

# IAG

## WATERLOO SOUTH REPORT



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# EXECUTIVE SUMMARY

The Independent Advisory Group (IAG) was appointed in March 2021 to provide advice to the Department of Planning, Infrastructure and Environment (the Department) and the Minister for Planning on the preferred planning proposal for the Waterloo South site. The Land and Housing Corporation (LAHC) had submitted a planning proposal to the City of Sydney (Council) in May 2020. The Council prepared an alternative planning proposal and Gateway application. This was called in by the Minister in March as LAHC and the Council could not agree on the future development parameters, including the financial feasibility of the Council scheme.

The IAG examined both proposals, developed an independent feasibility model and sought independent advice on the costs of construction. The IAG met with both the Council and LAHC, and also met with representatives of the local community. The LAHC submitted extensive studies and had consulted the community over four years. However, the council scheme was the one submitted as the planning proposal so the IAG was required to respond to that proposal taking into account the previous work and conclusions of the LAHC scheme.

The review focused on the design, density and building typologies and has recommended improvements to the street wall approach to improve solar access to streets, courtyards and apartments. The reduction in height of some street walls has been redistributed within the site. The overall density remains unchanged from the submitted planning proposal. To achieve the highest possible urban amenity and design quality within this density, the IAG supports the use of the Council's Waterloo South Design Guide.

The review also focused on the provision of affordable housing on the site. The LAHC and the council proposals included 30% of the built floor space to be new social housing units. In addition, the LAHC proposal included 5% affordable housing as part of the social housing numbers. The Council proposal required 20% affordable housing in addition to the 30% social housing.

The IAG is unanimous in concluding that affordable housing is essential on this site in addition to the 30% social housing. Affordable housing is part of the housing continuum that allows families to transition from social housing through to market housing as expected through the government Future directions for Social Housing in NSW policy. However, the IAG does not consider the Council proposal which includes 20% affordable housing to be financially feasible. Accordingly, the focus of this part of the IAG's review was on whether and how the development could provide the maximum affordable housing while still remaining financially feasible. The IAG concludes that 10% affordable housing must be the target on this site and proposes an innovative method by which this can be achieved in a financially feasible way for LAHC, the successful development tenderer and the government.

# ACKNOWLEDGEMENTS

The IAG would like to thank and acknowledge the assistance of the City of Sydney Council (Council) officers and their advisors, the Land and Housing Corporation (LAHC) officers and their team of advisors, the community representatives who shared their knowledge and aspirations so openly, and the support team at the Department of Planning, Infrastructure and Environment (the Department).

# GLOSSARY

**A** ADG  
Apartment Design Guide

**C** CHP  
Community Housing Provider

Council  
City of Sydney

CSPC  
Central Sydney Planning  
Committee

**D** Design Guide  
The Design Guide prepared by  
the City of Sydney for Waterloo  
South redevelopment

Department  
Department of Planning,  
Infrastructure and Environment

**I** IAG  
Independent Advisory Group

**L** LAHC  
Land and Housing  
Corporation

LEP  
Local Environmental Plan

LSPS  
City of Sydney's Local Strategic  
Planning Statement

**S** SHU  
Social Housing Units



**Background to the  
IAG Appointment**

On 12 May 2020, NSW Land and Housing Corporation (LAHC) lodged a planning proposal with the City of Sydney Council (Council) for the Waterloo South Precinct.

The Waterloo South Precinct is a component of the larger Waterloo precinct. Waterloo Estate (South) is bounded by Raglan Street in the north, Cope Street in the west, McEvoy Street in the south, and Waterloo Park, Pitt Street, Kellick Street, and Wellington Street to the east. The site is located within the City of Sydney local government area, approximately 3 kilometres south of Sydney Town Hall, 1 kilometre north of Green Square Town Centre and adjacent to the future Waterloo Metro station and Waterloo Metro Quarter development.

A site map is shown below:



Figure 1: Site aerial showing Waterloo South and the Surrounding Waterloo Precinct (Source: City of Sydney Planning Proposal)



The proposed redevelopment of Waterloo South is part of the NSW Government Communities Plus program, which involves partnering with the private and not for profit sectors to deliver mixed tenure, integrated developments close to transport, employment and community facilities.

The Planning Proposal authority (being City of Sydney Council) is responsible for the preparation of the planning proposal. On 22 February 2021, Council resolved to support a revised planning proposal for a Gateway determination which was different to the original planning proposal lodged by LAHC in May 2020.

LAHC have advised Council they do not support the amendments made to the original planning proposal request, citing built form issues and feasibility impacts related to assumed costs and revenue.

On Tuesday 23 February 2021, the Minister for Planning and Public Spaces, the Hon. Rob Stokes MP wrote to Hon. Melinda Pavey MP, Minister for Water, Property and Housing and Clover Moore Lord Mayor of City of Sydney Council, encouraging them to work together to resolve the deadlock over built form and LAHC's infrastructure offer. He advised that if the deadlock between Council and LAHC was not resolved before 12 March, the Department Secretary would be directly appointed to progress the planning proposal.

As agreement between the Council and LAHC was not achieved by that deadline, the Minister committed the Department to complete its Gateway assessment within 10 weeks and immediately appointed an Independent expert panel to provide advice on the two schemes.



**IAG Terms of  
Reference**

# The Independent Advisory Group

The IAG comprises Ms Sue Holliday (Chair) former Director General of Planning in NSW and Professor of Urban Policy at UNSW; Professor Geoffrey London, former Government Architect in Victoria and Western Australia; and Mr James Cain, former Executive Director of Major Projects Victoria, and former Lend Lease General Manager for Victoria, Tasmania and South Australia. The IAG has been informed by detailed information provided by LAHC, the City of Sydney, resident groups and an independent quantity surveyor.

## IAG Terms of Reference

The full Terms of Reference for the work of the IAG are attached to this report (Attachment A).

The objectives of the expert review are to:

- Critically analyse Council's planning proposal to be submitted for Gateway determination and LAHC's planning proposal.
- Assess the merits of key aspects of both planning proposals, in particular considering the financial viability of the two schemes and the balance of public benefits.
- Provide advice and recommendations to inform the Department's assessment and Gateway determination which will allow an acceptable planning proposal to be publicly exhibited.
- Recommend potential Gateway conditions to address changes (if any) to the planning proposal lodged by Council with Department.

To achieve that, the IAG are to:

- Review of the Council report, planning proposal, supporting studies; LAHC's planning proposal, supporting studies and any other key documents nominated by the City of Sydney and LAHC.
- Interrogate LAHC's and Council's financial feasibility modelling and assumptions.
- Identify any site specific issues, provide advice and recommendations on the project:
  - Urban Design and place outcomes – including the appropriateness of building heights, distribution of floor space ratio, overshadowing, open space, street layout, and the mix of tall towers.
  - Housing mix – appropriateness and benefits/implications of the proposed housing mix (including the amounts of social/ affordable housing to be delivered).
  - Public Benefits & Infrastructure Contributions – the appropriateness of the type and quantum of contributions when balanced against the development outcomes proposed.



**Planning Proposals  
and the IAG Process**

As required under our Terms of Reference, the IAG has reviewed both Planning proposals. The Gateway proposal to be formally considered and amended is the Council's planning proposal that the Minister has referred to the Secretary of the Department. However, there is much to be commended in the LAHC planning proposal and it is clear that LAHC and its consultants have taken considerable care in undertaking all the studies prescribed by the Department. In particular, several years of consulting with the existing community is evident in several excellent reports. In addition, most of the reports submitted by LAHC to the Council have informed the Gateway Planning Proposal currently before the Minister.

Despite their comprehensive studies undertaken over several years, and extensive consultations, LAHC claim they were denied the opportunity to present in person their proposal to either a meeting of the Council meetings or the CSPC. In the opinion of the IAG, this was most unfortunate as it meant their proposal was unable to have a public viewing.

The IAG assessment of both planning proposals is in Section 5.

## Our Process

The IAG met with both LAHC officers and the Council officers at the commencement of the IAG task. The IAG also visited the site in Waterloo, and the adjacent redevelopment of Green Square/ Victoria Park/ Zetland. We also had the opportunity to meet with four representative groups of residents: Counterpoint Community services, REDWatch Inc, Inner Sydney Voice, Waterloo Redevelopment Group, Waterloo Public Housing Action Group, and Aboriginal Community and Housing representatives. All those meetings, and in particular the resident representations were extremely helpful in our review.

It became clear early in the review that the dilemma to be resolved for this development to proceed was the apparent conflict between; the State government policies governing LAHC, the aspirations of the Council, the best urban design and housing diversity outcomes for the precinct, the adequate provision of public benefits and infrastructure, and whether all these elements could be delivered with a financially feasible outcome.

This conflict represents itself in terms of the high density of the development, its typology, the tenure mix between social, affordable and market housing, and the financial feasibility for LAHC that requires no additional funding contributions from government after LAHC tenders the site to the private sector.

The IAG tackled these issues in an integrated way. Our methodology was to review all available documents, to inspect the site, to meet with both parties and the resident representatives, to construct a feasibility model based on a simple property feasibility equation; to seek independent advice on costs; to ensure that the revenue data was up to date.

The culmination of our process is in the form of several recommended changes proposed to the urban design and place outcomes of the Council scheme (Section 5), and a new option to deliver affordable housing in order to achieve the financial feasibility that the government wishes to secure (Section 6).

In addition to the consideration of urban design and tenure mix elements, a critical input to the integrated approach to the review process was the consideration of financial feasibility. The IAG's aim was to try to achieve a shared, and ideally uniform, set of feasibility assumptions and inputs and to create a high level, well-understood and consistent basis on which the IAG, Council or LAHC could assess the impact on feasibility of various planning proposal options, suggested controls or conditions.

To allow the IAG to gain an understanding of the feasibility studies that have been carried out the IAG invited both LAHC and the Council to provide copies of their respective feasibility studies. The IAG hoped that the opportunity would exist for the key assumptions and financial inputs used by Council and LAHC to be shared between the parties and the IAG. In practical terms however this was not possible. LAHC submitted to the Department and the IAG that there was a necessity to maintain extremely strict limitations on the sharing of financial information. The basis of this strict confidentiality is that LaHC will seek competitive tenders from the development market for the Waterloo South renewal and that any market knowledge of its feasibility assumptions may undermine the tender process by placing a ceiling on the commercial offers that developers may be prepared to make. This would not, LAHC contend, be in its commercial interests, and by extension, it is not in the public interest.

LAHC did agree that its feasibility information could be shared with some members of the IAG but would not agree to their information being shared with the Council. The Council adopted a similar posture allowing their feasibility information to be shared with the IAG. Council were prepared to share their feasibility with LAHC had LAHC reciprocated.

Clearly the confidentiality constraints on sharing feasibility information complicates the process of the IAG assessing the feasibility studies and responding to the terms of reference. To overcome this situation the IAG created its own independent model to assess the financial feasibility of a range of options and possible changes to the planning proposal. To achieve this the IAG reviewed the models provide by the Council and LAHC on a confidential basis, created a simplified development feasibility model and invited both LAHC and the Council to separately (and protected by confidentiality) input their key data and then synthesise this data into an independent assessment of feasibility.

This process established a baseline feasibility model which the IAG used to assess the impact of any potential changes to the planning proposal, discuss openly, and share with the parties.

The independent assessment of feasibility uses some information provided by the parties, but the raw data provided has necessarily been revised to take account of clarifications, matching scope and assumptions and validation, where needed, by third party experts. In particular, in the area of construction cost, the IAG has sought and used advice from an independent review of the cost information provided by both the Council and LAHC carried out by a Quantity Surveyor appointed by the Department.

While the IAG's independent assessment has the benefit that its use by the IAG is unconstrained, it is limited in that it is not assured of being consistent with the assumptions and modelling that will be carried out by LAHC as the proponent of the Waterloo South renewal. As such the independent assessment of feasibility is useful but not definitive and in the opinion of the IAG can only be considered indicative.

In Section 5 of this report, we have set out a range of observations about both the LAHC and the Council planning proposals including an assessment of the financial feasibility of their respective schemes.

In Section 6 we have identified the key issues that have emerged through our analysis and described our recommended changes and improvements to the planning proposal submitted and the impact of these on financial feasibility.

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**Relevant History and  
Demography of the  
Waterloo Estate**



The IAG determined early in the review that the concept of feasibility should be understood in its broader application. LAHC indicated in their planning proposal that financial feasibility was important but consideration of social and environmental feasibility was equally important. Waterloo is a complex suburb. The current social housing estate (comprising Waterloo South, Central and North) has a long history and a particular demography and economic structure that differentiates it from many other areas within Sydney. Because of its location close to the CBD, its low income profile, the high number of elderly and single people, its important role as an urban gathering place for the First Nations people and its lack of housing that is affordable to key workers, this redevelopment provides a critical opportunity to improve overall amenity for the community and address the issue of affordable housing.

Waterloo was established as a suburb in 1815, named after the battle of Waterloo. In the 1960s and 70s public housing was built in the suburb, culminating with the construction of the 30-storey towers Matavai and Turanga in 1976, which were the tallest and last social housing towers to be built in Australia.



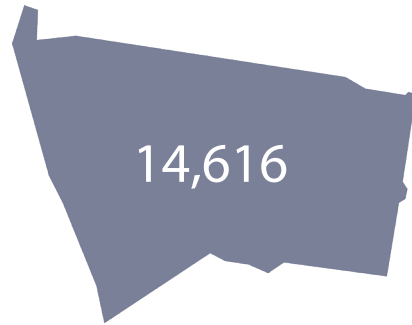
Figure 2: Waterloo Park, 1960  
(Source: City of Sydney Archives)



Figure 3: Waterloo Aerial View 1950's  
(Source: City of Sydney Planning Proposal)

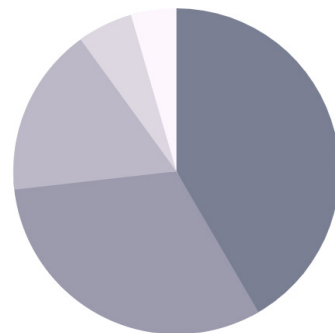
At the 2016 census:

Waterloo had a population of  
14,616



Aboriginal and Torres Strait  
Islander people made up 3.0%  
of the population

The largest religions were Cathol-  
icism 16.8% of the population,  
Anglicanism 5.5% and Buddhism  
4.5% and 41.6% of the population  
marked no religion, well above  
the national average



89.7% of residences were units,  
well above the rest of Australia  
where only 13.1% of residences  
were units and 70.8% of dwell-  
ings were rented, compared to  
30.9% in Australia as a whole

47.5%

of people spoke English at home

12.7%

of people spoke Mandarin at home

3.2%

of people spoke Cantonese at home

2.0%

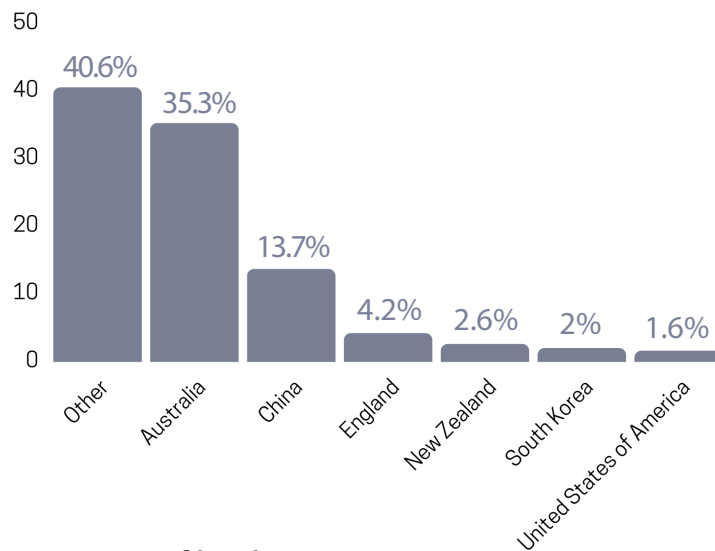
of people spoke Spanish at home

3.3%

of people spoke Russian at home

2.0%

of people spoke Korean at home



Country of birth

The following data on the history and demography of the existing community in Waterloo South is extracted from two LAHC reports:

**The Social Baseline Report (GHD March 2020) and the Social Sustainability report (Elton Consulting March 2020).**

### **The existing community**

Waterloo South comprises 874 properties in 2020 of which 749 are social housing and 125 private dwellings. The entire Waterloo Estate currently comprises 2,012 social housing dwellings owned by LAHC.

