

21 March 2019

Att: The General Manager  
North Sydney Council  
200 Miller Street  
North Sydney NSW 2060

Dear Sir,

**RE: LETTER OF OFFER TO ENTER INTO A VOLUNTARY PLANNING AGREEMENT –  
PLANNING PROPOSAL – 173-179 WALKER STREET NORTH SYDNEY**

**Introduction**

We write on behalf of Walker Street No. 100 Pty Ltd (The Developer), the owner of the 24 properties located at 173-179 Walker Street, North Sydney, that has submitted a Planning Proposal seeking to amend controls in the North Sydney Local Environmental Plan 2013 (NSLEP 2013) to achieve the objectives and intended outcomes of the Planning Proposal submitted March 2019 relating to the properties located at 173-179 Walker Street and 11-17 Hampden Street, North Sydney.

This voluntary offer to enter into a planning agreement has been prepared in alignment with North Sydney Council Voluntary Planning Agreements Policy, and in consideration of other established mechanism and policies throughout NSW. It has been prepared in consultation with statutory planners from Urbis and specialist VPA lawyers from Mills Oakley.

The purpose of this letter is to summarise the principal terms of the voluntary planning agreement (VPA) under Section 7.4(1)(a) and (b) of the Environmental Planning and Assessment Act 1979 (EP&A Act) that the Developer would be willing to enter into with North Sydney Council.

This letter is an offer to enter into a VPA for the purposes of s931(3) of the EP&A Act. In preparing this letter, consideration has been given to the following documents:

- Planning Proposal prepared by Urbis, dated March 2019
- North Sydney Local Infrastructure Plan Contributions Plan
- North Sydney Development Contributions Plan, 2013
- North Sydney Council VPA Policy
- Stage 2 Ward Street Precinct Master Plan, under assessment by Council

This letter of offer is for Council's initial consideration prior to the drafting of the voluntary planning agreement and explanatory note.

## **Background**

A planning proposal has been lodged for the properties located at 173-179 Walker Street (Walker Street Properties) and 11-17 Hampden Street (Hampden Street Properties) in North Sydney. The proposal seeks to amend the building height and FSR development standards as contained within the North Sydney Local Environmental Plan 2013, that apply to the subject site. The planning proposal does not seek to change the current R4 High Density Residential zoning. Amendments to the North Sydney Development Control Plan 2013 are also proposed as part of this Planning Proposal

The Planning Proposal is accompanied by indicative concept plans prepared by SJB Urban Design and supporting technical studies which provide further guidance with respect to the anticipated development outcome and mitigating measures for the site.

At the time of lodgement, the Developer, the owners corporations and Walker Street No. 100 Pty Ltd are the registered proprietors of 173-179 Walker Street.

The purpose of this offer is to provide an offer for a material public benefit and a monetary contribution to serve a public purpose.

## **Proposed Operative Provisions**

It is proposed that the Parties enter into a planning agreement within the meaning of Section 7.4 of the *Environmental Planning and Assessment Act 1979*.

### **1. PARTIES:**

- The Owners of Strata Plan 64615, Strata Plan 9808, Strata Plan 86752, Strata Plan 11082 and Walker Street No. 100 Pty Ltd (ABN 26 612 695 244) of Suite 12, Level 12, 37 Bligh Street Sydney NSW 2000 (“Developer”).
- North Sydney Council (ABN 32 353 260 317) of 200 Miller Street North Sydney NSW 2000 (“Council”).

### **2. LAND TO WHICH VPA APPLIES**

The VPA would apply to the land described as the “Walker Street Properties” (the Site) in the document titled Planning Proposal prepared by Urbis dated March 2019 (Planning Proposal).

The ‘Walker Street Properties’

- 173 Walker Street (the common property and lots within SP 11082)
- 175 Walker Street (the common property and lots within SP 86752)
- 177 Walker Street (the common property and lots within SP 9808)
- 179 Walker Street (the common property and lots within SP 64615)

### **3. INSTRUMENT TO WHICH THIS VPA RELATES**

The VPA will relate to the instrument change sought in the Planning Proposal seeking to introduce a change to the NSLEP 2013 to implement the objectives and the intended outcomes of the Planning Proposal (The LEP Amendment):

- Amend the NSLEP 2013 *Height of Buildings Map* to provide a maximum building height of RL133;

- Amend the NSLEP 2013 *Floor Space Ratio Map* to provide a maximum FSR of 6.1:1;
- Introduce a new Special Provisions Map within the NSLEP 2013 and map the East Walker Street Precinct as "Area 1;" and
- Amend Section 6 Additional Local Provisions - Division 2 General Provisions to include:

*6.20 East Walker Street Precinct*

*(1) This clause applies to land that is identified as "Area 1" on the Special Provisions Map and comprises the land in:*

- *173 Walker Street (SP 11082)*
- *175 Walker Street (SP 86752)*
- *177 Walker Street (SP 9808)*
- *179 Walker Street (SP 64615)*
- *11 Hampden Street (Lot 1 DP119732)*
- *15 Hampden Street (Lot 1 DP591516)*
- *17 Hampden Street (Lot 2 DP591516)*

*(2) Despite clause 4.3(2) and clause 4.4(2), if all lots within "Area 1" are amalgamated, the consent authority may grant development consent to the erection of a building on land to which this clause applies, if the building:*

- (a) will not exceed a height of RL148 metres; and*
- (b) will not exceed a floor space ratio of 6.9:1.*

*(3) Despite subclause (2), development to which this clause applies must not result in a net increase in overshadowing to Doris Fitton Park between 12pm - 2pm on June 21<sup>st</sup>.*

*(4) The consent authority must not grant development consent under this clause unless it is satisfied that there will be adequate provision for social and community infrastructure.*

**4. DEVELOPMENT TO WHICH THIS VPA RELATES**

The VPA would apply to development of the Walker Street Properties (the Site).

An arrangement is to be included to the effect that contributions under this VPA would be provided in satisfaction of the proposed clause 6.20(4) above requiring that development is subject to adequate provision for social and community infrastructure.

Following the amendment to the NSLEP 2013, the developer of the Site would submit a development application.

The public benefits will be delivered as agreed under the VPA.

