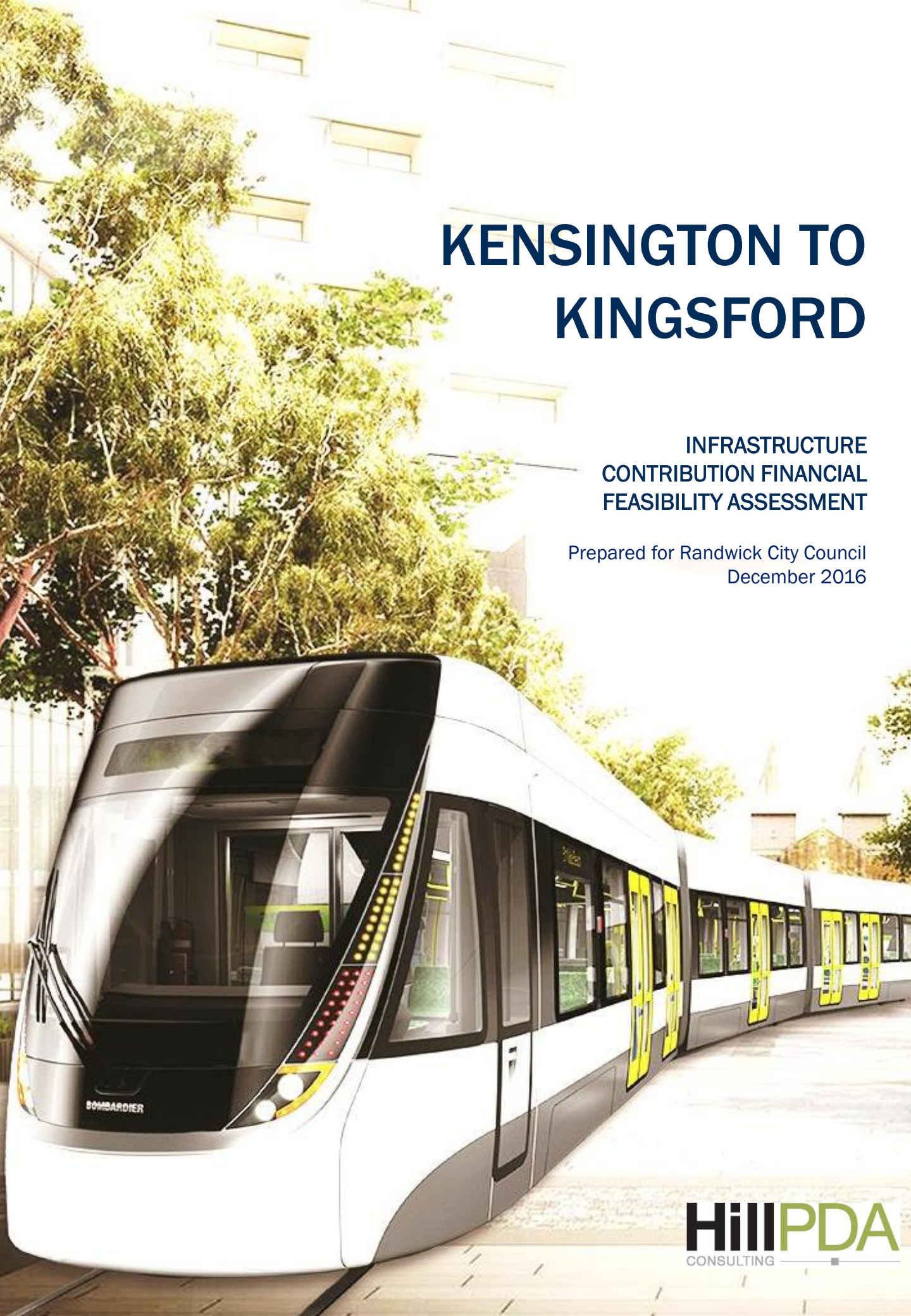




KENSINGTON TO KINGSFORD

INFRASTRUCTURE CONTRIBUTION FINANCIAL FEASIBILITY ASSESSMENT

Prepared for Randwick City Council
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QUALITY ASSURANCE

Report Contacts

VIRGINIA HILL

Adv Dip Val, MProDev, PMAPI

Associate

Virginia.Hill@hillpda.com

Supervisor

MARTIN HILL

M.Real Estate (UNSW), M.Property Development (UTS), BSc (Hons), Certified Practicing Valuer (Unrestricted), FAPI, MRICS

Director

Martin.Hill@hillpda.com

Quality Control

This document is for discussion purpose only unless signed and dated by a Senior Associate of HillPDA.

Reviewed by:

MARJORIE FERGUSON

M Economic History (Hons). Grad Dip Urban and Regional Planning.

Grad Dip Leisure Studies. MPIA CPP

Principal



Dated: 16/12/2016

CONTENTS

Executive Summary	4
Introduction	11
Chapter One: Market Advice	12
Gateway Site Assessment	15
Transit Site Assessment	18
Infill Site Assessment	21
Opportunity Site Assessment	24
Chapter Two: Assessment of Value Uplift	27
Financial Analysis	29
Development Options and Feasibility Results	30
Gateway Financial Results	32
Transit Site Financial Results	33
Infill Site Financial Results	34
Opportunity Site Financial Results	35
Key Findings	36
Chapter Three: Assessment of community infrastructure contributions	37
Preferred Planning Controls	39
Gateway Financial Results	40
Transit Site Financial Results	41
Infill Site Financial Results	42
Opportunity Site Financial Results	43
K2K Planning Capacity	44
Affordable Housing Contribution	46
Results	49
Appendix One: Market Research	51
Appendix Two: Feasibility Analysis Summary Sheets	54



EXECUTIVE SUMMARY

The following Study was commissioned by the City of Randwick to provide advice on the financial viability of proposed draft development and infrastructure contribution options for four identified Sites in the Kensington and Kingsford (K2K) Town Centres (hereafter referred to as the Study Area).

The four Sites identified include:

- **Site One: The Gateway Site** -31, 33, 35, 37, 39 and 41 Anzac Parade, Kensington
- **Site Two: The Transit Site** - 111-125 Anzac Parade, and 112 Todman Avenue, Kensington
- **Site Three: The Infill Site** -372-388 Anzac Parade, Kingsford
- **Site Four: The Opportunity Site** -391-395,397-397A Anzac Parade and 17 Bunnerong Road, Kingsford

More specifically, HillPDA was to undertake an analysis of current market values, value uplift and a financial assessment of proposed development contributions for the four identified Sites in the Study Area.

This report contains details of our market analysis for each of the sites including current purchase prices, probable development costs and current developer charges, along with apartment sales values, to provide a robust financial model to test impacts of varying developer charges.

We are of the opinion that development feasibility is a matter that should be considered on a site by site basis however for the purposes of this advice, the testing has been done on the basis of a general hypothetical development for each of the respective precincts, to inform Government policy decisions. We have done our best endeavours to ensure costs and revenues are representative of a hypothetical development for the location but do not purport they apply evenly on all sites.

In existing areas where rezoning has occurred and the residential land values are established, the hypothetical development method is used to assess development on each site. This method calculates the residual land value by subtracting from the anticipated net sales revenue, the anticipated costs of development plus a margin for its profit and risk. For comparison, this is then expressed as a benchmark dollar rate

Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility; unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.

Market Advice

A market analysis was undertaken to determine the purchase prices of the four identified Sites. The results are shown in Table 1.

Table 1: Identified Sites

Site	Address	Purchase Price
Site 1: Gateway	31,33,35,37,39 and 41 Anzac Parade, Kensington	\$10,000,000 to \$11,000,000
Site 2: Transit	111-125 Anzac Parade, and 112 Todman Avenue, Kensington	\$35,750,000
Site 3: Infill	372-388 Anzac Parade, Kingsford	\$10,326,000
Site 4: Opportunity	391-395,397-397A Anzac Parade and 17 Bunnerong Road, Kingsford	\$16,973,000

Assessment of Value Uplift

A feasibility analysis was undertaken testing three different proposed Floor Space Ratios (FSRs) on each of the identified/test sites, including a 3% Section 94A developer contribution and a Community Infrastructure Contribution (CIC) at 475/sqm on the additional residential floor space only, over a base FSR of 3:1.

When a option was not viable, we further tested a ‘tipping point’. What we refer to as the tipping point is the minimum FSR (and in turn building height) required to achieve a financially viable development (i.e. an Internal Rate Return (IRR) of 18% and a Development Margin (DM) of 25%).

The proposed FSRs agreed by Council for each site are as follows:

Table 2: Identified Site Proposed FSRs

Site	Option 1 FSR	Option 2 FSR	Option 3 FSR	Option 4, Tipping Point
Site 1: Gateway	4.1:1	3.6:1	4:1	
Site 2: Transit	4.3:1	4.5:1	5:1	6.6:1
Site 3: Infill	3.7:1	3.6:1	4:1	
Site 4: Opportunity	4.7:1	4.5:1	5:1	

The results demonstrated that Site 1, 3 and 4 were viable at the proposed FSRs ranging from 3.6:1 to 5:1 . This means that the purchase price was lower than the redevelopment return. Allowing redevelopment of the sites to occur within the proposed draft planning controls.

However, Site 2 was not viable at FSRs ranging from 4.3:1 to 5:1. The key factor impacting the viability of this site was the purchase price. We are of the opinion that the purchaser speculated that a higher FSR than the proposed FSR could be achieved on the site. Therefore, the sites redevelopment value was lower than its purchase price, demonstrating a unviable project.

Taking into account the speculated purchase price, 3% Section 94a contribution and a CIC at \$475/sqm on the additional residential floor space only; the tipping point for Site 2 would be a FSR of 6.6:1. This includes an FSR of 5.6:1 for the residential element and an FSR of 1:1 for the commercial element.

We are of the opinion that development feasibility is a matter that should be considered on a site by site basis. However to encourage redevelopment along the Corridor our modelling results identify the need to increase FSRs and building heights on particular Sites within the Study Area. Please refer to Table 4 for the results of each site.

Development and Infrastructure Contributions Assessment

Further to the assessment of the uplift, we have further modelled one preferred proposed FSR option to test the impact of providing a 3% or 5% affordable housing component on the four identified Sites. In addition, a 3% Section 94a contribution and a Community Infrastructure Contribution (CIC) at \$475/sqm were also included in the modelling.

The preferred proposed FSR are as follows:

Table 3: Preferred Proposed FSRs

Site	Preferred Options
Site 1: Gateway	4:1
Site 2: Transit	5:1
Site 3: Infill	4:1
Site 4: Opportunity	5:1

The results revealed that the 3% and 5% affordable housing contribution did not impact that viability of Site 1, the Gateway Site. Whereas Site 2, the Transit Site was found not to be viable and demonstrated that the site could not provide a 3% or 5% affordable housing contribution.

Site 3 the Infill Site and Site 4 the Opportunity Site were found to be viable at a 3% affordable housing contribution; however at a 5% affordable housing contribution, both Sites were marginally viable. Please refer to Table 5 for the results of each site.

Table 4: Assessment of Value Uplift

Site Details	Gateway Site			Transit Site				Infill Site			Opportunity Site		
	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 4 Tipping Point	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Site Area (sqm)	1,604	1,604	1,604	2,959	2,959	2,959	2,959	1,158	1,158	1,158	1,924	1,924	1,924
No. of Residential Units	66	56	64	106	113	130	181	44	41	46	77	70	80
Residential Floor Space Ratio	3.8:1	3.3:1	3.7:1	3.3:1	3.5:1	4:1	5.6:1	3.4:1	3.3:1	3.7:1	3.7:1	3.5:1	4:1
Commercial Floor Space Ratio	0.3:1	0.3:1	0.3:1	1:1	1:1	1:1	1:1	0.3:1	0.3:1	0.3:1	1:1	1:1	1:1
Total FSR	4.1:1	3.6:1	4:1	4.3:1	4.5:1	5:1	6.6:1	3.7:1	3.6:1	4:1	4.7:1	4.5:1	5:1
Gross Floor Area (sqm)	6,576	5,774	6,416	12,723	13,315	14,795	19,437	4,285	4,169	4,632	9,042	8,658	9,620
Land Purchase Value	\$10.5m	\$10.5m	\$10.5m	\$35m	\$35m	\$35m	\$35m	\$10.3m	\$10.3m	\$10.3m	\$16.9m	\$16.9m	\$16.9m
Community Infrastructure Contribution (excl GST)	\$ 609,520	\$ 228,475	\$ 533,425	\$ 421,657	\$ 702,763	\$ 1,405,525	\$ 3,637,075	\$ 220,020	\$ 164,825	\$ 385,035	\$ 588,430	\$ 405,650	\$ 913,900
Residual Land Value	\$15m	12.7m	\$14.7m	\$16m	\$17.8m	\$19.7m	\$36m	\$10.8m	9.8m	\$10.5m	17.6m	\$15.4m	\$17.7m
Project IRR	25%	22%	24%	6%	8%	9%	18%	19%	17%	18%	19%	16%	19%
Development Margin	49%	42%	48%	2%	6%	9%	32%	35%	30%	33%	28%	22%	27%
Viability	Viable	Viable	Viable	Not Viable	Not Viable	Not Viable	Viable	Viable	Marginally Viable	Viable	Viable	Marginally Viable	Viable

