

Icon Oceania Kemps Creek Pty Ltd,  
Suite 901, L9/66 Goulburn St,  
Sydney, NSW, 2000.  
21/10/2024.

To: Independent Pricing and Regulatory Tribunal (IPART)

Subject: *Submission on Stormwater Contributions for Mamre Road Precinct in relation to development works at* [REDACTED]

Dear Tribunal Members,

On behalf of Icon Oceania Kemps Creek Pty Ltd, we welcome the opportunity to provide our comments on the proposed Mamre Road Precinct Stormwater Scheme as outlined in your Draft Report. Icon Oceania, like many other developers in the Mamre Road Precinct, acknowledges the importance of protecting waterway health. However, the stormwater contribution charges proposed under Sydney Water's current plan are excessive, disproportionate, and will significantly hinder development in this region. Specifically, Icon Oceania has been unfairly burdened due to post-purchase changes to the Sydney Water Scheme Plan, which have drastically increased the land's drainage allocation compared to the original expectations at the time of purchase.

## Key Concerns

- 1. Unfair Burden on** [REDACTED] : [REDACTED]  
[REDACTED] has been disproportionately impacted by the proposed stormwater scheme. The site was purchased by Icon in June 2020 and subsequent changes to the Sydney Water scheme plan post-purchase have resulted in a larger portion of the site being allocated to drainage than initially anticipated, severely limiting the Net Developable Area (NDA). The land sterilization caused by expanded drainage channels has further reduced the site's commercial potential, compounding financial pressures on the project. Furthermore, Icon Oceania is further burdened by having to accommodate evaporation basins, which make approximately 40% of the site undevelopable until the stormwater scheme plan is delivered.
  - **Topographical Constraints:**  
The site's low-lying nature requires more extensive stormwater infrastructure compared to other properties in the precinct. Despite these challenges, the cost allocation framework does not account for the disproportionate burden this imposes on Icon Oceania.
  - **Excessive Land Loss Due to Drainage Infrastructure:**  
Significant portions of developable land have been dedicated to drainage infrastructure. This effectively reduces the available space for industrial development, while Icon Oceania is still subject to the same high per-hectare contribution rates. These drainage allocations were not part of the original evaluation when the land was purchased. Additionally, the increase hectares draining into our site following changes in the scheme plan has compounded this issue, further exacerbating the burden on Icon Oceania. With the current design, almost 20% of our site is burdened by trunk

drainage infrastructure. Irrespective of this significant land burden, Icon is due to pay the same DSP charges as our neighbouring sites with zero Sydney Water infrastructure burdening their sites. These challenges have added an excessive financial strain on our development, highlighting the disproportionate burden on Icon's land.

- **Disproportionate Cost Burden:**

The proposed \$850,000 per hectare stormwater contribution is far higher than what is economically viable for our site. The original government guidance in 2022 suggested a contribution of \$287,000 per hectare. This drastic increase, coupled with expanded drainage infrastructure requirements, places an inequitable burden on Icon Oceania. We urge IPART to revisit the original 2022 figure and consider adjusting the rate or applying discounts for lots like ours that are heavily affected by drainage allocations.

- The draft IPART report states: *"In practice, the land purchase price would adjust to reflect developer infrastructure contributions for stormwater and other statutory fees. If this adjustment is accurate, then development remains feasible in all scenarios. Developers who purchased land before knowing what the final costs have incurred a sunk cost. Moving forward, they would need to focus on actual costs and avoid letting past investments cloud future decisions"*. It was Council's rezoning of the land in 2020 to industrial that incentivised Icon Oceania to purchase the property. This decision was based on a feasibility report, which estimated the DSP charges at \$237,000 per hectare at the time. IPART's comment that developers should focus on actual costs is misinformed and not reflective of the actual history of the DSP charges in this precinct.

- **Need for Relief from Cumulative Infrastructure Costs:** In addition to the stormwater charges, Icon Oceania is subject to various other infrastructure contributions, including water, sewer, and road upgrades. The aggregation of these costs threatens the financial feasibility of the project, and we request that IPART consider the cumulative impact of these charges when reviewing the stormwater contribution for disproportionately affected sites like Lot 9.

