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5 February 2018

Ms Catherine Van Lauren
Director, Sydney Region West
NSW Department of Planning and Environment
10 Valentine Avenue
PARRAMATTA NSW 2150

Attention: Christine Gough, Specialist Planning Officer

Dear Catherine,

Gateway Determination Review (PP_2017_COPAR_012_00)
55 Aird Street, Parramatta

I write to you in relation to a Planning Proposal to amend the height of building and floor space ratio controls under the Parramatta Local Environmental Plan (LEP) 2011 for land at 55 Aird Street, Parramatta.

The Planning Proposal was issued a Gateway determination under Section 56(2) of the Environmental Planning and Assessment Act (The Act) on 28 November 2017. The Gateway determined that the matter should proceed subject to conditions. In accordance with the Department of Planning and Environment's *A Guide to Preparing Local Environmental Plans (August 2016)* a Gateway determination review is sought because the Gateway determination *"imposes requirements (other than consultation requirements) or makes variations to the proposal that the proponent or council thinks should be reconsidered"*.

Introduction

The Department of Planning and Environment as delegate of the Greater Sydney Commission issued a Gateway determination on 28 November 2017.

The Gateway included a number of conditions that significantly impact the proposed urban outcome for the site and its ability to develop. While it is clear it is the Gateway's intent that the conditions force the site to amalgamate, considerable effort has been undertaken to achieve a larger site. However, the land economics do not support this outcome at this time. Therefore, the conditions imposed are a restrictive approach to planning to apply a disincentive to the market to redevelop, rather than taking an opportunistic approach to redevelopment and consider the merits of the design outcome proposed. The Gateway in allowing a proposal to proceed at a much lesser density has in fact supported the design concept for the site, yet the Gateway has penalised the land owner for having a constrained site and the

inability to amalgamate with adjoining land owners who occupy successful businesses and are not incentivised by amalgamation.

Further, the justification for the restrictive controls are not evident in the Gateway given the extensive urban design analysis, ADG compliance, apartment layout and building separation etc that has gone into the urban design analysis undertaken to inform the proposed controls. The Department's Planning Team Report even suggests that the density should be restricted and not *"lose the opportunity for site amalgamations to occur which would improve this outcome"*. The Planning Team Report also goes on to say that *"without site amalgamation, the subject site is unable to achieve a floorplate that would be consistent with this draft Policy"*. The Council has made its Policy position on this matter clear through its resolution.

Notwithstanding, the floorplate has been endorsed by the Gateway under an maximum potential FSR of 6.9:1 and a corresponding height. In fact, the Council report states that a 25 storey height is an acceptable urban design outcome, however anything greater is not acceptable due to blank walls, for example. However, the Gateway advises that there is justification to enable a higher FSR to apply if the site were amalgamated, yet the urban design work has demonstrated that all sites can redevelop, that building separation complies with the ADG and allows for a dominate tower to develop on the prominent corner of Church and Aird Streets. Therefore, there clearly appears to be an inconsistent and contradictory approach to minimise the density on the site using a restrictive Policy.

It is therefore requested that the Minister, Greater Sydney Commission or delegate review and alter the conditions of the Gateway determination to allow the sensible redevelopment of the site at this time which will also allow the remainder of the block to redevelop in its own time as land economics provide. In doing so, it is requested that the following conditions be altered:

- Condition 1(c) applies the sliding scale provisions of the existing Clause 7.2 of the Parramatta LEP 2011 to the subject site. As the site is less than 1000sq.m, future redevelopment will be unable to accommodate floorspace greater than 6:1, noting a design excellence process will allow for a final FSR of 6.9:1. An additional 340sqm would achieve a numerical standard for additional FSR but there is no evidence to suggest a different design outcome. Therefore, from an urban design outcome, there appears to be little evidence to support the application of the restrictive policy to the subject site when the Planning Proposal and urban design analysis has demonstrated an appropriate development solution for the site.
- It is recommended that the Gateway either include the draft Clause 7.2 under the draft CBD Planning Proposal or include the exempt provisions or "FSR out clause" under the draft Clause 7.2 of the draft CBD Planning Proposal to the subject site. This will ensure any additional FSR will have to be interrogated through the requirements identified by the Clause and ensure a high standard outcome. It was clearly not the Council's intent to apply the current Clause under the LEP 2011.
- Condition 1(d) and Condition 1(e) remove the incentive and bonus provisions related to commercial floorspace and high performing buildings. This ensures that the development outcome cannot achieve an FSR greater than 6.9:1. Having established the restrictive policy to minimise FSR on the site with little justification beyond forcing amalgamation, the removal of bonus provisions for better outcomes also seems ill informed.
- While the High Performing Building Bonus applies to mixed use developments containing 2,000sq.m commercial, the Planning Proposal originally provided a considerable amount of commercial floorspace in the centre of Parramatta. The Planning Team Report notes that *"this*