Table 5: Development and Infrastructure Contributions Assessment

Gateway Site				Transit Site			Infill Site			Opportunity Site		
Site Details	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Site Area (sqm)	1,604	1,604	1,604	2,959	2,959	2,959	1,158	1,158	1,158	1,924	1,924	1,924
No. of Residential Units	64	64	64	130	130	130	46	46	46	80	80	80
Gross Floor Area (sqm)	6,416	6,416	6,416	14,795	14,795	14,795	4,632	4,632	4,632	9,620	9,620	9,620
Residential Floor Space Ratio	3.7:1	3.7:1	3.7:1	4:1	4:1	4:1	3.7:1	3.7:1	3.7:1	4:1	4:1	4:1
Commercial Floor Space Ratio	0.3:1	0.3:1	0.3:1	1:1	1:1	1:1	0.3:1	0.3:1	0.3:1	1:1	1:1	1:1
Total FSR	4:1	4:1	4:1	5:1	5:1	5:1	4:1	4:1	4:1	5:1	5:1	5:1
Land Purchase Value	\$10.5m	\$10.5m	\$10.5m	\$35.7m	\$35.7m	\$35.7m	\$10.3m	\$10.3m	\$10.3m	\$16.9m	\$16.9m	\$16.9m
Community Infrastructure Contribution (excl GST)	\$ 533,425	\$ 533,425	\$ 533,425	\$ 1,405,525	\$ 1,405,525	\$ 1,405,525	\$ 385,035	\$ 385,035	\$ 385,035	\$ 913,900	\$ 913,900	\$ 913,900
Affordable Housing %	0%	3%	5%	0%	3%	5%	0%	3%	5%	0%	3%	5%
Residual Land Value	\$15m	\$13.7m	\$13.1m	\$19.7m	\$17.7m	\$16.4m	\$10.5m	\$9.8m	\$9.3m	\$17.7m	\$17m	\$15.6m
Project IRR	24%	23%	22%	9%	8%	7%	18%	17%	16%	19%	18%	16%
Development Margin	48%	44%	41%	9%	6%	6%	33%	29%	27%	27%	26%	22%
Viability	Viable	Viable	Viable	Not Viable	Not Viable	Not Viable	Viable	Marginally Viable	Marginally Viable	Viable	Viable	Marginally Viable

Source: Preferred FSRs provided and agreed on by Randwick City Council and the Feasibility Analysis was undertaken by HillPDA using Estate Master

Total Contribution for the Study Area

To test the total proposed developer contributions (i.e Section 94a contribution and Community Infrastructure Contribution (CIC)) in the Study Area, we tested three options:

- Option 1:** This option would involve a developer contributing a 1% Section 94a Contribution of total construction costs and professional fees and a CIC at \$475/sqm for the additional residential floor space.
- Option 2:** This option would involve a developer contributing a 2% Section 94a Contribution of total construction costs and professional fees and a CIC at \$475/sqm for the additional residential floor space.
- Option 3:** This option would involve a developer contributing a 3% Section 94a Contribution of total construction costs and professional fees and a CIC at \$475/sqm for the additional residential floor space

The total infrastructure contributions required for the Kingsford to Kensington project is \$85.5 million. Based on our industry experience, not all developments within the pipeline are not delivered. Therefore, as a rule of thumb we have allowed for 85% of this additional capacity to be developed. The results revealed that the estimated combined contribution value at an 85% residential capacity for option 1 is \$62.7million, Option 2 is \$71.3 million and Option 3 is \$100.8 million.

	Section 94a at 1% Construction Costs +\$475/sqm CIC				Section 94a at 2% Construction Costs +\$475/sqm CIC				Section 94a at 3 % Construction Costs +\$475/sqm CIC			
Study Area	K2K Contributions Required	Total Contribution	Difference	Surplus %	K2K Contributions Required	Total Contribution	Difference	Surplus %	K2K Contributions Required	Total Contribution	Difference	Surplus %
Section 94A	\$45,963,000	\$19,664,750	-\$26,298,250	-57.2%	\$45,963,000	\$29,497,125	-\$16,465,875	-35.8%	\$45,963,000	\$64,319,464	\$13,031,250	28.3%
Total CIC	\$39,600,000	41,858,781	\$2,258,781	5.7%	\$39,600,000	\$41,858,781	\$2,258,781	5.7%	\$39,600,000	\$41,858,781	\$2,258,781	5.7%
Total	\$85,563,000	\$61,523,531	-\$24,039,469	-28%	\$85,563,000	\$71,355,906	-\$14,207,094	-17%	\$85,563,000	\$100,853,031	\$15,290,031	18%

Option 3, results in a positive surplus of 18%. This is considered to be in line with the industry standard benchmark, typically ranging from 10% to 30%. Option 1 and Option 2 both achieved a negative surplus presenting a significantly lower contribution value required to fund the infrastructure plan.

In order to accumulate the infrastructure contributions (i.e. \$85.5m) for the Study Area, Council would require developers to pay a 3% Section 94a contribution and CIC at the \$475/sqm.

Affordable Housing Contribution

To calculate the affordable housing contribution we have tested two options:

- Option One:** Total residential capacity - 5,000 dwellings; and
- Option Two:** At 85% residential capacity - 4,250 dwelling.

As stated above typically 85% of the development pipeline is delivered. As such, Option 2 provides a total of 4,250 dwellings. We believe this is a more realistic take up rate as not everything proposed will be delivered.

Option One: Total residential capacity - 5,000

Of the 5,000 dwellings, approximately 230 dwellings have been identified as affordable housing. The estimated value of the affordable housing contribution based on 115 x 1 bedroom and 115 x 2 bedroom dwellings is \$194 million dollars.

Table 7: Affordable Housing Contribution

Bedroom Mix	Blended Average: \$/ per unit \$2016	Internal Area	Total Sale price - \$2016	Total No. of AH Units	Total AH Contribution \$2016
1 bedroom	\$13,500	50	\$675,000	115	\$77,625,000
2 bedroom	\$13,500	75	\$1,012,500	115	\$116,437,500
Total				230	\$194,062,500

Option Two: At 85% residential capacity - 4,250 dwellings

At a 85% residential capacity, a total of 4,250 dwellings would be delivered in the Study Area. Approximately 192 dwellings have been identified as affordable housing. The estimated value of the affordable housing contribution based on 96 x 1 bedroom and 96 x 2 bedroom dwellings is \$162million dollars.

Table 8: Affordable Housing Contribution

Bedroom Mix	Blended Average: \$/ per unit \$2016	Internal Area	Total Sale price - \$2016	Total No. of AH Units	Total AH Contribution \$2016
1 bedroom	\$13,500	50	\$675,000.00	96	\$64,800,000
2 bedroom	\$13,500	75	\$1,012,500.00	96	\$97,200,000
Total				192	\$162,000,000

INTRODUCTION

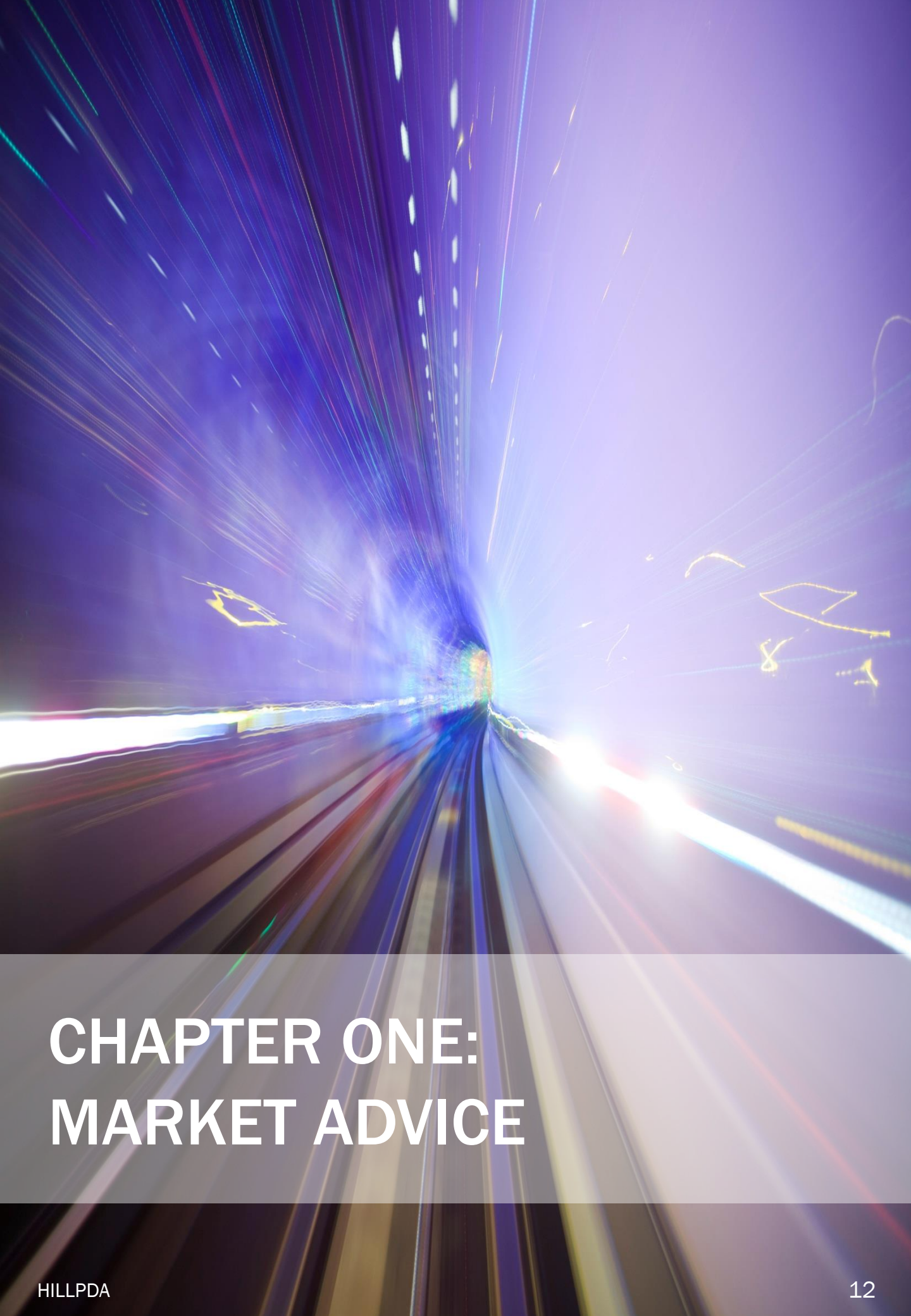
HillPDA was instructed by Randwick City Council (Council) to carry out an analysis of current market values, value uplift and a financial assessment for the calculation of a Community Infrastructure Contribution (CIC) for four identified Sites along Kensington and Kingsford Town Centres (hereafter referred to as Study Area).

This Study has been undertaken and reported in three stages:



Figure 1: Project alignment





CHAPTER ONE: MARKET ADVICE

As part of Stage 1, HillPDA was instructed by Randwick City Council (Council) to carry out market advice for four test sites located within the Study Area.

We advise that we have satisfactorily identified and carried out an external inspection (only) of the Subject Properties. We have undertaken market research with respect to the available sales evidence and prepared our Appraisal for each in this report.

The identified test sites are referred to as:

Table 9: Identified Sites Purchase Price

Sites	Address
Site 1: Gateway	31, 33, 35,37 ,39 and 41 Anzac Parade, Kensington
Site 2: Transit	111-125 Anzac Parade, and 112 Todman Avenue, Kensington
Site 3: Infill	372-388 Anzac Parade, Kingsford
Site 4: Opportunity	391-395,397-397A Anzac Parade and 17 Bunnerong Road, Kingsford

Study Methods

In order to inform Stage 1 of this Study, we have undertaken a series of research steps as follows:

- A review of relevant planning controls;
- An analysis of the sites characteristics;
- Relevant market research; and
- An assessment of the current purchase price.

Chapter Structure

To provide practical market advice to the Kingsford to Kensington project we have structured this Chapter into four key sections:

- **Section 1 – Gateway Site:** This Section outlines site particulars such as the location, current improvements, planning controls and the existing market value.
- **Section 2 – Transit Site:** This Section outlines site particulars such as the location, current improvements, planning controls and the existing market value.
- **Section 3 – Infill Site:** This Sections outlines site particulars such as the location, current improvements, planning controls and the existing market value.
- **Section 4 – Opportunity Site:** This Chapter outlines site particulars such as the location, current improvements, planning controls and the existing market value.

The location of the four sites is shown in Figure 2, Identified sites.

Figure 2: Identified Sites



1. GATEWAY SITE ASSESSMENT

Address:

31, 33, 35, 37, 39 and
41 Anzac Parade

Site size:

1,604sqm

Existing Floor Space

Ratio: No FSR

Height: 25m

Local Government Area:

Randwick City Council

Land zoning:

B2 Local Centre

Existing approvals:

Nil

Proposed Draft Floor

Space Ratio:

4:1

Proposed Draft Height:

31m

Note:

No FSR applies to land within Kensington Town Centre – building envelope controls for each block are contained within the City of Randwick Development Control Plan 2013.

Site Particulars

Site Location

The Gateway site depicted below is located along Anzac Parade, Kensington in the Randwick Local Government Area (LGA), 7km south east of the Sydney Central Business District (CBD).

Figure 3: Gateway Site



Source: Six Maps 2016

Site Improvements

The Site is made up of six lots, comprising six, single storey semi detached dwellings.

Figure 4: Gateway Site Current Uses



Source: Six Maps 2016

Surrounding development

The neighbouring properties to the north and south comprise of two storey retail/commercial buildings.

