



# **North Sydney Draft LSPS and LHS**

**UDIA Response**

**August 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 North Sydney Local Strategic Planning Statement (DLSPS) and draft Local Housing Strategy. Our members have been involved in all major urban renewal projects for the past fifteen years in Sydney, including in the lower north shore.

The DLSPS provides a welcome high-level vision for the North Sydney LGA:

*Whilst of relatively high density, residents of the North Sydney LGA will continue to enjoy high levels of amenity and liveability with good access to transport, jobs and areas of unique scenic and recreational qualities. Carefully managing the expected levels of growth in population, housing and jobs, will be key to securing this unique natural and built form character, amenity and appeal.*

We congratulate the Council on delivering the draft Local Housing Strategy alongside the DLSPS and make comments in relation to the objectives, which we mostly provide in-principle support.

UDIA has concerns about ensuring there is sufficient housing supply, ability to develop housing diversity, and ensuring adequate mixes of uses in the North Sydney LGA, we look forward to continuing to discuss the future of North Sydney with Council.

UDIA congratulates council on producing a DLSPS that provides an overarching vision for the next twenty years for the LGA; to further support this document we make the following recommendations:

- 1. The draft LSPS is regularly reviewed to ensure it remains appropriate for North Sydney.**
- 2. Council review Housing Targets following the finalisation of the other district plans**
- 3. Council adopts an incentive-based approach for affordable housing in collaboration with industry.**
- 4. Council collaborates closely with industry to create controls that enable vibrant mixed-use precincts that reflect the local flavour.**
- 5. UDIA recommends Council sets out an approach for new sites to be included.**
- 6. Implement an Urban Development Program to deliver and monitoring growth, with clear accountabilities and in partnership with industry.**
- 7. Council support place-making and take urban design leadership**

The UDIA NSW submission seeks to respond to the key issues raised in the draft local housing strategy, and then responds to the priorities within the LSPS. We would be pleased to discuss any relevant issues in more detail Council.

## DELIVERING THE LSPS

UDIA seeks a greater understanding of the implementation path for the LSPS in the North Sydney LGA. We recognise the intent is for the LSPS 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 communities has been missing in the development of the strategies. Thereby, potentially not leading to adequate rezoning and supply in the LEP review.

## DRAFT LOCAL HOUSING STRATEGY

The North Sydney Draft Local Housing Strategy states the North Sydney Local Housing Vision is:

“Carefully managed expected levels of growth in population through planning for housing in North Sydney which is supported by good access to infrastructure, services and amenity; provides housing diversity and affordability choices and respects the unique character of our built and natural environment to ensure that North Sydney continues to enjoy high levels of amenity and liveability.”

This is supported by 6 objectives, the UDIA makes comments in relation to each of the objectives below.

**1. Achieve the directions, objectives and actions identified in A Metropolis of Three Cities (GSC, 2018) and the North District Plan (GSC, 2018).**

UDIA NSW supports this objective.

**2. Delivery of 0-5 and 6-10 year housing supply targets and identify capacity to contribute to the District’s 20 year strategic housing target.**

The Draft Housing Strategy sets housing supply targets for the LGA, these provide a total of 11,870 dwellings.

2016-21	2,906
2022-26	2,835
2027-31	3,160
2031-36	2,970
<b>Total</b>	<b>11,870</b>

We congratulate Council on preparing these targets; however, UDIA will reserve judgement on the housing targets until we have been able to fully review Sydney’s housing supply. UDIA seeks greater

understanding, not just for North Sydney, but across Sydney and we are looking for State Government direction.

UDIA acknowledges the attempts to increase the portion of 1 and 3 bedroom apartments in the LGA, we believe the changing market conditions will help support the industry to deliver appropriate dwelling typologies.

