

20th September 2012

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87 BAY STREET, GLEBE – AFFORDABLE HOUSING

This letter has been prepared in response to a request from the City of Sydney for further formation on the economic feasibility of the affordable housing component within the proposed rezoning of 87 Bay Street Glebe development.

This submission outlines:

- Recent examples of affordable housing contribution within the City of Sydney
- Outlines the proposed contribution at 87 Bay Street, Glebe and compares these to the other examples
- Compares the contribution to a monetary in lieu contribution

The results of our assessment demonstrate that the proposal would result in significantly more affordable housing being provided than in other examples and the cost contribution to the developer would also be higher.

Community Housing Provider

M.T. Management has executed a letter of intent with St George Community Housing Limited and are currently negotiating the terms of a formal heads of agreement which will secure St George Housing as the community housing provider for the project. Annexure 'A' contains an example of what can be achieved in the 893sq.m of affordable housing.

Recent Examples

Location IQ prepared an Affordable Housing Study for M . T. Management in September 2011. A number of examples of recently approved projects were reviewed in relation to affordable housing. An update of this information includes:

- i. In the Green Square urban development area, 3% of Gross Floor Area (GFA) will be provided for affordable housing, with an in lieu monetary contribution currently at \$136.57 per sq.m.
- ii. The redevelopment of the Harold Park harness racing track by Mirvac recently received approval from Sydney City Council. The planning agreement requires 1,000 sq.m of land for at least 50 affordable dwellings (out of a total of 1,250). In total, some 3.8% of the total GFA of the project (equivalent to 5,000 sq.m) of affordable housing will be provided.
- iii. At Barangaroo, a development agreement with Lend Lease has allocated 2.3% of residential GFA within Barangaroo South to be devoted to affordable housing. This would translate to approximately 18 units, or around 2,000 sq.m.

In summary, a review of other major development projects in Inner City Sydney indicates that around 2.3% - 3.8% of GFA is typically devoted to affordable housing. In cases where land is being dedicated, the affordable housing provider is then required to fund the building of the actual housing and have a builder undertake the works. In other cases, a

monetary contribution in lieu of developing affordable housing on the site is typically occurring.

87 Bay Street, Glebe

M.T. Management, the owners of 87 Bay Street Glebe, are looking at a new model to provide more affordable housing at the site than is typically being achieved at other Inner City Sydney sites. This model involves M.T. Management actually providing the built affordable housing to be operated by an affordable housing provider, rather than providing a monetary in lieu contribution. This model is similar to that used in the Green Square Affordable Housing Program.

The current proposal to maximise affordable housing at the site is that 7% of floorspace above the floorspace ratio of 1.5 : 1 would be developed as affordable housing. On the basis of a proposed total of 20,894 sq.m of floorspace at the site, with some 12,735 sq.m provided above the ratio of 1.5 : 1. This results in some 893 sq.m of floorspace devoted to affordable housing.

As compared with other developments, this is well above the other figures in the range of 2.3% - 3.8% at other projects in Inner Sydney and the affordable housing is actually built for the affordable housing provider to lease and/or buy.

Monetary In Lieu Contribution

If a monetary in lieu contribution was made by the developer, for the floorspace above the 1.5 : 1 ratio, at a rate of \$136.57, this would correspond to a contribution of \$1.741 million (i.e. 12,753 sq.m multiplied by \$136.57). The rate of \$136.57 is the current (1 March 2012 to 28 February 2013) City of Sydney Council affordable housing rate for in lieu monetary contributions under the Green Square Affordable Housing Scheme.

If the proposed operator of the affordable housing at the Bay Street Glebe site was to purchase housing from the market housing stock in the Glebe or Ultimo area, the value of units available would require a minimum of \$9,500 per sq.m to purchase. Dividing the monetary contribution of \$1.74 million by \$9,500 per sq.m indicates around 184 sq.m of affordable housing floorspace would be developed as a result of an in lieu contribution. This is significantly lower than the 893 sq.m proposed to be built on site by the developer.

The model of providing housing built by the developer itself to then be leased and/or sold to an operator, such as St George Community Housing, therefore, is providing four times the amount of floorspace at 893 sq.m as compared with the monetary in lieu contribution which would provide 184 sq.m of affordable housing (i.e. an additional 709 sq.m).

Typical Number of Units

The typical areas for different affordable housing product types are as follows:

- i. Studio – a minimum of 35 sq.m of net lettable area.
- ii. One bedroom – a minimum of 50 sq.m of net lettable area.
- iii. Two bedroom – a minimum of 70 sq.m of net lettable area.