EXISTING PLANNING FRAMEWORK

Randwick Local Environment Plan 2012

Zone B2 Local Centre

Objectives of the Zone

- To provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area.
- To encourage employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To encourage the construction of mixed use buildings that integrate suitable commercial, residential and other developments and that provide active ground level uses.

2 Permitted without consent

Home occupation

3 Permitted with consent

Boarding houses; Building identification signs; Business identification signs; Child care centres; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Hostels; Information and education facilities; Medical centres; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Respite day care centres; Restricted premises; Roads; Seniors housing; Service stations; Shop top housing; Tourist and visitor accommodation; Water recycling facilities; Any other development not specified in item 2 or 4.

Figure 5: Land Zoning – B2 Local Centre



Source: Planning Portal 2016

Figure 6: Height of Buildings – 25 metres



Source: Planning Portal 2016

APPROACH TO ASSESSMENT

The purpose of this market advice is to assess the potential price of the Site “As Is” value for a semi detached dwelling. The Direct Comparison Approach is the most appropriate in the circumstances. This is a method which considers sales of similar properties and an estimate of market value made by a comparison process, usually by comparing the land to similar sales based on a sale rate(\$/sqm).

Current Market Values for Test Sites

To arrive at a current purchase price for our assessment, we have analysed recent sales. The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

When a test site has two or more landowners, we adopted a 20% premium on the current value. This provides a more realistic potential pricing for the sites that would need to be amalgamated for redevelopment.

Table 10 demonstrates each test site’s existing valuation (in accordance with the Rpdata Valuations October 2016). The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

Table 10: “As Is” Values

No.	Purchase Price	\$/sqm
31 Anzac Parade	\$1,648,670	\$5,705
33 Anzac Parade	\$1,371,783	\$4,934
35 Anzac Parade	\$1,420,738	\$5,616
37 Anzac Parade	\$1,541,564	\$6,093
39 Anzac Parade	\$1,960,000	\$6,084
41 Anzac Parade	\$1,550,000	\$5,894
Total Site Value	\$9,160,972	\$ 5,729
Total Site Value @20% premium	\$10,993,166	\$ 6,875

In accordance with the comments expressed herein, we are of the opinion that the purchase price of the Gateway site, may be fairly expressed in the sum range of ten million dollars nine hundred and ninety three thousand dollars (\$10,993,000).

2. TRANSIT SITE ASSESSMENT

Address:
111-125 Anzac Parade
and 112 Todman
Avenue, Kensington

Site size:
2,959sqm

**Existing Floor Space
Ratio:** No FSR

Height: 12m to 25m

Local Government Area:
Randwick City Council

Land zonings:
B2 Local Centre

Planning Proposal :
A planning proposal was
lodged on the Site for a
25 storey mixed use
development comprising
ground and first floor
retail and commercial
premises and 231
residential apartments.

**Previous Planning
Proposal FSR:**
7:1

**Previous Planning
Proposal Height:**
85m

**Randwick Proposed
Draft Floor Space Ratio:**
5:1

Proposed Draft Height
60m

Note:
No FSR applies to land
within Kensington Town
Centre – building
envelope controls for
each block are
contained within the City
of Randwick
Development Control
Plan 2013.

SITE PARTICULARS

Site Location

The Transit site depicted below is located on the corner of Anzac Parade and Todman in the Randwick Local Government Area (LGA) 7km south east of the Sydney Central Business District (CBD).

Figure 7: Transit Site



Source: Six Maps 2016

Site Improvements

The Site comprises five commercial properties including a physio, Snap fitness centre, retail auto goods and a restaurant.

Figure 8: Transit Site Current Uses



Source: Six Maps 2016

Surrounding development

The neighbouring properties comprise mixed use developments ranging over two to six storeys.

EXISTING PLANNING FRAMEWORK

Figure 9: Land Zoning – B2 Local Centre



Source: Planning Portal 2016

Figure 10: Height of Buildings – 25 metres



Source: Planning Portal 2016

Figure 11: Height of Buildings – 12 metres



Source: Planning Portal 2016

Randwick Local Environment Plan 2012

Zone B2 Local Centre

Objectives of the Zone

- To provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area.
- To encourage employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To encourage the construction of mixed use buildings that integrate suitable commercial, residential and other developments and that provide active ground level uses.

2 Permitted without consent

Home occupation

3 Permitted with consent

Boarding houses; Building identification signs; Business identification signs; Child care centres; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Hostels; Information and education facilities; Medical centres; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Respite day care centres; Restricted premises; Roads; Seniors housing; Service stations; Shop top housing; Tourist and visitor accommodation; Water recycling facilities; Any other development not specified in item 2 or 4.

APPROACH TO ASSESSMENT

The purpose of this market advice is to assess the potential price of the Site “As Is” value for a mixed use dwelling. The Direct Comparison Approach is the most appropriate in the circumstances. This is a method which considers sales of similar properties and an estimate of market value made by a comparison process, usually by comparing the land to similar sales based on a sale rate(\$/sqm).

Current Market Values for Test Sites

To arrive at a current purchase price for our assessment, we have analysed recent sales. The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

Table 11 displays each test site’s recent transaction from August 2015 to April 2016. The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

Table 11: Sold Prices 2015-2016

Address	Date	Price	Size	\$/sqm
111 Anzac Parade	14-Aug-15	\$7,050,000	626	\$11,262
113-115 Anzac Parade	24-Mar-16	\$5,800,000	594	\$9,764
117-119 Anzac Parade	24-Mar-16	\$8,250,000	702	\$11,752
123 Anzac Parade	24-Mar-16	\$6,400,000	181	\$35,359
112 Todman Avenue	24-Apr-16	\$8,250,000	316	\$26,108
Total Site Area		\$35,750,000	2,419	\$14,779

Source: Rpdata 2016

In accordance with the comments expressed herein, we are of the opinion that the purchase price of the Transit Site, may be fairly expressed in the sum range of thirty five million dollars seven hundred and fifty thousand dollars (\$35,750,000).

3. INFILL SITE ASSESSMENT

Address:
372 - 388 Anzac Parade, Kingsford

Site size:
1,158sqm

Existing Floor Space Ratio: 3:1

Height: 24m

Local Government Area:
Randwick City Council

Land zoning:
B2 Local Centre

Existing approvals:
Nil.

Heritage:
No

Proposed Draft Floor Space Ratio:
4:1

Proposed Draft Height:
31m

Site Location

The Infill site depicted below is located along Anzac Parade in the Randwick Local Government Area (LGA) 7km south east of the Sydney Central Business District (CBD).

Figure 11: Infill Site Location



Source: Six Maps 2016

Site Improvements

The Site comprises six commercial ground floor premises and six residential apartments on the first floor.

Figure 12: Infill Site



Source: Six Maps 2016

Surrounding development

The neighbouring development comprises mixed use developments ranging from one to eight storeys.

INFILL SITE: EXISTING PLANNING FRAMEWORK

Randwick Local Environment Plan 2012

Zone B2 Local Centre

Objectives of the Zone

- To provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area.
- To encourage employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To encourage the construction of mixed use buildings that integrate suitable commercial, residential and other developments and that provide active ground level uses.

2 Permitted without consent

Home occupation

3 Permitted with consent

Boarding houses; Building identification signs; Business identification signs; Child care centres; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Hostels; Information and education facilities; Medical centres; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Respite day care centres; Restricted premises; Roads; Seniors housing; Service stations; Shop top housing; Tourist and visitor accommodation; Water recycling facilities; Any other development not specified in item 2 or 4.

Figure 13: Height of Buildings – 24 metres



Source: Planning Portal 2016

Figure 14: Land Zoning – B2 Local Centre



Source: Planning Portal 2016

APPROACH TO ASSESSMENT

The purpose of this market advice is to assess the potential price of the Site’s “As Is” value as a mixed use premises. The Direct Comparison Approach is the most appropriate in the circumstances. This is a method which considers sales of similar properties and an estimate of market value made by a comparison process, usually by comparing the land to similar sales based on a sale rate(\$/sqm).

Current Market Values for Test Sites

To arrive at a current purchase price for our assessment, we have analysed recent sales. The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

Table 12 demonstrates each test site’s existing valuation (in accordance with the Rpdata Valuations October 2016). The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

Table 12: Adopted Sale Prices

Ground Floor - Retail Premises				
Unit No	Total Internal Area (sqm)		\$/sqm	Sale Price
1 Anzac Parade	116		\$8,500	\$986,000
2 Anzac Parade	111		\$8,500	\$943,500
3 Anzac Parade	114		\$8,500	\$969,000
4 Anzac Parade	111		\$8,500	\$943,500
5 Anzac Parade	111		\$8,500	\$943,500
6 Anzac Parade	114		\$8,500	\$969,000
Sub Total				\$5,754,500
First Floor Residential Premises				
Unit	Total Area (sqm)	External Area (sqm)	Internal Area (sqm)	Sale Price
7 Anzac Parade	114	23	91	\$ 828,056
8 Anzac Parade	113	23	90	\$766,611
9 Anzac Parade	113	23	90	\$ 718,351
10 Anzac Parade	113	23	90	\$787,316
11 Anzac Parade	113	23	90	\$740,780
12 Anzac Parade	114	23	91	\$730,515
Sub Total				\$4,571,629
Total Site Value				\$10,326,129

Source: Rpdata 2016

In accordance with the comments expressed herein, we are of the opinion that the purchase price of the Infill site may be fairly expressed in the sum range of ten million dollars three hundred and twenty six thousand dollars (\$10,326,000).

4. OPPORTUNITY SITE ASSESSMENT

Address:
391, 393, 395, 397-397A 395 Anzac Parade, 1 Bunnerong Road and 17 Bunnerong Road, Kingsford

Site size:
1,924sqm

Existing Floor Space Ratio: 3:1

Height: 24m

Local Government Area:
Randwick Council

Land zoning:
B2 Local Centre

Planning Proposal :
A second planning proposal was lodged on the Site for a 16 storey (FSR 8:1),mixed use development, comprising ground and first floor retail and commercial premises and 155 residential apartments.

Proposed Draft Floor Space Ratio:
5:1

Proposed Draft Height:
57m

Site Location

The Opportunity site depicted below is located along Anzac Parade in the Randwick Local Government Area (LGA), 7km south east of the Sydney Central Business District (CBD)

Figure 15: Opportunity/Key Site Location



Source: Six Maps 2016

Site Improvements

The Site comprises mixed use buildings, with ground floor retail and residential on the upper floor.

Figure 16: Opportunity Site Improvements



Source: Six Maps 2016

Surrounding development

The neighbouring development comprises mixed use developments from one to two storeys.

OPPORTUNITY SITE: EXISTING PLANNING

Randwick Local Environment Plan 2012

Zone B2 Local Centre

Objectives of the Zone

- To provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area.
- To encourage employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To encourage the construction of mixed use buildings that integrate suitable commercial, residential and other developments and that provide active ground level uses.

2 Permitted without consent

Home occupation

3 Permitted with consent

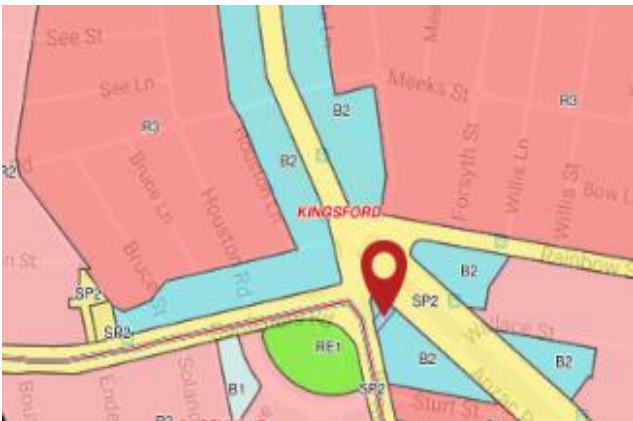
Boarding houses; Building identification signs; Business identification signs; Child care centres; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Hostels; Information and education facilities; Medical centres; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Respite day care centres; Restricted premises; Roads; Seniors housing; Service stations; Shop top housing; Tourist and visitor accommodation; Water recycling facilities; Any other development not specified in item 2 or 4.

Figure 17: Height of Buildings – 24 metres



Source: Planning Portal 2016

Figure 18: Land Zoning – B2 Local Centre



Source: Planning Portal 2016

APPROACH TO ASSESSMENT

The purpose of this market advice is to assess the potential price of the Site’s “As Is”. The Direct Comparison Approach is the most appropriate in the circumstances. This is a method which considers sales of similar properties and an estimate of market value made by a comparison process, usually by comparing the land to similar sales based on a sale rate(\$/sqm).

