

Our ref: A12/0147

16 April 2018

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

**Re: Submission to the Exhibition of the draft amendment to State Environmental Planning Policy (Affordable Rental Housing) 2009**

Dear Sir / Madam,

We wish to thank the Department of Planning and Environment (DPE) for allowing Council to make this submission to the exhibition of the draft amendment to State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP). This submission has been prepared by Council staff, and aligns with recently adopted Council policy.

This submission recommends that:

1. The parking standards for accessible areas remain at 0.2 parking spaces per room. The proposal to increase the requirement by 150% is excessive, and does not align with state and local government objectives to encourage active and public transport and enable affordable housing and living. Furthermore, it decreases the viability of the boarding house typology.
2. Given that the 0.4 to 0.5 increase for non-accessible areas will have a relatively minor impact, this increase is not considered to be a major imposition on the built environment or on the cost of the development.

## Background

### Proposed changes

Introduced in 2009, ARHSEPP increases the supply of affordable, rental and social housing through a range of housing types. Boarding houses are one important form of housing facilitated by this SEPP.

The amendment proposes to increase the existing non-discretionary car parking standards for boarding houses to 0.5 spaces per boarding room. This is an increase from 0.2 parking spaces per boarding room in an accessible area<sup>1</sup> and 0.4 parking spaces per boarding room otherwise.

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<sup>1</sup> The ARHSEPP defines an **accessible area** as land that is within:

- (a) 800 metres walking distance of a public entrance to a railway station or a wharf from which a Sydney Ferries ferry service operates, or
- (b) 400 metres walking distance of a public entrance to a light rail station or, in the case of a light rail station with no entrance, 400 metres walking distance of a platform of the light rail station, or

The change is relatively minor for non-accessible areas (being the difference of 8 versus 10 car park spaces in a 20 room boarding house development), but significant for accessible areas – requiring 10 car park spaces rather than 4 for a 20 room boarding house development. The change is of a different magnitude for accessible areas, requiring a 150% increase in car spaces.

**Table – Example of proposed changes for a 20 room boarding house**

	Current car space requirement	Proposed car space requirement	% increase
Accessible area	4 spaces	10 spaces	150%
Elsewhere	8 spaces	10 spaces	25%

### Context for change

There have been several recent high profile boarding house developments proposed in traditional suburban areas of Sydney, including the Northern Beaches and the Hills Shire.<sup>2</sup> These have drawn the ire of local residents for their potential to adversely impact on congestion, on-street parking availability, pressure on local infrastructure, low density residential amenity and attract a less desirable demographic mix.

Many local communities are suffering from growth or development fatigue<sup>3</sup> with residents concerned about Sydney's capacity and generally adverse to further over-development in existing areas.<sup>4</sup> Local community concerns about high levels of residential development (or over-development) are justified given recent development levels in Sydney and are not necessarily NIMBY concerns. Despite rhetoric from the development industry and State Government about a housing shortage, housing development and dwelling delivery in Sydney is at an all-time high. In recent years Sydney (and Australia) has had one of the highest dwelling completions rates in the developed world. With the exception of South Korea, Australia is now producing housing faster than other OECD nations at 8.2 completions per 1,000 persons; up from 6.8 in 2010.<sup>5</sup> At 37,000 dwellings per annum, Sydney is currently producing more dwellings than London (32,000), despite having a population less than half the size. At the end of 2016, there were more cranes (528) servicing apartment construction down the east coast of Australia than in major cities across North America including New York, Boston, Chicago, San Francisco, Los Angeles, Toronto and up to Calgary (419 cranes).<sup>6</sup> Recently Sydney had more cranes (350) than all other Australian cities combined.<sup>7</sup> Moreover, there is community concern that infrastructure provision has not satisfied current levels of usage, let alone recent high growth rates.

Clearly then there is validity to local resident concerns of overdevelopment and its resulting impacts. However, recent high dwelling supply – in particular the proliferation of boarding house approvals – is a symptom, rather than the cause, of Sydney's recent growth. Therefore it is unfair to singularly target this type of development.

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(c) 400 metres walking distance of a bus stop used by a regular bus service that has at least one bus per hour servicing the bus stop between 06.00 and 21.00 each day from Monday to Friday (both days inclusive) and between 08.00 and 18.00 on each Saturday and Sunday.

