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## **Response to the proposed new Housing Diversity SEPP**

Sydney Business Chamber is a leading advocate for Sydney as a competitive and global city. A division of Business NSW, formerly NSW Business Chamber, Sydney Business Chamber represents over 145 leading corporations. We identify, develop, and promote public policy to drive the economic growth and sustainability of our great City. Housing diversity and affordability is critical to the economic sustainability and prosperity of Sydney and this can only be achieved where there are suitable measures that facilitate supply in the right locations and at the right time, enabling housing choice.

In that light Sydney Business Chamber values, the opportunity to comment on the draft Housing Diversity SEPP and supports the Government's efforts to streamline and simplify the current planning regulations controlling new housing developments in NSW. The Chamber is supportive of recent efforts to remove unnecessary 'red tape' as a way of stimulating the NSW economy and we endorse the Government's approach to do likewise with this SEPP.

The consolidation of regulations covering all parts of the housing system into a single policy document is supported. This should ensure a more consistent approach from Government and make it easier for industry to navigate. Also supported is the recognition of new and emerging housing formats, in particular Student Accommodation, Co-living and Build-to-Rent (BTR). These new housing typologies have the potential to provide our citizens with more affordable housing choices and in formats better suited to their needs. Importantly, the facilitation and encouragement of housing choice by the planning system, will generate much needed economic and employment growth over coming years.

The proposed reforms outlined in the SEPP go some way to support the delivery of housing diversity and affordability, however there are some sections of the Explanation of Intended Effect (EIE), which should be amended and some other sections which should be reconsidered prior to the Policy being adopted.

In outlining the areas for change we have adopted the format of the EIE and deal with each in course.

### **Build-to-Rent (BTR)**

The desire of Government to encourage this form of housing development is strongly supported. The current way we provide new housing in NSW is increasingly inadequate for providing the sort of accommodation our citizens need and with the type of tenure that suits them best. Not everyone can afford, or wants, to be a homeowner, so the provision of alternative housing on the rental market is warranted.

However, the current means of providing rental accommodation is particularly poor in Australia, especially when compared to other international jurisdictions where there is more mature and professionalised industry. In NSW rental accommodation is essentially provided by individuals forming a 'cottage industry' that often produces expensive and unaffordable accommodation, delivered in a punitive manner where the interests of tenants are largely of secondary concern.

With approximately half of Sydney's population now reliant on the rental market for shelter, this situation is unacceptable. BTR has the potential to remedy this. With careful design and incentives, this form of development will

attract strong institutional investment and should significantly increase the supply and diversity of housing. Importantly it will also provide a more secure form of tenure and a higher quality and better maintained housing asset class.

Further, we support making this form of housing tenure in land zoned for commercial core and town centre and we support making this tenure unrestricted and for market rent. While the Chamber has always believed that our city's main town centres should be predominantly reserved as places for commercial exchange and economic activity, BTR, being relatively temporary, has the potential to revitalise out centres while still leaving long term capacity for economic growth and agglomeration. It is however critical to allow the market to set the rent for BTR as this is the only way of ensuring this housing typology is economically viable and attracts the level of interest from the private sector it deserves.

The development of a sustainable and quality BTR market needs to balance scale with flexibility. We believe the draft regulations outlined in the EIE therefore need to be refined and amended to improve the operation of the SEPP. In particular, the suggestion that this form of housing is limited to development with more than fifty units should be reconsidered. While we support the need for scale to ensure that these properties can be professionally managed and operated, there is scope for significantly smaller developments to be included in the scheme. Adopting a minimum threshold of twenty units would enable growth of this housing form in more places and ensure more granular urban infill development. In many places, smaller BTR development is better placed to provide good urban design outcomes while also supporting greater social diversity. Furthermore, we believe companies that specialise in owning and managing BTR should be allowed to build BTR on an even smaller scale, if they already have the resources and scale to manage them professionally.

