

Our Ref: 13021

Department's Ref: MP06\_0171 MOD 8, MP08\_0253 MOD 4 & SSD 5700-2012

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A/Director Metropolitan & Regional Projects South  
Department of Planning & Infrastructure  
GPO Box 39  
SYDNEY NSW 2001

**Attention: Ms Caroline Owen**

## **Development proposals for Central Park, Broadway**

This submission has been prepared on behalf of the Schwartz Family Company by Insite Planning Services, in reply to the Department's notice of 25 February 2013, regarding exhibition of three separate applications concerning Central Park (the former Carlton United Brewery site) on Broadway. The Schwartz Family currently own the Mecure Sydney located 818 – 820 George Street Sydney which is a neighbour to the development site. As landowners and operators of a large hotel within this area they are concerned to ensure that any future development of the former CUB site has an appropriate fit within the neighbourhood.

The primary concern of our clients is the potential oversupply of student accommodation within the neighbourhood and the potential for associated social impacts. This submission will point out that a large scale student accommodation facility as proposed has potential to create significant social impacts and this issue has not been addressed by the application.

Relevant documentation has been reviewed regarding the social and economic impacts of proposals on exhibition to modify the concept plan approved for the former Carlton United Brewery site, now known as "Central Park". Documents reviewed are:

- The Environmental Impact Statement (EIS) in support of an application for State Significant Development 5700 – 2012, by JBA Planning
- The report prepared by JBA Planning, December 2012, in support of an application to modify the Approved Concept Plan MP 06\_0171 (Mod 8)
- The Economic Impact Assessment appended to both these reports, prepared by MacroPlan Dimasi, January 2013

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## **Director-General's Requirements for the EIS**

In summary, the Director-General's Requirements (DGRs) require the EIS to address the following in assessing potential or likely impacts of the proposed change in the proportions of non-residential and residential floor space:

### *General Requirements*

*Amongst other matters, the EIS is to consider potential cumulative impacts due to other development in the vicinity.*

### *2. Compliance with Approved Concept Plan*

*The EIS shall demonstrate consistency with the terms of the Concept Plan approval MP 06\_0171 Mod 2 dated 5 February 2009 (including relevant modifications) and justification for any areas of inconsistency, including land use.*

### *4. Environment and Residential Amenity*

*The EIS must have regard to SEPP 65 and the Residential Flat Design Code recommendations to achieve a high level of environment and residential amenity. In this regard, the EIS should consider the proposed accommodation, as well as surrounding residential development.*

### *6. Economic Impact Assessment*

*The EIS shall address the economic impacts of the proposal, specifically the impacts resulting from the deletion of the approved commercial floorspace and the provision of a predominantly residential development.*

Cumulative impacts are of particular relevance to this proposal. There are already significant numbers of student lodgings available in the locality. Adding to this number may have an adverse effect on the socio-economic environment in the locality.

Compliance with the approved Concept Plan is largely deferred to a separate application to modify the concept plan, which is reviewed below.

Environment and resident amenity impacts of the proposal are addressed, as is housing affordability and the EIS's risk assessment pertaining to the effects of the proposed increase in residential space.

This submission concludes with a review of the economic impact assessment appended to the EIS and a summary of issues raised by our review of pertinent application documentation.

## EIS summary & review

The Environmental Impact Statement, State Significant Development (SSD – 5700 – 2012), Block 4S, Central Park, Student Accommodation and Ground Floor Commercial Uses, prepared by JBA Planning, January 2013 has been reviewed and is summarised below.

### Project objectives

Page 4 lists the objectives of the project. Amongst other things, the change of use aims to satisfy significant demand for student housing.

Related project objectives (of the EIS) include:

- Providing student accommodation near a number of tertiary education institutions; and
- Alleviating market pressure for student accommodation, otherwise supplied by the private rental accommodation market.

The EIS notes the project is supported by the NRAS – Federal & State Government Affordable Rental Housing Scheme. Other projects for student accommodation on the site are also supported by this scheme, according to the EIS however **there is no evidence provided with the application that the project has NRAS approval or is likely to receive NRAS approval**. Given the project is relying on the NRAS scheme, it should be condition if approved to be required to have the relevant NRAS approval in place prior to the issue of any construction certificate for the project.

### Project description

The approved Concept Plan allows for some 77,000m<sup>2</sup> non-residential floor space in Blocks 1 and 4.

Block 4S will have 23,763m<sup>2</sup> total floor space, including ground floor non-residential use.

