

AFFORDABLE HOUSING STUDY

AFFORDABLE RENTAL HOUSING PROGRAM

Prepared for City of Ryde
August 2017

QUALITY ASSURANCE

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Note: Acknowledgement is given to the City of Sydney and their Affordable Housing Programs which have been established for a number of years. These Programs have provided useful reference points in the preparation of this Study.

LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
DA	Development Application
DCP	Development Control Plan
DPE	NSW Department of Planning and Environment
FSR	Floor Space Ratio
GFA	Gross Floor Area
GLA	Gross Lettable Area
LEP	Local Environmental Plan
LGA	Local Government Area
NLA	Net Lettable Area
SEPP	State Environmental Planning Policy
SIA	Social Impact Assessment
Sqm	Square metre

EXECUTIVE SUMMARY

The increasing lack of affordable rental housing for key or essential workers in the City of Ryde has become a substantial issue for Council. At a local scale, housing affordability affects the City of Ryde's ability to attract and retain businesses and a skilled workforce. Low paid key workers such as health care and child/aged care workers, hospitality staff, cleaners and bus drivers underpin and enable growth in key economic sectors. More broadly, providing a range of housing plays an important role in maintaining diversity in the socio-economic mix of residents, which in turn will ensure that the City of Ryde is a place which is inclusive for people on all levels of income.

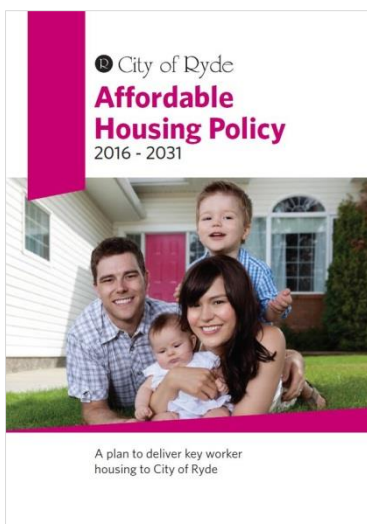
The City of Ryde has undertaken significant work to date on affordable housing through the development of an Affordable Housing Policy 2016 – 2031, adopted by Council in 2016. This Policy was based on the Affordable Housing Background Report prepared by Judith Stubbs & Associates, in October 2015. The Background Report provides the evidence that, without intervention, the market would cater to virtually none of the affordable needs of very low, low and moderate households, including key workers in the City of Ryde.

The City of Ryde has identified three main goals to achieve by 2031:

- By 2031, 5% of all new dwellings in the Ryde LGA will be affordable housing for key worker households on very low to moderate incomes
- By 2031, Council and stakeholders will be operating under a clear and transparent framework to deliver affordable housing outcomes
- By 2031, Council will have well-established partnerships with the NSW Government, community housing providers and other relevant stakeholders that help to deliver the vision.

Additionally, Council has adopted (April 2016) an interim policy with respect to the delivery of affordable housing, comprising:

- 2% of dwellings, in new residential and mixed use developments are to be provided for affordable housing
- 4% of dwellings, constructed on land the subject of a rezoning to permit residential /mixed use development are to be provided for affordable housing.



The purpose of this Study is to build on the work undertaken by Council to date, and provide further affordable housing policy insight and economic modelling capability to enable the City of Ryde to attain its affordable housing delivery targets.

It is understood that Council wishes to prepare a Planning Proposal to amend the Ryde Local Environmental Plan 2014 (LEP) to include an affordable housing target and provisions. An evidence based study is crucial to calculating and justifying the contribution amounts and delivery mechanisms available to Council and developers. We also note that Council has been in discussions with the Department of Planning and Environment to include the City of Ryde in State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes).

The outcomes and recommendations from this Study provide the evidence to allow Council to make a formal application to the Department of Planning and Environment for the implementation of affordable housing planning provisions.

Importantly, the proposed draft provisions are based on a robust feasibility analysis to demonstrate that the contribution rates can achieve the affordable housing objectives without unacceptable impacts on development feasibility.

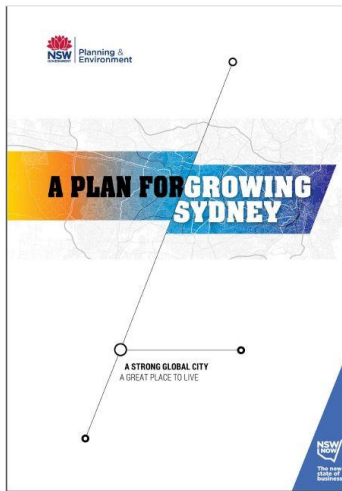
This Study provides recommendations on:

- **Contribution rate(s) for inclusionary zoning provisions** (requiring a percentage of development where the site is rezoned or higher density controls are sought)
- **Contribution rate(s) for all new development applications** for new residential and mixed use developments where the development applications are permissible under the Ryde Local Environmental Plan 2014
- **Voluntary Planning Agreements** - where changes to the planning controls are negotiated in exchange for the provision of affordable housing.

In addition, this Study outlines the contribution tools developed by HillPDA to calculate affordable housing contributions using two contribution mechanisms including:

- A dwelling in-kind contribution
- A monetary contribution.

Commentary has been provided around the implementation of each tool and rationale of how and when it should be utilised. Types of



excluded development such as development for social and affordable housing are also identified. In addition, commentary and recommendations have been provided on dedication requirements and the ongoing management of Council's proposed affordable housing portfolio.

As part of the development of this Study HillPDA undertook research with key stakeholders from the development sector, the housing sector (CHPs, FACS, LAHC and peak bodies) and other government agencies such as the Department of Planning and Environment and the Greater Sydney Commission. Outcomes from this consultation are articulated throughout the report with full details provided in Appendix B.

Delivering affordable housing in the City of Ryde

Government Policy

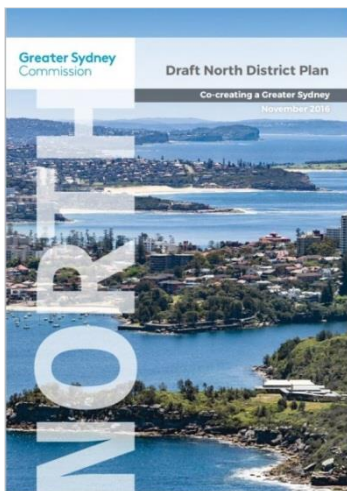
State planning policy and legislation play a critical role in establishing mechanisms for providing and increasing the affordable housing supply in Sydney. At the time of writing, all levels of Government were trying to address housing affordability.

In the May 17 Federal Budget, the Commonwealth introduced a number of policy mechanisms to address the problem. Of relevance to this Study was the introduction of funding arrangements for community housing providers through a bond aggregator. This will give CHPs access to cheaper finance and allow them to expand their housing stock for both social and affordable housing.

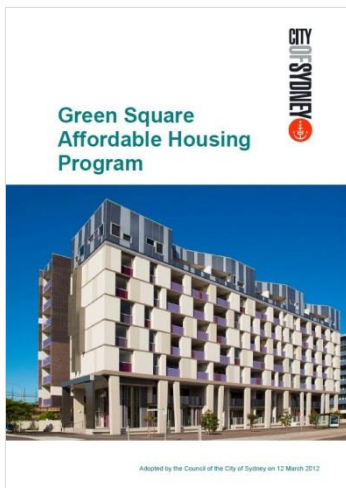
The State Government recently announced *A plan to improve housing affordability*¹. The emphasis was on measures for first home buyers including amendments to stamp duty payments and increased supply. This package made no reference to affordable rental housing.

Of relevance, a Plan for Growing Sydney and the draft North District Plan include actions for the identification of need and delivery of affordable rental housing and for housing choice. The draft North District Plan introduces the use of inclusionary zoning targets for affordable rental housing, in areas undergoing redevelopment. The direction of this Study is in line with the aims and actions of both these plans.

State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) is the main planning mechanism available to local government to levy for affordable housing in a predictable manner.



¹ NSW Government, A plan to improve housing affordability May 2017



The SEPP provides a clear and consistent approach for developers. Presently, the City of Sydney and Willoughby City Council are the two councils who have delivered housing in this way. It is assumed that this 9or equivalent) will be the method of delivery for the City of Ryde.

A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is authorised by a statutory plan, such as a Local Environmental Plan. This means that a planning proposal would be required to amend the Ryde LEP 2014.

Voluntary planning agreements are also used successfully to deliver affordable housing as well as other public benefits, although they rely on a developer's willingness to volunteer an offer. VPAs while providing a vehicle for the delivery of affordable housing is less reliable than a mechanism such as inclusionary zoning, under SEPP 70.

Local Government

Local government particularly in the inner city and middle ring suburbs such as Ryde, is becoming increasingly aware that a lack of affordable rental housing not only affects the quality of life for individuals and families, but hinders economic development. Key workers, such as those in health care, community services, essential services, retail and hospitality are traditionally, on average paid lower wages. Key workers however are essential to the normal functioning of a city and community.

Information and analysis are provided on a few metropolitan councils who are presently delivering affordable rental housing. These include:

- City of Sydney
- Willoughby City Council
- City of Canada Bay
- Waverley Council
- Randwick
- Inner-West

What is evident is that it is difficult for councils to deliver affordable housing on their own, in absence of a comprehensive State government led approach to this issue.

Affordable housing contribution

HillPDA undertook development feasibility testing for 4 agreed development scenarios that were located in areas across the LGA. The detailed market appraisal and feasibility reports are provided in

Appendices C and D respectively. The feasibility testing revealed the following:

Land to be rezoned or where there is an increase in density

The feasibility testing showed that an affordable housing contribution from a minimum of 5% to a maximum of up to 12% could be applied on the:

- total proposed residential floor space on land with a zoning that currently prohibits residential
- **bonus** residential floor space in the case of land currently zoned residential but where the density (height and/or FSR) is proposed to be increased.

In order for Council to ensure achievement of the 5% of all new dwellings to be affordable rental housing by 2031, it was considered that a contribution levy of 7% would be appropriate. There may be other public benefits that Council wishes to deliver from new development through voluntary planning agreements. These may include public domain improvements or open space.

Development applications

Council's 'interim' 2% affordable housing contribution levy on permitted new residential and mixed use development applications is considered feasible providing it is introduced over time. In addition, it is recommended that this percentage could be increased to 5% by 2023 as long as increases are phased in, as outlined below:

Table 1: Proposed contribution rates on development applications where residential flat buildings are permitted

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To June 2018	0%
1 July 2018 – 30 June 2021	2%
1 July 2021 – 30 June 2023	4%
1 July 2023 - onwards	5%

Source: HillPDA

Review of affordable housing contribution rates

To ensure that the recommended rates remain relevant and appropriate, it is recommended that these rates be subject to a full

market review every three years or at Council's discretion; particularly if there was a significant upwards shift in the housing market. This is in addition to quarterly indexation.

All residential development other than excluded development would be required to make contribution towards affordable housing. The types of excluded development are provided in the main body of the Study.

Methodology for calculating contributions

The Study outlines the tools developed by HillPDA to calculate affordable housing contributions using two contribution mechanisms including:

- A dwelling in-kind contribution
- A monetary contribution.

Dwellings In-Kind Contribution

Overview of methodology

Dwellings in-kind provision (dedication) is calculated on the gross residential floor area of the relevant development. The 7% or 2% (increasing to 5%) affordable housing contributions are calculated against the residential gross floor area to identify the amount of square metres required for dedication.

It is recommended that the minimum gross floor area of a dwelling to be dedicated must be equivalent to a 1 bedroom apartment (50sqm) under the Apartment Design Code.

Where there is a balance deficit of more than 1 sqm, the full balance of the contribution would be paid as a monetary contribution. Only completed dwellings are to be dedicated.

The dwellings to be dedicated to the City of Ryde are to be identified on the subdivision plan at DA stage for the relevant development. The affordable housing contribution would be satisfied when the title is registered and the balance, if any, is paid as a monetary contribution.

Monetary Contribution

Overview of methodology the contribution rate

The equivalent unit cost is an indicative cost that Council would expect to pay for a new apartment in the Ryde LGA for affordable rental housing. This cost is estimated to be \$11,500 per square metre of internal saleable area. This cost is supported by the market

evidence provided in Appendix C that was undertaken as part of the feasibility testing.

To convert to a dollar per square metre rate of Gross Floor Area (GFA), HillPDA has assumed an efficiency ratio (internal saleable area to GFA) of 85%. The formula for calculating the monetary contribution affordable housing rate is:

Saleable rate (\$11,500) multiplied by efficiency ratio (85%) equals the required affordable housing contribution, per square metre of residential gross floor area.

$$\$11,500 \times 85\% = \$9,755/\text{sqm}.$$

The recommended contribution rate (CR) is therefore \$9,755/sqm

The Study provides examples on how to calculate contributions, both for dedication and monetary contributions in Chapters 5 and 6 of the Study for rezonings (and increases in development density) and development applications. These Chapters also deal with matters such as excluded development, indexation of contributions and typical conditions of consent.

Voluntary planning agreements are also discussed as a way of delivering affordable housing in Chapter 7.

Overview of the mechanisms for delivery of affordable housing

The following table outlines the pros and cons for each one of the three proposed mechanisms presented in Chapter 5, 6 and 7. Each mechanism has the potential to deliver affordable rental housing.

Table 2: Contribution Mechanism Overview

Contribution Mechanism	Pros	Cons
Dwelling in-kind	- Directly contributes to the delivery of affordable housing in the LGA - Dedicated free of cost to Council - Asset owned by Council - Likely to be more valuable than a monetary contribution taken at Construction Certificate stage in a rising market - Still retains the flexibility to sell the asset if not appropriate or if strata premiums are considered too high - Offers a range of housing choice across	- There is potential that affordable housing provided in high-end buildings would incur expensive strata fees which may be unsustainable over the longer term - Management of the 'life-cycle' of dwellings so that assets remain suitable for their use - Distribution of affordable housing across multiple buildings can create management inefficiencies

Contribution Mechanism	Pros	Cons
	the LGA Less resource intensive as management is transferred to a CHP	
Monetary contribution	- Creates opportunity to buy affordable housing 'off the plan' in suitable developments e.g. where there may be cheaper strata fees - Creates a pool of money which can be invested to for additional affordable housing - Applicable for small developments where the percentage of affordable housing floor space would not meet the minimum 50m² requirement for dedication	- Does not directly contribute to Council's asset portfolio - Delays in the delivery of affordable housing e.g. finding suitable accommodation, in the right location at the right price point - The management of finance and expenditure of funds on suitable dwellings would be resource intensive - In-house property management skills may be required
Voluntary Planning Agreements	- Responsive to change and site specific - No nexus required under the EPAA 1979, although the Practice Notes (2015) recommend that the public benefits should have a relationship to the development - A possible fall back mechanism should development parameters exceed the planning threshold at any point in time	- Can be administratively onerous - Less reliable than inclusionary zoning targets - Reliant on developer's willingness to volunteer an offer - Industry/community resistance

Source: HillPDA

The Report provides overview commentary and a comparison of the three contribution approaches.

In summary, following the analysis, this Study recommends that receiving and retaining ownership of dwellings in-kind would be the preferred option for Council to implement. This is on the understanding that there will be times when the developer and/or Council may wish to take monetary contributions. Voluntary planning agreements would remain available but recommended to be used in exceptional circumstances once inclusionary zoning contribution levies, for affordable housing, were included in the Ryde LEP 2014.

Recommendations

The recommendations are in accordance with the City of Ryde's Affordable Housing Policy 2016 and the affordable housing actions in both, A Plan for Growing Sydney and the draft North District Plan. The latter includes a specific affordable rental housing target as a

form of inclusionary zoning for areas undergoing urban renewal (Liveability Priority 3). A target of between 5% - 10% in the draft North District Plan has been identified, and as explained in this Study a 7% target is recommended for Ryde. In addition, a 2% (increasing to 5% over time) is recommended for permitted development applications for new residential and mixed use development.

Action L5 in the draft North District Plan requires affordable housing targets to be verified by development feasibility testing. The latter, has been, in part, the subject of this Study.

Action L6 stipulates that the Greater Sydney Commission will support councils to be included in SEPP 70 Affordable Housing (Revised Schemes) to allow affordable housing contributions to be levied through provisions in a LEP.

It is considered that the use of inclusionary zoning requirements would provide a more predictable and consistent approach to affordable housing delivery. They would also ensure that the City of Ryde meets the Policy target that 5% of all new dwellings will be affordable housing by 2031. Inclusionary zoning would not preclude the use of voluntary planning agreements, which could continue to provide additional affordable housing as part of a range of public benefits if required.

Inclusion in State Environmental Planning Policy Affordable Housing (Revised Schemes)

It is recommended that Council make a formal application to the Department of Planning and Environment for the City of Ryde's inclusion in SEPP 70. Council has established that there is a need for affordable housing in the LGA through the work undertaken by Judith Stubbs and Associates² and the subsequent adoption of the Ryde Affordable Housing Policy in 2016.

A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is authorised by a statutory plan, such as a Local Environmental Plan.

Ryde Local Environmental Plan 2014 amendment

A planning proposal would have to be prepared as outlined in this Study, in section 3.5.2, to allow an affordable housing condition to be

² J Stubbs & Associates City of Ryde Affordable Housing Policy Stage 1: Background Report, October 2015

included in development consent. The planning proposal process would lead to an amendment of the Ryde LEP 2014.

A suitable affordable housing clause would need to be created for inclusion the Ryde LEP 2014. It is suggested the clause would need to contain but may not be limited to:

- Area(s) where the contribution would apply
- Principles
- The affordable housing conditions - i.e. inclusionary zoning contribution rate(s) that would apply
- Reference to market value to allow a monetary contribution to be calculated
- Minimum size of dwellings
- Excluded development
- Applying affordable housing provisions on the same site
- Definitions.

The drafting of the Clause would require discussions with the Department of Planning and Environment and Parliamentary Counsel to ensure appropriate wording.

Contribution Rate

Market appraisal and feasibility scenario testing was undertaken to determine affordable housing contribution rates that would maximise the number of dwellings to be dedicated (or an equivalent monetary contribution) but not prevent development.

It is recommended that an affordable housing levy contribution be applied to:

- 7% of the total residential gross floor area of the development where the land has been subject to a rezoning from an employment, special or infrastructure use (e.g. IN1 Industrial, B7 Business Park, SP1 Special Uses, SP2 Infrastructure) to a residential use or mixed use (e.g. R3 Medium Density Residential, R4 High Density Residential, B4 Mixed Use)
- 7% of the **additional** total residential gross floor area of the development where the land has been subject to a rezoning from a residential use (e.g. R2 Low Density Residential to a higher density residential use (R3 Medium Density Residential, R4 High

Density Residential, B4 Mixed Use) or where there is an increase in the permitted height or floor space

- 2% (increasing to 5%) of the total residential gross floor area in new residential and mixed use developments where the development applications are permissible under the Ryde Local Environmental Plan 2014. Rates would be phased in overtime as outlined in the Table below.

Table 3: Proposed contribution rates on development applications where residential flat buildings are permitted

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To June 2018	0%
1 July 2018 – 30 June 2021	2%
1 July 2021 – 30 June 2023	4%
1 July 2023 - onwards	5%

Source: HillPDA

All residential development, other than excluded development as outlined in this Study, would be required to make a contribution towards affordable housing.

Inclusionary zoning for affordable housing is considered a requirement of redevelopment and identified in the draft North District Plan. The modelling and feasibility testing that HillPDA has undertaken shows that the affordable housing targets would have negligible effects on housing markets, and are likely to generate a substantial net community benefit.

Indexation and review of contribution rate

Indexation

It is recommended that contribution rates be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates would be adjusted with reference to movement in the median price for strata dwellings in the City of Ryde LGA. The median strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In addition, it is recommended that the City of Ryde's website would display the current rates for the Ryde Affordable Housing Scheme.

Full market review

It is recommended that a full market review of the contribution rates (7% and 2% - 5% for DAs) be undertaken every 3 years or at Council's discretion, particularly if there was significant upwards shift in the housing market. This is to ensure that the rates remain relevant and appropriate.

Dwelling location, amenity, size and bedroom mix with a development

Location and amenity

It is recommended that they should be/have:

- Located on all levels of buildings, not just ground/street level
- Reasonable orientation, views and outlook i.e. not only south facing dwellings
- Quality (including finishes and fixtures) that are commensurate with other dwellings in the building
- Access to all facilities within the development (e.g. gardens, BBQs, pools).

This is to ensure that the affordable dwellings are 'tenure blind', meaning that they should look no different to the private dwellings and all residents should be given access to facilities.

Size

It is recommended that the minimum size should be 50sqm, equivalent to a 1 bedroom apartment under the Apartment Design Code. This is to ensure that reasonable, liveable sized apartments are delivered for rent.

Bedroom mix

From discussions with CHPs it is difficult to be definitive in relation to bedroom mix. The demand appears to be for 1 and 2 bedroom apartments, although 3 bedroom apartments are necessary for larger households who meet the eligibility criteria.

The City of Ryde's Development Control Plan (DCP) 2014, for the Ryde Town Centre provides a useful guide for determining bedroom mix:

- a) This provision gives detailed guidance to the principles of SEEP 65. Development is to provide a diverse mix of dwelling sizes generally within the following ranges

Table 4: Bedroom mix Ryde Town Centre

Bedroom	Percent Range
3 bedroom	5% - 35%
2 bedroom	40% – 80%
1 bedroom + studio	5% - 35%

Source: Ryde Development Control Plan 2014, Ryde Town Centre

- b) Development providing less than 10 units may vary this mix providing a range of dwelling sizes are represented
- c) Development providing less than 5 units is exempt.

It is recommended that Council liaise with, and take guidance from its nominated CHP on a regular basis to determine what bedroom mix should be delivered to Council. It depends very much on the requirements of their waiting list at any one time.

Preferred Delivery Mechanism

The preferred mechanism for delivering affordable housing as outlined in this Study would be the dedication of dwellings to Council. The main reasons for this recommendation is as follows:

- The completed affordable housing would be delivered in a reasonable timeframe after construction for immediate rental
- One of the main advantages of receiving dwellings in-kind is that the affordable housing would be located throughout the Ryde LGA, maintaining a socially and economically diverse population
- As assets age a percentage of the portfolio can be sold for newer stock, provided they are used for the purpose of affordable housing
- The rent revenue can be managed to remain in slight surplus.

Council would still be able to (and should) take money contributions in situations where the affordable dwellings were considered to be unsuitable or where there is dedication of dwellings in deficit of more than 1sqm. The full balance of the gross floor area is paid as a monetary contribution. A developer may also choose not to dedicate dwellings but pay a monetary contribution instead.

Management of the Affordable Housing Portfolio

It is recommended that the everyday management of the affordable housing portfolio be transferred to either a Tier 1 or 2 registered community housing provider, such as Link Housing or Bridge Housing. CHPs have the necessary skills and resources to efficiently and effectively manage affordable housing on behalf of Council.

In order to ensure the financial sustainability of the housing portfolio the following is recommended:

Rent Setting

The affordable housing would be rented out to very low, low or moderate income households as specified under SEPP 70.

As a general rule of thumb housing is considered affordable if it costs less than 30% of gross household income.

On-going Financial Management

The rents from the Affordable Housing Program fund the ongoing management and maintenance of the portfolio. In order to keep the Program unsubsidised it is recommended that:

- Council must classify the dedicated dwellings as operational land within three months of land title registration. This is to ensure that dwellings can be effectively managed into the future. Dwellings can be sold if they are not suitable or becoming too expensive to manage and maintain
- Council should monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements
- Affordable housing monetary contributions and surplus rental funds should be placed in a reserve to fund ongoing maintenance and the purchase of new affordable housing
- Council should undertake an analysis to determine the optimum mix of tenancy bands to ensure long term financial viability of the affordable housing program that results in net revenue not less than 55% of market rent. For example, the tenant mix across City West Housing developments is around:

- 26% very low
- 44% low
- 30% Moderate
- Council must use money gained from sale of affordable housing stock for new affordable housing. Additionally, dwellings that are sold should be replaced within 12 months of sale to safeguard that the affordable portfolio is not substantially diminished
- Council should wherever possible replace an affordable housing dwelling in the same location. If this is not possible Council should seek locations which are close to services, transport and employment within the LGA.

Ryde Affordable Housing Program

It is recommended that Council develop a Ryde Affordable Housing Program to provide additional provisions and more detailed information about the Program. It is envisaged this will include such matters (but not limited to):

- History, background and rationale for the Program
- The statutory framework for the Program
- Affordable Housing provisions; including the calculation of the contributions, indexation and excluded development
- How to make Affordable Housing contribution - dedication and monetary.

The City of Sydney as outlined in this Study has developed 'Programs' to assist with the operation of their affordable housing schemes. These provide valuable information (in one location) for staff, landowners and developers and would provide useful reference documents if Council chose to prepare a similar document. Reference is made to the Programs in the Affordable Housing Clause in the Sydney LEP 2012.

Voluntary Planning Agreements

The introduction of inclusionary zoning for affordable housing would provide a predictable supply of dwellings in accordance with new requirements in the Ryde LEP 2014. Consequently, VPAs would more likely be used to deliver other types of public benefit arising from the impacts of new development.

Nevertheless, additional affordable housing could be provided by a VPA if deemed appropriate at the time of negotiations between Council and the developer. It is recommended that this be undertaken on a case by case basis and on merit rather than set a certain percentage of bonus residential floor space for affordable housing.

1 INTRODUCTION

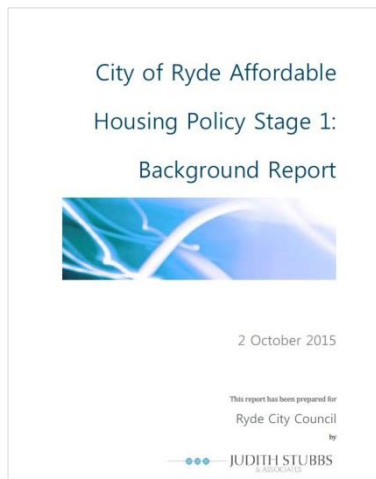
The provision of affordable housing choice, diversity and supply has been a long standing challenge across Sydney along with other global and competitive cities such as New York, Singapore, London and Hong Kong.

The increasing lack of affordable rental housing in the City of Ryde has become a substantial issue for Council. The Reserve Bank of Australia's Bulletin, September Quarter, 2015 includes an article that outlines long-run trends in Australian housing price growth³. The article concluded that since the mid-2000s, Australia has seen much higher net migration and population growth has stepped up to a significantly higher rate. This occurred at the same time as a slightly higher natural increase in population which has also contributed to this growth. The latter, in conjunction with the shift towards a decrease in average household size has led to increases in underlying demand exceeding the supply of new dwellings.⁴ This is particular true of the major capital cities like Sydney which are strong attractors for migrants.

The City of Ryde (Council) itself has seen rapid growth in recent years and the population is expected to grow by 42,590 (34.39%) from 123,841 in 2017 to 166,431 in 2036⁵. Over recent years the City's population has been shaped by the redevelopment of sites for residential redevelopment such as the former industrial and commercial lands at Meadowbank and Top Ryde respectively. North Ryde has also seen significant residential and commercial redevelopment.

At a more local scale, housing affordability affects the City of Ryde's ability to attract and retain businesses and a skilled workforce. Low paid key workers such as health care and child/aged care workers, hospitality staff, cleaners and bus drivers underpin and enable growth in key economic sectors. More broadly, providing a range of housing plays an important role in maintaining diversity in the socio-economic mix of residents, which in turn will ensure that the City of Ryde is a place which is inclusive for people on all levels of income.

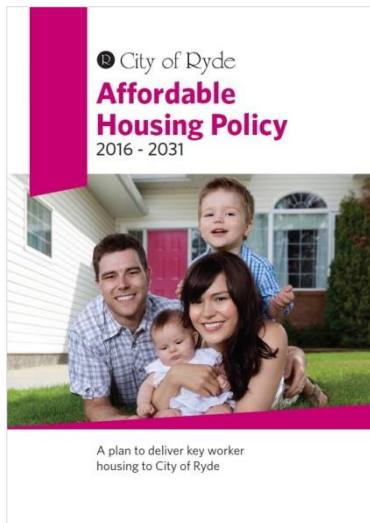
The City of Ryde has undertaken significant work to date on affordable housing through the development of an Affordable Housing Policy 2016 - 2031, based on the Affordable Housing



³ Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. *Reserve Bank Bulletin, September Quarter, 2015*

⁴ Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. *Reserve Bank Bulletin, September Quarter, 2015, page 28*

⁵ Profile.id, City of Ryde, Population Forecast



Background Report prepared by Judith Stubbs & Associates in October 2015. The Report provides the evidence that without intervention, the market would cater to virtually none of the affordable needs of very low, low and moderate households, including key workers.

The City of Ryde has identified three main goals to achieve by 2031:

- By 2031, 5% of all new dwellings in the Ryde LGA will be affordable housing for key worker households on very low to moderate incomes
- By 2031, Council and stakeholders will be operating under a clear and transparent framework to deliver affordable housing outcomes
- By 2031, Council will have well-established partnerships with the NSW Government, community housing providers and other relevant stakeholders that help to deliver the vision.