site will not achieve the desired outcome of large commercial floorplates unless it is amalgamated with the adjoining properties along Church Street to create a site area greater than 1,800sqm". As previously stated, land economics does not support the amalgamation of fragmented land at this stage, and the Planning Proposal has demonstrated how significant commercial floorspace can be provided on a smaller floorplate. Yet, the Gateway enforces a minimum FSR of 1:1 commercial floorspace but prohibits any additional under the commercial floorspace incentives. The only impact greater commercial floorspace has is to create a taller building, to which the urban design report talks. It is unclear why a taller building that provides additional commercial floorspace and is required to undergo a design excellence process would not be supported. The urban design report already presents a quality outcome, and the development outcome would be required to go through a further design competition process to ensure the outcome is acceptable. To therefore support a building somewhere between 11 and 25 storeys as acceptable yet anything taller is not acceptable is contradictory and clearly simply a restrictive policy.

Subject Site

The land to which the Planning Proposal applies is located at 55 Aird Street, Parramatta (see Figure 1 below). The site is known legally as Lot 4 DP 310151 and has a site area of 660sqm. The site currently contains a 2 storey commercial premises with a vehicular right of way along the eastern boundary. It has a 14 metre frontage to Aird Street and a length of 47 metres.

The site adjoins Westfield Shopping Centre to the west and south. Immediately abutting the site is the Westfield loading dock. To the east the site adjoins the rear of retail tenancies that front Church Street. This land is heavily fragmented containing numerous lots of varying dimensions.



Figure 1: Subject site

Following extensive attempts to amalgamate with the adjoining lots on Church Street, an urban design analysis was undertaken to consider the capacity of the site to redevelop and the ability for the remainder of the block to develop when the land economics support and allow for the adjoining sites to amalgamate. The urban design response for the subject site was therefore heavily informed by the potential building footprints for this land.

Aleksandar Design Group undertook an Urban Design Analysis that informed the controls proposed under the Planning Proposal.

Planning Proposal

Current Controls

The following controls currently apply to the subject site:

- Zoned B4 Mixed Use;
- A maximum FSR of 4.2:1; and
- A maximum building height of 36 metres. Nearby land to the east of Church Street allows for a maximum building height of up to 126 metres.

Lodged Planning Proposal

The Planning Proposal was lodged on 24 August 2015 seeking:

To increase the FSR from 4.2:1 to 20:1 and height from 36 metres (11 storeys) to 120 metres (38 storeys).

A revised planning proposal was lodged in March 2016 seeking an FSR of 15:1 (17.25:1 plus design excellence) and height of 120 metres.

Determined - 9 May 2016 and clarified on 13 June 2017

On 9 May 2016 Council resolved for the Planning Proposal to proceed as follows:

- To permit a maximum FSR of 10:1, with additional FSR achievable through design excellence (15% additional FSR) and high performance building provisions (0.5:1).
- Require 1:1 commercial FSR (included in base 10:1) with any commercial FSR above 1:1 excluded from the FSR calculation (allowing an additional 3:1 FSR).
- Apply no height limit but apply Clause 7.6 Airspace Operations to this site to require consideration of Federal Government airspace provisions.

On 13 June 2017, Council clarified its position on the subject Planning Proposal. The resolution is included below:

- (a) *That for the avoidance of doubt, and following consultation with the mover and seconder of the motion of 9 May 2016 (being Councillors J P Abood and P Esber), this Council confirms that in adopting the resolution made on 9 May 2016, its intent was to:*
- *Permit a base floor space ration of 10:1, with access to additional FSR through demonstrating compliance with the design excellence (15% additional FSR) and high performance building provisions (0.5:1);*

- *Require 1:1 commercial floor space (included in the base 10:1), with any commercial floor space above 1:1 excluded from the FSR calculation (allowing an additional 3:1 FSR);*
- *Apply no height limit but apply Clause 7.6 Airspace Operations to this site to require consideration of Federal Government airspace provisions.*
- (b) *That a revised reference design and Site Specific DCP reflecting a) above be prepared by the applicant and submitted to Council.*
- (c) *That the planning proposal as amended and revised reference design be forwarded to the Department of Planning and Environment for Gateway determination.*
- (d) *That Council advise the NSW Department of Planning and Environment that the CEO will be exercising the plan-making delegations for this planning proposal as authorised by Council on 26 November 2012.*
- (e) *That Council invite the applicant to submit a Voluntary Planning Agreement (VPA) consistent with the CBD Planning Proposal and Value Sharing Policy.*
- (f) *That the outcome of the VPA negotiations and the Draft DCP be reported to Council prior to exhibition of the draft VPA, draft DCP with both to be exhibited with the planning proposal.*
- (g) *Further, that Council authorise the CEO to correct any minor policy inconsistencies and any anomalies of an administrative nature relating to the Planning Proposal, Draft DCP and VPA documentation that may arise during the plan amendment process.*

Gateway Determination

A Gateway determination was issued on 28 November 2017. Condition 1 is included below as it relates to this submission:

