

## Item 4.

### **Public Exhibition - Planning Proposal: Central Sydney 2020 – Draft Sydney Development Control Plan 2012: Central Sydney - Draft Central Sydney Development Contributions Plan**

**File No: S064204**

#### **Summary**

Central Sydney is at the core of the metropolitan area, and a key attractor for investment, talent and economic productivity in Australia. To maintain Sydney's global status, it is critical that Central Sydney strengthens its role as an economic conduit between Australia and the rest of the world; builds on its strong position as a centre for ideas and innovation; and reinforces its specialist role in advanced business services and tourism.

The draft Central Sydney Planning Strategy (draft Strategy) is the first major review of Central Sydney Planning controls in 45 years and will ensure that Central Sydney maintains its role as Australia's most productive location and export-orientated services centre. It balances the need to preserve and grow commercial, retail, tourism and cultural uses over the longer term with residential uses that all contribute to a vibrant city centre.

The draft Strategy was prepared to ensure Central Sydney continues to be Australia's leading economic centre while balancing other needs. The draft Strategy supports opportunities for additional building height and density in the right locations, so long as the new development contributes to environmental sustainability, design excellence and infrastructure.

The draft Strategy will guide Central Sydney's future through 10 key moves and be implemented through changes to the City's planning framework, including the Sydney Local Environmental Plan 2012 (LEP), Sydney Development Control Plan 2012 (DCP) and Central Sydney Development Contributions Plan.

The draft Strategy and proposed changes to the LEP and DCP were unanimously endorsed by Council in July 2016 and sent to the NSW Department of Planning and Environment seeking a Gateway determination to progress the proposed changes to public exhibition.

In December 2019 the Lord Mayor and the Minister for Planning and Public Spaces made a joint announcement that an in-principle agreement has been reached on the Central Sydney Planning Strategy and Planning Proposal with three changes.

Firstly, allowing for a new design excellence bonus pathway for up to 50 per cent more floor space and height for development in the four tower cluster areas that demonstrate design excellence and meet the intent of the draft Strategy Guideline.

Second, encouraging more office, hotel and cultural space by removing the residential accommodation bonus instead of implementing a 50 per cent cap on residential and serviced apartment accommodation.

Third, preparing a new development contributions plan to help fund the delivery of new and improved public infrastructure to ensure the city retains its valued public and green spaces in lieu of the proposed community infrastructure contribution in the draft Guideline on a case by case basis.

These changes are consistent with and supported by the key moves of the draft Strategy and will implement the aims of the draft Strategy. They provide additional growth opportunities in suitable locations, incentivise employment and enterprise land uses and ensure Central Sydney continues to attract people, business and investment through high quality public places. The proposed changes provide greater certainty, efficiency and transparency in realising the growth opportunities in Central Sydney.

The remainder of the Planning Proposal and Draft DCP remain relevant and unchanged except for consequential updates and the draft Strategy is unchanged but now includes an addendum to recognise the agreed changes. This will enable the exhibition of the proposed planning controls to be expedited in light of the collaboration with Department of Planning, Industry and Environment.

This report seeks the Central Sydney Planning Committee's approval for public exhibition of updated and new planning documents that incorporate the agreed changes and implement the draft Central Sydney Planning Strategy. The documents include:

- An updated planning proposal, *Planning Proposal: Central Sydney 2020* (Planning Proposal), to amend the LEP,
- an updated Draft DCP, *Draft Development Control Plan: Central Sydney* (Draft DCP),
- a new contributions plan, *Draft Central Sydney Development Contributions Plan 2020* (Draft Contributions Plan), and
- an amendment to the City's Competitive Design Policy, *Draft Amendments to the Competitive Design Policy: Central Sydney*.

The draft Strategy will be exhibited as supporting material.

## Recommendation

It is resolved that:

- (A) the Central Sydney Planning Committee approve the Planning Proposal: Central Sydney 2020, as shown at Attachment A to the subject report, for submission to the relevant local plan-making authority with a request for a Gateway Determination;
- (B) the Central Sydney Planning Committee approve Planning Proposal: Central Sydney 2020, as shown at Attachment A to the subject report, for public authority consultation and public exhibition in accordance with any conditions imposed under the Gateway Determination and for not less than 28 days;
- (C) the Central Sydney Planning Committee note the recommendation to Council's Transport, Heritage and Planning Committee on 10 February 2020 that Council seek authority from the relevant local plan making authority, to exercise the delegation of the relevant local plan making authority of all their functions under Section 3.31 of the Environmental Planning and Assessment Act 1979 to make the local environmental plan as amended by Planning Proposal: Central Sydney 2020;
- (D) authority be delegated to the Chief Executive Officer to make any minor variations to Planning Proposal: Central Sydney 2020 following receipt of the Gateway Determination, including to correct any minor drafting errors;
- (E) the Central Sydney Planning Committee note the recommendation to Council's Transport, Heritage and Planning Committee on 10 February 2020 that Council approve the draft amendments to the Competitive Design Policy shown at Attachment C to the subject report, for public exhibition concurrent with the Planning Proposal for a period of at least 28 days;
- (F) authority be delegated to the Chief Executive Officer to make minor amendments to the draft amendments to the Competitive Design Policy before its exhibition, including to correct any minor drafting errors;
- (G) the Central Sydney Planning Committee note the recommendation to Council's Transport, Heritage and Planning Committee on 10 February 2020 that Council approve the Draft Development Control Plan: Central Sydney, as shown at Attachment D to the subject report, for public exhibition concurrent with the draft Planning Proposal for a period of at least 28 days;
- (H) authority be delegated to the Chief Executive Officer to make minor amendments to the Draft Development Control Plan: Central Sydney before its exhibition, including to correct any minor drafting errors;

- (I) the Central Sydney Planning Committee note the recommendation to Council's Transport, Heritage and Planning Committee on 10 February 2020 that Council approve the Draft Central Sydney Development Contributions Plan 2020 shown at Attachment E to the subject report, for public exhibition concurrent with the draft Planning Proposal: Central Sydney 2020, for a period of at least 28 days; and
- (J) authority be delegated to the Chief Executive Officer to make minor amendments to the Draft Central Sydney Development Contributions Plan 2020 before its exhibition, including to correct any minor drafting errors.