Additionally, Council has adopted (April 2016) an interim position in the respect to the delivery of affordable housing comprising:

- 2% of dwellings, in new residential and mixed use developments are to be provided for affordable housing
- 4% of dwellings, constructed on land the subject of a rezoning to permit residential /mixed use development are to be provided for affordable housing.

2 STUDY PURPOSE AND APPROACH

2.1 Purpose

The purpose of this Study is to build on the work undertaken by Council and provide further affordable housing policy insight and economic modelling capability to enable the City of Ryde to attain its affordable housing delivery target. By 2031, 5% of all new dwellings in the Ryde LGA are to be affordable rental housing for key worker households on very low to moderate incomes.

Council wishes to prepare a Planning Proposal to amend the Ryde Local Environmental Plan 2014 to include an affordable housing target and provisions. An evidence based study is critical to underpin contribution levies and the delivery mechanisms available to Council and developers. We also note that Council has been in discussions with the Department of Planning and Environment to include the City of Ryde in State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes).

Importantly, the proposed draft provisions are based on a robust feasibility analysis to demonstrate that the contribution rates can achieve the affordable housing objectives without unacceptable impacts on development feasibility.

This Study provides recommendations on:

- Contribution rate(s) for inclusionary zoning provisions (requiring a percentage of development where the site is rezoned or higher density controls are sought)
- Contribution rate for all new development applications for new residential and mixed use developments where the developments are permissible under the Ryde Local Environmental Plan 2014 (i.e. no rezoning is required)
- Voluntary Planning Agreements - where changes to the planning controls are negotiated in exchange for the provision of affordable housing.

In addition, this Study outlines the contribution tools developed by HillPDA to calculate affordable housing contributions using two contribution mechanisms including:

- A dwelling in-kind contribution
- A monetary contribution.

Commentary has been provided around the implementation of each tool and rationale of how and when it should be utilised. Types of excluded development such as development for social and affordable housing are also identified. The ongoing management of Council's affordable housing portfolio has also been addressed.

2.2 What is affordable rental housing?

The housing stock in Australia includes a range of dwelling types and tenures. The City of Sydney has developed a housing supply continuum to describe the range available and is shown in Table 5 below:

Table 5: The Housing Supply Continuum

The housing supply continuum								
Emergency shelters/ crisis accommodation	Transitional/ supported housing	Social housing (including public housing)	Affordable (community rental) housing	Affordable home ownership/ shared ownership	Private market diversity of housing products – (shop top housing, micro-apartments, no parking spaces)	Private market affordable housing (including boarding houses and student accommodation which may be government subsidised)	Private market rental housing	Home ownership
Government subsidised housing (including housing provided by the government and the community sector)			Non market housing (community housing sector)		Market housing			

Source: City of Sydney 2015 (adapted by HillPDA)

For the purposes of this Study, the focus is on 'non-market' affordable housing. Affordable housing is an umbrella term that refers to housing that is within the financial means of residents. The Environmental Planning and Assessment Act, 1979 defines affordable housing as:

"Housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."

In addition, the NSW Government has developed the *NSW Affordable Housing Ministerial Guidelines*. These set out the policy framework for delivering affordable housing by registered community housing providers, which has been developed by financial assistance from the

Healthy communities are characterised by a diversity of people and places. Diversity makes communities vibrant and socially and economically sustainable. Without affordable housing options communities become homogenous; as those that cannot afford to live in the area move to more affordable areas.

NSW Government. The definition of affordable housing used the Guidelines 2016-17, is as follows:

"Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs, such as food, clothing, transport, medical care and education⁶. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income".⁷

'Appropriate to the needs of a household' not only incorporates location but also accessibility and proximity to jobs and services. For housing policy purposes, households are usually classified as very low, low, or moderate income, with indicative income levels defined in relation to the area or regional median. Table 6 below shows the household median income for 2016-17.

Table 6: Median Household Income Levels by Income Band

Income Bands	% of Median Income	Annual Income Range (Sydney) 2016-17	Annual Income Range (NSW) 2016-17
Very low income	50% median	\$42,300	\$36,100
Low income	50%-80% median	\$67,600	\$57,800
Moderate income	80%-120% median	\$101,400	\$86,700

Source: NSW Affordable Housing Ministerial Guidelines 2016-17.

For example, very low income key worker households can include lower level aged care workers, cleaners, nursing assistants and hospitality and retail staff. Teachers, emergency services staff, retail workers and nurses fall into the low income bracket with higher level nurses and teachers and social and community services personnel falling into the moderate income bracket.

Affordable housing is open to a broader range of household incomes than social housing and is most commonly rented to lower income working households. Households can earn higher levels of income and still be eligible. Households do not have to be eligible for social housing to apply for affordable housing, though people who are eligible for social housing may also be eligible for affordable housing properties.

⁶ This is a national definition agreed by Australian housing, planning and local government ministers.

⁷ While this figure provides a useful benchmark of housing affordability, the definition of affordability varies according to a household's individual circumstances. Demands on the same gross income may differ significantly.

Affordable housing is sometimes only needed for a short or medium term period, depending on the life changes a household is experiencing. Over time, the household's circumstances or income may change again and some households may re-enter the private rental market or purchase a home. For example, the primary income earner may progress in their career or a family on one income moves to two incomes.

Although affordable housing is sometimes available for purchase, it is most commonly available for rent. Affordable rental housing may be owned by private developers or investors, local governments, charitable organisations or community housing providers. It is usually managed by not for profit community housing providers, and sometimes by private organisations.

Note: This report does not relate to affordable housing that is approved under the State Environmental Planning Policy (Affordable Rental Housing) 2009 such as boarding houses and secondary dwellings.

2.3 Study Methods

A range of methods have been employed to inform this Study, including:

1. **Review** of existing NSW affordable housing rental schemes. This examined how affordable rental housing delivery is currently being implemented by local government, other government agencies and community housing providers
2. **Stakeholder research** with developers, local government, community housing providers (CHPs) and government agencies. The aims of this research was to:
 - Gain an understanding of the typical affordable housing stock held by CHPs and their preferences in terms of bedroom mix, quality, size and type
 - Investigate the preferences of the housing sector, developers and land owners for the provision of affordable housing, e.g. with respect to paying/receiving monetary contributions versus the provision of housing onsite
 - To understand the interaction between state government policies and local government planning policies with respect to funding mechanisms for affordable housing provision. This takes into account that the Ryde Affordable Housing Policy 2016-31 envisages that the state government will provide 500 of the 750 affordable housing dwellings projected by 2031

Full details are provided in Appendix B.

3. **A market appraisal** of key sites/locations within the Ryde LGA (identified in conjunction with City of Ryde) using its industry sources and databases to investigate the following market parameters:
 - **Market Housing:**
 - Unit types and sizes, configurations and mixes
 - Take-up rates for ongoing projects
 - Range of sale prices for various product types
 - The impact of car parking provision on sale prices and take-up rates
 - The investment market including rents and yields achievable
 - **Commercial/Retail Floorspace:**
 - Commercial office and retail market rents (gross, net and effective)
 - End sale values of commercial office and retail space
 - **Development Sites:**
 - Ongoing and proposed residential project sites, noting buyer composition, success and market take-up
 - Sales of development sites to profile market demand for various development types and evaluate prices paid for development sites and their respective planning status.

Sources such as existing studies and technical reports, relevant policy documents, Construction Research Australia, Property Information Monitor, RP Data, ABS Dwelling Completions, other professional reports and interviews with local agents were utilised.

4. **Feasibility scenario analysis** was undertaken for four hypothetical sites spread across the LGA and chosen in conjunction with Council. Development feasibility was undertaken using the proprietary software Estate Master Development Feasibility (DF) which utilises discounted cash flow (DCF) technique. The DF model calculates key investment performance indicators, i.e. Residual Land Value, Profit Margin, Net Present Value and Internal Rate of Return.

The modelling was based on:

- A comprehensive set of user inputs (costs, fees and charges, revenues, timing, funding assumptions, other applicable site characteristics etc.)

- Detailed revenue assumptions, including:
 - End sale values/rents based on size and unit mix
 - Assumed time scales, sale spans and staging
- Detailed expenditure assumptions including:
 - Construction and servicing costs sourced from industry benchmarks, Rawlinson’s Construction Handbook and HillPDA’s previous industry experience with similar projects
 - Consultant and professional fees
 - Development contribution fees
 - Assumed time scales, construction spans, staging
 - Any required project enhancement costs
 - Cost escalations
- Benchmarking and reality testing of the residual land values based on comparable development site sales

The financial feasibility of an option analysed for a site/location was based on meeting benchmark industry hurdle rates. Sensitivity analysis was undertaken to analyse the impact of the specification of these rates – and of other key inputs into the model and on financial feasibility.

5. **Methodology tools** developed by HillPDA to calculate affordable housing contributions using two contribution mechanisms including:

- dwelling in-kind contribution
- monetary contribution

These tools have been developed on the assumption that the City of Ryde would be included in SEPP 70 Affordable Housing (Revised Schemes).

6. **Voluntary Planning Agreements** – understanding how voluntary planning agreements can be used in conjunction with inclusionary zoning for affordable housing.

2.4 Study area

The Study focuses on the local government area (LGA) of Ryde as shown in Figure 1 below.

Figure 1: Boundaries of the City of Ryde



Source: id the population experts

2.5 Definitions

Definitions for terms used in this Study are provided in Appendix A.

3 THE EXISTING AFFORDABLE HOUSING CONTEXT

At the time of writing the delivery of both affordable housing and housing affordability were high on the agenda of both the Federal and State governments as rents and house prices continue to rise in the major metropolitan cities of Australia. In late January 2017, the Sydney Morning Herald reported that Sydney was the second **least** affordable city in the world after Hong Kong⁸. The City of Ryde is not immune to the rise in rents and house prices. In 2011, 7,450 key worker households in the Ryde LGA were in need of affordable priced housing; and by 2031 this figure is estimated to rise to 10,700 which equates to a supply, on average of 40 per year between 2016 and 2031⁹.

The housing market is not providing affordable housing for households on very low, low or moderate incomes and realistically without government intervention there will continue to be little affordable rental dwellings available for lower income, key workers.

Ultimately no one level of government has the responsibility for housing affordability but each has a different role to play.

3.1 The Commonwealth

The Commonwealth Government influences housing distribution through macro-economic policy, taxation and income support, assistance to home owners, industry policy and the State Commonwealth Housing Agreement.

In 2016-17, the Commonwealth will provide funding of \$1.9 billion to support State affordable housing services, including \$1.3 billion through the National Affordable Housing Specific Purpose Payments and \$534.1 million through National Partnerships¹⁰. The National Affordable Housing SPP is the funding associated with the National Affordable Housing Agreement. This funding is being used to support a range of measures including social housing, assistance to people in the private rental market, support and accommodation for people who are homeless or at risk of homelessness, and home purchase assistance.

The Commonwealth Government announced, in the 2017 May Budget the creation of an affordable bond aggregator model to expand affordable rental housing stock across Australia. The National

⁸ Danuta Kozaki, Riley Stuart, Sydney housing: New survey paints dire picture for Harbour City's middle-income earners, SMH 24 January, 2017

⁹ City of Ryde, Affordable Housing Policy 2016 - 2031

¹⁰ Budget Report 2015-16, Australian Government

Housing Finance and Investment Corporation (NHFIC) will have the ability to raise money at lower rates from the wholesale bond market for not-for-profit community housing providers. The Government will provide \$63.1 million over four years from 2017–21 (including \$4.8 million in capital) to establish and run the NHFIC.

The NHFIC is based on AHURI¹¹ research into bond aggregator models presented in a report from the Affordable Housing Working Group (AHWG) to Federal, State and Territory treasurers as part of the Council on Federal Financial Relations in late 2016. The final details of the NHFIC will be determined following advice from the Affordable Housing Implementation Taskforce, due by mid-2017, with the Corporation to commence operations on 1 July 2018.

The dwellings financed from this model are to be managed by CHPs and rented to people working in lower paid jobs.

3.2 NSW State Government

The State Government is the lead agency in setting the affordable housing policy and agenda for NSW, particularly to give direction to local government, NSW Family and Community Services and community housing providers.

At the time of writing the State Government recently announced A plan to improve housing affordability¹². The emphasis was on measures for first home buyers including amendments to stamp duty payments and increased supply. This package made no reference to affordable rental housing.

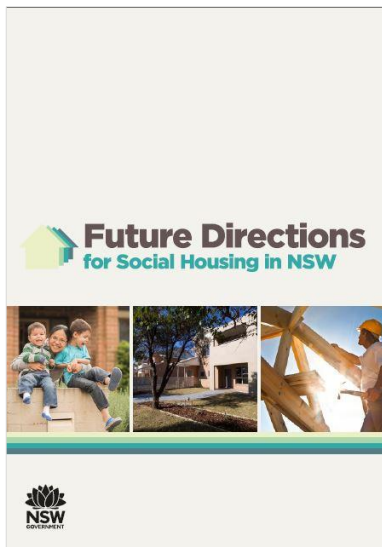
The NSW Government develops policy objectives and appropriate housing outcomes. The NSW Government's goals and requirements are communicated through funding contracts, relevant legislation and the NSW Affordable Housing Ministerial Guidelines.

The main aims of the Ministerial Guidelines is to ensure that affordable housing in NSW is delivered:

- to a range of income groups, including very low, low and moderate income households
- in a manner that generates sufficient income to meet associated finance and other operating costs.

¹¹ Australian Housing and Urban Research Institute

¹² NSW Government, A plan to improve housing affordability May 2017



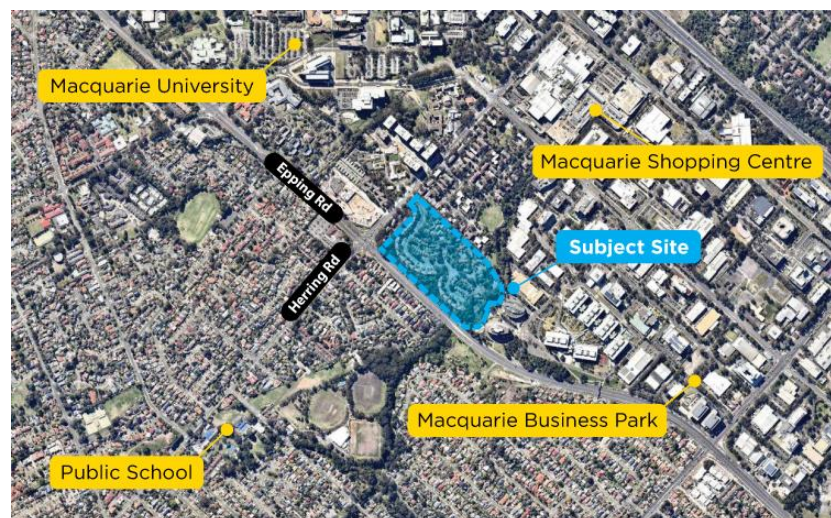
One of the secondary aims of the Guidelines is to ensure that retained earnings and assets from managing affordable housing are used by community housing providers to grow more affordable housing supply, wherever possible. The NSW Affordable Housing Ministerial Guidelines are endorsed by the Minister for Family and Community Services.

Early in 2016, the Government released, Future Directions for Social Housing in NSW (includes affordable housing) which outlines the Government's vision for the next 10 years. As part of the plan to provide additional social and affordable housing, the Government will partner with both the private and not-for-profit housing sectors to increase the financing, ownership and management away from entirely public sector ownership.

3.2.1 Communities Plus

In partnership with the private sector the Government's Land and Housing Corporation (LAHC) is fast tracking redevelopment of its social housing portfolio. One of the first sites to be targeted is the eight hectare, Ivanhoe Estate at Macquarie Park which is located within the Ryde LGA. It currently contains 259 social housing dwellings but after redevelopment will provide an 'integrated' community with around 1,800 private, 556 social and 128 affordable housing dwellings. This will see an increase of 297 social dwellings with affordable housing newly available on the site. The intention is that LAHC will retain ownership of the social housing dwellings but management will be transferred to a CHP. The affordable housing would most likely be offered to a CHP.

Figure 2: Location of Ivanhoe Estate



Source: <http://www.communitiesplus.com.au/ivanhoe>

Three proponents have been shortlisted for the redevelopment of Ivanhoe with the successful proponent yet to be announced.

This redevelopment will contribute 128 affordable housing dwellings to the target of 500 new affordable housing dwellings on government owned land by 2031 (City of Ryde Affordable Housing Policy 2016-2031).

3.2.2 Social and Affordable Housing Fund

The Social and Affordable Housing Fund (SAHF) is a new approach to the way Social and Affordable Housing is delivered in NSW. The SAHF is a key initiative of Future Directions to provide more social and affordable housing. The NSW government has contributed \$1.1 billion in seed funding which will be invested by the NSW Treasury Corporation. The returns will be used to support SAHF Phase 1 projects.

SAHF Phase 1 plans to deliver access to up to 2,200 additional social and affordable homes in metropolitan and regional NSW together with access to integrated support services through Tailored Support Coordination. The Government will purchase service packages from the private and not-for-profit sectors. It is not intended that the Government will own the housing assets. The service agreements will run for up to 25 years.

The Request for Proposals evaluation process was completed in November 2016. In March 2017, Service Agreements were awarded to five successful parties:

- BaptistCare NSW & ACT
- Compass Housing Services Co Ltd
- SGCH Sustainability Limited
- St Vincent de Paul Housing
- Uniting

The 2,200 dwellings are expected to be delivered by 2020.

Round 2 was recently announced by the Minister for Family and Community Services.

3.2.3 NSW Family and Community Services and Community Housing Providers

There are over 140 registered not-for-profit community housing providers across NSW that provide housing assistance to eligible people on low incomes or who are unable to access appropriate

housing in the private market. This includes social housing, affordable housing and supported housing.

Community housing providers work with a range of partners, including the Department of Family and Community Services (FACS), Land and Housing Corporation (LAHC) other non-government organisations, local councils, and private sector partners to develop, deliver and manage these housing products. They can receive funds from FACS and lease properties owned by LAHC for these purposes.

CHPs may benefit from the funding opportunities announced by the Federal Government in May. The bond aggregator model will allow them to raise cheap finance to allow them to develop and expand their social and affordable housing stock.

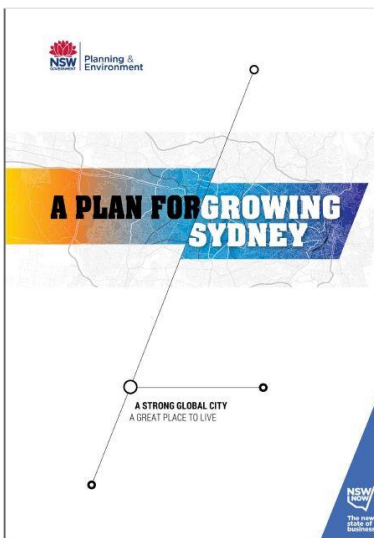
3.3 NSW Plans

The State Government determines the legal framework for planning legislation, primarily the responsibility of the Department of Planning and Environment. The latter also sets housing objectives and aims through State and District Plans, which includes recommendations and actions for affordable housing provision, including for local government.

3.3.1 A Plan for Growing Sydney

A Plan for Growing Sydney, NSW Government, December 2014, is a key planning document which sets the vision for Sydney. The Plan identifies that an additional 664,000 new dwellings will be required by 2031. In considering the provision of affordable housing, Action 2.3.1, states that each Council will be required to prepare a local housing strategy that will include affordable housing needs and strategies to provide affordable housing. Action 2.3.3 seeks to, 'Deliver more opportunities for affordable housing' where the Government will:

- Develop a comprehensive approach to this issue that involves all stakeholders – the Government, local councils and the private and community sectors
- Provide affordable housing in Government-led urban renewal projects and on Government-owned sites to meet the shortfall in affordable housing
- Require local councils to include affordable housing in their local housing strategies to respond to local demand.



The implementation of Action 2.3.3 has been limited to date although many councils such as the City of Ryde have, or are in the process of developing local housing strategies and/or affordable housing policy, as housing affordability is becoming a key issue in many LGAs.

In the Priority Precincts identified by the NSW Government there is now a requirement to investigate and include affordable housing as part of the urban renewal process. Rhodes East in the City of Canada Bay is a case in point. As part of the planning work undertaken for this project an affordable housing (inclusionary zoning) target of 5% gross floor area (residential) has been proposed. The precinct proposal is expected to produce up to 3,000 new dwellings, delivering around 150 affordable rental dwellings for key workers. The draft planning documents are expected to be placed on public exhibition in the second half of the year.

Macquarie Park in the Ryde LGA has also been declared a priority precinct investigation area and part of the planning work for this precinct will include investigation for an affordable housing target. Similarly, the Ingleside Release Area in the Northern Beaches LGA is also being investigated for an affordable housing target of between 5%-10% in line with the North District Plan.

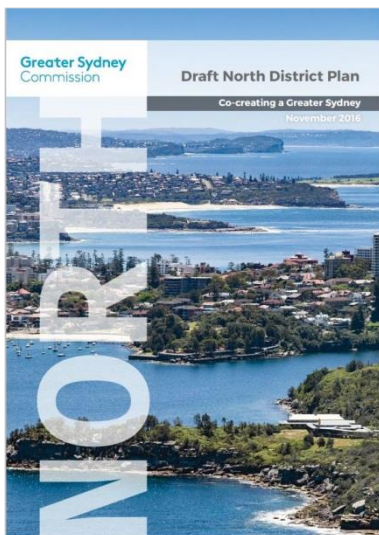
UrbanGrowth NSW is the NSW Government's urban transformation agency. It is expected to deliver affordable housing in their urban renewal projects. A Housing Affordability and Diversity Policy was introduced in December 2016 and will apply to UrbanGrowth NSW projects from January 2017. The Policy introduces a target of 5-10% affordable rental housing across each transformation project.

The Lachlan's Line development in North Ryde is being managed by UrbanGrowth NSW and is expected to deliver affordable housing, although details are yet to be released.

3.3.2 Draft North District Plan

In November 2016, the Greater Sydney Commission (GSC) released six draft District Plans for Sydney. The role of the GSC is to coordinate and align the planning that will shape the future of Greater Sydney. The GSC is taking a collaborative "one government" approach to lead and guide the planning for development, transport and housing.

The City of Ryde is located within the draft North District Plan. Under Part 3B of the Environmental Planning and Assessment Act, both, A Plan for Growing Sydney and the draft North District Plan must be



The draft North District Plan has identified in, Liveability Priority 3, an affordable rental housing target for areas undergoing urban renewal. The intention is to apply a target of between 5% - 10% of new residential floor space at rezoning stage.

considered when consent authorities are undertaking strategic planning functions.

The draft North District Plan outlines that the City of Ryde, in relation to increased housing capacity (Action L3) will:

- monitor and support the delivery of Ryde's five-year housing target of 7,600 recognising significant growth in the precinct at North Ryde and Herring Road
- progress priority precinct investigations at Macquarie Park with the Department of Planning and Environment
- work with the Commission and Transport for NSW to identify urban renewal opportunities that connect to Sydney Metro
- investigate local opportunities to address demand and diversity in and around local centres and infill areas.

Importantly, the draft North District Plan has identified in, Liveability Priority 3, an affordable rental housing target for areas undergoing urban renewal. The intention is to apply a target of between 5% - 10% of new residential floor space at rezoning stage.

This target is to be subject to development economic feasibility to ensure that development is not hindered. In addition, the affordable housing is to be aimed at very low and low income households, however, this approach does not preclude councils from negotiating additional housing for moderate income earners. The City of Ryde's approach to the delivery of affordable rental housing is in line with this initiative.

3.4 State Legislation

In recent years the Government has looked more favourably at expanding inclusionary zoning provisions for urban renewal areas.

There are two State Environmental Planning Policies which deal with Affordable Housing:

- State Environmental Planning Policy (Affordable Rental Housing) 2009
- State Environmental Planning Policy No 70, Affordable Housing (Revised Schemes).

The Affordable Rental Housing SEPP 2009 provides standards and provisions for the building of infill affordable housing (through bonus FSR), secondary dwellings and boarding houses and group homes. Whilst there appears to have been significant take-up of particular

provisions (such as secondary dwellings in suburban areas, and new generation boarding houses in some parts of Sydney), other mechanisms (such as the additional Floor Space Ratio (FSR) bonus for developments incorporating affordable rental housing) appear to have had less impact in addressing the shortage of housing options for low and moderate income renters. This is probably due to the fact that amongst other matters the SEPP was tightened in 2011 to only apply to residential development already permissible on the land. This SEPP is not the subject of this Study.

3.4.1 State Environmental Planning Policy 70 Affordable Housing (Revised Schemes).

Section 94F of the EP&A Act permits councils to seek affordable housing as a development contribution, through an inclusionary zoning mechanism. However, the provisions of s94F only applies to councils who have been identified as having affordable housing need, as outlined in State Environmental Planning Policy 70 (SEPP 70) Affordable Housing (Revised Schemes).

As stated by Spiller and Anderson-Oliver from SGS Economics and Planning, "Inclusionary Zoning (IZ) generally refers to statutory planning controls requiring development proponents to incorporate certain facilities or features on their site, or pay a cash-in-lieu contribution for this obligation to be discharged off-site.

Traditionally, inclusionary provisions were applied to car parking requirements and open space contributions. More recently, requirements to incorporate a certain proportion of affordable housing in a development project, or make a cash contribution for an equivalent quantum and standard of affordable housing to be provided elsewhere in the neighbourhood in question, have been contemplated and, in some cases, implemented, in Australian town planning practice"¹³.

At present, only the City of Sydney, Willoughby City Council and the former Leichhardt Council are identified in SEPP 70 for the need for affordable housing (SEPP 70, Clause 9). A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is authorised by a statutory plan, such as a Local Environmental Plan (LEP).

At present, only the City of Sydney, Willoughby City Council and the former Leichhardt Council are identified in SEPP 70 for the need for affordable housing (SEPP 70, Clause 9).

¹³ Spiller, M, Anderson-Oliver, M (2015) Revisiting the Economics of Inclusionary Zoning, SGS Economic and Planning

Clause 9 of SEPP 70 identifies the local government areas where there is an identification of need for affordable housing, with Schedule 2 setting the affordable housing principles that apply:

1. Where any of the circumstances described in section 94F (1) (a), (b), (c) or (d) of the Act occur, and a regional environmental plan or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created.
2. Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.
3. Affordable housing is to be made available to a mix of very low, low and moderate income households.
4. Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income.
5. Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.
6. Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.
7. Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.
8. Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

The definition of affordable housing under the SEPP is as follows:

For the purposes of the definition of affordable housing in section 4 (1) of the Act, very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:

The income bands and percentage ranges are shown in the table below.

Table 7: Definition of affordable housing (SEPP 70)

Income band	Percentage
Very low income household	less than 50%
Low income household	50 or more but less than 80%
Moderate income household	80–120%

Source: State Environmental Planning Policy 70 (SEPP 70) Affordable Housing (Revised Schemes)

Developer contributions under S94F can be sought in the form of dwellings or monetary contributions.

3.4.2 Special Infrastructure Contributions

Special Infrastructure Contributions (SIC) help fund regional infrastructure that supports different communities across the State. They partially fund state or regional roads and land required for special infrastructure such as schools, health care and emergency services. SICs can also include the provision of affordable housing. SICs are subject to a special infrastructure scheme, applied within a special contribution area, as declared under Schedule 5A of the EP&A Act. This is achieved by way of an order made by the Planning Minister and is published on the NSW Legislation website under s94EG of the Act. SICs can include cash contributions and in-kind contributions.

Subdivision 4, 94ED Provision of infrastructure includes reference to:

- a) the provision, extension and augmentation of (or recoupment of the cost of providing, extending or augmenting) public amenities or public services, **affordable housing** and transport or other infrastructure relating to land
- b) the funding of recurrent expenditure relating to the provision, extension and augmentation of public amenities, or public services, **affordable housing** and transport or other infrastructure.

To date SICs have only been applied to greenfield sites and have not included affordable housing contributions. It is understood however that SICs may be introduced, in the future for infill urban renewal projects.

3.5 Local Government

Councils have traditionally not been involved in the direct provision of affordable rental housing. This involvement is changing as housing affordability becomes an increasing challenge for many households and as areas such as the City of Ryde become more affluent and less

The approach of individual councils depend on a range of factors such as location, existing housing stock, existing infrastructure, development pressures, community values and council priorities.

socially diverse. Additionally, the majority of the State plans for affordable housing are implemented at the local level.

The Background Report prepared by Judith Stubbs & Associates in October 2015 provides the research that identifies the growing lack of affordable housing both to purchase and rent in the City of Ryde. Since then housing costs have risen by 15% in the Ryde LGA while wages growth has stagnated. Consequently the situation identified by Stubbs and Associates has exacerbated.

Councils are largely responsible for land use planning controls and can play a proactive role in affordable housing provision through appropriate planning mechanisms and policies. The role of local government can be broadly summarised as:

- Advocacy
- Planning & delivery
- Provision & management.

The approach of individual councils depend on a range of factors such as location, existing housing stock, existing infrastructure, development pressures, community values and council priorities.

3.5.1 Advocacy

Local government can play an important role in advocating for affordable housing through actions such as:

- Researching local housing needs
- Advocating to the State and Federal governments for best practice affordable housing schemes
- Defining affordable housing and setting affordable housing targets for local government areas/districts
- Influencing the location and/or type of housing through the planning system
- Supporting housing associations such as community housing providers to assist them in increasing their role in affordable housing provision
- Educating existing communities, Council staff and elected representatives on the importance of local affordable housing.