Communities within Waterloo South are diverse. Private dwellings outside the Waterloo Estate feature younger and higher income households. Waterloo South has a large elderly population, with almost half of all residents having lived there for over ten years. Other key characteristics include high proportions of people who live alone, low income earners, people whose first language is not English, and people with disability. There is a range of community facilities and services located within one kilometre of Waterloo South, with many services targeted towards the needs of social housing tenants.

### **Waterloo's Aboriginal and Torres Strait Islander history in the area**

Waterloo's first inhabitants were Gadigal people of the Eora Nation. Aboriginal and Torres Strait Islander people have always lived in Waterloo. It has become an entry point for people coming into the city for work opportunities, shelter and connections with community and family.

Waterloo holds great cultural and emotional significance to Aboriginal and Torres Strait Islander people and the broader community. The recognition of history and heritage is incredibly important, and consultation indicates there is a strong desire across the community to retain this legacy through redevelopment.

Although the landscape is much disturbed and there are gaps in the archaeological evidence following two centuries of settlement and development, the longstanding Aboriginal heritage of Waterloo is widely understood as an important aspect of Waterloo culture and history.

## Waterloo South Demography

In September 2019, Waterloo South's population was characterised by:

- A large elderly population, with 68% of residents aged 50 years and over;
- Many long-term residents, with almost half of the residents (42%) having lived at the same residence for over ten years;
- A very high proportion of people living alone (73%), many of whom are elderly residents;
- An average household income of \$525 per week. The main sources of individual income were disability pension (33%), age pension (26%), Newstart Allowance (20%) and wages (7%). This reinforces that there are significant proportions of elderly people and people with a disability living at the Waterloo Estate;
- Residents had a higher level of need for assistance with self-care, communication /mobility activities, due to disability (9%). Waterloo South residents who require assistance are likely to include people with a disability and the elderly population; and
- Based on the 2016 Index of Relative Socio-economic Disadvantage, SA1s within Waterloo South ranked at decile 1 and 2 within NSW. In comparison, the City of Sydney LGA as a whole is ranked at decile 8 within NSW, indicating that Waterloo South has a higher level of disadvantage than other areas within the LGA.

This demographic and economic information sets the framework within which the IAG understands the importance of responding to the needs and the ongoing diversity of housing for this community. As previously noted, the IAG considers that 'feasibility' is not only financial feasibility, but social and environmental feasibility. For a future community to thrive, housing opportunities must support their future needs. This is usefully summarized in the following graphic from City of Sydney's Local Housing Strategy - Housing for All.

## THE CITY TODAY



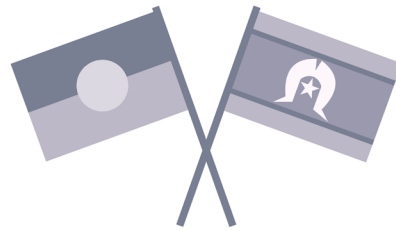
Densest Local Government Area in NSW  
up 9,000 persons/km<sup>2</sup> (30 June 2018).

**6<sup>th</sup>  
largest**

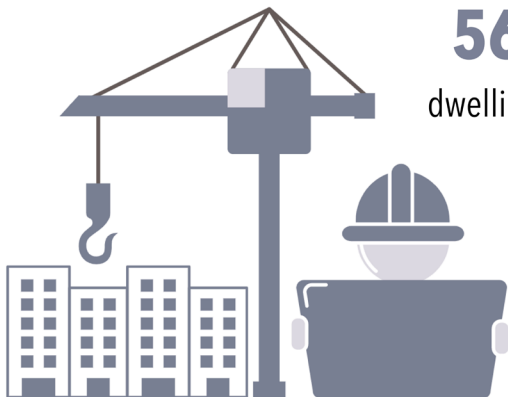
Local Government Area in  
Sydney Metropolitan Area.

**6<sup>th</sup>  
largest**

Urban Aboriginal Torres Strait Islander  
Community in Sydney Metropolitan Area.



## MORE HOUSING TO COME



**56,000**  
dwellings by 2036.

Mostly in  
Green Square

**75%**  
of households live in  
high density today.

By 2036, this will  
increase to  
**80%**



**14,000+**  
affordable and social  
housing dwellings  
needed by 2036.

Source: City of Sydney Local Housing Strategy - Housing for All

## WE'VE CHANGED A LOT



One of the fastest growing LGAs in Australia.



**67,000**

more people over the last 10 years.

**30,000**

homes built over the last 10 years.



## A UNIQUE CITY

A growing proportion of older people.



Population of 65+ years old set to increase by

**16,000+**

people by 2036.

**66%**

more children (under 15 years) living in the city in 2036.



**15,000**

more lone person households by 2036.



Over 50% of the population is aged between

**15 - 34 years** (2016).



**Planning Proposals  
Compared**



This section sets out descriptions of the two planning proposals, their similarities and their differences.

## The LAHC Planning Proposal

LAHC released a preferred masterplan for the full Waterloo Estate in January 2019. This was then modified and submitted as the Waterloo South Planning Proposal following an alignment process with the Council in 2019.

The process that led to the preferred plan has been documented in considerable detail and sets out a thorough strategy in which what were called Technical and Innovation Working Groups explored the project through five themes; Environment and open space; Transport, streets and connectivity; Housing diversity and liveability; Employment, services, retail, arts and culture; and Sustainability and infrastructure.

Following the completion of a context and baseline analysis, LAHC embarked on a visioning and engagement process that involved residents and community groups from the Estate, surrounding neighbourhoods, and the broader community.

Following this process, as noted in the proposal:

The findings highlight the community desire for a safe, welcoming and vibrant place that:

- Captures Waterloo's unique identity;
- Retains and strengthens its culture and diversity;
- Respects its Aboriginal culture and history;
- Maintains its strong sense of community; and
- The community also value the natural environment, green open space and trees.

A 'catalogue of design ideas' (p.114 of the Planning Proposal) was developed, followed by 'strategic directions' (p.116), informing 'concept plan options' and their testing with the community and stakeholders.



Figure 4: Waterloo South Only Plan released January 2019  
(Source: LAHC Planning Proposal)

A highly detailed preferred plan was developed and then LAHC engaged in a consultative collaborative phase with the Council to agree planning outcomes. There were key points of agreement that came from this alignment process:

Key outcomes from this process centred on agreement on the following:

- Lower built form (up to 32 storeys)
- Larger central park
- Wider streets
- Tree retention targets
- Possibility of retention of slab and tower buildings
- No reduction in existing street widths
- George Street to remain in its current configuration in the short term with a process to move towards pedestrian prioritisation in the future.
- Regional cycle path to remain along George Street
- Location of large park adjacent to the Waterloo Metro Station
- Clarified definition of solar access to parks to be a fixed location
- A secondary park located to the south of the Estate for more equitable access
- Renewal of the Estate to be in three stages, with Waterloo South delivered first ahead of Waterloo Central and Waterloo North

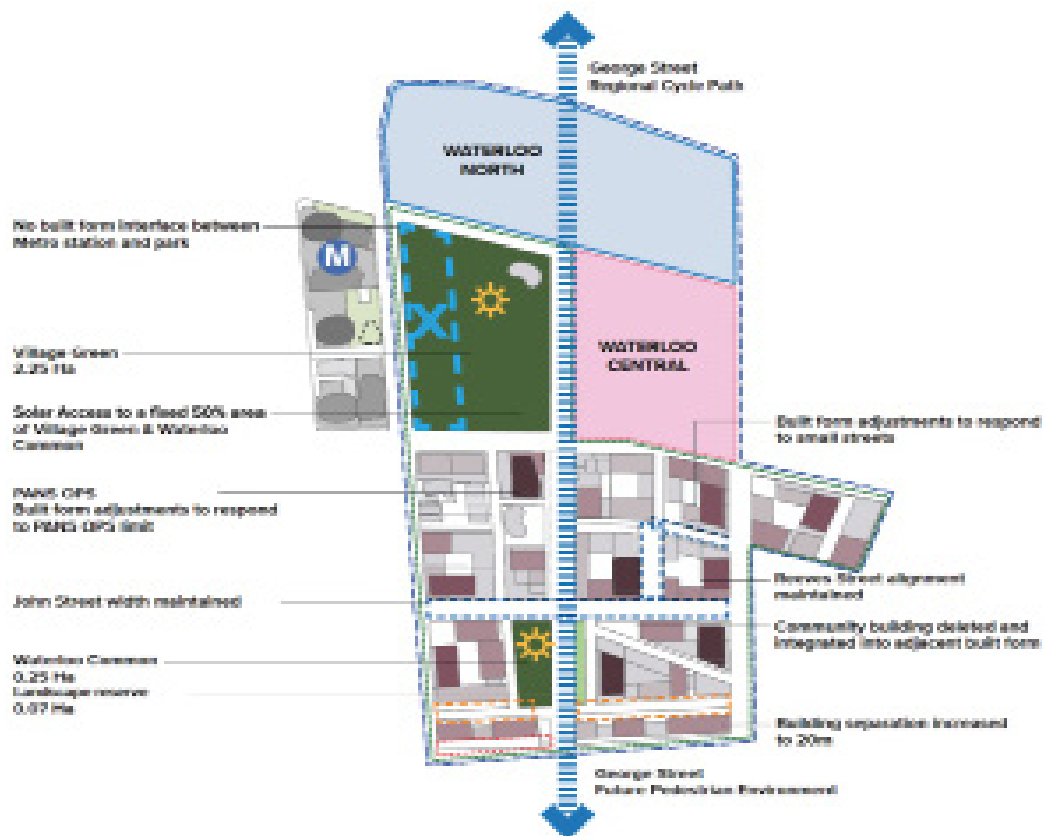


Figure 5: Alignment Considerations  
(Source: LAHC Planning Proposal)

The 2020 LAHC plan is focused on Waterloo South and proposes approximately 3050 new dwellings in a new urban village with the 2.25 ha Village Green on its northern edge, linking to the Waterloo North and Waterloo Central precincts and to the new Waterloo Metro station and the Metro Quarter on its west.

Waterloo South is proposed as a very dense new urban development based on the existing street pattern, with a rich mix of public and private uses at ground level. The masterplan has emerged from a fully considered process and comprises a cluster of nine apartment tower blocks with heights up to 32 storeys distributed across the site, built above mixed-use podiums of 4 to 8 storeys.

There is strong emphasis on the extent of and quality of the public space, helping to compensate for the high density of the overall development. The large open space of the Village Green is linked by George Street to the smaller green space of Waterloo Common, providing a legible network of parkland to which George Street contributes. There is attention given to an urban forest strategy with focus on enabling the Estate to become a pedestrian priority precinct, responsive to the closeness of the new Metro station.

Throughout, the village is supported by community and activity hubs, retail and services outlets, providing a well-surveilled safe setting. The 3D views suggest that high quality public spaces are proposed.



Figure 6: Illustrated 3D view  
(Source: LAHC Planning Proposal)



Figure 7: : Illustrated 3D view  
(Source: LAHC Planning Proposal)

In addition, there is a comprehensive consideration of built form, materials and strategies for introducing architectural diversity.

The development of the LAHC planning proposal is preceded by a comprehensive and intelligently analysed selection of case studies, together with the setting out of principles for good density outcomes. From these case studies and principles, the following ambitions are highlighted and provide a useful set of points to assist evaluation of both the LAHC and the Council proposal and, importantly, evaluation of the design as it evolves:

- Better Built Form improves the perception and value of a place to the new community and off-sets the reduction in private space associated with increased density.
- A Sense of Belonging: places that foster social relations, a sense of community and provide safe socially integrated environments.
- Places with defined street edges and intensively used land uses to create the vibrancy associated with mixed use neighbourhoods.
- Successful urban environments are complex places made of simple elements.
- Respond to the unique qualities of the place.
- Lead with public benefits and build trust and liveability from the outset.
- A Memorable Experience: how the street level experience feels and looks like for users.
- Increased connectivity through embedding sustainable travel patterns from the outset for reduced car use and ownership.

# The City of Sydney Planning Proposal

The City of Sydney planning proposal is a direct response to the LAHC plan, built on their negotiated alignments, and is an attempt to heighten the qualities of what that plan offers. The Council plan challenges the number of residential towers proposed in the LAHC plan and, by removing six of the nine towers, redistributes the units that would have been in these towers into a different urban type, the perimeter apartment block. To accommodate this redistribution the perimeter block street walls are higher than is typical for this building type. The three remaining towers in the Council plan are located along the southern edge of the site, minimising the shadows cast by the towers directly into the precinct and limiting the effect of wind created by towers.



Figure 8: City of Sydney Planning Proposal  
(Source: City of Sydney Planning Proposal February 2021)

The streets in the precinct have been further widened, enabling improved solar access, wider footpaths for pedestrians, and better definition of the pattern and hierarchy of streets forming the public realm. The extensions to existing streets have continued the major north-south street orientation, enabling winter sun access to both sides of the streets at different times of the day. Attention has also been given to improving universal access to steep sections of streets within the precinct. George Street has been planned as the main street of the precinct, with retail frontage and other public uses extending along both sides of the two full blocks from Wellington to McEvoy Streets. There is a 10m setback to the eastern side of the street, extending the distance between the street wall buildings flanking George Street and creating a wide public realm.

The Council plan places considerable emphasis on provision of affordable housing in addition to the social housing, and also on a minimum percentage of this housing being committed to First Nations people. There is a commitment to engaging with First Nations people in the design of their housing.

The Council proposal is accompanied and informed by a comprehensive design guide prepared specifically for this project and based on the repeating typology of the perimeter block.

Further details of both the LAHC and Council Planning Proposals are set out in the following sections.

## 5.1 Similarities between the Planning Proposals

As a result of the alignment process, noted above, there are now key aspects of the two planning proposals that are similar:

- the location and area of the main public open space,  
The IAG supports the decision to provide a large multi-use major open space and its location.
- the overall dwelling unit numbers and therefore site densities,  
While the IAG notes the very high density proposed in both plans it is concerned that this not diminish the amenity and overall quality of the development. It strongly encourages an assessment of the project's viability that encompasses not only financial viability but also social and environmental viability.
- the almost complete demolition of existing buildings,  
The IAG questions whether there can be encouragement to retain selected buildings to help preserve vestiges of existing identity and character for the precinct, buildings that can be economically modified and made available for adaptive re-use.
- the ratio of social housing to the total number of units to be developed (30%),  
The IAG strongly supports the decision to provide more-than-matching numbers of social housing units currently on the site and the right of return for the existing community.
- the percentage of existing trees to be retained (53%).  
The IAG recognises the difficulty in maintaining existing trees in a project of this scale. But, because mature vegetation is important climatically, for bird habitat, and also for preservation of local character, it encourages additional retention of major trees and major stands of trees.

## 5.2 Design differences between the Planning Proposals

Despite the similarities in the two proposals, there are also key design differences that result in quite distinct urban design, social, and project delivery outcomes. These differences form the headings below and provide the basis of the comparative analysis.

### Streets

The existing street network to the south of Wellington Street is depicted in Figure 9. below. The land owned by LAHC is outlined in green, with the balance being privately owned.



