CITY OF STIRLING

SUBMISSION ON LOCAL PLANNING SCHEME 3 AMENDMENTS No 32-33:

MULTIPLE DWELLINGS IN R40 ZONED AREAS

October 2013
The City of Stirling has identified following detailed research that it has a large capacity within its suburbs for residential growth.

The City has employed the professional services of AEC group to provide an economic assessment of this potential and the impact this potential may have on a consolidation approach.

The vast majority of residential growth that is occurring in the City is within the suburbs and in the form of group dwellings.

Little if any residential growth is currently occurring in existing centres, which is at odds to the regional strategies for consolidation within Activity Centres.

It’s economically more viable to develop group dwellings in the suburbs than in activity centres.

The majority of the landowners in the suburbs that have the most development potential are small scale, and mostly “ma and pa” developers.
The current initial cost of construction of multiple dwellings for little additional profit is a disincentive to the current small scale developer.

The City of Stirling will vastly exceed its growth targets for incremental dwellings and not achieve its targets for activity centres.

The City of Stirling is likely to achieve the whole Regional Strategy allotment of additional dwelling numbers just within Group dwellings within the suburbs.

### Expected/Realistic Development Potential in R40 and R30 Areas

<table>
<thead>
<tr>
<th>Group Dwelling areas</th>
<th>Number of Expected Potential dwelling lots</th>
<th>Total dwellings possible</th>
<th>Additional dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>R30 Expected Potential Areas</td>
<td>5100</td>
<td>10,200</td>
<td>5100</td>
</tr>
<tr>
<td>R40 Expected Potential Areas</td>
<td>7631</td>
<td>22,269</td>
<td>14,638</td>
</tr>
<tr>
<td>Other development in R40 area</td>
<td>2518</td>
<td>7,348</td>
<td>4,830</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>15,249</strong></td>
<td><strong>39,817</strong></td>
<td><strong>24,568</strong></td>
</tr>
</tbody>
</table>

Multiple dwellings outside of activity centres will cause further land defragmentation and make future master planning to maximise the potential of Activity Centres and Corridors unachievable.

The reduced car parking standards related to multiple dwellings are not appropriate due to the areas outside of walkable catchments of existing centres. Down zoning of the large areas of existing R40 will be difficult to achieve.

The City is committed to the ideals of a consolidated approach and would like to be in a position to progress this into the future utilising both the Local Centres improvement program and Activity Centre Structure plans.

### State Government Total Additional dwelling Targets for City of Stirling

<table>
<thead>
<tr>
<th>Takup Level</th>
<th>Target</th>
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<tbody>
<tr>
<td>Low take up (70%)</td>
<td>24,820</td>
</tr>
<tr>
<td>Med take up (85%)</td>
<td>27,520</td>
</tr>
<tr>
<td>High take up (95%)</td>
<td>29,420</td>
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</table>
Since the mid 1990’s the City has had large areas of R40 residential densities. Many of these occurred as part of a density review and at a time when the State Government was wishing to sell significant amounts of public housing assets. At this time development density was controlled by minimum lot size for a particular identified housing type.

Whilst initially the take-up of increased density in these areas was slow, a dramatic increase in the population of Perth in recent years has seen development in the more affordable suburbs significantly increase. As a response to this population increase, the West Australian Planning Commission undertook a review of the Residential Design Codes in November 2010. This review removed the minimum size for multiple dwellings, and affectively introduced density control by plot ratio.

The latent development potential within the existing zonings, outside of the identified Directions 2013 Growth Centres within the City of Stirling is significant. The City of Stirling has undertaken a detailed study to assess the viability of increasing density around Neighbourhood and District centres, as compared to business as usual approach of continued subdivision/development of suburban residential lots utilising existing Local Planning Scheme Zonings. The study also identifies where potential growth is viable and highlights what requirements facilitate this growth consistent with Directions 2013.

The residential potential within the City of Stirling’s suburban area threatens to undermines the boarder principles of the State Planning direction, specifically achieving consolidation in and around Activity Centres and Corridors.
Directions 2031 is based on the following key assumptions:

“Compact city is desirable”: achieve more consolidated development in appropriate locations.

“Work with the city we have”: approximately 60 per cent of Perth’s population currently lives beyond the inner-middle suburbs. While continued consolidation will help to contain future growth, it is anticipated that by 2031 this proportion will remain fairly constant.

“More efficient use of land and infrastructure”: managing the scale of population and urban growth will require more effective use of existing developed areas, and more efficient use of new land.