1. *Prior to community consultation, Council is to update the planning proposal to:*
 - a. *Include a maximum Height of Building control and remove clause 7.6 (Airspace Operations);*
 - b. *Amend the Floor Space Ratio map to provide a maximum FSR of 10:1;*
 - c. *Ensure the sliding scale provisions of Clause 7.2 of the Parramatta LEP apply to the subject site;*
 - d. *Require a minimum commercial floorspace FSR of 1:1 (included as part of the 10:1 FSR) but remove reference to commercial floorspace incentives over the FSR of 1:1;*
 - e. *Remove the reference to High Performance Building Incentives;*
 - f. *Revise the Urban Design Report to reflect 1(a) – 1(e) above and the reduced car parking rates in accordance with Council’s endorsed Strategic Transport Study for the Parramatta CBD (Council resolution on 10 April 2017).*

Council is to submit the updated planning proposal to the Department for endorsement prior to community consultation.

The Planning Proposal will facilitate a 41 storey tower with 7 storeys above ground parking within the podium, 7 storeys of commercial floorspace and 26 storeys of residential. The floorspace equates to a FSR of 11:1 for residential and 4:1 of commercial land uses.

The floorplate, elevation and photomontage are included in the figures below and Table 1 below illustrates the background to how the controls have evolved since lodgement to Gateway.

	EXISTING	LODGED	REVISED LODGEMENT	DETERMINED	CBD PLANNING STRATEGY	GATEWAY
FSR	4.2:1	20:1	15:1 Plus 15% design exc	10:1 Plus: <ul style="list-style-type: none"> 15% design exc 0.5:1 High perf building Commercial FSR: 1:1 included in base; and up to 3:1 commercial FSR bonus 	10:1 (6:1 when applying sliding scale) Plus: <ul style="list-style-type: none"> 15% design exc 0.5:1 High perf building 	10:1 (6:1 when applying sliding scale) Plus 15% design exc
HEIGHT	36 metres	120 metres	120 metres	NIL	36 metres	Apply a Height
TOTAL FSR	4.2:1	20:1	17:1	15.5:1	7.5:1	6.9:1

