



12373
1 August 2013

Mr Sam Haddad
Director-General
NSW Department of Planning and Infrastructure
GPO Box 39
SYDNEY NSW 2001

Attention: Mark Brown (Senior Planner)

Dear Mark,

**RESPONSE TO CITY OF SYDNEY COUNCIL PPR SUBMISSION
BLOCKS 1 AND 4, CENTRAL PARK**

This letter has been prepared on behalf of the proponent, Fraser Broadway Pty Ltd, in response to a submission received from City of Sydney Council (the City) dated 21 May 2013. This letter has been prepared specifically response to City of Sydney's submission relating to the Response to Submissions/Preferred Project Reports relating to Blocks 1 + 4, and the Concept Plan for Central Park. Specifically these applications include:

- Modification to the Concept Plan - MP06_0171 Mod 8;
- Modification to Blocks 1 + 4 - Project Application MP08_0254 Mod 4; and
- Proposed Student Accommodation to Block 4S - SSD 5700-2012.

In many instances it would appear the City have misinterpreted the intent of requests from the DPI for additional information. In a number of cases, the City's letter purports requirements for the compliance when the requests related to providing further information, consideration or clarification.

Adequate response and sufficient additional information have been provided in all instances as part of the previous RTS and addressed further in this letter.

In summary, the City does not support the proposed amendment for changes in land use from commercial to residential. It is important to note that the modification to the Concept Plan only seeks approval for future land uses. Detailed consideration of the proposed in accordance with the change in land use is submitted with the Block 4S SSD application. Any future residential land use to Block 1 requires the submission of a Section 75W to the existing Project Application, or the submission of a new State Significant Development Application and subject to consultation and assessment at that time.

Land Use – Changes from Commercial to Residential

Reference is made in the submission from the City that the approved split of land uses in the Concept Plan has been modified from a 70% (residential)/ 30% (non-residential) split to a 60/40 split. The City makes further comment that the maximum 60% and minimum 40% split was considered necessary to provide a balanced mix of uses within Central Park. Both these assertions are not accurate.

The Concept Plan currently requires a minimum 30% non-residential land use and maximum 70% residential land use. No further modifications have been made to this condition of the Concept Plan since the major amendment to the Concept Plan in 2008 (Mod 2).

The proposed land use modification has been considered in the Economic Impact Assessment submitted with the original application, which specifically considers availability of commercial floor space within the CBD.

Conflict with Strategic Land Use Policy Direction

The City's submission acknowledges the key goal within the State's planning policy framework for housing growth. Whilst they note the importance of business and commercial uses in the CBD, a number of other key guiding principles and objectives of the Draft Metropolitan Strategy for Sydney 2031 (draft MPS) are omitted. A separate letter has been prepared by MacroPlan Dimasi (see attached) which includes a summary of the report submitted with the SSD as well as response to Council's submissions and resident comments.

The proposed amendments to the Concept Plan and land uses on the site are not inconsistent with the draft MPS and current land use policy direction. Despite the City's comments, the Central Park development (following the proposed modification) would deliver some 65,000sqm of commercial and retail floorspace across the site that actively supports and encourages the State's planning objectives.

As addressed in the Economic Impact Assessment submitted with the Concept Plan amendment demand for the scale of commercial office space is limited, and absorbed by approved developments, buildings under construction, and sites in the pipeline such as Barangaroo (with a planned delivery of a 280,000sqm). The combination of these, results in a total of 863,000sqm.

The Draft MPS makes specific reference within Global Sydney to bring forward the delivery of regeneration areas, continue to enhance the day and night time economies as well as support the education and health services in the site's context of Global Sydney. A number of specific objectives of the draft MAP are listed below:

- Objective 5 of the draft MPS relates liveable Cities and the delivery of housing to meet Sydney's growth, encouraging this to be in areas close to existing infrastructure, such as Central Park. Identified 'Urban Activation Precincts' (such as Central Park), are proposed to be facilitated and their delivery expedited around existing public transport and infrastructure.
- Objective 6 relates to the delivery of well designed housing to meet the needs of Sydney's population. As demonstrated in the other Blocks located on Central Park, the site adopts tri-generation and recycled water treatment technologies to service the majority of buildings targeting a zero net carbon and zero net potable water development. Furthermore, the proposed use as residential (subject to separate approval) would be designed so as to support objective 18 for the encouragement of efficient energy and water use, consistent with the Concept Plan.
- Objective 24 of the Draft MPS which sets the objectives and guiding principles for accessibility and connectivity. The proposed land uses, including the proposed residential at Central Park actively promote sustainable transport choices through the limitation of on-site car parking, proximity to employment, recreation, and public transport facilities.

