

Sydney North Planning Panel
c/- Department of Planning and Environment
Locked Bag 5022
Parramatta NSW 2124

Attention: Ms Suzie Jattan, Senior Project Officer - Planning Panels Secretariat

30 May 2022

Dear Sir/Madam

**RE: RR-2021-104 – Northern Beaches Council – Rezoning Review
159-167 Darley Street West, Mona Vale**

I refer to your advice received on 19 April 2022 that the Sydney North Planning Panel (panel) resolved at its meeting on 13 April 2022 to seek further information from the Council and proponent (Intrec Management Pty Ltd) in relation to the rezoning review relating to land at 159-167 Darley Street West, Mona Vale.

I note that the panel requests further consideration be given to “the provision of affordable housing for the site, as defined by Council’s Affordable Housing Policy or *State Environmental Planning Policy (Housing) 2021* ... by the end of May 2022.”

On behalf of the proponent, we appreciate the opportunity to reaffirm our commitment to addressing affordable housing on the site. For the sake of completeness, it should be noted that when we started our pre-lodgement discussions with Council (and lodged our planning proposal), Council’s position on affordable housing (outside of Frenchs Forest) was in a state of flux and lacked clarity of implementation. Our proposition was (and remains) to address affordable housing by introducing a variety of household sizes which are limited in the Northern Beaches and Mona Vale more generally.

Notwithstanding our commitment to improved housing diversity, we have prepared a comprehensive review of the planning proposal against Council’s Affordable Housing Policy and *State Environmental Planning Policy (Housing) 2021*, and we are including as part of this response, an offer to enter into a Planning Agreement (Attachment A) with Council to provide an additional commitment by way of entering into a partnership with a Community Housing Provider (CHP) or making a contribution to Council to assist with the delivery of Council led affordable housing projects in the locality. In this regard, we are happy for the Panel to apply a condition to a gateway approval for the rezoning review generally as follows:

The applicant is to enter into a planning agreement with Council under section 7.4 of the Environmental Planning and Assessment Act 1979 for the provision of affordable housing (by means of agreement with CHP or payment of a monetary contribution) as detailed in the Applicant's draft Letter of Offer dated 30 May 2022.

We have also initiated meetings with three CHPs to discuss a potential partnership in delivery. Those discussions are ongoing and whilst we have made good progress, we are unable to confirm a final commitment at this stage, particularly given the status of our planning proposal. We propose to continue those discussions as a delivery option pending approval of our planning proposal. This is detailed in our letter of offer in Attachment A which we will issue to Council following confirmation that the gateway approval has been granted.

In terms of the matters the panel has requested us to consider, we provide the following review:

1.0 Council – Affordable Housing Policy

In December 2016, Council resolved to develop a Northern Beaches Affordable Housing Policy (AH Policy). This was actioned at its meeting on 28 March 2017, where Council resolved to publicly exhibit the draft Policy and Action Plan, with the Policy being adopted in June 2017.

A key element of the Policy (and related Action Plan) was the delivery of affordable rental housing through the operations of the now repealed *State Environmental Planning Policy 70 (Affordable Housing) Revised Schemes* (SEPP 70). SEPP 70 provided a head of power for Councils to levy developers for the provision of affordable housing through its Local Environmental Plans (LEPs), subject to the approval of the State Government. These provisions weren't fully enacted until Council was included in SEPP 70 in April 2018, and they only related to development applications, not planning proposals. Since then, Council has worked with the Department of Planning and Environment (DPE) to develop affordable housing requirements for inclusion in Council's LEP for the Frenchs Forest Planned Precinct with contributions to be triggered through subsequent development applications.

We hold that SEPP 70 didn't apply to this planning proposal (given it's not a development application) and given that Council's AH Policy hasn't been integrated into the Pittwater LEP 2014 (PLEP 2014). Further, there are limited grounds in the *Environmental Planning and Assessment Act 1979* (EP&A Act) to impose this requirement at the planning proposal stage. Whilst we note that s7.32 of the EP&A Act authorises conditions requiring land or contributions for affordable housing, it only applies to applications for development consent – not planning proposals.

At its meeting on 28 August 2018, Council reviewed its AH Policy and resolved to tender for a Community Housing Provider to manage affordable housing dedicated to Council through the planning process. It is understood that Council is still yet to finalise this process.

The planning proposal relating to the subject site was initiated in July 2019 and followed an elongated pre-lodgement process (at Council's suggestion as previously documented) until the application was formally lodged in July 2021.

