
MINUTES of the duly convened Ordinary Meeting of The Hills Shire Council held in the Council Chambers on 8 July 2014

rise to "offensive noise" as defined under the *Protection of the Environment Operation Act 1997*.

58. Domestic Waste Management

Engagement of a caretaker or manager responsible for the movement of all recycling bins to the kerb of Caddies Boulevard on the allocated day of collection and returning the empty bins to their storage place inside the building as soon as possible the same day as collection. Caretaker or manager responsibilities shall also include the following:

- Washing of bins and the bin storage area;
 - Arranging for the prompt removal of dumped rubbish; and
- Ensuring all residents are informed of the waste arrangements.

Being a planning matter, the Mayor called for a division to record the votes on this matter

VOTING FOR THE MOTION

Clr Dr Byrne (Mayor), Clr Harty OAM, Clr Dr Lowe, Clr Preston, Clr Taylor, Clr Jefferies (Deputy Mayor), Clr Haselden

VOTING AGAINST THE MOTION

Clr Tracey, Clr Thomas

ITEM-2

DEVELOPMENT CONTROLS FOR RESIDENTIAL FLAT BUILDINGS (FP92)

A MOTION WAS MOVED BY COUNCILLOR JEFFERIES AND SECONDED BY COUNCILLOR PRESTON THAT the Recommendation contained in the report be adopted.

THE MOTION WAS PUT AND CARRIED.

382 RESOLUTION

The Draft The Hills Development Control Plan 2012 (Part B Section 5 – Residential Flat Buildings, Part D Section 6 – Rouse Hill Regional Centre, Part D Section 8 – Norwest Residential Precinct, Part D Section 12 – Carlingford Precinct, Part D Section 14 – Target Site Corner Windsor Road and Seven Hills Road, Baulkham Hills) be publicly exhibited.

Being a planning matter, the Mayor called for a division to record the votes on this matter

VOTING FOR THE MOTION

Clr Dr Byrne (Mayor), Clr Harty OAM, Clr Tracey, Clr Thomas, Clr Dr Lowe, Clr Preston, Clr Taylor, Clr Jefferies (Deputy Mayor), Clr Haselden

VOTING AGAINST THE MOTION

None

ITEM-2	DEVELOPMENT CONTROLS FOR RESIDENTIAL FLAT BUILDINGS (FP92)
THEME:	Balanced Urban Growth
OUTCOME:	7 Responsible planning facilitates a desirable living environment and meets growth targets.
STRATEGY:	7.2 Manage new and existing development with a robust framework of policies, plans and processes that is in accordance with community needs and expectations.
GROUP:	STRATEGIC PLANNING
AUTHOR:	FORWARD PLANNING COORDINATOR BRENT WOODHAMS
RESPONSIBLE OFFICER:	MANAGER FORWARD PLANNING STEWART SEALE

EXECUTIVE SUMMARY

This report recommends that amendments to the following sections of The Hills Development Control Plan 2012 be publicly exhibited.

- Part B Section 5 – Residential Flat Buildings;
- Part D Section 6 – Rouse Hill Regional Centre;
- Part D Section 8 – Norwest Residential Precinct;
- Part D Section 12 – Carlingford Precinct; and
- Part D Section 14 – Target Site Corner Windsor Road and Seven Hills Road, Baulkham Hills.

As Sydney continues to grow there will be a reliance upon a greater proportion of higher density development and Council will need to ensure that the type of dwellings being delivered are appropriate to meet the needs and expectations of future residents. In order to ensure that housing within the LGA is affordable it is imperative that there is an appropriate diversity of housing options in the marketplace. Recent planning policy by the State has sought to increase housing diversity by mandating smaller apartments and houses as a measure to reduce the cost of housing and counter the disproportionately large number of detached houses within the market. However it is considered that this position has led to the perception that the solution to the housing affordability issue is simply to construct smaller dwellings.

The above position is not supported as it is considered that a diversity of housing in new and established areas can help to meet the various needs of residents. Whilst smaller apartments should be provided to meet the needs of a certain demographic within the market, moderate and larger apartments should also be provided to alleviate demand on the smaller and more affordable housing options. If moderate and larger apartments are not provided those who desire and have the financial capacity to purchase a larger apartment will be forced into purchasing a smaller apartment. This will have the effect of increasing the demand and value of the smaller apartments which will impact on the capacity of lower income earners to enter into the housing market.

Whilst there are a number of factors which impact on housing affordability and the price of housing, Council must ensure that the type of housing being provided is appropriate to meet the needs of all future household compositions and incomes. In order to achieve this, draft apartment mix and size controls have been prepared.

The recommended controls were prepared having specific regard to Principle 9 of *State Environmental Planning Policy 65 -Design Quality of Residential Flat Development* and will facilitate diverse housing options to improve housing affordability. The controls require the provision of a mix of 1, 2 and 3 bedroom apartments and the provision of a range of apartments sizes, including 30% at the SEPP 65 'affordable housing' rates identified within SEPP 65. The adoption of apartment mix and size controls will support a request to the Minister for Planning for an exemption to Clause 30A of *State Environmental Planning No.65*.

BACKGROUND

Sydney's population is expected to grow by over 1 million people over the next 20 years. In order to accommodate this population growth, apartment living will over time represent a larger proportion of the overall housing mix. It is therefore important that this housing typology is not based on diluting development standards. Rather planning policy should ensure that apartment living is a highly desirable lifestyle choice for future residents. This means there must be diversity of choice in both apartment sizes and also apartment mix.

As part of the assessment of high density residential development consideration must be afforded to *State Environmental Planning Policy 65 – Design Quality of Residential Flat Development* (SEPP 65). SEPP 65 was first introduced in 2002 with the principal aim of improving the overall quality of residential flat development in New South Wales by establishing consistent objectives and processes within the planning system. This was followed in September 2002 by the Residential Flat Design Code (RFDC), a design guideline which provided discussion, analysis, examples and principles, primarily structured as a tool for developers and development assessment officers.

In order to achieve its principal aims the SEPP established ten (10) key principles for good design which provide guidance for evaluating the merit of design solutions. The ten (10) principles are listed below:

- Principle 1 – Context;
- Principle 2 – Scale;
- Principle 3 – Built Form;
- Principle 4 – Density;
- Principle 5 – Resource, Energy and Water Efficiency;
- Principle 6 – Landscape;
- Principle 7 – Amenity;
- Principle 8 – Safety and Security;
- Principle 9 – Social Dimensions and Housing Affordability; and
- Principle 10 – Aesthetics.

When determining applications for residential flat development consent authorities must consider:

- The advice of the relevant design review panel (if any);
- The design quality evaluated against the ten design quality principles; and
- The Residential Flat Design Code (prepared to support the SEPP 65).

Clause 30A of SEPP 65 specifies that a consent authority cannot refuse consent to a development application for a residential flat development on the grounds of ceiling height or apartment area if the proposal complies with the minimum controls identified within Part 3 of the Residential Flat Design Code. The Code includes a 'rule of thumb' relating to the provision of affordable housing which states that *"if council chooses to standardise apartment sizes, a range of sizes that do not exclude affordable housing should be used. As a guide, the Affordable Housing Service suggests the following minimum apartment sizes, which can contribute to housing affordability (apartment size is only one factor influencing affordability):*

- 1 bedroom apartment 50m²;
- 2 bedroom apartment 70m²;
- 3 bedroom apartment 95m²."

A comparison of the affordable housing sizes as identified within SEPP 65 and the apartment size controls contained within Development Control Plan 2012 are included within the following table.

	SEPP 65	The Hills DCP 2012			
	Affordable Housing Sizes	Residential	Carlingford Precinct (Northern)	Carlingford Precinct (Southern - Max. 10% of units)	Norwest Residential
1 bedroom	50m ²	75m ²	75m ²	65m ²	75m ²
2 bedrooms	70m ²	110m ²	110m ²	90m ²	110m ²
3 bedrooms	95m ²	135m ²	135m ²	110m ²	135m ²
4 bedrooms	-	-	-	-	145m ²

Table 1
Apartment Size Comparison

Note: In the Southern Precinct of Carlingford the remaining unit sizes are required to be the same as the Northern Precinct.

Recent experience has found that developers rely upon the "rule of thumb" apartment sizes and ignore the site specific apartment size controls established within Council's Development Control Plan. This approach is considered to be in direct conflict with Principle 9 of SEPP 65 which requires that new developments should:

- *Optimise the provision of housing to suit the social mix and needs in the neighbourhood or, in the case of precincts undergoing transition, provide for the desired future community.*
- *Address housing affordability by optimising the provision of economic housing choices and providing a mix of housing types to cater for different budgets and housing needs.*

In order to identify the effectiveness of the existing controls an analysis has been undertaken of residential flat developments approved within The Hills Shire between July 2012 and March 2014. Based on this analysis it was identified that ten (10) residential flat developments have been approved, which comprised a total yield of 957 units. Of these, 661 units did not comply with Council's apartment size requirements which equates to 69% of the total approved apartments. Of particular note, six (6) of the

developments were approved with more than 85% of the apartments not complying with Council's apartment size requirements.

