ALFRED STREET PRECINCT

ECONOMIC FEASIBILITY ANALYSIS

BENMILL PTY LTD

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EXECUTIVE SUMMARY

BACKGROUND

Benmill Pty Ltd owns the commercial building at 275 Alfred Street, North Sydney (referred to as 'the Site'). Constructed in 1971, the Site's improvements comprise an 18-level commercial building (ground floor retail and 17 floors of office floorspace) and is located approximately 700m to the east of the main North Sydney CBD core.

A Planning Proposal was submitted to North Sydney Council (Council) in September 2015 seeking to rezone the land from B3 Commercial Core to B4 Mixed Use and increase the maximum building height and floorspace ratio controls to facilitate a 26 storey mixed use redevelopment of the Site.

In February 2016 Council refused the planning proposal in part due the absence of an underpinning strategic planning study for the broader Alfred Street precinct. Following a pre-gateway review by the Sydney North Joint Regional Planning Panel (JRPP), the proposal was recommended for refusal however the panel recommended that the Building be considered for rezoning in conjunction with the rest of the properties in the street block.

Further to the JRPP's recommendations, Council resolved to carry out a strategic review of the Alfred Street Precinct and prepare a planning study that will guide future planning proposals for the Site.

In March 2018 the Alfred Street Precinct Planning Study was completed and placed on public exhibition for public comment. The planning study examines the entire street block of Alfred Street which comprises 263-265 Alfred Street, 271-283 Alfred Street and 4 Little Alfred Street. Altogether the study area comprises six allotments, three of which are held under strata title.

AEC Group (AEC) is engaged by Benmill to prepare an Economic Feasibility Study to assist with its submission on the recently exhibited Alfred Street Precinct Planning Study.

The Economic Feasibility Study seeks to assist Benmill understand the deliverability of the Alfred Street Precinct Planning Study (the Planning Study), in particular the implications for the redevelopment of 275 Alfred Street (the Site) and revitalisation of the Alfred Street Precinct (the Precinct).

PLANNING STUDY'S PREFERRED OPTION

The Planning Study selects a Preferred Option as the preferred development response in the Precinct, envisaging:

- Two development bocks (Site A and Site B):
    - Site A comprised of 271-283 Alfred Street; and
    - Site B comprised of 263-269 Alfred Street and 4 Little Alfred Street.
- Site A - Maximum 23 storey residential tower over a 3 storey commercial podium at the northern end of the Precinct. This is subject to amalgamation of 271-283 Alfred Street.
- Site B - Maximum of 6 storeys over a 3 storey commercial podium on the western half of the block and 3 storeys of residential on the eastern half of the block.

While the Planning Study indicates the number of building storeys, it does not specify implications of the Preferred Option on the development potential of individual properties within Site A and Site B.

Grimshaw carried out built form testing to investigate the implications of the Planning Study's Preferred Option on development potential in the Precinct. Table ES.1 outlines how the achievable GFA under the Preferred Option could be distributed across the Precinct.

Table ES.1: Preferred Option, Potential Distribution of GFA across Precinct

Address	Site Area (sqm)	Achievable GFA (sqm)				Existing GFA (sqm)		LEP FSR
		Non-residential	Residential	Total	FSR	Total	FSR	
Site A								
271-273 Alfred St	1,031	1,445	-	1,445	1.4:1	2,300	2.5:1	3.5:1
275 Alfred St	1,334	1,951	7,908	9,857	7.4:1	9,700	7.3:1	3.5:1
283 Alfred St	872	711	2,201	2,912	3.3:1	2,200	2.2:1	3.5:1
Site B								
263-269 Alfred St 4 Little Alfred St	1,980	1,542	3,140	4,682	2.4:1	4,370	2.2:1	3.5:1
Total	**5,217**	**5,649**	**13,248**	**18,896**	**3.6:1**	**18,570**	**3.5:1**	**3.5:1**

Source: Grimshaw

Grimshaw's massing study identifies that the Preferred Option as described in the Planning Study could achieve:

- Total GFA of 18,896sqm (FSR 3.6:1).
- Non-residential GFA of 5,649sqm (FSR 1.1:1) to accommodate 280 jobs.
- Residential GFA of 13,248sqm (FSR 2.5:1) or approximately 190 dwellings.

A comparison of the floorspace as contemplated by the Preferred Option with that which is already existing and permitted under the North Sydney LEP observes:

- Marginal change to overall development potential in the Precinct, i.e. increase of some 300sqm GFA compared to existing (built) floorspace.
- Reduction in achievable floorspace for 271-273 Alfred Street (1,445sqm) compared to that which is existing (2,300sqm) and designation of 100% non-residential floorspace.
- Marginal increase in achievable floorspace for 275 Alfred Street (9,857sqm) compared to existing (9,700sqm) and designation of 20% non-residential floorspace.
- Marginal increase in achievable floorspace for 283 Alfred Street (2,912sqm) compared to existing (2,200sqm) and designation of 24% non-residential floorspace.
- Marginal increase in achievable floorspace for 263-269 Alfred Street and 4 Little Alfred Street (4,682sqm) compared to existing (4,370sqm) and designation of 33% non-residential floorspace.

ECONOMIC FEASIBILITY TESTING

The objectives of the economic feasibility analysis are to assess:

- Potential financial impact to Benmill (as owner of the Site) and other landowners under the Preferred Option.
- If the Preferred Option (proposed amalgamation patterns and densities contemplated) results in a commercially viable proposition for the Site and Precinct overall.
- Affordability to carry out identified public domain improvements and delivery of public benefit from proceeds of development and divestment.
- If not commercially viable, iteratively assess the density required for feasible development to occur.

Planning Study's Preferred Option

The following scenarios were tested/investigated:

- Site A - land use splits and development potential as proposed (FSR 4.4:1).
- Site B - land use splits and development potential as proposed (FSR 2.4:1).

Table ES.2 illustrates that the Preferred Option is not economically feasible to develop.

Iterative testing undertaken shows the minimum FSR required for the properties to feasibly redevelop (Table ES.3). A premium over existing property values is usually required to assist with amalgamation of sites for redevelopment. At this stage no premium for site assembly and consolidation has been included.

Table ES.2: Feasibility Testing Results, Preferred Option

Development Yield	Site Area (sqm)	Existing Value	Residual Land Value	Project IRR	Development Margin	Feasible?
Site A						
FSR 4.4:1 (Residential FSR 3.1:1, Non-residential FSR 1.3:1)	3,237	$117,000,000	$85,000,000	9.66%	5.05%	No
Site B						
FSR 2.4:1 (Residential FSR 1.6:1, Non-residential FSR 0.8:1)	1,980	$46,020,000	$31,100,000	3.08%	-5.27%	No

Source: AEC

Table ES.3: Feasibility Testing Results, Required FSR*

Development Yield	Site Area (sqm)	Non-residential GFA (sqm)	Residential GFA (sqm)	Total GFA (sqm)	Minimum FSR
Site A					
271-273 Alfred Street	1,031	1,445	1,401	2,846	2.75:1
275 Alfred Street	1,334	1,951	11,552	13,473	10.1:1
283 Alfred Street	872	711	1,818	2,529	2.9:1
Total	**3,237**	**4,107**	**14,741**	**18,848**	**5.82:1**
Site B					
263-269 Alfred Street 4 Little Alfred Street	1,980	1,542	6,378	7,920	4.0:1
Total	**1,980**	**1,542**	**6,378**	**7,920**	**4.0:1**

*assuming FSR 1:1 non-residential floorspace
Source: AEC

Lower FSR thresholds are required for feasible development on Site A properties (FSR 2.75:1, FSR 2.9:1) except the Site which requires FSR 10.1:1. The Site's 18 storey building (existing FSR of 7.3:1) underpins its existing value, which is substantially higher than its neighbours that are 3 storey commercial buildings. The testing presumes that iconic views (and premium revenue) are achievable, otherwise, higher FSRs could be required.

Even though Site B comprises low-rise buildings, a minimum FSR 4:1 is required for feasible redevelopment.

Refurbishment of 275 Alfred Street Existing Building

The building is nearly 50 years old and approaching the end of its economic useful life. Unless significant expenditure is incurred to renew the building and services as well as upgrade the standard of accommodation to contemporary standards, a key risk for sustainability of the asset is CapEx risk.

The intention of any refurbishment exercise to upgrade office accommodation is to preserve asset value by attracting prospective tenants at higher rents and/or retain existing tenants. In the case of well positioned commercial buildings, regular upgrades and refurbishments to ensure the buildings retain value and remain competitive, are a commercial proposition. That is, net revenue 'unlocked' by a refurbishment exceeds net cost.

In order to understand sustainability as a commercial building, a financial analysis of refurbishment of the existing building is carried out. Analysis of this option estimates likely rents achievable at the end of the refurbishment.

For a building with small floorplates (<500sqm) in a secondary location, rents are assumed to average $650/sqm on completion of the refurbishment. While the Site is on the fringe of the commercial centre and does not benefit from having a Miller/Walker/Arthur Street location, the financial analysis additionally tests if a refurbishment would be feasible at premium rents. An average net rent of $800/sqm is tested on completion of the upgrade.

