Government financing or other flexible financing would be required to deliver savings and financing for early land acquisition. The right approach will depend on what a council is looking to achieve with Early Land Acquisition. HillPDA considers two general strategies that use a mix of different funding approaches to support early land acquisition.

Scenario 1: Strategic Land Acquisition

Council uses ELA to acquire large areas of land to achieve maximum savings and housing delivery. This requires a large upfront commitment (and is recommended for the Camden LGA and Liverpool LGA pilot projects where $100 million land acquisition tranches are proposed). This requires certainty that development will occur, as the initial outlay is large. DPHI's UDP provides a level of confidence and reliability that development will occur. This achieves higher cost savings as more land can be acquired prior to escalation, and for a new plan before development occurs. This can also help catalyse development.

Key tools: debt financing/forward funding, acquisition pool

Key enablers: work schedule for life of the plan with timing, financial product, easily adjustable plan, varied OLG requirements

Process

1. Identify land for early land acquisition
2. Identify the cost of acquisition
3. Develop a cashflow for the contribution plan
4. Test available contribution approaches with the cashflow
    a. Consider the contributions already received
    b. Consider future revenue
    c. Identify any shortfalls and future revenue needed to deliver infrastructure
5. Adopt the approach that works for Council
6. Update the contribution plan

Strategy 2: Ongoing Land Acquisition

Council uses ELA to smooth its cashflow to ensure that it spends all acquisition revenue in the same period as when it is received. The gap between acquisition in a period and revenue received is funded through a combination of debt financing, borrowing/pooling, or delaying work.

This is a lower risk approach for councils to adopt early land acquisition without committing large amount of funds. While the benefits are less, it helps ensure that council is not left behind with, in the current climate, land values indexing at 6-9% while invested contributions collected secure only a 3% return.

Key tools: debt financing, borrowing/pooling, delay works

Key enablers: work schedule for life of the plan with timing, financial product, easily adjustable plan, varied OLG requirements

Process

1. Identify land scheduled for early land acquisition
2. Identify the funding gap in the plan
3. Borrow funds for the funding gap
4. Update the contribution plan

13.0 CONCLUSION

This report identified how councils could look to fund early land acquisition. Proposed pilot early land acquisition schemes demonstrate savings of up to $100 million in nominal terms for contribution plans, contribution savings of up to $2,238 per dwellings, and faster infrastructure delivery.

There are financially viable approaches that can be revenue neutral for State Government over the life of the plan to help councils provide infrastructure for

The Western Sydney Planning Partnership (WSPP) asked HillPDA to prepare a funding options paper for an early land acquisition (ELA) scheme to acquire important land in Western Sydney for the provision of infrastructure to support the delivery of housing. In this report HillPDA considered ELA through the lens of a strategic or an ongoing scheme.

In Leppington, Leppington Town Centre, Leppington North, and Austral a $200 million ELA scheme would be able to support more than 7,500 new dwellings receive timely infrastructure.

A strategic ELA scheme would consolidate a number of land parcels into one tranche for purchase at a single time. For example, under the ELA pilots for Austral and Leppington we considered $100 million ELA tranches to acquire important lands for infrastructure works. This would allow councils to take maximum advantage of early acquisition, limiting the impacts of price escalation over time.

An ongoing ELA scheme takes a different approach, bringing acquisitions forward on an ad-hoc basis so that acquisitions occur as close as possible to when revenue is received, with any gap in funding being paid for by the scheme. For example, if a local council collects $10 million in a year and needs to build a basin for $6 million and acquire land for a park for $5 million, an ongoing ELA scheme would look to fund the additional $1 million to acquire the land for the park that year, instead of waiting until future revenue is received.