“Prioritise land that is already zoned”: there is a significant supply of land that has been already zoned accordingly under the Metropolitan Region Scheme.

Directions 2031 “identified three integrated networks that form the basis of the spatial framework:

Activity centres network: a network and hierarchy of centres that provide a more equitable distribution of jobs, services and amenity throughout the city

Movement network: an integrated system of public and private transport networks that are designed to support and reinforce the activity centres network.

Green network: a network of parks, reserves and conservation areas that support biodiversity, preserve natural amenity and protect valuable natural resources.”
Draft Central Metropolitan Growth Strategy

The Draft Central Metropolitan Perth Sub Regional Strategy supports the implementation of Directions 2031 and focuses on development opportunities within the inner and middle sectors of Perth, including the City of Stirling. The strategy contains housing targets for local government.

The strategy highlights opportunities where residential redevelopments may be achieved, and that capitalise on proximity to transport, open space or commercial or employment precincts. The strategy is about promoting housing diversity and creating employment opportunities in activity centres; showing possible locations for future growth; and highlighting the essential service infrastructure that will be necessary to support these developments in the medium to long term.
Local Planning Strategy

The City’s proposed Local Planning Strategy is a synthesis of the Council’s various planning strategies (Housing, Transport etc) and the State Government’s Directions 2031 and Beyond strategy. The Local Planning Strategy sets out the City of Stirling’s objectives for future planning and development and includes a broad framework by which to pursue these objectives. Among other issues the strategy will address the economic factors that are effected by, and that in turn effect land use and development.

The City of Stirling is required by the State to ensure its strategic direction is aligned with the State Governments. The proposed Local Planning Strategy encourages, infill development and increased average dwelling yields per hectare. In doing so the City will also adopt the connected city model and focus development around existing activity centres down to a Neighbourhood level.

Within the City, State Government recognises three regional centres and nine district centres. Neighbourhood centres are below district centres in the hierarchy and the City has identified thirty neighbourhood centres. The City’s proposed Local Planning Strategy will seek to focus potential suburban growth around these Neighbourhoods and District centres where it is considered appropriate.
A sample of 5 suburbs based on their large amount of residential infill potential was selected. The suburbs are: Balga, Dianella, Doubleview, Nollamara and Tuart Hill. The following was then researched:

- Understanding of the property economics and viability of the various infill development types provided for within the City’s suburbs.

- Understanding of the property economics and viability of the various development types that could occur within the City’s Centres (representative sample).

- Compilation of the locations and types of dwellings development applications historically approved.

- The full and the realistic build out development potential.

- The demographic profile of the study areas.

Once this data was collated our economic analysis was undertaken by AEC Group to research the seven key questions:

What is the viability of the various infill development types provided for within the City of Stirling’s suburbs (i.e. areas of R30 and R40)?

What is the viability of the various development types that could occur within the City of Stirling’s centres?

Have land values increased because of unrealised latent development potential (i.e. has the zoning of land increased property prices even though the land has not been subdivided/created)? Has this resulted in a perverse outcome in that there is abundant supply (via increased development potential), but this is difficult to realise due to the higher land price created by the zoning?

Why is the suburban infill development potential not being realised and is this likely to change in the future?

What are the property economics and viability of residential consolidation within the City’s centres (activity centres)? Why isn’t this happening?

What, if any, effect does such a large amount of suburban development potential have on the viability of residential consolidation within activity centres? Does this make it hard to achieve a consolidated outcome because of the relative property/development economics (competition) of suburban infill development?
The draft Central Metropolitan Perth Sub Regional Strategy sets additional housing targets for each Local Government Area up to 2031. This can be broken down into Growth Areas (Activity Centres /Development areas) and Incremental development. The total growth for the Growth Areas for the City of Stirling is between 12,100 and 16,700, with the Incremental development projected yield to 2031 being 12,750.

The City of Stirling in the past year (June 2012-2013) has approved a total of 1653 dwellings, made up of 1409 grouped dwellings (average 2.7 dwellings per DA) and 244 multiple dwelling units (average 10.2 dwellings per DA) in areas outside of identified growth areas.

The table below shows since the number of dwellings approved by the City of Stirling from November 2010 to June 2013:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Dwellings</td>
<td>642</td>
</tr>
<tr>
<td>Multiple Dwellings</td>
<td>230</td>
</tr>
<tr>
<td>Grouped Dwellings</td>
<td>3425</td>
</tr>
</tbody>
</table>

This is a total of 4297 Incremental development which is 33% of the total incremental development figure. Following along this trend would mean the City of Stirling will reach its total requirement by 2019.

