



planning consultants

4 July 2017
Our Ref: 8939D.WG

The Secretary
The Department of Planning & Environment
GPO Box 39
SYDNEY 2001

Lodged via North West Draft Exhibition Package Portal

Dear Ms McNally

Amendments to State Environmental Planning Policy (Sydney Region Growth Centres) 2006 – For North West Priority Growth Area

DFP has been engaged by Provincial Investments (NSW) Pty Ltd to review the proposed amendments to the State Environmental Planning Policy (Sydney Region Growth Centres) 2006 – for the North West Priority Growth Area as it applies to their property at 249-271 Railway Terrace, Schofields.

249-271 Railway Terrace, Schofields

Provincial Investments (NSW) Pty Ltd are the owners of 249-271 Railway Terrace, Schofields (the subject site). The legal description of this property is Lots 3-5 DP 26987.

A description of the area of each of the lots is provided below:

Lot 3 DP 26987	2.543 hectares
Lot 4 DP 26987	2.41 hectares
Lot 5 DP 29687	2.28 hectares

Total Area	7.233 hectares
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Figure 1 below is a Locality Plan.



Figure 1 – Locality Plan

An aerial photograph of the subject site is provided at **Figure 2** below.



Figure 2 – Aerial Photograph

The aerial photograph shows the relationship of the subject site to Schofields Railway station. The north western corner of the subject site is 325 metres from Schofields Railway station.

249 Railway Terrace, Schofields

249 Railway Terrace contains a weatherboard dwelling house with shedding at the rear. This property has a double road frontage with Pelican Road forming the rear boundary.

259 Railway Terrace, Schofields

259 Railway Terrace is a vacant block of land with a double road frontage. Pelican Road forms the rear boundary. The site contains a dam at the south western corner of the site. There is some vegetation located around the dam whilst the remainder of the site is cleared.

271 Railway Terrace, Schofields

271 Railway Terrace contains a single storey brick dwelling house at the Railway Terrace frontage. This property also has a rear access to Pelican Road. The majority of the site is cleared.

Existing Planning Controls

The subject site is located within the Alex Avenue Precinct of the North West Growth Centre.

Zoning

The subject site is currently zoned R3 – Medium Density Residential, whilst part of Lot 4, DP 26987 in the vicinity of the existing dam is zoned SP2 (Special Uses) – Drainage. The area of the land zoned SP2 is 0.9285 hectares. The SP2 zoned land will be acquired by Blacktown Council for the provision of trunk drainage facilities to service the greater Alex Avenue Precinct.

Building Height

The maximum building height is 16 metres. Whilst it is possible to construct a 5 storey residential flat building within a 16 metre height limit, to achieve compliance with this height limit, it is likely that a future development would range between 4 and 5 storeys.

Floor Space Ratio

The maximum floor space ratio over the site is 1.75:1.

Indicative Layout Plan

The Alex Avenue Precinct Indicative Layout Plan provides road patterns across the subject site. It is proposed that two north/south roads will traverse the site and two new east/west roads are proposed. The southern one will connect with Pelican Road, whilst the northern one will bound the proposed drainage area. An extract of the Indicate Layout Plan is provided below at **Figure 3**.



Figure 3 – Indicative Layout Plan – Alex Avenue

The Proposed Amendments to the SEPPSRGC 2006 – for North West Priority Growth Area

The proposed amendments to the SEPPSRGC 2006 that relate to the subject site are the imposition of a maximum density and an increase in the minimum lot size from 250m² to 300m² for detached dwellings.

The proposed amendments seek to impose a maximum density range for Lots 3 and 4, DP 26987 from 55 dwellings to 100 dwellings per hectare, whilst Lot 5 DP 26987 is proposed to have a density cap of 25-35 dwellings per hectare.

The implication of the imposition of the density cap is that it will not be possible to construct a residential flat building or series of residential flat buildings on the site that would be consistent with the desired future character established by the existing development controls that apply to the site.

