Neil Street Precinct, Merrylands

Responsible Department: Executive Officer: File Number: Delivery Program Code: Environmental and Planning Services Director of Environmental & Planning Services INFOC/10 - BP14/846 7.1.2 Ensure land use planning recognises and promotes business and employment centres 8.1.1 Oversee and implement Council's Residential Development Strategy and appropriate housing opportunities through land use planning 8.2.1 Ensure housing growth is focussed around centres and planning controls do not compromise housing affordability

Note: Included in Closed Council in accordance with Section 10A(2)(c) of the Local Government Act as the information involves information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.

Summary:

Council has received correspondence on behalf of the owners of 13-15 Neil Street requesting that the planning controls (in particular height) for the Neil Street Precinct, Merrylands, be reviewed. A development feasibility study for the wider Neil Street Precinct has been completed that indicated many of the development sites in the Precinct may not be feasible at present. Eight opportunities for modest but effective changes (seven to planning controls) have been identified that would make sites feasible and improve certainty, without a full restructure and extensive studies (see attachments). The potential changes include increasing heights on the four corners of the central Neil Street/New Road intersection (including 13-15 Neil Street) to 14 storeys.

This matter is referred for Council's consideration, noting that this project would be in addition to projects commenced as per the Strategic Planning Works Program endorsed by Council in December 2013 (DCS043-13) and as such would require additional resourcing and funding. This report also canvases the capital works required to facilitate development and recommends staging and funding strategies.

Report:

This report relates to the wider Neil Street Precinct incorporating the original Precinct area and business zoned land immediately adjacent on the western side of Pitt Street.

Development consent was issued for an 8 storey mixed use building and 7-8 storey residential flat building at 13-15 Neil Street, Holroyd (within the Merrylands Centre Neil Street Precinct) on 28 October 2013.

On 27 March 2014 Council received a request from planning consultants Think Planners on behalf of the owner of 13-15 Neil Street requesting that Council undertake a review of the planning controls (maximum building height) applying to the site on the grounds that:

- 1. Yields achieved under current heights "represents an underdevelopment of welllocated land";
- 2. The site is required to deliver key infrastructure and "it is understood that there is insufficient return to make the current development proposal financially viable";
- 3. The "large allotments and multiple road frontages means that additional height is achievable without overwhelming the desired scale at street level".
- 4. The "subject site is located at a key intersection of the Neil Street Precinct and is able to deliver a key marker or gateway building along Neil Street".

In order to consider the request SGS Economics were commissioned to undertake a detailed development feasibility study for the 10 potential development sites across the wider Neil Street Precinct.

Background

In December 2004 Council completed its initial planning for the redevelopment of the Neil Street Precinct with the Assistance of the State governments Urban Design Advisory Service, as part of the Merrylands Centre Urban Revitalisation Project (MCURP). Subsequent planning for the wider Merrylands Centre mirrored the Neil Street building form controls on the opposite side of Pitt Street. Over 9 years two development applications for high density mixed used development were approved in the wider Precinct area and one has been constructed.

In July 2012 Council adopted a new plan for the Precinct and Merrylands Centre as part of the Holroyd LEP 2013 which increased heights across the Precinct from 6-8 storey to 7-16 storey and potential residential densities by up to 60%. Since the commencement of the new plans in August 2013, a development application at 13-15 Neil Street has been approved and two other applications have been received and are currently under assessment (all 3 within Neil Street Precinct North).

Feasibility Study

The Development Feasibility Residual Land Value (RLV) Model by SGS Economics was completed on 20 June 2014 and is provided with cover report in the report attachments.

Officers undertook comprehensive calculations and information gathering to provide full and accurate inputs into the model in relation to precise development yields, car parking, contributions and contamination.

The results of the study at the baseline estimates are summarised as follows:

- The largest two sites in the Precinct are both feasible for development (the key factor for these two sites will be exhaustive due diligence by a developer and realistic expectation by long standing owners).
- 13-15 Neil Street is feasible, though only marginally and so subject to sensitivity in the market (noting that the owner overcapitalised on the property and has some higher cost incurred by construction under the road resulting from variation away from the planned amalgamation).
- The remaining sites in the Precinct are currently unfeasible, most notably four sites at the core of the Precinct; 17 Neil Street, 180-188 Pitt Street, 208-220 Pitt Street and 2-6 Gladstone Street (largely attributed to underlying value across multiple parcels).