**Recommendation 2:** Council review Housing Targets following the finalisation of the other district plans

### 3. Inform housing diversity and affordability issues in North Sydney.

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:

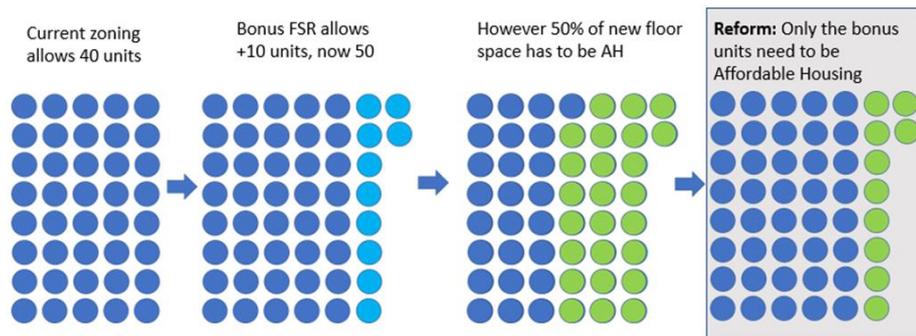
*The analysis found that inclusionary zoning policies had measurable effects on housing markets in jurisdictions that adopt them; specifically, the price of single-family houses increase and the size of single-family houses decrease.*

**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.

## Example: FSR Bonus – how it works



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 different to that complemented in the ARHSEPP.

**Recommendation 3:** Council adopts an incentive-based approach in collaboration with industry.

#### 4. Identify the right locations for mandated housing growth, including an understanding of areas that are unsuitable for significant change in the short to medium term and support the role of centres.

The Draft Local Housing Strategy establishes five principles for the location of residential development:

1. Local character and heritage - Protect areas with local heritage values and encourage design of new development that contributes to local character
2. North Sydney CBD and commercial centres - Maintain a significant level of commercial and retail floorspace in the CBD and commercial centres to support the economic viability of these centres
3. Good connectivity - Focus residential density in areas with good access to transport, centres with community services and facilities and employment opportunities, and open space
4. Protect sensitive areas - Locate residential development away from sensitive areas such as along the foreshore, land adjoining bushland, and environmental conservation areas. Intensify development in areas already permitting multi-unit development
5. Avoid constrained areas - Avoid locating new residential development in areas that are constrained by flooding risk, geotechnical risk, and where existing strata development may reduce the likelihood of redevelopment.

UDIA recognises the importance of the principles, we note and support enabling residential flat buildings in the R3 zone, which will enhance existing capacity. We believe that this will help ensure North Sydney will be able to meet its housing targets.

There is a critical need to include high quality mixed-use developments in CBDs to help create an 18-24 hour economic and place activation, and we seek to work with the Council on assisting in promoting mixed-use development. Smarter mixed-uses including car repairs and sales, catering, furniture and clothe manufacturing, digital/creative industries, and personal storage can be incorporated within mixed-use buildings, for example in Zetland car repairs are incorporated within apartment buildings (see below picture)



**Recommendation 4:** Council collaborates closely with industry to create controls that enable vibrant mixed-use precincts that reflect the local flavour.

UDIA sees the Metro as a critical catalyst for the next evolution of the St Leonards-Crows Nest precinct, we encourage Council to work with the State Government to deliver appropriate zonings and density to enable development alongside Metro as a matter of priority. A copy of our submission in relation to the St Leonards-Crows Nest precinct is attached.

The Local Housing Strategy places a significant amount of pressure on existing suburbs in the LGA to deliver on the housing targets. Almost 7,000 dwellings (which reflects almost 60% of the 11,870 dwelling supply target for the LGA to 2036) is expected to be delivered in the established suburbs of Wollstonecraft, Waverton, Neutral Bay, Kirribilli, Kurraba Point, Crows Nest, McMahon's Point, and Cammeray.

The LHS states that the future dwelling types in these areas will be “Low-rise (under six storeys) apartment blocks and mid to high rise (under 20 storeys) apartment blocks along major transport corridors and in centres”. However, the associated map shows the potential for this type of development to be widespread across the LGA, including in established areas where the R3 zone exists.