Page 11 provides a description of the proposal, summarised here:

- Total GFA 23,763m<sup>2</sup>
- Residential floor space 20,991m<sup>2</sup>
- Retail floor space 851m<sup>2</sup>
- 688 units
- 826 beds
- 1,753m<sup>2</sup> open space
- Parking for 4 motor bikes and 197 push bikes
- A loading bay
- No car parking

### Affordable rental housing

The City of Sydney - Affordable Rental Housing Strategy is considered in the EIS.

The project entails an equivalent 404 affordable dwellings, contributing to a target of 1,450 student dwellings for the local government area.

The EIS (bottom p 32) refers to a “Cleveland Street student accommodation facility (that) will be affordable student accommodation, increasing the supply in accordance with the strategy”. This infers the proposal does not contribute to affordable student housing.

It is unclear whether the proposal is sufficient in terms of the Strategy, as it apparently relies on an unrelated development to provide affordable student accommodation.

At page 39, the EIS notes that no bonus floor space is claimed, inferring that the proposal may not qualify as affordable rental housing, as it may not meet the Affordable Rental Housing SEPP’s criteria for claiming a bonus.

Key issues arising regarding affordable rental housing, not fully addressed in the EIS, are these:

- **Whether the proposal is affordable, as defined by pertinent policies, plans and codes should be accurately defined.**
- **From social and economic perspectives, the locality may be better-served by providing affordable rental accommodation for other members of the community, not only students.**

### **Residential Flat Design**

SEPP 65 and complementary design guidelines require certain design principles to be observed and achieved for residential buildings. The EIS (page 39) claims it is impossible to meet some of these principles due to the “proposed student accommodation (being) of a very different nature to a normal residential development”. Compliance with lesser standards (than required by Council’s Boarding House DCP and the Affordable Housing SEPP) is therefore claimed to suffice in these circumstances.

This indicates the proposed student housing is sub-standard and contravenes a state policy, which sets minimum requirements for residential amenity and overall design quality. This could quite conceivably lead to the social impacts to which our clients are primarily concerned.

In terms of social equity, resident amenity and human health, this approach is unacceptable.

In relation to resident amenity, the SEPP 65 compliance table (Appendix I of the EIS) notes instances of non-compliance:

- Building separation, for solar access, adequate ventilation and privacy
- Building orientation for solar access
- Site area available as deep soil planting areas, to allow mature tree-planting
- Minimum unit sizes, to provide adequate space for resident comfort and utility
- Minimum percentage of kitchens with natural ventilation, to minimise the need for mechanical ventilation and energy consumption
- Solar access in mid-winter, to allow for light and warmth for occupant health and amenity
- Storage areas, for occupants’ use
- Minimum balcony depth, for adequate outdoor open space

**Overseas students (the target market for the proposal) should not suffer sub-standard housing.**

**The form of housing proposed seems aimed at cutting costs, when compared with the cost of providing permanent-resident housing, fully compliant with the residential flat design SEPP.**

**Sacrificing resident health and amenity via poor, non-compliant design, for the sake of providing “affordable” accommodation, is unacceptable.**

If the project is to be NRAS approved, the Federal government will provide substantial financial incentives which will negate any argument that compliance is not cost effective. In any case such argument has not been substantiated.

### **Environmental Risk Assessment**

A table assessing environmental risks of the project is included (pp 35 & 36). The table does not evaluate the economic or social risks of the proposal, except crime. There would appear to be a risk of impact on employment and economic activity, when compared with the approved concept plan for complete commercial (non-residential) use of the site. This has not been factored into the risk assessment and should have been. Neither have the substantial social risks of overloading this area with a demographic dominated by foreign students.

**The environmental risk assessment is incomplete and should be revised to examine potential risks to economic and social conditions in the locality.**

### **Economic Impact Assessment**

At page 57 the EIS summarises claimed benefits of the project:

- Reduces the apparent shortage of student accommodation in the region
- Activates the precinct during business hours
- Adheres to national and state policy for new affordable dwellings
- Reduces strain on public infrastructure

At this section of the EIS, these claims remain unsubstantiated. It fails to mention any negatives relating to the proposed change of use from the approved commercial (non-residential) to residential use of a substantial amount of floor space. A commercial use, which our clients favour, is the predominate land use which has been identified in all of the key strategic documents for this area and a shift towards housing for student accommodation is a substantial movement away from this original land use and has significantly different potential implications on the local area, all of which need to be addressed in a comprehensive social impact assessment.