On the basis of the results of the Development Feasibility there is considered to be merit in considering opportunities for limited but effective changes, within certain parameters and without substantially halting the momentum that is building in the Precinct (evidenced by enquiries or proposals regarding 7 of the 10 development sites).

In their supporting report SGS Economics note in relation to their sensitivity test results that "feasibility results are mostly sensitive to the variation in the sales price of the residential apartment". In this regard, it is noted that there is limited comparable sales data and high rise apartments (above 8 storeys) in Merrylands are as yet an unknown product and as such there are no direct sales comparisons. Sales from the first of such buildings will establish the market appetite and greater certainty about revenue estimates for investment in further development.

Parameters for Land Use and Urban Form

Opportunities for modest, effective changes have been explored within the following parameters to ensure broad objectives for the Merrylands Centre can still be achieved and that substantial studies and time are not required that may halt development in the precinct:

• *Maintain maximum heights of 7-8 storeys on northern entry to centre* – on Pitt Street, north of Neil Street and along edge of Holroyd Gardens Park (for visual and amenity relationship to adjoining area).

- *Maintain strategy of height transition* from 7-8 storey fringe to 16 storey on corner of Pitt Street and Terminal Place and then 20 storey in main street areas, along McFarlane Street and Merrylands Road (reflecting main activity area).
- **Provide visually appropriate stepping of heights** at least 2 storeys above 8 storeys and at least 4 storeys above 16 storeys (for good practice urban design).
- *Maintain primary business zone (B4 Mixed Use) south of Neil Street* on Pitt Street and Terminal Place (so not to reduce commercial potential below previous plans in this highly suitable location).
- *Maintain 'fringe of centre' business potential* on Pitt Street and Neil Street to planned new road intersection (to promote business opportunities along main roads and provide local convenience).

Opportunities

Eight opportunities for potential changes have been identified that would increase certainty for investment and feasibility for development within the above parameters. The identified opportunities, shown in the attachments to this report, are as follows:

- 1. Increase height on 4 corners of Neil Street/New Road 1 Intersection to 14 storeys – permitting approximately 24 additional units over 6 additional levels on each of the northern sites (13-15 Neil St and 17 Neil St) and 20 additional units over 4 additional levels on each of the southern sites (2-6 Gladstone St and rear of 224-240 Pitt St).
- 2. Widen the area of 12 storey height along rail line to 35m and extend north to 20m from precinct boundary allowing more flexibility for detailed building design of and efficient orientation of units as well as approximately 27 additional units over 3 additional levels on 1-11 Neil Street.
- 3. **Rezone 'fringe of centre' land along New Road 1 (behind Pitt St/Terminal Pl) and north of Neil Street to B6 Enterprise Corridor** – permitting more residential units (on ground floor behind shops) for seven development sites within 13-15 Neil St, 17 Neil St, 180-188 Pitt St, 171-181 Pitt St, 2-6 Gladstone St, eastern side of 224-240 Pitt St and 4 Terminal Pl with some business and restaurant space. This extent would not compromise the longstanding objective for commercial on Pitt St and Terminal Pl, which should be zoned B4 Mixed Use Business (being sites which have higher heights of 12-16 storeys) and is consistent with the development as approved for 181 Pitt St and 13-15 Neil St.

- 4. **Zone 1-11 Neil Street & rear of 13-15 Neil Street R4 High Density Residential and remove Additional Permitted (Commercial) Uses** – reinforcing New Road 2 into Holroyd Gardens as a primarily high density residential street with potential for small (100m²) cafés (kiosks) and convenience stores (neighbourhood shops).
- 5. Introduce SP2 Infrastructure (Road & Drainage) and/or RE1 Open Space over reservation corridor to create certainty about the extent of developable land, clarify site area for calculating potential development yield, enable acquisition (if required) for parts of the corridor to provide infrastructure to facilitate development and assist with simplifying valuation of land.
- 6. Separate 208-220 Pitt_Street from 2-6 Gladstone Street in DCP amalgamation (upon DCP review) to create more achievable sized development sites while still maintaining that no vehicular access be provided to development sites from Pitt or Neil Streets and master planned building form and footprint.
- 7. **Review Floor Space Ratio (FSR) for accuracy** accounting for the above changes, revised floor space calculations used for development feasibility and accurate application of site area.
- 8. **Rename the northern portion of the precinct to Merrylands** to create consistency across the precinct, to accurately reflect the extent of the Merrylands centre, and to create certainty about the location for marketing and managing sales, development and valuation information.