Current “As is” Values for Test Sites

To arrive at a current purchase price for our assessment, we have analysed recent sales. The derived pricing will be adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

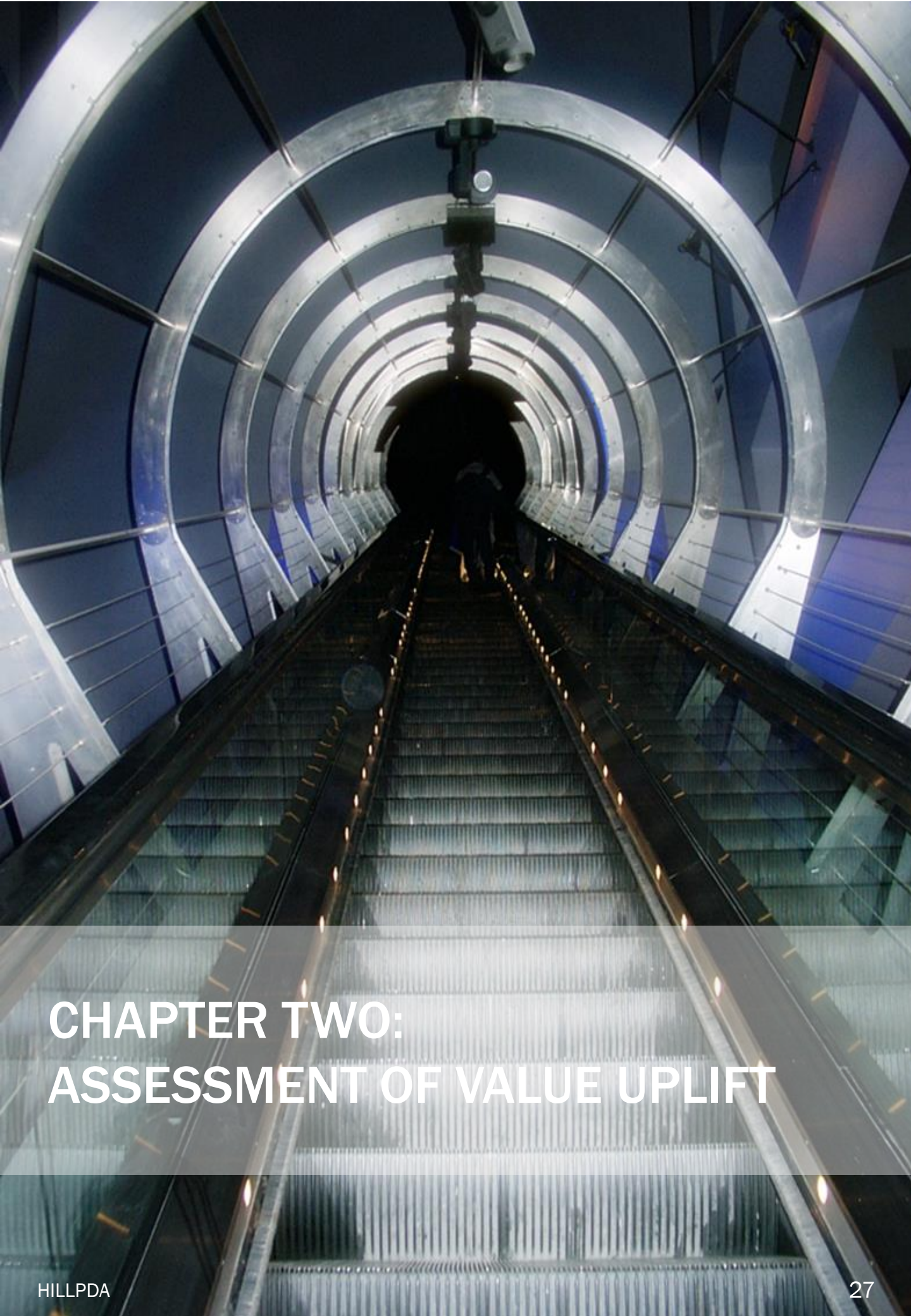
Table 13 demonstrates each test sites transaction values in accordance with the recent sales of each site March 2015 . The derived pricing was adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

Table 13: Adopted Sale Prices

Address	Date	Price	Size	\$/sqm
1 Bunnerong Road and 393-395 Anzac Parade	31-Mar-15	\$8,576,368	841	\$10,198
397-397A Anzac Parade	31-Mar-15	\$4,920,000	683	\$7,204
17 Bunnerong Road	31-Mar-15	\$3,477,300	436	\$38,930
Total Site Value		\$16,973,668	1,960	\$8,660

Source: Rpdata 2016

In accordance with the comments expressed herein, we are of the opinion that the purchase price of the Opportunity site, may be fairly expressed in the sum range of sixteen million nine hundred and seventy three thousand dollars and six hundred dollar (\$16,973,600).



CHAPTER TWO: ASSESSMENT OF VALUE UPLIFT

As part of Stage 2 of this commission , HillPDA tested the potential infrastructure contributions (CIC). More specifically HillPDA undertook a hypothetical development on the four identified sites to:

- Assess the viability of redevelopment;
- To determine the potential density uplift from proposed draft planning controls; and
- To model results.

More specifically, this stage involved testing a hypothetical development feasibility based on the proposed draft planning controls. The feasibility analysis identifies the total value uplift achieved on each selected Site.

Study Methods

In order to inform Stage 2 of this Study, we have undertaken a feasibility analysis testing three different FSRs on each of the identified sites.

Chapter Structure

To test the potential proposed draft planning controls and the viability of each identified site, we have structured the Chapter into three key sections:

- **Section 1 – Financial Analysis:** This Section outlines the methodology, performance indicators and assumptions used in the financial models.
- **Section 2 – Development Options and results:** This Section outlines the proposed development options (applying up to three proposed draft FSRs) tested on each of the four Sites and the feasibility results.
- **Section 3 – Key Findings :** This section summarises the feasibility results for each site.

Study Rationale

As each site along the Study Corridor has different development parameters, the test sites have been selected on the basis that they vary in land size, location, existing improvements and number of lots required for amalgamation. Furthermore, the mix of sites were chosen to provide, a range of development options along the Corridor.

For the purpose of our modelling ,we have assumed the proposed floor areas provided by Conybeare Morrison Architects. The proposed draft FSRs for each site range from 3.6:1 to 5:1. A FSR for the commercial element is included in each of the identified sites .

In addition, the following assumptions were agreed by Council:

- A 3% Section 94a levy was applied on total construction costs and professional fees;
- Residential FSRs range from 3.3:1 to 4:1;
- Commercial FSRs range from 0.3:1 and 1:1;
- All sites are in accordance with proposed draft planning controls and car parking requirements;
- Three different proposed Floor Space Ratios (FSRs) on each of the identified/test sites, including a 3% Section 94A developer contribution and a Community Infrastructure Contribution (CIC) at 475/sqm on the additional residential floor space only, over a base FSR of 3:1.
- For the purpose of the Community Infrastructure Contribution, a dollar per square metre rate of \$475/sqm was applied to the residential uplift floor space only. HillPDA has calculated this rate by testing the viability of the four identified sites. Of the four identified sites, three were viable at a rate of \$475/sqm. We have adopted \$475/sqm, as this rate has demonstrated that development is viable , allowing development to occur in the Study Area.

FINANCIAL ANALYSIS

Financial Modelling Methodology

To undertake this analysis, HillPDA has utilised its proprietary development feasibility software - Estate Master. This software is an industry benchmark 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 site acquisition (stamp duty and legals); professional fees (design and management); demolition and construction (including car parking and balconies); property holding costs and statutory fees; equity, finance charges and interest on debt; marketing and selling costs; and revenue from sales, rentals and other income.

The hypothetical development cash flow is calculated and discounted to determine the internal rate of return before interest costs on an annual effective basis. Such an approach is commonly applied by developers and funders to determine if a project is viable to proceed or whether an alternative land purchase price is required.

It is important to note that the feasibility analysis assumed that each of the four sites had been rezoned to a higher density. Our modelling has been undertaken at a high level of detail. This modelling should be refined further with the development of the scheme and the identification of any additional relevant information. Therefore the viability of each site could be further enhanced.

Financial Modelling Assumptions

HillPDA have assumed:

- All of the Sites have been assessed against their potential purchase price;
- Market research has been sourced for the sale values;
- One, two and three bedroom units have been assumed for sale values;
- No flooding issues;
- Vacant possession;
- No heritage associated with any of the Sites;
- Demolition costs at \$20,000 per dwelling;
- Construction Costs - Apartments - \$2,900 to \$3,300/sqm;
- Balconies -\$1,100/sqm;
- Car parking - \$50,000 per car space;
- Residential Sale Values - \$13,000 to \$14,000/sqm;
- Retail Sale Values - \$10,000/sqm;
- Section 94A Contribution at 3%; and
- A rate of \$475/sqm on the residential uplift floor space only, for the community infrastructure contribution.

Current Purchase Price

For the purpose of testing a hypothetical development to assess its financial viability, Council has identified four sites in the Study Area. In accordance with the brief we have tested ground retail and residential on the upper floors. To arrive at a current purchase price for our modelling, we have analysed existing market values (as discussed in Stage 1) to calculate the existing purchase price for each site. The current investment values have been adopted in our financial modelling to test if the redevelopment of the site would be financially attractive to a reasonable developer.

When a site has two or more landowners, we adopted a 20% premium on the current investment value. This provides a more realistic purchase prices for the sites that would need to be amalgamated for redevelopment.

The identified test sites are referred to as:

- **Gateway Site:** The site comprises of six lots with a total land area of 1,604sqm. For redevelopment purposes we have assumed this site is owned by more than one landowner and would need to be amalgamated. A 20% premium value was adopted.
- **Transit Site:** The site comprises of five lots with a total land area of 2,959sqm. This site is owned by one landowner and therefore would not need to amalgamated.
- **Infill Site:** The site comprises of 12 strata lots with a total land area of 1,158sqm. This site is owned by one landowner and therefore would not need to amalgamated.
- **Opportunity Site:** The site comprises of nine lots with a total land area of 1,924sqm. This site is owned by one landowner and therefore would not need to amalgamated.

Table 14: Purchase Prices

Site	Address	Purchase Price
Site 1. Gateway	31, 33, 35, 37, 39 and 41 Anzac Parade, Kensington	\$10,000,000 to \$11,000,000
Site2. Transit	111-125 Anzac Parade, and 112 Todman Avenue, Kensington	\$35,750,000
Site 3. Infill	372-388 Anzac Parade, Kingsford	\$10,326,000
Site 4. Opportunity Site	391-395,397-397A Anzac Parade and 17 Bunnerong Road	\$16,973,000

Performance Criteria

The following demonstrates the methodology and criteria used to assess the financial viability of each development scenario and the subsequent modelling results.

Whilst HillPDA has adopted the project Internal Rate of Return (IRR) as the primary indicator of performance (feasibility), regard has also been given to the following performance criteria:

- **Residual Land Value:** is the land purchase price a developer can afford to pay to achieve a viable project.
- **Development Profit:** is the total revenue less total cost including interest paid and received; and
- **Development Margin:** is the profit divided by total development costs (including selling costs).
- **Tipping Point:** is the minimum FSR (and in turn building height) required to achieve a financially viable development (i.e. an IRR of 18% and a Development Margin of 25%). For larger developments in the inner city regions, a Project IRR of 16% p.a would be considered a viable project.

Table 15: Performance Indicators

Performance	Project IRR 18%	Development Margin 25%
Viable	>18%	>25%
Marginally Viable	16%-18%	20%-25%
Not Viable	<16%	<20%

2. DEVELOPMENT OPTIONS AND FEASIBILITY RESULTS

SITE 1: GATEWAY SITE RESULTS:

The development options for the Gateway Site are as follows:

Option 1: Mixed Use Development at a Base Case FSR 4.1:1: This option proposes a mixed use development comprising retail at an FSR of 0.3:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 3.8:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Option 2: Mixed Use Development at a Base Case FSR 3.6:1: This option proposes a mixed use development comprising retail at an FSR of 0.3:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 3.3:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at a Base Case FSR 4:1: This option proposes a mixed use development comprises retail at an FSR of 0.3:1 and a mix one, two and three bedrooms located on the upper floors at an FSR 3.7:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Table 16 provides a summary of the results of the modelling.

Table 16: Gateway Site Results

Site / Option Specifics	Option 1	Option 2	Option 3
Site Area (sqm)	1,604	1,604	1,604
No. of Residential Units	66	56	64
Residential Floor Space Ratio	3.8:1	3.3:1	3.7:1
Commercial Floor Space Ratio	0.3:1	0.3:1	0.3:1
Gross Floor Area (sqm)	6,576	5,774	6,416
Land Purchase Value	\$10.5m	\$10.5m	\$10.5m
Community Infrastructure Contribution	\$609,520	\$228,475	\$533,425
Residual Land Value	\$15m	\$12.7m	\$14.7m
Project IRR	25%	22%	25%
Development Margin	49%	42%	48%
Viability	Viable	Viable	Viable

Source: HillPDA and Estate Master DF 2016.

What does it all mean?

The results revealed that all three Options were viable at FSRs ranging from 3.6:1 to 4.1:1, including residential and commercial uses, a 3% Section 94A and a CIC at \$475/sqm of the additional residential floor space. This demonstrates that the redevelopment of the Site returned a higher development value than its purchase price.

SITE TWO: TRANSIT SITE RESULTS

The development options for the Transit Site are as follows:

- Option 1: Mixed Use Development at a FSR 4.3:1:** This option proposes a mixed use development comprising retail at an FSR of 1:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 3.3:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.
- Option 2: Mixed Use Development at a FSR 4.5:1:** This option proposes a mixed use development comprising retail at an FSR of 1:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 3.5:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.
- Option 3: Mixed Use Development at a FSR 5:1:** This option proposes a mixed use development comprising retail at an FSR of 1:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 4:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.
- Option 4: Mixed Use Development -Tipping Point at FSR 6.6:1:** The proposed option is similar to the above options; however the FSR is increased until the proposed development achieves a viable Project IRR of 18% per annum. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Table 17 provides a summary of the results of the modelling.