Feasibility Analysis Results

Table 3.4 illustrates a refurbishment (even if prime grade rents could be achieved) is a poor commercial proposition. Feasibility expectedly worsens if a more realistic view on expected rents is taken.

Table 3.4: Feasibility Testing Results, Refurbishment Option

Net Office Rents	Site Area (sqm)	Existing Value	Residual Land Value	Project IRR	Development Margin	Feasible?
Prime grade, $800/sqm	1,334	$87,000,000	$21,700,000	-5.76%	-33.52%	No
Secondary grade, $650/sqm	1,334	$87,000,000	$9,900,000	-10.69%	-44.51%	No

Source: AEC

Commercial refurbishment/upgrade of the existing building is not financially feasible for a number of reasons. While many owners of secondary commercial assets incorporate regular refurbishments into CapEx programs and budgets, the ability of the building to be refurbished in this manner is challenged on a number of fronts.

- **Isolated location from main commercial centre**
  Proximity to tenant services, amenity and public transport options are critical for commercial space to be attractive. Due to its fringe location, the potential for any commercial refurbishment to unlock value is limited.
- **Ageing accommodation that does not meet contemporary standards**
  As it approaches the end of its economic useful life, consideration of future sustainable options is increasingly important for the building. Substantial compliance will be required for the refurbishment of the building.
- **Small building floorplates** (400sqm-460sqm)
  Building configuration facilitates only small tenancies thus limiting its appeal to a small section of the market. Many small tenants are reluctant to commit for leases longer than 2 years, accordingly resulting in a risky lease profile for the building. The current weighted lease duration is 1.3 years.
- **Extensive presence of asbestos and re-cladding of façade**
  An asbestos risk assessment identified asbestos throughout the building (both friable and non-friable type).

The cumulative impact of a constrained revenue profile *and* substantial refurbishment cost is that a commercial refurbishment is not a viable proposition.

Conversion of 275 Alfred Street Existing Building and Addition of Storeys

Another development option is considered, wherein the existing building is assumed to be refurbished and converted for residential purposes. This assumes that 1,951sqm of the GFA is retained for non-residential uses (in line with the Planning Study's Preferred Option).

A conversion of the existing building to facilitate even a majority of residential uses does not dramatically improve feasibility. The substantial costs associated with remedial and compliance requirements still require an overall FSR of 9.3:1 for this option to be economically feasible. This is marginally less than that required in a comprehensive development of the Site (FSR 10.1:1).

SUMMARY OF FINDINGS

Alfred Street Precinct Objectives

The economic feasibility testing demonstrates the Preferred Option does not facilitate feasible development of the Precinct as contemplated by the Planning Study, thus precluding achievement of its objectives for revitalisation and delivery of public benefit. In order for development to have the capacity to contribute to public benefit/infrastructure items, development is required to be feasible to undertake in the first instance.

275 Alfred Street

As the building nears the end of its economic useful life, do-nothing or business-as-usual are not tenable or sustainable options for 275 Alfred Street. While commercial refurbishments are a viable solution for many building assets (particularly well-located assets in prime positions in North Sydney and Sydney CBD), the analysis demonstrates that the cumulative impact of its limited revenue potential (small floorplates and isolated location) and substantial cost to refurbish mean that commercial refurbishment is not a viable solution for the Site.

The results of the analysis present a compelling case for planning interventions to ensure 275 Alfred Street does not become economically redundant.

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1. INTRODUCTION

1.1 BACKGROUND

Benmill Pty Ltd owns the commercial building at 275 Alfred Street, North Sydney (referred to as 'the Site'). Constructed in 1971, the Site's improvements comprise an 18-level commercial building (ground floor retail and 17 floors of office floorspace) and is located approximately 700m to the east of the main North Sydney CBD core.

The building on the Site is presently about 88% occupied, with a large proportion of tenants on a month-to-month and holding over basis. The majority of leases in place are short term leases, ranging from one to two years, resulting in a low weighted lease duration (WALE) of 1.3 years.

The Site's improvements are approaching 50 years and are almost at the end of their economic useful life. As a secondary asset in a fringe location, unless significant expenditure is incurred to renew the building structure and services, as well as upgrade the standard of accommodation to contemporary standards, the greatest risk of the Site is capital expenditure (CapEx) risk as the building fabric and services age. An equally relevant risk for the Site is vacancy/tenant risk, particularly given the short weighted lease duration of 1.3 years.

Planning Proposal and JRPP Recommendations

A Planning Proposal was submitted to North Sydney Council (Council) in September 2015 seeking to rezone the land from B3 Commercial Core to B4 Mixed Use and increase the maximum building height and floorspace ratio controls to facilitate a 26 storey mixed use redevelopment of the Site.

In February 2016 Council refused the planning proposal in part due the absence of an underpinning strategic planning study for the broader Alfred Street precinct. Following a pre-gateway review by the Sydney North Joint Regional Planning Panel (JRPP), the proposal was recommended for refusal however the panel recommended that the Building be considered for rezoning in conjunction with the rest of the properties in the street block. The following recommendations were made by the JRPP:

1 *The Panel considers that this site and the street block zoned B3 in which it is located is isolated from the main commercial centre of North Sydney and closely related to the adjoining residential area. Therefore, a change in zoning that would allow residential use in the street block, would be appropriate.*

2 *The main reason why the Panel does not recommend that this planning proposal proceed to Gateway Determination is that it deals with one site only rather than the area zoned B3 in which it is located. This piecemeal approach is contrary to the strategic intent of zoning decisions. In addition, the planning proposal leads to this site having three times the development potential of the other sites within the B3 zone. It fails to achieve the desirable separation distances between residential buildings and adversely affects the development potential of the adjoining sites.*

3 *The Panel considers that, in any future planning proposal for the block zoned B3, it would be appropriate to grant this site the density it now enjoys by virtue of the existing building on it, with some additional height so that a mixed use building with appropriate amenity may be developed on it. As concerns the other sites within the B3 zone, the existing density of 3.5:1 may be combined with some additional height, so that it becomes possible to develop them to their development potential for mixed use buildings with appropriate amenity.*

Alfred Street Precinct Planning Study

Further to the JRPP's recommendations, Council resolved to carry out a strategic review of the Alfred Street Precinct and prepare a planning study that will guide future planning proposals for the Site.

In March 2018 the Alfred Street Precinct Planning Study was completed and placed on public exhibition for public comment. The planning study examines the entire street block of Alfred Street which comprises 263-265 Alfred Street, 271-283 Alfred Street and 4 Little Alfred Street. Altogether the study area comprises six allotments, three of which are held under strata title.

AEC Group (AEC) is engaged by Benmill to prepare an Economic Feasibility Study to assist with its submission on the recently exhibited Alfred Street Precinct Planning Study.

1.2 METHODOLOGY AND APPROACH

AEC's brief is to provide economic advice to assist Benmill understand the deliverability of the Alfred Street Precinct Planning Study (the Planning Study), in particular the implications for the redevelopment of 275 Alfred Street (the Site) and revitalisation of the Alfred Street Precinct (the Precinct).

In order to complete the requirements of the brief, AEC undertook the following tasks:

- Review of Alfred Street Precinct Planning Study.
- Review of market and development activity in North Sydney CBD and surrounds.
- Feasibility analysis of the Planning Study's preferred option. Should development be found not to be a feasible proposition, test alternate densities required for feasible development. This task incorporates input from:
    - Financial information from select landowners in the Precinct.
    - Yield analysis and massing study by Grimshaw of the Planning Study's preferred development option.
    - Massing study by Legge & Legge Architects of the Site's existing built form and various reuse and refurbishment options.
    - Cost estimates by Spicer Consultants (quantity surveyors).
    - Indicative value estimates of existing uses by Knight Frank (valuers).
- Commentary on Study's preferred option, particularly the likelihood of achieving the proposed amalgamation patterns and densities to deliver on its revitalisation objectives for the Alfred Street Precinct.

1.3 STRUCTURE OF THE STUDY

The Economic Feasibility Analysis has been structured in the following manner:

Chapter 1 describes the background and purpose of the analysis, the methodology and approach, and limitations.

Chapter 2 identifies the site context, specifically the allotments under consideration. The chapter also summarises the vision and objectives of the Planning Study, preferred development option and analysed densities for Precinct and the various allotments.

Chapter 3 examines the economic feasibility of the Planning Study's preferred development option to investigate potential financial impact to the respective landowners in the Precinct. The chapter additionally comments on the implications for deliverability of the Planning Study's precinct objectives.

1.4 LIMITATIONS OF THE STUDY

AEC acknowledges a number of limitations associated with the feasibility analysis.

- Yield analysis and massing options are conceptual only.
- Reliance on indicative construction cost estimates based on conceptual development options.
- Alternate development options explored by the analysis are based on arithmetic calculations of FSR and have not been capacity, urban design or engineering tested.
- Property financial information made available by landowners of 271, 273 and 275 Alfred Street, enabling reasonably accurate estimate of existing values. Limited information was available for 283 Alfred Street.
- Select financial information made available by representatives of 263-265 Alfred Street and 4 Little Alfred Street pertaining to the strata-titled units. The estimate of existing property values is therefore indicative only.

Despite the limitations of the feasibility analysis, the analysis is considered to be instructive in understanding the implications of the Planning Study on the future redevelopment and revitalisation prospects of the Precinct.