Table 1: Background to controls

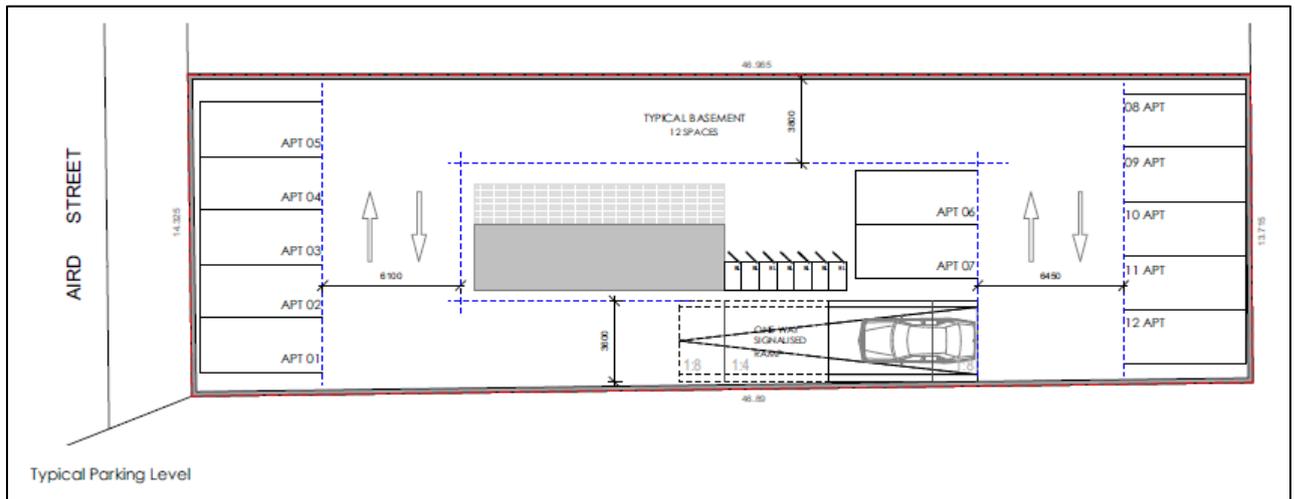


Figure 2: Typical Parking Level

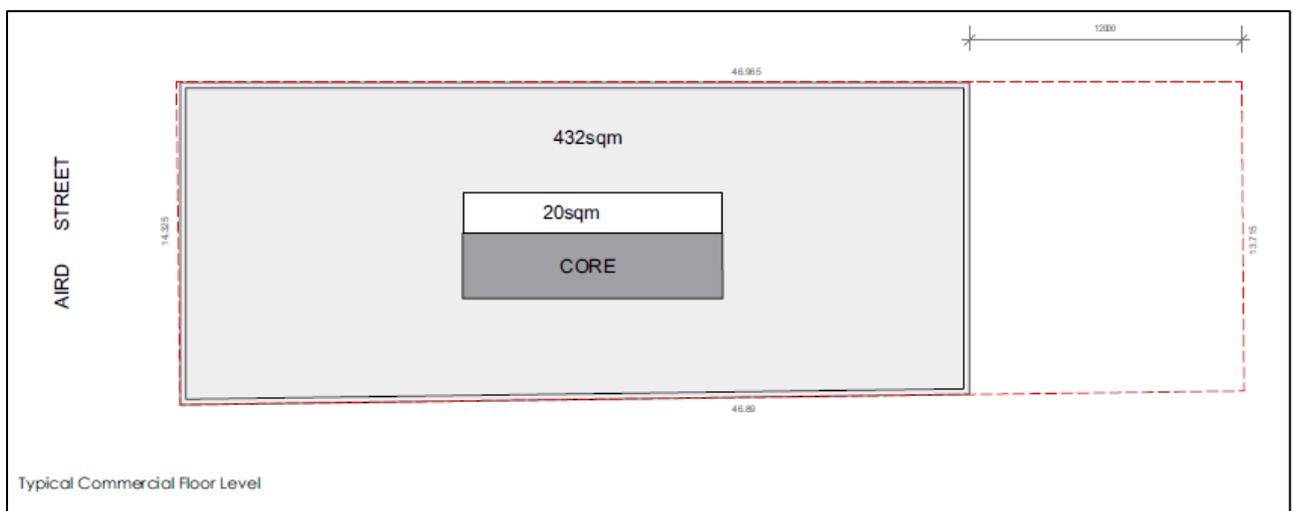


Figure 3: Typical Commercial Level

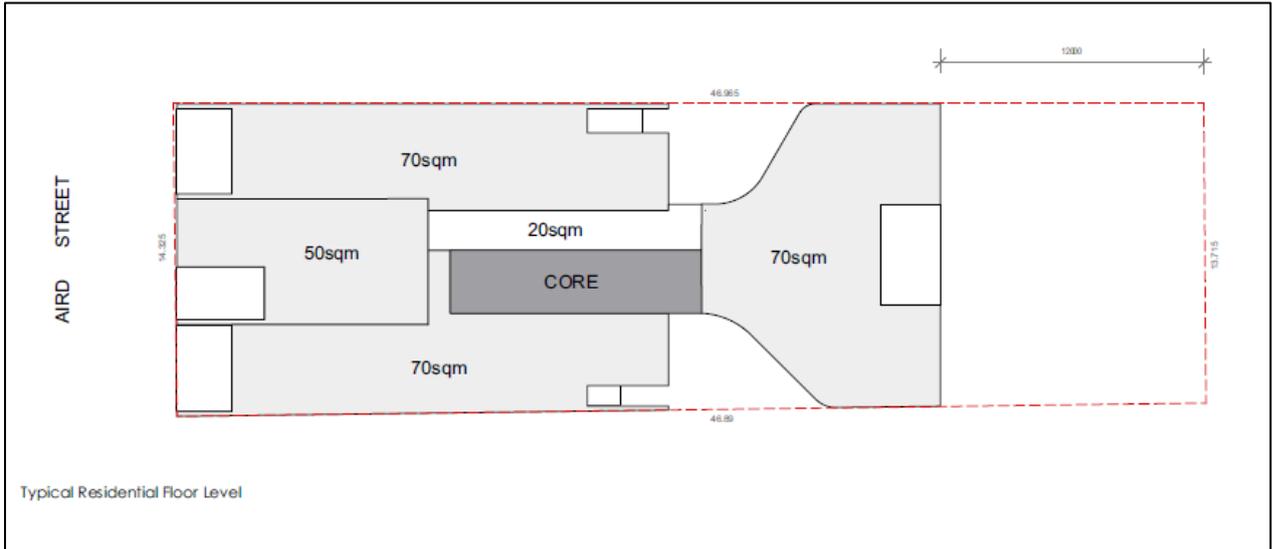


Figure 4: Typical Residential Level

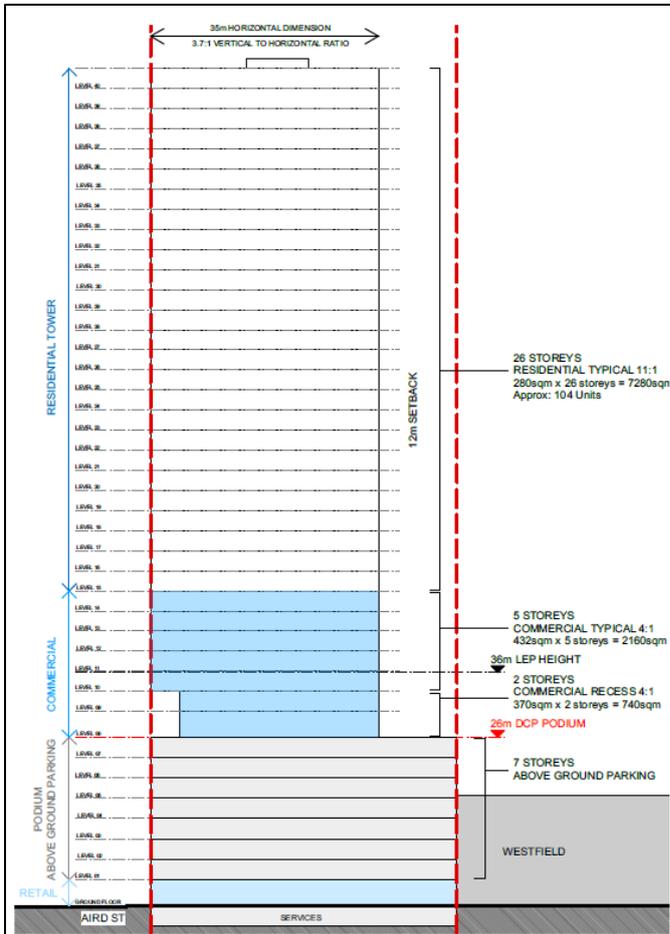


Figure 5: Proposed Form



Figure 6: Photomontage

Gateway Review Request

The Gateway determination in supporting the progression of the Planning Proposal has conditioned the Planning Proposal to restrict the site potential maximum FSR to 6.9:1, based on its ability or lack thereof to amalgamate with adjoining properties. The rationale is that an additional 340sqm would allow extra floorspace because it achieves a numerical standard (i.e. 1000sq.m) under the sliding scale provisions of the Parramatta LEP 2011. The draft CBD Planning Proposal sliding scale provisions however, allows flexibility for isolated sites where amalgamation has been unable to occur.

The reality is in the case of the subject Planning Proposal, land economics have been unable to support an amalgamation and the creation of a larger site area. Yet, the conditions of the Gateway have ensured that no flexibility in the planning system will allow a merit-based process, where further study and assessment could occur if necessary. The landowner has been penalised for adjoining fragmented land, occupied by successful businesses.

The extensive urban analysis and detailed design work has been undertaken to address many of the Policy issues associated with the intent of the sliding scale provisions and floorspace incentives. The outcome, when combined with design excellence provisions, is a building that responds to its context (being the broader block) and of architectural significance. It is not unusual for a building to have a small floorplate, and where it does, unique design responses are required as is the case here.

Economic Impact

This submission is accompanied by an Economic Viability Statement prepared by PPM Consulting. While the economic advice does not include viability modelling, it is suggested that this should be a logical exercise during the Part 3 process to understand the ability of the site to redevelop and the impact of forcing (not encouraging) amalgamation.

The advice, however, does make the following observations:

- At best, at an FSR of 6.9:1, economies of scale are lost, so in order to make redevelopment viable, the proponent would need to build smaller, lower quality apartments in a lower quality and less appealingly designed building.
