

Post Exhibition - Planning Proposal - Build-to-Rent Housing and Co-Living Housing in Central Sydney

File No: X103423

Summary

The City of Sydney has proposed changes to provide additional floor space to incentivise more build-to-rent residential and co-living housing in Central Sydney in response to the significant need for rental housing.

Central Sydney is Australia's most productive and strategically important economic centre. Residential development continues to be important to the mix of development in Central Sydney. There are almost 17,500 dwellings in Central Sydney. The Haymarket area, in the southern part of Central Sydney, is now the densest suburb in NSW and third densest in Australia. In the last five years, about 3,200 dwellings have been built in Central Sydney with almost 5,000 new dwellings in the 'pipeline'. The City is on track to meet its Local Strategic Planning Statement (LSPS) housing target of 56,000 additional dwellings between 2016 and 2036 with nearly 40,000 dwellings delivered or in the pipeline.

Following a dip in demand during Covid, the Covid recovery demand for rental housing has grown but not supply. Owner occupiers replaced investors in the market while household size (occupancy rate) have declined. Population numbers have increased with the reintroduction of immigration.

The supply of new housing in inner Sydney had not recovered from the 2016-18 apartments oversupply (a glut induced by low interest rates and significant Asian investment). Post Covid conditions brought on a sharp increase in construction and finance costs, enduring supply chain disruption, skilled labour shortages coupled with poor weather and natural disasters and rapidly rising interest rates. The poor business conditions for multi-unit housing production resulted in reduced lodgements, reduced commencements and completions waiting for market conditions to improve.

Recent changes to State Environmental Planning Policy (Housing) 2021 (the SEPP) means that build-to-rent housing in Central Sydney remains long term rental housing, whereas previously it was possible to strata subdivide after 15 years. This promotes vibrancy through more occupied dwellings while maintaining the integrity of the Central Sydney Planning Strategy, which must also ensure capacity for business to grow in Australia's global city centre.

On 7 December and 11 December 2023, the Central Sydney Planning Committee and Council respectively approved Planning Proposal – Policy and Housekeeping Amendments (LEP/DCP Update) to be submitted to the Minister of Planning and Homes with a request for Gateway determination and to be placed on public exhibition. Changes to the build-to-rent housing and co-living housing planning controls have been separated from and expedited ahead of this larger Planning Proposal.

The proposed changes introduce floor space incentives for build-to-rent housing in Central Sydney co-living housing in the Haymarket area. To address the urgent rental housing need, they will apply to new applications submitted within five years of the changes being formally made to the LEP.

The planning proposal was exhibited from 15 April to 14 May 2024, with a total of 23 submissions being received.

Submissions were largely in support with some also recommending changes to increase the floor space ratios, maximum heights and minimum site area provisions, as well as extending the timeframe for the incentive controls to be in place.

On the other hand, concerns were raised about the impacts on height and scale, social character and infrastructure of future development that could be, by the proposed changes.

In response, it is recommended the proposal be amended to enable the incentive to be available for where a development application is lodged within five years of the LEP amendment, and a savings provision for the subsequent detailed development application which relies on the incentives. It is also proposed to clarify that existing Central Sydney site-specific and tower cluster provisions are opt-in provisions and the standard LEP provisions are still available for build-to-rent or Co-living development.

It is recommended that the Council approve the planning proposal as shown at Attachment A for making as a local environmental plan.

Recommendation

It is resolved that:

- (A) Council note the issues raised during the public exhibition of the Planning Proposal - Build-to-rent housing and Co-living housing in Central Sydney as provided in the Summary of Submissions as shown at Attachment A to the subject report;
- (B) Council approve the Planning Proposal – Build-to-rent housing and co-living housing in Central Sydney (as amended) as shown in Attachment B to the subject report to be made as a local environmental plan under section 3.36 of the Environmental Planning and Assessment Act 1979; and
- (C) authority be delegated to the Chief Executive Officer to make minor amendments to the Planning Proposal – Build-to-rent housing and co-living housing in Central Sydney (as amended) to correct any minor errors prior to finalisation.

Attachments

- Attachment A.** Summary of Submissions
- Attachment B.** Planning Proposal - Build-to-Rent Housing and Co-Living Housing in Central Sydney (post-exhibition amendments shown in red)
- Attachment C.** Resolutions of Council and the Central Sydney Planning Committee
- Attachment D.** Gateway Determination dated 23 February 2024
- Attachment E.** Gateway Determination dated 5 April 2024

Background

1. Build-to-rent housing is purpose built residential held in single ownership and professionally managed. Co-living housing is a compact rental accommodation for a range of occupants with shared facilities and minimum tenancies of three months. It is also managed and held in single ownership. This new form of housing is important to the supply and diversity of housing in the city as they meet different housing needs compared to typical market housing.
2. The recent changes to State Environmental Planning Policy (Housing) 2021 (Housing SEPP) means that build-to-rent housing in Central Sydney remains long term rental housing, whereas previously it was possible to strata subdivide after 15 years. This change provides certainty to support housing supply while maintaining the integrity of the Central Sydney Planning Strategy and increasing vibrancy with a new class of occupied dwellings.
3. On 7 December and 11 December 2023, the Central Sydney Planning Committee and Council respectively approved Planning Proposal – Policy and Housekeeping Amendments (LEP/DCP Update) to be submitted to the Minister of Planning and Public Spaces with a request for Gateway determination and to be placed on public exhibition. This planning proposal included changes to incentivise build-to-rent housing and co-living housing in Central Sydney.
4. The proposed changes introduce floor space incentives for build-to-rent housing in Central Sydney and co-living housing in the Haymarket area (Area 4 on the FSR Map near the universities and Sydney TAFE). These incentives can be applied to knock down rebuilds or building conversions and will be available for five years to address the urgent need for rental housing. The amount of additional floor space matches that previously available for residential accommodation in Central Sydney. The bonuses range from 1.5:1 to 6:1 depending on location and represent a 20 per cent to 75 per cent increase in density.
5. These proposed changes also provide more certainty on the maximum floor space and parking rates for build-to-rent and co-living housing in Central Sydney by removing the application of specific provisions in the Housing SEPP. If these provisions continued to apply the proposed bonuses may not be achievable and removes the FSR controls for sites and precincts purposely incentivised for business development.

The proposal has been separated from the LEP/DCP Update and fast tracked and updated to meet Gateway conditions

6. The Department issued a Gateway Determination for the LEP/DCP Update on 23 February 2024 at Attachment D. It required the Planning Proposal to be revised to remove the proposed amendments for build-to-rent housing and co-living housing in Central Sydney, and that a separate planning proposal for build-to-rent housing and co-living housing in Central Sydney be prepared so that it may be expedited.
7. On 6 March 2024, the separate Planning Proposal – Build-to-rent housing and co-living housing in Central Sydney was submitted to the Department for a further Gateway Determination to enable public exhibition. This revised planning proposal addressed the matters raised by the Department in the Gateway Determination issued on 23 February 2024.

8. The Department issued the Gateway Determination, at Attachment E, dated 5 April 2024 subject to public exhibition and consultation requirements. It also determined the City will not be the local plan-making authority and set a timeframe for the LEP amendment to be completed by 2 September 2024. Specifically, it required the following amendments to the Planning Proposal prior to exhibition:
 - provide a plain English justification relating to the proposed exclusions to State Environmental Planning Policy (Housing) 2021;
 - clarify the proposed build-to-rent and co-living housing incentives would apply to development applications lodged within five years of the proposed controls coming into effect; and
 - amended references to NSW planning legislation.
9. In addition to the amendments required by the Department for the Gateway Determination issued on 5 April 2024, some minor edits have been undertaken to adjust the timeframe for completion. Overall, the amendments to the Planning Proposal are considered to be minor in nature and there has been no material change to the proposed controls as part of this process.

The City exhibited the planning proposal and received 23 submissions which were generally supportive

10. The Planning Proposal - Build-to-Rent and Co-living Housing in Central Sydney was placed on public exhibition from 15 April to 14 May 2024.
11. The City's engagement activities included creating a Sydney Your Say webpage, which included a brief background and the planning documents placed on public exhibition. 16,498 letters were sent to property owners within the affected area of Central Sydney.
12. During that time a total of 23 submissions were received, 15 from individuals in the community and eight from organisations or industry groups.
13. There was general support for the proposal in the submissions, either with the controls as proposed, or with suggested additional changes.
14. A summary of submissions and responses to matters raised is provided at Attachment A. The numbers of submissions are as follows:
 - twelve submissions were in support of the proposal, or supportive and requesting further changes to the proposal;
 - six submissions were not supportive of the changes; and
 - five submissions raised other issues including other changes that should be considered for improving housing supply, and issues relating to site-specific planning proposals.

15. The key themes raised in the submissions were:
- general support for the proposed changes to encourage housing diversity and rental accommodation;
 - additional changes to controls should be considered, including increasing floor space ratios, maximum heights and minimum site area, and extending the timeframe for the controls to be in place; and
 - concerns about the impacts on height and scale, social character and infrastructure of future development that could be by the proposed changes.
16. A more detailed response to the predominant issues arising from submissions is provided below.