**For example, how student accommodation will activate the precinct more or less than would office/retail/hospitality, or other forms of housing, is not demonstrated.**

**The claimed current strain and alleviation of stress on public infrastructure is not described or analysed by the EIS.**

The Director-General's Requirements required the economic impact assessment to address *"...specifically (the) impacts resulting from the deletion of the approved commercial floor space and the provision of a predominantly residential development."*

Merely stating unsubstantiated benefits of the proposal does not satisfy this requirement. The EIS has not examined the consequences of deleting the commercial floor space. As discussed below, the economic assessment report (to which the EIS refers) attempts to justify the proposal on grounds the market for commercial (office) space is weak and there is a surfeit of student accommodation in the area. This alone does not identify the effects of removing office space *from the precinct* in the manner proposed.

**The EIS therefore, does not identify what the consequences of removing the office space may be, as the DGRs explicitly require.**

## **Proposed Concept Plan Modifications**

Discussed below is a report prepared by JBA Planning, entitled "Central Park Broadway Section 75W Modification Application", dated December 2012. This report supports an application to modify the approved concept plan for the Central Park site. This approval is necessary for the above-discussed application (and EIS) to use the site for and build the student accommodation.

This concurrent modification application relates to, amongst other matters, reducing the total proportion of non-residential and increasing residential floor space across the site.

This report describes and examines the impacts of proposed change in land use proportions. At page 3 the report states it is proposed to increase the amount of residential space by 7%, with an equal reduction in non-residential space.

At page 10 of the report the following points are offered in justification:

- Low demand for commercial development in the locality
- Difficulty in financing commercial development as high-level "pre-commitment" is needed
- Blocks 1 and 4 may remain undeveloped for a considerable period if the change of use is not approved and the student accommodation does not proceed.
- Strong demand for residences, including for students

For the report to merely refer to another document to fully examine the impact of the changes (it only points out the potential benefits, and is therefore biased) is inadequate.

**Without at least summarising and examining the findings of the economic impact assessment, this subjective analysis is somewhat misleading and renders the report incomplete.**

Page 11 of the s75W report notes that in addition to block 4S, Blocks 3B, 3C and 10 have been approved as student housing, totalling 30,000m<sup>2</sup> (12% of the approved total GFA, some 255,000m<sup>2</sup> for the whole site) has been (and may be) approved for this purpose.

To contrast, table 2 on page 4 indicates an overall residential floor space increase of 16% when comparing the previously proposed (approved) and currently proposed proportions of residential and non-residential floor space.

Across the entire site, the approved split of residential and non-residential floor space was about 60% to 40%.

**The current proposal changes this proportion to around 75% to 25%. This exceeds the maximum percentage of residential area (according to table 3 on page 4) per the approved concept plan by 5% (around 12,500m<sup>2</sup> of floor space, or a 70/30 split).**

While nominally residential in nature, student accommodation is to be commercially operated, in a similar fashion to serviced apartments, a boarding house or a hostel. Further grounds in support of the change in use include:

- Supporting nearby tertiary education facilities
- Alleviating pressure on the “surrounding rental market”
- Contributing to mixed use objectives of Central Park precinct
- Creating short-term economic stimulus via construction (this would not occur in the short-term if commercial development was to ensue, due to poor demand for office space in the southern parts of the Sydney CBD, it is claimed)

A number of other benefits are listed on page 15, similar and supplementary to those summarised above.

The change in land use mix is justified according the report, due to a “difficult economic climate”. Issues the concept plan amendment application does not fully assess include:

1. **Whether there are other forms of development, which may also have positive economic and social effects in the locality, to a greater degree than would student accommodation.**
2. **Whether the Central Park precinct and the locality would benefit from a greater diversity of housing, or a greater proportion of permanent-resident housing overall, is not assessed.**
3. **The quantum of student housing proposed for Central Park, with regard to strategic planning objectives, for the site and the locality, is not justified.**
4. **Planning and development of a State Significant Site should not be driven by relatively short-term economic conditions.**
5. **The design of the proposed building is highly purpose-built. Apart from other forms of quasi-residential/commercial use, it is difficult to see the building used for anything but other forms of short-term or defined-term accommodation, such as serviced apartments or variations on the tourist accommodation theme. The lack of adaptability to other uses of such a purpose-built project brings its longer term sustainability into question.**

In response to some of these questions the report claims the proposal:

- Increases the site’s overall accommodation mix (variety)
- Enhances the ability of nearby tertiary institutions to attract students, especially from overseas

- Has a “...more considered distribution of floor space across the precinct.” – the meaning of this statement is unclear

## **Economic Impact Assessment**

The document Central Park Office vs Residential/Student Accommodation: Economic Impact Assessment, prepared by MacroPlan Dimasi, January 2013 has been reviewed.