As discussed above, the existing planning controls would allow a range of 4 and 5 storey residential flat buildings to be constructed across the site in accordance with the indicative layout plan which establishes the road networks.

The site area that is zoned R3 (Medium Density) zone (excluding land zoned SP2 Drainage 0.9285 hectares) is 6.305 hectares. It is anticipated that when the roads are removed from the site that the achievable floor space ratio would be approximately 1.5:1, despite the maximum FSR being 1.75:1. If a floor space ratio of 1.5:1 was achieved, the gross floor area for development would be 94,500m². If the average gross floor area for 1, 2 and 3 bedroom units is averaged at 100m² per unit, then the site could accommodate 945 units.

When the density cap of 100 dwellings per hectare is used, then the maximum residential yield would be as follows:

Lots 3 and 4	402 units
Lot 5 (maxim density cap 35 dwellings per hectare)	79 units
Total yield	481 units

This amendment effectively reduces the density of the site by 50% and would equate to a floor space ratio of approximately 0.76:1.

If the yield is reduced by 50%, then the height of residential flat buildings would be reduced to 2 to 3 storeys and it would not be viable to construct basements for 2 storey residential flat buildings.

Furthermore, it would not be economic use of land for land within 400 metres of a railway station to construct residential apartment buildings that were 2 storeys in height.

Inconsistency with Recent Amendments to Area 20

In 2015 the Department of Planning & Environment (DPE) gazetted amendments to the height limit for development in Area 20 adjacent to Cudgegong railway station. The land adjacent to Cudgegong railway station had the same development standards that apply to the subject site, ie. a 16 metre height limit with a floor space ratio of 1.75:1. The DPE amended the controls that related to Area 20 because it was not possible to achieve the floor space ratio of 1.75 with a 16 metre height limit given the proposed roads that needed to be constructed through the sites. Again a very similar situation to the subject site. In order to achieve a floor space ratio of close to 1.75:1, it was necessary to increase the height for development in and around the Cudgegong railway station from 16 metres to 26 metres, which facilitated the construction of 8 storey buildings.

At its meeting 16th December, 2015 The Sydney West Joint Regional Planning Panel approved a residential flat building on land at 60 Pelican Road, Schofields which is north west of the subject site. The proposal was on land zoned R3 with the same development controls as the subject site and once land zoned Local Road and Drainage were removed, the net developable area was 14,522m². A development approval for 322 units in 5 x 5 storey buildings was approved. The FSR of 1.75:1 was achieved which would provide a residential density of 220 dwellings per hectare. The area where this development consent was located is now proposed to have a density cap of 55 dwellings per hectare.

There are a number of other development applications that have been approved in the Alex Avenue Precinct and Area 20 Precinct with densities ranging from 150 to over 200 dwellings per hectare. These developments range in height from 8 storeys to 4 storeys. The proposed density caps will result in 2 and 3 storey residential flat buildings which will sit awkwardly with recent approved development.

Rationale behind Density Cap

DFP appreciates that the population projections that were made in 2006 did not envisage that the market would provide residential development within the North West Growth Centres that would achieve densities in excess of 200 dwellings per hectare. These population projections were made on the basis that development would not achieve the floor space ratios and heights that are permissible in the zones.

Given the number of development applications that have been approved and the number of residential apartment buildings that have commenced construction in the Area 20, Box Hill, North Kellyville and Alex Avenue, Precincts, there is significant market demand for residential accommodation in this locality. Much of this demand is due to the relative affordability of residential apartments compared with smaller residential lots which are selling with a dwelling for more than \$1,000,000, whereas residential apartments range from approximately \$700,000. It is this affordability that is creating the demand for the residential apartments in the North West Growth Centre.

By effectively halving the density, the supply of residential dwellings will be significantly affected in a number of ways.