Figure 9: Waterloo South existing street pattern  
(Source: City of Sydney Planning Proposal)

The LAHC proposal includes the widening and extension of West Street, John Street and Pitt Streets, the widening of George Street and Cooper Street and the creation of a number of vehicle and pedestrian laneways. This involves the dedication of 11,200sqm of land to Council for roads. The proposed modification to the street network in the LAHC proposal is illustrated at Figure 10. The proposed diagonal pedestrian laneway between John Street and Pitt Street is to create an accessible pedestrian link between the two roads without the need for switch backs or lifts.





Figure 10: LAHC April 2020 Street Network land dedication plan (Source: City of Sydney Planning Proposal)

The Council proposal uses the existing pattern as a starting point and then widens, straightens and extends the streets. It is noted that part of the widening to Cooper Street is through an existing private strata building. The new street pattern provides an armature for a rational, legible precinct with strong emphasis given to the north-south streets and results in a distinctive hierarchical character. Attention is given to east-west permeability of the blocks and to improving the accessibility of the sloping east-west street and lane within the eastern part of the site through the use of pedestrian ramps and a public lift.



Figure 11: Street Network Plan (Source: City of Sydney Draft Waterloo Estate South Design Guide)

In both the LAHC and Council proposals, the widened streets provide improved amenity through allowing more sun access to the street and to the flanking buildings, more outlook from buildings, more deep soil and therefore street trees and tree canopy, and more activation. Both plans provide a considered approach to the location of crossovers for below ground car park entries.

The Council plan develops George Street as the main street, grouping shops and community amenities and providing a 10m setback on the east side of the street that will allow generous access to afternoon sun. George Street remains closed to McEvoy Street to avoid 'rat runs' through the precinct. Generally, the Council plan pays attention to enabling streets to perform as public open space.

The LAHC Urban Design Study Part 2 (p.114) cites key design elements that provide specific place qualities. These include 'consistent street edge', 'hierarchy of streets and social spaces', 'pedestrian boulevard', 'shared courtyard spaces' – all these elements are supported by the IAG and are developed and enhanced in the Council proposal.

Laneways are extolled by LAHC as improving 'people's experience of place and offer greater choice of wayfinding through a community. Laneways also offer greater potential to support small local businesses and incubation spaces for start-ups.' Such opportunities should be explored and made possible, allowing the 'pedestrian through-site links' to become activated laneways as set out in the Council Waterloo Urban Design Report under the heading of 'Private Space – Walkways and small squares.'

## Public Open Space and Community Facilities



Figure 12: LAHC request - May 2020  
(Source: City of Sydney Planning Proposal)



Figure 13: City of Sydney Planning Proposal  
February 2021  
(Source: City of Sydney Planning Proposal)

In addition to the major public open space agreed to be provided in both the LAHC and the Council plans, a 2.25 hectare space bound by Wellington, George, Raglan and Cope Streets, each plan proposes a secondary and smaller POS at the southern end of the site.

The LAHC plan provides more total area of green space in the secondary parks than does the Council plan. However, the Council's adjusted response enables George Street to continue over two street blocks, extending its 'main street' function and legibility, while the 10m setback along the eastern side of the street can be understood as performing the role of a linear park in a public space, with hard and soft landscapes supporting a range of outdoor activities. The small park set a block behind George Street is then less effected by traffic and able to be a quiet local green space, with the proposed adjacent community amenity allowing members of the broader Waterloo precinct to engage with that park. This engagement, together with the 10m setback along the eastern side of George Street, helps compensate for the loss of the plaza to the Community hub on George Street in the LAHC plan.

The Council proposes a number of locations for multi-purpose, childcare and healthcare community facilities. The IAG supports placing these amenities in locations that ensure public visibility and easy accessibility, together with the potential to expand their flexibility of use by leveraging adjacent spaces.

As a key component of public open space, mature vegetation is important climatically, for bird habitat, and also for retention of local character. There are some major tree stands that are proposed to be removed from the site and, while the IAG understands the reasoning that informs this outcome, it does encourage further consideration be given to retaining additional major trees and major stands of trees. Pitt and McEvoy Streets and the south-east corner of Cope and John Streets, retained in the LAHC plan, provide particular opportunities.

In a very useful section in the LAHC proposal about 'Modern Social Infrastructure,' the first example provided is the Brickbottom Artists Cooperative in Boston. Artists have long been recognised as agents for urban change in renewal areas, occupying unused property during early periods of a location's urban renewal, but are too often moved on after real estate values rise. The presence of a vital artist community in a precinct can provide identity, 24/7 activation, and opportunities for intergenerational and intercommunity engagement. As noted in the LAHC proposal:

'Waterloo will accommodate several such assets to bring communities of interest together within Waterloo South.'

The IAG questions whether assets like this provide an opportunity to save selected older buildings to help retain some identity and character for the precinct, buildings that can be economically modified and made available for artists? Although a privately owned property, the two-storey brick building on the corner of Cooper, Wellington and Cope Streets could be considered for such a purpose, with linked higher residential buildings set back from the street.

The IAG questions whether assets like this provide an opportunity to save selected older buildings to help retain some identity and character for the precinct, buildings that can be economically modified and made available for artists? Although a privately owned property, the two-storey brick building on the corner of Cooper, Wellington and Cope Streets could be considered for such a purpose, with linked higher residential buildings set back from the street.

This issue is further explored in the LAHC proposal under the heading 'Cultural Precincts,' noting that:

'Art can ignite the soul and express the story of a place in powerful and playful ways. From the tiniest of artistic gestures from local community members to large-scale commissioned works, Waterloo is a canvas waiting to be filled with the stories of its past, present and future.'

and that:

'...having a central hub for Indigenous communities within the urban environment helps keep the city connected to the isolated communities where Indigenous cultural practices are more prevalent.'

These ambitions are supported but, to be successful, such outcomes need to be designed for, encouraged from the outset, and then managed/curated in their operation. And they provide the opportunity to mitigate generic outcomes in urban renewal by retaining aspects of the previous urban setting beyond those that are identified on the NSW Office of Environment and Heritage database.

## Building typologies

### **The LAHC podium and tower model:**

The podium and tower model proposed by LAHC is a widely used typology for urban renewal and intensification. This model is well understood by large scale developers but can result in quite generic outcomes, in which one project looks very much like another, without a real sense of a differentiated 'place.' A strategy often used in this building type is to have parking above ground in the podium. This is not included by LAHC in their proposal and is prevented by the Council Design Guide, a decision and a restriction supported by the IAG.

The podiums contain retail, commercial and community uses at street level, together with entry lobbies to apartments above. The apartments in the podiums are arranged in blocks of double and single loaded corridors, with a number of cross-over apartments used to enable cross-ventilation requirements to be met.

The towers contain up to thirty floors of apartments, usually eight units per floor, accessed off double-loaded corridors. This is an efficient and commonly used configuration, and one in which Sydney architects have become adept in meeting cross ventilation and solar access requirements.

### **The Council perimeter block model:**

The Council proposal adopts, as its basic urban building type, a series of linked vertical point access apartment blocks forming a development of perimeter blocks. The plan comprises, within each block, numbers of different sized lots that will result in individual buildings joined to provide continuous street walls to the public realm and secure contained courtyards within the perimeter block.

The street walls create strong defining edges to the space of the streets containing the perimeter blocks and help promote an understanding of the streets as 'urban rooms' for the public. Ground level commercial and mixed uses are then in direct contact with this public realm, providing optimal opportunity for engagement and activity. The smaller linked apartment blocks result in a higher number of front doors to the street than would be the case with other types that have more apartments per core and access corridor. These more numerous entries, together with apartments at ground level on streets other than George, enhance street activation and surveillance.

The central courtyards have the potential to be designed with generous areas of deep soil, contributing to tree canopy. They provide outdoor space for the apartment occupants for outlook and for communal and private gardening, recreation, and supervised play.

## **Affordable Housing and Tenure Mix**

Both planning proposals nominate up to 30% of the dwelling units to be delivered as social housing. At a density of approximately 3050 units, 30% social housing provides approximately 119% of the number of social housing units currently on the site. This is a good outcome. It is worth noting that similar public housing renewal projects in Victoria require a minimum of 110% replacement of existing social housing units.

The LAHC plan nominates 5% of the total number of units as affordable housing. However, on close examination, it transpires that this number of affordable housing units is in fact included within their 30% social housing number. LAHC advise that they expect all of the 30% (including the 5% affordable housing) to be returned to them for social housing purposes. As a result, in reality, there is no separate affordable housing for very low, low to moderate income earners in the LAHC proposal. The remaining 70% will be market housing.

The Council proposal nominates 30% of all residential floor space to be social housing and 20% of the total residential floor space to be affordable housing. They also require a minimum of 10% of affordable housing numbers be for First Nations occupants. This leaves 50% of the total units in the Council planning proposal to be market housing. This is a significant difference between the two proposals and is discussed in more detail in Section 6.

The LAHC proposal notes that:

'For any new development, a proper balance and thoughtful integration of housing can lead to a thriving mixed-income community which improves liveability and opportunity for all residents.'

The IAG considers that the 'proper balance and thoughtful integration' is lacking in their proposal and could diminish the ambition for a 'thriving mixed-income community.' As discussed under section 6: The Key Issues from the IAG analysis, it is highly likely that the social housing will be in the lower buildings and the market housing in the towers. This could create a stark divide between these two communities and there is no affordable housing provided to help bridge or blur this divide.

The IAG strongly supports mixing tenures and considers that the redevelopment must contribute affordable housing in addition to social housing.

## Car Parking

With an adjacent metro stop and other good public transport options nearby, strong encouragement should be given to innovative strategies for the reduction of car parking numbers across the site.

The LAHC scheme proposes parking provision as maximum controls for Waterloo South, based on Category A and D rates, the most restrictive rates applied by the Council.

The Council Design Guide includes reference to the City of Sydney LEP Car Parking codes which control car parking numbers. On a site in this location more emphasis needs to be given to car-share option and there is a particular need for parking for carers and visitors to social housing units. The Design guide should be amended to enable this allocation of spaces.

## Development Controls

As noted above, in order to achieve the ambitions set out in the Council plan and at the level of density proposed, the approval and delivery process will require close guidance and monitoring. Because the Council planning proposal is the one to be formally considered as the Gateway proposal, the IAG has focused on its development controls for commentary in this section.

The Council Design Guide for Waterloo South sets out, as one of its major objectives, to:

Provide a cohesive urban strategy for the redevelopment of Waterloo Estate (South).  
(p.9 of Design Guide).

The IAG supports the need for a 'cohesive urban strategy' to achieve amenity and urban quality outcomes at this level of density. The Council Design Guide is a fully considered document that has been prepared specifically for the Waterloo South precinct: it is a translation of the high-level ambitions set out by both LAHC and the Council into guidance about how they may be achieved.

It sets out in necessary detail the mechanism for doing so, and the IAG strongly supports its use as the key document for guiding approvals. Because the extent of its control is so detailed, it could attract accusations of being too restrictive, but the IAG recognises that its purpose is to seek the best possible outcome in a highly dense setting using a very particular urban model, the perimeter block.

The Design Guide does note that:

Any application for development is to demonstrate how it meets the objectives and guidance. The guidance sets clear and measurable benchmarks for how the objectives can be practically achieved. If it is not possible to satisfy the guidance, applications must demonstrate what other responses are used to achieve the objectives.

This use of objectives and measurable benchmarks should be welcomed by the development industry and will provide a level of assurance and certainty about the assessment of development applications. The opportunity for innovation is allowed for as long as the objectives in the Design Guide are able to be met.

The Design Excellence provisions, the requirement to ensure the use of a range of architects, and the definition of relatively small individual lots should enable rich and varied street walls designed in response to the specifics of their location.

## 5.3 Financial Feasibility analysis of the two Planning Proposal

Both the Council and LAHC have produced financial models in support of the feasibility of their respective Planning Proposals. The IAG has considered the two feasibility models as well as developing its own, simplified, independent assessment of financial feasibility. The financial feasibility of the project is of the highest priority to the government. The IAG has spent much of its time examining the feasibility of the project in order to determine whether and how the development can be feasible while still providing diverse housing outcomes including social and affordable housing.

In reviewing the LAHC and the Council financial models the IAG is conscious of the value and the limitations of such models. There can be a tendency to over rely on modelling without accepting the limits of the model and the highly uncertain circumstances that surround complex long dated property development proposals such as the Waterloo South renewal which will take place over more than a decade and through a range of market and wider economic conditions.

Further more, in any financial modelling exercise, the outputs of the model are heavily dependent on the appropriateness and validity of the inputs. The Waterloo South renewal is at a very early stage from a financial assessment point of view. Critical inputs such as construction costs and development revenues will change between now and the tender for a development partner, based on the developers' views of market conditions and will further change over the course of the development period of 12 years or so.

For the renewal of Waterloo South to happen, however, there must be sufficient confidence on the part of LAHC and its development partner/s that the Planning Proposal is financially feasible. At this early stage the IAG believes a degree of conservatism is justified given the early stage we are at and the degree of uncertainty regarding market appetite.

It is not possible and nor is it necessary for the IAG to come down in support of one or other of the feasibility models. Indeed, at this stage of the project any individual element of either model could change significantly as the property or construction market conditions, or economic conditions change.

The IAG, for the purposes of this report, has taken financial feasibility to mean that the overall development revenues, less all development costs and a reasonable allowance for developer profit, is within 2% of break even.



The use of this definition of feasibility, in the IAG's view is appropriate given the stage of the development and the degree of certainty regarding possible development outcomes. The development is at an early stage with little real definition regarding the design, the timing, staging and overall duration and the likelihood of substantial change in construction and property market conditions throughout the development.

## 5.4 Assessment of the LAHC Feasibility

In the information provided to the IAG, LAHC have carefully explained the basis on which they are pursuing the redevelopment of Waterloo South. Overarching LAHC's plans for Waterloo South from a policy perspective is the NSW government's Communities Plus programme. The objectives of the programme are to deliver more and better social housing, develop mixed communities with a blend of social, affordable and market housing and to partner with the private sector and CHPs to design, build and fund the delivery of social/affordable and market housing.

The aim of the programme is for new social housing to be developed and retained by LAHC as payment for the land developed and sold as market housing and other non-residential uses. The programme is expected to be self-funding for LAHC, with nil cost to the NSW government.

The IAG has analysed the financial feasibility of the LAHC feasibility on the basis that the benefits and obligations of the Communities Plus programme are fully applicable. In other words, the feasibility of the LAHC Proposal has been assessed on the basis that it must self-fund and that there is no consistent policy basis for assuming additional funding is available to support the renewal of Waterloo South.

### Key Assumptions and Structure of the LAHC Feasibility

To meet the policy intent of Communities Plus, LAHC has adopted a specific transaction structure as the basis of its feasibility study. The approach attempts to take advantages of the most efficient allocation of risks and costs between the parties.

In its feasibility study documents and in discussion with the IAG, LAHC provided an outline of the assumptions underlying transaction structure. These include:

- The feasibility study is prepared on the basis of the LAHC Planning Proposal.
- It provides 30% of the developed housing stock as Social Housing Units (SHU).
- SHUs are developed as part of the renewal with the title retained by LAHC and leased to a CHP under a long-term lease and management arrangement).
- 70% of the developed stock is sold to private owners in the market.

- The development transaction model is a partnership with a developer who undertakes to deliver all aspects of the development and precinct renewal works, finances the development, delivers the SHUs at nil cost for LAHC, delivers all precinct infrastructure and scheme works (such as services, roads, public spaces, etc.).
- A minimum level of sales revenue is guaranteed by the development partner to ensure delivery of the required number of SHUs to LAHC.
- LAHC retains the land through the development phase and transfers newly created titles to purchasers of the completed market units (and non-residential components of the development) at settlement.
- The developer accepts the risk of selling and settling the private housing stock and non-residential components, which funds the delivery of SHUs as well as all other development costs.
- The developer is entitled to earn a development return based on an agreed return on cost.
- Development costs and revenues are modelled on an un-escalated basis and tax and financial structuring is not considered.
- Ultimately the specific terms and conditions of the agreement with the development partner will result from a tender process and are expected to reflect market conditions at the time of the tender.