### **DGR’s requirements**

As noted above, the DGRs for the EIS required the economic impact assessment to address:

*“...specifically (the) impacts resulting from the deletion of the approved commercial floor space and the provision of a predominantly residential development.”*

The key question therefore is whether the assessment identifies and discusses measures to ameliorate negative impacts and/or enable/improve positive impacts, resulting from removing commercial floor space and replacing it with “a predominantly residential development.”

### **Market demand**

The economic assessment is largely predicated on a short-term market analysis, in that construction of residential development will be strong for at least another 5 years, while weak demand for office space in the southern CBD has been observed over the last decade or so.

### **Affordability**

Another significant factor it would appear in the decision to increase the amount of student housing is high demand for and a shortage in supply of housing for overseas students.

It is worth noting that Sydney is not only suffering a shortage of overseas student accommodation, but also of rental housing, critical for affordable housing, across the Metropolitan area. The economic assessment mentions these market conditions.

A review of websites advertising student lodgings in Inner Sydney certainly confirms that the accommodation is pitched at an overseas market. Also indicated is the temporary nature of available rentals.

The weekly rentals offered for rooms, bedsits, studios, and to a lesser degree, larger forms of accommodation are relatively high, ranging between \$334 and \$589 per week, at existing student lodgings in the City and the Eastern Suburbs (near the University of NSW).

Assuming housing costs to be affordable at say 30% of gross income, then the students paying these rents would need to earn somewhere around \$1,000 to \$1,800 per week. The degree to which subsidies make the rent more “affordable” is not canvassed by the report.

**The “affordability” of the rent for the proposed accommodation, for students, is questionable.**



The MacroPlan Dimasi report notes, regarding student accommodation:

- The proposed accommodation for 826 students will replace an equivalent 25,000m<sup>2</sup> commercial space
- Extreme demand pressure for inner city residences and a shortage of housing in this area
- Very low apartment construction for an extended period
- "Rents have surged, and limited supply (of housing) has constrained population growth in a region where office workers can live within walking distance of the workplace."
- "There is sufficient excess housing demand to support solid residential construction for at least the next 5 years."
- "...the provision for an additional 250-300 apartments at the subject site is supported by market need, particularly in terms of overseas workers from Asia who have already shown a strong preference for Central Park given its proximity to Chinatown, World Square and Broadway."
- "In this context, the balance of supply between the office and residential sectors will need to gradually shift towards apartment supply."
- Proposed housing projects (as opposed to student housing projects) are also considered to enliven the area and support local business
- Provision of additional apartments will meet market needs

The foregoing summary indicates strong demand for apartments for local (and more-so) workers from overseas – not students.

In contrast, the report summarises the need for student accommodation, as it would:

- Reduce the shortage of student accommodation
- Activate Central Park during business hours
- Adhere to national and state policy for new affordable housing
- Reduce strain on public infrastructure
- Be well-located to meet the needs of overseas students, in particular
- The location will allow students to use existing public infrastructure (this statement is at odds with the observation that the project would reduce strain on the same infrastructure)
- Proposed housing projects have been supported by the NRAS (National Rental Affordability Scheme)
- Student accommodation will meet demand from an increased overseas student market

Regarding office space provision in the CBD, the report notes:

- White-collar jobs growth and rental growth are subdued
- Major office space is proposed in other parts of the CBD, notably Barangaroo
- Future demand will be accommodated "...by the identified project pipeline."

The report concludes with a discussion of impacts on local business and social benefits:

- Students spend money outside regular business hours
- 3,000 residents are expected to live at Central Park

### **Other observations regarding economic & social effects**

According to data in the report, students only spend half as much as permanent residents on local goods and services; and workers only spend about half to two-thirds of what students spend.

Based on figures provided in the report on page 18:

- If the student accommodation were replaced with 250 – 300 apartments, assuming an occupancy rate of 2 persons per household 500 – 600 people could reside in the same space
- According to expenditure figures in the report the local spend by residents on goods and services would still be greater than that of 826 students
- 600 residents would annually spend \$7.2 million on local goods and services
- 826 students would spend just under \$5 million each year on local goods and services
- Assuming 25,000m<sup>2</sup> office space would accommodate say 800 workers, these workers would spend up to \$3.6 million p.a. on local goods and services

From the perspective of providing local economic multiplier effects, apartments for permanent/long-term residence out-perform student accommodation and office accommodation.

It is readily apparent the report's analysis inadequately compares and contrasts the benefits or disadvantages of one form of development over the other, as this submission has briefly done above.