The identified opportunities have been tested in the development feasibility model supplied by SGS Economics and the results are shown below. A feasibility ratio above 1.0 indicates development viability including developer profit margin. The relatively low impact changes improve feasibility to a point where 6 of the 10 development sites would be immediately feasible for development.

Site	Colores and the second	Sales revenue	Residual	Land cost (excl. GST credit)	Net profit	Feasibility ratio
Formulas	A	В	C=B-A	D	C-D	C/D
Site 1: 1 - 11 Neil Street	\$160,945,317	\$179,712,000	\$18,766,683	\$9,499,956	\$10,130,360	2.17
Site 2: 13 - 15 Neil Street	\$40,865,160	\$46,619,607	\$5,754,447	\$3,330,013	\$2,727,163	1.90
Site 3: 17 Neil Street	\$45,416,981	\$49,816,261	\$4,399,279	\$3,330,013	\$1,371,995	1.45
Site 4: 180-188 Pitt Street	\$69,902,841	\$82,309,075	\$12,406,234	\$13,477,956	\$153,547	1.01
Site 5: 208-220 Pitt Street	\$40,498,196	\$43,109,068	\$2,610,872	\$3,883,956	-\$919,997	0.74
Site 6: 2-6 Gladstone Street	\$59,372,464	\$63,273,446	\$3,900,983	\$3,212,203	\$980,798	1.34
Site 7: 224-240 Pitt Street	\$266,117,457	\$281,793,198	\$15,675,741	\$9,499,956	\$7,039,418	1.82
Site 8: 4 Terminal Place	\$73,102,536	\$75,893,364	\$2,790,829	\$5,287,956	-\$2,016,404	0.58
Site 9: 171 - 173 Pitt Street	\$24,260,533	\$27,846,454	\$3,585,921	\$13,477,956	-\$8,666,766	0.29
Site 10: 185 Pitt Street	\$39,145,751	\$40,404,441	\$1,258,690	\$13,477,956	-\$10,993,997	0.10

A further 3 sites are potentially feasible in the longer term with increases in sales values, or may be developed to a lower profit margin. It is noted that some over-capitalisation

has occurred on the western side of Pitt Street and the model assumes a similar value for the remaining land there. In fact, pre-development application enquires have been received in relation to 171-181 Pitt Street. Another one of the 3 sites, 4 Terminal Place, has the benefit of development consent under a prior plan and planning officers understand it is likely to proceed at that density. The only site that would be questionable in the foreseeable future is the Woolworths/Caltex Petrol Station site at 185 Pitt Street.

Most notably, all of the sites adjoining the new roads and drainage corridor would be feasible for development, representing 80-85% of the Neil Street Precinct; approximately 1,640 dwellings and 4,400sq.m. commercial space.

13-15 Neil Street would be clearly feasible under current conditions with an increase in the front building height to 14 storeys and the additional parking spaces should be able to be provided within the 3 proposed basement levels, with some redesign and adjustment to current parking rates. 16 storeys, as requested, would undermine the urban design strategy for the centre; is not necessary for feasibility and would be unlikely to be able to be accommodated without additional basement parking level costs.

It is noted that maintaining feasibility is dependent upon land owners having realistic expectations of property value and prospective development investors undertaking due diligence and not overcapitalising in estimating the value of development sites. Hence the importance of clear development controls to accurately determine yield and full disclosure of constraints to accurately determine development costs.

Floor Space Change and Infrastructure Implications

The identified opportunities would result in an additional 140 dwellings (approximately 13,000sq.m.), but a reduction of commercial floor space on the fringes in the order of 2,500sq.m. Given that commercial generates, on average, around 8 times the peak hour traffic movements of residential, it is considered that the impacts are offset and a further traffic study is not necessary for these relatively modest changes.

