

Our ref: D03200878

13 April 2018

Director, Housing and Infrastructure Policy  
Department of Planning and Environment  
GPO Box 39  
Sydney NSW 2000

Dear Ms Deborah Brill

**Re: Randwick City Council Submission: Draft amendment to parking provisions for boarding houses: Affordable Rental Housing SEPP**

Randwick City Council welcomes the opportunity to provide a submission to the NSW Department of Planning and Environment (the Department) on the draft Amendment to parking provisions for boarding houses in the Affordable Rental Housing SEPP.

Randwick City Council is a strong supporter of affordable housing issues. For many years, the Council has worked with developers of major sites to increase the provision of affordable housing for its community. Since late 1990s Council's LEP made provisions for affordable housing and promoted their constructions in the Local Government Area (LGA). In 2006 and 2007, the Council adopted an Affordable Rental Housing Policy and Strategy for the City of Randwick.

While it is important to note that the Council strongly supports a planning policy on affordable rental housing, we believe that a comprehensive review of the SEPP is urgently needed (in addition to the proposed changes to parking provisions) to better deliver on its objectives.

The Council has raised the need to comprehensively review the SEPP on several occasions with the Department and in June 2017, the Council undertook its own comprehensive review of the SEPP and its impacts within the suburbs of Randwick. This analysis demonstrated the strong take up of the new generation boarding houses under the SEPP with more than 500 boarding house rooms approved over a six year period (since the policy came into effect in 2009), located mainly to the north of the LGA. A review of rents being charged for these boarding house rooms (up to \$550 per week) demonstrate that these rents are not delivering genuine affordable rental housing as the SEPP intended.

The marked increase in the number of new generation boarding houses in the area has generated significant concerns by the community which mainly relate to streetscape impacts; demand in parking; increasing density by stealth; and the inequity of providing a FSR bonus which exceeds the environmental limits as set by the Local Environmental Plan.

The findings of Council's review was reported by the Sydney Morning Herald and sent to the Department of Planning and Environment (on 23 June 2017) for its consideration. A copy of the report is attached. The Council (again) wrote to the Department (on 3 January 2018) to seek an update of its review; and called on the Department in its review of the SEPP to:

- Undertake an audit of boarding houses approved under the SEPP across the City;
- Undertake a detailed post occupancy survey;
- Undertake a review of the FSR incentive/bonus;
- Undertake a parking review;
- Enhance amenity and design provisions for occupants, and
- Identify mechanisms to secure genuine affordable housing outcomes for those in need.

Despite the need for a comprehensive review in addressing the issues above, this submission supports the proposed increased rate in parking provision including the application of a standard rate (irrespective of whether the boarding house is in an accessible area or not) for boarding houses. It also recognises that the increased rate would likely impact on development viability, especially for new generation boarding houses in more suburban areas.

We also suggest that the Department could consider distance separation requirements to avoid clustering of boarding houses to be incorporated as an additional measure to increased parking standards. And request that any studies and/or research conducted by the Department to inform the new proposed parking provisions should be made publicly available.

We look forward to working closely with the Department for improved policy outcomes for the delivery of affordable rental housing. Please do not hesitate to contact Elena Sliogeris, A/Coordinator Strategic Planning on 9093 6961 should you require any further information.

Yours faithfully



Alan Bright  
**Manager, Strategic Planning**

## Miscellaneous Report No. M2/17

**Subject:** Impacts of the AHSEPP within suburbs of Randwick City



**Folder No:** F2009/00315

**Author:** Elena Sliogeris, Senior Environmental Planning Officer - Strategic Planning

### Introduction

This report responds to two resolutions of the Council on the State Environmental Planning Policy (Affordable Rental Housing) (AHSEPP).