- small sites do not automatically suggest a market failure, particularly if it can be demonstrated that development is viable on these sites just as much as it is on larger sites.
- While Council's hope is that FSR controls will encourage site amalgamations, it is possible that it will have the opposite outcome, and even a perverse one. By allowing high quality, sympathetic, redevelopment of small sites, Council is likely to encourage development on adjoining sites.
- It is possible that the owners of the adjoining sites may never want to sell, thus leaving the site small and unamalgamated. A decision not to sell may be a rational response on the neighbours' part. However, this creates a perverse outcome in the housing market.
- The Planning Proposal could potentially support an additional 100 apartments in a prime part of the CBD. This is not an insignificant amount of new supply that will be lost if the development does not go ahead. In the current climate of limited housing supply and high population growth creating an affordability crisis, it would be negligent to hold out for the site to be amalgamated, when there is a viable proposal to create new housing.

- There is also no guarantee that, by simply waiting, the adjoining sites will eventually acquiesce. Therefore, the site, and its neighbours, may end up deteriorating further into the future.

Integration with the broader block

As previously mentioned, it is clear that the Gateway is seeking to force the site to amalgamate through a restrictive approach that actually acts as a disincentive to the market. The argument that it will provide a better outcome is a matter of opinion, although there are less constraints in the urban design process where larger sites are available.

Given the inability of the site to amalgamate, it was important to understand how the site could develop in the context of the future redevelopment of the fragmented land fronting church street.

The Urban Design Report included a building envelope study that explored the potential development outcomes that result from the development of 55 Aird Street on adjoining sites. As part of the study an analysis of the ideal building heights for each of the potential development sites was completed. The study also tested the impacts of different upper level setbacks to Church Street in order to determine which would produce the best urban design outcome and development potential.

The heights of adjoining sites were designed to strengthen the Church Street and Aird Street corner with an urban marker. This also created equitable development potential across all sites and created an attractive and distinctive city skyline defined by tall slender towers.