This Study is prepared on the instructions for the party to whom it is addressed and is not suitable for use other than by that party.

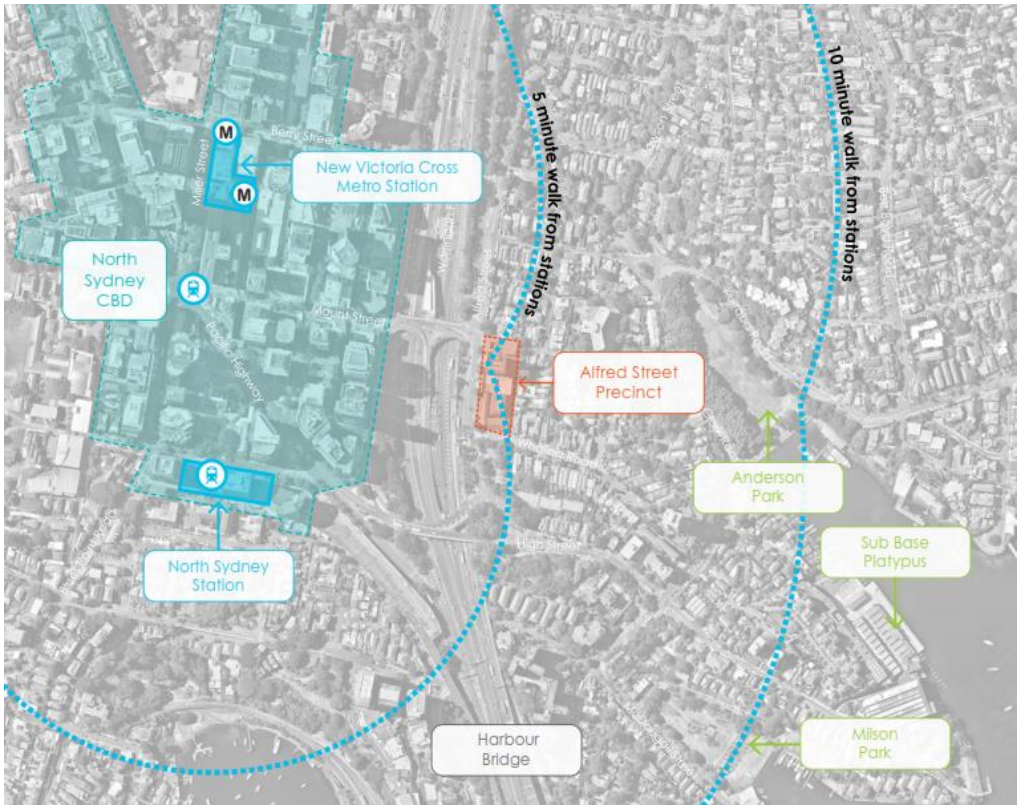
2. ALFRED STREET PRECINCT PLANNING STUDY

2.1 LOCATION CONTEXT

The Alfred Street Precinct Planning Study (the Planning Study) is a “high level strategy” for a precinct in the eastern periphery of the North Sydney CBD. The overarching objective of the Planning Study is to guide landowners and community on how the precinct should be expected to develop in the future.

The Precinct is physically separated from the North Sydney CBD by the Warringah Expressway. Connection points to the North Sydney CBD are available via Mount Street overpass and High Street overpass. Figure 2.1 illustrates the locational context of the Precinct.

Figure 2.1: Location Context of Alfred Street Precinct



Source: NCC (2018)

2.2 THE PRECINCT

The Precinct is bounded by Alfred Street North to the west, Whaling Road to the south, Little Alfred Street to the east and Ormiston Street to the north. The Site (275 Alfred Street) is a prominent marker and landmark for the Precinct, commonly known as ‘the Bayer building’. The Bayer building is 18 storeys in height, with other properties in the Precinct up to three storeys in height.

The second tallest building in the Precinct is 4 Little Alfred Street at approximately five storeys tall and accommodates residential units held under strata title.

The Precinct is zoned B3 Commercial Core under the North Sydney Local Environmental Plan (2013). Permissibility of residential uses at 4 Little Alfred Street is via a provision in Schedule 1.

Maximum height controls are 13m and with a maximum FSR of 3.5:1 applying across the Precinct. The existing height and FSR controls are lower than that which exists on the Site (the Bayer building).

Figure 2.2 illustrates the component allotments that altogether comprise the Precinct, namely 263-269, 271, 273, 275 and 283 Alfred Street and 4 Little Alfred Street. Table 2.1 summarises key property details for each.

Figure 2.2: Alfred Street Precinct

Source: NSC (2018)

Table 2.1: Property Details*

Address	Description	Site Area**
271 Alfred Street (Lot 1/DP 532504)	3 storey commercial building, approximately 521sqm net lettable area.	240sqm
273 Alfred Street (SP 6830)	3 storey commercial strata building, approximately 1,490sqm net lettable area.	790sqm
275 Alfred Street (Lot 1/DP 546856)	18 storey commercial building, approximately 7,920sqm net lettable area.	1,334sqm
283 Alfred Street (Lot 14-16/DP 37882, Lot 1/DP 554749, Lot 3/DP 554750)	3 storey commercial building, estimated 1,740sqm net lettable area.	872sqm
263-269 Alfred Street^ (SP 71563)	3 storey building. 13 townhouses with 3 parking spaces per unit. Some occupied for commercial, some converted for residential use. Constructed early 2000's.	1,980sqm
4 Little Alfred Street (SP 71454)	5 storey building. 20 residential strata units with 1 parking space per unit. Approximately 40% owner occupied, 60% tenanted. Constructed early 2000's.	Within site of SP 71563

*based on a combination of information provided by landowners, external observations and information available on commercial databases
**based on indicative site areas in Massing Study (Grimshaw)
^referred to as 263-265 Alfred Street by its landowners
Source: AEC

The Planning Study notes the role of the Precinct to support small to medium sized enterprises and start-ups in secondary grade commercial space. It concludes that it is prudent to protect as much existing commercial floorspace as possible due to the proximity of the Precinct to the North Sydney CBD.

2.3 PRECINCT OBJECTIVES AND PREFERRED OPTION

The Study articulates the following precinct-specific objectives:

- **Built Form**
  - Ensuring the built form steps down from the scale of North Sydney CBD, presenting an appropriate transition to the scale of the Whaling Road Conservation Area.
  - Ensuring the built form presents a bulk and scale that minimises shadow, privacy and bulk impacts upon the Whaling Road Conservation Area.
- **Employment**
  - Retaining a mass of commercial floorspace in the precinct that will ensure it continues to support North Sydney's economic prosperity and jobs in accessible locations.
  - A minimum of FSR 1:1 non-residential floorspace is required (averaged across the Precinct).
  - Employment function of the Precinct to continue to be supported by efficiently designed commercial and retail spaces, supporting small to medium sized enterprises, start-ups and retail.
- **Public Domain and Access**
  - Removing barriers to pedestrian and cycle movement throughout the precinct and beyond.
  - Open air through site link between Alfred Street and Little Alfred Street.
  - Redevelopment must facilitate single shared basement access on Little Alfred Street.
  - Reduced parking rates in line with Mixed Use parking rates for St Leonards Precincts 2 and 3 in North Sydney Development Control Plan (2013).

The Study explored several development options to eventually recommend a Preferred Option.

Preferred Development Option

The Planning Study carried out built form testing to minimise overshadowing impacts on surrounding residential.

The Preferred Option was selected as the most appropriate development response, envisaging:

- Two development bocks (Site A and Site B):
  - Site A comprised of 271-283 Alfred Street; and
  - Site B comprised of 263-269 Alfred Street and 4 Little Alfred Street.
- Site A - Maximum 23 storey residential tower over a 3 storey commercial podium at the northern end of the Precinct. This is subject to amalgamation of 271-283 Alfred Street.
- Site B - Maximum of 6 storeys over a 3 storey commercial podium on the western half of the block and 3 storeys of residential on the eastern half of the block.

The Planning Study highlights the opportunity for the Preferred Option to deliver a number of public benefits (numerically marked in Figure 2.3).

1 **New Pocket Park** at northern end of the Precinct.

2 **Shared Basement Access** to be facilitated via provision on Site A for Site B redevelopment.

3 **New Publicly Accessible Laneway** through Site A.