At the time of lodgement, the AH Policy that existed is detailed in Table 1 below (with macroplan comment). These comments are in addition to those detailed above regarding a lack of statutory head of power for the policy to be applied at planning proposal stage.

Table 1 – AH Contribution Policy – Northern Beaches Council

Council Affordable Housing Policy	Macroplan Comment
<i>Purpose of Policy</i>	
<p>Council is committed to increasing the range and supply of affordable housing in the Northern Beaches to meet the growing and changing needs of its community and particularly, key workers.</p> <p>The purpose of this policy is to outline Council's position and approach to the provision of affordable housing in the Northern Beaches.</p> <p>The policy comprises principles and policy statements that together will guide Council's actions to support affordable housing.</p>	<p>Agreed – There is a significant shortfall in affordable housing in the Northern Beaches. This has been exacerbated by:</p> <ul style="list-style-type: none"> a) 32% (1,082 homes) shortfall in housing completions in the Northern Beaches Council area below the 5-year target of the North District Plan; b) clause 4.5A of the PLEP 2014 restricting the dwelling density, thereby increasing apartment sizes. c) Significant delays to finalising Place Plans, including Mona Vale; d) Refusal to support logical planning proposals such as this application.
<i>Principles</i>	
<ul style="list-style-type: none"> a) Establishing clear targets for the provision of affordable housing in the Northern Beaches. b) Leading change by example. c) Embedding affordable housing in Council's strategies, plans and policies. d) Partnering with the State and Commonwealth Government, other local councils, industry experts, the private sector, stakeholders and community housing providers to deliver affordable rental housing. e) Advocating for change to support affordable housing in the Northern Beaches. 	<p>Agreed, but until the Contributions Scheme guidance was finalised in 2021 (after the planning proposal was lodged), there was a lack of application to areas beyond Frenchs Forest and more recently Narrabeen.</p> <p>The recent consideration by Council for Narrabeen has confirmed that a standard 'one sized fits all' approach to AH contributions or dedications doesn't work, and instead a more nuanced viability assessment is appropriate. This approach also has inherent challenges given the likely changes in project viability factors from rezoning to project completion (circa 4-5 years).</p>
<i>Policy Statements</i>	
<ul style="list-style-type: none"> a) Council is committed to a 10% affordable rental housing target for all strategic plans and planning proposals for urban renewal or greenfield development. Higher rates of provision will be sought where feasible. 	<p>Whilst commendable, a 10% AH contribution isn't realistic in most cases, particularly with limited FSR and high raw land costs (and escalating building costs). This was evident in Council's recent approval of the Narrabeen planning proposal. Whilst Council originally sought a 10% contribution, Council's consultant (SGS) found that a contribution of only 5.7% was possible to maintain viability of the development.</p> <p>Further, whilst the policy was in operation at the time of lodging the planning proposal, SEPP 70 only allowed Council to apply a</p>

	<p>condition to development applications, <u>not</u> planning proposals as detailed above.</p> <p>The introduction of the <i>State Environmental Planning Policy (Housing) 2021</i> occurred after lodgement of the planning proposal and also relates to development applications rather than planning proposals.</p>
<p>b) Targets for the provision affordable rental housing in other parts of the Council area will be established through feasibility analysis as part of Council's new local housing strategy.</p>	<p>Agreed, noting that Council has not yet addressed this requirement.</p> <p>DPE's approval of Council's LHS (December 2021) imposed 13 conditions, the majority of which required an updated LHS to be submitted to DPE by June 2022. DPE sought specific review on the actions, roles and responsibilities and timing to facilitate housing supply, diversity and affordability between 2021 and 2026 and beyond. DPE also noted that the locally specific model for affordable rental housing as an alternative to the new Housing SEPP was <u>not</u> supported. <u>This is an important consideration for the Panel.</u></p> <p>It would be premature to say that Council has an 'agreed' way forward for the Council area whilst there are so many issues outstanding, including refusal by DPE of the locally specific model for affordable rental housing.</p>
<p>c) Mechanisms to deliver more affordable market-based or private housing will be investigated and implemented through Council's new local housing strategy.</p>	<p>As above – Council's PLEP 2014 actively limits the ability for the private sector to deliver 'affordable' and more diverse housing. This planning proposal seeks to alter this requirement for the subject site. More broadly, clause 4.5A of the PLEP 2014 should be removed. It doesn't apply to the Manly LEP 2013 or Warringah LEP 2011, both of which are in operation in the Northern Beaches Council area.</p>
<p>d) Council will enter into relationships with community housing providers to manage and deliver affordable rental housing in the Northern Beaches.</p>	<p>This is a matter for Council.</p> <p>It is understood that formal arrangements with a CHP have not been finalised by Council. The proponent has initiated discussions with three CHP's and depending on the outcomes of this planning proposal will continue discussions with the CHPs or will make a contribution to Council</p>