The incentive should be available for longer than five years

17. Four industry submissions requested that the proposed changes should not be limited to the five-year timeframe, or should apply to the determination of a concept development application.
18. The five-year timeframe is to accelerate of the delivery of in-demand housing and avoid approval banking or speculation, to address the urgent need for rental accommodation.
19. In response to these submissions, the planning proposal has been amended to clarify that the timeframe applies to development applications lodged within five years of the commencement of the LEP amendment. Further a savings provision is recommended that ensures subsequent detailed development applications which rely on the floor space incentives are available. These changes have been marked up in the amended planning proposal at Attachment B.

The incentive should be extended to more uses and other areas in Central Sydney

20. Submissions requested the floor space bonus for both build-to-rent and co-living housing be increased to the same as that for non-residential in all four areas of Central Sydney, or that the tower cluster provisions be available for build-to-rent and co-living housing.
21. Floor space incentives for co-living housing are proposed in Area 4, which is the southern part of Central Sydney, close to universities, Ultimo TAFE and Royal Prince Alfred Hospital. Students and essential workers in particular could benefit from this type of rental accommodation due to the location. Encouraging this type of accommodation in Area 4 would be of greatest benefit to occupants. There has been limited demand for co-living housing in most of Central Sydney. Despite the accommodation floor space bonuses being available to co-living housing prior to 2022, the City's 2023 housing audit recorded only 17 non-private dwellings in the CBD and Harbour area but almost 1,500 non-private dwellings in the Chinatown and CBD South area.

22. The tower cluster provisions provide incentives for premium work places, hotels, education and entertainment facilities which are critical for Sydney's global city status and attracting business, investment and talent. These uses rely on large well located sites connected to transport and are unlikely to develop to the same scale and quality in other parts of Sydney. Office occupancy continues to rise with CBRE reporting occupancy in Sydney is now up to 77 per cent, compared to pre-Covid level of 84 per cent. Providing employment and business opportunities in Central Sydney will become more important as the NSW Government's Transport Orientated Development program as the new homes in station precincts require easy access to employment.
23. Build-to-rent and co-living housing are still permitted in these areas and are able to utilise the proposed accommodation floor space provisions, plus a further 10 per cent additional floor space if they undergo a competitive design process and achieve design excellence.

There should be flexibility for amenity requirements

24. One industry submission requested build-to-rent and co-living housing be permitted on the first and second floors, and that daylight and balcony requirements be flexible.
25. Requiring non-residential uses on the ground, first and second floors ensures active streets and provides occupants reasonable acoustic and visual privacy from the busy Central Sydney streets.
26. The Department of Planning, Housing and Infrastructure's fact sheet ' Build-to-rent housing and flexible design' provides flexibility for private open space and balconies, storage and apartment mix. It also describes the flexibility that currently exists in the Apartment Design Guide for solar access, apartment size and circulation space.

The minimum site area requirement should be reduced

27. Two industry submissions requested that the minimum 1,000sqm lot size for buildings over 55m in height should be reduced to 800sqm.
28. Appendix N (Erection of Tall Buildings) of the Central Sydney Planning Strategy details the result of extensive testing and review of tall buildings on sites smaller than 1,000sqm. Issues of concern included poor public domain impacts including wind, sky view and daylight, and poor street activation outcomes, and poor built form outcomes and outlook due to minimal setbacks. Site size was increased from 800sqm to 1,000sqm on that basis.
29. The minimum lot size controls are appropriate and not recommended to change.

The Housing SEPP should apply to build-to-rent housing throughout the City, and the floor space bonus for co-living should also be available

30. Three industry submissions requested the removal of clauses in the Sydney LEP 2012 restricting the application of part of the Housing SEPP.
31. Retain the restriction of the Housing SEPP for build-to-rent and co-living housing is appropriate to avoid 'double dipping' on bonuses, and provide certainty for developers and the consent authority about which controls apply.
32. Removing the application of the Housing SEPP to areas outside Central Sydney is outside the scope of this planning proposal.

There will be built form, social, infrastructure and noise impacts

33. Six individual submissions were received which raised concerns about bulk and scale, social and infrastructure impacts and the social character and diminishing the quality of life in of Central Sydney.
34. The size and scale of build-to-rent and co-living housing that could be delivered under the proposed controls would be no greater than that of a residential development previously enabled by the controls. These controls having been previously tested, means there is high level of confidence that impacts on the public domain would be generally acceptable. Existing maximum building heights are not proposed to be changed. Nonetheless, the impacts of any future build-to-rent or co-living development will still need to be assessed as part of the development application process.
35. The proposed controls allow a wide range of non-residential uses on the first three floors of build-to-rent and co-living housing developments to provide future occupants reasonable amenity. Non-residential uses on lower floors are common in most proposals in Central Sydney and any impacts will be consistent with the levels of activity currently in Central Sydney.
36. The City values the contribution of communities to the character and identity of Central Sydney as a vibrant and inclusive place. Providing a diverse choice of housing and workplaces will support the ongoing social and cultural diversity in the city.

Lack of clarity in the application of the proposed controls

37. Several submissions suggested a lack of clarity with the proposed controls and the relationship to the existing incentives, like the tower cluster or site specific provisions which have been initiated through planning proposals and supported by the Central Sydney Planning Strategy.
38. The proposed re-introduction of floor space incentives for build-to-rent and co-living housing will apply in Central Sydney as part of the standard LEP provisions. Where there are further opt-in incentives like the tower cluster provisions or site-specific provisions the standard LEP provisions will continue to apply. The opt-in incentives are available subject to meeting certain requirements, such as site size and specific land uses.

Recommended Amendments to Planning Proposal

39. In response to the public exhibition the proposal has been amended to clarify that the timeframe of the incentives be amended to development applications lodged within 5 years of the commencement of the LEP amendment. Further a savings provision is recommended that subsequent future detailed development applications which rely on the floor space incentives are available. These changes have been marked up in the amended planning proposal at Attachment B.
40. In addition, further clarifications have also been included in response to some confusion in the submissions on the application of controls. As the City does not have delegation for the finalisation of the LEP amendment it is important the planning proposal is clear on the intended outcomes to be achieved by the amendments.

41. It is recommended that two additional points be included in the planning proposal, under the Explanation of Provisions. These being to clarify that the Sydney LEP provisions for either site-specific clauses, or the tower cluster provisions are opt in provisions and the standard LEP provisions are still available for build-to-rent or co-living development.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

42. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This planning proposal is aligned with the following relevant strategic directions and objectives:
 - (a) Direction 1 - Responsible governance and stewardship - this planning proposal will ensure the City of Sydney's planning control framework is up to date and reflects current policies and strategies and delivers on balancing the needs of a global city.
 - (b) Direction 5 - A city for walking, cycling and public transport - this planning proposal will provide more housing in Central Sydney that is well connected and encourages the use of public transport and walking and cycling.
 - (c) Direction 6 - An equitable and inclusive city - this planning proposal provides for an alternative type of housing that increases diversity of residential offering, appealing to a range of people in the community.
 - (d) Direction 7 - Resilient and diverse communities - this planning proposal include provisions that will support and strengthen our community.
 - (e) Direction 9 - A transformed and innovative economy - this planning proposal will continue to support Central Sydney as a global business centre.
 - (f) Direction 10 - Housing for all - this planning proposal incentivises build-to-rent housing throughout Central Sydney and co-living housing in the Haymarket area, in direct response to the current shortage of rental housing.

Relevant Legislation

43. Environmental Planning and Assessment Act 1979.
44. Environmental Planning and Assessment Regulation 2021.

Critical Dates / Time Frames

45. The Gateway Determination requires the planning proposal be made by 2 September 2024.
46. The amendment to the Sydney Local Environmental Plan 2012 will come into effect when published on the NSW Legislation website.

GRAHAM JAHN AM

Director City Planning, Development and Transport

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Attachment A

Summary of Submissions

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
Urbis, 1 individual submission	Support proposal	Noted.
A+ Design Group, Property Council, Urban Taskforce, Scape, Mirvac, GoGet, Stockland, 3 individual submissions	Support with changes	Noted, with responses to key points below.
6 individual submissions	Unsupportive of proposal	
5 individual submissions	Raised other issues	
Property Council, Urban Taskforce, Mirvac, Stockland	Limited timeframe of the proposed changes The proposal should not be limited to a five-year frame. This does not allow sufficient time for new developments to utilise the bonus and is not functional. The timeframe should apply from the determination of a concept development application not a stage 2 development application.	The five-year timeframe is to encourage the acceleration of the delivery of in-demand housing and avoid land banking or speculation. As was clarified post gateway, the five years is for the lodgment of detailed development application. However, noting submissions, it is proposed to modify the timeframe to concept DAs lodged within 5 years of the commencement of the LEP amendment. It is recommended a savings provision be included in the LEP amendment for detailed DAs which are subject to a concept DA that relies on the incentive floor space.
Property Council, Urban Taskforce	Expand the application of the available floor space bonus The Accommodation Floor Space bonuses should be the same as that for non-residential development in all 4 Areas of Central Sydney Accommodation Floor Space bonuses for co-living housing should be available in all 4 Areas of Central Sydney	Accommodation floor space has historically been different for commercial, residential and hotel uses. The planning proposal temporarily re-instates the previous residential bonuses but for build-to-rent housing. There are some Areas where the incentive floor space for build-to-rent housing is greater than for non-residential uses, eg Area 2. The different areas of Central Sydney each have a different focus for types of development. Demand and suitability for co-living is greatest in Area 4.

