

Appendix 5 - Council Report 7 December 2015 - Planning Proposal for 61B George Street, Parramatta

ECONOMY

ITEM NUMBER	10.4
SUBJECT	Planning Proposal for land at 61B George Street, Parramatta, known as the "Parramall" site.
REFERENCE	RZ/11/2014 - D03985458
REPORT OF	Team Leader - Land Use Planning
LANDOWNER	Sterling House 88 Pty Ltd
APPLICANT	Dyldam Developments

PURPOSE

The purpose of this report is to seek Council's resolution on a planning proposal to amend Schedule 1 of Parramatta City Centre Local Environmental Plan (PCC LEP) 2007 to permit 'residential accommodation' as an additional permitted use on the site at 61B George Street, Parramatta, currently zoned B3 (Commercial Core) in the Parramatta City Centre LEP 2007.

RECOMMENDATION

That Council not support the planning proposal to amend Schedule 1 Additional Permitted Uses of Parramatta City Centre Local Environmental Plan 2007 to include '*residential accommodation*' at 61B George Street, Parramatta.

EXECUTIVE SUMMARY

1. The planning proposal (**Attachment 1**) for 61B George Street, Parramatta seeks to amend Schedule 1 of Parramatta City Centre Local Environmental Plan (PCC LEP) 2007 to include '*residential accommodation*' as an additional permitted use on the site in the Commercial Core where it is currently prohibited.
2. The planning proposal seeks to allow 22,000sqm of floor space to be provided for residential purposes within a total of 42,000sqm of floor space, with the remaining 20,000sqm being for commercial use.
3. The planning proposal will result in a loss of employment generating floor space on one of the few available large unconstrained sites in the Commercial core and may compromise the potential of the Parramatta CBD to provide the required level of commercial development needed to support Parramatta as the major employment centre in Western Sydney.
4. An entirely commercial development could generate up to 2,100 jobs. However, mixed use development on this site will reduce the job opportunities to 1,000 (based on 1 worker per 20sqm) and have a negative impact on the ability for Parramatta to meet its employment target.

5. Council has undertaken a study (**Attachment 2**) which examines the ability of the city to provide the required A-grade office space into the future. The option of permitting residential development in the commercial core has been examined in detail and ultimately concludes that this use should not be supported in the built form (i.e. a single tower containing both uses) proposed by the applicant in this case.
6. The planning proposal is inconsistent with Council's strategy to promote job growth in the Parramatta CBD, the objectives of the B3 Commercial Core zone in which the subject site is located, and also the findings of the study undertaken on the provision of high quality A-Grade Office Space (contained in **Attachment 2**).

COUNCILLOR WORKSHOP

7. Councillors have recently requested that all Planning Proposals be presented to Councillors at a Councillor Workshop prior to the being reported to Council. This proposal was presented at the Councillor Workshop of 7 September 2015 along with the findings of the A-Grade Office Space Study commissioned as part of the CBD Planning Framework Review.

BACKGROUND

8. In December 2012 a preliminary planning proposal was submitted to Council for consideration and was subsequently withdrawn by the applicant in August 2013.
9. A revised planning proposal was submitted to Council in July 2014.
10. A preliminary assessment was undertaken by Council staff and further information was requested from the applicant in September 2014 with regard to compliance with Section 117 Ministerial Directions and urban design matters. A response was provided by the applicant in October 2014.
11. In April 2015 Council in adopting the CBD Planning Framework resolved to undertake a further study into the issue of whether residential development should be permitted on land zoned B3 Commercial Core. Given the Study findings would be so critical to Council's policy position on the introduction of residential development into the Commercial core it was not considered appropriate to finalise the assessment of this Planning Proposal until the findings of the study were available.
12. The A-Grade Office Space Study was completed and presented to a Councillor workshop on 7 September 2015.
13. Following the workshop the preliminary findings of the Study were communicated to the applicant who requested an opportunity to provide additional information in support of their proposal which was provided to Council in October and November 2015.

