

2 August 2021

Employment Zones Reform Team
NSW Department of Planning, Industry and Environment
12 Darcy Street
PARRAMATTA NSW 2150

Dear Sir/Madam,

GREYSTAR SUBMISSION IN RESPONSE TO PROPOSED EMPLOYMENT ZONE REFORMS

We thank you for the opportunity to provide input to the proposed new employment zones framework for NSW. This submission is prepared by Ethos Urban on behalf of Greystar, who internationally and locally is known as a Build to Rent (BTR) developer and operator. Whilst this submission is lodged after the close of exhibition on 30 June 2021, Greystar's recent research and investigation into Build-to-Rent (BTR) housing has divulged a variety of potential opportunities that could be incorporated into the reforming of the employment zones. As such, it is requested that the Department consider the recommendations contained within this submission in their finalisation of the review.

Greystar is broadly supportive of the initiative to reform and consolidate employment zones to facilitate greater consistency with respect to land uses across certain zonings. It is considered that this will indeed rationalise the application and strategic intent of each zone to grant further consistency and enable easier navigation of Local Environmental Plans. With particular reference to BTR housing opportunities, the consolidation of employment zones presents the unique opportunity to leverage a wider scope of usable land to promote the feasibility of BTR schemes, and therefore increase the incentive to pursue BTR in the NSW context.

This submission supports the BTR land use remaining permissible in the translation zones of B3 and B4 - being E2 Commercial Centre and MU Mixed Use Zone. This submission requests that BTR is added as a permissible use to the E3 – Productivity Support zone. We note that it is unclear where the B8 – Metropolitan Centre zone (i.e. Sydney CBD) will be translated into under the draft employment zone reforms, it is recommended that BTR remains permissible in whatever translation zone is chosen for the Sydney CBD.

1.0 Current Build-to-Rent Housing opportunities

In accordance with the State Environmental Planning Policy (Affordable Rental Housing) 2009 (Affordable Housing SEPP), BTR housing is currently permissible in the following zones:

- B3 – Commercial Core
- B4 – Mixed Use
- B8 – Metropolitan Centre
- Any zone where residential flat buildings are permissible land uses.

Since the adoption of this more bespoke BTR framework into the Affordable Housing SEPP in 2021, there has been on-going challenges for the BTR industry to seek and procure feasible and practical development outcomes in these zones.

Within the current zones that permit BTR housing, Greystar has identified the following constraints which disincentivise BTR schemes:

- In the B3 – Commercial Core zone, the requirement for any BTR development to demonstrate that it can be recycled into commercial uses in the future results in an architecturally restrictive and therefore potentially development prohibitive scenario. As well as this, various Councils across Sydney have anecdotally expressed opposition to residential development (including BTR) occupying land that has been designated for commercial

floor space. As such, what was originally intended to be a methodology to unlock CBD commercial floor space for BTR housing opportunities is facing some practical ‘headwinds.’

- In the B4 – Mixed Use Zone, since all classifications of residential accommodation are permitted land uses, there is no incentive to pursue BTR in particular over other types of residential accommodation. As such, BTR housing can only be considered on a feasibility merit basis in comparison with a wide variety of other land uses, effectively minimising the practice incentive to pursue BTR. In addition, the requirements of the SEPP meaning the permissible BTR FSR is to match the permissible residential FSR, BTR schemes are thwarted by the need to provide a not inconsequential minimum non-residential FSR, which is required by many LEPs in the B4 mixed use zone.
- In the B8 – Metropolitan Centre zone in the City of Sydney, the removal of floor space bonuses for residential development has reduced the incentive for BTR housing initiatives, as the feasibility of alternative land uses is now greater compared to residential development.

Given the above, as well as the other challenges that face the BTR development industry (which include non-planning matters such as taxation structures), it is clear that the intentions of the recently gazetted BTR provisions have not translated into a tangible or timely response to deliver this new housing typology. As such, in order to offer greater flexibility in land use and provide further encouragement for BTR housing opportunities, **it is recommended that BTR housing be included as a permissible land use in the new E3 – Productivity Support zone**, which is proposed to replace the B5 – Business Development and B6 – Enterprise Corridor zones. This would, in accordance with the current zoning framework, permit BTR housing across all employment zones B3 to B8 (except B7), enabling developers to leverage a wider scope of usable land.

