

# Explanation of Intended Effect: Changes to create low- and mid-rise housing

December 2023

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# Acknowledgement of Country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

Published by NSW Department of Planning and Environment

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First published: December 2023

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<b>1</b>	<b>Introduction.....</b>	<b>5</b>
	How this document is structured .....	5
	Summary of the reforms.....	6
	Our broader response .....	6
	Relevant legislation.....	6
<b>2</b>	<b>The housing crisis.....</b>	<b>7</b>
2.1	Housing in NSW.....	7
2.2	National Housing Accord.....	7
2.3	Well-located infill housing .....	8
2.4	Ongoing strategic planning efforts.....	12
2.5	Applying the proposed reforms.....	15
<b>3</b>	<b>What’s preventing more low and mid-rise houses being built? .....</b>	<b>16</b>
3.1	Mid-rise housing.....	16
3.2	Low-rise housing.....	20
<b>4</b>	<b>Policy proposals to build more low and mid-rise housing .....</b>	<b>26</b>
4.1	Mid-rise housing.....	26
4.2	Low-rise housing.....	30
4.3	Flooding.....	34
4.4	Infrastructure Contributions.....	35
4.5	Relationship with the Transit Oriented Development program .....	36
<b>5</b>	<b>Have your say .....</b>	<b>37</b>
	<b>Appendix A – Summary of proposed reforms.....</b>	<b>38</b>
	<b>Appendix B – Landscaping provisions for mid-rise housing.....</b>	<b>41</b>
	<b>Appendix C – Landscaping provisions for low-rise housing.....</b>	<b>42</b>

# Abbreviations

Term	Explanation
Codes SEPP	State Environmental Planning Policy (Exempt and Complying Development Codes) 2008
DA	Development Application
DCP	Development Control Plan
DPE	Department of Planning and Environment
EIE	Explanation of Intended Effect
EP&A Act	<i>Environmental Planning and Assessment Act 1979</i>
Housing SEPP	State Environmental Planning Policy (Housing) 2021
LEP	Local Environmental Plan
R1 Zone	General Residential
R2 Zone	Low Density Residential
R3 Zone	Medium Density Residential
R4 Zone	High Density Residential
LRHDC	Low-Rise Housing Diversity Code, part of the State Environmental Planning Policy (Exempt and Complying Development Codes) 2008
MLS	Minimum Lot Size
SEPP	State Environmental Planning Policy
SEPP 65	State Environmental Planning Policy No 65 – Design Quality of Residential Apartment Development
Six Cities Region	A region defined in the <i>Greater Cities Commission Act 2022</i> which stretches from the Shoalhaven-Wollongong region to the south, the Blue Mountains to the west, and the Newcastle-Lower hunter region to the north
SILEP	Standard Instrument – Principal Local Environmental Plan: sets out the standard provisions that all local environmental plans must follow

# 1 Introduction

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The NSW Government is proposing changes to the planning system. These changes respond to the housing crisis and will build a better planning system for the future.

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This document explains a suite of proposals to encourage more low and mid-rise housing options for NSW households that are in the right places and designed well.

We want to enable more diverse, well-designed, low-rise and mid-rise housing near established town centres and in areas where there is good public transport. This will address the immediate urgency of the housing crisis and create a fairer and more resilient housing market for the future. The changes will give NSW households more choice and promote vibrant, sustainable and liveable communities.

These proposals are the first step towards addressing the crisis. Our longer-term aim is to enable better planning that is led locally.

## Tell us what you think

We welcome your feedback on the changes we propose. To have your say, please complete the [online feedback form](#).

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## How this document is structured

This explanation of intended effect is divided into the following chapters:

- **Chapter 2: The housing crisis** explains the current housing issues NSW is facing and the need for a government response that is proportional and effective
- **Chapter 3: Opportunities for more housing** identifies the barriers and opportunities to encourage more housing in the right locations
- **Chapter 4: Policy proposals** details the proposed policy options to encourage more diverse and well-located housing
- **Chapter 5: Have your say** invites your feedback on the proposals.

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## Summary of the reforms

Appendix A summarises the proposed policy reforms.

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## Our broader response

The proposals in this document are the planning policy part of the Department of Planning and Environment's response. Our broader response to the housing crisis includes:

- a program to speed up development applications
- measures to increase the provision of social and affordable housing
- a Transport-oriented Development program.

Read more about the department's [response to the housing crisis](#).

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## Relevant legislation

In preparing this explanation of intended effect, the department has considered Division 3.30 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

## 2 The housing crisis

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### 2.1 Housing in NSW

NSW is growing. One in five Australians lives in Greater Sydney. Almost one in four Australians lives in the broader Six Cities Region, which extends beyond Sydney to the Central Coast, Newcastle and the Illawarra–Shoalhaven. One million more residents are expected to call NSW home by 2034.

In the context of heightened demand, the supply of new homes is also declining. Residential building approvals have fallen since mid-2021. Multiple factors have driven this, including shortages of construction materials and labour, limited market feasibility, and rising interest rates.

In the 5 years to March 2023, NSW built 284,978 homes, or around 57,000 each year. But under current market and policy conditions, we expect fewer new homes will be built in the next few years. In the past 12 months, only 47,430 homes were completed.

Housing affordability pressures are affecting more households, and a growing population of renters now faces record-low vacancy rates.

We must act urgently to address the housing crisis, but we can also carry out targeted planning reforms now. This will create a more flexible planning system that can better respond to future shocks. It will also provide for homes where people want to live and create the climate-resilient, vibrant communities we want to live in.

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### 2.2 National Housing Accord

The [National Housing Accord](#) (the Accord) was announced in October 2022. Under the Accord, governments across Australia, institutional investors and the construction sector are collaborating with a shared ambition to address housing supply and affordability, including through:

- an aspirational target of 1 million new well-located homes over 5 years from 1 July 2024.
- delivery of more affordable homes through immediate and longer-term actions.

In August 2023, National Cabinet endorsed a new national target to build 1.2 million new well-located homes to help align supply with expected demand over the next 5-years. In line with its relative population share of the National Accord target, NSW has committed to deliver at least 314,000 new homes by 2029, with a stretch goal of 377,000 homes.

## National Planning Reform Blueprint

On 16 August 2023, National Cabinet met in Brisbane to agree on a range of new priorities to create more secure and affordable housing for Australians. The NSW Government has committed to delivering on the reforms in the blueprint.

The National Planning Reform Blueprint includes:

- updating state, regional, and local strategic plans to reflect housing supply targets
- promoting medium- and high-density housing in well-located areas close to existing public transport connections, amenities and employment
- streamlining approval pathways
- reforms to support the rapid delivery of social and affordable housing
- reforms to support timely issuing of development approvals
- considering the phased introduction of inclusionary zoning and planning to support permanent, affordable, social and specialist housing in ways that do not add to construction costs
- addressing gaps in design guidance for housing and building certification to ensure quality
- improving community consultation processes
- resourcing this work with professionals, including planners, in local government.

