

**Investigation into the cumulative  
impacts of Seniors Housing  
in the rural areas of The Hills and  
Hornsby local government areas**

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9 October 2019

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# Glossary of terms

Term	Definition
<b>DA</b>	Development application
<b>DPIE</b>	NSW Department of Planning, Industry and Environment
<b>FSR</b>	Floor space ratio
<b>GSC</b>	Greater Sydney Commission
<b>GSRP</b>	Greater Sydney Region Plan
<b>ILU</b>	Independent living unit
<b>LEP</b>	Local environmental plan
<b>LGA</b>	Local Government Area
<b>LSPS</b>	Local strategic planning statement
<b>MRA</b>	Metropolitan Rural Area (as defined in the Greater Sydney Region Plan)
<b>NSLHD</b>	North Sydney Local Health District
<b>PCG</b>	Project Control Group chaired by the North District Commissioner and comprising representatives from Hornsby Shire Council, The Hills Shire Council, the Department and the GSC.
<b>Project area</b>	The rural areas of Hornsby and The Hills
<b>RACF</b>	Residential aged care facility
<b>Reporting period</b>	The period from October 2007, when the SCC process was first introduced, to May 2019, which was the focus of analysis for this investigation
<b>RMS</b>	Roads and Maritime Services
<b>SCC</b>	Site compatibility certificate
<b>Seniors housing</b>	Residential accommodation that is, or is intended to be, used permanently for seniors or people, as defined in the Seniors Housing SEPP
<b>Seniors Housing SEPP</b>	<i>State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004</i>
<b>WSLHD</b>	Western Sydney Local Health District

# Executive Summary

This report has been prepared by the Greater Sydney Commission (GSC) for submission to the Secretary of the Department of Planning, Industry and Environment (DPIE). It documents the findings of an investigation into the planning challenges for seniors housing in parts of the metropolitan rural areas of Greater Sydney. Specifically, the investigation focuses on the cumulative impacts on infrastructure and character in the experience in the rural areas of The Hills and Hornsby LGAs (the project area). The investigation included an analysis across social, economic and environmental issues in consultation with a range of stakeholders which underpins the recommendations of options for further consideration by the Secretary.

One of the most long-standing housing policies administered by DPIE is *State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004* ('the Seniors Housing SEPP') which aims to increase the supply and diversity of housing to meet the needs of seniors or people with a disability. As well as allowing seniors housing or housing for people with a disability in a wide range of zones throughout the urban area, the Seniors Housing SEPP enables seniors housing to be developed on rural land adjoining urban land, subject to the issue of a Site Compatibility Certificate (SCC) and subsequent approval of a development application (DA).

The Hills and Hornsby Councils have strongly advocated for a review of the Seniors Housing SEPP and in particular, the use of SCCs to facilitate seniors housing on rural land. Following discussions between the Councils, the GSC and DPIE, it was agreed that the GSC would undertake an investigation examining the cumulative impact of SCCs in The Hills and Hornsby local government areas (LGAs) and identify potential responses.

In this report a reference to 'seniors housing' includes a reference to housing for people with a disability.

To oversee the preparation of this report, a Project Control Group (PCG) was established. The PCG was chaired by Dr Deborah Dearing, North District Commissioner for the GSC, and included representatives from Hornsby and The Hills Shire Councils as well as the DPIE and the GSC. Northern Beaches Council, which has also experienced relatively high levels of seniors housing development in its rural areas, was invited by the GSC to participate in PCG discussions and provide technical advice.

Key areas of investigation included an analysis of demographic trends and demand for seniors housing, a range of environmental impacts and social issues, as well as an analysis of market demand for and the supply of seniors housing in The Hills and Hornsby LGAs and more generally. It involved a comprehensive review of applications for SCCs, consultation with relevant government agencies, seniors housing providers and other key stakeholders.

The GSC acknowledges and thanks the officers of The Hills, Hornsby and Northern Beaches Councils and the Department of Planning, Industry and Environment for their support of this investigation, particularly their assistance with assembling technical data and participation in PCG discussions. In this report, the views expressed by representatives of The Hills and Hornsby Councils in PCG discussions do not necessarily reflect the views of each Council.

## Social and Demographic Context

The investigations into the social and demographic context showed that current population projections (published by DPIE) indicate that the population aged 55 years and older in The Hills LGA is set to almost double to 80,400 by 2036, while in Hornsby LGA, this same age cohort is projected to increase by 36% to

56,100 by 2036. This rate of growth is a significant increase on past projections where a greater proportion of the ageing population left the Greater Sydney Region. This increase in the ageing population presents significant challenges, not only in ensuring adequate housing, but also access to a range of health and social services, such as primary health care, hospitals, recreation facilities and public transport.

In the last five years, there has also been a significant increase in the number of SCC applications lodged across NSW. Overall there has been an average of 12 applications per year from October 2009 and September 2018. Since 2014, this has risen to 20 to 30 applications per year. However, not all approved SCCs lead to DAs being lodged, or seniors housing being delivered. DPIE data found that, of the 68 SCCs approved across NSW, less than one third progressed to a DA that has been approved, is under assessment, or has been built. Combined, approved DAs will deliver around 1,000 RACF beds and 1,500 Independent Living Units (ILUs) across NSW.

The analysis of SCCs and DAs for seniors housing in the rural areas of Hornsby and The Hills indicated that close to 19 per cent of the State's SCC applications (between October 2009 and September 2018) were made in Hornsby and The Hills. These projects can be characterised as generally medium density, multi-unit housing complexes with modest landscaping and deep soil planting, which often contrasts with adjoining low-density urban areas and rural land. This highlighted two key findings:

- whilst ageing is happening across NSW the use of the Seniors Housing SEPP to convert rural land for the purposes of senior housing is concentrated in a few LGAs; and
- the resultant supply of seniors housing is a small part of the housing market that accommodates the growing aged and disabled population.

This analysis suggests that monitoring of the Senior Housing SEPP is required to understand its application and a deeper analysis of why it is being utilised in a few targeted LGAs in NSW.

### **Economic Context**

Market analysis by JLL identified that while rural locations may provide opportunities to develop seniors housing on lower cost land, demand in most rural areas is modest which may negate any advantage of lower land costs. The report indicated that developments in rural locations are not necessarily more financially feasible than urban settings and there are specific hurdles and risks faced by developers of seniors housing which, when compared to residential developers, make retirement housing development less viable. For example, developers face difficulty in attracting pre-commitments, while the modest size of deposits for a retirement village compared to strata units (deposits are usually \$1,000 tenure) provides less security for a developer.

Analysis by JLL found that there is a strong pipeline of new seniors housing projects within The Hills and Hornsby LGAs. Given the high level of existing supply together with this pipeline of projects, it is likely that these new developments will be slow to achieve full occupancy or may be deferred or abandoned.

The Seniors Housing SEPP notes that development standards concerning accessibility and useability are informed by Commonwealth Government aged care accreditation standards. Requirements for level access is potentially driving developer demand for larger flat sites in rural areas, rather than smaller sites in urban areas. Larger sites in rural areas may also be preferred by developers in projects where scale improves viability.

Consultation across many stakeholders highlighted the speculative nature of many of the proposals under the SCC provisions as it provides a mechanism to increase the value of landholdings in the rural areas before selling them onto a provider (or other buyer). This situation has been leading to land banking of those sites where seniors housing development can potentially occur. It is further noted that desire to consolidate land parcels to create even larger sites that could be developed for seniors housing also encourages further land banking. Land banking in turn can lead to under-investment in or under-utilisation of productive rural land and contribute to the high level of vacant rural land in the Metropolitan Rural Area (MRA).

The development feasibility challenges and comments on speculation, supported by the evident low rates of SCC approvals converting to DAs, suggests the need for a more nuanced targeting of the Seniors Housing SEPP to the delivery considerations. One such approach could be to restrict the SCC pathway to seniors housing operators / providers could be considered.

### **Rural values and local character**

This investigation has found that development standards in the Seniors Housing SEPP typically result in a built form outcome that is more aligned to an urban context rather than a rural one. This finding supports The Hills and Hornsby Councils' view that seniors housing in rural areas have the potential to adversely impact on the values of the rural areas of The Hills and Hornsby and that there is significant potential for further adverse impacts to occur.

Developments generally comprise medium density, multi-unit housing complexes with only modest landscaping and deep soil planting requirements (a minimum of 25 square metres per RACF bed). Although the denser layouts may have reduced the extent of clearing required and enabled protection of important biodiversity areas, they also lead to the development of a more urban character and density. It is questionable whether this type of housing is compatible with the local character of a rural area. In some cases, the density of seniors housing on rural land is greater than the density of adjacent urban land.

Analysis of SCC determinations highlight particular challenges in addressing the scale and footprint of seniors housing developments as well as challenges in managing environmental impacts, particularly impacts on biodiversity, as well as challenges with providing utility infrastructure.

Investigations by The Hills and Hornsby Councils indicate that large tracts of rural zoned land at the urban-rural interface in The Hills and Hornsby LGAs where the provisions of the Seniors Housing SEPP apply, could ultimately result in urban sprawl at a scale comparable to a precinct within a major release areas. This scale of development would profoundly change the character of their rural areas and significantly diminish its values.

The potential impact of further seniors housing in rural areas on the scenic and cultural landscapes of Hornsby and The Hills underlines the importance of adopting a place-based approach to addressing the demand for seniors housing in the rural areas.

### **Alignment with strategic planning**

The strategic planning framework for the Greater Sydney Region has fundamentally changed since the Seniors Housing SEPP was introduced in 2004. There is now a clearer hierarchy of strategic plans to guide future development across the Region. The new requirement for councils to prepare Local Strategic Planning Statements, is also greater recognition of the critical role that councils must play in strategic planning for their local area, with the new requirement for councils to prepare Local Strategic Planning Statements.



Both The Hills and Hornsby LGAs contain significant rural areas. Objective 29 of the Greater Sydney Region Plan (GSRP) notes that the MRA, which includes the rural areas of Hornsby and The Hills LGAs, has a wide range of environmental, social and economic values that should be protected. It also states that urban development is not consistent with the values of the MRA, noting that Greater Sydney has sufficient land to deliver its housing needs within the current boundary of the Urban Area.

This position is reiterated in the North District Plan and the Central City District Plan which apply to Hornsby and The Hills LGAs respectively. Both District Plans note that urban development is not consistent with the values of the MRA and that Greater Sydney's future housing needs should be accommodated within the current boundary of the Urban Area (including existing growth areas).

By contrast, the Seniors Housing SEPP does not support place-based planning. Instead, the SEPP allows for the ad-hoc expansion of urban development into rural areas through the SCC process, by setting aside local planning controls that would otherwise prevent development of seniors housing in rural areas.

This suggests that consideration be given to greater alignment of the Seniors Housing SEPP with the GSRP and the relevant District Plans. Key matters to be addressed would include:

- the appropriateness of alternative pathways for urban level of development in rural areas, particularly where these pathways lead to land speculation and land banking, undermining the agricultural productivity of the MRA;
- growth that is not aligned with the provision of coordinated infrastructure and the opportunity for greater alignment with creating more walkable and 30-minute city principles; and
- maintaining and encouraging a built form that can support the scenic and cultural landscapes in the MRA including principles of place making which emphasise the importance of a shared vision and a spatial framework for a place that take account of local character and local aspirations as the basis for future development;

### **Local strategic planning**

Commencing in 2018, all 33 Greater Sydney Region councils embarked on a review of their LEPs to ensure that local priorities and actions are aligned with the relevant District Plan (and subsequently the GSRP). Amendments to the *Environmental Planning and Assessment Act 1979* which came into force on 1 March 2018 required all Councils to create a Local Strategic Planning Statement (LSPS) which is to set out the 20 year vision for their respective LGAs, including planning priorities and actions.

Local councils in Greater Sydney are also preparing Local Housing Strategies which will “tie council’s vision for housing with State Government led strategic plans” and provide a framework to address housing targets (including affordable housing targets) nominated in District Plans<sup>1</sup>. This is a new and more strategic approach to addressing local demand and supply of housing that potentially removes the need for the Seniors Housing SEPP to provide an alternative pathway to deliver more seniors housing.

Many councils in the MRA, including The Hills and Hornsby, are also preparing new or updated Rural Lands Strategies. Several of these are being developed in concert with LSPSs, while others will be developed following the completion of LSPSs. Rural Lands Strategies provide a framework to explore place-based approaches to the future management of rural localities, including rural towns and villages. They may also explore opportunities to respond to local demand for housing in rural towns and villages, including demand for seniors housing.

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<sup>1</sup> Local Housing Strategy Guideline, 2018, page 1

Where a council can satisfactorily demonstrate that seniors housing demand can be adequately met through the local planning framework, including the Local Strategic Planning Statement, Local Housing Strategy and a DPIE endorsed Rural Lands Strategy, it may be appropriate for an exemption to be granted which would remove the SCC provisions in the Seniors Housing SEPP. This approach does not preclude the opportunity for seniors housing to be developed in and around the rural villages, but rather ensures that appropriate planning occurs in line with local and district aspirations.

### **Development decisions**

Up until October 2018, SCCs were issued by the Secretary of DPIE. This power has since been transferred to the relevant planning panel. A total of 21 SCC applications have been made in The Hills and Hornsby LGAs since October 2007, 10 of which have been approved, four refused and seven currently under consideration (as of May 2019). Of the four that have been refused, three have been refused by the North District Planning Panel since October 2019.

This suggests that the aims of the Seniors Housing SEPP have been weighed and applied differently by different decision makers.

There have been a number of instances where development applications for seniors housing developments for which SCCs have been issued have been refused and have been the subject of appeal in the Land and Environment Court. Decisions by the Land and Environment Court have given significant weight to the aim of the Seniors Housing SEPP to “increase the supply and diversity of seniors housing” relative to other more qualitative assessment considerations for SCCs set out in the Seniors Housing SEPP.

### **Infrastructure provision**

Measures to address cumulative impacts on infrastructure under the Seniors Housing SEPP are largely applied on a project by project basis in response to applications. This does not allow for the coordinated provision of infrastructure through appropriate forward planning by State and local governments across a larger area.

The potential for cumulative impacts of ad-hoc seniors housing development has recently been recognised and addressed in part by amendments to the Seniors Housing SEPP in October 2018. The recently introduced requirement that applicants provide a cumulative impact study where proposed sites are within one kilometre of two or more other SCC sites or where required by a planning panel, does provide an opportunity to consider cumulative impacts on infrastructure.

In commenting on seniors housing in the rural areas of The Hills and Hornsby, the former Roads and Maritime Services noted that seniors housing DAs are received in isolation and therefore it is difficult to determine cumulative impacts of multiple seniors housing developments and mitigate those impacts in any particular region. The ad hoc nature of seniors housing developments in rural areas and difficulty of factoring such development into strategic planning outputs in turn makes it difficult to determine regional traffic impacts. Levying for contributions towards regional infrastructure upgrades is therefore unlikely to be feasible.

Further, there is no opportunity to negotiate contributions towards the provision of regional infrastructure upgrades that might otherwise be possible through a more coordinated urban investigation and planning process.

This investigation suggests the need for the capacity of existing or future services and infrastructure to meet the needs of a particular seniors housing proposal should be considered in a broader context. This approach would take into account the capacity of existing infrastructure and existing infrastructure commitments and programs in the context of the potential for senior housing and would therefore be able to highlight where local nature of impacts of growth on infrastructure are inappropriate.

In this way, it is considered that a place-based approach is a highly appropriate mechanism not only for planning for seniors housing but also for ensuring that there is adequate infrastructure to meet the demands of such housing in the rural areas of The Hills and Hornsby.

## **Recommendations**

The recommendations below were developed with oversight of the PCG. They identify potential options to respond to impacts of the Seniors Housing SEPP in the rural areas of The Hills and Hornsby LGAs, particularly the cumulative impacts on infrastructure and character.

### Recommendation 1: Provide a greater balance between incentives for seniors housing and rural values.

The aim to provide incentives to increase the supply of seniors housing can be better balanced with the aim to protect and maintain the environmental, social and economic values of rural land and the local character of rural towns and villages.

### Recommendation 2: Adopt a place-based approach to planning in rural areas

A place-based approach to planning in rural areas could include an evaluation of the suitability of rural areas for seniors housing, based on local character and the environmental, social and economic values of the area, and infrastructure capacity. Place-based work highlights opportunities for the expansion or redevelopment of seniors housing in rural areas, Planning Proposals which formally recognise intended land use change from rural to urban.

### Recommendation 3: Strengthen alignment between the Seniors Housing SEPP, the Greater Sydney Region Plan, District Plans and Local Strategic Planning Statements

When assessing seniors housing proposals, Planning Panels could be required to consider the matters set out in these strategic plans before determining an application for a SCC. Consideration of these strategic plans could be strengthened via an amendment to the Seniors Housing SEPP.

### Recommendation 4: Monitor and report on development outcomes to support assessment of cumulative impacts.

As well as monitoring outcomes to a greater understanding of cumulative impacts, the scope of cumulative impact assessments could be broadened to include consideration of sites where other forms of development are proposed and where DAs have been determined.

### Recommendation 5: Develop design and landscaping guidelines for seniors housing in a rural context,

The development of design and landscaping guidelines would allow for greater consideration of matters such as lower building heights and densities, greater setbacks, provision for tree canopy cover and greater provision of deep-soil landscape areas that are more in keeping with adjoining urban areas.

### Recommendation 6: Strengthen consideration of environmental values on rural land

Consideration of environmental values, particularly biodiversity, on rural zoned land could be strengthened. This should include clarifying where rural areas may be unsuitable for seniors housing due to environmental

sensitivity, and potentially exclude more environmentally sensitive areas from the Seniors Housing SEPP, by adding these areas to Schedule 1 of the SEPP.

Recommendation 7: Review the viability of planning incentives in the Seniors Housing SEPP and the effectiveness of the SEPP to deliver Seniors Housing

Additional planning incentives to improve the viability of seniors housing developments in infill and release areas could be investigated. Possible options include:

- allowing development applications for vertical villages without the need for a SCC;
- allowing seniors housing where shop top housing is permitted with development consent;
- amending the Standard Instrument LEP to make seniors housing permissible with consent in all R2 Low Density Residential zones; or
- other innovative approaches.

Recommendation 8: Consider a pilot for a council-led place-based approach in The Hills and Hornsby LGAs

Innovative approaches that recognise the context and values of the Metropolitan Rural Area and maintain suitable measures to deliver seniors housing could be piloted by The Hills and Hornsby Councils. This could include piloting a temporary suspension of the Site Compatibility Provisions of the Seniors Housing SEPP in rural areas of The Hills and Hornsby LGAs, while each council develops their place-based planning framework, including:

- a Local Strategic Planning Statement;
- a DPIE endorsed Local Housing Strategy; and
- a DPIE endorsed Rural Lands Strategy.

The PCG has explored a range of possible actions in response to the findings of this study and recommendations are set out in greater detail in Chapter 7 of this report. While representatives from both Hornsby and The Hills Councils generally support the recommendations above, both councils consider that seniors housing is incompatible with the values of the MRA. In particular, they argue that the rural areas are not suitable for the scale and form of seniors housing that has been developed in recent years and that seniors housing development in rural areas is not needed to meet current or future demand.

Representatives from Hornsby Council are strongly of the view that the recommendations above do not go far enough and, amongst other matters, suggest that the Seniors Housing SEPP should be immediately and permanently suspended from applying in the MRA of Hornsby and The Hills. At a minimum, Hornsby Council representatives at the PCG have argued in favour of temporary suspension of the SEPP from the rural areas to enable councils time to complete their housing strategies and rural lands strategies with a view to determining how and where the demand for seniors housing would best be met. The councils would then be able to apply for exemption to the DPIE, who would then determine whether there was adequate evidence and justification to support the case for exemption.

The Hills Council representatives at the PCG have questioned whether the Seniors Housing SEPP remains 'fit for purpose', noting that it was introduced in a vastly different strategic and policy context and many of the provisions in the SEPP may no longer be appropriate. Given the number of issues raised, the complexity of the operation of the SEPP alongside local strategic planning and development assessment decisions, and the number of recommendations to amend the SEPP in this report, The Hills Council representatives have recommended that a comprehensive review of the SEPP is warranted.

Concerns have also been raised during PCG discussions regarding the cumulative impact of seniors housing on local and regional infrastructure and the limited ability to negotiate for development contributions for local and regional infrastructure or affordable rental housing, that might be possible through a more place-based approach to planning.

Discussions with the PCG also canvassed the potential to temporarily suspend the application of the SCC provisions in the Seniors Housing SEPP while any comprehensive review is underway.

# 1 Introduction

## 1.1 Purpose of the Investigation

For over a decade the *State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004* ('the Seniors Housing SEPP') has provided development assessment pathways for the purposes of housing for seniors or people with a disability for both urban and rural lands on the edge of Greater Sydney's urban area and land surrounding rural towns and villages. In recent years The Hills and Hornsby Councils have been strongly advocating for a review of the SCC mechanism in relation to concerns of cumulative impacts and character on rural lands in their Local Government Areas (LGAs).

Following initial discussions between the Councils, the Greater Sydney Commission (GSC) and the Department of Planning, Industry and Environment (DPIE), it was agreed that the issues being raised by the Councils are relevant to broader metropolitan and district strategic planning considerations. In the context of the Greater Sydney Region Plan (GSRP), there was a need to review the impact on the social, economic and environmental values of the Metropolitan Rural Area (MRA). In particular, it was agreed that the GSC would undertake an investigation examining the planning challenges relating to the cumulative impacts of development to infrastructure and to the character of the rural areas in The Hills and Hornsby local government areas (the project area) and to identify possible responses, where appropriate.

This report documents the findings of the investigation, including analysis of issues, stakeholder engagement and recommendations to address issues developed in consultation with a Project Control Group (PCG). The report has also been informed by technical input from JLL and MG Planning and includes a market analysis report (Appendix A).

The PCG, led by the Greater Sydney Commission (GSC), included representatives from the Department of Planning, Environment and Industry (DPIE) and The Hills and Hornsby councils. While not included in the investigation's project area, the GSC asked Northern Beaches Council to participate in PCG discussions and provide technical input as required, given that the Northern Beaches local government area (LGA) shares similar experiences with seniors housing on their urban-rural fringe.

A reference in this report to 'seniors housing' includes a reference to housing for people with a disability.

Key aspects of the Seniors Housing SEPP include:

### **Aims:**

The *State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004* ('the Seniors Housing SEPP') aims to "encourage the provision of housing (including residential care facilities) that will:

- increase the supply and diversity of housing to meet the needs of seniors or people with a disability; and
- make efficient use of existing infrastructure and services; and
- be of good design".

### **Applicable Areas:**

As well as allowing seniors housing in a wide range of zones throughout the urban area, the Seniors Housing SEPP also enables seniors housing to be developed in certain other areas, subject to the issue of a Site Compatibility Certificate (SCC) by the relevant Sydney District Planning Panel (or Regional Planning

Panel for areas outside the Greater Sydney Region) and a subsequent approval of a development application (DA). Those areas comprise:

- land adjoining land zoned primarily for urban purposes
- land zoned for “special uses” (other than land on which development for the purposes of hospitals is permitted)
- land that is used for the purposes of an existing registered club.

#### **Assessment Considerations:**

For a SCC to be issued, the relevant Planning Panel must be satisfied that the proposed development is compatible with surrounding land uses having regard (at least) to the following criteria<sup>2</sup>:

- the natural environment, including the impact on native vegetation
- existing and approved uses in the vicinity of the land as well as the impact on the future uses of the land
- the availability of services and infrastructure, including any proposed financial arrangements for infrastructure provision
- the impact on the provision of land for open space and special uses
- the impact that the bulk, scale, built form and character on existing, approved and future uses of surrounding land
- the impacts identified in any cumulative impact study, where such a study is required.

## **1.2 Project area**

This focus area of the investigation is the rural areas of The Hills and Hornsby LGAs, which form part of the broader MRA (refer Figure 1). Both these LGAs contain expansive rural areas with a long fringe of urban – rural interface. There are also several rural towns and villages within the project area with an urban – rural interface where the Seniors Housing SEPP may also apply. These town and villages include South Dural, Galston, Arcadia and Glenhaven closer to the urban areas of Greater Sydney as well as villages further to the north such as Wisemans Ferry.

The MRA is one of four main landscape types identified in the GSRP, the other three being the Protected Natural Area (consisting of major national parks and protected drinking water catchments that encircle Greater Sydney to the north, west and south), the Urban Area and the Coast and Harbours. These landscape types are shown in Figure 2. The MRA, contained within twelve (12) of Greater Sydney’s 33 LGAs, covers almost one quarter of Greater Sydney. It provides the scenic and cultural landscape setting for Greater Sydney and is characterised by intensive horticulture (e.g. mushrooms, flowers), extensive agricultural (e.g. dairy farms), areas of ecological conservation and bushland, locations for recreation and tourism as well as areas of extractive industries (e.g. sand). Rural living areas include rural towns and villages and pockets of rural residential development.

Large areas of the MRA are zoned as rural under local planning controls. These zones recognise the range of permissible rural uses with associated development controls that recognise specific matters such as environmental management (such as bushland on privately owned land), the potential for resource extraction as well as matters such as scenic and heritage landscapes. The parts of the MRA zoned for an urban land use, such as residential or business are typically located in and around rural towns and villages.

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<sup>2</sup> Refer Clause 25(5) of Seniors Housing SEPP

Further discussion on the land use zones in the project area is provided in Appendix 3.

**Figure 1: Hornsby and The Hills LGAs with rural lands shaded grey**

Source: Greater Sydney Commission, 2019

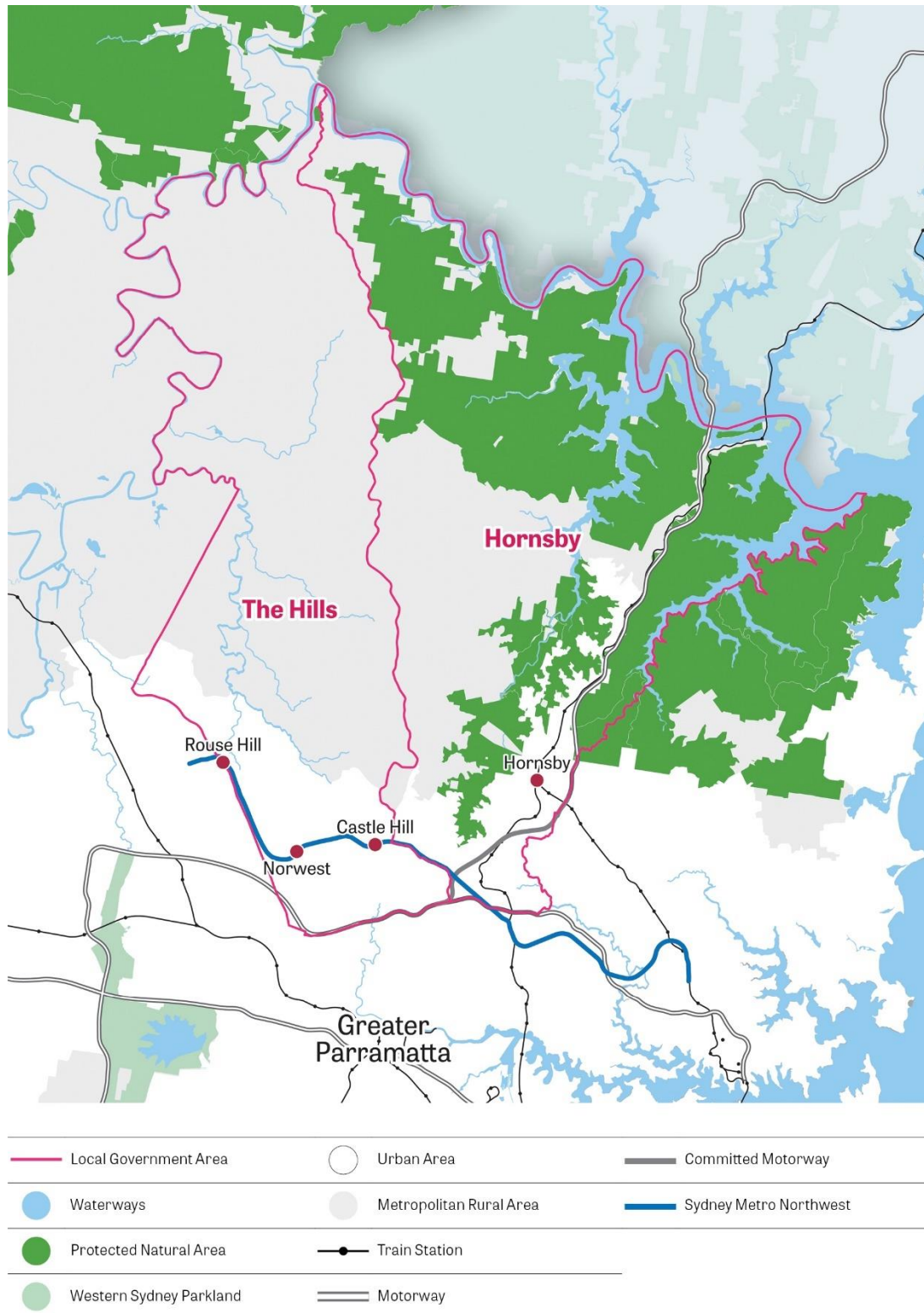
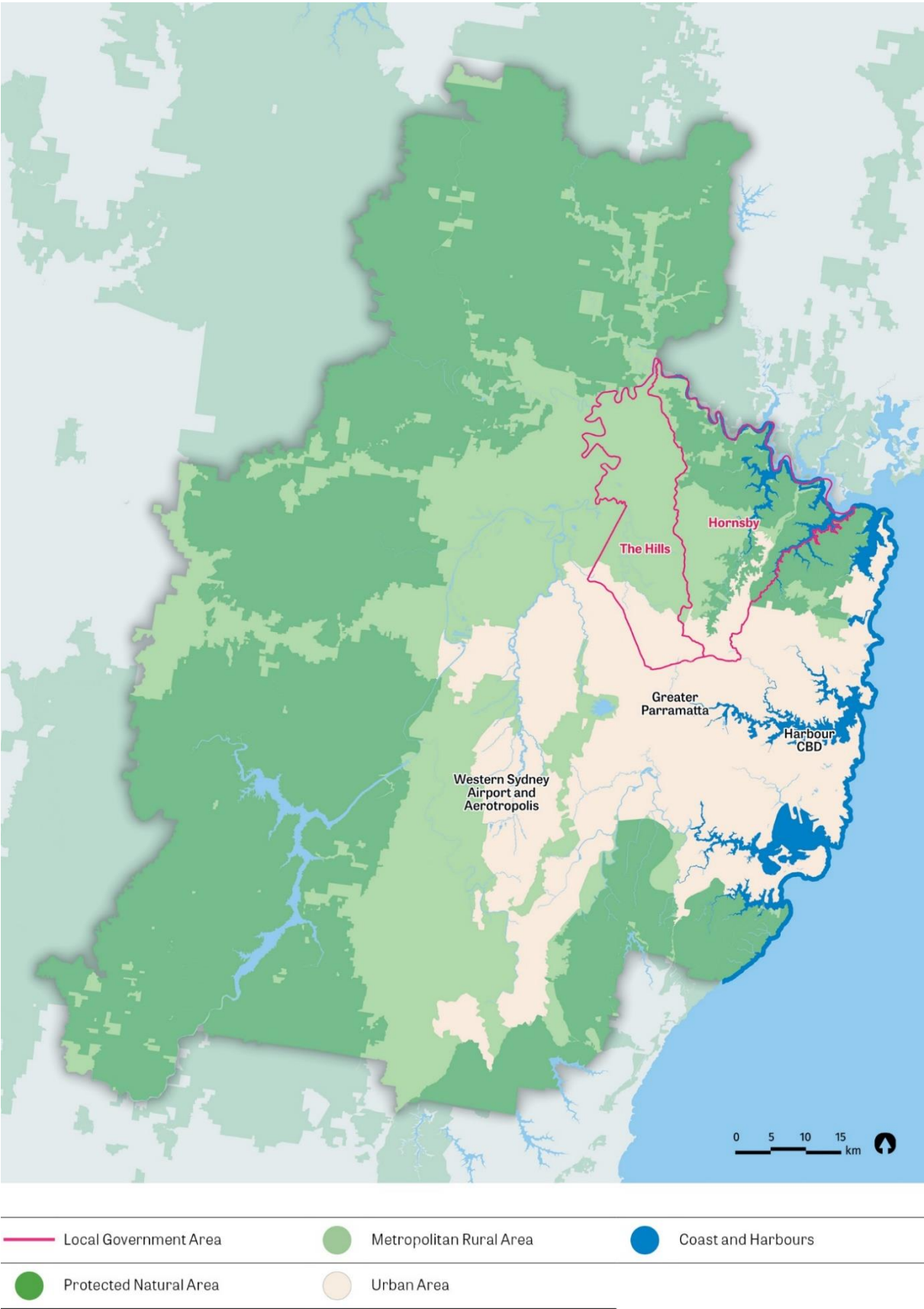




Figure 2: Landscape types in Greater Sydney Region Plan

Source: Greater Sydney Commission, 2018



## 1.3 Project governance

The Project Control Group (PCG), established to oversee the preparation of this report, was chaired by Dr Deborah Dearing, North District Commissioner for the GSC, and included representatives from Hornsby and The Hills Shire Councils as well as the DPIE and the GSC. While the Northern Beaches local government area was not the subject of this investigation, the GSC invited Northern Beaches Council to participate in PCG discussions and provided technical advice.

The PCG met regularly during the preparation of the study, between September 2018 and August 2019.

### 1.3.1 Project control group terms of reference

The Terms of reference for the PCG were agreed in October 2018, setting out the roles of the PCG, which were to:

- finalise an agreed scope for the investigation;
- identify specific tasks for GSC, DPIE and council staff to input into the investigation;
- identify complementary work underway by councils that could contribute to evidence for the investigation;
- provide recommendations for suitable planning and housing market experts to assist the investigation;
- confirm the list of stakeholders to be consulted as part of the investigation; and
- confirm the scope of any stakeholder engagement.

The terms of reference note that where there is disagreement on issues encountered in the preparation of the report these will, where appropriate, be documented as part of the report as determined by the Chair.

The comments and input provided by Council representatives as part of this investigation have been provided in good faith and do not necessarily reflect an endorsed position of either The Hills or Hornsby Council.

## 1.4 Project approach

The project has involved investigation and analysis of the following:

- demographic trends and demand for seniors housing;
- environmental and social issues and impacts, specifically those values of the MRA;
- the economics of supply of seniors housing in both rural and urban settings;
- economic issues and impacts, including the provision of local services and interface with local rural industries;
- the alignment of growth in seniors housing with infrastructure;
- analysis of how the rural values have been affected by seniors housing;
- analysis of cumulative impact of seniors housing on rural lands, having regard to environmental, social and economic issues and values; and
- potential impediments to delivering seniors housing in urban areas.

To inform this investigation, the GSC has:

- reviewed of SCCs and subsequent DAs and development consents issued for seniors housing in The Hills and Hornsby LGAs;
- consulted with relevant government agencies, seniors housing providers and other key stakeholders; and
- analysed market demand for and the supply of seniors housing in The Hills and Hornsby and more generally.

## 2 About the Seniors Housing SEPP

### 2.1 Key provisions in the Seniors Housing SEPP

The following summarises the provisions and matters in the Seniors Housing SEPP, as of August 2019, that are relevant to this investigation - that is, those directly relating to seniors housing that may be undertaken on land adjoining land zoned for urban purposes.

#### Aims

The aims of the Seniors Housing SEPP are to:

- Increase the supply and diversity of seniors housing;
- Make efficient use of existing infrastructure and services; and
- Be of good design.

The aims are to be achieved by:

- Setting aside local planning controls that prevent appropriate seniors housing development;
- Setting out design principles; and
- Ensuring applicants provide adequate support services in fringe areas.

#### Key definitions

**Seniors** – means people aged 55 years or over, people who are resident at a facility at which residential care is provided or people who have been assessed as being eligible to occupy aged housing provided by a social housing providers.

**Seniors housing** – residential accommodation for seniors or people with a disability consisting of a residential care facility, hostel, group of self-contained dwellings or a combination of these.

**Residential care facility** – residential accommodation for seniors or people with a disability that includes meals and cleaning services, personal care and/or nursing care and appropriate staffing, furniture, equipment and the like for the provision of that accommodation and care.

**Hostels** - residential accommodation for seniors or people with a disability where meals, laundering, cleaning and other facilities are provided on a shared basis and at least one staff member is available on site 24 hours/day.

**Self-contained dwellings** – dwellings housing seniors or people with a disability where private facilities for significant cooking, sleeping and washing are included in the dwelling but where clothes washing facilities or other facilities may be provided on a shared basis.

**Serviced self-care housing** – seniors housing consisting of self-contained dwellings where meals, cleaning services, personal care and nursing care services are available on site.

**In-fill self-care housing** – seniors housing on urban land consisting of 2 or more self-contained dwellings where meals, cleaning services, personal care or nursing care services are not provided.

## **Approval bodies**

Prior to the 2018 amendment to the SEPP, responsibility for certifying SCCs rested with the Secretary of the DPIE. The 2018 amendment saw the responsibility for certifying SCCs handed to the relevant regional panel constituted for the part of the State in which the land concerned is located. This means that the Sydney North Planning Panel is now responsible for certifying SCC applications in Hornsby and the Sydney Central City Planning Panel is responsible for SCC applications in The Hills.

In general, the consent authority for a seniors housing development application (DA) is the relevant council.

## **Land to which the policy applies**

The Policy applies to land zoned primarily for urban purposes or land that adjoins land zoned primarily for urban purposes. Land that adjoins land zoned primarily for urban purposes includes land zoned principally for rural uses, for urban investigation or for residential uses on large residential lots. It also refers to land that would directly adjoin land zoned primarily for urban purposes *but for the presence of a public road to which there is direct vehicular and pedestrian access from the adjoining land*.

Land identified in Schedule 1 is excluded from application of the Policy. It covers environmentally sensitive land described in another environmental planning instrument as open space, environment protection, critical habitat, conservation and the like.

## **Development of land adjoining urban land**

Seniors housing development on land adjoining urban land is limited to hostels, residential care facilities and serviced self-care housing.

Serviced self-care housing is only permitted on land adjoining urban land in the following circumstances:

- for people with a disability
- in combination with a residential care facility, or
- as a retirement village<sup>3</sup>.

