ITEM 4. RESIDENTIAL APARTMENTS SUSTAINABILITY PLAN

FILE NO: S117642

SUMMARY

Around three-quarters of residents in the City of Sydney Local Government Area (LGA) currently live in apartment buildings. By 2030, the population is forecast to grow by over 45 per cent from 2011. By then, approximately 80 per cent of residents will be living in apartments and at least 90 per cent of the new dwellings built will be high-rise buildings (buildings with more than six storeys).

The Residential Apartments Sustainability Plan 2015 (the Plan) describes how the residential apartment sector can realise significant opportunities for environmental performance in line with *Sustainable Sydney 2030* and defines 30 strategic actions that will be required to achieve five specific outcomes.

When fully implemented, actions in the Plan for new and existing apartment buildings could see a reduction in apartment-sector greenhouse gas emissions of up to 40 per cent and water consumption of seven per cent by 2030, as well as seeing up to 70 per cent of waste diverted from landfill by 2021 (based on 2006 levels). These environmental targets are important and ambitious, as they also take account of considerable growth in the sector.

Actions within the Plan focus on three key areas for the City:

- direct action needed to lead and incentivise building retrofits;
- capacity building initiatives in the transition to policy change; and
- advocacy to state and federal governments for critical policy change.

Analysis conducted in developing the Plan shows the greatest opportunities to achieve environmental outcomes in apartment buildings are policies to increase minimum environmental performance standards in new buildings and introduce a performance benchmark rating system for existing buildings. These two measures will require strong advocacy from the City and stakeholders as they require revised and new legislation by state and federal governments.

Adoption of the Plan would enable the City to continue its advocacy for these enabling actions to increase environmental performance within the sector including:

- increased Building Sustainability Index (BASIX) compliance levels and targets for apartment buildings;
- the development of an environmental performance rating system, similar to the National Australian Built Environment Rating Scheme (NABERS) for commercial buildings; and
- the introduction of legislation to mandate disclosure of this rating on the point of sale or lease.

These measures are aligned with the enabling actions described in the Energy Efficiency Master Plan, which is currently on public exhibition.

To investigate how apartment communities can contribute to *Sustainable Sydney 2030*, the City piloted the Smart Green Apartments program with 30 buildings between 2011 and 2013. Working with owners and the managers of apartment buildings, the City provided independent environmental assessments, implementation support and resources to engage residents.

While market momentum is building in this sector, service providers are still reluctant to work with apartment buildings given the complicated governance structures and long decision making timeframes. Despite the evidenced savings for the residential owners involved in the pilot program, without direct action programs to support and demonstrate the opportunities of environmental retrofits, investment is unlikely to be realised for the over 1,900 other apartment buildings in the City LGA.

Direct action programs build the capacity of owners and service providers in preparation for state and federal initiatives to catalyse sector transformation. The City's programs will also contribute to the development of state and federal initiatives by way of data and community engagement, aiding our advocacy for important measures outside the City's control.

The Plan shows that changes to legislation could achieve 31 per cent of the 40 per cent sector reduction target, with the remaining nine per cent to be achieved through direct action programs, grants and other initiatives implemented by the City. Although only directly responsible for a relatively small percentage of the sector reduction target, the City's leadership with direct action programs plays a vital role in catalysing market uptake and policy development by other agencies.

Improving the environmental performance of residential buildings will not only achieve environmental benefit but also generate jobs and savings for households. The Plan however cannot be delivered in full within existing resources.

RECOMMENDATION

It is resolved that:

(A) Council approve the draft Residential Apartments Sustainability Plan 2015, as shown at Attachment A to the subject report, for public exhibition for a minimum period of 28 days;

(B) Council note that funding will be sought from external organisations to help deliver the High Rise Leaders Retrofit Program, recognition scheme and expert panel actions; and

(C) Council note that business as usual will not deliver direct support to residential communities to realise economic savings, nor environmental outcomes on a sector scale.