On the 24 May 2016, the Council resolved:

*That Council, in recognising the increased use of the State Environmental Policy Affordable Renting Housing (AHSEPP) within suburbs of Randwick City and the interest such developments are generating within the community conduct a review and report on;*

- a) The concerns developments utilising the AHSEPP are generating within the community;*
- b) The effectiveness of the AHSEPP in meeting its objectives; and*
- c) Actions the Council might consider to improve the application of the AHSEPP.*

And on the 28 April 2015, the Council resolved:

*That Council bring back a report and conduct a survey on all boarding houses approved under the State Affordable Housing Policy that are currently operating, to determine the parking demand generated by these developments.*

In response to the above resolutions, Council officers have conducted a review of the AHSEPP within Randwick LGA and have outlined the findings in the discussion below. It is intended that this report be sent to the Department of Planning and Environment for their consideration and review of the SEPP to improve the planning policy's application and address community concerns.

### Background

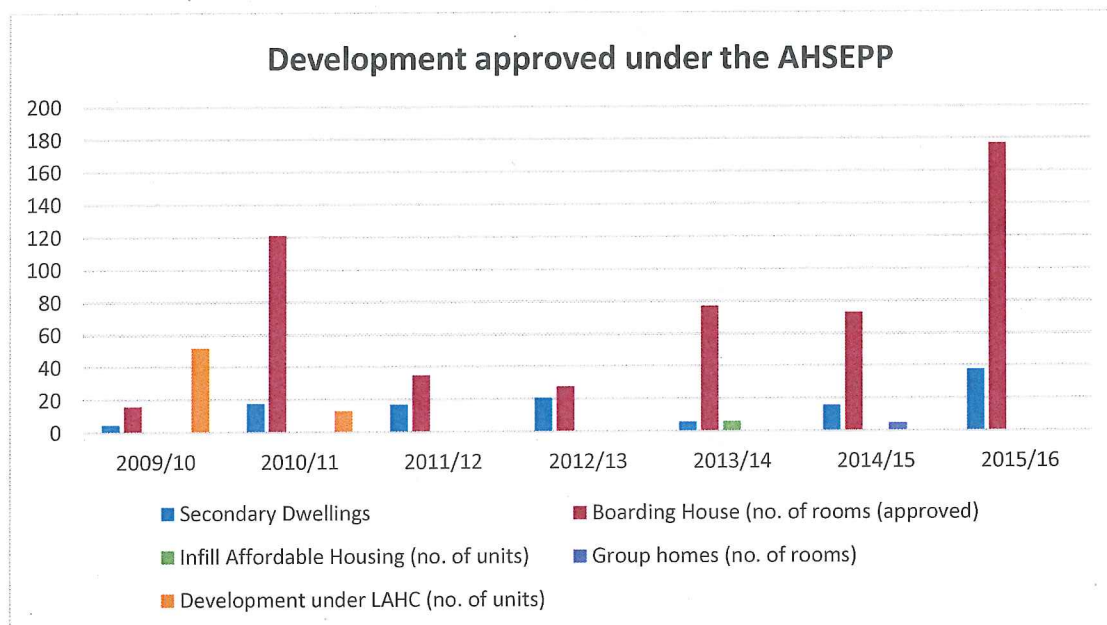
The Affordable Rental Housing SEPP (AHSEPP) was introduced in July 2009, designed to increase new affordable housing and protect existing affordable housing. The AHSEPP introduced secondary dwellings, new generation boarding houses, and density bonuses for infill affordable housing and new generation boarding houses where residential flat buildings are permitted (R3 Medium Density Residential zone and the B1 Neighbourhood Centre and B2 Local Centre zones).

These provisions (designed to increase new affordable rental housing) are outlined in Part 2 of the AHSEPP and also includes development by Land and Housing Corporation (i.e social housing), supportive accommodation and group homes. Part 3 of the AHSEPP outlines provisions for the retention of existing affordable rental housing. These reflect those of the former SEPP 10 – Retention of Low Cost Accommodation, which the AHSEPP repealed.