THE SITE

14. The subject site is located at 61B George Street, Parramatta, known as “Parramall” and is within the commercial core of the Parramatta CBD (outlined in red in **Figure 1**). The legal description of the site is Lot 1 DP 607181 and it has an approximate land area of 3,654m². The site is on the corner of George Street and Horwood Place, which wraps around the site, and has a total of three street frontages.
15. Current uses on the site consist of a single storey commercial/retail shopping mall with a variety of tenants. It is surrounded by predominantly low scale commercial developments and is opposite the ‘Roxy Hotel’, a heritage listed item under Parramatta City Centre Local Environmental Plan (PCC LEP) 2007.
16. The site is located within close proximity (approximately 300m) to the Parramatta Transport Interchange and the ferry wharf (approximately 500m) and is centrally positioned between the proposed Parramatta Square and Parramatta River foreshore.



Figure 1 – Location of subject site at 61B George Street, Parramatta

CURRENT PLANNING CONTROLS

17. The site is currently zoned B3 Commercial Core under PCC LEP 2007 (refer to **Figure 2**), with an FSR of 10:1 and maximum building height of approximately 120m (35 storeys).

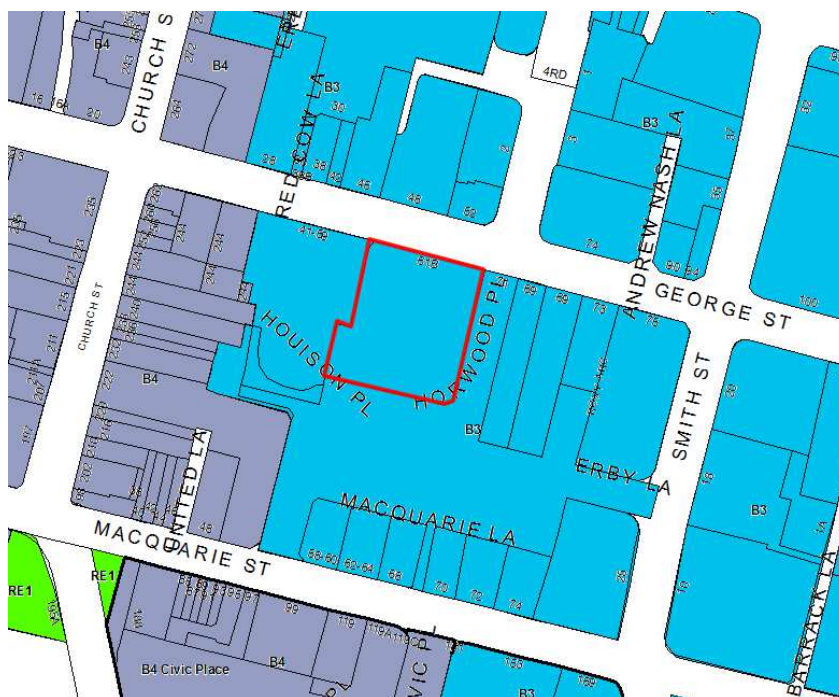


Figure 2 – Land zoning map showing the applicable B3 Commercial Core zone

18. Surrounding land uses are retail and commercial ranging between 1 and 11 storeys in height.
19. The potential Gross Floor Area (GFA) on the site is 40,000m² including a 10% design excellence bonus, which applies in the current PCC LEP 2007, or 42,000m² including a 15% design excellence bonus. The 15% design excellence bonus will apply to the CBD when PCC LEP 2007 is consolidated with Parramatta LEP 2011, which is expected to be finalised in the near future.

LAND USE PERMISSIBILITY

20. The permissible land uses within this zone are specified in PCC LEP 2007. The site currently operates as a low scale retail centre. The B3 Commercial Core zone is intended to provide a range of uses that serve the local and wider community. These include:
 - Commercial and retail development,
 - Cultural and entertainment facilities that cater for a range of arts and cultural activity, including events, festivals, markets and outdoor dining,
 - Tourism, leisure and recreation facilities, and
 - Social, education and health services.
21. This zone is intended to, among others:
 - Encourage appropriate employment opportunities in accessible locations, and
 - Strengthen the role of the Parramatta city centre as the regional business, retail and cultural centre, and as a primary retail centre in the Greater Metropolitan Region.

22. There is no provision for residential uses within this zone and a primary justification for the application of this zone in the core of the CBD is to ensure that future development contributes to the supply of A-Grade office space in Parramatta.