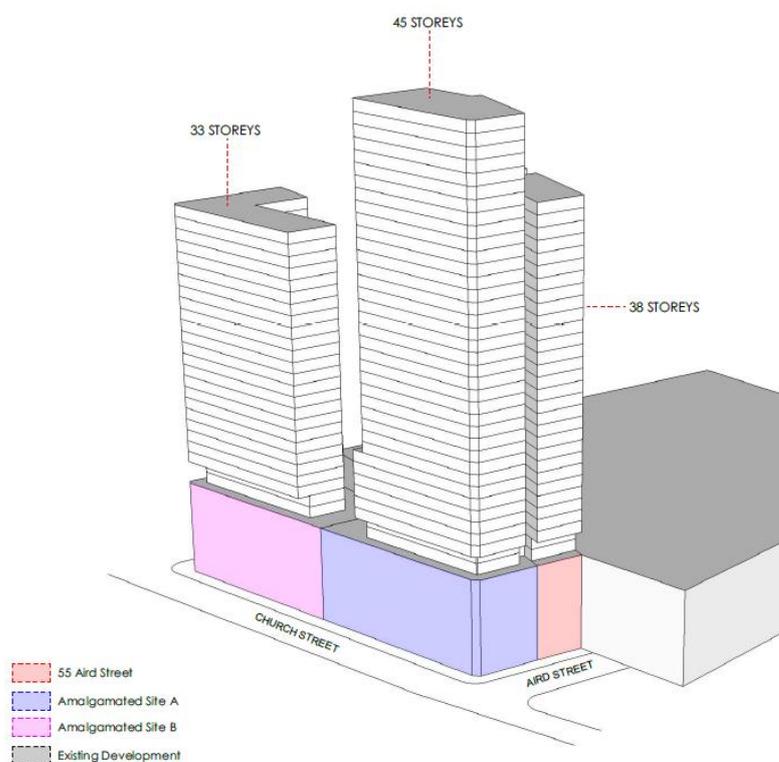


Figure 7: Building envelope study across the block

The building envelop study achieved the following outcomes and compliance with design requirements as follows:

- Building envelopes maximise outlook and privacy with the majority of apartments facing the street.
- Majority of living areas orientated north and north-east.
- Where apartments face another building, privacy has been achieved through ensuring that habitable areas don't directly overlook each other unless ADG separation has been achieved.
- Building separations have been designed with reference to the ADG, with a 12 metres average building separation for non-habitable to non-habitable, 12 metres-18 metre ADG building separation for habitable to non-habitable, and 12 metres ADG separation between future habitable and non-habitable and existing 8 storey development.
- The building envelopes achieve solar access to the majority of units.

While an amalgamated site makes development proposals easier to assess, the block has been unable to amalgamate and there appears to be little incentive to achieve this under the proposed controls. The extensive work that has gone into envelope testing has demonstrated that a small site in this location and context has the ability to achieve greater density than allowed by the Gateway conditions and still achieve a good planning outcome.

For example, it is suggested that a height of 25 storeys associated with an FSR of 6.9:1 is acceptable however anything greater will not be acceptable. The basis for such an assessment is not founded on the evidence and analysis undertaken in the envelope study. The impact of a taller building associated with a greater density will be no more significant than that of a shorter building associated with the Gateway conditions. The certainty of a design excellence process also ensures that any development will have to meet a number of requirements to provide an acceptable design outcome, including the treatment of facades, natural light, ventilation and ADG compliance.

To therefore prevent further assessment of design issues associated with the proposed form in the applicant's submission and endorsed by Council is not in the spirit of the Part 3 process or the planning system. The Gateway conditions are supporting a restrictive policy that will not end with an outcome.

Sliding Scale

In April 2016 the Council endorsed the CBD planning framework which included a new FSR sliding scale provision for sites under 1000m². This included new provisions under the existing Parramatta LEP 2011 Clause 7.2 to enable sites to achieve the maximum FSR if various requirements pertaining to design excellence, SEPP 65 compliance and street activation were achieved. This policy has been maintained by the Council to date and is contained in the draft CBD LEP provisions currently awaiting Gateway determination. This policy direction was in recognition that there may be circumstances where sites cannot viably and economically be amalgamated. To allow flexibility in the planning system, the Council resolved to include a 'Alternate FSR Clause' that *"allows any site to achieve the maximum FSR permitted by the maps subject to meeting the following criteria:*

- (a) the development has been subject to a competitive design process and exhibits design excellence as provided in clause 7.10; and*
- (b) if the development includes residential accommodation, that:*
 - (i) the development includes community infrastructure; and*

- (ii) the development complies with State Environmental Planning Policy No 65—Design Quality of Residential Apartment Development and the Apartment Design Guide published by the NSW Department of Planning and Environment in July 2015; and*
- (b) the ground floor of all sides of the building facing the street and any other publicly accessible areas will be used for the purposes of business premises or retail premises.*

Subsequently, in May 2016, the Council (following a meeting of Council) endorsed the Airds Street planning proposal with draft land use controls similar to that considered in the City Centre LEP.

The democratic policy direction of the Council is therefore clear in its intent, by providing similar policy directions in a draft LEP provision and then similar on a site-specific proposal. It is noted that the recommendation of the elected Council in May 2016 could have been more refined and clear by directly stating the difference between the draft Clause 7.2 under the CBD Planning Proposal and the existing Clause 7.2 provisions under the Parramatta LEP 2011. It stands to reason however, that Council was following a set policy direction as described in its Aird Street Planning Proposal decision with the same intent as that of the CBD Planning Proposal. Our detailed discussions with Councillors confirm this assessment. Unfortunately, that theme is not represented in the gateway conditions.