Increasingly, there is recognition within local government that by improving affordable housing opportunities, particularly for key workers, there are tangible social and economic benefits for their local communities.

3.5.2 Planning and Delivery

There are two main ways at present that local government can deliver affordable rental housing through the planning system (excepting the Affordable Rental SEPP 2009).

The first is through SEPP 70 as outlined above in section 3.4.1. The second is through voluntary planning agreements which are being used to provide public benefit, including affordable housing.

SEPP 70 Affordable Housing (Revised Schemes)

A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is authorised by a statutory plan, such as a LEP.

When a Council is included in SEPP an amendment is made to the prevailing LEP to include an Affordable Housing clause. The latter details, amongst other matters, the contribution levies to be applied. These provisions will be further discussed below when looking at individual councils. Any amendment to the LEP requires a planning proposal. There are five steps in the process:

- **The planning proposal** – Council would prepare the planning proposal.
- **Gateway** - the Minister (or delegate) decides whether the planning proposal can proceed (with or without variation) and subject to other matters including further studies being undertaken, public consultation, public hearings, agency consultation and time frames. A planning proposal does usually not proceed without conditions of this nature. The conditions are then complied with and if necessary, the proposal is changed. A decision on whether the relevant council is able to finalise particular types of LEPs is also determined at this stage.
- **Community consultation** - the proposal would be publicly exhibited as required by the Minister.
- **Assessment** – Council would review public submissions. Parliamentary Counsel then prepares a draft local environmental plan.
- **The making of the LEP** - with the Minister's (or delegate's) approval the local environmental plan is published on the NSW legislation website and becomes law.

Voluntary Planning Agreements

Voluntary planning agreements between a council and developer can be used to deliver affordable housing. VPAs are implemented under S93F of the EP&A Act, providing public benefit, usually for a change in the land use zone and/or an increase in development density. VPAs are used by numerous councils across Sydney and can provide flexibility in terms of outcomes that can be adjusted, by merit on a case by case basis. The downside is that VPAs are based on a developer's willingness to volunteer an offer, usually based on an increased development opportunity which provides limited certainty for affordable housing outcomes.

The NSW Government recently placed a draft Ministerial Direction and draft Revised Practise Note on VPAs on public exhibition. The Government acknowledges that VPAs have a place in the planning system but is seeking, through the draft documentation to improve the transparency of VPA benefits. The aims of the draft document is to ensure that:

- public benefit from the VPA relates to the development
- there is a fair, reasonable and transparent VPA negotiation process
- appropriate infrastructure is identified through an assessment of local community needs.

At the time of writing these changes have not been adopted.

3.6 Sydney Metro Councils involved in affordable rental housing



Source: Platform Apartments Eveleigh, City West Housing

The following councils have been involved in affordable rental housing for a number of years:

- City of Sydney
- Willoughby City Council
- City of Canada Bay
- Waverley Council
- Randwick
- Inner-West.

Commentary on each of these LGAs is provided as follows:

3.6.1 City of Sydney

Sustainable Sydney 2030 establishes an ambitious target that by 2030, 7.5% of all housing in the LGA will be social housing provided by government and community providers and 7.5% will be affordable housing delivered by not-for-profit or other providers. The aim is to deliver 8,000 new affordable and social dwellings.

The City of Sydney (CoS) has been active in affordable rental housing delivery for approximately 20 years from the redevelopment of the Ultimo/Pymont area. The CoS delivers the majority of its affordable housing program through SEPP 70 from the areas of Ultimo/Pymont, Green Square and Employment Lands. As part of the Harold Park redevelopment in Glebe, 80 dwellings will be built for low and moderate income earners by 2018.

The CoS has also sold land to community housing providers such as City West Housing; in Zetland 100 affordable dwellings will be built. City West Housing manages the affordable housing delivered from these programs and to date has delivered a total of 731 affordable dwellings¹⁴.

Two hundred 200 affordable dwellings have been delivered through the affordable housing program in Green Square, with the expectation that this will rise to 330 over the next 15 years. The CoS has three areas where inclusionary zoning applies:

- Ultimo/Pymont
- Green Square
- Employment Lands

A draft Central Sydney Affordable Housing program for the Sydney CBD area was also placed on public exhibition last year and the CoS has recently reviewed its affordable housing program as a whole.

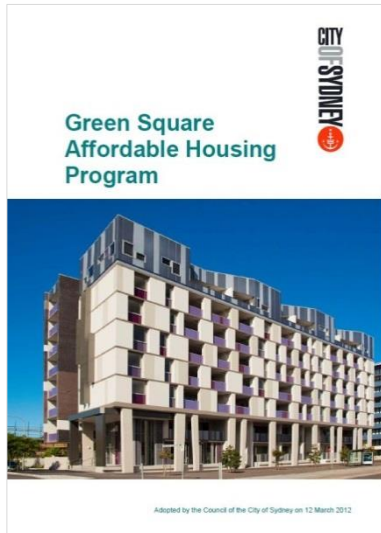
A planning proposal has been prepared to amend their affordable housing programs (excepting draft Central Sydney), as well as expand the current schemes to include other land in the LGA, which is referred to as 'residual land'. The latter is land that will benefit from increased development capacity through a site specific planning proposal to change the planning controls.

The proposal also seeks to reduce the minimum size of an affordable housing dwelling from 50 sqm to 35sqm and to introduce a maximum



Source: Wigram Road Forest Lodge
(Harold Park) City West Housing

¹⁴ City West Housing Annual General Report 2016



dwelling size of 90sqm. The purpose of these changes is to deliver as much affordable housing floor area as possible. In addition, the proposal aims to amend the Sydney LEP 2012 to include additional development, such as a warehouse conversion to residential where no new floor area is being created.

In the City of Sydney LEP 2012, under Part 7, Division 3, Clause 7.13 the following affordable housing contributions presently apply in:

Green Square and Southern Employment Land

Residential development

- **On-site:** 3% of the total residential floor area must be provided as affordable housing.

Non-residential development

- **On-site:** 1% of the total non-residential floor area must be provided as affordable housing.

Ultimo/Pymont

Residential development

- **On-site:** 0.8% of the total residential floor area must be provided as affordable housing.

Non-residential development

- **On-site:** 1.1% of the total non-residential floor area must be provided as affordable housing.

The CoS has Affordable Housing Program documents for each of the areas where the inclusionary zoning applies. They provide the calculation of the monetary contributions, outlining how the individual programs operate and how the conditions of consent will apply. They also cover such matters as excluded development and indexation. The CoS takes both dedicated dwellings and monetary contributions.

3.6.2 Willoughby City Council

Willoughby City Council is also included in SEPP 70. The Willoughby Local Environmental Plan 2012, Part 6, Clause 6.8 sets out the provisions for delivering affordable housing in nominated areas within the LGA (identified on the Special Provisions Area Map). Developers must contribute 4% of accountable total floor space either as dedicated dwellings or an equivalent cash contribution. Accountable total floor space, under the Clause means the gross floor

area of the residential component of the development to which the development application relates.

The amount of the contribution to be paid under a condition imposed on a development consent is the value of the gross floor area concerned calculated by reference to the market value of dwellings of a similar size to those proposed by the development application (clause 6.8 (4) Willoughby LEP 2012)

In addition, acting as an incentive, Willoughby LEP 2012 Clause 4.4 (2A)(b) excludes the floor space of affordable housing from the calculation of gross floor area.

Twenty-one dwellings have been dedicated to Willoughby City Council to date, in St Leonards and Chatswood with more to follow in Artarmon. It is also understood that the Council has also collected monetary contributions in lieu of dedication which it will use to purchase more affordable housing. Link Housing manages the properties on behalf of Council.

3.6.3 City of Canada Bay

Since 2009 the City of Canada Bay has successfully acquired 26 affordable rental properties. The affordable housing has mainly been delivered through voluntary planning agreements (except for two purchases) between Council and various developers. The two purchases were made from retained earnings and assets from managing their affordable housing portfolio.

An application has been made to the Department of Planning and Environment (DPE) for the City of Canada Bay to be included in SEPP 70 so that their affordable housing program can be expanded. Council is seeking a 5% affordable housing target (on residential gross floor area) for the Rhodes East Priority Precinct which, (at the time of writing) is currently undergoing investigation for urban renewal.

3.6.4 Waverley Council

Waverley Council was one of the first Sydney Councils to adopt an affordable housing program using bonus floor space. The Program applies to all proposed new multi-unit residential development and mixed use development (comprising of a residential component), where a proposed development seeks to exceed the permissible floor space ratio (FSR).

In reality, the majority of the planning agreements have related to developments in the Bondi Junction and Bondi Beach Precincts where

Waverley Affordable Housing Program (WAHP) provides good quality rental apartments at reduced rents. It targets low to moderate income households who are in full or part time work.

the majority of redevelopment is occurring. Council will only support additional FSR if the environmental impacts are acceptable and that the additional FSR proposed, provides an equal public and private benefit. Generally, the value of 50% of the increase in net value to the development, arising from an increase in FSR beyond the permitted provisions in Clause 4.4 of the Waverley LEP, is considered an appropriate contribution. Council has a comprehensive Voluntary Planning Agreements Policy 2014 which guides their VPA process.

The Waverley Affordable Housing Program seeks to assist households on low and moderate incomes, unable to secure local rental housing and who have lived in the Waverley LGA for at least the past three years or have lived or worked in Waverley for five of the last ten years. The Council has secured 28 dwellings in this manner which are managed by Bridge Housing.

3.6.5 Randwick Council

Randwick Council has had an Affordable Housing Strategy since 2007. To date, 20 dwellings have been delivered and are managed by St George Community Housing.

Council introduced master plan provisions for development sites exceeding 4,000 square metres in the (then) Randwick Local Environmental Plan 1998 which resulted in the provision of dwellings for affordable housing purposes. All negotiated outcomes, typically the dedication of 1% of total dwelling yield of the development site to affordable housing, were enshrined in an Agreement between the Council and the developer.

Clause 6.12 Development, in Randwick LEP 2014 refers to land requiring the preparation of a development control plan (for sites over 10,000sqm) and includes a provision for affordable housing. The latter, however, is only enforceable through a VPA. In recent years there has been little or no affordable housing delivered in the Randwick LGA, hence their application to be included in SEPP 70.

Late last year Randwick Council received notification from then Minister of Planning and Environment that its application to be included in SEPP 70 was supported. This will allow the Kingsford to Kensington urban renewal project to have inclusionary zoning provisions with a target of between 3% - 5% for affordable housing. Approximately 200 dwellings are expected to be delivered through inclusionary zoning.



Source: Luna Apartments Lewisham of which 4 are for affordable rental. Inner West Council.

3.6.6 Inner West Council

The newly amalgamated Council on 28 March 2017, approved an Affordable Housing Policy prepared by Judith Stubbs and Associates, in November 2016.

The policy purpose is to support Council to acquire a fair share of the increase in land values resulting from planning decisions* in order to:

- increase affordable rental housing
- create more affordable housing on public land via a number of methods including:
 - changes to the planning system
 - a 15 % affordable housing target on large developments
 - an affordable housing target of 30% on government owned land in urban renewal areas such as The Bays Precinct.

*Planning decisions/processes such as rezoning and Voluntary Planning Agreements with developers. In relation to value capture Council will endeavour to gain a 50% share of the land value uplift to be negotiated through a voluntary planning agreement.

In addition, the Inner West Council will seek inclusion in SEPP 70 to permit inclusionary provisions in a LEP for ongoing delivery of affordable housing.

3.7 Management of affordable rental housing

Under the provisions of the Environmental Planning and Assessment Act, 1979 (EPAA) titles for dedicated affordable housing and/or monetary contributions are usually transferred to consent authorities (excepting the City of Sydney). It is common practice for councils to outsource the day to day management of the properties.

Willoughby City Council, the City of Canada Bay and Randwick Council all retain ownership of their affordable housing dwellings which are then managed by CHPs (Link, Bridge and St George respectively).

Willoughby, for example has appointed Link Housing to manage their affordable housing portfolio. Council entered into contractual arrangements with Link for such matters as, tenant selection, and tenancy and asset management. These arrangements are often guided by an adopted council policy/program.

In the case of the City of Canada Bay the Affordable Housing Policy stipulates that tenants must work in the following industries:





Source: City West Housing
Zetland

Healthcare, childcare, teachers, emergency services, public transport, retail, labourers, manufacturing and hospitality. Additionally, six of the affordable housing properties are to be available to staff from Concord Hospital.

3.7.1 The City of Sydney Situation

The City of Sydney facilitates the delivery of affordable housing through the planning system but does not own or manage the stock. A non-profit housing organisation was set up by the State Government, known as City West Housing Pty Ltd to originally manage and deliver affordable housing in the Ultimo Pyrmont area and now for Green Square and elsewhere in the City. City West Housing is incorporated under the Corporation Law and is independent from, but still accountable to the Government. The Company has an expertise-based Board.

City West Housing is authorised to issue two classes of shares: ordinary shares and redeemable preferential shares. However shares are not traded on the active market and therefore there is no trading policy. The Ordinary Shareholders (at the time of writing) are:

- NSW Minister for Social Housing
- NSW Treasurer

The Preferential Shareholders (City West Housing Annual Report 2016) are:

- Australian Chinese Community Association of NSW Inc
- Churches Housing Incorporated
- City of Sydney
- Lend Lease Development Party Ltd
- NSW Federation of Housing Association Pty Ltd
- Shelter NSW Incorporated
- Bridge Housing Ltd
- The Star Pty Ltd
- St George Bank
- The Uniting Church in Australia Property Trust (NSW)
- Australand Corporation (NSW) Pt Ltd
- Mirvac Projects Pty Ltd

The role of the ordinary and the preference shareholders is to evaluate the performance of City West's Board through the business

planning process. Quarterly accountability reports are provided to shareholders and meetings are held quarterly. The State Government retains the ownership of the assets through the Treasurer and Minister of Housing as ordinary shareholders with the power to intervene or recall the assets in the event of a failure by the company to meet its objectives and performance criteria. City West Housing does not receive any ongoing funding from Government nor does it receive or manage housing stock on behalf of LAHC and therefore relies on developer contributions to deliver affordable housing.

Developers can either provide their contribution through a cash contribution or in-kind.

3.8 What does this mean for the City of Ryde?

As outlined above there are a number of ways that affordable housing can be delivered - by State agencies (LAHC, FACs, Urban Growth NSW, the Department of Planning and Environment (Priority Precincts), community housing providers (develop, build, manage) and of course local government.

Planning policy and legislation play a critical role in establishing mechanisms for providing and increasing the affordable housing supply in Sydney. It is difficult for councils to deliver affordable housing on its own in absence of a comprehensive government-led approach to the issue. All levels of Government are now trying to address the housing affordability crisis by looking at various mechanisms from taxation arrangements through to inclusionary zoning targets.

A Plan for Growing Sydney and the draft North District Plan both include actions for the identification of need and delivery of affordable rental housing. The City of Ryde's work undertaken to date on affordable housing and the outcomes of this Study are in accordance with both of these plans.

State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) has allowed the City of Sydney and Willoughby City Council to include inclusionary zoning provisions in their respective local environmental plans, for affordable housing. The SEPP identifies the need for the affordable housing in a LGA.

A number of other councils such as the City of Canada Bay and Randwick Council have recently applied to be included in SEPP 70 with Randwick advised at the end of last year (by then Minister of Planning) that it had been supported. The Inner West Council will also be seeking inclusion in SEPP 70.

The majority of councils, with the exception of the City of Sydney retain ownership of dwellings, which are then managed by a CHP.

Voluntary planning agreements have been the other mechanism open to councils. VPAs have delivered affordable dwellings in the LGAs of Waverley, City of Canada Bay, Randwick and the Inner West. VPAs have proved successful in delivering affordable rental housing that otherwise would not have been provided. However councils who regularly use them have all specified that they would prefer to use the inclusionary zoning process for the delivery of affordable housing.

There is opportunity the City of Ryde to provide affordable housing in a coordinated and predictable manner through inclusion in an environmental planning instrument, such as SEPP 70. Council would be able to take dedicated dwellings or monetary contributions through the inclusionary zoning process. This will be further discussed in Chapters 5 and 6 of this Study.

4 FEASIBILITY ANALYSIS

In order to estimate the value uplift from potential planning proposals and uplift in density controls, HillPDA prepared a number of financial models of hypothetical development options, on test sites. The latter were agreed in consultation with Council.

4.1 Modelling undertaken for rezoning and/or increased density

The feasibility modelling was undertaken using the proprietary software, Estate Master which is an industry standard used by developers, financiers and property valuers alike.

The analysis follows the approach of a hypothetical development feasibility adopting an acquisition land value and all the costs associated with the nominated hypothetical development including:

- Land acquisition (including stamp duty and legal costs)
- Professional fees (design and management)
- Demolition and construction (including car parking, site costs and external works)
- Property holding costs and statutory fees
- Equity, finance charges and interest on debt
- Marketing and selling costs
- Revenue from sales, rentals and other income.

The hypothetical development cash flow is calculated and discounted to determine the development's net present value. The discount rate selected reflects the levels of risk in the project. Given a fixed land price the primary key performance indicators to determine project viability are:

- **Net present value (NPV)** – This is the value of the forecast project cash flow today given the level of project risk. A positive NPV implies that the development is feasible as the internal rate of return (IRR) is expected to exceed the required or target IRR (discount rate selected to discount the future cash flow to its present value).
- **Project Internal Rate of Return (IRR)** – This is the discount rate where the Net Present Value equals zero. For most residential development projects a minimum project IRR of 15% to 20% is required.

- **Development Margin (DM)** – This is profit divided by total development costs (including selling costs). Profit is all revenues less all costs including interest on finance. Unlike present value it is a measure of future value. Generally a minimum development margin of 16% to 20% or more is required for a project to be feasible. This requirement is particularly relevant for a project to meet the lending criteria.

A further performance indicator often used is the **residual land value** which refers to the maximum price that a developer could pay for the land while achieving the required hurdle rate or rates (project internal rate of return and development margin together).

In the feasibility testing the land price was fixed under the base case – the base case being the “as is” value of the land or the value of the land being redeveloped under its current zone and to its maximum allowable density. The recent purchase price of the land (if there is one) may be adopted as the base case value. Alternatively, market research, including comparable sales evidence, was used to determine the land value. Appendix C details the market research undertaken and Appendix D provides the feasibility modelling results.

The tipping point is the point at which there is sufficient FSR to achieve the viable redevelopment of the Site (i.e. the total affordable housing percentage a development can achieve whilst still being viable).

4.2 What was tested?

For each of the sites identified, two options were tested:

1. Development under a planning proposal scenario with no contribution towards affordable housing
2. Development with a component of affordable housing.

In the second option the component of affordable housing was continually adjusted to determine at what level development no longer became viable. This becomes the ‘tipping point’ where development is just viable.

To test the tipping point we set a target project IRR of 18% as the primary indicator and a development margin of 20%.

4.3 The sites tested

Four sites, located across the LGA were identified for testing to obtain a representative picture of development feasibility in different areas. These areas are currently subject to development pressure. The identified test sites were as follows:

- **Site 1: Macquarie Park:** This site was taken to be zoned employment uses. The site comprises one large lot with a total land area of 37,800sqm. The current improvements include two commercial buildings ranging from four to six storeys with an at grade car park.
- **Site 2: Ryde:** This site was taken to be zoned special uses. The site comprises two lots with a total land area of 1,518sqm. The current improvement includes a commercial, two level building.
- **Site 3: West Ryde:** This site was taken to be zoned mixed use. The site comprises one lot with a total land area of 1,959sqm. An increase in the FSR from 1.25:1 to 3:1 was tested.
- **Site 4: Gladesville:** This site was taken to be zoned employment uses. The site comprises one large lot with a total land area of 23,872sqm. Current improvements comprise of several commercial buildings ranging from 2 levels to 4 levels.

For the purpose of the modelling it was assumed that Sites 1, 2 and 4 would be rezoned to allow residential land uses. On site 3 residential apartments would be permissible but the proposal tested sought an increase in the FSR to provide additional residential apartments.

For Test Sites 1 and 4 a planning proposal was assumed that would allow mixed use on the sites. For Site 2 a planning proposal was assumed that would rezone the subject site to R4 High Density Residential. For site 3 the planning proposal would increase development capacity. The development options and site particulars such as floor areas, land uses and floor space ratios were agreed in consultation with Council.

Where the planning proposal is seeking to increase development capacity as in Site 3, which does not trigger a land use change, the affordable housing contribution is levied on the **additional residential floor area** and not on the whole residential floor area.

The development options tested for the four Sites were as follows:

Site 1: Macquarie Park

- **Mixed Use Development at an FSR 3.7:1.** This site would require a rezoning from employment uses to mixed use. The proposed mixed use development comprises ground floor retail with a total of 1,383 apartments and a mix of one, two and three bedrooms located on the upper floors. Basement car parking was provided for both the retail units and the apartments in the development.

Site 2: Ryde

- **Residential Flat Building at an FSR 1:96:1.** This site would require a rezoning from special uses to residential uses. The proposed residential flat building development comprises 35 apartments with a mix of one, two and three bedrooms. Basement car parking was provided for the apartments in the development.

Site 3: West Ryde

- **Mixed Use Development at a FSR 3:1.** This development requires no land use change. The proposed mixed use flat building development comprises 61 apartments with a mix of one, two and three bedrooms. Basement car parking was provided for the apartments in the development.

Site 4: Gladesville

- **Mixed Use Development at a FSR 2:1.** This site would require a rezoning from employment uses to mixed use. The proposed residential flat building development comprises 543 apartments with a mix of one, two and three bedrooms. Basement car parking was provided for the apartments in the development.

4.4 Modelling results

The results of the modelling are provided in the tables below

Table 8 - Site 1 Macquarie Park - Financial Results

Site / Option Specifics	No Affordable Housing	With 27% Affordable Housing
Site Area (sqm)	37,832	37,832
No. of Residential Units	1,383	1,383
Total No. Affordable housing units	0	373
Gross Floor Area (sqm)	139,978	139,978
FSR	3.7:1	3.7:1
Current Land Value	\$30,662,722	\$30,662,722
Residual Land Value	\$ 180,812,275	32,226,704
Project IRR	38%	18%
Development Margin	62%	24%

Source: HillPDA

Table 9 - Site 2 Ryde - Financial Results

Site / Option Specifics	No Affordable Housing	With 20% Affordable Housing
Site Area (sqm)	2,989	2,989
No. of Residential Units	35	35
Total No. Affordable housing units	0	8
Gross Floor Area (sqm)	1,525	1,525
FSR	1.96:1	1.96:1
Current Land Value	\$3,209,090	\$3,209,090
Residual Land Value	\$6,618,155	\$3,432,971
Project IRR	37%	19%
Development Margin	47%	19%

Source: HillPDA

Table 10 - Site 3 West Ryde - Financial Results

Site / Option Specifics	No Affordable Housing	With 11% Affordable Housing
Site Area (sqm)	1,960	1960
No. of Residential Units	61	61
Total No. Affordable housing units	0	7
Gross Floor Area (sqm)	5,879	5,879
FSR	3:1	3:1
Current Land Value	\$5,800,000	\$5,800,000
Residual Land Value	\$ 9,209,007	\$6,360,396
Project IRR	28%	20%
Development Margin	31%	19%

Source: HillPDA

Table 11 - Site 4 Gladesville - Financial Results

Site / Option Specifics	No Affordable Housing	With 28% Affordable Housing
Site Area (sqm)	23,872	23,872
No. of Residential Units	543	543
Total No. Affordable housing units	0	152
Gross Floor Area (sqm)	47,744	47,744
FSR	2:1	2:1
Current Land Value	\$26,646,400	\$26,646,400
Residual Land Value	\$120,782,906	\$39,250,818
Project IRR	50%	22%
Development Margin	65%	22%

Source: HillPDA

4.5 What do the results mean?

The results shown in the tables above demonstrate the following percentages of affordable housing to be achievable, and still attain a 20% development margin:

■ Site 1 Macquarie Park	27%
■ Site 2 Ryde	20%
■ Site 3 West Ryde	11%
■ Site 4 Gladesville	28%

Note that the above percentages would reduce the residual land values of the test sites to the base case without allowing for professional fees and the time costs of the planning proposal itself.

At the percentages calculated above it is shown that developments could still be viable but the possibility exists, that if Council implemented these percentages in a policy/LEP mechanism, the incentive for any redevelopment may become marginal or even unfeasible in some circumstances.

Therefore, in able to incentivise development (through a planning proposal) that includes a percentage of affordable housing, a share of the residential value uplift can be estimated. A 50% share of residual land value uplift is commonly used to ensure a viable and profitable redevelopment, but one that will deliver a reasonable proportion of affordable housing. By dividing the results above by 50% provides the following percentages:

■ Site 1 Macquarie Park	13.5%
■ Site 2 Ryde	10%
■ Site 3 West Ryde	11%*
■ Site 4 Gladesville	14%

***Please note that in the case of West Ryde the percentage is based on the additional uplift in residential floor space.**

4.6 Affordable housing target

The City of Ryde wishes to apply a target of affordable dwellings to be delivered where the land:

- is proposed to be rezoned to permit residential /mixed use
- where residential densities are proposed to be increased.

In this situation, where the 'inclusionary zoning' target is to apply across the LGA, the target range for affordable housing is calculated between 10% to 14% across the LGA. In order to apply a standardised contribution rate for ease of application, the affordable housing target for the LGA is taken to be the midpoint between 10% - 14%, or 12%.

The feasibility testing has shown that a target range of a minimum of 5% up to a maximum of 12% could be applied on the:

- total proposed residential floor space on land with a zoning that currently prohibits residential
- **bonus** residential floor space in the case of land currently zoned residential but where the density (height and/or FSR) is proposed to be increased.

4.7 Mandatory affordable housing levy for development applications where the residential flat building development is permissible

HillPDA was asked to consider whether permissible residential flat buildings (no planning proposal required) for new and mixed used buildings could withstand an affordable housing contribution levy of 2%.

The immediate introduction of a 2% affordable housing contribution on new development applications is an additional cost imposed on development which would undermine development feasibility. This is because it would come straight from development profit if all other cost and revenue variables are fixed including the land cost. However introducing this levy would take a period of time to implement (say 1 to 2 years) as it involves the preparation and exhibition of a planning proposal. Therefore, it is assumed that developers would be aware of the proposed levy well ahead of its making and would factor in the cost, likelihood and timing of it in their feasibility assessments, and in their negotiations with land owners.

In a growing city like Sydney the residential property market is cyclical but follows an upward long-term trend over and above inflation. So over time the cost is absorbed by escalations in the end sale values of new apartments and development site values.

To this end it is reasonable to phase in increased contribution rates, over time to allow the market to adjust. By phasing in the requirement it can be considered ahead of time for development projects. The 2% affordable housing contribution therefore becomes the minimum requirement which it is suggested could increase over time.

The following is proposed:

Table 12: Proposed contribution rates on development applications where residential flat buildings are permitted

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To June 2018	0%
1 July 2018 – 30 June 2021	2%
1 July 2021 – 30 June 2023	4%
1 July 2023 - onwards	5%

Source: HillPDA

It is recommended that these rates be reviewed by Council every three years or at the discretion of Council.

4.8 Target of all new dwellings to be affordable rental housing by 2031

Under the Ryde Affordable Housing Policy, by 2031, 5% of all new dwellings in the Ryde LGA are to be affordable rental housing for key worker households on very low to moderate incomes. It is assumed that the majority of these new dwellings would be located within medium or high residential development.

Using the Department of Planning and Environment's implied dwelling projections for the Ryde LGA, it is estimated that 17,000 dwellings would be delivered between 2016 and 2031. This equates to approximately 1,000 dwellings per annum.

Table 13: Ryde LGA population and household projections and implied dwelling requirements

TOTALS:	2016	2021	2026	2031
Total Population	119,950	135,250	148,750	160,750
Total Households	46,050	51,900	57,200	62,000
Average Household Size	2.54	2.54	2.54	2.53
Implied Dwellings	49,000	55,250	60,900	66,000

Source: NSW Department of Planning and Environment

It is assumed that approximately 15,000 of new dwellings would be constructed between 2018 and 2031. Of this 15,000, 5% are expected to be delivered as affordable rental housing. This equates to 750 dwellings. Under the provisions of Council's Affordable Housing Policy, Council expects 500 of this number, to be delivered from the urban renewal of government owned sites. At the time of writing, the

renewal of the LAHC owned Ivanhoe Estate in North Ryde is projected to provide approximately 128 affordable rental dwellings.

It is assumed that the remaining 250 would be delivered through the planning system, via an inclusionary zoning target or voluntary planning agreements. However, CHPs may also provide additional affordable rental dwellings in the Ryde LGA through the new Federal funding models and State Government funding programs (Communities Plus and SAHF).

An average of 20 affordable dwellings per year would need to be delivered, over the 20 year period from 2018-2031 to meet the 250 target. This is considered achievable following the feasibility work undertaken.