THE PROPOSAL

23. The proposal seeks to amend Schedule 1 – Additional Permitted Uses of PCC LEP 2007 to include '*residential accommodation*' on the site. No other planning controls are proposed to be changed as part of the amendment.
24. The Proposal intends to provide a total of 42,000m² of GFA, which includes an additional 15% floor space ratio bonus for design excellence. The commercial GFA component is 20,000m² (47.6%) and a non-commercial (residential) component of 22,000m² GFA.

ASSESSMENT AND KEY ISSUES

25. The Proposal has been prepared in accordance with the Department of Planning and Environment's (DP&E's) *A Guide to Preparing Planning Proposals* and considers state and local planning strategies.
26. The Proposal conflicts with Council's overall strategic intentions for the core of the CBD. The provision of residential accommodation within the core of the Parramatta CBD in the form proposed by the applicant with commercial and residential in one tower is not consistent with the A-Grade Office Space Study recommendations. The findings of the recent A-Grade Office Space study are being relied upon as they are representative of current and future drivers of development in this sector (i.e. commercial floorspace development). The study included in-depth interviews with commercial office owners and developers who are active in Parramatta.
27. It is therefore contended that the recommendation of the A-Grade Office Space Study should guide Council's future strategy for the commercial core of the Parramatta CBD. While some residential uses are required to ensure the CBD retains a level of activity at night and during weekends, the primary use of the CBD should be for commercial operations and employment generating uses.
28. In addition it is highlighted that currently, only 24% of the Parramatta City Centre is zoned exclusively for business uses. These are the B3 (Commercial Core) and B5 (Business Development) zones. The remainder is largely zoned B4 Mixed Use. The current development market heavily favours residential development with up to 76% of the City zoned to allow residential flat buildings which are expected to accommodate significant residential development to help activate the entire CBD.

FLOODING AND HERITAGE

29. The site is not classified as flood prone land and is not listed as a heritage item under Schedule 5 of PCC LEP 2007. However, the adjacent property at 41-59 George Street is listed as having archaeological significance and 69 George Street (Roxy Hotel) is listed as a locally significant item.

TRAFFIC AND ACCESS

30. A separate traffic study was not included in the proposal; however it is proposed that vehicular access will be from Horwood Place and not from George Street. Further parking and traffic assessment can be undertaken should the proposal proceed and a development application lodged.

A-GRADE OFFICE SPACE

31. Parramatta is focusing on attracting high calibre commercial tenants to the CBD and therefore needs to ensure that appropriate commercial spaces are available and able to be provided into the future. Following Council's adoption of the CDB Planning Framework Strategy the study, "*Achieving A-Grade Office Space Study*" was commissioned and is attached to this report (**Attachment 2**).
32. The focus on A-Grade office space was in response to a very low vacancy rate of A-Grade office space (approximately 2% vacancy as of the Property Council's Office Market report, July 2015) and the perception of demand for such space in the market. Providing additional A-Grade office space, or the refurbishment of existing building stock into a higher quality space, has the potential to attract high profile corporate and government tenants to the Parramatta CBD, while not limiting the diversity of grades of office space stock for other tenants who cannot or do not require A-Grade office space. It also reinforces the importance of Parramatta CBD within the Sydney office market as well as providing viable alternatives for businesses to locate outside the Central Sydney CBD.
33. Parramatta CBD is currently the fourth-largest office market within Metropolitan Sydney (after Sydney CBD, North Sydney & North Ryde/Macquarie Park), with approximately 685,800m² of office space of which approximately 40% is classified as "A-Grade" space. Eclipse Tower at 60 Station Street East, Parramatta and Sydney Water Headquarters at 40-60 Darcy Street, Parramatta are two recent examples of recently constructed A-Grade office space developments.
34. The Study identified several criteria relevant to the Parramatta CBD for a building to be considered "A-Grade" space, including:
- A building Gross Floor Area (GFA) over 10,000m²
 - A floor plate over 1,300m² GFA
 - Ceiling heights over 2.7m
 - Reliable and frequent lift service
 - End-of-trip facilities (i.e. change rooms, showers)
 - High quality fixtures, finishes and fittings