Conditions 1 (a), (b), (d) and (e) of the Gateway determination related directly to the proposed controls in the Draft CBD Planning Proposal. Point 1(c) of the Gateway determination however, refers back to the current Parramatta LEP 2011 Clause 7.2. In doing so the Gateway seems to be intentionally discounting the policy direction of the Council and the intent of the considered provision of the draft CBD Planning Proposal 7.2 Clause to incentivise development to achieve higher design objectives to stimulate investment, housing supply and better building outcomes on smaller sites.

If the Gateway is amended, as requested by this submission, to enable further study of the draft Clause 7.2 provisions rather than reference the existing LEP 7.2 Clause, it will provide an excellent opportunity supported by the high quality design resources of the private sector to provide merit based study of the draft Clause and its impacts on an actual application and provide the Council and the Department empirical evidence on its application as the gateway conditions are considered for the broader draft CBD strategy.

Conclusion

This submission has focussed on the impact the Gateway conditions will have on the viability, urban design, amalgamation and sliding scale provisions.

As discussed, tremendous effort has gone in to amalgamating the site. Council has recognised that amalgamation may not always be viable or feasible depending on land economics. This doesn't mean that the outcome will be a bad planning outcome, it simply means it needs to be assessed on its merits and/or further assessment and study undertaken.

Unfortunately, Council's ability to recognise this has not been reciprocated by the Gateway which has adopted a restrictive approach rather than an opportunistic approach to stimulate the market and support redevelopment.

A number of urban design matters are also raised in the Department's Planning Team Report, however in allowing progression of the proposal the concept design has been supported. The height is simply a product of the density and design. The development outcome sought would deliver significant residential apartments and commercial floorspace in the immediate vicinity of central Parramatta including the Parramatta train station.

The Council's resolution that endorsed the subject Planning Proposal recognised the need to provide flexibility in certain circumstances, consistent with the provisions under the CBD Planning Proposal. The Gateway conditions however, in ensuring the sliding scale provisions of Clause 7.2 of the Parramatta LEP apply and the removal of incentives and certain bonus provisions limits the maximum FSR the site is capable of accommodating to 6.9:1.

It is therefore considered that Condition 1(c) of the Gateway should be encouraging the redevelopment of the site. This could occur under the draft sliding scale provisions that also allow for exceptions, or by removing the sliding scale provisions that apply to the subject site. The better outcome is for the exemption requirements discussed above to apply as this will allow any exemption to be informed and assessed against certain criteria that ensures a high standard outcome.

Further, the Council recognised the benefits of the bonus associated with a high performing building, and that this site should not be exempt. For the Gateway to remove this implies that the State Government does not support the Policy itself. It does not seem sensible to remove this requirement. The bonus provision is also minor in the context of the proposal. Further, the provision of commercial floorspace incentives (up to 3:1 additional) was considered desirable by the Council given the sites location and its ability to provide floorspace with the concept design. Notwithstanding the smaller footprint, smaller commercial spaces are still desirable and support choice and variety within this growing market in Parramatta. The arguments to minimise these incentives is clearly related to the impacts to the height of the tower, which has been supported by the urban design analysis. It is therefore requested that the bonus and incentive provisions of Conditions 1(d) and 1(e) be removed.

Thank you for your consideration of the subject request to review the Gateway conditions related to the Planning Proposal (PP_2017_COPAR_012_00) for land at 55 Aird Street. I look forward to further consideration of the issues raised and the impact such conditions have on the viability and development outcome of the subject site.

If you have any questions in relation to this matter, please do not hesitate to contact me on 0437 521 110.

Yours sincerely



James Mathews
Planning Director
Pacific Planning

Attachment:

1. Economic viability advice prepared by PPM Consulting dated 5 February 2018



PPM CONSULTING

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5 February 2018

Mr Matthew Daniel
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Dear Mr Daniel

Re: 55 Aird Street, Parramatta

I write to provide economic advice regarding the site and planning controls at 55 Aird Street, Parramatta. It is our opinion that the planning controls affect the viability of redevelopment and lead to poor outcomes.

The Site and Current Controls

We are advised that the site is 658m² and is adjoined by Westfield Parramatta to the west, older two-storey retail to the east and five storey mixed use development to the south.

Existing controls allow for a floor space ratio (FSR) of 4.2:1 with a height limit of 36 metres (around 11 storeys).

According to the Gateway determination, the site would have a maximum FSR of 10:1.