	as detailed in the attached planning agreement offer (Attachment A).
e) Council will undertake an expression of interest to determine the best model for relationships with community housing providers to deliver affordable rental housing.	This is a matter for Council.
f) Council will use the expression of interest process to determine whether to transfer title of affordable rental housing delivered to Council through the planning approval process to community housing providers.	This is a matter for Council
g) When selecting tenants, Council will give priority to persons who are employed in identified key worker occupations in the Northern Beaches Council area, persons with a disability, long term local residents, and persons with a social or economic association with the Council area.	This is a matter for Council.

Whilst we maintain that there is a statutory impediment for Council to require an affordable housing contribution or dedication as part of a planning proposal, we recognise that this is an important consideration for the Northern Beaches and it is likely to be required at a later development application phase. In this regard, we will progress a Letter of Offer to Council for a Planning Agreement (Attachment A) to demonstrate our commitment to addressing this requirement, albeit completely unnecessary at planning proposal stage.

2.0 Council – Affordable Housing Contributions Scheme

The Northern Beaches Affordable Housing Contributions Scheme (Contributions Scheme) is an extension of the AH Policy and was formally adopted by Council at its meeting on 28 September 2021 (after lodgement of the planning proposal). This was done in parallel with approval of the Frenchs Forest Precinct Strategy, the first site to which the scheme applies. This adopted scheme also now includes a site at 1294-1300 Pittwater Road and 2-4 Albert Street, Narrabeen as the second site to which the scheme applies. The Narrabeen site was added to the Contributions Scheme in February 2022.

The Contributions Scheme outlines that should Council undertake negotiations through a proposed planning agreement for the provision of affordable housing, in connection with a development application or proposed development application, the *Minister's Direction Environmental Planning and Assessment (Planning Agreements) Direction 2019* is to be considered. This includes consideration of the Northern Beaches Council Affordable Housing Contributions Scheme. Again, it is important to note that all triggers under the Contributions Scheme relate to development applications, not planning proposals.

Notwithstanding, macroplan has drawn from the feasibility modelling undertaken by Northern Beaches Council (and their consultants, SGS) for the Frenches Forest Precinct and the

Narrabeen Planning Proposal. We have done this to ensure consistency in approach to Council's determination of an appropriate Affordable Housing Contribution (AHC) to be offered as part of a planning agreement for the proposed development (if we don't progress an agreement with a CHP). This of course is in addition to our approach of introducing a more diverse housing typology than is the norm in the Northern Beaches and Mona Vale more particularly.

In developing our response, we have not addressed the demand for affordable housing in the Northern Beaches; instead, we have accepted Council's policy of an underlying shortfall of 8,000 affordable homes in the Northern Beaches which is expected to grow by another 1,880 to 2036. Indeed, we recognise that there is a chronic shortfall of affordable housing in the area and as previously outlined to the panel, we draw the panel's attention to the fact that the Northern Beaches Council is approximately 32% behind (1,082 homes) its first 5-year housing target in the North District Plan.

The following sections have been drawn from Council's (SGS') approach to determining the feasibility of an AHC.

2.1 Feasibility modelling methodology

For the purposes of this report, the feasibility assessment considers the financial viability of the proposed development. A bespoke residual land value model has been developed by macroplan to test the feasibility of the development. The model calculates the residual land value of the development by deducting all the development costs from the sales revenues of all new dwellings in the current market. The development costs include the construction costs plus contingencies, professional fees, typical profit margin for the developer, interest charges and sales transaction costs.

This model aims to determine the threshold for an AHC, i.e. the point beyond which the proportion of affordable housing levies makes the development unviable. Development is usually considered feasible when the residual land value is greater than the current land value.

This approach mirrors the approach previously adopted by Council for Narrabeen.

2.1.1 Key inputs and assumptions

Development form

Assumptions for dwelling mix and dwelling size have been adapted from the proposed development plan and are detailed in Table 2 below.