Further to this the total requirement for additional dwellings (both Growth Areas and Incremental development) is set out by the draft Central Metropolitan Perth Sub Regional Strategy as three take-up rates:

- **Low take-up (70%)**: 24,820 total dwellings
- **Med take-up (85%)**: 27,520 total dwellings
- **High take-up (95%)**: 29,420 total dwellings

The City of Stirling is currently tracking at 17.3% (low), 15.6% (med), 14.6% (high) respectively and solely on incremental development.
The attached maps (appendix 1) show the existing "expected" potential within each of the main R40 areas. Expected potential is defined as all lots over 440sqm (enabling grouped dwelling subdivision) that are typically not subject to a strata and/or have an existing single dwelling on the lot. The results are summarised in the table below:

The attached maps (appendix 1) also show the locations of where multiple and group dwelling development applications have been approved since November 2010 (when the minimum lot area for multiple dwellings had been removed from the Residential Design Codes). These are predominately group dwellings and in areas zoned R40.

For the purposes of ascertaining the expected dwelling potential this process has also been run over the areas zoned R30 (with a corresponding minimum lot size of 600sqm).

The results indicate 5100 potential lots, meaning an additional 5100 dwellings. The R30 average lot size is 831sqm within the City of Stirling.

The total expected potential Incremental development dwelling number for the City of Stirling is approximately 20,000, which working on a yearly average of 1600 approvals per year would suffice for 13 yrs. The City of Stirling is likely to achieve the draft Central Metropolitan Perth Sub Regional Strategy Incremental dwelling numbers by 2020 utilising this existing expected dwelling potential.

To achieve the total dwelling numbers allocated under the draft Central Metropolitan Perth Sub Regional Strategy for the City of Stirling, it will require an additional 5000-10,000 dwellings to that highlighted as expected potential. This is likely to be achieved thorough other infill development possibilities. Approximately 1/3 of dwellings approved since November 2010 in the R40 zoned areas, have occurred not on lots highlighted as expected potential. On current trends of development approvals at the City of Stirling this alone produces a potential for approximately 6000 additional dwellings.

### FUTURE POTENTIAL FOR R30 AND R40 LOTS WITHIN THE CITY (EXPECTED)

<table>
<thead>
<tr>
<th>R40 Areas</th>
<th>Number of potential dwelling lots</th>
<th>DA density dwellings per lot approved</th>
<th>Total dwellings possible</th>
<th>Additional dwellings</th>
<th>Number Potential dwelling lots over 1000sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balga</td>
<td>2356</td>
<td>2.98</td>
<td>7021</td>
<td>4634</td>
<td>77</td>
</tr>
<tr>
<td>Doubleview/Scarborough</td>
<td>1945</td>
<td>2.96</td>
<td>5757</td>
<td>3800</td>
<td>135</td>
</tr>
<tr>
<td>Westminster/Nollamara/Tuart Hill</td>
<td>3330</td>
<td>2.85</td>
<td>9491</td>
<td>6264</td>
<td>423</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>7631</strong></td>
<td><strong>2.93</strong></td>
<td><strong>22,269</strong></td>
<td><strong>14,697</strong></td>
<td><strong>635</strong></td>
</tr>
</tbody>
</table>
The Potential sites for R30 are lots over 600sqm and for R40 are lots over 440sqm. They are predominantly lots with an existing single dwelling and not been strata'd.
MULTIPLE DWELLINGS, COMPOUNDING THE PROBLEM.

Take-up of Multiple Dwellings

The current take-up of multiple dwellings seems to be fairly small, with only 37 DA’s approved last year resulting in 467 units, (with one DA being for 154 units). The reasoning behind this is thought to be economic, with the combination of a high cost base including acquisition and construction costs and softer demand, as well as financing constraints for smaller scale investors and developers. This situation is anticipated to change gradually into the future as demand increases (supporting a stronger revenue base), and particularly if competition for construction labour from the resource sector eases, reducing construction costs.

Overall multiple dwellings are estimated to provide similar percentage returns to group dwellings, although multiple dwelling capital costs are substantially higher (see graph below). This higher capital cost acts as a potential barrier for suburban infill development, as alternative residential development options are associated with similar returns but lower development risks.

In addition the predominant land ownership being developed within these areas tends to be smaller scale investors (i.e. ma & pa developers) and substantial infill development is potentially being discouraged by financing constraints encountered by such groups, as they are unwilling and/or unable to obtain the extra necessary capital required for multiple dwellings.