### **Attachments**

- Attachment A.** Draft Planning Proposal: Central Sydney 2020
- Attachment B.** Draft Central Sydney Planning Strategy
- Attachment C.** Draft Amendments to Competitive Design Policy
- Attachment D.** Draft Development Control Plan: Central Sydney
- Attachment E.** Draft Central Sydney Development Contributions Plan 2020
- Attachment F.** Correspondence to City of Sydney from Department of Planning, Industry and Environment, January 2020

## Background

### Introduction

1. The draft Central Sydney Planning Strategy (draft Strategy) is the first major review of Central Sydney planning controls in 45 years and will ensure that Central Sydney maintains its role as Australia's most productive location and export-orientated services centre. It balances the need to preserve and grow commercial, retail, tourism and cultural uses over the longer term with residential uses that all contribute to a vibrant city centre.
2. Central Sydney is at the core of the metropolitan area, and a key attractor for investment, talent and economic productivity in Australia. To maintain Sydney's global status, it is critical that Central Sydney strengthens its role as an economic conduit between Australia and the rest of the world; builds on its strong position as a centre for ideas and innovation; and reinforces its specialist role in advanced business services and tourism.
3. The draft Strategy ensures Central Sydney continues to be Australia's leading economic centre while allowing flexibility for innovative proposals that enhance its appeal. The draft Strategy supports opportunities for additional building height and density in the right locations, as long as the new development is supported by environmental sustainability, design excellence and infrastructure, such as public space, transport and access improvements. The draft Strategy will guide Central Sydney's future through 10 key moves and be implemented through changes to the City's planning framework, including the Sydney Local Environmental Plan 2012 (LEP), Sydney Development Control Plan 2012 (DCP) and Central Sydney Development Contributions Plan.

### The Central Sydney Planning Review

4. The draft Strategy is the product of the most detailed review of city centre planning controls since the City's first comprehensive planning strategy in 1971.
5. The Review was undertaken in response to community consultation for the preparation of the City's Sustainable Sydney 2030 program. The community asked us to ensure Sydney remained a globally competitive and innovative city, where change and growth in the city centre was planned and that growth was balanced with the attributes that make Sydney one of the world's most liveable cities.
6. The Review considered the planning controls and broader planning policies that guide development in Central Sydney. It looked at how Central Sydney has, will and should grow and the challenges associated with balancing land use and moving people in, out and around a compact city centre. The results of the Review are presented in the Strategy, as well as in the technical studies attached to the Strategy. Key aspects of the Review's findings are discussed below.

### Economic Role

7. Central Sydney plays a crucial role in positioning Sydney as Australia's leading global city. It is at the core of the metropolitan area and is a key attractor for investment, talent and economic productivity in Australia. To maintain Sydney's global status, it is critical Central Sydney strengthens its role as an economic conduit between Australia and the rest of the world, builds on its strong position as a centre for ideas and innovation, and reinforces its specialist role in advanced business services and tourism.

8. Central Sydney has higher worker productivity than any other Australian centre of employment. This productivity is reflected in the large contribution of Central Sydney and its jobs to the national and State economies.

#### A compact urban centre

9. However, Central Sydney has limited capacity to grow outward as a result of its physical setting. While other Australian urban centres, like the Melbourne CBD, can expand outwards, this is prevented by Central Sydney's physical setting. Compared to other global cities, Central Sydney's commercial core is small, being the equivalent of one-quarter the size of New York's Central Park.

#### Balancing growth with infrastructure

10. Central Sydney's growth must also be accompanied by high quality transport infrastructure. Public transport is fundamental to Sydney's role as a modern multicentre city. It is needed to connect people, talent, ideas and knowledge between places and across industries such as finance, education and technology. Improving the efficiency of the public transport network by connecting modes of transport will maximise metropolitan Sydney's economic potential.
11. Opportunities must be harnessed for new pedestrian links, cycle paths, public squares and green open space. Streets must be prioritised for people. Community and service infrastructure must also grow to meet increasing demand – libraries, childcare and cultural facilities, light rail, footpaths and affordable rental housing also being important components of Central Sydney's infrastructure.

#### Employment Floor Space

12. The predominant industry sectors in Central Sydney are finance and financial services and professional and business services. These two sectors combined employ over 50 per cent of the workforce, representing the greatest concentration of knowledge-intensive industries in Australia.
13. At the time of conducting the Central Sydney Planning Review (the Review), the City noted that between 1991 and 2012, Central Sydney's core employment population grew by close to 50 per cent. The Review anticipated employment floor space would grow by a further 30 per cent from 2012 to 2036 to approximately 380,000 workers. However, the NSW Government's Bureau of Transport Statistics Travel Zone forecasts 467,000 workers. This growth in workforce includes that from State development, including Barangaroo, Darling Harbour and Central Park developments.
14. Between 2007 and 2017, employment floor space increased by 7.8 per cent. The majority of this growth was through intensification, with work-space ratios reducing from 27.7 square metres to 23.5 square metres per worker over the last 10 years. Further intensification of the space used is still possible.
15. The Strategy assumes on average across all sectors 20 square metres of floor space is required for every job located in Central Sydney. If this assumption holds, only 50,000 jobs are likely to be accommodated by current capacity. This is significantly less than the floor space required to accommodate projected jobs growth.

## Residential Floor Space

16. For residential floor space, the Review noted that between 1996 and 2012, the residential population of Central Sydney quadrupled from around 6,500 to 25,000 residents.
17. At the time, the Review forecast Central Sydney's residential population will grow by 80 per cent from 2012 to approximately 45,000 residents by 2036. I.d. Consulting released updated residential population growth forecasts in 2019 that suggests Central Sydney's residential population will grow to approximately 64,000 residents by 2036. More than half of this population growth is expected to occur in the next 10 years.
18. The Review also identified that from 2012 to 2016, 52 per cent of new floor space approved in Central Sydney was residential. Recent development application approvals shows the residential market declined relative to the commercial market in 2017 and is now showing signs of recovery in 2019.
19. By 2036, Central Sydney will have a similar-sized residential population as the suburbs of Pyrmont, Ultimo, Glebe and Harold Park combined. This population growth will change the look and feel of Central Sydney's precincts and have significant impacts on infrastructure demand. Importantly, new strata titled residential development will continue to displace existing office floor space effectively permanently, sterilising the commercial development potential of sites better suited to employment uses.