Table 2 – Proposed Development Mix and Size

Building	GFA
A	1,748m ² 4 x 3 bed, 10 x 2 bed, 6 x 1 bed
B	1,518m ² 2 x 3 bed, 10 x 2 bed, 6 x 1 bed
C, D & E (Townhouses)	417m ² (139m ² each)
TOTAL	3,683m²

Each apartment has the following GFA ranges:

- 1 bedroom - 50-55m²
- 2 bedroom - 75-100m²
- 3 bedroom - 110-125m²
- Townhouse - 139m²

In addition to the above, it should be noted that there are 4 existing houses on the subject site. The total floor area of the existing dwellings is approximately 742m².

In real terms, the proposal creates 37 additional dwellings, and an additional 2,941m² of GFA. Assuming a building efficiency of 85%, the net additional GFA is 2,499.85m².

Land values and acquisition costs

Land value assumptions have been taken from recent land sales in the area. The land value applied for this analysis is \$2,700 per square metre of developable land¹. Based on a site area of 6,120m², this equates to a raw land value of \$16.524m. In addition, legal and administrative /transaction costs would be \$55,000 and stamp duty \$1.092m meaning that land purchase and acquisition costs are estimated to be \$17.671m.

Land development costs

The following land development costs have been considered as part of this analysis:

- Construction costs for proposed development, including construction contingency
- Professional fees
- GST
- External works and services
- Infrastructure contributions
- Affordable Housing contribution

Construction costs

Construction costs have been taken from *Rawlinsons Construction Cost Guide* (Rawlinsons) and Argus EstateMaster. Rawlinsons is widely recognised as an industry standard and reference guide for construction costs across Australia and a variety of built forms. Costs are included at a per square metre rate (\$2,000/m² for basement construction (including earthworks) and \$4,800/m² for unit construction – both ex GST). A construction contingency of 10% of construction costs has also been applied. It should be noted that recent building material cost escalation is occurring at a rate higher than property values, and this has the potential to erode project viability significantly in the short term.

Professional fees and external works and services

These costs assumptions represent a percentage of the construction costs. For the purposes of this assessment, professional fees are assumed to be 10% of construction; and external works and services represent 3% of construction costs.

It should be noted that Council has previously endorsed professional fees at 15% for AHCs, however in this instance given the work done to date as part of the planning proposal, a contribution of 10% is considered appropriate.

¹ <https://www.domain.com.au/suburb-profile/mona-vale-nsw-2103>

Infrastructure contributions

The Northern Beaches Section 7.12 Contributions Plan 2021² applies to the proposed development. Given that the proposed development will cost more than \$200,000 to complete, a levy of 1% of the development will be applicable. A quantity surveyor who is a registered member of the Australian Institute of Quantity Surveyors will certify the construction value at the time of the development application.

In addition to these infrastructure levies, a levy for affordable housing has been considered as part of this submission. The feasibility assessment treats an affordable housing contribution as a development contribution in accordance with the current legislative framework. The AH contribution has been tested for viability in this submission.

Transaction costs

Transaction costs considered as part of this analysis include:

- Sales and marketing expenses
- Finance (Interest) charges

Sales expenses are assumed to represent 2% of the sales revenue for each dwelling whilst marketing is assumed to represent 1.25% of sales revenue. Finance (interest) charges are based on an interest rate of 10% p.a. over a 2-year construction period.

Sales revenue

Table 3 below identifies the current median sales³ (ex GST) recorded for Mona Vale in 2022 and benchmark sales assumptions (ex GST) for the proposed development. The benchmark sales assumptions recognise the location and quality of the proposed development and provide a locational premium above median sales. There are 60 recorded sales for 1–3-bedroom units in Mona Vale in 2022 so the median and benchmark sales assumptions are both realistic and relevant to the current market.