![Development includes Built GFA and Car Parks](Source: AEC group)

Future Impact of Multiple dwellings

However infill developments are likely to increase when sustained growth in property prices is once again obtained driven by increased demand. There is also potential for a softening or stabilisation in construction costs which should contribute to improved margins and a reduced risk profile. The return of finance availability is also major factor.

Future Impact of Multiple dwellings

Large tracts of R30 and R40, which provide for large suburban infill development potential have the effect of precluding higher density development (i.e. R60) when the market is soft, as is currently the case. This is due to the potential for better returns and lower risk profile with R30 and R40 developments when compared to R60 case studies.

Consolidation of residential development in activity centres (i.e. R60) is only likely to occur in the City of Stirling where construction costs can be reduced and at the same time an increase in demand for higher density product is observed, either through basic demand increasing over supply, or a change in market preferences through socio-demographic shifts, to drive an uplift in prices.
Targeting Future Growth

As such the City would like to be in a position where it can control the future growth of the City both in terms locations and timing through zoning changes.

The State Planning Policy 3.1 (Residential Design Codes), have been amended a number times over the years and subsequently resulting in more and more intensive development. The criteria for multiple dwellings have formed part of these amendments particularly in the 2010 review, when the minimum lot size was removed and a plot ration was substituted. This has increased the dwelling potential 3 fold in some suburbs, where lots previously would have been limited to 3 dwellings can now achieve 9 units.

It has become clear that there is more than sufficient capacity within the existing R30 and particularly R40 suburbs to achieve the required growth as set out by the State’s planning direction, solely through grouped dwellings. In fact due to this potential and the associated economics of producing group dwellings it is already having a detrimental affect on being able to produce a consolidated centres based approach.

Whilst the current housing market is currently “soft”, the viability of multiple dwellings is reduced. However when this market improves our research suggests that multiple dwellings will become more viable and further impact on the ability to consolidate within centres or along corridors.

Whilst the City appreciates in theory that the areas could simply be “down coded” it would be unrealistic to believe that this could occur without significant community backlash.

As such the Council would like to be in a position ensure these areas grow in a sound and orderly manner with sufficient services and provisions to ensure they are places that are both sustainable and places people want to live. The multiple dwellings are further compounding an existing problem.

One of the most significant long term adverse effects of the current infill occurring is land fragmentation. Trying to retrofit or redevelop areas that are subject to multiple land parcels is difficult, particularly if allowed to occur in an ad hoc manner and in areas outside of existing centre walkable catchments (such as areas of Balga and Nollamara)

Whilst it is understood that most amenity issues can be addressed through improved design responses, the reduced car parking standards related to multiple dwellings are not appropriate due to the locations that multiple dwellings can occur within the City of Stirling, particularly in those areas outside of walkable catchments of existing centres.

It is the City of Stirling’s view that multiple dwelling should be provided for in and around centres particularly within its walkable catchments following detailed planning occurring. The

Council see’s this “tool” as a valuable way of achieving vibrant community focal points and ensuring activity centres remain prosperous into the future.

Due to the existing low take-up of multiple dwellings, it would seem an appropriate time to relinquish the blanket consent for this type of development as there is likely to be little opposition. To leave this type of development open and for the market to decide as to where this occurs would appear to contrary to sound and orderly planning principles.

The City is committed to the ideals of a consolidated approach (and indeed has been a leader in Local Government in supporting and implementing this approach) and would like to be in a position to progress this into the future in a more targeted, informed way utilising both the Local Centres improvement program and Activity Centre Structure plans.
R40 Dwelling Potential in Balga

Produced by CDB, City Planning (Jan-Jul) 2013

Approved Group and Multiple Dwellings between November 2010 to end of June 2013 is 494 covering 166 lots. This resulted in an average of 2.98 dwellings per lot.

The future potential sites are lots predominantly over 440sqm that have typically not be strata’d or and have an existing single dwelling on the lot.

The potential sites number 2356 lots, with 77 of those over 1000sqm.
Approved Group and Multiple Dwellings between November 2010 to end of June 2013 is 429 covering 145 lots. This resulted in an average of 2.96 dwellings per lot.

The future potential sites are lots predominantly over 440sqm that have typically not be strata’d or and have an existing single dwelling on the lot. The potential sites number 1945 lots, with 135 of those over 1000sqm.
Appendix 2

Assessment of the Viability of Density Increases in Suburbs and Activity Centres document