

16 April 2018

Your ref:
Our ref: MDSS/3311880

Department of Planning and Environment
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Attention: Director, Housing and Infrastructure Policy

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Dear Sir / Madam

Submission in relation to proposed amendments to car parking rates for boarding houses
State Environmental Planning Policy (Affordable Rental Housing) 2009

We refer to the proposed amendments to *State Environmental Planning Policy (Affordable Rental Housing) 2009 (SEPP ARH)* specifically, the changes which seek to increase parking rates to an equivalent of 0.5 car spaces per boarding room, up from 0.2 per room.

We have been engaged to make this submission on behalf of County Centre Projects Pty Ltd (**our client**), a developer and operator (through related entities) of a range of boarding houses across the Sydney Metropolitan area. Importantly, County Centre Projects is also presently involved three sites in differing stages of the approval process, all of which have incurred significant financial investment to date.

This submission opposes the amendments to the car parking rates and requests that if any change is made that a savings and transitional clause be adopted to ensure the viability of projects already lodged and under assessment.

1. The SEPP ARH regime – Facilitating affordable housing in New South Wales

SEPP ARH is an important legislative mechanism which has facilitated and continues to generate a broad and diverse range of affordable housing across NSW and specifically, the Sydney Metropolitan area.

By its own terms, SEPP ARH has as its express aim:

“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”

Importantly, the SEPP expressly recognises that the incentives associated with affordable housing directly impact the success of its delivery. It is no secret that the incentives are aimed at providing for an improved and cost effective opportunity to maximise the yield of sites and permit affordable housing in locations where it would otherwise not have been permissible.

In particular, the boarding house controls contained in SEPP ARH provide clear guidance about the requirements which if met, are deemed to be acceptable and cannot form the basis of a refusal by a consent authority – subject of course to the *character* test. These standards have been fundamental to the success of SEPP ARH controls as they set benchmarks for proposals which are clear and unequivocal not only for consent authorities and applicants but also adjoining land owners.

At present, the standards contained in SEPP ARH reflect the nature and importance of boarding houses to the effective provision of truly affordable housing in key locations and communities. Of particular importance is the allocation of a low parking rate for accessible locations which reflects the importance of public transport to users and developers of affordable housing and also the practical commercial

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incentive to deliver affordable housing.

The burden of space allocated to parking at grade or in a basement is a financial costs which is often times prohibitive for many other forms of development and in our submission militates strongly against any proposed increase in parking rates for boarding houses as it would frustrate the delivery of boarding houses in key locations.

2. Parking rates

The current parking rates contained within SEPP ARH reflect the position of boarding houses in the residential accommodation hierarchy and likely trip generations as a function of their proximity to regular public transport. In this regard, the controls in SEPP ARH provide for reduced parking rates for locations within 800m of public transport stops with regular services.

When the existing parking rates are considered in context of other forms of residential development the current rates for accessible locations fit comfortably within the hierarchy and likely demand for car spaces and usage. The proposed increase would push the parking rates above those provided for studio apartments and well above the parking rates for the City of Sydney and proposed rates for Parramatta CBD.

For example, Randwick Local Government Area, which is well known for its proximity to educational institutions, medical facilities and good public transport, contains a high number of existing and proposed boarding house facilities. Accordingly, Randwick Council is well placed to understand the differing requirements and needs for boarding house development as compared to other forms of residential accommodation.

The Randwick DCP acknowledges and reflects the differing parking demands and travel needs of occupants of boarding house accommodation and typical low and high density housing in the forms of single dwellings / dual occupancies or apartment development. In this regard, the Randwick DCP provides for a parking allocation rate of:

Boarding house	1 space per 5 boarding rooms (equivalent of 0.2 spaces per room)
Single dwelling	1 space per dwelling house with up to 2 bedrooms
	2 spaces per dwelling house with 3 or more bedrooms
Multi dwelling / RFB	1 space per 2 studio (equivalent 0.5 spaces per room)
	1 space per 1 bedroom apartments (over 40 m2)
	1.2 spaces per 2 bedroom apartments
	1.5 spaces per 3 or more bedroom apartments

The change in parking rates between the forms of accommodation reflects the differing needs of the occupants but also the price point and respective affordability associated with each. In this regard, there is a clear recognition that the demand for parking is less for boarding house facilities which is reflected by a rate less than half that applied to studio apartments and single dwellings.

If the proposed changes are to proceed, the parking rates applied to boarding houses, which SEPP ARH seeks to deliver through incentives and the provision of "affordable housing", will have a requirement for parking which matches that provided for studio apartments within the Randwick LGA.

In our submission, this places a financial inhibitor on the delivery of such affordable housing and a practical restriction for its provision on well located sites, where other forms of residential development are permissible. Without the incentive associated with the reduced rate of parking those other forms of development become more financially attractive to developers and landowners.