Taking an average of 50 sq.m, or the equivalent of a one bedroom unit, an in lieu monetary contribution at 87 Bay Street would contribute around four units as compared with 17 units being provided under the scheme proposed by the developer.

Equivalent Monetary Value

The equivalent monetary value that will be provided by the developers of 87 Bay Street Glebe by providing 893 sq.m of built affordable housing floorspace comprising approximately 17 units would be as follows:

- i. The 893 sq.m would be valued at \$9,500 per sq.m as indicated previously. This is equivalent to an end value of around \$8.48 million.
- ii. An affordable housing operator such as St George Community Housing would pay M.T. Management the equivalent of around \$5,400 per sq.m of FSR for the affordable housing units. This corresponds to a payment of roughly \$4.82 million.
- iii. The difference is the value being contributed by the developer, M.T. Management, including land value and some construction costs at around \$3.66 million, is \$1.92 million or 110% above the in lieu monetary contribution calculation of \$1.741 million outlined previously.

Conclusions

In summary, the new model that M.T. Management is providing for the 87 Bay Street Glebe development will provide more affordable housing across any of the measures proposed in comparison with existing proposals including:

- i. Some 7% of gross floor area that will be added to the development as a result of the rezoning on the site as compared with existing developments at Green Square, Harold Park and Barangaroo providing less than 3.8% of floorspace in each instance, and in some cases 2.3%.
- ii. A total number of 17 units, which is well above the amount which could be developed from in lieu contributions (four units).

- iii. The equivalent contribution by the developer at \$3.66 million (including land and some construction costs) would be 110% above the up front monetary in lieu contribution of \$1.74 million.

On the basis of all of the above measures, the proposal would optimise the amount of affordable housing that can be delivered at this site, subject to the constraints of the land and in comparison to other projects in Inner Sydney.

