

18 May 2012

Mr Mark Ferguson
General Manager
Pittwater Council
PO Box 882,
MONA VALE NSW 1660

By email: pittwater_council@pittwater.nsw.gov.au

Dear Mr Ferguson,

Re: Draft Warriewood Valley Strategic Review

The Urban Taskforce represents Australia's most prominent property developers and equity financiers. We provide a forum for people involved in the development and planning of the urban environment to engage in constructive dialogue with government and the community.

As you would be aware the Urban Taskforce seeks the introduction of government policy that will support expected population growth and grow the economy. We consider useful Government policy to be policy that is predicated on a presumption for growth. We are in great need of strategies and plans that focus on the facilitation and permissibility of industry and development. We must see plans that encourage industry, recognise the importance of development and make the development assessment process less complex. In this regard, while the Urban Taskforce is interested in the strategic assessment of the Warriewood Valley, we are more interested in seeing how the strategy is translated into local environmental, development control and contributions plans for implementation. It is these plans that will have a fundamental impact on development industry investment, built form outcomes and housing delivery.

Nevertheless, we have reviewed the draft Warriewood Valley Strategic Review Report ("the draft strategic review") and accompanying supporting documentation and provide the following comments for your consideration.

1. The aim of the strategic review must be to identify opportunities to meet the needs of population growth

The draft strategic review highlights Warriewood Valley as crucial to meet delivery of 4,600 new dwellings as required by the draft North East Subregional Strategy. Furthermore, Warriewood Valley is identified as the area with the most potential to provide affordable rental housing in Pittwater.¹

While the Council is of the view that there is capacity to meet targets set in the subregional strategy, the strategic review confirms that there is currently a lack of housing diversity in the Pittwater LGA compared to both the subregion and Sydney in general. For example, the breakdown of existing dwelling stock in the LGA is:

- detached dwellings (80.4%)
- villa/townhouse/dual occupancy (13.9%)
- unit/apartment (5.7%).

By way of comparison, about 60% of dwellings are detached across Sydney.²

¹ NSW Department of Planning and Infrastructure & Pittwater Council Warriewood Valley Strategic Review Report 2012, p. 18.

² Ibid, p. 23.

Furthermore the draft strategic review states that

Warriewood Valley immediately adjoins Warriewood Square, the strategic bus route along Pittwater Road and existing community facilities. In the context of the LGA, where land around existing centres is relatively constrained, Warriewood Valley offers one of a limited number of areas in the LGA where higher density housing development could be accommodated.³

It is argued that it is these matters, housing choice and the potential for higher density housing, sets the scene for any investigation into the future development within the Pittwater LGA, particularly the Warriewood Valley. That is, a strategic review should be looking for opportunities to provide for the demonstrable need for increased housing supply and diversity in the Warriewood Valley. Furthermore, any investigation into the Warriewood Valley must consider the opportunity to provide higher density housing opportunities.

Maintaining the status quo is clearly not acceptable. To continue to encourage predominantly detached two-storey dwelling houses, some attached townhouses and multi-unit housing, at the expense of residential flat development of appropriate scale, would be to waste the few opportunities to provide higher density development, adjacent to a town centre with good access to public transport.

It is encouraging that NSW Government strategies recognise the development potential and importance of the Warriewood Valley and has worked with the local council and community to prepare a strategic review that on the face of it, seeks to meet the housing and population targets set within the subregional strategies. However, appendix 5 of the strategic review indicates that in most cases, the residential density recommended by the Urban Design Study is not accepted and a lesser density is recommended for adoption. This does not represent the efficient use of land. While the adoption of the lesser residential densities may, on paper, represent a sufficient supply of residential development opportunity to meet the needs of predicted population growth, it must be recognised that population projections are at best estimates. Therefore, meeting future land and housing needs will depend on an adequate supply of developable land and because of the variability in population growth, adequate supply will depend on a theoretical oversupply of development opportunity. That is, it must be recognised that though land is zoned for a residential purpose and provided with seemingly generous development controls, does not necessarily mean that the land will be developed as such. Landowners do not always act on rezoning opportunities nor is it always possible for developers to acquire developable parcels of land to bring serviced lots to market at the right time.

Zoning land so that there is a theoretical oversupply, supported by realistic development controls will provide more development opportunities and a greater chance that sufficient, land will be available to meet future needs.