<sup>2</sup> Taylor, A., 'Developers accused of 'sneaky tactics' in gaining approval for boarding houses', Sydney Morning Herald, 2 April 2018.

<sup>3</sup> Visentin, A., 'Record housing approvals drive development fatigue, planning bureaucrat says', Sydney Morning Herald, 10 December 2017.

<sup>4</sup> Nicholls, S., 'Sydney'siders in revolt over development as two-thirds declare the city is 'full'', Sydney Morning Herald, 9 October 2017.

<sup>5</sup> Dwelling completions per 1,000 persons, ABC News, 7 March 2017.

<sup>6</sup> Letts, S., 'Apartment glut warning: More cranes on Australian east coast than in North America', ABC News, 21 October 2016.

<sup>7</sup> Vinales, P & Stuart, R., 'How Sydney became one giant construction site', ABS News, 29 September 2017.

Whilst boarding houses are permitted in all residential zones, the main concern is the impacts upon low density residential areas, where single detached dwellings and semi-detached dwellings are predominant.<sup>8</sup> However, boarding houses are limited by the typically conservative development standards applying to these zones (e.g. height and FSR) and are not endowed with the bonus FSR controls on land that does not permit residential flat buildings (which is most low density residential zones).

At the same time there is an affordability crisis facing Sydney, which has one of the highest house prices in the world. The message from the Commonwealth and State Governments and development industry has focused on dwelling supply as the solution to housing unaffordability. However, the increase in house prices in recent years in Sydney have arisen largely from demand-side factors, including monetary and fiscal settings (effective demand) and record high population growth, driven mainly by net overseas migration (underlying demand); key among these being record low interest rates and high investor activity underpinned by favourable taxation settings. Supply generally has a lower impact on housing affordability with research finding that increased supply has a limited impact in improving affordability in the short to medium-term and that the effects are generally localised.<sup>9</sup> Indeed, recent house price growth in Sydney has been accompanied by record high housing supply.

Notwithstanding the fact that demand has driven recent price growth, it is important to provide boarding houses that are truly affordable to ensure long-term affordability and provide housing choice.

#### **Waverley Council context**

Waverley has a lower rate of car ownership and percentage of trips taken by car than Greater Sydney. According to Census data there was an increase in the average number of vehicles owned by households in Waverley LGA from 0.89 in 1996 to 1.01 cars in 2011 and 1.21 cars per household in 2016. This rate of car ownership is lower than the Greater Sydney average of 1.5 cars per household and growth of car ownership in Waverley is significantly less than the Greater Sydney.

In particular, Bondi Junction and Bondi Beach have very low rates of car ownership, at 0.8 - 0.9 cars per household. This rate has remained stable for the past fifteen years, and correlates with the period during which Council has had a zero minimum and capped maximum car parking rate for new developments in the DCP. This policy, combined with a range of transport options and mixed use development has resulted in the low growth in car ownership in those key locations. Council's current transport plan reinforces the importance of car parking restrictions to limit the growth in motor vehicle ownership.

Most of the Waverley LGA is categorized as accessible in accordance with the criteria outlined in the ARHSEPP.

#### **State government context**

*SEPP 65 Design Quality of Residential Apartment Development* requires that multi-residential development within 800 metres of heavy rail and light rail stations, or within 400m of land zoned B3 Commercial Core, B4 Mixed Use or equivalent, should provide lower rates of car parking. The Technical Note by Planning NSW on Car parking requirements in SEPP 65 clarifies that the RMS Guidelines for high density residential development (>20 dwellings) should apply

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<sup>8</sup> Mayor Byrne calls for more to be done to regulate boarding houses, The Hills Shire Council, 6 April 2018.

<sup>9</sup> Meen, G. *A Long-Run Model of Housing Affordability*, Housing Studies, Vol 26, 2011, 7-8.

the 'Metropolitan Regional Centres (CBD)' rates in locations that are marked 'Strategic Centre' in *A Plan for Growing Sydney*.<sup>10</sup> Therefore, the current differentiation between 'accessible' and 'other' parking controls in the ARHSEPP should remain as is to be consistent with the NSW DPE's position on SEPP 65.

## Issues

In line with the recently adopted Waverley's *People, Movement and Places* (PMP), we do not support the proposed amendment to increase the provision of parking as they may create a number of perverse outcomes, as the changes are likely to:

1. Decrease the affordability of boarding houses;
2. Negatively impact on the viability of boarding house development;
3. Induce demand for driving; and
4. Reduce housing choice.