Serviced self-care housing on land adjoining urban land can only be approved if:

- residents will have reasonable access to home delivered meals, personal care and home nursing, and assistance with housework; and
- a regular bus service will be provided to residents with access to a local centre that has adequate services.

Facilities or services provided as a part of a proposed seniors development on land adjoining urban land must be available to residents when the housing is ready for occupation (or provided proportionately if project staged).

## **Site compatibility certificates**

Where seniors housing is proposed to be developed on land adjoining urban land, a site compatibility certificate (SCC) is required. A SCC is also required where seniors housing is proposed on land zoned for

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<sup>3</sup> A retirement village is defined in Section 5 of the *Retirement Villages Act 1999* and generally means residential premises that are predominantly or exclusively occupied, or intended to be predominantly or exclusively occupied, by retired persons who have entered into village contracts with an operator of the complex.

‘special uses’, on land used for the purpose of an existing registered club or where development is seeking to use the bonus floor space provisions provided under the Seniors Housing SEPP. An SCC remains valid for 24 months.

SCCs were introduced to ensure seniors development is broadly compatible with surrounding land uses before a development application can proceed to the DA lodgement, assessment and determination stage.

A consent authority cannot consider a development application for seniors housing on rural land adjoining urban land unless a valid SCC has been issued by the relevant panel.

Subject to certain criteria (see box below), a SCC allows a DA for seniors housing to be considered on land where it would otherwise be prohibited. The issuing of a SCC does not mean the development has been approved and can be constructed – it is only the first step in the assessment process.

For a SCC to be issued, the relevant planning panel must be of the opinion that the site is suitable for more intensive development and it is compatible with the surrounding environment having regard to (at least) the criteria set out in clause 25(5)(b) of the Seniors Housing SEPP.

**Criteria to be taken into account by the relevant panel when considering issuing a SCC for seniors development on land adjoining urban land (clause 25)**

- Any written comments received by the applicable council
- Whether the proposed development is compatible with surrounding land uses having regard to (at least) the following criteria:
  - The **natural environment** (including known significant environmental values, resources or hazards) and the existing uses and approved uses of land in the vicinity of the proposed development,
  - the impact that the proposed development is likely to have on the uses that are likely to be the **future uses** of that land,
  - the **services and infrastructure** that are or will be available to meet the demands arising from the proposed development (particularly, retail, community, medical and transport services having regard to the location and access requirements set out in clause 26) and any proposed financial arrangements for infrastructure provision,
  - the impact that the **bulk, scale, built form and character** of the proposed development is likely to have on the existing uses, approved uses and future uses of land in the vicinity of the development,
  - if the development may involve the **clearing of native vegetation** that is subject to the requirements of section 12 of the Native Vegetation Act 2003 (now repealed) —the impact that the proposed development is likely to have on the conservation and management of native vegetation,
  - the impacts identified in any **cumulative impact study** provided in connection with the application for the certificate

It is important to note that a consent authority may refuse a DA for which a SCC has been issued based on its own assessment of the compatibility of the proposed development with the surrounding environment. The matters to which a consent authority may have regard are not limited by the SEPP.

The SEPP was amended in October 2018 so that an existing approved SCC cannot be extended to include additional land unless the additional land independently meets the SCC criteria. This change was introduced to address instances where there had been requests to increase the site for which a SCC has been previously issued, by applying for a new SCC that includes additional land. This had led to the incremental expansion of seniors housing onto land that does not independently adjoin urban land.

The amendment to the SEPP provides that a new SCC to extend a seniors development site cannot be issued if:

- the additional land will include any new or additional structures for use as accommodation; or
- the total number of dwellings on the additional land and previously certified land combined exceeds the maximum number of dwellings specified in the original SCC. This does not apply to additional land that also adjoins land zoned primarily for urban purposes.

### **Cumulative impact study**

The 2018 SEPP amendment introduced a new requirement for a cumulative impact study to be prepared where a seniors housing development is proposed on 'land that is next to proximate site land'. Land is next to proximate site land if it is within a one-kilometre radius of two or more other parcels of land for which there is a current SCC or an application for a SCC that has been made but not yet been determined. However, other seniors housing development (existing or approved) within that radius is disregarded for the purpose of determining whether a cumulative impact study is required.

A cumulative impact study is required to consider whether the impacts of the proposed development, considered together with the impacts of development on proximate site land, take into account:

- the capacity of existing or future services and infrastructure to meet the demands arising from the proposal and any proposed financial arrangements for infrastructure provision; and
- the capacity of existing or future road infrastructure to meet any increase in traffic as a result of the proposed development.

The relevant panel may also require that a cumulative impact study be prepared if considered necessary to determine whether the land concerned is suitable for more intensive development.

Other matters the Seniors Housing SEPP addresses, including access to facilities, development bushfire prone land, access to water and sewer, design requirement and development standards, are explored in more detail in Appendix 1.

## 3 Context

### 3.1 Social and demographic context

One of the 10 directions in the GSRP is 'housing the city' with the key objectives being to provide greater housing and to ensure housing is more diverse and affordable. The Plan notes that:

*A range of housing types provides for the needs of the community at different stages of life and caters for diverse household types. It means that as people age they can move into smaller homes and age in their own neighbourhoods, while young adults leaving home can stay close to their families and communities.<sup>4</sup>*

One of the most important ways of ensuring quality of life as people age is to ensure access to housing that is affordable and appropriate to their physical needs, and which allows them to stay connected to their community. The quality and location of housing can influence physical and psychological health and social engagement.

This view is supported by a research paper published by the Productivity Commission in 2015. Titled *Housing Decisions of Older People*, the report examined the implications of older Australians' housing and accommodation decisions, and the interplay between aged care and housing.<sup>5</sup> It found that:

- Most older Australians strongly prefer to remain in their homes as long as practical
- Older people are now less likely to move into residential aged care than in the past and this happens later in life
- The importance of housing increases with age. Home equity makes up a relatively greater share of wealth for older home owners, and accounts for the large disparity in wealth between home owners and non-home owners. The share of housing in overall consumption also grows as people become older
- Older households are typically 'asset rich, income poor': However, drawing on home equity to pay for retirement appears to be a last resort for most older Australians
- Housing mobility declines with age. The proportion of older households that do move house (about one-third) are more likely to move into smaller and/or less expensive homes
- There is a growing prevalence of couple households among those aged 65 years and older given the narrowing gap between male and female life expectancies
- A small but significant minority of older Australian households are renters rather than home owners, and they are disproportionately likely to be experiencing housing stress and lower wellbeing
- Recent cohorts of older Australians appear to behave differently than their predecessors in several key respects — they are more likely to be working longer and to have a mortgage, and less likely to be fully reliant on government transfers.

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<sup>4</sup> Greater Sydney Region Plan, p.60

<sup>5</sup> *Housing Decisions of Older People*, Productivity Commission, December 2015



## Ageing in place

The World Health Organisation has described ageing in place as:

*A common preference among older people for remaining in their local community and maintaining their social networks throughout the ageing process. There are many ways for older people to age in place. Sometimes it means staying in place: that is, continuing to live in the same home. For others, it means moving to a home that is safer or more adapted to their needs while maintaining vital connections with their community, friends and family. In all cases the focus should be on the older person ageing in a place that is right for them.*<sup>6</sup>

The Productivity Commission noted that the vast majority of older Australians are living in private dwellings, and about 80 per cent own their home. Declining health is the primary reason that people make the move to age-specific housing, but this consideration does not factor prominently until very late in their lives. For all age groups up to the age of 90, mainstream housing is the dominant form of accommodation.<sup>7</sup>

### 3.1.1 Overview of Hornsby LGA

Hornsby is a large metropolitan local government area of over 500 square kilometres, located to the far north of the Greater Sydney Region, some 20 kilometres north-west of the Sydney CBD (See Figure 3). The southern part of the LGA is largely urban and contains all of the LGAs strategic centres, local centres and suburban areas, many of which are clustered along the T1 North Shore and T9 Northern Lines rail line. The north of the local government area includes large areas of national park, as well as rural land (part of the MRA) comprising farmland, bushland and some small villages.

Around 10 per cent of Hornsby LGA is zoned and used for urban development, 15 per cent for rural purposes, 5 per cent for open space, and the remainder (approximately 70%) is Environmental Protection or National Park<sup>8</sup>.

The ABS estimated that in 2016 Hornsby LGA's usual residential population was 142,667<sup>9</sup>, of which 23,084 or approximately 16 per cent were 65 years or over. By comparison, approximately 14 per cent of the Greater Sydney Region's population was 65 years or over. A comparison of the age structures between Hornsby LGA and the Greater Sydney Region is shown in Figure 4

<sup>6</sup> *World Report on Ageing and Health*, World Health Organisation 2015, Geneva, p136

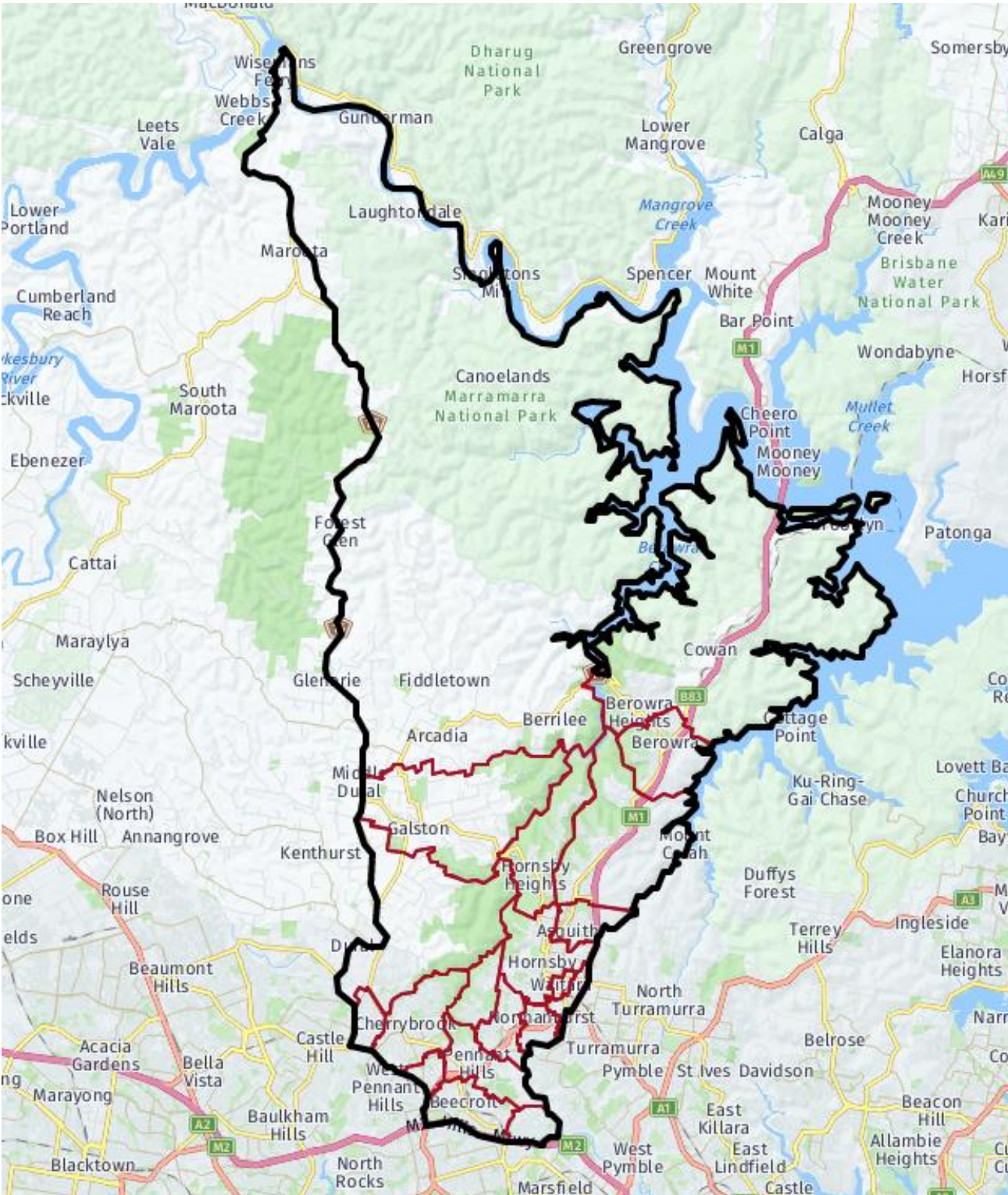
<sup>7</sup> Productivity Commission, op.cit., pp 5-6

<sup>8</sup> [https://www.hornsby.nsw.gov.au/\\_data/assets/pdf\\_file/0019/106408/About-Hornsby-Shire-and-Council-v2.pdf](https://www.hornsby.nsw.gov.au/_data/assets/pdf_file/0019/106408/About-Hornsby-Shire-and-Council-v2.pdf)

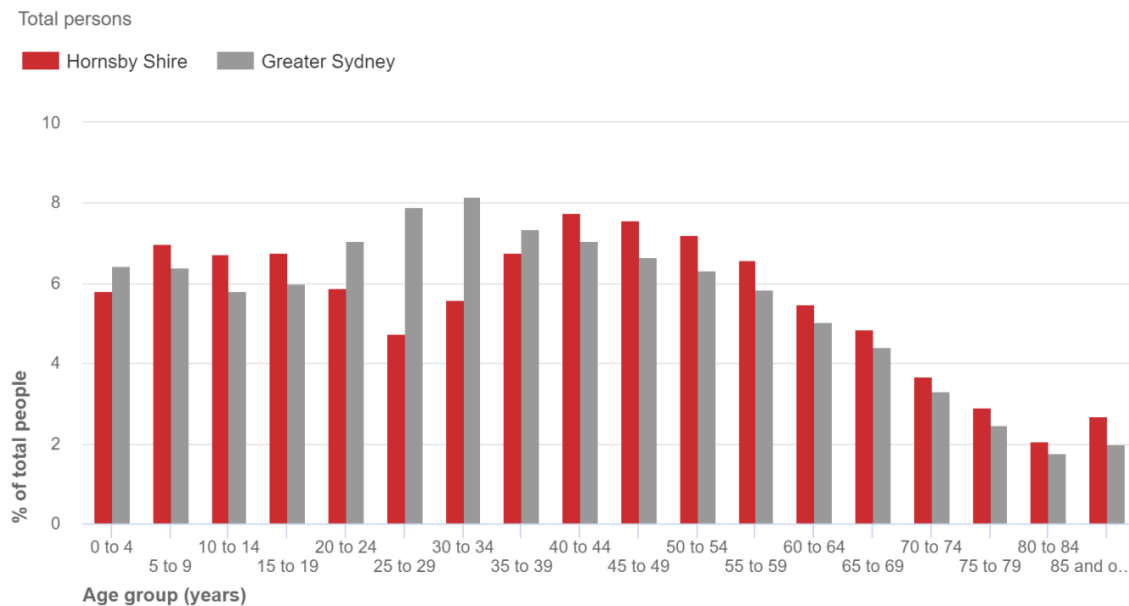
<sup>9</sup> <https://profile.id.com.au/hornsby/population>

### Figure 3: Hornsby LGA

(Source: <https://profile.id.com.au/hornsby/about?WebID=10>)

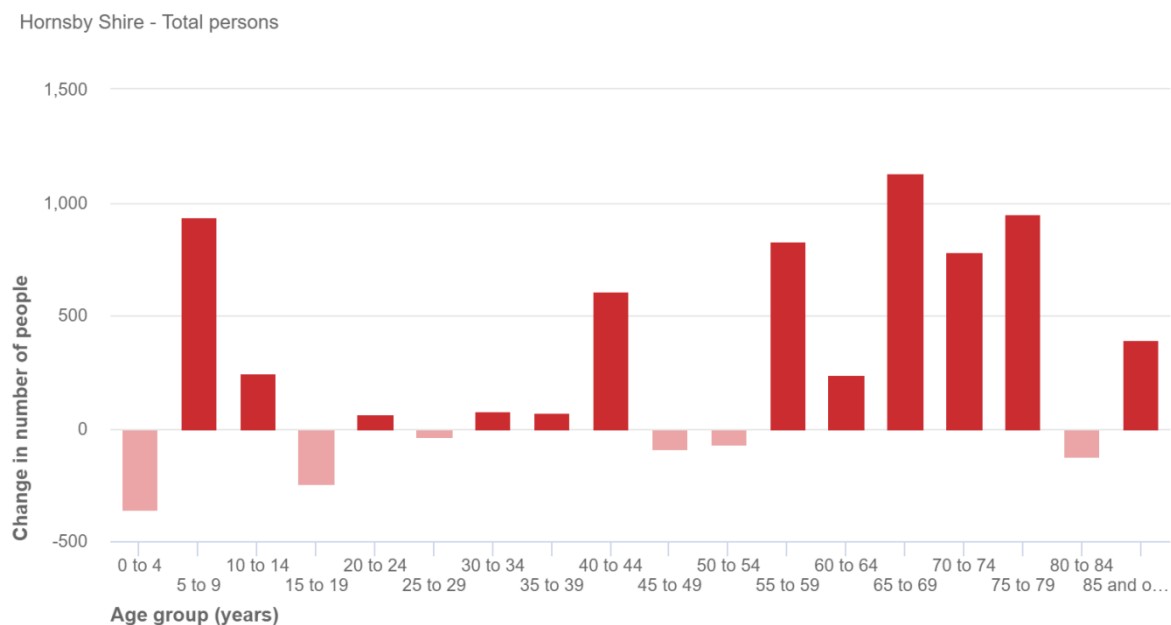


**Figure 4: Age structure 2016 – Comparison between Hornsby LGA and Greater Sydney<sup>10</sup>**



Between 2011 and 2016 the population aged 65+ in Hornsby LGA increased by 16 per cent, representing an annual average growth of approximately 3 per cent. The change in age structure in Hornsby between 2011 and 2016 is illustrated in Figure 5.

**Figure 5: Change in Hornsby LGA age structure – five year age groups, 2011 to 2016<sup>11</sup>**



Older households, (households comprising residents aged 65 years and over) are spread throughout the Hornsby LGA, as shown in Table 1. The areas of Galston-Middle Dural, Castle Hill and Normanhurst contain the highest proportion of older households. The proportion of older households in the rural areas is generally similar to the proportion of older households across the urban areas.

<sup>10</sup> <https://profile.id.com.au/hornsby/five-year-age-groups>

<sup>11</sup> Ibid

**Table 1: Hornsby older households (aged 65 years and over) by suburb compared with total households, 2016<sup>12</sup>**

Area	Number	Total Households	Percent %
<b>Within rural areas</b>			
Arcadia - North Western Rural	219	1,220	18
Dural	424	1,775	24
Galston-Middle Dural	321	1,120	29
<b>Total MRA</b>	<b>964</b>	<b>4,115</b>	
<b>Within urban area (outside rural areas)</b>			
Asquith	209	1,162	18
Beecroft – Cheltenham	650	2,709	24
Berowra	245	1,539	16
Berowra Heights - North Eastern Rural	484	2,364	21
Castle Hill	804	1,887	43
Cherrybrook	1139	5,773	20
Epping North	331	1,477	23
Hornsby	1184	8,497	14
Hornsby Heights	360	1,962	18
Mt Colah – Mt Ku-ring-gai	439	2,832	16
Normanhurst	451	1,745	26
Pennant Hills	530	2,507	21
Thornleigh	462	2,746	17
Wahroonga	284	1,430	20
Waitara	387	2,343	17
West Pennant Hills	317	1,344	24
Westleigh	371	1,452	26
<b>Total urban area</b>	<b>8,647</b>	<b>43,769</b>	
<b>Total Hornsby LGA</b>	<b>9,611</b>	<b>47,884</b>	<b>20</b>

In summary, the Hornsby LGA has a relatively high proportion of older households, spread throughout both urban and rural areas. The proportion of older people aged 65 years and over is expected to increase significantly, from 16 per cent of the local population in 2016 to 20 per cent by 2036, using DPIE population projects.

### 3.1.2 Overview of The Hills LGA

The Hills is a large metropolitan council located about 30 kilometres north-west from the Sydney CBD. It is approximately 386 square kilometres in area (see Figure 6). Like Hornsby, most of the land in the northern section is rural while the southern section is urban. The central section of The Hills comprises newly established urban areas which form part of the North West Growth Area.

Around 17 per cent of the LGA is zoned and used for urban development, 71 per cent for rural purposes, and approximately 7 per cent is environmental land. The remainder is zoned for open space/infrastructure.

The ABS estimated that in 2016, The Hills' usual residential population was 157,243, of which 21,230, or approximately 13.5 per cent were 65 years or over<sup>13</sup>. This is roughly comparable to the Greater Sydney Region's population, of which 13.9 per cent was aged 65 years or over for the same period. A comparison of the age structures between The Hills and the Greater Sydney Region is shown in Figure 7.

Unlike Hornsby, where the percentage of residents aged 65+ was higher than the Greater Sydney percentage, the percentage of people aged 75 and over is less in The Hills than in Greater Sydney. However, between 2011 and 2016 the population aged 65+ in The Hills increased by 36.5% representing an

<sup>12</sup> <https://atlas.id.com.au/hornsby>

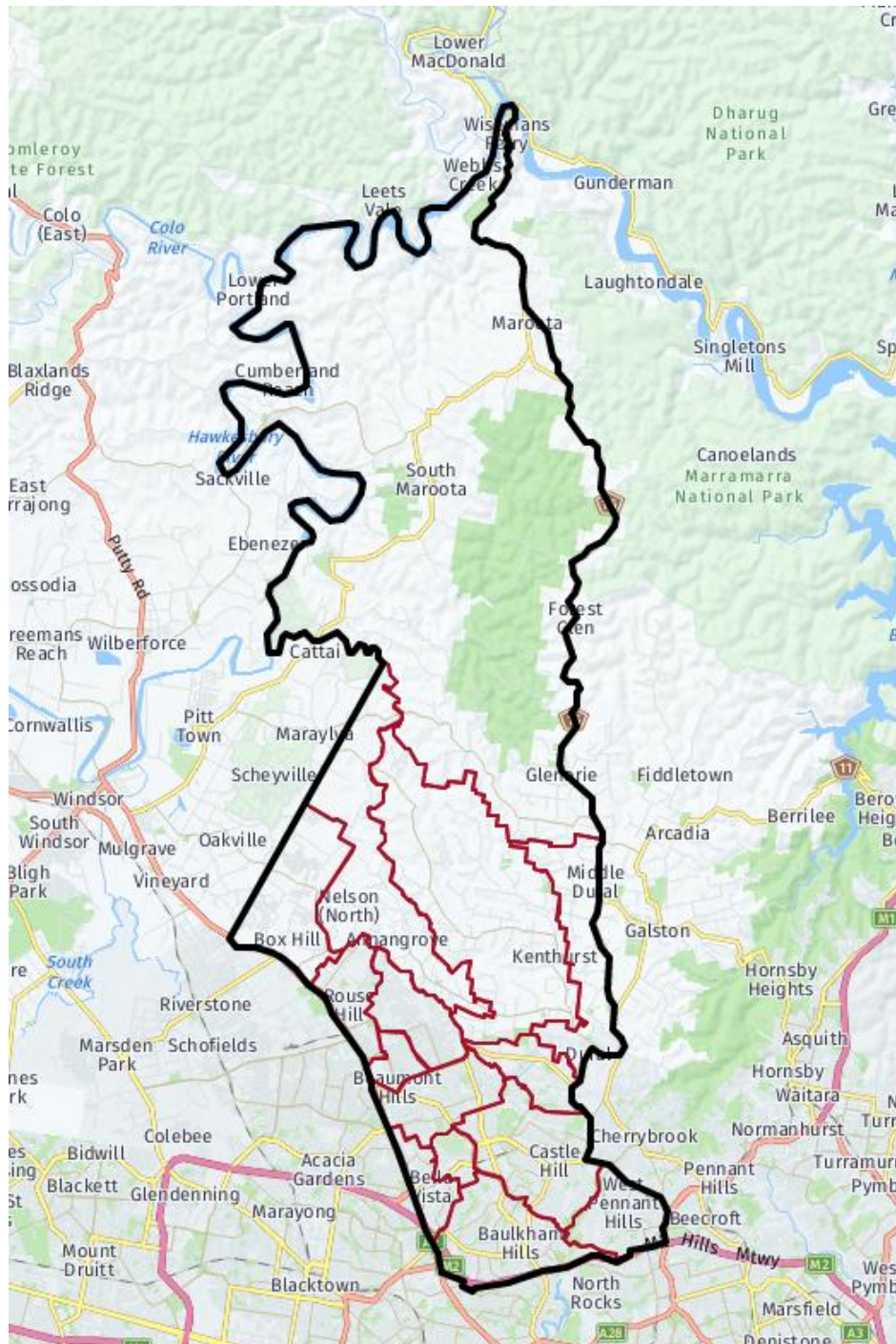
<sup>13</sup> <https://profile.id.com.au/the-hills/population>



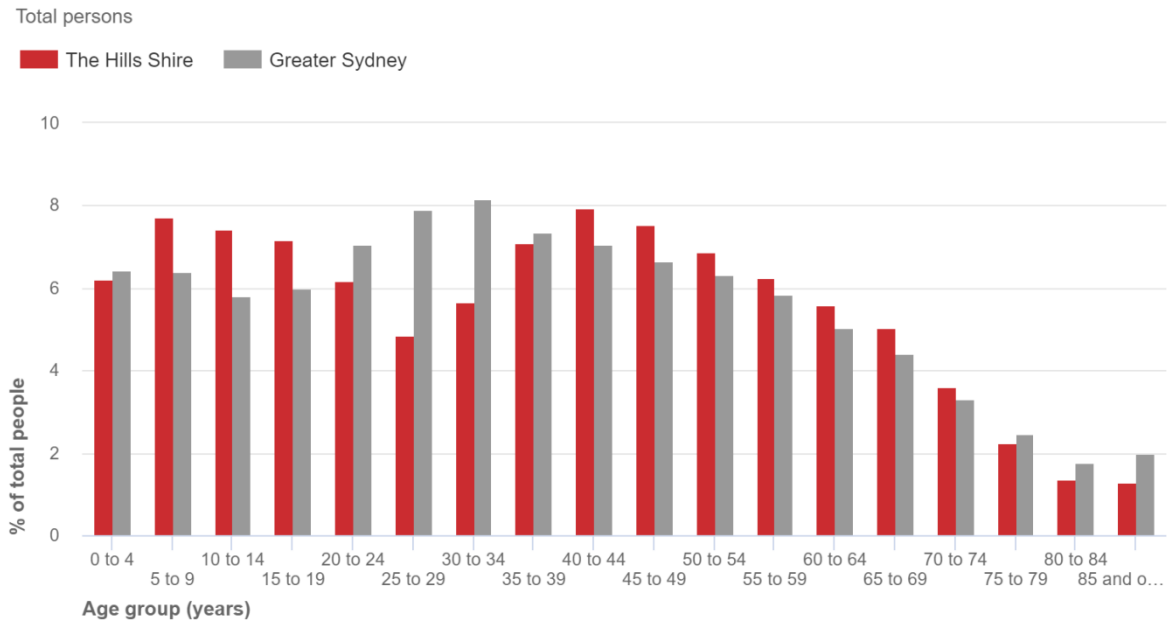
annual average growth rate of 7.3%. This indicates that the demographic profile of The Hills is changing, with rapid population across most age groups, including aged 65+. The change in age structure in The Hills between 2011 and 2016 is illustrated in Figure 8.

**Figure 6: The Hills LGA**

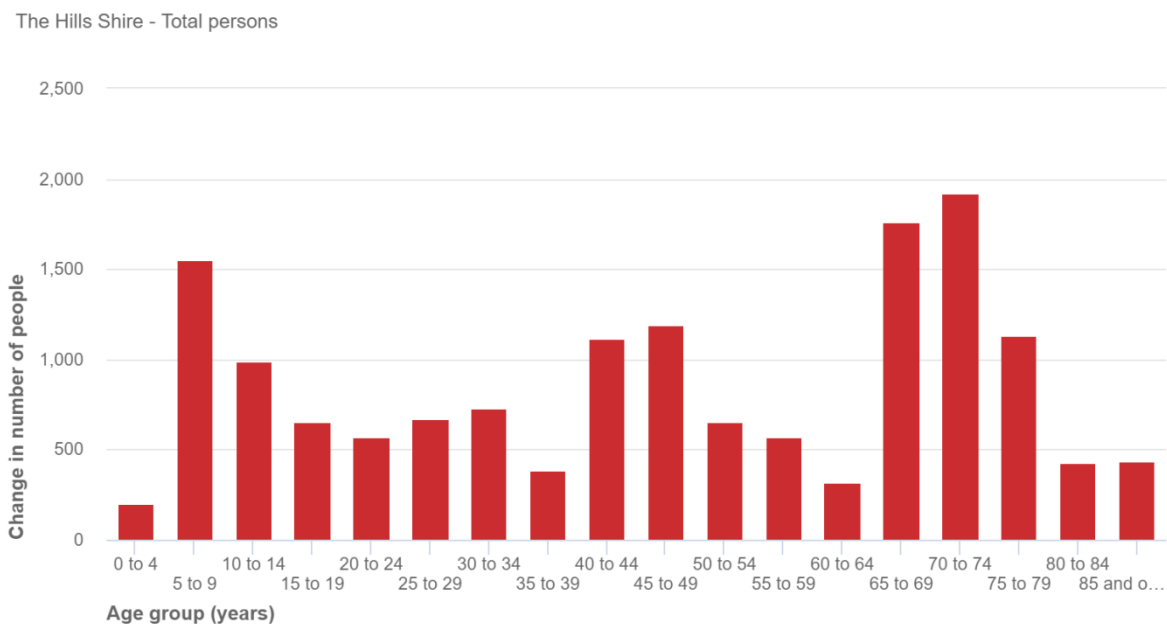
Source: <https://profile.id.com.au/the-hills/about>



**Figure 7: Age structure 2016 – Comparison between The Hills LGA and Greater Sydney<sup>14</sup>**



**Figure 8: Change in The Hills age structure – five year age groups, 2011 to 2016<sup>15</sup>**



In general, there is a higher percentage of older households comprising residents aged 65 years in the rural areas of The Hills compared with the urban areas, as shown in Table 2. The areas of Dural-Middle Dural and Glenhaven contain the highest proportion of older households whereas the new release areas such as Rouse Hill, North Kellyville and Beaumont Hills, contain the lowest proportion of older households.

<sup>14</sup> <https://profile.id.com.au/the-hills/five-year-age-groups>

<sup>15</sup> Ibid

**Table 2: The Hills older households (aged 65 years and over) by suburb compared with total households, 2016<sup>16</sup>**

Area	Number	Total Households	Percent %
<b>Within rural areas</b>			
Annangrove - Nelson - Maraylya	99	630	15.7
Dural - Middle Dural	196	1,042	18.8
Glenhaven	368	1,929	19.1
Kenthurst	226	1,443	15.7
Rural North	172	1,298	13.2
<b>Total rural areas</b>	<b>1,061</b>	<b>6,342</b>	
<b>Within urban area (outside rural areas)</b>			
Baulkham Hills	1,282	11,290	11.4
Beaumont Hills	144	2,296	6.3
Bella Vista	208	2,263	9.2
Box Hill	47	285	16.6
Castle Hill	1,354	10,964	12.3
Kellyville	519	6,525	7.9
North Kellyville	88	1,389	6.3
Norwest	94	755	12.4
Rouse Hill	128	2,328	5.5
West Pennant Hills	547	3,839	14.2
North Rocks	390	2,653	14.7
<b>Total urban area</b>	<b>4,801</b>	<b>44,587</b>	
<b>Total The Hills LGA</b>	<b>5,862</b>	<b>50,929</b>	

In summary, The Hills LGA has a proportion of older households similar to that of Greater Sydney, and like Hornsby, this is spread throughout both urban and rural areas. The proportion of older people aged 65 years and over is expected to increase significantly, to 16 per cent of the local population, by 2036, based on DPIE projections.

### 3.1.3 Demographic trends in Hornsby and The Hills LGAs – key findings

DPIE has prepared a report comparing the ageing population of Hornsby and The Hills<sup>17</sup>. The report provides analysis of historic population trends from 2001 to 2016, how many people have arrived and departed Hornsby and The Hills between 2011 and 2016, and projected populations to 2036. Key findings include the following:

- There are a similar number of people aged 55 years and older in Hornsby and The Hills – about 40,000 each. However, The Hills has experienced greater growth than Hornsby of people aged 55 years and older since 2001.
- Hornsby, The Hills and the broader MRA each have a greater share of older people than the Greater Sydney Region average but have a lower share than other LGAs in the North District including Kuring-gai and Northern Beaches. Combined, the northern and north western suburbs of Greater Sydney have about 277,000 people aged 55 years and older.
- People aged 55-64 years living in Hornsby or The Hills were more likely than people aged 65 years and older to still have children at home, suggesting a preference for larger housing. People aged 65 years and older tended to have smaller household sizes – they lived with their partner only or alone – but were still living in larger homes with three or four bedrooms.
- The age profiles of the MRA, Hornsby and The Hills tend to be characterised by older people and families with young children, while 20-29 year-olds, such as university-aged students and young professionals, tend to live elsewhere in Greater Sydney.

<sup>16</sup> <https://atlas.id.com.au/the-hills>

<sup>17</sup> *Hornsby and The Hills Shire ageing population*, Economics, Population and Land-use Analytics Branch, DPIE, May 2019

- In 2001, Hornsby local government area had about 8,000 more people aged 55 years and older than The Hills. Over the 15 years to 2016, the population of The Hills Shire almost doubled (92%) and now has a similar number of people aged 55 years and older to Hornsby (40,000).
- Older people are generally less likely to move house than younger cohorts. If they do move, they generally do not move very far. There was a net loss of 4,000 people aged 55 years and older from Hornsby and The Hills between 2011 and 2016. This represents about one in ten of all residents aged 55 years and older. Those that moved, moved to or from nearby LGAs.

Projections data provided by the DPIE indicate that growth of people over 55 years and older in The Hills is not slowing down. In fact, it is set to almost double to 80,400 by 2036. The Hornsby population aged 55 years and older is projected to increase by 36% to 56,100 by 2036.

### 3.2 Economic context

As with many other parts of the MRA, land values on the urban-rural fringe of Hornsby and The Hills are primarily influenced by distance and travel time to Sydney Central Business District (the Harbour CBD) rather than the characteristics of the land and its potential for agricultural production<sup>18</sup>. Speculation about future development potential may also be capitalised into land values on the urban-rural fringe.

AgEconPlus undertook a study in 2017 looking at the economic, environmental and social values of the MRA<sup>19</sup>. The report, titled *Values of the Metropolitan Rural Area of the Greater Sydney Region*, was commissioned by the GSC and DPIE to inform the District Plans. It looked at the values of public and private land in the MRA including the presence of hazards and constraints such as flood prone land, bushfire prone land and contaminated land.

There are two main agricultural clusters in the Hornsby and The Hills: a multi-use cluster horticulture (vegetable and tree fruits) at Maroota; and part of the multi-use cluster horticulture (vegetable and tree fruits) at Middle Dural, Galston and Arcadia (within the North District). Both the Central City District Plan and North District Plan state that a significant proportion of the rural land in these Districts is under-utilised and has the potential to be used for more productive rural uses.<sup>20</sup>

The AgEconPlus report noted that small farms in peri-urban locations such as the MRA now struggle to compete with larger farms in regional areas beyond Greater Sydney. There has been a relocation of commercial fruit and vegetable production to rural areas where land is cheaper and there is easier access to production inputs. Across the private rural zoned land of the MRA, there are only small areas of intensive agricultural uses. The highest value food products are poultry for meat and eggs and mushrooms, while nurseries, cut flowers or cultivated turf are the second most commercially valuable agricultural activity.

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<sup>18</sup> AgEconPlus, *Values of the Metropolitan Rural Area of the Greater Sydney Region*, February 2017

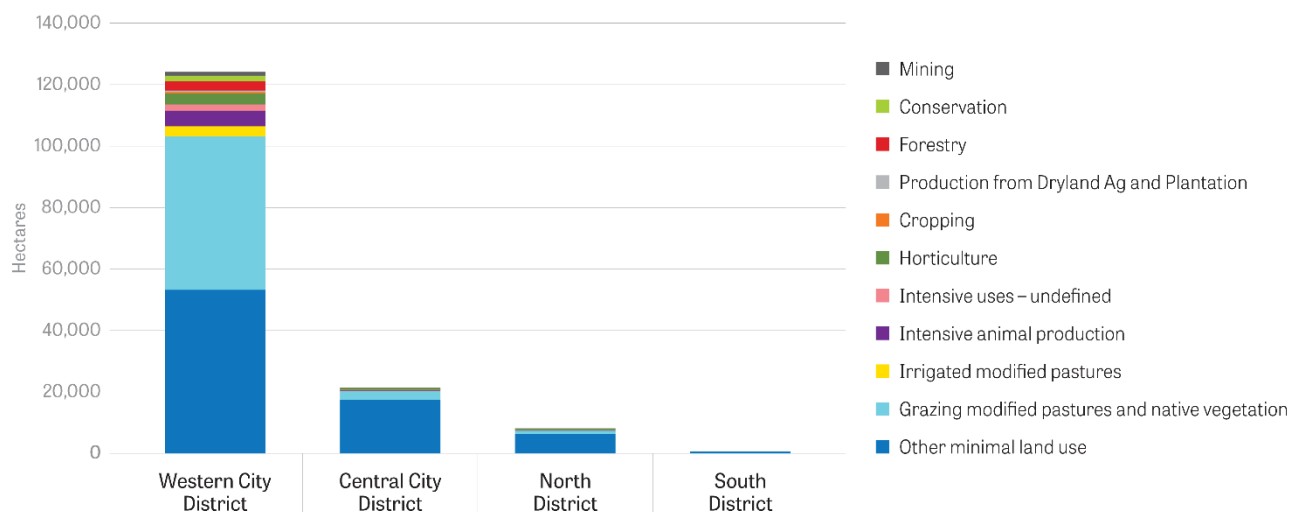
<sup>19</sup> *ibid*

<sup>20</sup> Central City District Plan, Greater Sydney Commission(1), March 2018, p.114



**Figure 9: Land uses on Private Land (Outside of Rural Villages) by District**

Source: AgEconPlus, 2017



Consultation with The Hills Council has indicated that while the amount of agriculturally productive land is declining, the intensity of production and economic contribution of the rural economy is growing.