**5. PROPOSED CONTRIBUTIONS TO BE MADE UNDER THIS AGREEMENT:**

Following submission of this Letter of Offer to Council, and subject to Council agreement, Walker Street No.100 Pty Ltd proposes to prepare and submit for Council's consideration a draft voluntary planning agreement. It is proposed that the voluntary planning agreement will consist of the provision material public benefits and monetary contributions for the purpose of carrying out to serve a public purpose.

*(1) VPA Contribution to satisfy the social and community infrastructure requirement in the proposed amendments to NSLEP*

a) Affordable Rental Housing Contribution OR Equivalent Net Value as a Monetary Contribution:

The Developer proposes to dedicate 5% of the residential yield (in terms of unit numbers) to affordable rental accommodation, in accordance with the *North Sydney Affordable Housing Strategy 2015*; to be dedicated to Council in perpetuity and managed as affordable housing by an affordable housing operator, or the dedication of an equivalent monetary benefit to Council to be used for the provision of affordable housing. This contribution is intended to include 5% of the residential yield, comprising units nominated by the Developer on submission of a Development Application. This contribution will be proportionately scaled back to the extent that any affordable housing contribution is required as part of any development consent (including under Division 7.2 of the *Environmental Planning and Assessment Act 1979* (the EP&A Act)). For example, if a 5 per cent affordable housing contribution is required under the terms of the development consent, irrespective of any planning agreement, then the affordable housing contribution under the planning agreement will be nil.

b) Further Monetary Contributions:

The Developer proposes to provide monetary contributions for the purpose of carrying out community infrastructure within the North Sydney Centre and Hampden Neighbourhood as proposed in the Draft Amendment to the North Sydney Development Control Plan 2013 included in this Planning Proposal.

Community Infrastructure in this instance means development within the North Sydney Centre and/or within the Hampden Neighbourhood for the purposes of public road improvements, public domain improvements, public open space upgrades, community garden improvements and residential parking improvements, or other community facilities. To assist in determining the need for these improvements, the Proponent undertook a Community Consultation process where it invited residents from more than 500 residences and business in the surrounding precinct to provide input on the development including potential considerations for future community infrastructure, as well as reviewed all public submissions regarding a previous planning proposal for the Site to ensure the public benefit offering considered their requests.

This monetary contribution is proposed to be calculated at a rate of \$15,100.00 per additional dwelling calculated by reference to the net increase in dwelling numbers approved at the Walker Street Properties under a development consent.

This amount will be in addition to whatever the normal amount of local infrastructure contributions is payable under section 7.11 or 7.12 of the EP&A Act.

If any special infrastructure contribution is required to be paid to the NSW Government under the terms of a development consent (or a separate planning agreement with the state government) the monetary contribution required under the planning agreement will be reduced proportionately.

(2) Development Contributions (in accordance with Section 7 of the EP&A Act)

- a) The benefits under the proposed planning agreement are not to be taken into consideration in determining a development contribution under section 7.11 of the EP&A Act.

**6. APPLICATION OF THE DEVELOPMENT CONTRIBUTIONS:**

The material public benefit items would be provided before the issue of any occupation certificate on the site. The value of the contribution and material public benefit offering is based on the development proposed under the submitted planning proposal and in the event of changes to the proposed built form controls as part of the Planning Proposal, the owner reserves the right to adjust its planning agreement offer. It is anticipated that the final contribution would be calculated by reference to the actual dwelling numbers approved under a development consent .

The application of contributions detailed in this offer are intended to apply to the properties owned by the Developer, being 173-179 Walker Street North Sydney.

If other properties are amalgamated within Area 1 on the Special Provisions Map proposed as an amendment to the North Sydney Local Environmental Plan 2013, the LEP will make provision for the consent authority to be satisfied that adequate provision has been made for social and community infrastructure. This will create an opportunity for the Council to consider a further planning agreement offer, at that time, from the owners of the properties that would benefit from increase height and density, but are not part of this offer. That is, 11 Hampden Street (Lot 1 DP119732), 15 Hampden Street (Lot 1 DP591516) and 17 Hampden Street (Lot 2 DP591516).

This is in line with item 4.1(e) of the NSC Voluntary Planning Agreements Policy which states that '*Council will not seek benefits under a planning agreement that are wholly unrelated to a particular development*'. Given this VPA relates to potential development on the Walker Street Properties only, and not the Hampden Street Properties, it is improper for this planning agreement to relate to those properties.

If the Council seeks further contributions to social and community infrastructure in relation to the development of 173-179 Walker Street North Sydney prior to, or in the course of determining an application for development consent (other than contributions under section 7.11 or section 7.12 of the EP&A Act), any further such contributions must result in a pro-rata reduction of the contributions provided for in the planning agreement).

**7. REGISTRATION OF THE AGREEMENT:**

The agreement is proposed to be registered under the *Real Property Act 1900 (NSW)* in the relevant folios of the Register for the Land in accordance with s7.6 of the Act and the Developer at its own expense will, promptly after this agreement comes into operation, take all practical steps and otherwise do anything that the Council reasonably requires to enable the registration of an agreement mutually satisfactory to both parties.

The obligations of the planning agreement are therefore intended to be the responsibility of the owner of the subject property per the terms of the agreement, and not specifically the responsibility of Walker Street No. 100 Pty Ltd in the event a transfer of the land is made prior to completion a development on the subject property.

**8. COMMENCEMENT:**

The developer's obligation to provide the development contributions only arises if the planning controls are changed as proposed and a development consent is granted.

#### 9. ENFORCEMENT OF THE AGREEMENT:

We do not propose to lodge any monetary security in relation to the above obligations. This is because the planning agreement will provide for the enforcement of the agreement by a suitable means in the following ways:

- The owner will arrange for the registration of the planning agreement on the title of the land. This means that the agreement will be binding on, and enforceable against, the owner of the land from time to time as if each owner for the time being had entered into the agreement (section 93H(3) of the *Environmental Planning and Assessment Act 1979*).
- Prior to registration, the owner will not be able to assign or novate its rights under the agreement, or transfer its interest the land, without Council's consent. The Council's consent may not be unreasonably withheld, but consent may withheld if the owner is in material unremedied breach of the agreement. The restriction will not prevent the use of the land as security for the purpose of finance.
- The Council will be able to compulsorily acquire any acquisition land not dedicated in accordance with the requirement of the agreement for \$1.00.
- It is proposed that an occupation certificate (including an interim occupation certificate) will not be able to be issued if:
  - the necessary construction required by the planning agreement has not been completed;
  - the relevant land has not been dedicated; or
  - the relevant monetary contribution has not been made.