ATTACHMENTS

Attachment A: Residential Apartments Sustainability Plan 2015

Attachment B: 2014 Institute for Sustainable Futures Smart Green Apartments Evaluation Report

BACKGROUND

1. *Sustainable Sydney 2030* sets ambitious targets for the City to reduce its carbon emissions, water consumption and minimise waste. Environmental master plans articulate key issues and targets for energy, water and waste and opportunities to achieve these reductions. The Residential Apartments Sustainability Plan (the Plan) draws on the environmental master plans and outlines customer focused actions to achieve *Sustainable Sydney 2030* by targeting opportunities in new and existing apartment buildings and their communities.

2. 73 per cent of residents in the City LGA live in more than 1,900 apartment buildings. The estimated resident population is forecast to grow from 188,000 in 2013 to 269,000 in 2031. Using the average of two people per dwelling, this equates to approximately 40,500 new dwellings.

3. It is important that each of these new dwellings is built to the highest possible environmental standards to secure economic and environmental savings for residential communities. Currently, apartment living is estimated to be responsible for 39 per cent of the City LGAs water usage, 11 per cent of greenhouse gas emissions and 14 per cent of waste generation.

4. In 2011, the City established a stakeholder Reference Group of 15 organisations to provide strategic advice and support the development and delivery of the pilot Smart Green Apartments program and, ultimately, the Residential Apartments Sustainability Plan (the Plan).

5. In 2012, the City partnered with the NSW Office of Environment and Heritage to deliver the Smart Green Apartments program. The program has been working with owners corporations and key service providers of 30 buildings to investigate and support environmental performance improvement opportunities. This program has spurred interest from a further 150 apartment buildings that have signed up to hear about future offerings to support sustainability in apartments.

6. Owners corporations have less control over their physical environment when compared with owners of single unit dwellings. Environmental upgrades in apartment buildings are restricted for many reasons including complexity of strata legislation, limited capacity and access to finance, and the lack of expertise and support.

7. The Smart Green Apartments program identified that up to 60 per cent of a building's energy use can come from common property and almost 90 per cent of water is consumed inside apartments. Engaging not only the owners corporation, but building management and residents, is therefore important for achieving effective sustainability outcomes.

8. The program identified that apartment buildings can, on average, reduce 30 per cent of energy and 26 per cent of water consumption through current efficiency measures, saving on average over $70,000 per building per year.

9. In 2014, an independent evaluation focusing on 21 of the 30 buildings that participated in the program reported environmental retrofit projects either completed or currently in progress will result in an annual reduction of 3,193 tonnes of CO_2e per building and savings of up to $90,000 per building per year. As utility costs continue to rise, these savings will be an increasing economic incentive for owners corporations to retrofit their buildings for environmental performance.

10. The independent evaluation also reported that the program was crucial in building capacity to implement projects and persuading executive committee members to take action in their building. Statements made by participants reveal how important the City's support was to securing the engagement and implementation in their building:

    "Without the City Council's input it would have been hard to win over some of the other committee members who say, "Why should we bother?" The program was very helpful in actually getting people to agree to let us do it.'

    'You need continuity over several years and then you will be able to get more done. If the whole thing (program) is continued, we will implement more."

11. Environmental upgrades are often technical in nature, with lighting upgrades and optimising plant and equipment usually requiring specialist technical advice. Due to the complexity of strata ownership and decision making timeframes, many service providers have been unwilling to provide environmental upgrades to residential strata properties to date.

12. In 2012, the City collaborated on the development of Smart Blocks, an online toolkit that helps owners corporations implement energy efficiency projects. Smart Blocks is a national program incepted through a $1,090,000 grant from the Commonwealth Department of Climate Change and Energy Efficiency, Energy Efficiency Information Grants Program. Smart Blocks is managed by Strata Community Australia in primary partnership with the City of Melbourne, City of Sydney, and the Owners Corporation Network Australia.