In July 2013 a Section 96 Modification was approved by the Sydney West Joint Regional Planning Panel (JRPP) for an 18 storey apartment development in Carlingford. Not a single apartment size within the development complied with Council's development control plan and the apartment mix changed from a predominance of two (2) and three (3) bedroom units to a majority of small one (1) bedroom units.

Whilst Clause 30A(2) of SEPP 65 seeks to emphasise the need for adequate regard to be given to the design quality principles, in practice this simply does not occur. The "Rule of Thumb" controls have become the norm for development applications, to the detriment of providing housing diversity and choice for future residents. This practice is resulting in development that is inconsistent with the principles of providing a diversity of housing choice and fails to provide adequate opportunities for families to choose to live in these locations.

REPORT

This report reviews the type of housing that future population will demand having regard to the existing property market and recommends appropriate apartment mix controls for all residential flat developments and apartment size controls for large scale residential flat buildings which contain 30 or more residential apartments. The draft apartment mix and size controls have been prepared in a manner consistent with Principle 9 of SEPP 65 and better reflect the needs and expectations of future households. Without the imposition of some form of control on the size and mix of apartments it is likely that the market will opt for dwelling sizes that will generate the highest return for developers at the expense of housing affordability and diversity.

Based on an analysis of past development approvals there does not appear to be an issue with medium density townhouse style developments within the Shire. Rather the issues primarily relate to high density residential flat buildings where the type and mix of apartments being provided is inadequate and fails to meet the diverse needs of future residents.

1. Housing Demand

The demand for housing is generally recognised as the combination of preferences (what people ideally want) and constraints (how much they can afford, and what things cost). A Gratten Institute report titled 'The Housing We'd Choose' dated June 2011 explored the relationship between housing people say they want and the housing which is available within the existing property markets of Sydney and Melbourne. The report explores the hypothesis that the housing supply which is available within the markets do not match the choices and trade-offs that people would make if they could.

As part of this analysis, a survey of 706 people was carried out. Each respondent was asked to prioritise housing features from a list of 57 variables relating to both dwelling and locational attributes. In terms of the characteristics that people most demand the results indicated that when choosing dwellings people generally give priority to the number of bedrooms, having a house with a garage, and ample living space. With respect to location respondents said they preferred to live in a safe neighbourhood, close to family, friends, shopping, and public transport. The order of preference of various housing characteristics is included within the following figure.

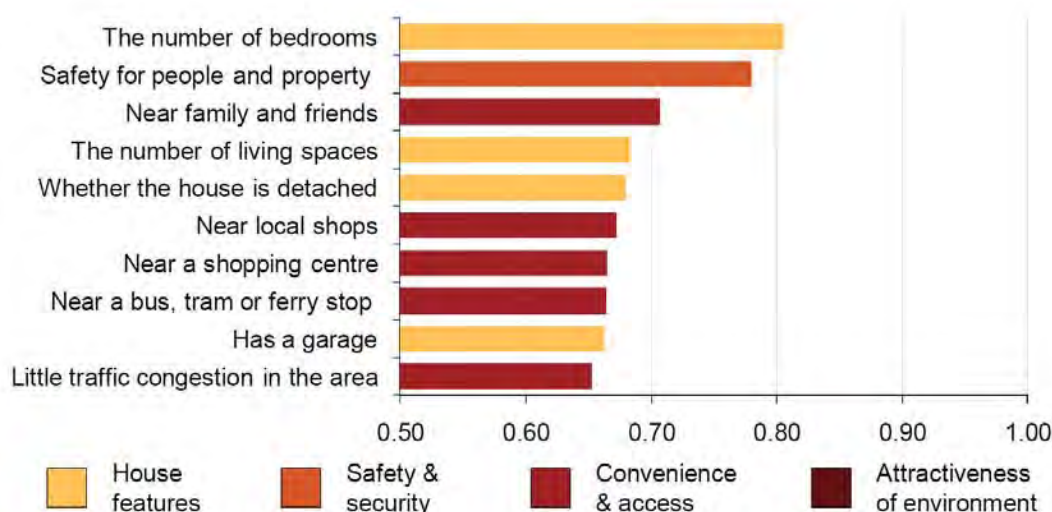


Figure 1
'What Matters Most' Results (Grattan Institute 2011)

The analysis also sought to identify how households trade off the preferred attributes when faced with real world costs and budgetary constraints. Within The Hills Shire, the trade-off analysis (which took into account the respondents' financial means) indicated that there is a significant shortage of semi-detached houses and apartment within buildings of 4 or more storeys.

In order to obtain qualitative results the Grattan Institute carried out a number of focus groups which were divided by household type and age. The key feedback received as part of these focus groups was the importance of inside space. The number of bedrooms and the size of the living areas were emphasised. The respondents suggested that 'space offered freedom, flexibility and privacy'.

Lack of space was nominated as one of the primary reasons to reject a house. With respect to apartments respondents raised a number of concerns including that apartments are too small with insufficient outdoor space. There was also significant concern raised regarding the quality of apartment stock in terms of noise and acoustic privacy. In pursuing integrated transport and planning policy, whereby greater density is encouraged around transport nodes, planning controls need to be established to address and where possible alleviate the perceived concerns with this form of housing.

2. Housing Affordability

An analysis of the trends in the broader housing market and the affordability of housing within the Hills Shire are included as an attachment to this report. The key outcomes of this analysis are detailed below.

Over the past 18 months the value of property within the Sydney market has risen substantially. According to statistics released by the Australian Bureau of Statistics (ABS), Sydney continues to drive residential property price increases. The Residential Property Price Index (RPPI) for Sydney rose 2.3% in the March quarter 2014 with established house prices for Sydney rising by 2.4% and attached dwellings rising by 2%. In the 12 months to March 2014 house prices rose by 15.2% which was the largest increase of all of the capital cities.

There are a number of factors which influence property values. One of these factors is housing supply which is considered to be a contributing factor in the recent increase in the real property values for Sydney. It is widely acknowledged that the population within the Sydney Region has continued to grow at a faster rate than previously envisaged, yet the delivery of new homes has not occurred in line with the growth in population. This shortfall in the supply of housing ultimately places upward pressure on real property values. If the supply of housing is not addressed, and does not increase in-line with population growth, there will continue to be significant upward pressure on property values.

In addition to housing supply, another contributing cause of the rise in real property values is the record low interest rate which is impacting on the housing markets within all of Australia's capital cities. The official interest rate was reduced to 2.5% in August 2013 and has remained at this low rate as a measure to stimulate a declining economy resulting from the winding down of the mining boom.

When analysing the trends in apartment and townhouse style development it is important to observe the Attached Dwelling Price Index (ADPI). This index measures the price change of attached dwellings which includes flats, apartments, semi-detached, row and terrace houses. Over the past ten (10) years the ADPI for Sydney has increased by approximately 30.34%, with a 13.7% increase occurring within the 12 months to March 2014. The most recent increase of this size occurred in 2009-2010 where the quarterly index increase reached between 13-14%.

With a specific focus on The Hills Shire LGA, the following graph shows both the mean (average) and median (mid-point) cost of residential dwellings within The Hills Shire between March 2009 and March 2014. Since 2009 the median price of all residential dwellings has increased by approximately 54% with a 21% increase occurring over the 12 months to March 2014. An interesting point to note is that the median price of residential dwellings within The Hills Shire is approximately 20% higher than the median price for established houses within the remainder of the Sydney Region.



Figure 2
Value of Residential Dwellings

The rate that residential property values are increasing is progressively pushing first home buyers out of the market as they have less financial capacity to purchase. First home buyers experience greater difficulty as they are restricted by the cost of saving for a deposit, the upfront fees, and generally have limited equity when compared to owner occupiers already in the market.

Within NSW first home buyers have generally averaged around 20% of all house purchases. However since the early 2000s the first home buyer market has experienced significant instability reaching a monthly peak of 34% in February 2009. As stated by Steven Rowley and Rachel Ong in their 2012 report titled *Housing Affordability, Housing Stress and Household Wellbeing in Australia*, 'this is largely due to rising house prices and government policies to stimulate demand, notably the first home owners grant boost'. However, since September 2012 there has been a considerable reduction in the proportion of first home buyers entering the market, with an average of less than 8%. This is the lowest rate experienced since pre 1991.

Analysis has been undertaken of the number of First Home Owner Grants issued within The Hills Shire as a proportion of the total residential sales between March 2010 and March 2014. The results are included within the following graph. The trend in the proportion of first home owners over the period is shown by the red line and the trend in the median sale price over the period is shown by the blue line.