It is proposed that nothing within the proposed agreement prevents a party from bringing proceedings in the Land and Environment Court to enforce any aspect of this agreement or any matter to which this agreement relates, and the Council from exercising any function under the Act or any other act or law relating to the enforcement of any aspect of this Agreement or any matter to which this agreement relates.

#### 10. DISPUTE RESOLUTION

The planning agreement will contain a mechanism for the resolution of disputes by way of mediation.

#### 11. FORMAL DOCUMENT:

A formal planning agreement would need to be prepared in accordance with this offer. It should be expected that this document will contain reasonable safeguards to protect the owner's interests and those of the Council that are not expressly referenced in this letter. Ultimately any agreement will be dependent on the finalisation of this document in a form that is satisfactory to both the owner and the Council and the execution of that document. Until this process is completed no legally binding commitments can arise.

**Acceptability Test**

Council will apply the following test in order to assess the desirability of a proposed voluntary planning agreement:

4.4 Acceptability Test (Clause 4.4 of VPA Policy)	<b>Proponent Compliance</b>
<i>a) Is the proposed planning agreement directed towards a proper or legitimate planning purpose having regard to its statutory planning controls and other adopted planning policies and strategies and the circumstances of the case?</i>	Yes. It is directed towards achieving legitimate state, local community planning policies and strategies, targeted statutory planning outcomes and specific circumstances for the East Walker Street Precinct.
<i>b) Does the proposed planning agreement provide for a reasonable means of achieving the relevant purpose and outcomes and securing the benefits?</i>	Yes. It provides a clear and established method to ensure the proposed benefits will be secured and the purpose and outcomes achieved.
<i>c) Can the proposed planning agreement be taken into consideration in the assessment of the relevant instrument change or development application?</i>	Yes. The proposed agreement relates to the Walker Street Properties component of the East Walker Street Precinct, to which the Planning Proposal applies.
<i>d) Will the proposed planning agreement produce outcomes that meet the general values and expectations of the public and protect the overall public interest against planning harm?</i>	Yes. In addition to aligning with heavily document public interest determined by State and Local Government policy, the proponent also undertook public consultation to gather local input potential benefits to be provided to the local community.
<i>e) Does the proposed planning agreement promote Council's objectives in relation to the use of planning agreements as set out in this policy?</i>	Yes
<i>f) Does the proposed planning agreement conform to the principles governing Council's use of planning agreements as set out in this policy?</i>	Yes. See above table.
<i>g) Are there any relevant circumstances that may operate to preclude Council from entering into the proposed planning agreements?</i>	No.

<p><i>h) Will the proposed planning agreement provide public benefits that bear a relationship to the development or is there justification for the provision of unrelated benefits?</i></p>	<p>Yes. The public benefits offered related to community infrastructure upgrades for the surrounding precinct and North Sydney Centre.</p>
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## Guiding Principles

*Council's use of planning agreements will be governed by the following principles:*

4.1 Guiding Principles	Proponent Compliance
<p><i>1) Planning decisions will not be bought or sold through planning agreements;</i></p>	<p>The Planning Proposal prepared is very clearly justified on its own strategic and site-specific merits and is capable of being approved in its own capacity. This VPA is voluntary and is simply to enhance the already positive planning outcome.</p>
<p><i>2) Council will not allow planning agreements to improperly fetter the exercise of its functions under the Act, Regulation or any other act or law;</i></p>	<p>Council is capable of progressing the Planning Proposal and this planning agreement under the normal and proper exercise of its functions.</p>
<p><i>3) Council will not use planning agreements for any purpose other than a proper planning purpose;</i></p>	<p>The planning agreement is simply provided for a proper planning purpose.</p>
<p><i>4) Development that is unacceptable on planning grounds will not be permitted because of public benefits offered by developers, unless those public benefits address or offset the impacts of concern;</i></p>	<p>The Development is acceptable on planning grounds, and as such, public benefits are only provided in conjunction with the justified planning outcome.</p>
<p><i>5) Council will not seek benefits under a planning agreement that are wholly unrelated to a particular development, however a developer may offer benefits that are not connected to the proposed development;</i></p>	<p>Council will not seek benefits unrelated to the development of the Walker Street Properties specifically.</p>
<p><i>6) When considering the merits of a proposed development or instrument change, the provision of any public facility or public benefits proposed in the planning agreement that is wholly unrelated to the application will be given little to no weight;</i></p>	<p>The proposed public benefits are related to the Planning Proposal.</p>
<p><i>7) When considering a development or instrument change, Council will not give undue weight to a planning agreement;</i></p>	<p>The proposed planning changes are very clearly justified on their own strategic and site-specific merits and are capable of being approved in their own capacity. There is no</p>



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	need to give undue weight to this planning agreement.
<i>8) Council will not allow the interests of individuals or interest groups to outweigh the public interest when considering a proposed planning agreement; and</i>	The public interest is at the forefront of this planning agreement, as demonstrated unequivocally in the Planning Proposal.
<i>9) Council will not improperly rely on its position in order to extract unreasonable public benefits from developers under planning agreements.</i>	The public benefits offered under the proposed planning agreement are very reasonable.

### Summary

This letter of offer is submitted to Council for your consideration. We would welcome the opportunity to meet with Council to discuss this proposal after which time we would proceed to the drafting of the Voluntary Planning Agreement. It is proposed that the agreement is entered into by the Developer and North Sydney Council.

The VPA would operate when the amendments to the Local Environmental Plan and Development Control Plan take effect.

Yours faithfully,



Peter Clemesha

Director, Avenor Pty Ltd

On behalf of Walker Street No. 100 Pty Ltd

## **APPENDIX 1: VPA METHODOLOGY**

### **1) VPA Methodology:**

This voluntary offer to enter into a planning agreement has been prepared in alignment with North Sydney Council Voluntary Planning Agreements Policy, and in consideration of other established mechanism and policies throughout NSW. It has been prepared in consultation with statutory planners from Urbis and specialist VPA lawyers from Mills Oakley.

The contributions proposed as part of the Planning Proposal are based on policy recommendations by North Sydney Council, consultation with the Department of Planning and Environment, community consultation undertaken by Avenor, as well as consideration of the specific development feasibility of the subject site.