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## 2.3 Well-located infill housing

### Sydney is one of the least dense global cities...

As well as having comparably low population density, Sydney's housing stock overwhelmingly comprises low-density detached homes. The current zoning rules in Sydney also make it difficult to provide the diverse range of housing types we need to accommodate our growing population, changing demographics and a wide range of housing preferences.

Within many of our residential areas, important and suitable housing types such as terraces and small apartment blocks are not allowed.

Even where the zone technically allows a certain housing type, it may be prevented in practice by incompatible planning controls.





Figure 1: Residential flat building in Lane Cove

Small residential flat buildings are a key medium density housing option, but they cannot currently be built on most lots zoned for medium density homes.

### **... and urban sprawl is expensive and unsustainable**

In recent years, there has been an overreliance on greenfield areas on the fringes of Sydney to provide much of our new housing. According to the NSW Productivity Commission's report, *Building More Homes Where People Want to Live*, between 2016 and 2021, fewer than 20% of new dwellings were built within 10km of the CBD.

In addition, there is a shortage of new homes in many parts of the city that have great transport options, convenient town centres, and local amenities such as parks and beaches. This undersupply of new housing in these key parts of the city has led to a lack of affordable choices where people want to live.



Figure 2: A birds-eye view of a residential subdivision under construction

The Productivity Commission's 2023 report, *Building more homes where infrastructure costs less*, says we will need to build at least 550,000 new homes in Sydney by 2041 just to keep up with our growing population. We would need to go even further than this to tackle the housing affordability crisis.

The report found the costs of servicing new housing with infrastructure can be up to \$75,000 more expensive for each home in the outer suburbs compared to the inner suburbs. The most transparent and efficient way to build Sydney's housing from now on is to build the homes where infrastructure such as roads, rail, water, schools and open space costs less.

### **Infill development**

By supplying new housing in existing urban areas (known as 'infill development'), we can do density well by making sure new housing is built in locations that are well-served by infrastructure and have capacity for growth.

This will:

- allow new infrastructure to be funded in a more cost-effective way
- re-purpose and upgrade existing infrastructure

- create efficiencies in providing infrastructure for growing communities
- minimise road congestion
- improve access to green spaces
- use our existing public transport networks
- lower costs for water, schools, and hospitals
- protect important habitat and biodiversity from an encroaching urban fringe.

## We lack a diversity of housing options

It is important to have a variety of housing options to cater for different housing needs, preferences and life stages. For example, the number of bedrooms is usually important for families with children, but convenience and access to shops and amenities are important for couples without children and older households (*The Housing We'd Choose*, Grattan Institute, 2011).

Although it is often assumed that living in a detached house on a large block of land is what most Australians want, research by the Grattan Institute found Sydney residents ranked 'whether the house is detached' as only the 5<sup>th</sup> most important variable when selecting a home. Having a big garden was ranked 20<sup>th</sup> (*The Housing We'd Choose*, Grattan Institute, 2011). Further, household sizes are changing in the Six Cities Region. A greater share of households are trending toward couples without children.

Recent research by the University of NSW's City Futures Research Centre on behalf of Government Architect NSW found that medium-rise apartment buildings were the most preferred type of building among apartment purchasers. These buildings of less than 20 apartments were preferred for their larger interior sizes, greater sense of community and smaller strata schemes.

Terraces, cottages and small apartment blocks represented much of the housing built in the first half of the 20<sup>th</sup> century. In the inner suburbs, these housing types now account for one-fifth of the housing stock (NSW Productivity Commission, *Building more homes where people want to live*, 2023).

Other important types of housing such as terraces and town houses used to be common options and comprised a much larger share of new residential builds.

In the areas where new housing has been concentrated in recent decades, however, the share of diverse housing types has been declining.

This reduction in the diversity of new dwelling stock has been observed in recent years. Housing policymakers and the community are raising concerns that most new housing is either freestanding homes on the fringes of Sydney, or high-rise apartment buildings along busy roads (NSW Productivity Commission, *Building more homes where people want to live*, 2023). The Six Cities Region has an acknowledged and well-documented ‘missing middle’.

In Sydney, most residential areas are zoned for low density (single family homes) and only a small proportion of land is zoned for medium or high-density development. The current zoning distribution does not sufficiently support a diverse housing mix, and where medium-density zones exist, key mid-rise housing types are not allowed. Delivering more well-located, diverse housing types is a key focus for the NSW Government as it will promote a greater array of housing options for households and create vibrant urban communities.

## **More homes should be located near public transport hubs and town centres**

More homes are best placed in areas that are well-serviced by town centres and good public transport, so people can quickly and easily get to where they need to be. This means that more people will be able to live within walking distance of supermarkets, restaurants, and good public transport to get them to work and other places. This is an accepted model of urban development that is commonly referred to as ‘transport-oriented development’. It has been a key feature of strategic planning in NSW for many years.

There is still significant opportunity across NSW to make sure the homes we need are in these great locations. Taking this approach would address the housing challenges in a way that makes the most sense. This approach represents density done well. It makes daily commutes shorter and cheaper, taking the financial burden off households and curbing traffic congestion, leading to better quality of life. The goal is to build more homes and strategically position them close to where people need to go, giving more people access to convenient transport options and amenity.

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## **2.4 Ongoing strategic planning efforts**

### **Strategic planning in NSW**

The planning process determines how we use and develop land – whether it be in a city, regional community or on a rural property. Strategic planning looks at the big picture. It helps inform how and where change can take place, if it’s where new housing may be located, or where transport links or community infrastructure should go.

Decisions about any development and the best use of land must be transparent, clear and fair. The NSW planning system ensures this by setting a clear strategic vision, which in turn informs planning controls that guide decisions. In NSW, regional and district plans created at the state level set the overarching vision for our region and its unique districts. Councils create local strategic planning statements, local environmental plans, and development control plans, which apply the strategic vision at a local level.

## How housing is delivered

Housing delivery is a shared responsibility. At the federal level, the Commonwealth works with state and local governments, investors and industry to set aspirational housing targets and support additional housing supply through the National Housing Accord.

The NSW Government and councils work to meet these targets by ensuring the planning system allows for and incentivises well-located housing. This includes long-term strategic planning, delivering infrastructure at the right time, zoning land and setting controls, and assessing development. Many councils also have a local housing strategy which details how much housing (and of what types) needs to be delivered in the local area, where it will go, and how it will look.

When state and local strategic plans are in place, government agencies and the development industry are then able to use the planning system to deliver quality social, affordable and market housing in the right places to support growing communities.

## Infrastructure is critical to housing

Councils in NSW rely on a variety of funding sources to support the delivery of local infrastructure. This includes libraries, parks, roads, local transport infrastructure, recreation and sport facilities and stormwater drainage facilities to meet the needs of their communities. The right infrastructure funding mix will be needed to support increased housing supply as proposed in this document.

Section 7.11 local infrastructure contributions and 7.12 levies are the main mechanisms councils use to fund local infrastructure under Part 7 of the EP&A Act. In infill areas where new housing supply is proposed, councils already have section 7.11 and/or section 7.12 local infrastructure contributions plans in place. Because of this, it will be important to decide if councils' existing infrastructure contributions frameworks are enough to address any increased demand created by expected growth.

