



# **City of Parramatta Draft LSPS**

## **UDIA Response**

**November 2019**

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## ABOUT THE UDIA

Established in 1963, the Urban Development Institute of Australia (UDIA) is the leading industry group representing the property development sector. Our 550 member companies include developers, engineers, consultants, local government, and utilities. Our advocacy is focussed on developing liveable, connected, and affordable cities.

## INTRODUCTION

The Urban Development Institute of Australia – NSW Division (UDIA) welcomes the opportunity to provide a submission into the exhibition of the Draft City of Parramatta Local Strategic Planning Statement (DLSPS). Our members have been involved in all major urban renewal projects for the past fifteen years in Parramatta.

The DLSPS set out how growth and change will be managed in City of Parramatta over the next 20 years providing a strong focus for the City; there now needs to be the focus on implementation and transferring this into an LEP.

UDIA NSW welcomes the release of the City of Parramatta LSPS. This submission highlights the key issues that we raised over ongoing consultation on behalf of our members which includes a range of major developers operating within the City of Parramatta.

UDIA congratulates Council on showing leadership in both dwelling and jobs targets, with targets of 102,410 dwellings and 69,200 additional jobs in the 20 years to 2036, with both targets exceeding the GSC District Plan. We note the critical importance of the Greater Parramatta and Olympic Peninsula Precinct (GPOP) to deliver these targets.

UDIA makes the following recommendations to improve the strategic planning framework:

- 1. The draft LSPS is regularly reviewed to ensure it remains appropriate for the City of Parramatta.**
- 2. Council review housing targets once other Greater Sydney LGAs complete their targets.**
- 3. In collaboration with DPIE support the reintroduction of an Urban Development Program to deliver and monitor growth, with clear accountabilities in partnership with industry.**
- 4. Council provide more flexibility in planning controls.**
- 5. UDIA recommends the Council adopts an incentive-based approach for Affordable Housing in collaboration with industry.**
- 6. Council review the building height restrictions in the Parramatta CBD.**
- 7. UDIA recommends Council collaborates closely with industry to create controls that enable vibrant mixed-use precincts that reflect future opportunities and the local flavour.**

## DELIVERING THE LSPS

UDIA seeks a greater understanding of the implementation path for the LSPS in the City of Parramatta LGA. We recognise the intent is for the LSPS is to give effect to the regional and district plans in the LGA by guiding updated strategic planning documentation for the LEP to be updated next year including meeting any dwelling and jobs targets.

We seek to work collaboratively with Council and the Greater Sydney Commission (GSC) to ensure that there are adequate jobs targets for the entire district, and this is apportioned across local government areas.

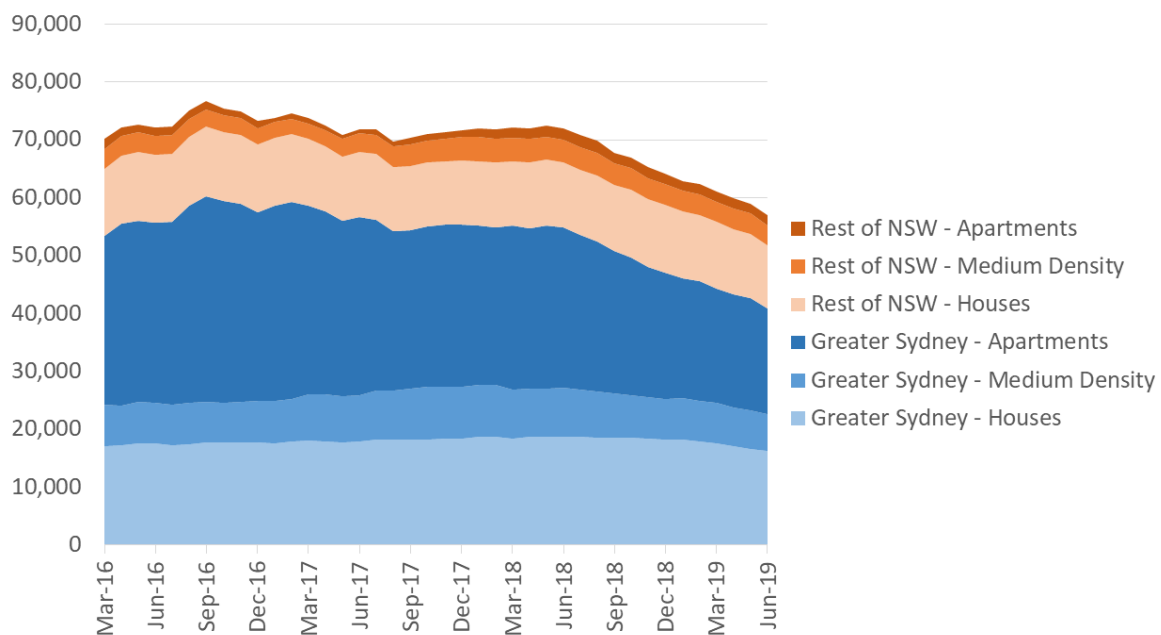
UDIA acknowledges and welcomes the leadership from Parramatta in setting ambitious targets. We believe the LSPS is contingent on the success of implementing the GPOP vision that is set out in collaboration with state government agencies.