The draft strategic review does not suggest that there has been an honest assessment of development potential and the dwellings per hectare suggested for adoption supports this concern. What is apparent is that the strategic review has been constrained by a desire to limit development to generally lower densities. There is no doubt that some areas within the Warriewood Valley, particularly in close proximity to the existing centre and public transport infrastructure, should enjoy development controls that would permit dwelling density significantly exceeding 60 dwellings per hectare.

2. The aim of the strategic review must be to identify opportunities to provide housing diversity

The strategic review highlights the lack of housing diversity within the Pittwater Local Government Area. Residential apartments represent only 5.7% of current housing stock. Therefore, if there is an honest desire to increase the representation of residential apartments in the interest of increased housing diversity, then as suggested by the Economic Feasibility Study, dwelling densities must be set at a level that ensures economic viability of development. The Economic Feasibility Study recommends a minimum density threshold of 60 dwellings per

³ NSW Department of Planning and Infrastructure & Pittwater Council Warriewood Valley Strategic Review Report 2012, p. 23.

hectare to encourage apartment buildings. If basement parking is to be provided, the density threshold should be increased.⁴

The Economic Feasibility Study makes it very clear, for a diversity of housing to be encouraged it is argued that:

- for small lot residential and townhouses, dwelling densities need to be at least 30 dwellings per hectare.
- for multi-storey development (e.g. apartments) where on-site basement car parking is required, dwelling densities need to be at least 60 dwellings per hectare;
- for sites where a mix of development is proposed (i.e. small lot residential, townhouses and apartments), depending on the proportion of the development mix, minimum required densities for feasibility could fall between 50 and 60 dwellings per hectare;
- when developer contribution levels are raised to levels beyond \$50,000 per lot, the feasibility of residential development is undermined. Densities exceeding 60 dwellings per hectare then become necessary (in some cases as high as 100 to 120 dwellings per hectare) for economic viability.⁵

A review of agreed residential densities included in the strategic review indicates that very few opportunities have been provided for residential density at 60 dwellings per hectare. We question whether 60 dwellings per hectare is a sufficient residential density to encourage residential flat development, however it is of concern that even this modest residential density has not been widely applied. In fact, a review of agreed residential density suggests that the vast majority of housing, that may be economically feasible, will be more of the existing development form and small lot residential and townhouses.

3. Dwelling density should be expressed as a floor space ratio

Dwelling density within the draft strategic review has not been translated into floor space ratio controls making it difficult to make a realistic assessment of commercial viability. It is likely that the market will demand dwellings of varying size and type and unless density controls are expressed in a manner consistent with the Standard Instrument Local Environmental Plan, commerciality of differing formats cannot be determined.

Furthermore, a review of the Urban Design Study indicates that for the sites assessed, FSR of only 0.5:1 to 1.6:1 have been considered to deliver the built forms suggested. Surely there is opportunity, particularly on the larger, mixed use sites to consider higher density.

4. Developer contributions must not exceed the government imposed cap of \$30,000

There remains a chronic shortage of land for urban development, particularly in the Sydney region. A view that has been widely supported by the NSW and Commonwealth Governments.

Fortunately, the NSW Government has realised that significant initiatives are required to minimise the cost of land and increase its supply. In this regard the placement of a cap on development levies has been implemented in the hope that this will assist in reducing the cost of land. We argue that even with the introduction of a \$30,000 per dwelling or per residential lot cap on section 94 levies in Greenfield areas, when added to the other costs associated with bringing land to market including:

- existing government taxes and charges;
- the high acquisition cost of undeveloped land; and
- the numerous other development costs,

the cost of producing lots may still be higher than the market value.

⁴ NSW Department of Planning and Infrastructure & Pittwater Council Warriewood Valley Strategic Review Report 2012 p. 68.

⁵ Hill PDA October 2011. Warriewood Valley Strategic Review Economic Feasibility Study, p. 7.

Notwithstanding our view that the \$30,000 cap is still too high, the strategic review seems to suggest a developer contribution starting at \$50,000 per dwelling, while the current section 94 contribution is at \$60,000 per dwelling. We fear that the continuation of such excessive developer charges will severely undermine development feasibility. We strongly argue for an element of market reality when determining development charges, particularly when preparing a contributions plan. We are of the belief that this approach has not been previously adopted by Council when preparing contributions plans for Warriewood Valley and trust that in the future the Government imposed cap will be respected.

Furthermore, while we accept that there will be a need to provide additional infrastructure and accept that the developer should bear a reasonable proportion of the cost, the reliance on development contributions must be reviewed.

Currently the means in which infrastructure is funded is not working to the satisfaction of local councils, local communities or developers. In particular, the funding of infrastructure should not only fall to the developer. We argue that Infrastructure funds should be drawn from a pool made up of developer contributions and state and local government sources.