The subsequent update to the Economic Impact Statement attached to this Response also refers to the Sydney Metropolitan Strategy 2031 that further supports commercial space in the Global Economic Corridor. A change from 30% to 23% commercial at Central Park (or 17,900m² GFA) will have minimal or no impact on Sydney's commercial market aspirations.

The draft MPS makes specific reference to the delivery of housing and development in accordance with market demand (as discussed in the attached response).

In addition to the above, it is noted that surrounding the site, the city has recently gazetted the Sydney LEP, zoning the majority of this land B4 mixed use, permitting residential and commercial developments.

Finally, in the Central Subregion identified within the draft MPS, the proposal will provide a range of housing choices and sizes directly supporting the surrounding education and health facilities close to the site such as Notre Dame, Sydney University, Sydney Technical College, and the UTS.

Conflict with the Land Use Proposition of the Original Concept Plan

As part of the proposed development and delivery, Frasers are committed to delivering a commercial office building located at the intersection of Broadway and Abercrombie Street at Block 4N. This building is seen as an important gateway to the City from Parramatta Road, when considered with the UTS developments under construction on the opposite side of Broadway.

Frasers are also committed to maintaining the Brewery Yard building as non-residential and community uses.

As previously indicated within the RTS package, the proposed modification to the land use is sought to meet an identified demand for student accommodation in an ideal location, and in response to low demand for large scale commercial office in the southern portion of the CBD.

A key guiding principle of the draft MPS is to facilitate investment and growth, focussing on delivery within the metropolitan areas making different types of housing available across the City, in line with employment and infrastructure and market demand.

Independent advice has been obtained from MacroPlan Dimasi that considered the availability of large scale commercial offices such as Block 1. As part of this report, consideration was given to non-residential floor space within the CBD that is in the pipeline, has been approved, and is under construction. Based on these figures and forecast absorption rates the report concludes that it would be in the order of 20 years before adequate supply and demand is available in the market to be accommodated within the proposed building.

Long Term Land Use

As part of the delivery of Central Park some 65,000sqm of commercial floor space across retail, commercial office, hotels etc (which includes the proposed reduction in commercial sought as part of the current amendment to the Concept Plan). Central Park is a mixed use precinct that contributes to Global Sydney. As noted earlier, a key guiding principle of the draft MPS to facilitate investment and growth, focussing on delivery of housing within the metropolitan areas (offering a range of housing types). Central Park sits in line with this objective matching employment and infrastructure, and market demand.

The economic impact assessment identified that long terms needs for commercial is met in other areas of the City. The proposed option for future residential land use is not inconsistent with the planning policy objective and strategic direction of Global Sydney, as outlined above.

Built Form Design Changes

No changes are proposed to the approved block 1 envelope and building as part of the current project application and should the site be developed in the future as residential, the design, detail and arrangement of the building and public domain would be submitted for exhibition, comment and assessment as part of an SSD application.

This information of a potential residential scheme was provided to the DPI and Council in response to initial concern that a suitable residential uses would not be capable of meeting the relevant amenity requirements for residential land use. The additional specific matters noted by City of Sydney are addressed below.

It is noted that as part of amendments to the existing Project Application (Block 1 + 4), modifications are proposed to the Southern façade of Block 4N, given the separation from Block 4S.

Building Separation Blocks 4 North and 4 South

Requests for information have been misinterpreted by the City. In its response, the City refers the DPI's request for the proposal to be *"modified so that building separation between Blocks 4 North and 4 South comply with approved building envelopes"*. In the DPI Response to Submissions letter they asked for *"consideration to be given to increased separation between proposed buildings on Blocks 4N and 4S"*.