Table 3 – Mona Vale Median Sales and Assumed Benchmarks

House Type	2022 Median Sales – Mona Vale ⁴	Benchmark Sales Assumptions	Benchmark Sales Assumptions above Median Sales
1 bedroom	\$785,000	\$935,000	19.1%
2 bedroom	\$1.325m	\$1.650m	24.5%
3 bedroom	\$1.975m	\$2.300m	16.5%
Townhouse (3b)	\$1.975m	\$2.600m	31.6%

Using the benchmark sales assumptions detailed in Table 3 above, the following assumed sales revenue (Table 4) has been determined:

² https://www.northernbeaches.nsw.gov.au/sites/default/files/NB_s7_12_Contributions_Plan_2021_-_adopted_15_June_in_force_19_June_2021.pdf

³ <https://www.domain.com.au/suburb-profile/mona-vale-nsw-2103>

⁴ <https://www.domain.com.au/suburb-profile/mona-vale-nsw-2103>

Table 4 – Assumed Sales Revenue

Building	GFA	Assumed Sales Revenue
A	1,748m ² 4 x 3 bed, 10 x 2 bed, 6 x 1 bed	\$31.310m
B	1,518m ² 2 x 3 bed, 10 x 2 bed, 6 x 1 bed	\$26.710m
C, D & E (Townhouses)	417m ² (139m ² each)	\$7.800m
TOTAL	3,683m²	\$65.820m

On the basis, the assumed sales revenue can be determined as \$17,871.30/m² of GFA. This is above the contribution determined by Council for Narrabeen (\$15,894/m²) but reflective of the current market in the Mona Vale locality.

2.1.2 How should the Affordable Housing Contribution be calculated?

The additional floor space (NLA) proposed in the development is 2499.85m² assuming a building efficiency of 85%. Based on a 10% allocation for affordable housing, 250m² would be required to be dedicated (without viability test). This area is then 'converted' into potentially three x one-bedroom units (say 50m²) with a nominal value of \$935,000 each and one two-bedroom unit (say 100m²) with a nominal value of \$1.650m giving a total of \$4,455,000.

Dividing \$4,455,000 by 250m² gives a value per square metre rate of \$17,820/m². This value is comparable with the approach adopted by Council for Narrabeen where the AHC was determined by reference to the average value of residential floor space in the development. A contribution for the equivalent of 10% of the additional floor space would be 2,499.85m² x 10% x \$17,871.30 = \$4,467,557. GST is not applicable on government charges.

2.1.3 Feasibility Results

Using the inputs and assumptions, the residual land value of the proposed development (without an affordable housing contribution) has been calculated. As can be seen in Table 5 below, there is minimal capacity to provide an affordable housing contribution and maintain project viability.

It is important to note that this feasibility assessment considers current market conditions. It is likely that market conditions will shift into the future, which in turn will impact the revenue and costs assumptions applied in this analysis.

Table 5 – Feasibility Results – Proposed Development

Affordable Housing Contribution	0.00%
Costs	\$m (ex GST)
Construction and Contingency	
Demolition	0.250
Drainage include stormwater in road reserve & onsite detention	0.650
Basement construction and earthworks (\$2,000/m ²) x 2,000m ²	4.000
Unit construction (\$4,800/m ²) x 3,683m ²	17.678
External works and services (3%)	0.677

Contingency (10%)	2.326
Total Construction and Contingency	25.581
Professional fees (10%)	2.558
Local infrastructure charges (1%)	0.256
Holding costs (2% of CLV)	0.330
Marketing expenses (1.25% of Revenue)	0.905
Finance (10% x 2 years of Construction and contingency)	5.116
TOTAL Costs excluding land	34.746
TOTAL Costs including land and Acquisition costs	52.413
TOTAL Costs including land and Sales costs	53.861
Revenue	\$m (inc GST)
1 bedroom (\$935,000 ex GST x 12)	12.342
2 bedroom (\$1.65m ex GST x 20)	36.300
3 bedroom (\$2.3m ex GST x 6)	15.180
Townhouses (\$2.6m ex GST x 3)	8.580
TOTAL Gross Revenue	72.402
Less Sales GST (10%)	6.582
Less Sales costs (2% of Total Revenue) – ex GST	1.448
TOTAL Net Realisation (ex GST)	64.372
Developer's profit margin (20% of costs) – ex GST	10.483
Residual Land Value (after 20% profit)	17.996
Current Land Value	16.520
Acquisition Costs	1.147
Feasibility Ratio	1.09
RLV minus Current Land Value	1.476

2.1.4 What are the impacts of different affordable housing contribution rates on feasibility?

Table 6 show the impact of applying four different AHC rates using the feasibility assessment detailed in table 5 above.