There is a very valid argument for the distribution of the infrastructure funding debt over a larger number of people as a broad-based tax. The recent IPART reviews of section 94 plans and statements made by IPART's Acting Chairman, Mr James Cox strongly support this position.

When considering who actually benefits from new infrastructure funded by a small group of developers, IPART found that the benefit can extend outside of the local area. In some cases expenditure benefits all residents, not just those in the areas where the works are located. In these cases it is reasonable that all residents, who benefit from the infrastructure, should contribute towards meeting this cost and "further consideration of options for financing infrastructure in growth areas, is therefore warranted"⁶.

IPART makes further insightful commentary on development levies and the inequity within the current system in their submission to the NSW Planning System Review. IPART state that

[t]he large number of policy changes may have reduced investment certainty. Further, the rationale for the current allocation of costs between these parties is not clearly articulated. The system is fragmented, resulting in inequities in the allocation of the costs of development depending on the location and the ultimate owner of the infrastructure.⁷

With respect to who should pay for infrastructure IPART says that:

[t]he overarching principle could be one of beneficiary pays. We note that for some of the infrastructure eg, where a broader environmental benefit is generated, the whole of Sydney would benefit, not just the new residents in the release area. **For this infrastructure it may be reasonable that someone other than the developers (and ultimately, purchasers of housing in new development areas) pay some of the costs.**⁸ (emphasis added)

IPART's findings in the areas of section 94 and their submission to the Planning System Review must be carefully examined when considering options for funding infrastructure in the Warriewood Valley.

5. Engineered solutions to overcome environmental constraints must be considered

We are aware of sites that have been excluded from consideration in the strategic review due to possible flood impact. However, the draft strategic assessment does not give consideration to the potential for engineered solutions to environmental constraints to be devised.

⁶ Media release by IPART NSW. *IPART Reviews Highlight the cost of providing Infrastructure in Western Sydney*. Thursday, 27 October 2011.

⁷ IPART Submission on Issues Paper: NSW Planning System Review. Local Government — Submission. February 2012. p.10

⁸ *Ibid.* p. 11

When land in appropriate locations is scarce, the potential to deal with flooding constraints by way of land filling must be given due consideration. It is understood that the Council has previously permitted the use of land filling to enable flood liable land to be developed and consideration of this solution must continue as part of this strategic review.

6. Development standards and controls must encourage housing choice

The draft strategic review recognises the need to provide a greater choice in housing. After the finalisation of the draft strategic review, development controls will need to be drafted to guide development towards the delivery of the desired built forms. It is critical that local development controls be devised to permit a wide range of housing types. Furthermore, the development controls must be subject to economic assessment to gauge market acceptability. Our experience is that local development controls, in conjunction with unrealistic contributions plans have the ability to frustrate the delivery of housing choice. For instance, Council continues to require more onsite car parking than required by the consumer and in excess of RTA requirements. We understand that Council also requires that 50% of residential apartments be adaptable, while the acceptable rate in most local areas and confirmed by the Residential Flat Design Code that the appropriate rate is 10% of residential apartments being adaptable.

Unnecessary car parking and oversupply of adaptable apartments adds significant cost to development for little appreciable benefit.

7. Expression of interest process will assist with the delivery of housing lots

The Minister for Planning and Infrastructure previously invited landowners to submit expressions of interest if they were interested in developing their land for housing. The purpose of this general invitation from the Minister was to identify sites in appropriate locations and with adequate service and infrastructure provisions that will increase dwelling production in the short term at no additional cost to government. This process has the potential to identify real development opportunities and it is suggested that the Department consider a further targeted call for expressions of interest in the areas subject to the strategic review. Such a process would identify actual sites in appropriate locations where landowners are interested and able to develop land for housing.

Assessment of sites could be on the basis of government-endorsed objectives and subject to appropriate probity tests and open to community review. The Government must continue to engage with landowners to ensure that land, being considered for residential purposes, will be developed by supportive and interested parties. An expression of interest process followed by open and frank consultation is considered to be an excellent reality check prior to the finalisation of the strategic review.

I confirm that the Urban Taskforce is always willing to work closely with the Government to facilitate the delivery of housing opportunities to meet the demands of growth. We would welcome the opportunity to discuss these matters with you in more detail.

Should you require any further clarification of the content of this correspondence, please feel free to contact me on telephone number 9238 3927.

Yours sincerely

Urban Taskforce Australia



Chris Johnson
Chief Executive Officer