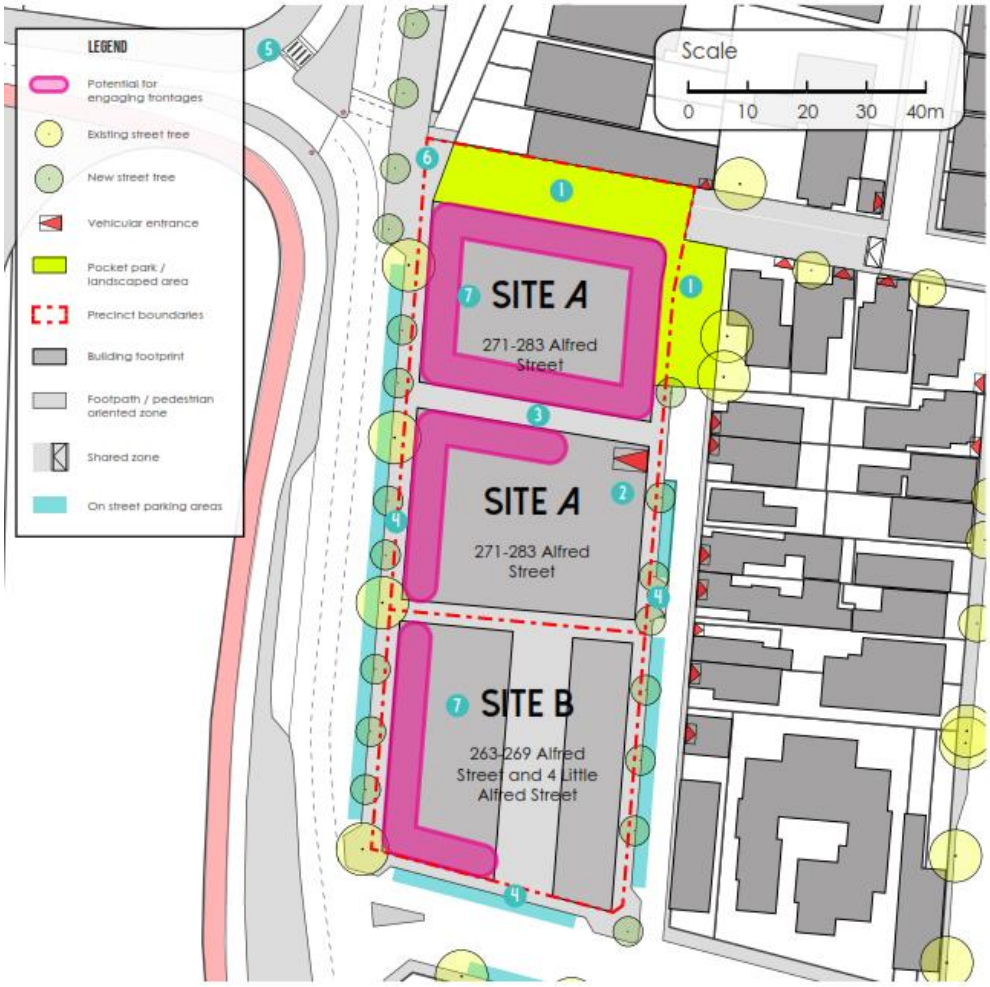
4 **Upgraded Public Domain** including pedestrian enhancements.

5 **Mount St Overpass Upgrade** to improve pedestrian amenity and optimise for public transport.

6 **Wayfinding Upgrades** between North Sydney CBD and Anderson Park.

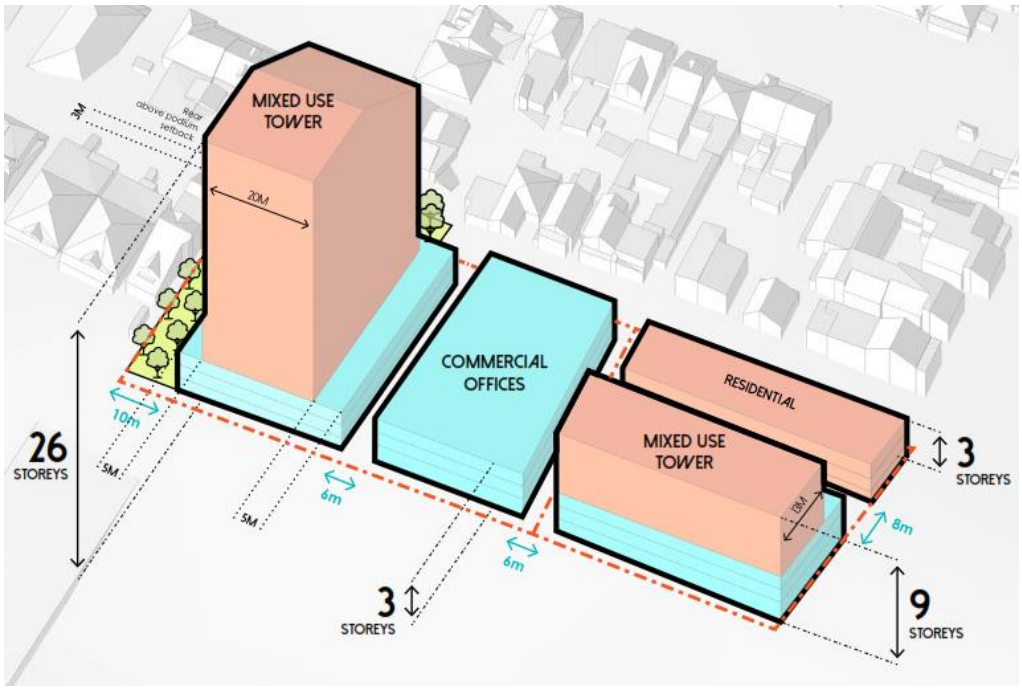
7 **Affordable Housing** to a target of 5% in the Precinct.

Figure 2.3: Preferred Option, Development Blocks



Source: NCC (2018)

Figure 2.4: Preferred Option, Height of Buildings



Source: NCC (2018)

The Planning Study provides an overview of the potential development potential of the Preferred Option. The following development specifics are outlined for the Precinct overall:

- Total GFA of 18,600sqm currently permitted under North Sydney LEP (permissible FSR 3.5:1).
    - Non-residential GFA of 5,800sqm (FSR 1:1) to accommodate 290 jobs.
    - Residential GFA of 12,300sqm (FSR 2.5:1) or approximately 170 dwellings.
- Proposed GFA of 19,100sqm under Preferred Option (to an achievable FSR 3.6:1).

While the Planning Study indicates the number of building storeys, it does not specify implications of the Preferred Option on the development potential of individual properties within Site A and Site B.

2.4 MASSING STUDY AND FSR ANALYSIS

Grimshaw carried out built form testing to investigate the implications of the Planning Study's Preferred Option on development potential in the Precinct. Specifically, Grimshaw's massing study investigated the achievable residential/non-residential GFA in the Precinct and on individual properties. The massing study is at Appendix A.

Table 2.2 outlines how the achievable GFA under the Preferred Option could be distributed across the Precinct.

Table 2.2: Preferred Option, Potential Distribution of GFA across Precinct

Address	Site Area (sqm)	Achievable GFA (sqm)				Existing GFA (sqm)		LEP FSR
		Non-residential	Residential	Total	FSR	Total	FSR	
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Total	**5,217**	**5,649**	**13,248**	**18,896**	**3.6:1**	**18,570**	**3.5:1**	**3.5:1**

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The massing study identifies that the Preferred Option as described in the Planning Study could achieve:

- Total GFA of 18,896sqm (FSR 3.6:1).
- Non-residential GFA of 5,649sqm (FSR 1.1:1) to accommodate 280 jobs.
- Residential GFA of 13,248sqm (FSR 2.5:1) or approximately 190 dwellings.

A comparison of the floorspace as contemplated by the Preferred Option with that which is already existing and permitted under the North Sydney LEP observes:

- Marginal change to overall development potential in the Precinct, i.e. increase of some 300sqm GFA compared to existing (built) floorspace.
- Reduction in achievable floorspace for 271-273 Alfred Street (1,445sqm) compared to that which is existing (2,300sqm) and designation of 100% non-residential floorspace.
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- Marginal increase in achievable floorspace for 263-269 Alfred Street and 4 Little Alfred Street (4,682sqm) compared to existing (4,370sqm) and designation of 33% non-residential floorspace.

The next chapter examines the development feasibility implications of the Preferred Option and explores alternate development options for the Site.

3. ECONOMIC FEASIBILITY TESTING

3.1 INTRODUCTION

The objectives of the economic feasibility analysis are to assess:

- Potential financial impact to Benmill (as owner of the Site) and other landowners under the Preferred Option.
- If the Preferred Option (proposed amalgamation patterns and densities contemplated by the Planning Study) results in a commercially viable proposition for the Site and Precinct overall.
- Affordability to carry out identified public domain improvements and delivery of public benefit from proceeds of development and divestment.
- If not commercially viable, iteratively assess the density required for renewal of the Site and the Precinct to occur.

AEC have adopted the Residual Land Value approach to the feasibility testing.

The Residual Land Value (RLV) can be defined to be the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop the site, whilst achieving target hurdle rates for profit and project return. This approach involves assessing the value of the completed product, making a deduction for development costs and further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.

A key metric for development feasibility is land value, which is a 'residual' after all costs and revenues are taken into account. The figure must be of a sufficient amount to encourage the owner to sell and/or displace the current use. In order for development to be viable, the Residual Land Value must exceed the 'as is'/existing value of the land, i.e. the value of the land in its existing use including all improvements.

For development in the Precinct to be economically feasible, development needs to result in site values that are more valuable than existing uses. Existing values are estimated from a combination of landowner-provided financial information and market available information.

The Site (275 Alfred Street)

The Site comprises an 18-level office building providing ground floor retail floorspace and 17 levels of office floorspace. Constructed in 1971, net lettable floorplates in the building generally range between 400sqm and 460sqm per level. Individual tenancies range in size from 13sqm to 330sqm in net lettable area. The building is presently understood to fluctuate between 85% and 90% occupancy, with a large proportion occupied by tenants whose leases have expired and who remain on month-to-month basis. Majority of the leases in place are short term leases, ranging from one to two years. As a consequence the weighted lease duration for the building is low at 1.3 years (Knight Frank, 2018).