Section 7.11 and 7.12 contributions plans list infrastructure items to be delivered and their costs. These plans also specify how much councils will charge developers to pay for this infrastructure. The amount councils can charge for both section 7.11 and section 7.12 contributions is limited under NSW Government legislation and policy, as Table 1 shows.

Table 1. Caps on council funding for local infrastructure

Funding mechanism	Cap
Section 7.11 Contributions	\$20,000 per home/lot for most infill areas
Section 7.12 Levies, calculated using a simple percentage levy based on the cost of development	1% of the cost of development for most areas

The changes to the planning system that we propose in this explanation of intended effect will result in more homes being built in infill areas. These will be areas already serviced by state and local infrastructure, such as roads, rail and bus infrastructure, water and drainage, schools and open space. This is an efficient approach to infrastructure provision.

While increasing housing supply in infill areas will increase demand on existing infrastructure, it also allows us to upgrade, improve and deliver more local amenities and services through development contributions. The delivery of any new or upgraded existing infrastructure to support housing supply must be well coordinated and funded. We propose using existing mechanisms in the infrastructure contributions system to fund state and local infrastructure (see section 4.4).

## The Six Cities Region

The Six Cities Region is Australia's first global-city region. It is a network of six connected cities in Australia that connect to each other, while celebrating and drawing on each city's unique character and strengths.

The Six Cities Region is made up of:

- Lower Hunter and Greater Newcastle City
- Central Coast City
- Illawarra–Shoalhaven City
- Western Parkland City
- Central River City
- Eastern Harbour City.

. The [Six Cities Region Discussion Paper](#) has been released. It represents the first step in planning at this scale. New region and district plans will be published in 2024, and these will feed into new local plans created by councils over the coming years.

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## 2.5 Applying the proposed reforms

The proposals outlined in this EIE represent a progressive approach to accommodating growth across the Six Cities Region. The planning system needs to enable and incentivise more density and diverse housing options in well located areas. The proposed reforms are designed to deliver new housing supply in established areas that have capacity to accommodate growth in a way that capitalises on current and future investment in public infrastructure.

## 3 What's preventing more low and mid-rise houses being built?

NSW needs more well-located mid-rise housing options such as small blocks of units. They are a strongly desired development type among buyers and renters. Small apartment developments can exhibit high quality design for the benefit of residents and the local neighbourhood while contributing to the vibrancy of our centres.

### 3.1 Mid-rise housing

For this explanation of intended effect, **mid-rise housing** refers to residential flat buildings and shop-top housing that is generally between 3 and 6 storeys. These small-scale residential buildings are important to promote in our overall housing mix. They cater to a variety of needs and preferences and create more inclusive and vibrant communities.



Figure 3: Mid-rise housing types L-R residential flat buildings and shop top housing

#### What are Residential Flat Buildings (RFB) and shop top housing?

A residential flat building is a building that contains three or more homes and is 2 or more storeys. At least one of the homes must not have direct access at the ground level for it to be considered a residential flat building. It does not include other similar residential buildings such as co-living housing or multi-dwelling housing. Residential flat buildings are commonly referred to as apartment



buildings or flats. Residential flat buildings are a mandated permitted use in all General Residential and High Density Residential zones.

**Shop-top housing** is a building that contains one or more apartments above ground floor shops or other commercial uses. Shop-top housing is common in mixed-use neighbourhoods and town centres. It provides residential neighbourhoods with easy access to supermarkets, cafes, and other important services. Shop-top housing is a mandated permitted use in all General Residential, High Density Residential, Local Centre (E1) and Mixed Use (MU1) zones.



Figure 4: Shop top housing in Surry Hills



Figure 4: Residential flat building on Huntley Street, Alexandria

## **There is a need for more well-located mid-rise housing**

Well-located mid-rise housing options such as small blocks of units are a strongly desired development type among buyers and renters as identified in research from UNSW City Futures Research Centre cited earlier. Fulfilling the latent demand in the housing market for small apartment buildings provides an opportunity to address calls for greater housing diversity to meet the needs of people at different stages of life. Small apartment developments can exhibit high quality design for the benefit of residents and the local neighbourhood while contributing to the vibrancy of our centres.

## **Mid-rise housing is often prohibited in well-located areas**

Across the Six Cities Region, most residential areas, around 77%, are zoned for low density. But only around 12% of areas are zoned for medium density, and 2% for high density. Even in the 12% of Medium Density Residential zones, residential flat buildings and shop-top housing are prohibited in around 60% of these areas.

Six Cities Residential Lots

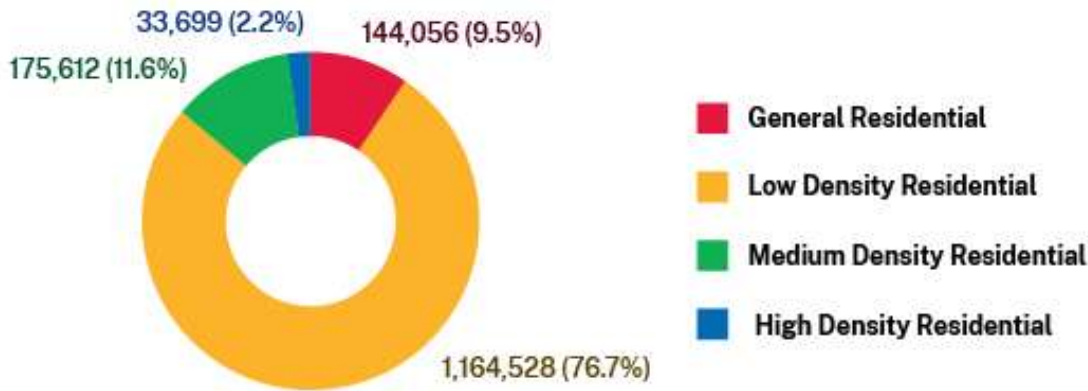


Figure 6: Overview of zoning of residential lots within the Six Cities region

Only 42% of well-located medium density lots in areas around heavy and light rail stations and close to important town centres permit residential flat buildings. This land needs to be better used by allowing development controls more suitable for mid-rise housing.

### Restrictive development controls can discourage mid-rise housing

In the limited areas where mid-rise housing is permitted, site requirements and development controls can make delivering mid-rise housing a challenge.

Across all medium density lots in the Six Cities Region, the average maximum height of building control is around 9.9 metres and the average maximum floor space ratio control is 0.73:1. These controls only enable a 3-storey building with a limited number of apartments possible. Such small developments are not usually economically feasible to deliver in well located areas.