Unfortunately, industry has not yet been able to review the Place Infrastructure Compact, which will outline the achievability of the GPOP vision. Our concern remains the lingering impact of development contributions leading to unviable development opportunities, thereby stagnating growth.

There are broader economic pressures that may result in the targets not being met, particularly as pre-sales have been a challenge over the past twelve to eighteen months, with growing uncertainty in the marketplace. UDIA believes that there may need to be some encouragement of supply, as the market slows relative to the previous decade.

Across NSW, dwelling approvals have been declining over the last 5 quarters led by declining approvals in the multi-unit/apartment sector. Given the mixed-picture for forward market performance UDIA recommends caution in relation to assuming forward supply will continue to be delivered at the same high-watermark level experienced over the last few years.

NSW Dwelling Approvals (ABS)



**Recommendation 2:** Council review housing targets once other Greater Parramatta LGAs complete their targets

## Flexibility in the Planning System

The planning priorities outlined in the DLSPS will inform City of Parramatta Council's review of its LEP and development control plan; and planning proposals must indicate whether the proposed LEP will give effect to the Statement. Whether a planning proposal respects the Statement will become a relevant consideration for the Minister in determining if a planning proposal has the strategic merit to proceed past the gateway process. While the Statement does not contain detailed and technical planning controls it will clarify the future character of an area and with it, compatible and incompatible uses.

We recognise that the Department of Planning increased the Strategic Merit Test requiring proposals to be consistent with the regional plans, and any endorsed local strategy.

UDIA encourages the development of principles to guide site specific proposals. We believe a contextual assessment of a proposal that also considers the economic context and ability to meet targets is required as part of the assessment of site-specific proposals.

## INFRASTRUCTURE AND COLLABORATION

The DLSPS highlights that there is a need for social infrastructure to cater for the populations changing needs and improve the public domain.

UDIA supports the clear nexus between growth and infrastructure. We recognise that infrastructure requires coordination between local government, state government, and other infrastructure providers.

### Housing Growth and Infrastructure

The UDIA has long advocated for the reinstatement of an urban development program across Greater Sydney. The establishment of an Urban Development Program (UDP) was a key recommendation of UDIA's *Making Housing More Affordable* report. The re-establishment of a UDP is urgently required for metropolitan Parramatta and would:

- Coordinate and monitor housing supply and targets in urban renewal areas, infill and new communities in land release areas;
- Coordinate and prioritise the delivery of the necessary supporting infrastructure;
- Signal early identification of blockages;
- Integrate social and affordable housing targets and ensure their programming; and
- Involve a transparent annual program including robust industry liaison/engagement enabling monitoring and input back into policy development and housing supply programs.

Since the Department of Planning ceased the Metropolitan Development Program in 2011/12 a void in strategic planning has emerged which has impacted most demonstrably on infrastructure servicing agencies. In the absence of 'one source of truth' various growth forecasts and servicing strategies are being produced with differing base data, different assumptions, differing language and differing time horizons.

UDIA has convened a UDP Taskforce comprised of 20 senior industry and infrastructure agency representatives to help prosecute the case for the return of a UDP. We strongly believe that a robust UDP requires close development sector liaison in order to validate and update annual housing supply timings and yields and accordingly there is a clear facilitation role which UDIA can perform to assist this process.

To help chart the way forward, a UDP Pilot was completed in conjunction with Blacktown Council with Research Partners Urbis and Mott MacDonald in 2018/19.

The UDP has an important role to play in the prioritisation and coordination of infrastructure funding and delivery. It will identify infrastructure requirements and ensure it is funded. It can also troubleshoot infrastructure bottlenecks, which would support the orderly delivery of housing supply.