In relation to the new infrastructure required to facilitate development in the Precinct, the Section 94 Plan 2013 relied upon an estimated 1,588 dwellings in the Neil Street Precinct and as such the identified opportunities would assist to ensure sufficient funding for the drainage and road infrastructure required to facilitate development. Contributions would remain substantially unchanged by the potential additional dwellings, given the total dwellings are similar to that under the Section 94 plan and any minimal gain towards drainage costs would be offset by additional open space demand.

Studies and Resources

A development feasibility and initial planning review have been completed in order for Council to make a well informed decision in responding to the request for review. Additional work and studies would be required, should Council wish to proceed with a review. However, such costs would be minimised with the modest but effective opportunities for change identified. Generally Council responds to rezoning requests by advising that the proponent submit a rezoning application with the required studies and a fee for partial recovery of Council's costs. However, given the long-standing strategic significance of this Precinct to Council's housing strategy and Merrylands Centre, Council may elect to fund the project.

The following studies are required for the identified opportunities:

1. **Built form modelling and shadow analysis** – to determine the most appropriate orientation of the additional height and confirm compliance with SEPP 65 Residential Flat Design Code separation requirements.

Estimated cost - \$5,000

2. **Detailed valuation of land** – for updated input into model to confirm feasibility and for determining road and drainage land acquisition costs.

Estimated cost - \$15,000

It is noted that a traffic study, full urban design study and revised development feasibility would be required for a more substantial change than the opportunities identified.

The following planning and administrative work is required for the identified opportunities:

Commissioning & working with consultants	2 weeks
Mapping	1.5 weeks
Planning proposal	2 weeks
Suburb naming proposal	0.5 weeks
Community consultation	6 weeks
Reporting & meetings	4 weeks
Submission report to DP&E & meetings	2 weeks

TOTAL DURATION

18 weeks (approx. 500 FTE hours)

An additional strategic planning/urban design officer would be required for this project for 6 months as Council's strategic planning resources are fully occupied over the next 12 months with Council endorsed strategic planning projects (listed below). Up to 30%

of this officers' time would also be utilised towards other recently resolved Council priorities such as Merrylands Centre DCP Control Review or Outdoor Dining Policy Review, in addition to a Neil Street Precinct Review.

Estimated cost - \$55,000

\$75,000

TOTAL COST OF PROJECT

This project, as a rezoning application at the request of landowners, would normally attract a rezoning fee of \$33,400 towards the cost. It is noted that an extensive review of Precinct would be estimated to cost in the order of \$240,000 (\$120,000 studies + \$120,000 human resources).

Following the work over the next 6 months, the Department of Planning and Environment (DP&E) would then process the adopted planning proposal (draft LEP amendment) in consultation with Council over a further 4 months. If the project started in early August, an exhibited draft may be endorsed by early December and gazettal of any amendment would be expected by May 2015 at the earliest.

Current and Imminent Strategic Planning Projects:

Programmed 2014/15 projects (endorsed in Dec 2013) -

- Medium Density Residential Zone Planning Proposal (underway)
- Housekeeping LEP Amendment (underway)
- Bonds Spinning Mills Site Rezoning (underway)
- Wentworthville Town Centre Revitalisation Project (underway)
- Asbestos Policy (underway)
- Westmead Alliance Precinct Planning Strategy (underway)
- Pemulwuy Residential Contributions Plan Review (July commencement).

Additional 2014/15 projects (since Dec 2013) -

- Economic Development Strategy (brought forward underway)
- Parramatta Road Urban Renewal Program (State led underway)
- Reservations LEP Amendment (brought forward underway)

- Outdoor Dining Policy Review (Council resolution underway)
- Merrylands Centre DCP Control Review (Council resolution July commencement)
- Cumberland Estate Spot Rezoning Application (imminent).

<u>Options</u>

In relation to the opportunities identified for changes that would improve feasibility, the following options are presented:

Option A – **Proceed**:

- a) Prepare a planning proposal incorporating the opportunities for potential change identified in this report, following completion of built form modelling.
- b) Submit the planning proposal be submitted to the Department of Planning and Environment for 'Gateway' approval and exhibited for community consultation.
- c) Undertake community consultation for a proposal to rename the northern portion of the Merrylands Centre Neil Street Precinct to 'Merrylands'.
- d) Consider the identified opportunities in a review of the DCP Controls for Merrylands Centre over the next 6 months.
- e) Employ an additional strategic planner/urban designer for delivery of this project in addition to the Strategic Planning Work Program.