### Mining and extractive industry

The MRA has a number of regionally significant mining and extractive industry resources, such as coal, coal seam gas, sand and crushed sandstone. There are valuable extractive industries based on construction material resources in the north and west, with a major concentration of construction sand around Maroota, Maroota South and the northern edge of Glenorie. As noted in both the North and Central City District Plans, sourcing construction materials locally minimises transport requirements and reduces the cost, environmental footprint and social impact of construction, supporting growth in Greater Sydney.

While Maroota, Maroota South and the northern edge of Glenorie are not exposed to the provisions of the Seniors Housing SEPP (having no rural land adjacent to urban-zoned land), there are some parts of Glenorie which may be potentially impacted by vehicle movements transporting extractive materials.

### Peri-urban activities

In addition to agriculture, there are opportunities for other economic activities in the rural areas of The Hills and Hornsby LGAs, including tourism and recreation. Some tourism activity, such as bed and breakfast establishments, are incentivised by land use planning controls in the project area, by allowing these permitted without development consent. Tourism is often linked to rural activities – with local planning controls specifically encouraging farm-door and roadside-stall sale of agricultural products to the public.

### 3.3 Environmental context

Much of the rural areas of The Hills and Hornsby are located on the Hawkesbury Plateau, a large sandstone plateau comprised of a system of hilly ridges and steep gullies. Much of this area is heavily vegetated with existing native bushland and dissected by creek systems. Further to the west within The Hills local government area, the steep areas transition to flatter terrain, although there are still some undulating areas.

The Hills straddles the catchments of the Hawkesbury River and the Upper Parramatta River. The northern rural areas of The Hills drain to the Hawkesbury River. Creeks draining to the Hawkesbury River in the rural areas of The Hills include O'Hara's Creek, Cattai Creek, Dooral Dooral Creek and Blue Gum Creek.

Most of the Hornsby local government area, including its rural areas, drains to the north into the Berowra Creek, Cowan Creek and Hawkesbury River estuaries.

Better water quality is evident where catchments remain primarily undisturbed, generally in the National Parks and Nature Reserves. Water quality declines downstream of rural and urban settlements. Both Councils have programs in place aimed at improving water quality in their creeks and river systems.

Valuable areas of bushland and remnant vegetation are located within both LGAs. Hornsby contains significant areas of biodiversity, with approximately 67% of the LGA comprising bushland – with important areas of bushland close to the urban-rural fringe. The NPWS Wildlife Atlas indicates that 24 threatened fauna species (seven bats, four other terrestrial mammals, ten birds, two frogs and one reptile) within the bushland of Hornsby Shire and a further ten threatened species occasionally visit.<sup>21</sup>

The Hills also contains large areas of bushland. The Hills State of the Environment Report 2009-2010 noted that an aerial survey conducted in 2006 reported that around 61 per cent of the total land area in the Shire was bushland. While this figure is likely to have declined over the last 13 years due to urban development, the amount of bushland in the LGA is still likely to be high. The State of Environment Report 2009-2010 also reported that a total of 1473 native species and 337 native vertebrate species had been confirmed in the LGA.<sup>22</sup>

As with Hornsby, large areas of bushland occur along the urban-rural fringe in areas exposed to the provisions of the Seniors Housing SEPP.

The importance of these areas of bushland is highlighted in both the North and Central City District Plans. For example, the North District Plan comments that:

*Bushland areas protected in national parks and reserves support the District's significant biodiversity, while bushland and remnant vegetation throughout the District's urban and rural areas also provide habitat, help cool the environment and support cleaner waterways and air.<sup>23</sup>*

The urban bushland supports opportunities for nature-based recreation, such as walking trails, and enhances liveability. Edge-effect impacts, such as pollution and nutrients from stormwater runoff, weeds, domestic pets, litter and unmanaged or informal recreation trails pose specific threats that need to be managed to ensure areas of bushland are protected.

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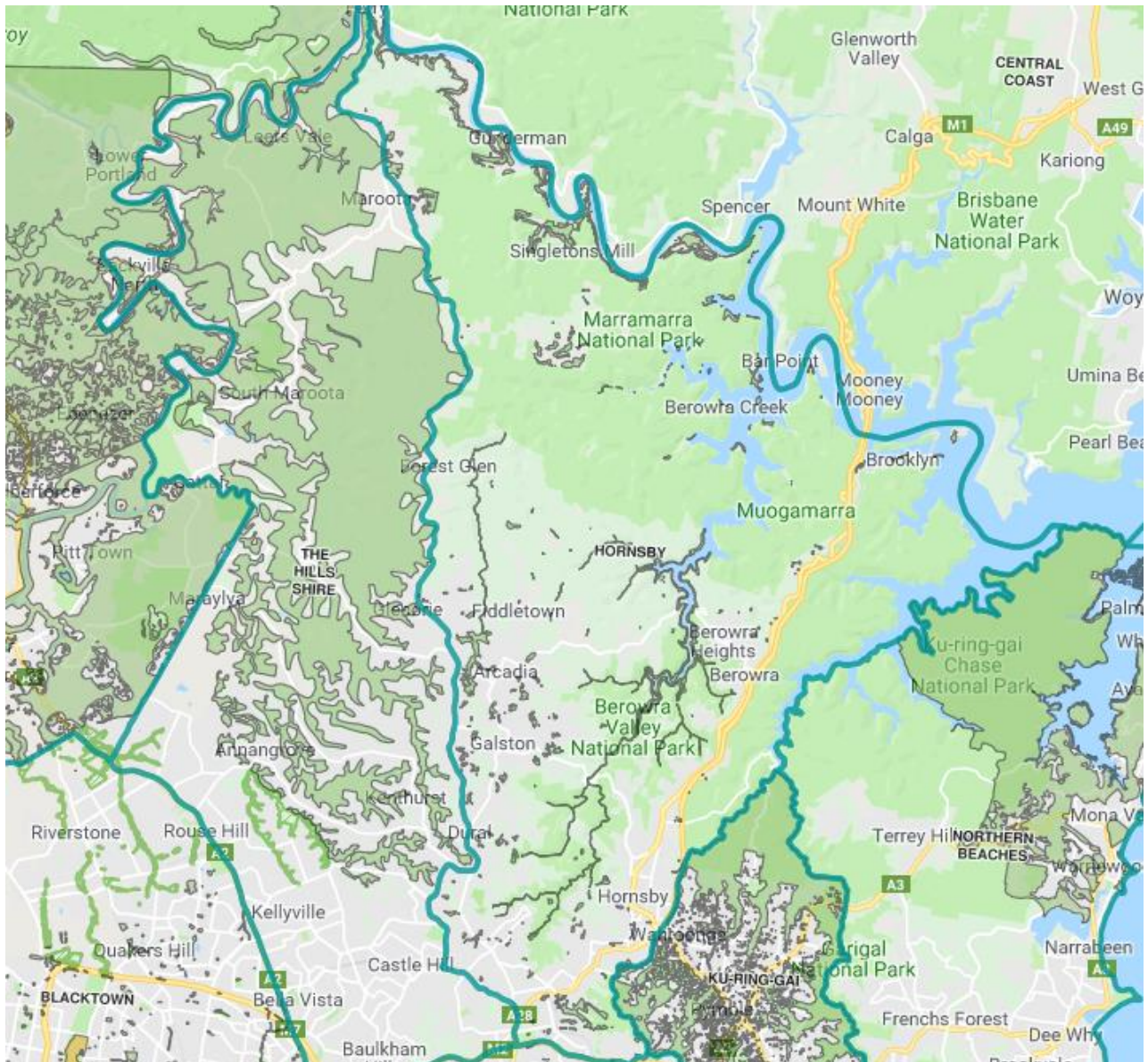
<sup>21</sup> Hornsby Shire Council 2014-2015 Bushland and Biodiversity Annual Report

<sup>22</sup> The Hills Shire Council State of Environment Report 2009-2010, p.36

<sup>23</sup> North District Plan, Greater Sydney Commission, March 2018, p.102

**Figure 10: Areas mapped as terrestrial biodiversity and native vegetation. Note that urban areas shown grey.**

Source: NSW Planning Portal



The extensive bushland areas which are located in steep gullies, along creeks and dotted across rolling hills create important scenic and cultural landscapes. The District Plans note that continued protection of the scenic and cultural landscapes is important for the sustainability, liveability and productivity of the Districts. Bushland also complements the protection of biodiversity and habitat, helps manage natural hazards and supports tourism, and can also help preserve links to Aboriginal cultural heritage.

At the same time, the steep topography means that development can be costly and therefore less attractive to potential developers of seniors housing. It also means that access and walkability in some areas is difficult, particularly for those with limited mobility. Therefore, it would be less likely to meet the criteria for a SCC set out in the Seniors Housing SEPP.

The steep topography and extensive areas of bushland mean that much of the project area is bushfire prone, as can be seen from Figure 11. This poses particular challenges when providing housing for older people, not only in terms of the siting and design of development, but also evacuation management. Hazard

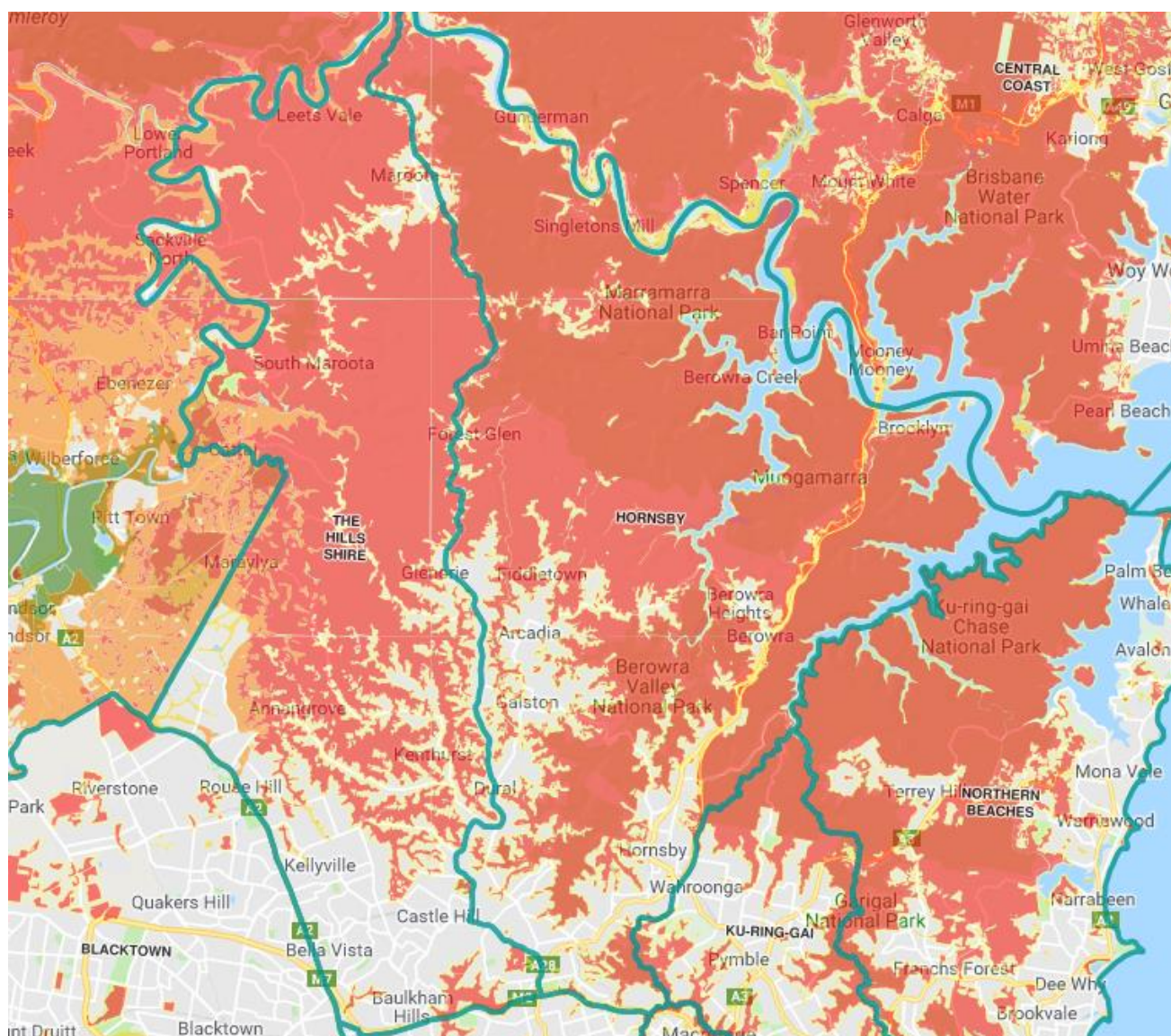


management requirements, such as asset protection zones required to reduce bushfire risks, are greater for seniors housing than other, less sensitive forms of housing. As noted in the Central City District Plan, *placing developments in hazardous areas or increasing the density of development in areas with limited evacuation options increases risk to people and property.*<sup>24</sup>

Air quality impacts associated with hazard reduction burns also pose health risks for the elderly. There is likely to be an increasing incidence of bushfire hazard due to climate change which is predicted to result in a longer bushfire season with more bushfires<sup>25</sup>.

**Figure 11: Bushfire prone land (Red – Vegetation Category 1, Orange – Vegetation Category 2, Yellow – Vegetation buffer)**

Source: NSW Planning Portal



<sup>24</sup> Central City District Plan, p.120

<sup>25</sup> <https://climatechange.environment.nsw.gov.au/Impacts-of-climate-change/Bushfires>

### **3.4 Infrastructure context**

The rural areas of Hornsby and The Hills LGAs do not have the same level of infrastructure provision as occurs in the urban areas of Greater Sydney, as can be expected given the lower population, lower population density and more dispersed economic activity in rural areas. In general, rural roads are designed to a lower service level, are not lined with gutters, and reticulated sewerage and water is not available, except in the rural villages.

#### **Utilities**

Water and waste water infrastructure is provided by Sydney Water, which has advised that capacity of existing infrastructure to accommodate growth is limited and there are no plans to further augment services in the rural areas of Hornsby and The Hills LGAs in the foreseeable future. This has led some proponents of seniors housing to look for alternative approaches to managing waste water, including onsite sewerage and pump-out systems, which raise significant challenges for managing local amenity, stemming from the noise and truck movements of sewage pump outs. Sydney Water has provided comments on water and waste water infrastructure, set out in Chapter 5.

#### **Transport**

Key road connections through the project area include New Line Road, and Old Northern Road, running north-south, and Annangrove Road and Glenhaven Road, which generally run east-west. Closer to the west of the project area, around Box Hill, Boundary Road and Pitt Town Road are key road connections. When considering an earlier planning proposal for urban development in South Dural, the former RMS concluded that for growth to be accommodated, significant upgrade of the road network would be required. Over \$400 million is required for the upgrade of New Line Road and Old Northern Road to cater for traffic associated with population growth.

There are several bus routes that service the project area, providing connections from Dural to Sydney Central Business District, as well as several local connecting routes including Glenorie to Castle Hill, Galston to Pennant Hills Station, Round Corner to Rouse Hill and Maraylya to Castle Hill. Generally speaking, services tend to be more frequent in the morning and evening peak and less frequent (in some cases less than once per hour) in the middle of the day and evening.

#### **Health**

Health services are scattered and provide basic primary health care, such as general practice care. The Northern Sydney Local Health District operate Galston Community Health Centre and further from the urban-rural fringe, the Wisemans Ferry Community Health Centre. In addition, some health care services for seniors are provided onsite in many of the larger seniors housing developments.

More broadly, there is a wide range of infrastructure assets and services in the urban areas of Hornsby and The Hills. Importantly, for seniors, this includes Hornsby Ku-ring-gai Hospital at Hornsby, operated by the Northern Sydney Local Health District and The Hills Community Health Centre at Castle Hill, operated by the Western Sydney Local Health District. There are also several private hospitals and clinics in the urban areas of Hornsby and The Hills, including Sydney Adventist Hospital, The Hills Private Hospital and Norwest Private Hospital. The views of both local health districts are recorded in Chapter 5.

**Social and community infrastructure**

Similarly, social infrastructure and services are scattered and are intended to provide a basic level of support. There is a public high school at Galston and a number of primary schools within and adjacent to the project area, including at Annangrove, Arcadia, Galston, Glenhaven, Glenorie, Maraylya and Maroota. Private schools are located at Dural and Kenthurst. There are a number of child care centres, community halls and centres, sportsgrounds and courts throughout the project area. Larger seniors housing development commonly have more recreation and community-hall style facilities provided on site.

## **4 Analysis of seniors housing development activity and trends**

### **4.1 Development activity**

The approvals process for delivering seniors housing on rural land, follows the steps set out below:

1. There must be an application for a SCC. SCC applications are determined by the relevant Planning Panel. SCC applications were previously determined by the DPIE.
2. If an SCC application is approved, a DA is required before a project can proceed.
3. DAs are lodged with the relevant council and are either determined by the council (in most cases) or the relevant planning panel (for larger projects).
4. If the DA is approved, then a project can proceed to construction.

#### **4.1.1 State-wide trends in SCC applications**

An analysis of data provided by the DPIE found that 108 SCC applications were lodged state-wide between October 2009 and September 2018, representing an average of 12 per year. A smaller number of applications were lodged between 2009 and 2014 and there was a significant increase in applications after 2015, with between 20 to 30 applications received per year from that time. This is consistent with the broader upward trend in the residential housing market.

Of the 108 applications received, 79 were determined, with 68 (or 86 per cent) approved, three withdrawn and 11 not issued. The remaining 26 applications were under assessment as of March 2019.

Within Greater Sydney, the top three LGAs in terms of the number of potential new seniors housing beds or dwellings facilitated via a SCC were The Hills, Hornsby and Warringah (noting that Warringah has been part of the larger Northern Beaches LGA since 2016).

DPIE data found that many SCC determinations did not lead to development applications or approvals. In relation to SCCs progressing to DAs or to construction/completion, the DPIE data found that, of the 68 SCCs approved across NSW, 20 progressed to a DA that has been approved, is under assessment, or has been built. Of these 20 DAs, 14 developments have been completed and six are under construction. Work undertaken for DPIE estimates that these 20 DAs are likely to result in 1,043 Residential Aged Care Facility (RACF) beds and 1,461 Independent Living Units (ILUs) across NSW.

Overall, seniors housing created using the SCC approval pathway has made a relatively modest contribution to housing supply across NSW.

#### **4.1.2 Overview of seniors housing in The Hills and Hornsby LGAs**

##### **Seniors housing in the urban area**

In the urban areas of Hornsby, Council records indicate that, during the reporting period, a total of 20 DAs were approved for 464 independent living units (ILUs) and 495 residential aged care facility (RACF) beds. These are located on sites spread throughout the LGA and include two sites that, post 2016 LGA boundary changes, are now located in the City of Parramatta. A further six DAs for 171 ILUs and 102 RACF beds had been lodged but not yet determined as at March 2019.

Ten of the 20 DAs in the Hornsby urban areas have been constructed and completed, with a further eight currently under construction. Only two have not yet proceeded to be developed. The approved ILU developments range in size from small boutique developments of under 10 ILUs up to large developments of over 100 dwellings. Residential aged care facilities generally range in size from 40 to 100 beds.

In the urban areas of The Hills, Council records indicate that during the reporting period a total of 17 DAs were approved for 1,150 ILUs and 982 RACF beds. These are located on sites spread throughout the LGA with around half of the seniors housing sites located in the existing urban areas and the remainder in release areas. Eight of the 17 sites have been constructed and are complete, five are currently under construction or partially completed and the remaining four have not yet commenced construction. As is the case with Hornsby, the developments in The Hills range considerably in size.

This suggests that the housing market is responding to the changing demographics in Hornsby and The Hills LGAs, and that there are opportunities to deliver new seniors housing in the existing urban area, rather than developing in rural land using the SCC pathway.

Developers of seniors housing in the urban areas of The Hills and Hornsby comprise a mix of private and not-for-profit developers. This is consistent with the advice provided by JLL, discussed in Section 4.3.

### Seniors housing in the rural area

To establish the level of SCC activity, the following information is based on data provided by The Hills and Hornsby Councils, as well as the DPIE's SCC database. It presents data on SCC applications and associated DAs received from October 2007, when the SCC process was first introduced, to May 2019 (the reporting period).

It should be noted that a number of seniors housing developments that were built or were approved prior to October 2007 have subsequently sought approval for extensions to those developments through the SCC application process.

Table 3 provides a summary of SCCs approved, refused and under consideration in the rural areas of Hornsby and The Hills LGAs. In summary, a total of 21 SCC applications have been made in the two LGAs between October 2007 and May 2019, 10 of which have been approved, four refused and seven currently under consideration.

**Table 3: Summary of SCCs for Hornsby and The Hills LGAs 2009-2019**

	HORNSBY			THE HILLS		
	Total SCCs	No of dwellings/beds		Total SCCs	No of dwellings/beds	
		ILUs	RACF beds		ILUs	RACF beds
SCCs approved	6	550	352	4	297	192
SCC refused	3	-730	-260	1	-14	
New SCCs under consideration or approved SCCs seeking modification	4	435 <sup>#</sup>	154 <sup>#</sup>	3	378	120

<sup>#</sup>Refer to Table 5 for more information on SCCs under consideration.

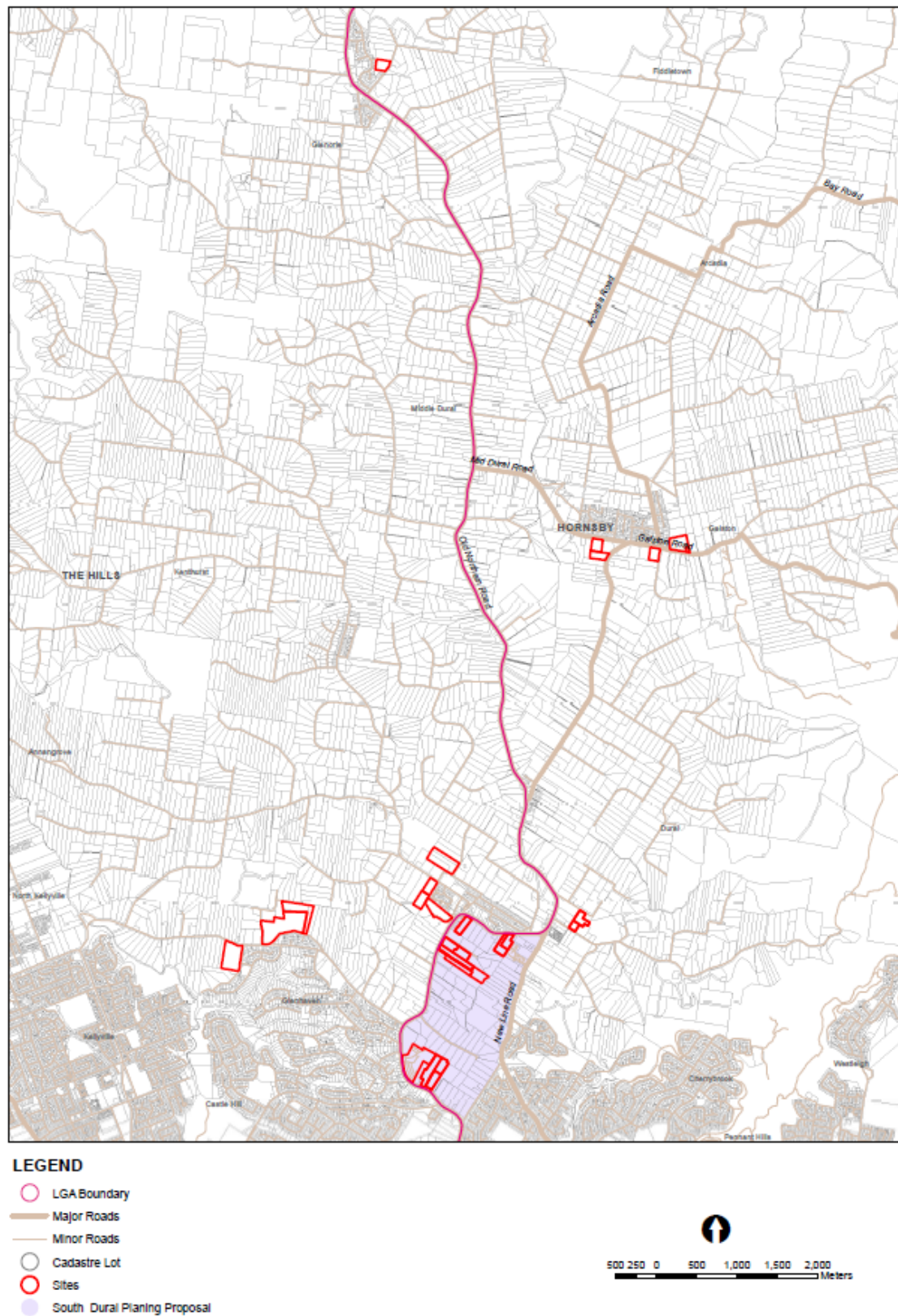
Figure 12 shows that the majority of SCC applications are clustered around Dural, with smaller clusters around Glenhaven and Galston.



More information on SCCs in the rural areas of The Hills and Hornsby LGAs is included in Appendix 4.

**Figure 12: Location of SCC applications in Hornsby and The Hills LGAs**

Source: Greater Sydney Commission, using data from Hornsby and The Hills Councils



### Developers of seniors housing

Developers of seniors housing include both private and not-for-profit sector developers. In the rural areas of The Hills and Hornsby LGAs the majority of applications for SCCs have been made by private developers. The Anglicare Retirement Villages development at 589-593 and 599-607 Old Northern Rd, Glenhaven (refer Figure 13) is currently the only project in the project area delivered by a not-for-profit organisation.

At the time of reporting, one SCC is under consideration in The Hills, proposed by the Christian Brethren Community Services, a not-for-profit organisation. The role of not-for-profits in providing seniors housing often focuses on the community services and affordability aspects however these matters are outside the scope of this investigation.

**Figure 13: Glenhaven Green Retirement Village.** Existing village (599-607 Old Northern Rd Glenhaven) outlined in red and area of expansion (589-593 Old Northern Rd Glenhaven) outlined purple

Source: [www.nearmap.com](http://www.nearmap.com)



#### 4.1.3 Key development activity findings

A review of recent development activity identified that:

- The number of SCC applications made in Hornsby and The Hills LGAs over recent years has been increasing;
- Prior to the transfer of SCC determination responsibility to the Planning Panels in October 2018, only one SCC application had been refused in Hornsby and The Hills. Since October 2018, the Sydney North Planning Panel has refused three SCC applications, all in Hornsby;
- There has been a low rate of conversion from SCC approvals to DAs;
- Following the issue of SCCs, a number of DAs have been refused. To date, applicants have been successful in appealing to the Land and Environment Court. The reasons for the Court's decisions in the most recent decisions are discussed in Section 4.2;
- Most applicants for seniors housing in the rural areas are private developers;

- Seniors housing is being delivered across the urban areas of both Hornsby and The Hills and is being undertaken by both private and not-for-profit developers;
- The SCC process has led to an ad-hoc redefinition of the urban-rural fringe and the boundaries of rural villages and can result in thin fingers of urban development protruding into rural areas.

#### **4.1.4 Development characteristics**

A summary of the key built form characteristics of the proposals for which SCCs have been issued and which have proceeded to DA stage is provided below.

ILUs generally comprise attached or detached housing ranging from single storey villas up to three storey multi-unit developments. RACFs usually comprise a single multi storey building up to four storeys.

The built form is generally characterised by higher density development which can be in contrast to the local character of adjoining rural or semi-rural uses. Generally, the Seniors Housing SEPP facilitates development forms and densities, in order to provide incentives to developers to deliver seniors housing, and to maintain level walking access for seniors. This can lead to development with extensive site coverage which is inconsistent with local planning objectives to maintain the rural landscape character.

Most seniors housing projects are developed to optimise yield within the development parameters provided in the Seniors Housing SEPP. As a result, they are generally medium density, multi-unit housing complexes with only modest landscaping and deep soil planting. The denser layouts may have reduced the extent of clearing required and enabled protection of important biodiversity areas, however led to development of a more urban character and density. In some cases, the density of seniors housing on rural land is greater than the density of adjacent urban land. For example, the seniors housing development at 93 Glenhaven Road includes four-story residential flat style buildings adjacent to rural land and opposite low density detached residential development.

More detail on the development characteristics of specific seniors housing developments is available in Appendix 5.

## **4.2 Key issues for SCC and DA assessment**

Analysis of SCC assessments and DAs raises several key issues, ascertained from a review of decisions from the Sydney North Planning Panel and the Land and Environment Court.

The Sydney North Planning Panel recently refused three SCC applications in the Hornsby local government area. The subject sites:

- 663-667 Old Northern Rd and 4 Franlee Rd Dural
- 795-821 Old Northern Rd Dural
- 328a, 330-334 Galston Rd, Galston

In the case of the two sites on Old Northern Rd at Dural, the Sydney North Planning Panel refused the SCC applications on the basis that they are not compatible with the existing or future uses of the land surrounding the site, that there is insufficient infrastructure, particularly road infrastructure to support the proposed growth, and that they would result in a development for which the bulk and scale is out of character with the surrounding area.

In the case of the site on Galston Rd, the Sydney North Planning Panel refused the SCC application, characterising the proposal as a dense development with a quasi-suburban layout which had not

demonstrated that it was compatible with surrounding existing and future environment and land uses. The Panel noted that seniors housing on the site may be compatible so long as:

- Stormwater and sewer for increased density can be satisfactorily serviced. The Panel considered that this had not been satisfactorily demonstrated and that it did not consider a pump-out system was satisfactory for this density of development;
- FSR should not exceed 0.2:1 and building height should not exceed 8m to ensure bulk and scale is compatible;
- Built form layout should avoid urban street and residential subdivision pattern;
- Proposal is able to comply with *Planning for Bushfire Protection 2006*; and
- Adequate setbacks and landscaping are provided towards Galston Rd to demonstrate compatibility with rural setting.

There have been a number of instances where DAs for seniors housing developments for which SCCs have been issued have been refused and have been the subject of appeal in the Land and Environment Court. The most recent of these are:

- 705-717 Old Northern Rd, Dural- *Boston Blyth Fleming v Hornsby Shire Council* [2018] NSWLEC 1270 (Decision date 7 June 2018) – appeal upheld
- 589-593 Old Northern Rd, Glenhaven - *Anglican Community Services v Hornsby Shire Council* [2018] NSWLEC 1626 (Decision date 3 December 2018) – appeal upheld
- 3 Quarry Road and 4 Vineys Road, Dural - *Zhiva Living Dural Pty Ltd v Hornsby Shire Council (No 2)* [2019] NSWLEC 68 (Decision date 23 May 2018) – appeal dismissed

The main reasons for the Court's findings in each of these cases are outlined below.

In *Boston Blyth Fleming v Hornsby Council* Commissioner Walsh noted that the Seniors Housing SEPP is *directly contemplating the fact that developments of the form proposed will be different from that which pre-exists in the site environs*. He also noted that it would not be unexpected that there would be instances of inconsistency with the LEP rural zone objectives given that the SEPP, in the interests of its overall goal of encouraging seniors housing, is “setting aside local planning controls” (SEPP cl 2(2)). Having regard to the general weight needing to be given to the SEPP's objectives, the Commissioner stated that he *would not see the proposal's inconsistency with the zone objective to “maintain the rural landscape character of the land” as being determinative in this matter*. In relation to the Council's contention that the proposal was inconsistent with the North District Plan, the Commissioner wrote as follows:

*I acknowledge the serious challenge involved in encouraging (and protecting) productive rural activities at the peri urban fringe, as well as those associated with biodiversity protection in the same areas. In this location, which is at the very edge of the urban footprint, I believe the priority must go to the objectives of the SEPP and its interest in meeting the growing demand for seniors housing and services, including on urban edge sites such as this.*

Commissioner Walsh noted that, while the development involved considerable excavation and substantial modification to the landform, *this is an appropriate response to balance the achievement of local area compatibility while delivering a substantial scale project which ... is in need*.

In the case of *Anglican Community Services v Hornsby Shire Council*, the parties reached agreement during conciliation and the Court then upheld the appeal on this basis. This agreement included protection of the



endangered ecological communities of the Blue Gum High Forest and Sydney Turpentine Ironbark Forest together with a 10m buffer. A required fire trail was also to be located outside the ecological habitat buffer.

An expedited appeal was sought for *Zhiva Living Dural Pty Ltd v Hornsby Shire Council*. The DA was refused on the grounds that the proposed development did not provide for a fire sprinkler system in contravention of clause 55 of the Seniors Housing SEPP.

These decisions highlight the weight given to the aim to “increase the supply and diversity of seniors housing” as set out in the Seniors Housing SEPP relative to other considerations, including cumulative impacts and compatibility with local character. These decisions also highlight particular challenges in addressing the scale and footprint of seniors housing developments in the project area and impacts on the existing rural character. These decisions also highlight challenges in managing environmental impacts, particularly impacts on biodiversity, as well as infrastructure and servicing requirements.

### 4.3 Market trends

The GSC engaged JLL to undertake a market analysis into the demand and supply of seniors housing delivered under the Seniors Housing SEPP in Greater Sydney, with a particular focus on demand and supply for seniors housing in rural areas of The Hills and Hornsby LGAs.<sup>26</sup> A copy of the report is provided at Appendix A. The key findings of the analysis are discussed below.

#### Supply/Demand Analysis

The JLL report found that Hornsby and The Hills have a higher than average supply of residential aged care facility (RACF) beds. It found that:

- As at 2019, there were 34 RACFs providing 3,508 beds across Hornsby and The Hills LGAs (in both urban and rural settings).
- This provides 104 beds per 1,000 residents aged 70 and over living in RACFs within the project area.
- With an increasing emphasis on home care options, the Commonwealth Government is targeting only 78 beds per 1,000 residents aged 70 and over by 2022. On this basis, the project area has more than sufficient supply of RACF beds when compared to Commonwealth Government benchmarks and will remain so over the next six years.
- Even without growth in RACF beds in the project area, there will still be 192 beds more than the Commonwealth is targeting in the Hornsby and The Hills LGAs.

JLL also analysed the supply and demand of ILUs across Hornsby and The Hills LGAs. Again, the findings suggest that the project area has a higher than average supply of ILU options for seniors. The report found that:

- As at 2019, there was an estimated 3,481 ILUs in the two LGAs.
- Allowing for an average occupancy of 1.3 persons per unit, approximately 9.2 per cent of the resident population aged 65 and over reside in dedicated retirement units, which is considerably higher than market averages.
- There is a strong pipeline of new seniors housing projects. Given the high level of existing supply together with this pipeline of projects, it is likely that these new developments will be slow to achieve full occupancy or may be deferred or abandoned.

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<sup>26</sup> *SEPP Seniors Living Market Report: Hornsby and The Hills Shire LGAs*, JLL, May 2018

The JLL report commented that new seniors housing projects currently being marketed in The Hills District are proving slow to sell. This is partly a result of the considerable choice in the market which is impacting sales rates for new product as well as the general downturn in the residential market which is having a flow-on effect to the retirement living market.

### **Price Point**

The JLL report indicated that there is little difference between the price points for ILUs and similar non-retirement products. The report noted:

*Price points for retirement living product tend to be aligned with the prevailing house and unit prices in the region with prospective residents needing to sell the family home prior to committing to a retirement option. Retirement living product tends to be in line with similar non-retirement living residential product.<sup>27</sup>*

Interestingly, the report noted that some of the price points of ILUs in rural locations such as Dural were on par with non-rural locations. The report suggested that there is likely to be limited low cost retirement housing available in the two LGA area, pointing to the relatively small number of manufactured home estates in the two LGAs. In other nearby LGAs, such as Blacktown and Central Coast, manufactured home estate contribute to the supply of affordable seniors housing.

### **Developer interest**

Drawing on the findings of the analysis of Council DA data, JLL found that developers of seniors housing are a mix of retirement village owners and operators and residential developers.

Residential developers appear to be most active in rural locations, while traditional retirement village developers, such as the not-for-profit groups, have primarily targeted urban areas. The reasons for this warrant further investigation, particularly if the SCC pathway has created an incentive for residential developers that does not necessary reflect the hosing demand that the not-for-profit providers respond to.

JLL noted that a number of registered clubs in Hornsby and The Hills have also seen an opportunity to add value and further commercialise their landholdings by undertaking seniors housing development using the SCC process.

Given the general downturn in the residential market, JLL expects that the majority of interest for seniors housing will be for small boutique projects. Notably, the report states that:

*The larger developments in the pipeline and proposed in rural locations are expected to struggle to achieve sufficient pre-commitments to progress to construction.<sup>28</sup>*

### **Financial considerations**

There are a number of risks that are particular to seniors housing that potentially impact the viability of traditional retirement villages. These are summarised as follows:

- Pre-commitments for retirement villages are difficult to attract as:
  - retirees are less likely to pre-commit to development

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<sup>27</sup> Ibid, p.4

<sup>28</sup> Ibid

- retirement villages have a smaller potential market for pre-commitments
- retirees usually have to sell the family home before purchasing a unit
- The Retirement Villages Act 1999 protects incoming residents, only requiring a modest deposit for strata units of around \$1,000 and it is relatively easy for prospective buyers to get out of a commitment to buy. The difficulty in securing sales up-front means that it is much more difficult for seniors housing developers to get debt funding from financial institutions.
- Sales rates in retirement villages are slow and the time taken to achieve full occupancy can be significant. Vertical villages are particularly problematic as they cannot be staged in line with demand for units and low sales rates.
- The cost of a retirement unit does not always cover the expensive upfront provision of community facilities. Deferred management fees, which are paid on exit, are relied on to help to recoup the upfront costs of facilities as well as provide for ongoing maintenance/management of the village.
- Building costs tend to be considerably higher than similar residential developments as:
  - communal areas are more extensive
  - hallways and other common areas are typically larger to cater for older residents.
- Typical units are larger and costs may not be fully recoverable in the upfront sales price of units

### **Rural versus urban settings**

The JLL report examined the financial feasibility of seniors housing developments in rural settings versus those in urban settings. It found that, while rural locations may provide opportunities to develop seniors housing on lower cost land, demand in most rural areas is modest which may negate any advantage of lower land costs. The report indicated that developments in rural locations are not necessarily more financially feasible than urban settings. While there is likely to be some demand for retirement living in attractive areas with desirable characteristics, the number of retirees looking for this type of product will remain small. The report notes:

*JLL has not seen increased interest from well-established retirement village owners and operators in securing sites in rural areas of Hornsby or The Hills Shire. The market is currently well supplied with retirement communities and these operators are expected to focus on regions of Greater Sydney that have an under-supply of existing product together with strong growth fundamentals.*

Notwithstanding, the report acknowledges that The Hills LGA has strong growth fundamentals in terms of overall population growth and growth in its 65 and over age group. Both LGAs have a relatively high proportion of residents aged 55-64 years as at the 2016 Census, with these residents expected to fuel demand for retirement living over the next few years.