## Key Aspects of the LAHC Feasibility Assessment

From the information provided to the IAG, it is clear that LAHC have carried out a substantial amount of work to model the financial feasibility of the proposed plan. The work is thorough, logical, and supported by advice from third party experts with extensive relevant experience in property, land economics, quantity surveying, construction cost estimating and real estate valuation.

LAHC's model adopts a range of revenue rates for completed dwellings in a number of conventional configurations (Studio, 1, 2 and 3-bedroom apartments). The IAG has not attempted to separately confirm or validate the revenue rates used in the LAHC model but we note they are highly co-related with the rates used by Council in its model.

The LAHC model contains a comprehensive and appropriately detailed assessment of development costs including all owners costs such as relocations, and administration costs, an allowance for demolition and site remediation costs, design and professional fees, construction costs including infrastructure and building costs, marketing and selling costs, finance costs, legal expenses and project and development management allowances.

The model includes an allowance for a development profit which is proportionate to the structure of the transaction and the risk proposed to be transferred to the developer.

LAHC's model derives two key feasibility indications – return of cost (ROC) and internal rate of return (IRR).

The model is not escalated nor reliant on financial or tax structuring and therefore the IAG is satisfied it addresses the property fundamentals of the development. The IAG strongly supports this approach to modelling potential outcomes at this stage of the process.

The LAHC feasibility study indicates the LAHC Planning Proposal is feasible in terms of ROC and IRR. The study indicates a developer would earn a market-based return for taking on the obligation to design, build, finance, sell and settle market dwellings and other non-residential spaces and as part of the development fund and carry out the delivery of all infrastructure, public facilities, parks and open spaces. In addition, 914 new SHUs would be delivered to LAHC without a further contribution from LAHC or government.

The IAG is satisfied that the LAHC assessment of feasibility, as defined by the constraints of Communities Plus, is appropriate. The IAG would expect the development market to support the project through participation in a tender process. The IAG believes it is reasonable to expect that the renewal of Waterloo South would be delivered, including at least 914 SHUs, at no cost to LAHC beyond the contribution of land for development of market housing and other non-residential commercial and retail space.

## 5.5 Assessment of the Council Feasibility

The Council provided a Development Feasibility Analysis prepared for them by Atlas Urban Economics. Atlas modelled two different development scenarios – a Base Case and the 20% Case. The base case uses a development yield comparable to the LAHC proposal but in line with the Council Planning Proposal in terms of the built form configuration. The 20% Case modifies the Base Case by including 20% Affordable Housing and a corresponding reduction in market housing.

The main objective of the Council modelling is to test whether the proposed numbers of SHUs and affordable units proposed under the Council Planning Proposal can be delivered at no cost to LAHC and is therefore feasible.

### Key Assumptions and Structure of the Council Feasibili-

The Council feasibility model prepared by Atlas has been created to be comparable with LAHC's modelling so far as is possible. While the Council have not had direct exposure to the LAHC modelling the transaction structure and key assumptions used as the basis of its feasibility study are very similar to the transaction structure assumed in the LaHC model, including:

#### Base Case

- The feasibility study is prepared on the basis of the Council built form configuration but on an equivalent dwelling yield across the development as the LAHC Planning Proposal.

- It provides 30% of the developed housing stock as Social Housing Units (SHU).
- SHUs are developed as part of the renewal with the title retained by LAHC and leased to a CHP under a long-term lease and management arrangement).
- 5% of the developed stock is affordable housing.
- The affordable component is assumed to be sold to a CHP at a discount to what could be realised from a market dwelling.
- 65% of the developed stock is sold to private owners in the market.
- The development transaction model is a partnership with a developer who undertakes to deliver all aspects of the development and precinct renewal works, finances the development, delivers the SHUs at nil cost for LAHC, delivers all precinct infrastructure and scheme works (such as services, roads, public spaces, etc.).
- A minimum level of sales revenue is guaranteed by the development partner to ensure delivery of the required number of SHUs to LAHC.
- LAHC retains the land through the development phase and transfers newly created titles to purchasers of the completed market units (and non-residential components of the development) at settlement.
- The developer accepts the risk of selling and settling the private housing stock and non-residential components, which funds the delivery of SHUs as well as all other development costs.
- The developer is entitled to earn a development return based on an agreed return on cost.
- Development costs and revenues are modelled on an un-escalated basis and tax and financial structuring is not considered.

The 20% case adopts the same structure as the Base Case but with the following distribution of dwellings:

- 30% SHU
- 20% affordable
- 50% market units

## Key Aspects of the Council Feasibility Assessment

The Council model has been prepared in the weeks leading up to the IAG's work and follows the adoption of the Council Planning Proposal in February 2021. The Council have used an external analyst to prepare the study. While there is understandably less detailed information and background available, the IAG is satisfied that the work has been prepared by competent practitioners with the required level of skill and experience. The feasibility study report is clear, logical, and supported by advice from third party quantity surveyors.

The IAG notes that the Council proposal, with its generally lower rise built form and perimeter block configuration is likely to result in a lower net sellable area to gross floor areas ratio than the LAHC built form. There is also the expectation of a lower yield of dwellings in high rise areas (above level 13). This will place some greater pressure on the feasibility of the Council proposal. There is however an expectation of slightly lower construction costs due to less high rise construction overall.

The Council's model adopts a range of revenue rates for completed dwellings in a number of conventional configurations (Studio, 1, 2 and 3-bedroom apartments). The rates are highly co-related with the rates used by LAHC in its model.

The Council model contains an assessment of development costs. While the underlying assumptions and allocation of costs that make up these allowances are not the same between the Council and LAHC models, it is possible in most cases to identify that a similar comprehensive identification and assessment of the expected costs under a range of headings has been captured in the Council model.

The Council assessment of construction costs is assessed by the IAG as substantially lower than expected even allowing for the differences in the built form configuration. Advice from an independent quantity surveyor identified significant differences in some construction cost rates in the Council model compared to likely market rates for the quality and scope of the development proposed in the Council Plan.

The model includes an appropriate allowance for development profit. As with the LAHC's model, the Atlas model for the Council derives two key feasibility indications – return of cost (ROC) and internal rate of return (IRR).

The Council model is not escalated and not reliant on financial or tax structuring. The Council feasibility study indicates the Council Planning Proposal Base Case is strongly feasible in terms of ROC and IRR. The Council feasibility study indicates the 20% Case is also feasible and does not require funding support outside the project revenues.

The IAG is of the opinion that the Base Case model could be financially feasible and may achieve development market support through participation in a tender process.

The IAG believes the 20% Case is unlikely to be financially feasible in the form in which it is presented mainly due to construction cost rates being higher than the rates Council's consultants adopted. The IAG believes the 20% Case would not meet the requirements of Communities Plus in that it would require significant financial support to deliver 20% affordable housing in addition to SHUs.



**Key Issues from  
IAG Analysis**

The IAG has assessed the merits of both the LAHC scheme and the Council scheme, including the feasibility of both schemes based on the data they presented. From a design and place basis, as indicated, there are merits in both and there are areas where neither scheme achieves the best outcome for the local community.

The role of the IAG is to recommend to the Department and the Minister the changes that might be made to the submitted scheme (the Council scheme) that will achieve several objectives:

- To improve the amenity of the precinct to secure the best possible urban design and place outcome (Urban Design and Place);
- To secure the best social and affordable housing outcome, (Tenure mix); and
- To do that in a way that is feasible and is likely to be able to be tendered successfully (Feasibility).

It is intended that the Council, LAHC and the community interest will be best served by the changes recommended. The key issues that emerged from the IAG analysis are set out below.

## 6.1 Density

The IAG has considered two elements of the density of the site: the total number of units proposed and its impact on the amenity of the area; and the consequences of reducing the density on the feasibility calculations.

There is a general view by commentators on this proposed development that the density is too high. The planning proposal suggests 3060 units (approx.) the LAHC proposal suggests 3048 (approx.) With the incentive FSR and design excellence bonus, this yields a FSR over 3:1, which is very high for a residential precinct. The consequence of this density is that the design either includes many towers (LAHC) or higher street and courtyard walls than would be indicated for good solar access and amenity in order to accommodate the high number of units. Reducing the number of towers or reducing the street walls results in a loss of unit numbers.

### Impact of density on Social housing numbers

The IAG has modelled the feasibility consequences of reducing the overall development density. It is clear from the feasibility model that the more the density is reduced, the fewer social housing units are returned if the 30:70 split adopted by LAHC is retained. At 3060 units, 30% social housing yields 915 units, a 19% increase on the current unit numbers. If the density is reduced to, for example, 2800 units, the social housing unit numbers (at 30/70 split) reduces to 840 units. At 2600 units, the social housing component is 780 units. This is only a small increase on the 749 units already on the estate. And in all these examples, no affordable housing is provided.

## Impact of density on financial feasibility

In addition to the impact on the numbers of social housing units, the reduction in density also has some impact on the feasibility. Using the IAG feasibility assessment, the financial feasibility objective of no additional government funding contribution is achieved at a density of 3060 with 30% social housing. However, if the overall development density is reduced, the feasibility of the development is negatively impacted despite the ratio of market and social housing being kept constant. At 2800 units (an 8% reduction in density), the development is potentially feasible but marginal. At 2600 units (15% reduction), the development is unlikely to be financially feasible.

It can be seen that the density alone is a critical variable in the feasibility calculations.

## Impact of density on quality of built environment and amenity

High density apartment development creates additional pressures on the public realm and the levels of amenity available to residents. This is a consequence not only of the large number of people using the public realm in dense settings but also the need to access parkland as a contrast to the heavily built up environment and to provide recreational opportunities.

Both the LAHC and the Council proposals indicate well-considered high quality public realms. In the Council plan, the increase to street width, the development of a 'main street' with a generous eastern setback, the improved accessibility from Pitt Street down John Street and two of the cross-site lanes, all contribute to a heightened legibility of the public realm. A further benefit of the increased street width is the enhancement of environmental amenity with improved solar access to both the streets and the flanking buildings, and the added space to enable generous tree canopies.

The IAG concludes that, having tested multiple options, the density should remain as proposed in the Planning Proposal. The IAG considers, however, that at this density, design quality, building quality, and urban amenity are of significant importance at development assessment stage and at the construction stage.



## 6.2 Building Typology and the street configuration

The LAHC podium and tower model is well understood by large scale developers but can result in quite generic outcomes, in which one project looks very much like another, without a real sense of a differentiated 'place.'

With its cluster of nine towers, the LAHC proposal has the potential to create problems with shading to the streets and the lower buildings. In addition, there will need to be strategies developed to resolve the wind problems caused by the towers.

The apartments in towers, with the likelihood of good access to light, ventilation and views, will in all probability, house market units that are able to maximise developer returns. The social units will then need to be in the lower buildings, creating stratification of tenure types and defeating the ambition of blind tenancies.

In a number of instances the principles established and the examples shown by the LAHC team do not readily translate into their design proposal – for example, there is a lack of evidence of designing to enable 'socially integrated environments', and of a designed response to 'the unique qualities of the place.' Similarly, more design work is needed to provide 'places with defined street edges... to create the vibrancy associated with mixed use neighbourhoods.' Nor is there convincing discussion about how these outcomes may be achieved through the procurement and development process.

The Council development of the LAHC proposal has resulted in the use of perimeter blocks as the primary and repeating building type. This type enables the development of a more distinctive urban and architectural outcome, planned in response to the expanded street pattern of this location, its communities of occupants, and its particular amenity needs, than would a more generic rollout of tower and podium types. The IAG considers this an appropriate model for a setting such as this in which mixed and blind tenancy is a major ambition.

While the LAHC podium developments also build to the perimeter and have central communal courtyard spaces, the Council perimeter blocks are the completely dominant type in that plan, are extended, and have longer courtyards that stretch on a north-south axis, allowing good periods of winter sun.

Developments on different lot sizes, with different numbers of apartments, with different tenancy types, different architects, and different deliverers are able to be easily accommodated in the Council model.

This factor of differences should also contribute strongly to the architectural and urban richness, a level of diversity needed to avoid a bland and overly repetitive outcome.

Such bland outcomes can be recognised in very large projects delivered by a single developer with a single architect, the opposite of the urban condition in the city that has accreted and been developed by many hands. The small lots in the Council plan will enable the possibility of more incremental and diverse development.

However, the IAG questions the number of storeys being proposed for several of the perimeter blocks and has suggested modifications for nominated street walls in order to improve solar access to streets, apartments, and internal courtyards. The IAG has estimated that approximately 160 dwelling units would be lost with a reduction of storey numbers as proposed. To maintain yield levels, these units would need to be relocated elsewhere on the site. Figure 12 in the Waterloo South Design Guide as amended indicates how this may be achieved by adjustments of unit locations. The locations have been determined to assist in reducing overshadowing – and made possible by the inclusion of approximately half of the 160 relocated units into the ‘cut-outs’ proposed by the Council as wind breakers in the towers.

With the removal of the ‘cut-outs’ as a method of mediating wind, it will be necessary to develop other solutions to the problems associated with wind.

Additionally, the IAG urges caution in how the perimeter blocks are delivered. The Council plan will require close guidance and monitoring in the approval process to ensure optimal results. The Council Design Guide sets out in necessary detail the mechanism for doing so – and the IAG strongly supports its use as the key document for guiding approvals. The Design Excellence provisions, the requirement to ensure the use of a range of architects, and the definition of relatively small individual lots should enable rich and varied street walls designed in

The IAG supports the perimeter block model as submitted by the Council for this redevelopment. However, the IAG has proposed changes to the height of some of the street walls in order to improve the solar access to the apartments and courtyards and to the amenity of the streets. In order to maintain a financially feasible outcome, these units are relocated to other parts of the site.

The IAG supports the thorough use of the Waterloo South Design Guide in the assessment of development applications in order to achieve a high quality development outcome.

## 6.3 Affordable Housing and Tenure Mix

On 5 May 2021, the NSW Government released A Housing Strategy for NSW. In its Vision for 2041 it says:

- it will provide increased support for those most in need by rejuvenating the social housing portfolio, supporting growth in the community housing sector and increasing the supply of affordable housing.

The policy states that submissions received argued that:

- Government-owned land can contribute to housing supply, particularly for social and affordable housing, and there was a strong desire and need for more and improved social and affordable housing.

The Strategy aims to:

- Improve government-led residential development outcomes and processes.
- Leverage government-led residential development to achieve increases in social and affordable housing, open and public space provision, higher environmental sustainability performance and place and design outcomes.

The LAHC plan nominates 5% of the total number of units as affordable housing. From website information and from what was conveyed during the IAG consultation processes, the Waterloo community has an understanding that this 5% is in addition to the 30% that will be committed to social housing. However, as previously noted, the 5% indicated is in fact part of the 30% social housing numbers and that all the remaining units, 70% of the total, will be market housing.

At the opposite end of the affordable housing spectrum, the Council proposal nominates 20% of the total number of units as affordable, and of these, requires a minimum of 10% of that number be for First Nations occupants. This leaves 50% of the total units in the Council plan as market housing.

The IAG strongly supports mixing tenures, and considers that a mix of social, affordable rental and market housing is essential on this site.

### Affordable housing policy issues

One of the key issues in this Gateway Planning Proposal is understanding the different policy positions of the State government and the City Council regarding social and affordable housing.

The Future Directions for Social Housing in NSW sets out the Government's vision and policy for social housing over the next 10 years. A vision which will reduce homelessness, provide more housing and support for those needing social housing and provide more support to help people divert from or successfully transition out of the social housing system. The document sets out an objective to ensure large government redevelopments (such as Waterloo South) achieves a target a 70:30 ratio of private to social housing to enable more integrated communities (generally with an increased number of social housing where practicable).