It is noted that the North Sydney Voluntary Contributions Policy does not contain a specific basis or scope for development contributions to be provided for the East Walker Street Precinct, nor an associated valuation method or notion of value capture.

This is seen to be appropriate as it is in line with North Sydney Council's VPA policy Guiding Principles. These Guiding Principles and the Acceptability Test have been considered in preparing this offer.

As such, the contributions have been determined organically for the Site by identifying key relevant areas of public interest determined by Council Policy . Key relevant documents drawn on are:

- North Sydney Community Infrastructure Policy
- Public Interest determined by Public Consultation with Local Community
- North Sydney Council Affordable Housing Strategy

### **2) Affordable Rental Housing Contribution:**

An affordable housing contribution is a public benefit associated with the Planning Proposal. North Sydney Council adopted an Affordable Housing Strategy (AHS) in 2013. One of the identified strategies outlined in this document seeks to "utilise the planning system to provide affordable housing". Associated with this strategy is to use voluntary planning agreements that accompany Planning Proposals to alter planning controls, which apply to a site, where such a change will significantly increase the value of the land.

The Affordable Housing Strategy States that,

*'In considering the proportion of this value that should be dedicated to the provision of affordable housing, Council will need to consider whether other public benefits are being provided either on-site or by way of funds dedicated to Council for a specific alternate purpose. In instances where a Planning Proposal is a function of an adopted planning study, the adopted study is likely to provide guidance regarding the proportion of captured value dedicated to affordable housing.'*

In addition, the Affordable Housing Strategy States that,

*'The provision of affordable housing via Voluntary Planning Agreements should, in the first instance, occur on-site by way of dedication of dwellings to Council in perpetuity to be managed as affordable housing units. Only when it is considered inappropriate to require the provision of affordable housing*

*on-site will Council consider a monetary contribution to be used for the provision of affordable housing.'*

The Greater Sydney Commission identifies that between 5-10% of apartments for Planning Proposals that seek to alter planning controls in Sydney Metropolitan Area has been identified by the Great Sydney Commission as an appropriate means to increase the supply of affordable rental housing. It is reasonable to adopt a rate of 5% for consideration in addition to additional public benefits offered for community infrastructure.

The value of the affordable rental housing contribution has been estimated by an independent valuation report prepared CBRE Valuations in March 2019 and submitted as part of this Planning Proposal based on the FSR of 6.1:1 which results in an estimated apartment yield of 141 apartments. The value of the apartments is estimated on an 'as if complete' basis with regard to 'Off the Plan' sales evidence and comparable sales evidence.

**Based on the CBRE Valuation:**

Total Proposed Additional NSA:	10,236 sqm
5% of Proposed Additional NSA:	512 sqm
Total Number of Units:	7 units out of 141 units
Estimated Value of NSA:	\$7,150,000 as affordable rental housing basis

In the event that the FSR able to be realised on the site is increased to 6.9:1 as a result of site amalgamation in line with the proposed amendments to the planning instrument this value would be greater.

**3) Monetary Contributions:**

A monetary contribution for community infrastructure works is proposed on the basis of a rate per additional dwelling, as approved in a development undertaken on 173-179 Walker Street. A rate of \$15,100 per additional dwelling is proposed.

Estimated Number of Dwellings:	141
Number of Existing Dwellings:	24
Number of Additional Dwellings:	117
Rate / Additional Dwelling:	\$15,100
Estimated Contribution Value:	\$1,766,700

Based on the estimated Floor Space Ratio this results in a total contribution of \$8,916,700 including the estimated value of the affordable housing contribution.

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**4) Contributions Summary and Value:**

<b>Description of Developer's Contributions</b>	<b>Estimated Value (FSR = 6.1:1)</b>	<b>Estimated Value (FSR = 6.9:1)</b>
Affordable Housing - 5% (approx. 7 units)	\$ 7,150,000	\$8,100,000
Monetary Contribution for community infrastructure	\$1,766,000	\$2,763,300
<b>Total Estimated Contribution</b>	<b>\$8,916,700</b>	<b>\$10,863,300</b>

28 February 2019

Mr Greg Gould  
Avenor Pty Ltd  
Level 17, 9 Castlereagh Street  
Sydney NSW 2000

Via Email: [greg.gould@avenor.com.au](mailto:greg.gould@avenor.com.au)

Dear Mr Gould,

## Consultancy Advice – 173-179 Walker Street, North Sydney

### Instructions

We have been instructed by Mr Greg Gould of Walker Street No.100 Pty Ltd dated 20 February 2019 to provide consultancy advice relating to 173-179 Walker Street, North Sydney.

(Note - This advice is strictly for Voluntary Planning Agreement contribution assessment / negotiation purposes only.)

This document has been prepared strictly for negotiation purposes for the Reliant Party, being Walker Street No.100 Pty Ltd between North Sydney Council. Furthermore, this is a confidential document and therefore use, or reliance upon this document, by anyone other than the Reliant Party is not authorised by CBRE Valuations Pty Limited and CBRE Valuations Pty Limited is not liable for any loss arising from such unauthorised use or reliance. This document should not be reproduced without our prior written authority.

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We have pleasure in reporting as follows.

## Background & Findings

- Purpose & Instructions**
- By way of background, we have been advised that Walker Street 100 Pty Ltd have acquired the properties at 173-179 Walker Street, North Sydney.
  - This advice is for negotiation purposes only between the reliant party (Walker Street 100 Pty Ltd) and the North Sydney Council. We note that the reliant party is in the process of lodging a Planning Proposal for the redevelopment of the combined parcel at 173-179 Walker Street and 11-17 Hampden Street, North Sydney, which intends on achieving an FSR range of 3.76 to 6.09:1 on an individual basis and up to 6.1 to 6.9 assuming all properties are amalgamated.
  - If the applicant is successful with the Planning Proposal, then via a Voluntary Planning Agreement (VPA) they intend to transfer 5% of the additional Net Saleable Area (NSA) achieved over 173-179 Walker Street that results from rezoning to the North Sydney Council as Affordable Housing, which will be in lieu of VPA fees.
  - In order to quantify the value of the aforementioned contributions, our advice has been prepared to assess the following:
    - 5% of the additional Net Saleable Area (NSA) as Affordable Housing
- Summary**
- Our findings result in the following indicative assessment(s):  
**Affordable Housing Component within 173-179 Walker Street**  
 \$7,150,000 (including GST)