As part of the RTS package, careful consideration went into the design and treatment of the northern facade of the proposal, including to the materials, arrangement and internal fixtures. As a result, the northern elevation was redesigned to provide aspect and privacy for future residents and remove the reliance on privacy glass. Specifically, the revised treatment of this elevation included:

- removal of the existing privacy glass and replacement with vision (clear) glazing allowing for the penetration of sunlight;
- installation of adjustable vertical metal louvers within the apartments; and
- maintaining a design that allows views out of the multi-bed apartment rooms whilst retaining privacy within and preventing the potential for direct overlooking between the commercial and residential uses.

Due to the proximity of Block 4N and 4S as well as the size of the approved envelopes, along with the orientation of the buildings, a greater separation distance would have a negligible impact on improving the solar access afforded to the northern elevation of Block 4S.

The proposed separation between Block 4N and Block 4S is largely established by way of the existing approved Concept Plan. The design of the northern elevation of Block 4S as well as the public domain and landscape treatment provide a clear separation between these two buildings, whilst providing a high quality pedestrian link from Abercrombie Street into Central Park.

Internal Amenity

Laundry Facilities

The City has noted that the DPI raised issue with the applicant regarding adequate washing and drying facilities (Laundry) and have reiterated the recommendation for compliance with the provisions of the Sydney DCP 2012. However, in their response to submissions letter, the DPI requested (as part of additional information) that confirmation of the proposed provision of washing and drying machine be provided, with specific reference to the requirements of the Sydney DCP 2012.

As part of the RTS, clarification of the number of washing and drying machines was provided as well as justification for the proposed provision. Correspondence from operators and details of similar developments was included indicating ratios between 1:45 and 1:50 were sufficient within the proposed scale of development. Reference against the DCP was also included. Specifically, UTS Yura Mudang (located on Harris Street) has been operating for over a year with a total of 720 beds and has a similar ratio to that above. In this time, UTS management have advised that there have been no issues with the ratio of washers/dryers.

The proposal provides a total of 28 washers and 28 dryers (stacked) within the designated laundry room, equating to a ration of 1:30, far lower (better) than the referenced operators and recent approved developments.

It is noted that as part of the assessment of Block 3B/3C and 10, Central Park (Mod 1), the DPI considered the same information from operators and recent approvals and considered the provision (ratio of 1:24) to be acceptable to satisfy the development. In this instance, 7kg machines were proposed. For the proposed development 9kg machines are proposed, and therefore considered to be all the more suitable to service the proposed development.

Lifts

In the response, the City mentioned that it has “considered the Department's request for the applicant to modify the internal layout of Block 4 South to provide additional lifts to service the total number of rooms and occupants proposed”. In the DPI Response to Submissions letter the DPI mentions that “Consideration should be given to the provision of additional lifts”.

As part of the RTS package, the number and size of the elevators within the building have been assessed by WSP and can appropriately accommodate the total number of residents. The passenger lifts are 1,275kg / 17pax @ 2.5m/s and the goods lift is 2,000kg / 26pax @ 1 m/s. From this review, as well as the way the lifts are used (different to that of a commercial building) the number of lifts is considered sufficient and suitable for the development.

Pedestrian Links

The City made comment regarding the pedestrian connections between Blocks 1 and 4N as well as between Blocks 4N and 4S. As part of the proposal, the link between Block 1 and Block 4N is proposed to be retained.

The design and arrangement of the publically accessible link between Block 4N and 4S is a result of detailed design and access considerations. The site falls approximately 3m from Central Park Avenue to Abercrombie Street. Following investigation and design development it was not considered feasible or practical to provide ramps for wheelchair access (given the gradient).

To ensure equitable access was maintained, a publically accessible elevator is provided between Abercrombie Street and Central Park Avenue. The proposed arrangement allows for an additional and active northern elevation at street level – improving the building connection and interaction between Abercrombie Street and the public link that would most likely not have been possible with a different design given the topography. As mentioned by the City, the proposed arrangement also allows a space for a public art feature to the wall that will be visible from Abercrombie Street.