1. If developers are in a position to construct development at the reduced density, then the ultimate development will be 50% of the yield that could have otherwise been achieved, thereby significantly affecting housing supply.
2. The current land value has been established on the basis of the anticipated density under the existing controls. If the density is halved, then the land value will also significantly reduce in value. Crudely, this may result in a 50% reduction in the land value. If the land value reduces by 50%, it is highly unlikely that the existing land owners will be seeking to sell their properties. Accordingly, the supply of development land will be significantly reduced.
3. For those developers who have already purchased land, based on the existing achievable densities, if the density cap is imposed, the loan to value ratio will be significantly reduced that will affect their financing. When the loan to value ratio reduces, the financial institutions will be required to obtain more security for those loans, which is generally in the form of cash top-ups. If a developer is not in a position to provide additional security against the loan, the bank will have no other alternative but to foreclose on the loan, sell the property to recoup their funds. If a number of foreclosures occur, a series of fire sales will result which will lead to reduced land values. If land values also reduce, this will cause a cyclical problem with the land to value ratios continuing to fall.

The reduction in the density cap by up to 50% could cause a shock to the market which will cause significant financial harm to both existing long term land owners and developers who have recently purchased land. Such markets shocks should be avoided at all costs.

Potential Ways to Address the Additional Population

There are two ways in order to address the arising situation where the likely future population will be significantly greater than what was anticipated, these are:

1. Introduce a density cap (as proposed) (Non Preferred Option) that will result in serious economic and supply impacts as discussed above.
2. Preferred Option. Determine what the likely population will be based upon the current development standards that apply to land in the North West Growth Centre. Once the anticipated population is known, determine the amount of public infrastructure such as open space, road network, drainage, infrastructure and utilities such as electricity, water and sewer would be needed to service the anticipated population. Once the demand for these services is understood, it will then be possible to recalculate the Section 94 Contribution Plan and the anticipated State Infrastructure Contributions (SIC Levy) to determine the funding models required to facilitate the expected population.

DFP is acutely aware of the restrictions imposed by the NSW State Government in relation to the \$30,000 Section 94 Contribution cap, however, it is possible to review this via IPART should the amount of Section 94 Contributions required to service the new population exceed \$30,000 per dwelling. It is however anticipated that with the larger densities achieved, that there should be greater efficiencies in providing public infrastructure such as open space and traffic networks.

DFP understands that undertaking the second option listed above would require reserving more land for open space, potentially more land for drainage purposes and more land for road widening and would require a reworking of the Section 94 Contribution Plan and the works that would be undertaken by funding via the SIC Levy.

Instead of implementing a density cap, DFP is of the opinion it would be possible to amend the SEPP to state that development consent should not be granted for development applications lodged after 4th July, 2017 until such time as the new Section 94 Contribution Plan has been implemented. If this option is taken, developers would still be in a position to prepare development applications and land transactions could still occur, albeit the only risk would be that new land or additional land would be required to be rezoned to open space and SP2 Infrastructure. This risk would be minimised as the acquiring authority would be required to purchase the additional reserved land at the underlying zoning which has already effectively been determined. The DPE has included similar provision in the South West Growth Centre including Edmondson Park.

The DPE could work with Blacktown City Council and The Hills Council to determine the projected population and provide additional open space, traffic upgrades and social services and infrastructure.

Inconsistency with State Government Planning Aims

It is quite ironic that during the exhibition period of these amendments, the Premier of NSW and the Minister for Planning have been discussing reasons why housing supply needs to be increased in order to assist in providing more affordable housing. Indeed, the recent 2017/18 State Budget included measures to assist first home buyers into the property market. Reducing the density in the growth centres will restrict supply and increase housing prices.

Also during the exhibition period of the amendments of the SEPP, 15 new Priority Precincts have been announced by the Department of Planning & Environment. One of these Priority Precincts is Schofields Town Centre, yet the proposed amendments to the SEPP SRGC seek to reduce the achievable density by up to 50%.