## 4.4 Demographic analysis

Population projections provided by the DPIE indicate that the growth of people aged 55 years and older in The Hills Shire is not slowing down, set to almost double to 80,400 by 2036. The Hornsby population aged 55 years and older is projected to increase by 36% to 56,100 by 2036.<sup>29</sup> Clearly, this growth in the ageing population presents significant challenges, not only in ensuring adequate housing but also access to a range of health and social services.

Seniors housing developments in the rural areas of Hornsby and The Hills have played only a modest role in meeting housing demand in those LGAs. This is demonstrated in Table 4 which shows the number of ILUs and RACF beds that have been approved, constructed since October 2007 or are under construction in the urban areas compared to the rural areas of Hornsby and The Hills.

**Table 4: ILUs and RACF beds with development consent, under construction or completed – comparison between urban and rural areas of Hornsby and The Hills**

	HORNSBY		THE HILLS	
	ILUs with development consent, under construction or complete	RACFs (no of beds) with development consent, under construction or complete	ILUs with development consent, under construction or complete	RACFs (no of beds) with development consent, under construction or complete
Urban Areas	464	495	1,150	982
Rural Areas	248	232	93	120

The JLL report (discussed in Section 4.3) points to there being a strong pipeline of new seniors housing projects in Hornsby and The Hills and that there may even be an oversupply of seniors housing developments in the short term. The 2018 PwC/Property Council Retirement Census also found that across Australia, there is a significant pipeline of new units coming to the market over the next four years (around 2,000 units per year).<sup>30</sup>

Notwithstanding the likelihood that there may be an oversupply in the short term, there is a need to plan for sufficient supply and a range of housing choice to meet the needs of the population of Hornsby and The Hills as it ages. This demand is best addressed as part of the housing continuum so that the role of seniors housing can be considered in a broader context, within the framework of a local housing strategy. DPIE have prepared guidelines for local housing strategies which note that housing for particular needs will need to be considered in the development of a local housing strategy, including housing for seniors and people with a disability<sup>31</sup>.

Seniors housing faces a number of specific challenges that often make it more costly and less feasible to develop than other types of housing. As detailed in the JLL report, there are a number of risks potentially impacting the viability of traditional retirement villages that are different to risks associated with residential development. The protections afforded to incoming residents under the Retirement Villages Act result in

<sup>29</sup> DPIE, op.cit. p.7

<sup>30</sup> <https://www.pwc.com.au/deals/assets/real-estate-advisory/2018-retirement-living-census.pdf>

<sup>31</sup> <https://www.planning.nsw.gov.au/-/media/Files/DPE/Guidelines/Local-Housing-Strategy-Guideline-and-Template.pdf>



limited security to developers which in turn makes it more difficult to obtain debt funding. This situation is exacerbated by sales rates for retirement villages which tend to be slower than other residential products resulting in higher holding costs for unoccupied units.

The Seniors Housing SEPP is intended to help address these challenges by putting in place planning mechanisms that help facilitate seniors housing development. The extent to which the SEPP achieves this aim is not known and is not the subject of this report. However, informal advice from JLL suggests that many seniors housing developments in the urban areas of Hornsby and The Hills have not relied on the Seniors SEPP in obtaining development approval.

On the other hand, the developers and peak industry groups who were consulted supported the continuation of the SEPP although it was generally agreed that many of the provisions are outdated and the SEPP warrants substantive review.

The Seniors Housing SEPP provides incentives, including the SCC pathway, that aim to increase the overall supply of seniors housing. It is noted that while facilitating increased overall supply is important for maintaining the affordability of seniors housing, the Seniors Housing SEPP does not include specific requirements for the provisions of affordable seniors housing. While an SCC can activate development of rural land in a similar way to a rezoning to a residential zone, it is noted that the SCC pathway is not subject to the Affordable Rental Housing Targets viability tests that would otherwise apply.

## 5 Stakeholder insights

### 5.1 Overview

As part of the investigation, targeted consultation was undertaken with key NSW government agencies and service providers, peak industry bodies and selected developers of seniors housing active in Hornsby and The Hills LGAs. All of those consulted were identified by the PCG to have a direct responsibility and/or interest in seniors housing development in the project area. Those consulted were:

- **Agencies and service providers**
  - NSW Rural Fire Service
  - Office of Environment and Heritage
  - Office of Fair Trading
  - NSW Health – Western Sydney Local Health District (WSLHD) and North Sydney Local Health District (NSLHD)
  - Department of Primary Industries – Agriculture
  - Transport for NSW - Roads and Maritime Services (RMS)
  - Sydney Water
- **Developers**
  - Anglican Community Services
  - Aveo
  - Stockland
  - Living Choice Australia
- **Peak industry bodies**
  - Aged and Community Services Association of NSW and ACT (ACSA)
  - Retirement Living Council (Property Council)
  - Urban Development Institute of Australia (UDIA)

Developers consulted were a sample of those active in the project area and are not exhaustive. Stakeholders were contacted by phone and email and asked a series of targeted questions relevant to their particular responsibilities or interest in seniors housing, summarised as follows:

STAKEHOLDERS	KEY AREAS OF INQUIRY
<b>Agencies and service providers</b>	<ul style="list-style-type: none"><li>• Impacts on infrastructure and service provision</li><li>• Environmental impacts and risks e.g. bushfire, flooding, loss of biodiversity</li><li>• Emergency management</li><li>• Impact on agricultural production</li><li>• Access to services and levels of service in the project area</li><li>• Social impacts of the Seniors Housing SEPP</li><li>• Benefits of the Seniors Housing SEPP</li><li>• Cumulative impacts of development approved under the Seniors Housing SEPP</li><li>• Consultation during SCC process</li></ul>

<b>Developers</b>	<ul style="list-style-type: none"> <li>• Seniors housing undertaken in rural areas</li> <li>• Range of retirement products they offered</li> <li>• Benefits of seniors housing in rural areas</li> <li>• Challenges in delivering housing in rural areas</li> <li>• Rural versus urban viability</li> <li>• Comparison of dwelling costs urban versus rural</li> </ul>
<b>Peak industry bodies</b>	<ul style="list-style-type: none"> <li>• Any analysis or assessment of seniors housing in rural areas</li> <li>• Differences between rural and urban seniors housing, including product, viability, access to land etc</li> <li>• Preferred housing products</li> <li>• Feasibility and financing</li> </ul>

## 5.2 Stakeholder comments

Comments were received from all of the developers, all but one of the NSW government agencies and two of the three peak bodies, based in part from the targeted questions put to them. Written responses either via formal submission or email were provided by each of the developers as well as the Office of Environment and Heritage, Western Sydney Local Health District, Department of Primary Industries – Agriculture, Roads and Maritime Services and ACSA. Meetings were held with the NSW Rural Fire Service, the Western Sydney Local Health District and the UDIA. Sydney Water and the North Sydney Local Health District provided feedback over the phone.

Key issues raised are summarised below.

### 5.2.1 Feedback from government agencies and service providers

Feedback from NSW Government agencies and service providers is summarised as follows:

#### Provision of infrastructure (Sydney Water, RMS)

Seniors housing in the rural areas presents particular challenges for forward planning of infrastructure. Unlike development of housing in release areas which generally occurs sequentially allowing service agencies to align the delivery of infrastructure with development, seniors housing in rural areas is more haphazard. As a result, future planning for the provision of infrastructure such as water, sewer and roads does not taken account of seniors housing in the rural areas.

The issue of adequate sewerage is one that is commonly highlighted for seniors development in the rural areas. There is little capacity to accommodate growth in the project area. Sydney Water has completed its priority sewerage program for the villages of Glenorie and Galston and has no plans to further augment services in the rural areas of Hornsby and The Hills in the foreseeable future. On-site sewerage systems can be problematic for large developments, as they may require frequent and costly pump-outs. There is a need for regular on site monitoring and maintenance.

The requirement to undertake cumulative impact assessment for new seniors housing developments in the rural areas is supported. However, RMS suggested that it may be appropriate to expand the assessment requirements under the Seniors Housing SEPP to include consideration of existing seniors housing.

Both Sydney Water and RMS agreed that there are benefits in being consulted early in the seniors housing development process.

#### Hazards (Office of Environment and Heritage, NSW Rural Fire Service)

Seniors housing is classified as a 'vulnerable' land use and therefore it is critical that there is a detailed assessment of hazards and risks for any new developments. This is particularly the case where developments are proposed in or adjacent to bushfire prone land or flood prone land. Ideally, development should be located outside the extent of direct and indirect impacts of the PMF flood extent.

Comprehensive guidance is available to assist developers in assessing flood and bushfire risk.

#### Health services (NSLHD, WSLHD)

Both the NSLHD and the WSLHD noted that where seniors housing is located in more remote locations, this can put some pressure on the provision of public health services in terms of distances and time involved in travelling to/from facilities. Similarly, hospitalisation means greater distances for ambulances to travel and for transport to/from outpatient services.

The provision of local GPs, medical centres, pharmacies etc is generally market driven. Where new communities are developed, the market usually responds by providing services nearby. However, this is not necessarily the case in parts of western Sydney where there is a shortage of GPs and other medical providers, or in rural areas where there is insufficient critical mass for a market-led response.

Increasing innovation in the provision of health care services may benefit seniors living in remote locations.

The WSLHD raised concern that health services associated with a seniors housing development may be promised but ultimately not delivered. For example, a nursing home promoted as part of a development may not get approval for the number of beds proposed and therefore may not go ahead, which may place additional pressure on existing nursing home services.

#### Social impacts (WSLHD)

The WSLHD noted that locating seniors housing in rural areas may undermine social cohesion and increase social isolation. Instead, there are many benefits of integration and 'ageing in place' - it is easier for friends and relatives to visit, residents are located close to services and facilities and they are part of the community at large. It is preferable for there to be a range of well-designed housing that is located in existing areas that allow seniors to:

- stay in the area they know with good access to transport, local facilities and activities; and
- age in place, because the housing is capable of being modified for varying levels of disability.

Another issue raised was access to services. Semi-rural and rural communities generally have less access to public transport, diverse employment opportunities, social infrastructure, and a wide range of human services.

Public transport is the preferred means of transport. Gradient is important. From the seniors housing front entrance to transport it should be flat and even. There should be rest stops every 50 metres.

Although the WSLHD acknowledged the benefits of seniors housing in rural areas, such as attractive amenity and safe environment, but considers these do not outweigh negative impacts.

### Traffic (RMS)

RMS advised that there are currently no major issues regarding transport and traffic regarding seniors housing within The Hills and Hornsby Council LGAs. Key transport issues for seniors housing were:

- safe vehicle, freight and pedestrian access to/from the development
- safe walking paths to/from public transport services
- availability of private/public transport services (covered in the Seniors Housing SEPP)
- design to accommodate ambulance service requirements

RMS noted that, because seniors housing DAs are received in isolation, it is difficult to determine cumulative impacts of multiple seniors housing developments and mitigate those impacts in any particular region. The ad hoc nature of seniors housing developments in rural areas and the associated difficulty in factoring such development into strategic planning outputs makes it difficult to determine regional traffic impacts. Levying for contributions towards regional infrastructure upgrades is therefore unlikely to be feasible.

### Agriculture (DPI Agriculture, WSLHD)

Agricultural production in the Sydney Basin has been declining over recent years. Stakeholders reiterated the concerns about productive capacity of agricultural land being lost or diminished in favour of housing. Land use conflicts between agriculture and housing (arising from issues such as crop spraying and odour) are also impacting on the viability of farms.

There are a large number of nurseries and flower growers in the area. The loss of these through inappropriate adjacent development would mean that these products would have to be brought in from other areas of the state or Australia or imported.

DPI Agriculture suggested that their document *Buffer Zones to Reduce Land Use Conflict with Agriculture – An Interim Guideline* and NSW Government's *Right to Farm policy*, be considered.

## **5.2.2 Feedback from developers**

Feedback from developers has been grouped into two main theses: benefits and challenges.

### Benefits of developing seniors housing in rural areas

Developers consulted identified a range of benefits associated with developing seniors housing in rural areas, including:

- financial feasibility – land cost is lower than in urban areas where retirement providers find it difficult to compete with residential developers. Also, single-level 'villa-style' homes are significantly less expensive to build than multi-story apartment buildings on a square metre basis;
- lower risk as developments can be staged;
- larger land parcels enable the development of integrated retirement villages, offering housing choice, community and recreation facilities and health services;
- construction costs are lower and construction impacts on neighbours more manageable; and
- the lifestyle offer aligns with retirees' lifestyle aspirations. The relatively high cost of urban land and zoning rules limits the ability of developers to provide this same lifestyle offering in an urban setting.

Developers were questioned about the demands of buyers who might be considering moving to seniors housing in rural areas. Attractive features for retirees include low rise/walkable village, ability to have garden/open space, ability to keep pets, peaceful bushland/semi-rural character, living close to family and friend network, spare room for friends/family to stay and dwelling design. Many people move to seniors housing from within the local area, enabling them to stay connected to their existing community. People are also looking to downsize from the family home to a more manageable residence and access their equity in requirement. Other benefits include:

- improved security;
- strong community and relationships within the village to avoid social isolation;
- modern, accessible and adaptable village and home design; and
- access to support services providing the ability to 'age in place'.

### Challenges

While land costs can be less on a per unit basis in comparison to urban properties, this is generally a reflection of more onerous planning constraints and additional costs incurred in developing on rural sites, for example, external infrastructure and utility connection to the village.

Recent uncertainty with the SCC process was identified as another challenge. Living Choice stated that the State Government is now looking at other issues in addition to the required criteria which is making the SCC process very uncertain. A number of entities applying for SCCs in The Hills LGA are speculative developers using the SCC provisions as a mechanism to increase the value of landholdings in the rural areas before selling them onto a provider. This is inflating land costs. It was suggested that legislation be amended to require that SCC applications are only made by seniors housing operators / providers.

This comment is supported by the low rates of SCC approvals converting to DAs.

### Other issues

Retirement village units in rural areas may not always be less expensive for buyers than those in urban areas. Lifestyle requirements in rural villages can mean that retirement dwellings in rural settings are equally priced to dwellings in urban areas. This is because single-level dwellings are more space consumptive than multi storey retirement options, and the facilities on offer may be much more substantial in rural settings.

Indeed, there may be a shortfall in supply of retirement units in the coming years to meet increasing demand.

## **5.2.3 Feedback from peak industry bodies**

The feedback from peak industry bodies stressed that it is critical to understand the housing needs of older people. A diversity of housing types which are accessible, and which enable people to 'age in place' is needed. Local government zoning restrictions, other government policies and opposition by local residents are impacting on the ability to deliver seniors housing.

The economics of seniors housing is different from standard residential. It is essentially a discounted product and access to lower cost rural land makes it more viable to deliver seniors housing.

There is significant demand for seniors housing, and this is growing exponentially. The government should be encouraging a wide range of seniors living product and looking at incentives to make this happen. Apart from baby boomers, more people are likely to be renting seniors housing in the future. There is a need to look at alternative models for the delivery of seniors housing.

Vertical villages are not viable and only really work for social housing providers, as the additional floorspace bonuses are insufficient. The 10% affordable housing requirement under the SEPP outweighs any benefits arising from bonus provisions.

If councils do not want seniors housing to be developed in rural areas, then they need to look at mechanisms to make it more viable in urban areas.

Seniors Housing SEPP needs to be reviewed as it is out of date with other planning initiatives (e.g. medium density housing code) and broader societal changes. However, many elements of the policy are still appropriate and should be retained.

The changes made to the SEPP last year appear to address a lot of the concerns of the councils regarding inappropriate development in the rural areas. It is unclear why there is a need to consider further change.

The notion that seniors living should be compatible with rural character is flawed and results in mediocre architectural outcomes. Instead, developments should be required to exhibit design excellence.

The feedback received from government agencies, developers and peak industry bodies has informed the discussion in Chapter 6.

#### **5.2.4 Key findings**

Key findings from the stakeholder engagement include:

- Water and waste water infrastructure has little capacity to accommodate growth in the project area and there are no plans to further augment services in the rural areas of Hornsby and The Hills in the foreseeable future;
- The ad hoc nature of seniors housing developments in rural areas and the difficulty in factoring such development into strategic planning outputs in turn makes it difficult to determine regional traffic impacts. Levying for contributions towards regional infrastructure upgrades is therefore unlikely to be feasible;
- While land costs can be less on a per unit basis in comparison to urban properties, this is generally a reflection of more onerous planning constraints and additional costs incurred in developing on rural sites, for example, external infrastructure and utility connection to the village;
- A number of entities applying for SCCs in The Hills LGA are speculative developers using the SCC provisions as a mechanism to increase the value of landholdings in the rural areas before selling them onto a provider. This is inflating land costs;
- There is significant demand for seniors housing and this is growing. There are opportunities to consider encouraging a wide range of seniors housing products and looking at incentives to make this happen; and
- Mechanisms to make developing seniors housing more viable in the urban areas could potentially reduce some of the pressure to develop seniors housing in rural areas.

## 6 Investigation findings

### 6.1 Impact on rural values and local character

The rural areas of Hornsby and The Hills LGAs have a wide range of environmental, social and economic values. They contain farms; rural towns and villages; rural residential developments; heritage, scenic and cultural landscapes; mineral resources; and locations for recreation and tourism. They also contain large areas of high environmental value as well as areas where natural hazards need to be well managed. A discussion of the impact of seniors housing developments on the values of the rural areas is provided below.

#### 6.1.1 Rural character impacts

Both the North District Plan and the Central City District Plan emphasise the importance of the scenic and cultural landscapes of the rural areas. The North District Plan notes:

*Continued protection of the North District's scenic and cultural landscapes is important for the sustainability, liveability and productivity of the District. It can complement the protection of biodiversity and habitat, help manage natural hazards and support tourism. Protecting scenic and cultural landscapes can also help preserve links to Aboriginal cultural heritage.<sup>32</sup>*

Similar matters are echoed in the Central City District Plan regarding that District's rural lands.

Both Hornsby and The Hills Councils have expressed concern that the development of seniors housing in the rural areas is diminishing the scenic and cultural landscapes referred to in the District Plans. In essence, they consider that the seniors housing that is being developed is of an urban character, bypassing strategic planning processes and is not compatible with surrounding rural land uses. To exemplify this, The Hills Shire has provided aerial photos of the 15 year progression of one retirement village in Glenhaven, as a case study. This is shown below in Figure 14. What is evident from this case study is the change over time from rural landscape to a more intense urban character characterised by extensive hard surfaces, lack of landscaping and loss of original vegetation. The aerial photos also demonstrate how the agricultural activity has been lost over time and replaced with housing.

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<sup>32</sup> North District Plan, p.105



**Figure 14: 15 year progression of retirement village at Glenhaven**

Note: The solid yellow line shows the boundary of the land with an approved SCC, while the broken yellow line shows the proposed extension of this area, as at the time of reporting in early 2019.

**2003**



**2006**





2009



2013







2018



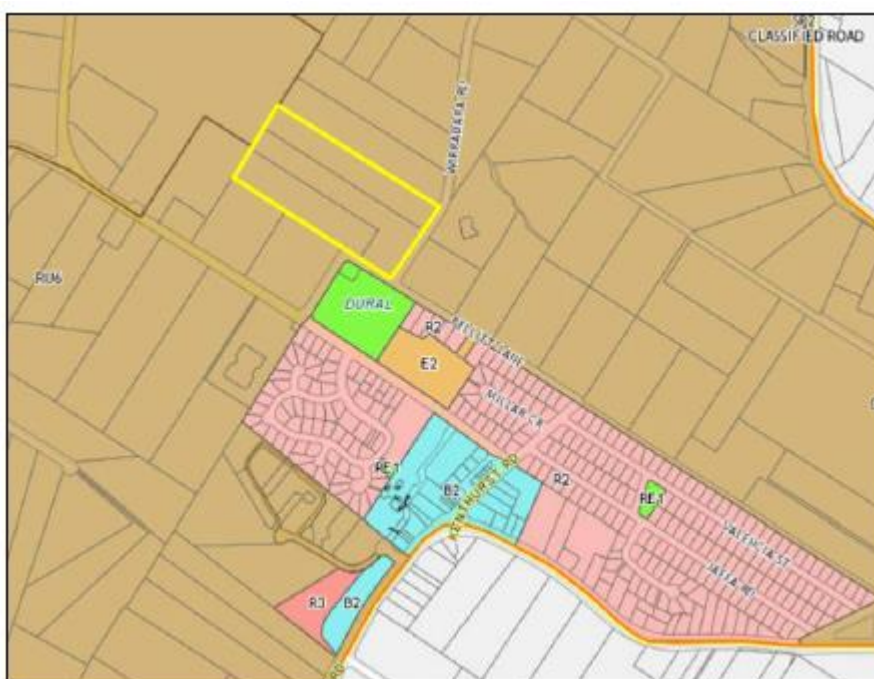




Part of the Councils' concern regarding the impact on rural character relates to the scale of development. Up until the recent changes to the Seniors Housing SEPP, developers were able to amalgamate landholdings and develop this additional land for seniors housing. While this loophole was closed with the amendments to the Seniors Housing SEPP in October 2018, the opportunity for developers to amalgamate lots before seeking a SCC remains. A recent example of this within The Hills LGA in Dural, where three rural lots shown in Figure 15 were amalgamated prior to submitting an application for a SCC, effectively allowing for further encroachment along the urban fringe.

**Figure 15: Recent amalgamation of lots for Site Compatibility Certificate, Dural**

Source: The Hills Shire Council



For the purposes of this investigation, Hornsby and The Hills undertook an assessment of rural land within their LGAs that is likely to meet the criteria of “land that adjoins land zoned primarily for urban purposes” under the Seniors Housing SEPP. The purpose of this assessment was to determine the magnitude of rural land could theoretically be developed for seniors housing.

Hornsby Council estimated that the provisions of the SEPP would apply to almost 200 hectares of rural zoned land, across six locations. Applying an indicative density of 20 self-care dwellings per hectare would mean potential for almost 4,000 dwellings.

The Hills Council estimated that the provisions of the SEPP would apply to approximately 550 hectares of rural land across seven locations and therefore potentially developable for the purposes of seniors housing. Using an indicative density of 20 self-care dwellings per hectare, there could be theoretical potential for 11,000 seniors housing dwellings.

While a number of assumptions have been made in determining this potential yield, both Councils consider the estimates to be conservative. The scale of this theoretical capacity is equivalent to three new suburbs, which is at odds with the stated objectives for the MRA in the GSRP and District Plans. This scale of development would profoundly change the character of their rural areas and significantly diminish its rural character. It is noted that this scale of urban development is comparable to a precinct within a major release areas but is not subject to the associated forward planning and coordinated infrastructure provision necessary to deliver release areas.

## 6.2 Economic impacts

Investigations have found that there are three main economic impacts that arise from allowing seniors development activity to occur in the rural areas:

- Increase in land values, which may price productive rural industries out of the area;
- Under-utilisation of land for rural purposes and less investment in productive rural industries; and
- Land use conflicts between rural activities and seniors housing.

Anecdotal evidence suggests that where the Seniors Housing SEPP applies to land that adjoins land that is zoned for urban purposes, landowners’ expectations regarding their land value is much higher than is the case for other rural land. Retirement village developer, Living Choice, noted as part of the stakeholder engagement for this report that:

*... land in non-urban areas still fetches a price far exceeding underlying rural values. For instance, LCA [Living Choice Australia] has spent \$24.7M acquiring 4.8 hectares of land to facilitate the planned extension of their Glenhaven facility (which equates to a rate of \$509 per sqm of land) which are clearly not rural land values.*

This situation is leading to land-banking of those sites where seniors housing development can potentially occur. The opportunity to consolidate land parcels to create even larger holdings that could be developed for seniors housing also encourages further land banking to occur. The result is that many rural properties adjoining urban zoned land are being left idle or are being under-utilised. This in turn undermines the viability

of productive rural industries. This conclusion supports the findings of AgEconPlus, who noted that a large proportion of rural land in the MRA was vacant or under-utilised<sup>33</sup>.

The Seniors Housing SEPP requires a planning panel to consider “the likely future uses of that land” when assessing an application for an SCC (refer to clause 25(5)(b)(ii)). In discussing the challenges of this consideration, The Hills Council noted that SCC determinations have overlooked the potential future economic uses of rural land, such as agriculture, where agricultural activity has recently ceased. This also potentially creates an incentive to halt agricultural production before an application for an SCC is lodged, so that agriculture can be disregarded or diminished as a “likely future use” in the assessment of an SCC application.

Another issue raised in relation to impacts on the agricultural productivity of these rural areas is the increasing prevalence of land use conflicts. In feedback provided by the former NSW Department of Industry – Agriculture it was noted that, over the years, the encroachment of seniors housing developments into the established rural areas is likely to have resulted in sufficient impacts on agricultural producers to reduce production or close it down altogether. In the recent Land and Environment Court proceedings relating to 3 Quarry Rd and 4 Vineys Rd, Dural, Hornsby Council contended that agricultural activities that occur on the adjoining property would result in unacceptable land use conflicts. The Court did not make a determination on this issue as the appeal was dismissed on the issue of the application not providing a sprinkler system as required under the SEPP.

The GSRP notes that it is important to retain, and where possible, increase opportunities for agricultural and horticultural uses to keep fresh foods available locally. While agricultural activity in the broader MRA has diminished significantly over recent years, there is a strong commitment in the GSRP to protecting and enhancing agricultural production and rural industries in the rural areas. However, there is no explicit requirement in the Seniors Housing SEPP to consider the existing and potential agricultural viability of the land when determining whether a SCC application should be approved.

## 6.3 Social impacts

Both Hornsby and The Hills Councils as well as the Western Sydney Local Health District have raised concerns regarding the social impacts of developing seniors housing in rural areas. These concerns particularly relate to issues of social isolation, lack of integration with the broader community, difficulties associated with accessing services and the lack of walkability.

While the Seniors Housing SEPP sets out requirements for access to facilities, including a requirement that seniors housing is located within 40m from of a public transport service, the experience of many seniors housing developments on large sites on the urban-rural fringe means that many dwellings would be located well in excess of 400m from a bus stop.

At the same time, there can be many social benefits for residents living in a retirement village in a rural setting. These benefits, such as strong community and relationships within the village, are detailed in the responses received from aged care developers and summarised in Section 5.2.

It is a policy objective of the Commonwealth Government to support people to ‘age in place’ in their own home<sup>34</sup> and the GSRP promotes a mix housing that allows people to relocated within their local area and stay connected to community services, family and friends. This extends to people who live on the fringes of

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<sup>33</sup> AgEconPlus, *Values of the Metropolitan Rural Area of the Greater Sydney Region*, February 2017, page 6

<sup>34</sup> <https://agedcare.health.gov.au/programs/commonwealth-home-support-programme>

Greater Sydney's urban areas who should be able to 'age in place' in these same areas provided that there is adequate access to a broad range of support services. Giving people housing choices is one of the key directions of the GSRP and recognises the diversity of housing that is required across the housing continuum.

## **6.4 Environmental impacts**

The Seniors Housing SEPP sets out design principles and development standards to support good design and manage environmental impacts. These includes design principles for neighbourhood amenity and streetscape, accessibility and stormwater. These design principles and development standards are described in greater detail in Appendix 1.

In deciding whether to issue a SCC, the relevant Planning Panel must consider whether the proposal is compatible with the natural environment, including significant environmental values, resources or hazards. It must also consider the impact that the proposed development is likely to have on the conservation and management of any significant native vegetation. These considerations are weighed against other matters, under the Seniors Housing SEPP, including the aim to increase the supply and diversity of seniors housing and the scope to set aside local planning controls that prevent appropriate seniors housing.

There are a number of potential adverse environmental impacts that can occur as a result of seniors housing developments in the rural areas. Along with native vegetation clearing that may be required to accommodate the development, the built form and site coverage controls result in large areas of hard surfaces and minimal deep-soil landscaping, which in turn result in reduced tree canopy and increased stormwater runoff. The effect of this can add to nutrient loads downstream in the Hawkesbury River.

While the Seniors Housing SEPP does not apply to areas identified as "environmentally sensitive land", discussions with stakeholders have revealed a lack of clarity as to whether this definition of environmentally sensitive land includes areas which have a rural zone and are also affected by an additional local provision for terrestrial biodiversity, noting that both the Hornsby LEP 2013 and The Hills LEP 2012 use an additional local provision for terrestrial biodiversity.

There are also increased risks associated with seniors housing developments in the rural areas. As noted in Section 3.3, many of the rural areas of Hornsby and The Hills are prone to bushfires. Hazard reduction burning is an appropriate technique for managing the risk of bushfire, however, smoke and particles from hazard reduction burns can impact air quality, which in turn can have health impacts for seniors.

Urban design guidelines for infill seniors housing were developed in 2004 and are available on the Department of Planning, Industry and Environment website. These design guidelines however apply only to infill seniors housing on urban zoned land. There are no design guidelines in place to specifically address environmental impacts in a rural context, which could provide direction on tree canopy cover, deep soil landscaping and setbacks.

## 6.5 Infrastructure provision

The GSRP places considerable emphasis on the importance of aligning infrastructure with growth in a planned and coordinated fashion. It notes that:

*Effectively aligning infrastructure with growth requires a methodical and sequenced approach to development. It requires a whole-of-government approach and a place-based understanding of sequencing of infrastructure delivery. This enables planning to support infrastructure alignment with areas of growth and transformation before additional areas are rezoned and ready for development. This new approach supports the appropriate growth and infrastructure being provided at the right time.*<sup>35</sup>

Both Hornsby and The Hills Councils have raised concerns that the ad hoc development of seniors housing in the rural areas does not allow for a methodical and sequenced approach to development and is putting pressure on infrastructure, as it cannot be foreshadowed by State and local infrastructure and service providers and does not result in the critical mass to support efficient infrastructure investment. It is resulting in growth but without appropriate planning to ensure infrastructure is aligned.

This concern of how differently housing in land release areas and seniors housing proposals are treated is exemplified by the experience with the South Dural precinct (in Hornsby LGA). A Planning Proposal was submitted in late 2013 on behalf of the South Dural Resident and Ratepayers Association to rezone the precinct for urban purposes, with the potential to provide 2,500-3,000 new dwellings. This was considered before the GSRP and the North District Plan were in place, and the South Dural Planning Proposal received Gateway Determination in March 2014 subject to, amongst other things, the preparation of an infrastructure strategy plan to demonstrate that the development could be undertaken at “no cost to government”.

Transport studies undertaken by RMS and developers in the South Dural catchment identified traffic congestion as one of the key obstacles to growth of the scale proposed in 2013. The studies indicated that substantial upgrade of the Old Northern Road and New Line Road would be required prior to any significant development occurring in the area. RMS estimated the cost for the two road upgrades would exceed \$300 million. The South Dural Resident and Ratepayers Association offered to contribute \$150 million towards these upgrades however this offer was not accepted by the RMS. In the absence of guaranteed cost recovery from the development, the DPIE concluded that the Planning Proposal could not proceed.

While the urban development of the South Dural Precinct has not proceeded, the area has been the subject of a number of seniors housing development proposals which have sought to rely on the SCC process to obtain approval, circumventing the planning proposal pathway. This effectively means that the area could potentially become developed for urban purposes through the Seniors Housing SEPP but without the orderly planning and provision of infrastructure that would have been a requirement of the South Dural Planning Proposal. Further, there is no opportunity to negotiate contributions towards the provision of regional infrastructure upgrades unlike the offer that was made by the South Dural Resident and Ratepayers Association as part of the Planning Proposal. This would seem entirely contrary to the notion of orderly and economic development.

While the impacts from existing seniors housing developments in the rural areas may not be as significant as the infrastructure requirements of growth areas, the potential capacity of infrastructure in rural areas to

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<sup>35</sup> Greater Sydney Region Plan, p.39



accommodate further seniors housing developments raises major implications for the future provision of infrastructure to service these developments. The relatively small nature of seniors housing development, when compared to precincts within a greenfield Growth Area, also mean they often lack the critical mass to require investment in new and upgraded infrastructure.

Rate revenue is a major source of funding for local infrastructure. In NSW rates are based on the unimproved land value, and different rate structures are applied for residential land, business land, mining land and farm land. While the SCC process does not amend the zoning of land from rural to residential, it is unclear if sites with an approved SCC are rated as “farmland” or “residential land”. Clarification of this could be considered as part of any further investigation led by the Department of Planning, Industry and Environment.

Other concerns raised by the Councils with respect to infrastructure provision include:

- **The reliance on pump-out systems to treat wastewater is inappropriate** - During stakeholder consultation Sydney Water advised that its priority sewerage program for Galston and Glenorie is now complete and that there are no plans at this stage to upgrade other locations in the rural areas of Hornsby and The Hills. Where there is no scope for a development (seniors housing or otherwise) to connect to the sewer, a pump out system is usually required. For a larger seniors housing developments, this would mean that trucks would need to frequently visit the site and stand for a considerable amount of time pumping effluent from tanks. There is also a need to have someone on site to monitor and maintain the system. To highlight this issue, the following extract is provided from Hornsby Council’s assessment report for 392 Galston Road & 5 Mid-Dural Road, Galston (DA/484/2011), considered by the Joint Regional Planning Panel, which outlines the waste water generated by the 76 dwellings:

*‘The proposed development would generate 25, 080 litres of waste water per day. The maximum tanker vehicle is 30,000 litres. The proposed 100,320 litre storage tank would require pump out collection 4 times per week. The pump-out takes 1 hour and 10 minutes for a 30,000 litre pump out. The cost is approximately \$2.40 per 100 litres amounting to \$720 per pump out. The yearly cost for residents of the development would be approximately \$150,000 per year on this basis.’*

Based on the above details, the approved development would require a tanker vehicle extracting effluent on site for almost six hours over a one week period. The pump out process has the potential to adversely impact on the amenity of residents in terms of noise, odour and inconvenience. The system is also not cost effective and results in substantial operating costs for residents. In addition, if the tanks are not properly maintained, there is a risk of seepage or overflow of sewage into nearby waterways.

Sydney Water emphasised that the question of whether a pump out solution is appropriate for a development needs to be determined in the pre-planning stage.

It is likely that the cost and other impacts of pump-out system on residents of a seniors housing development would eventually lead to calls for Sydney Water to provide reticulated sewerage, which may need to be weighed against other infrastructure priorities.

- **The cumulative impact of seniors housing on infrastructure in rural areas is not appropriately addressed in the Seniors Housing SEPP** - As noted in Appendix 1 to this report, the Seniors Housing SEPP was amended in October 2018 to require that a SCC application be accompanied by a cumulative impact study where it applies to a parcel of land which is within one kilometre of two or more sites for which there is a current or pending SCC application. The cumulative impact study is to take into account:
  - the capacity of existing or future services and infrastructure (including water, reticulated sewers and public transport) to meet the demands arising from the proposal and any proposed financial arrangements for infrastructure provision, and
  - the capacity of existing or future road infrastructure to meet any increase in traffic as a result of proposed development.

The relevant Planning Panel may also require an applicant to provide a cumulative impact study if it considers that it is necessary for it to be provided to determine whether the land concerned is suitable for more intensive development.

In limiting the assessment of cumulative impacts of a seniors housing proposal to only relate to other sites which are the subject of a current or pending SCC application, the capacity of existing or future services and infrastructure to meet the needs of a particular seniors housing proposal are not evaluated having regard to all other proposed development in the area. This is especially the case with physical infrastructure for which there is little distinction to be made between the impacts of seniors housing and for example, other residential development within the adjoining town or village.

- **Access to services for residents living in rural areas is inadequate** - The Seniors Housing SEPP requires that facilities and services or a regular public transport service are not more than 400 metres from the site of the development and that pathways and gradients are appropriate. However, this distance is calculated from the boundary of the site so that where developments are large (as can often be the case on large rural lots), residents may be required to travel much greater distances than the 400 metres stipulated.
- **The impact of seniors housing on the traffic network is under-estimated** - While the RMS indicated that there are currently no major issues regarding transport and traffic seniors housing within The Hills and Hornsby Council LGAs, both Councils raised concern that seniors housing developments are impacting on the traffic network. The Hills Council has advised that the level of car ownership in seniors housing developments is higher, with many retirement village residents being highly mobile. These higher levels of car usage in retirement villages in the rural areas highlight the dependence on private car use to access services and facilities. As seniors age and age-related restrictions on driving can be imposed, the loss of a drivers license can have a significant impact on quality of life.

## 6.6 Alignment with strategic planning

### Greater Sydney Region Plan

The *Greater Sydney Region Plan*<sup>36</sup> (GSRP) sets out the NSW Government's vision for Greater Sydney over coming decades to 2056. The GSRP identifies the retention of the integrity of the values of the MRA as being of critical importance. Objective 29 and Strategies 29.1 and 29.2 are directly relevant:

**Objective 29:** *Environmental, social and economic values in rural areas are protected and enhanced*

**Strategy 29.1:** *Maintain or enhance the values of the Metropolitan Rural Area using place-based planning to deliver targeted environmental, social and economic outcomes.*

**Strategy 29.2:** *Limit urban development to within the Urban Area, except for the investigation areas at Horsley Park, Orchard Hills, and east of The Northern Road, Luddenham.*

The GSRP states that urban development is not consistent with the values of the MRA. It notes that Greater Sydney has sufficient land to deliver its housing needs within the current boundary of the Urban Area (including existing Growth Areas and urban investigation areas). This means that there is no need for the Urban Area to expand into the MRA. The Plan notes that, if there is the need for additional land for urban development to accommodate Greater Sydney's growth, this will be done so through future Region Plans. The Plan argues that, '*restricting urban development in the Metropolitan Rural Area will help manage its environmental, social and economic values, help to reduce land speculation, and increase biodiversity from offsets in Growth Areas and existing urban areas*'.<sup>37</sup>

The GSRP also recognises the potential to consider limited growth in rural towns and villages, noting that: '*ongoing planning and management of rural towns and villages will need to respond to local demand for growth, the character of the town or village and the values of the surrounding landscape and rural activities*'

### District Plans

The District Plans are a guide for implementing the GSRP at a district level and a bridge between regional and local planning. Hornsby Shire is covered by the North District Plan while The Hills Shire is covered by the Central City District Plan.

