



# **City of Sydney Draft LSPS**

## **UDIA Response**

**October 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 Sydney Local Strategic Planning Statement (DLSPS). Our members have been involved in all major urban renewal projects for the past fifteen years in Sydney.

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

UDIA NSW welcomes the release of the City of Sydney LSPS. The UDIA has engaged closely with the City of Sydney over the past months on the development of the 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 Sydney.

UDIA congratulates Council on pursuing aggressive targets for growth to 2036, of 115,000 additional people, 56,000 dwellings, and 200,000 more jobs.

UDIA congratulates Council on producing a DLSPS and we make the following recommendations to improve the strategic planning framework:

- 1. The draft LSPS is regularly reviewed to ensure it remains appropriate for City Of Sydney.**
- 2. Council review housing targets once other LGAs complete their targets**
- 3. Implement 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 height restrictions in the Sydney 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 Sydney 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 an updated LEP including meeting any dwelling and jobs targets.

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

UDIA is concerned that the strategic collaboration between local government areas within each district has been missing in the development of the strategies. Thereby, potentially not leading to adequate rezoning and supply of housing and employment lands in the LEP review.

### **Housing Targets**

The 56,000 dwelling target is informed by the capacity study which estimates there is capacity within the existing zonings to meet the dwelling target.

UDIA congratulates Council on progressing a detailed development capacity study; however, we have a key concern about the baseline assumption, “All sites identified as having capacity of at least 100 square metres will redevelop in the future”. UDIA does not believe a 100 square metre capacity is not feasible for redevelopment in many instances.

Approximately 13% of the sites under consideration have an extra capacity of less than 500 square metres, we are concerned that this capacity may not be realised, thereby placing pressure on the ability to meet the dwelling targets.

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 market-place. UDIA believes that there may need to be some encouragement of supply, as the market slows relative to the previous decade.

<b>Recommendation 2:</b> Council review housing targets once other LGAs complete their targets
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### **Flexibility in the Planning System**

The planning priorities outlined in the Statement will inform City of Sydney Council’s review of its LEPs and development control plans; 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.

The site-specific principles for growth are:

- Proposals must locate development within reasonable walking distance of public transport that has capacity (assuming development capacity will be delivered) and is frequent and reliable.
- Proposals must meet high sustainability standards and mitigate negative externalities.
- Proposals must include an amount and type of non-residential floor space appropriate to the site’s strategic location and proximity to or location within a centre or activity street.
- Proposals must create public benefit.

- Proposals must be supported by an infrastructure assessment and demonstrate any demand for infrastructure it generates can be satisfied, assuming existing development capacity in the area will be delivered.

UDIA believes that these are welcome principles in isolation, although they need to be assessed through a commercial lens, that promotes the ability for sensible renewal, particularly in more challenging economic times.

## INFRASTRUCTURE AND COLLABORATION

The DLSPS highlights that there is a need for social infrastructure to cater to 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, stage government, and other infrastructure providers.

### Housing Growth and Infrastructure

The UDIA has long advocated for an urban development program across 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 Sydney 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 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.

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:** The City of Sydney advocate for an urban development program as an action in the LSPS.

### Transport and Metro Infrastructure

We recognise there will be significant Metro Infrastructure investment around the area. The UDIA believes there should be further discussion around what that means for the City of Sydney 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.

## LIVEABILITY

The DLSPS has a clear target for 56,000 dwellings by 2036 with a mix of typologies and the promotion of design excellence requirements to create liveability.

UDIA supports the extension of compact housing in centres and higher density housing, we believe there is a strong conversation to be had about enhancing existing suburbs and looking at innovative typologies.

The strong planning in the LSPS with a clear target, a focus on place and walkability will help generate affordability, our recommendations in relation to an urban development program and planning will help ensure this liveability objective can be achieved.

### Diversity for new styles of living

The final LSPS must focus on the changing nature of living, particularly the shift toward higher density and renting. There needs to be greater flexibility in the planning controls to enable build-to-rent and co-living typologies to emerge, with the flexibility to provide liveability that is separate to that in an ADG Build-to-sell apartment.

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

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

The DSLPS looks at SEPP70 mechanisms to deliver affordable housing. 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 an irony which must be avoided if we are to provide housing for the Next Generation.

UDIA established in 2018 a taskforce of 20 industry leaders to investigate social and affordable housing including developers, CHPs, legal, and planning experts.