An Asbestos Risk Assessment carried out in September 2014 (Greencap, 2014) identified items of asbestos in every level of the building (friable and non-friable). The assessment recommended, *inter alia*, that:

- An appropriately licensed asbestos removal contractor be engaged to undertake remedial/ removal works under controlled conditions.
- An independent asbestos consultant undertake asbestos fibre air monitoring during and after remedial works and to provide clearance certification once works have been satisfactorily completed.
- Prior to demolition/refurbishment works undertake a destructive hazardous materials survey of the premises as per the requirements of AS 2601:2001 The Demolition of Structures, Part 1.6.1 and Demolition Work Code of Practice (Safework Australia, 2013).

Under a business-as-usual scenario, the presence of asbestos in the building have minimal impact on the operation and income-generating ability of the building. Should however upgrades or refurbishment works be undertaken, the extensive presence of asbestos (particularly of the friable nature) have significant cost implications.

The issues for the feasibility analysis are:

1 If redevelopment under the Preferred Option is a viable proposition.

2 If refurbishment of the existing building for continued commercial use is a viable proposition.

3 Should the above development options not present as economically feasible options, the required density and land use required for the Site to feasibly develop in the following scenarios:

   a Comprehensive redevelopment.

   b Refurbishment of existing tower form and/or construction of additional storeys.

Rest of the Precinct

The principles that underpin the feasibility of development equally apply to the other properties in the Precinct, i.e. development needs to result in site values that are more valuable than their existing uses.

Property financial information either has been made available by select landowners or is available on commercial databases. This has enabled reasonable estimate of existing property values of 271-283 Alfred Street (Site A) by Knight Frank.

More limited financial information is available with respect 263-269 Alfred Street and 4 Little Alfred Street (Site B) and as such the estimate of existing property values is indicative only.

The issue for the feasibility analysis is: if redevelopment under the Preferred Option is an economically feasible proposition. Should redevelopment under the Preferred Option not represent an economically feasible option, what then is the required density and land use required for the individual sites to redevelop.

3.2 PLANNING STUDY'S PREFERRED OPTION

This section investigates if development envisaged by the Preferred Option result in a commercially viable proposition for the Site and the Precinct.

The Preferred Option envisages an amalgamation of properties in two development blocks:

- Site A comprised of 271, 273, 275 and 283 Alfred Street.
- Site B comprised of 263-269 Alfred Street and 4 Little Alfred Street.

Based on massing analysis by Grimshaw, the following yields are proposed by the Preferred Option.

Table 3.1: Preferred Option, Proposed Distribution of GFA across Precinct

Address	Site Area (sqm)	Proposed GFA (sqm)			
		Non-residential	Residential	Total	FSR
Site A					
271-273 Alfred Street	1,031	1,445	-	1,445	1.4:1
275 Alfred Street	1,334	1,951	7,908	9,857	7.4:1
283 Alfred Street	872	711	2,201	2,912	3.3:1
Total	**3,237**	**4,107**	**10,109**	**14,214**	**4.4:1**
Site B					
263-269 Alfred Street 4 Little Alfred Street	1,980	1,542	3,140	4,682	2.4:1
Total	**1,980**	**1,542**	**3,140**	**4,682**	**2.4:1**

Source: Grimshaw

3.2.1 Testing Scenarios

The following scenarios were tested/investigated:

- Site A - land use splits and development potential as proposed (FSR 4.4:1).
- Site B - land use splits and development potential as proposed (FSR 2.4:1).

3.2.2 Key Assumptions

The following key assumptions have been adopted in the feasibility testing.

Opportunity Cost of the Lands

The properties in Site A are commercial buildings (ranging from 3 to 18 storeys). Site B is comprised of strata titled units in a mix of commercial and residential uses.

In order to assess the opportunity cost of the properties in the Precinct, existing property values were estimated relying on financial information sourced from individual landowners and information in the public domain.

The following assumptions were adopted as the opportunity cost of land for Site A and Site B:

- Site A - total opportunity cost of land of $117m.
- Site B - total opportunity cost of land of $46.02m.

A premium over existing property values is usually required to assist with amalgamation of sites for redevelopment. The feasibility testing *has not* allowed for a premium for site assembly.

Revenue Assumptions

Based on development and market activity, development yield assumes average unit sizes and mixes of:

- Studio units (40sqm) - 20%.
- 1 bedroom units (55sqm) - 20%.
- 2 bedroom units (80sqm) - 40%.
- 3 bedroom units (100sqm) - 20%.

Car parking is assumed according to North Sydney DCP controls: 0.5 spaces (studio and 1 bedroom units), 1 space (2 and 3 bedroom units) and 1 space per 400sqm of non-residential floorspace.

Average revenue assumed:

- Studio unit - $800,000 ($20,000/sqm).
- 1 bedroom unit - $1,100,000 ($20,000/sqm).
- 2 bedroom unit - $2,000,000 ($25,000/sqm).
- 3 bedroom unit - $3,000,000 (30,000/sqm).
- Retail and commercial revenue at $10,000/sqm to $16,000/sqm respectively. Signage/advertising revenue has *not* been included.

Other revenue assumptions:

- Residential revenue assumed to escalate at 4% per annum, commercial and retail revenue assumed to escalate at 3% and 2% respectively per annum.
- 75% of apartments would be pre-sold prior to construction and the balance would be settled after construction at the rate of between 10 and 15 units per month.
- GST is included on the residential sales but excluded on non-residential sales.
- Marketing costs of 2% of gross sales revenue.
- Sales commission on sales included at 2.5% of gross residential sales and 2.5% of non-residential sales.
- Legal costs on sales included at 0.25% of gross sales.

Cost Assumptions

The cost assumptions are generic in nature based on past experience and cost publications.

- Land cost based on estimate of existing property values based on financial information sourced from landowners and information that is available in the public domain. No premium for site assembly has been allowed for at this stage.
- Legal costs, valuation and due diligence was assumed at 0.5% of land price and stamp duty was included. These costs are to be paid at settlement in Month 3.
- Demolition cost of $250/sqm of building area.
- Main construction build costs:
    - $4,000/sqm of residential building area.
    - $1,000 for residential balconies.
    - $3,000/sqm for retail/commercial building area.
    - $50,000 per basement car space.
- External services and lead-in works each at 2% of construction cost.
- Professional fees at 9% of construction costs.
- Construction contingency of 5% of construction costs.
- Development management at 1% of construction costs.
- Cost escalation of 3%per annum to commencement of construction.
- Statutory fees and charges:
    - DA, CC and long service levy at statutory rates.
    - Section 7.11 (s94) contributions at $11,609 (studio unit), $13,628 (1 bedroom), $17,464 (2 bedroom) and $22,411 (3 bedroom) per dwelling. Non-residential uses assumed to qualify for s7.11 offsets.
- Holding costs including land tax, Council and water rates.

Other cost assumptions:

- 100% debt funded with interest capitalised monthly (nominal 7% per annum)
- Finance establishment costs at 0.35% of project debt.

Hurdle Rates and Performance Indicators

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate. A number of performance indicators are relied upon while ascertaining the feasibility or otherwise of a development.

- Development Margin is the profit divided by the total development costs (including selling costs). The industry benchmark of 20% is assumed as the target hurdle rate.
- Discount Rate refers to the project internal rate of return (IRR) at which the net present values of an investment becomes zero.
- Residual Land Value is arrived at by assessing the maximum land value a developer is willing to pay based on a 20% project IRR taking into account all other costs and project revenue.
- Development Profit represents the total revenue less total cost including interest paid and received.

3.2.3 Feasibility Testing Results

Planning Study's Preferred Option

Table 3.2 illustrates that the Preferred Option is not economically feasible to develop.

Table 3.2: Feasibility Testing Results, Preferred Option

Development Yield	Site Area (sqm)	Existing Value	Residual Land Value	Project IRR	Development Margin	Feasible?
Site A						
FSR 4.4:1 (Residential FSR 3.1:1, Non-residential FSR 1.3:1)	3,237	$117,000,000	$85,000,000	9.66%	5.05%	No
Site B						
FSR 2.4:1 (Residential FSR 1.6:1, Non-residential FSR 0.8:1)	1,980	$46,020,000	$31,100,000	3.08%	-5.27%	No

Source: AEC

The results demonstrate that the Preferred Option does not facilitate economically feasible development of the Precinct. This is not surprising given in most instances the proposed FSR under the Preferred Option is lower than that currently existing on-site.

FSR Required

Iterative testing undertaken results in the minimum FSR required for the individual properties to feasibly redevelop, summarised in Table 3.3.