A desktop audit of development approved under Part 2 of the SEPP was undertaken.



The table and graph below lists the development approved including the number of rooms and/or dwellings approved for each financial year since the SEPP was introduced in 2009. Note these numbers may vary subject to any subsequent modifications of consent.



| Financial year | Secondary Dwellings | Boarding House (no. of rooms approved) | Infill Affordable Housing (no. of units) | Group homes (no. of rooms) | Development under LAHC (no. of units) |
|----------------|---------------------|--|--|----------------------------|---------------------------------------|
| 2009/10        | 5                   | 16                                     |  |                            | 52                                    |
| 2010/11        | 18                  | 121                                    |  |                            | 13                                    |
| 2011/12        | 17                  | 35                                     |  |                            |                                       |
| 2012/13        | 21                  | 28                                     |  |                            |                                       |
| 2013/14        | 6                   | 77                                     | 6  |                            |                                       |
| 2014/15        | 16                  | 73                                     |  | 5                          |                                       |
| 2015/16        | 38                  | 177                                    |  |                            |                                       |
| <b>Total</b>   | <b>121</b>          | <b>527</b>                             | <b>6</b>                                 | <b>5</b>                   | <b>65</b>                             |

As the table and graph above illustrates, both secondary dwellings and new generation boarding houses are the most popular form of development uptake under the AHSEPP in Randwick City. Given the number of boarding house applications under the AHSEPP being received in Randwick, this report addresses issues relating to new generation boarding houses in accordance with the council resolutions and considers the effectiveness of the AHSEPP in meeting its objectives in relation to this type of housing.

### Boarding houses

Boarding houses are a form of residential accommodation which has traditionally been permissible across all residential zones. In the Randwick LEP 2012, they are defined as:

*"means a building that:*

- (a) is wholly or partly let in lodgings, and*
  - (b) provides lodgers with a principal place of residence for 3 months or more, and*
  - (c) may have shared facilities, such as a communal living room, bathroom, kitchen or laundry, and*
  - (d) has rooms, some or all of which may have private kitchen and bathroom facilities, that accommodate one or more lodgers,*
- but does not include backpackers' accommodation, a group home, hotel or motel accommodation, seniors housing or a serviced apartment.*

Note. Boarding houses are a type of 'residential accommodation'—see the definition of that term in the Standard Instrument Dictionary.

Boarding houses add to the diversity of housing and historically, they have provided low cost shared accommodation particularly in inner city areas, for single people on low incomes and in some instances for those with disabilities. Boarding houses are also flexible in terms of length of stay, are often furnished and have minimal or no set up costs (bonds and arranging utility connections) which can be prohibitive for low income earners/pensioners and those with disabilities.

Over the last 30 years, boarding houses experienced decline in inner city areas due to issues of financial viability, ageing stock and through the conversion into single dwellings (i.e. gentrification). However, since the AHSEPP was introduced, the number of boarding houses within Randwick City has steadily increased, reversing this trend of decline.

### **Boarding houses approved under the AHSEPP**

Since the AHSEPP was introduced, more than 500 boarding house rooms have been approved mostly in the north of Randwick City (as shown in the map below). Many of the new boarding houses in Randwick City have been constructed and/or redeveloped in proximity to the University and hospital precinct and close to the town centres. The median number of boarding house rooms approved is 13 rooms. Anecdotal evidence suggests that these boarding houses are meeting a demand for student accommodation being located close to the UNSW.

While the AHSEPP permits traditional boarding houses with shared facilities, it also encourages new generation boarding houses which provide a range of self-contained rooms with their own kitchenettes and bathrooms. These new generation boarding houses are more akin to self-contained studios (i.e; 175 Avoca St, Randwick– see rental advertisement below) in terms of their visual appearance, size, and provision of kitchenettes and bathrooms and in some cases balconies.