## Floor space supply

20. Due to our open zoning and incentives, residential development offers the best immediate investment return under current planning controls. However, this means that sites better suited to employment-related investment in the medium term will be marketed, sold and redeveloped as residential properties and be strata sub-divided into fragmented ownership. Once in fragmented residential ownership market, these sites are effectively permanently removed from redevelopment.
21. Residential projects approved by the City between 2012 and 2016 represent a net reduction of over 130,000 square metres of existing employment floor space and 285,000 square metres of potential employment floor space. Speculated office to residential conversions between 2012 and 2016 represent a loss of over 380,000 square metres of existing employment floor space and a minimum loss of over 150,000 square metres of potential employment floor space under current planning controls.
22. Known and potential office to residential conversions since 2012 represent a total reduction of over 945,000 square metres of existing and potential employment floor space equal to over 15 years office floor space supply or over 45,000 jobs reduced from Central Sydney's capacity.
23. Residential strata projects approved in 2015 represented the largest recorded period of residential strata growth since 1971. Prior to 2015, the lead up to and following the 2000 Olympic games represented the biggest period for residential strata registration in Central Sydney. Sixty schemes were registered between 1998 and 2005, with a large proportion of these relating to approved serviced apartments converted to residential strata dwellings. Given the ability for serviced apartments to easily convert to residential strata dwellings, the Strategy treats them one and the same.

24. Regardless of short-term market cycles, the planning framework assigns dwelling and jobs targets to the Sydney LGA. The Eastern City District Plan requires the City to plan for and deliver at least 165,100 new jobs by 2036, with a higher aspirational target of 266,100.
25. Without intervention to stabilise employment floor space losses and increase the amount of employment floor space, there will be significant constraints on the number of jobs that Central Sydney can supply.
26. The original intent of the Strategy was to rebalance the planning controls with a long-term focus on economic and employment floor space growth. This key move remains unchanged. The Central Sydney market will continue to switch between more favourable commercial and residential markets. However, it is important that planning controls are in place that facilitate a more balanced approach to facilitating long term employment floor space supply.

#### Ecologically Sustainable Development

27. Total energy use across Central Sydney buildings has been decreasing since 2006, despite rapid economic growth. There are several reasons for this. Technological improvements, such as LED lighting, are now becoming mainstream, residents and businesses have been cutting back on energy use as prices rise, and awareness of energy efficiency benefits is increasing across the community.
28. Setting minimum rating targets were identified as two major energy savings opportunities in the City's Energy Efficiency Master Plan. These changes represent direct action that will assist in reducing the energy consumption of total buildings in the Local Government Area.
29. Setting minimum rating targets also means that future planning proposals and development applications seeking to demonstrate design excellence will need to do better than meeting minimum targets to qualify for design excellence.

#### **Draft Central Sydney Planning Strategy – Attachment B**

30. Central Sydney is Australia's most productive and strategically important employment centre. To maintain this strong economic role, Central Sydney's planning controls must be able to accommodate expected growth, provide flexibility and respond to the needs of business, workers, visitors and people that live here. As Central Sydney grows, planning controls and planning strategies should ensure development opportunities are available for investors and developers to use the available land in ways that contribute to the sustainable economic growth of Sydney.
31. The draft Strategy is underpinned by the following nine aims:
  - (a) promote sustainable buildings with great design and architecture;
  - (b) create opportunities for beautiful parks and places;
  - (c) enable the protection and adaption of our heritage;
  - (d) ensure a resilient and diverse economy;
  - (e) promote efficient and effective transportation;



- (f) make efficient use of land;
  - (g) support great streets;
  - (h) deliver a city for people; and
  - (i) ensure strong community and service infrastructure accompanies growth.
32. The nine aims of the draft Strategy will be achieved through 10 key moves:
- (a) prioritise employment growth and increase employment capacity by implementing genuine mixed-use controls and lifting height limits along the western edge;
  - (b) ensure development responds to context by providing minimum setbacks for outlook, daylight and wind;
  - (c) consolidate and simplify planning controls by integrating disconnected precincts back into the city, unifying planning functions and streamlining administrative processes;
  - (d) provide for employment growth in new tower clusters;
  - (e) ensure infrastructure keeps pace with growth to sustain a resilient city with a strong community, economy and high standard of living;
  - (f) move towards a more sustainable city with planning controls that require best practice energy and water standards and for growth sites to drive zero-net energy outcomes;
  - (g) protect, enhance and expand Central Sydney's heritage and public places;
  - (h) move people more easily by prioritising streets for walking and cycling and expanding the pedestrian and open space network;
  - (i) reaffirm commitment to design excellence by continuing to work in partnership with community and industry to deliver collaborative, iterative and tailored solutions; and
  - (j) monitor outcomes and respond to issues that arise to ensure the Strategy's ongoing success.

### **Previously endorsed draft Strategy**

33. The draft Strategy supports a suite of documents including a proposed Local Environmental Plan (LEP) amendment (consistent with the District Plan) and a draft Development Control Plan (DCP) all with supporting documentation; and a draft Contributions Plan.
34. This package, other than an updated Local Environmental Plan amendment, draft Competition Policy and draft Contributions Plan, was unanimously endorsed by Council and the Central Sydney Planning Committee in July 2016. The 2016 documents were then forwarded to the NSW Department of Planning and Environment with a request for a Gateway determination to exhibit the Planning Proposal.

35. While only the Planning Proposal requires NSW Department of Planning and Environment approval for statutory exhibition, the City has maintained a preference for all documents to be exhibited together for transparency, clarity and certainty.
36. The City has advanced several actions of the draft Strategy where it has been able to do so, including those relating to affordable housing, energy and waste management, heritage, late-night trading and increased employment capacity.