Table 6 – Feasibility Results – Proposed Development (\$m)

Residual Land Value and AHC	0%	2%	5%	10%	3.48%
Residual land value (after 20% profit) (\$m)	17.996	17.996	17.996	17.996	17.996
AHC as % of additional floor space (%)	0%	2%	5%	10%	3.3%
AHC dollar value (\$m)	0	0.894	2.234	4.468	1.476
Residual land value after AHC (\$m)	17.996	17.102	15.762	13.528	16.520
Existing land value (\$m)	16.520	16.520	16.520	16.520	16.520
'Residual land value after AHC' minus 'Existing Land Value' (\$m)	1.476	0.582	(0.758)	(2.992)	0

2.1.5 Feasibility results

Based on the macroplan's feasibility assessment, a 2%, 5% or 10% AHC would generate residual land values (rounded) of \$17.102m, \$15.762m and \$13.528m respectively. In the case of the 10% contribution rate, this RLV implies that the proponent would receive \$2.992m less for the land than they would by selling the land as it currently exists. A fourth

rate was considered to estimate the 'break-even' point at which the AHC would generate an RLV exactly equal to the existing land value (\$16.52m). This analysis found that a rate of 3.3% was the break-even point.

2.1.6 AH Contribution Summary

- The method to calculate the AHC has been tested against the average value of floor space and conversion of AHCs. The approach is consistent with the approach undertaken by Council and their consultants for Frenchs Forest and Narrabeen.
- The land valuation is consistent with market values for each of the subject sites.
- The construction estimates have been determined using Rawlinsons and Argus EstateMaster and are consistent with benchmarks previously used by Council at Frenchs Forest and Narrabeen.
- Based on this evidence, we conclude that an AHC of not more than 3.3% is unlikely to prevent the development from proceeding based on current market conditions.

3.0 State Environmental Planning Policy (Housing) 2021

The *State Environmental Planning Policy (Housing) 2021* (Housing SEPP) was gazetted on 26 November 2021 and its main purposes is to “give incentives to supply affordable and diverse housing in the right places and for every stage of life”.

It does this by:

- Consolidating the following 5 housing-related SEPPs into a single instrument:
 - *State Environmental Planning Policy (Affordable Rental Housing) 2009* (ARHSEPP)
 - *State Environmental Planning Policy (Housing for Seniors and People with a Disability) 2004* (Seniors SEPP)
 - *State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes)* (SEPP 70) – **Note** – This is of relevance in that Council sought to rely on SEPP70 to impose AHC's on relevant development applications.
 - *State Environmental Planning Policy No 21 - Caravan Parks*
 - *State Environmental Planning Policy No 36 - Manufactured Home Estates*.
- Introducing Co-living housing and Independent living units as two new housing types.
- Improving the way Boarding Houses, Build-to-rent Housing and Seniors Housing are delivered.
- Introducing new planning rules for Caravan parks and Manufactured home estates, Group homes, Retention of affordable rental housing, Secondary dwellings (e.g. granny flats), Social and affordable housing and Short term rental accommodation.

3.1 In-fill Affordable Housing

The Housing SEPP contains provisions to enable the provision of affordable housing within the Sydney, Newcastle and Wollongong regions. The provisions provide an additional floor space ratio for the provision of affordable housing provided that the housing is used for affordable housing for a minimum of 15 years.

This provision does not apply to the subject site as the development is not within 400m walking distance of land within the B1, B2 or B4 zones.

3.2 Boarding Houses and Supportive Accommodation

The Housing SEPP contains provisions for the supply of boarding houses and supportive accommodation. In the case of boarding houses, they need to be used for affordable housing in perpetuity. The SEPP contains certain non-discretionary development standards relevant to a boarding house.

The Housing SEPP also details that boarding houses developed by Land and Housing Corporation (LAHC) can do so with reduced development approval processes. It also provides for the re-use of existing boarding houses and residential flat building for the provision of supportive accommodation without the need for development consent.

The provisions are not relevant to the proposed development or subject site.

3.3 Development by LAHC, public authorities and social housing providers

The Housing SEPP enables the LAHC to undertake residential development works without consent (under Part 5 of the EP&A Act). It also enables a public authority, social housing providers or joint venture with LAHC to develop residential flat buildings (RFB) with consent in certain areas. For example, in Greater Sydney, the residential flat building needs to be within 800m railway station or light rail station.

The provisions are not relevant to the proposed development or subject site.

3.4 Secondary Dwellings

The Housing SEPP makes secondary dwellings (typically granny flats) permissible with consent. It contains certain restrictions with respect to the size of the secondary dwelling and maximum floor area for the site. It also has special provisions applying to secondary dwellings that are complying development and development standards for bush fire prone land or flood control lots.