**Recommendation 3:** In collaboration with DPIE support the reintroduction of an Urban Development Program to deliver and monitor growth, with clear accountabilities in partnership with industry.

### **Metro Infrastructure**

We recognise there will be significant infrastructure investment across Parramatta over the period of the LSPS including two stages of light rail and Sydney Metro West, which will help ensure the City of Parramatta makes a much more significant contribution to the future importance to Sydney's global competitiveness

There are significant current and future transit oriented-development opportunities across Greater Parramatta to provide new housing and jobs floorspace. UDIA is developing its Urban AI capacity to review the development potential and value-creation estimates together with future city/built form visualisations arising from the committed West Metro infrastructure project. This model will help highlight the long-term city-shaping opportunities for the City of Parramatta, which may help government consider projects beyond the short term challenges. The increased connectivity means that there needs to be associated increases in density, while Council does not determine station location, the Council must advocate for the city-shaping potential of the Metro and for further station locations to be confirmed in the LGA.

Our UDIA International Study tours have brought about a significant amount of learnings on transit-oriented development, and our lessons and insights material is attached.

### **Place Infrastructure Compact**

UDIA has welcomed the Place Infrastructure Compact (PIC) as a mechanism to plan and coordinate growth. The approach of better understanding density and growth in the LGA is critical to planning the future city. Unfortunately, the PIC does not illustrate the dividend of city-shaping potential, it looks at the future city and investment over a shorter time horizon.

*A City Supported by Infrastructure* highlights the methodology for the apportionment of the infrastructure between regions of Greater Sydney and emphasises the need to balance the cost between existing and future beneficiaries which is implied in the Place Infrastructure Contribution. However, page 33 suggests prioritising precincts for development based on a 10-year outlook, which UDIA considers too short. Many of these large precincts provide benefits over generations. Further, in order for industry to understand the challenges in progressing precincts identified in the PIC, we require the costings to be released to enable a collaborative approach to progress positive urban renewal.

As the PIC has failed to release detailed precinct targets, although it does allude to diminished GSC support for the Camellia-Rosehill precinct (despite it being a strategic centre in the District Plan), UDIA seeks greater clarity as to how the PIC and LSPS will interact and come together in the GPOP region.

The PIC estimates the total cost of infrastructure attributable to GPOP as \$30 billion. Between 11% and 36% of the cost of infrastructure is attributable to the development sector, this would equate to infrastructure contributions at a rate of \$40,000-\$130,000 per dwelling. This rate would be significantly greater than the contributions that have been contemplated by industry in infill areas to date and exceeds any previous infill contribution. Therefore, it is extremely likely that growth in Parramatta will slow if cumulative contributions exceed \$40,000 per dwelling.

UDIA seeks commitment from Parramatta Council to advocate for certainty for the development sector, and appropriate and affordable contributions from industry, which foster the robust development of Parramatta as a major CBD in Sydney.

## LIVEABILITY

### **Encourage Genuine Housing Diversity**

UDIA supports the priority for increasing housing diversity into the future. We recognise that there is a strong focus on supporting a range of housing types, and that the Council believes there is sufficient planning for higher-density housing over the next twenty years.

The finalised LSPS must focus on the changing nature of living, particularly the shift toward higher density and long-term renting. There needs to be greater flexibility in the planning controls to enable build-to-rent, co-living and other alternative housing models to emerge, with the flexibility to provide quality liveability outcomes that is separate to that in an ADG compliant build-to-sell apartment.

The UDIA has concerns about the housing diversity criteria and believe it might be challenging to meet the full list of criteria, as viability thresholds will be challenging. We believe that there needs to be greater flexibility and clarity in terms of the walkability benchmarks/stipulations.

The approach proposed makes delivering housing diversity a master planning exercise, and we believe with appropriate strategic planning it is possible to integrate suitable diversity into established 'outer' suburbs. The proposal to retain two thirds of the existing detached stock, is short-sighted. There is great potential to integrate the 'missing middle' into existing suburban landscapes. It is premised on restricting high density housing for non-family households; however, UDIA believes that given the appropriate flexibility and amenity there is great potential for family living in higher density development.