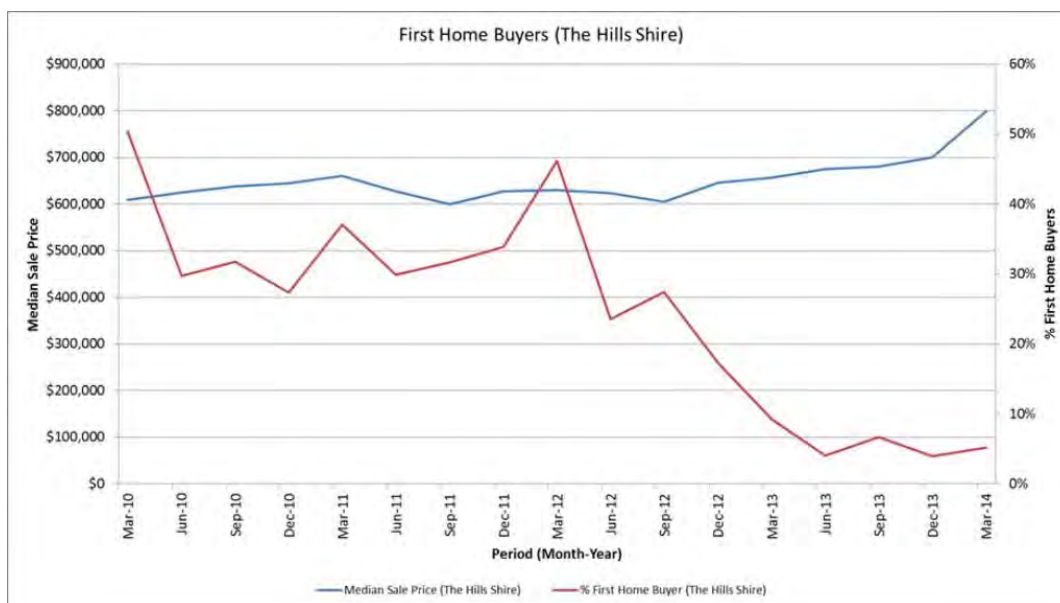


Figure 3
First Home Buyers (The Hills Shire LGA)

Between March 2010 and March 2014 there has been considerable instability in the first home buyer market of The Hills Shire, which has largely been influenced by progressive changes to the First Home Buyers Scheme. Over the period the proportion of first home buyers within The Hills Shire property market has reduced to 5.21%, reaching a low of 3.94% in December 2013. Similar to the broader trend within NSW, the proportion of first home buyers entering the residential market within The Hills Shire has fallen considerably.

Based on the above trends it is apparent that first time home buyers are turning away from the owner occupied market. This could in part be due to the sharp increase in property values which has impacted on financial capacity of first home buyers to enter

the market. It could also be the result of property investors taking advantage of the record low interest rates. If the low interest rates remain property investors could continue to dominate the real estate market as they can use equity from their existing home and have greater financial capacity to purchase homes before first home buyers.

Housing Costs

Households purchasing their dwelling within The Hills Shire have a median mortgage repayment of approximately \$2,570 which is \$403 more (+18.5%) per month than the Greater Sydney Region. In addition to this, approximately 43.1% of all households within The Hills Shire fall within the highest housing loan repayment quartile (more than \$2,854 per month) compared with 31.8% for the Greater Sydney Region. A comparison of the monthly home loan repayments between The Hills Shire and the Greater Sydney Region is included in the following graph.

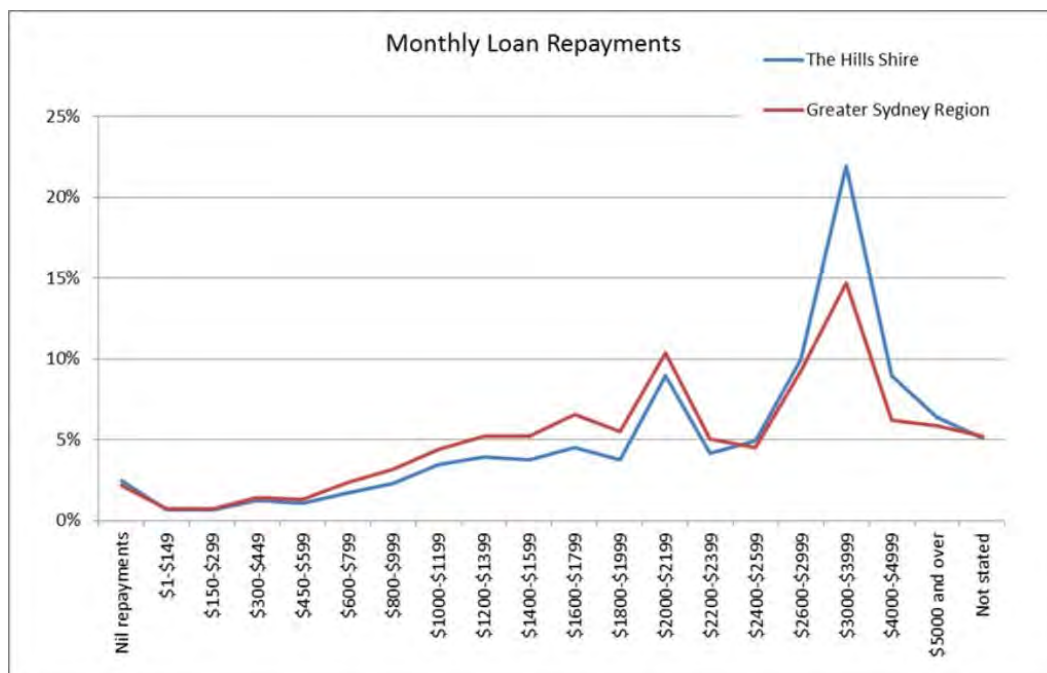


Figure 4
First Home Buyers (The Hills Shire LGA)

Income is an important consideration when deciding on a household's capacity to make loan repayments in full and on time. When the housing prices increases the proportion of household income that must be allocated to mortgage repayments also increases. This reduces housing affordability as higher cost of housing leaves less disposable income which ultimately impacts upon the standard of living of households.

3. Key Demographic Trends

A demographic analysis has been conducted to identify the existing and likely housing issues facing the Shire. The analysis has identified key demographic trends which will need to be taken into account as part of future land use planning policy for The Hills Shire.

Smaller Household Size

The average household size within The Hills Shire has been declining continually for the past 30 years and has reduced from 3.16 to 3.08 between 2006 and 2011. Between 1991 and 2011 the percentage of 1 and 2 person households increased by 3.5% and 5.8% respectively. On the other hand the percentage of households with three (3) or more people has reduced from 68.9% to 59.5%. It is projected that in the medium to long term the average occupancy rate will reduce to below 3 persons per household. As this trend continues there will be gradual increase in demand for a greater diversity of housing options.

Household Diversity

The change in the composition of households within The Hills Shire between 1991 and 2006 are shown in the following graph.

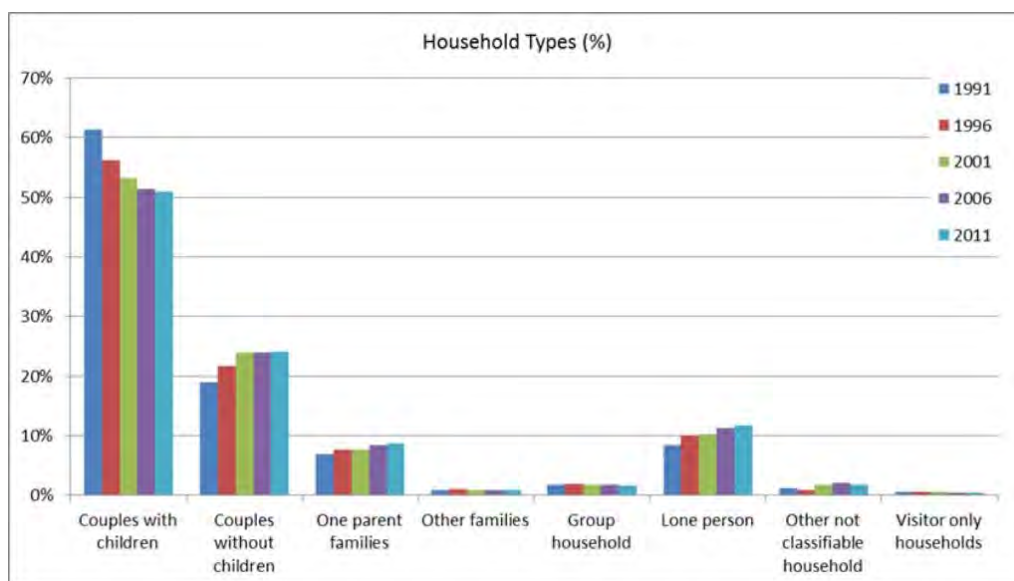


Figure 5
Household Types – The Hills Shire

As can be seen there has been a gradual decline in the proportion of couples with children and a corresponding increase in the proportion of households containing a lone person or couples without children. Over time this trend will increase demand for a wider variety of dwelling types and sizes.