#### **Resolution for non-statutory public exhibition**

37. In March 2019, Council unanimously approved the draft Central Sydney Planning Strategy package for non-statutory public exhibition so that the City could engage with industry and the community to refine and improve it. The City was requested to continue to pursue a Gateway Determination from the Department to allow statutory public exhibition of the Planning Proposal and see it progress.
38. Following the decision of Council, a closer working relationship developed between the City and Department to resolve outstanding matters on the draft Strategy and Planning Proposal. The objective to get a Gateway Determination and progress to statutory public exhibition has always been the City's preference.

#### **Announcement by the Minister for Planning and Open Spaces**

39. The collaboration resulted in the NSW Minister for Planning and Public Spaces providing in-principle agreement to the draft Strategy and accompanying Planning Proposal with the following three amendments:
  - (a) allowing for a new design excellence bonus pathway for up to 50 per cent more floor space and height for development in the four tower cluster areas (near Barangaroo, Circular Quay, Central and Town Hall) that demonstrate design excellence and meet the intent of the draft Strategy Guideline;
  - (b) encouraging more office, hotel and cultural space by removing the residential accommodation bonus instead of implementing a flat 50 per cent cap on residential and serviced apartment accommodation; and
  - (c) preparing a new development contributions plan to help fund the delivery of new public infrastructure to ensure the city retains its valued public and green spaces in lieu of the proposed community infrastructure contribution in the draft Guideline on a case by case basis.
40. These amendments will ensure an expedited Gateway determination for an amended Planning Proposal enabling it to progress to statutory public exhibition, while continuing to deliver against the original aims and key moves of the draft Strategy.

## Updates to the proposed Central Sydney planning controls

### Planning proposal: Central Sydney 2020 – Attachment A

41. Two of the agreed changes are incorporated in the updated Planning Proposal along with a number of consequential changes. The third agreed change is implemented by the Draft Central Sydney Development Contributions Plan 2020.

#### Design excellence - tower clusters

42. The draft Strategy and Draft Guideline for Site Specific Planning Proposals in Central Sydney set out a process to create additional growth opportunities through site specific planning proposals.
43. This approach has been replaced by a new design excellence bonus pathway for up to 50 per cent more floor space and additional height for development in the four tower cluster areas, identified in the draft Strategy (near Barangaroo, Circular Quay, Central and Town Hall). The new provision applies if:
  - (a) new buildings do not contain residential or serviced apartment floor space;
  - (b) the site has an area greater than 2,000sqm, excluding areas of the site that are occupied by heritage items, public places and open spaces; and
  - (c) the height of a building does not exceed any sun access controls and aircraft operations related controls.
44. Any additional floor space granted under the new design excellence pathway is not subject to additional Heritage Floor Space.
45. A building in a tower cluster area is not eligible for up to 10 per cent additional floor space under existing design excellence provisions in addition to the 50 per cent additional floor space under the new design excellence pathway.
46. The new 'design excellence - tower clusters' process is supported by proposed changes to the Competitive Design Policy and DCP as described later in this report.
47. The proposed controls will provide greater certainty and efficiency by incorporating the potential growth identified in the draft Strategy into the LEP.

#### Deleting 50 per cent cap and removing bonus for residential

48. In 2016, the draft Strategy and Planning Proposal proposed a new provision to place a 50 per cent cap on the proportion of floor space that can be used for the purposes of residential accommodation and serviced apartments in new development. The intent was to promote employment generating land uses and business growth.
49. The Planning Proposal has been updated to delete the 50 per cent cap and in its place amend the accommodation floor space provisions to encourage more commercial, hotel and cultural space by:
  - (a) removing residential accommodation and serviced apartments uses from being eligible for accommodation floor space in all areas, and
  - (b) increasing the amount of additional floor space for hotel or motel accommodation, community facilities or centre-based child care facilities from 3:1 to 3.5:1 in Area 3 (Western Edge).

50. A comparison of the current and proposed base and accommodation floor space provisions are shown in table 1 below.

Table 1: Comparison of current and proposed floor space ratios

Land Uses	FSR permitted by FSR Map	Existing Accommodation FSR incentives	Proposed Accommodation FSR incentives
<b>Area 1 – City Core – Circular Quay</b>			
Residential accommodation or serviced apartments	8:1	4.5:1	0
Office, Business, Retail premises	8:1	4.5:1	4.5:1
Hotel, motel, community facilities, child care centres	8:1	6:1	6:1
<b>Area 2 – Midtown – Town Hall</b>			
Residential accommodation or serviced apartments	8:1	6:1	0
Office, Business, Retail premises	8:1	4.5:1	4.5:1
Hotel, motel, community facilities, child care centres	8:1	6:1	6:1
<b>Area 3 – Western Edge – York, Kent, Sussex Streets</b>			
Residential accommodation or serviced apartments	8:1	3:1	0
Office, Business, Retail premises	8:1	2:1	2.5:1

Land Uses	FSR permitted by FSR Map	Existing Accommodation FSR incentives	Proposed Accommodation FSR incentives
Hotel, motel, community facilities, child care centres	8:1	3:1	3.5:1
<b>Area 4 – Southern – Chinatown and Haymarket</b>			
Residential accommodation or serviced apartments	7.5:1	1.5:1	0
Office, Business, Retail premises	7.5:1	0:1	1.5:1
Hotel, motel, community facilities, child care centres	7.5:1	1.5:1	1.5:1

51. These amendments will implement the aims and key moves of the draft Strategy for prioritising employment growth and supporting the City, NSW and national economy while enabling mixed use development that contributes to a vibrant city centre.

