



planning consultants

4 July 2017  
Our Ref: 9343A.4WG

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  
163 Tallawong Road, Rouse Hill**

**1. Introduction**

DFP has been commissioned by Maggie Lake, the land owner of 163 Tallawong Road, Rouse Hill to review the proposed amendments to the State Environmental Planning Policy (Sydney Region Growth Centres) 2006 (SEPP SRGC) – for the North West Priority Growth Area as it applies to her property.

163 Tallawong Road, Rouse Hill (the site) sits within Stage 1 of the Riverstone East precinct and is zoned part R2 Low Density Residential and part R3 Medium Density Residential.

The site currently has a minimum density of 15 dwellings per hectare for the land zones R2 Low Density and a minimum of 25 dwellings per hectare on the land zoned R3 Medium Density. The site does not contain any vegetation that is required to be retained, is not in a flood hazard zone and does not contain a heritage item.

This submission seeks to demonstrate why it is the opinion of DFP that the eastern portion of the site that is zoned R3 Medium Density Residential should not be subject to the proposed maximum residential density cap of 35 dwellings per hectare.

The location of the site is shown in **Figure 1** below.

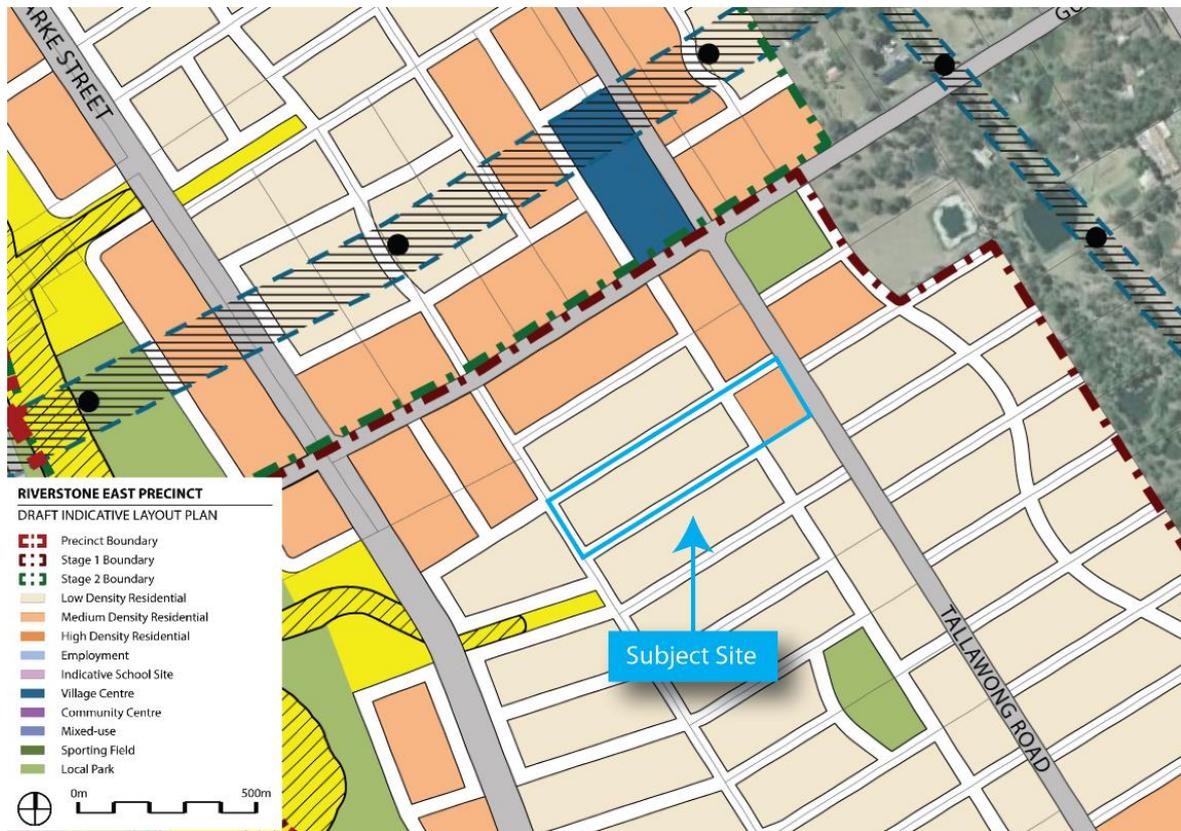


Figure 1 - The Site as shown on the Riverstone East Indicative Layout Plan

## 2.0 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 250m<sup>2</sup> to 300m<sup>2</sup> for detached dwellings.