The Housing Strategy for NSW 2021 states that "Today, in the current social and economic climate, the NSW Government has an important role to play in the provision of social and affordable housing solutions, including through the use of government owned land. We know that safe, secure and affordable housing contributes to physical and mental health benefits and positive wellbeing outcomes. By investing in housing on government-owned land, we can deliver more social housing and improve housing affordability for our communities. Similarly, responses to homelessness have the potential to contribute to reduced healthcare costs, reduced crime and improved outcomes for employment or education opportunities. By providing more direct investment, the NSW Government can support transition pathways across the housing spectrum."

As noted above in Section 5, the Waterloo redevelopment is proposed as a mixed community with social, affordable, and market housing. This concept is central to the State Government's policies contained in the Future of Social Housing in NSW. In that policy, the State government sees the benefits of mixed communities and the contribution of the private sector to adding more social housing units from those in existing estates and mixing them with private (for sale) and investment (for rent in the private market) housing units. The concept of affordable housing units (for very low, low and medium income families) is also part of the vision and is key to achieving the objective of helping families transition out of social housing into affordable rental.

The Communities Plus policy was developed within this umbrella policy. It is focused on land owned by the LAHC and aims to sell that land to the private sector and, in return, gain modern social housing units returned to LAHC but managed by CHPs, market housing units the developer can sell and affordable housing units to be sold to CHPs at a discounted price. The Communities Plus program envisages a 70/30 split between social and market housing. It is envisaged, but not explicitly stated, that affordable housing will be provided in addition to the social housing return.

In their planning proposal, for Waterloo, LAHC propose a 70/30 split within the approximately 3050 units they propose. This comprises approximately 914 social housing units and 2136 market for sale units. Their proposal states that it allocates 30% social housing and 5% affordable housing units. The community and the Council believe that the 5% affordable housing is part of their proposal. However, the IAG has clarified that the 152 affordable units are to be provided within the 30% SHU. LAHC suggest that the definition of 'affordable' housing includes both social and affordable housing. In order to meet their 30% target, they are expecting all 914 units (30%) to be returned to them by the developer as social housing. As a result, their proposal does not deliver any affordable housing units over and above the social housing 30%.

'Social' and 'affordable' housing are different tenures. And this is clear in the respective definitions. While it is true that social housing is 'affordable', social housing is housing owned by LAHC and set aside for those people and families on the 'social housing' waiting list only. This list is determined by the Dept of Communities and Justice. Whether managed by LAHC or by a CHP on their behalf, vacant units must be filled by the priority list at a prescribed rent. Affordable housing, on the other hand, is rental housing for people and families on very low, low to moderate income. These units are usually managed and/ or owned by CHPs. These units are rented at no more than 30% of a person's income. The definition of affordable housing is set out in the EPA Act 1979:

Affordable housing means housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.

The LAHC proposal states that:

Waterloo South is of state importance in achieving the government's objectives to deliver more housing and better outcomes for social housing tenants, including transitioning out of social housing, by looking at delivery of the whole continuum of housing, in new mixed communities where they are tenure blind and indistinguishable from each other. It is a key growth site for future housing close to Central Sydney, especially when compared to the low-growth potential of the surrounding heritage conservation areas, or nearby areas that are already substantially developed (p.205).

Affordable housing provides an essential role in what is referred to as the Housing Continuum, allowing individuals and families to transition from social housing to affordable housing prior to reaching the ability to rent or buy in the private market.

This concept is set out in the Future Directions for Social Housing in NSW, and in the Greater Sydney Region Plan - A Metropolis for Three Cities as follows:

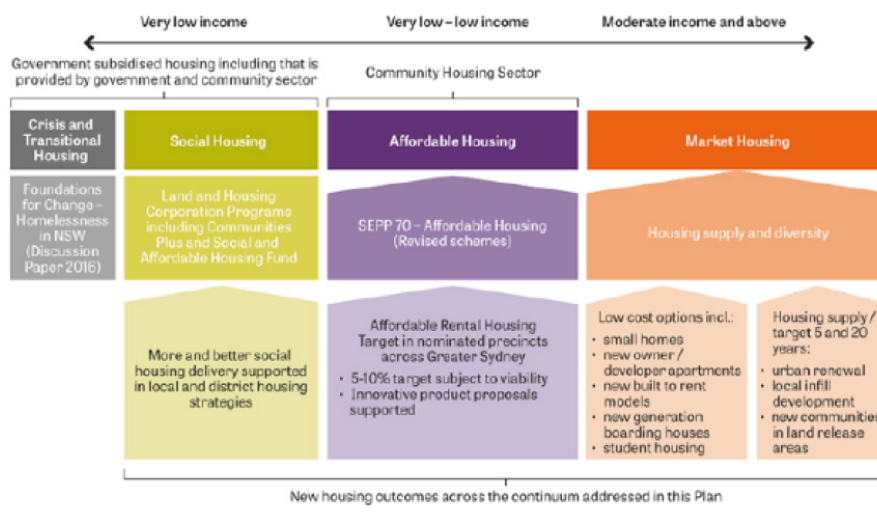


Figure 14: Futur Directions for Social Housing (Source: A Metropolis of three cities)

Affordable housing provides an important step in the housing continuum and contributes to the needs of the homeless, those in crisis, and those only able to afford affordable rental homes including key workers. It is an important part of a diverse housing community.

In the planning proposal by the Council, they have also adopted the 70:30 split, but in addition, in the 20% Case have proposed a 20% contribution of affordable units from the 70% of market housing. This equates to a 50/50 split between market housing (50%), social (30%) and affordable housing (20%). They have also proposed 10% of the affordable units be set aside specifically for the Aboriginal and Torres Strait community. They support their case by referring to the importance of affordable housing in the National Housing and Homelessness Agreement, to the Greater Sydney Region Plan, the Eastern District Plan, and their own Local Strategic Planning statement (LSPS). This latter Statement, endorsed by the Greater Sydney Commission proposes that government owned land slated for redevelopment should contribute 25% affordable housing in addition to social housing.

In the Waterloo location, there is demonstrable need for both an increase in social housing provision and the provision of affordable housing (see Section 4 above). Unlike some of the other Communities Plus locations, the Waterloo location has a history and a continuing demand for affordable rentals for low income residents and for older residents. There is also a significant demand for housing for single people. This will only increase in the future. The Council has analyzed this demand and made a convincing case for the housing needs in this area. They have documented this in their Sustainable Sydney 2030, their Housing Strategy 2019, and their Planning Proposal.

The IAG is convinced that in these circumstances, the tenure mix of a redevelopment precinct of this significance must respond to the full range of housing needs of the area, and not rely on a redevelopment scenario that only provides social and private market housing. LAHC note that their responsibility is social housing quality, amenity and an increased number through the disposal of old social housing estates. However, the Greater Sydney Commission policy on the provision of affordable housing (given statutory effect through the District Plan) requires 5-10% of new residential floor space to be affordable housing subject to viability. The IAG recommendations below demonstrate that 7.75% affordable housing can be achieved with a reasonable expectation of financial feasibility and an additional 2.25% potentially achieved through the tender process.

The IAG believe that in the Waterloo precinct, there should ideally be more affordable housing than the 10% proposed due to the demography, the clear need and the income circumstances of the population in this area. However, the feasibility analysis shows that this is not possible within LAHC's feasibility constraints. To achieve additional affordable housing units beyond that, the state and /or federal government must subsidize additional affordable units to meet the future needs of this area. The IAG concludes that this redevelopment can support 10% affordable housing in addition to the 30% social housing. The IAG notes that the Redfern-Waterloo Affordable Housing Fund holds \$24m and is potentially available to contribute towards affordable housing on this site.

## The model for delivery of Affordable housing in this redevelopment

The feasibility options examined by the IAG are in Section 6 below.

The IAG sought to ensure that a minimum provision of affordable units be guaranteed as part of the Waterloo South mix in a way that is feasible. After examining multiple scenarios, the IAG considers that imposing an affordable housing contribution levy would not enable a feasible development. The IAG proposes an innovative solution to achieve affordable housing in this redevelopment. The IAG propose that a site from the Waterloo South LAHC land be set aside for affordable housing to be developed by the CHP sector (referred to as the 'off site block'). The IAG has identified Block 5 as a site that could be excised for this purpose. It is a stand-alone block of 3452m<sup>2</sup>, shown as two lots, serviced by existing streets on all sides, located on the fringe of the precinct, and able to be developed independently without inhibiting development on the other blocks.

The Council has determined Block 5 is capable of yielding 237 units. This number comprises 7.75% of the total of the 3060, leaving 2823 units to be delivered on the remaining LAHC land, of which 30% would be social (847) and 70% market (1976).

In addition, the IAG recommends that provision of affordable housing be included as an assessment criterion in the selection of successful tenderers on the remaining 8.15 hectares of LAHC land. Ideally a minimum of an additional 2- 2.5% affordable housing on site would be delivered by the private sector tenderer which would achieve a total of 10% affordable housing as part of this redevelopment.

Section 5.1.4 of the Housing Strategy for NSW Action Plan suggests that by 2022 the Department could:

- 5.1.4 Partner with the City of Sydney, interested councils and the Community Housing Industry Association to work together to develop an affordable housing project. This may include identifying opportunities, capacity building, partnership brokerage and planning assistance so that innovative housing models such as co-living, community land trusts and housing cooperatives can be implemented. This could be achieved on NSW Government, council or privately owned land.

The IAG considers that this site is an appropriate opportunity to implement this action.

The IAG strongly supports the full mix of tenures at Waterloo South, and considers that a mix of social, affordable rental and market housing is essential on this site for the reasons set out above.

The IAG endorse the policies in the Housing Strategy for NSW that support innovative solutions to achieve more affordable housing.

The IAG consider that a minimum of 10% affordable housing should be targeted for this site. The most financially feasible way this can be achieved is to set aside land of approximately 3500m<sup>2</sup> to be developed by the CHP sector. This could achieve about 7.75% affordable housing units. An addition of a minimum 2- 2.5% should be targeted as part of the tender process through the private sector development partner.

While this solution will reduce the number of social housing units by 68, it will increase the total number of affordable homes by 169 units.

## Waterloo Community Submission

The IAG received presentations from a number of community groups associated with the Waterloo Estate. These representatives are set out in Section 2. The IAG commends these groups and individuals who, in all instances were very well prepared and offered highly considered responses to the LAHC and the Council proposals.



The following key issues emerged from the presentations. In their own words, the views expressed by the community representatives are listed below:

**The community:**

- This is the largest public housing estate in NSW, and it has a very diverse existing community making this a very different development to any other.
- With the process now in its sixth year, the groups expressed 'consultation fatigue.'
- Nevertheless, there was a desire to be consulted about the final plan and the process of its implementation.
- Community 'ownership' had been lost in the last two years.
- A more open transparent process is needed to engage with a community that is feeling disenfranchised.
- There was confusion in the community about the current state of the plan.

**Re-housing on the estate:**

- A social impact statement and a re-housing management plan should be parts of the process.
- Government says we can come back – but that hardly ever happens. A furphy!
- There is no evident plan for relocating and moving people into new accommodation.
- There is a desire and understanding that people will move only once.
- Concerned with the standard answer: 'We will deal with this during the tender process.' By then, it is too late.

**Built setting:**

- Concerns were expressed about the density being proposed and also that the Council plan added density to match that of LAHC and, as a result, weakened their proposal.
- The overall density will be the highest in the city – how will this work for people with complex needs?
- Prioritizing financial feasibility over quality of the environment is very questionable.
- Main Street could really contribute as a meeting place.
- Small clusters of units help people get to know one another.
- There was no definitive view in the community about towers – some community members like towers, others do not.
- Concerned about erasure – need to retain aspects of what is existing.
- Ensure sustainable outcomes.
- Ensure accessibility for those with mobility problems.
- Amenities that cater for low-income tenants are in danger with new community of owners.

- Amenities that cater for low-income tenants are in danger with new community of owners.
- There are many people who don't leave their rooms – they are more likely to do so if they are closer to the ground.
- The location of the community center needs to be more central and combined with a reasonable outpatient service, the hub of a multi-function service balanced by small satellite amenities.
- The community center was shown in the park in the original plan – gone now.
- The location of the Council community facility was thought to be 'tucked away in the shadows' and this endangered social sustainability.

#### **Tenure mix:**

- The development should include social AND affordable housing, plus Aboriginal housing, all funded by government.
- Affordability crisis is worsening each year.
- The Council proposal is a much more equitable outcome with 20% of affordable housing, delivering greater public benefit.
- Affordable housing provision is a KEY issue and a great asset for government and the community.
- There needs to be an appropriate social mix with housing offered as a continuum of access.
- There are co-dependencies of neighbours in the community.

#### **Cars and parking:**

- Streets are currently calm and quiet – the huge increase in density will increase traffic and parking need.
- No through-traffic is wanted.
- Carers need good parking access when they visit social housing tenants.

#### **Aboriginal and Torres Strait Island Community:**

- Housing needs to be planned to allow Aboriginal people to keep their culture.
- Need flexibility in the planning for Aboriginal housing – need to be able to expand for more people, plus access to ground level for fire and water cultural practices.
- We want to ensure the proposed housing is fit for purpose: three to four bedrooms, big enough for our families. We want to ensure there's collaboration with Aboriginal architects and Aboriginal community housing providers such as the NSW's Aboriginal Land Council's Housing Limited to come in and work with the government and developers, so we are self-determined in our decision-making in the proposed development.
- Aboriginal housing needs to be part of a Reconciliation Plan – need to be able to access affordable housing designated for them, in addition to those eligible for social housing.

- There are now less than 300 Aboriginal people living in this area, as a lot of people have been pushed out due to the high cost of living, yet they still identify the area as where they are from, where they feel a sense of belonging. It is also where they come to connect with key services, like the Aboriginal Medical Service.
- We like the proposal from the Council as there are less towers; there's a big park; that George Street is wider with more public space; and finally, and most importantly, that there is a strong recommendation for increased social and affordable housing for the Aboriginal and Torres Strait Island community.
- We see the redevelopment of Waterloo public housing as an opportunity to commit to Aboriginal and Torres Strait Island people to remain in the area, and we appreciate the vital importance of public housing to people in our community to transition from poverty, to no longer be reliant on government services and to find their way in greater Australian society.
- We want to ensure that the consultation process is co-created with the Aboriginal and Torres Strait Island community, ensuring that our community's views are heard and responded to throughout the process.

The IAG was receptive to the points made above and has attempted, where possible, to reflect the concerns raised as a component of its commentary in this report.

The IAG concluded that this is a coherent community that wishes to stay together, to stay involved, and to contribute to the final outcome. The relocation process is recognized as a threat to retaining the community and there is anxiety about having to shift more than once. They have been 'over consulted' over five years and look forward to the development finally happening in a way that includes them.

In particular, the IAG believes that a Tenant transition plan must be prepared, and the staging of the development must take into account the importance of keeping the existing tenants on site or nearby and returning, should they wish to, with minimal disruption.

## 6.4 Feasibility

The terms of reference require the IAG to recommend alternative options, changes or application of development controls to the Council planning proposal. We are also expected to consider the financial feasibility impacts of these changes as a critical element. In Section 3 of this report, we have described the process that the IAG went through to develop a high-level independent assessment of feasibility. In Section 5 we have provided our opinion of the likely feasibility of the LAHC and the Council Planning Proposals, including the likely feasibility of the Council 20% Case (which includes 20% affordable housing in addition to 30% SHUs).