Table 17: Transit Site Results

Site / Option Specifics	Option 1	Option 2	Option 3	Option 4 Tipping Point
Site Area (sqm)	2,959	2,959	2,959	2,959
No. of Residential Units	106	113	130	181
Residential Floor Space Ratio	3.3:1	3.5:1	4:1	5.6:1
Commercial Floor Space Ratio	1:1	1:1	1:1	1:1
Gross Floor Area (sqm)	12,723	13,315	14,795	19,437
Land Purchase Value	\$35m	\$35m	\$35m	\$35m
Community Infrastructure Contribution	\$421,657	\$702,763	\$1,405,525	\$3,637,075
Residual Land Value	\$16m	\$17.8m	\$19.7m	\$36m
Project IRR	6%	8%	9%	18%
Development Margin	2%	6%	9%	32%
Viability	Not Viable	Not Viable	Not Viable	Viable

What does it all mean?

- The results revealed that Options 1 to 3 were not viable at a FSR of 4.3:1 to 5:1, including residential and commercial uses, a 3% Section 94A and a CIC at \$475/sqm on the additional residential floor space.
- As outlined earlier in the report, the key factor for this site being unviable is the purchase price being based on the speculated development potential.
- Option 4 demonstrated that the tipping point was an FSR of 6.6:1. This option also included the residential and commercial uses, a 3% Section 94A and a CIC at \$475/sqm of the additional residential floor space.

SITE THREE: INFILL SITE RESULTS

The development options for Infill Site are as follows:

Option 1: Mixed Use Development at a FSR 3.7:1: This option proposes a mixed use development comprising retail at a FSR of 0.3:1 and a mix one, two and three bedrooms located on the upper floors at an FSR 3.4:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Option 2 Mixed Use Development at a FSR 3.6:1: This option proposes a mixed use development comprising retail at an FSR of 0.3:1 and a mix one, two and three bedrooms located on the upper floors at an FSR 3.3:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at a FSR 4.1: This option proposes a mixed use development comprising retail at an FSR of 0.3:1 and a mix one, two and three bedrooms located on the upper floors at an FSR 3.7:1. Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Table 18 provides a summary of the results of the modelling.

Table 18: Infill Site Results

Site / Option Specifics	Option 1	Option 2	Option 3
Site Area (sqm)	1,158	1,158	1,158
No. of Residential Units	44	41	46
Residential Floor Space Ratio	3.4:1	3.3:1	3.7:1
Commercial Floor Space Ratio	0.3:1	0.3:1	0.3:1
Gross Floor Area (sqm)	4,285	4,169	4,632
Land Purchase Value	\$10.3m	\$10.3m	\$10.3m
Community Infrastructure Contribution	\$220,020	\$164,825	\$385,035
Residual Land Value	\$10.8m	\$9.8m	\$10.5m
Project IRR	19%	17%	18%
Development Margin	35%	30%	33%
Viability	Viable	Marginally Viable	Viable

What does it all mean?

- Option 1 and Option 3 are based on proposed draft planning controls and car parking requirements. Options 1 and 3 were viable at a FSR of 3.7:1 to 4:1, including residential and commercial uses, 3% Section 94A and a CIC at \$475/sqm on the additional residential floor space. This demonstrates that the redevelopment of the Site returned a higher development value than its purchase price.
- Option 3 has the higher FSR, however, the financial modeling indicates that the total CIC of \$385,035 impacted the overall development viability.
- Option 2 was based on proposed draft planning controls and car parking requirements. Option 2 was marginally viable at an FSR 3.6:1, with residential and commercial uses, 3% Section 94A and a CIC at \$475/sqm of the residential uplift.

SITE FOUR: OPPORTUNITY SITE RESULTS

The development options for the Opportunity Site are as follows:

Option 1: Mixed Use Development at a Base Case FSR 4.7:1: This option proposes a mixed use development comprising retail at an FSR of 1:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 3.7:1 Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Option 2: Mixed Use Development at a Base Case FSR 4.5:1: This option proposes a mixed use development comprising retail at an FSR of 1:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 3.5:1 Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at a Base Case FSR 5:1: This option proposes a mixed use development comprising retail at an FSR of 1:1 and a mix of one, two and three bedrooms located on the upper floors at an FSR 4:1 Basement car parking was provided for both the retail units and the apartments in the development. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.

Table 19 provides a summary of the results of the modelling.

Table 19: Opportunity Site Results

Site / Option Specifics	Option 1	Option 2	Option 3
Site Area (sqm)	1,924	1,924	1,924
No. of Residential Units	77	70	80
Residential Floor Space Ratio	3.7:1	3.5:1	4:1
Commercial Floor Space Ratio	1:1	1:1	1:1
Gross Floor Area (sqm)	9,042	8,658	9,620
Land Purchase Value	\$16.9m	\$16.9m	\$16.9m
Community Infrastructure Contribution	\$588,430	\$405,650	\$913,900
Residual Land Value	17.6m	\$15.4m	\$17.7m
Project IRR	19%	16%	19%
Development Margin	28%	22%	27%
Viability	Viable	Marginally Viable	Viable

What does it all mean?

- Option 1 and Option 3 were viable at a FSR of 4.7:1 to 5:1, with residential and commercial uses, 3% Section 94A and CIC at \$475/sqm on additional residential floor space. This demonstrates that the redevelopment of the Site returned a higher development value than its purchase price.
- Option 3 has the higher FSR, however, the financial modeling indicates that the total CIC of \$913,900 impacted the overall development viability.
- Option 2 was marginally viable, with residential and commercial uses, 3% Section 94A and CIC at \$475/sqm on additional the residential floor space.

3. KEY FINDINGS

In conclusion, all sites were tested using proposed draft planning controls and car parking requirements as agreed by Council. All sites were tested with a 3% Section 94a developer contribution and a CIC for the residential component achieved over a base FSR of 3:1.

The results demonstrated that Site 1, 3 and 4 were viable at proposed FSRs ranging from 3.6:1 to 5:1 . This means that the existing value was lower than the redevelopment value. Allowing redevelopment of the sites to occur wider the proposed draft planning controls.

However, Site 2 was not viable at FSRs ranging from 4.3:1 to 5:1. The key factor impacting the viability of this site was the purchase price. We are of the opinion that the purchaser speculated that a higher FSR than the proposed FSR could be achieved on the site. Therefore, the sites redevelopment value was lower than its purchase price, demonstrating a unviable project.

Taking into account the speculated purchase price, 3% Section 94a contribution and a CIC at \$475/sqm on the residential uplift floor space only; the tipping point for Site 2 would be a FSR of 6.6:1. This includes an FSR of 5.6:1 for the residential element and an FSR of 1:1 for the commercial element.

We are of the opinion that development feasibility is a matter that should be considered on a site by site basis. However to encourage redevelopment along the Corridor our modelling results identify the need to increase FSRs and building heights on particular Sites within the Study Area.



CHAPTER THREE: ASSESSMENT OF COMMUNITY INFRASTRUCTURE CONTRIBUTIONS

As part of Stage 3 of the commission, HillPDA was instructed to undertake financial modelling on the preferred draft planning controls on the four identified sites, over the agreed study period (i.e. 10 years). In addition, different contributions for sensitivity testing (i.e. 3% Section 94a, CIC at \$475/sqm and 3% to 5% Affordable Housing Contribution) were applied.

Study Methods

In order to inform Stage 3 of this Study, we have undertaken the following steps:

- Agreed on preferred draft planning controls for each site;
- Tested each site's viability based on the total affordable housing, Section 94A and Community Infrastructure Contributions (CIC);
- Reviewed of the net planning capacity and calculated the total Section 94A and CIC for the Study Area; and
- Calculated the total affordable housing contribution for the Study Area based on 5,000 dwelling capacity for the Study Area.

Structure

To test the sensitivity of the preferred proposed planning controls, we have structured this Chapter into four key sections:

- **Section 1 – Preferred Draft Planning Controls:** This Section outlines the preferred draft FSR to test on each of the sites.
- **Section 2 – Development Options and Feasibility Results:** This Section outlines the viability of each site tested.
- **Section 3 – Planning Capacity** This section outlines the net planning capacity and the total value captured from the additional development in the Study Area.
- **Section 4 – Affordable Housing Contribution:** This section outlines the total number of affordable dwellings delivered over a 10 year period and the total affordable housing contribution for the Study Area.

Study Rationale

For the purpose of Stage 3, we have used the agreed floor areas provided by Conybeare Morrison Architects for each of the Sites ranging from a FSR of 4:1 to 5:1. A commercial FSR range from 0.3:1 and 1:1 has been applied.

In addition, the following assumptions were agreed by Council:

- Residential FSR's range from 3.7:1 to 4:1;
- Commercial FSRs range from 0.3:1 and 1:1;
- All sites are in accordance with proposed draft planning controls and car parking requirements;
- One preferred proposed Floor Space Ratios (FSRs) on each of the identified/test sites, including a 3% Section 94A developer contribution and a Community Infrastructure Contribution (CIC) at 475/sqm on the residential uplift floor space only, over a base FSR of 3:1 and a affordable housing contribution of 3% to 5% to be tested on each site.
- For the purpose of the Community Infrastructure Contribution (CIC), a dollar per square metre rate of \$475/sqm was applied to the residential uplift floor space only. HillPDA have calculated this rate by testing the viability of the four identified sites. Of the four identified sites, three were viable at a rate of \$475/sqm. We have adopted \$475/sqm, as this rate has demonstrated that development is viable, allowing development to occur in the Study Area.

PREFERRED PLANNING CONTROLS

As part of Stage 3, preferred draft planning controls in Stage 2 were identified for further consideration by Council. The preferred draft FSR and heights controls for each site are as follows:

Table 20: Preferred Planning Controls

Selected sites	Land Area	Height	Parameter	Planning capacity	Residential	Commercial
Site One: Gateway Site, 31-41 Anzac Pde, Kensington	1,604 m ²	Storeys	FSR	4:1	3.7:1	0.3:1
		9	GBA	7,548 m ²	6,982 m ²	566 m ²
		Metres	GFA=(85%*GBA)	6,416 m ²	5,935 m ²	481 m ²
		31	NSA=(85%*GFA)	5,453 m ²	5,044 m ²	408 m ²
Site Two: Transit Site, 111-125 Anzac Pde and 112 Todman Ave	2,959 m ²	Storeys	FSR	5:1	4:1	1:1
		18	GBA	17,405 m ²	13,924 m ²	3,481 m ²
		Metres	GFA=(85%*GBA)	14,795 m ²	11,836 m ²	2,959 m ²
		60	NSA=(85%*GFA)	12,575 m ²	10,060 m ²	2,515 m ²
Site Three: Infill Site, 372 – 388 Anzac Pde, Kingsford	1,158 m ²	Storeys	FSR	4:1	3.7:1	0.3:1
		9	GBA	5,449 m ²	5,041 m ²	408 m ²
		Metres	GFA=(85%*GBA)	4,632 m ²	4,285 m ²	347 m ²
		31	NSA=(85%*GFA)	3,937 m ²	3,642 m ²	294 m ²
Site Four: Opportunity Site, 391-393, 395,397-397A Anzac Pde & 17 Bunnerong Rd Kingsford	1,924 m ²	Storeys	FSR	5:1	4:1	1:1
		17	GBA	11,317 m ²	9,054 m ²	2,263 m ²
		Metres	GFA=(85%*GBA)	9,620 m ²	7,696 m ²	1,924 m ²
		57	NSA=(85%*GFA)	8,177 m ²	6,541 m ²	1,636 m ²

Definitions

Gross Building Area (GBA) is the area of the building at all building levels, measured between the normal outside face of any enclosing walls (or the centre line of common walls between different properties), balustrades and supports.

Gross floor area (GFA) means 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:

- the area of a mezzanine, and
- habitable rooms in a basement or an attic, and
- any shop, auditorium, cinema, and the like, in a basement or attic, but excludes:
- any area for common vertical circulation, such as lifts and stairs, and
- any basement:
 - storage, and
 - vehicular access, loading areas, garbage and services, and
 - plant rooms, lift towers and other areas used exclusively for mechanical services or ducting, and
 - car parking to meet any requirements of the consent authority (including access to that car parking), and
 - any space used for the loading or unloading of goods (including access to it), and
 - terraces and balconies with outer walls less than 1.4 metres high, and
 - voids above a floor at the level of a storey or storey above.

Net Saleable Area (NSA) means the total floor area measured of all residential/commercial individual property/units including all floor area including internal walls, mezzanines, hallways, bathrooms but excluding common spaces, patios, balconies.

SITE 1: GATEWAY SITE FINANCIAL RESULTS

The development options for the Gateway site are as follows:

Option 1: Mixed Use Development at a Base Case FSR 4.1: This option proposes a mixed use development comprising of ground floor retail with 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. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only.. No affordable housing has been tested in this option.

Option 2: Mixed Use Development at a Base Case FSR 4.1: This option proposes a mixed use development comprising of ground floor retail with 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. We have assumed a 3% Section 94a levy, a 3% affordable housing levy and CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at a Base Case FSR 4.1: This option proposes a mixed use development comprising of ground floor retail with 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. We have assumed a 5% affordable housing, levy , a 3% Section 94a levy and a CIC at \$475/sqm on the additional residential floor space only.