Table 3.3: Feasibility Testing Results, Required FSR*

Development Yield	Site Area (sqm)	Non-residential GFA (sqm)	Residential GFA (sqm)	Total GFA (sqm)	Minimum FSR
Site A					
271-273 Alfred Street	1,031	1,445	1,401	2,846	2.75:1
275 Alfred Street	1,334	1,951	11,552	13,473	10.1:1
283 Alfred Street	872	711	1,818	2,529	2.9:1
Total	**3,237**	**4,107**	**14,741**	**18,848**	**5.82:1**
Site B					
263-269 Alfred Street 4 Little Alfred Street	1,980	1,542	6,378	7,920	4.0:1
Total	**1,980**	**1,542**	**6,378**	**7,920**	**4.0:1**

*assuming FSR 1:1 non-residential floorspace
Source: AEC

Lower FSRs are required for feasible development on Site A properties (FSR 2.75:1 and FSR 2.9:1) except the Site which requires FSR 10.1:1. The Site's 18 storey building (existing FSR of 7.3:1) underpins its existing value, which is substantially higher than its neighbours which comprise 3 storey, low-rise commercial buildings.

The feasibility testing results demonstrate that an overall FSR of 5.82:1 is required for a feasible amalgamation and redevelopment of Site A. The complexities of amalgamating multiple investment properties are acknowledged, the requirement of shared basement access further adding to its challenge. We highlight that the testing presumes that iconic views (and therefore premium revenue) would be achievable from Site A properties. Should development on Site B for example preclude these views, higher FSRs could be required for feasible development.

While the Site B properties (263-269 Alfred Street and 4 Little Alfred Street) comprise low-rise buildings, a minimum FSR 4:1 required for feasible redevelopment.

We highlight that the minimum FSRs assessed are not capacity, urban design or engineering tested. They represent an arithmetic calculation based on floorspace potential and site areas. They also *do not* include a premium for site assembly and consolidation. Further, the potential for signage/advertising revenue has not been included in the above testing. Should this revenue stream be included, the minimum FSR required would be lower.

3.3 ALTERNATE DEVELOPMENT OPTIONS FOR 275 ALFRED STREET

3.3.1 Refurbishment of Existing Building

The building is nearly 50 years old and approaching the end of its economic useful life. Unless significant expenditure is incurred to renew the building and services and upgrade the standard of accommodation to contemporary standards, a key risk for sustainability of the asset is CapEx risk.

The intention of any refurbishment exercise to upgrade office accommodation is to preserve asset value by attracting prospective tenants at higher rents and/or retain existing tenants. In the case of well positioned commercial buildings, regular upgrades and refurbishments to ensure the buildings retain value and remain competitive, are a commercial proposition. That is, net revenue 'unlocked' by a refurbishment exceeds net cost.

In order to understand the sustainability of the Site as an existing commercial building, a financial analysis of refurbishment/retrofit of the existing building is carried out.

Cost Assumptions

An indicative Cost Plan prepared by Spicer Consultants indicates the cost of a commercial refurbishment, including:

- Internal demolition.
- Basement refurbishment and compliance with BCA requirements.
- Building refurbishment and structural augmentation (commercial areas and plant).
- Structural upgrade and external areas upgrade, compliance with BCA requirements.
- Re-cladding of existing building including asbestos removal.
- Modification of lifts (new car and maintenance only).
- External works, allowance for making good roads, footpaths and streetscape and landscaping.
- Site services, allowance for upgrading of incoming/outgoing services, electrical substations

An overall cost to refurbish the existing structure is estimated at circa $43m (Spicer Consultants, 2018). This excludes professional fees, statutory costs, contingencies, interest, etc. The cost estimate is at Appendix B.

A construction period of 12 months is assumed for the refurbishment. Tenants are vacated with new leases assumed to be pre-committed prior to commencement.

Revenue Assumptions

Analysis of this option estimates likely rents achievable at the end of the refurbishment. For a building with small floorplates (<500sqm) and in a secondary location rents are assumed to average $650/sqm of lettable area.

While the Site is located on the fringe of the commercial centre and does not benefit from having a Miller/Walker/ Arthur Street location, the financial analysis additionally tests if a refurbishment would be feasible at premium rents. An average net rent of $800/sqm NLA is tested on completion of the upgrade.

Two revenue scenarios are considered:

- **Achievement of Prime Grade Rents**
  Prime grade buildings in North Sydney are generally confined to the centre core of Walker, Miller and Arthur Streets. Depending on location and accommodation quality, average net rents for prime grade office space is circa $700/sqm-$800/sqm of lettable area. For the purposes of this exercise, an assumption in the upper end of the range is adopted.
- **Achievement of Secondary Grade Rents**
  The quality and standard of accommodation is not the sole factor of a building's grade classification. Location is a key determinant. Accordingly, CapEx programs for assets in secondary locations should accordingly be reflective of their limited ability to command prime grade rents. Average net rents for secondary office space ranges from $500/sqm to $600/sqm in North Sydney. An assumption of $650/sqm of lettable area is made.

Feasibility Analysis Results

Table 3.4 illustrates that that a refurbishment (even if prime grade rents could be achieved) is a poor commercial proposition. Feasibility expectedly worsens if a more realistic view on expected rents is taken.

Table 3.4: Feasibility Testing Results, Refurbishment Option

Net Office Rents*	Site Area (sqm)	Existing Value	Residual Land Value	Project IRR	Development Margin	Feasible?
Prime grade, $800/sqm	1,334	$87,000,000	$21,700,000	-5.76%	-33.52%	No
Secondary grade, $650/sqm	1,334	$87,000,000	$9,900,000	-10.69%	-44.51%	No

*signage/advertising revenue has not been included
Source: AEC

The cost of refurbishment exceeds the revenue gain from a refurbishment. Commercial refurbishment/upgrade of the existing building is not financially feasible for a number of reasons.

There is a distinct two-tier market in North Sydney (as in many of the other commercial markets) where performance of prime grade space clearly outstrips that of secondary grade assets (performance characterised by vacancy rates, incentives and rental growth). This is not surprising considering requirements in the regulatory framework (sustainability and mandatory disclosure legislation) as well as growing market awareness and shifting attitudes. Many corporate and government occupiers now adopt minimum NABERS requirement (4-5 stars) for leased accommodation.

The building is nearly than 50 years old and is isolated from the main commercial centre of North Sydney. While many owners of secondary commercial assets incorporate regular refurbishments into CapEx programs and budgets, the ability of the building to be refurbished in this manner is challenged on a number of fronts.

- **Isolated location from main commercial centre**
  The isolation and distance from tenant services, amenity and public transport options, all of which are critical for commercial space to be attractive. By virtue of its fringe location, the potential for any commercial refurbishment to unlock value is limited.
- **Ageing accommodation that does not meet contemporary standards**
  Ageing and dated accommodation associated with a building of nearly 50 years. As it approaches the end of its economic useful life, consideration of future sustainable options is increasingly important for the building. Substantial compliance will be required in any refurbishment of the building.
- **Small building floorplates** (400sqm-460sqm)
  The building configuration facilitates only small tenancies thus limiting its appeal to a small section of the market. Many small tenants are reluctant to commit for leases longer than 2 years, accordingly resulting in a risky lease profile for the building. The current weighted lease duration is 1.3 years.
- **Extensive presence of asbestos and re-cladding of façade**
  An asbestos risk assessment report identified asbestos on almost every level of the building (both friable and non-friable type). This means that any refurbishment of the building will have to ensure appropriate containment and monitoring, adding to the cost of remediation.

The cumulative impact of a constrained revenue profile *and* substantial refurbishment cost is that a commercial refurbishment is not a viable proposition for the Site.

3.3.2 Conversion of Existing Building and Addition of Storeys

Another development option is considered, wherein the existing building is assumed to be refurbished and converted for residential purposes. This assumes that 1,951sqm of the GFA is retained for non-residential uses (in line with the Planning Study's Preferred Option).

Iterative testing is carried out to investigate if conversion alone (no additional floorspace) is an economically feasible proposition and if not the quantum of residential floorspace (as additional storeys over the existing building) is required to be feasible.

Table 3.5: Feasibility Testing Results, Conversion and Additional Storeys

Development Yield	Site Area (sqm)	Non-residential GFA* (sqm)	Residential GFA (sqm)	Total GFA (sqm)	Minimum FSR
Existing Building		1,951	7,749	9,700	7.3:1
Additional Storeys		-	2,668	2,668	2.0:1
Total	**1,334**	**1,951**	**10,417**	**12,368**	**9.3:1**

*assuming non-residential floorspace as contemplated in Planning Study's Preferred Option
Source: AEC

Similar to the refurbishment option in section 3.3.1, a conversion of the existing building to facilitate even a majority of residential uses does not dramatically improve feasibility. The substantial costs associated with remedial and compliance requirements still require an overall FSR of 9.3:1 for this option to be economically feasible.

The assessed FSR of 9.3:1 in this option is marginally less than that required in a comprehensive development of the Site, as explored in section 3.2.3 to be FSR 10.1:1.

3.3.3 Summary of Findings

As the building nears the end of its economic useful life, do-nothing or business-as-usual are not tenable or sustainable options. While commercial refurbishments are a viable solution for many building assets (particularly well located assets in North Sydney and Sydney CBD), the above analysis demonstrates that a commercial refurbishment of the existing accommodation is not a viable solution for the Site. The analysis presents a compelling case for planning interventions to ensure it does not become economically redundant.

3.4 CONCLUSION

Proposed Site Amalgamation

The Preferred Option does not facilitate feasible development of the Precinct as a whole and of properties individually. Notwithstanding landowner objectives (which may not necessarily be financial in nature), in order for the proposed site amalgamation of Site A to be a viable proposition, a development scenario needs to be financially attractive to all component sites.