Yours Sincerely

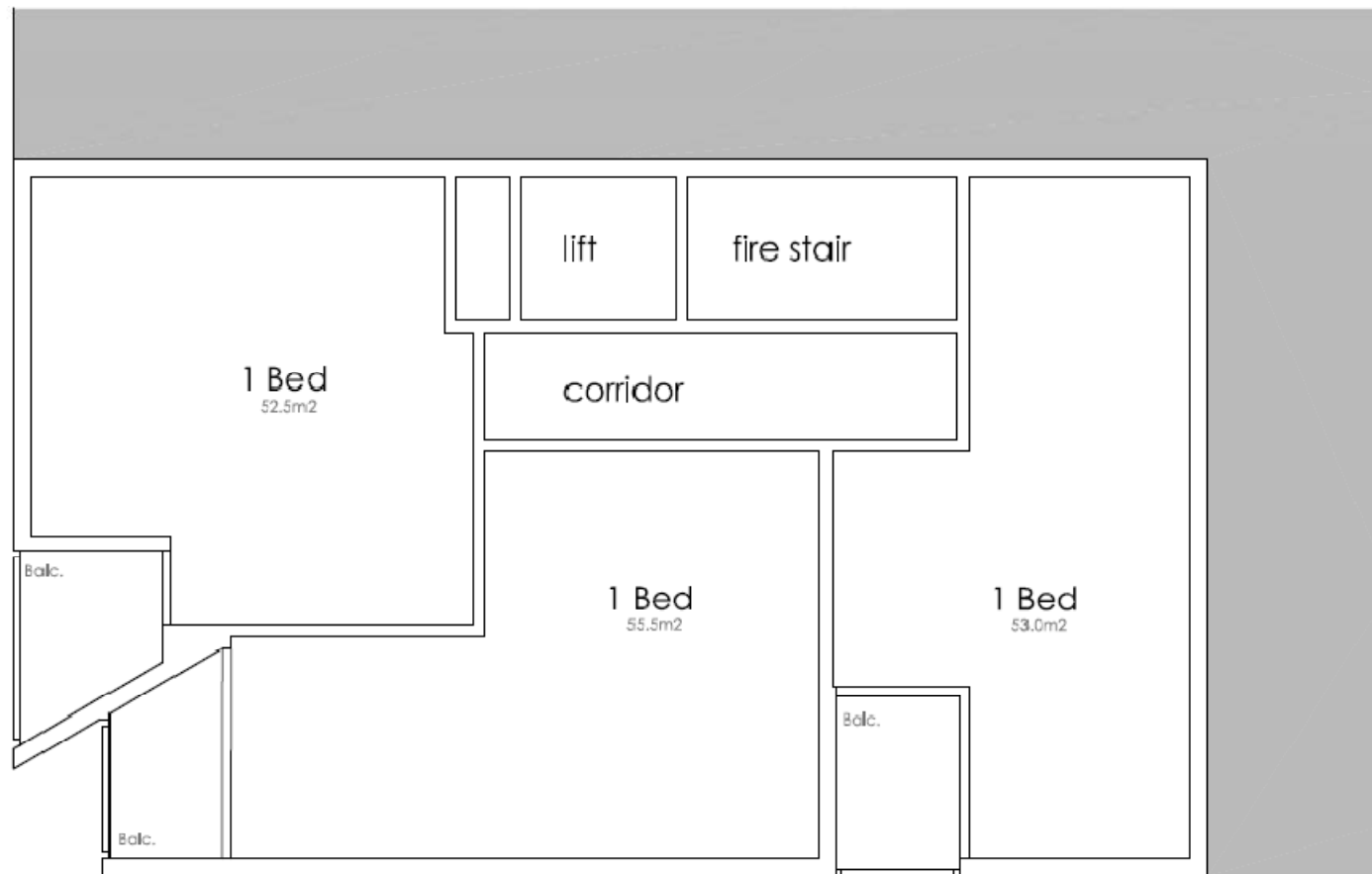


Gavin Duane

Director

LOCATION

ANNEXURE A

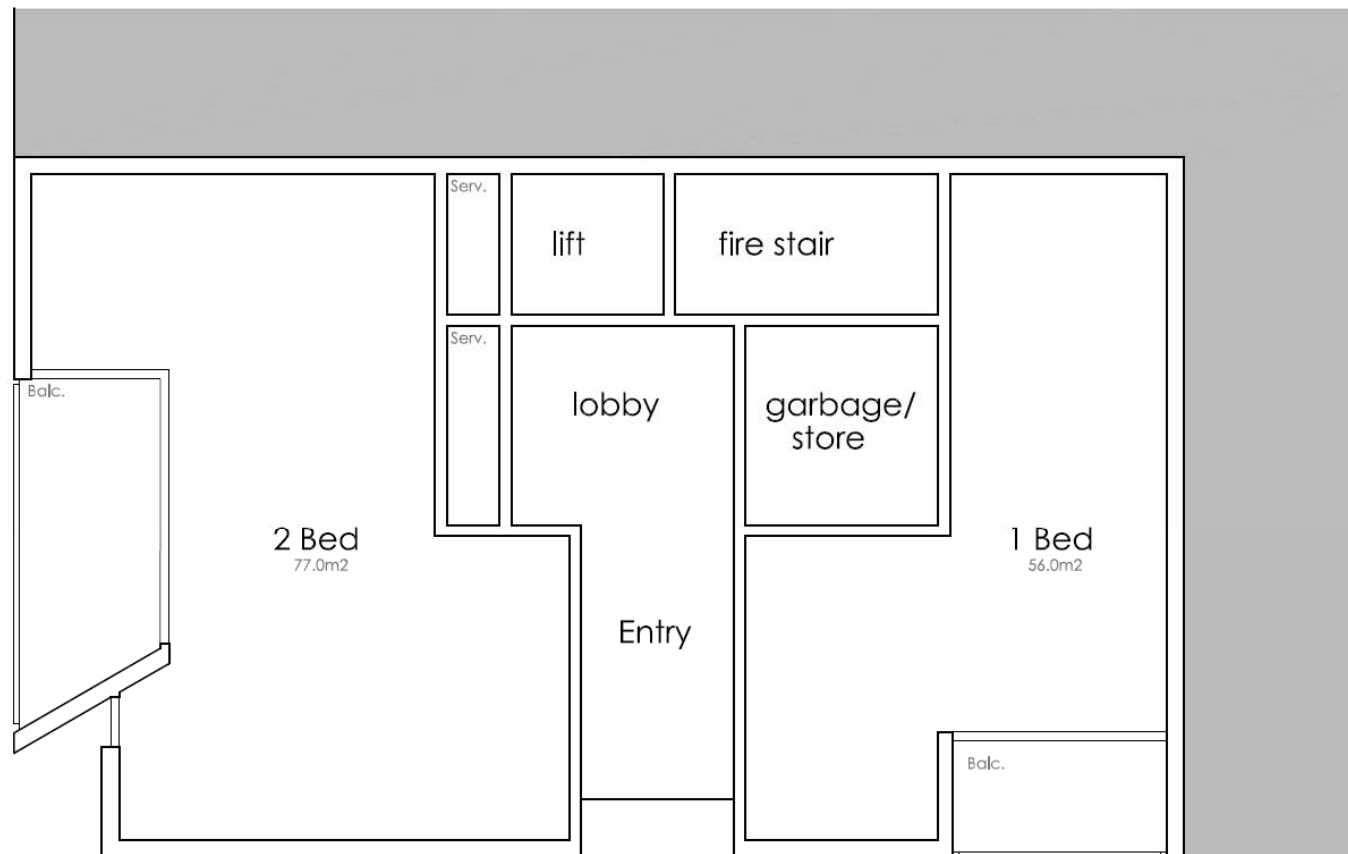


87 Bay St, Glebe

1 Bed Apt Level

Affordable Housing

scale 1 : 100 @ A4 date : September 2012