Country of Birth

In 2011 the proportion of The Hills Shire residents that were born overseas was 32.6% with 24.4% originating from non-English speaking backgrounds. The largest changes in countries of origin between 2001 and 2011 were as follows:

- China (+3,810 persons);
- India (+2,497 persons);
- South Korea (+1,360 persons); and
- Sri Lanka (+1,158 persons).

The following graph shows the key changes in birthplace of residents within The Hills Shire between 2001 and 2011.

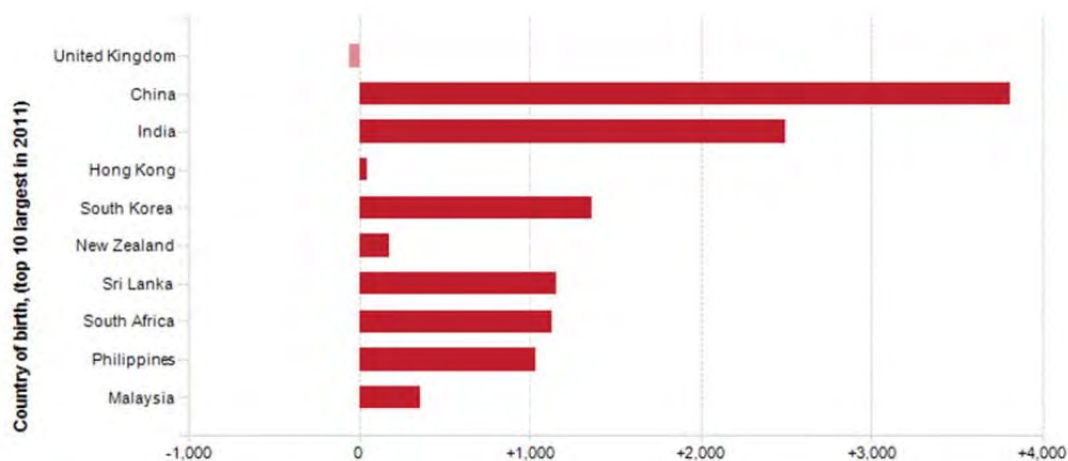


Figure 6
Change in Birthplace – The Hills Shire (2001-2011)

Aging Population

Between 1996 and 2011 the median age of residents within The Hills Shire increased from 34 to 38. The following figure shows the trend in the age structure from 1996 to 2011. Of particular note is the significant decline in the proportion of residents aged between 25 and 34 which reduced from 19.59% in 2001 to 16.94% in 2011.

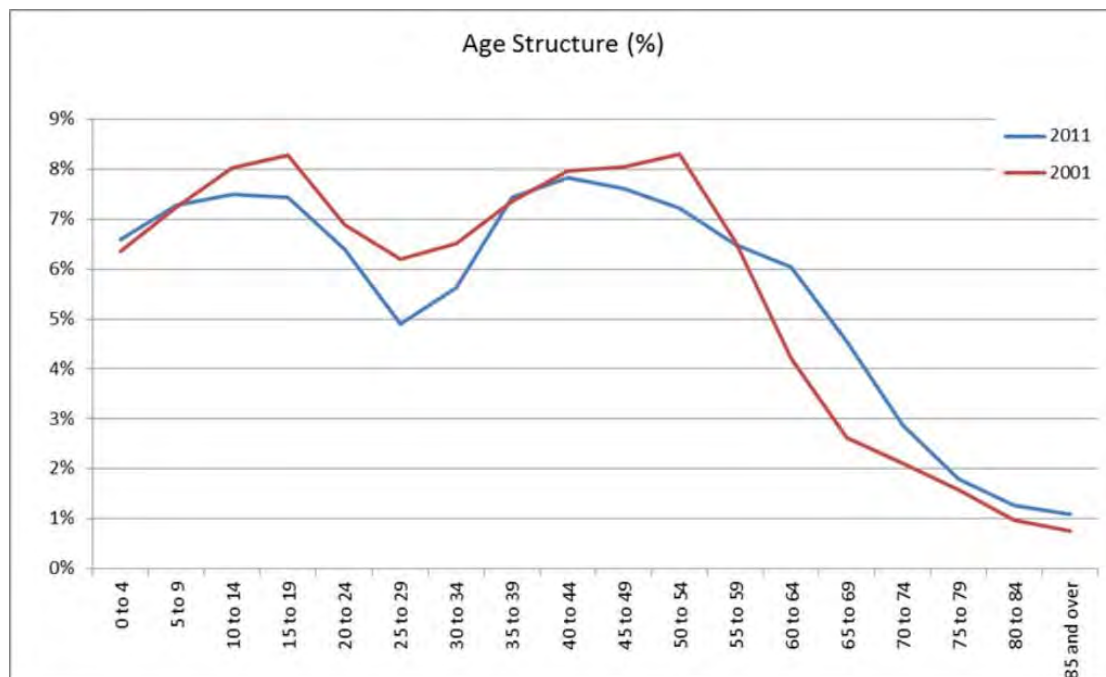


Figure 7
Age Structure – The Hills Shire

Similar to broader national trend, the life expectancy of residents within The Hills Shire is increasing. The proportion of residents aged over 60 has increased by 5.42% from 12.25% in 2001 to 17.66% in 2011. In order to address the issue of an aging population it is essential that a variety of home options are provided that suit the needs of elderly people and those that wish to down-size and age in place.

Loss of Young Adults

As could be seen in the age comparison graph, The Hills Shire has continued to experience a decline in the proportion of young adults. The continual decline in the proportion of residents within this age group could partially be attributed to the high cost of housing, where these residents are forced into other more affordable locations to seek housing options. In addition to housing affordability, there are a number of other possible reasons for the decline in this bracket, including the location of tertiary education facilities and a desire for people within this age group to live within other areas which contain a higher proportion of young adults.

4. Housing Diversity

Within The Hills Shire the proportion of medium or high density dwellings increased from 15% to 16% between 2006 and 2011. Whilst there has been a minor increase in the proportion of medium and high density housing within The Hills Shire, the overall proportion is still considerably low when compared with the dwelling structure of the Greater Sydney Region where approximately 40% of dwellings are either medium or high density. In addition to this approximately 61% of all dwellings within the Shire contained four (4) or more bedrooms. This is considerably high when compared to the Greater Sydney Region where the proportion of dwellings with four (4) or more bedrooms was 28%. The following graphs provide a snapshot of the dwelling structure and number of bedrooms per dwelling within The Hills Shire compared to the Greater Sydney Region.

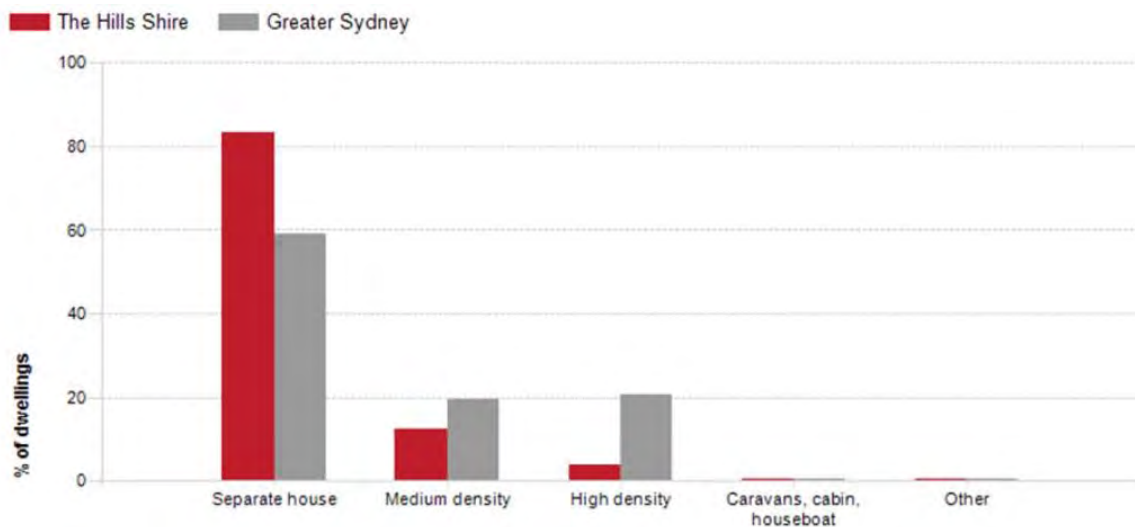


Figure 8
Dwelling Structure 2011 (profile.id)