We have looked at five different approaches to help fund acquisition schemes which are shown below:

Table 1: Approaches to fund early land acquisitions

Approach	Comment	Application
Pooling	Councils pool funds across contribution plans to fund acquisition efficiently. This requires a common contribution schedule.	Suitable for ongoing schemes or strategic schemes in an established plan.
State Government Grants	The State Government provides grant funding for early land acquisition.	Optimal for both industry and council and appropriate where the State Government wants to catalyse specific development.
Acquisition Pool	Councils sometimes acquire land which renders the residual lot undevelopable, leading to compensation. A fund can be created to acquire and develop this land, potentially in partnership with neighbours, resulting in a better outcome than paying a higher amount for less land through compulsory acquisition.	Seeding a fund focussed on the development of residual land through partnerships could assist in reducing acquisition expenses. This would help in specific cases, for both ongoing and rolling land acquisition and should complement the design and development of an early land acquisition scheme.
Council Debt Financing	Councils seek debt financing for the plans.	This is difficult with current Office of Government (OLG) rules for debt financing.
State Government Funding (Recoupment)	The State Government provides funding and then receives recoupment through plan contributions, either with or without cost of capital reimbursed.	This can provide a neutral (over the life of the plan) way for State Government to support councils to unlock infrastructure.

Recommendations

We make the following recommendations for Councils and the State Government in relation to early land acquisition.

Council recommendations

- Develop a schedule prioritising infrastructure delivery across all new development infrastructure plans in the LGA.
- Encourage borrowing and pooling across plans (within each LGA) to initiate ELA and deliver infrastructure on an ongoing basis.
- Utilise borrowing and pooling when pursuing strategic ELA mid-plan.
- Consider strategic ELA where there is an appropriate financing product.

- Seek grant funding where available to close funding gaps, within and outside plans.

State Government recommendations

- Develop a product for councils to forward fund ELA, by:
  - offering flexible payment terms (including a share of contributions as funds are received)
  - exempting contribution financing from OLG requirements, instead developing financial metrics for forecast contribution plan revenue.
- Enable regular and fast updates to contribution plans where ELA has occurred to adjust rates to reflect actual costs.
- Clarify how any interest costs are charged in a plan.
- Consider seeding a residual land strategic acquisition fund to help councils acquire residual parts of a lot, to help council realise severance value.

APPENDIX A: MECHANISM FOR FORWARD FUNDING

This appendix:

- Provides an overview of four approaches to enable recoupment for forward funding
- Uses a stylised hypothetical example to outline the cashflow implications of each type of approach for councils including cost effectiveness and time when the recoupment approach works for both State Government and council.
- Outlines the applicability of the mechanism for both nominal/traditional contribution plans and NPV plans recommended by IPART.

The table below provides a high-level overview of advantages and disadvantages of each of the approaches. We recommend councils pursue Approach 1 and Approach 4.

Approach 1: Amortised

The principal and the interest of the loan is paid back in regular instalments over a fixed period.

Advantages

- Regular payments known in advance creating certainty for council and State Government.
- Highly cost effective.

Disadvantages

- Requires regular contribution income.
- The cost-effectiveness diminishes over a long period of time

When to use?

Best used when there is a predictable income stream and mature development pathway

Approach 2: Interest only

Council pays the interest on the loan each quarter, and then repays the full loan amount at maturity.

Advantages

- Lower regular payments than amortised loan.
- Gives council time to accumulate revenue.

Disadvantages

- Requires regular contribution income.
- Risk if development stalled.
- Requires funds to be held in council bank accounts.

When to use?

Best used when development is maturing, and contributions revenue is increasing but should look to transition to an amortised approach as soon as possible.

Approach 3: Capitalised

Interest is charged quarterly and added to the principal. Council only pays at maturity

Advantages

- No cash outlay needed.
- Locks in escalation at cost of capital.

Disadvantages

- Results in the highest cost for loan.
- Risk with long development delays.
- Requires council to accumulate funds which is inefficient

When to use?

Best used when there is a predictable income stream and mature development pathway but should look to shift to an interest-only or amortised approach as soon as possible.

Approach 4: Availability payment

Council repays the loan as and when it has the funds to repay

Advantages

- No cash outlay needed.
- Flexible for council to use

Disadvantages

- Uncertain repayment schedule
- Risk with long development delays.

When to use?