2.0 Potential BTR opportunities

Given the objectives, permissible land uses and typical locations of B5 and B6 zones, the resultant E3 – Productivity Support zone presents a significant opportunity for BTR housing. It is noted that BTR housing is a compatible land use to the existing permissible uses in this zone and would also enable a use to be provided which supports centres and corridors, without fragmenting land through traditional residential strata subdivision, enabling it to be recycled at a later date should development conditions change.

Noteworthy, is the fact that the inclusion of BTR as a permissible land use in the E3 – Productivity Support zone would not be antipathetic to its associated goals and objectives. In fact, the following objectives would be directly addressed.

To provide for land uses that meet the needs of the community, businesses and industries that are not suited to locations in other employment zones.

To provide for land uses that are compatible with, but do not compete with, land uses in surrounding local and commercial centres.

Since B5 and B6 zones (and therefore the future E3 zone) are typically located in corridors in close proximity to major employment nodes, this presents an excellent opportunity to provide BTR housing in suitable locations that will complement the surrounding employment generating land uses. As well as this, BTR housing could contribute to the rejuvenation of traditionally smaller scale employment based precincts, which would in turn yield additional employment opportunities, and also make better use of existing and planned transport infrastructure and contribute to the overarching city-wide goal of a 30 minute city. As such, the permitting of BTR in E3 zones would provide for a land use that meets the needs of the community and contribute to the activation of business corridors.

By extension, permitting BTR housing in the future E3 zone will expand the locational options for the housing typology. This factor will play a key role in mitigating the ‘competition’ BTR schemes face in the current zones that permit BTR, whereby any such scheme is subject to a feasibility comparison against other, more traditional land uses associated with a site’s zoning. As aforementioned, this is a key factor as to why BTR housing has been challenging despite specific land use provisions being introduced.

As such, expanding the locational opportunity for BTR housing across additional employment zones would serve a dual function in the form of a wider choice for proponents as well as responding to (and assisting in mitigating) the current stated tension by Council's about the inclusion of BTR in the B3 zone. Effectively, this repositioning of BTR schemes to be complementary to employment uses in the E3 zone, has the potential to garner support from developers and Councils alike by increasing the choice of employment zones where BTR can be located.

Given the above, enabling BTR to be pursued in the E3 – Productivity Support zone as well as the existing business zones would be a further industry well received intervention to the aforementioned constraints.

3.0 Summary

Greystar supports the DPIE's initiative to reform employment zones to facilitate greater consistency for land use between zonings and rationalise the application and strategic intent of each zone. The application of these reforms will indeed result in a more logical and efficient structure of land use that is responsive and flexible to emerging land use trends.

Housing typologies such as BTR will continue to gain importance in the housing landscape of NSW, and therefore setting and encouraging an adaptive planning framework for these is important, including expansion of the range of zones where the new typology can be effectively delivered. The addition of BTR as a permissible use in the E3 – Productivity Support zone would also not undermine the job creation objectives of the zone, it may in fact allow further job realisation through complementary land uses on suitable sites.

As such, we reiterate the recommendation that BTR housing should be included as a permissible land use in the new E3 – Productivity Support zone. For the avoidance of doubt, this inclusion should be in addition to where BTR is currently permissible (i.e. the B3, B4 and B8 zones) which will become E2 Commercial Centre and MU Mixed Use. We therefore recommend and support BTR remaining permissible in the E2 Commercial Centre and MU Mixed Use Zone as well as being added to the E3 – Productivity Support zone. We note that it is unclear where the B8 – Metropolitan Centre zone (i.e. Sydney CBD) will be translated into under the draft employment zone reforms.

We appreciate the opportunity to provide feedback and would welcome the opportunity to provide further details of our insight into Build-to-Rent housing opportunities.

Yours sincerely,