4.9 Recommendations

4.9.1 Land to be rezoned or where there is an increase in density

The feasibility testing has shown that an affordable housing contribution levy ranging from a minimum of 5% to a maximum of up to 12%, could be applied on the:

- total proposed residential floor space on land with a zoning that currently prohibits residential
- **bonus** residential floor space in the case of land currently zoned residential but where the density (height and/or FSR) is proposed to be increased.

In order for Council to ensure achievement of the 5% of all new dwellings to be affordable rental housing, **it was considered that a contribution levy of 7% would be appropriate at this time.** There may be other public benefits that Council wishes to deliver from new development through voluntary planning agreements. These may include public domain improvements or open space.

4.9.2 Development applications

The 2% affordable housing contribution levy is considered feasible providing it is introduced over time. In addition it is recommended that this percentage could be increased to 5% by 2023 as long as increases are phased in as outlined below:

Table 14: Proposed contribution rates on development applications where residential flat buildings are permitted

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To June 2018	0%
1 July 2018 – 30 June 2021	2%
1 July 2021 – 30 June 2023	4%
1 July 2023 - onwards	5%

Source: HillPDA

4.9.3 Review of affordable housing contribution rates

To ensure that the recommended rates in sections 4.9.1 and 4.9.2 remain relevant and appropriate it is recommended that these rates be subject to a full market review every three years or at Council's discretion, particularly if there was a significant upwards shift in the housing market. This is in addition to quarterly indexation which will be discussed in section 5.5.4.

5 METHODOLOGIES FOR CALCULATING CONTRIBUTIONS (INCLUSIONARY ZONING)

This Chapter outlines the methodology tools developed by HillPDA to calculate affordable housing contributions using two contribution mechanisms including:

- dwelling in-kind contribution
- monetary contribution.

These tools have been developed on the assumption that the City of Ryde will be included in SEPP 70 Affordable Housing or equivalent.

These tools will support the implementation of affordable housing contribution mechanisms. Commentary has been provided around the implementation of each tool and rationale of how and when it should be utilised.

The City of Ryde is looking to apply inclusionary provisions across the LGA when:

- planning proposals are considered for a land rezoning to permit medium to high density residential development or mixed use development (eg industrial use to residential use) and/or
- planning proposals are considered for an increase in residential density (height or FSR) as part of a residential or mixed use development.

5.1 Contribution Rates

HillPDA undertook development scenario feasibility testing for sites located across the LGA as detailed in Chapter 4.

5.1.1 Inclusionary zoning target

Although the rate could go up to 12%, the recommended rate is:

- 7% of the total residential gross floor area when there is a rezoning from an employment land use such as industrial to residential
- 7% of the '**additional**' residential gross floor area where the rezoning is going from residential to residential or where there is an increase in the residential component of a mixed use development.

5.1.2 Mandatory affordable housing levy for development applications

The 2% of residential floor space for affordable housing in new residential and mixed use developments was found to be feasible and even increased and the rates should be implemented as shown in Table 14.

5.2 Excluded Development

There are a few categories of development which are considered exempt from the payment of affordable housing contributions. This is similar to the approach taken by both the City of Sydney (although the City also levies non-residential floor space) and Willoughby City Council in their affordable housing programs and has been adapted for use by the City of Ryde. These exclusions are included in a Local Environmental Plan. The following is recommended to be excluded development:

- non-residential land (*see below)
- development for the purposes for accommodation that would result in the creation of a residential gross floor area of less than 200sqm
- development that is for the purposes of residential accommodation that is used to provide social or affordable housing
- development for the purposes of community facilities, public roads or public utility undertakings.

*It is proposed that non-residential floor space be exempt from the affordable housing contribution. It is considered that there is a lack of nexus – that is commercial space does not generate increased demand for affordable housing. Secondly, the viability of commercial space is difficult (half the end sale value of residential) and the cost impost of an affordable housing contribution would undermine feasibility further.

5.3 Applying Additional Provisions on the Same Site

If an affordable housing contribution has been made under the City of Ryde's Affordable Housing Scheme then a contribution is not required if:

- the gross floor area is the same, or because of the redevelopment of the site will replace an equivalent area
- the same percentage of gross floor area has already been provided for use for affordable housing as required.

Where a development is larger than a previous development on site (for which an affordable housing contribution was made) then the consent authority must require a contribution for the difference in gross floor area. It does not matter whether the floor area for which the contribution was previously made is demolished or re-used as part of the new development.

5.4 Dwellings In-Kind Contribution for Planning Proposals

5.4.1 Overview of methodology

Dwellings in-kind provision (dedication) is calculated on the gross residential floor area of the relevant development or on the additional bonus' residential floor space. The 7% affordable housing contribution is calculated against the residential gross floor area to identify the amount of square metres to be required for dedication.

For the Ryde Affordable Housing Program it is recommended that the minimum gross floor area of an affordable dwelling, should equate to a one bedroom apartment (50m²), in accordance with the Apartment Design Guide as shown in the table below:

Table 15: Minimum internal areas

Apartment Type	Minimum Internal Area
Studio	35m ²
1 bedroom	50m ²
2 bedroom	70m ²
3 bedroom	90m ²

Source: Department of Planning & Environment, July 2015 Apartment Design Guide

Where there is a balance deficit of more than 1 sqm, the full balance of the contribution would be paid as a monetary contribution. Only completed dwellings would be dedicated.

The dwellings to be dedicated to the City of Ryde would be identified at the DA stage and on the subdivision plan for the relevant development. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

5.4.2 Tool to calculate contribution amount (sqm) for a rezoning from employment and special uses to residential or mixed use

Gross floor area x 7% = required affordable housing square metre provision.

Residential development example

A development application for a new residential development comprising 8,000 square metres of residential GFA.

= 8,000sqm x 7%

**= 560sqm affordable housing GFA required to be dedicated
(approx. 8 x 2 bedroom apartments)**

If the dedication of dwellings is in deficit of more than 1 sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 6.5.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer. Each affordable housing dwelling is required to have a gross floor area of 50sqm or greater.

5.4.3 Tool to calculate contribution amount (sqm) of the floor space bonus for a rezoning from a residential use to a higher density residential use or where there is an increase in height or density.

In this situation the 7% affordable housing contribution only applies to the 'additional' or 'bonus' residential floor space. It is assumed (for the purposes of showing an example) that the FSR for the R2 Low Density Residential zone is 0.5:1 and for the proposed higher density development the FSR is 2:1.

Residential development example:

A development application for a new residential development comprising a site area of 4,000 square metres.

$$2:1 - 0.5:1 = 1.5:1$$

$$1.5 \times 4,000\text{sqm} = 6,000\text{sqm}$$

7% x 6,000sqm residential GFA

**420sqm affordable housing GFA required to be dedicated
(Approx. 6 x 2 bedroom apartments)**

If the dedication of dwellings is in deficit of more than 1 sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 5.5.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer.

5.4.4 Dedication Requirements

Completed dwellings would be dedicated in favour of Council free of cost. It is recommended that proposed dedicated dwellings would be to the satisfaction of Council in consultation with the community housing provider where possible. In this regard the following criteria have been identified for affordable housing dwellings (similar to the criteria prepared for the City of Canada Bay) which would be dedicated. They should be/have:

- Located on all levels of buildings, not just ground/street level
- Reasonable orientation, views and outlook i.e. not only south facing dwellings
- Quality (including finishes and fixtures) that are commensurate with other dwellings in the building
- Access to all facilities within the development (e.g. gardens, BBQs, pools).

Council and the applicant would mutually agree on the location of dedicated dwellings within the development. The dwellings to be dedicated to the City of Ryde would be identified on the subdivision plan at DA stage. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

5.4.5 Conditions imposed

It is recommended that the following information be included in any condition of consent.

- The total gross floor area of the dwellings to be dedicated
- The dedicated dwellings must be shown on the approved plans, and referenced in the affordable housing condition
- The total residential gross floor area of the development that was used to calculate the contribution
- The indexation period at the time of determination (for any monetary contribution)
- An agreement to transfer title must be finalised and evidence provided to Council prior to granting a Construction Certificate
- The dedicated affordable housing is to be constructed to a standard which in the opinion of Council is consistent with other dwellings in the development
- If a staged development, affordable housing must be provided at each stage.

5.4.6 Procedures for receiving dwellings/Implementation

Titles for the affordable housing dwelling(s) would be transferred to the City of Ryde following registration of the subdivision plans with the NSW Land Titles Office.

5.5 Monetary Contribution for Planning Proposals

5.5.1 Overview of methodology

The equivalent unit cost is an indicative cost that Council would expect to pay for a new apartment in the Ryde LGA for affordable housing. This cost is estimated to be \$11,500 per square metre of internal saleable area. This cost is supported by the market evidence provided in Appendix C that was undertaken as part of the feasibility testing.

To convert to a dollar per square metre rate of residential Gross Floor Area (GFA), HillPDA has assumed an efficiency ratio (internal saleable area to GFA) of 85%. The formula for calculating the monetary contribution affordable housing rate is:

Saleable rate (\$11,500) then multiplied by the efficiency ratio (85%) equals \$9,775/sqm.

The recommended contribution rate (CR) is therefore \$9,775/sqm

5.5.2 Tool to calculate contribution amount for a rezoning from employment and special uses to residential or mixed use

The calculation methodology is outlined below:

Residential development calculation:

Monetary contribution provision:

= Contribution rate multiplied by residential gross floor area multiplied by 7% (AHR)

= CR x GFA x AHR

Residential development example:

A development application for a new residential development comprising 4,000 square metres of residential GFA.

= \$9,775 x 4,000sqm x 7%

Total payable contribution = \$2,737,000

Mixed-use development calculation:

Subtract the non-residential gross floor area from the total building gross floor area to determine the residential gross floor area

Therefore: Total GFA - non-residential GFA = residential GFA

Monetary contribution provision:

= contribution rate x residential gross floor area x 7%

= CR x RGFA x AHR

Mixed-use development example:

A development application for a new 6,000sqm mixed use development comprising 5,000sqm of residential GFA and 1,000sqm of non-residential GFA.

= 6,000sqm - 1,000sqm = 5,000sqm residential GFA

= \$9,755 x 5,000sqm x 7%

Total payable contribution = \$3,414,250

5.5.3 Tool to calculate contribution amount of floor space bonus for a rezoning from a residential use to a higher density residential use or increased height or density

In this situation the 7% affordable housing contribution only applies to the 'additional' or 'bonus' residential floor space. It is assumed (for the purposes of showing an example) that the FSR for the R2 Low Density Residential zone is 0.5:1 and for the proposed higher density development the FSR is 2:1.

The formula for calculating the contribution amount is the new FSR minus the base FSR, times the size of the site area.

Residential development example:

A development application for a new residential development comprising a site area of 4,000 square metres of residential.

$$2:1 - 0.5:1 = 1.5:1$$

$$1.5 \times 4,000\text{sqm} = 6,000\text{sqm}$$

$$= \$9,755 \times 6,000\text{sqm} \times 7\%$$

$$\text{Total payable contribution} = \$4,097,100$$

5.5.4 Indexation methodology

Contribution rates would be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates would be adjusted with reference to movement in the median price for strata dwellings in the City of Ryde LGA. The median strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In the situation where the release of the Rent and Sales Report is delayed, rates would be updated as soon as possible.

The formula for the adjustment:

Next Quarter's Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

It is suggested that the City of Ryde's website would display the current rates for the Ryde Affordable Housing Scheme.

5.5.5 Adjustment of a monetary contribution on a development consent

Where a condition for an affordable housing contribution has been applied, the contribution amount must be adjusted over time. For example, if a development consent is issued in December 2016 but the developer waits until February 2018 to enact the consent, then the contribution amount would need to be adjusted to the period in which it is paid.

The formula for the adjustment:

Monetary Contribution = the Base Contribution Amount(MDP2/MDP1)

The Base Contribution Amount is the amount obtained from the Notice of Determination and based on the contribution rate at the time of determination of the development application.

MDP1 is the median strata dwelling price that applied at the time of consent.

MDP2 is the median strata dwelling price that applies at the time of payment.

5.5.6 Condition of consent

It is recommended that the following information be included in any condition of consent:

- The monetary contribution that is required

- The total gross floor area of the residential component of the development that was used to calculate the contribution
- The contribution rate that is current at the time of determination
- The indexation period at the time of determination
- The method of adjustment to contribution rates
- A requirement that the condition be satisfied prior to the issue of the Construction Certificate.

5.5.7 Assumptions used

The following assumptions have been made:

- The replacement value is reflective of the equivalent market value of new strata development at the time of drafting the report
- The 85% efficiency ratio is a standard rate applied by HillPDA
- The rate would be required to be indexed quarterly in accordance with the median strata price that is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata. The rate would be subject to a full market review every three years or at Council's discretion.

5.5.8 Administering cash funds

Monetary contributions for the affordable housing would be paid to the City of Ryde. The monetary contributions received would be used for the sole purpose of providing and managing affordable housing in the Ryde LGA.

Contributions may be pooled and managed by the City of Ryde for the provision of affordable housing. Any interest received from the management of funds must be used for the purpose of affordable housing.

5.5.9 Implementation

It is recommended that the affordable housing monetary contribution be paid prior to the issue of the Construction Certificate (CC) for the development for which the contribution applies. This recommendation is in line with the payment of s94 developer contributions and ensures that the payment will be received.

For developers who may experience cash flow problems at CC stage, discussions would have to take place between the Developer and Council to come to an agreement, in relation to the payment of the levy. A Bank Guarantee is one method that can be utilised where the monetary contribution is paid later in the construction cycle, such as prior to the release of the Occupation Certificate.

6 AFFORDABLE HOUSING CONTRIBUTION ON DEVELOPMENT APPLICATIONS

The 2% affordable housing contribution levy is considered feasible providing it is introduced over time. In addition, it is recommended that this percentage could be increased to 5% by 2023 as long as increases are phased in as outlined below:

Table 16: Proposed contribution rates on development applications where residential flat buildings are permitted

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To June 2018	0%
1 July 2018 – 30 June 2021	2%
1 July 2021 – 30 June 2023	4%
1 July 2023 - onwards	5%

Source: HillPDA

It is proposed that non-residential floor space is exempt from the affordable housing contribution as explained in section 5.2.

The above targets in table 16 will need to be included as provisions in the Ryde LEP 2014 and will need to be included in a planning proposal to amend the LEP.

6.1 Dwellings in-Kind (Dedication) Contribution Rate

Dwellings in-kind provision is calculated on the gross residential floor area of the relevant development. The 2% (or equivalent in subsequent years) affordable housing contribution is calculated against the residential gross floor area to identify amount of square metres required for dedication.

For the Ryde Affordable Housing Program it is recommended that the minimum gross floor area of an affordable dwelling, should equate to a one bedroom apartment (50m²), in accordance with the Apartment Design Guide as shown in table 15.

Where there is a balance deficit of more than 1 sqm, the full balance of the contribution is to be paid as a monetary contribution. Only completed dwellings are to be dedicated.

The dwellings to be dedicated to the City of Ryde are to be identified on the subdivision plan for the relevant development. The affordable

housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

To calculate the amount of square metres to be dedicated:

Total residential gross floor area x 2% = required affordable housing square metre provision.

Residential development example:

A development application for a new residential development comprising 4,000 square metres of residential GFA.

= 4,000sqm x 2%

= 80sqm affordable housing GFA required to be dedicated

(Approx. 1 x 2 bedroom apartment)

Mixed-use development example:

A development application for a new 4,000sqm mixed use development comprising 3,000sqm of residential GFA and 1,000sqm of non-residential GFA.

= 4,000sqm - 1,000sqm = 3,000sqm residential GFA

=3,000sqm x 2%

60sqm affordable housing GFA required to be dedicated

(Approx. 1 x 1 bedroom apartment)

If the dedication of dwellings is in deficit of more than 1 sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 5.4.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer.

The provisions in sections 5.4.4 to 5.4.6 also apply to these development applications.

6.2 Monetary Contribution Rate:

As outlined in Chapter 5 the recommended contribution rate (CR) is \$9,775/sqm and the calculation methodology is similar.

Residential development example:

A development application for a new residential development comprising 4,000 square metres of GFA.

$$= \$9,755 \times 4,000\text{sqm} \times 2\%$$

Total payable contribution = \$782,000

Mixed-use development calculation:

Mixed-use development example:

A development application for a new 6,000sqm mixed use development comprising 5,000sqm of residential GFA and 1,000sqm of non-residential GFA.

$$= 6,000\text{sqm} - 1,000\text{sqm} = 5,000 \text{ Residential GFA}$$

$$= \$9,755 \times 5,000\text{sqm} \times 2\%$$

Total payable contribution = \$977,500

The provisions in sections 5.4 would also apply to these development applications.

7 VOLUNTARY PLANNING AGREEMENTS

As mentioned previously in this Study voluntary planning agreements provide planning authorities and developers the opportunity to negotiate flexible outcomes, either at the planning proposal or development application stage.¹⁵ Planning agreements are negotiated between planning authorities and developers in the context of applications by developers for changes to planning instruments or for consent to carry out development¹⁶.

A fundamental principle in the operation of planning agreements is that planning decisions cannot be bought or sold. Planning agreements usually facilitate an increase in development yield and so changes to planning instruments or consents must be acceptable on planning grounds and environmental impacts. The negotiations between Council and a developer are based on the uplift in value received from an increase in height or FSR.

The City of Ryde in recent years has successfully negotiated numerous VPAs, delivering a range of public benefits including affordable housing. To date the delivery of affordable housing is small in number but this is expected to increase from VPAs currently under negotiation. The supply of affordable housing via this mechanism can vary greatly and is dependent upon development occurring and on the good will of developers.

7.1 Affordable housing calculator

As part of the brief for the Study, HillPDA was asked to consider the development of an affordable housing calculator to be a tool to understand the value of development uplift and the value of public benefit. The outcome of which would determine the appropriate target of affordable dwellings to be delivered.

However, Council's intention to implement inclusionary zoning targets for affordable housing would deliver a predictable and consistent supply of dwellings, under new provisions in the Ryde LEP 2014. This supply would ensure that the City of Ryde meets its target set in the Ryde Affordable Housing Policy 2016.

Consequently, it is considered that a calculator solely for affordable housing when negotiating VPAs is unnecessary and may add complexity to the process. What may be useful is that Council

¹⁵ Department of Infrastructure, Planning and Natural Resources – Development Contribution Practice Notes July 2005

¹⁶ Ibid

introduce a tool for calculating VPA monetary contributions as a whole and not just for affordable housing.

7.1.1 Value capture

The City of Ryde has, similar to other councils an adopted Voluntary Planning Agreements Policy (July 2015) for transparency and to guide the negotiation process. Unlike other councils such as Georges River, the Ryde VPA Policy does not contain any discussion on land value capture. As expressed in the Georges River Councils, Policy on Planning Agreements, Clause 5.12, land value capture is:

‘distinguishable from development contribution mechanisms under s94 and s94a of the Act in that it is focused on value sharing between the Council on behalf of the community and developers, rather than on financing the costs to the Council of addressing particular impacts of development such as the need for public open space and recreational facilities, community facilities road improvements and traffic management’

In addition, the Georges River Council has developed a formula for calculating a monetary contribution associated with value capture. Essentially the formula identifies:

- the residual land value of a site following an environmental instrument change (e.g. LEP) (RLV 2)
- the residual land value of a site under the existing zoning and controls (RLV 1)
- C = monetary contribution.

The formula is:

$$C = \frac{RLV (2) - RLV (1)}{2}$$

This allows for a 50% profit share of the value uplift between Council and the developer. This formula is used for identified land within the Hurstville City Centre and the Kogarah Town Centre.

Waverley Council in its Planning Agreements Policy, 2014 also seeks to take the value of 50% of the increase in net value to the development arising from an increase in FSR beyond the controls in the Waverley LEP 2012. Similarly, the Inner West Council has adopted a Policy which endeavours to gain a 50% share of the land value uplift to be negotiated through a voluntary planning agreement.

In the absence of established profit share parameters, the use of 50% profit share of the value uplift by other councils offers precedence for the use of this figure. The 50% share is considered fair and reasonable.

In conclusion, it is acknowledged that voluntary planning agreements have their place and can be a fair and effective tool to deliver public benefit, including affordable housing. In the future it is likely that inclusionary zoning would become the main mechanism for delivering affordable dwellings.

Nevertheless, additional affordable housing could be provided by a VPA if deemed appropriate at the time of negotiations between Council and the developer. It is recommended that this be undertaken on a case by case basis and on merit rather than set a certain percentage of bonus residential floor space for affordable housing.

8 OVERVIEW OF EACH CONTRIBUTION MECHANISM

The following table is provided which outlines the pros and cons for the three proposed mechanisms presented in Chapters 5, 6 and 7. Each mechanism has the potential to deliver affordable housing.

Table 17: Contribution Mechanism Overview

Contribution Mechanism	Pros	Cons
Dwelling in-kind	- Directly contributes to the delivery of affordable housing in the LGA - Dedicated free of cost to Council - Asset owned by Council - Likely to be more valuable than a monetary contribution taken at Construction Certificate stage in a rising market - Still retains the flexibility to sell the asset if not appropriate or if strata premiums are considered too high - Offers a range of housing choice across the LGA - Less resource intensive as management is transferred to a CHP	- There is potential that affordable housing provided in high-end buildings would incur expensive strata fees which may be unsustainable over the longer term - Management of the 'life-cycle' of dwellings so that assets remain suitable for their use - Distribution of affordable housing across multiple buildings can create management inefficiencies
Monetary contribution	- Creates opportunity to buy affordable housing 'off the plan' in suitable developments e.g. where there may be cheaper strata fees - Creates a pool of money which can be invested to for additional affordable housing - Applicable for small developments where the percentage of affordable housing floor space would not meet the minimum 50m² requirement for dedication	- Does not directly contribute to Council's asset portfolio - Delays in the delivery of affordable housing e.g. finding suitable accommodation, in the right location at the right price point - The management of finance and expenditure of funds on suitable dwellings would be resource intensive - In-house property management skills may be required
Voluntary Planning Agreements	- Responsive to change and site specific - No nexus required under the EPAA 1979, although the Practice Notes (2015) recommend that the public benefits should have a relationship to the development - A possible fall back mechanism should development parameters exceed the planning threshold at any point in time	- Can be administratively onerous - Less reliable than inclusionary zoning targets - Reliant on developer's willingness to volunteer an offer - Industry/community resistance

Source: HillPDA

8.1 Overview

8.1.1 Inclusionary zoning target

Inclusionary zoning provisions in the Ryde LEP 2014 would ensure that affordable housing would be delivered consistently and in a coordinated manner when sites are:

- rezoned to residential and/or mixed use; and/or
- if the height or FSR is increased on land that is already zoned for residential or mixed use.

In addition, inclusionary zoning provision would apply to development applications in new residential and mixed use developments (where this use is permitted and no planning proposal is required).

To date, voluntary planning agreements have provided a useful vehicle in the provision of affordable housing for the Ryde LGA, however is a less predictable mechanism. Inclusionary zoning would allow Council to meet the Policy target of 5% of all new dwellings to be affordable housing, for key workers on very low to moderate incomes by 2031.

The introduction of an inclusionary zoning target for affordable housing would not preclude the use of voluntary planning agreements. It is acknowledged that VPAs would continue to be used and will comprise a range of public benefits which may include additional affordable housing.

8.1.2 Dedication versus monetary contribution

The City of Ryde has indicated that it would prefer to take ownership of dedicated dwellings with the everyday management transferred to a Tier 1 or 2 community housing provider or equivalent. This requirement has been taken into account when considering the recommended path for Council to pursue. However, other options open to Council have been assessed and an overview presented below.

A concern when dwellings are dedicated is that the on-going management can be made more difficult if the dwellings are spread across many developments (salt and peppering) and strata fees are high, particularly if there are pools, gyms and manicured gardens. This is because the rents for affordable housing are used for the ongoing management and maintenance of the dwellings and the less

money required for ongoing maintenance means increased revenue for additional affordable housing.

However, it is considered that there are advantages for Council and the Ryde Affordable Housing Scheme if dwellings are dedicated rather than the receipt of monetary contributions. One of the main advantages of receiving dwellings in-kind is that affordable housing would be located throughout the LGA maintaining diversity in the socio-economic mix of residents. The new completed affordable housing would be delivered in a reasonable timeframe, after construction for immediate rental.

Delays may occur in the delivery of affordable housing if Council took on the role of purchasing the dwellings themselves. It takes time and resources to find suitable properties, in the right location at the right price point. There is a danger that the monetary contributions could accumulate without housing being purchased in a timely manner. Council could buy (or use their own land) to develop and build affordable housing but this, as with the purchasing of properties takes time and skilled resources. However it remains an option for Council when utilising affordable housing funds.

Community housing providers suggested that they would find it easier to manage social and affordable properties located in the one building. Affordable housing dwellings delivered from inclusionary zoning are unlikely to be provided in this way, unless the development is on a very large scale/site. Nevertheless, CHPs do successfully manage numerous properties, within LGAs and across LGAs. In addition, affordable housing tenants, in general, require less support from a CHP than social housing tenants, as their needs are less complex.

As the affordable housing assets age a percentage of the portfolio could be sold for newer stock, provided they are used for the purpose of affordable housing. The rent revenue could be managed to remain in slight surplus provided the mix of income bands (very low, low and medium) can be adjusted over time by Council. Over time the portfolio asset could become substantial allowing Council to leverage the asset value with borrowings to expand the housing portfolio, if desired.

It is envisaged that in some situations Council would choose to accept a monetary contribution, in particular, if the dwellings are not considered suitable for affordable housing (location, design, cost of strata fees) when the development application is being assessed. Additionally, monetary contributions would be paid to Council when the dedication of dwellings is in deficit of more than 1sqm and the

full balance of the GFA is paid as a monetary contribution. Equally, a developer may choose to provide a monetary contribution particularly if the development is small in scale.

In discussions with developers undertaken as part of the research for this Study, it was not unexpected to hear that they would rather not pay any affordable housing contribution. However, there was some acknowledgement that inclusionary zoning would be a likely prospect, particularly given that affordable housing targets are discussed in the draft District Plans. Not surprisingly they were concerned about timing and development feasibility. Essentially the market requires certainty about the amount of affordable housing to be provided, so that it can be factored into the development equation, particularly the cost that is paid for land. Preferably, any affordable housing contribution must be announced prior to, or at the time of, rezoning. In the case of Ryde the 7% inclusionary zoning target would be known to land owners and developers as part of any rezoning for residential or mixed use. The 2% (increasing to 5%) target on development applications is considered modest and feasible, providing it is phased in over time and not applied retrospectively after the LEP gazettal.

Developers have indicated that generally it would be preferable for them to dedicate dwellings at completion. This is because it is often difficult to secure financing for the cash contribution at Construction Certificate stage. The affordable housing contribution is not viewed by banks as adding any value. It was also suggested by a few developers that providing a bond for the value of the dwellings at Construction Certificate stage was not really any better than providing cash, as a bank will generally require the developer to retain the amount of the bond in a bank account, thereby reducing the developer's borrowing capacity by that amount. Council may need to negotiate with developers to arrive at a suitable arrangement, if required.

Community housing providers generally would prefer to own and hold stock as it gives them equity to be able to borrow funds to develop and build more social and affordable housing. However, the new funding arrangements via the Federal Government will allow CHPs to access cheaper finance and assist in this regard.

Nevertheless, following discussions with a few of the Tier 1 and 2 providers, such as Bridge and Link Housing, they are more than happy to create partnerships and manage the affordable housing on behalf of individual councils. CHPs commonly advocate for dwellings to be

held in perpetuity rather than being rented for a set number of years (e.g. under the provisions of SEPP (Affordable Rental Housing) 2009 dwellings need only be rented to low income earners for 10 years).

It is recommended that the dwellings dedicated through the City of Ryde Affordable Housing Scheme be held in perpetuity, in the knowledge that affordable dwellings can be sold as long as the money gained, is used for affordable housing.

It is unlikely that the housing affordability situation in Sydney will markedly improve for very low to moderate income earners. In addition, developers are receiving an 'unearned planning gain' when sites, for example, are zoned from industrial to higher density residential and it is not unreasonable for the community to receive a share in the land value uplift through the delivery of affordable rental housing.

In summary, it is recommended that Council, wherever possible should accept dedicated dwellings supported by the option to receive monetary contributions. In some cases a monetary contribution would be taken:

- If the Developer did not wish to dedicate dwellings
- If Council considers the proposed dedicated dwellings to be unsuitable
- If development are small in size
- In relation to DAs under the 2% target the amount of square metres to be dedicated falls under 50sqm.

9 ADDITIONAL MATTERS

This Chapter discusses the number of additional matters that would need to be considered in the development of the Ryde Affordable Housing Scheme.

9.1 Affordable housing location within a development

As outlined in section 5.4 it is recommended that proposed dedicated dwellings would be to the satisfaction of Council in consultation with the community housing provider, where possible. In this regard the following criteria have been identified for affordable housing dwellings which are to be dedicated. They should be/have:

- Located on all levels of buildings, not just ground/street level
- Reasonable orientation, views and outlook i.e. not only south facing dwellings
- Quality including, finishes and fixtures that are commensurate with other dwellings in the building
- Access to all facilities within the development (e.g. gardens, BBQs, pools).