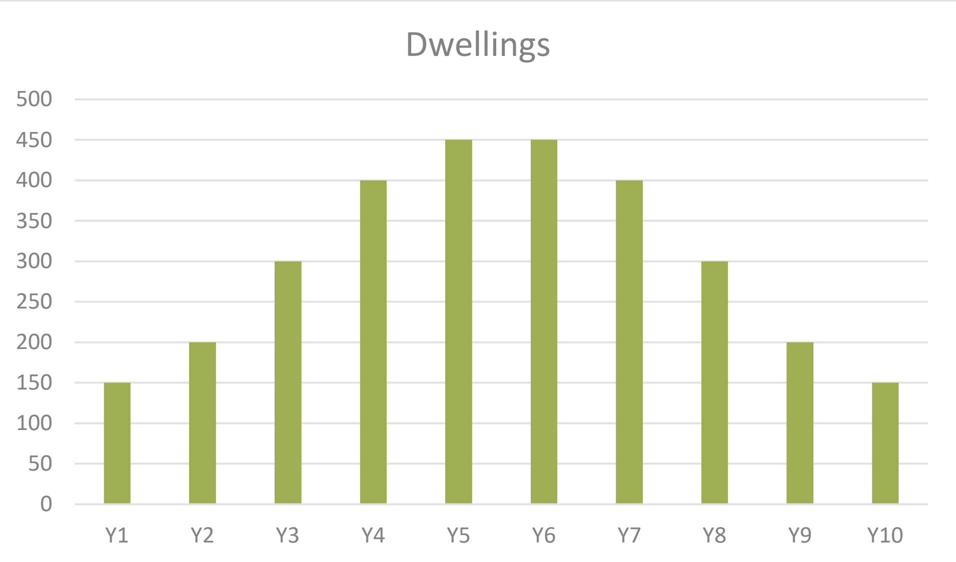
Can be used at any point in the life of the plan.

A.1 Funding example

The following is a stylised example to consider the funding approaches and cashflow implications.

Council has a contribution plan and is pursuing an ELA Scheme. The ELA scheme commences 1 July 2025. The council will deliver 10 pieces of infrastructure at $10 million each, resulting in a total scheme of $100 million. Council expects 3,000 dwellings to be built over a ten-year period. The graph below shows the dwelling delivery over the ten-year period.

Figure 10: Dwelling delivery in funding example



Source: HillPDA 2024

Key assumptions are:

- Forward funding: $100,000,000 provided by State Government
- Interest Rate: 4.85% (NSW 10 Year Bond Rate, Jan 2024)
- Starting contribution rate $33,333.33 (that is $100 million divided by 3,000 dwellings)
- Escalation: 4.85% (assumed to be the same as the interest rate - this is a conservative assumption; North West Growth Centre has seen approximately 7% per annum on average)
- Term: 10 years (council wants to build the infrastructure as development occurs)

A.1.1 No early land acquisition scheme

With no early land acquisition scheme council will achieve annual revenue in the table below, with the cumulative revenue of $131 million. It shows that the council, due to the challenges with cashflow, can only deliver 9 of the 10 items at a total cost of $127 million. The total cost without an ELA is $145,827,168. Therefore, council falls approximately $15 million short of delivering the last item, meaning the community would miss out on one item being delivered.

Year	Annual Revenue	Cumulative Revenue	Delivery Cost of 1 item	Items Delivered	Cumulative delivery cost
Y1	$5,242,500	$5,242,500	$10,000,000	0	0
Y2	$7,329,015	$12,571,515	$10,750,000	1	$10,750,000
Y3	$11,526,708	$24,098,223	$11,556,250	1	$22,306,250
Y4	$16,114,338	$40,212,562	$12,422,969	1	$34,729,219
Y5	$19,007,869	$59,220,431	$13,354,691	1	$48,083,910
Y6	$19,929,751	$79,150,182	$14,356,293	2	$76,796,497
Y7	$18,574,528	$97,724,709	$15,433,015	1	$92,229,512
Y8	$14,606,544	$112,331,253	$16,590,491	1	$108,820,003
Y9	$10,209,974	$122,541,228	$17,834,778	0	$108,820,003
Y10	$8,028,869	$130,570,097	$19,172,387	1	$127,992,390
				9	

The example shows that there is a cashflow issue that needs to be resolved to close the gap to ensure that councils can fund all the infrastructure required to service a new community.