- Readily accessible to diverse retail, dining and entertainment amenities and services
 - Readily accessible to transport – both public transport and road connections; and
 - Location in a “corporate setting” with clustering of similar business activities.
35. The Study included consultation with commercial office owners and developers active in Parramatta CBD and results indicated that the market is favouring buildings with a GFA of 20,000 to 25,000m². These floor areas are based on the average government or commercial tenant who seek approximately 7,000m² each in floor space, and is considered an “ideal” most viable size for Parramatta CBD. These GFAs are consistent with the Eclipse Tower and Sydney Water Headquarters.
36. **Commercial developers also advised that “vertical separation” (residential apartments above office space within the same building) of mixed-use development would not result in high quality A-Grade office space being provided.** The B1 Tower at 118 Church Street, Parramatta is an example of a vertically separated mixed use development that comprises 5 floors of commercial development in a podium with 23 levels of residential development above. A further disadvantage of vertical separation is the expectation that the residential component will be strata-titled, which provides limited scope for reconfiguration of commercial spaces under current Strata arrangements.
37. “Horizontal separation” (residential and commercial uses in separate buildings) is preferred as financing and development of these proposals can be undertaken independently, as can ownership arrangements. A disadvantage of horizontal separation is that a very large site area is required in order to accommodate both buildings and maintain compliance with development controls such as building separation.
38. Preliminary urban design testing indicates that a minimum site area of 5,000m² is required in order to appropriately accommodate a residential tower and an A-Grade office tower with a floor plate exceeding 1,300m² on a single site. The Parramatta CBD currently has around seven (7) sites zoned B3 Commercial Core which would provide sufficient land area without requiring site amalgamation, however three (3) of these sites contain significant office towers and a further two (2) sites are occupied by schools.
39. The Study concludes by recommending that:
- The B3 Commercial Core maintains its role as a primarily commercial area for long term employment growth.
 - Consideration of residential development in the Core should be secondary to providing significant uplift in the supply of commercial office space (exceeding 20,000m² GFA).

- Residential development would need to be in a separate building (horizontal separation) to the commercial component, subject to complying with planning, urban design and heritage considerations.
 - Locating residential development above commercial floor space in the same building (vertical separation) is to be discouraged as it will likely result in lower quality office space within the Parramatta CBD and may have difficulties in being leased and have a detrimental impact on the CBD's office market.
 - If residential development is provided in the Core, buildings must adopt a "commercial design aesthetic" to ensure it is visually compatible with surrounding commercial buildings.
40. Although the concept design proposes to have separate residential and commercial entries to the building (residential access located from Horwood Place), the Proposal is inconsistent with the A-Grade Office Space Study which does not support vertical mixed use development.
41. In addition, not only is there a potential loss of 22,000m² of commercial floor space but also a potential permanent loss of employment generating floor space should the development include a residential component under a strata-title arrangement. This will impact on the availability of appropriate floor space in the CBD that could be occupied by high profile tenants. Should this Proposal be supported to include a residential component on the site it may establish an unwanted precedent for future development within the B3 zone of the CBD.

APPLICANT'S RESPONSE TO A-GRADE OFFICE SPACE STUDY ISSUES

42. In response to the key findings of the A grade office space study the applicant has provided indicative floor plans of a potential mixed use tower as well as 'precedent' examples including buildings in Sydney, Adelaide, Brisbane & Chicago. These have been reviewed however are located in centres that do not have the same attributes or challenges as Parramatta CBD. For example, the Sydney CBD (containing 4,960,000sqm of commercial floor space) has sought to attract more residential development to provide a more active and vibrant CBD out of office hours whereas Parramatta already has a strong residential supply pipeline and is seeking to attract more employment generating development.
43. Different design options were considered by the applicant for the site including the Council-preferred option of developing two towers on the site to provide horizontal separation of uses. While the site is theoretically large enough to accommodate two towers, the applicant does not consider this configuration to be logical or feasible given adequate building separation cannot be achieved and would result in poor amenity for future occupants.
44. The applicant considers that the same outcome can be achieved with regard to providing adequate A-Grade office space by developing one tower on the site as shown in the table below.

	Single Tower Option (Applicant preferred)	'Connected' dual Tower Option
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20,000m ² commercial GFA	Yes	Yes
Separated / dedicated lobbies	Yes	Yes
A-Grade Office floor plate / flexibility of layout / open plan	Yes	Yes
Adequate lift service	Yes	Yes
Activated streets and ground floor services	Yes	Yes
George Street primary address	Yes	Yes
No traffic access from George Street	Yes	Yes
Adequate parking (car and cycle)	Yes	Yes
Amenities (roof top open space, end of trip facilities)	Yes	Yes
5 Star Green Rating	Yes	Yes
Design competition	Yes	Yes

45. In support of the single tower option, advice was provided by the applicant from two commercial leasing agents who state that a mixed use development in one tower will not diminish the viability of the site in providing A grade office space. These statements are made on the basis of the concept design an extract of which is provided below.