Council and the applicant would mutually agree on the location of dedicated dwellings within the development. The dwellings to be dedicated to the City of Ryde would be identified on the subdivision plan for the relevant development, at DA stage. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

9.1.1 Dwelling size and bedroom mix

It is assumed that the majority of the affordable rental stock would be apartments. Apartment buildings are subject to State Environmental Planning Policy 65 Design Quality of Residential Apartment Development and the Apartment Design Guide which makes reference to minimum apartment sizes. It is recommended however that dedicated dwellings should be the minimum of a one bedroom apartment (50sqm).

Both Family and Community Services and CHPs indicated that most of the demand for affordable housing is for 1 and 2 bedroom dwellings, although 3 bedroom dwellings may be more suitable for some families, providing they meet the eligibility criteria. City West Housing tends to make a judgement, on a case by case basis (when

developing their housing), depending on the status of their waiting list. Their preference is for mainly one and two bedroom apartments although they are required to make reference to the mix of units within the Sydney Development Control Plan 2012. The latter requests a minimum of 15% three bedders. However, the City Council will accept changes to the desired unit mix, if appropriately justified.

Applicants will be required to refer to the City of Ryde's applicable DCP when determining unit mix.

It is suggested that the CHP, engaged by Ryde City Council be involved when development applications are being considered where dwellings are to be dedicated. The CHP can provide invaluable advice in terms of the location and bedroom mix of the affordable dwellings proposed to be dedicated.

9.1.2 Internal Council processes

Development applications, which include affordable dwellings are to be dedicated, should be referred to appropriate Council staff, who can assess that the proposed dwellings are satisfactory for the City of Ryde's Affordable Housing Scheme.

It is understood that Council's Executive would make final decisions.

9.1.3 Management of the affordable housing portfolio

It is common practice for councils to outsource the management of their affordable housing stock to a community housing provider. The retention of ownership by Council is supported with the everyday management of the affordable housing portfolio transferred to either a Tier 1 or 2 registered community housing provider, such as Link or Bridge Housing. CHPs have the necessary skills and resources to efficiently and effectively manage affordable housing on behalf of Council.

The engagement of a suitable CHP would be subject to Council's procurement process.

9.1.4 Tenants

Council's Affordable Housing Policy has set the criteria for who is eligible for affordable housing. These include:

- Permanently employed
- Australian citizen or permanent resident

- Whether the household could secure suitable or adequate housing in the private rental market
- Whether the household owns any assets (e.g. a property) they could be reasonably expected to use to solve their housing need
- Whether they are a key worker
- Whether they already live in the Ryde LGA
- If they earn very low, low or moderate incomes.

9.1.5 Rent Setting

Affordable Housing would be rented out to very low, low or moderate income households. SEPP 70 defines “affordable housing” as:

For the purposes of the definition of affordable housing in section 4 (1) of the Act, very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:

Table 18: Definition of Affordable Housing SEPP 70

Income band	Percentage
Very low income household	less than 50%
Low income household	50 or more but less than 80%
Moderate income household	80–120%

Source: State Environmental Planning Policy 70 (SEPP 70) Affordable Housing (Revised Schemes)

Relevant median income – the median household income for the Sydney Statistical Division or the Balance of NSW Major Statistical Region (depending on where a household is located) as reported by the Australian Bureau of Statistics¹⁷.

As a general rule of thumb, housing is considered affordable if it costs less than 30% of gross household income.

Sustainability of housing program

It is important that the Affordable Housing Program stay sustainable in the long term with the rents used to meet management and maintenance costs. In order to ensure sustainability of the Program and based on modelling work undertaken by HillPDA for other comparable LGAs and CHPs, it is suggested that Council manage

¹⁷ As defined in the Housing Regulation 2009.

carefully, the mix of tenancy bands (very low, low and moderate incomes) for the affordable housing stock.

Modelling undertaken previously by HillPDA has shown that the rental revenue from an affordable housing portfolio should not fall below 55% of market rent. This means that it is important to calculate the appropriate mix of income tenancy bands (very low, low, moderate).

9.1.6 Financial Management

Council would need to monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements.

Not all stock provided in-kind by developers would be suitable for affordable housing (as mentioned above) but Council has the option to sell this stock for more suitable or additional stock replacement. It would be necessary that all dedicated dwellings are classified as operational land within three months of transfer of title to allow dwellings to be sold if required in the future. Any money gained from sale must be used for affordable housing. In addition dwellings that are sold should be replaced within 12 months of sale to ensure that the affordable portfolio is not substantially diminished.

Opportunity may also exist for Council with cash reserves from monetary contributions to build a purpose built mixed tenure housing complex that is better designed for long term rental accommodation or purchase properties with less strata fees. This may include more durable fixture and fittings, more storage instead of more car spaces, and improved energy efficiency. The objective would be to increase capital cost upfront for long term gains, and reduced body corporate fees by excluding items like heated pools or communal gardens or reading rooms.

Such a development may be undertaken by Council or in a joint venture with a CHP that is experienced in the delivery of affordable housing. Such a joint venture could allow for a large development with pooled funding and possibly government subsidy. In such an arrangement it would be recommended that Council retain its share of the development in strata title proportional to its equity contribution and share of profit.

10 RECOMMENDATIONS

This Chapter outlines the recommendations, based on the evidence provided in this Study for the development of the Ryde Affordable Housing Scheme and future discussions with the Department of Planning and Environment.

The recommendations are in accordance with the City of Ryde's Affordable Housing Policy 2016 and the affordable housing actions in both, A Plan for Growing Sydney and the draft North District Plan. The latter includes a specific affordable rental housing target as a form of inclusionary zoning for areas undergoing urban renewal (Liveability Priority 3). A target of between 5% - 10% in the draft North District Plan has been identified, and as explained in this Study a 7% target is recommended for Ryde. In addition a 2% (increasing to 5% over time) is recommended for permitted development applications for new residential and mixed use development.

Action L5 in the draft North District Plan requires affordable housing targets to be verified by development feasibility testing. The latter, has been, in part, the subject of this Study.

Action L6 stipulates that the Greater Sydney Commission would support councils to be included in SEPP 70 Affordable Housing (Revised Schemes) to allow affordable housing contributions to be levied through provisions in a LEP.

It is considered that the use of inclusionary zoning requirements would provide a more predictable and consistent approach to affordable housing delivery. They would also ensure that the City of Ryde meets the Policy target that 5% of all new dwellings will be affordable housing by 2031. Inclusionary zoning would not preclude the use of voluntary planning agreements, which could continue to provide additional affordable housing as part of a range of public benefits, if required.

10.1 Inclusion in State Environmental Planning Policy Affordable Housing (Revised Schemes)

It is recommended that Council make a formal application to the Department of Planning and Environment for the City of Ryde's inclusion in SEPP 70. Council has established that there is a need for affordable housing in the LGA through the work undertaken by Judith

Stubbs and Associates¹⁸ and the subsequent adoption of the Ryde Affordable Housing Policy in 2016.

A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is authorised by a statutory plan, such as a Local Environmental Plan.

10.1.1 Ryde Local Environmental Plan 2014 amendment

A planning proposal would need be prepared as outlined in this Study in section 3.5.2 to allow an affordable housing condition to be included in development consent. The planning proposal process would lead to an amendment of the Ryde LEP 2014.

A suitable affordable housing clause would need to be created for inclusion the Ryde LEP 2014. It is suggested the clause would need to contain but may not be limited to:

- Area(s) here the contribution will apply
- Principles
- The affordable housing conditions -i.e. inclusionary zoning contribution rate(s) that would apply
- Reference to market value to allow a monetary contribution to be calculated
- Min size of dwellings
- Excluded development
- Applying affordable housing provisions on the same site
- Definitions.

The drafting of the Clause would require discussions with the Department of Planning and Environment and Parliamentary Counsel to ensure appropriate wording.

It is recommended that a dedicated dwelling should be a minimum of 50sqm which equates to a one bedroom apartment in the Apartment Design Guide.

10.2 Contribution Rate

Market appraisal and feasibility scenario testing was undertaken to determine affordable housing contribution rates that would

¹⁸ J Stubbs & Associates City of Ryde Affordable Housing Policy Stage 1: Background Report, October 2015

maximise the number of dwellings to be dedicated (or an equivalent monetary contribution) but not prevent development.

It is recommended that an affordable housing levy contribution be applied to:

- 7% of the total residential gross floor area of the development where the land has been subject to a rezoning from an employment, special or infrastructure use (e.g. IN1 Industrial, B7 Business Park, SP1 Special Uses, SP2 Infrastructure) to a residential use or mixed use (e.g. R3 Medium Density Residential, R4 High Density Residential, B4 Mixed Use)
- 7% of the **additional** total residential gross floor area of the development where the land has been subject to a rezoning from a residential use (e.g. R2 Low Density Residential to a higher density residential use (R3 Medium Density Residential, R4 High Density Residential, B4 Mixed Use) or where there is an increase in the permitted height or floor space
- 2% (increasing to 5%) of the total residential gross floor area in new residential and mixed use developments where the development applications are permissible under the Ryde Local Environmental Plan 2014. Rates would be phased in overtime as outlined in the table below.

Table 19: Proposed contribution rates on development applications where residential flat buildings are permitted

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To June 2018	0%
1 July 2018 – 30 June 2021	2%
1 July 2021 – 30 June 2023	4%
1 July 2023 - onwards	5%

Source: HillPDA

All residential development, other than excluded development as outlined in this Study, would be required to make a contribution towards affordable housing.

Inclusionary zoning for affordable housing is considered a requirement of redevelopment and identified in the draft North District Plan. The modelling and feasibility testing that HillPDA has undertaken shows that the affordable housing targets would have

negligible effects on housing markets, and are likely to generate a substantial net community benefit.

10.2.1 Indexation and review of contribution rate

Indexation

It is recommended that contribution rates be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates would be adjusted with reference to movements in the median price for strata dwellings in the City of Ryde LGA. The median strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In addition, it is recommended that the City of Ryde's website would display the current rates for the Ryde Affordable Housing Scheme.

Full market review

It is recommended that a full market review of the contribution rate (7% and 2% - 5% for DAs) be undertaken every 3 years or at Council's discretion, particularly if there was significant upwards shift in the housing market. This is to ensure that the rates remain relevant and appropriate.

10.3 Dwelling location, amenity, size and bedroom mix with a development

10.3.1 Location and amenity

It is recommended that they should be/have:

- Located on all levels of buildings, not just ground/street level
- Reasonable orientation, views and outlook i.e. not only south facing dwellings
- Quality (including finishes and fixtures) that are commensurate with other dwellings in the building
- Access to all facilities within the development (e.g. gardens, BBQs, pools).

This is to ensure that the affordable dwellings are 'tenure blind', meaning that they should look no different to the private dwellings and all residents should be given access to facilities.

10.3.2 Size

It is recommended that the minimum size should be 50sqm, equivalent to a 1 bedroom apartment under the Apartment Design Code. This is to ensure that reasonable, liveable sized apartments are delivered for rent, rather than studios and more compact apartments.

10.3.3 Bedroom mix

From discussions with CHPs it is difficult to be definitive about bedroom mix. The demand appears to be for 1 and 2 bedroom apartments, although 3 bedroom apartments are necessary for larger households who meet the eligibility criteria.

The City of Ryde's Development Control Plan (DCP) 2014, for the Ryde Town Centre provides a useful guide for bedroom mix:

- a) This provision gives detailed guidance to the principles of SEEP 65. Development is to provide a diverse mix of dwelling sizes generally within the following ranges.

Table 20: Bedroom mix Ryde Town Centre

Bedroom	Percent Range
3 bedroom	5% - 35%
2 bedroom	40% – 80%
1 bedroom + studio	5% - 35%

Source: Ryde Development Control Plan 2014, Ryde Town Centre

- a) Development providing less than 10 units may vary this mix providing a range of dwelling sizes are represented.
- b) Development providing less than 5 units is exempt.

Developers would have to refer to the relevant development controls that apply to their site and development.

It is recommended that Council liaise with, and take guidance from its nominated CHP on a regular basis to determine what bedroom mix should be delivered to Council. It depends very much on the requirements on their waiting list at any one time.

10.4 Preferred Delivery Mechanism

The preferred mechanism for delivering affordable housing as outlined in this Study would be the dedication of dwellings to Council. The main reasons for this recommendation is as follows:

- The completed affordable housing would be delivered in a reasonable timeframe after construction, for immediate rental
- One of the main advantages of receiving dwellings in-kind is that the affordable housing would be located throughout the Ryde LGA, maintaining a socially and economically diverse population
- As assets age a percentage of the portfolio can be sold for newer stock, provided they are used for the purpose of affordable housing
- The rent revenue can be managed to remain in slight surplus.

Council would still be able to (and should) take money contributions in situations where the affordable dwellings were considered to be unsuitable or where there is dedication of dwellings in deficit of more than 1sqm. The full balance of the gross floor area is then paid as a monetary contribution. A developer may also choose not to dedicate dwellings but pay a monetary contribution instead.

10.5 Management of the Affordable Housing Portfolio

It is recommended that the everyday management of the affordable housing portfolio be transferred to either a Tier 1 or 2 registered community housing provider, such as Link Housing or Bridge Housing. CHPs have the necessary skills and resources to efficiently and effectively manage affordable housing on behalf of Council.

In order to ensure the financial sustainability of the housing portfolio the following is recommended:

10.5.1 Rent Setting

The affordable housing would be rented out to very low, low or moderate income households as specified under SEPP 70.

As a general rule of thumb housing is considered affordable if it costs less than 30% of gross household income.

10.5.2 On-going Financial Management

The rents from the Affordable Housing Program fund the ongoing management and maintenance of the portfolio. In order to keep the Program unsubsidised it is recommended that:

- Council must classify the dedicated dwellings as operational land within three months of land title registration. This is to ensure that dwellings can be effectively managed into the future.

Dwellings may be sold if they are not suitable or becoming too expensive to manage and maintain.

- Council should monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements.
- Affordable housing monetary contributions and surplus rental funds should be placed in a reserve to fund ongoing maintenance and the purchase of new affordable housing.
- Council should undertake an analysis to determine the optimum mix of tenancy bands to ensure long term financial viability of the affordable housing program that results in net revenue not less than 55% of market rent. For example, the tenant mix across City West Housing developments is around:
 - 26% very low
 - 44% low
 - 30% Moderate
- Council must use money gained from sale of affordable housing stock for new affordable housing. Additionally dwellings that are sold should be replaced within 12 months of sale to safeguard that the affordable portfolio is not substantially diminished.
- Council should wherever possible replace an affordable housing dwelling in the same location. If this is not possible Council should seek locations which are close to services, transport and employment within the LGA.

10.6 Ryde Affordable Housing Program

It is recommended that Council develop a Ryde Affordable Housing Program to provide additional provisions and more detailed information about the Program. It is envisaged this will include such matters (but not limited to):

- History, background and rationale for the Program
- The statutory framework for the Program
- Affordable Housing provisions; including the calculation of the contributions, indexation and excluded development
- How to make Affordable Housing contribution - dedication and monetary.

The City of Sydney as outlined in this Study has developed 'Programs' to assist with the operation of their affordable housing schemes. These provide valuable information (in one location) for staff, landowners and developers and would provide useful reference documents if Council chose to prepare a similar document. Reference is made to the Programs in the Affordable Housing Clause in the Sydney LEP 2012.

10.7 Voluntary Planning Agreements

The introduction of inclusionary zoning for affordable housing would provide a predictable supply of dwellings in accordance with new requirements in the Ryde LEP 2014. Consequently, VPAs would more likely be used to deliver other types of public benefit arising from the impacts of new development.

Nevertheless, additional affordable housing could be provided by a VPA if deemed appropriate at the time of negotiations between Council and the developer. It is recommended that this be undertaken on a case by case basis and on merit rather than set a certain percentage of bonus residential floor space for affordable housing.

APPENDIX A: DEFINITIONS

The following definitions have been used within this Study.

- **Affordable housing** as defined by Environmental Planning and Assessment Act 1979:
 - "housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."
- **Affordable Rental Housing** is affordable rental housing that is owned by the City of Ryde and managed by a registered Community Housing Provider and rented to very low, low and moderate income households.
- **Contribution rate** is used in the calculation of the monetary contribution for a relevant development and is annually adjusted to take into account indexation.
- **Dwelling in-kind** is dedication to the City of Ryde of affordable housing on-site.

- **Gross floor area** is as defined by Ryde Local Environmental Plan 2014:

The sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building, measured at a height of 1.4 metres above the floor, and includes:

- a) the area of a mezzanine, and
- b) habitable rooms in a basement or an attic, and
- c) any shop, auditorium, cinema, and the like, in a basement or attic,

but excludes:

- a) any area for common vertical circulation, such as lifts and stairs, and
- b) any basement:
- c) storage, and
- d) vehicular access, loading areas, garbage and services, and
- e) plant rooms, lift towers and other areas used exclusively for mechanical services or ducting, and
- f) car parking to meet any requirements of the consent authority (including access to that car parking), and

- g) any space used for the loading or unloading of goods (including access to it), and
 - h) terraces and balconies with outer walls less than 1.4 metres high, and
 - i) voids above a floor at the level of a storey or storey above.
- **Hurdle Rate** - in capital budgeting, hurdle rate is the minimum rate that a company expects to earn when investing in a project. Hence the hurdle rate is also referred to as the company's required rate of return or target rate. In order for a project to be accepted, its internal rate of return must equal or exceed the hurdle rate.
 - **Inclusionary Zoning** generally refers to statutory planning controls requiring development proponents to incorporate certain facilities or features on their site (e.g. dwellings for affordable rental housing), or pay a cash-in-lieu contribution for this obligation to be discharged off-site¹⁹.
 - **Key Workers** – key workers are people who are on very low, low and moderate income levels. They are considered essential to the efficient running of a global city. They are usually employed in essential frontline services such as health care, education, child care, aged care, emergency services, community services, retail and hospitality.
 - **Low, very low & moderate income households** as taken from State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) Very low to moderate incomes are those households whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:
 - Very low income household < 50%
 - Low income household 50% or > but < 80%
 - Moderate income household 80% or > but < 120%
 - **Registered Community Housing Provider** is for the purposes of the Ryde Affordable Housing Program, Community Housing Providers include those classified as a Tier 1 or 2 provider under the National Regulatory Code.

¹⁹ Spiller, M, Anderson-Oliver, M, Occasional Paper Revisiting the Economics of Inclusionary Zoning, SGS Economics and Planning April 2015

- **Residual Land Value** - Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land.

Note: where these definitions are provided in legislation they may change over time. Where there are inconsistencies the definitions in the relevant legislation prevails

APPENDIX B: STAKEHOLDER RESEARCH

As part of the development of this Study, research was undertaken with the following organisations:

- **Local Government** – City of Sydney, City of Canada Bay, Randwick City Council, Waverley Council, Georges River Council, Northern Beaches Council, Willoughby City Council and Inner West Council
- **Community Housing Providers** – Link Housing, Bridge Housing and City West Housing
- **UrbanGrowth NSW**
- **Greater Sydney Commission**
- **Department of Planning and Environment**
- **NSW Family and Community Services**
- **Developers**

Overall there was general consensus that housing affordability and the availability of affordable rental housing was an important issue for the Sydney Metro Area but increasingly so for LGAs such as Ryde. The issues discussed and responses are presented below.

Affordable Housing Target

With the exception of the developers there was general agreement that targets could be a positive means to signal priorities and drive change within the development industry.

Developers, not surprisingly were concerned of the potential effects of targets on development feasibility. A few developers considered that targets would drive up the cost of housing. However, it was acknowledged that targets would most probably be introduced. If so it was considered that targets had to be based on a sound evidence, introduced early in the development cycle (planning proposal stage), and preferably implemented over time e.g. The City of Sydney situation.

Councils were pleased to see that the draft District Plans referred to affordable housing targets for areas undergoing redevelopment. Many considered that Sydney was falling behind in term of affordable rental housing delivery when compared to overseas cities such as London and New York. A few of the of the councils have, or are in the process of applying to the Department of Planning and Environment, to be included into State Environmental Planning Policy 70, Affordable Housing. These include the City of Canada Bay, Randwick Council and the Inner West Council. The City of Sydney and

Willoughby Council are included in SEPP 70 and have affordable housing targets in their respective LEPS.

Apart from the City of Sydney and Willoughby City Council, the other councils have secured affordable housing, to date, through voluntary planning agreements. The latter were considered useful but generally adhoc and opportunistic and not a consistent or reliable approach to affordable housing delivery. Targets and inclusionary zoning provisions were favoured and the councils were keen to get State government support for more inclusionary zoning opportunities.

It was generally agreed that any target should be subject to development feasibility to ensure that development is not stymied and applied when land is subject to an upzoning (for residential of where there is an increase in residential density).

Monetary Contribution versus In-kind Contribution

Generally councils would prefer to take dedicated dwellings, on-site although accepted that in some situations developers would pay a monetary contribution. Dedicated dwellings meant that they could be delivered in the area which was subject to the contribution and tenanted in a timely manner, after construction. Concern was expressed whether councils have the appropriate resources for property purchase, in the right location, at the right price point. However, concern was also raised about ongoing management of affordable rental stock, particularly dedicated dwellings in buildings which may be subject to high strata fees. Councils were keen to ensure that the affordable housing stock was sustainable into the future and self-funded and managed.

Developers were most likely to support providing dwellings at building completion. This is because it is often difficult to raise the cash at Construction Certificate stage and bonds were considered expensive to execute (and the capacity to borrow is usually reduced by the bond amount). Dedication or a cash contribution would depend on the type and size of development

The CHPs did express concern in relation to the outgoings on high end buildings but overall this can be managed by ensuring an appropriate mix of the tenancy bands (very low, low and moderate incomes).

Ownership of affordable housing stock

In general the councils were keen to keep ownership of the affordable housing with the day to day management given to a CHP. It was considered that the affordable housing should be kept in

perpetuity in the ownership of council. The City of Sydney has a unique situation where they have an arrangement with City West Housing (a special purpose, not for dividend company set up by the State Government) where titles and monetary contributions are passed on to them.

The CHPs would prefer to have dwellings and/or money transferred to them. CHPs find it difficult to raise finance and increased equity would improve their situation. This may change with the Federal Government's announcement of an affordable housing bond aggregator model which would make it easier for CHPs to obtain funding for investment in affordable housing. Notwithstanding this position, CHPs are happy to manage housing on behalf of councils.

Affordable Housing Stock – Size and Bedroom Mix

The City of Sydney has recently reviewed their affordable housing program. Currently, dedicated dwellings must be no less than 50sqm. However, following the review, the CoS is proposing to reduce the minimum size from 50 sqm to 35sqm and to introduce a maximum dwelling size of 90sqm for affordable housing dwellings. The purpose of these changes is to deliver as much affordable housing floor area as possible.

Some CHPs cited that smaller dwellings such as studios were more difficult to rent although this is not such an issue for central Sydney.

In the City of Sydney, City West Housing constructs affordable rental buildings. The bedroom mix is determined on a case by case basis, depending on waiting list requirements. The highest demand is for 1 and 2 bedroom apartments. The City of Sydney requires any developer (including CHPs) to comply with their DCP, which stipulates that a minimum of 15% must be three bedroom apartments. Notwithstanding this, a developer can seek a departure from requirements with justification.

Other CHPs contacted reiterated that demand is mainly for 1 and 2 bedroom affordable rental dwellings with a smaller percentage for 3 bedroom dwellings.

Government Agencies

Early in 2016, the Government released, Future Directions for Social Housing in NSW (includes affordable housing) which outlines the Government's vision for the next 10 years. As part of the plan to provide additional social and affordable housing, the Government will partner with both the private and not-for-profit housing sectors to increase the

financing, ownership and management away from entirely public sector ownership. This will be done through programs such as Communities Plus and the Social and Affordable Housing Fund.

In partnership with the private sector the Government's Land and Housing Corporation (LAHC) is fast tracking redevelopment of its social housing portfolio. One of the first sites to be targeted is the eight hectare, Ivanhoe Estate at Macquarie Park which is located within the Ryde LGA. It currently contains 259 social housing dwellings but after redevelopment will provide an 'integrated' community with around 1,800 private, 556 social and 128 affordable housing dwellings. This will see an increase of 297 social dwellings with affordable housing newly available on the site. The intention is that LAHC will retain ownership of the social and affordable dwellings but management will be transferred to CHPs and other non-government organisations through a competitive tender.

The Greater Sydney Commission has outlined its approach to affordable housing delivery in the draft District Plans. An affordable housing target of 5% to 10%, subject to viability, has been nominated for urban renewal and land release areas. The target will be calculated as a proportion of all residential floor space above the base floor space area (i.e. the residential floor space ratio that was permissible before the rezoning). The housing is aimed at low and very low income households as they are considered the most vulnerable.

UrbanGrowth NSW introduced a policy for housing affordability and diversity which will apply to all new transformation projects from January 2017. This will be done through targets, pilot projects and partnerships (e.g. with CHPs).

The Department of Planning and Environment has included potential affordable housing targets when investigating areas as Priority Precincts, such as the City of Canada Bay at Rhodes.

Voluntary Planning Agreements

Councils such as Canada Bay, Randwick and Waverley councils have secured affordable housing through VPAs. The latter have allowed councils to deliver affordable housing that otherwise would not have been provided however were generally considered resource intensive, opportunistic and did not lead to a predictable approach in affordable housing delivery. Both the City of Canada Bay and Randwick Council have applied to the State Government to be included in SEPP 70.

APPENDIX C: MARKET RESEARCH

This Appendix analyses trends and factors influencing the property market in Eastwood, Macquarie Park, Meadowbank and Ryde and summarises sales and rental prices of a range of uses including residential apartments and commercial spaces. The research is based on detailed discussions with market and industry experts as well as a review of relevant property databases.

RESIDENTIAL MARKET OVERVIEW

The 19 suburbs in the City of Ryde are well-established areas, with a mix of land uses including residential, commercial, retail and educational. The areas main attractions include Macquarie University, Macquarie shopping Centre and Macquarie Business Park. The area is accessible via the local bus network and the Macquarie Park railway line.

The median price for houses in the Ryde LGA was \$1,511,000 at September 2016. The median price for apartments in the Ryde LGA was \$745,000 at September 2016²⁰.

Local selling agents expressed the following comments:

- The residential markets are strong with high demand for apartments
- Some areas are more price sensitive than others. For example in Gladesville properties over the \$900,000 price mark need to be a premium product in order to sell
- Typical buyers include owner occupiers such as young professionals and first home Buyers; and investors from either local or overseas
- Smaller and boutique developments attract local residents; whereas larger developments seem to attracted a higher demand from international purchasers
- Consistently two bedroom apartments have provision for 1 parking space, with three bedrooms apartments having either 1 or 2 parking bays
- Majority of 1 bedroom apartments did not have a car space; however it was mandatory that a 1 bedroom + study apartments have a car space.

²⁰ NSW Rent and Sales report, December 2016

Off-The-Plan Apartment Research

There are several residential apartment developments in Eastwood, Macquarie Park, Meadowbank and Ryde currently under construction and/or in the pre-selling stage. The developments are as follows:

- Vintage Apartments, 3-5 Trelawney Street, Eastwood
- High Gardens, 7 Rutledge Street, Eastwood
- Macquarie Park Village, 110 Herring Road, Macquarie Park
- Prime, 101 Waterloo Road, Macquarie Park
- nbh at Lachlan's Line, 25-27 Epping Road, Macquarie Park
- 9 Jordan Street, Gladesville
- Shepherds Bay, 6-10 Nancarrow Avenue, Meadowbank
- Stellar Ryde, 771-775 Victoria Road, Ryde
- Peak-Putney Hill, 78 Lardelli Drive, Ryde
- Summit Apartments, 734 Victoria Road, Ryde
- Smith Apartments, 1-5 Smith Street, Ryde

Vintage Apartments, 3-5 Trelawney Street, Eastwood

This is a mixed use development comprising ground floor retail and 61 apartments on the upper floors. The mix includes: 13 x 1 bedrooms, 46 x 2 bedrooms 7 x 3 bedroom apartments.

Table 21 shows that the asking price for dollar per square metre for apartments, ranges from \$12,750/sqm to \$14,112/sqm.

Table 21: Vintage Apartments, 3-5 Trelawney Street, Eastwood

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom + 1 Car	\$799,000	57	\$14,017
1 Bedroom + Study + 1 Car	\$860,860	61	\$14,112
2 Bedroom + 1 Car	\$1,020,000	80	\$12,750
2 Bedroom + Study + 2 Car	\$1,299,000	101	\$12,861

Source: Realestate.com.au, Cordell & Marketing Agent – Ray White Projects – Sydney

High Gardens, 7 Rutledge Street, Eastwood

This development is a mixed use development comprising ground floor retail and 100 apartments on the upper floors. The mix includes: 29 x 1 bedrooms, 70 x 2 bedrooms 1 x 3 bedroom apartments.





Table 22 shows that the asking price for dollar per square metre for apartments, ranges from \$11,420 to 13,640/sqm. The selling agent indicated the development is due for completion in June 2018 and will consist of 4 retail shops on the bottom level.