Finally, the removal of the bridge link between Block 4N and 4S as part of MP08_0253 strengthens the visual connection between Abercrombie Street and Broadway into Central Park. This modification enables a visual relationship into the site to the visually prominent and culturally significant Brewery Yard brick chimney stack.

Traffic and Car Parking

As noted in the applications, it is Frasers intention to create a combined basement between Blocks 4N and 4S in the future. As part of these works, the interface and internal arrangement of the carpark (including deliveries, residential and childcare parking will be revised and improved. These amendments will be subject to future application made to the DPI that will be publicly exhibited and assessed by DPI and Council.

The current arrangement is considered to be appropriate and suitable for the use, given the data provided within the GTA Traffic Consultants report. However, to provide security and certainty to the DPI, Frasers proposed that the following condition (or similar) be included in any recommendation for approval”

“The final arrangement of the basement entry, car parking, servicing and childcare parking spaces is to be submitted for approval by the Department, prior to the issue of a Construction Certificate for above Ground works.”

This condition would ensure that the final design of the internal arrangement of the car parking is acceptable to the DPI prior to the building being completed and occupied.

Affordable Housing under NRAS Scheme

The comment from the City with regard to the ability to only support the development subject to sufficient demonstration of compliance with the relevant provision of NRAS is not considered to be appropriate.

The National Rental Affordability Scheme (NRAS) is a joint Federal and State Government initiative to invest in and increase the supply of new affordable rental housing and encourage large-scale investment and innovative delivery. This initiative relates to funding, and whilst it does require the satisfaction of minimum performance requirements, it is not a prerequisite of a planning determination.

Despite the comments from City of Sydney, demonstration of compliance with the relevant performance criteria of NRAS is the responsibility of the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) who monitor compliance with the scheme.

Despite NRAS, the proposed development adequately demonstrates consistency and compliance with all relevant building, amenity, environmental and social requirements for student accommodation.

DRAFT CONDITIONS OF CONSENT

The following modifications are proposed to the City of Sydney draft recommended conditions for the student accommodation SSD (SSD 5700-2012). A number of these were previously noted in the RTS package submitted to the DPI.

(3) Minimum room sizes for studios

It is proposed for this condition to be removed given that the architectural plans reflect the proposed room sizes. In some of the rooms the minimum room size is slightly less than the minimum sizes proposed by the City, as these are rooms that do not incorporate 'bay windows', or they will account for services and structures following the detailed design phase.

(5) Laundry Facilities

It is proposed to remove the proposed condition recommended by the City and replace it with the following condition below. This is consistent with the wording of the condition previously imposed by the DPI for other student accommodation blocks at Central park

"A minimum of 28 (9kg) commercial washing machines and 28 (9kg) commercial dryers are to be provided for the occupants of Block 4S in the identified laundry and are to be installed and operational, prior to the issue of an Occupation Certificate."

(8) Restriction on Student Housing

Condition (3)(g) – this condition requires the eviction of students within four weeks of the expiry of their tertiary course. In some instances a student will complete a course in one academic year and then commence another the following academic year. In order to avoid instances where students are evicted unnecessarily it is requested that a grace period of 12 weeks be given which would be sufficient to cover the holiday period. As per the amendment to condition (i) it is proposed to amend reference to full time tertiary course to simply state – tertiary course.

Condition (3)(i) – this condition defines a student as being a person attending a full time course. In many instances students are enrolled part time so as to be able to work and pay for their living costs. It is this type of student which is self supporting that is in most need of the subject accommodation. It is thus requested that the condition be amended to include both full time and part time students.

We trust this letter provides a clear response to the items of objection from City of Sydney and allow the DPI to promptly finalise the assessment report so the application can be finalised.

Should you have any queries about this matter, please do not hesitate to contact me on 9956 6962 or sgouge@jbaplanning.com.au.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Stephen Gouge'.