Option B – Invite Rezoning:

- a) Advise owners of identified opportunities and invite the submission of a rezoning request application with the relevant fee.
- b) Undertake community consultation for a proposal to rename the northern portion of the Merrylands Centre Neil Street Precinct to 'Merrylands'.
- c) Consider the identified opportunities in a review of the DCP Controls for Merrylands Centre over the next 6 months.
- d) Employ an additional strategic planner/urban designer for delivery of this project in addition to the Strategic Planning Work Program.

Option C – Not Proceed:

a) Advise owners of 13-15 Neil Street that Council will not undertaking a review of the Neil Street Precinct controls in the foreseeable future.

Infrastructure Delivery - Staging Plan

As discussed earlier in this report, three development applications have been received within the north of the Neil Street Precinct; one has been approved at 13-15 Neil Street and two are currently under assessment. Two of these development sites will provide the land (approximately 7,500m²) required for the new roads and drainage infrastructure to facilitate development in the north of the Precinct. If such work had a high level of certainty (i.e. funded and programmed) then developments could be designed to lower floor levels, which would be particularly beneficial to business zoned properties on Pitt Street and to the south of the Precinct.

The works can be done in two stages and a recommended staging plan is provided in the attachments to this report. It is noted that compulsory acquisition of a 45m width (approx.) off the car parking areas of 224-240 Pitt Street and 2-6 Gladstone Street would likely be required under the recommended staging plan.

The recommended two-stage delivery plan has the following benefits:

- Three of the box culverts fully constructed, leaving one to be further extended, providing immediate potential stormwater benefits (modelling would need to confirm the extent of benefit but would likely be more than 0.5m).
- Traffic can be suitably managed to Gladstone Street in the interim.
- No demolition of buildings on Rositano site (224-240 Pitt Street) or 2-6 Gladstone Street and minimal disruption to operations.
- Access through the Precinct and certainty about infrastructure may assist with realising opportunities and encouraging development of more sites.

The sub stages within Stage 1 allow some flexibility (for example the Neil-Gladstone Street works would not need to hold-up finishing road works to the north) and provide triggers for commencing works.

The southern Neil Street Precinct works can occur as a second stage, following any development consent for the Rositano site (224-240 Pitt Street). Receipt of a

development proposal for that site would serve as the trigger for needing to plan the funding and delivery of the Stage 2 Southern Neil Street works.

With regard to timing, development consents are for 3 years and may be extended to 4 years at most. As such, it is probable that development will commence within the next 4 years at 13-15 Neil Street and 1-11 Neil Street, particularly with the changes identified in this report.

Infrastructure Delivery – Funding Strategy

The costs involved with the Stage 1 Northern Neil Street Works, including acquisition of Gladstone Street to Neil Street Land are included in the Holroyd Section 94 Development Contributions Plan 2013, and are estimated as follows:

Capital Works

	S94 REF.	WORK	EST. COST
1	DMN01	Box culvert A Stage 1 - length 295m (64%)	\$ 3,366,483
2	DMN02	Box culvert B (100%)	\$ 4,132,984
3	DMN03	Box culvert C (100%)	\$ 3,505,368
4	TML17	New Road No. 1 north (100%)	\$ 1,723,810
5	TML28	New Road No. 2 north (100%)	\$ 3,432,239
6	TML19	New Road No. 1 south (28%)	\$ 420,636
7	TML18	Reconstruction of Neil Street	\$ 1,892,006
8	TML20	Sheffield Street extension	\$ 676,110
9	OIML03	New Neil Street Park & drainage swale	\$ 184,365

Sub Total \$19,274,001

Land Acquisition

10	Road 1 & Open Space for culvert (approx. 2,000m ²)	\$ 1,100,000
STAGE 1 TOTAL		\$20,374,001
Stag	e 2 Southern Neil Street Works	\$4,372,470

The total cost of delivering the Stage 1 Northern Neil Street Works is estimated at \$20.4m and less than \$3m Section 94 funds is expected to be available considering the other priority works required over the next 4 years.