Largely, this action calls for a 'business as usual' approach, utilising existing zonings (noting it states that changes to controls along Military Road might be needed). Whilst the LHS states that DPIE's Mapping tool shows that land has potential for additional housing, there is significant doubt over the realistic likelihood of 7,000 dwellings being delivered in these existing, established areas. This is compounded by the fact that many of these areas already contain established homes, and would require extensive amalgamation to make redevelopment logical. Added to that is the high value of many of the properties, which places significant pressure on redevelopment viability. Compounding this issue, is the fact that many of these areas will have sensitive matters to contend with, including view sharing, heritage interfaces and questions around 'consistency with local character'. All of this seems to cast doubt over the likelihood of 7,000 dwellings actually being supplied in these existing established suburbs.

This, in turn, places a much greater focus on existing higher order centres to accommodate a higher proportion of the housing target. Protecting existing suburbs naturally requires concentration of densities in the strategic centres, especially those that have transport nodes (e.g. St Leonards). Albeit there is a need to balance jobs growth in these centres as well, the answer could be to encourage more Mixed Use developments in Centres such as St Leonards – where a mix of housing and jobs is the clear and emerging character. Unlike North Sydney, which has a large consolidated commercial core, St Leonards (especially that part between the existing and future stations) is much more mixed use in nature. Sites in that corridor could continue to carrying some of the burden of both housing and jobs supply, through well thought through mixed use development.

## **5. Coordinate growth with the planning and delivery of local and State infrastructure and planned precincts.**

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

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 5:** North Sydney advocate for an urban development program.

## **6. Manage residential development growth to ensure that ad hoc Planning Proposals are rejected if not in line with Council's strategic framework to manage growth.**

The planning priorities outlined in the Statement will inform Councils' review of their 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 DLSPS requires a series of strategies and studies to be completed prior to rezoning sites, UDIA is concerned that this will not result in the timely completion of a rezoning. The DLSPS should include clear timelines for the completion of studies and the rezoning of the site. Otherwise, we believe the DLSPS will act as a constraint of sensible growth and fail to give effect to the District Plan, and Sydney's overarching dwelling supply baseline of 36,250 dwellings per annum.

Of particular concern is the lack of studies may make it impossible to undertake otherwise meritorious planning proposals that are intended to facilitate outcomes that are consistent with the end result envisioned in the LSPS.

A key metric for successful strategic planning will be the reduction in planning proposal applications made by applicants, as the strategic planning framework would have properly accommodated for market's expectation.

**Recommendation 6:** UDIA recommends Council sets out an approach for new sites to be included.

## INFRASTRUCTURE AND COLLABORATION

The Draft LSPS sets two priorities for infrastructure and collaboration:

1. Planning for infrastructure that supports a liveable, productive and sustainable North Sydney community
2. Developing and delivering regional housing, jobs and infrastructure objectives through collaboration

The first priority highlights the need for precinct-places, UDIA supports place-based planning; however, we caution against the actions relating to value uplift. UDIA recognises the development sector receives benefits from rezoning; however, it also takes substantial amounts of risk throughout the process. There is a necessary process to ensuring that the industry is well-placed to deliver outcomes that provide mutual benefit, while ensuring that site acquisition and development can still occur.

It is critical that the contribution framework is transparent in delivering infrastructure, and provides settings for ongoing renewal, this will likely need additional government funding in some precincts, as otherwise the feasibility of development could be compromised. We recommend there is an equitable sharing of infrastructure across all beneficiaries of growth, including the new homebuyer, council, and the NSW Government.

The second priority focusses on delivering the St Leonards/Crows Nest Priority Precinct. UDIA seeks to understand the progress of rezoning this precinct, which needs to occur as soon as possible, so that a renewed vibrant centre can be delivered in the LGA. We welcome Council's commitment to delivering this centre in collaboration with the other relevant planning authorities.

## LIVEABILITY

The Draft LSPS sets four priorities for liveability:

1. Provide a diversity of housing in the right locations that meet community needs
2. Ensuring infrastructure and services are adequate to meet community needs
3. Strengthening social connections through safe and accessible vibrant centres, public domain, villages and streetscapes
4. Preserving, maintaining and celebrating North Sydney's history and heritage.