The District Plans reiterate the significance of the MRA to the scenic and cultural landscape, biodiversity and productivity of the Greater Sydney Region. Both District Plans note that urban development is not consistent with the values of the MRA and that Greater Sydney's future housing needs should be accommodated within the current boundary of the Urban Area (including existing growth areas) and also set out the limited circumstances where local growth can be considered.

Both District Plans note that a significant proportion of the Districts' rural land is under-utilised and has the potential to be used for more productive rural uses, such as agriculture and low-intensity tourist and visitor accommodation.

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<sup>36</sup> *Greater Sydney Region Plan – A Metropolis of Three Cities*, Greater Sydney Commission, March 2018

<sup>37</sup> *Ibid*, p.160

## Local strategic planning

At the local level, the strategic intentions for the rural areas in Hornsby and The Hills are currently articulated through zone objectives in their local environmental plans (LEPs). The relevant rural zones in Hornsby and The Hills have been discussed in Chapter 3

Commencing in 2018, all 33 Greater Sydney Region councils embarked on a review of their LEPs to ensure that local priorities and actions are aligned with the relevant District Plan (and subsequently the GSRP). Amendments to the *Environmental Planning and Assessment Act 1979* which came into force on 1 March 2018 required all Councils to create a Local Strategic Planning Statement (LSPS) which is to set out the 20 year vision for their respective LGAs, including planning priorities and actions.

To inform the preparation of the LSPS and LEP review process, both Hornsby and The Hills Councils are undertaking extensive investigations and preparing a range of local strategies, including housing strategies and rural strategies. In addition, local character statements can be developed to help understand and define existing valued elements of character in their LGAs, and to set a desired future character that aligns with the strategic direction for an area. A guideline released by DPIE in February 2019 sets out how these statements are intended to support stronger consideration of local character.

The strategic planning framework for the Greater Sydney Region has fundamentally changed since the Seniors Housing SEPP was introduced in 2004 and the framework for SCCs was introduced in 2007. There is now a clear strategic hierarchy of plans which is to guide future development across the metropolis. There is also greater recognition of the critical role that councils must play in strategic planning for their local area since the introduction of a new requirement for councils to prepare Local Strategic Planning Statements. The vision and priorities for land use in the local area are to be developed by each council and articulated through their LSPSs. While planning at the local level must be aligned with the relevant District Plan and the GSRP, the emphasis is now on creating great places through local place making and evidence based planning.

By contrast, the Seniors Housing SEPP can have the effect of overriding local strategies and plan, and expands urban development into rural areas through the SCC process. The ability to override the strategic planning framework established by this hierarchy of plans creates tension and uncertainty in the direction for future growth and is contrary to a place making approach.

More specifically, the SCC process does not align with the GSRP and the relevant District Plans for the following reasons:

- It allows for urban development in the rural areas which is not consistent with the values of the MRA as set out in the GSRP;
- It allows for growth that is not aligned with the provision of coordinated infrastructure;
- It increases land speculation, undermining the agricultural productivity of the MRA;
- It does not align with creating more walkable and 30-minute city principles;
- It is contrary to the principles of place making which emphasise the importance of a shared vision and a spatial framework for a place as the basis for future development;
- It results in an urban form that can diminish the scenic and cultural landscapes in the MRA; and
- It does not take account of local character.

There is no requirement in the Seniors Housing SEPP for the relevant Planning Panel to take account of the GSRP, the relevant District Plan or the Council's LSPS (once adopted) when deciding to issue a SCC. To

provide some level of inter-relationship with the SEPP and these strategic plans, a mechanism is needed for this to occur under the SEPP. This mechanism could be created as an expansion on the Seniors Housing SEPP requirement for the relevant Planning Panel to consider the impact of a proposed development on likely future uses of land.

A more comprehensive and integrated approach could be to consider the LSPS work currently being done by the Councils, particularly in relation to housing, rural lands and local character. This could provide a more appropriate framework to plan for seniors housing development in a local context noting that councils are best placed to understand and respond to local issues.

Local housing strategies, in identifying the supply and demand for seniors housing, could also consider the most appropriate local planning mechanisms to address demand in the short, medium and long term. This can be informed, in part, by local rural lands strategies which identify the values of the rural areas, what areas need to be protected due to their productive, scenic, biophysical or other characteristics, and what local planning measures need to be implemented to ensure the broader objectives for the MRA can be achieved. This can be further enhanced where rural lands strategies include an assessment of the local character of the rural villages and outline their desired future character and inform the objectives, standards and controls within local plans that guide future development. This pathway offers a coordinated, place based approach to addressing demand for seniors housing in the rural areas in a way that is consistent with the values of the MRA.

## **6.7 Implications**

The Seniors Housing SEPP is recognised for facilitating additional seniors housing in rural areas consistent with the aims of the SEPP. However, these findings demonstrate there is reasonable evidence to support The Hills and Hornsby Councils' view that seniors housing in rural areas has adversely impacted on the values of the rural areas of The Hills and Hornsby and that there is significant potential for further adverse impacts to occur (including adverse cumulative impacts) despite recent amendments to the Seniors Housing SEPP.

The Seniors Housing SEPP identifies a range of economic, social and environmental criteria that need to be considered when determining whether to approve a SCC application and it is recognised that there are instances where the impacts may result in positive benefits, not just for the residents but more broadly as well. However, the fundamental issue remains that these developments are occurring in an ad hoc manner and have the potential to cause significant adverse impacts to those values of the rural areas of The Hills and Hornsby which have been identified as warranting protection and enhancement. While there may be grounds to refuse an application for a SCC or a DA on these bases when assessed on balance, the high proportion of SCCs that are approved statewide (86 per cent) and the interpretation of the aims of the Seniors Housing SEPP by the Land and Environment Court emphasises the aim of the SEPP to increase the supply of seniors housing.

The criteria in clause 25 of the Seniors Housing SEPP require the Planning Panels to consider whether the proposed development is compatible with the surrounding land uses having regard to the natural environment (including known significant environmental values, resources or hazards) and the existing uses and approved uses of land in the vicinity. Recent decisions by the Sydney North Planning Panel to refuse a number of applications for SCCs cited incompatibility with existing or future uses and inappropriate bulk and scale as some of the reasons for refusal. The analysis of SCCs for Hornsby and The Hills LGAs indicates

that this is the first time SCCs have been refused in these LGAs (with the exception of one SCC that was refused on the grounds that it was located on land captured by Schedule 1 of the SEPP).

It is clear that the development standards in the Seniors Housing SEPP result in a built form outcome that is more suitable in an urban context rather than a rural one. This is evidenced by this report's review of seniors housing DAs in Hornsby and The Hills LGAs indicates that most projects are generally medium density, multi-unit housing complexes with only modest landscaping and deep soil planting.

While the assessment criteria in clause 25 require consideration of compatibility with existing and future uses, as noted in Section 6.1 there is no requirement for the Planning Panels to consider whether SCC applications are consistent with strategic planning objectives in the GSRP, District Plans or in a Council's LSPS. In addition, the assessment of cumulative impacts for a SCC application is confined to consideration of the capacity of services and infrastructure to meet the needs of the proposed development. Consideration of the cumulative impact of developments on the rural character or other values of the rural of The Hills and Hornsby is not specifically required.

The potential impact of further seniors housing in rural areas on the scenic and cultural landscapes of the Hornsby and The Hills LGAs would seem to further underline the importance of adopting a place-based approach to addressing the demand for seniors housing in the rural areas. This approach does not preclude the opportunity for seniors housing to be developed in and around the rural villages but rather ensures that appropriate planning occurs in line with local and district aspirations.

An assessment of the local character of the rural villages would identify their desired future character and inform the objectives, standards and controls within local plans that guide future development. This pathway offers a coordinated, place-based approach to addressing demand for seniors housing in the rural areas in a way that is consistent with the values of the rural areas of The Hills and Hornsby LGAs.

The ad hoc expansion of urban areas through the SCC process does not allow for the coordinated provision of infrastructure through appropriate forward planning. While the impacts from existing seniors housing developments in the rural areas may not be significant, the potential capacity of the rural areas for further seniors housing developments (as discussed in Section 6.3) raises major implications for the future provision of infrastructure to service these developments.

Consideration of cumulative impacts of SCC applications could be more comprehensive if the cumulative impact study gave wider consideration to cumulative impacts than those required as part of the October 2018 amendments to the Seniors Housing SEPP. This study should consider the cumulative impact of all other development proposals within the vicinity of the site.

More broadly, the GSRP notes that place-based infrastructure priorities can help to better align growth with infrastructure. This approach proactively takes into account the capacity of existing infrastructure and existing infrastructure commitments and programs. It is considered that a place-based approach is the most appropriate mechanism not only for planning for seniors housing in the rural areas of The Hills and Hornsby LGAs but also for ensuring that there is adequate infrastructure to meet the demands of such housing.

### **6.7.1 Implications for the broader Metropolitan Rural Area**

While this investigation has primarily focussed on the planning challenges of seniors housing and SCCs in the rural areas of The Hills and Hornsby LGAs, there are potential challenges and responses applicable in other parts of the MRA in the Greater Sydney Region. In addition to The Hills and Hornsby LGAs, the MRA includes parts of Northern Beaches, Hawkesbury, Penrith, Fairfield, Liverpool, Camden, Campbelltown, Wollondilly and Sutherland LGAs.

The shape and length of the urban-rural interface in The Hills and Hornsby LGAs, which includes land surrounding rural villages such as Arcadia, Glenorie and Kenthurst, means that the provisions of the Seniors Housing SEPP for SCCs apply to a relatively large amount of rural land where.

Other parts of Greater Sydney's MRA have extensive areas at the urban-rural fringe and surrounding rural towns and villages. The most notable of these are the Wollondilly and Hawkesbury LGAs. Wollondilly LGA has 17 rural towns and villages including Warragamba, The Oaks, Picton and Buxton. Wollondilly's Community Strategic Plan 2033 (adopted in 2017) notes a number of particular challenges for Wollondilly's peri-urban lands, including management of growth and development pressures, the loss of agricultural land and conflicts between rural and urban uses.

Mining has a long history in Wollondilly and has occurred directly underneath rural towns and villages. Place-based local strategic planning can help support better outcomes for rural town and villages, help reduce potential for land use conflict with rural industries, including mining, and consider appropriate opportunities for seniors housing in a rural setting.

While the Blue Mountains LGA also has a long and complex urban-rural interface around each of its towns and villages (including Blackheath, Mount Victoria and Lawson), local planning is more environmentally focussed with most rural land is zoned for environmental protection with an 'environmental' zone (such as E2 Environmental Conservation or E3 Environmental Management), rather than a rural zone. Therefore, is considered to be environmentally sensitive land under Schedule 1 of the Seniors Housing SEPP, meaning the SEPP would not apply.

Hawkesbury LGA has a number of rural towns and villages, such as North Richmond, Kurmond and Glossodia, surrounded by relatively large parcels of rural land where the provisions of the Seniors Housing SEPP for SCCs can apply. Rural villages such as Bowen Mountain or Kurrajong are largely surrounded by environmental zones, where the SEPP would not apply. The Seniors Housing SEPP does not apply to land that has been identified in any environmental planning instrument as being a floodway or having high hazard flooding. This would exclude large areas of the Hawkesbury LGA from the application of the SEPP.

The Northern Beaches LGA has a relatively large amount of land at its urban-rural interface around the rural village of Terrey Hills and at Oxford Falls and Belrose. It is worth noting that a significant proportion of the urban-rural interface of the Northern Beaches LGA, particularly in Belrose, has already been redefined by seniors housing developments.

Existing subdivision patterns and lot sizes at the urban-rural interface can mean outcomes from SCC could potentially vary widely from location to location across the MRA. As was noted in Section 4.1.3, the SCC can result in thin fingers of urban development protruding into rural areas, where rural-zoned lots have a narrow interface with adjoining urban-zoned land.

## 7 Next steps

### 7.1 Summary

The GSC has conducted an evidence-based investigation, in consultation with stakeholders, into planning challenges for seniors housing in the rural areas of rural areas of The Hills and Hornsby LGAs. The investigation has found that, while the Seniors Housing SEPP has enabled the development of aged housing to help meet the demand of the ageing population in both LGAs, cumulative impacts – when considered under the lens of the GSRP and District Plans – can impact on the economic, social and environmental values of the rural areas both LGAs. Given the significant potential capacity of rural areas in Hornsby and The Hills to be developed for seniors housing, these impacts have the potential to magnify over time.

The investigation has established an ongoing need to provide a diverse mix of housing to meet the needs of a growing and ageing population and has also identified several market challenges which could impact both the viability of building traditional retirement villages in urban areas and make them potentially slower to sell in rural areas. At the same time, seniors housing is being delivered across the urban and rural areas of both Hornsby and The Hills at similar price points.

The strategic planning framework for the Greater Sydney Region has fundamentally changed since the Seniors Housing SEPP was introduced in 2004 and the SCC process introduced in 2007. The requirement for strategic plans to guide future development across Greater Sydney was established in amendments to the *Environmental Planning and Assessment Act, 1979* in 2015. The introduction of local strategic planning statements in the strategic planning framework further recognises the critical role for councils in strategic planning for their local area. This creates a tension with the prevailing State Environmental Planning Policies, where local controls can be set aside, in this case, local controls that would prevent development of seniors housing on rural land.

The analysis of approved SCCs to DAs, and subsequently, completed seniors housing shows that conversion rates (from SCC to DA and from DA to construction) are relatively low. This form of speculation can inflate rural land values, drive land banking and undermine opportunities for investment in productive rural activities.

When considered in terms of a place-based approach, the Seniors Housing SEPP allows for the unplanned and uncoordinated expansion of urban areas through the SCC process and in particular, can impact local character and the alignment of infrastructure with growth.

### 7.2 Recommendations

The GSC makes the following recommendations for consideration by the Secretary of DPIE:

- **Recommendation 1: Provide a greater balance between incentives for seniors housing and rural values**

Although the Seniors Housing SEPP sets out several matters to be considered when determining applications for SCCs, recent development decisions, including decisions of the Land and Environment Court, suggest the aim to provide incentives to increase the supply of seniors housing can be prioritised over other planning considerations.



There is an opportunity to better balance the aim to increase the supply of seniors housing with the objective to protect and maintain the environmental, social and economic values of rural land and the local character of rural towns and villages.

- **Recommendation 2: Adopt a place-based approach to planning in rural areas**

There may be land within and adjoining the rural villages in Hornsby and The Hills that is suitable for seniors housing development. The suitability of these areas should be evaluated through a place-based approach led by the relevant council that would involve identifying the desired future character and environmental, social and economic values of the area and infrastructure needs. This could also include investigating opportunities for the expansion or redevelopment of existing seniors housing having regard to the servicing capacity of the area and site constraints. This work would inform the objectives, standards and controls within a planning framework, such as a Planning Proposal which formally recognises the intended change in land use from rural to urban.

Place-based planning should be underpinned by the LSPS planning priorities and actions currently being prepared by the Councils, particularly in relation to housing, rural lands and local character. Local Housing Strategies should identify the need for seniors housing and identify opportunities to ensure demand can be met in the short, medium and long term. Rural Lands Strategies could identify where they may be opportunities for local growth in rural towns and villages that maintains local character and responds to local demand for seniors housing.

This pathway offers a coordinated, place-based approach to addressing demand for seniors housing in the rural areas in a way that is consistent with the values of the rural areas of The Hills and Hornsby.

- **Recommendation 3: Strengthen alignment between the Seniors Housing SEPP, the Greater Sydney Region Plan, District Plans and Local Strategic Planning Statements**

The objectives and planning priorities for protection and enhancement of the environmental, social and economic values of the rural areas of The Hills and Hornsby LGAs are set out in the GSRP, relevant District Plans and once completed, the LSPSs. One way consideration of these strategic documents could be strengthened for seniors housing proposals in rural areas, is through an amendment to the SEPP to require planning panels to consider the objectives, strategies and planning priorities of applicable strategic plans before determining an application for a SCC.

- **Recommendation 4: Monitor and report on development outcomes to support assessment of cumulative impacts**

At present there is little monitoring or reporting on development outcomes from seniors housing in rural areas to support a greater understanding of cumulative impacts. Monitoring and reporting of outcomes would establish an evidence base to better assess potential impacts on rural landscapes and infrastructure.

Consideration should be given to broadening the scope of cumulative impact assessment. In particular, the capacity of existing or future services and infrastructure to meet the needs of a particular seniors housing proposal needs to have regard to all other proposed development in the area, as well as development that has already been approved. Also of importance is the cumulative impact of seniors housing development on the rural character of the area and viability of existing uses should also be considered.

- **Recommendation 5: Develop design and landscaping guidelines for seniors housing in a rural context**

The design guidelines that accompany the Seniors Housing SEPP provide design guidance for development in existing urban areas. To ensure that seniors housing developments are compatible with surrounding rural areas, consideration should be given to developing built form and landscape controls and design guidelines more suited to a rural context, giving consideration to matters such as lower building heights and densities, greater setbacks, provision for tree canopy cover and greater provision of deep-soil landscape areas that are more in keeping with adjoining urban areas.

- **Recommendation 6: Strengthen consideration of environmental values on rural land**

Areas of environmental value in Hornsby and The Hills LGAs are mapped as terrestrial biodiversity and shown as an overlay in their LEP maps. However, there is some uncertainty as to whether these areas can be characterised as environmentally sensitive land under the Seniors Housing SEPP and therefore excluded from seniors housing development (by adding them to Schedule 1 of the SEPP). Further investigation is needed to determine whether areas of terrestrial biodiversity identified through local strategic planning should be excluded.

- **Recommendation 7: Review the viability of planning incentives in the Seniors Housing SEPP and the effectiveness of the SEPP to deliver seniors housing**

Providing additional incentives for seniors housing could help meet demand from a growing and ageing population and take some of the pressure off rural land to accommodate seniors housing. Further investigation could be undertaken on a range of incentives that could be introduced to facilitate seniors housing development in the urban areas of Greater Sydney.

Possible options for investigation include:

- Allowing vertical villages to be pursued without the need for a SCC (applies in urban areas)
- Allowing seniors housing where shop top housing is permitted with development consent
- Providing development incentives for seniors housing in identified growth areas
- Amending the R2 Low Density Residential zone of the Standard Instrument LEP to permit seniors housing with consent
- Other innovative approaches considered appropriate by DPIE.

- **Recommendation 8: Consider a pilot for a council-led place-based approach in The Hills and Hornsby LGAs**

As State Environmental Planning Policies take precedence over other environmental planning instruments and local strategic planning frameworks, the SCC provisions of the Seniors Housing SEPP would continue to apply even when a robust place-based approach to planning for rural areas is in place.

Consideration could be given to piloting a temporary suspension of the Site Compatibility Provisions of the Seniors Housing SEPP in rural areas of The Hills and Hornsby LGAs, while each council develops their place-based planning framework.

Where an appropriate place-based planning framework is in place, including a Local Strategic Planning Statement, a DPIE endorsed Local Housing Strategy and a DPIE endorsed Rural Lands

Strategy, consideration could also be given to exempting rural areas from the SCC provisions of the Seniors Housing SEPP.

### 7.3 Project Control Group deliberations

The Project Control Group has explored a range of possible responses to the findings of this study. In PCG deliberations, both Hornsby and The Hills Councils expressed a view that seniors housing is clearly incompatible with the values of the MRA. In particular, both Councils argued that the rural areas are not suitable for this type of housing and that seniors housing development in rural areas is not needed to meet current or future demand.

Hornsby Council has a strong view that the recommendations set out above do not go far enough and, amongst other matters, recommends that the Seniors Housing SEPP be immediately and permanently suspended from applying in the MRA of Hornsby and The Hills. At a minimum, the Council has argued in favour of temporary suspension of the SEPP from the rural areas to enable councils time to complete their housing strategies and rural lands strategies with a view to determining how and where the demand for seniors housing would best be met. The councils would then seek an exemption to the DPIE, which would then determine whether there was adequate evidence and justification to support the case for exemption.

The Hills Shire Council has questioned whether the Seniors Housing SEPP remains 'fit for purpose', noting that it was introduced in a vastly different strategic and policy context and many of the provisions in the SEPP may no longer be appropriate. Given the number of issues raised, the complexity of the operation of the SEPP alongside local strategic planning and development assessment decisions and the number of recommendations to amend the SEPP in this report, it has recommended that a comprehensive review of the SEPP or an alternative approach is warranted.

In PCG discussions regarding the cumulative impact of seniors housing on local and regional infrastructure, concerns have been raised relating to the limited ability to negotiate for development contributions or affordable rental housing. A place-based approach to planning in these areas could better facilitate consideration of the need for and opportunities to collect development contributions.

In addition to the exemption pathway, the PCG discussed a variety of other options to increase the supply of seniors housing, noting that overall population growth and demographic change will result in ongoing demand for housing appropriate for seniors. While it is considered that the preparation of Local Housing Strategies should be the primary tool for determining how seniors housing can be best accommodated in each LGA, the options below are also considered to warrant further evaluation. These are:

- Providing seniors housing when rezoning surplus government lands - Rezoning surplus government owned land could be progressed subject to future development setting aside a minimum percentage of the total allowable gross floor area as serviced seniors housing;
- Providing seniors housing incentives in greenfield growth areas by allowing seniors housing development in such areas at higher densities than other residential development - This option would enable seniors housing to be designed and built to take advantage of existing and planned infrastructure and in areas where the local character is still being established;
- Providing increased incentives for vertical villages;
- Amending environmental planning instruments to allow seniors housing where shop top housing is already permitted; and

- Including seniors housing as a default use permitted with consent under the R2 Low Density Residential Zone, with relevant considerations addressed in the accompanying Development Control Plan.

Although the GSC acknowledges the specific concerns raised by Hornsby and The Hills, these are more appropriately addressed by the DPIE, who will consider the findings and recommendations of this Report. This is because council's concerns relate to the operation of the Seniors Housing SEPP or the Standard Instrument LEP and may have broader impacts on urban areas of Greater Sydney, as well as in other parts of NSW. These broader impacts - which are outside of the scope of this report – will require further investigation.

# Appendix 1: Background to Seniors Housing SEPP

## Evolution of the Seniors Housing SEPP

For almost 40 years, the NSW Government has had in place policies aimed at encouraging the development of housing to meet the demands of an ageing population as well as people with a disability. Since 1982, when the *State Environmental Planning Policy for Housing for Aged or Disabled Persons No 5* (SEPP 5) was introduced, the NSW Government has implemented a series of planning policies and policy refinements to facilitate the supply of seniors housing. A chronology of the key planning initiatives is set out below, along with discussion regarding issues raised in response to these initiatives.<sup>38</sup>

### Chronology of NSW Seniors Housing Planning Policies

<b>1982 – Introduction of SEPP 5</b>	<p>SEPP 5 Introduced. SEPP 5 enabled both the private sector and the not-for-profit sector to develop seniors housing in all residential zoned lands, special use zones and also on land adjoining land zoned for urban purposes.</p> <p><u>Comment</u> The policy required certain aged care facilities to be available with at least one facility provided on site, thus promoting the development of retirement villages. For developers and operators to make sufficient returns on investment in support services, this version of the SEPP necessitated large scale developments. The policy saw retirement villages being developed in outer suburban or regional areas where large land parcels were affordable. It resulted in a number of isolated retirement communities with poor access to core support services.</p>
<b>1998 – Original SEPP 5 repealed and new SEPP 5 introduced</b>	<p>The new SEPP 5 promoted a greater range of housing and support needs than the original policy. It encouraged smaller developments in existing areas, that is, infill housing, acknowledging that many older people and people with a disability only need occasional support services and prefer to live in their existing communities rather than in special housing.</p> <p><u>Comment</u> There were a number of concerns expressed by councils regarding the new policy, including that it:</p> <ul style="list-style-type: none"> <li>• allowed development of inappropriate densities in areas of low density residential character</li> <li>• did not have due regard to the issue of site accessibility, as development was allowed on sites with a steep gradient which were unsuitable for older persons.</li> <li>• granted exemptions from local section 94 levies, ignoring infrastructure impacts associated with higher density seniors housing.</li> </ul>
<b>2000 – Amendment 1 to SEPP 5</b>	<p>SEPP 5 was amended to create stronger adaptable housing provisions, clarify the meaning of reasonable access to community facilities and services, include provisions to achieve better design, allow councils to levy Section 94 contributions, and exempt high bushfire and high flooding hazard land from the SEPP.</p> <p><u>Comment</u> Much of the concern around this amendment related to the lowering of development standards and the consequent impact on design quality, amenity and neighbourhood character.</p>
<b>2004 – State Environmental Planning Policy (Seniors Living) 2004 introduced</b>	<p>Seniors Living SEPP tightened existing provisions and added new restrictions and guidelines around site selection and design.</p>
<b>2005 – Amendment No 1 to Seniors Living SEPP</b>	<p>This amendment was an interim measure. It prevented DAs for serviced self-care housing in inappropriate rural locations while a wider review of the SEPP was being undertaken. A particular focus of the review was to examine the supply and location of seniors housing in rural areas and the potential impacts this housing could have on existing settlements and other rural uses, particularly agricultural production.</p>
<b>2007 – Amendment No 2 to Seniors Living SEPP</b>	<p>Amendment No 2 introduced a number of changes, including renaming the policy to its current name - <i>State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004</i>. This amendment:</p> <ul style="list-style-type: none"> <li>• introduced the requirement for a SCC in specified instances</li> </ul>

<sup>38</sup> The information contained in the chronology has in part been drawn from *Designing Housing for Older People: The need for a Design Code* (Paduch, 2008).

	<ul style="list-style-type: none"> <li>lifted the December 2005 moratorium on the development of serviced self-care housing on land adjoining land zoned primarily for urban purposes.</li> <li>changed the FSR bonus provision to include land where residential flat buildings are permissible. An additional bonus was included by allowing FSR for the on-site support services to be excluded from the FSR calculations, with a limit of 50% of the gross floor area</li> <li>defined the concept of self-care housing as 'seniors housing that consists of self-contained dwellings where the following services are available on site: meals, cleaning, personal care and nursing care'.</li> </ul>
<b>2018 – Amendment 2018</b>	<p>The Seniors Housing SEPP was amended in 2018 primarily to respond to community concerns about new seniors developments on the urban fringe. Key changes included:</p> <ul style="list-style-type: none"> <li>preventing incremental expansion of SCCs by limiting the extension or expansion of existing seniors development sites adjoining urban areas</li> <li>making the relevant Sydney district planning panel or regional planning panel the determining authority for SCCs rather than the Secretary of the DPIE</li> <li>requiring that applicants provide a cumulative impact study where proposed sites are within one kilometre of two or more other SCC sites or where required by a planning panel.</li> </ul>
<b>2019 – Amendment Heritage Conservation Areas</b>	<p>This amendment provides that Seniors Housing SEPP does not apply in Heritage Conservation Areas in Greater Sydney until 1 July 2020. This interim measure is intended to allow councils time to ensure seniors housing provisions align with their local strategic plans which are currently under review.</p> <p>Once councils have completed their strategic planning and community consultation, they will be able to choose how the Seniors Housing SEPP applies in heritage conservation areas in their local government area.</p>

## Site and design requirements

The Seniors Housing SEPP sets out a range of matters that must be considered before development consent is granted.

### Access to facilities

A consent authority must not consent to a DA unless it has written evidence that residents will have access to a general medical practice, a range of retail and commercial services, community services and recreation facilities. Access complies if:

- The facilities and services are not more than 400 metres from the site by means of a suitable access pathway (sealed or otherwise suitable for access by means of a motorised cart or similar) and meeting specified gradients; or
- In the case of development within Greater Sydney (including Hornsby and The Hills), there is a public transport service available within 400m of the site, access to the service is at a suitable gradient and the service operates at regular specified periods.

### Bush fire prone land

Where a DA seeks consent for seniors housing development on bush fire prone land (i.e. bush fire prone land – vegetation categories 1 or 2 or bush fire prone land – vegetation buffer) it must comply with the requirements of *Planning for Bush Fire Protection* (NSW Rural Fire Service, December 2006). The consent authority must also consider the general location of the proposed development, the means of access to and from the general location, and other relevant matters including:

- the size of the existing population;
- age groups and size of age groups;

- the number and size of hospitals and other facilities providing care to residents within the locality, the number and size of schools in the locality;
- other seniors housing in the locality;
- the adequacy and capacity of the surrounding road network to evacuate persons from the locality in the event of a bush fire;
- the adequacy of access to and from the site of the proposed development for emergency response vehicles; and
- the nature, extent and adequacy of bush fire emergency procedures that are able to be applied to the proposed development and its site.

The consent authority is required to have regard to the requirements of the New South Fire Brigades and to consult with the New South Wales Rural Fire Service as part of its consideration of the DA.

### **Water and sewer**

Seniors housing must be connected to a reticulated water system and have adequate facilities for the removal or disposal of sewage.

In locations where reticulated services cannot be made available, the consent authority must satisfy all relevant regulators that the provision of water and sewerage infrastructure, including environmental and operational considerations, is satisfactory for the proposed development.

### **Design requirements**

The SEPP requires a detailed analysis be undertaken and sets out a range of design principles which must be considered in the design and assessment of applications. These relate to:

- Neighbourhood amenity and streetscape;
- Visual and acoustic privacy;
- Solar access and design for climate;
- Stormwater;
- Crime prevention;
- Accessibility; and
- Waste management.

#### **Neighbourhood amenity and streetscape principles (clause 33)**

Seniors housing should:

- recognise the desirable elements of the location's current or desired future character so that new buildings contribute to the quality and identity of the area
- retain, complement and sensitively harmonise with any heritage items/conservation areas in the vicinity
- maintain reasonable neighbourhood amenity and appropriate residential character by:
  - providing building setbacks to reduce bulk and overshadowing
  - using building form and siting that relates to the site's land form
  - adopting building heights at the street frontage that are compatible in scale with adjacent development
  - considering, where buildings are located on the boundary, the impact of the boundary walls on neighbours

- be designed so that the front building of the development is set back in sympathy with, but not necessarily the same as, the existing building line
- embody planting that is in sympathy with, but not necessarily the same as, other planting in the streetscape
- retain, wherever reasonable, major existing trees
- be designed so that no building is constructed in a riparian zone.

Urban design guidelines for infill seniors housing were developed in 2004 by the former Urban Design Advisory Service. These design guidelines are still in place but apply only to infill seniors housing on urban zoned land.

Seniors housing, whether in rural or urban settings, must meet minimum development standards set out in Part 4 of the Seniors Housing SEPP. These are:

- The size of the site must be at least 1,000 square metres.
- The site frontage must be at least 20 metres wide measured at the building line.
- If the development is proposed in a residential zone where residential flat buildings are not permitted the height of all buildings in the proposed development must be 8 metres or less. (Note: Seniors housing cannot be refused on the ground of the height of the housing if all of the proposed buildings are 8 metres or less in height.)
- A building that is adjacent to a boundary of the site must be not more than 2 stories in height
- A building located in the rear 25% area of the site must not exceed 1 storey in height.

Housing NSW or any other social housing provider is only required to comply with the building height and height at the boundary standards.

### **Standards that cannot be used to refuse development consent**

Clauses 48-50 set out those standards that, if complied with, cannot be grounds for refusal. Separate standards apply to residential care facilities, hostels and self-contained dwellings, as shown in Table 6.

### **Vertical villages**

Where residential flat buildings are permitted, seniors housing may be undertaken involving buildings which exceed the relevant maximum floor space ratio by a bonus of 0.5 above the maximum FSR. For example, if the floor space ratio permitted under another environmental planning instrument is 1:1, a consent authority may consent to a development application for the purposes of a building having a density and scale of 1.5:1.

The bonus is only available where the proposed development will deliver on-site support services for its residents, and at least 10% of the dwellings for the accommodation of residents in the proposed development will be affordable places. Appropriate measures are required to ensure the affordable places are secured over the long term.



**Table 5: Development standards that if complied with cannot be grounds for refusal**

	Maximum building height	Density and scale (FSR)	Landscaped area	Parking	Deep soil zones	Solar access	Private open space
<b>Residential care facilities</b>	8m	1:1	Min 25m <sup>2</sup> of landscaped area per bed	1 space per 10 beds (or 15 beds if dementia facility) 1 space per 2 employees 1 space for ambulance	N/A	N/A	N/A
<b>Hostels</b>	8m	1:1	Min 25m <sup>2</sup> of landscaped area per bed	1 space per 5 dwellings in the hostel 1 space per 2 employees 1 space for ambulance	N/A	N/A	N/A
<b>Self-care dwellings</b>	8m	0.5:1	Social housing provider - min 35m <sup>2</sup> of landscaped area per bed Other – min 30% of site area	Social housing provider - 1 car space for each 5 dwellings Other - 0.5 car spaces for each bedroom	15% of site area (generally)	70% of dwellings' living rooms/ private open spaces receive min of 3 hours direct sunlight between 9am- 3pm mid-winter	Ground floor dwellings – 15m <sup>2</sup> Upper dwellings – 10m <sup>2</sup> *.  *Private open space dimensions also specified

## Appendix 2: Strategic planning context

### Greater Sydney Region Plan

The *Greater Sydney Region Plan*<sup>39</sup> (GSRP) sets out the NSW Government's vision for Greater Sydney over coming decades to 2056. It outlines how Greater Sydney's growth will be managed to enhance its productivity, liveability and sustainability. It seeks to transform Greater Sydney into a metropolis of three cities – the Western Parkland City, the Central River City and the Eastern Harbour City to meet the needs of a growing and changing population.

The GSRP identifies the retention of the integrity of the values of the MRA as being of critical importance. Objective 29 and Strategies 29.1 and 29.2 are directly relevant:

**Objective 29:** *Environmental, social and economic values in rural areas are protected and enhanced*

**Strategy 29.1:** *Maintain or enhance the values of the Metropolitan Rural Area using place-based planning to deliver targeted environmental, social and economic outcomes.*

**Strategy 29.2:** *Limit urban development to within the Urban Area, except for the investigation areas at Horsley Park, Orchard Hills, and east of The Northern Road, Luddenham.*

The Plan notes that the MRA has a wide range of environmental, social and economic values. It covers almost one quarter of Greater Sydney and has a diversity of farmland, mineral resources, and distinctive towns and villages in rural and bushland settings. There are areas of high biodiversity value including national parks and reserves as well as scenic and cultural landscapes. The MRA is economically significant, providing land for agricultural production, rural industries, mining and extractive industries. Its rural towns and villages also provide important centres for rural industries, tourism and businesses and provide for the day to day needs of surrounding communities.

The GSRP states that urban development is not consistent with the values of the MRA. It notes that Greater Sydney has sufficient land to deliver its housing needs within the current boundary of the Urban Area (including existing Growth Areas and urban investigation areas). This means that at this current time, there is no need for the Urban Area to expand into the MRA. The Plan notes that if there is the need for additional land for urban development to accommodate Greater Sydney's growth, this will be done so through future Region Plans. The Plan argues that, '*restricting urban development in the Metropolitan Rural Area will help manage its environmental, social and economic values, help to reduce land speculation, and increase biodiversity from offsets in Growth Areas and existing urban areas*'.<sup>40</sup>

One of the fundamental premises of the GSRP is the importance of 'place-based planning' in creating great places. Place-based planning enables the development of a shared vision and a spatial framework for a place which provides the basis for its future development. Through place-based planning, it is possible to create a well-designed built environment with a fine grain urban form and to facilitate the delivery of social infrastructure and opportunity. The GSRP notes that '*place-based approaches for landscape units within the Metropolitan Rural Area will help manage its environmental, social and economic values and maximise the productive use of the land*'.<sup>41</sup>

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<sup>39</sup> *Greater Sydney Region Plan – A Metropolis of Three Cities*, Greater Sydney Commission, March 2018

<sup>40</sup> Ibid, p.160

<sup>41</sup> Ibid

The GSRP contains a series of Directions and Objectives to guide planning for Greater Sydney. Many of these Directions and Objectives are relevant considerations in this project, as shown in Table 7. These provide a lens to highlight where the Seniors Housing SEPP is not aligned<sup>42</sup>.

**Table 1: Relevant Directions and Objectives in the GSRP**

DIRECTION	KEY OBJECTIVES	RELEVANT CONSIDERATION
<i>A city supported by infrastructure - Infrastructure supporting new developments</i>	<ul style="list-style-type: none"> <li>Infrastructure aligns with forecast growth</li> <li>Infrastructure adapts to meet future needs</li> <li>Infrastructure use is optimised</li> </ul>	<ul style="list-style-type: none"> <li>Seniors housing in rural areas requires the reticulation of utility services or needs to provide on-site services.</li> <li>Development of seniors housing is project-based on a site by site case and therefore alignment of infrastructure with growth is difficult</li> <li>Seniors housing may have cumulative impacts on regional infrastructure (e.g. road network) but these are difficult to quantify given the ad hoc nature of development</li> </ul>
<i>A city for people – Celebrating diversity and putting people at the heart of planning</i>	<ul style="list-style-type: none"> <li>Services and infrastructure meet communities' changing needs</li> <li>Communities are healthy, resilient and socially connected</li> </ul>	<ul style="list-style-type: none"> <li>Servicing the needs of seniors housing in rural areas may be challenging depending on level of isolation</li> <li>Location of seniors housing in more isolated areas means that it is more difficult to integrate with surrounding communities and be socially connected.</li> <li>Retirement villages can create strong communities in their own right. They can provide good social support and connections. They can also provide on-site services that are not available nearby.</li> </ul>
<i>Housing the city – Giving people housing choices</i>	<ul style="list-style-type: none"> <li>Greater housing supply</li> <li>Housing is more diverse and affordable</li> </ul>	<ul style="list-style-type: none"> <li>Seniors housing developments in the rural areas increase housing supply and housing diversity.</li> <li>Seniors housing in rural areas of The Hills and Hornsby may be more affordable (although this is not often the case) or be able to provide better on-site facilities than in urban areas.</li> <li>Seniors housing is occurring in rural areas because it is difficult for aged housing providers to compete with residential developers in urban areas.</li> </ul>
<i>A city of great places – Designing places for people</i>	<ul style="list-style-type: none"> <li>Great places that bring people together</li> </ul>	<ul style="list-style-type: none"> <li>Creating a city of great places requires a place-based approach, fine grain and connections not easily achieved through a site by site approach.</li> <li>Seniors housing in rural areas occurs sporadically and outside the local strategic planning framework. As such, it is difficult to factor it into place making for an area.</li> </ul>
<i>A well-connected city – Developing a more accessible and walkable city</i>	<ul style="list-style-type: none"> <li>A Metropolis of Three Cities – integrated land use and transport creates walkable and 30-minute cities</li> </ul>	<ul style="list-style-type: none"> <li>Locating seniors housing in the rural areas of The Hills and Hornsby, within 400m of a bus stop does not necessarily deliver on the 30-minute city objective, as matters such as reliability, frequency and destination options vary greatly.</li> </ul>

<sup>42</sup> Refer to State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004, Clause 2(2).