The AHSEPP provides minimum floor areas for each bedroom in a boarding house (min 12 sqm – max 25 sqm). It outlines non-discretionary standards including FSR, building height, landscape treatment and car parking which mean that council cannot refuse boarding house developments if these standards are met. A bonus FSR of 0.5:1 applies to a boarding house under the SEPP on land where residential flat buildings are already permitted (i.e R3 Medium density residential zone, B1 Neighbourhood centre and B2 Local centre zones). Boarding house accommodation cannot be strata subdivided and therefore new accommodation must be maintained in the form of rental accommodation (under single ownership). In accordance with the Boarding Houses Act 2012, Council carries out an initial compliance investigation within 12 months of a boarding house being registered with the Department of Fair Trading to ensure compliance with the terms of the Act (in relation to fire safety and building standards).





*Location map of AHSEPP boarding houses approved and/or under assessment (April 2017)*





**\$500**  
175 Avoca Street, Randwick NSW 2031

Available from **Wednesday, 1 March 2017**    Bond **\$1000**

**Designer Studio's**  
Furnished designer studio's, self contained with its own kitchen and bathroom, washer/dryer machine provided, one double bed, built-in wardrobe, balcony, plenty of light throughout.

The building is situated opposite Royal Randwick shopping centre, a short walk to City bus and UNSW.

**Student Concierge**  
Sydney Residential Real Estate

[Call](#)  
[Email agent](#)  
[Apply](#)

**Sydney Residential**

*New Generation Boarding House at 175 Avoca St, Randwick advertised on domain.com.au (in March 2017) as a furnished studio for \$500 per/week*

While tariffs/rents for boarding houses are not regulated by the SEPP, affordable accommodation is encouraged by virtue of the size of the rooms being provided (i.e. a maximum of 25 sqm). However, as discussed further in this report rental levels being achieved from these new generation boarding houses are considerably higher than traditional boarding house accommodation and beyond the reach of lower income earners.

These new type of boarding houses are attractive for developers as the AHSEPP offers a number of key advantages which aims to facilitate this type of development, being:

- A FSR bonus on land where residential flat buildings are permitted.
- The ability to construct boarding house rooms as small studio apartments (i.e. rooms can be far smaller than the 35sqm required for studios under SEPP 65) Note *State Environmental Planning Policy 65 – Design Quality of Residential Flat Buildings* does not apply to boarding houses.
- The non-discretionary standards in the SEPP give developers a reasonable level of certainty that if they design to those standards, the consent authority will be unable to refuse their application on those grounds.
- Steady long term rental returns (because boarding houses cannot be strata subdivided, they are held under the single title and provide steady long term rental returns to the owner).

## Issues

### Community concerns

New generation boarding houses under the AHSEPP have generated community concerns which mostly relate to:

- The proliferation of new generation boarding houses within an area, i.e several boarding houses being developed in the single street, changing the character, amenity and streetscape of the area, and 'increasing density by stealth';
- Provision of a density bonus which exceeds the permitted FSR in the local LEP -inequitable;
- Lack of parking;
- Transient population and antisocial behaviour;
- Not providing genuine affordable rental accommodation to those in need.

### Impact on local streetscape and character

A number of areas in Randwick now have several boarding houses within the same street such as Houston Road, Kingsford and Botany Street, Randwick and along Anzac Parade within the Kensington and Kingsford town centres. While this concentration of new boarding houses is generating community concerns, it should be noted, that these streets are in close proximity to the University and contain a mix of residential housing forms including single dwellings and multi- unit buildings of around 3-4 storeys.

Furthermore, the provision of a density (FSR bonus under the SEPP (in some instances) allows for greater bulk and scale leading to the perception that building densities have increased in these areas (although the maximum building height limit must still be adhered to). Accordingly, some community members describe this as 'increasing density by stealth'.

Councils are required by legislation to apply the FSR incentive available under the SEPP; and any amendments to the AHSEPP are the responsibility of the state government. Despite this, there are a number of local area provisions within the assessment process which need to be considered to address local streetscape impact and character.