A.1.2 Early land acquisition scheme

If Council were to introduce an early land acquisition scheme that acquired the entire amount of infrastructure at the start of year 1, costing $100 million. Council would need to repay the forward funded amount.

A.1.3 Amortised approach

The table below shows the repayment schedule of an amortised repayment approach.

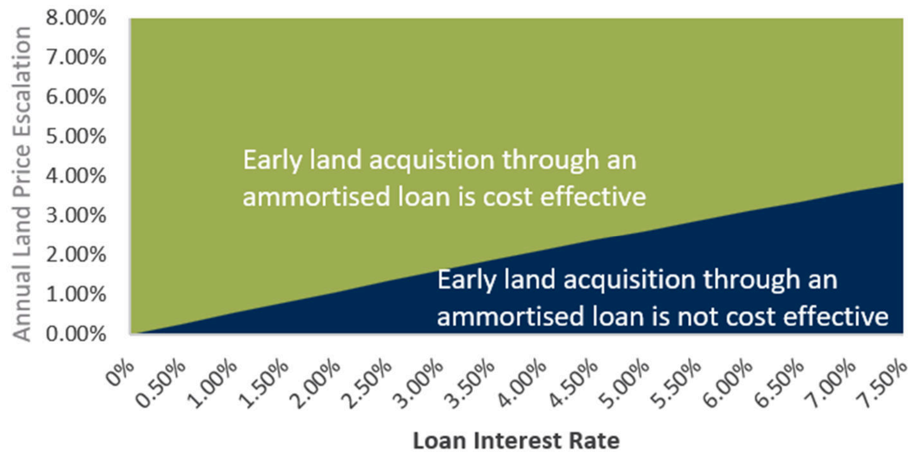
Year	Repayment	Income	Balance
Y1	12,856,290	5,242,500	-7,613,790
Y2	12,856,290	7,329,015	-5,527,275
Y3	12,856,290	11,526,708	-1,329,582
Y4	12,856,290	16,114,338	3,258,048
Y5	12,856,290	19,007,869	6,151,579
Y6	12,856,290	19,929,751	7,073,461
Y7	12,856,290	18,574,528	5,718,238
Y8	12,856,290	14,606,544	1,750,254
Y9	12,856,290	10,209,974	-2,646,316
Y10	12,856,290	8,028,869	-4,827,421
Total	**128,562,898**	**130,570,096**	**2,007,198**

The key finding is that there is an overall positive balance; however, cashflow challenges at the start of the plan mean this approach is not suitable unless the council is willing to use other mechanisms such as pooling or providing short-term injections. It also illustrates the risk to council if development does not occur, and the need to cover costs.

This is neutral to the provider of forward funding over the period of the loan. A key enabler for an early land acquisition scheme to achieve neutrality is for the contribution rate to be escalated at the cost of capital.

We modelled the impact of early land acquisition (accelerating acquisition by 10 years). **Error! Reference source not found.**(12?) shows at each interest rate what level of land price escalation results in early land acquisition being ineffective. In general, as long as the expected cost escalation is more than 55% of the interest rate, then early land acquisition is the cost-effective option. For example, if the interest rate that the ELA scheme was escalating was 7.5% per annum, this would be preferrable to waiting and land price escalating at 3.5%.

Figure 11: Cost effectiveness of a ten-year amortised loan



A.1.4 Interest only approach

The table below shows the repayment schedule of an interest-only repayment approach.