		<ul style="list-style-type: none"> <li>Locating seniors housing in more isolated areas means that it may be more difficult to integrate with communities and be socially connected and does not align with the principles for improving walkability.</li> </ul>
<i>A city in its landscape – Valuing green spaces and landscape</i>	<ul style="list-style-type: none"> <li><i>Biodiversity is protected, urban bushland and remnant vegetation is enhanced</i></li> <li><i>Scenic and cultural landscapes are protected</i></li> <li><i>Environmental, social and economic values in rural areas are protected and enhanced</i></li> </ul>	<ul style="list-style-type: none"> <li>Seniors housing may lead to clearing of vegetation, particularly because of need for bushfire buffers. However, there is also the opportunity to negotiate long term biodiversity outcomes as part of any biodiversity offsets approach and for new planting and landscaping to occur.</li> <li>Seniors housing can impact on scenic and cultural landscapes in the rural areas of The Hills and Hornsby depending on design, bulk, scale etc.</li> <li>Seniors housing may have adverse impacts on a range of economic values, in particular the tendency to inflate land values, which in turns leads to under-utilisation and under-investment in productive rural industry.</li> </ul>

### District Plans

The District Plans are a guide for implementing the GSRP at a district level and a bridge between regional and local planning. Hornsby Shire is covered by the North District Plan while The Hills Shire is covered by the Central City District Plan. The better management of rural areas is identified as a Planning Priority in both the Central City District Plan and North District Plan (refer Planning Priority C18 and N18 respectively). Both Plans also identify Actions to help in achieving this Planning Priority as follows:

<b>Actions</b>	<b>Responsibility</b>
<i>Maintain or enhance the values of the Metropolitan Rural Area using place-based planning to deliver targeted environmental, social and economic outcomes</i> (Action 73 in Central City District Plan and Action 69 in North District Plan)	<i>Councils and other planning authorities</i>
<i>Limit urban development to within the Urban Area</i> (Action 74 in Central City District Plan and Action 70 in North District Plan)	<i>Councils, other planning authorities, State agencies and State-owned corporations</i>

The District Plans reiterate the significance of the MRA to the scenic and cultural landscape, biodiversity and productivity of the Greater Sydney Region. Both District Plans note that urban development is not consistent with the values of the MRA and that Greater Sydney's future housing needs should be accommodated within the current boundary of the Urban Area (including existing growth areas).

The District Plans also emphasise that maintaining and enhancing the distinctive character of each rural and bushland town and village is a high priority. The scope for growth in rural towns and villages is one that responds to local demand for growth, the character of the town or village and the surrounding landscape and rural activities. It is not expected that rural and bushland towns and villages would play a role in meeting regional or district scale demand for residential growth.

Both District Plans note that a significant proportion of the Districts' rural land is under-utilised and has the potential to be used for more productive rural uses, such as agriculture and low-intensity tourist and visitor accommodation.

## Appendix 3: Local planning controls

### Hornsby Local Environmental Plan 2013

Hornsby Local Environmental Plan (LEP) 2013 applies to the Hornsby LGA and uses four rural land use zones:

- RU1 Primary Production
- RU2 Rural Landscape
- RU4 Primary Production Small Lots
- RU5 Village

Rural towns and villages in Hornsby are primarily zoned R2 Low Density Residential with some areas zoned B1 Neighbourhood Centre and RE1 Public Recreation. A significant proportion of the rural land within Hornsby LGA is zoned for environmental purposes, including E3 Environmental Management, where the Seniors Housing SEPP would not apply.

In Hornsby, most rural land potentially impacted by the provisions of the Seniors Housing SEPP is zoned either RU2 Rural Landscape or RU4 Primary Production Small Lots. A very small amount is zoned RU5 Village.

Under the Hornsby LEP 2013, the objectives of the RU2 Rural Landscape zone are:

- To encourage sustainable primary industry by maintaining and enhancing the natural resource base;
- To maintain the rural landscape character of the land;
- To provide for a range of compatible land uses, including extensive agriculture;
- To encourage land uses that support primary industry, including low-scale and low-intensity tourist and visitor accommodation and the provision of farm produce direct to the public; and
- To ensure that development does not unreasonably increase the demand for public infrastructure, services or facilities.

In the RU2 Rural Landscape zone, extensive agriculture is permitted without development consent. Dwelling houses, rural workers' dwellings, secondary dwellings and group homes (such as transitional housing for people undergoing drug or alcohol rehabilitation) are permitted with development consent. All other forms of residential accommodation are prohibited. A wide range of other uses such as extractive industries, intensive plant agriculture, tourist and visitor accommodation and places of public worship are permitted with consent.

The objectives of the RU4 Primary Production Small Lots zone are:

- To enable sustainable primary industry and other compatible land uses;
- To encourage and promote diversity in employment opportunities in relation to primary industry enterprises, particularly those that require smaller lots or are more intensive in nature;
- To minimise conflict between land uses within this zone and land uses within adjoining zones;
- To encourage land uses that support primary production, including low-scale and low-intensity tourist and visitor accommodation and the provision of farm produce direct to the public; and
- To ensure that development does not unreasonably increase the demand for public infrastructure, services or facilities.

In the RU4 Primary Production Small Lots zone, extensive agriculture is permitted without development consent. Dwelling houses, rural workers' dwellings, secondary dwellings and group homes are permitted with consent. All other forms of residential accommodation are prohibited. Other types of development permitted

with consent include aquaculture, cellar door premises, garden centres, intensive livestock agriculture, open cut mining, plant nurseries and roadside stalls.

### **The Hills Local Environmental Plan 2012**

The Hills Local Environmental Plan (LEP) 2012 applies to The Hills LGA and uses three rural land use zones for land within the MRA. These are:

- RU1 Primary Production
- RU2 Rural Landscape
- RU6 Transition

In The Hills, almost all rural land potentially impacted by the provisions of the Seniors Housing SEPP is zoned RU6 Transition. Only a small area at Glenorie zoned RU2 Rural Landscape is potentially impacted by the Seniors Housing SEPP.

Under The Hills LEP 2012, the objectives of the RU6 Transition zone are:

- To protect and maintain land that provides a transition between rural land and other land uses of varying intensities or environmental sensitivities;
- To minimise conflict between land uses within this zone and land uses within adjoining zones; and
- To encourage innovative and sustainable tourist development, sustainable agriculture and the provision of farm produce direct to the public.

In the RU6 Transition zone, extensive agriculture and bed and breakfast accommodation is permitted without consent. Dwelling houses and secondary dwellings are permitted with consent. All other forms of residential accommodation are prohibited. Other forms of development permitted with consent include agricultural produce industries, garden centres, intensive plant agriculture, restaurants and cafes and veterinary hospitals.

This summary of local planning controls set out in both LEPs shows that the rural land potentially impacted by the SCC provisions of the Seniors Housing SEPP do not otherwise offer significant opportunities to develop residential accommodation, and do not offer any opportunities to develop attached dwellings, multi dwelling housing, residential flat buildings or seniors housing.

## Appendix 4: Development activity

### SCCs in the rural areas of Hornsby local government area

A summary of SCCs approved, refused and under consideration in the rural areas of Hornsby is provided in Table 8. The table shows that:

- a total of six seniors housing proposals in the rural areas of Hornsby were issued with SCCs during the reporting period, comprising a total of 550 ILUs and 352 RACF beds.
- three SCCs were recently (since October 2018) refused by the Sydney North Planning Panel. These projects totalled 730 ILUs and 260 RACF beds. The reasons for refusal are discussed in Section 4.3.
- four SCCs are currently under consideration. Only one of these is new and is for 33 ILUs. The other three are seeking to preserve the validity of previously issued SCCs that may be about to lapse, but also make changes to the schemes including in one instance increasing the number of approved ILUs from 76 to 94.

**Table 2: Summary of SCCs approved, refused and under consideration in rural areas of Hornsby**

ADDRESS	ILUs	RACF BEDS	SCC DETERMINATION
<b>SCCS ISSUED</b>			
353 Galston Rd, Galston	30	0	SCC issued 23.6.10 but lapsed on 23 June 2012.
392 Galston Road & 5 Mid-Dural Rd, Galston	94	0	SCC issued 5.11.08 SCC reissued 17.9.10
328A, 330-334 Galston Rd, Galston	96	0	SCC issued 8.12.08 SCC reissued 14.2.11
705-717 Old Northern Rd, Dural	0	158	SCC issued 15.7.16
3 Quarry Road and 4 Vineys Rd, Dural	216	74	SCC issued 24.5.17
589-593 Old Northern Rd, Glenhaven	114	120	SCC issued 24.1.17
<b>TOTAL APPROVED</b>	<b>550</b>	<b>352</b>	
<b>SCCS REFUSED</b>			
663-667 Old Northern Rd & 4 Franlee Rd Dural	516	130	SCC refused by North District Planning Panel 28.3.19
795-821 Old Northern Rd Dural	119	130	SCC refused by North District Planning Panel 28.3.19
328a, 330-334 Galston Rd, Galston	95	0	SCC refused by North District Planning Panel 9.4.19
<b>TOTAL REFUSED</b>	<b>730</b>	<b>260</b>	
<b>SCCS UNDER CONSIDERATION</b>			
3 Quarry Road and 4 Vineys Rd, Dural (see above)	219	74	New application seeks to preserve validity of previously issued SCC.
589-593 and 599-607 Old Northern Rd, Glenhaven (see above)	89	80	New application seeks to preserve validity of previously issued SCC for 589-593 Old Northern Rd. Extension of area proposed for the purpose of using the internal connecting roads of the existing village
47 Cairnes Rd, Glenorie	33	0	New application.

ADDRESS	ILUs	RACF BEDS	SCC DETERMINATION
392 Galston Rd & 5 Mid-Dural Rd, Galston	94		Application seeking to enlarge the approved community centre; and to increase the number of dwellings from 76 to 94.
<b>TOTAL UNDER CONSIDERATION</b>	<b>435</b>	<b>154</b>	

### SCCs in the rural areas of The Hills local government area

A summary of SCCs approved, refused and under consideration in the rural areas of The Hills is provided in Table 9. The table shows that:

- four seniors housing proposals in the rural areas of The Hills were issued with SCCs during the reporting period, comprising a total of 297 independent living units (ILUs) and 192 RACF beds.
- three SCCs are currently under consideration, one of which had been previously issued but has since lapsed. The SCCs under consideration comprise a total of 378 ILUs and 120 RACF beds.
- one SCC has been refused and this was because the site was zoned E4 Environmental Living and therefore categorised as environmentally sensitive land under Schedule 1 of the SEPP which is land on which seniors housing cannot be developed.

**Table 3: Summary of SCCs approved, refused and under consideration in rural areas of The Hills**

ADDRESS	ILUs	RACF BEDS	SCC DETERMINATION
<b>SCCS APPROVED</b>			
50 Kenthurst Rd, Dural	70	0	SCC issued 7.4.11
5552-5554 & 5564 Old Northern Rd, Wisemans Ferry	26	0	SCC issued 14.8.13
15 Old Glenhaven Rd, Glenhaven (now 93 Glenhaven Rd)	Not specified in 2014 SCC but DA approval for 97	Not specified in 2014 SCC but DA approval for 120	SCC issued 5.3.09 SCC reissued 7.8.14 SCC revised and reissued 28.11.14
3-5 Pellitt Lane & 9 Wirrabara Rd, Dural	104	72	SCC issued 9.6.16 SCC reissued 23.3.18
140-146 Glenhaven Rd, Glenhaven	12	0	SCC issued 29.4.16 SCC lapsed. Application for new SCC currently under consideration
<b>TOTAL APPROVED</b>	<b>297</b>	<b>192</b>	
<b>SCCS REFUSED</b>			
400a Old Northern Rd, Glenhaven	14	0	SCC refused 6.2.17 Land zoned E4 Environmental Living – considered to fall under Schedule 1 of SEPP
<b>TOTAL REFUSED</b>	<b>14</b>	<b>0</b>	
<b>SCCS UNDER CONSIDERATION</b>			
140-146 Glenhaven Rd, Glenhaven	12	0	SCC issued 29.4.16 but since lapsed
263 Annangrove Rd & 12-14 Edwards Rd, Rouse Hill	226	120	
9 Old Glenhaven Rd, Glenhaven	140	0	



ADDRESS	ILUs	RACF BEDS	SCC DETERMINATION
TOTAL UNDER CONSIDERATION	378	120	

### Overview of SCCs converting to DAs/building activity

Table 10 shows the total number of ILUs and RACF beds in the project area for which SCCs have been issued and DAs approved, as well as the total number that have subsequently been constructed. The table shows that none of the ILUs and RACF beds the subject of SCCs in the rural areas of Hornsby have been constructed as yet. Just over half of the ILUs and around 60 percent of RACF beds have been constructed in The Hills.

**Table 4: Summary of SCCs converting to DAs/building activity in the rural areas of Hornsby and The Hills (Oct 2007-May 2019)**

	HORNSBY	THE HILLS
<b>SCCs issued</b>		
• Total ILUs	550	297
• Total RACF beds	352	192
<b>DAs approved</b>		
• Total SCCs issue for which DAs have been approved		
• Total ILUs	248	190
• Total RACF beds	232	120
<b>Total constructed</b>		
• Total ILUs	Nil	167
• Total RACF beds	Nil	120

### SCCs converting to DAs/building activity in Hornsby

In Hornsby, development approval has been granted for five of the six projects for which SCCs have been issued, as shown in Table 11. In summary:

- Of the five projects in Hornsby for which DAs were lodged, four were refused;
- Three of the DAs that were refused were later overturned by the Land and Environment Court on appeal;
- The DA that was approved was issued with deferred development consent. This project has not yet commenced, with the consent active until 2021;
- Most recently, the appeal in the Land and Environment Court against refusal by the Sydney North Planning Panel of the DA for seniors housing at 3 Quarry Road and 4 Vineys Road, Dural was dismissed. The reasons for this are discussed in Section 4.3;
- The SCC for 353 Galston Rd, Galston has not been converted into a DA.

In late 2018, construction commenced on the project at 392 Galston Road, Galston.

The only project that has been completed in Hornsby local government area is a large retirement village known as the Glenhaven Green Retirement Village which was developed by Anglicare. The existing village at 599-607 Old Northern Road, Glenhaven was approved prior to the introduction of the SCC process in 2007. A SCC was issued in 2017 to extend the development to the adjoining site at 589-593 Old Northern

Road and a DA for 76 ILUs and 79 RACF beds was approved by the Land and Environment Court in late 2018. A new SCC application has been lodged seeking to preserve the validity of the previously issued SCC (that may be due to lapse) and for the purpose of using the internal connecting roads of the existing village. The two properties are shown in Figure 16.

**Figure 16: Glenhaven Green Retirement Village.** Existing village (599-607 Old Northern Rd Glenhaven) outlined in red and area of expansion (589-593 Old Northern Rd Glenhaven) outlined purple

Source: [www.nearmap.com](http://www.nearmap.com)



**Table 5: Conversion of SCCs to DAs – Hornsby LGA**

ADDRESS	DA DETERMINATION	CONSENT AUTHORITY	NO OF DWELLINGS/ BEDS APPROVED	CURRENT STATUS
353 Galston Rd, Galston	Has not proceeded to DA and SCC has lapsed	N/A	N/A	N/A
392 Galston Road & 5 Mid-Dural Road, Galston	<ul style="list-style-type: none"> <li>20.12.10 - DA for 78 ILUs refused by JRPP (DA/832/2010).</li> <li>15.9.11 - DA for 76 ILUs refused by JRPP (DA/484/2011).</li> <li>12.1.12 - LEC upheld appeal against refusal of DA/484/2011 and granted deferred commencement consent</li> <li>Number of modification applications subsequently lodged for minor increase in floor area and additional facilities.</li> </ul>	LEC	76 ILUs	Site works commenced and dwelling demolished
328A, 330-334 Galston Road, Galston	<p><u>330-334 Galston Rd</u></p> <ul style="list-style-type: none"> <li>Deferred commencement approval issued by JRPP 23.2.12.</li> </ul> <p><u>328a,330-334 Galston Rd</u></p> <ul style="list-style-type: none"> <li>SCC application lodged seeking to include 328a in site and change layout etc. Refused.</li> </ul>	JRPP	96 ILUs	Not commenced
705-717 Old Northern Road, Dural	<ul style="list-style-type: none"> <li>29.11.17 - DA for 153 bed RACF refused by Sydney North Planning Panel.</li> <li>7.6.18 Appeal to LEC upheld and deferred commencement consent issued</li> </ul>	LEC	153 RACF beds	Site works commenced
3 Quarry Road and 4 Vineys Road, Dural	<ul style="list-style-type: none"> <li>5.12.18 - DA for 146 ILUs refused by Sydney North Planning Panel.</li> <li>Appeal against deemed refusal dismissed</li> </ul>	LEC – appeal against DA refusal dismissed.	146 ILUs 74 RACF beds	N/A
589-593 & 599-607 Old Northern Road, Glenhaven  (Aerial of site provided in Figure 16)	<p><u>599-607 Old Northern Rd.</u></p> <p>DAs approved prior to SCC process for 200 ILUs. Various modifications since then, including DA/1709/2007/J which sought approval for additional road works connecting to adjoining site (No 593), the subject of separate SCC application. Appeal against Council's deemed refusal was upheld by LEC in December 2018.</p> <p><u>589-593 Old Northern Rd.</u></p> <ul style="list-style-type: none"> <li>Jan 2017 - SCC issued for extension of retirement village.</li> <li>DA lodged with Council for 80 ILUs and RACF comprising 79 beds.</li> <li>Appeal lodged against Council's deemed refusal of this application as well as modification DA/1709/2007/J referred to above.</li> <li>3.12.18 – LEC upheld appeal and development consent issued. No of ILUs reduced from 80 to 76.</li> </ul>	LEC	76 ILUs and 79 RACF beds	<p>599-607 Old Northern Rd - Anglicare Glenhaven Green retirement village constructed.</p> <p>589-593 Old Northern Rd – construction not yet commenced.</p>

**SCCs converting to DAs/building activity in The Hills**

In The Hills, all five of the projects for which SCCs have been issued have proceeded to DAs (refer to Table 12). In summary:

- Four DAs have been approved;
- One DA (140-146 Glenhaven Rd, Glenhaven) has been refused by Council as the SCC had lapsed;
- Two projects comprising a total of 267 ILUs (including 100 ILUs approved pre 2007) and 120 RACF beds have been constructed and are complete, as shown in and Figure 17 and Figure 18 below; and
- One DA for 104 ILUs and 72 RACF beds is currently being assessed by Council.

**Table 6: Conversion of SCCs to DAs – The Hills LGA**

ADDRESS	DA DETERMINATION	NO OF DWELLINGS/ BEDS APPROVED	CONSENT AUTHORITY	CURRENT STATUS
50 Kenthurst Rd, Dural	12.3.12 – DA Approved	70 ILUs	Council	Completed
5552-5554 & 5564 Old Northern Rd, Wisemans Ferry	13.5.15 – DA Approved (Deferred commencement consent)	23 ILUs	Council	Not commenced
15 Old Glenhaven Rd, Glenhaven (including 93 Glenhaven Rd)	23.9.10 – DA approved for ILUs 28.8.15 – DA approved for RACF beds	97 ILUs and 120 RACF beds	(Former) Sydney West Joint Regional Planning Panel	Completed
3-5 Pellitt Lane & 9 Wirrabara Rd, Dural	20.12.18 - DA lodged	104 ILUs and 36 RACF beds	Sydney Central City Planning Panel	DA not yet determined
140-146 Glenhaven Road, Glenhaven	<ul style="list-style-type: none"> <li>• 14.7.17 – DA lodged</li> <li>• 18.9.18 – DA refused</li> </ul>	12 ILUs	Council	Awaiting issue of new SCC





Figure 17: 50 Kenthurst Rd, Dural (Source: [www.nearmap.com](http://www.nearmap.com))



93 Glenhaven Rd (120 RACF beds)

Figure 18: 15 Old Glenhaven Rd (Source: [www.nearmap.com](http://www.nearmap.com))

## Appendix 5: Development characteristics

**Table 7: Built form characteristics of SCC proposals in the project area which have proceeded to DA**

ADDRESS	TYPE OF DEVELOPMENT	HEIGHT	SITE AREA	DEVELOPMENT CHARACTERISTICS	LANDSCAPING	STATUS
<b>HORNSBY</b>						
392 Galston Road & 5 Mid-Dural Road, Galston	ILUs	Single storey	4.05ha	N/A	30%	
328A, 330-334 Galston Road, Galston	ILUs	Two storeys 8m	3.7ha	The approved development comprises 58 self-contained ILUs in three apartment blocks with basement car parks. There are 38 single storey ILUs with garages	44%	
705-717 Old Northern Road, Dural	RACF	12m - Two storey plus basement carpark	1.98 Ha.		60% landscaped area. No min landscape requirement under the SEPP for RACF.  The frontage of the site includes remnant vegetation comprising Sydney Turpentine Ironbark Forest, a critically endangered ecological community	
3 Quarry Road and 4 Vineys Road, Dural	ILUs	3 storey	30ha	Overall density of 0.83:1 comprising 0.13:1 for the RACF and 0.70:1 for ILUs	N/A. Proposal does not demonstrate compliance with 15% deep soil planting	L&E Court dismissed appeal May 2019.
589-593 & 599-607 Old Northern Road, Glenhaven	ILUs and RACF	RACF is 2 storeys in height with basement car parking. All self-contained dwellings are single storey.	7.68ha	Site coverage is 21%, FSR is 0.79:1.	Landscaping assessed as compliant with the minimum 30% requirement.	

ADDRESS	TYPE OF DEVELOPMENT	HEIGHT	SITE AREA	DEVELOPMENT CHARACTERISTICS	LANDSCAPING	STATUS
<b>THE HILLS</b>						
50 Kenthurst Rd, Dural	ILUs	2 storeys	2ha	FSR of 0.37:1  Aerial of site provided in Figure 17.	63%	
5552-5554 & 5564 Old Northern Rd, Wisemans Ferry	ILUs	2-3 storeys, Max 10.5m	1,857m2	N/A	30%	Deferred commencement consent issued 13.5.15. Applicant to demonstrate compliance with water and sewerage requirements. Construction not yet commenced.
15 Old Glenhaven Rd, Glenhaven	ILUs	Single storey villas	12.45ha	Refer aerial of site in Figure 18.	50-114m2 per dwelling	
93 Glenhaven Rd	RACF	11.58m	0.85ha	Refer aerial of site in Figure 14.	Complies	
3-5 Pellitt Lane & 9 Wirrabara Rd, Dural	ILUs and RACF	Two storeys	6.3ha	0.25:1	N/A	
140-146 Glenhaven Road, Glenhaven	ILUs	One storey	7.2ha	Proposed FSR 0.142:1 The existing development comprises of predominantly single storey villas and a two storey hostel building.	Landscape/deep soil area 76%	

## **Appendix 6: SEPP Seniors Housing Market Report: Hornsby and The Hills LGAs**



# *SEPP Seniors Living Market Report: Hornsby and The Hills Shire LGAs*

Prepared for Greater Sydney Commission

May 2019



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# Executive Summary

## Overview

There are four broad categories of seniors living across Australia, being:

- Traditional retirement villages;
- Strata title housing for residents aged 55 and over;
- Manufactured Housing Estates (MHEs); and
- Residential Aged Care (RAC).

The study area comprising Hornsby and The Hills Shire Local Government Areas has strong representation of three of the four categories, with MHEs being under-represented. All four categories can utilise the provisions of the Seniors Living SEPP.

Not surprisingly, the main driver of growth in seniors living has been Australia's ageing population. In 2016, 3.7 million (15%) of Australia's population was aged 65 and over, compared to 1.3 million (9%) in 1976. This is expected to grow to 8.7 million (22% of the population) by 2056.

Strong growth in the study area is also expected, with the population of residents aged 65 and over increasing from 44,900 in 2016 to 61,900 in 2026.

## Supply / Demand Analysis

JLL has analysed the supply and demand of residential aged care (RAC) places across the study area. The findings suggest that the study area has a higher than average supply of RAC beds:

- As at 2019, there were 34 residential aged care facilities providing 3,508 beds across The Hills and Hornsby Shire LGAs. This provides 104 beds per 1,000 residents aged 70 and over living in RAC facilities within the study area.
- The Commonwealth Government is targeting only 78 beds per 1,000 residents aged 70 and over by 2022, with increased emphasis on home care options. On this basis, the study area is over-supplied with RAC beds and will remain so over the next six years (the forecast period).
- Even without growth in RAC beds in the study area (and it will be difficult to justify funding given the current numbers), there will still be 192 more beds than the Commonwealth target in the Hornsby and Hills Shire LGAs.

JLL has analysed the supply and demand of retirement living units (traditional villages, strata units, MHEs) across the study area. The findings suggest that the study area has a higher than average supply of independent seniors living options:

- As at 2019 there was an estimated 3,481 ILUs in the study area.
- Allowing for average occupancy of 1.3 persons per unit, approx. 9.2% of the resident population aged 65 and over are in dedicated retirement units.
- This is considerably higher than market averages, which are typically 6% for traditional retirement villages and around 8% when MHEs and strata units are included.
- The market penetration rate of the 65 and over age cohort is set to rise to 12.5% by 2025 based on the current pipeline of projects.
- Given the high level of existing supply together with strong pipeline, it is likely that some of these projects will be slow to achieve full occupancy or may be deferred or abandoned.

JLL is aware of new projects currently being marketed in the Hills District that have proven slow to sell. There is considerable choice in the market, which is impacting sales rates for new product. Furthermore, the general downturn in

the residential market is having a flow-on affect to the retirement living market, with the sale price of the family home ultimately influencing what retirees can afford to pay for a retirement unit.

### Price Points

Price points for retirement living product tend to be aligned with the prevailing house and unit prices in the region with prospected residents needing to sell the family home prior to committing to a retirement option. Retirement living product tends to be in line with similar non-retirement living residential product.

Furthermore, some of the price points of retirement living product in rural locations such as Dural were on par with non-rural locations. Dural and Glenhaven are relatively expensive suburbs. Other rural locations may provide a lower cost option.

We note that in rural areas, over 55s developments may provide a form of development in a rural or semi-rural setting that is not otherwise available (e.g. low maintenance villas / apartments with communal facilities). Therefore, there is limited evidence or comparable product to compare the pricing.

We note that in terms of more affordable price points for retirement living product, MHEs tend to provide a lower cost option. This is a form of retirement living in the study area that is virtually non-existent.

### Developer Interest

Developers of projects approved under the Seniors Housing SEPP are a mix of retirement village owners and operators, and residential developers. Traditional retirement village developers such as the not-for-profit groups have primarily targeted urban areas. In rural locations, residential developers appear to have been most active.

We have reviewed a sample of residential developers that have submitted applications under the Seniors Housing SEPP in The Hills or Hornsby Shire Councils in recent years. Some developers are not active across the Sydney region and are likely a first time developer, while other developers have undertaken multiple projects in the Sydney region. We are not aware of residential developers that are specifically targeting multiple opportunities across Greater Sydney utilising the Seniors Housing SEPP provisions.

Golf clubs, RSL clubs, Leagues Clubs and Bowling Clubs have also seen an opportunity to add value and further commercialise their landholdings, helping to supplement their club activities.

Overall, developer interest has slowed in line with the downturn in the residential market. We expect the majority of interest will be for small boutique projects. The larger developments in the pipeline and proposed in rural locations are expected to struggle to achieve sufficient pre-commitments to progress to construction.

### Financial Issues

There are a number of risks potentially impacting the viability of traditional retirement villages that are different to risks associated with residential development. Some of the risk relate to the loan-lease structure while other risks relate to the profile of prospective purchasers. In summary, the Retirement Villages Act 1999 protects incoming residents, which provides limited security to developers, which in turn makes it more difficult to obtain debt funding. Sales rates also tend to slower in retirement villages than other residential formats, meaning holding costs of units that are not occupied are relatively high.

We do not consider developments in rural location will necessarily be more financially feasible than urban setting. While the land costs may be lower, we would expect demand to be modest, which is expected to dictate the size of the project that would be financially feasible. Unique rural locations (e.g. overlooking golf course) are expected to provide opportunities for larger retirement communities to be developed in rural areas.

# Introduction

The Hornsby Shire and The Hills Shire Councils of Sydney have raised concerns regarding the development of Seniors Housing in rural towns and villages within their respective LGAs. Issues such as impact on the character of rural towns and villages have been raised while other concerns such as the ability of existing infrastructure and services to cope with increased population are also issues of concern.

This report covers the following:

- Market Overview, providing a high level overview of the history of seniors living, the major players and demographic trends
- Trends in Product Type, providing details of seniors living typologies, including traditional retirement villages, strata title housing approved under the Seniors Living State Environmental Planning Policy (SEPP), Manufactured Housing Estates and Residential Aged Care.
- Trends in emerging product, such as vertical villages and alternatives to residential aged care
- Supply and demand Market Assessment
- Price Points
- Developer Interest
- Financial Issues impacting the financial feasibility of projects in both rural and urban locations

The report will form an input into broader investigations currently underway.

# 1 Market Overview

This section provides an overview of the key components of the seniors housing market in Australia. We provide a short overview of retirement villages, the residential aged care market and Manufacture Housing Estates in Australia together with an overview of trends in the development of seniors housing via SEPP Seniors Housing in The Hills and Hornsby LGAs. We also provide an overview of demographic trends that continue to support growth in the seniors housing sector.

## 1.1 Retirement Village History

The retirement village sector has evolved from what was viewed as a ‘cottage industry’ to a sector that now attracts institutional grade investment. A brief history of the sector is provided below:

### Pre – 1975

During the period between World War II (when designated accommodation for seniors began to be provided in Australia) and the mid-1970s, the Commonwealth Government provided capital funding to qualifying church and charitable organisations to develop housing for the aged. However, this capital funding was phased out from 1974. This created the impetus for the private “for-profit” sector to play an increasing role through the development of “resident funded” villages, although these “for profit” operators were mainly small firms, individuals and private investment consortia.

### Mid 1970s – Mid 1990s

Many new entrants to the retirement village sector during the 1980s and 1990s were traditional residential developers who saw the opportunity to provide a residential product for a specific age cohort, and either by default or intentionally, also became operators after the developments were completed.

The charitable and religious organisations, generally referred to as the “not-for-profit” operators, also continued to play a major part in the retirement village sector post-1980, adopting the various resident funded models introduced by the private sector to develop new facilities.

Consequently, during the mid-1980s through to the mid-1990s, there was significant new retirement housing stock introduced to the market, some of which was the result of favourable taxation provisions at the time (Tax Ruling 1994/24) that enabled developers to claim tax deductions for development costs in the year in which they occurred. These tax advantages have since been withdrawn, but at the time the influx of investment capital into the retirement village sector resulted in some inappropriate product being developed in some areas as the driver was to build quickly to gain the deductions rather than building smartly to meet the actual and anticipated demand.

A number of operators and developers were placed into receivership by the banks and other financiers when they failed to meet their debt obligations through not being able to sell the end product.

### Mid 1990s – Early 2000s

The mid to late 1990s was a difficult time for retirement village operators as business confidence in the sector weakened and banks and financiers were more cautious about lending on new developments and existing facilities. Discount rates used to calculate the present value of future potential cash flows in retirement villages increased during this period as the market priced a higher level of risk into the sector, and sales of “distressed” properties by mortgagees in possession were heavily discounted. A prime example was the sale of the Jennings portfolio of 12 villages in late 1994. While the villages were valued at around \$65 million, they were sold to FAI for approximately \$33 million.

With increased activity from the private sector, the structure of the industry changed and there was a need for new legislation to protect the interests of the residents. This coincided with a move within the industry itself for improved standards and a more professional approach through the introduction of a national accreditation scheme.

The market continued to revise its perception of the level of risk in the retirement village sector, driven by a number of fundamental changes including a better understanding of the business associated with retirement living, and

improved media reporting. However, the turnaround in the industry was primarily driven by strong forecast demand in retirement accommodation due to the ageing of the population.

Around the turn of the century, traditional 'horizontal' villages began to be challenged by the incorporation of apartments, which progressed to the emergence of 'vertical' villages.

## 2004 – 2007

The period between 2004 and mid 2007 saw a number of new entrants into the sector including Macquarie Capital Alliance Group, Prime Trust, Meridien, AMP, Babcock & Brown, ING Community Living, RVG, Becton Property Group, and Stockland. All these groups had previously had little or no exposure to the sector.

At the same time, established operators such as FKP, Aevum (previously the Hibernian Group), PrimeLife, Retirement by Design, ARV and others were actively growing their own position in the market through acquisitions.

While the level of activity and consolidation within the not-for-profit sector was not as strong as the for-profit sector, a number of groups have continued to grow their portfolios, mostly through new development. NFP operators engaged in new development included Anglican Retirement Villages, Illawarra Retirement Trust, Southern Cross Care, Frank Widdon Homes, Blue Care, Catholic Healthcare, and HammondCare. Increasingly, these developments targeted the wealthier end of the market in order to cross-subsidise less viable activities.

The sector reached a peak during this period, with record prices being paid for portfolios. This generated a significant amount of market activity as those developers seeking to divest acted in order to maximise their return on exit. Some groups viewed it as an opportunity to exit at the peak and commence again off the back of the profit.

## 2008 – Present

The sale of the Zig Inge retirement portfolio is generally accepted as the last transaction during the peak before the market began to fall in 2008.

Since the Global Financial Crisis, a number of the major owner-operators in the sector, most notably some of the "for-profit" operators who had first invested in the sector during the growth years of 2004-2007, began to sell down their assets (either voluntarily or in Receivership). Babcock and Brown, AMP Capital and Macquarie Capital Alliance Group have all exited the sector, Aevum was taken over by Stockland, and RVG was amalgamated into Aveo with the exit of Macquarie as the fund manager.

In addition, a number of local congregational retirement villages have been taken over by the parent church organisation, for instance, Uniting Church, Presbyterian Church, and the Catholic Church.

A trend towards 'high end' accommodation has emerged in recent years, which has made some stock unaffordable for some segments of the retiree market. There was also a notable increase in speculative and relatively expensive product built in non-metropolitan areas that did not have the base population or underlying fundamentals to support it. Success was reliant upon metropolitan based retirees drawn to the rural lifestyle rather than demand supported by the local residential population. This concept has contributed to further receiverships, particularly when the demand for retirement accommodation in such areas wasn't carefully researched at the onset.

Offshore interest in the sector grew; however, the structure of the income stream, being primarily Deferred Management Fees payable on residents leaving the village, has proven difficult for many offshore operators, due to the unpredictable nature of the timing of the cash flow.

In recent years there has been a greater focus on diversification in product with marketing terms such as 'tree-change'/'sea-change' being used and villages focusing on lifestyle and rebranding as 'lifestyle' villages. The increased variety in terminology has caused some confusion in the marketplace as the Manufactured Home Estate sector has become more sophisticated and uses similar terminology yet does not fall under retirement village legislation. Areas such as The Hills District of Sydney and the NSW Central Coast provide opportunities for retirees attracted to a 'tree-change' / 'sea-change lifestyle.



## 1.2 Residential Aged Care History

The aged care sector has also evolved from a ‘cottage industry’ to a sector that now attracts institutional grade investment. A brief history of the sector is below.

### Pre – 1975

Before World War II and up to about the 1950s, aged care services were developed predominately through religious and charitable organisations. In Australia, this included Uniting Care, Red Cross and the Country Women’s Association.

After World War II, the Australian tax structure changed from a state based model to a Commonwealth based model and The Aged Persons Home Act was introduced in 1954.

The introduction in 1962 of a Commonwealth funded Nursing Home benefit saw the ‘for-profit’ market expand rapidly. This was extended into Hostels in 1969.

The period 1963 – 1971 saw aged care beds grow from 29 beds per thousand over the age of 65 to circa 47.

The distribution of Aged Care facilities became unbalanced across the country during this time.

### Mid 1970s – Mid 1990s

The late 1970s and early 1980s saw significant focus on the aged care industry, with four major government reviews taking place. These reviews looked at expenditure, home care, hospitals and aged care, and hostels and nursing homes.

In 1985, the Aged Care Reform Strategy was implemented. This considered both home and residential care, the implementation of assessment strategies and improved access and equity across the broader market.

Community Aged Care Packages (CACP) were introduced in 1992 as a Commonwealth funded program to provide an alternative to low level residential aged care. This was a recognition of the benefits of ‘ageing in place’ as opposed to institutionalised residential aged care.

### Mid 1990s – Mid 2000s

In 1997, the Aged Care Act was introduced. The Act provided a more robust structure that allowed for the provision of more measured care services to the elderly across Australia. The Act introduced the following:

- Aged Care Standards and Accreditation
- Aged Care Assessment Teams (ACAT)
- An appeals process
- Funding targets
- Community Aged Care Packages (CACP) and Extended Aged Care at Home Packages (EACH)
- Accommodation Charges and Means testing
- Concessional beds
- Building Certification
- Resident Classification Scale (RCS)
- Ageing In Place
- “Nursing Home” and “Hostel” naming changed to “High Care and Low Care”.

## Mid 2000s to 2013

- Bupa, Macquarie Bank, Japara and AMP Capital secure market share acquiring thousands of beds across Australia.
- The Aged Care Funding Instrument (ACFI) replaces the Resident Classification Scale (RCS) in 2008.
- GFC cripples the economy and activity and occupancy in the aged care sector declines rapidly.
- “Caring for Older Australians” report released in 2011.
- “High Care and Low Care” classifications removed, with “Ageing in Place” being the new way forward.

## 2013 – Present

- The implementation of the Living Longer, Living Better reforms as at 1 July 2014
- The re-entry into the market by Private Equity Firms and Foreign Investors.
- The continued expansion by incumbent portfolio operators.
- The re-emergence of the PropCo/OpCo. Model into the marketplace.
- The introduction of further funding reforms at May 2016.