#### Consequential amendments and unchanged provisions

52. New provisions to require affordable housing contributions were transferred from this planning proposal to the City of Sydney Affordable Housing Review Planning Proposal. The affordable housing planning proposal has been approved by Council and the Central Sydney Planning Committee and is in the process of drafting by the Department and the Parliamentary Counsel.
53. The provision requiring improved energy efficiency has been updated. The City implemented minimum energy efficiency requirements in Sydney DCP 2012 in 2018 which superseded the 2016 Planning Proposal. The planning proposal includes an updated provision that will apply to development taking up the opportunity for additional floor space under the 'design excellence - tower cluster' pathway. The provision requires office premises to achieve best practice under the NSW Governments' National Australian Built Environment Rating System (NABERS Rating) for energy.
54. The following amendments proposed in 2016 remain unchanged:
- Amend the zone objectives for the B8 Metropolitan Zone and RE1 Public Recreation Zone to promote employment uses in Central Sydney, and to reinforce the important role that public space plays in a global city.
  - Amend sun access provisions that affect building height. The sun access plane and no additional overshadowing controls have been refined to ensure that important parks and places in Central Sydney continue to be protected from overshadowing by new development.

- (c) Increase building heights from 80 metres to 110 metres on the western edge of Central Sydney to capitalise on the changing character of the area.
- (d) Amend provisions for tall buildings to demonstrate they meet performance criteria that ensures good amenity to public places and the provision of adequate outlook. Building height is proposed to be limited to 55 metres on sites with an area of 1,000 square metres or less, or that cannot meet the performance criteria.
- (e) A new provision to preserve a number of significant views from public places by restricting encroachment by tall buildings.
- (f) A new clause was proposed for residential development to comply with higher BASIX targets where an incentive of additional floor space is awarded, such as through the existing design excellence pathway and the proposed 'design excellence - tower cluster' pathway.

### **Amendments to City of Sydney Competitive Design Policy – Attachment C**

- 55. To implement the new 'design excellence - tower cluster' pathway, the City has prepared a new section for the City of Sydney Competitive Design Policy to recognise the specific characteristics of high density development in these areas.
- 56. Sites that qualify for up to 50 per cent additional floor space in Tower Cluster Areas will be very tall towers on large sites with potential environmental impacts. These towers will make a significant contribution to environmental performance, sustainable design, quality of the public domain and the Sydney skyline. A full design competition with an expanded number of competitors, including a mix of Australian, emerging and female architects, will be required through the Policy to deliver design excellence.
- 57. Up to 50 per cent is a significant floor space bonus, but the actual opportunities available to individual sites will vary based on site specific conditions. Thus, initial site specific testing will need to establish what may be available on a specific site. This will result in a more efficient competition process that does not overestimate the floor space being allocated to the site prior to the architectural design competition. The process for site specific testing is outlined in the DCP.

### **Amendments to Sydney Development Control Plan 2012 – Attachment D**

- 58. In 2016, the draft planning proposal was supported by an amendment to the Sydney Development Control Plan 2012 (the draft DCP). The amendments provided more detailed planning controls and guidance for proposed development within Central Sydney.
- 59. The draft DCP revisions related to built form, development outlook, heritage items, warehouses, special character areas, signage, building exteriors, sun protection of public parks and places, views from public places and managing wind impacts. Locality statements regarding the desired future character of Central Sydney's special character areas have also been revised. These draft DCP amendments remain unchanged and are provided in Attachment D.

60. The draft DCP has been updated with an additional section on Tower Cluster Areas and Design Excellence Procedure. This section of the draft DCP has been prepared for sites that intent to access up to 50 per cent additional floor space through the new 'design excellence – tower cluster' pathway. The additional section of the Draft DCP is provided at Attachment D7. This will be incorporated to be a single Draft DCP for public exhibition.
61. The intent of this additional DCP amendment is to outline a procedure to:
  - (a) establish the maximum design envelope, and
  - (b) establish the maximum indicative floor space for the design competition.
62. At a minimum, site testing to establish the maximum design envelope will require preliminary analysis to address:
  - (a) overshadowing of protected public spaces,
  - (b) public view protection planes,
  - (c) Sydney Airport Prescribed Airspace,
  - (d) Special Character Area street frontage heights, setbacks and tower heights, where applicable,
  - (e) wind testing,
  - (f) compliance with tower massing and tapering requirements of any relevant development control plan or guide, and
  - (g) wind and daylight equivalence form testing.
63. The conversion of the maximum design envelope to maximum indicative floor space must allow for:
  - (a) public space connections at lower levels,
  - (b) architectural roof feature design,
  - (c) 750mm façade depth and external sun shading all round, and
  - (d) an additional allowance of 15 per cent of the massing for design modulation of the form through the competitive process.
64. This procedure outlines the process for developing options for the design envelope in the Stage 1 Development Application (Concept development application) and the process for estimating the indicative floor space (including all bonuses) that will be endorsed as part of the Design Excellence Strategy.
65. The Concept development application does not approve any design excellence additional floor space. The consent for a Concept development application will endorse the Design Excellence Strategy and condition the consent for a competitive design process in accordance with the provisions of the LEP.

66. The detailed Stage 2 Development Application must exhibit design excellence in accordance with the Sydney LEP 2012 in order to access up to 50% additional floor space.

#### **Draft Guideline to Preparing Planning Proposals in Central Sydney**

67. At the March 2019 meeting Council approved the Draft Guideline to Preparing Planning Proposals in Central Sydney (draft Guideline) for public exhibition as part of the non-statutory consultation process. The draft Guideline was prepared to guide for the preparation of site specific planning proposals to determine additional height and floor space accessible consistent with the draft Strategy's nine aims. The proposed changes to the Planning Proposal and Draft DCP and new Draft Contributions Plan means the guideline is no longer needed and will not be exhibited.

#### **Draft Central Sydney Development Contributions Plan – Attachment E**

68. Central Sydney has been growing strongly for several decades and our forecasts indicate this trend will continue. Long term projected growth for Central Sydney indicate it will be home to 64,000 residents and 467,000 jobs by 2036. This growing population will require improved or additional infrastructure to maintain the appeal and efficiency of Central Sydney for people who live, work and visit, respond to the changing needs of the growing populations, and continue attracting the jobs, visitors and investment that help underpin the prosperity of our City.
69. While city-shaping infrastructure such as public transport, hospitals and schools are the responsibility of the State government, the City has the authority to fund local infrastructure such as parks, the public domain, cycleways, libraries, local roads and community facilities.
70. The City has prepared a development contributions plan to replace the existing plan under the City of Sydney Act 1993 and the additional community infrastructure contribution proposed in the draft Guideline. This approach sought to apply community infrastructure contributions when a development achieved new floor space additional to baseline standards for height and floor space in the LEP. The Draft Contributions Plan proposes a 3 per cent levy on the cost of development under section 7.12 of the *Environmental Planning and Assessment Act 1979*. The levy will help fund the infrastructure needed to retain Central Sydney's attractiveness as Australia's premier business district.