Council has recently suggested that Council officers to investigate potential for downzoning some R3 clusters to R2 as part of the LEP harmonisation process. UDIA believes that this is likely to lead to the loss of value for some homeowners. We encourage the Council to take a longer-term approach in the LSPS to enable to slow progressive refreshment as new typologies emerge and existing dwellings reach the end of their economic lives. This would preserve amenity and affordability throughout Parramatta. UDIA encourages Council to retain the existing zone in these areas.

**Recommendation 4:** Council provide more flexibility in planning controls

### **Use an incentive-based approach to deliver affordable housing**

UDIA acknowledges Planning Priority 6 which aims to incentivise affordable rental housing delivery and provide for permanent affordable housing.

UDIA supports the policy direction to support housing types such as new-age boarding houses, co-housing, communal student housing and dual-key apartments in appropriate locations.

We are concerned about the proposal for a contribution scheme, and UDIA recommends that any affordable housing contribution is provided as an incentive not a penalty, so as not to negatively impact the viability of the development in the area. An affordable housing policy, which makes housing affordability harder to obtain is a sad irony which must be avoided if we are to provide housing for the Next Generation.

UDIA established a Taskforce of 20 industry leaders in 2018 (including developers, CHPs, legal, and planning experts) to investigate social and affordable housing challenges and innovative solutions.

UDIA understands SEPP70 is the mechanism to implement affordable housing targets; however, the penalty imposed by inclusionary zoning has been empirically shown to increase house prices:

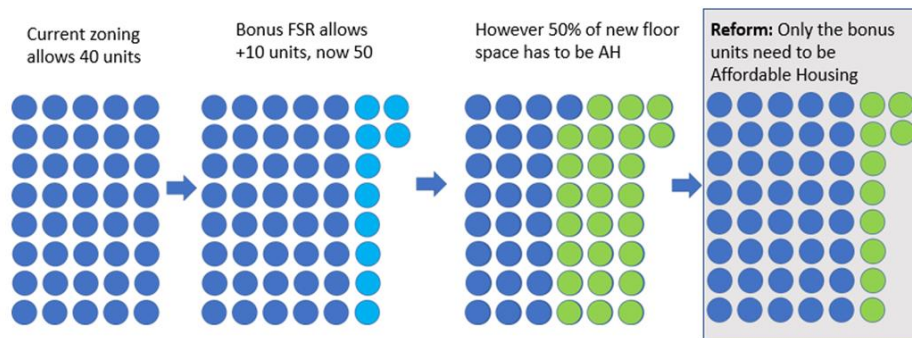
*The analysis found that inclusionary zoning policies had measurable effects on housing markets in jurisdictions that adopt them; specifically, the price of single-family houses increase and the size of single-family houses decrease.*

**Bento et al (2009), 'Housing Market Effects of Inclusionary Zoning' Cityscape: A Journal of Policy and Research 11(2), US Department of Housing and Urban Development.**

Bento et al. (2009) found that where inclusionary zoning was adopted, housing prices increased approximately 2 to 3 percent faster than in cities that did not adopt such policies.

We note that is strong reliance on the Affordable Rental Housing SEPP, particularly in relation to the policy direction to limit density to be loose-fitting within building envelopes to enable capacity for the bonuses in the SEPP. Unfortunately, the Affordable Rental Housing SEPP attempts to provide affordable housing; however, it does not act as a genuine incentive. The SEPP provides a 0.5 FSR bonus if 50% of dwellings are affordable. The SEPP provides a 'stick' bigger than the 'carrot', resulting in a net reduction of market housing on the site, when utilising the ARHSEPP.

## Example: FSR Bonus – how it works



UDIA modelling suggests that the current approach results in the internal rate of return (IRR) being reduced by about 5% through the incentives provided by the SEPP. If only the bonus was affordable housing, then the IRR would be reduced by 1.5%, which would still mean projects remain unviable. However, if half the bonus was affordable then the IRR would be equivalent, and the market housing would not subsidise affordable housing. UDIA believes a different approach might need to be applied for housing to that contemplated in the ARHSEPP.

**Recommendation 5:** The Council adopts an incentive-based approach for Affordable Housing in collaboration with industry.

## PRODUCTIVITY

The City of Parramatta generates of \$14 billion worth of economic activity each year. In order achieve its second city ambition and potential, the City needs a concerted focus on job expansion.

UDIA believes there needs to be significant progress in providing capacity for Parramatta, which includes an expanded commercial core. This also requires looking at the geography of Parramatta and expanding it so that it can compete with the Sydney CBD in terms of size.