## The future

Aged care is an ever-evolving industry with continued reforms aimed at improving quality and care for our most vulnerable older Australians. Some of the changes expected in the coming years include:

- Significantly improve access and choice for consumers, and strengthen system sustainability.
- Implementation of the national voluntary quality indicators for aged care.

The Department of Health & Ageing’s Vision by 2022 is that Australia’s aged care system will:

- Be sustainable and affordable, long into the future
- Provide diverse and rewarding career options
- Encourage aged care businesses to invest and grow
- Offer greater choice, with control in the hands of consumers
- Support people to stay at home, and part of their communities, for as long as possible.

The Aged Care legislation mandates a five-year review be undertaken to look at the impact of reforms to date and where we need to take the system in the future.

## 1.3 Manufactured Home Estates (MHE),

### History

Manufactured Home Estates (MHE), Lifestyle Estate or Residential Village: this concept evolved from Caravan Parks whereby cabins and units became used on a more permanent basis, caravan parks became segregated between 'permanents' and holiday makers and this has evolved into designated residential parks for long term residents typically aged 55 and over. An MHE is a land lease community whereby the occupant owns their home and leases the land from the estate in which it is located.

MHEs are privately owned and self-contained structures within either a purpose built MHE or a Caravan Park. They are distinct from caravans in that whilst they can be factory built and transported to the park in sections, they are securely attached to the land on which they are situated and cannot be simply attached to a vehicle and towed away.

The MHE industry is based on the concept of the developer or a subsequent owner of the park retaining possession of the land, and the residents purchasing their houses and then entering into a Site Agreement with the owner requiring the resident to pay a ground rental for the use of the site and the provision of certain ancillary services.

Residents are provided with various amenities, such as community or recreation halls, swimming pools, bowling greens and barbecue/entertainment areas. The owner of the park maintains the grounds, but the care of the gardens around the residents' homes is typically the responsibility of the residents.

The owner of the park pays the local authority rates. Further, the residents do not incur some of the usual home ownership running costs associated with freehold title such as rates, land tax, garbage charges and lawn mowing charges.

The standards for the operation of the park are established by the owners of the estate, usually in consultation with the residents. These standards help to maintain the quality, appearance and appeal of the park. Since the residents of MHEs own their dwelling structure, most homeowners take pride in their property and the general care of the homes and the surrounding gardens by the residents is usually very good, particularly in the modern purpose built estates.

Many purpose built MHEs achieve high stabilised occupancy levels once they are fully established. Further, the rental income stream is generally considered to be stable for the following reasons:

- In most instances, residents have sold their family home prior to moving into the home park. They often have surplus capital from the sale, and may be recipients of various types of pensions (such as aged, disability or veterans pensions), which means their income is guaranteed by the Government.
- As MHE residents do not own the land on which they live, they are considered to be paying rent by the Government and they are consequently eligible for rental assistance (provided they meet the qualifying criteria).
- Outgoing residents are required to find a purchaser for their dwelling, who must be approved for residency by the park owner. The park owner then assigns the Site Agreement to the incoming resident or enters into a new Site Agreement.
- The outgoing resident is responsible for the payment of rent until his or her departure. The owner of the park will not assign the Site Agreement to the incoming resident until all rental matters are up to date.

Under such arrangements, the owner of the park retains the right to approve incoming residents, has continuity of rental income during occupant changeovers, and generates a secure cash flow (which is often paid from government pensions or rental assistance payments) under the Site Agreement.

Established properties generally provide a very good cash flow. Although the site rental fees are largely limited by the governing legislation to CPI based increases, the ongoing income stream post development is attractive to developers. Most good quality properties have high occupancy levels, and the ownership of the houses by the residents provides incentive for site rentals to be paid on time (usually by direct debit) with little or no arrears of rental payments.

JLL has previously undertaken a stocktake of MHEs across Australia and identified nearly 300 sites with the average number of units per site being 175. Occupancy of MHEs is expected to be higher than traditional retirement villages

(around 1.5 residents per site). There are also numerous permanent sites in holiday parks aimed at the over 55 market. While some of the residents in MHEs are likely to be under 65, the vast majority will be 65 and over.

It is likely that at least 75,000 Australians aged 65 and over live in MHEs. This represents 2% of the total population aged 65 and over.

## 1.4 Major Players

The Aged Care Residential Services industry is highly fragmented and characterised by a low level of market share concentration. No operator commands a market share of more than 5% and the top four operators account for less than 15% of total beds. Not-for-profit organisations (including charitable, religious and community-based operators) accounted for in excess of 50% of all operational residential-care places with the balance comprising private groups and government operators.

In recent years, private for-profit residential-care places and places offered by charitable operators have increased. In contrast, the relative proportions held by religious, community-based and government operators have trended downwards.

Following its \$450.0 million float in April 2014, Japara became the first pure-play aged-care company listed on the ASX, quickly followed by Regis Group in October and Estia Health in December. Private for-profit players are expected to continue to take on a greater role in the industry.

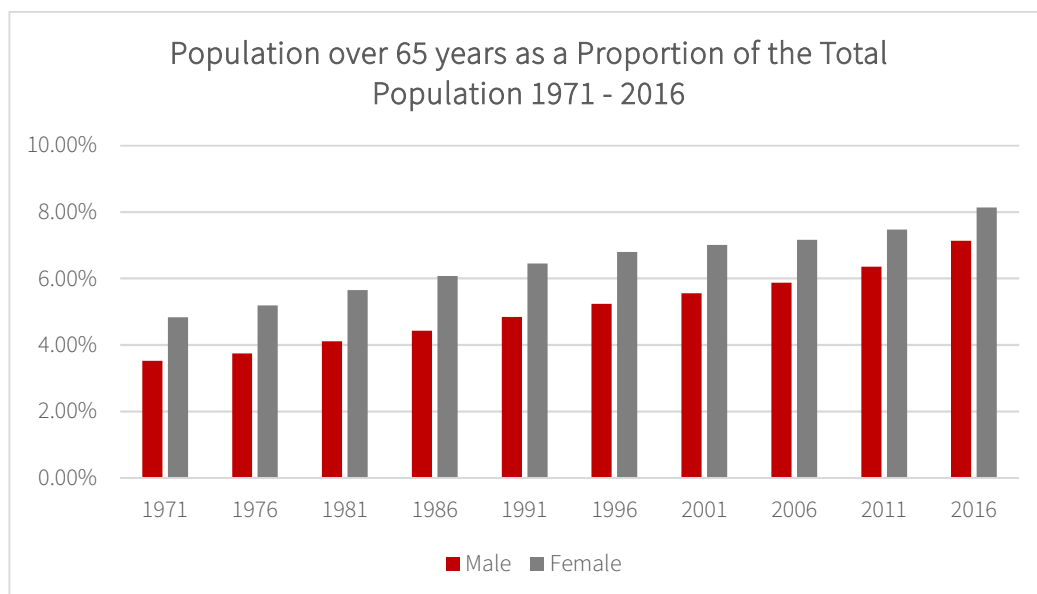
The low level of concentration also reflects the size of industry operators. Over 60% of industry operators operate one facility and over 76% of operators operate just one or two facilities. Only 7% of operators have 10 or more facilities. The average size facility is only 37 beds, although there are over 700 facilities with 100 or more beds, including 19 in The Hills Shire or Hornsby LGAs.

Given the high level of fragmentation in ownership it is expected that continued consolidation will continue to occur across the industry and that the larger listed groups will seek out continued opportunities to expand through acquisition of existing facilities, particularly as the approvals rounds become more competitive. Acquisition is the key to growth within the sector.

## 1.5 Demographic Trends

Ageing population is an international trend. Based on the Australian Bureau of Statistics (ABS) 2016 Census data it is reported that 15.4% (7.13% males and 8.27% females) of the population is in the over 65 years' cohort.

Coupled with this is the fact that the population is living longer. ABS Life Expectancy figures indicate that on average males will now live until 80.4 years and females until 84.6 years. The general trend of life expectancy has been a consistent upward increase with females consistently outliving males.



Source: ABS, 2016, *Australian Demographic Statistics*

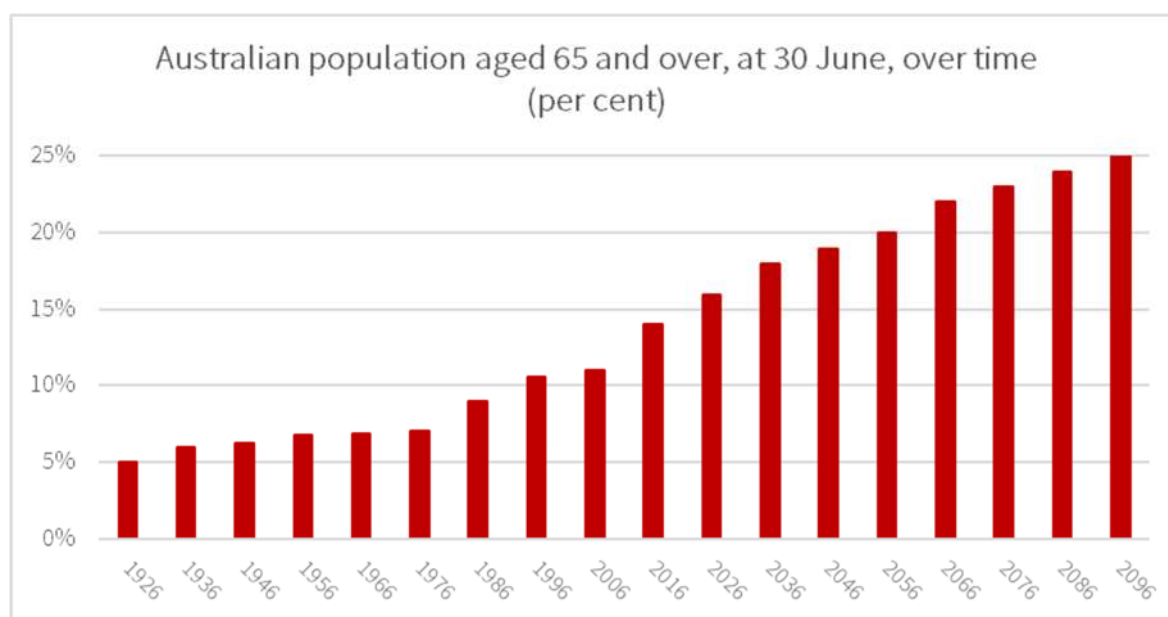
Australia's life expectancy continues to be amongst the highest in the world. The combined male and female figure is 82.4 years. There are only five other countries worldwide where both male and female life expectancy are over 80 years; Iceland, Israel, Italy, Sweden and Switzerland. Australia's life expectancy is higher than similar countries including Canada, USA, New Zealand and the United Kingdom. Comparatively in Australia, the Australian Capital Territory has the highest life expectancy and the Northern Territory has the lowest.

The above graph demonstrates the strong growth in the over 65 years' population cohort. The trend of females outliving males is also evident.

The steady increase in ageing is most prominent from the early 1970s onwards; interestingly this coincides with the emergence and growth pattern of the retirement village and manufactured housing estate sector. Major providers of early retirement accommodation were religious, charitable and community groups. The standard manufactured housing estate accommodation profile has improved significantly over time.

As affordability became more of an issue, caravan parks (which had been in existence since the 1940's) responded with the provision of semi-permanent accommodation which then evolved through to purpose built manufactured home estates which began to emerge approximately 20 years ago.

In 2016, there were 3.7 million (15%) Australians aged 65 and over-increasing from 319,000 (5%) in 1926 and 1.3 million (9%) in 1976. The number and proportion of older Australians is expected to continue to grow. By 2056, it is projected there will be 8.7 million older Australians (22% of the population) and by 2096, 12.8 million people (25%) will be aged 65 years and over, as shown on the graph below:



Source: Australian Bureau of Statistics (ABS) 2013. *Population projections, Australia, 2012 (base) to 2101*.

As Australia's population ages, its age profile is also projected to change. In 2016, half of Australia's older people (57%, or 2.1 million) were aged 65–74, one-third were aged 74–84 (30%, or 1.1 million), and 13% were aged 85 and over (487,000). By 2046, it is projected there will be more than 1.4 million people aged 85 and over (19%).

The ongoing pressures on affordability means that there will not only be increased demand for seniors living accommodation but a large increase in demand for affordable seniors living accommodation. MHE's specifically target this growth market.

## 2 Trends in Product Type

This section provides an overview of the key products types in the Seniors Housing market with specific reference to Greater Sydney.

Seniors housing across the Greater Sydney region generally falls into the following categories:

- Traditional Retirement Villages
- Strata Retirement Dwellings
- Land Lease / Manufactured Housing Estates
- Residential Aged Care (RAC)

### 2.1 Traditional Retirement Villages

Owners of villages are a mix of not-for-profit and for-profit organisations. Residents pay an ingoing contribution to secure a dwelling within the village together with recurrent fees (e.g. monthly). Upon leaving the village, the manager of the village typically charges a deferred management fee (DMF) which is a proportion of the ingoing contribution (often up to 30%-35%). Any capital gain is either retained by the manager or shared between the manager and resident.

Residents do not own their dwelling but enter into a contract to live in the village. This is described as a “loan-lease” with the resident effectively paying a lump sum to rent or lease the accommodation as well as have use of the community facilities that are provided within the village.

Traditional retirement villages make up the bulk of the retirement accommodation across Greater Sydney. It is estimated that around 6% of residents aged 65 and over live in traditional retirement villages in Australia, and a similar rate are expected to be accommodated in villages across Greater Sydney. Due to the cost of providing retirement villages in some inner suburban areas, the distribution of retirement villages tends to be higher in middle and outer suburbs than inner suburbs.

### 2.2 Strata Retirement Dwellings

Generally approved under SEPP Seniors Housing for people aged 55 or over. Restrictions as to the user of such accommodation is registered against the title of the property. We have not undertaken analysis of the distribution of strata retirement dwellings across Greater Sydney. However, there appears to have been considerable interest in the Hills District.

Strata retirement dwellings provide a downsize option for older residents without the exit fees associated with traditional retirement villages. Most strata options do not have the same high level of facilities and services that have become common within traditional retirement villages, although larger strata schemes (e.g. Chelsea Gardens at Dural) will often have a community centre, and other recreation facilities such as pools and bowling greens.

### 2.3 Land Lease / Manufactured Housing Estates.

An MHE is a “land lease” community whereby the occupant owns their home and leases the land from the estate in which it is located. MHEs have evolved from caravan parks, but rather than a mobile home, they are typically factory built and transported to the park in sections, and are securely attached to the land on which they are situated. They cannot be simply attached to a vehicle and towed away.

Generally, MHEs provide a lower cost retirement alternative compared to retirement villages and have the benefit that the rental cost for leasing the land is subsidised for pensioners and low-income earners (rental assistance payments). In addition, many MHEs and Land Lease communities do not charge an exit fee or deferred management fee and residents generally retain any capital gain when they on-sell their dwelling. Where exit fees are charged, they generally are at the lower end of the scale compared to traditional retirement villages.

While there are relatively few MHEs in Greater Sydney, they are popular in coastal communities both north and south of the metropolitan area and on the fringe of Greater Sydney (e.g. Central Coast). Given the relatively low number of MHEs

in the Hills District, it is likely that a higher proportion of traditional retirement villages or other seniors living formats may be warranted. For retirees of limited means that are interested in MHEs, they are likely to need to look beyond the Hills District to source suitable accommodation.

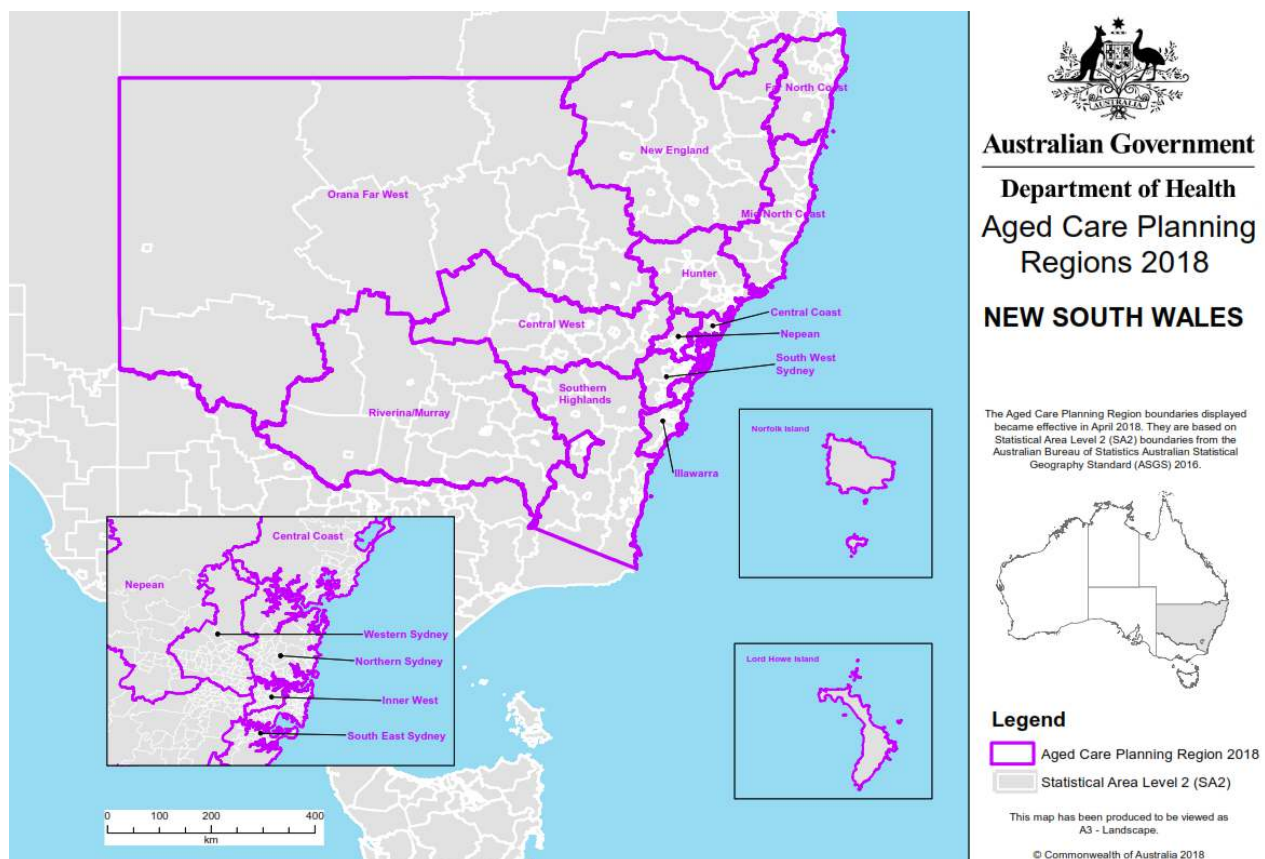
## 2.4 Residential Aged Care (RAC).

RAC is legislated under the Aged Care Act 1997. RAC is funded via the Commonwealth Government. Residents generally pay a Refundable Accommodation Deposit to the aged care facility, which is fully refundable, or a Daily Accommodation Payment (DAP) or a combination of both.

As at June 2018, there were 40,520 residential care places in the Greater Sydney region. This included 3,386 places across Hornsby and The Hills Shires:

- 2,116 places in Hornsby Shire
- 1,270 places in The Hills Shire

We note for the purposes of residential aged care allocations, Hornsby Shire is located primarily in the Northern Sydney Planning Region and The Hills Shire is located primarily in the Western Sydney Planning Region. The Aged Care Planning Regions for NSW are shown below.



There are other variations on these product types, which is contributing to a more diverse market place within the retirement industry, but most product types fall into one of the four described above or are a hybrid of two. For example, some retirement villages provide a high level of support services similar to the care provided by Residential Aged Care. It is also common for integrated retirement villages to include a mix of independent living units and residential aged care beds.

These facilities are further blurring the lines between the typologies in the seniors housing sector.



## 3 Emerging Product

Recent trends in product type have included vertical villages, integrated retirement villages that incorporate both independent living units and residential aged care places within the same village, and increased nursing care available for residents living in retirement villages but not occupying an aged care place. Below we have provided an overview of Vertical Villages together with commentary on alternatives to traditional retirement villages.

### 3.1 Vertical Villages

Retirement Villages have traditionally been provided in middle ring to outer suburban areas and have been “horizontal” in nature. The original/standard model was to provide 100 – 140 villa style units and a community centre with 20-30 serviced apartments contained within the main community building, close to the communal dining room.

The land area requirement to accommodate these traditional style villages was significant. The rise in land costs over time has made it increasingly difficult to deliver horizontal villages, particularly in markets such as Sydney. At the same time, many retirees are seeking to retire in the areas they have spent their early lives in rather than moving to outer areas to access retirement accommodation.

A recommendation of the recent NSW inquiry into retirement villages was to integrate seniors’ apartments into medium or high-rise residential developments where people of all ages live. Expert advice sought during the inquiry indicated that such retirement communities are the “way of the future”.

In recent years, we have observed an increase in the number of vertical retirement communities in high-rise apartment buildings being built in inner-urban areas around Australia. These new developments offer high levels of amenity and facilities with ease of access to the amenities inner-city dwellers have grown accustomed to. Most are not mixed with apartments available to other age groups, although there are some hybrid examples emerging.

Apartment developments are typically a contentious issue in inner suburban neighbourhoods, whether they be specifically for seniors living or standard residential. There are already some objections to high-rise aged-care facilities within various communities where they are proposed. These types of objections typically come from existing residents who are not happy to have any high-rise buildings in their neighbourhoods.

Architecturally designed vertical developments that have been well managed from a town planning perspective provide high quality living on a significantly smaller footprint compared to a 100 plus horizontal village comprising detached and semi-detached dwellings. In a society that is experiencing significant urban sprawl and demands on new infrastructure, a vertical solution is a logical approach to addressing this growing issue.

However, the success of vertical villages can be quite location specific. In areas where a large portion of residents have grown up living in medium to high density accommodation, including apartments, vertical retirement villages are likely to be well received by the market. In low-density communities, where the vast majority of prospective residents have lived in low-density detached dwellings, there is expected to be less interest in apartments as a retirement option. JLL consider the interest in vertical villages will increase as the younger generation of residents, who are more used to higher density living, reach retirement age.

#### Trends

There are some key trends emerging in the vertical village space, a number of which are in keeping with broader residential apartment living trends. Some key trends are discussed below. The vertical seniors living solution that will have appeal and longevity will be one that can capture these services and use these to their marketing benefit rather than relying on being the most ‘luxurious’ form of accommodation in the market.

#### Amenity

Vertical villages typically provide the amenity that horizontal villages provide such as gymnasiums, pools, bowling greens, community centres etc. The trend that is emerging in vertical villages vs horizontal villages is that the pool and gym areas are packaged up into ‘wellness’ hubs (more akin to hotel style offerings with massage services etc. on offer). Where aged care is integrated in vertical villages, this can be extended to include hydrotherapy pools and physio services etc.

The emergence of ‘wellbeing’ has been a strong trend in recent years across many property asset classes – even office buildings are now providing their occupants with these higher quality facilities as opposed to showers and lockers that were previously hidden away in car park basements.

With the changing demographic of the retirement village/aged care resident coming through (e.g. the baby boomer cohort), it is more likely that they will be accustomed to these types of offerings and will expect them as part of their retirement living accommodation.

### **Technology**

Another key feature of vertical villages is the emphasis on technology and the emergence of ‘smart’ apartments. This is in keeping with living trends in the broader residential market (home automation devices such as Amazon Alexa, Google Home etc.).

This technology has the added benefit of additional support for ageing residents. The ability to turn on lights, open blinds, operate devices, lock and unlock doors through voice commands will become the ‘norm’ in new housing. The benefit of this for seniors is that as mobility becomes an increasing issue, this significantly reduces the burden of everyday living tasks on the individual, allowing them to function for a longer period in their accommodation than they may have been able to previously. It is also particularly helpful to ageing residents who may be suffering from arthritic conditions and may have trouble using keys and light switches.

Technology is also adding significant benefits in terms of the isolation and loneliness factor, keeping residents connected to family and friends.

‘Smart homes’ can also be operated remotely allowing residents to control their living environments from outside their homes. Forgetting to turn off appliances or lock doors can now be managed without village managers having to enter people’s homes to check or sending a friend or relative around to check.

Automated emergency response systems, built-in safety features, remote access, monitoring devices, fall prevention mechanisms and timers are all types of technologies that may have been available in the past in various forms (usually each requiring separate systems or processes). These can now be integrated into the single smart home solution that completely streamlines the seniors living solution. Family members or village managers can also operate these devices on behalf of the residents with appropriate permissions.

### **Concierge Services**

The rise of concierge services has become stronger in the broader residential market as projects continue to seek ways to differentiate themselves from each other. At the luxury end of the market it has become highly competitive, with concierge services making dinner reservations, booking tickets, sourcing catering, arranging babysitters, and booking appointments for time-poor residents.

In the context of retirement living, it is not driven by being time-poor but more around the community it creates and the connectivity with resident’s families who may visit regularly. The concierge will be a ‘touch point’ the village who gets to know residents and observe their wellbeing on a regular basis.

## **3.2 Alternatives to Traditional Residential Aged Care**

Assisted living apartments (ALAs), or serviced apartments, have long been part of retirement villages, providing something in between an independent living unit (ILU) and Aged Care bed. Typically, assisted living apartments range from a studio apartment to a two-bedroom apartment, with residents accessing additional services such as prepared meals in the dining room.

Retirement village owners are now providing a premium ALA, offering on-site health services that do not fall under Australian Government funding. Owners that are providing this product include Ryman and Aveo. Pricing includes an ingoing contribution to secure the apartment, an assisted living package that all residents receive (breakfast, evening meal, laundry, bed-making etc.), and other service packages depending on need. These products have proved popular at the premium end of the market, with significantly higher upfront and ongoing costs.

We expect to see a continued trend towards such premium products aimed at affluent residents wanting a higher level of care and financially able to afford it.

## 4 Market Assessment

This section provides an assessment of the supply of seniors housing across the study area. We have considered separately residential aged care facilities (RACF) and independent living units (ILUs).

We have also considered the expected demand for such facilities based on the number of older residents in the study area. The balance between supply and demand will provide an indication of whether there is a shortage or over-supply of accommodation for older residents in the subject area.

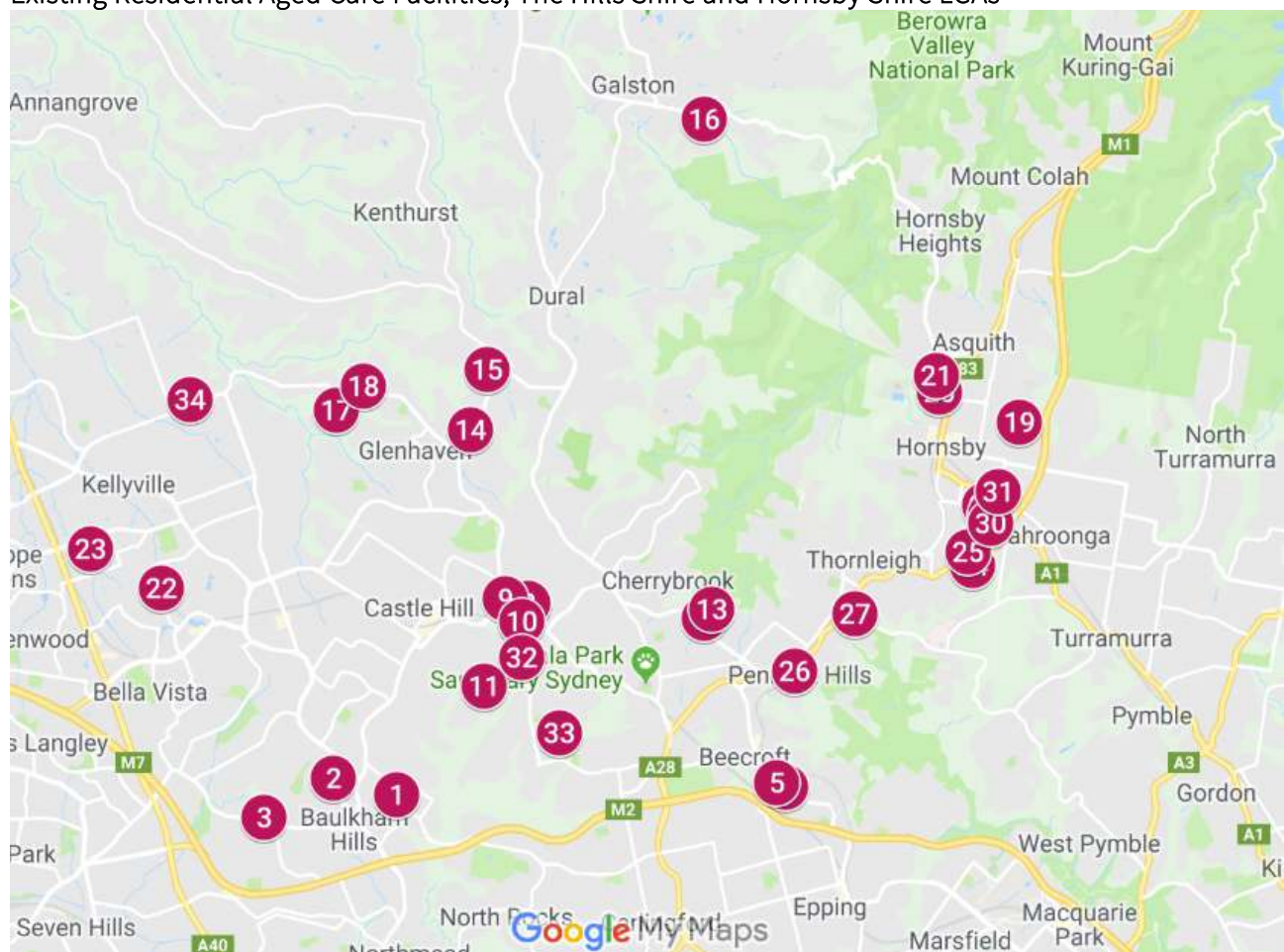
At the outset, we note that the vast majority of older residents choose not to live in purpose built retirement villages while residential aged care is provided for residents that can no longer live independently.

### 4.1 Residential Aged Care Supply and Demand

The below Maps identifies the 33 Residential Aged Care Facilities funded by the Australian Government as at June 2018. Moran Kellyville (#34) has since been completed and is now open. These 34 facilities provide 3,508 beds across The Hills Shire and Hornsby LGAs.

There are two distinct concentrations of residential aged care facilities in the subject region; one being at Castle Hill, which is part of the large Castle Hill Retirement Village owned by Anglicare, and the other being around Wahroonga.

Existing Residential Aged Care Facilities, The Hills Shire and Hornsby Shire LGAs



## Existing Residential Aged Care Facilities, The Hills Shire and Hornsby Shire LGAs

#	Service name	Address	Suburb	LGA	RAC Places
1	BaptistCare Aminya Centre	6 Goolgung Avenue	Baulkham Hills	The Hills Shire	123
2	Bupa Baulkham Hills	4 The Cottell Way	Baulkham Hills	The Hills Shire	144
3	SummitCare Baulkham Hills	5 Bass Drive	Baulkham Hills	The Hills Shire	232
4	Judy Cameron House	146 Beecroft Road	Beecroft	Hornsby	77
5	Beecroft Nursing Home	134 Beecroft Road	Beecroft	Hornsby	95
6	Nuffield Village	284 Castle Hill Road	Castle Hill	Hornsby	139
7	Warrina Village Hostel	2 Hilliard Drive	Castle Hill	Hornsby	128
8	Brian King Gardens	1 Hilliard Drive	Castle Hill	Hornsby	238
9	Flinders Court	1 Clarke Drive	Castle Hill	Hornsby	128
10	The Donald Coburn Centre	15 Blue Gums Way	Castle Hill	Hornsby	180
11	Castle Hill Aged Care Home	42-46 Darcey Road	Castle Hill	The Hills Shire	48
12	Cherrybrook Christian Care Centre	3-5 Kitchener Road	Cherrybrook	Hornsby	120
13	Woodlands Residential Care Service	2 Kitchener Road	Cherrybrook	Hornsby	62
14	Lady Of Grace Nursing Home	454 Old Northern Road	Dural	The Hills Shire	53
15	Bupa Dural	1 Stonelea Court	Dural	The Hills Shire	102
16	Mark Donaldson VC House	301 Galston Road	Galston	Hornsby	74
17	Carinya House	1a Mills Road	Glenhaven	The Hills Shire	60
18	Arcare Glenhaven	93 Glenhaven Road	Glenhaven	The Hills Shire	120
19	The Whiddon Group - Hornsby	Gate 5 2 Lowe Road	Hornsby	Hornsby	59
20	Christophorus House Hostel	396 Peats Ferry Road	Hornsby	Hornsby	24
21	Regis Hornsby	245-247 Peats Ferry Road	Hornsby	Hornsby	76
22	Bella Vista Gardens	16 Fairway Drive	Kellyville	The Hills Shire	160
23	BaptistCare The Gracewood Centre	2 Free Settlers Drive	Kellyville	The Hills Shire	143
24	Greenwood Aged Care	9-17 Hinemoa Avenue	Normanhurst	Hornsby	107
25	Uniting Bowden Brae Normanhurst	1-7 Frith Avenue	Normanhurst	Hornsby	106
26	Pennant Hills Aged Care Facility	2a The Crescent	Pennant Hills	Hornsby	41
27	Presbyterian Aged Care - Thornleigh	3 Hillmont Avenue	Thornleigh	Hornsby	54
28	Catholic Healthcare McQuoin Park	35 Pacific Highway	Wahroonga	Hornsby	122
29	Wahroonga Nursing Home	31 Pacific Highway	Wahroonga	Hornsby	133
30	Opal Netherby	17 Pacific Highway	Wahroonga	Hornsby	77
31	Tallwoods Corner Aged Care Service	1 Myra Street	Wahroonga	Hornsby	76
32	Uniting Wirreanda West Pennant Hills	33 Highs Road	West Pennant Hills	The Hills Shire	40
33	Southern Cross Care Nordby Residential Aged Care	15 Hill Road	West Pennant Hills	The Hills Shire	45
34	Moran Kellyville	71-83 Samantha Riley Drive	Kellyville	The Hills Shire	122
					<b>3,508</b>

Source: Dept. of Health, JLL

## Residential Aged Care Facilities: Forecast Demand

This section examines the existing and forecast demand drivers for RAC places in the Hills Shire and Hornsby LGAs.

The Aged Care Financing Authority, through the Department of Health, advises the government on funding related to the aged care sector. The overall aged care provision target ratio is being adjusted progressively to increase from 113 operational places per 1,000 people aged 70 and over in 2012 to 125 by 2021-22. Over the same period, the target for home care places will increase from 27 to 45, while the residential care target is to reduce from 86 to 78. Two places are for the Short Term Restorative Care Programme (STRC).

As at 30 June 2018, there were 210,815 operational residential aged care places across Australia, an increase of 6,480 over the year. Total places for each of the last five years are shown below:

2017-18 210,815

2016-17 204,335

2015-16 199,449

2014-15 195,953

2013-14 192,834

On 5 March 2019, the Minister for Senior Australians and Aged Care and Minister for Indigenous Health, the Hon Ken Wyatt AM, MP announced the allocation of 13,500 new residential care places and \$60 million in capital grants. None of the new allocations were in either the Hornsby or Hills Shire LGAs. There were also no new allocations approved for residential care places in the Hornsby and Hills Shire LGAs in the 2017-18 allocation round. Without new allocations, proposed residential aged care facilities will rely on transferring beds from an existing location. This can only be done within the same Aged Care Planning Region.

In terms of opportunity for residential aged care facilities in the study area, we have had regard to existing places within Hornsby and Hills Shire and the current penetration rate based on population aged 70 and over. Our findings are in the Table below. We have assumed a target provision of 80 beds per 1,000 residents aged 70 and over, declining to 78 beds by 2022.

Based on the current number of beds in Residential Aged Care and the total population aged 70 and over in the two LGA study area, it is clear that there is a relatively high provision of Residential Aged Care beds in Hornsby and the Hills LGAs. This makes it difficult to justify further residential aged care projects in the region, particularly given the government's policy position to reduce residential aged care in preference to 'ageing in place' and increased funding for home care places.

Even by 2025, with considerable growth in the aged population in The Hills and Hornsby LGAs, there will still be 192 more RAC beds than the federal Government's target of 78 beds per 1,000 residents aged 70 and over.

### Opportunities Analysis for Future RAC Facilities in The Hills Shire and Hornsby LGA

Growth	2018	2019	2020	2021	2022	2023	2024	2025
Total Population	322,237	328,429	334,740	341,173	349,250	357,519	365,983	374,647
Total Population aged 70 +	32,510	33,758	35,054	36,400	37,841	39,340	40,897	42,517
Existing number RAC Beds	3,386	3,508	3,508	3,508	3,508	3,508	3,508	3,508
Current Rate (Beds per 1,000 residents 70 +)	104	104	100	96	93	89	86	83
Target Rate Australian Government Guide	80	80	80	79	78	78	78	78
Beds required to meet target	2,601	2,701	2,804	2,876	2,952	3,068	3,190	3,316
Beds above target	785	807	704	632	556	440	318	192

Source: JLL, The Hills Shire Council, Hornsby Shire Council

Hornsby LGA is in the Northern Sydney Aged Care Planning Region and The Hills Shire is in the Western Sydney Planning Region Shire. Neither of these regions have featured prominently in the recent allocation rounds for additional RAC places. There were two allocations for the Northern Sydney region in the 2018-19 allocations, being 15 additional RAC beds to Opal Palm Grove at Warringah and 24 RAC beds to HammondCare at its Greenwich Hospital site.

### Residential Aged Care Facilities: Future Supply

We note that the above analysis did not take into account potential new facilities that have development approvals in place. Without Federal Government funding, these projects are unlikely to proceed. Alternatively, developers may secure places from existing facilities, which will result in the closure of existing in favour of new facilities.

Retirement units providing independent living options for residents, which may also include some nursing / in home care not funded by the Aged Care Financing Authority is the area where growth in accommodation for older Australians is more likely to occur.

Nevertheless, we are aware of numerous projects that propose additional residential aged care beds. These projects are summarised in the Table below.