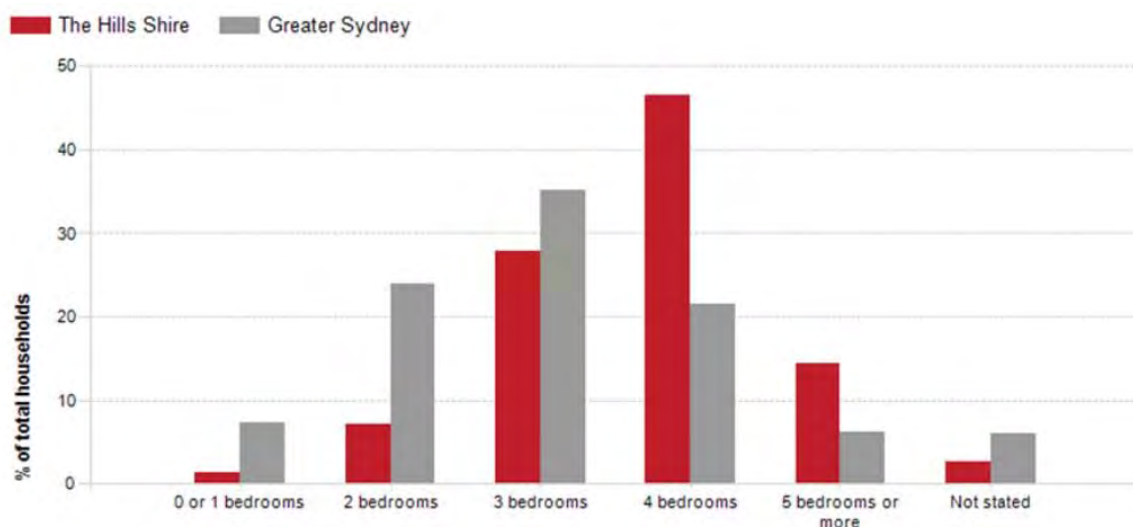


Figure 9
Number of Bedrooms 2011 (profile.id)

There is a significant variation between the average number of bedrooms within The Hills Shire and the Greater Sydney Region. This is likely the result of the larger proportion of detached dwelling within the LGA which comprise 83.5% of the dwelling stock compared with the Greater Sydney Region where the detached dwellings make up 59% of all dwellings.

The average household size (persons per household) within The Hills Shire is much larger than the Greater Sydney Region with approximately 60% of all households containing three (3) or more occupants. By contrast only 46.7% of dwellings within the Greater Sydney Region contain three (3) or more occupants. In addition to this there is a larger proportion of high income households (those earning \$2,500 per week or more) and a lower proportion of low income households (those earning less than \$600 per week). Accordingly, it is also understandable that The Hills Shire has a higher proportion of detached houses with four (4) or more bedrooms as the residents generally have the financial capacity to afford this form of housing.

Whilst the housing stock is generally appropriate to meet the needs and expectations of its existing residents, there will be a growing need to provide a greater diversity of housing options as the population within the Shire continues to grow and live longer. Through its land use planning policy Council has maintained a planned and deliberate approach to managing urban growth. This includes the identification of high density areas within precincts that show capacity to accommodate further growth with the result being increased population around town centres and major transport nodes.

As there will be a greater proportion of higher density development Council will need to ensure that the type of dwellings being delivered are appropriate to meet the needs and expectations of future residents. In order to ensure that housing within the LGA is affordable it is imperative that there is an appropriate diversity of housing options in the marketplace. Recent planning policy by the State has sought to increase housing diversity by mandating smaller apartments and houses as a measure to reduce the cost of housing and counter the disproportionately large number of detached houses within the market. However it is considered that this position has led to the perception that the solution to the housing affordability issue is simply to construct smaller dwellings.

The above position is not supported as it is considered that a diversity of housing in new and established areas can help to meet the various needs of residents. Whilst smaller apartments should be provided to meet the needs of a certain demographic within the market, moderate and larger apartments should also be provided to alleviate demand on the smaller and more affordable housing options. If moderate and larger apartments are not provided those who desire and have the financial capacity to purchase a larger apartment will be forced into purchasing a smaller apartment. This will have the effect of increasing the demand and value of the smaller apartments which will impact on the capacity of lower income earners to enter into the housing market.

In the long term as Sydney and The Hills Shire grow, high density housing is going to play an increasingly important role in supporting population growth. In order to accommodate this population, planning policy should be framed in a manner which ensures that these places become a highly desirable lifestyle choice for future residents. In order for this to occur there must be diversity of choice in both apartment sizes and also apartment mix.

5. Proposed Controls

Whilst there are a number of factors which impact on housing affordability and the price of housing, it is important that the type of housing being provided is appropriate to meet the needs of all future household types and incomes. In order to achieve this, draft apartment mix and size controls have been prepared. The draft amendments to The Hills Development Control Plan 2012 are included as attachments to this report. The draft controls and the methodology supporting the controls are provided below.

Apartment Mix

With respect to apartment mix an assessment of apartment types (number of bedrooms) based on ABS 2011 data has been undertaken for households within 800 metres of other transit centres within the Greater Sydney Region. The centres were measured from each railway station and included land zoned for either mixed use or high density residential development. The analysis found the following:

- The percentage of one (1) bedroom dwellings ranged between 10-25% compared with the 7.3% average for the Greater Sydney Region.
- The percentage of two (2) bedroom dwellings ranged between 43-77% compared with the 23.9% average for the Greater Sydney Region.
- The percentage of dwellings with three (3) or more bedrooms ranged between 13-40% compared with the 62.9% average for the Greater Sydney Region.

It is considered appropriate that high density development within locations which have access to high frequency public transport services should comprise a mix of apartments, consistent with the mix provided at other transit centres. In this regard it was recommended that the following controls be implemented:

- No more than 25% of the dwelling yield is to comprise either studio or one (1) bedroom apartments; and
- No less than 10% of the dwelling yield is to comprise apartments with three (3) or more bedrooms.

Apartment Size

In determining the most appropriate distribution of apartment sizes an analysis of the weekly income of households within The Hills Shire based on ABS 2011 data has been undertaken. The average weekly household incomes of residents within the Hills Shire are included within the following table.

Weekly Household Income - The Hills Shire (2011)		
Weekly income	Income Bracket	Income Bracket (%)
Negative Income/Nil - \$599	Very Low	11.6
\$600-\$1,249	Low	17.9
\$1,250-\$2,499	Moderate	30.3
\$2,500 - \$3,499	High	24.8
\$3,500 or more	Very High	15.4

Table 2
Weekly Household Income (The Hills Shire)

Based on the above household income brackets the following key points are noted.

- 29.5% of households were in the very low and low income brackets (Nil to \$1,249 per week);
- 30.3% of households were in the moderate income bracket (\$1,250 to \$2,499 per week); and
- 40.2% of households were in the high and very high income bracket (\$2,500 or more per week).

The above brackets have been identified by the Centre for Affordable Housing as a factor in assessing affordability. As can be seen there is a distinct range of household incomes within the Shire and accordingly the diversity of apartment sizes should be provided to reflect range of household incomes.

For residential flat developments (containing 30 or more apartments) three (3) distinct apartment size categories have been identified. The Type 1 category consist of the 'affordable housing' sizes as recommended within SEPP 65, the Type 3 category consists of Council's existing apartment size controls, and the Type 2 category is generally a mid-point between Types 1 and 3 size categories.

Apartment Size Category	Apartment Size	Source
Type 1		
1 bedroom	50m ²	Affordable Housing (SEPP 65)
2 bedroom	70m ²	
3 or more bedrooms	95m ²	
Type 2		
1 bedroom	65m ²	Mid-Point
2 bedroom	90m ²	
3 or more bedrooms	120m ²	
Type 3		
1 bedroom	75m ²	The Hills DCP 2012
2 bedroom	110m ²	
3 or more bedrooms	135m ²	

Table 3
Apartment Size Categories

It is recommended that the breakdown of apartment sizes reflect the distribution of household incomes as detailed below.

- Type 1 apartments shall not exceed 30% of the total number of 1, 2 and 3 bedroom apartments.

- Type 2 apartments shall not exceed 30% of the total number of 1, 2 and 3 bedroom apartments.
- All remaining apartments are to comply with the Type 3 apartment sizes.

The above controls are considered to be consistent with Principle 9 of SEPP 65 as it will provide a diverse range of apartment types and will contribute toward housing affordability. The Residential Flat Design Guide recommends that if council chooses to standardise apartment sizes, a range of sizes that do not exclude affordable housing should be used. The recommended apartment size controls are consistent with this recommendation as it permits up to 30% of the apartments at the rate recommended by the Affordable Housing Service, within the Residential Flat Design Code.

Any application for development which comprises an apartment mix which considerably varies from this mix would be inconsistent with Principle 9 and on this basis it is unlikely that approval would be granted. Providing for a mix of apartment types and sizes is about making sure we have supply, diversity and housing stock to meet the desires of our current and future residents.

For residential flat developments containing less than 30 apartments it is recommended that the existing apartment size within The Hills Development Control Plan 2012 apply as follows.

- 1 bedroom apartment – 75m²;
- 2 bedroom apartment – 110m²; and
- 3 or more bedroom apartment – 135m².

The rationale for this is that larger development sites, containing 30 or more apartments, generally have capacity to provide high quality communal facilities on-site to off-set any potential amenity impact resulting from smaller apartment sizes. Sites containing less than 30 apartments generally do not have the capacity to provide such facilities and for this reason the apartment size requirements should remain to ensure that the amenity of future residents is not negatively impacted.