Table 22: High Gardens, 7 Rutledge Street, Eastwood

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$723,000 - \$745,000	53 - 73	\$10,205- \$13,641
1 Bedroom + Study	\$805,000 (Level 7)	73	\$11,027
2 Bedroom	\$868,000	73 - 76	\$11,421-\$11,890

Source: Realestate.com.au, Cordell & Marketing Agent – Lyon Group – North Sydney

Macquarie Park Village, 110 Herring Road, Macquarie Park

This development is a mixed use development comprising 1,000sqm of mixed use retail and 760 apartments. The development is configured over 7 tower blocks with a podium level and basement carpark.

Table 23 shows that the asking price for dollar per square metre for apartments, ranges between \$11,500 and \$13,950. The selling agent indicated the development is due for completion in early 2018.

Table 23: Macquarie Park Village, 110 Herring Road, Macquarie Park

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$624,000-\$690,000	54-60	\$10,400 - \$11,500
2 Bedroom	\$957,000	80	\$11,962
2 Bedroom + 1 Car	\$1,116,000	80	\$13,950
3 Bedroom + 2 Car	\$1,400,000	110	\$12,727

Source: Realestate.com.au, Cordell & Marketing Agent – CBRE





Prime, 101 Waterloo Road, Macquarie Park

This development is a mixed use development comprising ground floor retail tenancies and 680 apartments over four tower buildings. The mix includes 117 x 1 bedrooms, 447 x 2 bedrooms, 49 x 3 bedrooms and 7 x 4 bedroom apartments.

Table 24 indicates that the asking price on a dollar per square metre rate for apartments ranges between \$13,000 and \$14,432. The selling agent indicated the development is due to be completed at the end of 2019 and that the majority of buyers within the development are owner occupiers.

Table 24: Prime, 101 Waterloo Road, Macquarie Park

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$650,000	50	\$13,000
2 Bedroom + 1 Car	\$1,100,000	79	\$13,924
3 Bedroom + 1 Car	\$1,400,000	97	\$14,432

Source: Realestate.com.au, Cordell & Marketing Agent – CBRE Residential Projects

nbh at Lachlan's Line, 25-27 Epping Road, Macquarie Park

This development consists of 8 residential buildings comprising 885 apartments. The mix includes 67 x studio, 389 x 1 bedroom, 421 x 2 bedroom and 8 x 3 bedroom apartments.

Table 25 indicates that the asking price on a dollar per square metre rate for apartments ranges between \$9,500 and \$15,058. The selling agent indicated that the development is due to be completed in late 2019. The agent stated that all 2 bedroom units are provided one parking bay, with 3 bedroom units having two, and that 1 bedroom units have no parking provision and that some 1 bedroom + studies have one parking bay. The development commenced selling in July 2016 and currently 80% of apartments are sold. The agent believes there will be an even mix of owner occupiers and investors as the 2 bedroom units are well suited for both types of buyers.

Table 25: nbh at Lachlan's Line, 25-27 Epping Road, Macquarie Park

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$570,000 - \$690,000	60	\$9,500 - \$11,500
2 Bedroom	\$935,000 - \$1,280,000	73 – 85	\$12,808 - \$15,058
3 Bedroom	\$1,650,000 - \$2,200,000	120 - 150	\$13,750 - \$14,666

Source: Realestate.com.au, Cordell & Marketing Agent –Greenland Sydney Pty Ltd.





9 Jordan Street, Gladesville

This development consists of a seven storey residential development comprising 52 units. The mix includes 30 x1 bedroom and 22 x 2 bedroom apartments.

Table 26 indicates that the exchanged prices on a dollar per square metre rate for apartments range between \$12,000 and \$14,000. The selling agent indicated that the majority of buyers are owner occupiers from the local area and that the development was achieving a sale rate of one unit per week.

Table 26: 9 Jordan Street, Gladesville

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom + 1 car, no views	\$650,000	50	\$13,000
1 Bedroom + 1 car, with views	\$700,000	50	\$14,000
2 Bedroom + 1 car, no views	\$840,000	70	\$12,000
2 Bedroom + 1 car, with views	\$900,000	70	\$12,857

Source: Realestate.com.au, Cordell & Marketing Agent –Richardson & Wrench - Mascot

Billyard, 1 Meriton Street, Gladesville

This is a mixed use development over three buildings comprising 3 retail premises on the ground floor and 56 apartments on the upper floors. The mix includes 23 x 1 bedroom, and 33 x 2 bedroom units.

Table 27 indicates that the exchanged price on a dollar per square metre rate for apartments, ranges between \$10,625 and \$17,500. The selling agent stated that the development has been marketed for 1.5 years and all apartments have one parking space.

Table 27: Billyard, 1 Meriton Street, Gladesville

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
2 Bedroom	\$850,000 - \$1,400,000	80	\$10,625 - \$17,500
3 Bedroom	\$1,575,000	131	\$12,022

Source: Realestate.com.au, Cordell & Marketing Agent – Billyard Sales Team

Wharf Square, 8 Wharf Road, Gladesville

This is a mixed use development of two buildings comprising 5 ground floor retail tenancies, 17 x studio, 47 x 1 bedroom, 19 x 2 bedroom and 2 x 3 bedroom units above.





Table 28 indicates that the exchanged price on a dollar per square metre rate for apartments, ranges between \$10,625 and \$14,000. The selling agent stated that all apartments come with one parking bay, except the 3 bedroom apartments which have two.

The development contains mostly owner occupiers due to the desirability of Gladesville as a suburb and the lack of a train station which tends to deter investors. There are 5 apartments remaining in the development which have been marketed off-the-plan since 2014 but ceased in 2015 until after construction was started at which time the remaining apartments were brought to market at a higher price.

Table 28: Wharf Square, 8 Wharf Road, Gladesville

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$680,000 - \$700,000	50	\$13,600-\$14,000
2 Bedroom	\$850,000, \$950,000 - \$1,00,000	80	\$10,625-\$11,875-\$12,5000
3 Bedroom	\$1,800,000	N/A	

Source: Realestate.com.au, Cordell & Marketing Agent – Billyard Sales Team

Shepherds Bay, 6-10 Nancarrow Avenue, Meadowbank

This development is classed as an urban renewal project which will consist of 2,002 apartments and a 12 storey commercial building. Apartment mix is 200 x 1 bedroom, 1502 x 2 bedrooms and 300 x 3 bedrooms.

Table 29 indicates that the on market prices on a dollar per square metre rate ranges between \$10,666 and \$12,000. The selling agent stated that these prices are round figures only and that currently stage 9 is being sold. All units come with one parking space and the majority of buyers are owner occupiers.

Table 29: Shepherds Bay, 6-10 Nancarrow Avenue, Meadowbank

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$600,000	50	\$12,000
2 Bedroom	\$800,000	75	\$10,666
3 Bedroom	\$1,200,000	100	\$12,000

Source: Realestate.com.au, Cordell & Marketing Agent –CBRE Residential Projects – North Sydney



Stellar Ryde, 771-775 Victoria Road, Ryde

This development is a mixed use development comprising three ground floor retail tenancies and 95 apartments above. The mix includes 38 x 1 bedrooms, 52 x 2 bedrooms, 4 x 3 bedrooms apartments.

Table 30 indicates that the market price on a dollar per square metre rate ranges between \$10,298 and \$11,750. The selling agent stated that completion is expected in August 2018.

Table 30: Stellar Ryde, 771-775 Victoria Road, Ryde

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
2 Bedroom + 1 Car	\$810,000 - \$940,000	75 - 80	\$10,800 - \$11,750
3 Bedroom + 1 Car	Starting at \$999,000	97	\$10,298

Source: Realestate.com.au, Cordell & Marketing Agent – Savills

Peak-Putney Hill, 78 Lardelli Drive, Ryde

This development is a master planned community containing 791 apartments and terraced housing. The mix for 78 Lardelli includes 29 x 1 bedroom, 111 x 2 bedroom and 34 x 3 bedroom apartments.

Table 31 indicates that the on market price on a dollar per square metre rate ranges between \$10,965 and \$12,193. The selling agent stated that completion is anticipated in 2018.

Table 31: Peak-Putney Hill, 78 Lardelli Drive, Ryde

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$660,000 - \$710,000	56 - 57	\$11,785 - \$12,456
1 Bedroom + Study	\$745,000	67	\$11,119
2 Bedroom	\$830,000 - \$970,000	75 - 84	\$11,067 - \$11,548
3 Bedroom	\$1,250,000 - \$1,700,000	114 - 141	\$10,965 - \$12,057

Source: Realestate.com.au, Cordell & Marketing Agent – Frasers Property

Summit Apartments, 734 Victoria Road, Ryde

This development is a residential development containing 26 apartments. The mix includes 10 x 1 bedrooms, 14 x 2 and 2 x 3 bedroom apartments. Table 32 indicates that the on market price on a dollar per square metre rate ranges between \$10,933 and \$12,413. Sales commenced in November 2015. The selling agent anticipated that construction will be completed in mid-2017.



Table 32: Summit Apartments, 734 Victoria Road, Ryde

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$595,000 – \$720,000	50 - 58	\$11,900 - \$12,413
2 Bedroom	\$820,000 - \$950,000	75 - 79	\$10,933 - \$12,025
3 Bedroom	\$1,150,000 - \$1,195,000	98	\$11,735 - \$12,194

Source: Realestate.com.au, Cordell & Marketing Agent – Golden age Sale Team

Smith Apartments, 1-5 Smith Street, Ryde

This development comprises a residential development with 35 apartments. The mix contains 7 x 1 bedroom 26 x 2 bedroom and 2 x 3 bedroom apartments. Table 33 indicates that the market price on a dollar per square metre rate ranges between \$11,228 and \$12,941. The selling agent indicated that completion is expected in 2018, with the buyer profile consisting of 50% owner occupiers and 50% investors with the typical owner occupiers consisting of first home buyers and young professionals.

Table 33: Smith Apartments, 1-5 Smith Street, Ryde

Unit	Asking Price	Internal (sqm)	Internal \$/sqm
1 Bedroom	\$660,000 - \$710,000	51 – 57	\$12,456 - \$12,941
2 Bedroom	\$887,000 - \$1,100,000	79 – 87	\$11,228 - \$12,644
3 Bedroom	\$1,200,000 - \$1,400,000	98	\$12,245 - \$14,285

Source: Realestate.com.au, Cordell & Marketing Agent – Tracy yap realty



DEVELOPMENT SITE SALES

Development site sales, over the previous 18 months in the identified suburbs were assessed as part of market research. This information indicates developer appetite and prices paid for development sites in current market conditions. The information was obtained through various property data sources.

Our analysis indicated that a dollar per apartment ranges from \$337,000 to \$397,000 in Eastwood; \$144,000 to 286,000 for larger sites and \$300,000 for smaller development sites in Gladesville. These prices are shown in the table below.

Apartment Development Site Sales

Table 34: Apartment Development Sites Sales

Address	Suburb	Sale Price	Site Area (sqm)	Sale Date	No. units	\$/site Area	\$/GFA	\$/unit
7-11 Glen Street	Eastwood	\$13,500,000	2,425	May-16	34	\$5,567	\$4,411	\$397,058
2-8 Lakeside Road	Eastwood	\$25,000,000	5,798	Jan-16	74	\$4,311	\$4,811	\$337,837
125 Bowden Street	Meadowbank	\$4,429,000	578	Dec-16	19	\$7,662	\$3,154	\$233,105
400-426 Victoria Road	Gladesville	\$20,000,000	3,262	Feb-16	102	\$6,131	\$2,848	\$196,078
233 Victoria Road	Gladesville	\$6,622,000	800	Feb-16	22	\$8,277	\$3,311	\$301,000
428-434 Victoria Road	Gladesville	\$6,200,000	1,274	Apr-16	43	\$4,866	\$1,602	\$144,186
7 Pittwater Road	Gladesville	\$6,020,000	1,499	Jan-16	21	\$4,016	\$3,185	\$286,666

COMMERCIAL MARKET OVERVIEW

This Chapter outlines the commercial office space located in Gladesville, Macquarie Park, West Ryde and Ryde. Furthermore, we have undertaken research on the sales and rents achieved in these centres.

Commercial Sales in Macquarie Park

Office Building Grades

For the purpose of this report we have analysed A grade and B grade office buildings to derive a dollar per square metre for New A grade commercial offices in Macquarie Park. This report classifies building grades as:

- A-grade space (prime office space) is often brand new or has had a full refurbishment. It has state of the art facilities and furnishings, excellent accessibility and appeal to high-end tenants who can pay top dollar.
- B-grade space (secondary space) is well maintained property of over 10 years old with adequate facilities and accessibility, and commands average rental rates.

Commercial Sales Analysis

40 Talavera Road, Macquarie Park

This site has an area of 2.50 hectares and a net lettable area in the building of 13,185sqm. The property sold in May 2016 for \$54,000,000 representing a yield of 5.79% on a passing income of \$3,125,749 (net).

The original part of the complex was built in 1974 and a major refurbishment was completed in mid-2003.

The table immediately below shows a dollar per square metre rate for the sale at \$4,095.

Table 35: 40 Talavera Road, Macquarie Park

Sale price	\$/m2 NLA	\$/sqm NLA
\$54,000,000	13,185	\$4,095psqm

Source: Realcommercial.com, RP data, marketing agent – Colliers International

Innovation Road, Macquarie Park

This site has a total land area of 0.73 hectares and a Net Lettable Area in the building of 7,582sqm. It sold in August 2016 for \$39,000,000. The table below shows a dollar per square metre rate for the sale at \$5,143.

Table 36: 3 Innovation Road, Macquarie Park

Sale price	\$/m2 NLA	\$/sqm NLA
\$39,000,000	7,582	\$5,143psqm

Source: Realcommercial.com, RP data, marketing agent – Colliers International

Commercial Market Commentary

Market commentary was obtained through contacting agents selling commercial premises within Macquarie Park. Agencies contacted:

- *GJS Property*
- *JLL – North Sydney*
- *CBRE – Sydney North*
- *Colliers International – Sydney North*
- *Knight Frank – North Sydney*
- *Cushman & Wakefield - Sydney*

In the context of commercial sales in Macquarie Park four identical questions were asked. Their feedback is captured in the table below.

Table 37: Agent market commentary

Question	Aggregated feedback
How is the local commercial market?	- The market is strong with a tightening in the sector. There are not many >3,000sqm offices available for rent currently. - The loss of commercial properties to residential in the CBD and suburban suburbs is pushing tenants into designated commercial areas (ie Chatswood & Macquarie Park) - The rent in Macquarie Park is cheaper than the CBD and Chatswood increasing desirability of the area. - Properties are taking 6 – 8 months to lease with 20-25% incentives offered.
What is the demand for space currently?	- There is a shortage of large parcel A grade properties, observing a loss of commercial space as usage changes to residential. - In the <500sqm market there is low stock and high demand. In the 500-1000sqm there is lots of demand and ample supply, and in the >2,000sqm market there is limited supply with weak demand. - Higher demand for smaller and medium sized tenancies

Question	Aggregated feedback
What are the rents being achieved?	GJS Property – A grade \$350-\$415sqm, B grade Low \$300-\$315sqm JLL North Sydney – A grade Mid \$400sqm, B Grade Low \$300sqm CBRE Sydney North – New A grade \$300-\$400sqm, 15 year old buildings \$320-\$340sqm Colliers International – Existing A grade \$375sqm, Existing B grade \$310-\$350sqm Knight Frank – prime \$350-\$360sqm, B grade \$310-\$320sqm
What sale values are being achieved?	GJS Property – Low 7% yields CBRE Sydney North – Yields are strong ATM, mid 6% Colliers International – For new A grade = \$6,000-\$7,000psqm Cushman & Wakefield – B grade at 7% yield and \$4,400psqm

The following sales were analysed in Gladesville and Ryde commercial market:

Table 38: Commercial Office Sales in Gladesville and Ryde

Address	Sale Value	Building Area	\$/sqm	Sold Date
41-43 Higginbotham Road, Gladesville	\$621,000	315	\$1,971	1/6/2016
1 Jordan Street, Gladesville	\$365,000	42	\$8,690	11/2/2016
21 Potter Street, Ryde	\$7,220,000	51	\$14,569	20/6/2016
723 Victoria Road, Ryde	\$4,000,000	266	\$15,038	19/2/2016

Source: PIMS 2017

The following rents were analysed in Gladesville and Ryde commercial market:

Table 39: Commercial Office Rents in Gladesville and Ryde

Address	Rental pa	Building Area	\$/sqm	Leased
1-7 Jordan Street	\$45,600 g	91	\$501	29/6/2016
20 Church Street	\$51,600n	65	\$794	28/7/2016

Source: PIMS 2017

RETAIL MARKET OVERVIEW

This Chapter describes the retail centres in Gladesville, Macquarie Park, West Ryde and Ryde. In addition, the health of the retail market in these centres was examined, based on market research.

Pittwater Road Gladesville

This small centre is located 500m or a 2 minute drive²¹ north-east of Gladesville on Pittwater Road. It comprises a small parade of shops between 20-32 Pittwater Road, immediately north of the junction with Harvard Street. It provides around 500sqm of retail floorspace (GLA)²².

Gladesville Village Centre

The Gladesville Shopping Village is located on Flagstaff Street and consists of a Coles supermarket (2,530sqm) and 27 specialty shops²³. In total the centre provides in the order of 4,970sqm of retail floorspace (GLA)²⁴. Further strip retail is provided outside of the Gladesville Shopping Village along Victoria Road. In total, the extended centre provides an estimated 19,000sqm (GLA) of retail floorspace²⁵.

Gladesville Shopping Village is currently trading well due to a lack of competition – particularly from supermarkets in the surrounding area. The catchment is not well served by neighbourhood centres and is also constrained by proximity to waterways and limited arterial access roads. Outside the indoor shopping centre Gladesville has almost 10,000sqm of strip shops, mainly fronting Victoria Road. Many of these shops appear to be underperforming particularly on the fringes of the centre. Gladesville also contains a few bulky goods retailers along Victoria Road. This gives Gladesville a dual character to the centre with the strip shops deriving an independent momentum from the adjacent enclosed centre facing Flagstaff Street. It also contains some representation of cafes and restaurants.

A new Aldi of some 1,400sqm has recently opened at 413-417 Victoria Rd Gladesville, some 2.6km north of Gladesville Shopping Village.

²¹ Source: Googlemaps

²² Source: Measured off Nearmap

²³ Source: Property Council of Australia Shopping Centre Database NSW/ ACT 2014/15

²⁴ Source: Property Council of Australia Shopping Centre Database NSW/ ACT 2014/15

²⁵ Source: Employment and Centres Study, City of Ryde (Mecone, October 2010) which has been updated to include retail developments post 2010 such the Aldi at 413 Victoria Rd Gladesville, Dan Murphy's at 328 Victoria Road, Gladesville and ground floor retail at 297 Victoria Rd Gladesville.

For the purpose of this report, Gladesville's Core Retail has been defined to include the area on both sides of Victoria road from the Aldi in the north to the Gladesville Police Station in the South.

Macquarie Park

Macquarie Park is a large regional shopping centre, The centre was expanded in 2014 to include a David Jones and some 100 new retailers. Today it comprises 138,500sqm²⁶ gross lettable area (GLA) of retail and entertainment floorspace.

Macquarie Centre is operated by AMP Capital. Reflecting its subregional significance the shopping centre includes such anchor tenants as David Jones, Myer, Big W, Target, Woolworths, Coles, JB-HiFi, Kathmandu, Events Cinema, Fitness First and Rebel Sports.

No trading information on the performance of the redeveloped Macquarie Centre has yet been made publically available. It is believed to be trading satisfactorily based on observations and an assessment of its trading influence.

Ryde Town Centre

Retailing in Ryde is focused on the recently developed Top Ryde Shopping Centre which provides some 78,000sqm of retail and leisure floorspace. It is anchored by Woolworths, Big W, Coles, K-Mart, JB Hi-Fi, Aldi, Dan Murphy's and Events Cinemas. Residential development in the town centre is continuing.

No trading information on the performance of Top Ryde Shopping Centre has yet been made publically available. It is believed to be trading satisfactorily based on observations and an assessment of its trading influence.

West Ryde Town Centre

Retailing in West Ryde Village Centre is focused upon West Ryde Marketplace (6,250sqm) which is anchored with a full-line Woolworths supermarket of 4,193sqm²⁷. Based on previous HillPDA floorspace surveys, outside of the Woolworths Marketplace there is around 16,000sqm of strip retail floorspace.

A Coles supermarket (3,467sqm) and additional specialities (548sqm) opened in 2013.

²⁶ Source: Big Guns 2015

²⁷ Source: Property Council of Australia Shopping Centre Database NSW/ ACT 2014/15

West Ryde Marketplace achieved a turnover of \$80.4m for the August 2013 to July 2014 period²⁸. This equates to a floorspace turnover of \$12,592/sqm and some 54% greater than the median of \$8,189/sqm for similar sized centres in Australia (centres of between 6,000sqm and 20,000sqm GLA retail floorspace). This ranks West Ryde 17th nationally out of the 144 similar sized centres listed by Shopping Centre News. This indicates that the centre is trading very strongly.

Table 40: Retail Sales Evidence - Gladesville, West Ryde and Ryde

Address	Sale Value	Internal Area	\$/sqm	Land Area	\$/sqm	Sold Date
995 Victoria Road West Ryde	\$2,300,000	350	\$6,571.43			19/2/2016
1044 Victoria Road, West Ryde	\$ 14,500,000	2,699	\$5,372	2,699	\$5,372	2/12/2016
50 Blaxland Road	\$1,867,000	350	\$5,334	441	\$4,234	21/6/2016
176-178 Blaxland	\$3,209,000	759	\$4,228	1,510	\$2,125	8/1/2016
2 Pope Street, Ryde	\$5,400,000	703	\$7,681	703	\$7,681	14/3/2016
787 Victoria Road, Ryde	\$718,000	170	\$4,224			16/8/2016
257 Victoria Road, Gladesville	\$1,600,000			145	\$11,034	

Source: PIM 2017

Rental Market Analysis

This section identifies current leases available on the market in the suburbs of West Ryde, Ryde, and Gladesville and Macquarie Park.

The information is gathered from various sources including Realcommercial.com and discussions with listing agents.

78 Waterloo Road, Macquarie Park

A 193 square metre office which is currently being used as a residential display suite for the residential development it is located within.

²⁸ Source: Shopping Centre News Mini Guns 2012



As displayed in the table below the agent stated gross rent is \$650 per annum per square metre plus GST.

Table 41: 78 Waterloo Road, Macquarie Park

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent
Total	\$125,450	\$18,335	\$107,115
Per Square Metre	\$650	\$95	\$555

Source: Realcommercial.com, RP data & marketing agent – CBRE – Sydney North

227 Morrison Road, Ryde

This is an 85 square metre office that is currently configured as a medical suite but is adaptable for retail use. The site is owned and adjoins the Royal Rehabilitation Hospital.

As displayed in the table below the listing agent stated Gross rent is \$625 per annum per square metre plus GST.

Table 42: 227 Morrison Road, Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent
Total	\$53,125	\$6,372	\$46,750
Per Square Metre	\$625	\$75	\$550

Source: Realcommercial.com, RP data & marketing agent – Knight Frank – North Sydney

Shop 1, 97 Blaxland Road, Ryde

This shop has frontage onto the Blaxland Road and a total area of 139 square metres.

As shown in the table below the listing agent stated Gross rent is \$532 per annum per square metre plus GST.

Table 43: Shop 1, 97 Blaxland Road, Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent
Total	\$74,000	\$10,000	\$64,000
Per Square Metre	\$532	\$72	\$460

Source: Realcommercial.com, RP data & marketing agent – Hills Commercial Real Estate

22 Church Street, Ryde

A freestanding building with a total area of 290 square metres. This property benefits from being opposite Top Ryde Shopping Centre.



As displayed the table below the listing agent stated gross rent is \$283 per annum per square metre plus GST with no outgoing

Table 44: 22 Church Street, Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent
Total	\$82,000	\$0	\$82,000
Per Square Metre	\$283	\$0	\$283

Source: Realcommercial.com, RP data & marketing agent – Hills Commercial Real Estate

1064 Victoria Road, West Ryde

A 180 square metre showroom/office and workshop. This property benefits from rear/side access to the workshop. As shown in the table below the listing agent stated gross rent is \$250 per annum per square metre plus GST.

Table 45: 1064 Victoria Road, West Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent
Total	\$45,000	\$3,600	\$41,400
Per Square Metre	\$250	\$20	\$230

Source: Realcommercial.com, RP data & marketing agent – Green Real Estate Agency

3 Meriton Street, Gladesville

The premises comprise 75sqm retail shop with frontage onto Meriton Street. The property benefits from a full glass frontage. The listing agent stated gross rent is \$554 per annum per square metre plus GST.

Table 46: 3 Meriton Street, Gladesville

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent
Total	\$41,600	\$6,200	\$35,400
Per Square Metre	\$554	\$82	\$472

Source: Realcommercial.com, RP data & marketing agent – Lytin Real Estate

Sold Retail Analysis

Information on the sales of shop premises was gathered from various sources including www.realcommercial.com.au and discussions with listing agents.

71/2 Porter Street, Ryde

This is a 92 square metre shop that sold in Jun 2015 for \$710,000. The table below indicates this property was sold on a yield of 5.9%.

Table 47: 71/2 porter Street, Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent	Yield
Total	\$46,212	\$4,212	\$42,000	5.9%
Per Square Metre	\$502	\$45	\$456	

Source: Realcommercial.com, RP data & marketing agent – Exclusive Real Estate

267A Victoria Road, Gladesville

This is a 178sqm mixed use retail shop front with a general commercial zoning. This property sold in October 2015 for \$1,160,000. The table below indicates this property was sold on a yield of 2.6%.

Table 48: 267A Victoria Road, Gladesville

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent	Yield
Total	\$31,902	\$1,000	\$30,902	2.66%
Per Square Metre	\$179	\$5.6	\$174	

Source: Realcommercial.com, RP data & marketing agent – Leaders Estate Agents

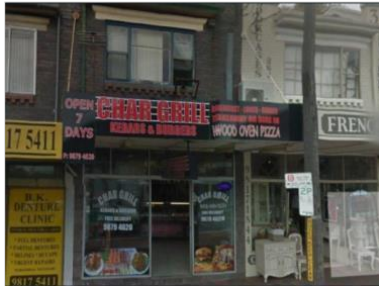
995 Victoria Road, West Ryde

A 240sqm mixed use small shopping arcade with general commercial zoning and receiving rent from 6 shops and one office on level 1. This property sold in February 2016 for \$2,300,000. The table below shows this property was sold on a yield of 3.8%.

Table 49: 995 Victoria Road, West Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent	Yield
Total	\$93,667	\$4,250	\$89,417	3.89%
Per Square Metre	\$390	\$18	\$372	

Source: Realcommercial.com, RP data & marketing agent – Leaders Estate Agents





29/947-949 Victoria Road, West Ryde

A 114sqm commercial strata unit. This property sold in February 2017 for \$890,000. The selling agent stated the current tenant has occupied the property for 10 years and a discounted rent was carried over from the previous vendor by the new owner. The table below shows this property was sold on a yield of 4.0%.

Table 50: 29/947-949 Victoria Road, West Ryde

	Yearly Gross Rent + GST	Yearly Outgoings	Yearly Net Rent	Yield
Total	\$40,800	\$4,700	\$36,100	4.0%
Per Square Metre	\$357	\$41	\$316	

Source: Realcommercial.com, RP data & marketing agent – Raine & Horne - Ashfield

LIGHT INDUSTRIAL MARKET OVERVIEW

This Chapter appraises the industrial markets in Gladesville and Macquarie Park including the findings of research on rents and sales in these employment areas.

Macquarie Park

Our research of databases revealed that currently there are no industrial/ warehouse properties being marketed within Macquarie Park and this was confirmed through discussions with local agents.

Discussions with local agents indicated that there is a shortage of sellers within Macquarie Park for industrial premises as properties are tightly held by vendors.

Colliers International indicated that a rule of thumb figure of \$3,000 a square metre for improved industrial land is a going rate for Macquarie Park.

Discussions with CBRE Sydney North who sold the industrial site at 117 Wicks Road, Macquarie Park re-iterated that there are no industrial land sites left in Macquarie Park, and that if one was available it would range between \$700-\$800 per square metre.

Discussions with Raine & Horne Commercial who is an active agent in the Gladesville industrial market indicated that in Macquarie Park there is a very limited supply of Industrial land. There are many

Gladesville

different classes, being light industrial with existing uses, high-tech industrial and leasehold industrial.

Discussions with Raine & Horne Commercial who sold 29-31 Buffalo Street in 2015 indicated that the sale progressed at a land only value. The agent expressed there would be a 15% premium applied to industrial sales that occur in today's market due to low supply as investors shift from residential investment to industrial and commercial freehold. The agent indicated that the current value of industrial land in Gladesville is \$1,200 to \$1,300 per square metre.

Glass Property (Business Space Specialists) expressed a similar view to Raine and Horne.

Colliers International, the listing agent for 28 Buffalo Road believes that \$1,000/sqm is the current value for industrial land in the suburb.

Only one industrial/warehouse property was advertised for sale in Gladesville at the time of reporting.

28 Buffalo Road, Gladesville

This property has a GFA of approx. 4,181sqm with a land area of 6,570sqm which houses 20 individual units and zoned general industrial. The marketing agent stated the building is an older style in a slightly dilapidated state.