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
Urban Taskforce	<p>Building design</p> <p>Dwellings should be permitted on the first and second floors, with higher ground floor ceiling height, and additional overall building height to offset this.</p> <p>There should be flexibility for daylight access and balcony requirements for build-to-rent and co-living housing. These apartments are often occupied by key workers or shift workers who have different requirements or desires for sunlight access.</p>	<p>Existing controls require non-residential uses on ground and first floors in Central Sydney to ensure active frontages and avoid amenity impacts to residents from the large numbers of pedestrians on Central Sydney streets.</p> <p>A Department of Planning Housing and Infrastructure Practice Note for build to rent provides flexibility for private open space and balconies, storage and apartment mix.</p>
Scape, Urban Taskforce	<p>Site controls</p> <p>The Scape submission included analyses of potential redevelopment of a number of their sites within the City of Sydney.</p> <p>The current 1,000m² minimum site area restriction is not supported. Minimum lot size for buildings over 55m should be reduced from 1,000sqm to 800sqm.</p>	<p>Of the Scape sites detailed in their submission only one site (83 Quay Street, Haymarket) is within the Central Sydney boundary and subject to this planning proposal.</p> <p>As part of the Central Sydney Planning Strategy the City carried out detailed testing and review of tall buildings on sites smaller than 1,000sqm (Appendix N Erection of Tall Buildings). Issues included poor public domain impacts including wind, sky view and daylight, and poor street activation outcomes, and poor built form outcomes and outlook due to minimal setbacks. Site size was increased from 800sqm to 1,000sqm on that basis.</p> <p>No change is recommended to existing controls for minimum lot sizes for tall buildings.</p>
Property Council, Urban Taskforce, Mirvac, Scape	<p>Tower cluster provisions</p> <p>Tower cluster provisions should be available for build-to-rent and co-living housing as these sites can support additional height and density.</p> <p>Allow co-living housing to use tower cluster provisions in Central Sydney and reduce minimum site size for these to less than 2,000sqm.</p>	<p>The tower cluster provisions in Central Sydney were endorsed to incentivise commercial development to deliver on the Central Sydney Planning Strategy by continuing to enable Central Sydney to grow as a global city.</p> <p>The tower cluster provisions are opt-in controls subject to certain requirements. Residential development is still permitted on these sites, able to use the mapped FSR, as well as up to 10% additional floor space for a competitive design process. The introduction</p>

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
		<p>of the accommodation floor space bonus for build-to-rent and co-living housing enables an additional incentive for a particular type of residential development.</p> <p>The minimum 2,000sqm lot size for tower cluster sites is appropriate for employment sites, enabling suitable setbacks which due to the significant heights provides for a good public domain environment for wind and daylight. These provisions were thoroughly tested as part of the Central Sydney Planning Strategy and should be retained, along with the continued focus of the tower cluster areas on business and commercial uses.</p>
Urban Taskforce, Scape, Mirvac	<p>Application of the Housing SEPP</p> <p>Remove Clause 1.9(2A) of Sydney LEP restricting the application of the Housing SEPP for Co-living housing, to allow the 10% bonus available under the Housing SEPP</p> <p>Should delete Cl. 1.9(2B) of the Sydney LEP, which restricts the application of the build-to-rent provisions in certain parts of the City of Sydney.</p>	<p>The proposed co-living bonus is equivalent to 20%, double that offered by the Housing SEPP. No change is recommended to Clause 1.9(2A), as the proposed bonus is greater than the SEPP, is consistent with the Central Sydney Planning Strategy and provides certainty about which controls apply.</p> <p>The sites listed in Cl. 1.9(2B) are outside the Central Sydney area and therefore outside the scope of this planning proposal. Build to rent may be carried out in accordance with the LEP.</p>
GoGet	<p>Car share spaces</p> <p>The proposal will result in increased demand for carsharing. In response, 1 car share per 50 dwelling units for developments that have at least 20 parking spaces should be a condition of development approval.</p>	<p>Car share parking requirements are covered in existing controls and will continue to apply.</p>
Scape, Mirvac	<p>Residential development and site-specific planning proposals</p> <p>Revise the City's Guidelines for Site Specific Planning Proposals in Central Sydney to incentivise student accommodation uses for site specific planning proposals.</p>	<p>When lodged the City assesses planning proposals against the Local Strategic Planning Statement and other local and state strategies and guidelines.</p> <p>The Guideline assists proponents requesting site specific planning controls to be able to meet the strategic direction in the Central</p>

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
	<p>The City discourages residential accommodation as part of site-specific planning proposals.</p>	<p>Sydney Planning Strategy, which is to encourage commercial and business uses to support the economic growth of Sydney and the state.</p> <p>The Guideline also identifies opportunities for residential development to be considered for site specific planning proposal, but these need to still meet the strategic directions.</p> <p>Residential development continues to be delivered under current planning settings with 5,000 new dwellings lodged, approved or under construction in Central Sydney (at June 2023).</p>
<p>A+ Design Group, Urbis, 1 individual submission</p>	<p>Other requests for changes</p> <p>Should allow BTR and co-living housing in existing approved developments, without a new DA.</p> <p>The City should include an implementation strategy for the delivery of BTR and co-living housing.</p> <p>Interest in 456B Harris Street, Ultimo being considered a candidate for BTR.</p> <p>Urbis, on behalf of the owner of 187 Thomas Street supports the proposal's following elements:</p> <ul style="list-style-type: none"> • Re-imposition of the accommodation floor space bonus for BTR within Central Sydney, noting a 1.5:1 bonus would apply to the site (Area 4) to be proportioned depending on total mix of land uses. • The ongoing application of clauses 72, 73, 74(2)(a), 75 and 76 of the Housing SEPP on development within Central Sydney. • The requirement for non-residential uses, or ancillary residential uses, to be located on the first and second floors of development. 	<p>The planning system does not restrict an owner renting a built dwelling. The NSW Government establishes the primary planning controls for co-living housing in the Housing SEPP.</p> <p>The City doesn't deliver BTR or co-living housing. The market is best placed to implement the proposed floor space incentives.</p> <p>The City will assess any development application lodged. As the site is not located in Central Sydney, the proposed changes will not apply to the site.</p> <p>Support noted. A planning proposal for the subject site was considered, supported and amendments made to Sydney LEP in September 2021, being site specific provisions under clause 6.58.</p> <p>These amendments are in line with the City's approach under the Central Sydney Planning Strategy, and were introduced to incentivise the delivery of employment floor space.</p> <p>BTR is not prohibited in the SP5 zone.</p> <p>The intent of the proposed changes are to enable BTR (and Co-living) incentives, being an FSR above that for residential development, as part of a balanced approach to of land use in Central Sydney.</p>

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
	<ul style="list-style-type: none"> The maximum cap of 0.2 parking spaces per BTR dwelling. <p>Note that:</p> <ul style="list-style-type: none"> Sydney LEP clause 6.58(7) prohibits residential accommodation or serviced apartments on the site. Despite the prohibition, the Housing SEPP enables BTR housing on the site, provided the development accords with the BTR requirements under the SEPP. The proposed development on the site does not benefit from a FSR non-discretionary development standard under the Housing SEPP. The relevant FSR development standard that continues to apply to the site is outlined in clauses 6.58(3) – (6) of the Sydney LEP. This site does not seek to rely on subclause 74(2)(b) and (c) of the Housing SEPP, and thereby this proposed change has no impact on the relevant FSR development standard for the site. 	<p>The current incentives for employment land uses will remain, and be supplemented by the introduction of an FSR incentive for BTR and Co-living which will encourage a form of residential development that will deliver needed rental accommodation and people living in Central Sydney. These provisions are to work in conjunction with other incentives, such as the tower cluster and other site specific provisions, fostering employment uses.</p> <p>The City notes that the subject site specific provisions are less clear in the application of the prohibition, which is most often drafted to ensure that the uplift provisions are only available for non-residential uses.</p>
A+ Design Group, Stockland, 3 individual submission	<p>Supports proposal for housing diversity</p> <p>Supports increased housing diversity that proposal will encourage.</p>	Noted.
A+ Design Group, Stockland, 2 individual submissions	<p>Supports proposal for more housing supply</p> <p>Supports the encouragement of increased housing supply and rental availability</p> <p>Supports the delivery of more build-to-rent and co-living housing, particularly if it results in more affordable public and student housing.</p>	<p>Noted.</p> <p>The proposal is not for public or social housing, it is intended to increase housing diversity and to support increased housing supply to address the shortage of rental accommodation, including student accommodation in the south of the CBD.</p>
2 individual submissions	<p>Height, bulk and scale impacts</p> <p>The proposal will allow buildings to exceed existing height and floor space ratio controls and be detrimental to the liveability of the city.</p> <p>The increased building heights will result in overshadowing and create wind tunnels.</p>	<p>The proposal reinstates a floor space bonus that was previously available to all residential accommodation. There is no proposed change to the height controls.</p>