Stephen Gouge
Urban Planner

Attachment: *Letter from MacroPlan Dimasi*

1 August 2013

Alex Sicari
Development Manager
Frasers Property Australia Pty Ltd
Suite 11, Lumiere Commercial
Level 12, 101 Bathurst Street
Sydney NSW 2000
Email: alex.sicari@frasersproperty.com.au

Dear Alex,

Re: Review of January 2013 MacroPlan Dimasi economic report

In summary, our report supported the shift in floorspace away from office building and towards student accommodation (Block 4S) and possibly residential (Block 1) at Central Park. Based on this assessment, we found that student housing will:

1. Present as a more suitable option than office space;
2. Alleviate pressure in surrounding private rental markets;
3. Reduce the pronounced student housing shortage apparent in the region;
4. Activate the Central Park precinct during ordinary business hours;
5. Adhere to both Federal and State government policy objectives associated with the provision of new affordable dwellings;
6. Reduce strain on public infrastructure networks.

We have reviewed the arguments set out in our previous report. The evidence remains in support of our views. In particular, the balance in pressures across the residential and office markets remains in favour of the Central Park proposal.

We highlight a recent forecast for Sydney office demand, made by Morgan Stanley research analysts (*Mining Capex Slowdown – The ‘Canary in the Coalmine’ for Office Demand, May 27, 2013*). The view of Morgan Stanley analysts is that the weakness in demand for Sydney office space will extend for many years, with compound annual growth in effective rentals at just 0.3% over the five years to 2017.

On the other hand, the rental vacancy rate for inner Sydney remained low at 1.9% for June quarter 2013 (based on REINSW data released on 18 July 2013).

Our views on the merit of shifting the balance of floorspace away from office space and towards student accommodation and possibly residential remain intact. We highlight that these comparative market conditions have characterised the inner Sydney property market for the past decade, and are likely to remain for the next five years at least. Our position is not based on short-term market trends, but rather emphasises the structural shifts underway in each sector.

Comments on City of Sydney letter (dated 11 July 2013)

There is concern expressed about the merit of variations to the mix of building uses for the project. The original concept plan (2006) specified a target for 30% of floorspace to be utilised for commercial purposes. The planning proposal would reduce this ratio to 23% - representing a change in use for a total of 17,900m² of floor space.

1. The validity of making variations per se – that the concept plan should not be altered.

We refer to the following statements by the City of Sydney:

‘Such a change is inconsistent with relevant planning policy including the Metropolitan Strategy for Sydney and would jeopardise the intended future role of the area’.

‘Capacity for commercial space needs to be protected so that longer term demand can be met. The current proposal seeks to dismiss the longer term planning objectives in preference to an exercise in current day highest and best use.’

In our view, preservation of the balance of land uses (embedded in the concept plan) implies that the planning process can correctly predict the market need for residential and commercial uses for any given project – even if the development occurs over a period of 10 years or more. For this reason, even a minor change to the concept plan mix would appear sufficient to prevent a viable mix of uses.

However, since the 2006 plan was specified, government planning policy has moved towards a clear emphasis on market demand and project feasibility. The current aim is for planning flexibility to allow ‘balanced growth’ as defined by the 2013 edition of the draft Metropolitan Strategy for Sydney (MSS):

As a general policy, the Strategy’s approach to balanced growth means housing renewals and developments will reflect market demand, development feasibility and infrastructure, transport and services provisions. (pg 10)

OBJECTIVE 1: Develop a new Land Release Policy and make new areas available for housing and jobs

Policy b. Growth will be encouraged within the Metropolitan Urban Area to reflect market demand. (pg 12)

The imposition of prescriptive targets for the proportions of residential and commercial floorspace, set in a concept plan for a specific project many years ahead of the actual development process, are not consistent with this policy.

Market demand evolves gradually, and there is a need for change in respect of individual projects. By incorporating market demand and development feasibility, the need for flexibility in project approval becomes a core facet of the planning process. For the Central Park project, a shift from 30% commercial floorspace to 23% is entirely consistent with the stated approach to balanced growth.

2. The marginal effect of the shift from 30% to 23% for commercial floorspace, in terms of local and broader impacts, significantly impacts on broader policy objectives.

We refer to the following statements by the City of Sydney:

'The City does not support the applicant's justification that providing additional residential floor space and further reducing commercial floor space is an appropriate response to current market demand. The City does not support the suggestion that the proposed mix will result in a viable long term mix of land uses.'