Height of Buildings Controls by Zone - Six Cities LGAs

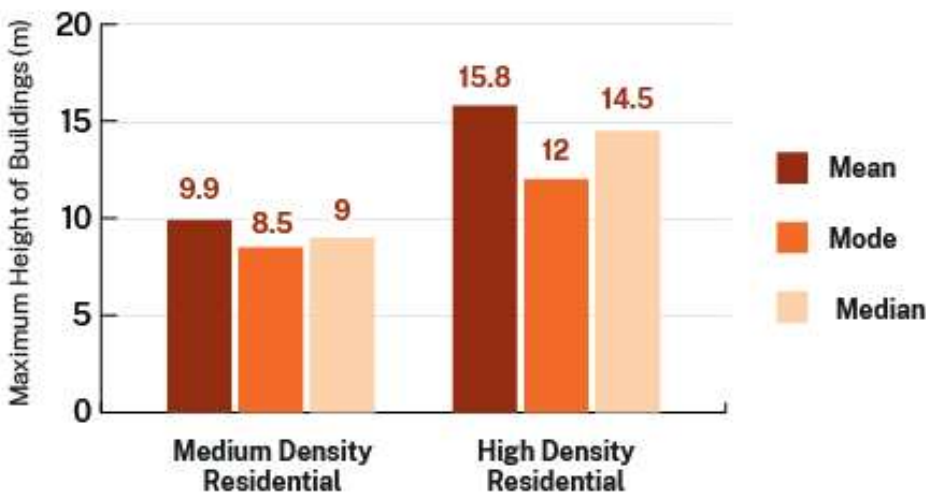


Figure 7: Overview of height of buildings controls in the medium and High Density Residential zones within the Six Cities

Even in High Density Residential zones, the average maximum height of building control is around 15.8m and the average maximum floor space ratio control is 1.25:1. Again, these controls only enable a 4 to 5 storey building with a limited number of apartments possible.

In many medium and high-density residential zones, both the average and median built form controls are insufficient to realise the opportunities of mid-rise housing. Getting these planning settings right is critical to attracting investment in new mid-rise housing projects to deliver housing supply in well-located areas.

## 3.2 Low-rise housing

For this explanation of intended effect, **low-rise housing** refers to multi dwelling housing (such as terraces and townhouses), manor houses and dual occupancies. It is generally one or 2 storeys, sometimes incorporating a habitable roof. It does not include freestanding houses.



Figure 8: Low-rise housing types L-R dual occupancy, multi-dwelling housing (terraces), manor house

### Multi dwelling housing (MDH) and manor houses

#### What are multi-dwelling housing and manor houses?

**Multi-dwelling housing** is a term used to describe residential developments that have three or more dwellings on a single lot with each dwelling having access at ground level. It includes rows of terraces and townhouses, but it does not include apartment buildings. They are a historically popular form of housing in Sydney, commonly found closer to the city centre. They are typically one or 2-storeys with a small front and back yard and setback to the side neighbours. They offer most of the benefits of a traditional freestanding house, but for a more affordable price.

**Manor houses** are small 2-storey apartment blocks. They are also an historically popular form of housing in Sydney's earlier suburbs, found in places like the eastern suburbs and the inner west. They often have the appearance and size of a 2-storey freestanding house but contain two apartments on the ground floor and two on the first floor. The ground floor apartments often get their own backyards, which offers a great level of amenity at a more affordable price.



Figure 9: Manor house in Thornton



Figure 10: Townhouses in residential area at Gledswood Hills

## Most low-density areas prohibit multi-dwelling housing and manor houses

Multi-dwelling housing is prohibited in the Low Density Residential zone in 82% of lots across the Six Cities. This is particularly pronounced in Greater Sydney, where 94% of councils prohibit multi-dwelling housing in their low-density zones.

Multi Dwelling Housing Permissibility in Low Density Residential Lots  
-Six Cities LGAs

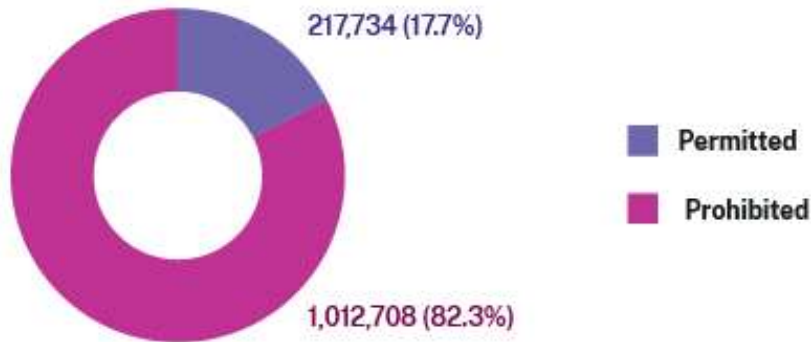


Figure 11: Permissibility of MDH across Low Density Residential zone lots within the Six Cities region

Similarly, manor houses are prohibited in all Low Density Residential zones in Greater Sydney, although they can be developed where multi-dwelling housing is permitted if using complying development under the Low-Rise Housing Diversity Code.

The main zone where multi-dwelling housing and manor houses are permitted is the Medium Density Residential zone where they are always permitted. The issue is that the medium-density zone only accounts for a small proportion of residential land, around 12% in the Six Cities Region.

Another issue is that Medium Density Residential zones also sometimes allow the multi-storey apartment buildings that developers usually prefer over the lower-yielding multi-dwelling housing and manor houses. So, there is a scarcity of land that allows for multi-dwelling housing and manor houses. And in the few areas they are allowed, developers often prefer apartments. As a result, very few new multi-dwelling housing and manor houses have been built in recent decades.

## Multi-dwelling housing and manor houses are suitable in well-located low-density areas

Multi-dwelling housing and manor houses can be designed to comfortably sit within a freestanding house neighbourhood, without significantly changing character and offering a diverse and affordable option. Their scale and presence can be designed so they have no more impact than a freestanding house and they can enhance the desirable characteristics of a neighbourhood.

Low-density residential zones that are within walking distance of town centres and transport hubs should be able to accommodate more multi-dwelling housing and manor houses. These housing types offer a sustainable way of encouraging more homes in low-density neighbourhoods. Focusing efforts in places that already have good access to public transport and everyday needs will avoid undesirable impacts such as more congestion and a lack of street parking.

### **Some development controls discourage multi-dwelling housing and manor houses**

There are a range of development controls that often apply to multi-dwelling housing and manor houses. These can further limit the potential sites and make them particularly difficult to design, especially when compared to the controls for freestanding houses.

Many councils set minimum lot sizes that range between 700 m<sup>2</sup> and 2,000 m<sup>2</sup>. These minimum lot sizes can be unnecessarily large, as well-designed multi-dwelling housing and manor houses can easily fit on much smaller sites. These requirements often rule out large proportions of the already limited lots that allow multi-dwelling housing and manor houses, sometimes up to 75% of permitted lots in a given area.

There are also other controls, such as floor space ratio and minimum car parking requirements, that can make these housing types compromised in design, impractical to develop and economically unviable. Because of this, it is more workable to develop freestanding housing and larger apartment buildings.

## **Dual occupancies**

### **What are dual occupancies?**

Dual occupancies are two dwellings on a single lot and are commonly known as duplexes or semis. They are a common form of housing in Sydney, with a strong historical presence in the form of one and 2-storey 'semis' and in the more modern form of 2-storey duplexes. They are typically two side-by-side houses that both have a front yard, a back yard, and are setback to the side neighbours. They offer most of the benefits of a traditional freestanding house, but for a more affordable price.

### **Dual occupancies are suitable in all low-density areas**

Well-designed dual occupancies are perfectly suited to provide more housing in all low-density residential areas across the state. Their scale, form and presence can be designed so they have no more impact than a freestanding house and they can enhance the desired character of an area.