Under the AHSEPP, proposals for boarding houses must also meet the 'character of local area' test as outlined in clause 30A of the AHSEPP. This clause states that:

*'A consent authority must not consent to development to which this Division applies unless it has taken into consideration whether the design of the development is compatible with the character of the local area.'*

An assessment under this clause by the consent authority must consider as to whether a proposed development would be in harmony with the buildings around it. In addition to the AHSEPP, the provisions within Council's LEP and DCP are also considered together in the assessment. For example, Randwick DCP 2013 section B1 Design, requires a detailed site and context analysis to be provided as part of any development application, including boarding houses. This is vital to achieving good urban design and is particularly important in Randwick City, with most development occurring in established neighbourhoods. Moreover, development adjacent to or in the vicinity of a heritage item or heritage conservation area, such as the West Kensington heritage conservation area, also needs to be considered for its likely effect on heritage significance and setting of the item and/or area.

Randwick DCP 2013 also contains specific controls for boarding houses under section C4 'Boarding Houses'. These controls supplement the AHSEPP provisions and include



design guidelines and operational requirements which aim to ensure quality yet affordable accommodation, effective on-going management and suitable living environment for both occupants and neighbours. However, these provisions could be strengthened if they were contained within the SEPP rather than the DCP.

### **Parking**

The provisions within the AHSEPP state that if a proposed boarding house is within an "accessible location" (i.e 400m from a bus or light rail stop/ regular bus service or 800m to a railway station) the parking requirement under the AHSEPP allows for 1 space for every 5 bedrooms (0.2 per room) plus 1 space for a caretaker to be provided on the site. If a site is located further than 400m (less accessible) the parking requirement is higher, namely 2 spaces for every 5 rooms (0.4 spaces per room). The AHSEPP further stipulates that a council cannot refuse an application for a boarding house if the proposal complies with this car parking ratio (as well as the other design requirements under the SEPP). These current standards were incorporated following amendments to the SEPP in 2011 which (amongst other things) introduced higher parking requirements for boarding houses (previously 1 space per 10 rooms or 0.1 space per room).

Requirements for on-site parking impact considerably on the cost, layout and access arrangements for new development. Given that the Policy's intent is to increase the supply and diversity of affordable rental housing, any increase in the parking requirement is likely to impact on the viability of boarding house construction and therefore undermine the intent of the Policy.

### **Parking demands**

The resolution of Council on 28 April 2015 sought that Council conduct a survey on all boarding houses approved under the AHSEPP that are currently operating, to determine the parking demand generated by these developments. Several matters are important to consider in response to Council's resolution to carry out a parking survey of boarding houses approved under the SEPP. Firstly, Council does not have the details of people residing in these premises. As such the parking survey would need to rely on valid responses being received from owners and/or occupants. Secondly, conducting any type of field investigations to identify how many occupants leave/arrive home using private vehicles may be invalid particularly if the occupants parked far away from the premise. Moreover, even if Council was able to obtain the information it would be of limited benefit in terms of planning controls as Council is unable to adopt alternative parking requirements in our LEP or DCP which override the SEPP.

Based on these points, a more realistic and considered option is for the Council to write to the Minister for Planning requesting that the State Government carry out independent research on parking demand generated by boarding houses approved under the AHSEPP to determine if there are locational variations in parking demand across Sydney e.g. boarding houses located close to public transport compared to boarding houses located in less accessible locations. It would also show any variations between new age boarding houses and older, more traditional boarding houses. This approach would enable a more reliable survey sample size and provide more accurate information to assist in determining the need for changes to the parking controls under the AHSEPP. In addition, given that the SEPP has been in place for close to 8 years, a broader review of the operation and effectiveness of the AHSEPP is also timely (and required by legislation 5 years after its commencement). This could include post occupancy surveys which provide a snapshot of the operation and nature of boarding houses completed under the SEPP. This is discussed in more detail below under 'next steps'.