CONCLUSION

The draft controls will ensure that the type of high density housing which is provided within The Hills Shire is appropriate to meet the needs of all future residents. The draft controls have been prepared having specific regard to Principle 9 of SEPP 65 and will facilitate diverse housing options to improve housing affordability. Following the public exhibition period, a further report that addresses the outcomes of the exhibition will be presented to Council. The outcome of this review will support a request to the Minister for Planning for an exemption to Clause 30A of State Environmental Planning 65.

IMPACTS

Financial

This matter has no direct financial impact upon Council's adopted budget or forward estimates.

The Hills Future - Community Strategic Plan

Council's Community Strategic Direction identifies the community's vision for the Shire and outlines how Council will align its delivery of services and facilities to support this vision. Council's vision is for *'proactive leadership creating vibrant communities, balancing urban growth, protecting our environment and building a modern local economy'*. The proposal is consistent with the following outcomes:

- Balanced Urban Growth – Safe, convenient and accessible transport options that enable movement through and within our Shire; and
- Balanced Urban Growth – Responsible planning facilitates a desirable living environment and meets growth targets.

RECOMMENDATION

The Draft The Hills Development Control Plan 2012 (Part B Section 5 – Residential Flat Buildings, Part D Section 6 – Rouse Hill Regional Centre, Part D Section 8 – Norwest Residential Precinct, Part D Section 12 – Carlingford Precinct, Part D Section 14 – Target Site Corner Windsor Road and Seven Hills Road, Baulkham Hills) be publicly exhibited.

ATTACHMENTS

1. Analysis of Property Market Trends and Housing Affordability (7 pages)
2. Draft The Hills Development Control Plan 2012 (Part B Section 5 – Residential Flat Buildings) (30 pages)
3. Draft The Hills Development Control Plan 2012 (Part D Section 6 – Rouse Hill Regional Centre) (77 Pages)
4. Draft The Hills Development Control Plan 2012 (Part D Section 8 – Norwest Residential Precinct) (38 Pages)
5. Draft The Hills Development Control Plan 2012 (Part D Section 12 – Carlingford Precinct) (59 pages)
6. Draft The Hills Development Control Plan 2012 (Part D Section 14 – Target Site Corner Windsor Road and Seven Hills Road, Baulkham Hills) (37 Pages)

Attachment 1

Analysis – Property Market Trends and Housing Affordability**Market Trends**

Over the past 18 months the value of property within the Sydney market has risen substantially. According to statistics released by the Australian Bureau of Statistics (ABS), Sydney continues to drive residential property price increases. The Residential Property Price Index (RPPI) for Sydney rose 2.3% in the March quarter 2014 with established house prices for Sydney rising by 2.4% and attached dwellings rising by 2%. In the 12 months to March 2014 house prices rose by 15.2% which was the largest increase of all of the capital cities. A comparison of the yearly house price growth for all of the Australian capital cities is included within the following figure.

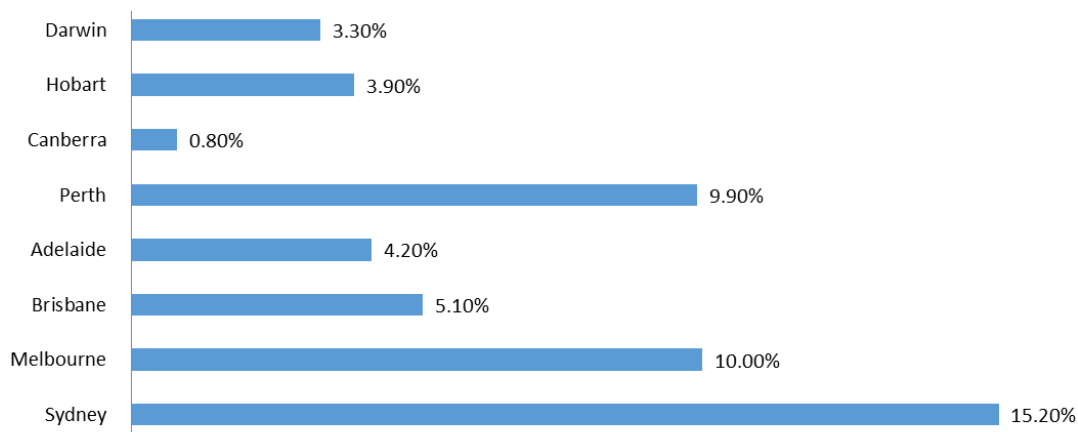


Figure 1
Yearly House Price Growth (ABS 2014)

The major cause of the rise in real property values is the record low interest rates which are impacting on the housing markets within all of Australia's capital cities. The official interest rate has remained at 2.5% since August 2013 as a measure to stimulate a declining economy resulting from the winding down of the mining boom. The effect of this has been an increase in overall demand for housing and residential property investment. The trend in the official cash rate between 2003 and 2014 is included within the following graph.



Figure 2
Official Cash Rate (Reserve Bank of Australia)

When analysing the trends in the apartment and townhouse style development it is important to observe the Attached Dwelling Price Index (ADPI). This index measures the price change of attached dwellings which includes flats, apartments, semi-detached, row and terrace houses. The trend in the ADPI, as provided by the ABS, is included within the following graph.

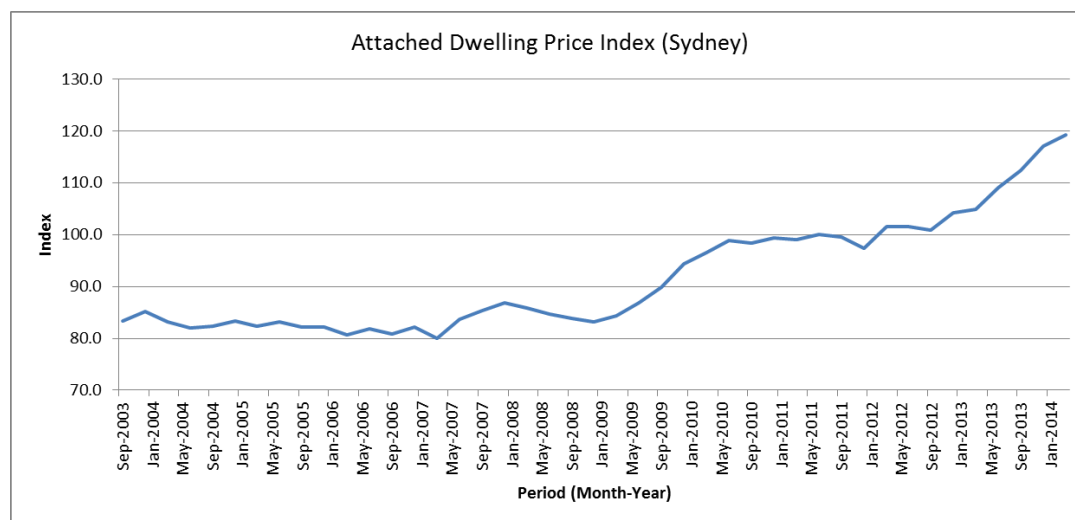


Figure 3
Attached Dwelling Price Index

Over the past 10 years the ADPI for Sydney has increased by approximately 30.34%, with a 13.7% increase occurring within the 12 months to March 2014. The most recent increase of this size occurred in 2009-2010 where the quarterly index increase reached between 13-14%. To place the above index into monetary terms, the following graph shows the trend in the median price of established dwellings (blue) and attached dwellings (red) within the Greater Sydney Region between September 2003 and September 2013. Over this period the median price of established dwellings increased from \$580,000 to \$670,000 per dwelling. For attached dwellings the median price increased from \$371,000 to \$540,000 per dwelling.



Figure 4
Median Price of Residential Dwellings (ABS)

The following graph shows both the mean (average) and median (mid-point) cost of residential dwellings with The Hills Shire between March 2009 and March 2014. Since 2009 the median price of all residential dwellings has increased by approximately 54% with a 21% increase occurring over the 12 months to March 2014. An interesting point to note is that the median price of residential dwellings within The Hills Shire is approximately 20% higher than the median price for established houses within the remainder of the Sydney Region.

