

Russell Strahle
Development Manager
Austin Property Group
Suite 603, 377 Sussex Street
Sydney NSW 2000

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Dear Russell,

Subject: Wentworthville 42-44 Dunmore Street Planning Proposal – Response to Council Comments

This letter responds to the comments by Council in relation to the planning proposal. It is predominantly in two parts:

- In the first part I have assessed or estimated the value of the bonus floor space and the public benefits and the percentage capture of benefit.
- The second part of the letter addresses the issue of an appropriate retail mix and the impacts on the town centre.

Value of Bonus Floor Space

The table below is a calculation of the bonus floor space

Table 1 - Estimate of Bonus Floor Space

	GFA (sqm)
RESIDENTIAL GFA	
PODIUM A	4,066
PODIUM B	4,144
Tower A	16,302
Tower B	16,900
Tower C	6,260
Tower D	7,120
TOTAL RESIDENTIAL GFA	54,792
COMMERCIAL	
UPPER GROUND	4,967
LOWER GROUND	4,483
Less Supermarket*	-4,000
TOTAL COMMERCIAL	5,450
TOTAL GFA	60,242

SITE AREA	8,952
Base FSR	5 : 1
Bonus FSR for First Floor Commercial**	0.5:1
Combined FSR	5.5:1
Allowable GFA	49,236
Bonus Floor Space (Proposed GFA – Allowable GFA)	11,006
GFA per Apartment (average) say	90
No. of Bonus Apartments	122

* Council incentive to accommodate a full line supermarket

** Council incentive to facilitate first floor commercial uses

It is estimated from the above table that the bonus floor space translates to the equivalent of 122 apartments. At say \$65,000 per apartment this translates to an uplift of \$7.95m.

Value of Public Benefits and Value Capture

The table below calculates the value of the bonus floor space to the development and the value of the public benefits provided by the development.

Table 2 – Value of Bonus Floor Space and Public Benefits

	No.	Units	Rate	Total
Value of Floor Space Bonus	122	units @	\$65,000	7,949,000
Value of Public Benefits				
Value of Ground Floor Airspace*	2,570	sqm @	1,150	2,956,000
Embellishments @ say**	2,570	sqm @	1,100	2,827,000
Commercial Space Gifted to Council***	600	sqm @	4,516	2,710,000
Dunmore Street Crossing		Item		100,000
TOTAL				8,593,000
Percentage Capture of Added Value				108%

* Based on market research. Refer to the HillPDA report “Social and Economic Benefits Assessment”, February 2015

** Includes public domain works and finishes such as security, paving, lighting, furniture, public art, etc.

*** Based on a market rent of \$350/sqm by 7.75% capitalization rate.

As shown in the above table the total value of public spaces amounts to \$8.6m. The ratio of value capture (value of public benefits to value of bonus floor space) is 108% which is more than double the target rate of 50%.

Other Economic Benefits of Bonus Floor Space

Section 94 Revenue

Without any negotiated rebates the 122 bonus apartments would generate \$1.68m in Section 94 contributions (based on the equivalent of 122 by 2-bedroom apartments at \$13,774 each under Council's Section 94 Plan 2013 indexed to June 2015).

Additional Retail Sales

The 122 additional apartments will house a further 270 people spending around \$3.4m on retail goods and services each year. With an improved retail offer Wentworthville would capture around half of this expenditure.

Cross-subsidisation of Commercial Space

It is expected that residential space will have end sale values commencing around \$7,500/sqm. First floor commercial space will be 40% to 50% below this value based on a net effective rent of \$275 to \$325/sqm and a capitalisation rate of 7.5% to 8.0%. Unfortunately commercial space is no less expensive to build than residential.

Hence commercial space is not viable in isolation and it requires a considerable level of residential space to cross-subsidise it. The additional 122 apartments on the subject site improves the viability of providing commercial space on the first floor.

Impacts of the Proposed Retail Space.

The HillPDA report titled "Wentworthville Town Centre Revitalisation Project" April 2015 demonstrated the potential for Wentworthville to improve its retail offer and its trading performance given an appropriate retail mix and intensification of housing in and around the centre.

The report identified the primary trade area (PTA) as an area of 1km to 1.5km around the subject site, although its southern boundary is likely to follow Bennett Street given the presence of the Woolworths supermarket in South Wentworthville. This PTA currently houses around 11,000 people – a population already sufficient to justify a full line supermarket.

BTS forecasts an additional 3,865 people in the PTA from 2011 to 2031, of which only 235 would be in the town centre. Council's

strategy proposes 1,800 more apartments in the town centre which will house around 3,800 to 3,900 people. This is some 3,600 more than forecast by BTS. It's likely that by 2031 there will be around 18,000 people living in the PTA – some 7,000 more than the current level. This is a population that potentially could support two full line supermarkets, although it's likely that there will be some continued net escape expenditure.

To reduce the significant level of current net escape expenditure there needs to be an improvement in the retail offer. The addition of a full line supermarket will improve that offer considerably and arrest a considerable proportion of escape expenditure.

The HillPDA report titled "Wentworthville Town Centre Revitalisation Project" forecast demand for a total of 16,500sqm of occupied retail floor space in the town centre by 2026 – some 2,500sqm more than current levels. This is based on the assumption that an appropriate mix of retail offer is achieved including a full line supermarket. Council's strategy will increase that demand further to more than 20,000sqm of retail space being required if all 1,800 apartments are built by then.

As a result we don't believe the impacts on existing retailers would be negative. Some existing retailers will be faced with added competition but many others will welcome the increase in number of shoppers. There may be a change of tenants where some existing tenants struggle against the increased competition. Nevertheless the centre as a whole will benefit from the combination of both an increase in population and a significant improvement in the retail offer.

Yours sincerely



Adrian Hack
BTP (Hons), MLE, MPIA
Principal, HillPDA

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