### **Reduced affordability of boarding houses**

As indicated previously, the change to the car parking standards would have a far greater impact on requirements for accessible areas than elsewhere.

The increased requirement for car parking would push up the construction costs for developers, but more importantly the requirement would be translated into rent increases of a greater magnitude. Developers tend to profit from providing additional car parking spaces. For example, the provision of increased parking may only add 5% to the cost of a development, but can increase revenues by up to 20%.

In Waverley buyers are willing to pay a premium for larger dwellings and car parking. For example, car parking can add between \$20,000 (undercroft - ground floor parking under a building) to \$60,000 (basement parking) construction cost per car space, but in high value areas can typically add \$150,000 to \$200,000 to the end purchase price. Similarly, the provision of parking typically adds rental market price by around 20%.

The significant increased provision of car parking spaces in accessible areas such as Waverley would decrease the affordability of the boarding house product would therefore undermine the *raison d'être* of boarding houses, which is to be an affordable housing product in the market. As the 'new age' boarding houses gaining media attention demonstrate, the ARHSEPP permits each dwelling to be self-contained, and a maximum of 25sqm excluding bathroom and kitchen area. In the addition of these areas, the floor space is increased to near 35sqm, the size of a SEPP 65/ADG compliant studio apartment. If required to provide 0.5 spaces per dwelling, the same rate as that required for an infill affordable housing RFB under ARHSEPP Part 2 Division 1, the boarding house dwellings, are essentially a disguised RFB, permitted in the R1 General Residential and R2 Low Density Residential zones. This undermines the purpose of the zoning as well as the ARHSEPP, and results in development that is out of character with many of these areas. This also allows a convenient loophole to develop what is essentially RFB development that was not required to comply with the design excellence and amenity requirements of the Apartment Design Guide as part of a SEPP 65 development. This undermines the hard work that has been done by the DPE over decades to ensure that the dwelling stock in Sydney is progressing, not regressing.

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<sup>10</sup> NSW Government, Car parking requirements in SEPP 65, Department of Planning and Environment.

### **Negatively impact on the viability of boarding house development**

The viability of boarding house development in accessible areas will be undermined by the dramatic increase to parking standards particularly within accessible areas. The viability will be affected by the reduction of available development sites and a reduction in financial feasibility.

Compared to other forms of residential development, the two primary drivers for boarding house development are the bonus floor space ratio in zones that permit, the ability to develop on small sites and a higher yield of rooms / dwellings. Boarding houses can be constructed on sites in accessible areas, which would otherwise be too small for RFB developments, due to the low parking requirement. For example, the dimensions and area of some sites reduce the ability to 'squeeze' sufficient car parking spaces on sites. In accessible areas in the inner and middle-ring suburbs these small sites abound. Similarly for larger sites where small RFBs are feasible boarding houses are able to compete with RFBs as they can yield a much higher room number compared to the RFBs. For example, a 30 room boarding house may be able to develop on a site that could accommodate only 12 apartments. The increased parking rate for accessible areas will reduce the availability of development sites for boarding houses and reduce an existing competitive advantage of this development typology (compared to RFBs). The requirement to provide an increased rate of parking, also reduces the number of dwellings able to be provided. For example if it is only feasible on a site to provide one level of basement car parking accommodating 5 cars, then this locks in the dwellings at a maximum of 10, even in accessible areas. To cover the costs of the basement, the size of these 10 dwellings may also increase to attract a higher rental return, thereby once more competing with apartments rather than providing a distinctly different offering.

Secondly, the higher rents associated with the higher provision of parking will mean that boarding house products will be competing with the market rate studio and one-bedroom apartments (which are larger in size).<sup>11</sup> Being below market rate housing, boarding houses are intended to target a market segment that is not catered to by apartments. The increase in price for boarding houses will likely reduce the depth of demand for this product, in turn reducing the viability of this product. The result could be that the market is flooded with studio / one bedroom dwellings, some simply with better amenity than others as the RFB developments were required to comply with the Apartment Design Guide and provide balconies, communal open space, and light and air to occupants.