'...the role of residential development must only be one of support for the CBD and Global Sydney being the primary focus for national and international business.'

'The supported 70/30 mix was in effect a concession in regards to land use policies that acknowledges the role and demand for residential development in the area.'

The principle of the draft MSS is to expand and extend the number of precincts for development in the central Sydney region. In turn, this scope for growth means that the market will have the opportunity to deliver 'balanced growth' across the region over time – with the caveat that market demand for any given project needs to be met. This process is set out in the draft strategy:

OBJECTIVE 2: Strengthen and grow Sydney's centres

Policy (d) Mixed use development will be encouraged in all centres, including central commercial core areas, where there is market demand and complementary land uses.

The State Infrastructure Strategy recognises the importance of the Global Economic Corridor by making it a focus for both currently funded and commenced projects and future projects. Focusing large clusters - or agglomerations – of employment in our Strategic Centres, Specialised Precincts and the Global Economic Corridor can boost productivity on the back of increased job densities and greater capacity for additional employment.

To further strengthen the productivity of the Global Economic Corridor, we will extend the reach of the Corridor towards Norwest and to Parramatta and leverage off the investment in WestConnex and the North West Rail Link. Pg 14

In this context, planning policy is clearly expanding the scope of opportunities for clustering and agglomeration of commercial, education and health related uses. By implication, the role of activity clusters outside the City of Sydney will be significantly encouraged. This position is now formalised in planning policy.

It represents a policy response to trends in market demand that have been underway for the past decade, where office development has shifted to suburban locations for a variety of reasons.

Central Park is located within the Global Economic Corridor. An extension of the Global Economic Corridor means that the impact of change in use for 17,900m² of floorspace is extremely minor. This change will have very little impact on the contribution of the site to the wider Sydney economy.

Compared to the planning conditions that defined the 2006 concept plan for Central Park, Frasers Property is now facing a substantially different policy environment. Policy guidance articulated in the draft MSS clearly requires reference to market demand and development feasibility. In addition, the draft MSS specifies the extension of Sydney's Global Economic Corridor, which forms a core driver for transport infrastructure investment.

Given these planning policies, the proposed land use change is an appropriate response to achieving balanced growth at Central Park, in light of the extension of the Global Economic Corridor.

Comments on Chippendale Residents Interests Group letter (dated 20 July 2013)

The proposed variation will substantially increase the supply of accommodation. An increase in supply can only place downward pressure on market rentals in Chippendale. With additional housing, some students will move from existing Chippendale rental properties into the Central Park building. Consequently, this improves the availability of rental properties available for other households, such as city office or key workers. In turn, these movements will tend to reduce the proportion of students in the total Chippendale population. The mix of households becomes broader, not narrower.

To follow through on this issue, consider the impact of closing existing student housing facilities. This move would tend to shift student demand into the mainstream rental market, and place upward pressure on rentals.

The projected value of rentals at Central Park is identified as \$350 per week for a studio room. On the surface, this appears higher than the amounts that individuals face in the local private market. However, the Central Park rental is not a simple 'room rate': it includes the provision of broader services including utilities, study spaces and data access, fitness equipment & recreational facilities, and security management. A simple comparison between Central Park and broader market rental values is not valid.

Setting aside the different accommodation features, it is important to note that the rental market works across a range of properties that vary in location and quality. Consequently, there is a range of rentals, and the median value sits in the middle of this range. A new building that is well located will attract a value premium, and tend to have rentals above the local market median.

This outcome does not mean that the affordability of existing rental properties deteriorates. In fact, the availability of existing rental properties increases, which places downward pressure on rental values.

Downward pressure on rentals will increase aggregate disposable income available to spend on local services. This outcome will be supportive of local businesses and employment opportunities.

Expansion of office floorspace at other locations will more than offset the lower level at Central Park. The draft Metropolitan Strategy for Sydney 2013 incorporates a policy to expand commercial development into new areas, when compared to the situation in 2006 when the Concept Plan was specified.

Yours sincerely,



Jason Anderson
Chief Economist