## Critical Assumptions

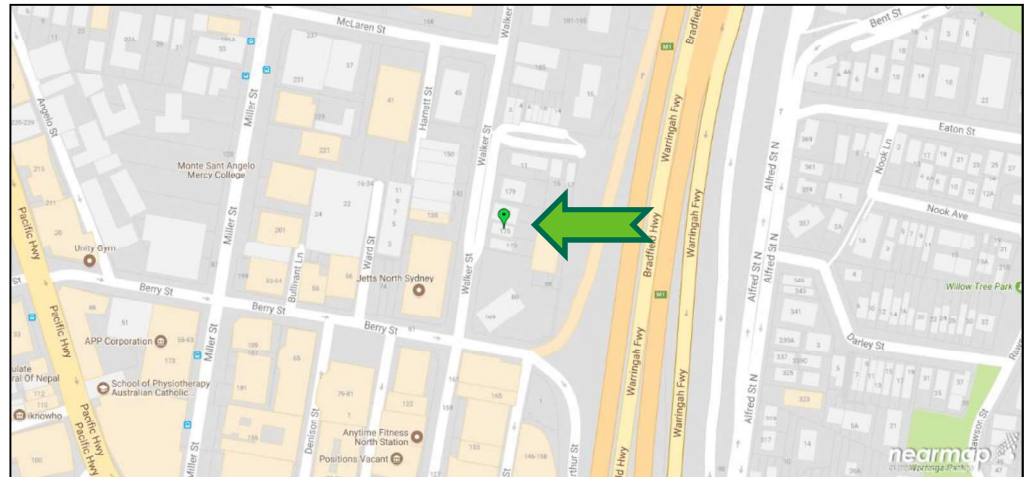
- Vacant Possession**
- We assume the subject properties will be available with vacant possession.
- Site Area**
- Please note that the site area(s) herein are based on the registered deposited plan and NSW Valuer General.
- Town Planning**
- Note we are not town planning experts and therefore have relied on the proposed FSR to determine the maximum development yield.
- GST**
- Our assessment has been undertaken on the following basis:
    - Affordable Housing Component within 173-179 Walker Street  
 GST Supply – as this new residential stock
- Affordable Housing**
- As per our specific instructions, our assessment assumes that the proposed affordable housing units remain as so in perpetuity.

## Site Overview

- Locality**
- The subject property is situated along the eastern alignment of Walker Street approximately 100 metres north of its intersection with Berry Street, in North Sydney. The location here is on the northern fringe of the North Sydney CBD.
  - North Sydney is an established commercial and residential location situated on Sydney's Lower North Shore and is located approximately 3 kilometres north of the Sydney CBD.
- Surrounds**
- Surrounding development comprises a mixture of high rise office buildings, a mix of medium to high rise residential and mixed-use buildings of varying age. The subject properties are bounded by contemporary high-rise residential buildings to the south, east and west, with low rise residential developments to the north that are of similar age and construction.
- Transport/Roads**
- North Sydney Railway Station is situated approximately 500 metres south of the subject property.
  - The proposed Victoria Cross Railway Station forming part of the Sydney Metro is to be located approximately 175 metres west of the subject properties. The station is expected to be operational in 2024.

### Local Map

Source: Nearmap



## Current Town Planning

- |                             |  |
|-----------------------------|--|
| <b>Local Authority</b>      | <ul style="list-style-type: none"> <li>▪ North Sydney Council.</li> </ul>  |
| <b>Local Plan</b>           | <ul style="list-style-type: none"> <li>▪ North Sydney Local Environmental Plan 2013.</li> </ul>  |
| <b>Zoning</b>               | <ul style="list-style-type: none"> <li>▪ R4 High Density Residential.</li> </ul>   |
| <b>Zoning Objectives</b>    | <ul style="list-style-type: none"> <li>▪ To provide for the housing needs of the community within a high density residential environment.</li> <li>▪ To provide a variety of housing types within a high density residential environment.</li> <li>▪ To enable other land uses that provide facilities or services to meet the day to day needs of residents.</li> <li>▪ To encourage the development of sites for high density housing if such development does not compromise the amenity of the surrounding area or the natural or cultural heritage of the area.</li> <li>▪ To ensure that a reasonably high level of residential amenity is achieved and maintained.</li> </ul> |
| <b>Zoning Controls</b>      | <ul style="list-style-type: none"> <li>▪ Specific planning controls include:             <ul style="list-style-type: none"> <li>– FSR Undefined.</li> <li>– Maximum Building Height of 12 metres.</li> </ul> </li> </ul>   |
| <b>Permitted Use</b>        | <ul style="list-style-type: none"> <li>▪ To use the premises only for one or more of the following purposes:             <ul style="list-style-type: none"> <li>– Environmental protection works; Attached dwellings; Boarding houses; Centre-based child care facilities; Community facilities; Dual occupancies (attached); Dwelling houses; Entertainment facilities; Home-based child care; Hostels; Information and education facilities; Multi dwelling housing; Neighborhood shops; Places of public worship; Recreation areas; Residential flat buildings; Respite day care centres; Roads; Semi-detached dwellings; Shop top housing</li> </ul> </li> </ul>                 |
| <b>Development Controls</b> | <ul style="list-style-type: none"> <li>▪ Under the North Sydney DCP 2013, a residential flat building must have a minimum lot frontage of 15 metres.</li> <li>▪ Minimum landscaped area must be 40% of lot.</li> <li>▪ Maximum site coverage of 45%.</li> </ul>  |
| <b>Existing Use</b>         | <ul style="list-style-type: none"> <li>▪ The current use as residential flat buildings appear to conform to the permitted use of the site under the current zoning.</li> </ul>   |
| <b>Heritage</b>             | <ul style="list-style-type: none"> <li>▪ The subject property is relatively modern and not expected to be subject to Heritage issues. Searches were not undertaken.</li> </ul>   |
| <b>Native Title</b>         | <ul style="list-style-type: none"> <li>▪ The subject property is not expected to be subject to Native Title issues. Searches were not undertaken.</li> </ul>   |
| <b>Planning Information</b> | <p><b>We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us.</b></p>   |

## Planning Proposal

- Summary**
- With reference to draft concept plans prepared by SJB dated 15 March 2019, we summarise the proposed development under the Planning Proposal as follows:
    - 173-179 Walker Street: when developed in isolation, a mixed use development comprising 23-storeys over basement car parking. The maximum target FSR of 6.09:1 and a GFA of 14,257 sqm. Please note is 173-179 Walker Street were to be redevelopment in conjunction with 11-17 Hampden Street then a target FSR would range from 6.1 to 6.9:1.