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
	Height and floor space controls should remain close to existing residential limits.	
4 individual submissions	<p>Social impacts</p> <p>The proposal will adversely change the social character of Central Sydney.</p> <p>An increased supply of rentals in Central Sydney will result in character change.</p> <p>The proposal will diminish quality of life in Central Sydney.</p>	<p>The proposal will support the development of much needed rental housing. It will support the vibrancy and character of Central Sydney as rental housing needs the housing to be occupied.</p>
3 individual submissions	<p>Infrastructure impacts</p> <p>Utilities like water and sewer will be unable to support population growth and require upgrades.</p> <p>The proposal will result in worsening traffic and parking outcomes.</p> <p>The proposal will strain public infrastructure.</p>	<p>Central Sydney is well serviced by existing utilities including water and sewer. As part of the development approval process, approval from utility providers is needed to be able to commence construction.</p> <p>The City is also well serviced by public transport including trains, light rail, buses, and the proposed new Metro stations. The City is also supporting moves to reduce traffic and parking in streets including pedestrianisation and minimising parking rates in new developments.</p>
1 individual submission	<p>Noise impacts on residents</p> <p>Extended trading hours are generating noise impacts. Any entertainment space within a co-living building should meet strict noise limit criteria to protect residents.</p>	<p>The proposal restricts residential dwellings on the ground, first and second storey floors to help minimise noise impacts for residents and reducing land-use impacts. Any development application will need to address internal amenity for residents.</p>
6 individual submissions	<p>There are other solutions to address housing supply</p> <p>There are apartments in the City of Sydney zoned for short term or tourist accommodation and are used as rentals. Rezoning these properties would place them in the official rental market.</p> <p>The City should seek policy changes restricting foreign ownership of unoccupied residential property.</p>	<p>Noted, however these are outside the scope of the planning proposal, which is seeking to support more diverse housing in Central Sydney. The City has an affordable housing levy which funds community housing providers to develop affordable housing for very low to moderate income households. The City is also addressing the loss of existing smaller and more affordable housing stock.</p>

Submissions Table - Build-to-rent and Co-living Housing Planning Proposal: June 2024

Submitter	Submission	Response
	<p>International House at the University of Sydney campus should be retained as student housing.</p> <p>A program should be introduced similar to programs overseen by the London Docklands Development Corporation in the 1980s. At least 30% of all new housing was available to first-time buyers at a discounted price and attractive repayment rates.</p>	
A+ Design Group, 1 individual submissions	<p>Questioned impacts on housing affordability</p> <p>Questioned if rentals will be offered at below market rent as market rent is not affordable.</p> <p>Noted that Sydney faces acute housing affordability challenges.</p>	<p>Noted. The proposal is intended to support the increase of housing diversity to address the current shortage of rental accommodation.</p>

Attachment B

**Planning Proposal – Build-to-Rent Housing
and Co-Living Housing in Central Sydney**

Planning Proposal – Build-to-rent housing and co-living housing in Central Sydney



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1. Background

1.1 History

The proposed changes to Sydney LEP 2012 for build-to-rent housing and co-living housing in Central Sydney originally formed part of the Planning Proposal - Policy and Housekeeping Amendments (LEP/DCP Update), which was approved by the Central Sydney Planning Committee and Council on 7 December and 11 December 2023 respectively, to be submitted to the Minister for Planning and Public Spaces with a request for Gateway determination and to be placed on public exhibition.

Following this decision, the planning proposal was sent to the Department of Planning, Homes and Infrastructure (the Department) with a request for Gateway determination. On 23 February 2024, the Department issued the Gateway determination, which included a requirement for the build-to-rent housing and co-living housing in Central Sydney proposal to be removed from the planning proposal, and re-submitted as a separate planning proposal. This planning proposal is a result of that Gateway determination requirement.

The amendments in this planning proposal will ensure the City's planning control framework is up to date, addresses current needs and is consistent with planning strategies.

1.2 Affected area

This planning proposal relates to the Sydney local government area, it applies to land zoned SP5 Metropolitan Centre in Sydney LEP 2012, also known as Central Sydney.

1.3 Introduction

This Planning Proposal for build-to-rent housing and co-living housing in Central Sydney (planning proposal) details the intent and justification for the proposed amendments to Sydney LEP 2012. This proposal will introduce an accommodation floor space bonus to incentivise build-to-rent housing and co-living housing in Central Sydney. It will also remove the application of certain provisions in the State Environmental Planning Policy (Housing) 2021 (Housing SEPP) which cause there to be no FSR standard in tower cluster areas. This proposal will ensure consistency with the endorsed strategic planning objectives of the Central Sydney Planning Strategy by retaining opportunities to support the viability of new commercial development to ensure a genuine mixed use centre.

This planning proposal has been prepared in accordance with the Environmental Planning and Assessment Act 1979 (the Act) and Local Environmental Plan Making Guideline published by the Department of Planning and Environment (the Department) in August 2023.

2. Objectives and intended outcomes

The proposed changes to the Sydney LEP 2012 provide a floor space incentive to encourage build-to-rent housing and co-living housing in Central Sydney and provide more certainty for developers and the community on the maximum floor space and supporting controls for build-to-rent housing and co-living housing in Central Sydney.

The objectives of this planning proposal are as follows:

- a. facilitate development that aligns with the strategic planning framework including the Central Sydney Planning Strategy, and the outcomes sought under *City Plan 2036 Local Strategic Planning Statement* and *Sustainable Sydney 2030-2050 Continuing the Vision*;
- b. update planning controls to respond to the current circumstances of a changing City;
- c. improve clarity and useability of the *State Environmental Planning Policy (Housing) 2021* as it applies to Central Sydney;
- d. to incentivise and support the delivery of build-to-rent housing and co-living housing in Central Sydney through changes to Sydney LEP 2012, to address the temporary post pandemic rental housing shortage;
- e. to establish the intended floor space ratio for build-to-rent and co-living housing in Central Sydney, without compromising the City's Central Sydney Planning Strategy's long-term vision to provide for capacity for productive employment in a mixed-use global city.

3. Explanation of provisions

To achieve the objectives and intended outcomes, this planning proposal seeks to amend the Sydney LEP 2012 by:

- Amending Clause 6.4(1) to include a temporary accommodation floor space incentive in Central Sydney for build-to-rent housing in the following Areas on the FSR map:
 - Area 1 – 4.5:1
 - Area 2 – 6:1
 - Area 3 – 3.5:1
 - Areas 4 – 1.5:1.
- introducing a temporary accommodation floor space incentive in Central Sydney for co-living in Haymarket (Area 4 of the FSR map) as follows:
 - Area 4 – 1.5:1
- clarifying that the temporary accommodation floor space incentives apply for applications lodged within five (5) years from these amendments being made, **and provide for a savings provision for detailed development applications made on a concept plan that is lodged within the 5 year period and approved utilising the incentive floor space.**
- clarifying that Clause 6.4(1A) regarding changes to additional floor space beyond 1 July 2023 do not apply to build-to-rent and co-living housing
- amending Clause 6.4 by introducing a sub-clause to specify the requirements for active uses on the lower levels of build-to-rent housing and co-living housing in the SP5 zone by:
 - including an objective of the sub-clause to clarify that build-to-rent housing and co-living housing is to have active uses and ancillary uses at lower levels to encourage the presence and movement of people, while also protecting the amenity of residents in the build-to-rent and co-living housing.
 - requiring the consent authority to not grant consent to build-to-rent housing and co-living housing unless the following is satisfied:
 - locate active uses on the ground floor, consistent with the Housing SEPP including that an active street frontage is not required for part of a building used for one or more of the following:
 - entrances and lobbies
 - access for fire services
 - vehicular access
 - restrict dwellings on levels 1 and 2 above the ground floor to protect residential amenity, but allow for non-residential uses or communal spaces associated with the build-to-rent or co-living development
- inserting a definition of build-to-rent housing consistent with the definition in the Environmental Planning and Assessment (Housing and Productivity Contribution) Order 2023
- amending Clause 1.9 to exclude the application of parts of the Housing SEPP in Central Sydney to provide certainty about the floor space ratio for build-to-rent housing
- amending Part 7, Division 1 of the Sydney LEP 2012 to include a maximum rate of parking provision for build-to-rent housing in Central Sydney of 0.2 car parking spaces per dwelling.

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- Clarify that LEP provisions delivered by site specific planning proposals (Division 5 Part 6 clauses) in line with the City's Central Sydney Planning Strategy, are alternate controls and the standard LEP provisions remain available for all applicable development, including build-to-rent or co-living housing.
- Clarify that the tower cluster provisions (Clause 6.21E) are opt in provisions and the standard LEP provisions, including the amended accommodation floor space bonus, are available for all applicable development, including build-to-rent or co-living housing.

4. Justification

This section provides a justification of the strategic merit of the planning proposal and has been prepared in accordance with the Department's *Local Environmental Plan Making Guideline* (August 2023). It assesses the proposed amendments as a whole and its alignment with the region and district plans as well as the City's local strategic planning statement and strategic plans.