13. Other councils including Willoughby, North Sydney, Leichardt and Ku-ring-gai are actively supporting their apartment communities in relation to sustainability. Many of these councils and others are using Smart Blocks as a key platform to engage their apartment residents.

14. Considering the development growth of residential apartment buildings, the opportunities for efficiency in existing apartment buildings and limited ability and capacity for owners to implement technology solutions, the residential apartment sector was prioritised for development into a sector sustainability plan.

15. The Residential Apartments Sustainability Plan at Attachment A was developed jointly by the City's Sustainability Strategy and Sustainability Programs Teams as the first of a series of approximately six sector strategies. The Plan draws on the understanding gained from existing initiatives and the direction of the environmental master plans to give a clear picture of the opportunities for improved environmental performance in apartment buildings, and how communities can contribute to *Sustainable Sydney 2030* targets.

16. The Plan seeks to achieve five key outcomes:

    (a) foster innovation in sustainable design and construction of new apartment developments;

    (b) raise the bar by advocating for increased minimum environmental performance targets in new buildings;

    (c) build capacity of owners and building managers to identify, approve and implement projects;

(d) activate upgrades through incentives and support to overcome the challenges to implementation in strata buildings; and

(e) empower communities to engage in sustainable choices and positive resident behaviour change.

17. The majority of these outcomes can be delivered within existing resources, except for the specific direct action programs on page 9 of the Plan (i.e. the High Rise Leaders Retrofit Program, recognition scheme and expert panel), which will be implemented at a later date.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

18. *Sustainable Sydney 2030* is a vision for the sustainable development of the city to 2030 and beyond. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This Plan is aligned with the following strategic directions and objectives:

(a) Direction 2 - A Leading Environmental Performer

(i) by implementing technologies and actions to reduce greenhouse gas emissions within the apartment sector by 40 per cent;

(ii) by reducing potable water consumption within the apartment sector by 7 per cent; and

(iii) by improving resource recovery from apartment building waste across the City LGA; and

(b) Direction 6 - Vibrant Local Communities and Economies by encouraging and supporting the city's community of residents, business owners, workers and visitors to improve the environmental performance of their apartment buildings.

Organisational Impact

19. This 10-year Plan was developed in consultation with internal and external stakeholders and recognises that the City needs to work with state and federal governments, as well as empower communities, if we are to achieve *Sustainable Sydney 2030*. Seven City of Sydney business units have agreed to integrate relevant actions in the Plan.

20. The 30 actions in the Plan drew on the work of the City's environmental master plans and the City's existing programs to develop tailored solutions that address specific challenges in both existing and new apartment buildings. The actions in the Plan have been prioritised based on the needs of the sector, as well as where the City can lead in an efficient and effective manner.

21. The Plan prioritises actions that the City can control and deliver within existing resources and advocate for critical policy that requires detailed planning and longer timelines for delivery by external agencies. While implementing these priority actions, the City will commence planning on actions that require additional resources and partnerships.

22. The City can deliver significant aspects of the Plan within current staff allocations. To deliver the entire 10-year plan, one additional full-time equivalent (FTE) staff is required. External funding will be sought to secure this increased resource.

Risks

23. The Plan relies on advocacy for measures that fall outside of the City's direct control. Thirty one per cent of the 40 per cent sector reduction target is to be achieved through advocacy for policy change or legislation. Direct action programs are necessary for the City to input to and advocate for the development of state and federal policy by way of data and community engagement, and to secure the delivery against sector specific targets.

24. Further resources are required for the delivery of direct action programs within the City's control, specifically the High Rise Leaders Retrofit program, recognition scheme and expert panel.

25. Business as usual will not catalyse job opportunities, sector capacity building, the market uptake of environmental projects and the ensuing economic and greenhouse gas emission savings for our residents.