In considering what changes and improvements might be applied to the Planning Proposal the IAG examined the financial feasibility of a range of development scenarios using its independent assessment model. By doing so the IAG was able to identify the impact on financial feasibility resulting from various possible changes to the Planning Proposal. The key observations that emerged from this analysis include the following:

- Any reduction in the overall density (apartment yield) had a negative impact on financial feasibility. This is caused by a number of fixed, or close to fixed, development costs such as, the cost of precinct wide infrastructure, roads, services and public open spaces, do not vary with the numbers of apartments developed.
- Any increase in affordable housing has a heavy negative impact on overall feasibility. This is because affordable units displace market units (given SHU numbers are held constant), the revenues from which cover the cost of SHUs and the majority of affordable unit costs.
- The built form of the Planning Proposal affects both cost and revenue. The Council Planning Proposal is, generally speaking, a much lower rise built form. This results in more of the floor space being developed at lower levels in the development and less at high rise levels. This causes a reduction in construction costs, due to the avoidance of some costs associated with building higher rise building. It also results in lower overall revenues because apartments at higher levels sell at higher rates than lower level apartments. Generally speaking, the loss of revenues is a more significant impact than the savings in construction costs.
- Changes to floor plate configuration affect building efficiency and in turn the feasibility of the development. The perimeter block configuration adopted by the Council Planning Proposal produces a slightly less efficient ratio between the net sellable area and gross floor area. Around 80% rather than 85% which LAHC have used as the basis for their proposal.

## Specific development options considered

Set out below is a summary of a some of the specific development options assessed by the IAG and an indication of their potential feasibility.

Table 1

Option	Total units	Market	SHU (30%)	Affordable	Feasibility
1	3060	1530	918	612 (20%)	Not feasible

Option 1 adopts the same assumptions as the Council 20% Case. In the opinion of the IAG this option is not feasible by a considerable margin. The main reason for this is that the addition of 612 affordable units displaces the same number of market units. Since the proceeds of sale of the market units fund the SHUs the reduction of market units undermines the feasibility of the Proposal.

2	3060	2142	918	0	Feasible
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Option 2 adopts the same assumptions as the Council Base Case. In the opinion of the IAG this option is likely to be feasible. The concern the IAG has with this option is that it does not contain any contribution to the availability of affordable housing in Waterloo.

3	3060	1989	918	153 (5%)	Not feasible
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Option 3 adopts 5% (or 153 units) of affordable housing in addition to the 30% market housing units. As discussed above the impact of including additional affordable units is that market units are displaced. The result is that this option with the additional affordable units included is in the opinion of the IAG is unlikely to be feasible.

4	2820 (2600 Plus 237 offsite)	1820	780	220	Not feasible
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Option 4 uses a lower density across the site. This options also proposes that a land parcel (one or more) is made available by LAHC via an appropriate process, to the CHP sector to be developed as affordable housing. It reflects the IAG's preference to both reduce the development density on site and provide greater housing tenure diversity by introducing affordable housing.

While the scheme delivers a better urban design and housing outcome in the IAG's opinion, we do not believe it is feasible. We also recognize that it delivers only 780 SHUs which is in reality too small an increase on the number of SHUs currently on site.

Adopted	3060 (2823 Plus 237 off site)	1976	847	237 (7.7%)	Feasible
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The adopted scheme uses the same approach as Option 4, using a dedicated site, developed by the CHP sector to deliver 237 affordable housing units, while LAHC develops market units and SHUs on the remaining land. The development density under this option is maintained at the same level across the entire site (both on the LAHC development land and housing development site) as the Council Planning Proposal. The adopted development density and tenure mix results in a Planning Proposal which in the opinion of the IAG is likely to be feasible. Taking the full site, it results in 27.6% SHUs, 7.75% affordable units and 64.7% market units. On the development site excluding the affordable housing site, it results in 30% social housing units. The IAG acknowledges that this arrangement results in 66 fewer SHUs but in total it yields 154 more SHUs and affordable units as a combined total.

## Feasibility of the IAG adopted development option

Numerous factors enter the IAG's assessment of feasibility. The process to come up with recommended changes and improvements has, in some instances, needed to weigh the benefits of some recommended changes against any cost or revenue impacts which may result. Our starting point, the Council Planning Proposal, is in our opinion likely to be feasible, however this report has previously acknowledged that the development process is at an early stage and key financial variables will change substantially over the duration of the development.

The IAG takes the view that the commercial structure of the proposed development is highly attractive to developers, not necessarily because of particularly high levels of profitability but because of the inherent efficiency of the structure and the appropriate allocation of development risks.

For LAHC the primary objective is the return of increased numbers of new SHUs in a high quality mixed tenure inner urban setting. It uses the value of its land holding to achieve this outcome.

For developers this is an opportunity for an 8-to-12-year development pipeline, on a well-located estate where continuing growth in values could be expected. The developer will be working with an aligned partner and no upfront land payment is necessary. The development is not without risk but is a rare opportunity and in all likelihood more attractive than many other competing opportunities.

Generally speaking, the IAG is supportive of the feasibility study inputs that LAHC have used in their modelling. However, in some cases we believe there is an argument for some minor changes based on the discussion above.

The IAG believes there is cause for optimism that the transaction structure (which is highly efficient in terms of cost to developers and risk allocation), and the long duration of the Waterloo South development will be highly attractive to developers. There is a sound basis to expect the tender process will result in a very competitive outcome.

The IAG also believes that the location, combined with the high quality urban renewal outcome expected, the evident recovery of the economy, and the real estate market in particular, justifies some optimism regarding the dwelling sale rates.

The IAG has also taken the availability of the \$24M currently residing in the Redfern-Waterloo Affordable Housing Fund as further support for the ambition to achieve at least 10% affordable housing across the site.

Taking a realistic and balanced view of all the matters described above, the IAG is of the opinion that the adopted development scheme is likely to be feasible and we would expect it to receive support from the developer market and be capable of delivering the expected number of SHUs in line with the Communities Plus program.

## 6.5 Clarification of Development Efficiency

During the course of the IAG's work there has been significant effort to ensure there is a sound understanding of the proposed built form and its alignment with the proposed development density and the financial feasibility of the development. One area of complexity is the efficiency of the floor plates and the resulting effect on the gross floor areas and the required floor space ratios to enable the development to fall within planning controls and achieve a financially feasible outcome. This is further complicated by a number of different terms and definitions that are in use.

In this report the IAG has made assumptions regarding the feasibility of the residential floor plates. In the absence of a resolved design, and with limited time, there are few alternatives to the adoption of broad efficiency rates.

We have assumed that an 80% efficiency can be achieved between the net sellable area and Development GFA (For clarity this GFA is based on fully enclosed covered areas). As an example, 100 m<sup>2</sup> of net sellable area required 125 m<sup>2</sup> of Development GFA. This efficiency has been used in the IAG outline feasibility model.

For the purposes of testing the built form outcomes and the floor space ratio we have used an efficiency of 85% on the basis that lift shafts, stair well and risers are not counted as floor space in calculating the Planning GFA. This efficiency has been used by the IAG as the basis to calculate floor space ratio.

In light of the impact of these efficiency assumptions on the feasibility of the Waterloo South Planning Proposal, the IAG recommends that the Council, LAHC and the Department jointly commission a study to test and validate the assumed floor plate efficiencies between building envelope, GFA and net sellable area before finalising the Gateway.

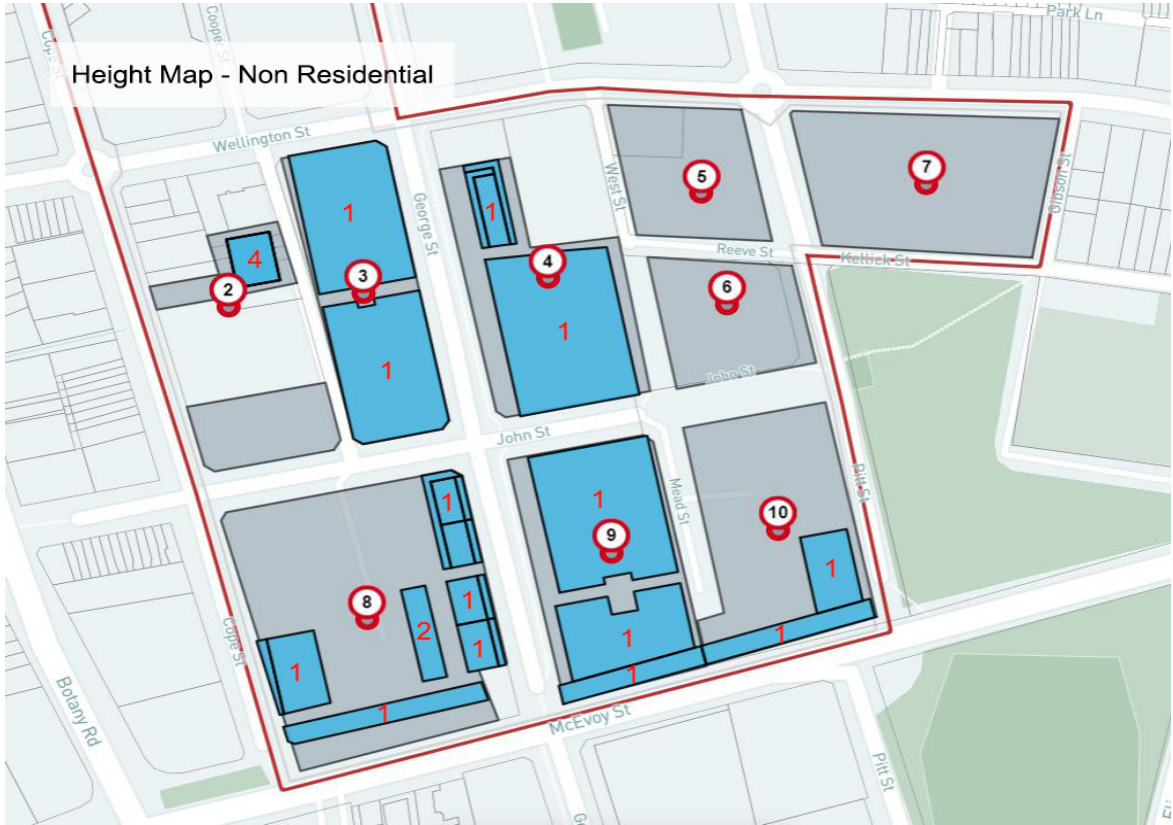


Figure 15: IAG Height map - Non Residential

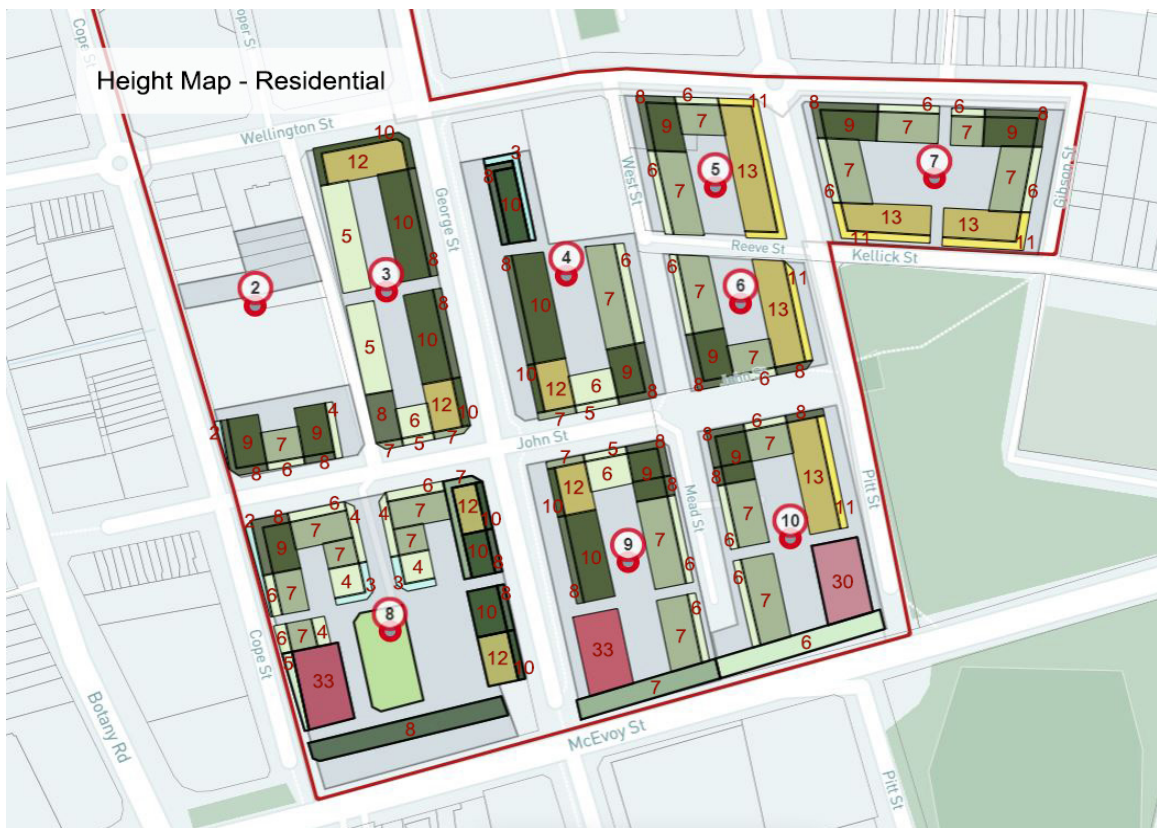


Figure 16: IAG Height map - Residential





Figure 17: IAG Height map - Above the ground level - Residential and Non Residential on LAHC properties



Figure 18: IAG Height map - Above the ground level - Residential and Non Residential on LAHC & private properties