### **Lack of genuine affordable accommodation**

The AHSEPP does not require boarding house accommodation to be leased at affordable and/or subsidised rents and are not required to provide housing assistance to specific target groups i.e very low to low income household groups. However, as they are not able to be strata subdivided it does provide an increased supply of rental housing which can potentially impact the cost of rental housing.

A survey of rentals (in March-April 2017) for boarding house accommodation has shown that single rooms in older boarding houses with shared facilities (no kitchenettes/bathrooms) are in the range \$200- \$250 per week. Some of the boarding houses are furnished. New generation boarding houses with their own kitchenettes and bathrooms range from **\$390-\$500** per week. By comparison, the Department of Planning's table of low rental dwellings<sup>1</sup> median rent for bedsits in Randwick LGA is \$360/week. The median market rent for a one bedroom unit in Randwick LGA for the Dec 2016 quarter was \$520 per week (Rent and Sales Report Issue 118), see table below of comparable rents including student housing.

**Table of market rents for Randwick LGA – Dec 2016 Quarter**

|                             | <b>One bedroom</b> | <b>Two bedroom</b> |
|-----------------------------|--------------------|--------------------|
| <b>Median rent per/week</b> | \$520              | \$650              |

Source: <http://www.housing.nsw.gov.au/about-us/reports-plans-and-papers/rent-and-sales-reports/issue-118>

**Table of comparable rents – student housing at UNSW**

|                    | <b>Basser College</b> | <b>New College Village</b> | <b>Warrane College</b> |
|--------------------|-----------------------|----------------------------|------------------------|
| <b>Weekly rent</b> | \$496*                | \$375                      | \$463*                 |

Source: <http://www.housing.unsw.edu.au/node/164>

\*Note – weekly meals provided

Even these rents are not considered affordable for those households in the very low and low income bands (which could afford to pay a maximum of \$244 - \$390/week on rent respectively to be considered as affordable<sup>2</sup>).

### **The effectiveness of the AHSEPP in meeting its objectives**

The aims of this Policy are as follows:

- (a) *to provide a consistent planning regime for the provision of affordable rental housing,*
- (b) *to facilitate the effective delivery of new affordable rental housing by providing incentives by way of expanded zoning permissibility, floor space ratio bonuses and non-discretionary development standards,*
- (c) *to facilitate the retention and mitigate the loss of existing affordable rental housing,*
- (d) *to employ a balanced approach between obligations for retaining and mitigating the loss of existing affordable rental housing, and incentives for the development of new affordable rental housing,*
- (e) *to facilitate an expanded role for not-for-profit-providers of affordable rental housing,*
- (f) *to support local business centres by providing affordable rental housing for workers close to places of work,*
- (g) *to facilitate the development of housing for the homeless and other disadvantaged people who may require support services, including group homes and supportive accommodation.*

<sup>1</sup> <http://www.planning.nsw.gov.au/planning-for-affordable-housing> - AHSEPP Part 3 information 'table of low rental dwellings (current)

<sup>2</sup> that is a maximum of 30% of household income



These aims address the development options made permissible under the AHSEPP including secondary dwellings, supported accommodation, infill affordable rental accommodation, development for and behalf of Land and Housing Corporation, group homes and boarding houses. It also identifies the following key target groups including not-for-profit housing providers, workers, the homeless and other disadvantaged people.

In relation to new generation boarding houses (the focus of this report), it is questionable as to whether the new generation boarding houses under the AHSEPP can be defined as 'affordable rental housing' given the rents charged i.e. up to \$500/week. As outlined above, these rents are not considered affordable to the key target groups (i.e. very low, low and moderate income household groups) in need of affordable accommodation; and as such are better described as lower cost accommodation rather than 'affordable rental accommodation'.