We also question the need for 'onsite' management for BTR properties. While this is not clearly defined in the EIE, we presume this refers to having an onsite manager who lives in a caretaker dwelling. Experience from our members who currently manage properties that if built today, would be classified as BTR, is that having a physical and permanent presence onsite is neither necessary nor affordable. The guiding principle should be to ensure that the properties are managed in the interests of the tenants, have a robust maintenance regime, and that tenants have access to timely and responsive management should issues arise. This is best achieved through requiring providers to have clear and public management and maintenance plans and by allowing meaningful input from tenants into how a building operates and is curated. The need for onsite management should be reconsidered or at least restricted to larger development over 100 units.

In terms of parking, we support the position that these types of developments should have a lower requirement for parking, however there should be more flexibility for developments which occur in the **B2, B3 and B8 zones** in the Sydney Metropolitan area. These zones only apply to areas which are well serviced by mass transport. In many instances the provision of less than 0.5 parking space per dwelling should be permitted.

Flexibility should also be introduced at a local level to allow those local Councils that seek to encourage BTR to make it permissible in other zoning. Many LEP's do allow some form of residential development, such as serviced apartments, hotels, and co-living, in the **B5 and B6 zones** and in many circumstances these zones could also accommodate BTR.

We support in principle that these developments should be governed by the design guides set out in SEPP 65, but these should be further refined through future guidelines from the Department to ensure they are both relevant and not too restrictive. We do not support the suggestion the Council should be allowed to determine specific height and FSR limits for BTR developments, but rather these are determined in accordance with what the existing LEP allows. It is critical that the long-standing principle that a house is a house, regardless of its tenure or ownership, should apply so that the use as outlined in the LEP, stands regardless of tenure or ownership type. If given the opportunity, many Councils will use their LEP's to unnecessarily restrict BTR in the future.

Finally, there should be some flexibility on the length of tenure for rental agreements. Many renters will be reluctant to commit to a three-year contract and such long tenures often do not reflect what many people either want or need. While we understand the aim of the new policy is to provide greater certainty for renters, a three-year minimum will not work for many people and this may affect viability. We believe the intent of SEPP is best served by prohibiting rental agreements of less than one year.

## Student Housing and Co-living

The Chamber supports the inclusion of definitions for new format housing typologies in the SEPP. In relation to Student Housing, the draft development standards suggested in the SEPP reflect existing best practice. However, there is scope to allow greater FSR beyond what is usually permitted within the Local Environment Plan. Because of the nature of Student Housing, which generates little traffic or other environmental impacts, there is scope for great density in many circumstances, particularly in outer metropolitan and regional areas. There should be capacity for those Councils that want to encourage student housing in their areas to make provision in the LEP for FSR bonuses.

In relation to Co-living, we support the draft development standards outlined in the SEPP.

However, we do think there should be some scope to reduce the parking requirements for Co-living developments in close proximity to major transport nodes, especially in the Eastern City. We are also concerned that there may be some overlap in the needs for a minimum amount of **Communal Living Space** and **Communal Open Space** and this should be clarified by the Department before the SEPP is adopted.

### Proposed changes to the Boarding house provisions in the ARHSEPP:

The Chamber supports the changes outlined in the EIE in relation to Boarding Houses. This form of housing has been a point of strong community concern for some time and far out of proportion to the sector's contribution to overall housing supply. Facilitating BTR and Co living housing formats are better policy mechanisms for supplying flexible, for market rent, residential accommodation. We support the retention and encouragement of boarding house development only for non-market or sub-market rentals.

We do however believe that further information is needed before it is adopted. In particular, how are existing boarding houses to be treated as they come up for renewal or renovation? Without some form of grandfathering or preserving of existing use rights, many existing 'for profit' boarding houses could be lost as they will become unviable if they are required to comply with the new development standards.

### Conclusion:

Notwithstanding some of the minor amendments suggested above, the Chamber supports the implementation of the new Housing SEPP. The establishment of a pathway for investment in and development of Build-to-Rent housing is critical as NSW emerges from the current health and economic crisis. Housing construction offers the potential to generate significant new employment growth while also providing much needed accommodation for our citizens. Importantly, these new housing formats will lead to the creation of a new asset class which will attract much needed investment from superannuation funds and institutional investors.

Should you have any questions about this submission or would like to discuss in more detail, please feel free to contact me at [katherine.oregan@thechamber.com.au](mailto:katherine.oregan@thechamber.com.au)

Yours sincerely



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