#### *Central Sydney Development Contributions Plan 2013*

71. Central Sydney is subject to section 61 of the *City of Sydney Act 1988*, which has enabled the City to apply a 1 per cent levy on the construction cost of new development. The levy is applied to works valued at or above \$200,000.
72. A flat rate captures the diversity of development in Central Sydney that would otherwise not be captured by traditional developer contribution plans that focus on the creation of new floor space. The flat rate is equitable, applying to all development with a construction cost over \$200,000, with appropriate exclusions permitted for development such as affordable housing, emergency services and not for profit centre-based child care.
73. The current Plan generates valuable income for local infrastructure funding, averaging around \$14.5 million per year over the past 10 years.



74. The current Plan came into force on 9 July 2013. Since its commencement approximately \$105 million in contributions have been raised. Contributions have been allocated towards \$441 million of works completed or to be undertaken in Central Sydney. Contributions under the 2013 Plan have been allocated to works such as:
- (a) *Public domain improvements* including the George Street transformation, Pitt Street mall, Chinatown public domain upgrade, laneway upgrades, footway improvements and public art
  - (b) *Community facilities* including Cook and Phillip Park aquatic centre, King George V recreation centre, Haymarket library
  - (c) *Open space* such as tree planting and Hyde Park upgrade, and
  - (d) *Roads and traffic* works such as King Street cycleway and the east-west cycleway.
75. The 2013 Plan has funded approximately 25 per cent of the total works value of \$441 million. The Plan has therefore ensured new development in Central Sydney has paid a reasonable share of the costs associated with providing enhanced and additional infrastructure to meet the needs arising from additional population growth over the Plan's lifespan. The remainder of the works cost is funded through other sources such as general revenue, and project-specific third party funding.
76. The provisions of the 2013 Plan state that it will operate until all the works listed in the Plan are completed or until the Plan is repealed by Council. Given many of the works in the Plan have been completed and that it has been in force for more than five years, it is timely that it be reviewed and replaced. A new contributions plan will also permit incorporation of revised growth projections, an updated works schedule and clearer descriptions of processes and expenditure priorities.

#### *Draft Central Sydney Development Contributions Plan 2020*

77. A Draft Central Sydney Development Contributions Plan 2020 (draft Contributions Plan) for Central Sydney has been prepared and is at Attachment E to this report.
78. Several key aspects of the draft Contributions Plan remain unchanged, including:
- (a) The application of a flat rate levy,
  - (b) Land affected by the Plan remains Central Sydney, and
  - (c) The threshold at which the levy applies continues to be for works valued at or above \$200,000.

#### Mechanism for levying of contributions

79. As described in the letter at Attachment F, the City and the Department have an in principle agreement for a 3 per cent flat rate levy under section 7.12 of the Act to fund new public infrastructure for Central Sydney. The Plan will assist delivery of public infrastructure that encourages investment for employment generating development and supports residents and visitors.

80. A 3 per cent levy is consistent with the rate now being applied in major city centres across Sydney and NSW, including Chatswood, Parramatta and Newcastle. Section 61 of the *City of Sydney Act* does not permit a contributions levy higher than 1 per cent of the cost of development without an amendment to that Act by the NSW Parliament. Implementing a 3 per cent levy requires a plan to be prepared under section 7.12 of the *Environmental Planning and Assessment Act* and a Ministerial amendment of clause 25K of the *Environmental Planning and Assessment Regulation*.
81. If Council resolves to adopt the draft plan, including any amendments arising from its public exhibition, the Plan would be referred to the Minister for Planning seeking amendment of clause 25K of the *Environmental Planning and Assessment Regulation*,

#### Population growth

82. It is forecast that by 2036, Central Sydney will comprise a community of 64,000 residents and 467,000 workers. In the short term, the population and floor space growth envisaged for Central Sydney over the next six years, will generate demand for additional and enhanced infrastructure. The growth forecasts, and basis for projections, described in the draft Contributions Plan are as follows:
- (a) *Resident and dwelling growth* - 11,800 additional residents and 5,500 new dwellings are forecast, based on the City's population and housing forecasts prepared by independent demographers i.d. Consulting; and
  - (b) *Worker growth* - 29,000 additional workers are forecast. This forecast is based on the *NSW Bureau of Transport Statistics Travel Zone Projections 2019*.
83. Most of the growth is expected to occur in the CBD and Harbour precinct and the Chinatown and CBD South precinct, due to the greater availability of developable sites and the development capacity under the Sydney LEP 2012. Limited growth is projected for the Crown and Baptist Streets precinct, Oxford Street precinct and Redfern Street precinct, due to the small percentage of Central Sydney these precincts occupy, the already-developed nature of the sites and the development controls which apply.

#### Schedule of Works

84. The draft Contributions Plan's Schedule of Works is drawn from our 10 year Capital Works Program, as adopted in 2019, and other strategic plans. The total value of the draft Contributions Plan's works schedule is approximately \$657m. The draft Contributions Plan is forecast to provide approximately \$261m towards these works over the expected six year life of the draft Contributions Plan. Key facilities proposed to be funded include:
- (a) George Street public domain upgrade,
  - (b) Hyde Park and Belmore Park upgrades,
  - (c) Cycleways,
  - (d) Darling Square library fitout costs,
  - (e) Public domain upgrades in Chinatown, laneways and selected streets,
  - (f) Community cultural facilities,

- (g) Public art, and
- (h) Roadway improvements.