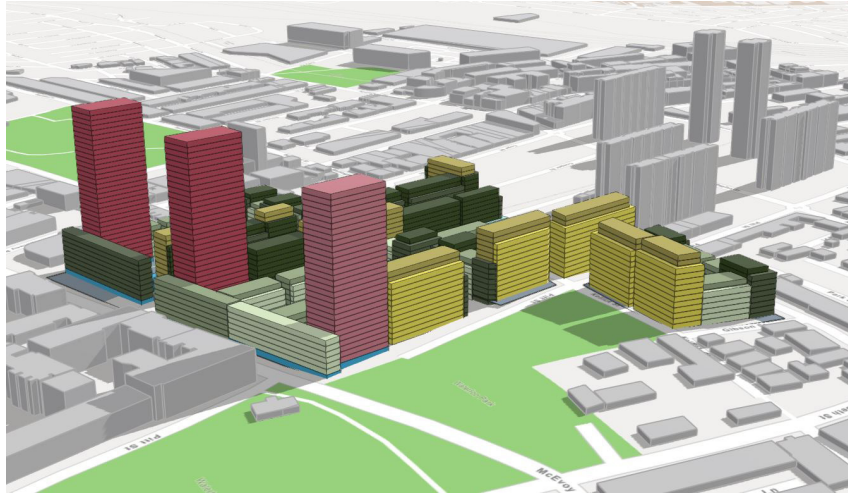


Figure 19: IAG 3D model view of LAHC properties

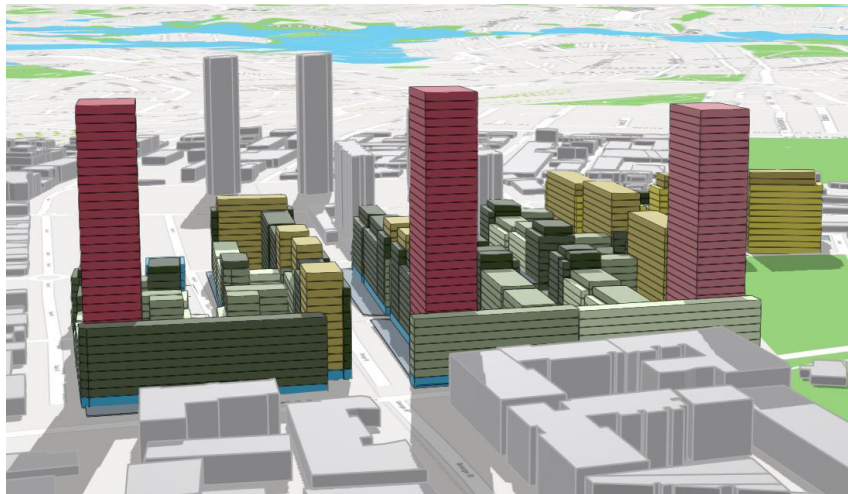


Figure 20: IAG 3D model view of LAHC properties



Figure 21: IAG 3D model view of LAHC properties

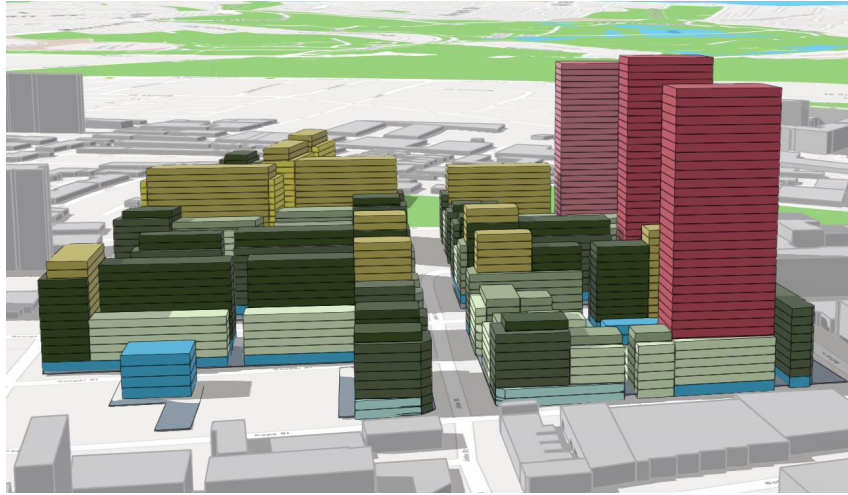


Figure 22: IAG 3D model view of LAHC properties



Figure 23: IAG 3D model view of LAHC properties

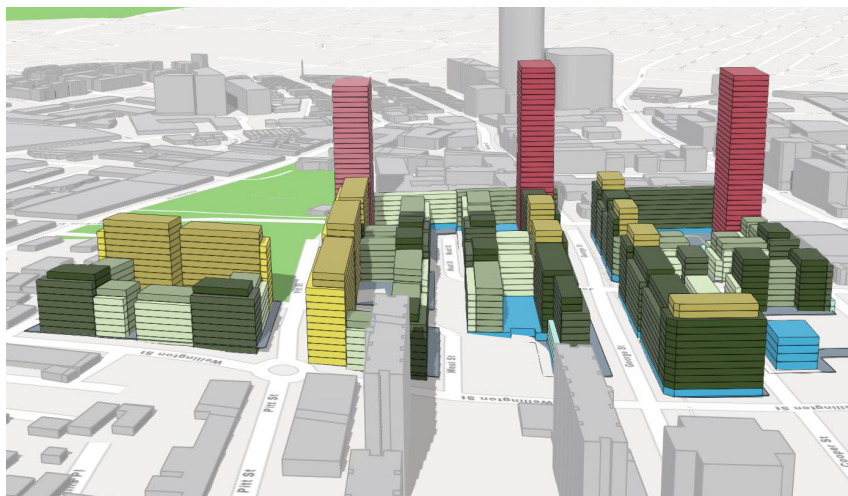


Figure 24: IAG 3D model view of LAHC properties



Figure 25: IAG 3D model view of LAHC properties

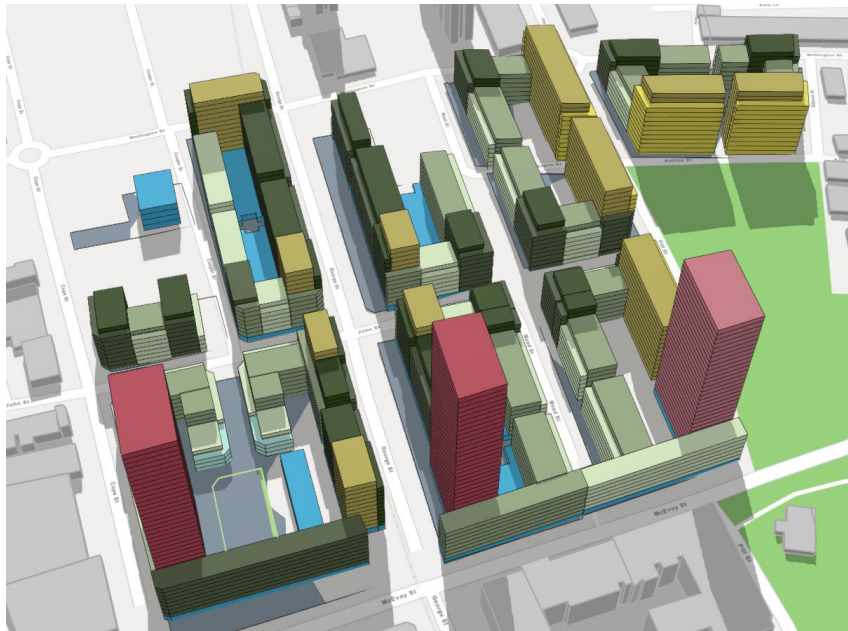


Figure 26: IAG 3D model view of LAHC properties

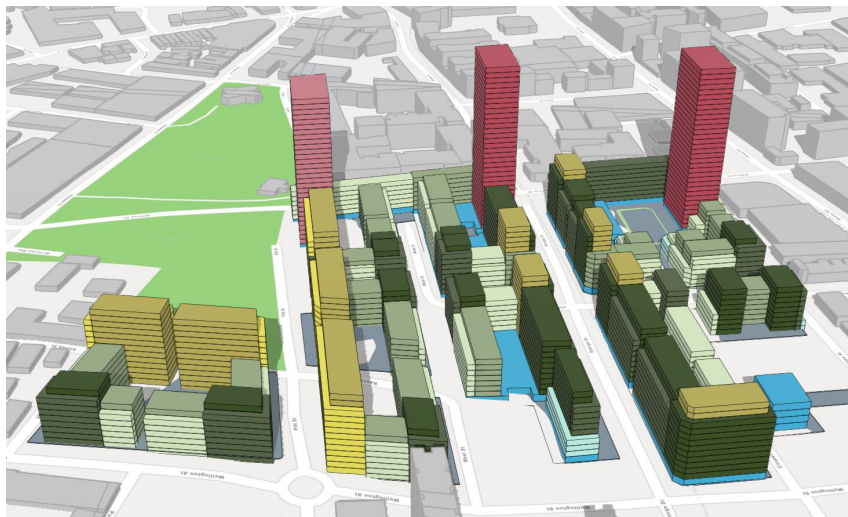


Figure 27: IAG 3D model view of LAHC properties



Figure 28: IAG 3D model view of LAHC properties



Figure 29: IAG 3D model view of LAHC & private properties

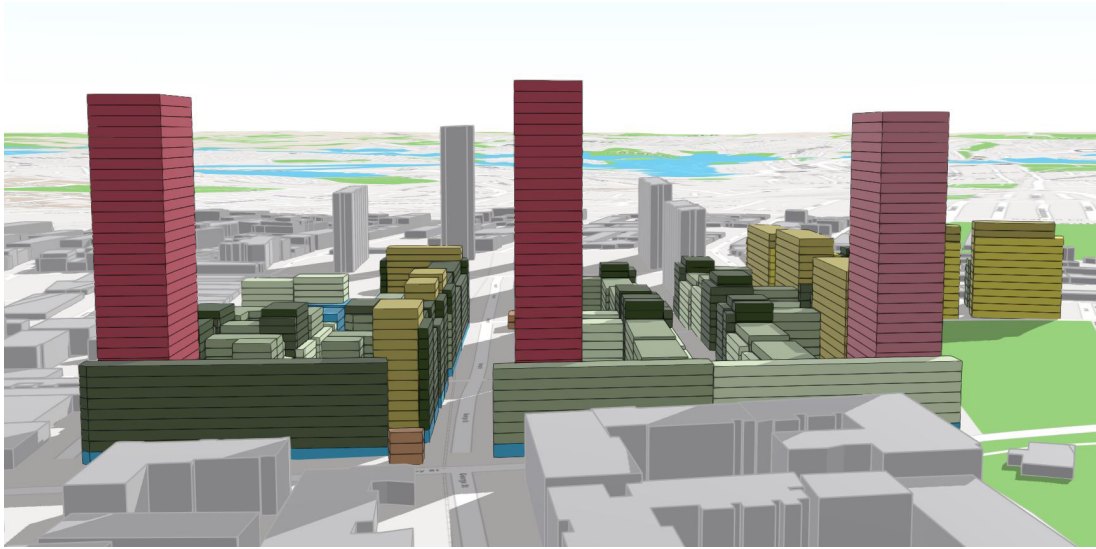


Figure 30: IAG 3D model view of LAHC & private properties

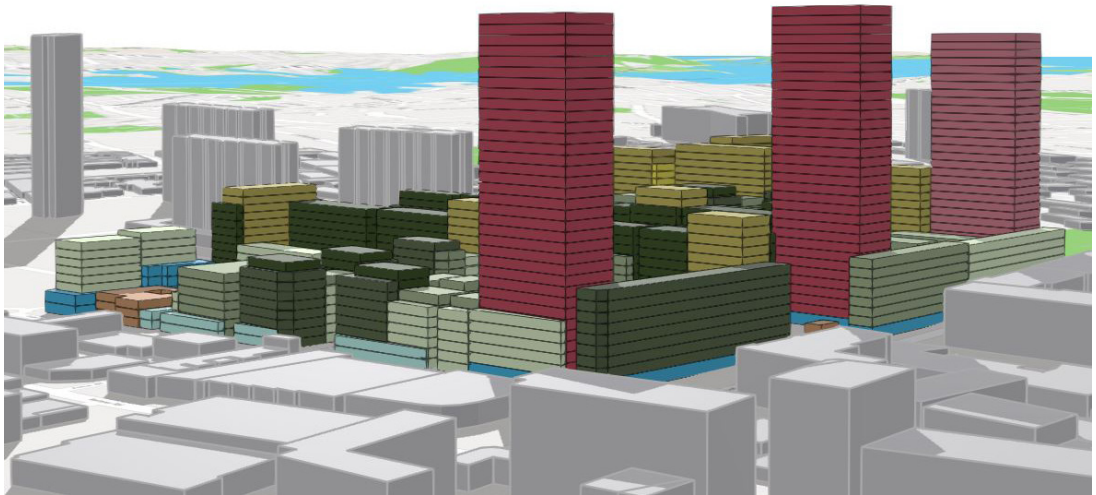


Figure 31: IAG 3D model view of LAHC & private properties

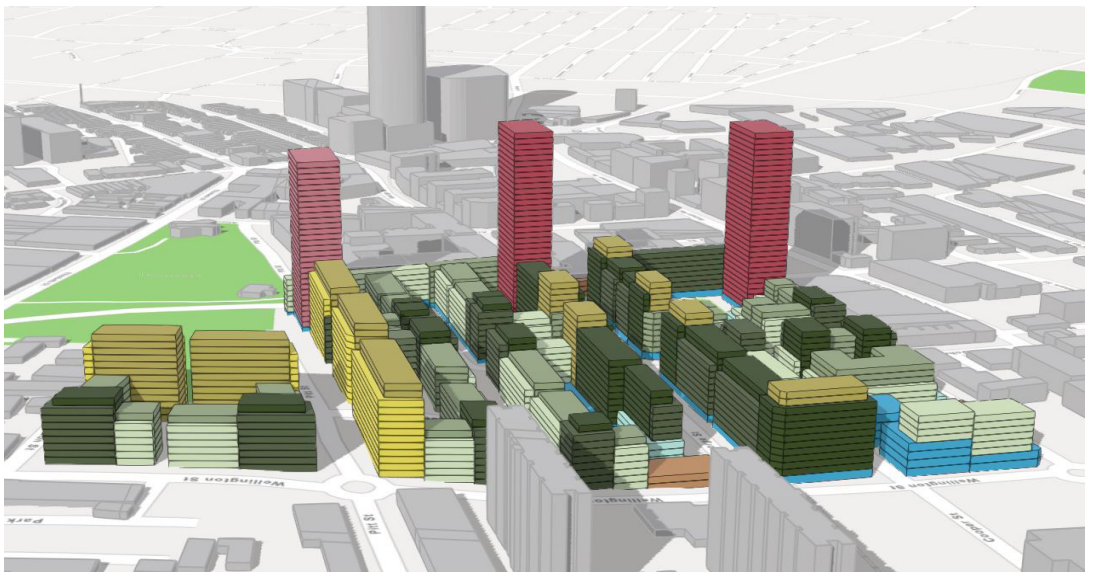


Figure 32: IAG 3D model view of LAHC & private properties

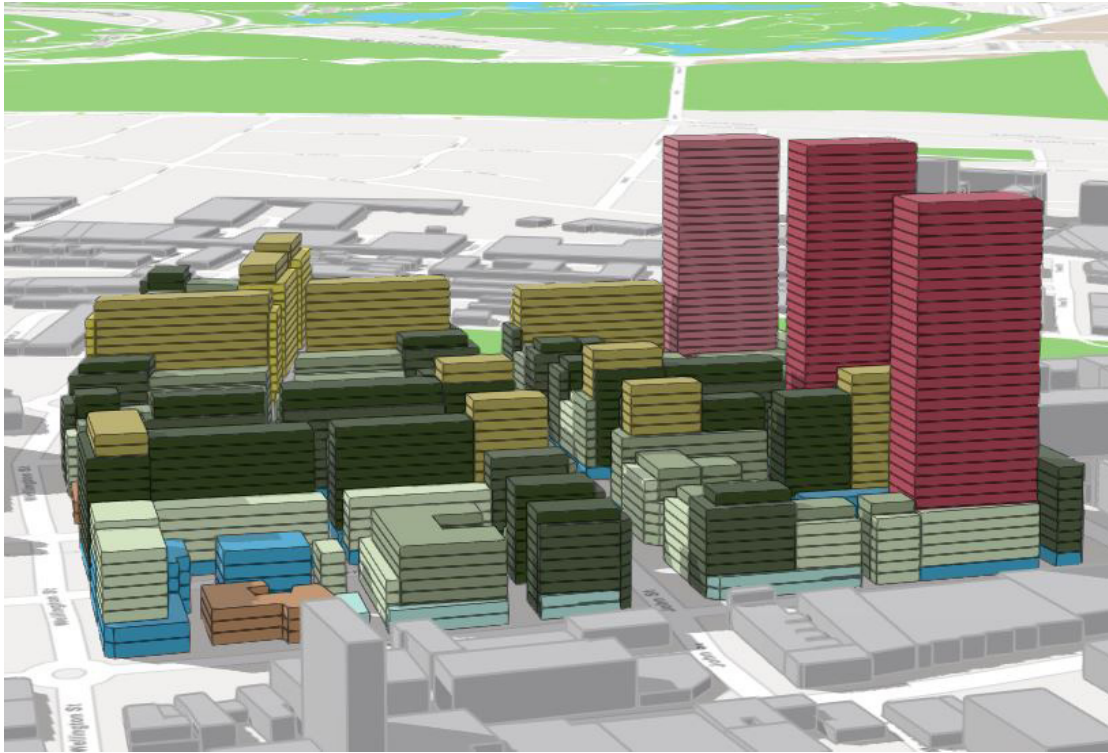


Figure 3: IAG 3D model view of LAHC & private properties

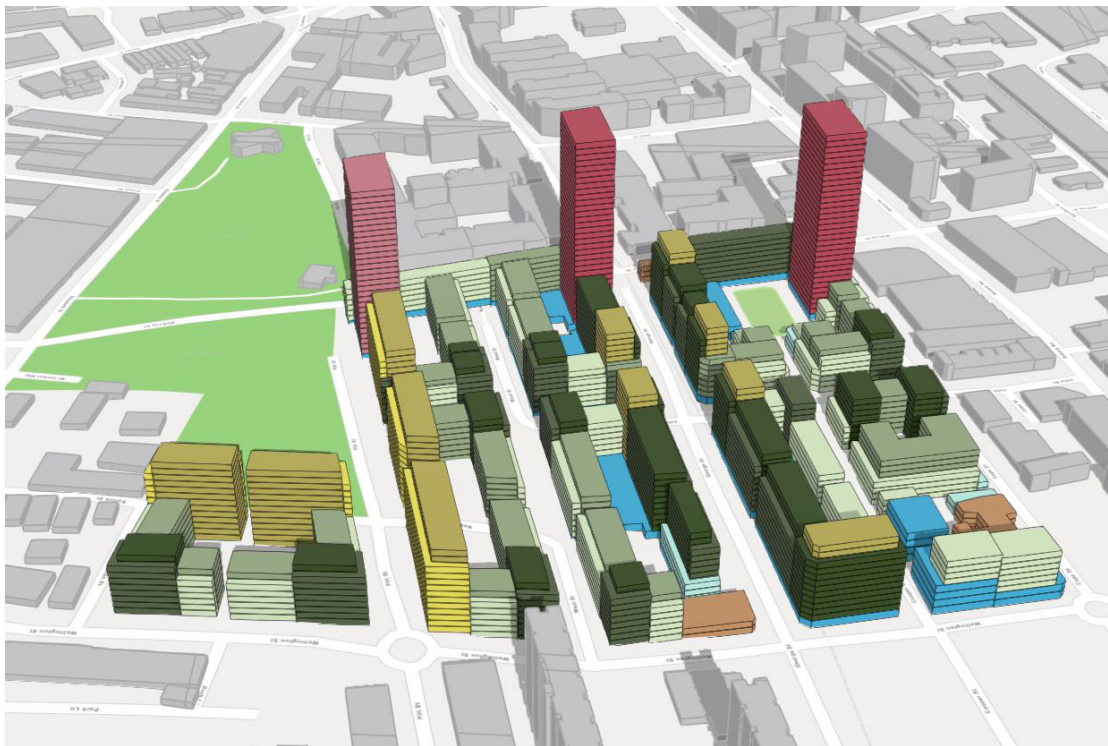


Figure 34: IAG 3D model view of LAHC & private properties

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7

**Conclusions and  
Principles for the  
Redevelopment**



The Waterloo South site is a complex redevelopment, overlaid with the history of first nations urban site occupation and its use as a social housing estate since the 1960s.

The challenge for the IAG was to resolve the differences between the LAHC planning proposal and the Council planning proposal as submitted in a Gateway application. We were asked to examine the urban design and place outcomes, the housing mix and the feasibility of the proposal. We were asked to make recommendations for potential changes to the Gateway proposal. In this section and the following we will outline our conclusions, the principles for proceeding and recommended changes to the Gateway and the Council design guide. Not all of the principles can be delivered through a planning process, but the IAG believes that in collaboration with the successful tenderer, they are necessary for a successful urban outcome in this location.

The redevelopment of Waterloo south will continue the trend towards gentrification of the inner suburbs south of the CBD of Sydney. This redevelopment proposal of an old social housing estate will introduce a 30/70 split between social housing and new residential housing for rent and for sale. Due to its long history as a social housing estate, and due to the current and projected demographic patterns in this area it is essential that a broad diversity of housing tenures be incorporated into the redevelopment. LAHC's primary brief is to create new, modern social housing units and increase their numbers. The IAG believes that long term affordable rental housing is required to ensure diversity of tenure, an opportunity for tenants to transition through the housing continuum, and for the high level of need by key workers and other low to moderate income workers in this area. To do this in a way that is feasible, a part of this site has been identified by the IAG to facilitate affordable housing development.

# Principle 1

This redevelopment must provide the full range of housing tenures to ensure a diverse community into the future.

1. In addition to social housing provided by LAHC, the maximum number of affordable rental housing be provided by the Community Housing sector in this location as part of the redevelopment.
2. In order to facilitate this principle together with an acceptable feasibility, LAHC should make available a parcel of land excised from the site for the explicit purpose of developing affordable housing. This land should be dedicated, or through a tender process transferred to one or more registered CHP for them to develop.
3. The land allocated for affordable housing should be developed by the Community housing sector and title owned by them.
  - The minimum number of units should be 7.75% of the total unit numbers or 7.75% GFA on the LAHC Waterloo South site, whichever is greater.
  - 15% of this housing should be designed in collaboration with and occupied by First Nations tenants.
4. In addition, LAHC should be required, as part of the tender process on the remaining site, to encourage the successful development partner to provide additional affordable housing units of a minimum additional 2-2.5% of the remaining unit numbers or 2-2.5% GFA, whichever is greater to ensure provision of affordable housing and to be financially feasible.

The density proposed on this site is high by Australian standards. Despite examining multiple ways to reduce the density and still achieve an acceptable feasibility the IAG concludes that the density should remain as proposed – to ensure provision of affordable housing and to be financially feasible.

However, in order to accommodate such density, the amenity of the area must be of the highest quality and provide an exceptional urban environment. This objective impacts the design of buildings, the use of the streets and laneways, the open space allocation, car parking policies, and the retention of mature trees. The typology proposed by the Council is supported, but the IAG believes that improved amenity could be achieved by reducing some of the street wall heights and redistributing them to other parts of the development. This will allow increased solar access to the streets and courtyards and improve the urban environment. Half of these units can be accommodated in the existing proposed towers by removing the 'cut outs' and dealing with the wind impacts differently.

## Principle 2

To accommodate the proposed density of development, the precinct must be developed with the highest urban amenity and design quality.

1. The building typology proposed by the Council is supported but nominated street walls heights must be reduced to improve solar access to the apartments, streets and courtyards and redistributed to additional height elsewhere on the site.
2. A large open space of approximately 2.25ha should be protected from development except for community and recreational facilities. The location identified between Cope St, Raglan St, Wellington St, and George St is supported.
3. The role of a widened George Street as a public 'main street' for ground level retail and linear open space is supported.
4. Every effort should be made to retain more of the mature trees on site and buildings designed accordingly.
5. The car parking policy is supported, but within the allowable numbers, more visitor and carer parking and car-share spaces should be set aside.
6. The Council Design Guide for Waterloo South is the prime document for achieving a high quality urban environment and for guiding development approvals and the IAG believes it must be considered, amended in response to points raised in this report by whoever is the consent authority.

As indicated throughout this report, the local community in the Waterloo South area deserve the highest respect. They have actively participated in six years of consultation by LAHC and the City Council and now need to be confident that the development will proceed with their interests as a priority. The IAG concludes that, although this cannot be achieved through the planning process, it is a critical element of a successful redevelopment and place outcome. The IAG supports the concept of 'feasibility' in its broadest sense which includes social and environmental feasibility. Principle 3 addresses social feasibility.

## Principle 3

Every effort must be made to ensure that the existing communities on site are supported through the redevelopment process and, should they wish, be enabled to remain in the suburb after the development has taken place.

- Ongoing communication with the current residents must continue through the planning and development phases.
- First Nations people must be invited to contribute by the CHPs to the design of those properties to be allocated for their use.
- A Tenant Transition Plan must be prepared to enable those tenants who wish to stay in Waterloo to transition from their existing properties to a new one in accordance with a staging plan to minimize disruption.
- Retail outlets such as Oz Harvest (on site currently) should be provided for in the new development.

Environmental feasibility addresses the 'whole' of the place and how it feels and works once the cranes and builders have gone. A development of this size and importance must contribute to the post development high quality environment in many ways. Some of these ways are encouraged as FSR 'incentives', but others result from a deep understanding of what makes good places and neighbourhoods. This redevelopment will be a mixed community in an outstanding location in Sydney. The consent authority, the successful tenderer and the council need to ensure that the public infrastructure and public benefits are delivered to achieve that objective.

## Principle 4

Public benefits and infrastructure are to be provided by the successful tenderer to ensure that a high quality urban neighbourhood is achieved for this development.

1. The agreement reached between the Council and LAHC on public infrastructure costs is to be honoured in the Planning Proposal.
2. Public benefits include the open spaces, community facilities, the local retail main street along George street, the retention of trees, and the maintenance of support retail and cultural facilities.