In 2021, the Housing SEPP introduced new provisions for build-to-rent housing. This type of purpose-built rental housing is held in single ownership and professionally managed, and in some commercial only zones, the residential tenanted components are restricted from subdivision after 15 years. As of December 2023, the Central Sydney (the SP5 zone) is one of the areas where build-to-rent is unable to be subdivided after 15 years.

The Housing SEPP controls include compliance with the maximum height and floor space ratio (FSR) standards in LEPs, providing active uses at street level in business zones, and a flexible application of the Apartment Design Guide as shared facilities and communal spaces are an increased feature of these developments.

The Housing SEPP also provides controls for co-living housing, which is a type of residential accommodation featuring communal spaces for residents and requires a manager of the property to be contactable at all times. This is often a type of accommodation used for student housing. Rooms can be smaller than build-to-rent housing and can be rented or leased for shorter periods of time but can't be used for short term visitor or tourist accommodation.

The build-to-rent housing and co-living housing provisions in the Housing SEPP seek to encourage the delivery of these types of housing across Sydney, to contribute to a greater diversity of housing and address the current housing supply shortage.

This amendment will insert a floor space incentive into the Sydney LEP 2012 for build-to-rent and co-living housing in areas of Central Sydney to be available for 5 years from the commencement of these controls, to help address the temporary rental housing shortage while continuing to meet the strategic direction endorsed for Central Sydney through the Central Sydney Planning Strategy.

Use of accommodation floor space bonuses for build-to-rent housing and co-living housing

Although all forms of housing development are permitted in Central Sydney, Sydney LEP 2012 incentive accommodation floor space provisions under Clause 6.4 currently do not apply to residential development. It is proposed that the controls be amended to introduce incentive accommodation floor space for build-to-rent housing in Areas 1 to 4 on the Floor Space Ratio Map.

The incentive accommodation floor space for residential uses were switched off to support the delivery of the approved employment targets for Central Sydney. However due to the current rental housing supply situation and the recent amendment to the Housing SEPP, it is considered opportune to switch on incentive provisions for built-to-rent housing as a way of encouraging more diverse housing options in Central Sydney.

Incentive accommodation floor space provisions for co-living housing in Area 4 are also proposed, as this Area is in the southern part of Central Sydney close to universities, Ultimo TAFE and Royal Prince Alfred Hospital. Students and essential workers such as teachers and nurses in particular could make use of these types of rental accommodation due to their convenient locations including proximity to other services such as full-line supermarkets and recreation facilities.

These proposed changes will set out the incentive floor space provisions for build-to-rent housing and co-living housing, being the accommodation floor space incentive and design excellence bonus of up to 10%. The provisions will clarify that while the new incentives apply to Central Sydney, the unique opportunity in the mapped tower cluster areas of an additional 50% design excellence bonus, will continue to be available for non-residential uses only.

As the supply of rental housing is an urgent issue, it is recommended that the incentive accommodation floor space provisions apply to build-to-rent and co-living housing developments for a period of 5 years to accelerate the delivery of housing. It is recommended that it apply where a development consent for a Stage 2 development application is lodged no later than 5 years from the commencement of these controls.

Ground and lower level uses of build-to-rent housing

Due to high levels of activity in Central Sydney, including very high foot traffic levels, entertainment uses and frequent special events, specific amenity and acoustic privacy protections should be provided for future residents of build-to-rent housing and co-living housing. In addition to the ground floor activation required by the Housing SEPP, it is proposed to require non-residential uses, or ancillary residential uses (including common spaces and shared facilities provided for the use of residents of the dwellings) to be located on the first and second floors.

This will provide an amenity buffer area for residents, while still providing significant floor space above for build-to-rent or co-living dwellings. This is consistent with the approach used for the Pitt Street South over-station development, which is the first build-to-rent housing development in Central Sydney, with residences starting at level 7 of the building (above the Metro station entrance).

Definition of build-to-rent housing

To provide clarity as to what constitutes build-to-rent housing, it is proposed to add a definition for build-to-rent housing in the Dictionary of the Sydney LEP 2012. The wording is the same as that in Environmental Planning and Assessment (Housing and Productivity Contribution) Order 2023. Co-living housing is already defined in the Sydney LEP 2012.

Maximum parking rate for build-to-rent

Rates of parking spaces per dwelling for build-to-rent housing are established in clause 74 (2) (d) of the Housing SEPP. The rate of 0.2 parking spaces per dwelling is applicable to Central Sydney.

The Housing SEPP does not specify whether this rate is a maximum cap or a minimum requirement. The City's parking rates set a maximum and no private parking can be provided if a developer chooses. To ensure that build-to-rent housing developments are able to deliver less parking than the SEPP's rate if desired, it is proposed to set a maximum cap of 0.2 parking spaces per dwelling.

Amendments to remove the application of parts of the Housing SEPP for build-to-rent

The Central Sydney Planning Strategy delivered controls tailored to Central Sydney's unique characteristics. It enables opportunities for development to preserve and grow commercial, retail, and cultural uses while balancing other uses, including housing, community and recreational uses. FSRs are a complex arrangement of incentives for uses, design excellence and other desirable outcomes in Central Sydney.

Clause 74(2) of the Housing SEPP sets floor space ratios (FSRs) for build-to-rent as either matching the maximum for residential accommodation or the maximum for other uses if residential is prohibited.

The lack of clarity and potential tension caused by the SEPPs FSR controls for build to rent is proposed be resolved by excluding the two SEPP provisions s74(2)(b) and (c) from applying in Central Sydney under clause 1.9 of the LEP.

The intention of the relevant provisions of the SEPP is to provide development standards for build to rent as the SEPP introduces its permissibility and standards may not have (clearly) existed in an LEP.

The provision is not necessary for Central Sydney as the base (mapped) FSR applies to all permissible development and the proposed incentive provides additional floor space for BTR.

This proposal is to exclude the operation of the Housing SEPP's Clause 74(2)(b) and (c) relating to FSRs for build-to-rent housing in Central Sydney, as they create the following issues.

1. The Housing SEPP caps FSR to that for residential accommodation under the LEP, working against the City's proposed incentive in Central Sydney.

The Housing SEPP caps FSR for build-to-rent at that for residential accommodation. In Central Sydney this is the mapped FSR, as there is no bonus for residential accommodation under the LEP. The SEPP's non-discretionary standard FSRs means the proposed incentive for build-to-rent and co-living housing could not be awarded.

2. Removes all FSR standards for build to rent on Central Sydney sites incentivised for business uses through site specific planning proposals

Where specific sites have been incentivised with FSR uplift for employment uses, the SEPP creates the situation where no FSR standard applies for build to rent development.

Neither s74(2)(b) or (c) of the Housing SEPP apply. Residential accommodation is permitted in the SP5 Zone – Metropolitan Centre, meaning that the maximum FSR for other uses does not apply. Meanwhile there is no maximum residential accommodation FSR in the site-specific clauses that can be relied upon.

As no standard applies, the FSR for a build to rent project will be determined by a merit assessment only. This enables a proposal for build-to-rent within the envelope generated by the site specific planning controls intended to deliver strategic business floor space.

Such an approach undermines the intent of site specific provisions and the Central Sydney Planning Strategy.

3. Lack of clarity and certainty for Tower Cluster Areas

The Housing SEPP clauses erode the intent of the Tower Cluster Area FSR bonus under Clause 6.21E of Sydney LEP 2012. These Tower Cluster Area provisions, were introduced to incentivise employment generating uses in specific areas where there is opportunity for additional height and density following the City's detailed analysis of overshadowing to key public spaces.

The uplift awarded as part of the Tower Cluster Area provisions is for specific employment generating uses as detailed in Clause 6.21E(6)(b), which does not include residential accommodation or build-to-rent housing. However, there is a concern that once the envelope has been established through a Stage 1 concept development application, like the site-specific planning proposal pathway, an argument to vary the land use within the larger envelope could be made through a modification application.

By removing the application of the specific Housing SEPP clauses in Central Sydney this ensures there is clarity in the applicable FSR for build-to-rent housing. This greater clarity and certainty of the applicable planning controls and development outcomes, improves consistency in its application and provides for a more efficient development application assessment process. It also ensures the broader intent of the Central Sydney Planning Strategy is not undermined, delivering the desired land uses and built form outcomes.

The removal of the application of these two clauses in the Housing SEPP in Central Sydney addresses the first two issues raised above, and removes the threat of the third issue. Switching off these specific clauses only for Central Sydney is a clear and simple way to address the above issues, while an FSR incentive for build-to-rent is introduced as part of this proposal.

In addition, the car parking requirements in Clause 74 (2) (d) of the Housing SEPP are proposed to be excluded for Central Sydney to ensure the proposed maximum rate of 0.2 car parking spaces applies. Given the high accessibility of Central Sydney and the high cost of building car parking, we should avoid setting a minimum amount of car parking. Car share and servicing spaces are provided for in other controls.

The proposed changes will ensure the proposed controls will be consistent with the Central Sydney Planning Strategy, whilst still being consistent with the intent of the Housing SEPP.

4.1 Need for the planning proposal

4.1.1 Is the planning proposal a result of an endorsed LSPS, strategic study or report?

This planning proposal has been prepared to be consistent with the Central Sydney Planning Strategy by accommodating reasonable growth while maintaining Central Sydney's internationally competitive global status.