The densities and land use splits contemplated for Site A do not reflect the existing uses and that which is required to displace those uses for development. The Preferred Option proposes overall FSRs which are broadly similar to existing built form (on a Precinct-wide basis).

While 271-273 Alfred Street and 283 Alfred Street have lower minimum FSR requirements (by virtue of the existing low-rise commercial buildings) compared to FSRs under the North Sydney LEP, the Preferred Option nevertheless designates these properties with development potential which is either less than (271-273 Alfred Street) or marginally higher (283 Alfred Street) the built form/floorspace which is existing.

The amalgamation of lots within Site B is no less challenging by virtue of its strata titled ownership.

Alfred Street Precinct Objectives

The Planning Study highlights the opportunity for the Preferred Option to deliver a number of revitalisation and public benefit objectives, including, inter alia: new pocket park, shared basement access, public domain and access upgrades and affordable housing.

In order for development to have the capacity to contribute to public benefit/infrastructure items, development is required to be feasible to undertake in the first instance.

275 Alfred Street

The building's revenue generating potential has a finite life given its age (nearly 50 years) and extent of regulatory compliance required in a refurbishment. The cumulative impact of its limited revenue potential (small floorplates and isolated location) and substantial cost to refurbish mean that commercial refurbishment is not a viable solution.

There is a compelling case for planning interventions to ensure the Site does not become economically redundant.

REFERENCES

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Legge and Legge Architects (undated). *Existing Building Analysis of Accommodation*. Prepared for Benmill. May 2018.

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APPENDIX A: MASSING STUDY


Bayer
AAMI
Panasonic
UNISYS

Precinct Subdivision

Existing Condition

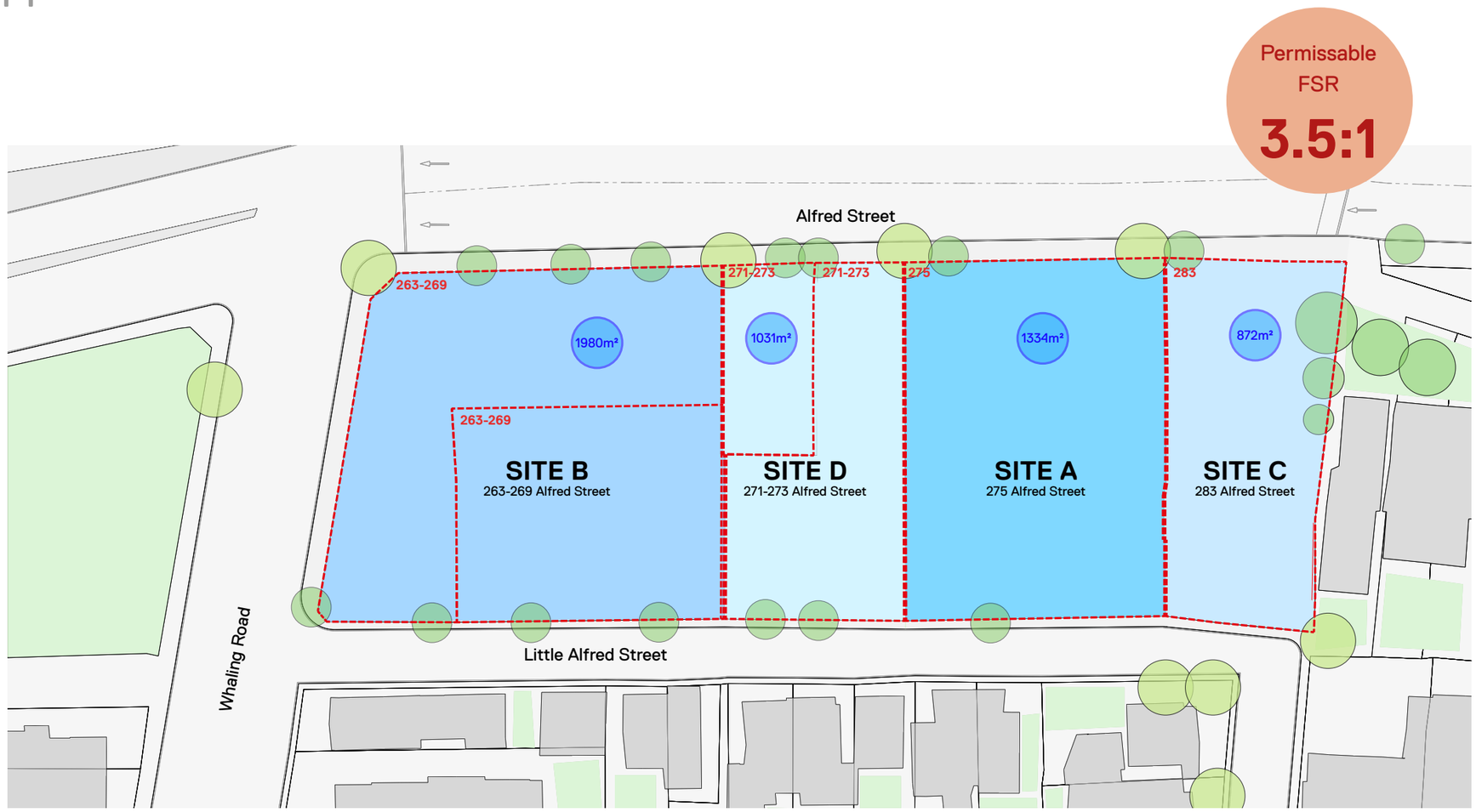
Overview

Achievable GFA under existing scheme

18,570m²

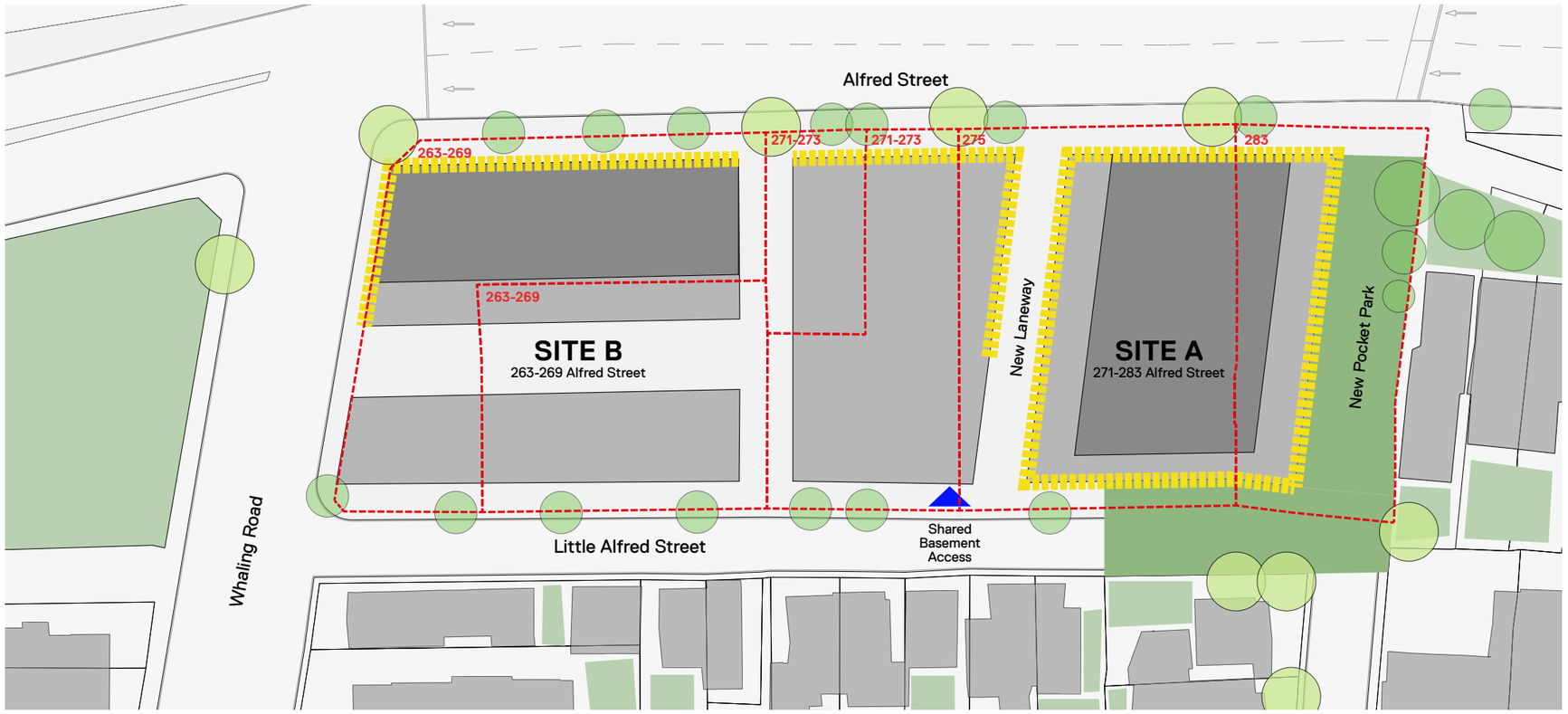
Permissable FSR

3.5:1



Site	Site Area	Current Storeys	Current GFA	Current FSR	Permissable FSR
263-269 Alfred Street	1980m²	3+5	4370m²	2.2:1	3.5:1
271-273 Alfred Street	1031m²	3	2300m²	2.2:1	3.5:1
275 Alfred Street	1334m²	18	9700m²	7.3:1	3.5:1
283 Alfred Street	872m²	3	2200m²	2.5:1	3.5:1
Total	**5217m²**		**18570m²**	**3.5:1**	**3.5:1**