Table 21 provides a summary of the results of the modelling

Table 21: Gateway Site Results

Site Details	Option 1	Option 2	Option 3
Site Area (sqm)	1,604	1,604	1,604
No. of Residential Units	64	64	64
Gross Floor Area (sqm)	6,416	6,416	6,416
Residential Floor Space Ratio	3.7:1	3.7:1	3.7:1
Commercial Floor Space Ratio	0.3:1	0.3:1	0.3:1
Land Purchase Value	\$10.5m	\$10.5m	\$10.5m
Community Infrastructure Contribution	\$533,425	\$533,425	\$533,425
Affordable Housing %	0%	3%	5%
Residual Land Value	\$15m	\$13.7m	\$13.1m
Project IRR	25%	23%	22%
Development Margin	48%	44%	41%
Viability	Viable	Viable	Viable

What does it all mean?

- All Options were viable at an FSR of 4:1, with commercial and residential uses, a 3% Section 94a levy, 3%to 5% affordable housing levy and a CIC of \$475/sqm for the additional residential component using revised planning controls.
- This demonstrates that if the site was to be redeveloped using draft planning and contributions proposed in Table 20, a affordable housing contribution of 3% or 5% could be applied.

SITE 2: TRANSIT SITE FINANCIAL RESULTS

The development options for Transit Site are as follows:

Option 1 : Mixed Use Development at a FSR 5:1: This option proposes a mixed use development comprising of ground floor retail with 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. We have assumed a 3% Section 94a levy and CIC at \$475/sqm on the additional residential floor space only. No affordable housing was tested in this option.

Option 2: Mixed Use Development at a Base Case FSR 5:1 : This option proposes a mixed use development comprising of ground floor retail with 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. We have assumed a 3% Section 94a levy, a 3% affordable housing levy and a CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at a Base Case FSR 5:1 : This option proposes a mixed use development comprising of ground floor retail with 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.. We have assumed a 3% Section 94a levy, a 5% affordable housing and a CIC at \$475/sqm on the additional residential floor space only.

Table 22 provides a summary of the results of the modelling.

Table 22: Transit Site Results

Site / Option Specifics	Option 1	Option 2	Option 3
Site Area (sqm)	2,959	2,959	2,959
No. of Residential Units	130	130	130
Residential Floor Space Ratio	4:1	4:1	4:1
Commercial Floor Space Ratio	1:1	1:1	1:1
Gross Floor Area (sqm)	14,795	14,795	14,795
Land Purchase Value	\$35.7m	\$35.7m	\$35.7m
Community Infrastructure Contribution	\$1,405,525	\$1,405,525	\$1,405,525
Affordable Housing (%)	0%	3%	5%
Residual Land Value	\$19.7m	\$17.7m	\$16.4m
Project IRR	9%	8%	7%
Development Margin	9%	6%	6%
Viability	Not Viable	Not Viable	Not Viable

What does it all mean?

- The three Options were not viable at an FSR of 5:1 with residential and commercial uses, affordable housing (i.e 0% to 5%), a 3% Section 94a levy, a CIC of \$475/sqm for the additional residential component using proposed draft planning controls and contributions.
- As outlined earlier in the report, the key factor for this site being unviable is the purchase price being based on the speculated development potential.

SITE THREE: INFILL SITE FINANCIAL RESULTS

The development options for the Infill Site are as follows:

Option 1a: Mixed Use Development at an FSR 4:1: This option proposes a mixed use development comprising of ground floor retail, first floor commercial office space with a mix 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. We have assumed a 3% Section 94a levy and a CIC at \$475/sqmr the on additional residential floor space only. No affordable housing was tested in this option.

Option 2: Mixed Use Development an FSR 4:1: This option proposes a mixed use development comprising of ground floor retail, first floor commercial office space with a mix 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. We have assumed a 3% Section 94a levy, a 3% affordable housing levy and a CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at an FSR 4:1: This option proposes a mixed use development comprising of ground floor retail, first floor commercial office space with a mix 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. We have assumed a 3% Section 94a levy, a 5% affordable housing levy and a CIC at \$475/sqm on the additional residential floor space only.

Table 23 provides a summary of the results of the modelling.

Table 23: Infill Site Results

Site / Option Specifics	Option 1	Option 2	Option 3
Site Area (sqm)	1,158	1,158	1,158
No. of Residential Units	46	46	46
Residential Floor Space Ratio	3.7:1	3.7:1	3.7:1
Commercial Floor Space Ratio	0.3:1	0.3:1	0.3:1
Gross Floor Area (sqm)	4,632	4,632	4,632
Land Purchase Value	\$10.3m	\$10.3m	\$10.3m
Community Infrastructure Contribution	\$385,035	\$385,035	\$385,035
Affordable Housing (%)	0%	3%	5%
Residual Land Value	\$10.8m	\$9.8m	\$9.3m
Project IRR	18%	17%	16%
Development Margin	33%	29%	27%
Viability	Viable	Marginally Viable	Marginally Viable

What does it all mean?

- Option 1 was viable at a FSR 4:1, with residential and commercial uses, a 3% Section 94a Contribution and CIC rate of \$475/sqm based on proposed draft planning controls.
- Option 2 and Option 3 were marginally viable at a FSR 4:1, with commercial and residential uses, a 3% Section 94a levy, 3% to 5% affordable housing levy and a CIC \$475/sqm.
- This demonstrates that if the site was to be redeveloped using draft planning and contributions proposed in Table 20 , a affordable housing contribution of 3% or 5% could possibly be applied.

SITE FOUR: OPPORTUNITY SITE FINANCIAL RESULTS

The development options for the Opportunity Site are as follows:

Option 1a: Mixed Use Development at a FSR 5:1: This option proposes a mixed use development comprising of ground floor retail, first floor commercial office space with a mix of one, two and three bedrooms located on the upper floors. Basement car parking was provided for both the retail units and apartments. We have assumed a 3% Section 94a levy and a CIC at \$475/sqm on the additional residential floor space only. No affordable housing was tested in this option.

Option 2: Mixed Use Development at a FSR 5:1: This option proposes a mixed use development comprising of ground floor retail, first floor commercial office space with 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. We have assumed a 3% Section 94a levy, a 3% affordable housing and a CIC at \$475/sqm on the additional residential floor space only.

Option 3: Mixed Use Development at a FSR 5:1: This option proposes a mixed use development comprising of ground floor retail, first floor commercial office space with 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. We have assumed a 5% Section 94a levy, and 5% affordable housing and a CIC at \$475/sqm on the additional residential floor space only.

Table 24 provides a summary of the results of the modelling

Table 24: Opportunity Site Results

Site / Option Specifics	Option 1	Option 2	Option 3
Site Area (sqm)	1,924	1,924	1,924
No. of Residential Units	80	80	80
Residential Floor Space Ratio	4:1	4:1	4:1
Commercial Floor Space Ratio	1:1	1:1	1:1
Gross Floor Area (sqm)	9,620	9,620	9,620
Land Purchase Value	\$16.9m	\$16.9m	\$16.9m
Community Infrastructure Contribution	\$913,900	\$913,900	\$913,900
Affordable Housing %	0%	3%	5%
Residual Land Value	\$19m	\$17m	\$15.6m
Project IRR	19%	18%	16%
Development Margin	27%	26%	22%
Viability	Viable	Viable	Marginally Viable

What does it all mean?

- Option 1 and Option 2 were viable at an FSR 5:1, with residential and commercial uses, 3% Section 94a Contribution , no affordable housing and CIC rate of \$475/sqm.
- Option 3 was marginally viable at an FSR 5:1, with residential and commercial uses, a 3%Section 94a levy, 5% affordable housing levy and a CIC \$475/sqm for the additional residential space.
- This demonstrates that if the site was to be redeveloped using draft planning and contributions proposed in Table 20 , a affordable housing contribution of 3% or 5% could be applied.

K2K PLANNING CAPACITY

This section provides an assessment of the net additional planning capacity within the Study Area. HillPDA was provided the total planning capacity along the corridor by Conybeare Morrison; which was spilt into Kensington and Kingsford Town Centres (Precincts).

The capacity for each Precinct is as follows:

Table 25: K2 Planning Capacity

	Kensington	Kingsford
Current Capacity @ 3.0:1 zoning	118,161sqm	177,978sqn
Total residential dwellings (average 80sqm GFA) @ 3.0:1	1,329	2,002
Proposed Capacity to 4.0:1 & 5.0:1 FSRs	166,458sqm	258,200sqm
Total residential dwellings (average 80sqm GFA) @ 4.0:1 & 5.0:1	1,855	2,272
Residential Uplift	42,068sqm	61,607sqm
Residential dwelling Uplift	526	770
Commercial Uplift	6,257sqm	18,615sqm

In calculating the total net planning capacity for the Study Area, we have broken down the Section 94A contributions and Community Infrastructure Contributions (CIC) for the Kensington area and Kingsford area and compared that to the Council’s infrastructure estimate.

To test the total developer contributions (i.e Section 94a contribution and Community Infrastructure Contribution (CIC)) in the Study Area, we tested three options:

- **Option 1:** This option would involve a developer contributing a 1% Section 94a Contribution of total construction costs and professional fees and a CIC at \$475/sqm for the additional residential floor space.
- **Option 2:** This option would involve a developer contributing a 2% Section 94a Contribution of total construction costs and professional fees and a CIC at \$475/sqm for the additional residential floor space.
- **Option 3:** This option would involve a developer contributing a 3% Section 94a Contribution of total construction costs and professional fees and a CIC at \$475/sqm for the additional residential floor space.

Based on our industry experience, not all developments within the pipeline are developed. Therefore, as a rule of thumb we have allowed for 85% of this additional capacity to be developed.

The total infrastructure contributions required for the Kingsford to Kensington project is \$85.5 million. The results revealed that the estimated combined contribution value at an 85% residential capacity for option 1 is \$62.7million, Option 2 is \$71.3million and Option 3 is \$100.8million.

Table 26: Total Contributions in the Study Area

	Section 94a at 1% Construction Costs +\$475/sqm CIC				Section 94a at 2% Construction Costs +\$475/sqm CIC				Section 94a at 3 % Construction Costs +\$475/sqm CIC			
Study Area	K2K Contributions Required	Total Contribution	Difference	Surplus %	K2K Contributions Required	Total Contribution	Difference	Surplus %	K2K Contributions Required	Total Contribution	Difference	Surplus %
Section 94A	\$45,963,000	\$19,664,750	-\$26,298,250	-57.2%	\$45,963,000	\$29,497,125	-\$16,465,875	-35.8%	\$45,963,000	\$64,319,464	\$13,031,250	28.3%
Total CIC	\$39,600,000	41,858,781	\$2,258,781	5.7%	\$39,600,000	\$41,858,781	\$2,258,781	5.7%	\$39,600,000	\$41,858,781	\$2,258,781	5.7%
Total	\$85,563,000	\$61,523,531	-\$24,039,469	-28%	\$85,563,000	\$71,355,906	-\$14,207,094	-17%	\$85,563,000	\$100,853,031	\$15,290,031	18%

Option 3 results in a positive surplus of 18% over costs. This is considered to be in line with the industry standard benchmark, typically ranging from 10% to 30%. Option 1 and Option 2 both achieved a negative surplus presenting a significantly lower contribution value than is required to fund the infrastructure plan.

In order to accumulate the infrastructure contributions (i.e. \$85.5m) for Study Area, Council would require developers to pay a 3% Section 94a contribution and CIC at the \$475/sqm.

AFFORDABLE HOUSING CONTRIBUTION

This sections calculates the affordable housing contribution based on an estimated total of 5,000 dwellings, equating to a total of 230 affordable dwellings.

Net Development Potential

To calculate the affordable housing contribution we have tested two options:

- 1. **Option One:** Total residential capacity - 5,000 dwellings; and
- 2. **Option Two:** At 85% residential capacity - 4,250 dwelling.

As stated earlier, from our industry experience typically 85% of residential development pipeline is likely to be delivered. Therefore, Option 2 was agreed to be tested at a 85% residential capacity demonstrating 4,250 dwellings. We believe this is a more realistic take up rate as not everything proposed will be developed.

The methodology involves calculating the total number of affordable housing dwellings delivered per year based on a 3% and 5% affordable housing levy.

Option One: Total residential capacity - 5,000 dwellings

To estimate, we have assumed the following:

- Over the ten years, a total of 500 dwellings would be delivered per year.
- A total of 230 affordable housing dwellings are required to be delivered over the 10 years.
- The affordable housing levy would have a lead in time of two years starting in financial year 2017/2018 to 2019/2020. This period would adopt 3% affordable housing levy on all proposed developments in the Study Area.
- Of the 1,000 dwellings to be delivered over the first two years, 3% affordable housing equates to 30 dwellings.
- From 2020/2021, a 5% affordable housing would be adopted on all proposed developments in the Study Area.
- Of the 4,000 dwellings to be delivered over the eight years, 5% affordable housing equates to 200 dwellings.

Table 27: Option One: Total Capacity and Affordable Dwelling Delivery

Affordable Housing Rate	3% Affordable Levy from 17/18 to 19/20		5% Affordable housing 19/20+								Total Dwellings
Study Period (10 years)	1	2	3	4	5	6	7	8	9	10	
Financial Year	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
No. of Dwellings per year	500	500	500	500	500	500	500	500	500	500	5,000
Affordable Housing Rate	0.03	0.03	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Total No. of Affordable Housing Delivered	15	15	25	25	25	25	25	25	25	25	230

Option Two: At 85% residential capacity - 4,250 dwellings

To estimate, we have assumed the following:

- A total of 4,250 dwellings equates to a 85% take up.
- Over the ten years , a total of 500 dwellings would be delivered each year in the first seven years and 250 dwellings per year for the remaining three years.
- A total of 192 affordable housing dwellings are required to be delivered.
- The affordable housing levy would have a lead in time of two years starting in financial year 2017/2018 to 2019/2020. This period would adopt 3% affordable housing levy on all proposed developments in the Study Area.
- Of the 1,000 dwellings to be delivered over the two years , 3% affordable houses equates to 30 dwellings.
- From 2020/2021, a 5% affordable housing would be adopted on all proposed developments in the Study Area.
- Of the 3,250 dwellings to be delivered over the eight years, 5% affordable houses equates to 162 dwellings.