If however the cost of parking cannot be passed on (i.e. the market won't bear higher rents for this product) then the developer will have to absorb the cost. This will in turn reduce the return for this development type and will reduce the marginal feasibility of boarding house development. In other words, those boarding house developments that are currently marginally feasible may not proceed.

In addition, many sites that were previously attractive to developers along transit corridors due to the 0.2 parking spaces/dwelling rate, are no longer attractive due to the drastically increased costs of having to provide basement parking. This reduces the amount of habitable floor space that is able to be provided, resulting in increased construction prices, and reduced returns. This renders many of these sites that otherwise would have been ideal locations for affordable rental housing as undesirable.<sup>12</sup> If boarding house development is no longer achievable – due to fewer sites, less market and reduced financial feasibility – this form of development will no longer be delivered.

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<sup>11</sup> It is acknowledged that new boarding houses are similar in price to some older apartment stock.

<sup>12</sup> Based upon recent discussions with developers, since the release of this draft amendment policy, many developers have already pulled out of sites that were otherwise earmarked as excellent development opportunities.

### Induced demand for driving

Transport planning orthodoxy has evolved to embody sustainability and accessibility principles and a greater appreciation for induced demand as a primary cause of congestion.<sup>13</sup> As such there has been a move to reduce parking standards for both residential and commercial uses to achieve better environmental (i.e. reduce traffic emissions), social and economic outcomes (i.e. more leisure time and productivity gains). The move to increase parking standards is counter to this orthodoxy and against best-practice planning approaches.

The current parking rates applying to boarding houses does not reduce or eliminate parking supply, it simply allows developers to decide how many spaces to build based on market demand. This leads to a more efficient and equitable outcome in which households only pay for the number of parking spaces they need. There is nothing stopping developers from building the 0.5 space per room at the moment if that is what the market wants.

It is acknowledged that a reduced parking provision may lead to spillover parking problems – increasing demand for on-street parking – but increasing off-street parking requirements is a blunt policy response that leads to a number of perverse outcomes outlined in this submission. Instead, the policy response should be for local governments to better regulate their on-street parking schemes. A more subtle and better targeted policy response would be for local governments to restrict the availability of local parking permits for residents of new boarding houses. This approach is successful across a number of similar jurisdictions across the world, including London.

### Reduced housing choice

The lower rate of parking at boarding houses facilitates housing choice and diversity, particularly for those that don't own private motor vehicles. The number of households that do not own private motor vehicles is increasing for accessible areas in Sydney. The current parking rates for boarding houses allow flexibility for parking, as there is no maximum limit. In inner ring suburbs there are dwellings that do not have parking, which typically pre-date the 1950s, but in middle ring and outer ring suburbs these options are less available and hence lock-in car dependency for these areas. Boarding houses are one of the few new housing typologies available that provide this choice.

### Contradiction of the Objects of the Environmental Planning & Assessment Act 1979

In 2018 the amending bill to the Environmental Planning & Assessment Act 1979 (the Act) was passed, which included changes to the objects of the Act (refer to Figure 1). In line with the discussion above, the proposed amendment to the ARHSEPP is in contradiction to a number of the objects of the Act.

**Figure 1 – Objects of the Environmental Planning & Assessment Act 1979**

#### **1.3 Objects of Act**

*The objects of this Act are as follows:*

- (a) to promote the social and economic welfare of the community and a better environment by the proper management, development and conservation of the State's natural and other resources,*
- (b) to facilitate ecologically sustainable development by integrating relevant economic, environmental and social considerations in decision-making about environmental planning and assessment,*
- (c) to promote the orderly and economic use and development of land,*
- (d) to promote the delivery and maintenance of affordable housing,*
- (e) to protect the environment, including the conservation of threatened and other species of native animals and plants, ecological communities and their habitats,*
- (f) to promote the sustainable management of built and cultural heritage (including Aboriginal cultural heritage),*

<sup>13</sup> This differs from traffic engineering orthodoxy, which has a stronger 'predict and provide' and path dependency focus.