3. A Voluntary Planning Agreement should be negotiated between the council and LAHC to set in place the full range of parameters discussed in this report including public infrastructure, open spaces, and community facilities. Affordable housing contributions as set out above not able to be achieved through an LEP provision should also be included in the VPA and the tender process.



**Recommended  
Changes**

Section 7 above sets out the conclusions and principles that the IAG has resolved. This section articulates those as recommended changes in principle to the Gateway Planning Proposal and the Council Design Guide for Waterloo South. These two documents are partners in achieving the high quality urban outcome for this site. Whichever organization is the consent authority for future applications – whether they be development applications or State significant applications – the draft Planning Proposal statutory controls and the Design guide work together to guide those deliberations.

The IAG recommends that a site be set aside for the development of affordable housing by the Community Housing sector. The IAG has identified Block 5, which is approximately 3500m<sup>2</sup>, and easily excised as it is surrounded by four existing streets. A target of 7.75% (approximately 237 units) is to be delivered. This site should be rezoned to achieve the same zoning, FSR, heights as shown on the height map, as the remaining site.

The IAG then recommends that the draft LEP for the remaining site be amended to achieve the following objectives:

- The proposed zoning be amended to simplify the zoning map. The site as proposed in the Planning Proposal has a variety of zones and FSRs. The IAG supports a zoning that achieves the following objectives:
  - The site owned by LAHC should be zoned to allow a range of residential and commercial uses.
  - The private lands, except for the heritage buildings, should have the opportunity to redevelop to a similar scale as the rest of the site.
  - The nominated open space lands should be dedicated to council and only community facilities and recreation facilities be allowed.
  - George Street should be the 'main street' of the redevelopment with retail, commercial and residential uses permitted.
- The floor space ratio map that applies to land owned by LAHC should offer incentives to achieve:
  - 30% of residential floor space or units whichever is the greater is used for social housing.
  - The parcel of land of 3452m<sup>2</sup> (street block 5 in the Council Design Guide) referred to above should be set aside for the purposes only of affordable housing to be developed by one or more registered Community Housing Providers. If possible this site should be protected for such use via the statutory document.
  - No less than 12000m<sup>2</sup> is used for non residential purposes.
  - No less than 5000m<sup>2</sup> is used for community facilities in one or more locations including centre based childcare facilities.

- BASIX commitments for water and energy meet council standards.
- Open space is provided and located in accordance with the planning proposal masterplan.
- Buildings on land owned by LAHC or the CHP sector (if the affordable housing land has been excised) must be required to demonstrate design excellence in accordance with Council's design excellence program and should be eligible for up to 10% additional FSR only but not additional height.
- The land owned by LAHC, including the parcel to be set aside for affordable housing should not be subject to an additional affordable housing levy under clause 7.13 of the Sydney LEP 2012.
- Maps setting out the building heights be amended in accordance with the height changes recommended by the IAG and shown in Figure 12.

All other provisions in the Planning Proposal draft LEP remain as recommended in the Planning Proposal. The IAG acknowledges that there may be other amendments as the Gateway process continues in the Department.

The IAG recommends that the Waterloo South Design Guide prepared by the council be amended to incorporate the changes identified above.

The amendments to the Design Guide are a result of changes identified in this report. There will, inevitably, be other amendments required as a flow-on from these and other changes that may not yet have been identified. Additionally, changes will need to be made to the Design Guide to ensure it is in agreement with subsequent modifications to the draft LEP.

Specific attention is drawn to the following changes in the Design Guide being required:

That is:

- Figures 6, 12 and 14 of the Design Guide have incorrect keys and need to be provided with the correct keys.
- Figures 8(d), 8(e), 8(f), 8(g) and 8(h) need to be amended to match new Figure 12: Height in Storeys.
- Figure 11: Include projecting window zone to the West Street façade.
- Figure 12: Amend the existing Height in Storeys to match new heights agreed and annotated in the Giraffe model
- Figure 16:
  - Add the agreed storeys to typical clear horizontal breaks in tall buildings;
  - Include projecting window zone to the Mead Street façade.



- Figure 17: Amend heights to the typical section of the buildings fronting McEvoy Street in alignment with the new Giraffe storey/ height map (that is the amended figure 12 above)
- To Table 7 of the Design Guide, amend the text in the column headed 'Projecting windows' in the rows for the north and east facing facades to delete what is existing and replace with 'Project a maximum of 1m beyond the façade for a maximum of 25% of the façade length' and in the column headed 'Projecting balconies in the rows for the north and east facing facades, delete what is existing and replace with 'Project a maximum of 0.6m beyond the façade for a maximum of 25% of the façade length'.
- To Table 7 of the Design Guide, add Sydney DCP schedule 4 as a supplementary note:
  - Schedule 4
  - Projections over or into public roads
  - Objective
  - (a) Projections beyond private property boundaries over or into the public road/ foot path are to contribute to the amenity and character of the street, not cause obstruction or a loss of safety for users of the street, and meet the relevant requirements of the Roads Act 1993.
  - (2) Balconies and bay windows (a) Balconies and bay windows may project beyond the alignment of a road/footpath if the projection extends not more than 450mm over the road/footpath alignment, comprises not more than 50% of any road front age of the building at any level, is at least 3.2m above the footpath and at least 800mm from the face of the kerb, and does not result in adverse impacts on the amenity of an adjoining property.
- Amend 5.2.3 (1), in response to the smaller numbers of affordable housing units to be provided, by deleting 10% and replacing it with 15%.
- Incorporate a provision to encourage greater take up of car sharing and the supply of a greater number of car parking bays for carers and visitors in the social housing projects.
- Incorporate diagrams of the new corner condition in the perimeter block buildings arising from the recommended reallocation of storeys in these building types and the formation of higher corners. The diagrams should indicate length of the corner buildings as an outcome of storey height and set-back conditions.

- Figure 17: Buildings fronting McEvoy Street – typical section.
- To Table 7 of the Design Guide, amend the text in the column headed 'Projecting windows' in the rows for the north and east facing facades to delete what is existing and replace with 'Project a maximum of 1m beyond the façade for a maximum of 25% of the façade length' and in the column headed 'Projecting balconies in the rows for the north and east facing facades, delete what is existing and replace with 'Project a maximum of 0.6m beyond the façade for a maximum of 25% of the façade length.'
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**Conclusion**

The IAG's review of the Planning Proposals for Waterloo South has resulted in two main conclusions. The first relates to the design inherent in the Council's Planning Proposal and the second relates to the provision of affordable housing in a financially feasible way.

With regard to the first, the IAG supports the urban typology of the Council Planning Proposal but has made some suggestions to redistribute street wall heights in order to improve the solar access to streets, courtyards and apartments.

With regard to affordable housing the IAG concludes that the provision of affordable housing on this site, in addition to 30% social housing is essential. This housing tenure is key to achieving a diverse community, to enabling transition through the housing continuum and to meeting the clear needs for affordable rental in this part of Sydney. A target of 10% is established, and the IAG has suggested an innovative method to achieve this in a financially feasible way.

The IAG notes the Housing Strategy for NSW states that:

Good outcomes can be achieved by working with community partners and the private sector to test affordable housing solutions and deliver innovative solutions that go beyond current NSW Government housing policy and planning frameworks to better reflect housing need.

The IAG agrees with this view and considers that the Waterloo South site is an excellent opportunity to achieve the best development possible to meet urban quality and a diverse housing outcome that is innovative and addresses housing need. LAHC's tender process can also, in the view of the IAG, be used to supplement the affordable housing to be delivered on the excised site by encouraging the private sector to contribute additional affordable units in order to meet the total 10% target.

While it may still be several years until this site is developed, the local community has endured much uncertainty, and this is likely to continue. The IAG urges LAHC to provide as soon as possible a Tenants Transition Plan to keep the community intact, involved in a transparent way and to minimize their uncertainty.