Figure 3 – Concept design of proposed development at 61B George Street, Parramatta

46. In response to these matters, it is acknowledged that this configuration is suitable for the site on design merit as the appearance does address the

commercial design aesthetic criteria. However, it is not consistent with the Study in that it proposes vertical separation, which has been stated as a key element in determining the success of a building in attracting high profile tenants.

47. Further, the internal layout of the intended commercial Levels 4 to 9 provided with the Proposal are similar to the layout proposed for the residential floors on Levels 10 to 39. Concern is raised that these floors (4-9) will not be used for commercial purposes and a later application will be made for them to be adapted for residential use should a tenant not be found. This would further reduce the supply of available commercial floor space in the CBD and reinforce the residential use of the building, which is not the desired outcome.
48. An economic study, prepared by MacroPlanDimasi, was provided with the planning proposal and supports the viability of a mixed use development on the site in the current market. However, further consideration should be given to the long term strategic intention of the CBD and future market trends which are anticipated to result in a higher demand for commercial office space that is not part of a mixed use development. In addition, consultation was undertaken with commercial developers active in the Parramatta CBD who advised that vertical separation was not the preferred arrangement if seeking to produce A-Grade office space.

RELATIONSHIP TO THE STRATEGIC PLANNING FRAMEWORK

49. In December 2014 the State Government released its revised Metropolitan Plan entitled '*A Plan for Growing Sydney*'. Direction 1.2 of this plan states: Grow Greater Parramatta – Sydney's second CBD. Action 1.2.1 of this plan is: *Grow Parramatta as Sydney's second CBD by connecting and integrating Parramatta CBD, Westmead, Parramatta North, Rydalmere and Camellia*. This direction also identifies the core elements for growing Parramatta as: *continuing to grow the commercial core as the central focus of business activity; and encouraging growth across a range of employment types*.
50. The sub-regional plan also includes overarching priorities including working with Parramatta Council to;
 - *provide capacity for additional mixed-use development in Parramatta CBD and surrounding precincts including offices and retail in Parramatta CBD*
 - *provide capacity for long-term employment growth in Greater Parramatta, particularly in its CBD*
 - *Work with council to retain a commercial core in Parramatta CBD for long-term employment growth*
51. The proposal is broadly consistent with this Plan in that should it proceed with a component of residential use it will be providing additional housing, employment and services in an existing town centre that is highly accessible. The proposal would also be providing floorspace for jobs growth and diversity across Sydney and increasing the supply of office and retail space in the CBD

however would be an underutilisation of the site in terms of the potential employment floorspace being possible on the site.

52. Decisions made to alter the agreed long term strategic planning outcomes for Parramatta and Greater Sydney should not be solely influenced or compromised by today's contended market demand as is heavily relied upon in the proponent's economic report. With regard to consistency with local strategies, the site is located within close proximity to public transport and will deliver a reasonable quantum of commercial floor space. However, it is not consistent with the overarching strategic direction for the core of the CBD and the objectives of the B3 Commercial Core zone, which does not currently permit residential uses.

SECTION 117 DIRECTIONS

Section 117 Direction 1.1 – Business and Industrial Zones

53. In evaluating the relative merits of a planning proposal the relevant planning proposal must have regard to whether a proposal is consistent with applicable Ministerial Directions. Of particular relevance to this proposal is Direction 1.1 – Business and Industrial Zones.
54. The objectives of this Direction are to:
- (a) *encourage employment growth in suitable locations,*
 - (b) *protect the area and locations of existing business and industrial zones,*
and
 - (c) *support the viability of identified strategic centres.*
55. Section (4) of this Direction states that a planning proposal must:
- (a) *give effect to the objectives of this direction,*
 - (b) *retain the area and locations of existing business and industrial zones,*
 - (c) *not reduce the total potential floor space area for employment uses and related public services in business zones,*
 - (d) *not reduce the total potential floor space area for industrial uses in industrial zones, and*
 - (e) *ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning and Environment.*
56. This Direction aims to preserve employment lands, however a planning proposal may be inconsistent with the terms of this Direction only if the relevant planning authority can satisfy the Director General of the Department of Planning and Environment that the provisions of the planning proposal that are inconsistent are;
- Justified by a strategy or study which gives consideration to the objective of this direction or
 - Be of minor significance