*Development and works costs excluded from contributions under the Plan*

85. Certain developments or land uses that Council seeks to encourage (such as affordable housing), will be excluded from paying a levy under the draft Contributions Plan. The existing exemption provisions in the current s 61 plan have been reviewed to be more consistent with the City of Sydney Development Contributions Plan 2015, to provide clarity on the changes from may be exempt to now those that are excluded
86. Key changes in this section include:
- (a) Making works such as *green roofs and walls, end of journey facilities, through-site links, reduced car parking and fine grain space*, subject to the levy under the draft Contributions Plan as they must now be provided to satisfy Development Control Plan provisions or are reasonably common inclusions that no longer need to be incentivised.
  - (b) Clarifying the exclusions applying to *not for profit development* to aid interpretation and application of the draft Contributions Plan.
  - (c) Making land uses such as *boarding houses and housing for older people or people with a disability* subject to the levy under the draft Contributions Plan. Boarding houses are provided a number of incentives, including the NSW Affordable Rental Housing SEPP floor space bonus, being charged residential rather than business rates and Land Tax exemptions. Housing for older people has not occurred in Central Sydney and if it was to eventuate should be subject to the levy, as occupants' demand for services is similar to other residential development. The City requires a certain amount of adaptable and liveable housing for people with a disability under the development control plan and the Apartment Design Guide. The costs of enabling access by a person with a disability is excluded under section 25J of the Regulation from being levied under the plan.
  - (d) Making *centre-based facilities and school-based child care provided by a charity or not-for-profit organisation* subject to the levy under the draft Contributions Plan. The ongoing management and provision of charity or not-for-profit child care facilities cannot be enforced by the NSW planning system where development consents relate to the land, not owners and operators. Exclusions on this basis therefore cannot be regulated. Central Sydney is well serviced by child care facilities with strong supply satisfying demand.
  - (e) No longer requiring developments proposed by the City to make written application for exclusion. The City has always excluded itself from paying development contributions, recognising that this simply involves collecting from and paying itself. This amendment reduces unnecessary procedures and costs.
  - (f) Costs associated with subdivision of land are excluded from the levy under the current Plan, however section 7.12 of the *Environmental Planning and Assessment Act* makes these costs subject to the contributions levy.

- (g) The costs of fittings and furnishings, including any refitting and refurbishing associated with the development are now excluded unless it involves enlargement, expansion or intensification of a current land use. This exclusion, which is mandated under clause 25J of the Regulation, has necessitated inclusion of an explanatory note in the draft Contributions Plan, outlining the circumstances in which this will apply.
- (h) Costs associated with the adaptive reuse of a heritage item are excluded from contributions under clause 25J of the Regulation and consequently the new Plan. In the interest of clarifying the scope of this exclusion, the draft Plan now incorporates explanatory provisions.

#### Financial security provisions

87. The draft Contributions Plan updates the types of financial security Council will accept when deferred contributions payment is proposed by applicants. The traditional mechanism of bank guarantees is now complemented by other "Performance Bonds" Council will accept.

#### Lifespan of the Plan

88. The draft Contributions Plan will apply until contributions for works funded by the Plan have been collected or until it is repealed by Council. The envisaged lifespan of the draft Plan is likely to be similar to the current Plan, which has been in force for six years since July 2013. Review of the Plan commencing in 2026 is appropriate, as growth scenarios for Central Sydney beyond five years are less predictable and availability of sites for development may be reduced.

#### Calculating contributions owing

89. The draft Contributions Plan has been updated to describe the process for calculating contributions owing. An applicant must provide a cost of works estimate to the City, following which the City provides a statement confirming the amount payable. The process requires an applicant who defers paying the levy for more than three months to submit a revised cost of works estimate for the City to issue a new statement. A process for indexation is retained as option for council.

#### Other changes

90. Minor but practical amendments to the current 2013 Contributions Plan include greater use of plain English language, "user-guide" examples of calculating contributions, mapping locations of infrastructure funded by the Plan and an updated dictionary of technical terms.

## Key Implications

### Strategic Alignment - Eastern City District Plan

91. The Eastern City District Plan sets the local planning context for the City of Sydney local government area. It provides a 20-year plan to manage growth and achieve the 40-year vision of the Greater Sydney Region Plan.

92. The Eastern City District Plan states "Sydney CBD planning controls need to support commercial developments, otherwise there will be insufficient floor space to accommodate the 45,000-80,000 future jobs forecast. The City of Sydney's Central Sydney Planning Strategy and the Planning Proposal Central Sydney propose controls to facilitate this and enable the delivery of these job forecasts".
93. The draft Central Sydney Planning Framework is consistent with and gives effect to the planning priorities and actions of the Eastern City District Plan including the following:
- (a) Infrastructure Planning Priority E1: Planning for a city supported by infrastructure. The draft Central Sydney Planning Strategy proposes a framework where infrastructure provision is sequenced with population growth, through the implementation of the draft Contributions Plan.
  - (b) Liveability Planning Priority E6: Creating and renewing great places and local centres, and respecting the District's heritage. The revised Planning Proposal: Central Sydney supported by the draft Central Sydney Planning Strategy takes a place-based and people-focused approach to growth, strengthening the city's public domain identity, creating opportunities for more places for meeting, rest and leisure and, managing and strengthening Central Sydney's precincts.
  - (c) Productivity Planning Priority E7: Growing a stronger and more competitive Harbour CBD. The revised Planning Proposal: Central Sydney supported by the draft Central Sydney Planning Strategy promotes opportunities for: growth and change in the City Centre; innovative capacity; global city support functions; global competitiveness; business competitiveness, and; tourism infrastructure.
  - (d) Sustainability Planning Priority E19: Reducing carbon emissions and managing energy, water and waste efficiently. The revised Planning Proposal: Central Sydney supported by the draft Central Sydney Planning Strategy promotes opportunities for improved environmental performance of buildings and leadership in environmental performance.

#### **Strategic Alignment - Draft Local Strategic Planning Statement**

94. The draft Local Strategic Planning Statement (the Planning Statement) reinforces the links between the NSW Government's strategic plans and the City's community strategic plan, Sustainable Sydney 2030, and the planning controls that guide development in our city.
95. The Planning Statement sets out:
- (a) the 20-year vision for land use planning in the city;
  - (b) the basis or context for planning;
  - (c) the planning priorities and actions needed to achieve the vision; and
  - (d) the governance and monitoring of the priorities and actions.

