



Ms Monica Barone
Chief Executive Officer
City of Sydney Council
GPO Box 1591
SYDNEY NSW 2001

Our ref: PP_2016_SYDNE_010_00 (16/14075)

Dear Ms ~~Barone~~ *Monica*

Planning proposal to amend Sydney Local Environmental Plan 2012

I am writing in response to Council's request for a Gateway determination and recent letter to the Secretary in respect of the planning proposal to ensure the State Environmental Planning Policy No 65 — Design Quality of Residential Apartment Development (SEPP 65) and the Apartment Design Guide (ADG) provisions apply to serviced apartments.

The intention of the proposal is to apply SEPP65 and the ADG provisions to serviced apartments at the development assessment stage, however, the reasons for applying these provisions to serviced apartments is not adequately justified in the proposal.

Our assessment of the proposal has identified two matters that require further detail before a decision is made.

The Department of Planning and Environment (the Department) issued a planning circular on 29 June 2017 providing guidance on the relationship between SEPP 65 and the ADG and the application of the ADG to the assessment of development applications under SEPP 65.

The ADG is a guide to improve the planning and design of residential apartments and apart from the non-discretionary development standards in SEPP 65, the ADG is not intended to be and should not be applied as a set of strict development standards. The proposal should be amended to address this.

Additionally, the proposal does not provide any assessment of the economic impacts of requiring serviced apartments to meet the requirement of SEPP and the ADG. On this basis, the Department has commissioned an independent assessment on the impacts of the proposal. The study concluded that a more rigorous analysis of the impacts of applying SEPP65 and the ADG to serviced apartment developments would be required to inform the planning proposal.

To progress the planning proposal, I request Council to provide further analysis and supporting evidence via a multiple case study comparison (Cost Benefit Analysis or similar methodology) to determine the extent to which the application of SEPP65 and the ADG to serviced apartments would differ from current practice in terms of the design of these buildings.

Council's analysis should include a 'base case' where SEPP65 and the ADG do not apply to serviced apartment developments and no apartments are converted to residential, and at least 3 project case scenarios. The analysis should consider apartment size, cost of design and planning approval, building setbacks and separation, construction costs, development yield and internal amenity.

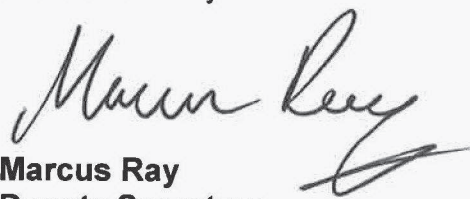
In addition, Council should consider the following matters during its assessment:

- Market analysis to determine whether there are sub-markets for serviced apartments that might be effected in different ways by the application of the regulations;
- Forecast supply of serviced apartments;
- Analysis to determine the 'conversion rate' i.e. the proportion of serviced apartments converted;
- Costing advice on average construction costs of serviced apartments vs regular apartments;
- Costing advice on average construction costs for conversion of non-SEPP 65/ADG compliant serviced apartments to regular apartments; and
- consider inferred value of amenity improvements.

I have arranged for the Sydney Region East team to continue discussions and work with Council on this planning proposal.

Should you have any queries in regard to this matter, I have arranged for Mr Wayne Williamson of the Department's regional office to assist you. Mr Williamson can be contacted on (02) 9274 6585.

Yours sincerely



Marcus Ray
Deputy Secretary
Planning Services

01/09/2017