The planning proposal is consistent with *City Plan 2036* – the City of Sydney's local strategic planning statement connecting the City's recently updated community strategic plan *Sustainable Sydney 2030 – 2050 Continuing the Vision* with NSW Government strategic plans. In *City Plan 2036*, the City outlines how the planning framework will plan for and manage change and deliver the City's vision for a green, global and connected city.

Key priorities identified in *City Plan 2036* that are being delivered by this planning proposal are provisions to encourage the delivery of diverse types of rental housing

4.1.2 Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?

This planning proposal seeks to amend Sydney LEP 2012 by introducing new controls that respond to matters since the instrument was implemented through the City's local strategic planning actions.

There is no other means of achieving the objective or intended outcomes as they specifically related to matters that are best addressed by local environmental plan controls.

4.2 Relationship to the strategic planning framework

4.2.1 Will the planning proposal give effect to the objectives and actions of the applicable regional or district plan or strategy (including any exhibited draft plans or strategies)?

Yes. This planning proposal is consistent with the relevant objectives and actions of the applicable regional and district plans, as summarised below.

Greater Sydney Region Plan

A Metropolis of Three Cities – The Greater Sydney Region Plan is the NSW Government's overarching strategic plan for growth and change in Sydney. It provides a vision to transform Greater Sydney into a metropolis of three cities, being the Western Parkland City; the Central River City; and the Eastern Harbour City.

The Plan outlines how Greater Sydney will manage and deliver growth and guide infrastructure delivery. The Plan is implemented by District Plans. This planning proposal is consistent with several relevant directions and objectives of the Plan, as follows:

- **Infrastructure and collaboration** – the proposed amendments are consistent with the objectives of this direction in that it will ensure existing infrastructure is optimised through more effective car parking controls.
- **Liveability** – the planning proposal will deliver bonus floor space for new build-to-rent housing and co-living developments in Central Sydney to encourage more rental and diverse housing.

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- **Productivity** – this planning proposal makes no change to any existing employment lands and zones. This retains and protects industrial and urban services land as well as existing economic centres, contributing towards a stronger and more competitive Harbour CBD.
- **Implementation** – this planning proposal is the result of regular ongoing monitoring of the City's planning controls and includes amendments to ensure their continued application remains effective. This proposal has been informed by the application region and local planning strategies demonstrating alignment down to the local area.

Eastern City District Plan

The Eastern City District Plan sets out the vision, priorities and actions for the eastern district of Greater Sydney, which includes the City of Sydney. It establishes a plan to manage growth and achieve the vision while maintaining and enhancing liveability, productivity and attractiveness.

In line with obligations imposed on the City of Sydney for the delivery of housing under the State's Eastern District Plan, these targets are set out in the City's Local Strategic Planning Statement, City Plan 2036, as required by legislation. These targets are informed by, amongst other things, Future Transport 2056 which identifies city-shaping transport projects that will improve accessibility to jobs and services, and act as a catalyst for certain types of development.

Strategic alignment of the Eastern District Plan and City Plan 2036, the City's local strategic planning statement is imperative. With City Plan 2036 reinforcing the link between the NSW Governments strategic plans and the City's community strategic plan, the City is able to deliver on the targets for additional jobs capacity and housing.

These targets include the capacity for up to 200,000 jobs noting the Eastern District Plan baseline jobs requirements is 166,500, but in line with productivity desires this was increased to up to 200,000. The LSPS also noted that Central Sydney Planning Strategy identified capacity for 158,000 jobs. It also notes that achieving the higher 200,000 could rely on a decrease in work-space ratios or other management tools.

In addition, the City's Local Housing Strategy 2016-2036, includes the NSW target of 56,000 additional dwellings within that timeframe. As of June 2022, the City is on track to achieve this target with nearly 40,000 dwellings delivered, approved or under construction.

As part of this planning proposal the City is taking the initiative and anticipating a strong desire to see build-to-rent housing in Central Sydney following a number of enabling changes. If taken up, this will naturally adjust the balance of future housing and work place capacity against state agreed targets. The changes contained in this planning proposal anticipate a careful approach to safeguard the productivity driver of Central Sydney as well as addressing the current shortage of rental housing.

This planning proposal is consistent with the following priorities from the Plan:

- **Liveability**
- **E3 – Providing services and social infrastructure to meet peoples changing needs**
- **E4 – Fostering healthy, creative, culturally rich and socially connected communities**
- **E5 – Providing housing supply, choice and affordability, access to jobs, services and transport**
- **E6 – Creating and renewing great places and local centres, respecting the District's heritage**

This proposal introduces provisions for a floor space incentive to encourage build-to-rent housing and co-living developments in Central Sydney to support the delivery of diverse housing options.

Productivity

- **E7 – Growing a stronger and more competitive Harbour CBD**
- **E8 – Growing and investing in health and education precincts and the innovation corridor**
- **E10 – Delivering integrated land use and transport planning for a 30 minute city**
- **E11 – Growing investment, business opportunities and jobs in strategic centres**
- **E13 – Supporting growth of targeted industry sectors**

The provisions in this planning proposal includes no change to any industrial or employment generating zones, ensuring the City's jobs capacity target outside Central Sydney will not be impacted. Nor will this proposal adversely impact upon the existing policies aimed towards business opportunities, jobs and investment growth of targeted industry sectors in the innovation corridor or in strategic centres.

Implementation

- E21 – Preparing Local Strategic Planning Statements informed by local strategic planning
- E22 – Monitoring and reporting on the delivery of the Plan

This planning proposal has been informed by City Plan 2036 - Local Strategic Planning Statement and ongoing strategic planning undertaken by the City which has monitored the application of the LEP and seeks to make refinements to improve its operation and efficacy.

5.2.2 Is the planning proposal consistent with a council LSPS that has been endorsed by the Planning Secretary or GCC, or another endorsed local strategy or strategic plan?

Sustainable Sydney 2030-2050 Continuing the Vision

Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the Sydney Local Government Area to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This planning proposal is aligned with the following relevant strategic directions.

- **Responsible governance and stewardship**

The proposed amendments in this planning proposal will ensure that the City of Sydney's planning control framework is up to date and reflects current policies and strategies.

- **Design excellence and sustainable development**

This planning proposal includes amendments to design excellence and sustainability provisions ensuring they continue to deliver new buildings and alterations centred around good design and sustainability.

- **A city for walking, cycling and public transport**

New and amended provisions will reduce car parking rates and to increase the supply of EV chargers and bicycle parking racks to help reduce private vehicle use and provide for a city designed for walking, cycling and public and zero-carbon transport.

- **An equitable and inclusive city**

Provisions contained in this proposal help the City deliver on this direction by increasing tree canopy coverage, protecting and enhancing new parks and encouraging less vehicle use.

- **Resilient and diverse communities**

This planning proposal includes provisions that will support and strengthen our community through greener, more resilient suburbs and greener less carbon intensive development.

- **A transformed and innovative economy**

All existing employment generating land uses remain unaffected by this planning proposal and will continue to drive the local, metropolitan and state economies delivering opportunities for new jobs and investment.

- **Housing for all**

Floor space incentives are being introduced for build-to-rent housing and co-living housing in Central Sydney to encourage the delivery of new and diverse rental housing.

The proposal will support the strategic direction of *Housing for all* through floor space incentives for build-to-rent housing and co-living housing in Central Sydney to encourage the delivery of new and diverse rental housing.

City Plan 2036 – Local Strategic Planning Statement

City of Sydney's endorsed local strategic planning statement, City Plan 2036 sets the land use planning context, vision and planning priorities to positively guide development. The planning statement outlines how the City will plan for and manage change, while delivering on the City's vision for a green, global and connected city. This planning proposal gives effect to the following priorities of the Statement:

Liveability

- L1. A creative and socially connected city
- L2. Creating great places
- L3. New homes for a diverse community

The proposed amendment in this planning proposal will provide for a creative and socially connected city by introducing floor space incentives to encourage build-to-rent housing and co-living developments in Central Sydney.

Governance

- G1. Open, accountable and collaborative planning

This proposal will update the City of Sydney's primary planning controls to respond to current council and state strategic directions.

Central Sydney Planning Strategy

One of the Central Sydney Planning Strategy's key strategic directions is to maintain and strengthen Central Sydney's status as a globally competitive city by continuing to attract business investment and be a preferred location for workers, residents and visitors. Challenges for Central Sydney to meet this strategic direction include a constrained geography for office expansion (unlike many other cities), and pre-Covid market conditions which meant that residential development tends to deliver more attractive one-off financial gain for developers than income-earning commercial development.

Prioritising employment capacity, especially in the commercial core, is to ensure employment floor space will be able to accommodate projected jobs growth (as a correlation of population growth) and maintain Sydney's competitive advantage well into the future. Residential development is still important in Central Sydney, with around 5,000 dwellings in the development pipeline as of 30 June 2023.