Another benchmark which is a useful comparison is the RTA rates provided for in the Guide to Traffic Generating Development (**RTA Guide**), which is referenced and applied by the Apartment Design Guide in circumstances where sites are located within 800m of a railway station or light rail stop.

The RTA guide provides for parking rates for 1 bedroom units as follows:

Metropolitan Regional CBD Centres	0.4 spaces per 1 bedroom unit.
Metropolitan Sub-Regional Centres	0.6 spaces per 1 bedroom unit

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These rates are highly relevant as they apply to a large percentage of new apartment development across Sydney at present.

In practical terms, the proposed amendments will mean that boarding houses will need to provide for parking rates in line with the development of one bedroom apartments within 800m of railway stations.

Applying parking requirements to a form of low cost housing in line with the provision of parking applicable to residential apartment development serves to undermine and degrade the affordability, and ultimately availability, of boarding houses as a low cost accommodation alternative.

The difference in demand and parking requirements between boarding house users and those within units or multi dwelling housing complexes is borne out in the local controls which apply within the Randwick LGA and reflected across the Sydney basin.

In practical terms the additional cost imposed of providing more than twice the amount of parking than currently required will tip many affordable housing projects into the red and result in many sites and proposed projects not proceeding.

The additional cost associated with extra parking is not justified nor required for boarding houses. I am informed that many car spaces go unused on a number of sites as a result of the residents' use of car share and public transport arrangements. This is reflected in the current controls which permit a lower parking rate in accessible locations and also by the Apartment Design Guide which recognises that even in the context of residential apartments, demand for parking is lower closer to public transport.

The proposed amendments will unnecessarily increase the cost of boarding house construction and result in a decrease in supply. Applying parking rates consistent with those applied to residential units removes the incentive for the development of boarding houses in accessible locations and undermines an express objective of SEPP ARH.

3. Cost

From a purely financial perspective the additional cost of the proposed parking requirements will act as a disincentive to the redevelopment of land as boarding houses – especially in accessible locations. As a developer and operator of boarding houses our client is acutely aware of the competition for sites within accessible locations within the Sydney Metropolitan area, sites on which SEPP ARH encourages and incentivises developers to provide boarding houses on.

The combination of reduced parking (and associated basement costs) and potential for additional FSR clearly assist the viability of boarding house projects when assessed against other forms of residential and commercial development.

The financial impact of the additional parking requirements, whether a basement is required or not, is to place an additional cost on construction per boarding room. In simple terms, the additional cost of parking will need to be covered by a return on the investment in construction costs. In circumstances where the costs of construction reflects similar rates in terms of parking to those applied for residential unit projects, the incentive to hold and operate boarding house rooms is diminished. This result does not incentivise developers or operators to deliver boarding houses in place of other forms of development which also require similar parking rates and construction costs.

It is also important to note that there is a growing trend for alterations and additions to be made to large residences in order to convert these spaces to small scale boarding houses. This is a practical and cost effective way to deliver this form of affordable housing. The proposed increase in parking rates would restrict this approach and constraint the number of rooms available commensurate with the space available for parking.

4. Savings and transitional clause

Our client is presently involved in four boarding house projects lodged pursuant to SEPP ARH. Each project has involved the acquisition of the site, the development of high quality architectural schemes, the finalisation of consultant documentation and payment of development application fees. The entirety of this process for each site has been undertaken on the basis of a design and cost structure associated with the parking rates currently contained within SEPP ARH.

In particular the purchase price paid for sites surrounding the new Northern Beaches medical precinct

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were highly competitive and based on detailed design and feasibility studies in reliance upon the current SEPP controls. For each project the capital investment value to progress the applications to their current stage in the DA assessment process has been significant in addition to premiums paid for sites over and above the value ascribed by developers or investors for other forms of development.

Our client strongly disagrees with the proposed changes for the reasons outlined above and requests that the controls remain the same, as an incentive to develop this form of housing which is presently undersupplied.

However, in circumstances where any change is to proceed, it is of fundamental importance that any amendment to SEPP ARH contains an express and unequivocal savings and transitional clause which captures applications already lodged and ensures that the current controls continue to apply to their assessment. To omit such a clause would be unreasonable and result in real and significant financial loss to a large number of existing boarding house developers and operators who have currently invested heavily in sites which are the subject of Council assessment.

We thank you for the opportunity to be part of the feedback and submission process and strongly encourage you to further investigate the proposed changes which will fundamentally change the viability of a range of boarding house developments across Sydney in key areas.

If you have any questions or require further information please do not hesitate to contact Matt Sonter on direct line 8035 7850 or msonter@millsoakley.com.au.

Yours sincerely



Matt Sonter
Partner

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