**Discrepancies in Cost Allocation and Design:** The design proposed by Sydney Water, as it currently stands, has been critiqued by several developers, including Icon Oceania, for being overly conservative and resulting in inflated costs. A reduction in basin sizes and simpler stormwater designs could meet the necessary environmental requirements while significantly lowering costs. Furthermore, a study conducted by the MLOG identified that the implementation of stormwater controls could be achieved at a cost of \$120,000 per hectare based on on-lot solutions. We strongly recommend that IPART push for a review of Sydney Water's targets to explore cost-effective alternatives. Whilst the scheme design is ground-breaking and new for NSW, the cost of these explorative, experimental and impractical water targets will drive investment away from Mamre Road precinct. Investors are withdrawing construction funding and investing in more stable and confident markets such as Melbourne, Brisbane. With the current proposed DSP charges, the Mamre Road Industrial precinct will fail to deliver lettable warehouse space to Sydney's markets.

## Specific Recommendations for IPART Consideration

**Align Contributions with Feasibility:** We urge IPART to review the current stormwater charges and align them more closely with the original 2022 estimates of \$287,000 per hectare. This would reflect a fairer balance between environmental objectives and economic feasibility. We also request consideration of discounts for lots disproportionately impacted by the expanded drainage infrastructure, such as Icon's.

**Cost Savings through Alternative Designs:** We recommend IPART advise Sydney Water and the NSW Government to explore alternative design options, including piped solutions and smaller basins, which would provide targeted solutions to areas with higher shear stress and reduce costs. These alternatives would allow developers to meet stormwater targets while maintaining financial viability.

**Collaboration with Industry:** We support the establishment of a technical working group, as requested by the MLOG, to work collaboratively with Sydney Water to develop an economically viable stormwater solution for the precinct. This approach would ensure that the solution is both technically sound and financially sustainable.

**Contingency and Maintenance Costs:** It was noted in the IPART public hearing on 15/10/2024 that the cost of \$850,000 per hectare include contingency and operational maintenance costs. The contingency proposed in the draft IPART report is 36% and the operational costs are significant. It was noted in the meeting that if the extortionate contingency and the abnormal operational costs are removed, the costs for the DSP reduce to approximately \$400,000 per hectare. IPART need to consider this in detail. IPART should consider an ongoing maintenance charge during operation, rather than an upfront cost to developers.

**Land Tax:** As Sydney Water serves as the stormwater authority for this precinct, it incurs land tax obligations - an arrangement unique to this area within Greater Sydney. If the Council were the regional stormwater authority instead, developers would not be required to cover the additional land tax costs, which would reduce the DSP by 14%. The question arises: Why should developers be penalized with higher costs simply because this is the only precinct in Greater Sydney where Sydney Water holds this responsibility?

**Water Targets:** It was apparent in the IPART public hearing on 15/10/2024 that both IPART and Stormwater NSW representatives did not understand the stormwater targets in detail. The overly engineered target data was discussed by several developers in the hearing as the root cause of the high DSP costs and these need to be peer reviewed in greater detail.

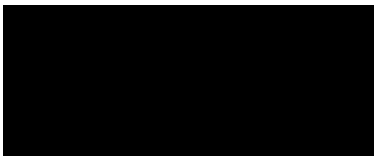
**Broader Economic Impacts:** It was discussed in the IPART public hearing that the broader economic impacts of the high DSP charges need to be understood in greater detail. The rezoning aimed to create 5,200 construction jobs and 17,000 ongoing operational jobs; however capital investors cannot proceed with the current unfeasible DSP charges.

## Conclusion

Icon Oceania, like other developers in the Mamre Road Precinct, seeks to contribute to the region's growth in a way that balances environmental sustainability with economic practicality. However, the post-purchase changes to the stormwater scheme have placed an unfair burden on our site, disproportionately reducing its developable area and threatening its financial viability. We strongly urge IPART to consider our recommendations and work with all stakeholders to develop a more balanced and affordable solution.

We look forward to continued dialogue on this matter and thank you for your consideration of this submission.

Yours sincerely,



Icon Oceania Kempas Creek Pty Ltd