

25 October 2024

Mr Hugh Phemister
General Manager
Willoughby City Council,
PO Box 57
Chatswood NSW 20574

RE: Chatswood CBD Discussion Paper

Dear Mr Phemister,

The Urban Development Institute of Australia NSW (UDIA) is the state's leading development industry body. We represent the leading participants in the industry and have more than 450 members across the entire spectrum of the industry including developers, financiers, builders, suppliers, architects, contractors, engineers, consultants, academics and state and local government bodies.

UDIA invests in evidence-based research that informs our advocacy to state, federal and local government, so that development policies are developed to best meet user needs and ensure critical investment is directed to where they are needed the most. Together with our members, we shape the places where people will live for generations to come and in doing so, we are city shapers.

Some of our members have highlighted that Willoughby City Council is currently exhibiting the Chatswood CBD Discussion Paper. The exhibition of the plan wasn't brought to UDIA's attention until earlier this week and Council has indicated we are not able to be granted an extension of time to make a submission.

Due to these timelines UDIA NSW has faced challenges consulting extensively with our members. However, given the importance of offering feedback on development in the Chatswood CBD, amidst a significantly altered post Covid-19 economic landscape, we respectfully provide the following high-level feedback:

- Current planning regulations are overly focused on commercial development. There has been no new commercial construction of substance in the Chatswood CBD for approximately 30 years, primarily because developers struggle to make the feasibility model viable. Commercial rates and lease conditions are not

favourable for generating profitable projects. Permitting mixed-use development in the commercial core will give developers the chance to include residential units, making the feasibility more viable.

- The Council has maintained a prohibition on mixed-use development in the commercial core for over 20 years to safeguard the economic integrity of the CBD and support its employment function. However, this approach has not yielded the expected results, as investments in commercial office space have fallen short of the initial projections, and in some cases, have not materialised at all. Mixed-use developments can diversify the CBD, making Chatswood's economic profile more resilient to fluctuations than a purely commercial setup. Successful cities are those that seamlessly integrate living, working, and recreational spaces, enabling residents to enjoy a more convenient lifestyle with shorter commutes and easy access to amenities.
- In the mixed-use zone, there is a minimum requirement of 17% non-residential floorspace. While it's essential to include commercial and retail elements in mixed-use developments, this requirement creates challenges for developers' feasibility as this is too much non-residential. Reducing this percentage should be a goal, particularly for larger sites that must deliver significant non-residential space despite a lack of demand for that space. Additionally, this regulation is especially problematic for sites located farther from the Chatswood centre, as these developments still need to meet the 17% requirement, which can be difficult and often leads to discounted commercial rates.
- The infill affordable housing reform implemented in December 2023 will only impact MUI zones located within 800 meters of Chatswood station. This reform is widely recognised as a measure to address Sydney's housing crisis. Allowing mixed-use development in the commercial core will enable developers, in collaboration with Willoughby Council, to make a meaningful contribution to the National Housing Accord's five-year target. However, it's important to note that Willoughby's affordable housing requirement is typically 10%. Since the infill requirement adds to the existing LEP obligations, it presents developers with a significant burden of non-profit-generating products, which greatly affects feasibility. While the need for affordable housing is clear, developers must have viable projects to pursue. Reducing these requirements would encourage much more development in Chatswood.

- With the NSW Government's recent planning reforms allowing build-to-rent in commercial cores, if the Council does not address the need for mixed-use development in the same area, we are likely to see an oversupply of build-to-rent products.
- Another key factor hindering the increase in mixed-use development supply is the restrictive parking requirements. As noted in the paper, construction costs pose challenges for project viability, and developers depend on revenues to mitigate these costs. The market demands car parking spaces

Given we have had limited time and capacity to respond to the discussion paper, UDIA would welcome any opportunity to meet and discuss this feedback in more detail before engagement on the Discussion Paper concludes. In the meantime, if you need anything, please feel free to contact me directly or David Petrie, Director Infrastructure at dpetrie@udiansw.com.au or on 0447 646 202.

Kind regards,

A handwritten signature in black ink, appearing to read 'G. Melvin', with a long, sweeping horizontal stroke underneath.

Gavin Melvin
Executive Director Policy, UDIA NSW