Table 51: 28 Buffalo Rd, Gladesville

Gross Floor Area	On the market advertised price	\$/sqm
4,181sqm (approx)	\$12,000,000	\$2,870

Source: Realcommercial.com, RP data & marketing agent – Colliers International

Sold Industrial in Gladesville

29-31 Buffalo Road, Gladesville

This 3,427sqm light industrial building was sold in December 2015 for \$3,400,000. Discussion with the selling agent indicated in the table below that the sale value reflected a land value only as the existing improvements were dilapidated.



Note: the selling agent stated the sale price was \$5,700,000 and land size of 5,665sqm; the prices indicated are derived from RP data values.

Table 52: 29-31 Buffalo Road, Gladesville

Site Area	Sold Value	\$/sqm
3,427sqm	\$3,400,000	\$992

Source: Realcommercial.com, RP data & marketing agent – Raine & Horne Commercial

Sold Industrial Properties in Macquarie Park

Four industrial/warehouse sales have exchanged in Macquarie Park in the past 20 months. These are analysed below.

Lot 66, Unit 31/ 1 Talavera Road, Macquarie Park

A 60sqm unit zoned industrial exchanged in January 2017

Table 53: Lot 66, Unit 31/1 Talavera Road, Macquarie Park

Gross Floor Area	Sold Value	\$/sqm
60sqm	\$255,000	\$4,250

Source: Realcommercial.com, RP data & marketing agent – Colliers Internationals;

Lot 67, Unit 31/ 1 Talavera Road, Macquarie Park

A 74sqm unit zoned industrial exchanged in January 2017.

Table 54: Lot 67, Unit 31 Talavera Road, Macquarie Park

Gross Floor Area	Sold Value	\$/sqm
74sqm	\$255,000	\$3,445

Source: Realcommercial.com, RP data & marketing agent – Colliers International

Unit 4/6-8 Byfield Street, Macquarie Park

This unit has 717sqm of office space with internal amenities and 702sqm of warehouse and 29 car spaces on title. This property settled in November 2015.

Table 55: Unit 4/6-8 Byfield Street, Macquarie Park

Gross Floor Area	Sold value	\$/sqm
1419sqm	\$2,310,000	\$1,627

Source: Realcommercial.com, RP data & marketing agent – Cushman & Wakefields – Sydney





Unit 6/6-8 Byfield Street, Macquarie Park

This strata unit includes 474sqm of office space, 311sqm of warehouse and 13 car spaces on title. This property settled in July 2015.

Table 56: Unit 6/6-8 Byfield Street, Macquarie Park

Gross Floor Area	Sold value	\$/sqm
785sqm	\$1,575,000	\$2,006

Source: *Realcommercial.com*, RP data & marketing agent – Cushman & Wakefields

APPENDIX D: SITE FEASIBILITY MODELLING RESULTS

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : Ryde Affordable Housing

Site 1: No VPA & No A.H : Macquarie Park - No VPA and No Affordable Housing

Date of Report :	19-Jun-2017	Project Size :	1,383 Units
Time Span :	Mar-17 to Sep-21		1 per 27.35 of Site Area
Type :	Mixed Use	Project Size :	139,978.40 GFA
Status :	Under Review		1 per 0.27 of Site Area
Site Area :	37,832	FSR :	3.7:1
		Equated GFA :	139,978.40
Prepared By :	HillPDA	Address :	Macquarie Park
Prepared For :	Ryde Council		City/Suburb
Developer :	Ryde Council		NSW
			Australia

Disclaimer

1. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by Hill PDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. Hill PDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, Hill PDA does not present them as results that will actually be achieved. Hill PDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.

2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

Ryde Affordable Housing

Site 1: No VPA & No A.H

Macquarie Park - No VPA and No Affordable Housing



Independent Property Consulting

Estate Master Licensed to: Hill PDA

Time Span:	Mar-17 to Sep-21		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	37,832		
#N/A	3.7:1	Equated GFA:	139,978.40
Project Size:	1,383 Units	1 per 27.35 of Site Area	
	139,978.40 GFA	1 per 0.27 of Site Area	

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	1384	117,483.87	1,037,193.36	1,435,475,613	1,037,943	10,255	183.2%
Residential - Market Apartments	691.5	49,694.44	979,597.45	677,391,639			
Commercial Office	1	18,095.00	112,056,312.00	112,056,312			
Not Classified	691.5	49,694.44	934,241.02	646,027,662			
Less Selling Costs				(30,129,552)	21,786	215	-3.8%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				1,405,346,061	1,016,158	10,040	179.3%
TOTAL REVENUE (before GST paid)				1,405,346,061	1,016,158	10,040	179.3%
Less GST paid on all Revenue				(120,310,846)	86,993	859	-15.4%
TOTAL REVENUE (after GST paid)				1,285,035,215	929,165	9,180	164.0%

Costs							
Land Purchase Cost				30,662,722	22,171	219	3.9%
Land Acquisition Costs				2,163,537	1,564	15	0.3%
Construction Costs (inc. Contingency)				616,668,387	445,892	4,405	78.7%
Car Parking				85,802,221	62,041	613	11.0%
Open Space				2,587,854	1,871	18	0.3%
Built Form				496,812,655	359,228	3,549	63.4%
Demolish				2,100,495	1,519	15	0.3%
Contingency				29,365,161	21,233	210	3.7%
Professional Fees				62,534,069	45,216	447	8.0%
Statutory Fees				28,273,678	20,444	202	3.6%
VPA				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				2,949,167	2,132	21	0.4%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				4,087,872	2,956	29	0.5%
Interest Expense				36,238,838	26,203	259	4.6%
TOTAL COSTS (before GST reclaimed)				783,578,270	566,579	5,598	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				783,578,270	566,579	5,598	100.0%

Performance Indicators			Per Unit	Per GFA
¹ Net Development Profit		501,456,945	362,586	3,582
³ Development Margin (Profit/Risk Margin)	Based on total costs (inc selling costs)	61.63%		
⁴ Residual Land Value	Based on Target Margin of 23% (Exclusive of GST)	235,807,350	170,504	1,685
⁵ Net Present Value	Based on Discount Rate of 18% p.a. Effective	161,035,395		
⁷ Project Internal Rate of Return (IRR)	Per annum Effective	38.00%		
⁸ Residual Land Value	Based on NPV (Exclusive of GST)	180,812,275	130,739	1,292
Equity IRR	Per annum Effective	55.49%		

Footnotes:

- Development Profit: is total revenue less total cost including interest paid and received
- Note: No redistribution of Developer's Gross Profit
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Ryde Affordable Housing

Site 1: No VPA & No A.H

Macquarie Park - No VPA and No Affordable Housing

Hill PDA

Independent Property Consulting

Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	169,933,028	606,319,878	169,933,028	606,319,878
% of Total Funds Invested	21.89%	78.11%	21.89%	78.11%
² Peak Exposure	155,250,581	637,890,590	155,250,581	637,890,590
Date of Peak Exposure	Dec-18	Nov-20	Dec-18	Nov-20
Month of Peak Exposure	Month 21	Month 44	Month 21	Month 44
Weighted Average Interest Rate	N.A.	6.00%	N.A.	6.00%
Interest Charged	-	36,238,838	-	36,238,838
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	501,456,945	36,238,838	501,456,945	36,238,838
⁴ Margin on Funds Invested	295.09%	5.98%	295.09%	5.98%
⁵ Payback Date	Feb-21	Jan-21	Feb-21	Jan-21
Month of Payback	Month 47	Month 46	Month 47	Month 46
⁶ IRR on Funds Invested	55.49%	6.17%	55.49%	6.17%
⁷ Equity to Debt Ratio		28.03%		28.03%
⁸ Loan to Value Ratio	10.82%	44.44%	10.82%	44.44%
⁹ Loan Ratio	21.69%	82.00%	21.69%	82.00%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

EstateMaster Development Feasibility		3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES			Site 1: No VPA & No A.H Macquaire Park - No VPA and No Affordable Housing	Site1: No VPA & 27% A.H Macquaire Park - No VPA and 27% Affordable Housing				
Ryde Affordable Housing								

Estate Master Licensed to: Hill PDA

Revenues								
Gross Sales Revenue			1,435,475,613	1,276,665,858				2,712,141,471
Less Selling Costs			(30,129,552)	(26,915,720)				(57,045,272)
TOTAL REVENUE (before GST paid)			1,405,346,061	1,249,750,138				2,655,096,199
Less GST paid on all Revenue			(120,310,846)	(105,873,595)				(226,184,441)
TOTAL REVENUE (after GST paid)			1,285,035,215	1,143,876,543				2,428,911,758
Costs								
Land Purchase Cost			30,662,722	30,662,722				61,325,444
Land Acquisition Costs			2,163,537	2,163,537				4,327,075
Construction (inc. Construct. Contingency)			616,668,387	616,668,387				1,233,336,775
Professional Fees			62,534,069	62,507,121				125,041,190
Statutory Fees			28,273,678	25,578,124				53,852,262
VPA			-	-				-
Land Holding Costs			2,949,167	2,949,501				5,898,668
Pre-Sale Commissions			-	-				-
Finance Charges (inc. Line Fees)			4,087,872	4,087,872				8,175,744
Interest Expense			36,238,838	36,038,458				72,277,296
TOTAL COSTS (after GST reclaimed)			783,578,270	780,656,183				1,564,234,453
Performance Indicators								
1	Gross Development Profit		501,456,945	363,220,360				864,677,305
2	Net Developer's Profit after Profit Share		501,456,945	363,220,360				864,677,305
3	Development Margin (Profit/Risk Margin)		61.63%	44.98%				53.33%
	Target Development Margin		23.00%	23.00%				
4	Residual Land Value (Target Margin)		235,807,350	149,618,615				385,425,965
5	Breakeven Date for Cumulative Cash Flow		Feb-2021	Apr-2021				Mar-2021
	Discount Rate (Target IRR)		18.00%	18.00%				
6	Net Present Value @ Start of Stage		161,035,395	90,209,625				
	Date of Commencement		Mar-17	Mar-17				
	Holding Discount Rate		10.00%					
7	NPV at Start of Consolidated Cash Flow		161,035,395	90,209,625				251,245,020
9	Project Internal Rate of Return (IRR)		38.00%	29.84%				34.03%
10	Residual Land Value (NPV) @ Start of Stage		180,812,275	114,774,260				295,586,535

Yield Analysis													TOTAL
Sales			Qty		SqM			Qty		SqM			Qty
Residential - Market Apartments				692		49,694		774		55,658			1,466
Commerical Office				1		18,095		1		18,095			2
Not Classified				692		49,694		609		43,731			1,300
TOTAL				####		117,484		####		117,484			2,768

Footnotes (based on current Preferences):

- Development Profit: is total revenue less total cost including interest paid and received
- Developer's Net Profit after distribution of profit share.
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).
- Net Present Value: is the project's cash flow stream discounted to present value.
It includes financing costs but excludes interest and corp tax.
- Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.
- Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.
- Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
- IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : Ryde Affordable Housing

Site1: No VPA & 27% A.H : Macquarie Park - No VPA and 27% Affordable Housing

Date of Report :	19-Jun-2017	Project Size :	1,383 Units
Time Span :	Mar-17 to Sep-21		1 per 27.35 of Site Area
Type :	Mixed Use	Project Size :	139,978.40 GFA
Status :	Under Review		1 per 0.27 of Site Area
Site Area :	37,832	FSR :	3.7:1
		Equated GFA :	139,978.40
Prepared By :	HillPDA	Address :	Macquarie Park
Prepared For :	Ryde Council		City/Suburb
Developer :	Ryde Council		NSW
			Australia

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2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

Ryde Affordable Housing

Site1: No VPA & 27% A.H

Macquarie Park - No VPA and 27% Affordable Housing

Time Span:	Mar-17 to Sep-21		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	37,832		
#N/A	3.7:1		
Project Size:	1,383 Units	Equated GFA:	139,978.40
	139,978.40 GFA	1 per 27.35 of Site Area	
		1 per 0.27 of Site Area	

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	1383.99	117,483.87	779,018.39	1,078,153,664	779,576	7,702	138.7%
Residential - Market Apartments	878.2	63,111.89	563,079.64	494,496,542			
Commercial Office	1	18,095.00	112,056,312.00	112,056,312			
Not Classified	504.79	36,276.99	934,251.49	471,600,810			
Less Selling Costs				(22,898,431)	16,557	164	-2.9%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				1,055,255,234	763,019	7,539	135.7%
TOTAL REVENUE (before GST paid)				1,055,255,234	763,019	7,539	135.7%
Less GST paid on all Revenue				(87,827,032)	63,505	627	-11.3%
TOTAL REVENUE (after GST paid)				967,428,202	699,514	6,911	124.4%
Costs							
Land Purchase Cost				30,662,722	22,171	219	3.9%
Land Acquisition Costs				2,163,537	1,564	15	0.3%
Construction Costs (inc. Contingency)				616,668,387	445,892	4,405	79.3%
Car Parking				85,802,221	62,041	613	11.0%
Open Space				2,587,854	1,871	18	0.3%
Built Form				496,812,655	359,228	3,549	63.9%
Demolish				2,100,495	1,519	15	0.3%
Contingency				29,365,161	21,233	210	3.8%
Professional Fees				62,473,438	45,172	446	8.0%
Statutory Fees				22,209,717	16,059	159	2.9%
VPA				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				2,950,058	2,133	21	0.4%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				4,087,872	2,956	29	0.5%
Interest Expense				36,307,827	26,253	259	4.7%
TOTAL COSTS (before GST reclaimed)				777,523,558	562,201	5,555	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				777,523,558	562,201	5,555	100.0%
Performance Indicators							
¹ Net Development Profit				189,904,643	137,314	1,357	
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		23.73%			
⁴ Residual Land Value		Based on Target Margin of 23% (Exclusive of GST)		34,607,992	25,024	247	
⁵ Net Present Value		Based on Discount Rate of 18% p.a. Effective		1,677,371			
⁷ Project Internal Rate of Return (IRR)		Per annum Effective		18.24%			
⁸ Residual Land Value		Based on NPV (Exclusive of GST)		32,226,704	23,302	230	
Equity IRR		Per annum Effective		27.64%			

Footnotes:

- Development Profit: is total revenue less total cost including interest paid and received
- Note: No redistribution of Developer's Gross Profit
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Ryde Affordable Housing

Site1: No VPA & 27% A.H

Macquarie Park - No VPA and 27% Affordable Housing



Independent Property Consulting

Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	163,236,370	599,354,478	163,236,370	599,354,478
% of Total Funds Invested	21.41%	78.59%	21.41%	78.59%
² Peak Exposure	152,518,170	630,113,575	152,518,170	630,113,575
Date of Peak Exposure	Jan-19	Nov-20	Jan-19	Nov-20
Month of Peak Exposure	Month 22	Month 44	Month 22	Month 44
Weighted Average Interest Rate	N.A.	6.00%	N.A.	6.00%
Interest Charged	-	36,307,827	-	36,307,827
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	189,904,643	36,307,827	189,904,643	36,307,827
⁴ Margin on Funds Invested	116.34%	6.06%	116.34%	6.06%
⁵ Payback Date	May-21	Mar-21	May-21	Mar-21
Month of Payback	Month 50	Month 48	Month 50	Month 48
⁶ IRR on Funds Invested	27.64%	6.17%	27.64%	6.17%
⁷ Equity to Debt Ratio		27.24%		27.24%
⁸ Loan to Value Ratio	14.15%	58.44%	14.15%	58.44%
⁹ Loan Ratio	20.99%	81.75%	20.99%	81.75%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

EstateMaster Development Feasibility		3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES			Site 1: No VPA & No A.H Macquarie Park - No VPA and No Affordable Housing	Site1: No VPA & 27% A.H Macquarie Park - No VPA and 27% Affordable Housing				
Ryde Affordable Housing								

Estate Master Licensed to: Hill PDA

Revenues								
Gross Sales Revenue			1,435,475,613	1,078,153,664				2,513,629,277
Less Selling Costs			(30,129,552)	(22,898,431)				(53,027,983)
TOTAL REVENUE (before GST paid)			1,405,346,061	1,055,255,234				2,460,601,295
Less GST paid on all Revenue			(120,310,846)	(87,827,032)				(208,137,878)
TOTAL REVENUE (after GST paid)			1,285,035,215	967,428,202				2,252,463,417
Costs								
Land Purchase Cost			30,662,722	30,662,722				61,325,444
Land Acquisition Costs			2,163,537	2,163,537				4,327,075
Construction (inc. Construct. Contingency)			616,668,387	616,668,387				1,233,336,775
Professional Fees			62,534,069	62,473,438				125,007,507
Statutory Fees			28,273,678	22,209,717				50,483,395
VPA			-	-				-
Land Holding Costs			2,949,167	2,950,058				5,899,225
Pre-Sale Commissions			-	-				-
Finance Charges (inc. Line Fees)			4,087,872	4,087,872				8,175,744
Interest Expense			36,238,838	36,307,827				72,546,666
TOTAL COSTS (after GST reclaimed)			783,578,270	777,523,558				1,561,101,829
Performance Indicators								
1 Gross Development Profit			501,456,945	189,904,643				691,361,588
2 Net Developer's Profit after Profit Share			501,456,945	189,904,643				691,361,588
3 Development Margin (Profit/Risk Margin)			61.63%	23.73%				42.83%
Target Development Margin			23.00%	23.00%				
4 Residual Land Value (Target Margin)			235,807,350	34,607,992				270,415,342
5 Breakeven Date for Cumulative Cash Flow			Feb-2021	May-2021				Apr-2021
Discount Rate (Target IRR)			18.00%	18.00%				
6 Net Present Value @ Start of Stage			161,035,395	1,677,371				
Date of Commencement			Mar-17	Mar-17				
Holding Discount Rate			10.00%					
7 NPV at Start of Consolidated Cash Flow			161,035,395	1,677,371				162,712,766
9 Project Internal Rate of Return (IRR)			38.00%	18.24%				28.75%
10 Residual Land Value (NPV) @ Start of Stage			180,812,275	32,226,704				213,038,979

Yield Analysis												TOTAL
Sales			Qty	SqM	Qty	SqM						Qty
Residential - Market Apartments			692	49,694	878	63,112						1,570
Commerical Office			1	18,095	1	18,095						2
Not Classified			692	49,694	505	36,277						1,196
TOTAL			####	117,484	####	117,484						2,768

- Footnotes (based on current Preferences):
- Development Profit: is total revenue less total cost including interest paid and received
 - Developer's Net Profit after distribution of profit share.
 - Development Margin: is profit divided by total costs (inc selling costs)
 - Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
 - Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).
 - Net Present Value: is the project's cash flow stream discounted to present value.
It includes financing costs but excludes interest and corp tax.
 - Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.
 - Internal Rate of Return: is the discount rate where the NPV above equals Zero.
 - Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : Ryde Affordable Housing

Site 2: With No A.H. : Ryde - No A.H.

Date of Report :	19-Jun-2017	Project Size :	35 Units
Time Span :	Mar-17 to Sep-20		1 per 43.57 of Site Area
Type :	Mixed Use	Project Size :	2,989 GFA
Status :	Under Review		1 per 0.51 of Site Area
Site Area :	1,525	FSR :	1.96:1
		Equated GFA :	2,989
Prepared By :	HillPDA	Address :	Ryde
Prepared For :	Ryde Council		Ryde
Developer :	Ryde Council		NSW
			Australia

Disclaimer

1. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by Hill PDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. Hill PDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, Hill PDA does not present them as results that will actually be achieved. Hill PDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.

2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

Ryde Affordable Housing

Site 2: With No A.H.
Ryde - No A.H.

Time Span: Mar-17 to Sep-20
Type: Mixed Use
Status: Under Review
Site Area: 1,525
#N/A: 1.96:1
Project Size: 35 Units
2,989 GFA
Equated GFA: 2,989
1 per 43.57 of Site Area
1 per 0.51 of Site Area

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	42.35	2,540.65	752,438.23	31,865,759	910,450	10,661	164.0%
Market Apartments	25.41	1,524.39	774,129.83	19,670,639			
Not Classified	16.94	1,016.26	719,900.83	12,195,120			
Less Selling Costs				(725,451)	20,727	243	-3.7%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				31,140,308	889,723	10,418	160.3%
TOTAL REVENUE (before GST paid)				31,140,308	889,723	10,418	160.3%
Less GST paid on all Revenue				(1,788,240)	51,093	598	-9.2%
TOTAL REVENUE (after GST paid)				29,352,068	838,631	9,820	151.1%

Costs							
Land Purchase Cost				3,209,090	91,688	1,074	16.5%
Land Acquisition Costs				173,149	4,947	58	0.9%
Construction Costs (inc. Contingency)				12,454,839	355,853	4,167	64.1%
Built Form				11,809,239	337,407	3,951	60.8%
Demolish				52,512	1,500	18	0.3%
Contingency				593,088	16,945	198	3.1%
Professional Fees				1,266,152	36,176	424	6.5%
Statutory Fees				589,053	16,830	197	3.0%
Misc				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				356,804	10,194	119	1.8%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				112,821	3,223	38	0.6%
Interest Expense				1,263,904	36,112	423	6.5%
TOTAL COSTS (before GST reclaimed)				19,425,811	555,023	6,499	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				19,425,811	555,023	6,499	100.0%

Performance Indicators					Per Unit	Per GFA
¹ Net Development Profit				9,926,257	283,607	3,321
³ Development Margin (Profit/Risk Margin)	Based on total costs (inc selling costs)			49.26%		
⁴ Residual Land Value	Based on Target Margin of 20% (Exclusive of GST)			7,091,671	202,619	2,373
⁵ Net Present Value	Based on Discount Rate of 18% p.a. Effective			3,837,119		
⁷ Project Internal Rate of Return (IRR)	Per annum Effective			37.66%		
⁸ Residual Land Value	Based on NPV (Exclusive of GST)			6,786,823	193,909	2,271
Equity IRR	Per annum Effective			53.50%		

Footnotes:

- Development Profit: is total revenue less total cost including interest paid and received
- Note: No redistribution of Developer's Gross Profit
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Ryde Affordable Housing

Site 2: With No A.H.

Ryde - No A.H.



Independent Property Consulting

Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	3,820,393	14,756,809	3,820,393	14,756,809
% of Total Funds Invested	20.56%	79.44%	20.56%	79.44%
² Peak Exposure	4,323,334	15,293,983	4,323,334	15,293,983
Date of Peak Exposure	Feb-20	Jan-20	Feb-20	Jan-20
Month of Peak Exposure	Month 35	Month 34	Month 35	Month 34
Weighted Average Interest Rate	5.25%	5.25%	5.25%	5.25%
Interest Charged	633,788	630,117	633,788	630,117
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	10,560,045	630,117	10,560,045	630,117
⁴ Margin on Funds Invested	276.41%	4.27%	276.41%	4.27%
⁵ Payback Date	Apr-20	Mar-20	Apr-20	Mar-20
Month of Payback	Month 37	Month 36	Month 37	Month 36
⁶ IRR on Funds Invested	53.50%	5.38%	53.50%	5.38%
⁷ Equity to Debt Ratio		25.89%		25.89%
⁸ Loan to Value Ratio	13.57%	48.00%	13.57%	48.00%
⁹ Loan Ratio	22.93%	79.21%	19.67%	79.21%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

EstateMaster [®] Development Feasibility		1	2	3	4	5	6	7	8
COMPARISON OF OPTIONS		Site 2: With No A.H.	Site 2: With 20% A.H.						
Ryde Affordable Housing		Ryde - No A.H.	Ryde 20% A.H.						
		35 Units 2,989 GFA 1,525	35 Units 2,989 GFA 1,525						
		Mixed Use Under Review	Mixed Use Under Review						
	Estate Master Licensed to: Hill PDA								
Revenues									
Gross Sales Revenue		31,865,759	24,982,300						
Less Selling Costs		(725,451)	(518,947)						
Less Purchasers Costs		-	-						
NET SALES REVENUE		31,140,308	24,463,353						
TOTAL REVENUE (before GST paid)		31,140,308	24,463,353						
Less GST paid on all Revenue		(1,788,240)	(1,162,471)						
TOTAL REVENUE (after GST paid)		29,352,068	23,300,882						
Costs									
Land Purchase Cost		3,209,090	3,209,090						
Land Acquisition Costs		173,149	173,149						
Construction (inc. Construct. Contingency)		12,454,839	12,454,839						
Professional Fees		1,266,152	1,266,136						
Statutory Fees		589,053	589,053						
Misc		-	-						
Land Holding Costs		356,804	355,260						
Pre-Sale Commissions		-	-						
Finance Charges (inc. Line Fees)		112,821	112,821						
Interest Expense		1,263,904	1,278,067						
TOTAL COSTS (before GST reclaimed)		19,425,811	19,438,414						
Less GST reclaimed		-	-						
Plus Corporate Tax		-	-						
TOTAL COSTS (after GST reclaimed)		19,425,811	19,438,414						
Performance Indicators		1	2	3	4	5	6	7	8
¹ Gross Development Profit		9,926,257	3,862,468						
² Net Developer's Profit after Profit Share		9,926,257	3,862,468						
³ Development Margin (Profit/Risk Margin)		49.26%	19.35%						
Target Development Margin		20.00%	20.00%						
⁴ Residual Land Value (Target Margin)		7,091,671	3,124,163						
⁵ Breakeven Date for Cumulative Cash Flow		Apr-2020	Jun-2020						
Discount Rate (Target IRR)		18.00%	18.00%						
⁶ Net Present Value		3,837,119	240,113						
⁹ Project Internal Rate of Return (IRR)		37.66%	19.37%						
¹⁰ Residual Land Value (NPV)		6,786,823	3,432,971						
Yield Analysis		1	2	3	4	5	6	7	8
Sales		Qty	SqM	Qty	SqM				
Market Apartments		25	1,524	17	1,016				
Affordable Housing		-	-	8	508				
Not Classified		17	1,016	17	1,016				
TOTAL		42	2,541	42	2,541				
Footnotes (based on current Preferences):									
1. Development Profit: is total revenue less total cost including interest paid and received									
2. Developer's Net Profit after distribution of profit share.									
3. Development Margin: is profit divided by total costs (inc selling costs)									
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.									
5. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).									
6. Net Present Value: is the project's cash flow stream discounted to present value.									
It includes financing costs but excludes interest and corp tax.									
8. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.									
9. Internal Rate of Return: is the discount rate where the NPV above equals Zero.									
10. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.									
11. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.									
12. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.									

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : Ryde Affordable Housing

Site 2: With 20% A.H. : Ryde 20% A.H.

Date of Report :	19-Jun-2017	Project Size :	35 Units
Time Span :	Mar-17 to Jul-20		1 per 43.57 of Site Area
Type :	Mixed Use	Project Size :	2,989 GFA
Status :	Under Review		1 per 0.51 of Site Area
Site Area :	1,525	FSR :	1.96:1
		Equated GFA :	2,989
Prepared By :	HillPDA	Address :	Ryde
Prepared For :	Ryde Council		Ryde
Developer :	Ryde Council		NSW
			Australia

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2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

Ryde Affordable Housing

Site 2: With 20% A.H.

Ryde 20% A.H.

Time Span: Mar-17 to Jul-20
Type: Mixed Use
Status: Under Review
Site Area: 1,525
#N/A: 1.96:1
Project Size: 35 Units
2,989 GFA

Equated GFA: 2,989
1 per 43.57 of Site Area
1 per 0.51 of Site Area

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	42.35	2,540.65	589,900.84	24,982,300	713,780	8,358	128.5%
Market Apartments	16.94	1,016.26	754,851.27	12,787,180			
Affordable Housing	8.47	508.13	-	-			
Not Classified	16.94	1,016.26	719,900.83	12,195,120			
Less Selling Costs				(518,947)	14,827	174	-2.7%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				24,463,353	698,953	8,184	125.9%
TOTAL REVENUE (before GST paid)				24,463,353	698,953	8,184	125.9%
Less GST paid on all Revenue				(1,162,471)	33,213	389	-6.0%
TOTAL REVENUE (after GST paid)				23,300,882	665,739	7,796	119.9%
Costs							
Land Purchase Cost				3,209,090	91,688	1,074	16.5%
Land Acquisition Costs				173,149	4,947	58	0.9%
Construction Costs (inc. Contingency)				12,454,839	355,853	4,167	64.1%
Built Form				11,809,239	337,407	3,951	60.8%
Demolish				52,512	1,500	18	0.3%
Contingency				593,088	16,945	198	3.1%
Professional Fees				1,266,136	36,175	424	6.5%
Statutory Fees				589,053	16,830	197	3.0%
Misc				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				355,260	10,150	119	1.8%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				112,821	3,223	38	0.6%
Interest Expense				1,278,067	36,516	428	6.6%
TOTAL COSTS (before GST reclaimed)				19,438,414	555,383	6,503	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				19,438,414	555,383	6,503	100.0%
Performance Indicators							
					Per Unit	Per GFA	
¹ Net Development Profit				3,862,468	110,356	1,292	
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		19.35%			
⁴ Residual Land Value		Based on Target Margin of 20% (Exclusive of GST)		3,124,163	89,262	1,045	
⁵ Net Present Value		Based on Discount Rate of 18% p.a. Effective		240,113			
⁷ Project Internal Rate of Return (IRR)		Per annum Effective		19.37%			
⁸ Residual Land Value		Based on NPV (Exclusive of GST)		3,432,971	98,085	1,149	
Equity IRR		Per annum Effective		28.65%			

Footnotes:

- Development Profit: is total revenue less total cost including interest paid and received
- Note: No redistribution of Developer's Gross Profit
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Ryde Affordable Housing

Site 2: With 20% A.H.