The UDIA comments in relation to the Local Housing Strategy (above) address many of the aspects of liveability ensuring a diversity of housing in the right locations as well as sufficient infrastructure.

UDIA recognises the importance of public domain in creating a sense of place, this includes combining the built-form with the public places. This requires the Council to review how it integrates the public and private, with a focus on providing shared spaces, instead of private open space in buildings. Therefore, Council should encourage buildings to be integrated and aligned with the street, we note

this might mean greater flexibility in meeting some of the Apartment Design Guide objectives but would lead to better public spaces.

**Recommendation 7:** Council support place-making and take urban design leadership

## PRODUCTIVITY

The Draft LSPS sets six priorities for productivity:

1. Enhancing the North Sydney CBD's employment capacity, resilience, vibrancy and investment attractiveness
2. Providing opportunities for long term employment growth in St Leonards/ Crows Nest across a range of sectors
3. Retaining light industrial and working waterfront zones to support the North District's productivity and integrated economy
4. Supporting industry sectors that grow and globally position North Sydney's economy
5. Enhancing the commercial amenity and viability of North Sydney's local centres
6. Supporting walkable commercial and mixed-use centres and a 30-minute city

North Sydney is undergoing significant transformation, and the CBD has undergone a range of different evolutions as a core jobs hub for the City.

It is critical the North Sydney CBD remains vibrant and attractive, that will also require a sensible mix of commercial, retail, education, and residential uses. The mixed-use nature of the precinct will help support a 24 hour precinct, which has continued activity.

The future of St Leonards and Crows Nest needs a bold vision. St Leonards and Crows Nest has significant existing infrastructure with the Royal North Shore Hospital, University, and train station, it will be further enhanced with the opening of the Metro at Crow Nest. The precinct has the potential to become a world-leading transit-oriented design (TOD) development, with two major transit nodes connected by a vibrant urban domain, highlighting employment, leisure, retail, and residential uses through a 24/7 economy.

Currently, it appears there is not a plan to take advantage of the infrastructure opportunities. Our global study tours looking at TOD across Asia, America and Europe show the incredible potential that St Leonards and Crows Nest have to become a key jobs centre with residential. This mixed-use potential enables the development of a '30-minute city' with St Leonards as an alternative employment hub with significant numbers of jobs, with the employment density this encourages the development of the café culture and small bars which create a 'day and night' economy that the local community desires. Our lessons learned brochure from the 2018 study tour to the UK and Hong Kong, and the 2019 study tour to the Netherlands and Germany are attached.

To fulfil this vision requires appropriate density to achieve the level of amenity that the community desires, we recommend there is a further conversation about the long-term vision. This must include the re-exhibition of the plan highlighting the future of the St Leonards and Crows Nest precinct. This

will ensure that the transport investment enables the development of jobs and homes, that makes St Leonards and Crows Nest a 24 hour community, instead of a predominately residential centre.

Enabling a visitor economy, knowledge sectors, and creative industries will be contingent on creating the vibrant amenity and agglomerative effects that these industries expect. This involves ensuring that there are strong and vibrant centres, contingent on place-design and enabling a mix of uses.

UDIA recognises the continued importance of local centres and understand the intent is to let them grow organically, we also support creating a 30-minute city, and believe the comments made in relation to the introduction of an Urban Development Program will be a key enabler.

## **SUSTAINABILITY**

The Draft LSPS sets five priorities for sustainability:

1. Enhancing North Sydney's biodiversity and ecological resilience
2. Delivering a high quality, well-connected and integrated green space system
3. Protect, conserve and enhance the natural, visual, environmental and heritage qualities of North Sydney's foreshore scenic area, and significant views to and from foreshore slopes.
4. Provide recreational opportunities to meet the needs of residents of, and visitors to, North Sydney.
5. Mitigating the impacts of urban and natural hazards and climate change.

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

The 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.

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 about infrastructure above also apply to sustainability.

## **CONCLUSION**

UDIA looks forward to working with North 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 Elliott Hale, General Manager, Policy, Media and Government Relations at ehale@udiansw.com.au or 0478 959 917 to arrange a meeting.

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