The provisions are not relevant to the proposed development.

3.5 Co-Living Housing

The Housing SEPP makes co-living housing permissible with consent where residential flat buildings and shop top housing is permissible in the relevant LEP. Co-living housing is housing that has at least 6 private rooms, some or all of which may have private kitchen and bathroom facilities, provides occupants with a principal place of residence for at least 3 months, and has shared facilities. Co-living housing can also be used for off-campus housing. It contains a number of non-discretionary development standards that need to be complied with (e.g. size of communal living areas based on number of private rooms).

The provisions are not relevant to the proposed development.

3.6 Group Homes

The Housing SEPP makes group homes permissible with consent, except for public authorities who can build group home with up to 10 bedrooms without consent (i.e. Part 5). It also makes group homes complying development if it has up to 10 bedrooms and if it meets certain prescribes requirements and standards.

The provisions are not relevant to the proposed development.

3.7 Housing for Seniors and People with a Disability

Housing for Seniors and People with a Disability is permitted within the R2 - Low Density Residential (existing) and R3 – Medium Density Residential (proposed) zones of the PLEP 2014.

The following main general development standards apply:

- a. the site area of the development is at least 1,000m², and
- b. the frontage of the site area of the development is at least 20m, and
- c. for development on land in a residential zone where residential flat buildings are not permitted, the development will not be greater than 9.5m in height.

There are additional provisions for buildings above 2 storeys and a reduction in development standards for development undertaken by the LAHC or a CHP.

For Seniors Housing, there are some additional floor space ratio bonuses if the development is located on land where residential flat building or shop top housing is permitted by the LEP.

In the case of the proposed development, Seniors Housing and residential flat buildings are permitted with consent in the R3 – Medium Density Residential zone of the PLEP 2014. Both uses are prohibited in the R2 – Low Density Residential zone of the PLEP 2014.

The additional floor space ratios range from an additional 15%-25% and increase in height of not more than 3.8m above the maximum permissible building height.

In the case of the PLEP 2014, there are no FSR's relating to the subject site. There is a maximum height of 8.5m which could be increased by 3.8m to 12.3m under the Housing SEPP. It should be noted however that any increase in height (if seniors housing or housing for people with a disability is proposed) would be subject to development consent.

3.8 Build-to-rent Housing (BTR Housing)

BTR Housing is considered multi dwelling housing, RFB or shop top housing in the R3 – Medium Density Residential Zone of the PLEP 2014. The development needs to result in at least 50 dwellings occupied, or intended to be occupied, by individuals under residential tenancy agreements and must be maintained for a period of at least 15 years. The major differences between using the BTR Housing provisions in the Housing SEPP and the PLEP 2014 are on-site car parking requirements. The BTR Housing requirements only require 0.5 parking spaces for each dwelling compared with the Pittwater 21 DCP requirements which require between 1-2 spaces per unit plus visitor spaces of 1 per 3 dwellings and a wash bay.

The proposal is not for a BTR Housing and Pittwater 21 DCP complying car parking is proposed.

3.9 Manufactured Home Estates

Manufactured Home Estates are permissible on land within the Central Coast LGA and all areas outside the Sydney Region.

The provisions are not relevant to the proposed development or subject site.

3.10 Caravan Parks

Caravan Parks are permissible throughout the State except for certain prescribed land (e.g. Western Sydney Parklands area).

The provisions are not relevant to the proposed development.

3.11 Housing SEPP Summary

Whilst consolidating 5 previous SEPPs, the Housing SEPP is only relevant if housing for seniors and people with a disability is proposed and only if the land is included in the R3 – Medium Density Residential zone. Given that the proposed development will need a development application irrespective of whether the proposal progresses as proposed or for housing for seniors and people with a disability, there is no discernible benefit in progressing development on the subject site via the Housing SEPP.

4.0 Conclusion

This submission has carefully considered the request from the Panel for the provision of affordable housing for the site, as defined by Council's Affordable Housing Policy and *State Environmental Planning Policy (Housing) 2021*.

The Housing SEPP released in late 2021 provides no advantage or opportunity for additional development without the consent of Council and is therefore excluded from further consideration.