57. While the planning proposal gives consideration to the objectives of this Direction it does not have an adequate appreciation of the strategic justification for the B3 Commercial Core zone that applies to the site. The planning proposal's inconsistency with this Direction is not justifiable given it is not considered to be of a minor significance in terms of the precedent it would set nor is it supported by the findings of the *A-Grade Office Space Study* which has been prepared to support Council's CBD Planning Proposal. In addition, the planning proposal will not be consistent with the Direction in encouraging and protecting employment lands in that it reduces the potential employment floorspace capacity of the site (and Commercial core) from 42,000sqm to 20,000sqm and will also concurrently detract from the availability of the desired commercial floor space by reducing the potential of the site to deliver A-Grade office space in the CBD.

PLAN-MAKING DELEGATIONS

58. New delegations were announced by the then Minister for Planning and Infrastructure in October 2012, allowing councils to make LEPs of local significance. On 26 November 2012 Council resolved to accept the delegation for plan making functions. Council has resolved that these functions be delegated to the CEO.
59. Should Council resolve to proceed with this planning proposal (Attachment 1), it is intended that Council will be able to exercise its plan-making delegations. This means that once the planning proposal has been to gateway, undergone public exhibition and been adopted by Council, Council officers will deal directly with the Parliamentary Counsel Office on the legal drafting and mapping of the amendment. The LEP amendment is then signed by the CEO before being notified on the NSW Legislation website. When the planning proposal is submitted to Gateway, Council will advise the DP&E that it will be exercising its delegation.

PROCESS- NEXT STEPS

60. Council as the relevant planning authority must resolve to support a planning proposal before it can proceed to Gateway by the DP&E.
61. Should Council resolve to proceed with the planning proposal, it (and related documentation) would be submitted to the DP&E for Gateway determination prior to any formal exhibition being undertake.

CONCLUSION

62. Land zoned exclusively for employment uses only accounts for 24% of Parramatta CBD (inclusive of 'auto alley') and is intended to provide for the future provision of high quality A-Grade office space to support Parramatta as the key employment centre in Western Sydney. The proposed amendment of Schedule 1 Additional Permitted Uses of PCC LEP 2007 to include '*residential accommodation*' as a permitted use on the subject site at 61B George Street,

Parramatta, is not considered appropriate given its location within the core of Parramatta CBD, proposed form (vertical separation) and inconsistency with the objectives of the B3 Commercial Core including encouraging appropriate employment opportunities in accessible locations and strengthening the role of the Parramatta city centre as the regional business, retail and cultural centre, and as a primary retail centre in the Greater Metropolitan Region.

63. It is recommended that Council not support the planning proposal.

Neal McCarry
Team Leader – Land Use Planning

ATTACHMENTS:

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|----------|--|-----------|
| 1 | Planning Proposal - 61B George Street, Parramatta | 86 Pages |
| 2 | Achieving A-Grade Office Space in the Parramatta CBD | 107 Pages |

Note:

Attachment 1 - Is found at Council's Business Papers available online at www.parracity.nsw.gov.au

Attachment 2 - Is provided in the Appendices of the Planning Proposal for the Parramatta CBD

COUNCIL RESOLUTION

10.4 SUBJECT Planning Proposal for land at 61B George Street,
Parramatta, known as the "Parramall" site.

REFERENCE RZ/11/2014 - D03985458

REPORT OF Team Leader - Land Use Planning

MOTION (Makari/Wilson)

1 **That** Council not support the planning proposal to amend Schedule 1 Additional Permitted Uses of Parramatta City Centre Local Environmental Plan 2007 to include '*residential accommodation*' at 61B George Street, Parramatta.

AMENDMENT (Shaw/Esber)

That consideration of this matter be deferred until February 2016 to seek further information on this matter.

The amendment was put and lost.

The motion was put and carried.

DIVISION The result being:-

AYES: Councillors J P Abood, S H Chowdhury, R Dwyer, G J Elmore, P J Garrard, J A Hugh, S T Issa, S D Lloyd, B Makari, J L Shaw, L E Wearne and A A Wilson

NOES: Councillor P Esber