26. Business as usual compromises the City's leadership to date in supporting residential communities contribute to *Sustainable Sydney 2030* targets, and is unlikely to meet the community needs and expectations of over 150 buildings that have expressed their interest in service offerings from the Smart Green Apartments program.

Social / Cultural / Community

27. This project will build capability, support and encouragement for apartment communities to make informed decisions about environmental opportunities in their buildings.

28. Implementation of the Plan will help accelerate the level of community cohesion and social interaction in strata communities by supporting environmental performance upgrades and economic savings in apartment buildings.

29. Implementation of the Plan will contribute to the *Sustainable Sydney 2030* commitment to establish partnerships to advance sustainability objectives by partnering with other internal and external programs and services.

Economic

30. Initiatives focusing on environmental performance of buildings will generate jobs and investment.

31. Implementing the retrofit program and expert panel, and the introduction of increased environmental performance standards and a performance benchmark for existing apartment buildings by state and federal governments, will generate jobs for service providers, consultants and trades people.

32. Investment in environmental upgrades will reduce electricity consumption and save money for residents and owners of apartments. As evidenced through the Smart Green Apartments program, projects generally pay back in less than four years, saving buildings up to $90,000 per annum.

33. Buildings with improved performance will be more attractive to new owners and residents who demand reduced operating costs and better environmental performance, as evidenced in the commercial office sector.

BUDGET IMPLICATIONS

34. The Smart Green Apartments program delivered greenhouse gas emission savings to apartment buildings at a cost to the City of $15 per tonne of carbon abated. The Plan presents a portfolio approach to secure carbon abatement through direct action, capacity building and advocacy at a cost to the City of under $10 per tonne.

35. The City can deliver significant aspects of the Plan within staffing and operational budgets already included in the Long Term Financial Plan projections. However delivery of the entire 10-year plan will require an additional resource commitment of one FTE staff (equivalent to $1.1 million over 10 years) and an additional operational program spend of $3 million over the 10 years.

36. Grant applications will be made for additional resources needed to support the delivery of longer-term actions following Council's endorsement of the Plan.

RELEVANT LEGISLATION

37. Environmental Planning and Assessment Regulation 2000 and State Environmental Planning Policy.

38. Building Sustainability Index: BASIX 2004.

39. Strata Schemes Management Act 1996.

CRITICAL DATES / TIME FRAMES

40. Critical dates for the implementation of the Plan are as follows:

Council approval for public exhibition of the Plan	April 2015
Public exhibition / community engagement	May 2015

OPTIONS

41. Council may decide to approve the Plan for public exhibition, and subsequent implementation of priority actions within the Plan that can be delivered within existing resources. This option is recommended.

42. Council may decide to not approve the Plan and proceed with business as usual, making no change to current programs. This option is not recommended as it would comprise environmental and economic outcomes for residential communities and delivery of ongoing sustainability programs to meet community expectations in the apartments sector.

PUBLIC CONSULTATION

43. The owners and service providers who participated in the Smart Green Apartment program have provided significant insight into the development of the Plan, as have the queries and engagements with the over 150 buildings that have registered their interest in future programs.

44. Key industry stakeholders were actively engaged throughout the development of the Plan through the Smart Green Apartments Reference Group established in 2011. The Reference Group includes, but is not limited to:

    (a) NSW Fair Trading;

    (b) NSW Department of Planning and Environment;

    (c) NSW Office of Environment and Heritage;

    (d) NSW Land and Housing Corporation;

    (e) City Futures Research Centre, UNSW Built Environment;

    (f) Green Strata;

    (g) Strata Community Australia;

    (h) Owners Corporation Network Australia;

    (i) Green Building Council of Australia;

    (j) Australian Resident Accommodation Managers Association;

    (k) Ausgrid;

    (l) Jemena;

    (m) Sydney Water;

    (n) Clean Energy Finance Corporation; and

    (o) LJ Hooker.

45. Should it be approved by Council, the Plan will be placed on public exhibition for a minimum period of 28 days.

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