Figure 12: Dual occupancy housing in Ryde

### Dual occupancies are prohibited in many low-density areas

Within the Six Cities region, dual occupancies are prohibited in 14% of low density lots. In the same region, within the Medium Density Residential zone, dual occupancies are prohibited in 35% of lots.

Dual Occupancy Permissibility by Lots - Six Cities LGAs

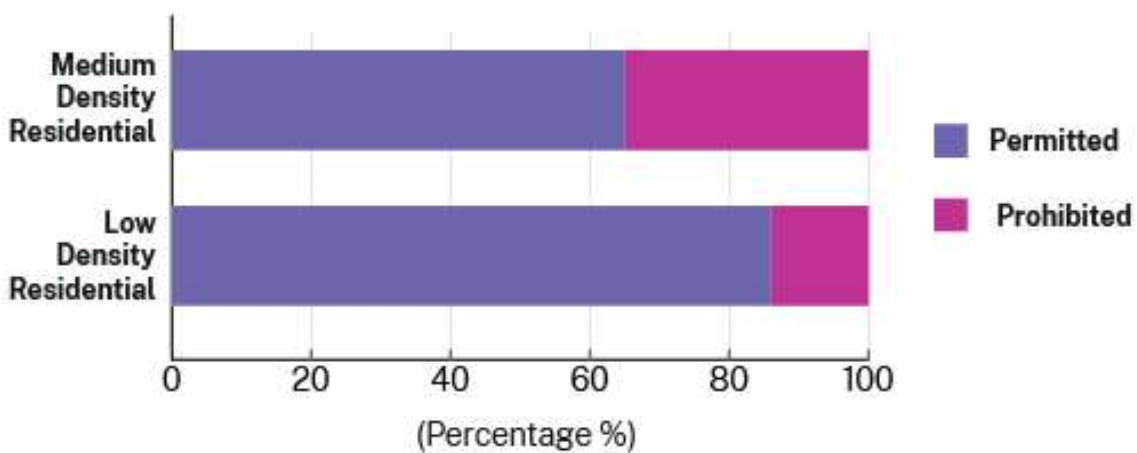


Figure 13: Permissibility of dual occupancies on low and Medium Density Residential zone lots within the Six Cities



All Low Density Residential zones should be able to accommodate dual occupancies as a sustainable way to provide more housing supply and provide more diverse housing options for the community.

### **Dual occupancies are suitable in the General Residential zone**

Within the Six Cities region, there are 23 LEPs with a General Residential zone. Of these, only 19 (or 83per cent) permit dual occupancies. General residential lots comprise 9.5% of all residential lots within the Six Cities.

An objective of the General residential zone is to provide a variety of housing types and densities. This objective can be more directly achieved by promoting dual occupancies in this zone.

### **Unsuitable development controls discourage dual occupancies**

There are a range of development controls that often apply to dual occupancies which can further limit the sites where they can be built and make them particularly difficult to design, especially when compared to the controls for freestanding houses.

Many Councils set minimum lot sizes which range between 450m<sup>2</sup> and 800m<sup>2</sup>. These minimum lot sizes can be unnecessarily large as well-designed dual occupancies can easily fit on much smaller sites. These requirements often rule out a large proportion of the lots that permit dual occupancies, sometimes up to 72% of permitted lots in a given area.

There are also a range of other controls, like floor space ratio, that can make dual occupancies difficult to design. Because of this, it is often easier to develop freestanding housing.

# 4 Policy proposals to build more low and mid-rise housing

## 4.1 Mid-rise housing

### Expanded permissibility within well located areas

The department is proposing to permit residential flat buildings on all Medium Density Residential zoned land in well located areas – that is, within station and town centre precincts. Since RFBs are a mandated use in the General Residential and High Density Residential zones, the Medium Density Residential zone presents an opportunity to expand the permissibility for this important mid-rise typology.

Figure 14 below shows the current and proposed permissibility settings for RFBs on well-located and other lots zoned for medium density within the Six Cities region.

RFB Permissibility in Medium Density Residential Zone - Six Cities LGAs

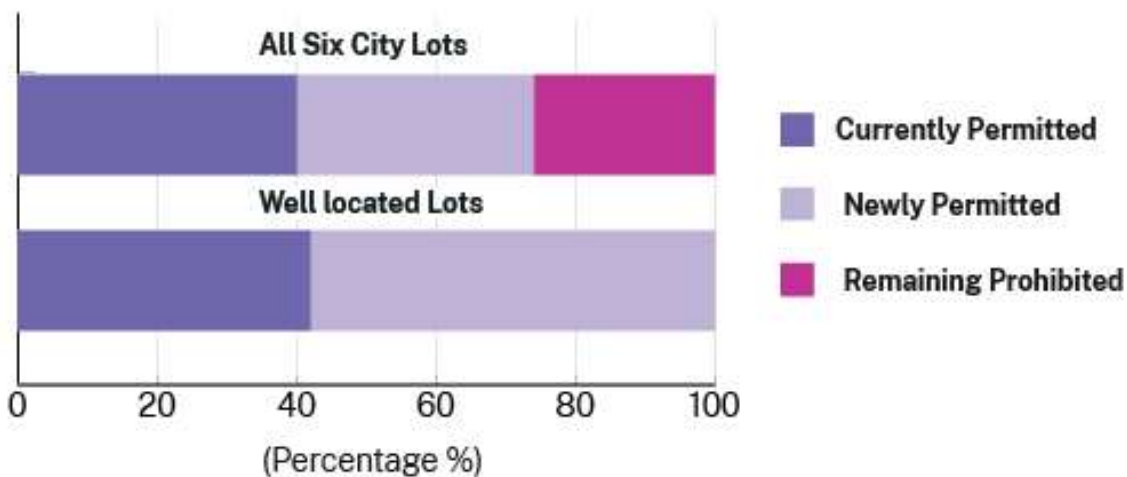


Figure 14: Permissibility of RFBs on well-located and other lots within Medium Density Residential zone in Six Cities

## Mid-rise housing in Station and Town Centre Precincts

### Station and town centre precincts

The Station and town centres precincts are proposed to be:

- within the Six Cities Region; and
- 800m walking distance of a heavy rail, metro or light rail station; or
- 800m walking distance of land zoned E2 Commercial Centre or SP5 Metropolitan Centre; or
- 800m walking distance of land zoned E1 Local Centre or MU1 Mixed use but only if the zone contains a wide range of frequently needed goods and services such as full line supermarkets, shops and restaurants.
  - The Department is seeking input from councils to determine which E1 and MU1 centres contain an appropriate level of goods, services and amenities to be included.

### Non-refusal standards

To facilitate these developments, the NSW Government propose to set standards for non-refusal that will apply wherever residential flat buildings or shop top housing are permitted (currently or newly proposed) within Station and Town Centre Precincts with the exception of the Low Density Residential zone. The standards are designed to allow more density in the inner part of the precincts within 400 metres of the stations and centres and less density in the outer part of the precincts from 400 metres to 800 metres.