The UDIA is currently undertaking research examining the GSC's 'retain and manage' action and to investigate how jobs can be maximised across the city. UDIA welcomes the planning priority to retain and intensify economic activity in Parramatta's Strategic Metropolitan Employment Lands. In order to achieve the vision, there needs to be planning changes to permit increases in jobs at Silverwater, Rydalmere, and Camelia, including the creation of a vibrant town centre as envisioned in the policy direction 4.

UDIA believes the CBD should have a commercial focus, while also supporting 24/7 activation and there is much more potential for night-time and weekend uses. There might be a benefit in seeking to stimulate greater activation through heightened residential development in the CBD or in the 'inner ring', while still seeking to enhance its commercial focus.

We recognise the critical role of urban services land in City of Parramatta. UDIA welcomes the acknowledged need to accommodate small industries, local services, and last-mile logistics operations. UDIA strongly believes that these models could be delivered through industrial focussed mixed-use development. We note the inclusion of car sharing in apartment buildings as a starting point. Other uses such as laundromats, and last mile logistics might also be integrated into residential flats or commercial office buildings.

We recommend Council should consider facilitating next-generation mixed-use precincts that incorporate urban services along with residential, retail, commercial and health care uses to create areas where people want to live, work and play.

Growing jobs can be focussed on improving amenity, which includes finer grain urban form, more public open space, and a range of uses, including residential. UDIA believes that sensible mixed-use development that incorporates residential can create vibrant day-and-night precincts across the City of Parramatta, which will enable a vibrant place for the community and attract jobs.

**Recommendation 7:** Council collaborates closely with industry to create controls that enable vibrant mixed-use precincts that reflect future opportunities and the local flavour

## SUSTAINABILITY

UDIA acknowledges the role of the City of Parramatta in enabling sustainability goals to be achieved through planning.

UDIA recognises that there are substantial global megatrends impacting upon the ability to deliver sustainable urban environments. Electric Vehicles, smart city big data, and hydrogen will all influence the capacity to respond to climate change.

Council needs to be responsive to global best practice and changing technology in this space, and not preference any specific technology or solutions to achieve outcomes for the community.

UDIA supports the improvement of open spaces and public domain and we consider open space to be part of the supporting social infrastructure for a development. The comments made in the infrastructure and collaboration section also apply to sustainability.

## AGEING IN PARRAMATTA

Population ageing is one of the most fundamental demographic changes being faced in Australia today and over the coming decades. It will have a significant impact on land use for housing, social services and accessible infrastructure. Across Greater Sydney, no local government is unaffected by growing numbers of people at older ages. Even in places where much of a population is concentrated at

younger cohorts, unprecedented growth is forecast in the number of older people. In only 20 years' time we can expect to see more than double the number of people aged 85 and older compared to today across Greater Sydney.

## THE NEED FOR SENIOR'S HOUSING

A review of popular media today, as well as current academic research, reveals the burgeoning interest in – and importance of – interaction and sharing knowledge across generations and of fostering communities of all ages. As both the proportion of our population over 65 and the proportion of single households grows, it is time to rethink the design of cities based on age-specific islands of activity – schools for children, workplaces for adults, retirement villages for the elderly are examples of physical segregation and compartmentalisation that works against the cross-generational relationships vital for a vibrant and healthy community.

Already in NSW, the Government is actively encouraging the sharing of resources of schools with the wider community. Therefore, it is important that both our state and local planning strategies allow for mixed and intergenerational uses on sites, especially those sites near commercial centres, schools and other community sites such as places of worship, libraries and sporting facilities.

Further, there is a similar need for multiple ways of providing residential accommodation which can work flexibly across the generations and across social-economic-cultural parameters. Examples are: long term rental models; housing where multiple family generations can live so that they are self-supporting; student and affordable accommodation integrated with serviced accommodation for those needing assistance (including the elderly) so that students or single parents or those who work only part-time can provide the assistance needed; single households; co-operative living.

## FLEXIBILITY IN THE PLANNING SYSTEM

The LSPS must contemplate the ageing population and its changing needs in terms of housing needs and aspirations. Whilst retirement living villages have traditionally played an important role in providing housing for the ageing population, recent studies from AHURI note that living “....in an age-segregated community appealed to only a small proportion of the older population (5% of 55–64, 8% of 65–74 and 6% of 75+)”.<sup>1</sup> Those aged over 55 today demand more connectivity, often still work and are engaged in many aspects of society and the broader community.