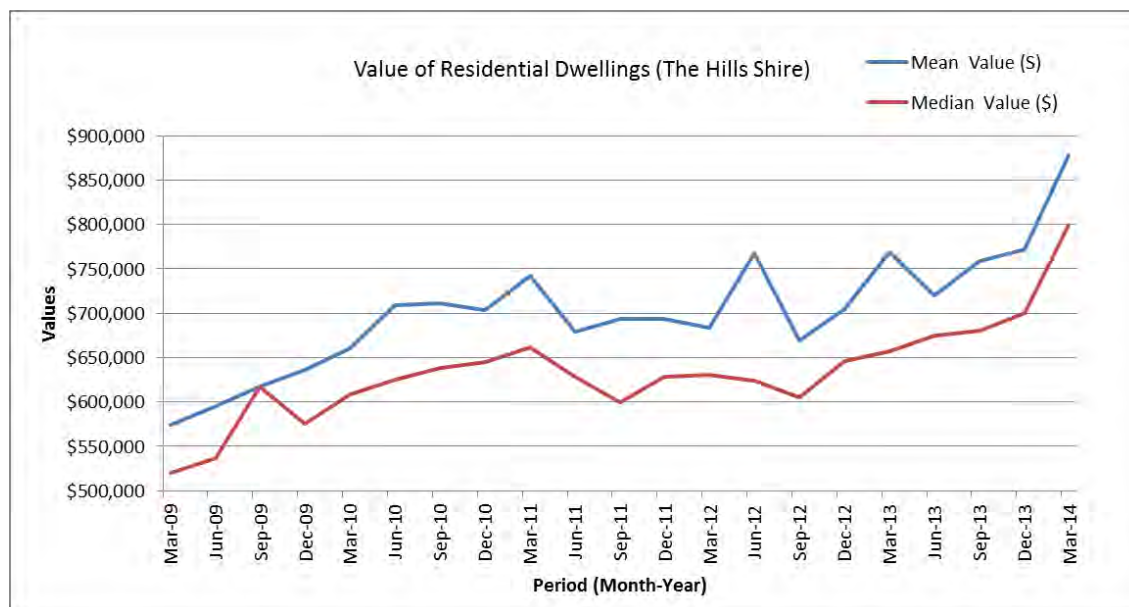


Figure 5
Value of Residential Dwellings

First Home Buyers

The rate that residential property values are increasing is progressively pushing first home buyers out of the market as they have less financial capacity to purchase. First home buyers experience greater difficulty as they are restricted by the cost of saving for a deposit, the upfront fees, and generally have limited equity when compared to owner occupiers already in the market. The following graph shows the trend in the number of first home buyer commitments as a percentage of total owner occupied housing finance within New South Wales.

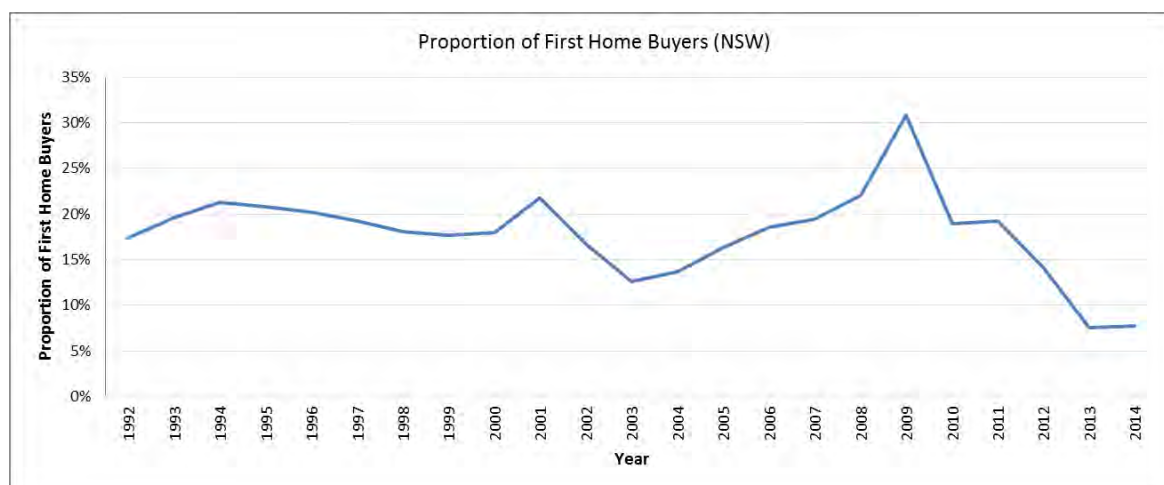


Figure 6
Proportion of First Home Buyers (NSW)

Within NSW first home buyers have generally averaged around 20% of all house purchases. However since the early 2000s the first home buyer market has experienced significant instability reaching a monthly peak of 34% in February 2009 and falling to a low of 7.5% in the most recent reporting period. As stated by Steven Rowley and Rachel Ong in their 2012 report titled *Housing Affordability, Housing Stress and Household Wellbeing in Australia*, *'this is largely due to rising house prices and government policies to stimulate demand, notably the first home owners grant boost'*. However, since September 2012 there has been a considerable reduction in the proportion of first home buyers entering the market, with an average of less than 8%. This is the lowest rate experienced pre 1991.

Based on the above trends it is apparent that first time home buyers are turning away from the owner occupied market. This could in part be due to the sharp increase in property values which has impacted on financial capacity of first home buyers to enter the market. It could also be the result of property investors taking advantage of the record low interest rates. If the low interest rates remain property investors could continue to dominate the real estate market as they can use equity from their existing home and have greater financial capacity to purchase homes before first home buyers.

With a specific focus on the proportion of first home buyers entering the market within the Hills Shire LGA an analysis has been undertaken of the number of First Home Owner Grants issued as a proportion of the total residential sales between March 2010 and March 2014. The results are included within the following graph. The trend in the proportion of first home owners over the period is shown by the red line and the trend in the median sale price over the period is shown by the blue line.

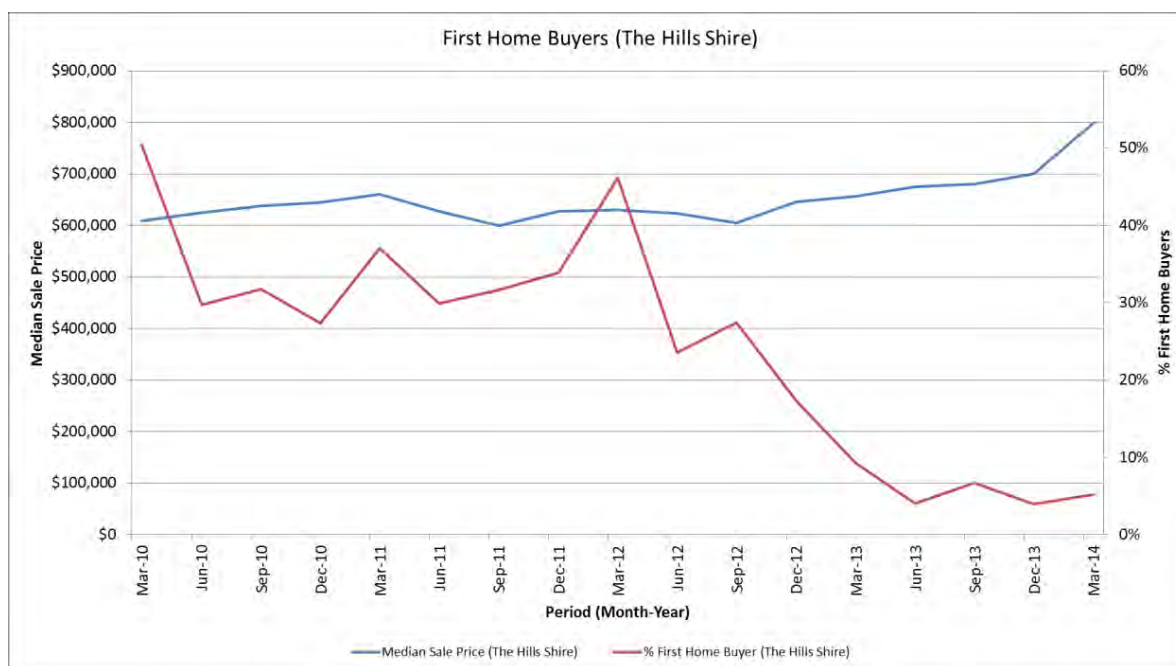


Figure 7
First Home Buyers (The Hills Shire LGA)

Between March 2010 and March 2014 there has been considerable instability in the first home buyer market of The Hills Shire, which has largely been influenced by progressive changes to the First Home Buyers Scheme. Over the period the proportion of first home buyers within The Hills Shire property market has reduced from over 50% to 5.21%, reaching a low of 3.94% in December 2013. Similar to the broader trend within NSW, the proportion of first home buyers entering the residential market within The Hills Shire has fallen considerably.

Household Debt and Income

Household Income

Households within The Hills Shire have a median income of \$2,044 which equates to \$597 more than the median for the Greater Sydney Region. Analysis of household income levels in The Hills Shire in 2011 compared to Greater Sydney shows that there was a larger proportion of high income households (those earning \$2,500 per week or more) and a lower proportion of low income households (those earning less than \$600 per week). Approximately 35.9% of the households earned a high income and 10.4% were low income households, compared with 23.6% and 18.3% respectively for Greater Sydney. The following graph shows the household income brackets within The Hills Shire.