#### Pipeline: Residential Aged Care Beds in The Hills Shire and Hornsby LGA

Name	Address	Suburb	Postcode	LGA	Total Beds	SEPP Comments	Status
	263 Annangrove Road	Rouse Hill	2155	The Hills Shire	120	Non-urban	Proposed
	9 Wirrabara Road	Dural	2158	The Hills Shire	36	Non-urban	Proposed
	20 Fairway Drive	Norwest	2153	The Hills Shire	20	Urban	Commenced
	26-30 Norfolk Drive	Bella Vista	2153	The Hills Shire	144	Urban	Approved
Castle Hill RSL	77 Castle Street	Castle Hill	2154	The Hills Shire	90	Urban	Proposed
	461-473 Pacific Highway	Asquith	2077	Hornsby	102	Urban	Proposed
PAC – Extension	3 Hillmont Avenue	Thornleigh	2120	Hornsby	13	Urban	Commenced
	705-717 Old Northern Road	Dural	2158	Hornsby	153	Non-urban	Approved
	795-821 Old Northern Road	Dural	2158	Hornsby	130	Non-urban	Proposed
	3 Quarry Road	Dural	2158	Hornsby	74	Non-urban	Refused - Appeal
	663-667 Old Northern Road	Dural	2158	Hornsby	130	Non-urban	Proposed
Glenhaven Green - Extension	589-593 Old Northern Road	Glenhaven	2156	Hornsby	79	Non-urban	Approved
<b>Total Proposed Rooms</b>					<b>1,091</b>		

Source: JLL, The Hills Shire Council, Hornsby Shire Council

What is clear in this Table is the high number of projects in non-urban locations, with seven projects proposing an additional 722 residential aged care beds. Given the current high level of supply across Hornsby and The Hills Shire, it is expected to prove difficult to get funding for these additional aged care beds.



## 4.2 Retirement Living Supply and Demand

This section analyses the level of existing and proposed retirement living units, being a mix of retirement villages under the Retirement Villages Act and seniors living dwellings available to residents aged 55 and over. We have compared the total number of dwellings to the residential population aged 65 and over. While residents under the age of 65 can live in a retirement village or access seniors housing, the vast majority of residents will be aged 65 and over. In fact, most residents in retirement villages are aged 80 and over.

The Table assumes the following:

- The number of residents aged 65 and over is forecast to increase by 1,500-2,000 per annum over the next five years. This would typically support growth in the retirement living market;
- The average occupancy for each independent living unit (ILU) is 1.3 persons per ILU;
- From our experience, the proportion of residents aged 65 and over living in retirement villages in major metropolitan areas is 5%-6%;
- Allowing for other retirement living formats such as SEPP Seniors Housing and Manufactured Housing Estates, we have assumed a higher rate of 8%;
- This higher rate also takes into account the potential difficulty in providing retirement villages in some inner suburban areas, which has meant that a higher proportion of Retirement Villages are common in middle and outer suburbs.

Based on the existing supply of retirement living units and the number of residents aged 65 and over, the subject region has a very high level of residents living in retirement accommodation, currently at 9.2% of all residents aged 65 and over (2019) and potentially rising to 12.5% by 2025. This is based on known projects and estimated timing for when these projects could be completed. Some larger projects are expected to be developed in stages over a longer time period than the forecast period below.

Given the high level of existing supply together with strong pipeline, it is likely that some of these projects will be slow to achieve full occupancy or may be deferred or abandoned. Additionally, the re-sale of units in existing developments may struggle to sell, which could put downward pressure on sales prices.

JLL is aware of new projects currently being marketed in the Hills District that have proven slow to sell. There is considerable choice in the market, which is affecting sales rates for new product. Furthermore, the general downturn in the residential market is having a flow-on affect to the retirement living market, with the sale price of the family home ultimately influencing what retirees can afford to pay for a retirement unit.

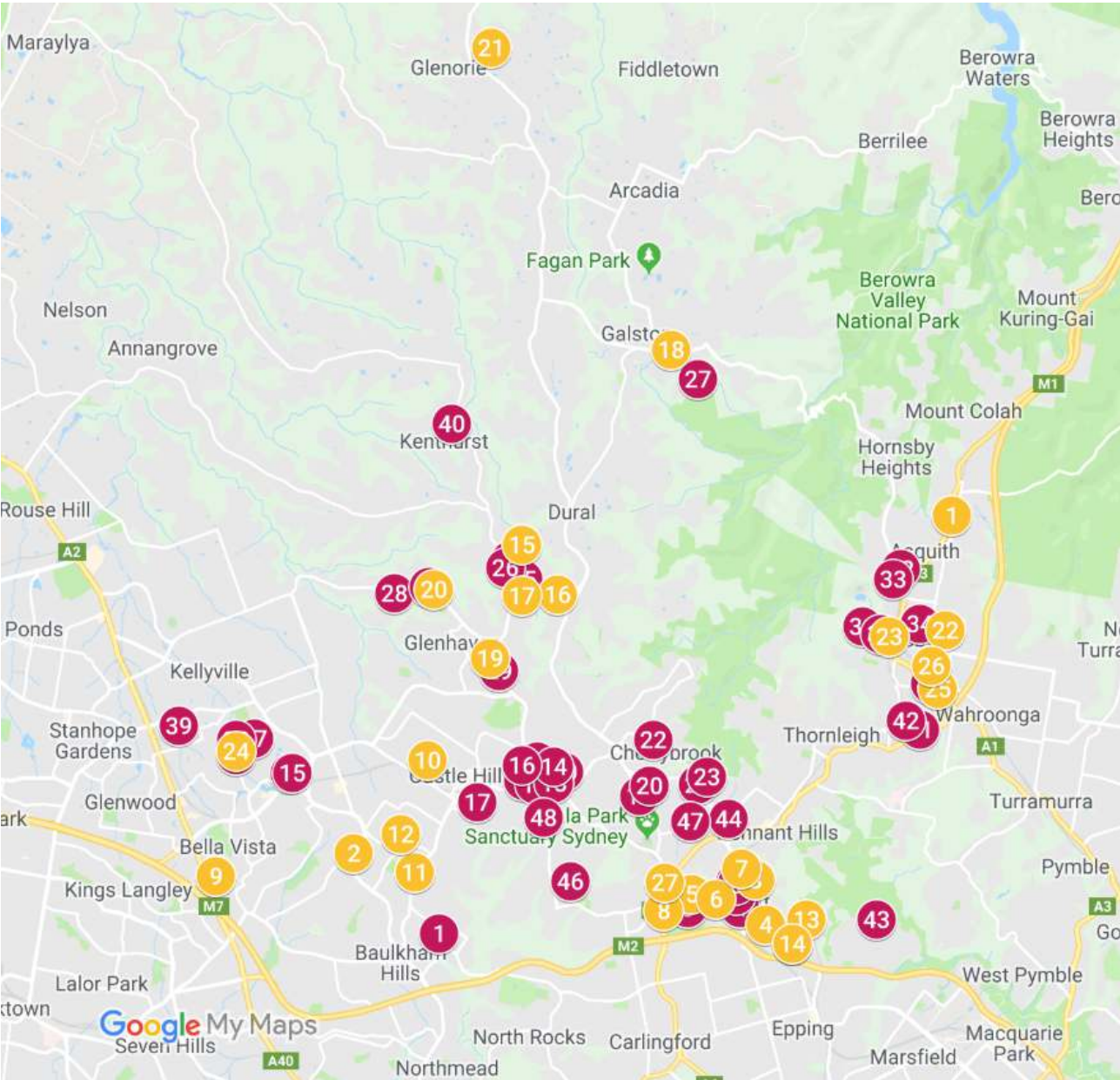
### Supply-Demand Balance: Retirement Village Units in The Hills Shire and Hornsby LGA

The Hills Shire (A) LGA	2018	2019	2020	2021	2022	2023	2024	2025
Total Population	322,237	328,429	334,740	341,173	349,250	357,519	365,983	374,647
Total Population aged 65 and over	47,616	49,034	50,495	52,000	53,844	55,754	57,732	59,780
Existing number of ILUs and SAs	3,395	3,481	3,697	4,260	4,896	5,134	5,322	5,739
Average occupancy per dwelling	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Est. residents in retirement villages	4,414	4,525	4,806	5,538	6,365	6,674	6,919	7,461
Current Penetration Rate	9.3%	9.2%	9.5%	10.7%	11.8%	12.0%	12.0%	12.5%
Penetration Rate: Market Balance	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Residents in retirement village (market balance)	3,809	3,923	4,040	4,160	4,308	4,460	4,619	4,782
Required stock (at 1.3 residents per unit)	2,930	3,017	3,107	3,200	3,314	3,431	3,553	3,679
Estimated over supply	-465	-464	-590	-1,060	-1,582	-1,703	-1,769	-2,060

Source: JLL



Existing and Proposed Retirement Villages (Independent Living Units)



- Existing
- Proposed

## Existing Retirement Villages, Hornsby and The Hills Shire

#	Name of Village	Address	Suburb	Total	LGA
1	Aminya Village	6 Goolgung Avenue	Baulkham Hills	92	The Hills Shire (A)
2	Lots 90 & 91 Spurway Dr	Lots 90 & 91 Spurway Dr	Baulkham Hills	50	The Hills Shire (A)
3	Eaton Independent Living Units	51 Copeland Rd	Beecroft	18	Hornsby (A)
4	Glenburn Units	1 Mary Street	Beecroft	10	Hornsby (A)
5	Uniting Bramley Beecroft	7-11 Hannah St	Beecroft	46	Hornsby (A)
6	Uniting Copeland Gardens	129 Copeland Road	Beecroft	18	Hornsby (A)
7	Beecroft Rd Residential Development	64-64A Beecroft Rd	Beecroft	10	Hornsby (A)
8	Allure Apartments	68 Beecroft Rd	Beecroft	7	Hornsby (A)
9	Castle Hill Village - Flinders Village	284 Castle Hill Rd	Castle Hill	40	The Hills Shire (A)
10	Castle Hill Village - Hopetoun Village	284 Castle Hill Rd	Castle Hill	249	The Hills Shire (A)
11	Castle Hill Village - Kilvinton Village	284 Castle Hill Rd	Castle Hill	62	The Hills Shire (A)
12	Castle Hill Village - Mowll Village	284 Castle Hill Rd	Castle Hill	196	The Hills Shire (A)
13	Castle Hill Village - Nuffield Village	284 Castle Hill Rd	Castle Hill	76	The Hills Shire (A)
14	Castle Hill Village - Warrina Village	284 Castle Hill Rd	Castle Hill	138	The Hills Shire (A)
15	Castle Pines Retirement Estate - Greenviews	3 Spurway Drive	Castle Hill	72	The Hills Shire (A)
16	Castleridge Retirement Resort	350 Old Northern Road	Castle Hill	97	The Hills Shire (A)
17	3 Orange Grove	3 Orange Grove	Castle Hill	6	The Hills Shire (A)
18	Beecroft Rd Seniors Living - The Millner	186 Beecroft Rd	Cheltenham	10	Hornsby (A)
19	Blue Gum Estate	125 New Line Road	Cherrybrook	11	Hornsby (A)
20	Cherrybrook Gardens	10 Casuarina Drive	Cherrybrook	42	Hornsby (A)
21	Elouera Gardens Christian Retirement Village	3 Kitchener Road	Cherrybrook	72	Hornsby (A)
22	The Lakes Of Cherrybrook Retirement Village	10 Kenburn Avenue	Cherrybrook	63	Hornsby (A)
23	Woodlands Retirement Village - Cherrybrook	2 Kitchener Road	Cherrybrook	148	Hornsby (A)
24	Chelsea Gardens Apartments	50 Kenthurst Road	Dural	70	The Hills Shire (A)
25	Mountainview Retreat Retirement Village - Dural	Lot 1A Stone Lea Court	Dural	134	The Hills Shire (A)
26	Oak Tree Village	28 Rosebank Avenue	Dural	70	The Hills Shire (A)
27	Rowland Retirement Village	301 Galston Road	Galston	135	Hornsby (A)
28	Glenhaven Gardens	140 Glenhaven Road	Glenhaven	10	The Hills Shire (A)
29	Glenhaven Green	599-607 Old Northern Road	Glenhaven	123	The Hills Shire (A)
30	Living Choice Glenhaven	15-19 Old Glenhaven Road	Glenhaven	197	The Hills Shire (A)
31	Azalea Court And Camellia Court	48-50 William Street	Hornsby	38	Hornsby (A)
32	Christophorus House Retirement Village	396 Pacific Highway	Hornsby	23	Hornsby (A)
33	Kuringai Gardens Retirement Village	7-9 Sylvia Street	Hornsby	28	Hornsby (A)
34	Primrose Court	23-25 Muriel Street	Hornsby	39	Hornsby (A)
35	Uniting Karinya Hornsby	1A Frederick Street	Hornsby	26	Hornsby (A)
36	Balmoral Grange	10-14 Fairway Drive	Kellyville	8	The Hills Shire (A)
37	Cranbrook Residences	18 Fairway Drive	Kellyville	50	The Hills Shire (A)
38	Golf Shore By Sarian	20 Fairway Drive	Kellyville	12	The Hills Shire (A)
39	The Gracewood Retirement Village	8 Freesettlers Drive	Kellyville	168	The Hills Shire (A)
40	Kentgrove Village	2C Jones Road	Kenthurst	19	The Hills Shire (A)
41	Uniting Bowden Brae Normanhurst	1-17 Frith Avenue	Normanhurst	137	Hornsby (A)
42	Bramblewood Retirement Village	33 Denman Parade	Normanhurst	60	Hornsby (A)
43	Kooloora Retirement Village	100 Boundary Road	North Epping	30	Hornsby (A)
44	Lutanda Manor Retirement Village	14 Victoria Road	Pennant Hills	135	Hornsby (A)
45	The Grange Waitara	2 McAuley Place	Waitara	176	Hornsby (A)
46	Southern Cross Care Nordby Village	15 Hill Road	West Pennant Hills	25	The Hills Shire (A)
47	Uniting Mawarra West Pennant Hills	3A Verney Drive	West Pennant Hills	47	The Hills Shire (A)
48	Uniting Wirreanda West Pennant Hills	33 Highs Road	West Pennant Hills	102	The Hills Shire (A)
<b>Total</b>				<b>3,395</b>	

## Proposed Retirement Villages, Hornsby and The Hills Shire

#	Name of Village	Address	Suburb	Pipeline Tot	LGA
<b>Existing Retirement Village Site</b>					
29	Glenhaven Green	599-607 Old Northern Road	Glenhaven	76	The Hills Shire (A)
38	Golf Shore By Sarian	20 Fairway Drive	Kellyville	86	The Hills Shire (A)
39	The Gracewood Retirement Village	8 Freesettlers Drive	Kellyville	73	The Hills Shire (A)
<b>Proposed Retirement Villages</b>					
1	Pacific Highway Independent Living Units	461-473 Pacific Hwy	Asquith	13	Hornsby (A)
2	Windsor Road Seniors Living	522 Windsor Rd	Baulkham Hills	70	The Hills Shire (A)
3	Malbon Road Seniors Living Units	6-8 Malbon Rd	Beecroft	10	Hornsby (A)
4	142-142A Beecroft Road	142-142A Beecroft Road	Beecroft	11	Hornsby (A)
5	18-20 Cardinal Avenue	18-20 Cardinal Avenue	Beecroft	10	Hornsby (A)
6	95-97 Copeland Road	95-97 Copeland Road	Beecroft	15	Hornsby (A)
7	47 Wongala Crescent	47 Wongala Crescent	Beecroft	4	Hornsby (A)
8	Copeland Greens	3-5 Copeland Road	Beecroft	19	Hornsby (A)
9	Aveo Bella Vista	28-30 Norbrik Drive	Bella Vista	449	The Hills Shire (A)
10	Castle Hill RSL Club Seniors Living Precint	77 Castle St	Castle Hill	321	The Hills Shire (A)
11	157A-159 Old Northern Road	157A-159 Old Northern Road	Castle Hill	17	The Hills Shire (A)
12	86 Excelsior Ave	86 Excelsior Ave	Castle Hill	6	The Hills Shire (A)
13	Sutherland Road Seniors Living	14, 16 & 18 Sutherland Rd	Cheltenham	12	Hornsby (A)
14	Beecroft Road Seniors Living Units	184 Beecroft Rd	Cheltenham	10	Hornsby (A)
15	Wirrabara Village Dural	3-5 Pellitt Ln & 9 Wirrabara Rd	Dural	104	The Hills Shire (A)
16	795-821 Old Northern Road	795-821 Old Northern Road	Dural	118	Hornsby (A)
17	663-667 Old Northern Road	663-667 Old Northern Road	Dural	516	Hornsby (A)
18	Living Choice Galston	328A, 330-334 Galston Rd	Galston	96	Hornsby (A)
19	Old Northern Seniors Living Units	434 Old Northern Rd	Glenhaven	9	The Hills Shire (A)
20	Finley Place Seniors Living Units	2-4 Finley Pl	Glenhaven	4	The Hills Shire (A)
21	47 Cairnes Road	47 Cairnes Road	Glenorie	33	Hornsby (A)
22	65-69 Burdett Street	65-69 Burdett Street	Hornsby	22	Hornsby (A)
23	Hornsby Rsl	2-4 High St	Hornsby	237	Hornsby (A)
24	22-34 Fairway Drive	22-34 Fairway Drive	Norwest	148	The Hills Shire (A)
25	Mcquoin Park	32 Mcauley Pl	Wahroonga	168	Hornsby (A)
26	Kokoda Waitara	18 Waitara Avenue	Waitara	117	Hornsby (A)
27	Magnolia West Pennant Hills	572 Pennant Hills Road	West Pennant Hills	13	The Hills Shire (A)
28	Old Northern Rd Units - SEPP	5552-5554 Old Northern Rd	Wisemans Ferry	23	The Hills Shire (A)
<b>Total</b>				<b>2,810</b>	

### 4.3 SEPP Seniors Housing in Non-Urban Areas

Both The Hills and Hornsby Shire LGAs have provided details of applications under SEPP Seniors Housing in their municipality, identifying those projects that are located in non-urban or rural locations.

To provide ease of summarising SEPP applications, we have identified each project as completed, commenced, approved, or proposed. Some projects are multi-stage, and while we have indicated these projects have commenced, in some cases commencement / completion has been of the first stage only.

#### Hills Shire

In The Hills Shire, most applications have been in the urban area and a large portion of applications (both in the urban and rural area) have not been acted on. Independent living units have been more prevalent than Residential Aged Care beds. Furthermore, the aged care beds may not receive Commonwealth funding, given the high level of existing provision in both the Northern and Western Sydney Planning Regions. Completed projects identified in non-urban areas are predominantly in Glenhaven and Dural. Large parts of Glenhaven are urbanised while Dural is more sparsely populated.

### Applications Received under Seniors Housing SEPP, The Hills Shire

ILUs	Urban	Non-Urban
Completed	106	337
Commenced	660	
Approved	171	23
Proposed	330	104
<b>Total</b>	<b>1,267</b>	<b>464</b>
<b>RAC - Beds</b>		
Completed	378	-
Commenced	164	
Approved	-	
Proposed	-	156
<b>Total</b>	<b>542</b>	<b>156</b>

Note: Some commenced projects may relate to first stage(s) only

### Hornsby Shire

In Hornsby Shire, there has been more applications in non-urban areas although the majority of completed and commenced projects are in the urban area. The potential for growth in non-urban areas is strong given the pipeline of proposed (under consideration as at March 2019) and approved projects.

The majority of projects in non-urban area of Hornsby are also in Dural and Glenhaven. These suburbs shared with The Hills Shire. There are also projects in Galston and Glenorie.

The projects tend to be medium scale of two and three stories and a mix of apartments and villas.

### Applications Received under Seniors Housing SEPP, Hornsby Shire

Net additional ILUs	Urban	Non-Urban
Completed	44	200
Commenced	511	
Approved	158	288
Proposed	54	813
<b>Total</b>	<b>767</b>	<b>1,301</b>
<b>Net Additional RAC - Beds</b>		
Completed	219	-
Commenced	17	-
Approved	-	232
Proposed	102	364
<b>Total</b>	<b>338</b>	<b>596</b>

Note: Some commenced projects may relate to first stage(s) only

## 4.4 Conclusions

This analysis highlights the diverse mix of retirement accommodation in both Hornsby and The Hills Shire Councils. The combined region has a relatively high proportion of its residents aged 65 and over living in retirement accommodation, being a mix of traditional retirement villages and dwellings that are purchased outright for use by residents aged 55 and over.

There is a lack of Manufactured Home Estates across the two LGAs. MHEs have become a popular form of affordable retirement accommodation and are well represented in areas such as the Central Coast. Land prices across Hornsby and The Hills Shire may preclude such development of MHEs while planning policy may also not provide for these facilities.

Based on targeted allocations of residential care places funded by Commonwealth Government, Hornsby and The Hills Shire have a high proportion of RAC beds. We have identified 3,508 RAC beds, which equates to 104 beds per 1,000 residents aged 70 and over. The Commonwealth Government target is 78 beds per 1,000 residents aged 70 and over by 2022. Given the high existing rate, it may be difficult for new providers to gain allocations in the next few years. This includes projects that have already been assessed and approved.

There is also a relatively high provision of independent living units in Hornsby and Hills Shire Councils, with 3,395 units in 2018. With a strong pipeline of new projects, this could reach over 7,000 units by 2025. The current penetration rate of residents living in retirement units is relatively high compared to market averages, which may impact the delivery of future supply.

## 5 Price Points

Price points of retirement accommodation are generally aligned to the prevailing house and unit prices in the region. Most residents considering purchasing a retirement unit have a home to sell. Residents typically can afford to spend between 70%-90% of the value of their home on retirement accommodation. The greater the differential between the value of the family home and the retirement home, the better. This is not to suggest that retirement accommodation is at a discount to other dwellings; it is likely to be smaller with a villa on a small lot replacing a more substantial dwelling on a larger lot.

We have considered the median house and unit prices for suburbs in two LGAs with the change in price over the previous 12 months. Only suburbs with a reasonable number of sales have been included. Median sale price for suburbs over the 12 months period to Dec-18 ranged from \$829,000 for Box Hill to \$2.310 million for Kenthurst, with the average of the median sales price being \$1.326 million. Median sales prices in some suburbs located in non-urban areas are very high, reflecting the large land holdings (e.g. Kenthurst, Glenhaven, Dural).

Units provide a more affordable option although we note that many suburbs in the two shires do not have a significant unit market, with the suburbs being predominantly low-density detached dwellings. Median sale price for units ranges from \$620,000 at Mount Colah to \$1.008 million in West Pennant Hills with the average of the median sale price being \$788,700.

### House and Unit Sale Prices, Suburbs in The Hills Shire and Hornsby Shire LGAs

Suburb	House	% Change Last 12 months	Units	% Change Last 12 months
Asquith	1,171,000	-16.1%	670,500	-0.5%
Baulkham Hills	1,120,500	-8.0%	760,000	-6.2%
Beaumont Hills	1,160,000	-4.9%		
Beecroft	1,671,500	-8.2%	940,000	-10.3%
Bella Vista	1,531,944	-11.8%	866,000	-22.5%
Berowra	1,130,000	-2.2%		
Berowra Heights	1,005,000	-12.6%		
Box Hill	829,000	0.0%		
Brooklyn	1,050,000	31.3%		
Castle Hill	1,400,000	-13.8%	845,000	-4.0%
Cheltenham	1,950,000	4.6%		
Cherrybrook	1,480,000	-4.7%	945,000	-10.4%
Dural	1,360,000	-14.2%	755,000	-2.6%
Galston	1,360,000	-5.4%		
Glenhaven	1,660,000	-0.9%		
Glenorie	1,650,000	-11.5%		
Hornsby	1,140,000	-13.6%	652,500	-5.4%
Hornsby Heights	1,085,000	-11.1%		
Kellyville	1,138,000	-11.1%	699,950	-12.8%
Kenthurst	2,310,000	-13.5%		
Mount Colah	1,070,000	-10.8%	620,000	3.3%
Mount Kuring-Gai	955,000	-8.6%		
Normanhurst	1,242,500	-14.3%	810,000	-27.0%
North Epping	1,500,000	-11.9%		
North Kellyville	1,090,000	-6.9%	715,000	3.6%
Norwest	1,055,000	-29.7%	877,000	-8.9%
Pennant Hills	1,360,000	-13.4%	797,500	17.3%
Rouse Hill	1,160,000	2.7%	692,000	-14.0%
Thornleigh	1,230,000	-9.2%	865,000	8.8%
Waitara	1,700,000	-13.7%	678,500	-5.4%
West Pennant Hills	1,630,000	-6.4%	1,007,500	-6.3%
Westleigh	1,240,000	-11.4%		
<b>Average</b>	<b>1,326,100</b>		<b>788,700</b>	

Source: CoreLogic, JLL



70% of the average median sale price of \$1.326 million is \$928,300. Most suburbs had a median sale price of between \$1.0million-\$1.7million, with 70% of this range being \$700,000-\$1.2 million. Pricing is expected to be in line with the quality end of the unit market (\$700,000-\$900,000).

We have identified recent pricing of units in retirement villages and strata over 55 units (SEPP Seniors Housing) advertised for sale below.

### Asking Prices for Retirement Dwellings, The Hills Shire and Hornsby Shire LGAs

Aminya Village, 6 Goolgung Avenue, Baulkham Hills				
	Bed	Bath	Car	Price
Apartment	1	1	0	309,000
Apartment	2	1	0	540,000
Cranbrook Residences , 18 Fairway Drive, Kellyville (Strata Units)				
	Bed	Bath	Car	Price
Apartment	1	1	1	575,000
Apartment	2	1	1	1,050,000
Aveo Bella Vista, 28-30 Norbrik Drive, Bella Vista				
	Bed	Bath	Car	Price
Apartment	2	2	1	675,000
Apartment	2	2	1	819,000
Apartment	3	2	1	925,000
House	3	2	2	1,890,000
Apartment	3	2	1	995,000
Apartment	2	2	1	719,000
Apartment	1	1	1	599,000
Southern Cross Care Nordby Village, 15 Hill Road, West Pennant Hills				
	Bed	Bath	Car	Price
Apartment	2	1	0	480,000
Anglicare Warrina Village, 284 Castle Hill Rd, Castle Hill				
	Bed	Bath	Car	Price
Villa	2	2	1	895,000
Oak Tree Village, 28 Rosebank Avenue, Dural				
	Bed	Bath	Car	Price
Apartment	1	2	1	729,000
Apartment	1	2	1	759,000
Apartment	2	2	2	949,000
The Gracewood Retirement Village, 8 Freesettlers Drive, Kellyville				
	Bed	Bath	Car	Price
Apartment	2	2	1	675,000
Apartment	2	2	1	765,000
Apartment	3	2	2	985,000

Source: [www.realestate.com.au](http://www.realestate.com.au), JLL



Pricing of strata units that are not targeted exclusively to the over 55s market appear to be on a par with the above pricing.

### Asking Prices for Other Dwellings, The Hills Shire and Hornsby Shire LGAs

Elora The Hills, Baulkham Hills				
	Bed	Bath	Car	Price
Apartment	1	1	1	\$555,000
Apartment	2	2	1	\$710,000
Apartment	3	2	2	\$870,000
Moda The Hills, 100 Fairway Drive, Kellyville				
	Bed	Bath	Car	Price
Apartment	1	1	1	\$546,000-\$639,000
Apartment	2	2	1	\$669,000-\$885,000
Apartment	3	2	2	\$809,000-\$1,285,000
The Village Green, 105 Bella Vista Drive, Bella Vista				
	Bed	Bath	Car	Price
Townhouse	2	2	2	\$1,188,000
Apartment	2	2	2	\$735,000-\$778,000
Apartment	1	1	1	\$590,000-\$609,000

Source: www.realestate.com.au, JLL

While Seniors Housing is targeting a submarket of the total apartment market, which limits the pool of potential purchasers, this is balanced by the preference that some purchasers will have for buying into an over 55s development. This includes the sense of community within such developments, the boutique nature of the projects (many being no more than 10 dwellings, like-minded purchasers, and the likelihood that all purchasers will be owner-occupiers.

### Conclusions

The evidence above suggests that price points for over 55s developments are in line with other apartment projects.

In rural areas, over 55s developments may provide a form of development in a rural or semi-rural setting that is not otherwise available (e.g. low maintenance villas / apartments with communal facilities).

It is difficult to compare Loan Lease Retirement villages that fall under the Retirement Villages Act legislation with Strata or Torrens Title accommodation. While the upfront purchase price may be similar for both, there are typically ongoing costs and deferred management fees in retirement villages that need to be taken into account. Purchasers are buying into a lifestyle that has an associated cost.

## 6 Developer Interest

Developers of projects approved under the Seniors Housing SEPP are a mix of retirement village owners and operators, and residential developers.

Retirement village owners and operators may utilise the Seniors Housing SEPP to get an application through where there may otherwise be roadblocks, but they are likely to run the village under the typical loan-lease arrangement. As previously discussed, the retirement village sector is highly fragmented. There are a mix of private investors, church groups and charitable organisations, and not for profit groups active in the sector. Typically, the developers of such retirement villages retain ownership and manage the village.

Residential developers will generally sell out of the development in a similar fashion to any other multi-unit residential development and have no long-term interest in the project.

We have reviewed a sample of developers that have submitted applications under the Seniors Housing SEPP in The Hills or Hornsby Shire Councils in recent years. Some developers are not active across the Sydney region and are likely a first time developer, while other developers have undertaken multiple projects in the Sydney region:

- Central Element is the developer of 10 units currently under construction at 6-8 Malton Road, Beecroft. Central Element has undertaken small to medium sized residential apartment projects across Sydney, including in Lane Cove, Pymble, Point Frederick and Cammeray. Other projects proposed at Chatswood and Coogee. Most projects are not Seniors Housing projects.
- Sydney Wide Developments have been undertaking residential, commercial and industrial developments since 2010. They are active as a developer and builder. Small to medium sized residential projects in Warrawee, Wahroonga, Asquith and Castle Hill (Castle Pines Retirement Village). The majority of residential projects have been for the general market rather than senior living apartments.
- Radray Constructions have developed / constructed small to medium sized apartments, townhouses and single dwelling projects in Sydney, including in Mortlake, Epping, North Rocks, Carlingford and Auburn. Most projects have not been Seniors Living accommodation.

There has also been considerable interest from clubs, particularly clubs with a membership base or retirement aged residents. Golf clubs, RSL clubs, Leagues Clubs and Bowling Clubs have also seen an opportunity to add value and further commercialise their landholdings, helping to supplement their club activities.

Overall, developer interest has slowed in line with the downturn in the residential market. We expect the majority of interest will be for relatively small projects of up to 20 units. Many of the projects currently under construction or in the pipeline are no more than 10 units, often being a development of a single large residential site or two adjoining sites within established suburbs.

The larger developments in the pipeline and proposed in rural locations are expected to struggle to achieve sufficient pre-commitments to progress to construction. Already we are seeing some projects where 'the clock has stopped', suggesting the developer is not planning to progress the development in the current market. We have also seen some larger multi-stage developments stall on completion of the first stage, suggesting that the first stage did not achieve sufficient profit to warrant further stages progressing in the current market.

### Developer Interest across Greater Sydney

Based on development applications reported on the website [www.cordellconnect.com.au](http://www.cordellconnect.com.au), the most popular LGA for applications utilising the Seniors Living SEPP is Ku-Ring-Gai followed by Warringah, The Hills Shire and Hornsby. LGAs in the inner suburban areas of Greater Sydney are under-represented. These projects include recently lodged applications through to projects that have completed in the last 2-3 years. It does not include older projects that may have completed many years earlier.

Religious and charitable groups active in the retirement industry are major developers (e.g. UnitingCare Ageing, BaptistCare, Anglican Retirement Villages). The NSW Government through the Department of Family and Community Service have also been active in the provision of housing for seniors, although these applications may not have relied on the provisions of the SEPP.

## 7 Financial Issues

### 7.1 Traditional retirement villages

There are a number of risks potentially affecting the viability of traditional retirement villages that are different to risks associated with residential development. Some of the risk relates to the loan-lease structure while other risks relate to the profile of prospective purchasers:

- Pre-commitments for retirement villages are difficult to attract
  - Retirees are less likely to pre-commit to a development than younger generations
  - Retirement villages have a smaller potential market for pre-commitments (all purchasers are the end users of the accommodation. i.e. no investment market)
  - Retirees typically have to sell their family home to finance the purchase of a retirement unit
- The loan-lease structure provides less security to developers in terms of pre-commitments:
  - Typically deposits taken are modest compared to deposits for strata units, usually \$1,000 compared to 10% for a pre-commitment to a strata unit;
  - It is relatively easy for retirees to get out of a commitment to buy into a retirement village. Residents can “try before they buy” and have 90 days from moving into the residents to decide whether they want to go ahead with the purchase. It is not an un-conditional contract;
  - From our experience, only 30%-50% of contracts from prospective residents will land;
  - Due to the difficulty in securing sales up-front, it is much more difficult to get debt funding from financial institutions.
- Sales rates in retirement villages are slow:
  - Works against vertical villages, as vertical villages cannot be staged in line with demand for units
  - Time taken to achieve full occupancy can be significant, particularly in vertical villages due to less pre-commitments upfront and low sales rates on a per month basis
- Expensive upfront provision of facilities and services are not recovered up front:
  - Cost of retirement unit does not always cover completely the upfront costs of providing the extensive range of community facilities – e.g. pool, community centre, bowling green, other recreational facilities.
  - Structure of fees tends to keep ingoing contribution in line with cost of similar unit outside retirement village, with the deferred management fees, which are paid on exit, helping to recoup the upfront costs of and ongoing maintenance / management of the village.
- Building costs based on net saleable area tend to be considerably higher than a similar residential developments:
  - Communal areas are more extensive
  - Hallways and other common areas are typically to be wider / larger to cater for older residents
- Typical units are larger, again to cater for specific needs of older residents
  - These costs may not be fully recoverable in the upfront sales price of the unit, which may affect viability.

In conclusion, some or all of the above considerations will impact the feasibility of a retirement village development in most locations. The size of a development is generally driven by perceived demand, which will be driven by catchment size. The product to be developed will be driven by the demographic in the location and affordability. Overtime, based on our experience in the sector, the key issues that impact feasibility are:

- Sell down timing – how long it is going to take to sell built product; and

- Community Facilities – significant capital outlay required early in the development cycle that takes many years to recoup through on-going sales.

Whilst no specific statistical information is available, the market views the ideal retirement village size to be between 100 and 130 units. In boutique locations where a higher ingoing contribution can be charged, this number can be reduced to between 60 and 80 units dependent on the extent of the community facilities. Site characteristics will also impact these rules of thumb. Notwithstanding, overtime it is not unusual that once an initial village is complete and fully occupied, it may grow exponentially dependent on the availability land.

## 7.2 Strata Title Seniors Housing

There are less financial issues with a strata-titled seniors housing product. Some issues are the same, with the older generation less likely to pre-commit to a unit than younger residents or investors.

As discussed earlier, the restrictions on seniors housing in terms of who can occupy the dwelling is balanced by some retirees wanting to purchase into a development where they know that other residents will have something in common with them. This translates to similar pricing structure whether the dwelling is specifically targeting and restricted to seniors living or whether the dwelling is available to the entire market.

We consider the potential constraint in achieving pre-commitments favours smaller boutique developments over larger scale apartment buildings. This is particularly so in markets such as The Hills District, which have traditionally been dominated by lower density dwelling forms.

As with other dwellings aimed at retirees, the size of units are relatively large compared to other residential product. This may not be reflected in the pricing, meaning that on a “sales per square metre” basis, pricing of strata title seniors units may be slightly lower than units in other strata title buildings.

## 7.3 Funding Model

Traditionally retirement village development is funded in a similar fashion to that of residential development.

To this end, it is our understanding that an initial loan is secured against the land or the underlying land value. Per development in other asset classes this loan then morphs into a construction loan once the value of improvements built on site exceeds the value of the land. At this point the amount of lending is generally linked to the Gross value of the stock to be built ‘as if complete’.

Notwithstanding the above, the key difference in the retirement village lending model relates to the developers ability to take non-refundable deposits. That is, as mentioned above, unless strata titled, legislation states that only a fully refundable expressions of interest holding deposit can be taken where the retirement village is going to be operated as a Loan/Licence/Lease village.

In comparison to traditional residential, lenders see this lower level of security as a risk. As a result, loan to value ratios (LVR) are generally lower for retirement village developments compared to residential development (generally 50% v 65%), with there being a risk margin on interest compared to traditional residential. It is both of these considerations that make developing a retirement village more expensive when compared to residential, with there being a further need to find a higher level of external capital when compared to normal residential, again at a generally higher cost than that of bank debt.

## 7.4 Rural versus Urban Settings

Rural locations may provide opportunities to develop seniors housing with lower land costs. However, demand in most rural areas will be modest, which may negate any advantage of lower land costs. Construction costs will be similar whether in an urban or rural location. Therefore, we do not consider developments in rural locations will necessarily be more financially feasible than urban settings.

Retirees have traditionally expressed interest in both retiring to rural communities and coastal communities, with the residents that move from urban areas to these communities referred to as “tree-changers” and “sea-changer”. While not a trend restricted to retirees, it does help explain the interest in seniors housing within rural communities in the Hills District.

The number of “tree-changers” interested in dedicated seniors living as opposed to other dwellings is expected to be small, and this is expected to dictate the size of project that will be financially feasible in rural locations. Locations with unique, desirable characteristics, such as overlooking a golf course, will continue to be targeted and may provide opportunities for larger retirement communities to be developed in rural areas.

JLL has not seen increased interest from well-established retirement village owners and operators in securing sites in rural areas of Hornsby or The Hills Shire. The market is currently well supplied with retirement communities and these operators are expected to focus on regions of Greater Sydney that have an under-supply of existing product together with strong growth fundamentals.

The Hills District has strong growth fundamentals in terms of overall population growth and growth in its 65 and over age group. Both LGAs have a relatively high proportion of residents aged 55-64 years as at the 2016 Census, with these residents expected to fuel demand for retirement living over the next few years.

In terms of demand and the target occupant market in rural locations this will vary dependent on specific locations within a catchment and is considered to directly relate to affordability. It is not necessarily the case that retirement village living in rural locations targets the wealthy self-funded retiree, though where the demographic exists; there is no reason why such a proposition would not be viable in the right suburb or town.

A further relevant consideration for the subject catchment is that whilst rural in parts, it is rural near urban, or fringe urban in some locations as opposed to rural country. This generally provides a deeper pool of potential occupants as opposed to rural country locations.



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