The proposed amendments seek to impose a maximum density range for the site of 25-35 dwellings per hectare, where currently there is no maximum density control.

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

The existing planning controls would allow a 4 storey residential apartment buildings to be constructed on the eastern part of the site as shown in the R3 zone in **Figure 1** above.

The area of land that is zoned R3 Medium Density is approximately 3250sqm. It is anticipated that the achievable floor space ratio for a 4 storey apartment building would be approximately 1.5:1. If a floor space ratio of 1.5:1 was achieved, the gross floor area for development would be 4875m<sup>2</sup>. If the average gross floor area for 1, 2 and 3 bedroom units is averaged at 100m<sup>2</sup> per unit, then the site could accommodate 48 units.



When the density cap of 35 dwellings per hectare is used, then the maximum residential yield for this site would be 11 dwellings.

This amendment effectively reduces the density of the site by 78% and would equate to a floor space ratio of approximately 0.33:1.

If a yield of 11 dwellings is achievable on the site it would not be feasible to construct a residential apartment building development, which represents the highest and best use in the R3 zone.

### **3.0 Inconsistency with Recent Amendments to Area 20 and other recent approvals**

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 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. The height limit was increased to 26 metres.

The Joint Regional Planning Panel approved a DA at 65 Cudgegong Road Rouse Hill with a density in excess of 200 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 4 storeys to 8 storeys. The proposed density cap will prevent a residential apartment building from being constructed despite the site being in walking distance of the Guntawong Road Village and the adjoining school to the south. It is a poor outcome when a density control effectively prevents the highest and best use from being achieved on the site.

### **4.0 DPE's Rationale behind the Proposed 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, it is evident that 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.

If as discussed above the authors of the Growth Centres SEPP miscalculated the anticipated density, it appears counterintuitive to significantly restrict the amount of development when there is a strong demand.

By effectively denying the ability to construct a residential apartment building on the site, 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 22% 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 22% of that originally approved then the land value will also significantly reduce in value. Crudely, this may result in a 78% reduction in the land value. If the land value reduces by 78%, 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 which 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 78% 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.

## **5.0 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 4<sup>th</sup> 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.

There are a number of benefits from taking the second option preferred option which include;

1. There will not be a shock to the land values;
2. Supply of housing will only be affected for a short period of time whilst the Section 94 Plan and SIC levies/ identified infrastructure are revised;
3. There will not be situation where there will be 4 storey RFBs located next to lower density developments, likely town house development;
4. Social Infrastructure will match the anticipated population demand;
5. Housing that is market appropriate will continue to be provided in a locality that will have access to Rail transport and Rouse Hill town Centre; and
6. Any delay in urban redevelopment creates the situation where existing property owners are reticent to invest money in their properties and the locality will stagnate.

## **6.0 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 contradicts these aims and 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 indicating the Department is clearly aware of the demand for housing in Sydney.

There is significant pressure in the Hills Shire and Blacktown Council to rezone land for urban purposes that are not in the Growth Centres due to the high demand for housing. The Growth Centres are the most appropriate location to provide new housing as these are the areas Council's and the State Government have committed significant resources to service and are in a position where additional services could be easily provided if required.



## 7.0 Conclusion

DFP has been commissioned by Maggie Lake 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 prevent a residential flat building from being constructed on the site. The proposed density cap of 35 dwellings per hectare is effectively proposing a control that prevents residential apartments from being constructed which is the highest and best use on the site.

The Department and Councils are aware of the numerous development applications for residential flat buildings in the growth areas ranging from 4 storeys to 8 storeys that are currently under construction. The density cap will result in a poor built form punctuated by developments that were approved prior to the amendments and those approved after the amendments, presenting poor urban design outcomes for the site.

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 the Guntawong Road Village and the proposed school to the south. As indicated, the proposed density cap of 35 dwellings per hectare reduces the density from approximately 48 units to 11 units, a reduction of 78%. The density cap in areas in close proximity to proposed villages 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. It is also against the notion of providing walkable villages and the 30 minute city.

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 4 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.

**WARWICK GOSLING**  
**DIRECTOR**

wgosling@dfplanning.com.au

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

Reviewed: \_\_\_\_\_