Under the Section 94 Plan 2013 the capital works in the Neil Street Precinct are funded over 20 years by contributions within the Neil Street Drainage Precinct (drainage),

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across the Merrylands Centre (traffic and Pitt Street public domain works) and across the City (open space and recreation). Due to the nature of the consent periods, and that not all developments commence immediately, Section 94 income will 'build up' over the next 4 years to the full average annual expected income amount. The total income generated by Section 94 over the next 4 years is expected to reach approximately \$26 million, while this should increase to more than double that in the 4 year period following.

These Northern Neil Street works need to be undertaken in conjunction with the development of the two key sites for drainage function and so that the box culverts can be constructed prior to the finishing of the access roads.

Borrowing will be necessary to forward fund the works and can be recovered with interest over 10 years. It is understood that securing loans, including Ministerial approval, can take between 18 months and 2 years. Given the proposed developments and likely timing within the next 4 years, the process would need to commence immediately so as not to unnecessarily hold-up development.

The following funding strategy is recommended:

- 1. Obtain land valuations and sure-up costs.
- 2. Include any contingencies.
- 3. Explore external loans.
- 4. Prepare application for Ministerial consent for loan.
- 5. Apply for and secure financing over 10-20 year period.

Conclusion:

The development feasibility study undertaken found that many of the development sites in the Neil Street Precinct may not be feasible at this point in time. The eight identified opportunities for modest but effective changes would make sites feasible and improve certainty, without a full restructure and extensive studies. The potential changes are generally considered to be suitable and remain within the broad design and land use parameters for the Merrylands Centre and as such it is considered suitable to either proceed with those changes or at least invite the owners to submit a rezoning application 'in-keeping' with the opportunities identified.

This project would be in addition to projects commenced as per the endorsed Strategic Planning Works Program and would require additional resourcing and funding.



Consultation:

Should Council resolve in accordance with Option A or B, community consultation would be undertaken in relation to the planning proposal or suburb renaming proposal.

Financial Implications:

Should Council resolve in accordance with Option A or B, \$75,000 would be required to be allocated toward the project that is not currently budgeted for 2014/15. Section 94 funds can be utilised for the valuations (approx. \$15,000). Option A would require an additional \$60,000 to be sourced, while Option B would require an additional \$26,600 if the land owners were to pay a rezoning application fee.

Policy Implications:

Should Council resolve in accordance with Option A, a planning proposal would be prepared to make an amendment to Holroyd LEP 2013.

Communication / Publications:

Should Council resolve in accordance with Option A or B, public notice would be given in relation to the planning proposal or suburb renaming proposal.

Report Recommendation:

- i) That, in relation to the identified opportunities, Council resolve in accordance with either option A or B in the report.
- ii) That Council obtain detailed valuation advice for the wider Neil Street Precinct development sites and land acquisitions.
- iii) That Council endorse the Infrastructure Delivery Staging Strategy and Funding Strategy detailed in the report.
- iv) That Council pursue funding for the Stage 1 Northern Neil Street works as an immediate priority.

Council Resolution

Resolved on the motion of Clr. Grove, seconded Clr. Zaiter:

i) That, in relation to the identified opportunities, Council resolve in accordance with option A, being that Council:

change identified in this report, following completion of built form modelling.

- b) Submit the planning proposal be submitted to the Department of Planning and Environment for 'Gateway' approval and exhibited for community consultation.
- c) Undertake community consultation for a proposal to rename the northern portion of the Merrylands Centre Neil Street Precinct to 'Merrylands'.
- d) Consider the identified opportunities in a review of the DCP Controls for Merrylands Centre over the next 6 months.
- e) Employ an additional strategic planner/urban designer for delivery of this project in addition to the Strategic Planning Work Program.

Noting that item (e) be referred to the General Manager as an operational item.

- ii) That Council obtain detailed valuation advice for the wider Neil Street Precinct development sites and land acquisitions.
- iii) That Council defer the endorsement of the Infrastructure Delivery Staging Strategy and Funding Strategy for further information.
- iv) That Council defer the matter of funding for the Stage 1 Northern Neil Street works for further information.

Attachments:

- 1. Neil Street Precinct Development Feasibility Study Report
- 2. Neil Street Precinct Development Feasibility Study Model
- 3. Neil Street Precinct Opportunities Concept Plan