## Title Details

Address	Lot/Plan	Title Reference	Land Area (sqm)	Registered Ownership
173 Walker St	Lots 1-6 in Strata Plan 11082	1-6/SP11082	505.9 sqm	Walker Street No. 100 Pty Limited
175 Walker St	Lots 1-6 in Strata Plan 86752	1-6/SP86752	505.9 sqm	Walker Street No. 100 Pty Limited
177 Walker St	Lots 1-6 in Strata Plan 9808	1-6/SP9808	506 sqm	Walker Street No. 100 Pty Limited
179 Walker St	Lots 1-6 in Strata Plan 64615	1-6/SP64615	809.3 sqm	Walker Street No. 100 Pty Limited

## Assessment Rationale – Affordable Housing within 173-179 Walker Street

- Overview**
- In preparing the Planning Proposal, the developer intends to transfer 5% of the additional Net Saleable Area (NSA) that results from the increased FSR of 6.09:1 to the local council in lieu of VPA fees.
  - With reference to the Draft Concept Design prepared by SJB, the Planning Proposal over 173-179 Walker Street comprises a mixed use development containing a total Gross Floor Area (GFA) of 14,257 sqm.
  - Assuming a net efficiency ratio of 85% we envisage that the total NSA would be approximately 12,118 sqm. We have been advised by the instructing party that the NSA for the existing development on site is approximately 1,882 sqm, therefore the additional NSA will be 10,236 sqm.
  - Based on the above, the affordable housing component amounts to 512 sqm of NSA or seven (7) apartments (assuming an average unit size of 75 sqm).
- Adjust for Affordable Housing**
- Affordable housing is built for very low to moderate income households and priced so they are able to meet other basic living costs. While affordable housing tenants do not have to be eligible for social housing, people who are eligible for social housing may also be able to qualify for affordable housing.
  - Under the Affordable Housing State Planning Environment Planning Policy (AHSEPP 2009) units must be leased for a period of 10 years and the rent may be set in one of two ways:
    - At least 20% below market rent, or
    - 25 - 30% of income as rent for very low, low or moderate income households.
  - Having an affordable housing restriction reduces market value due to the maximum income they can generate and in the absence of transparent sales of individual affordable housing units we therefore must adjust the value that is derived from generic residential sales.
  - For the purpose of this assessment, the 10 year reversion to private housing does not apply, therefore we have assumed affordable housing in perpetuity.
  - In our opinion there are two ways to adjust for affordable housing, these include:
    - Apply a 20% discount on the rate per sqm of NSA, per the rental discount.
    - Capitalisation of gross income approach based on the discounted rent.
- Rental Assessment**
- For the purpose of this advice, we have relied on average rents for modern 2 bedroom 2 bathroom 1 car space apartments within North Sydney, which range from \$800 to \$900 per week for the private rental market. For affordable housing rents, we have adopted a 20% discount on these rents to arrive at a range of \$640 to \$720 per week.
  - Based on the above, the total annual affordable housing rent for the 7 x apartments would as follows:
    - (\$700 x 7) x 52
    - \$254,800 per annum



- Capitalisation Approach**
- As industry practice, we analyse residential flat building sales on a gross yield basis and apply the same principle on valuation. Given the dynamic nature of residential occupancy, we consider it appropriate to allow for a vacancy and debt factor, for the subject units we have adopted 1.00%.
  - The fully leased market based gross income has been capitalised in perpetuity from the assessment date at a (gross) capitalisation rate of 3.50%, which we feel reflects the nature and location of the property when compared with current market investment criteria. We have utilised residential flat building sales to confirm this adopted rate (appended herewith).
  - As further adjustments, we have allowed for letting costs:
    - Three (3) months to lease the units.
    - Agent fee of one (1) week rent.
  - Our capitalisation analysis calculations are detailed as follows.

CAPITALISATION ANALYSIS		Area	Market Rent
GROSS INCOME (before vacancies and adjustments)			-
Income Adjustments	Potential Future Income - Vacant Tenancies	512.0	254,800
	Vacancy/Bad Debts Allowance	1.00%	(2,548)
	Total Income Adjustments		252,252
FULLY LEASED GROSS INCOME (after vacancy allowance)			252,252
CAPITALISED VALUE		Capitalised In Perpetuity @	3.50%
			7,207,200
<b>Capital Adjustments</b>			
Vacancies	Letting Up Allowance	3 mths	(63,700)
	Leasing Commissions	1 week	(4,900)
	Total Capital Adjustments		(68,600)
			7,138,600
<b>Adopt</b>			<b>7,150,000</b>

- Direct Comparison**
- We have considered a range of new residential project sales within North Sydney and surrounding areas (appended herewith) to arrive at a suitable rate per sqm of NSA. The sales indicate an average rate from \$16,120 to \$18,092 per sqm of NSA.
  - We consider a rate of \$17,500 per sqm of NSA to be applicable for the subject units. The adopted NSA is then 'discounted' by 20% to reflect the affordable housing nature of the apartments offered to Council. Note there is limited sales evidence to confirm the volume of discount applicable however since the rents are generally discounted at this rate, we have applied a similar application to the capital value.
  - We have analysed a number of developments within the surrounding locality, and have considered the following criteria:
    - Location and strength of locality.
    - Access and level of exposure.
    - Physical attributes such as topography, elevation and views.
    - Prevailing market conditions.
  - Our calculations are provided as follows.

#### DIRECT COMPARISON APPROACH

NSA		512 sqm
	<u>Rate \$psm</u>	<u>Calculated Value</u>
	17,000	8,704,000
	17,500	8,960,000
	18,000	9,216,000
		8,960,000
Apply 20% Discount for Affordable Housing		7,168,000
<b>Adopt</b>		<b>7,150,000</b>
Rate \$psm		13,965

- Adopted Assessment**
- As per our specific instructions, our assessment assumes the apartments remain as affordable housing in perpetuity.
  - We consider \$7,150,000 to be an appropriate assessment for the 512 sqm of NSA (7 x units) to be transferred to council as affordable housing, which equates to an average price of \$1,021,429 per unit.