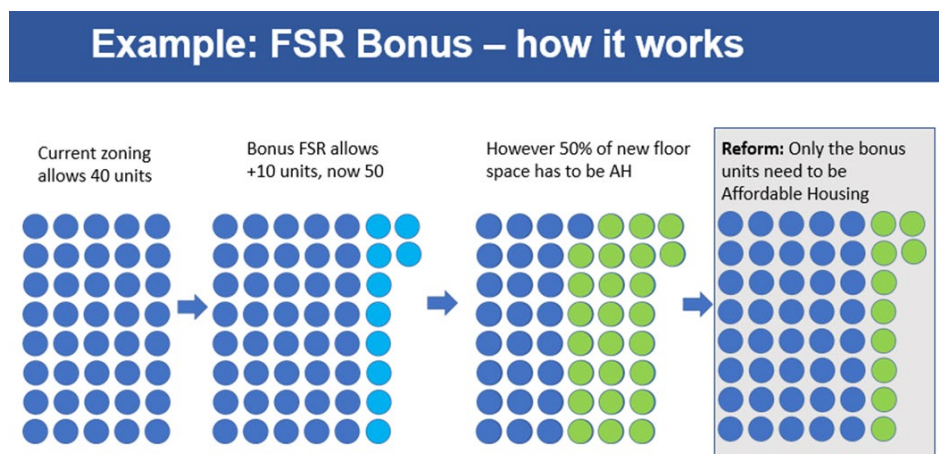
UDIA understands SEPP70 has been seen as the mechanism to implement affordable housing targets; however, the penalty imposed by inclusionary zoning has been empirically shown to increase house prices:

*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.

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 carrot and a stick bigger than the carrot, that there is a net reduction of market housing in the site, when utilising the ARHSEPP.



UDIA modelling suggests that the approach results in the internal rate of return is 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 mean projects become unviable. 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 complemented in the ARHSEPP.

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

## PRODUCTIVITY

The City of Sydney generates of \$130 billion worth of economic activity each year, the DLSPS recognises this and grows the productivity of the City.

UDIA supports the move to strengthen the economic role of Central Sydney contributing an additional 100,000 jobs by 2036. Many of these jobs are to be delivered through the Central Sydney Planning Strategy, UDIA would welcome a greater understanding of the progress of this strategy through the statutory planning process.

UDIA believes the CBD should have a predominant commercial focus, as it does now; however, we also believe it misses out on 24/7 activation with limited night-time and weekend uses. There might be a benefit in seeking to promote some activation with some residential development in the CBD, while still retaining its commercial focus.

The CBD is geographically constrained on the peninsula with limited expansion opportunities, UDIA recommends the City reviews the height restrictions in place to enable greater density of jobs, at the moment Sydney is losing jobs to other cities, placing the City's unique economic drivers at risk.

**Recommendation 6:** Council review the height restrictions in the Sydney CBD

The DLSPS recommends promoting the creative and cultural industries in the Eastern Precinct. UDIA believes this is a smart move; however, recognise that without ensuring adequate employment supply elsewhere, there will be pressure on the creative precinct to provide employment floorspace for other professional services, which might undermine the intended objectives.

UDIA is strongly supportive of the development of the Innovation Corridor, we recognise the great opportunity of leveraging leading universities to create an employment corridor within the City Fringe Area. Critically, Redfern, Waterloo and Green Square will be connected by rail and metro to almost the entire Sydney network, creating the possibility of CBD levels of connectivity. There is a strong case for well designed and sensible mixed-use that will provide continued employment in this area.

The DLSPS has a clear objective to protect and evolve business in the Southern Enterprise Area, we believe that there are multiple uses that could be delivered in the changing nature of work. UDIA NSW is currently undertaking detailed research about the better use of industrial lands and will seek to work collaboratively to suggest a better approach

We recognise the role of the urban services land in City of Sydney. However, there is an ability to provide many urban services in a mixed-use environment. We recommend Council should consider creating a mixed-use precinct that incorporates urban services, residential, retail, commercial and health care to create areas where people want to live and work.

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 a day and night precinct City Of Sydney, 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

The DLSPS sets a clear objective to create a pathway to net zero buildings.

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 best practice and changing technology in this space, and not prefer any specific technology or solution to achieve outcomes for the community.

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

## AGEING IN SYDNEY

UDIA congratulates Council for explicitly considering a housing strategy that enables ageing in place, while supporting options for young people and families.

Population ageing is one of the most fundamental demographic changes being faced in Australia today and over the coming decade. It has 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 the majority 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.

Older people have different housing needs, as well as a range of care requirements. These have flow on effects for family and other carers. Failure to recognise the unprecedented growth in this population, and the way it is shaping housing demand, means the local council will be both unprepared for the forthcoming impact of ageing and unable to respond in agile ways.

In order to meet the strategic priorities of the region and the district plan, and Council's own community strategic plan, we recommend that this key issue be addressed.

## HOUSING TARGETS

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. Loneliness and social isolation is likened to the health impact of smoking 15 cigarettes a day. 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 in close proximity to 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 aging population and its changing needs in terms of housing needs and aspirations. Whilst traditionally retirement living villages played an important role in providing housing for the aging 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 potentially SP Special Purpose zones. Seniors living and aged care are compatible with other land uses including child care, mixed residential tenure, special uses, commercial and retail.

Other Australian States have seen the delivery of vertical villages. 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 aging population and the different aspirations and financial circumstances of this significantly growing cohort.

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

## ECONOMIC RATIONALE

Seniors Living 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 presales, which significantly increases the project risk profile, especially in high density, 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 aging 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

- 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

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.

## CONCLUSION

UDIA looks forward to working with City of Sydney 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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