#### Non-refusal standards

**Non-refusal standards** are a type of provision (legal condition) used in the planning system to set consistent standards for certain types of development and provide certainty and flexibility for councils and proponents.

Non-refusal standards are usually outlined in a SEPP and overrule LEP or DCP provisions. If the equivalent LEP or DCP standard is already more permissive than the non-refusal standard, it will continue to apply.

This approach gives councils the flexibility to set more permissive local controls that suit local areas. It also means that if a proposed development does not comply with the non-refusal standard but still complies with Council's standard, it will not need a clause 4.6 variation request.

The purpose of this approach is to increase housing potential, not reduce what is already allowed.

The specific intentions are that if a development:

- Complies with the standard, a consent authority **must not** refuse consent on those grounds;
- Does not comply with the standard, it will be assessed under the equivalent applicable LEP or DCP standard;
- Does not comply with the standard, but does comply with the equivalent LEP or DCP standard, a clause 4.6 variation is not required;
- Does not comply with both the standard and the equivalent LEP or DCP standard, a clause 4.6 variation will be required.

The non-refusal standards have been calibrated to enable a typical 3 to 6 storey apartment building that can achieve an appropriate level of amenity for the apartments and to neighbouring dwellings.

All other applicable planning controls in Local Environmental Plans and Development Control Plans such as heritage and environmental considerations will continue to apply to the extent they are not inconsistent with these provisions.

The proposed non-refusal standards for residential flat buildings and shop top housing in the station and town centre precincts are:

In the inner part of the precincts **within 400 metres** of the stations/centres:

- Maximum Building Height: 21m
- Maximum FSR: 3:1

In the outer part of the precincts from **400 to 800 metres** of the stations/centres:

- Maximum Building Height: 16m
- Maximum FSR: 2:1

The non-refusal standards will apply to any residential flat building and shop top housing development on land in station and town centre precincts (with the exception of land zoned R2). For residential flat buildings, the non-refusal standards apply to land where this land use is currently permitted or proposed to be permitted. For shop- top housing, the non-refusal standards apply where this land use is currently permitted.

We are also proposing to turn off minimum site area and width standards in LEPs as part of these reforms. This will allow development assessment to consider the individual merits of mid-rise developments on a case-by-case basis within the context of the site.

## Design criteria to support mid-rise housing

The Apartment Design Guide gives consistent planning and design standards for apartments in NSW. It gives design criteria and general guidance about how development proposals can achieve the nine design quality principles identified in *State Environmental Planning Policy No 65 – Design Quality of Residential Apartment Development* (SEPP 65).

The proposed new mid-rise housing provisions in station and town centre precincts will be supported by suitable design criteria that will vary some ADG provisions. These measures will ensure that design controls applying to new mid-rise housing proposals are appropriately differentiated to facilitate smaller apartment buildings.

The design provisions will ensure mid-rise apartment buildings are well-designed and promote excellent amenity and liveability for residents and the community.

The intent of the proposed changes to the design criteria is set out below.

- **Building separations:** Reducing the minimum building separation requirements for 5 and 6 storey buildings to match the current requirements for up to 4-storey buildings.
- **Setbacks:** Front setbacks to be the average of neighbouring buildings with a 6m maximum. Side and rear building setback requirements are to increase by an additional 1m for every 2-storey difference in height between neighbouring buildings.
- **Vehicle Access:** Design of basement and ground floor for mid-rise building is not required to accommodate large vehicles entering or turning around within the site. Waste collection method to be detailed in Waste Management Plan.
- **Visual Privacy:** To be managed through the proposed modified building and separation provisions.
- **Communal Open Space:** A minimum of 8m<sup>2</sup> of communal open space is to be provided per apartment, up to a maximum 25% of the site area.
- **Landscaping:** Minimum deep soil and planting requirements, depending on the size of the site as set out Appendix B.
- **Car parking:** Minimum car parking rates to create a consistent set of appropriate requirements for mid-rise housing across the Six Cities.

## Affordable Housing

The existing In-fill Affordable Housing bonus provisions of the Housing SEPP will continue to apply for development under the proposed mid-rise housing in station and town centre precincts provisions.

The department is also proposing to work with local councils to introduce affordable housing contribution schemes (inclusionary zoning) on more land across the Six Cities where there has been sufficient value uplift. Further consultation about this is expected in 2024.

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## 4.2 Low-rise housing

### Multi dwelling housing and manor houses

#### Expanded permissibility

We propose to make multi-dwelling housing and manor houses permitted with consent in the Low Density Residential zone within station and town centre precincts.

Manor houses will be characterised as 2-storey residential flat buildings (excluding any habitable roof). They will not be limited to 3 or 4 dwellings as they currently are under the Codes SEPP.

#### Station and town centre precincts

Station and town centres precincts will be:

- within the Six Cities Region; and
- 800m walking distance of a heavy rail, metro or light rail station; or
- 800m walking distance of land zoned E2 Commercial Centre or SP5 Metropolitan Centre; or
- 800m walking distance of land zoned E1 Local Centre or MU1 Mixed use but only if the zone contains a wide range of frequently needed goods and services such as full line supermarkets, shops and restaurants
  - The Department is seeking input from councils to determine which E1 and MU1 centres contain an appropriate level of goods, services and amenities to be included.

#### Non-refusal standards

We propose to set key non-refusal standards that will apply to MDH and manor houses wherever they are permitted in Station and Town Centre Precincts. The non-refusal standards are designed to encourage MDH and manor houses to achieve the benefits of more and diverse housing while managing their impacts on surrounding properties, the local environment and neighbourhoods.

Proposed non-refusal standards for multi-dwelling housing (terraces), multi-dwelling housing and manor houses in station and town centre precincts are:

#### Multi dwelling housing (terraces)

- Maximum Building Height: 9.5m
- Maximum FSR: 0.7:1
- Minimum Site Area: 500m<sup>2</sup>
- Minimum Lot Width: 18m
- Minimum Car Parking: 0.5 space per dwelling

#### Multi dwelling housing

- Maximum Building Height: 9.5m
- Maximum FSR: 0.7:1
- Minimum Site Area: 600m<sup>2</sup>
- Minimum Lot Width: 12m
- Minimum Car Parking: 1 space per dwelling

#### Manor Houses

- Maximum Building Height: 9.5m
- Maximum FSR: 0.8:1
- Minimum Site Area: 500m<sup>2</sup>
- Minimum Lot Width: 12m
- Minimum Car Parking: 0.5 space per dwelling

The non-refusal standards will apply to any multi-dwelling housing, multi-dwelling housing (terraces), or manor house in station and town centre precincts where they are currently permitted or proposed to be permitted under these proposals.

### Lot size and width

The proposed minimum lot size and width standards provide sufficient space for a typical 2-3 bedroom dwelling layouts with a reasonable front and back yard, side setbacks to the neighbours, and car parking for most dwellings.

### Floor space ratio and building height

We have set the proposed floor space ratio and building heights to encourage these housing types. They provide more floor space allowance than most low-density areas which will encourage MDH and manor houses rather than large freestanding houses. The building height is designed to accommodate 2 storeys with the potential habitable roof, depending on the design. Built form

impacts on neighbours such as privacy and overshadowing will still need to be considered through the design criteria in the applicable design guides and local requirements.