Year	Repayment	Income	Balance
Y1	4,850,000	5,242,500	392,500
Y2	4,850,000	7,329,015	2,479,015
Y3	4,850,000	11,526,708	6,676,708
Y4	4,850,000	16,114,338	11,264,338
Y5	4,850,000	19,007,869	14,157,869
Y6	4,850,000	19,929,751	15,079,751
Y7	4,850,000	18,574,528	13,724,528
Y8	4,850,000	14,606,544	9,756,544
Y9	4,850,000	10,209,974	5,359,974
Y10	104,850,000	8,028,869	-96,821,131
Total	148,500,000	**130,570,096**	-17,929,904

They key finding is that there is an overall negative balance. However, it can help the council manage the cashflow in early periods of a complex plan. The application of an interest-only approach can provide a maturing plan with early land acquisition and some delivery but shifting to an amortised approach will help council. The key challenge to this approach is that council cannot arbitrage its other funds when the land escalation is equal to cost of capital. This is neutral to the provider of forward funding over the period of the loan.

If Council expects the land costs to escalate at a faster rate than the interest rate, then an early land acquisition scheme based on an interest-only approach would be viable and lead to cost saving with more regular payments and early positive balance. However, there are cashflow challenges at the start of the plan, which mean this approach is not suitable unless council is willing to use other mechanisms such as pooling or providing short-term injections. It also illustrates the risk to council if development does not occur, and the need to cover costs.

A.1.5 Capitalised approach

The table below shows the repayment schedule of a capitalised approach.

Year	Repayment	Income	Balance
Y1	0	5,242,500	5,242,500
Y2	0	7,329,015	7,329,015
Y3	0	11,526,708	11,526,708
Y4	0	16,114,338	16,114,338
Y5	0	19,007,869	19,007,869
Y6	0	19,929,751	19,929,751
Y7	0	18,574,528	18,574,528
Y8	0	14,606,544	14,606,544
Y9	0	10,209,974	10,209,974
Y10	160,577,373	8,028,869	-152,548,504
Total	160,577,373	130,570,096	-30,007,277

They key finding is that there is an overall negative balance. However, like an interest only approach it can help manage early cashflow. The capitalised approach works best when looking at a single item, where likely price escalation is greater than the cost of capital, to enable council to lock-in prices early. However, for council to receive the benefit of acquisition and not just accumulate interest council needs to repay loans. That is why we recommended that an availability payment approach is developed.

A.1.6 Availability payment approach

The table below shows the repayment schedule of an availability payment approach. An availability payment works where council repays the forward funding as and when it receives the income. The key finding in the table below is that it is always balanced.

Year	Repayment	Income	Balance
Y1	5,242,500	5,242,500	0
Y2	7,329,015	7,329,015	0
Y3	11,526,708	11,526,708	0
Y4	16,114,338	16,114,338	0
Y5	19,007,869	19,007,869	0
Y6	19,929,751	19,929,751	0
Y7	18,574,528	18,574,528	0
Y8	14,606,544	14,606,544	0
Y9	10,209,974	10,209,974	0
Y10	8,028,869	8,028,869	0
Total	130,570,097	130,570,096	0

The modelling shows that the funder based on a $100 million outlay would achieve a return equal to their cost of capital. We completed a sensitivity test and even at a 6.5% cost of capital the total cost of delivering the infrastructure would be $143 million. This indicates that the availability payment approach can provide a commercially viable way to fund early land acquisition, balancing competing priorities, and achieving a reasonable return on investment.

In most cases, the cost of capital will be less than the price changes in the Greater Sydney market, and more so in development sites, which would make an availability payment even more attractive.

A.2 How can the cost of capital be incorporated within the plan?

We consider that there are three ways the cost of borrowing could be incorporated within the plan:

- Separate line item.
- As part of the acquisition cost for the item.
- Separate indexation for the item.

The likely cost of the loan can be predicted in advance. The interest rate charged on a loan is a nominal interest rate which is equal to the real interest rate plus the rate of inflation. Therefore, the cost of borrowing could be a double-up with the indexation. This might be addressed by not indexing the item over the life of the plan or calculating the present value of the cost of the loan in a nominal plan and then indexing it by the Consumer Price Index.

Resolving the optimal way of incorporating the cost in plan that remains cashflow neutral is critical for the success of a plan.

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