- (g) to promote good design and amenity of the built environment,*
- (h) to promote the proper construction and maintenance of buildings, including the protection of the health and safety of their occupants,*
- (i) to promote the sharing of the responsibility for environmental planning and assessment between the different levels of government in the State,*
- (j) to provide increased opportunity for community participation in environmental planning and assessment.*

Specifically the proposed amendments are in direct contradiction to Objects:

*(b) to facilitate ecologically sustainable development by integrating relevant economic, environmental and social considerations in decision-making about environmental planning and assessment*

The proposed amendment encourages developers to provide increased car parking rates not only in areas that are not serviced by public transport, but in areas that are well serviced by public transport. This is contrary to the principles of Transit Oriented Development (TOD) and is contrary to other planning documents released by the NSW Government that promote TOD including as the Apartment Design Guide, the Greater Sydney Region Plan and District Plans produced by the Greater Sydney Commission, and the Future Transport 2056 plan produced by Transport for NSW.

Given that the ARHSEPP currently does support TOD through the distinction of parking rates between accessible/non-accessible areas, the proposed amendment moves the policy from supporting Object (b) of the Act, to being in contradiction to Object (b) of the Act.

*(d) to promote the delivery and maintenance of affordable housing*

As discussed previously, the increase in parking rates that some Councils will support will increase the cost of housing that may be passed onto the renter, essentially providing small market-rate studio/1 bed apartments, rendering the boarding house typology as unaffordable. This is in direct contradiction to the Object (d) of the Act.

*(g) to promote good design and amenity of the built environment*

One of the benefits of the boarding house typology is that in Council areas that support minimum car parking rates, and even encourage no car parking, the buildings are able to have an improved street frontage has a relationship with the footpath, allows for greater landscaping and is not dominated with driveways, garages, at grade parking, or basements. The requirement to provide basement car parking and accommodate the entrance to the basement at ground level produces two impacts. Firstly it reduces the amount of habitable floor area at ground floor, and thus increases the overall bulk and scale of the building, as the FSR and HOB are pushed upwards, often resulting in buildings that are grossly inappropriate for the character of the area. These outcomes – the reduction of landscaped area and amenity, relationship to the street, and accessibility are terrible outcomes for an area, and also demonstrate poor design. The proposed amendment encourages and often would require these outcomes, and is in direct contradiction to Object (g) of the Act.

Waverley LGA, along with many areas of Randwick and Woollahra LGA have many of these medium density building typologies that do not have on-site car parking, and have done since the Eastern Suburbs was populated. The residents that live in these buildings actively make the choice to live in these dwellings without on-site car parking for reasons such as access to recreation amenities or services, and as such adjust their lifestyle to not require a private

vehicle. Many walk, ride bikes or catch public transport to prioritise their location over private vehicle ownership.

*(j) to promote the sharing of the responsibility for environmental planning and assessment between the different levels of government in the State*

The blight of archaic parking controls that ignore best principle design and planning practices and force poor urban outcomes upon unwilling areas, is not something that the NSW Government should impose on Councils. Likewise Councils must take responsibility for the transport practices of residents within their own areas. Should areas be suffering with increased demand for on-street parking, the Council should investigate policies and projects that can alleviate this through the encouragement of active and public transport, car sharing, and the provision of local services within walking distance or an easy commute of all dwellings. As a last resort, Councils may wish to purchase land to provide shared neighbourhood car parks to fuel their residents' desire to drive. This cost could be recouped through parking charges or resident permits that impose costs on residents that wish to drive, and as a result encourage behavior change. Policies such as the ARHSEPP that apply a blanket control across all areas of the State limit the sensibilities that can be achieved through good place-based and community-focused planning. The change from a policy that identifies TOD principles, to a policy that doesn't, is disappointing from the State government.

Councils that wish to support affordable housing schemes should actively encourage this reduction of car parking, to achieve the positive outcomes of TOD discussed in this submission.

Accordingly, the proposed amendment to the ARHSEPP is in direct opposition with a number of the Objects of the Act, and should not be supported.

### **Recommendations**

Based on the above evidence and perverse policy outcomes of increasing the parking standards applying to boarding houses, Waverley Council recommends that the parking standards for accessible areas remain at 0.2 spaces per room. Given that the 0.4 to 0.5 increase for non-accessible areas will have a relatively minor impact, this increase is not considered to be a major imposition on the built environment or on the cost of the development.

Thank you for your consideration of Waverley Council's submission. Should you require any additional information or explanation of the matters above, please do not hesitate to contact Tim Sneesby (Manager, Strategic Planning) on 9083 8172 or the undersigned on 9083 8014.

Best regards,



Sara Stace  
**A/ Executive Manager, Shaping Waverley**