**Extension of Liability & Confidentiality**

Liability limited by a scheme approved under Professional Standards Legislation.

This consultancy advice has been prepared for Walker Street No. 1 Pty Ltd for VPA negotiation purposes only.

Neither the whole of the letter, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third parties, without the prior written approval of CBRE of the form and context in which it appears.

We trust that the foregoing is satisfactory for your immediate requirements.

Yours sincerely,



Tahir Khan AAPI

Director

Valuation & Advisory Services

Liability limited by a scheme approved under Professional Standards Legislation.

## Appendices – Residential Flat Building Sales

### 21 Hipwood Street, North Sydney



Sale Date	Nov 2018	Sale Price	\$3,900,000
Site Area	433 sqm	Rate PSM (Site)	\$9,007 psm
Units	2 x 2 bed + 1 x 3 bed	Rate per Unit	\$1,300,000/unit
Passing Rent	Undisclosed	Gross Initial Yield	N/A
Gross Market Rent	\$88,400	Gross Equivalent Yield	2.4%

**Description:** A strata titled residential block of units containing 2 x 2 bedroom and 1 x 3 bedroom plus study units. The site is an irregular shaped parcel located approximately 200 metres south of Mosmans Bay.

The site is improved with a circa 1920s Art Deco style residential flat buildings built over 3 levels providing fully refurbished interior. Laundries and bathroom are combined. A single lock-up garage is provided under the main building. The two ground floor units have an enclosed yard area to the rear.

**Comments:** Sold fully leased however we have been unable to obtain the passing rental as at the date of sale. We have analysed the sale assuming an average rent of \$565/pw.

**Comparison:** Smaller building and site area. Superior location however inferior proximity to railway station. Given larger scale, we consider lower value metrics to be applicable for the subject.

### 134-136 Falcon Street, Crows Nest



Sale Date	June 2018	Sale Price	\$8,500,000
Site Area	1,108 sqm	Rate PSM (Site)	\$7,671 psm
Units	12 x 2 bed	Rate per Unit	\$708,333/unit
Passing Rent	Undisclosed	Gross Initial Yield	N/A
Gross Market Rent	\$312,000	Gross Equivalent Yield	3.67%

**Description:** Two contiguous lots forming a 2 x Torrens title residential block of units, each with 6 x 2 bedroom units. The site is located on the corner of Falcon Street and West Street, in Crows Nest. The site is improved with a two circa 1920s Art Deco style residential flat buildings built over 2-3 levels providing updated kitchens and bathrooms. Laundries and bathroom are combined. No onsite car parking provided. Large yard area to the rear.

The site is located approximately 450 metres east of the Crows Nest Village and proposed Metro Station.

**Comments:** Sold fully leased however we have been unable to obtain the passing rental as at the date of sale. We have analysed the sale assuming an average rent of \$500/pw.

**Comparison:** Similar scale building but larger site area. Inferior main road location and inferior proximity to railway / metro station. Overall, we consider a similar yield but a lower rate per unit due to the high volume of studios within the subject.

### 64 Benelong Road, Cremorne



Sale Date	May 2018	Sale Price	\$3,325,000
Site Area	525 sqm	Rate PSM (Site)	\$6,333 psm
Units	4 x 2 bed	Rate per Unit	\$831,250/unit
Passing Rent	Undisclosed	Gross Initial Yield	N/A
Gross Market Rent	\$107,250	Gross Equivalent Yield	3.24 %

**Description:** Torrens title residential block of units. Constructed over two levels providing a total of 4 x 2 bedroom units. Originally constructed circa 1960s. Dated level of improvements overall. The units benefit from elevated views to the rear. No onsite car parking provided. Large yard area to the rear.

**Comments:** Sold fully leased however we have been unable to obtain the passing rental as at the date of sale.

**Comparison:** Smaller building and site area. Superior location however inferior proximity to railway station. Given larger scale, we consider lower value metrics to be applicable for the subject.

## 11A Doohat Avenue, North Sydney



<b>Sale Date</b>	December 2015	<b>Sale Price</b>	\$6,308,000
<b>Site Area</b>	803 sqm	<b>Rate Per Unit</b>	\$1,261,600 per unit
<b>No. of Units</b>	5 units (5 x 2 bed)	<b>Gross Initial Yield</b>	N/A
<b>Passing Rent</b>	Undisclosed	<b>Gross Equivalent Yield</b>	3.30 %
<b>Market Rent</b>	\$208,000 pa (gross)		

**Description:** A strata titled late 1980s block of five (5) townhouses each providing 3 bed, 2 bath, 2 car accommodation, presenting in an average condition commensurate with their age. The property is positioned at the end of the Doohat Avenue cul-de-sac approximately 500 metres north-west of the North Sydney Centre and 900 metres north-west of the North Sydney Station. The property has limited redevelopment upside under the current planning parameters although has potential value add through renovation.

**Comments:** The property sold partially leased with a number of townhouses offered for lease shortly after purchase at around \$800/pw. We estimate a fully gross leased income for the property of circa \$208,000 per annum (\$800 per townhouse per week average) at the time of transaction.

**Comparison:** Dated Sale. Superior, quieter location. Superior improvements and unit configuration. Given larger scale and volume of studios, we consider lower value metrics to be applicable for the subject.

## Appendices – Residential Project Sales Evidence

### "Lucent" 225 Pacific Highway, North Sydney

#### LOCATION

The development is situated along the eastern alignment of the Pacific Highway, approximately 100 metres south of its intersection with McLaren Street on the north-western periphery of the North Sydney CBD. The development has good access to public transport being situated approximately 650 metres north of North Sydney Railway Station. The development will also benefit from the new Sydney metro line with Victoria Cross Railway Station to be located approximately 300 metres south-east of the development. The new railway station is anticipated to be operational in 2024.

#### BRIEF DESCRIPTION

A 2016 18-storey mixed-use development comprising a total of 211 residential units (18 x studio, 109 x 1 bedroom, 73 x 2 bedroom and 11 x 3 bedroom units). The development provides multiple retail spaces including a 224 sqm retail/commercial area, a restaurant of 302 sqm, a 85 sqm cafe and 256 sqm bar.