The submission also details that whilst there is no current statutory basis for the provision of an affordable housing contribution at the planning proposal stage, the proponent will provide a letter of offer to enter into a planning agreement under s7.4 of the EP&A Act provided that gateway approval is granted for the planning proposal. In this regard, the applicant accepts a condition to this effect as part of a gateway approval.

If agreed, the terms of any planning agreement will need to recognise that the applicant may enter into arrangements with a CHP or make a financial contribution to Council, provided that the dedication and/or contribution meet the viability requirements of the development.

In this regard, macroplan has found that a 10% AH contribution would render the development unviable. However, based on current market conditions and the details and assumptions outlined in this report, macroplan has found that a contribution of 3.3% (\$1.476m) ensures that the development is at break-even. Whilst less than 10%, this is still a significant contribution to Council (in addition to) providing a diverse housing product that will contribute to more affordable housing in Mona Vale.

With almost 80% of the development having 1 or 2 bedrooms and an AH contribution of \$1.476m being proposed (or a commensurate arrangement with a CHP), the overall affordable housing package proposed as part of this development is significant.

We look forward to the panel confirming that gateway has been approved so we can progress with rezoning and subsequent development of this very logical planning proposal. Should you have any further questions or comments, we would be happy to have further discussions with the panel.

Yours faithfully



Brendan Nelson RPIA (Fellow)

General Manager, Planning

Attachment A – Planning Agreement – Letter of Offer

Mr Ray Browlee PSM
Chief Executive Officer
Northern Beaches Council
PO Box 82
MANLY NSW 1655

Attention: Ms Louise Kerr, Director, Planning & Place

30 May 2022

Dear Sir/Madam

**RE: Letter of Offer – Planning Agreement
s7.4 of *Environmental Planning and Assessment Act 1979*
Planning Proposal – RR-2021-104 – 159-167 Darley Street West, Mona Vale**

I'm writing in relation to the Planning Proposal for 159-167 Darley Street West, Mona Vale (subject land) which seeks to rezone the subject land from the R2 – Low Density Residential zone to R3 – Medium Density Residential zone. I also refer to advice from the Northern Sydney Planning Panel regarding the gateway determination for the subject site and to the request from the panel for the applicant to progress a planning agreement addressing affordable housing requirements on the subject site.

This letter of offer is provided to Council in accordance with Council's Voluntary Planning Agreements Policy and Guideline adopted by Council on 12 December 2019. This letter of offer is also made having regard to the *Environmental Planning and Assessment (Planning Agreements) Direction 2019* made by the Hon. Anthony Roberts MP, Minister for Planning on 28 February 2019 and the Practice Note on Planning Agreements issued by the Department of Planning and Environment in February 2021.

This letter of offer recognises that an affordable housing contribution can only be required by Council as part of a development application and not as part of a planning proposal. The agreement is being entered into in advance of a development application being lodged and only commences when the subject land is included in the R3 – Medium Density Residential zone and as a condition of a subsequent development approval.

Proposed Offer

1. The developer undertakes to provide an Affordable Housing contribution (AHC) to Council as part of a development approval on the subject site for a residential flat building and multi dwelling development.
2. The parties agree that the contribution is to be determined in accordance with Council's AH Policy, noting that the development must remain viable.
3. The developer advises that based on the current proposal (12 x 1 bedroom apartments, 20 x 2 bedroom apartments, 6 x 3 bedroom apartments and 3 x 3 bedroom townhouses) and market conditions, an AHC equivalent to \$1,476,000 (3.3%) of the development is break-even for the subject site (detailed feasibility attached).

4. The Council agrees to amend the Northern Beaches Affordable Housing Contribution Scheme to include 159-167 Darley Street West, Mona Vale as a site to which the scheme applies.
5. The agreement is to be entered into prior to finalisation of the rezoning application with payment made in accordance with a subsequent development approval(s).
6. If the developer negotiates an equivalent partnership with a registered Community Housing Provider, the contribution amounts outlined above can be offset. The partnership will need to provide affordable rental housing on the subject site for a period of at least 15 years, consistent with the Housing SEPP.
7. The parties agree that the AHC or partnership can be phased proportionate with development on the site (staging), noting that the agreed amount will be indexed at the time payment is made in accordance with the Northern Beaches Affordable Housing Contribution Scheme.

A detailed submission addressing the full policy requirements (including valuations and cost estimates from accredited professionals) will be submitted to Council as part of negotiations on the planning agreement.

We look forward to progressing discussions with Council on this matter.

Yours faithfully

Intrec Management Pty Ltd

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