The Central Sydney office market is naturally cyclical, but the pandemic and post pandemic impacts are anticipated to contract the previously expected demand in workspace by around 25 per cent. This reduction below trend will fade over time as the population continues to grow. Due to recent changes, build-to-rent housing and co-living housing is considered a compatible use to help meet the post pandemic rental housing shortage while not compromising the long-term viability of other forms of commercial development. This is on the basis that build-to-rent housing and co-living housing in Central Sydney cannot be subdivided. When market cycles again see high demand for income-producing space, potential reuse or conversion of these sites to other uses is not constrained by individual strata owners. Therefore, the proposed changes are compatible with the strategy, though they rely on not allowing build-to-rent housing subdivision in order to make it easier to refresh and redevelop Central Sydney as market conditions change.

4.2.3 Is the planning proposal consistent with applicable State Environmental Planning Policies?

This planning proposal is consistent with all applicable State Environmental Planning Policies (SEPPs), as summarised in Table 2

Table 1. Consistency with State Environmental Planning Policies

State Environmental Planning Policy	Comment
SEPP (Biodiversity and Conservation) 2021	Consistent – no amendment in this proposal hinders the application of this SEPP.
SEPP (Exempt and Complying Development Codes) 2008	Consistent – no amendment in this proposal hinders the application of this SEPP.
SEPP (Housing) 2021	Consistent – amendments in this planning proposal will continue to support the delivery of diverse housing types, consistent with the principles of this SEPP.
SEPP (Industry and Employment) 2021	Consistent – no amendment contained in this planning proposal will hinder the application of this SEPP.
SEPP (Planning Systems) 2021	Consistent – no amendment contained in this planning proposal will hinder the application of this SEPP.
SEPP (Precincts–Central River City) 2021	Not applicable.
SEPP (Precincts–Eastern Harbour City) 2021	Consistent – no amendment in this planning proposal will hinder the application of this SEPP.
SEPP (Precincts–Regional) 2021	Not applicable.
SEPP (Precincts–Western Parkland City) 2021	Not applicable.
SEPP (Primary Production) 2021	Not applicable.
SEPP (Resilience and Hazards) 2021	Consistent – no amendment contained in this planning proposal will hinder the application of this SEPP.
SEPP (Resources and Energy) 2021	Not applicable.
SEPP (Sustainable Buildings) 2022	Consistent – no amendment contained in this planning proposal will hinder the application of this SEPP.
SEPP (Transport and Infrastructure) 2021	Consistent – no amendment in this proposal hinders the application of this SEPP.

4.2.4 Is the planning proposal consistent with applicable Ministerial Directions (section 9.1 Directions) or key government priority?

This planning proposal is consistent with all Local Planning/Ministerial Directions issued under section 9.1 of the Environmental Planning and Assessment Act 1979, as summarised in Table 3.

Table 2. Consistency with Local Planning/Ministerial Directions

Ministerial Direction	Comment
Focus area 1: Planning Systems	
1.1 Implementation of Regional Plans	Consistent - this proposal supports the Region Plan.
1.2 Development of Aboriginal Land Council land	Not applicable.
1.3 Approval and Referral Requirements	Consistent - no amendment includes concurrence, consultation or referral provisions or identify any designated development.
1.4 Site Specific Provisions	Consistent - this planning proposal does not propose any site specific planning controls.
1.4A Exclusion of Development Standards from Variation	Consistent - this planning proposal does not propose to exclude a development standard from variation under clause 4.6
Focus area 1: Planning Systems – Place-based	
1.5 Parramatta Road Corridor Urban Transformation Strategy	Not applicable.
1.6 Implementation of North West Priority Growth Area Land Use and Infrastructure Implementation Plan	Not applicable.
1.7 Implementation of Greater Parramatta Priority Growth Area Interim Land Use and Infrastructure Implementation Plan	Not applicable.
1.8 Implementation of Wilton Priority Growth Area Interim Land Use and Infrastructure Implementation Plan	Not applicable.
1.9 Implementation of Glenfield to Macarthur Urban Renewal Corridor	Not applicable.
1.10 Implementation of the Western Sydney Aerotropolis Plan	Not applicable.
1.11 Implementation of Bayside West Precincts 2036 Plan	Not applicable.

Ministerial Direction	Comment
1.12 Implementation of Planning Principles for the Cooks Cove Precinct	Not applicable.
1.13 Implementation of St Leonards and Crows Nest 2036 Plan	Not applicable.
1.14 Implementation of Greater Macarthur 2040	Not applicable.
1.15 Implementation of the Pyrmont Peninsula Place Strategy	Not applicable.
1.16 North West Rail Link Corridor Strategy	Not applicable.
1.17 Implementation of the Bays West Place Strategy	Not applicable.
1.18 Implementation of the Macquarie Park Innovation Precinct	Not applicable.
1.19 Implementation of the Westmead Place Strategy	Not applicable.
1.20 Implementation of the Camelia-Rosehill Place Strategy	Not applicable.
1.21 Implementation of the South West Growth Structure Plan	Not applicable.
1.22 Implementation of the Cherrybrook Station Place Strategy	Not applicable.
Focus area 2: Design and Place	No directions in place.
Focus area 3: Biodiversity and Conservation	
3.1 Conservation Zones	Not inconsistent
3.2 Heritage Conservation	Consistent - the proposed amendments will not adversely impact the ongoing conservation of heritage items.
3.3 Sydney Drinking Water Catchments	Not applicable.
3.4 Application of C2 and C3 Zones and Environmental Overlays in Far North Coast LEPs	Not applicable.
3.5 Recreation Vehicle Areas	Not inconsistent.
3.6 Strategic Conservation Planning	Not applicable.
3.7 Public Bushland	Not inconsistent.
3.8 Willandra Lakes Region	Not applicable.

Ministerial Direction	Comment
3.9 Sydney Harbour Foreshores and Waterways Area	Consistent – the proposed amendments will not impact controls for the Harbour, foreshores or waterways.
3.10 Water Catchment Protection	Not applicable.
Focus area 4: Resilience and Hazards	
4.1 Flooding	Consistent - the proposed amendments do not hinder the flood prone land provisions in Sydney LEP 2012
4.2 Coastal Management	Consistent – the proposed amendments do not change provisions relevant to coastal management.
4.3 Planning for Bushfire Protection	Not applicable.
4.4 Remediation of Contaminated Land	Consistent - this Planning proposal includes no change to the City's current policy and LEP provisions relating to contaminated land and remediation.
4.5 Acid Sulfate Soils	Consistent - the proposed amendments do not hinder the acid sulfate soil provisions in Sydney LEP 2012
4.6 Mine Subsidence and Unstable Land	Not applicable
Focus area 5: Transport and Infrastructure	
5.1 Integrating Land Use and Transport	Consistent – see discussion below.
5.2 Reserving Land for Public Purposes	Consistent - the proposed amendments do not contain provisions relevant to the reservation of land for public purposes.
5.3 Development Near Regulated Airports and Defence Airfields	Consistent - the proposed amendments will not adversely impact the safe and effective operation of nearby airports nor constitute an obstruction and potential hazard to aircraft flying in the vicinity.
5.4 Shooting Ranges	Not applicable.
Focus area 6: Housing	
6.1 Residential Zones	Consistent – see discussion below.
6.2 Caravan Parks and Manufactured Home Estates	Not inconsistent.
Focus area 7: Industry and Employment	

Ministerial Direction	Comment
7.1 Business and Industrial Zones	Consistent – the amendments make no change to employment land zones.
7.2 Reduction in non-hosted short-term rental accommodation period	Not applicable.
7.3 Commercial and Retail Development along the Pacific Highway, North Coast	Not applicable.
Focus area 8: Resources and Energy	
8.1 Mining, Petroleum Production and Extractive Industries	Not applicable.
Focus area 9: Primary Production	
9.1 Rural Zones	Not applicable.
9.2 Rural Lands	Not applicable.
9.3 Oyster Aquaculture	Not applicable.
9.4 Farmland of State and Regional Significance on the NSW Far North Coast	Not applicable.

5.1 Integrating Land Use and Transport

The objective of this Direction is to ensure that urban structures improve choice and access to active and public transport infrastructure, reducing private vehicle demand and supports the efficient movement of freight.

This planning proposal includes changes to maximum parking rates for build-to-rent housing to minimise any overprovision and effects from induced demand. This is consistent with the aims of this Direction.

6.1 Residential Zones

This Direction seeks to encourage housing diversity to address future needs that minimises adverse environmental impacts and makes efficient use of infrastructure. This planning proposal introduces provisions to encourage the delivery of build-to-rent housing, and co-living housing helping to deliver more housing diversity in Central Sydney to address current supply issues.

This planning proposal is therefore consistent with the requirements of this Direction as existing provisions for housing supply will not be impacted and the amended provisions will encourage housing variety.

4.3 Environmental, social and economic impact

4.3.1 Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected because of the proposal?

The planning proposal is unlikely to adversely affect any critical habitat or threatened species, populations or ecological communities, or their habitats. Land affected by this planning proposal is

in an inner city, highly urbanised environment and does not contain any significant critical habitats or threatened species, populations or ecological communities.

4.3.2 Are there any other likely environmental effects of the planning proposal and how are they proposed to be managed?

It is unlikely that the proposed amendments will result in development with significant adverse environmental impacts that cannot be readily managed.

4.3.3 Has the planning proposal adequately addressed any social and economic effects?

This planning proposal will deliver amendments to the Sydney LEP 2012 that will result in positive social and economic effects through introducing provisions that will encourage the delivery of new and diverse forms of rental housing to address the current housing challenges.