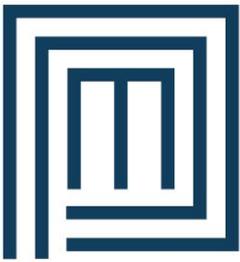
Parramatta Council's Sliding Scale for FSR for Small Sites

Under the Parramatta Local Environmental Plan 2011 (LEP), there is a sliding scale of density allowable for small sites – ostensibly to encourage site amalgamation. The sliding scale FSR include the following thresholds:

- FSRs up to 6:1 – less than or equal 1,000m²
- FSRs of approximately 7:1 – 1,000m² up to 1,800m²
- FSR of 10:1 – over 1,800m²

In its CBD planning proposal to amend the LEP, Council states that, “The purpose of a sliding scale for FSR is to control density on small sites and encourage amalgamation. Parramatta LEP 2011 currently contains this control and following detailed urban design testing in response to the Strategy, retention of the sliding scale in the new CBD Planning Proposal with amendments was recommended.” Note that economic viability testing is not mentioned.

55 Aird Street, therefore, will not reach the FSR of 10:1 determined by the Gateway because of the sliding scale. Even if the proponent were to acquire 340m² from a neighbour, taking their site area to 1,000m², the sliding scale of approximately 7:1 would still apply, affording



them no advantage. Furthermore, the proponent would need to acquire 1,140m² from adjoining properties just to make it to the Gateway-determined FSR, leaving the development outcome unchanged. Applying the policy in this way would be inflexible and illogical and would only satisfy those who believe that planning should be a box-ticking exercise.

Proposal

The proponent seeks an FSR of 15:1, with a height of 120 metres. However, as the site is deemed “small”, it can only achieve a maximum FSR of 6.9:1 (including a 15 per cent design excellence bonus). This is only 2.7:1 over current controls.

Our understanding is that the proponent has approached neighbouring sites with the intention of purchasing, but the neighbours are unwilling to sell as their retail businesses are currently successful and they are unwilling to accept a price that would make redevelopment across the amalgamated site viable at this time. Our understanding is that the proponent has designed their building in such a way as to be sympathetic to the future redevelopment of adjoining sites, if not amalgamation, in the future.

Analysis

1. Viability

While we have not undertaken any economic or viability modelling of the proposal, the proponent is confident that it is viable at a density of 15:1 with a height limit of 120 metres. However, applying the sliding scale to the site would make its viability unlikely.

At best, at an FSR of 6.9:1, economies of scale are lost, so in order to make redevelopment viable, the proponent would need to build smaller, lower quality apartments in a lower quality and less appealingly designed building.

At worst, redevelopment of the site would be unviable, leaving the site as low-quality two-storey retail into the foreseeable future, and likely discouraging neighbouring sites from redeveloping as well.

2. Perverse Outcome of the Sliding Scale

It is our opinion that the sliding scale is misguided and suggests a misunderstanding of the dynamics of economics. The market failure that Council’s sliding scale is hoping to correct for is unlikely to work – particularly in situations the proponent of 55 Aird Street finds themselves. Moreover, small sites do not automatically suggest a market failure, particularly if it can be demonstrated that development is viable on these sites just as much as it is on larger sites. The sliding scale would only be a worthwhile policy if there was some evidence that smaller sites were unviable in and of themselves, and therefore needed amalgamation to make them viable. However, the proponents of 55 Aird Street have demonstrated that they do not need the protection that such a policy provides and can redevelop viably and sympathetically without it.



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While Council's hope is that FSR controls will encourage site amalgamations, it is possible that it will have the opposite outcome, and even a perverse one. By allowing high quality, sympathetic, redevelopment of small sites, Council is likely to encourage development on adjoining sites. This is because the redeveloped site will go from a low-quality, low-value site to a high-quality, high-value site, and demonstrate to current owners what can be achieved.

All sites are unique, and the market will respond to the specific attributes of the site and the controls that are in place. In the case of 55 Aird Street, the blanket controls that are in place lead the market to say that, as of now and into the foreseeable future, redevelopment of it and all adjoining sites is unviable.

Council should be encouraging redevelopment of sites such as 55 Aird Street, rather than discouraging them through the use of the sliding scale.

3. Macro Effect

It is possible that the owners of the adjoining sites may never want to sell, thus leaving the site small and unamalgamated. A decision not to sell may be a rational response on the neighbours' part. However, this creates a perverse outcome in the housing market. 55 Aird Street is a prime redevelopment site, close to shops, jobs and public transport. It could potentially provide in excess of 100 new apartments in a prime part of the CBD. This is not an insignificant amount of new supply that will be lost if the development does not go ahead. In the current climate of limited housing supply and high population growth creating an affordability crisis, it would be negligent to hold out for the site to be amalgamated, when there is a viable proposal to create new housing. This potential new housing supply would be lost until the sites can be amalgamated (which may never happen). Without the redevelopment of 55 Aird Street, the site is likely to remain as low-quality retail, and not contribute to alleviating the housing affordability crisis.

There is also no guarantee that, by simply waiting, the adjoining sites will eventually acquiesce. Therefore, the site, and its neighbours, may end up deteriorating further into the future.

Viability and Economic Modelling

As mentioned above, no specific viability or economic modelling has been undertaken for the development at 55 Aird Street, Parramatta. The detailed work could be done in the future to demonstrate the specifics contained in this general advice.

Yours sincerely

Martin Musgrave
Director