Ryde 20% A.H.

Hill PDA

Independent Property Consulting

Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	3,680,680	14,722,720	3,680,680	14,722,720
% of Total Funds Invested	20.00%	80.00%	20.00%	80.00%
² Peak Exposure	4,283,768	15,257,403	4,283,768	15,257,403
Date of Peak Exposure	Feb-20	Jan-20	Feb-20	Jan-20
Month of Peak Exposure	Month 35	Month 34	Month 35	Month 34
Weighted Average Interest Rate	5.25%	5.25%	5.25%	5.25%
Interest Charged	645,875	632,192	645,875	632,192
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	4,508,342	632,192	4,508,342	632,192
⁴ Margin on Funds Invested	122.49%	4.29%	122.49%	4.29%
⁵ Payback Date	Jun-20	Mar-20	Jun-20	Mar-20
Month of Payback	Month 39	Month 36	Month 39	Month 36
⁶ IRR on Funds Invested	28.65%	5.38%	28.65%	5.38%
⁷ Equity to Debt Ratio		25.00%		25.00%
⁸ Loan to Value Ratio	17.15%	61.07%	17.15%	61.07%
⁹ Loan Ratio	22.26%	78.99%	18.94%	78.99%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

EstateMaster [®] Development Feasibility		1	2	3	4	5	6	7	8
COMPARISON OF OPTIONS		Site 2: With No A.H.	Site 2: With 20% A.H.						
Ryde Affordable Housing		Ryde - No A.H.	Ryde 20% A.H.						
		35 Units 2,989 GFA 1,525	35 Units 2,989 GFA 1,525						
		Mixed Use Under Review	Mixed Use Under Review						
	Estate Master Licensed to: Hill PDA								
Revenues									
Gross Sales Revenue		31,865,759	24,982,300						
Less Selling Costs		(725,451)	(518,947)						
Less Purchasers Costs		-	-						
NET SALES REVENUE		31,140,308	24,463,353						
TOTAL REVENUE (before GST paid)		31,140,308	24,463,353						
Less GST paid on all Revenue		(1,788,240)	(1,162,471)						
TOTAL REVENUE (after GST paid)		29,352,068	23,300,882						
Costs									
Land Purchase Cost		3,209,090	3,209,090						
Land Acquisition Costs		173,149	173,149						
Construction (inc. Construct. Contingency)		12,454,839	12,454,839						
Professional Fees		1,266,152	1,266,136						
Statutory Fees		589,053	589,053						
Misc		-	-						
Land Holding Costs		356,804	355,260						
Pre-Sale Commissions		-	-						
Finance Charges (inc. Line Fees)		112,821	112,821						
Interest Expense		1,263,904	1,278,067						
TOTAL COSTS (before GST reclaimed)		19,425,811	19,438,414						
Less GST reclaimed		-	-						
Plus Corporate Tax		-	-						
TOTAL COSTS (after GST reclaimed)		19,425,811	19,438,414						
Performance Indicators		1	2	3	4	5	6	7	8
¹ Gross Development Profit		9,926,257	3,862,468						
² Net Developer's Profit after Profit Share		9,926,257	3,862,468						
³ Development Margin (Profit/Risk Margin)		49.26%	19.35%						
Target Development Margin		20.00%	20.00%						
⁴ Residual Land Value (Target Margin)		7,091,671	3,124,163						
⁵ Breakeven Date for Cumulative Cash Flow		Apr-2020	Jun-2020						
Discount Rate (Target IRR)		18.00%	18.00%						
⁶ Net Present Value		3,837,119	240,113						
⁹ Project Internal Rate of Return (IRR)		37.66%	19.37%						
¹⁰ Residual Land Value (NPV)		6,786,823	3,432,971						
Yield Analysis		1	2	3	4	5	6	7	8
Sales		Qty	SqM	Qty	SqM				
Market Apartments		25	1,524	17	1,016				
Affordable Housing		-	-	8	508				
Not Classified		17	1,016	17	1,016				
TOTAL		42	2,541	42	2,541				
Footnotes (based on current Preferences):									
1. Development Profit: is total revenue less total cost including interest paid and received									
2. Developer's Net Profit after distribution of profit share.									
3. Development Margin: is profit divided by total costs (inc selling costs)									
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.									
5. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).									
6. Net Present Value: is the project's cash flow stream discounted to present value.									
It includes financing costs but excludes interest and corp tax.									
8. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.									
9. Internal Rate of Return: is the discount rate where the NPV above equals Zero.									
10. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.									
11. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.									
12. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.									

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : West Ryde

Site 3: FSR 3:1 PP with no AH : PP with no AH

Date of Report :	19-Jun-2017	Project Size :	61 Units
Time Span :	Mar-17 to Jul-20		1 per 32.12 of Site Area
Type :	Mixed Use	Project Size :	5,879.40 GFA
Status :	Under Review		1 per 0.33 of Site Area
Site Area :	1,959.80	FSR :	3:1
		Equated GFA :	5,879.40
Prepared By :	HillPDA	Address :	Address
Prepared For :	Ryde Council		West Ryde
Developer :	Ryde Council		NSW
			Australia

Disclaimer

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2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

West Ryde

Site 3: FSR 3:1 PP with no AH
PP with no AH



Estate Master Licensed to: Hill PDA

Time Span:	Mar-17 to Jul-20		
Type:	Mixed Use		
Status:	Under Review		
Site Area:	1,959.80		
#N/A	3:1	Equated GFA:	5,879.40
Project Size:	61 Units	1 per 32.12 of Site Area	
	5,879.40 GFA	1 per 0.33 of Site Area	

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	122.4	4,997.25	478,691.70	58,591,863	960,522	9,966	174.0%
Residential - 1 Bedroom Units	60.7	4,359.65	894,384.29	54,289,127			
Retail Shops	1	637.50	4,302,736.97	4,302,737			
Affordable Housing	-	0.10	-	0			
Not Classified	60.7	-	-	-			
Less Selling Costs				(1,763,851)	28,916	300	-5.2%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				56,828,012	931,607	9,666	168.8%
TOTAL REVENUE (before GST paid)				56,828,012	931,607	9,666	168.8%
Less GST paid on all Revenue				(4,935,375)	80,908	839	-14.7%
TOTAL REVENUE (after GST paid)				51,892,637	850,699	8,826	154.1%
Costs							
Land Purchase Cost				5,800,000	95,082	986	17.2%
Land Acquisition Costs				360,990	5,918	61	1.1%
Construction Costs (inc. Contingency)				21,331,991	349,705	3,628	63.3%
Built Form				20,220,988	331,492	3,439	60.0%
Demolish				95,194	1,561	16	0.3%
Contingency				1,015,809	16,653	173	3.0%
Professional Fees				2,167,912	35,540	369	6.4%
Statutory Fees				1,192,259	19,545	203	3.5%
Misc				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				359,120	5,887	61	1.1%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				176,785	2,898	30	0.5%
Interest Expense				2,286,602	37,485	389	6.8%
TOTAL COSTS (before GST reclaimed)				33,675,659	552,060	5,728	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				33,675,659	552,060	5,728	100.0%
Performance Indicators							
¹ Net Development Profit				18,216,978	298,639	3,098	
³ Development Margin (Profit/Risk Margin)	Based on total costs (inc selling costs)			51.40%			
⁴ Residual Land Value	Based on Target Margin of 20% (Exclusive of GST)			13,149,476	215,565	2,237	
⁵ Net Present Value	Based on Discount Rate of 18% p.a. Effective			7,227,976			
⁷ Project Internal Rate of Return (IRR)	Per annum Effective			38.84%			
⁸ Residual Land Value	Based on NPV (Exclusive of GST)			12,539,371	205,563	2,133	
Equity IRR	Per annum Effective			54.86%			

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
5. Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

West Ryde

Site 3: FSR 3:1 PP with no AH
PP with no AH



Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	7,940,448	25,313,546	7,940,448	25,313,546
% of Total Funds Invested	23.88%	76.12%	23.88%	76.12%
² Peak Exposure	7,775,750	26,300,992	7,775,750	26,300,992
Date of Peak Exposure	Mar-20	Feb-20	Mar-20	Feb-20
Month of Peak Exposure	Month 36	Month 35	Month 36	Month 35
Weighted Average Interest Rate	5.25%	5.25%	5.25%	5.25%
Interest Charged	1,158,970	1,127,631	1,158,970	1,127,631
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	19,375,949	1,127,631	19,375,949	1,127,631
⁴ Margin on Funds Invested	244.02%	4.45%	244.02%	4.45%
⁵ Payback Date	Apr-20	Apr-20	Apr-20	Apr-20
Month of Payback	Month 37	Month 37	Month 37	Month 37
⁶ IRR on Funds Invested	54.86%	5.38%	54.86%	5.38%
⁷ Equity to Debt Ratio		31.37%		31.37%
⁸ Loan to Value Ratio	13.27%	44.89%	13.27%	44.89%
⁹ Loan Ratio	27.02%	78.52%	23.58%	78.52%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : West Ryde

Site 3: FSR 3:1 PP with 11% AH : PP with 11% AH

Date of Report :	19-Jun-2017	Project Size :	61 Units
Time Span :	Mar-17 to Jul-20		1 per 32.12 of Site Area
Type :	Mixed Use	Project Size :	5,879.40 GFA
Status :	Under Review		1 per 0.33 of Site Area
Site Area :	1,959.80	FSR :	3:1
		Equated GFA :	5,879.40
Prepared By :	HillPDA	Address :	Address
Prepared For :	Ryde Council		West Ryde
Developer :	Ryde Council		NSW
			Australia

Disclaimer

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2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

West Ryde

Site 3: FSR 3:1 PP with 11% AH
PP with 11% AH

Time Span: Mar-17 to Jul-20
Type: Mixed Use
Status: Under Review
Site Area: 1,959.80
#N/A 3:1
Project Size: 61 Units
5,879.40 GFA
Equated GFA: 5,879.40
1 per 32.12 of Site Area
1 per 0.33 of Site Area

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	123.8	4,997.15	425,041.29	52,620,112	862,625	8,950	134.2%
Residential - 1 Bedroom Units	54.65	3,880.09	884,123.01	48,317,323			
Retail Shops	1	637.50	4,302,736.97	4,302,737			
Affordable Housing	6.75	479.56	7.76	52			
Not Classified	61.4	-	-	-			
Less Selling Costs				(1,584,698)	25,979	270	-4.0%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				51,035,414	836,646	8,680	130.2%
TOTAL REVENUE (before GST paid)				51,035,414	836,646	8,680	130.2%
Less GST paid on all Revenue				(4,392,489)	72,008	747	-11.2%
TOTAL REVENUE (after GST paid)				46,642,925	764,638	7,933	119.0%
Costs							
Land Purchase Cost				6,000,000	98,361	1,021	15.3%
Land Acquisition Costs				375,490	6,156	64	1.0%
Construction Costs (inc. Contingency)				25,925,698	425,011	4,410	66.1%
Built Form				24,595,946	403,212	4,183	62.7%
Demolish				95,194	1,561	16	0.2%
Contingency				1,234,557	20,239	210	3.1%
Professional Fees				2,630,760	43,127	447	6.7%
Statutory Fees				1,126,548	18,468	192	2.9%
Misc				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				359,137	5,887	61	0.9%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				220,108	3,608	37	0.6%
Interest Expense				2,566,124	42,068	436	6.5%
TOTAL COSTS (before GST reclaimed)				39,203,864	642,686	6,668	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				39,203,864	642,686	6,668	100.0%
Performance Indicators							
¹ Net Development Profit				7,439,061	121,952	1,265	
³ Development Margin (Profit/Risk Margin)	Based on total costs (inc selling costs)			18.24%			
⁴ Residual Land Value	Based on Target Margin of 20% (Exclusive of GST)			5,527,213	90,610	940	
⁵ Net Present Value	Based on Discount Rate of 18% p.a. Effective			386,525			
⁷ Project Internal Rate of Return (IRR)	Per annum Effective			19.13%			
⁸ Residual Land Value	Based on NPV (Exclusive of GST)			6,360,397	104,269	1,082	
Equity IRR	Per annum Effective			28.05%			

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
5. Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

West Ryde

Site 3: FSR 3:1 PP with 11% AH
PP with 11% AH



Independent Property Consulting

Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	8,808,004	29,493,078	8,808,004	29,493,078
% of Total Funds Invested	23.00%	77.00%	23.00%	77.00%
² Peak Exposure	8,926,172	30,555,646	8,926,172	30,555,646
Date of Peak Exposure	Mar-20	Feb-20	Mar-20	Feb-20
Month of Peak Exposure	Month 36	Month 35	Month 36	Month 35
Weighted Average Interest Rate	5.25%	5.25%	5.25%	5.25%
Interest Charged	1,316,607	1,249,516	1,316,607	1,249,516
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	8,755,668	1,249,516	8,755,668	1,249,516
⁴ Margin on Funds Invested	99.41%	4.24%	99.41%	4.24%
⁵ Payback Date	May-20	Apr-20	May-20	Apr-20
Month of Payback	Month 38	Month 37	Month 38	Month 37
⁶ IRR on Funds Invested	28.05%	5.38%	28.05%	5.38%
⁷ Equity to Debt Ratio		29.86%		29.86%
⁸ Loan to Value Ratio	16.96%	58.07%	16.96%	58.07%
⁹ Loan Ratio	25.83%	78.42%	22.47%	78.42%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

Development Feasibility Model

EstateMaster Licensed to: Hill PDA

Hill PDA

Independent Property Consulting

C17078 : Gladesville

Site 4: PP No AH : No AH

Date of Report :	19-Jun-2017	Project Size :	543 Units
Time Span :	Mar-17 to Feb-21		1 per 43.96 of Site Area
Type :	Mixed Use	Project Size :	47,744 GFA
Status :	Under Review		1 per 0.5 of Site Area
Site Area :	23,872	FSR :	2:1
		Equated GFA :	47,744
Prepared By :	HillPDA	Address :	Address
Prepared For :	Ryde Council		Gladesville
Developer :	Ryde Council		NSW
			Australia

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Gladesville

Site 4: PP No AH
No AH



Independent Property Consulting

Estate Master Licensed to: Hill PDA

Time Span: Mar-17 to Feb-21
Type: Mixed Use
Status: Under Review
Site Area: 23,872
#N/A 2:1
Project Size: 543 Units
47,744 GFA
Equated GFA: 47,744
1 per 43.96 of Site Area
1 per 0.5 of Site Area

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	544.43	47,266.56	1,055,529.47	574,661,909	1,058,309	12,036	191.5%
Market Apartments	543.43	38,542.40	1,028,364.93	558,844,356			
Retail Shops	1	2,040.00	15,817,553.43	15,817,553			
Affordable Housing	-	6,684.16	-	-			
Less Selling Costs				(17,081,682)	31,458	358	-5.7%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				557,580,227	1,026,851	11,679	185.8%
TOTAL REVENUE (before GST paid)				557,580,227	1,026,851	11,679	185.8%
Less GST paid on all Revenue				(50,804,032)	93,562	1,064	-16.9%
TOTAL REVENUE (after GST paid)				506,776,195	933,289	10,614	168.9%
Costs							
Land Purchase Cost				34,375,680	63,307	720	11.5%
Land Acquisition Costs				2,432,727	4,480	51	0.8%
Construction Costs (inc. Contingency)				210,040,531	386,815	4,399	70.0%
Built Form				198,913,408	366,323	4,166	66.3%
Demolish				1,125,193	2,072	24	0.4%
Contingency				10,001,930	18,420	209	3.3%
Professional Fees				21,311,131	39,247	446	7.1%
Statutory Fees				10,796,091	19,882	226	3.6%
Misc				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				1,008,091	1,857	21	0.3%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				1,863,685	3,432	39	0.6%
Interest Expense				18,273,332	33,653	383	6.1%
TOTAL COSTS (before GST reclaimed)				300,101,268	552,673	6,286	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				300,101,268	552,673	6,286	100.0%
Performance Indicators							
					Per Unit	Per GFA	
¹ Net Development Profit				206,674,927	380,617	4,329	
³ Development Margin (Profit/Risk Margin)		Based on total costs (inc selling costs)		65.16%			
⁴ Residual Land Value		Based on Target Margin of 22% (Exclusive of GST)		123,052,721	226,616	2,577	
⁵ Net Present Value		Based on Discount Rate of 18% p.a. Effective		92,671,750			
⁷ Project Internal Rate of Return (IRR)		Per annum Effective		50.22%			
⁸ Residual Land Value		Based on NPV (Exclusive of GST)		120,782,906	222,436	2,530	
Equity IRR		Per annum Effective		68.98%			

Footnotes:

- Development Profit: is total revenue less total cost including interest paid and received
- Note: No redistribution of Developer's Gross Profit
- Development Margin: is profit divided by total costs (inc selling costs)
- Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
- Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
- Internal Rate of Return: is the discount rate where the NPV above equals Zero.
- Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Gladesville

Site 4: PP No AH
No AH



Independent Property Consulting

Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	60,070,299	236,049,508	60,070,299	236,049,508
% of Total Funds Invested	20.29%	79.71%	20.29%	79.71%
² Peak Exposure	67,878,683	236,236,879	67,878,683	236,236,879
Date of Peak Exposure	Mar-20	Feb-20	Mar-20	Feb-20
Month of Peak Exposure	Month 36	Month 35	Month 36	Month 35
Weighted Average Interest Rate	5.25%	5.25%	5.25%	5.25%
Interest Charged	9,163,275	9,110,057	9,163,275	9,110,057
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	215,838,202	9,110,057	215,838,202	9,110,057
⁴ Margin on Funds Invested	359.31%	3.86%	359.31%	3.86%
⁵ Payback Date	Apr-20	Feb-21	Apr-20	Feb-21
Month of Payback	Month 37	Month 47	Month 37	Month 47
⁶ IRR on Funds Invested	68.98%	5.38%	68.98%	5.38%
⁷ Equity to Debt Ratio		25.45%		25.45%
⁸ Loan to Value Ratio	11.81%	41.11%	11.81%	41.11%
⁹ Loan Ratio	23.07%	81.69%	20.02%	81.69%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17078 : Gladesville

Site 4: PP with 28% A.H. : Gladesville with 28% A.H.

Date of Report :	19-Jun-2017	Project Size :	543 Units
Time Span :	Mar-17 to Feb-21		1 per 43.96 of Site Area
Type :	Mixed Use	Project Size :	47,744 GFA
Status :	Under Review		1 per 0.5 of Site Area
Site Area :	23,872	FSR :	2:1
		Equated GFA :	47,744
Prepared By :	HillPDA	Address :	Address
Prepared For :	Ryde Council		Gladesville
Developer :	Ryde Council		NSW
			Australia

Disclaimer

1.This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by Hill PDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. Hill PDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, Hill PDA does not present them as results that will actually be achieved. Hill PDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.

2. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.

Gladesville

Site 4: PP with 28% A.H.
Gladesville with 28% A.H.

Time Span: Mar-17 to Feb-21
Type: Mixed Use
Status: Under Review
Site Area: 23,872
#N/A 2:1
Project Size: 543 Units
47,744 GFA
Equated GFA: 47,744
1 per 43.96 of Site Area
1 per 0.5 of Site Area

				Total AUD	AUD Per Unit	AUD Per GFA	AUD Per Total Net Costs
Revenues							
	Quantity	SqM	AUD/Quantity				
Gross Sales Revenue	1086.7	40,582.40	384,821.47	418,185,489	770,139	8,759	138.9%
Residential - 1 Bedroom Units	390.85	27,750.53	1,029,468.94	402,367,936			
Retail Shops	1	2,040.00	15,817,553.43	15,817,553			
Affordable Housing	152	10,791.87	-	-			
Not Classified	542.85	-	-	-			
Less Selling Costs				(12,821,670)	23,613	269	-4.3%
Less Purchasers Costs				-	-	-	0.0%
NET SALES REVENUE				405,363,820	746,526	8,490	134.7%
TOTAL REVENUE (before GST paid)				405,363,820	746,526	8,490	134.7%
Less GST paid on all Revenue				(36,578,903)	67,364	766	-12.2%
TOTAL REVENUE (after GST paid)				368,784,916	679,162	7,724	122.5%
Costs							
Land Purchase Cost				34,375,680	63,307	720	11.4%
Land Acquisition Costs				2,432,727	4,480	51	0.8%
Construction Costs (inc. Contingency)				212,817,825	391,930	4,457	70.7%
Built Form				201,558,450	371,194	4,222	67.0%
Demolish				1,125,193	2,072	24	0.4%
Contingency				10,134,182	18,663	212	3.4%
Professional Fees				21,566,953	39,718	452	7.2%
Statutory Fees				8,353,914	15,385	175	2.8%
Misc				-	-	-	0.0%
Project Contingency (Reserve)				-	-	-	0.0%
Land Holding Costs				1,009,537	1,859	21	0.3%
Pre-Sale Commissions				-	-	-	0.0%
Finance Charges (inc. Fees)				1,889,877	3,480	40	0.6%
Interest Expense				18,515,721	34,099	388	6.2%
TOTAL COSTS (before GST reclaimed)				300,962,234	554,258	6,304	100.0%
Less GST reclaimed				-	-	-	0.0%
TOTAL COSTS (after GST reclaimed)				300,962,234	554,258	6,304	100.0%
Performance Indicators							
¹ Net Development Profit				67,822,682	124,904	1,421	
³ Development Margin (Profit/Risk Margin)	Based on total costs (inc selling costs)			21.61%			
⁴ Residual Land Value	Based on Target Margin of 22% (Exclusive of GST)			33,588,527	61,857	704	
⁵ Net Present Value	Based on Discount Rate of 20% p.a. Effective			5,228,586			
⁷ Project Internal Rate of Return (IRR)	Per annum Effective			22.18%			
⁸ Residual Land Value	Based on NPV (Exclusive of GST)			39,250,818	72,285	822	
Equity IRR	Per annum Effective			32.66%			

Footnotes:

1. Development Profit: is total revenue less total cost including interest paid and received
2. Note: No redistribution of Developer's Gross Profit
3. Development Margin: is profit divided by total costs (inc selling costs)
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
5. Net Present Value: is the project's cash flow stream discounted to present value. It includes financing costs but excludes interest and corp tax.
7. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
8. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.

Gladesville

Site 4: PP with 28% A.H.
Gladesville with 28% A.H.



Estate Master Licensed to: Hill PDA

Returns on Funds Invested	Developer's Equity	Senior Loan	Total Equity	Total Debt
		Debt		
		Lender Name		
¹ Funds Invested (Cash Outlay)	58,328,619	233,314,476	58,328,619	233,314,476
% of Total Funds Invested	20.00%	80.00%	20.00%	80.00%
² Peak Exposure	67,098,206	235,809,791	67,098,206	235,809,791
Date of Peak Exposure	Mar-20	Feb-20	Mar-20	Feb-20
Month of Peak Exposure	Month 36	Month 35	Month 36	Month 35
Weighted Average Interest Rate	5.25%	5.25%	5.25%	5.25%
Interest Charged	9,406,879	9,108,842	9,406,879	9,108,842
Line Fees Charged	-	-	-	-
Application Fees Charged	-	-	-	-
Profit Share Received	-	-	-	-
³ Total Profit to Funders	77,229,561	9,108,842	77,229,561	9,108,842
⁴ Margin on Funds Invested	132.40%	3.90%	132.40%	3.90%
⁵ Payback Date	Jun-20	Jan-21	Jun-20	Jan-21
Month of Payback	Month 39	Month 46	Month 39	Month 46
⁶ IRR on Funds Invested	32.66%	5.38%	32.66%	5.38%
⁷ Equity to Debt Ratio		25.00%		25.00%
⁸ Loan to Value Ratio	16.05%	56.39%	16.05%	56.39%
⁹ Loan Ratio	22.51%	80.55%	19.38%	80.55%
	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).	of Project & Finance Costs (inc Interest/Fees and net of GST).

Footnotes:

1. The total amount of funding injected into the project cash flow.
2. The maximum cash flow exposure of that equity/debt facility including capitalised interest.
3. The total repayments less funds invested, including profit share paid or received.
4. Margin is net profit divided by total funds invested (cash outlay).
5. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
6. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.
7. Equity to Debt Ratio is the amount of equity contributed into the project as a percentage of debt funding.
8. Loan to Value ratio is the Peak Equity/Debt Exposure divided by Total Sales Revenue.
9. Loan Ratio is the total funds invested by the lender (cash outlay) divided by the nominated ratio calculation method. It includes capitalised interest and fees.

EstateMaster  Development Feasibility		1	2	3	4	5	6	7	8
COMPARISON OF OPTIONS		Site 4: PP No AH	Site 4: PP with 28% A.H.						
Gladesville		No AH	Gladesville with 28% A.H.						
		543 Units 47,744 GFA 23,872	543 Units 47,744 GFA 23,872						
Estate Master Licensed to: Hill PDA		Mixed Use Under Review	Mixed Use Under Review						
Revenues									
Gross Sales Revenue		574,661,909	496,423,699						
Less Selling Costs		(17,081,682)	(15,168,816)						
Less Purchasers Costs		-	-						
NET SALES REVENUE		557,580,227	481,254,883						
TOTAL REVENUE (before GST paid)		557,580,227	481,254,883						
Less GST paid on all Revenue		(50,804,032)	(43,691,468)						
TOTAL REVENUE (after GST paid)		506,776,195	437,563,415						
Costs									
Land Purchase Cost		34,375,680	34,375,680						
Land Acquisition Costs		2,432,727	2,432,727						
Construction (inc. Construct. Contingency)		210,040,531	212,817,825						
Professional Fees		21,311,131	21,579,287						
Statutory Fees		10,796,091	9,588,096						
Misc		-	-						
Land Holding Costs		1,008,091	1,008,700						
Pre-Sale Commissions		-	-						
Finance Charges (inc. Line Fees)		1,863,685	1,889,877						
Interest Expense		18,273,332	18,294,606						
TOTAL COSTS (before GST reclaimed)		300,101,268	301,986,797						
Less GST reclaimed		-	-						
Plus Corporate Tax		-	-						
TOTAL COSTS (after GST reclaimed)		300,101,268	301,986,797						
Performance Indicators		1	2	3	4	5	6	7	8
¹ Gross Development Profit		206,674,927	135,576,619						
² Net Developer's Profit after Profit Share		206,674,927	135,576,619						
³ Development Margin (Profit/Risk Margin)		65.16%	42.75%						
Target Development Margin		22.00%	22.00%						
⁴ Residual Land Value (Target Margin)		123,052,721	76,869,342						
⁵ Breakeven Date for Cumulative Cash Flow		Apr-2020	Apr-2020						
Discount Rate (Target IRR)		18.00%	20.00%						
⁶ Net Present Value		92,671,750	43,034,236						
⁹ Project Internal Rate of Return (IRR)		50.22%	36.67%						
¹⁰ Residual Land Value (NPV)		120,782,906	74,500,842						
Yield Analysis		1	2	3	4	5	6	7	8
Sales		Qty	SqM	Qty	SqM				
Market Apartments		543	38,542	467	33,146				
Retail Shops		1	2,040	1	2,040				
Affordable Housing		-	6,684	76	5,396				
Not Classified		-	-	543	-				
TOTAL		544	47,267	####	40,582				
Footnotes (based on current Preferences):									
1. Development Profit: is total revenue less total cost including interest paid and received									
2. Developer's Net Profit after distribution of profit share.									
3. Development Margin: is profit divided by total costs (inc selling costs)									
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.									
5. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).									
6. Net Present Value: is the project's cash flow stream discounted to present value.									
It includes financing costs but excludes interest and corp tax.									
8. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.									
9. Internal Rate of Return: is the discount rate where the NPV above equals Zero.									
10. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.									
11. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.									
12. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.									

Disclaimer

1. This report is for the confidential use only of the party to whom it is addressed ("Client") for the specific purposes to which it refers and has been based on, and takes into account, the Client's specific instructions. It is not intended to be relied on by any third party who, subject to paragraph 3, must make their own enquiries in relation to the issues with which this report deals.
2. Hill PDA makes no representations as to the appropriateness, accuracy or completeness of this report for the purpose of any party other than the Client ("Recipient"). Hill PDA disclaims all liability to any Recipient for any loss, error or other consequence which may arise as a result of the Recipient acting, relying upon or using the whole or part of this report's contents.
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4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by Hill PDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. Hill PDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, Hill PDA does not present them as results that will actually be achieved. Hill PDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report Hill PDA has relied upon information concerning the subject property and/or proposed development provided by the Client and Hill PDA has not independently verified this information except where noted in this report.
7. In relation to any valuation which is undertaken for a Managed Investment Scheme (as defined by the Managed Investments Act 1998) or for any lender that is subject to the provisions of the Managed Investments Act, the following clause applies:
8. This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.
9. HillPDA makes no representations or warranties of any kind, about the accuracy, reliability, completeness, suitability or fitness in relation to maps generated by HillPDA or contained within this report.

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