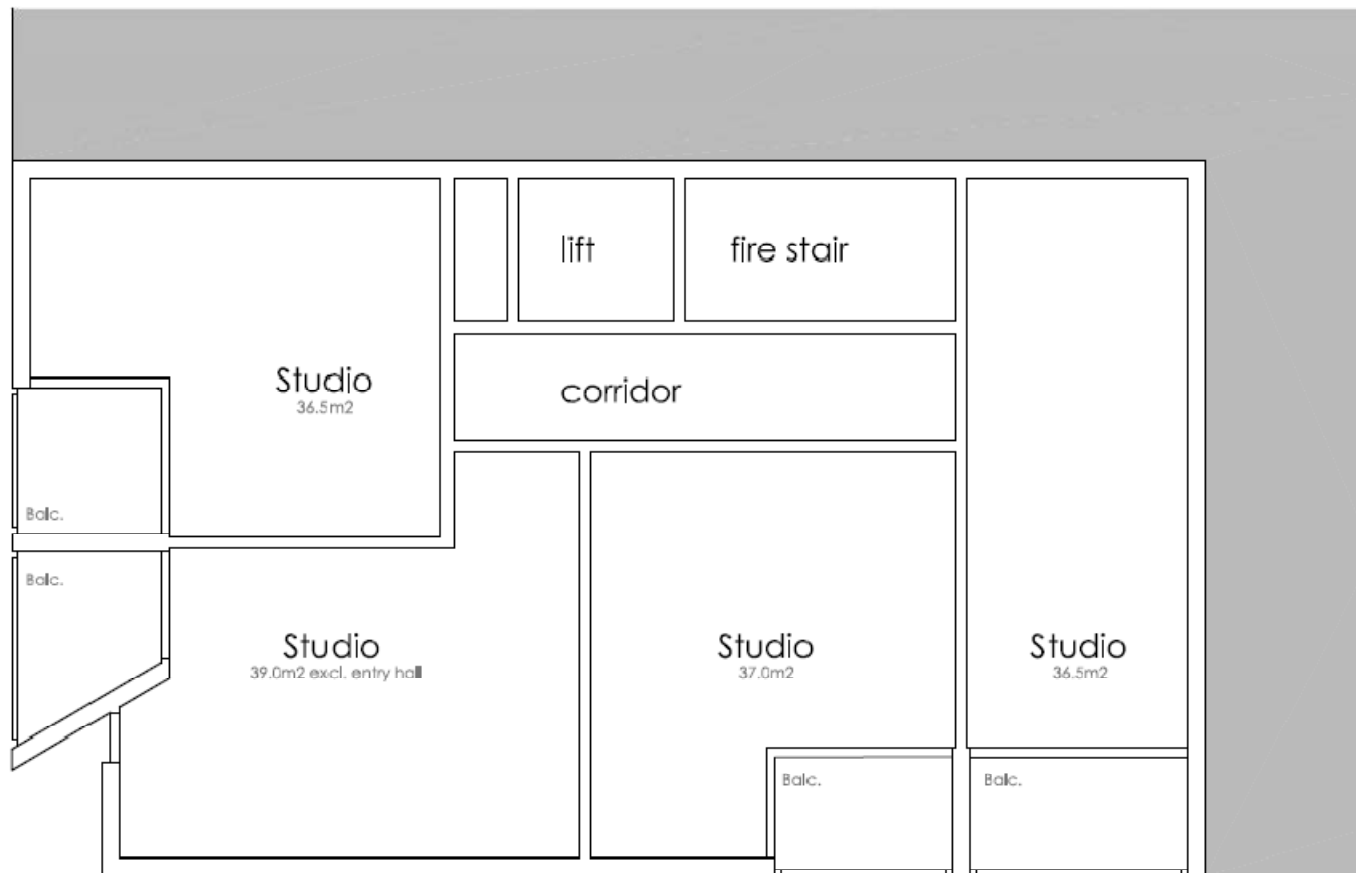


87 Bay St, Glebe

Ground Floor

Affordable Housing

scale 1 : 100 @ A4 date : September 2012



87 Bay St, Glebe

Studio Apt Level

Affordable Housing

scale 1 : 100 @ A4 date : September 2012