Communal facilities on the top two (2) levels include rooftop deck and entertaining spaces, pool and gym and bbq facilities.

The apartments comprise reasonable finishes including; stone benches, gas cooking, Miele appliances and ducted air-conditioning.

Basement carparking over six (6) levels accommodating 161 vehicles, 14 motorcycles, 66 bicycles and storage.

Developed by Greenland Australia and completed Q3 2016.



#### RE SALES SUMMARY

The following units are re-sales from the original off the plan purchasers.

<u>Resales</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Bed</u>	<u>Bath</u>	<u>Car</u>	<u>Int. Area (sqm)</u>	<u>\$/sqm</u>
Unit 212	Jun-18	\$955,000	2	2	2	67	\$14,254
Unit 220	Oct-17	\$885,000	1+S	1	1	55	\$16,091
Unit 305	Jun-18	\$1,052,000	2	2	1	66	\$15,939
Unit 617	Jul-17	\$950,000	1+S	1	1	63	\$15,079
Unit 810	Feb-18	\$800,000	1	1	0	49	\$16,327
Unit 1303	Apr-18	\$1,275,000	2	2	1	67	\$19,030

## "The Miller" 221 Miller Street, North Sydney

### LOCATION

The Miller is located along the eastern alignment of Miller Street approximately 100 south of its intersection with McLaren Street. The development is situated on the northern periphery of the North Sydney CBD and benefits from good access to public transport and retail amenity being located approximately 600 metres north of North Sydney Railway Station and Greenwood Shopping Plaza. The development will also benefit from the new Sydney Metro Line with Victoria Cross Railway Station to be located approximately 150 metres south of the development. The new railway station is anticipated to be operational in 2024.

### BRIEF DESCRIPTION

A 22-storey mixed-use development comprising 183 residential units, 100 serviced units and ground floor retail space. The development includes a mix of studio, 1, 2 and 3 bedroom units, with the serviced apartments located on the lower levels and the residential units on the upper levels. Apartments will have a northern, eastern, or western aspect. The northern and eastern aspect views will be generally obstructed on the lower levels by the built out nature of the surrounding properties. Western aspect units will achieve elevated district views from Level 4 / 5 onwards.

Reasonable levels finishes with premium upgraded finishes including timber floors, stone benches and splashbacks.

The serviced apartment lobby will be located at lower ground and will include back-of-house facilities and meeting rooms associated with the service apartment component at the lower ground and amenities including hire hall and a gym.

A ground floor plaza will incorporate a retail tenancy and outdoor dining with exposure to Miller Street. The ground floor residential lobby will be accessed via a path from Miller Street.

The Miller will provide a common roof terrace accommodating BBQ facilities, seating and dining areas.

Basement car parking will be arranged over five (5) levels accommodating 108 vehicles, 222 bicycle spaces and storage.

Developed by Yuhu Group and is estimated to be completed mid-2019.



### PRE SALES SUMMARY

Below are advised ranges only provided by the marketing Agent (Ray White) as at early 2017.

Unit Type	Qty.	Internal Area (sqm)			\$ Price			Analysis Int. Spsm		
		Min.	Avg.	Max.	Min.	Avg.	Max.	Min.	Avg.	Max.
1 Bed	58	49	50.1	52	\$684,000	\$791,788	\$949,000	\$13,680	\$15,808	\$18,653
2 Bed	75	73	76.8	89	\$1,004,000	\$1,427,293	\$1,900,000	\$13,211	\$18,580	\$22,689
3 Bed	9	102	104.5	110	\$1,500,000	\$2,000,000	\$2,300,000	\$13,636	\$19,236	\$22,330
4B Manor	14	112	112.0	112	\$1,713,000	\$1,751,500	\$1,783,500	\$15,295	\$15,638	\$15,924
	156		68.4			\$1,197,671			\$17,299	

## "Vantage" 229 Miller Street, North Sydney

### LOCATION

Vantage is located on a battle-axe lot along the eastern alignment of Miller Street approximately 75 metres south of its intersection with McLaren Street. The development is situated on the northern periphery of the North Sydney CBD and benefits from good access to public transport and retail amenity being located approximately 600 metres north of North Sydney Railway Station and Greenwood Shopping Plaza. The development will also benefit from the new Sydney metro line with Victoria Cross Railway Station to be located approximately 150 metres south of the development. The new railway station is anticipated to be operational in 2024.

### BRIEF DESCRIPTION

A 20-storey mixed use development comprising 91 residential units plus lower level commercial/retail space. The development offers a mix of studio, 1, 2 and 3 bedroom units with a retail/commercial component of approximately 753 sqm.

Basement car parking provided over four (4) levels accommodating 83 vehicles, 8 motorbikes and 116 bicycles.

The development comprises a reasonable level of fixtures and finishes including timber floors, Caesarstone and marble benches and splashbacks, Miele appliances and ducted air-conditioning.

Developed by Platino Properties. Anticipated to be completed mid 2020.

### PRE SALES SUMMARY

The project launched December 2016. After the success of the initial launch, asking prices were raised significantly in response to the interest shown. As such, a selection of apartments have been sold at significantly reduced prices to those achieved more recently.

Presales achieved as at March 2017 are summarised below.

Unit Type	Qty.	Internal Area (sqm)			\$ Price			Analysis Int. \$psm		
		Min.	Avg.	Max.	Min.	Avg.	Max.	Min.	Avg.	Max.
Studio	9	42	42.4	44	\$630,000	\$716,556	\$800,000	\$15,000	\$16,870	\$19,048
1 Bed	23	50	55.3	70	\$680,000	\$868,913	\$1,295,000	\$12,459	\$15,725	\$22,364
2 Bed	26	78	83.0	92	\$1,110,000	\$1,534,615	\$1,920,000	\$13,373	\$18,499	\$23,782
2 Bed + Study	3	91	91.3	92	\$1,565,000	\$1,590,000	\$1,620,000	\$17,198	\$17,409	\$17,802
3 Bed	11	98	101.6	108	\$1,800,000	\$2,305,909	\$2,680,000	\$18,367	\$22,624	\$24,815
Sub-Penthouse (3Bed)	1	149	149.0	149	\$3,750,000	\$3,750,000	\$3,750,000	\$25,168	\$25,168	\$25,168
	73		73			\$1,372,863			\$18,092	