Table 28: Option Two: Total Capacity and Affordable Dwellings

Affordable Housing Rate	3% Affordable Levy from 17/18 to 19/20		5% Affordable housing 19/20+								Total Dwelling
	1	2	3	4	5	6	7	8	9	10	
Study Period (10 years)	1	2	3	4	5	6	7	8	9	10	
Finanical Year	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	
No. of Dwellings per year	500	500	500	500	500	500	500	250	250	250	4,250
Affordable Housing Rate (expressed %)	0.03	0.03	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Total No. of Affordable Housing Delivered	15	15	25	25	25	25	25	12.5	12.5	12.5	192

The second step to the calculation is to estimate the affordable housing contribution. We have calculated the two options referred to a above .

Option One: Total Capacity at 5,000 dwellings

The assumptions were as follows:

- A mix of 1 and 2 bedrooms for affordable housing;
- A 50/50 spilt of 1 and 2 bedrooms;
- Internal sizes for 1 and 2 bedrooms ranging from 50sqm-75sqm respectively;
- A blended sale rate of \$13,500/sqm was adopted.

Of the 5,000 dwellings capacity with the Study Area, 230 dwellings have been identified as affordable housing. The estimated value of the affordable housing contribution based on 115 x 1 bedroom and 115 x 2 bedroom dwellings is \$194 million dollars.

Table 29: Option One: Total Capacity at 5,000 dwellings

Bedroom Mix	Blended Average: \$/ per unit \$2016	Internal Area	Total Sale price - \$2016	Total No. of Affordable Housing Units	Total AH Contribution \$2016
1 bedroom	\$13,500	50	\$675,000.00	115	\$77,625,000
2 bedroom	\$13,500	75	\$1,012,500.00	115	\$116,437,500
Total				230	\$194,062,500

Option Two: 85% Capacity at 4,250 dwellings

The assumptions were as follows:

- A mix of 1 and 2 bedrooms for affordable housing;
- A 50/50 spilt of 1 and 2 bedrooms;
- Internal sizes for 1 and 2 bedrooms ranging from 50sqm-75sqm respectively;
- A blended sale rate of \$13,500/sqm was adopted.

At a 85% residential capacity, a total of 4,250 dwellings would be delivered in the Study Area. A total of 192 dwellings have been identified as affordable housing. The estimated value of the affordable housing contribution based on 96 x 1 bedroom and 96 x 2 bedroom dwellings is \$162 million dollars.

Table 30: Option Two: 85% Capacity at 4,250 dwellings

Bedroom Mix	Blended Average: \$/ per unit \$2016	Internal Area	Total Sale price - \$2016	Total No. of Affordable Housing Units	Total AH Contribution \$2016
1 bedroom	\$13,500	50	\$675,000.00	96	\$64,800,000
2 bedroom	\$13,500	75	\$1,012,500.00	96	\$97,200,000
Total				192	\$162,000,000

RESULTS

Section 94A Contributions Assumptions

Option 1 assumptions are as follows:

- A 1% Section 94a contribution;
- Kensington has a total of 1,855 apartments proposed in the Study Area. We have assumed an 85% capacity rate adopting a total of 1,577 apartments.
- Kingsford has a total of 2,772 apartments proposed in the Study Area. We have assumed an 85% capacity rate adopting a total of 2,356 apartments.
- A Section 94a contribution for 1 and 2 bedrooms is a blended rate of \$5,000 per dwelling. Note this is just an estimate, the section 94a rate will vary from development to development as it is based on the total construction costs and professional fees.

Option 2 and Option 3 assumptions are similar to Option 1, however a 2% and 3% Section 94a contribution was tested.

Community Contribution Assumptions

Our assumptions are as follows:

- Kensington has a total floor space of 42,068ssqm proposed in the Study Area. We have assumed an 85% capacity rate adopting a total of 35,758sqm.
- Kingsford has a total of 61,607sqm proposed in the Study Area. We have assumed an 85% capacity rate adopting a total of 52,366sqm.
- A rate of \$475/sqm was adopted for the CIC. In accordance with the Ministerial guidelines, its states that a development must still be viable when charged a CIC and therefore we have tested this rate on each of sites in stage 2 and stage 3. The results revealed that three out the four sites were viable and therefore we have adopted the rate.

Total Contributions in the Study Area

The total infrastructure contributions required for the Kingsford to Kensington project is estimated \$85.5 million. The results revealed that the estimated combined contribution value at an 85% residential capacity for option 1 at \$62.7million, Option2 at \$71.3million and Option 3 total value of \$100.8million.

Table 31: Total Contributions in the Study Area

	Option 1: Section 94a at 1% Construction Costs +\$475/sqm CIC				Option2: Section 94a at 2% Construction Costs +\$475/sqm CIC				Option 3: Section 94a at 3 % Construction Costs +\$475/sqm CIC			
Study Area	K2K Contributions Required	Total Contribution	Difference	Surplus %	K2K Contributions Required	Total Contribution	Difference	Surplus %	K2K Contributions Required	Total Contribution	Difference	Surplu s %
Section 94A	\$45,963,000	\$19,664,750	-\$26,298,250	-57.2%	\$45,963,000	\$29,497,125	-\$16,465,875	-35.8%	\$45,963,000	\$64,319,464	\$13,031,250	28.3%
Total CIC	\$39,600,000	41,858,781	\$2,258,781	5.7%	\$39,600,000	\$41,858,781	\$2,258,781	5.7%	\$39,600,000	\$41,858,781	\$2,258,781	5.7%
Total	\$85,563,000	\$61,523,531	-\$24,039,469	-28%	\$85,563,000	\$71,355,906	-\$14,207,094	-17%	\$85,563,000	\$100,853,031	\$15,290,031	28%

Option 3, results in a positive surplus of 18% over costs. This is considered to be in line with the industry standard benchmark, typically ranging from 10% to 30%. Option 1 and Option 2 both achieved a negative surplus presenting a significantly lower contribution value required to fund the infrastructure plan.

In order to accumulate the infrastructure contributions (i.e. \$85.5m) for the Study Area, Council would require developers to pay a 3% Section 94a contribution and CIC at the \$475/sqm.

Affordable Housing Contribution

Of the 5,000 dwellings, approximately 230 dwellings have been identified as affordable housing. The estimated value of the affordable housing contribution based on 115 x 1 bedroom and 115 x 2 bedroom dwellings is \$194 million dollars.

Table 32: Total Residential Capacity - 5,000 dwellings

	Blended Average: \$/ per unit \$2016	Internal Area	Total Sale price - \$2016	Total No. of AH Units	Total AH Contribution \$2016
1 bedroom	\$13,500	50	\$675,000	115	\$77,625,000
2 bedroom	\$13,500	75	\$1,012,500	115	\$116,437,500
Total				230	\$194,062,500

At a 85% residential capacity, a total of 4,250 dwellings would be delivered in the Study Area. Approximately 192 dwellings have been identified as affordable housing. The estimated value of the affordable housing contribution based on 96 x 1 bedroom and 96 x 2 bedroom dwellings is \$162million dollars.

Table 33: Option Two: AT 85% Capacity - 4,250 dwellings

Bedroom Mix	Blended Average: \$/ per unit \$2016	Internal Area	Total Sale price - \$2016	Total No. of Affordable Housing Units	Total AH Contribution \$2016
1 bedroom	\$13,500	50	\$675,000.00	96	\$64,800,000
2 bedroom	\$13,500	75	\$1,012,500.00	96	\$97,200,000
Total				192	\$162,000,000



APPENDIX ONE: MARKET RESEARCH

MARKET RESEARCH

This following provides an assessment of the residential uses, specifically the suburb of Kensington and Kingsford.

Residential Market Overview

The Randwick LGA has become increasingly a destination for young adult professionals owing to its affordability and proximity to the Sydney CBD and lifestyle opportunities on offer. The residential property market has performed well in recent years, recording growth in median values and outperforming many other regions in Sydney.

Households within Kensington and Kingsford comprise predominately couples with children (30%-32%). Approximately 48%- 52% of the residents are either renting their dwellings; 25%-28%, own their dwellings and 20 %-21% are purchasing with mortgages respectively.

The median house price for the suburb of Kensington as at July 2016 was reported as \$2.155 million, with the median unit price reported at \$817,500. It is important to note that this classification refers to all strata titled dwellings including units, townhouses, terraces and semi-detached dwellings.

The median house price for the suburb of Kingsford as at July 2016 was reported as \$1.883 million dollars; with the median reported at \$785,500 It is important to note that this classification refers to all strata titled dwellings including units, townhouses, terraces and semi-detached dwellings.

Residential Apartment Market Evidence

The following residential unit sales were achieved over the last 12 months in Kingsford:

Table 34: Achieved Sale Prices

Address	Sold Price	Sold Date	Attributes
20/398-402 Anzac Parade Kingsford	\$715,000	3/5/2016	2bed, 1 bath, 1 car
9/76-78 Botany Street Kingsford	\$833,000	7/6/2016	2bed, 1 bath, 1 car
1/19 Meeks Street Kingsford,	\$735,000	8/6/2016	2bed, 1 bath
602/438-448 Anzac Parade Kingsford	\$759,000	29/6/2016	2bed, 1 bath, 1 car
402/438-448 Anzac Parade Kingsford	\$680,000	22/3/2016	2bed, 1 bath, 1 car
106/438-448 Anzac Parade Kingsford	\$882,000	5/9/2016	2bed, 1 bath, 1 car

Source: Rpdata 2016

MARKET RESEARCH

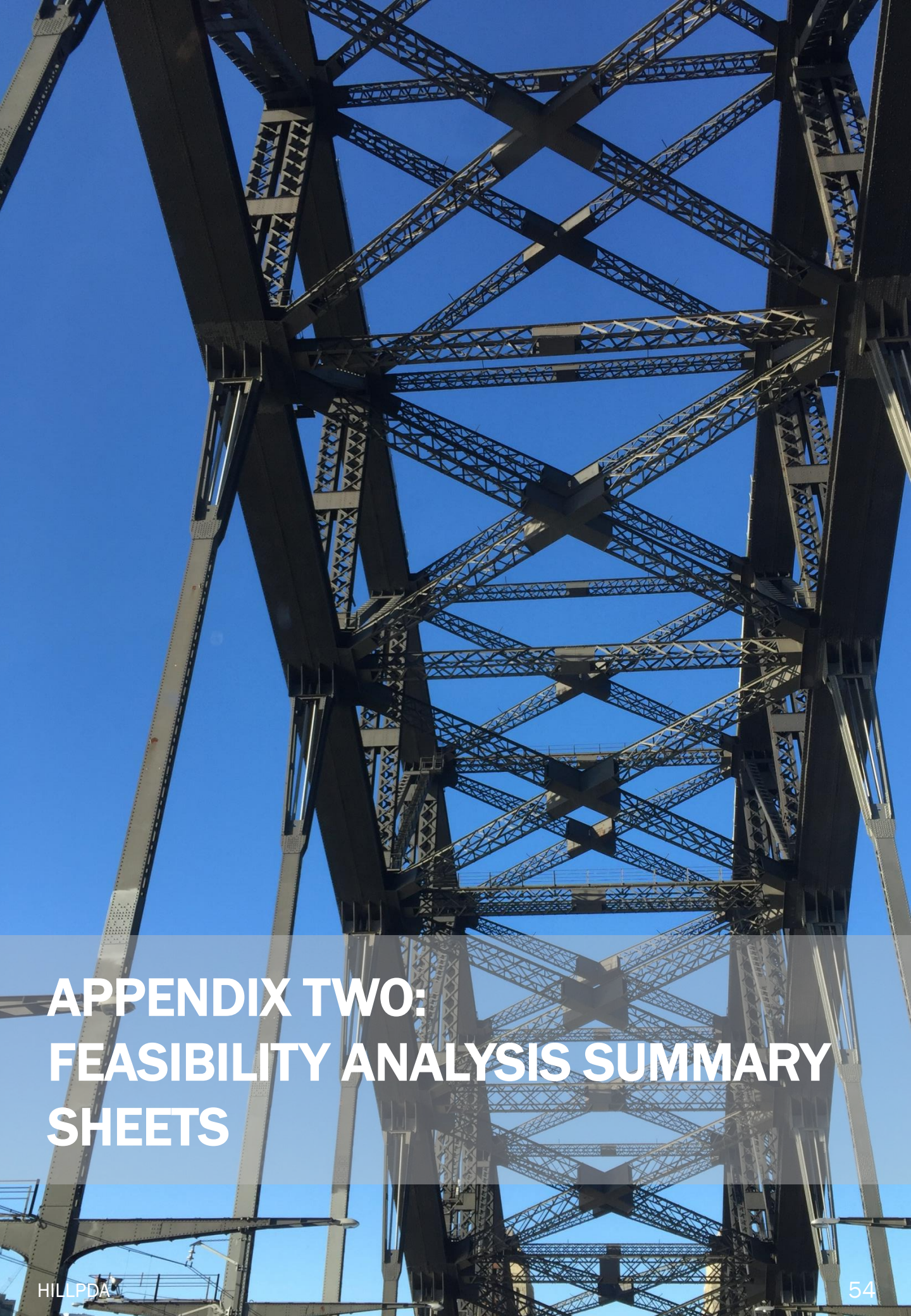
Residential Detached Dwelling Market Evidence