### **Car parking**

The proposed car parking rates for terraces and manor houses will be a reduction to most council's current DCP requirements and the standards of the Codes SEPP. The proposed rates will only apply in the target precincts which have walkable access to most needs and alternative transport options. The reduced rates for terraces will also reduce the need for multiple driveways along the street and the resultant impact that has on street parking and landscaping. For manor houses, reduced parking rates will facilitate better design outcomes including increased landscaping and more privacy for neighbours.

### **Application of other Planning Controls**

All other applicable planning controls in Local Environmental Plans and Development Control Plans such as heritage and environmental considerations will continue to apply to the extent they are not inconsistent with these new provisions.

Landscaping requirements outlined in relevant DCPs will continue to apply and the Low Rise Housing Diversity Design Guide will continue to be relevant. The Design Guide will be updated to be consistent with the landscaping targets set out in Appendix C.

The Low Rise Housing Diversity Code will continue to only apply to MDH (terraces) and manor houses limited to 3 or 4 dwellings. This includes on land where it is proposed to newly permit these land use types.

To ensure good design outcomes are achieved, for development applications the consent authority must consider the Low Rise Housing Diversity Design Guide for development applications. Similarly, complying developments will continue to be required to be consistent with the Low Rise Housing Diversity Design Guide for complying development with a verification from a registered architect.

### **Subdivision**

We propose to permit the torrens subdivision of multi-dwelling housing (terraces) provided the proposed lots meet appropriate size, width and access requirements.



## Dual occupancies

### Expanded permissibility

We propose to permit dual occupancies in all Low Density Residential zones across NSW. We are also looking to work with the remaining few councils whose LEPs prohibit dual occupancies in the General Residential zone to consider whether they could be permitted.

### Non-refusal standards

We propose to set key non-refusal standards that will apply to dual occupancies wherever they are permitted in Greater Sydney. The non-refusal standards are designed to encourage dual occupancies to realise the benefits of more and diverse housing in low-density areas.

#### Non-refusal standards for dual occupancies

Proposed non-refusal standards for dual occupancies in Greater Sydney:

- Maximum Building Height: 9.5m
- Maximum FSR: 0.65:1
- Minimum Site Area: 450m<sup>2</sup>
- Minimum Lot Width: 12m
- Minimum Car Parking: 1 space per dwelling

The non-refusal standards will apply to any dual occupancy in Greater Sydney where it is currently permitted or proposed to be permitted under these proposals.

### Lot size and width

The proposed lot size and width is set at the lower end of the range of lot sizes that apply in different Council areas in Greater Sydney. It provides sufficient space for a 3-to-4-bedroom dwelling layout with a reasonable front and back yard, side setbacks to the neighbours, and a garage for each dwelling.

### Floor space ratio and building height

The proposed FSR provides slightly more floor space allowance than most low-density areas, which will encourage dual occupancies rather than large freestanding houses. The proposed building height is designed to accommodate a 2-storey dual occupancy. Built form impacts on neighbours such as privacy and overshadowing will need to be considered through the design criteria in the applicable design guides and local requirements.

### **Car parking**

The proposed car parking rate is typical in many areas and will be a slight reduction in some. It is important that excessive car parking is not required, as it can influence whether a dual occupancy can fit on any given site. One space is sufficient to ensure there is not a significant impact on car parking availability in the street.

### **Application of Other Planning Controls**

All other applicable planning controls in Local Environmental Plans and Development Control Plans such as heritage and environmental considerations will continue to apply to the extent they are not inconsistent with these new standards.

Landscaping requirements outlined in relevant DCPs will continue to apply and the Low Rise Housing Diversity Design Guide will continue to be relevant. The Design Guide will be updated to be consistent with the landscaping targets set out in Appendix C.

Under the complying development pathway, proposals will continue to be required to be consistent with the Low Rise Housing Diversity Design Guide for complying development.

### **Affordable Housing**

The existing In-fill Affordable Housing bonus provisions of the Housing SEPP will continue to apply for development under the proposed low-rise housing provisions.

### **Subdivision**

It is proposed to permit the torrens subdivision of dual occupancies provided the proposed lots meet appropriate size, width and access requirements.

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## **4.3 Flooding**

Managing the risk of flooding to life and property through local planning controls is a key priority for the NSW Government. We need to ensure that all new development in flood prone areas is compatible with the current and future flood risk of the land.

Council's current flooding controls will continue to apply to all development where the low- and mid-rise reforms are proposed to ensure that flood risk is appropriately managed. In areas of particularly high flood risk, such as the Hawkesbury Napean Valley, the Department will work councils to exclude the relevant areas from the application of the proposed reforms.

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## 4.4 Infrastructure Contributions

The NSW planning system allows councils and the NSW Government to collect contributions that fund infrastructure needed to support new development.

From 1 October 2023, all residential development that intensifies land use (where new dwellings are created) will be subject to the Housing and Productivity Contribution (HPC) and will replace the former State Infrastructure Contribution (SIC). HPC contributions will go towards the provision of state and regional infrastructure such as roads, parks, hospitals and schools. It does not affect how councils collect local contributions.

Councils will continue to require the payment of section local infrastructure contributions (7.11 and/or section 7.12 contributions) for all new development in accordance with relevant council contributions plans. Revenue collected goes towards funding infrastructure like community facilities, stormwater drainage, local open space and local roads.

In infill areas where there will be additional housing supply as a result of this proposal, councils already have section 7.11 and/or section 7.12 contributions plans in place that apply to new residential development. These existing plans will allow councils to collect more revenue as more dwellings are built.

However, it is important to ensure that councils will have sufficient revenue to fund any new or upgraded local infrastructure that may be required. Some changes may be needed to councils' current contributions frameworks to allow for anticipated growth.

The department will work with councils to identify where further infrastructure planning and funding is required and accelerate that work to ensure it is in place at the right time.

The best approach will depend on the current contributions framework in the area, anticipated growth and local infrastructure needs. Stakeholder consultation, including public exhibition, will be necessary before any changes are carried out.

### Council feedback on infrastructure needs

We are seeking feedback on councils' preferred approach to identifying and addressing additional infrastructure needs that arise as a result of the proposed changes. The aim is to ensure that delivery of local infrastructure occurs at a rate that will keep up with the anticipated growth needed to address the housing crisis.

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## 4.5 Relationship with the Transit Oriented Development program

The Department is also progressing a Transit Oriented Development program, which will fast-track rezoning in 8 key precincts, and introduce new planning settings in a number of other identified station precincts across the Six Cities, including new permissibility settings, built form controls, social and affordable housing provisions and heritage arrangements.

The proposed low- and mid-rise reforms will work in tandem with the Transit Oriented Development program to achieve good urban form through appropriate density transition around centres. The reforms proposed under the Transit Oriented Development program are generally more permissive than the low- and mid-rise reforms and therefore will prevail over the low and mid-rise controls, where areas overlap.

Read more about the department's [response to the housing crisis](#).

## 5 Have your say

The Department of Planning and Environment welcomes community and stakeholder feedback on this explanation of intended effect. Your feedback will help us better understand the views of the community and will inform the proposals discussed in this document.