Weekly household income, 2011

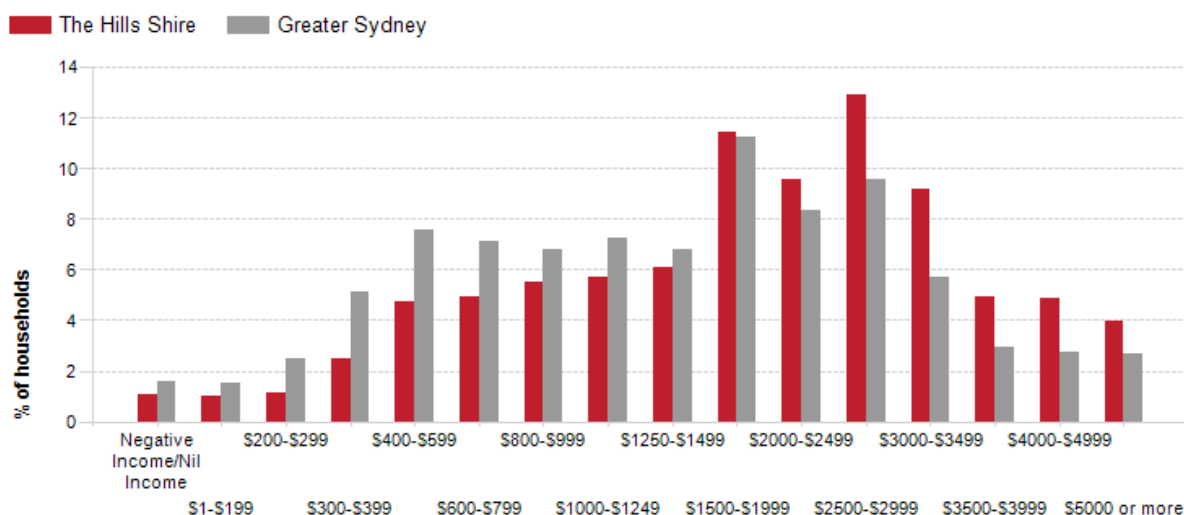


Figure 8
Weekly Household Income (profile.id)

Housing Costs

Household purchasing their dwelling in The Hills Shire have a median mortgage repayment of approximately \$2,570 which equates to \$403 more per month than the Greater Sydney Region.

Analysis of the monthly mortgage repayments of households in The Hills Shire compared to Greater Sydney shows that there was a larger proportion of households paying high mortgage repayments (\$2,600 per month or more), and a smaller proportion of households with low mortgage repayments (less than \$1000 per month). Overall, 47.3% of households within The Hills Shire were paying high mortgage repayments, and 10.1% were paying low repayments, compared with 36.0% and 11.9% respectively in Greater Sydney Region. A comparison of the monthly loan repayments between The Hills Shire and the Greater Sydney Region is included in the following graph.

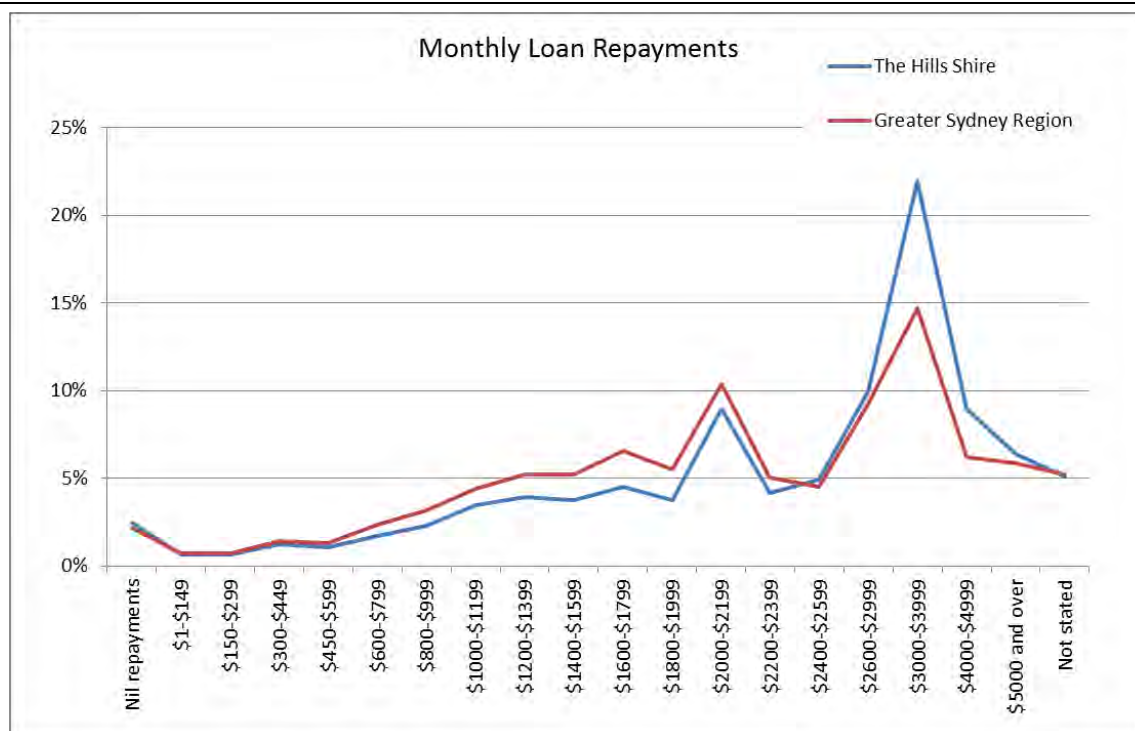


Figure 9
First Home Buyers (The Hills Shire LGA)

Housing loan repayment quartiles allow for the comparison of mortgage repayments across time. Approximately 43.1% of all households within The Hills Shire fall within the highest housing loan repayment quartile (more than \$2,854 per month) compared with 31.8% for the Greater Sydney Region. The mortgage repayment quartiles are included within the following graph.

Housing loan quartiles, 2011

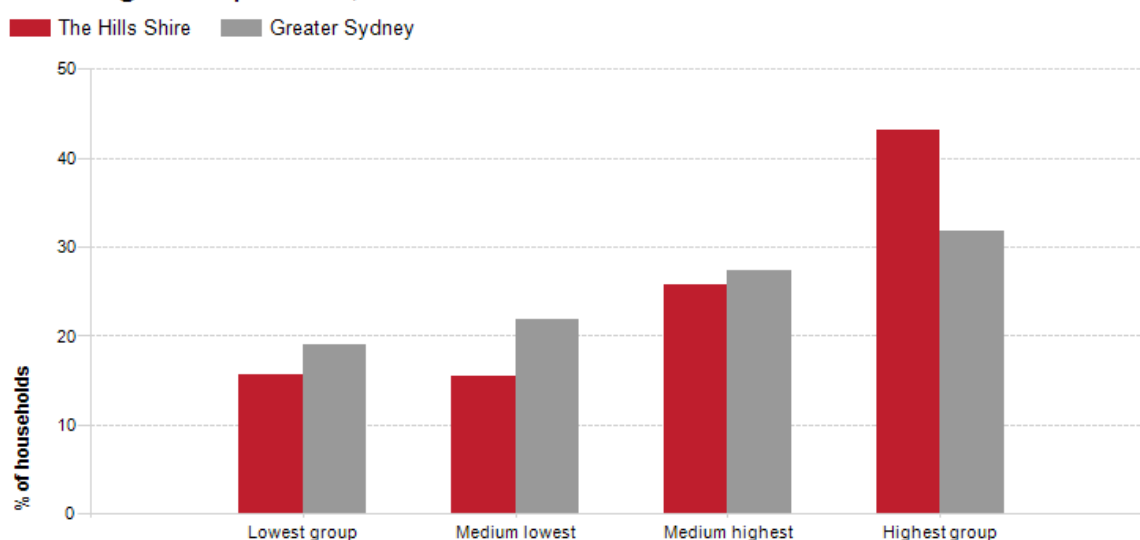


Figure 10
Mortgage Repayment Quartiles (profile.id)

Within The Hills Shire, the total number of households with a mortgage increased by 2,324 between 2006 and 2011. The most significant change in The Hills Shire during this period was in the highest quartile which showed an increase of 1,254 households.

Price to Income Ratio

Income is an important consideration when deciding on a household's capacity to make loan repayments in full and on time. The price-to-income ratio gives an indication of the relative expense of a home for a typical household by comparing the median housing price and median income.

The Demographia International Housing Affordability Survey ranks urban housing markets into four (4) categories based on their 'median multiple' score (median house price divided by the median household income), from affordable (3.0 and under) to moderately unaffordable (3.1 to 4), seriously unaffordable (4.1 to 5.0) to severely unaffordable (5.1 and over). The median multiple is widely used for evaluating urban markets. In the most recent survey all of the major markets of Australia, New Zealand, Hong Kong and Singapore were severely unaffordable. Sydney was identified as a 'severely unaffordable' market and was allocated a score of nine (9) which was the worst performing city in Australia.

When compared with other overseas markets all of Australia's major cities performed very poorly. Whilst there are a number of factors which impact on mortgage repayments and household debt levels, the median multiple method provides an indication on the general affordability of housing. When the housing prices increases the proportion of household income that must be allocated to mortgage repayments also increases. This reduces housing affordability as higher cost of housing leaves less disposable income which ultimately impacts upon the standard of living of households.