96. The proposed planning controls are consistent with and gives effect to the planning priorities and actions of the Planning Statement including the following:
- (a) Priority P1: Growing a stronger, more competitive Central Sydney
    - (i) Action P1.1: Prioritise and increase capacity for economic and employment growth in Central Sydney to contribute towards achieving the jobs target for the Harbour CBD;
    - (ii) Action P1.2: Provide an appropriate mix of land uses that support Central Sydney's role as the metropolitan centre and its visitor and night-time economies, including a range of retail, recreational, community, cultural and entertainment activities and hotel accommodation in the right locations; and
    - (iii) Action P1.5: Finalise and implement the draft Central Sydney Planning Strategy framework.
97. The draft planning statement was publicly exhibited from 30 August until 11 October 2019.
98. The City received 20 submissions about the draft Strategy with general support for the draft Strategy and the focus on planning for employment growth. Concerns were raised about restricting residential development, the impact of levies and the need to engage more on the details of the proposed draft Strategy and its associated documents. Some submissions also raised concerns about the length of time it has taken to process the draft Strategy and implications on site specific planning proposals and issues with the current supply of heritage floor space. The proposed public exhibition of the updated planning controls and new contributions plan will enable further detailed consultation and assessment of issues.

### **Strategic Alignment - Sustainable Sydney 2030**

99. 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.
100. The draft Strategy, draft Planning Proposal and draft Contributions Plan are aligned with the following strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City
    - (i) The Planning Proposal is the first step in ensuring that the draft Strategy promotes the type of growth and change it envisages, where growth is balanced with maintain and enhancing Sydney's unique attributes that make it one of the world's most liveable cities.
    - (ii) The draft Contributions Plan will fund delivery of an estimated \$261 million towards improved or new infrastructure, consistent with the range and quality of facilities expected of a global city. This investment will help retain our attractiveness as a place to live, work, visit and invest. The draft Contributions Plan funds works such as cycleways, walkability and public space initiatives under the 2030 agenda.

- (b) Direction 2 provides a road map for the City to become A Leading Environmental Performer
  - (i) Proposed changes to the LEP will establish higher thresholds for ecological sustainable development. Development seeking additional floor space or height will be required to achieve a higher level of environmental performance.
- (c) Direction 3 - Integrated Transport for a Connected City
  - (i) The Planning Proposal and draft Strategy provide a range of ways to grow floor space in Central Sydney in line with the expected increase in public transport capacity and demand generated by these public transport improvements.
- (d) Direction 4 - A City for Walking and Cycling
  - (i) The draft Contributions Plan will contribute to our cycleway network and public domain works to further enhance cycling and walking options.
- (e) Direction 5 - A Lively and Engaging City Centre
  - (i) The draft Strategy supports the City's plan for a north-south central spine in Central Sydney, connecting three new squares at Circular Quay, Town Hall and Central with priority for public transport, cycling and pedestrians. It protects direct solar access to these spaces, ensuring they are inviting spaces that maintain Sydney's status as an outdoor city.
  - (ii) By contributing to improvements to the public domain (such as George Street) and parks and open space (such as Hyde and Belmore Parks), the draft Contributions Plan creates an even more appealing and engaging city centre which attracts additional residents, visitors and workers who enhance its liveliness.
- (f) Direction 6 - Vibrant Local Communities and Economies
  - (i) The Planning Proposal continues to preserve mixed uses and 'fine grain' development, particularly west of George Street and south of Erskine Street to Chinatown. Together with the draft Strategy, it provides a solid foundation for the growth of cultural facilities, public art and exhibition spaces that will strengthen the identity of these precincts.
- (g) Direction 7 - A Cultural and Creative City
  - (i) The draft Contributions Plan provides part funding for creative and cultural facilities such as the "Bathurst Street Creative Hub" and public art projects, consistent with Direction 7.
- (h) Direction 9 - Sustainable Development, Renewal and Design
  - (i) The Planning Proposal and draft Strategy, set a strong foundation for Central Sydney to grow in a tailored and considered manner to maximise growth opportunities and for developments to contribute to the design, liveability and sustainability of the city through competitive design processes.

- (i) Direction 10 - Implementation through Effective Governance and Partnerships
  - (i) The updated Planning Proposal has demonstrated the positive outcomes from collaboration between the City and the NSW Government to achieve a shared vision for Central Sydney.

### **Risks**

101. The estimated \$261 million in development contributions income projected to be received over the six year lifespan of the draft Contributions Plan is dependent upon the level and value of development which occurs. The City monitors income sources and adjusts funding allocations to continue delivering projects. If necessary, projects funded under the Plan can be deferred until contributions income rises, further minimising risk.

### **Budget Implications**

102. The draft contributions plan is anticipated to contribute approximately \$261 million towards Central Sydney infrastructure projects with an estimated total cost of approximately \$657 million. These projects comprise works previously completed, within the 2019/20 adopted 10 year capital works program and or within longer term City strategies.

### **Relevant Legislation**

103. *Environmental Planning and Assessment Act 1979.*
104. *Environmental Planning and Assessment Regulation 2000.*

### **Public Consultation**

105. This report recommends that the draft Planning Proposal: Central Sydney and supporting documents are available for an extended minimum public consultation period of 28 days. The consultation documents will include:
- (a) Planning Proposal: Central Sydney,
  - (b) Draft Central Sydney Planning Strategy, including an addendum,
  - (c) Amendments to City of Sydney Competitive Design Policy,
  - (d) Draft Sydney Development Control Plan 2012 – Central Sydney, and
  - (e) draft Central Sydney Development Contributions Plan 2020.



106. At a minimum, the consultation will be undertaken in accordance with requirements in the Gateway Determination for the Planning Proposal. Notices will be published in local newspapers and documents made available on the City's website and at the One Stop Shops and Neighbourhood Service Centres. A comprehensive consultation plan will be developed to ensure the City receives comment and feedback from industry groups, the community and land owners on the consultation documents.
107. Outcomes of public exhibition and public agency consultation will be reported back to Council and the Central Sydney Planning Committee for consideration.

**ANDREW THOMAS**

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