The impacts of deleting commercial space and replacing it with student accommodation has only been partially identified and discussed. A number of questions and issues arise from an analysis of the report which, at a minimum, should be answered before the applications are determined:

1. Whether 25,000m<sup>2</sup> office-space would accommodate more or less people than 826 students. A greater number of office workers would likely provide equal or higher levels of activity, given that students will be attending classes within and outside regular business hours. It is also common for office workers to stay in town and socialise or go to entertainment and hospitality venues after work.
2. Whether provision of housing for a range of household types, to accommodate local and overseas workers and their families instead of student accommodation would provide a greater socio-economic diversity in the local population.
3. Whether another 250-300 apartments would provide greater economic and social stimulus than either offices or student accommodation? Using figures provided, this would appear to be the case.
4. Whether or not provision of other forms of housing would or could comply with the NRAS is not canvassed by the report.
5. Apartment residents would be just as likely, if not more-so as students, to enliven the locality and avail themselves of local cultural and social facilities, due to having more spare time (students have to study). A likely high proportion of households would have higher disposable incomes than student households.
6. For these reasons, permanent residents are equally, at least, and even more likely to provide a greater contribution to both day-time and evening economies compared with students.

7. Residents working in the City and Inner Suburbs would derive considerable benefit from the high levels of accessibility the site provides.

Having raised these issues in light of the data and analysis presented in the economic assessment, the case to build apartments for permanent occupation or longer-term accommodation for overseas or Australian-resident/citizen city-workers appears to be strong, when taking a broader, strategic perspective than the report has taken.

Data presented certainly indicates a critical short-fall of housing for both student and worker populations. The report presents rental and demographic data to support the case for providing student accommodation as this will alleviate pressure on the overall housing market, as competition from international students for other forms of housing will be relieved, to a degree.

Current market conditions indicate that demand is strongest for student accommodation. However, this does not fully address the DGRs. Only presenting a case that student accommodation best serves current and projected short-term market conditions does not answer questions arising from the removal of commercial space and replacing it with student accommodation.

## **Conclusion**

From examining the documents relating to concurrent applications proposing student accommodation on the site it has become apparent that such documents do not completely justify variations sought to the approved concept plan for the site. Neither does the EIS (and other information submitted) for the development adequately address or propose means of providing acceptable amenity. Economic Impact Statement concludes that student accommodation suits current market conditions and will make a positive contribution to site development objectives.

However the case for building apartments for permanent occupancy is very strong, if not stronger. Further analysis should be performed before the applications are determined, to more comprehensively compare and recommend which is the best form of housing for the site, in terms of which form of housing best satisfies approved concept plan objectives, and positive economic and social contributions to the City of Sydney and the metropolitan region.

The documents raise more questions than they answer, as highlighted in this submission. Certain aspects of the material placed on exhibition reveal that:

- The EIS does not completely satisfy the DGRs regarding economic impact. It has not completely examined the implications of replacing non-residential development with residential development, on the Central Park site
- The proposed student housing compromises State-policy adopted guidelines for residential flat buildings. Important aspects of the housing's design, solar access in particular, are sub-standard. The development should not be approved in its current form
- The EIS's environmental risk analysis does not adequately consider social and economic impacts
- Justification of student accommodation is based on relatively short term economic indicators; and should consider longer term, cumulative impacts

- A variety of accommodation forms, including affordable rental housing, should be considered as an alternative to the proposed student housing on the Block 4S site

Significantly the application does not contain a Social Impact Assessment (SIA) for the project. Given that the proposed development will significantly change the demographic nature of the locality the social impacts of the development must be a major consideration in the assessment of this proposal.

We are of the view that our clients are right to be concerned about this proposal. It has the potential to substantially change the character of the locality which is likely to result in corresponding social and economic impacts. Furthermore the proposal represents a significant departure from the land uses which were originally considered for this particular site, and with that departure comes a completely different set of potential impacts, none of which appear to have been adequately addressed.

The development should not be allowed to vary existing requirements of SEPP 65, undermining the design standards of the development and amenity of future residents, especially considering the substantial financial incentives that are available to NRAS approved housing.

Our final concern relates to carparking and bicycle parking. Our clients are concerned that there is insufficient car parking to support the proposed development and the SEPP 1 objection in respect to the provision of motor cycle parking should not be allowed.

The development proposed in the applications placed on exhibition for comment should not be approved in its current form. The issues summarised and examined in this submission must, possibly amongst others, first be addressed and resolved.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'SL', with a large loop at the end.

Stephen Leathley  
**PLANNING DIRECTOR**