Moreover, given the strong development interest of boarding houses under the AHSEPP it demonstrates that not only the financial returns to the developers are favourable (some sources quote a 6.5%<sup>3</sup> - 8-9%<sup>4</sup> return on investment) but that there is strong demand for this type of housing; and it shows that boarding houses are filling an important gap in the local housing market i.e. between serviced apartments (which is an expensive form of short term accommodation) – and long term residential tenancy through a lease with the landlord. This type of accommodation may also be better suited to students who travel back home during the term breaks and as such do not have to enter into long term leases.

#### **Improving the AHSEPP in relation to new generation boarding houses**

However, based on the discussion above the following points are suggested to improve the planning policy's operation and application in relation to boarding houses. They are:

- Remove the density bonus and/or tie the density bonus towards an obligation of providing affordable rental accommodation i.e. a proportion of the rooms be let out at affordable rents.
- Implement an affordable rental scheme for all new generation boarding houses (i.e. that a proportion of the rooms should be made affordable to the very low to moderate income households); and
- Include amenity provisions within the SEPP for occupants within these buildings i.e. number of daylight hours etc.

It is understood that the Department of Planning and Environment is currently reviewing the AHSEPP; and as such it is timely that the Council officers submit the findings of this report and reiterate the need for the Department to conduct a detailed review of the AHSEPP including a post occupancy review.

This review would include:

- An audit of boarding houses approved under the AHSEPP, location and number of rooms approved.
- A detailed post occupancy survey of these boarding houses, who are the tenants and rents charged;
- Design and impact of the new generation boarding houses on the local streetscape including a review of the FSR incentive provided – is this really

<sup>3</sup> <http://www.afr.com/leadership/entrepreneur/housing-investors-turn-to-boarding-homes-to-boost-returns-20130807-jye4w>

<sup>4</sup> <http://www.thefifthestate.com.au/innovation/building-construction/tone-wheeler-on-the-boarding-house-boom-and-an-investment-opportunity/77728>

needed given the strong development interest and demonstrated financial returns;

- A parking review including demand;
- Strengthening amenity and design provisions for occupants; and
- Importantly, mechanisms to secure genuine affordable housing outcomes for those who need it. As a minimum, any density bonuses provided to new generation boarding houses should be linked to genuine affordable housing outcomes i.e, proportion of boarding house rooms should be let out at affordable rental levels and be managed by a community housing provider to target those who need it most.

### **Relationship to City Plan**

The relationship with the City Plan is as follows:

Outcome 4: Excellence in urban design and development.

Direction 4a: Improved design and sustainability across all development.

Outcome 6: A liveable city.

Direction 6e: Enhance housing diversity, accessibility and adaptability to support our diverse community.

### **Financial impact statement**

There is no direct financial impact for this matter.

### **Conclusion**

A State Government planning policy which aims to increase affordable rental housing for the community is strongly supported. Boarding house developments is by far the most popular form of development uptake under the SEPP and is also the most contentious with the community. While this report has demonstrated that there is strong development interest in boarding houses and that these types of developments are meeting a demand in the local housing market; it has also shown that they are not providing affordable accommodation to those in need and/or as the AHSEPP promotes. Moreover, key aspects within the policy which aim to promote boarding house developments such as the density bonus are questionable.

It is important to note that Councils cannot amend and/or override a State Government planning policy as such the Department of Planning and Environment are best placed to conduct a comprehensive review of the AHSEPP and amend the policy to improve its application and operation. Given that the AHSEPP has been in operation for close to 8 years and the level of community concern, it is essential that the Department conduct and consult with councils as part of this review.

### **Recommendation**

That the Council:

- a) seek the Department of Planning and Environment's feedback on matters raised in this report including community concerns; and
- b) request the Department of Planning and Environment to conduct a comprehensive review the effectiveness of AHSEPP in meeting its objectives in consultation with councils.



**Attachment/s:**

Nil