The planning system and specifically land use zones must consider how best to accommodate those over 55. Future planning must recognise the changing needs and aspirations of this population cohort and provide seniors housing in a range of land use zones from R1 – R4 Residential, B4 Mixed Use and

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<sup>1</sup> Understanding the housing aspirations of older Australians AHURI August, 2019.

potentially SP Special Purpose zones. Seniors living and aged care are compatible with other land uses including childcare, mixed residential tenure, special uses, commercial and retail.

Vertical villages mix land uses and by doing so achieve great housing and liveable outcomes which meet the needs of a maturing city. The LSPS must provide for a range of housing forms and locations necessary to meet the changing needs of the ageing population and the different aspirations and financial circumstances of this significantly growing cohort.

## ECONOMIC RATIONALE

Seniors Living development delivers significant benefits to both the surrounding community and the Federal and State health systems. At a local level seniors housing allows retirees to downsize out of larger homes to purpose-built housing located within their local community close to established family, social and health networks. This has a dual benefit of freeing up larger homes for local families, in addition to facilitating ageing in place. We also know that the creation and extending of social networks decreases social isolation of the elderly, which is one of the key drains on the health budget as socially disconnected people more often suffer from ill health.

In order to deliver the key benefits of Seniors Housing there is a need to 'level the playing field'. The lack of medium to high density Seniors Housing options is predominantly as a result of it being uncompetitive against standard residential apartments for the following reasons:

- Residential apartments can achieve a higher density/yield on the site as the apartments are generally 10% smaller than Seniors Living apartments due to accessibility and adaptability requirements. These requirements also increase the cost of construction.
- Seniors Living generally has higher amenity requirements such as dining rooms, bars, libraries, lounges, consulting rooms and back of house over and above the gyms and pools associated with many apartment developments. While this additional amenity has the benefit of reducing the pressure on surrounding infrastructure it is included in FSR calculations, further decreasing the development yield.
- The Retirement Villages Act 1999 rightfully protects ingoing residents, allowing them to secure a residence and then having a settling in period of 3 months where they can elect to leave with a full refund. This means that seniors housing developments are unable to secure binding pre-sales, which significantly increases the project risk profile, especially in high density projects, and results in increased funding costs.
- Apartment pricing is generally structured to be below market to allow residents to free up a percentage of cash from the sale of their home to use in their retirement.

The result of this is that on a like for like basis to make a Seniors Living proposal viable a provider would need to pay about 10-15% less for the underlying land.

In order to deliver Seniors Housing in locations where it is most needed, to allow ageing-in-place and better integration into existing communities, rather than reliance on development on the metropolitan fringe, we need a multifaceted approach. Making Seniors Housing permissible in all

Residential and Mixed-Use zones, in addition to providing an FSR bonus (similar to Brisbane City Council) and excluding ancillary uses such as communal social and recreation spaces from the FSR calculation would help drive competitiveness.

Brisbane City Council introduced a policy to its 2014 Brisbane City Plan:

- Increasing building heights in medium and high-density residential zones  
*Council has increased the allowable building height by two storeys as code assessable in selected zones. This applies to aged care facilities and retirement facilities in the Medium and High-density zoned areas.*
- Allowing small businesses, services and facilities to share sites and integrate with retirement and residential care facilities  
*Council now allows care co-located uses such as small cafes, shops and community amenities to be included in retirement facility and aged care facility developments as code assessable, to serve the needs of residents and visitors. Eligible types of development which can integrate with retirement and aged care facilities include:*
  - *childcare centres*
  - *healthcare services*
  - *clubs*
  - *offices*
  - *community care centres*
  - *places of worship*
  - *community uses*
  - *shops*
  - *food and drink outlets*
- Brisbane Council now allows an existing building to change from a retirement facility to an aged care facility or vice versa without a need for a planning application, where certain requirements are met. As both types of facilities can share a site, this enables operators to re-purpose existing buildings more easily. These are the sorts of provisions which might be helpfully contemplated in the final Parramatta LSPS.

## CONCLUSION

UDIA looks forward to working with City of Parramatta Council collaboratively to progress the DSLPS to the next stage and implementing appropriate LEP controls that will achieve the vision outlined in the DLSPS.

Please contact Sam Stone, Manager, Policy, at [ssstone@udiansw.com.au](mailto:ssstone@udiansw.com.au) or 0401 213 899 to arrange a meeting.

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