4.4 State and Commonwealth interests

4.4.1 Is there adequate public infrastructure for the planning proposal?

Yes, land affected by this planning proposal is well served by the full range of public utilities and infrastructure, including electricity, telecommunications, water, sewer and stormwater. It is expected that these services will be upgraded as required. Nothing contained in this planning proposal will adversely impact any planned public infrastructure upgrades.

4.4.2 What are the views of state and federal public authorities and government agencies consulted in order to inform the Gateway determination?

Formal consultation has not yet been undertaken on the amendments contained in this planning proposal. Appropriate consultation with the relevant state and federal public authorities and government agencies will be conducted as per advice from the Department of Planning in gateway determination once issued. Consultation will take place at the public exhibition stage of this planning proposal process.

5. Mapping

This Planning Proposal does not amend any maps.

6. Community consultation

~~This planning proposal shall be exhibited in accordance with the requirements of the gateway determination once issued by the Department of Planning.~~

~~It is anticipated that public exhibition of the planning proposal will be for a period of at least 28 days, which is consistent with the *Environmental Planning and Assessment Act 1979* and the *Local Environmental Plan Making Guideline* dated August 2023.~~

~~It is proposed that, at a minimum, the local community, residents, rate payers and relevant community interest groups shall be notified of the public exhibition by mail, email and social media, with all public exhibition documentation available on the City of Sydney website, in accordance with the City's Community Engagement Strategy and Participation Plan 2023. If necessary, exhibition material shall be made available at Town Hall House at 456 Kent Street, Sydney.~~

~~Consultation with the necessary state and federal agencies, authorities and other relevant organisations will be undertaken in accordance with the conditions contained in the gateway determination.~~

Community consultation was undertaken in accordance with the requirements of the Gateway determination.

Notification of the public exhibition of this planning proposal was made on the City of Sydney website, by email, social media and in writing to the property owners in Central Sydney.

The planning proposal was publicly exhibited from 15 April to 14 May 2024, meeting the requirements for a standard planning proposal under the Department of Planning, Housing and Infrastructure's Local Environmental Plan Making Guideline.

The exhibition material was made available on the City of Sydney website.

Consultation was not undertaken with public authorities or government agencies in accordance with the Gateway determination.

7. Project timeline

This planning proposal is categorised as a Complex planning proposal as per the Local Environmental Plan Making Guidelines dated August 2023, the anticipated timeframe for the completion of the planning proposal is as follows:

Table 3. Project timeline

Stage	Timeframe
Commencement / gateway determination	April 2024
Government agency consultation	April - May 2024
Public exhibition	April - May 2024
Review of issues raised in submissions	May 2024
Post-exhibition reporting	June 2024
LEP drafting	July 2024
LEP made	August 2024
LEP notification	August 2024

Appendix

Example Clauses

The final version of the clauses to be amended or inserted into the Sydney LEP 2012 would be subject to drafting and agreement by the Parliamentary Counsel's office, but may be written as follows:

1. Amend Clause 6.4 Accommodation floor space to incorporate build-to-rent housing and co-living housing:

6.4 Accommodation floor space

(1) A building that is an Area, and is used for a purpose specified in relation to the Area in paragraph (a), (b), (c), (d), (e), (f) or (g), is eligible for an amount of additional floor space (accommodation floor space) equivalent to that which may be achieved by applying to the building the floor space ratio specified in the relevant paragraph—

(a) Area 1, hotel or motel accommodation, community facilities or centre-based child care facilities—6:1,

(b) Area 1, business premises, educational establishments, entertainment facilities, function centres, health services facilities, information and education facilities, light industries, office premises or retail premises, **build-to-rent housing**,—4.5:1,

(c) Area 2, business premises, educational establishments, entertainment facilities, function centres, health services facilities, information and education facilities, light industries, office premises or retail premises—4.5:1,

(d) Area 2, centre-based child care facilities, community facilities or hotel or motel accommodation, **build-to-rent housing** —6:1,

(e) Area 3, business premises, educational establishments, entertainment facilities, function centres, health services facilities, information and education facilities, light industries, office premises or retail premises—2.5:1,

(f) Area 3, centre-based child care facilities, community facilities or hotel or motel accommodation, **build-to-rent housing**—3.5:1,

(h) Area 4, business premises, centre-based child care facilities, community facilities, educational establishments, entertainment facilities, function centres, health services facilities, hotel or motel accommodation, information and education facilities, light industries, office premises or retail premises, **build-to-rent housing, co-living housing** —1.5:1.

(1A) A building in Area 2, 3 or 4 that is used for the purposes of residential accommodation or serviced apartments (**excluding build-to-rent housing and co-living housing**) is eligible for the amount of accommodation floor space calculated by applying the relevant floor space ratio available on the date the development application is made to the building, as follows—

Area	Additional floor space available until 30 June 2022	Additional floor space available from 1 July 2022 to 30 June 2023	Additional floor space available from 1 July 2023
Area 2	6:1	3:1	Nil

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Area 3	3:1	1.5:1	Nil
Area 4	1.5:1	0.75:1	Nil

(2) The amount of additional floor space that can be achieved under subclause (1) or (1A) is to be reduced proportionally if only part of a building is used for a purpose specified in subclause (1) or (1A).

(3) More than one amount under subclause (1) and (1A) may apply in respect of a building that is used for more than one purpose

(4) Build-to-rent housing or co-living housing is eligible for an amount of additional floor space (accommodation floor space) identified in subclause (1) only in relation to an application for development consent for a detailed development application which is lodged no later than [5 years from the commencement of the LEP amendment]

2. Insert clause (X) of Sydney LEP 2012 as follows with new text shown in **bold red**:

(X) Active uses on lower levels of built-to-rent housing or co-living housing in the SP5 Metropolitan Centre zone

(1) The objective of build-to-rent or co-living housing in the SP5 Metropolitan Centre zone is for active uses and ancillary residential uses to be provided at lower levels to encourage the presence and movement of people while protecting the amenity of residents.

(2) Development consent must not be granted for build-to-rent or co-living housing unless the consent authority is satisfied that a building:

(a) all ground floor street frontages are to have active street frontages, with the remainder of the ground floor used for non-residential uses, and

(b) will not contain dwellings on the first and second floors.

(3) An active street frontage is not required for a part of a building used for 1 or more of the following-

(a) Entrances and lobbies

(b) Access for fire services

(c) Vehicular access

3. Amend the Dictionary of Sydney LEP 2012 as follows with new text shown in **bold red**:

Build-to-rent housing means development to which Part 4 of Chapter 3 of State Environmental Planning Policy (Housing) 2021 applies and for which development consent is granted in accordance with that Part to enable certain residential accommodation to be used for build-to-rent housing.

4. Amend clause 1.9 of Sydney LEP 2012 as follows with deletion shown as ~~strike through~~ and new as suggested in **bold red**:

1.9 Application of SEPPs

(1) This Plan is subject to the provisions of any State environmental planning policy that prevails over this Plan as provided by section 3.28 of the Act.

(2) The following State environmental planning policies (or provisions) do not apply to the land to which this Plan applies—

(2A) State Environmental Planning Policy (Housing) 2021, Chapter 2, Part 2, Divisions 1, 2, 3 and 5 and Chapter 3, Part 3 do not apply to—

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- (a) land at Green Square Urban Renewal Area or at Ultimo-Pyrmont, or
- (b) southern employment land, or
- (c) land at the Waterloo Metro Quarter, or
- (d) land in Central Sydney, or
- (e) land at 17–31 Cowper Street or 2A–2D Wentworth Park Road, Glebe, or
- (f) Botany Road Precinct Opportunity Land, or
- (g) Waterloo Estate (South)—Area 1, or
- (h) Waterloo Estate (South)—Area 2-

(2B) State Environmental Planning Policy (Housing) 2021, Chapter 3, Part 4 does not apply to—

- (a) land at Green Square Urban Renewal Area or at Ultimo-Pyrmont, or
- (b) southern employment land, or
- (c) land at the Waterloo Metro Quarter, or
- (d) land at 17–31 Cowper Street or 2A–2D Wentworth Park Road, Glebe, or
- (e) Waterloo Estate (South)—Area 1, or
- (f) Waterloo Estate (South)—Area 2.

(2C) State Environmental Planning Policy (Housing) 2021, Chapter 2, Part 2, Division 1 does not apply to land at 600–660 Elizabeth Street, Redfern.

(2D) State Environmental Planning Policy (Housing) 2021, Chapter 3, Part 4, Clauses 74(b), (c) and (d) and 76 do not apply to—

(d) land in Central Sydney

5. Amend Part 7, Division 1, Clause 7.9 as follows with new text shown in **bold red**:

(x) Build-to rent housing: The maximum number of car parking spaces for a building used for the purpose of build-to-rent housing is 0.2 space for each dwelling.

6. Amend Part 1, Clause 1.8A Savings provisions by adding a clause:

(9) An amount of additional floor space calculated under clause 6.4 (x) as inserted by [this amendment]

(a) applies to a development application subsequent to, and made in reliance on, a development application or concept development application made in relation to the same development, and

(b) is calculated by reference to the additional floor space available on the date the application being relied on was made.