Savings and Transitional Provisions

An addendum to the SEPP amendments was provided which states:

“This explanation of intended effect is amended on 19 May 2017 as follows:

1. *A consent authority is not required to apply the provisions of the Explanation of Intended Effect to a DA lodged before Monday 22 May 2017.”*

The Grown Centres amending DCP states:

“If a development application has been made before the commencement of this DCP in relation to land to which this DCP applies and the application has not been finally

determined before that commencement, the application must be determined as if this DCP had not commenced.”

The two clauses are inconsistent.

The proposed savings provisions are intended to apply to DA's lodged after the 22 May 2017 is grossly unfair as there are many situations where land has been purchased, pre-DA meetings have been undertaken and architectural supporting documentation prepared in preparation for the lodgement of a development application. The cost of lodging a development application for a residential flat building development of up to 500 units is in excess of \$400,000. A properly made development application for a scheme of this type of magnitude can take up to 3 months to prepare. If the savings provision was extended to at least the end of the exhibition period, applications that had been close to completion could be lodged and assessed under the current provisions, whilst not providing enough time for a rush of new development applications to be prepared from scratch and lodged.

It is standard practice for SEPPs and Environmental Planning Instruments to provide savings and transition provisions that apply to applications made but not yet determined prior to the commencement of the amending policy.

Conclusion

DFP has been commissioned by Provincial Investments (NSW) Pty Ltd to undertake an independent assessment of the amendments to the SEPP SRGC 2006 and this submission represents DFP's response to these proposed amendments.

Whilst DFP acknowledges that the projected population that is likely based on current development approvals is significantly greater than what was planned for in 2006, the Department of Planning has the opportunity to embrace this additional supply of housing opportunities as opposed to implementing a density cap. As discussed in detail in this submission, a density cap will have a significant impact on supply of new dwellings in the North West Growth Area as there will be a large disparity between the anticipated land value of existing owners and the price that developers will be able to pay to facilitate new development. Furthermore, the density cap on our client's property will result in development of residential flat buildings that would be in the order of 2-3 storeys in height, where it is uneconomic to construct basement car parking areas.

The Department and Council's are aware of the numerous development applications for residential flat buildings in the growth areas ranging from 8 storeys to 4 storeys that are currently under construction. The density cap will result in a poor built form punctuated by development that was approved prior to the amendments and those approved after the amendments.

For our client's land, it is against all of the State Government's planning principles of providing increased housing opportunities within convenient walking distance of railway stations. Our client's land is within a 400 metre radius of Schofield's Railway Station and yet a density cap of between 55 dwellings per hectare and 100 dwellings per hectare is proposed. As indicated, this is half the density that would otherwise be achievable if a part 4 and part 5 storey residential flat building was constructed in accordance with the existing development standards that apply to the site. The density cap in areas in close proximity to the railway station is in direct conflict with the Department of Planning & Environment's recent announcement of 15 new Priority Precincts that aim to provide more homes and jobs close to public transport, shops and services. Ironically, one of these Priority Precincts is Schofields Town Centre.



It is the recommendation of DFP Planning that Council and the State Government revisit the Section 94 Contributions Plan and SIC Levy and provide the additional public infrastructure and services that are required to facilitate the new population generated by the existing development standards that apply to land in the North West Growth Area.

It would be preferable if the Department of Planning & Environment required that no development consents for applications lodged prior to 4th July , 2017 be issued until such time as the new Section 94 Contribution Plan and SIC Levy are adopted to ensure that there is the social and public infrastructure available to support the new population. This would enable development applications to continue to be prepared and lodged and assessed pending the amendment to the Section 94 Contributions Plan and SIC Levy.

DFP trusts the information contained in this submission is clear, however should there be any further queries, please do not hesitate to contact Warwick Gosling on 9980 6933.

Yours faithfully
DFP PLANNING PTY LTD

A handwritten signature in black ink, appearing to read 'W. Gosling', written in a cursive style.

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A handwritten signature in black ink, appearing to read 'K. Osborne', written in a cursive style.

Reviewed: _____