To submit feedback, complete the [online feedback form](#).

Your submission may address the issues raised in this document or you may give more input about the changes we propose.

We will publish a response to submissions after the exhibition period ends.

# Appendix A – Summary of proposed reforms

Typology	Proposed permissibility change	Proposed non-refusal standards
Low-rise housing		
Dual occupancies	Make dual occupancies permitted with consent across Low Density Residential (R2) zones in NSW.	Introduce non-refusal standards that apply to dual occupancies wherever they are permitted in Greater Sydney: <ul style="list-style-type: none"> <li>• Maximum Building Height: 9.5m</li> <li>• Maximum FSR: 0.65:1</li> <li>• Minimum Site Area: 450m<sup>2</sup></li> <li>• Minimum Lot Width: 12m</li> <li>• Minimum Car Parking: 1 space per dwelling</li> </ul>
Manor houses	Make manor houses permitted with consent in the Low Density Residential (R2) zone within <i>station and town centre precincts</i> in the Six Cities region.	Introduce non-refusal standards that apply to Manor Houses wherever they are permitted within <i>station and town centre precincts</i> in the Six Cities region: <ul style="list-style-type: none"> <li>• Maximum Building Height: 9.5m</li> <li>• Maximum FSR: 0.8:1</li> <li>• Minimum Site Area: 500m<sup>2</sup></li> <li>• Minimum Lot Width: 12m</li> <li>• Minimum Car Parking: 0.5 space per dwelling</li> </ul>
Multi-dwelling housing (terraces)	Make MDH (terraces) permitted with consent in the Low Density Residential (R2) zone within <i>station and town centre precincts</i> in the Six Cities region.	Introduce non-refusal standards that apply to MDH Terraces wherever they are permitted within <i>station and town centre precincts</i> in the Six Cities region: <ul style="list-style-type: none"> <li>• Maximum Building Height: 9.5m</li> <li>• Maximum FSR: 0.7:1</li> <li>• Minimum Site Area: 500m<sup>2</sup></li> <li>• Minimum Lot Width: 18m</li> <li>• Minimum Car Parking: 0.5 space per dwelling</li> </ul>

Typology	Proposed permissibility change	Proposed non-refusal standards
Multi-dwelling housing	Make MDH permitted with consent in the Low Density Residential (R2) zones within <i>station and town centre precincts</i> in the Six Cities region.	<p>Introduce non-refusal standards that apply to MDH whenever they are permitted within <i>station and town centre precincts</i> in the Six Cities region:</p> <ul style="list-style-type: none"> <li>• Maximum Building Height: 9.5m</li> <li>• Maximum FSR: 0.7:1</li> <li>• Minimum Site Area: 600m<sup>2</sup></li> <li>• Minimum Lot Width: 12m</li> <li>• Minimum Car Parking: 1 space per dwelling</li> </ul>
<b>Mid-rise housing</b>		
Residential flat buildings (RFBs)	Permit RFBs with consent in the R3 zone within <i>station and town centre precincts</i> in the Six Cities region.	<p>Introduce non-refusal standards that apply to RFBs wherever they are permitted (excluding R2 zones) in <i>station and town centre precincts</i> in the Six Cities region.</p> <p>Within <i>inner (0-400m) station and town centre precincts</i> in the Six Cities region:</p> <ul style="list-style-type: none"> <li>• Maximum Building Height: 21m</li> <li>• Maximum FSR: 3:1</li> </ul> <p>Within <i>outer (400-800m) station and town centre precincts</i> in the Six Cities region:</p> <ul style="list-style-type: none"> <li>• Maximum Building Height: 16m</li> <li>• Maximum FSR: 2:1</li> </ul>
Shop-top housing (STH)	No change proposed.	Introduce non-refusal standards that apply to shop top housing (identical to those proposed for RFBs) wherever they are permitted (excluding for R2 zones).

Typology	Other proposals
<p>Mid Rise Housing (both RFBs and STH)</p>	<p>Amend the <u>Apartment Design Guide</u> which sits under the <i>State Environmental Planning Policy No 65 – Design Quality of Residential Apartment Development</i> (SEPP 65) to include suitable design criteria for mid-rise housing (e.g. related to building separations, setbacks, vehicle access, visual privacy and communal open space).</p> <p>The design provisions will ensure mid-rise apartment buildings are well-designed and promote excellent amenity and liveability for residents and the community.</p>
<p>Subdivision of MDH (Terraces) and Dual Occupancies</p>	<p>New provisions are proposed to enable the torrens subdivision of multi dwelling housing (terraces) and dual occupancies that have been approved under the proposed low-rise housing reforms. The proposed lots will need to meet appropriate size, width and access requirements.</p>
<p>Low Rise Housing through the Complying Development Pathway</p>	<p>The <u>Low Rise Housing Diversity Code</u> will continue to apply including to areas where low rise typologies are proposed to be permitted under the reforms.</p>



# Appendix B – Landscaping provisions for mid-rise housing

Development category	Tree canopy target (min % of site area)	Deep soil target	Tree-planting rate
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## Residential flat buildings and Shop-top housing

Less than 650 m <sup>2</sup>	15%	As per Apartment Design Guide	For every 350 m <sup>2</sup> of site area or part thereof, at least one small tree must be planted in the deep soil area
650 m <sup>2</sup> – 1,500 m <sup>2</sup>	15%	As per Apartment Design Guide	For every 350m <sup>2</sup> of site area or part thereof, at least one medium tree is to be planted in the deep soil area
Greater than 1,500 m <sup>2</sup>	20%	As per Apartment Design Guide	For every 575m <sup>2</sup> of site area or part thereof, at least 2 medium trees or one large tree must be planted in the deep soil area

# Appendix C – Landscaping provisions for low-rise housing

Development category	Lot size	Tree canopy target (min % of site area)	Deep soil target (min % of site area)	Tree-planting rate
Manor houses	<300m <sup>2</sup>	20%	20%	For every 200m <sup>2</sup> of site area, or part thereof, at least one small tree
	300-600m <sup>2</sup>	25%	25%	For every 250m <sup>2</sup> of site area, or part thereof, at least one medium tree
	>600m <sup>2</sup>	30%	30%	For every 350m <sup>2</sup> of site area, or part thereof, at least 2 medium trees or one large tree
Dual occupancies	<300m <sup>2</sup>	15%	15%	At least 1 small tree, per dwelling
	300-600m <sup>2</sup>	20%	20%	For every 200m <sup>2</sup> of site area, or part thereof, at least one small tree
	>600m <sup>2</sup>	25%	25%	For every 225m <sup>2</sup> of site area, or part thereof, at least one medium tree
Multi-dwelling housing (terraces)	<1,000m <sup>2</sup>	20%	20%	For every 300m <sup>2</sup> , or part thereof, at least one medium tree
	1,000-3,000m <sup>2</sup>	25%	25%	For every 200m <sup>2</sup> , or part thereof, at least one medium tree
	>3,000m <sup>2</sup>	30%	30%	For every 350m <sup>2</sup> , or part thereof, at least 2 medium trees or one large tree