Council Proposal



Legend

- Potential for active frontages
- Existing Tree
- New Street Tree
- Vehicular Entrance
- Pocket Park
- Building Footprint

Site	Site Area	Proposed Storeys	Proposed GBA	Proposed GFA	Commercial GFA	Residential GFA	Proposed NIA	Existing GFA	Actual GFA increase	Proposed FSR	Existing FSR	Existing FSR (LEP)	JRPP suggested FSR	FSR Uplift to Existing	FSR Uplift to LEP
	m2		m2	m2			m2	m2	m2	:1	:1	:1		:1	:1
263-269 Alfred Street Site B	1980	3+9	5508	4682	1542	3140	4131	4370	312	2.4	2.2	3.5	3.5	0.2	-1.1
271-273 Alfred Street Site D	1031	3	1700	1445	1445	0	1275	2300	-855	1.4	2.2	3.5	3.5	-0.8	-2.1
275 Alfred Street Site A	1334	26	11597	9857	1951	7908	8698	9700	157	7.4	7.3	3.5	7.3	0.1	3.9
283 Alfred Street Site C	872	26	3390	2912	711	2201	2542	2200	712	3.3	2.5	3.5	3.5	0.8	-0.2
Total	5217		22195	18896	5649	13248	16646	18570	326.0	3.6	3.5	3.5	3.5	0.1	0.1

Overview

Achievable GFA under proposed option

18,896m²

Proposed FSR

3.6:1

Jobs and Dwellings

Non-residential floorspace

5,649m²

Non-residential FSR

1.1:1

Local jobs

280

Residential floorspace

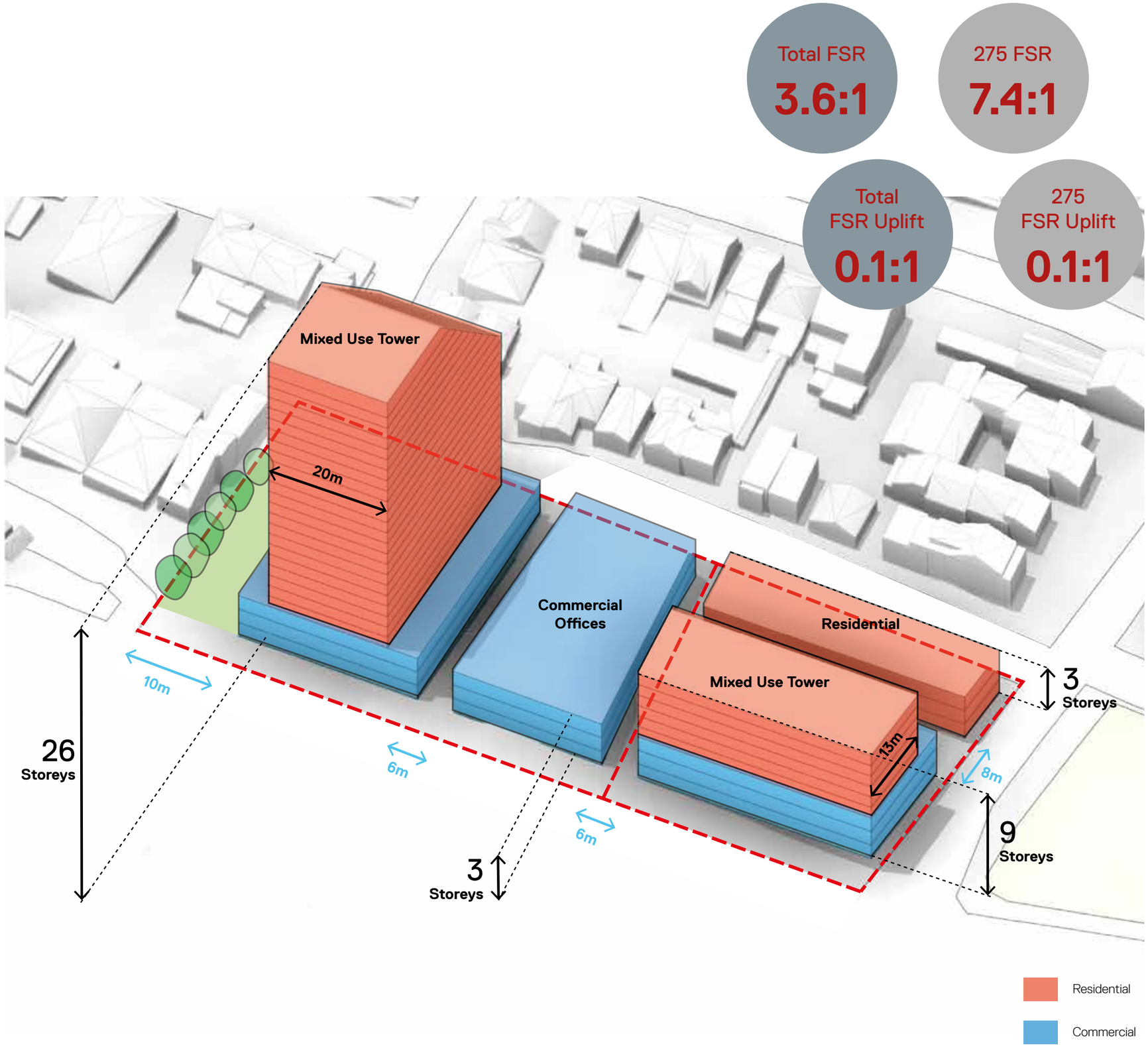
13,248m²

Residential FSR

2.5:1

Dwellings

190



APPENDIX B: INDICATIVE COST PLAN

LEGGE & LEGGE ARCHITECTS
275 ALFRED STREET, NORTH SYDNEY, NSW

INDICATIVE ESTIMATE

REFURBISH EXISTING

31-May-18

Item	Description	Qty	Unit	Rate	Total
1					
2	**DEMOLITION**				
3	Allowance for internal demolition. Ground to L16 (excl L13)	9,360.00	m2	250.00	2,340,000.00
4					
5	**NEW WORKS**				
6	Buildings Areas				
7	Basements				
8	P2 Basement - Rework and bring to Code etc	1,281.00	m2	950.00	1,216,950.00
9	P1 Basement - Rework and bring to Code etc	1,278.00	m2	950.00	1,214,100.00
10	Lower Ground Floor - Rework and bring to Code etc	1,278.00	m2	950.00	1,214,100.00
11	Ground Floor				
12	Building refurbishment & structural Augmentation (Commercial)	585.00	m2	2,500.00	1,462,500.00
13	New Entry	29.00	m2	4,500.00	130,500.00
14	External Areas upgrade	611.00	m2	450.00	274,950.00
15	Level 1				
16	Building refurbishment & structural Augmentation (Commercial)	272.00	m2	2,500.00	680,000.00
17	Void space / structural upgrade	313.00	m2	1,200.00	375,600.00
18	Level 2				
19	Building refurbishment & structural Augmentation (Commercial)	585.00	m2	2,500.00	1,462,500.00
20					
21	Level 3				
22	Building refurbishment & structural Augmentation (Commercial)	251.00	m2	2,500.00	627,500.00
23	Void space / structural upgrade	334.00	m2	1,200.00	400,800.00
24	Level 4				
25	Building refurbishment & structural Augmentation (Commercial) msd over voids	585.00	m2	2,500.00	1,462,500.00
26	Level 5-16 (excl L13)				
27	Building refurbishment & structural Augmentation (Commercial)	6,435.00	m2	2,500.00	16,087,500.00
28	Level 13 & 17				
29	Building refurbishment & structural Augmentation (Plant)	1,170.00	m2	1,800.00	2,106,000.00
30					
31	FACADE				
32	Re-clad existing building including asbestos removal.	7,687.00	m2	1,200.00	9,224,400.00
33					
34	LIFTS				
35	Modify lifts (new car & maintainance only)	3.00	No	350,000.00	1,050,000.00
36					
37	External Works				
38	Allowance for making good roads, footpaths and streetscape	1.00	Item	250,000.00	250,000.00
39	Landscaping allowance	1.00	Item	Included	
40					
41	**SITE SERVICES**				
42	Provisional allowance for upgrading of all incoming/outgoing services.	1.00	Item	1,000,000.00	1,000,000.00
43	Electrical Substations	1.00	Item	500,000.00	500,000.00
44					
45				**Sub-total**	43,079,900.00
46					
47	**PRELINARIES, OVERHEADS & PROFIT**				
48	Allowance for Preliminaries, Overheads & Profit	0.35	%	43,079,900.00	15,078,000.00
49					
50				**Sub-total**	58,157,900.00
				TOTALS $	**58,157,900.00**

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