Our research has revealed the following sales of single storey residential houses:

Table 35: Achieved Sale Prices

Address	Sold Price	Sold Date	Land Size (sqm)	Bedrooms
3 darling Street, Kensington	\$1,490,000	18/6/2016	245	3 beds, 1 bath, 1 car
40 Doncaster Avenue, Kensington	\$1,280,000	23/6/2016	272	3 beds, 1 bath
60 Duke Street, Kensington	\$1,399,999	17/2/2015	272	3 beds, 1 bath, 2 car
119 Todman Ave, Kensington	\$1,400,000	27/2/2016	272	3 beds, 1 bath
37 Anzac parade, Kensington	\$1,405,000	11/6/2015	253	4 beds, 1 bath, 2 car
16 The Serpentine, Kensington	\$2,400,000	19/5/2015	395	3 beds, 3 baths, 3 car
38 Doncaster Avenue, Kensington	\$1,600,000	23/6/2016	335	3 beds, 1 bath, 2 car
33 The Serpentine, Kensington	\$2,050,000	26/5/2016	304	3 beds, 2 baths, 2 car
20 York Place, Kensington	\$2,100,000	8/4/2016	299	3 beds, 2 baths, 2 car
16 Doncaster Avenue, Kensington	\$1,650,000	11/5/2016	304	3 beds, 1 bath, 1 car
42 Kensington Road, Kensington	\$1,540,000	27/6/2016	272	3 beds, 1 bath
58 Kensington Road, Kensington	\$1,565,000	17/4/2015	335	3 beds, 2 baths, 1 car
24 Abbotford Street, Kensington	\$1,355,000	17/9/2012	283	3 beds, 2 baths, 2 car
19 The Serpentine, Kensington	\$1,850,000	4/11/2015	263	3 beds, 2 baths, 2 car
4 Grosvenor Street, Kensington	\$2,000,000	28/8/2015	272	3 beds, 1 bath, 2 car
5 Virginia Street, Kensington	\$2,020,000	31/3/2015	455	3 beds, 2 baths, 3 car
66 Doncaster Avenue, Kensington	\$2,325,000	5/5/2016	549	4 bed, 1 baths, 2 car
78 Doncaster Avenue, Kensington	\$1,650,000	2/4/2015	341	4 beds, 1 bath, 1 car
21 Salisbury Road, Kensington	\$1,430,000	2/12/2015	379	3 bed, 1 bath, 2 car
14 Doncaster Avenue, Kensington	\$1,500,000	11/5/2015	304	4 beds, 1 baths, 1 car

Source: Rpdata 2016



APPENDIX TWO: FEASIBILITY ANALYSIS SUMMARY SHEETS

Development Feasibility Model

EstateMaster Licensed to: Hill PDA



C17138 : GATEWAY SITE

FSR 4:1 : Mixed Use Development Ground floor retail and residential on upper floors

Date of Report :	09-Dec-2016	Project Size :	64 Units
Time Span :	Nov-16 to May-21		1 per 25.06 of Site Area
Type :	Mixed Use	Project Size :	6,416 GFA
Status :	Under Review		1 per 0.25 of Site Area
Site Area :	1,604	FSR :	4:1
		Equated GFA :	6,416
Prepared By :	HillPDA	Address :	31,33,35,37,39 and 41 Anzac Parade, Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick 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.

EstateMaster Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES			FSR 4.1.1		FSR 3.6.1		FSR 4.1			
GATEWAY SITE			31,33,35,37,39 and 41 Anzac Parade, Kensington - Mixed Use Development Ground floor retail and residential on upper floors		31,33,35,37,39 and 41 Anzac Parade, Kensington - Mixed Use Development Ground floor retail and residential on upper floors		Mixed Use Development Ground floor retail and residential on upper floors			
			66 Units 6,576.40 GFA 1,604		56 Units 5,774 GFA 1,604		64 Units 6,416 GFA 1,604			
Estate Master Licensed to: HII PDA			Mixed Use Under Review		Mixed Use Under Review		Mixed Use Under Review			
Revenues										
Gross Sales Revenue			80,411,759		68,908,417		78,262,432			227,582,609
Less Selling Costs			(2,660,712)		(2,272,304)		(2,588,404)			(7,521,420)
Less Purchasers Costs			-		-		-			-
NET SALES REVENUE			77,751,047		66,636,113		75,674,028			220,061,188
TOTAL REVENUE (before GST paid)			77,751,047		66,636,113		75,674,028			220,061,188
Less GST paid on all Revenue			(6,889,035)		(5,843,298)		(6,696,782)			(19,429,115)
TOTAL REVENUE (after GST paid)			70,862,011		60,792,816		68,977,246			200,632,074
Costs										
Land Purchase Cost			11,550,000		11,550,000		11,550,000			34,650,000
Land Acquisition Costs			777,865		777,865		777,865			2,333,595
Construction (inc. Construct. Contingency)			28,530,458		25,027,726		27,880,528			81,438,711
Professional Fees			2,900,228		2,541,267		2,833,522			8,275,017
Statutory Fees			820,308		720,510		800,783			2,341,601
Community Infrastructure Contributions			646,455		242,320		565,748			1,454,523
Land Holding Costs			488,251		488,928		485,890			1,463,069
Pre-Sale Commissions			-		-		-			-
Finance Charges (inc. Line Fees)			262,727		230,659		256,775			750,161
Interest Expense			4,803,250		4,511,805		4,740,843			14,055,898
TOTAL COSTS (before GST reclaimed)			50,779,542		46,091,079		49,891,954			146,762,575
Less GST reclaimed			(4,175,727)		(3,786,439)		(4,103,464)			(12,065,630)
Plus Corporate Tax			-		-		-			-
TOTAL COSTS (after GST reclaimed)			46,603,814		42,304,640		45,788,490			134,696,944
Performance Indicators										
		1	2	3	4	5	6	7	8	TOTAL
1 Gross Development Profit			24,258,197		18,488,175		23,188,757			65,935,129
2 Net Developer's Profit after Profit Share			24,258,197		18,488,175		23,188,757			65,935,129
3 Development Margin (Profit/Risk Margin)			49.24%		41.47%		47.93%			46.36%
Target Development Margin			25.00%		25.00%		25.00%			
4 Residual Land Value (Target Margin)			17,676,228		14,904,843		17,172,949			49,754,020
5 Breakeven Date for Cumulative Cash Flow			Sep-2020		Oct-2020		Sep-2020			Oct-2020
Discount Rate (Target IRR)			18.00%		18.00%		18.00%			
6 Net Present Value @ Start of Stage			4,959,637		2,414,393		4,580,194			
Date of Commencement			Nov-16		Nov-16		Nov-16			
Holding Discount Rate			10.00%							
7 NPV at Start of Consolidated Cash Flow			4,959,637		2,414,393		4,580,194			11,954,224
9 Project Internal Rate of Return (IRR)			24.91%		21.68%		24.52%			23.75%
8 Residual Land Value (NPV) @ Start of Stage			15,082,804		12,730,947		14,732,190			42,545,941
Yield Analysis										
Sales		1	2	3	4	5	6	7	8	TOTAL
			Qty	SqM		Qty	SqM		Qty	
Residential - 1 Bedroom Units			19	1,100		-	935		-	1,045
Residential - 2 Bedroom Units			40	3,400		-	2,890		-	3,315
Residential - 3 Bedroom Units			7	570		-	475		-	570
Retail Shops			1	409		-	409		-	409
TOTAL			67	5,479		-	4,709		-	5,339
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.										
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.										
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



C17138 : GATEWAY SITE

FSR 4:1 +3% AH : 31,33,35,37,39 and 41 Anzac Parade, Kensington - Mixed Use Development Ground floor retail and residential on upper floors

Date of Report :	24-Nov-2016	Project Size :	64 Units
Time Span :	Nov-16 to May-21		1 per 25.06 of Site Area
Type :	Mixed Use	Project Size :	6,416 GFA
Status :	Under Review		1 per 0.25 of Site Area
Site Area :	1,604	FSR :	4:1
		Equated GFA :	6,416
Prepared By :	HillPDA	Address :	31,33,35,37,39 and 41 Anzac Parade, Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick 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.

EstateMaster Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES		FSR 4:1 + 3% AH	FSR 4:1 + 5% AH							
GATEWAY SITE		31,33,35,37,39 and 41 Anzac Parade, Kensington - Mixed Use Development	31,33,35,37,39 and 41 Anzac Parade, Kensington - Mixed Use Development							
		Ground floor retail and residential use	Ground floor retail and residential use							
		64 Units	64 Units							
		6,416 GFA	6,416 GFA							
Estate Master Licensed to: HII PDA		1,604	1,604							
		Mixed Use	Mixed Use							
		Under Review	Under Review							
Revenues										
Gross Sales Revenue		76,019,798	74,524,559							150,544,357
Less Selling Costs		(2,514,395)	(2,465,052)							(4,979,447)
Less Purchasers Costs		-	-							-
NET SALES REVENUE		73,505,403	72,059,507							145,564,910
TOTAL REVENUE (before GST paid)		73,505,403	72,059,507							145,564,910
Less GST paid on all Revenue		(6,492,886)	(6,356,955)							(12,849,840)
TOTAL REVENUE (after GST paid)		67,012,518	65,702,552							132,715,070
Costs										
Land Purchase Cost		11,550,000	11,550,000							23,100,000
Land Acquisition Costs		777,865	777,865							1,555,730
Construction (inc. Construct. Contingency)		27,868,278	27,868,278							55,736,556
Professional Fees		2,832,388	2,832,389							5,664,777
Statutory Fees		800,678	800,678							1,601,355
Community Infrastructure Contributions		565,648	565,648							1,131,295
Land Holding Costs		495,403	495,438							990,841
Pre-Sale Commissions		-	-							-
Finance Charges (inc. Line Fees)		256,660	256,660							513,320
Interest Expense		4,759,417	4,773,829							9,533,246
TOTAL COSTS (before GST reclaimed)		49,906,336	49,920,784							99,827,120
Less GST reclaimed		(4,095,509)	(4,091,023)							(8,186,532)
Plus Corporate Tax		-	-							-
TOTAL COSTS (after GST reclaimed)		45,810,827	45,829,761							91,640,588
Performance Indicators										
1 Gross Development Profit		21,201,691	19,872,791							41,074,482
2 Net Developer's Profit after Profit Share		21,201,691	19,872,791							41,074,482
3 Development Margin (Profit/Risk Margin)		43.87%	41.15%							42.51%
Target Development Margin		25.00%	25.00%							
4 Residual Land Value (Target Margin)		15,978,712	15,181,953							31,160,665
5 Breakeven Date for Cumulative Cash Flow		Oct-2020	Oct-2020							Oct-2020
Discount Rate (Target IRR)		18.00%	18.00%							
6 Net Present Value @ Start of Stage		3,527,917	2,825,110							
Date of Commencement		Nov-16	Nov-16							
Holding Discount Rate		10.00%								
7 NPV at Start of Consolidated Cash Flow		3,527,917	2,825,110							6,353,027
9 Project Internal Rate of Return (IRR)		23.08%	22.10%							22.59%
8 Residual Land Value (NPV) @ Start of Stage		13,759,866	13,110,458							26,870,324
Yield Analysis										
Sales		Qty	SqM	Qty	SqM					Qty
Residential - 1 Bedroom Units		-	971	-	922					-
Residential - 2 Bedroom Units		-	3,241	-	3,192					-
Residential - 3 Bedroom Units		-	570	-	570					-
Affordable Housing		-	148	-	247					-
Retail Shops		-	409	-	409					-
TOTAL		-	5,339	-	5,339					-
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.										
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.										
8. Internal Rate of Return: is the discount rate where the NPV above equals Zero.										
9. 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



C17138 : TRANSIT SITE

FSR 5:1 : Mixed Use Development Ground floor retail and residential on upper floors

Date of Report :	09-Dec-2016	Project Size :	130 Units
Time Span :	Nov-16 to Nov-21		1 per 22.76 of Site Area
Type :	Mixed Use	Project Size :	14,795 GFA
Status :	Under Review		1 per 0.2 of Site Area
Site Area :	2,959	FSR :	5:1
		Equated GFA :	14,795
Prepared By :	HillPDA	Address :	Kingsford and Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick Council		NSW
			Australia

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EstateMaster [®] Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES		FSR 4.3.1	FSR 4.5.1	FSR 5.1	tipping Point FSR 7.8					
TRANSIT SITE		Mixed Use Development Ground floor retail and residential on upper floors	Mixed Use Development Ground floor retail and residential on upper floors	Mixed Use Development Ground floor retail and residential on upper floors	Mixed Use Development Ground floor retail and residential on upper floors					
		106 Units 12,723.70 GFA 2,959	113 Units 13,315.50 GFA 2,959	130 Units 14,795 GFA 2,959	181 Units 19,437 GFA 2,945					
Estate Master Licensed to: HII PDA		Mixed Use Under Review	Mixed Use Under Review	Mixed Use Under Review	Mixed Use Under Review					
Revenues										
Gross Sales Revenue		146,207,924	154,330,689	172,592,109	239,614,497					712,745,218
Less Selling Costs		(4,649,565)	(4,923,776)	(5,556,372)	(7,799,283)					(22,928,995)
Less Purchasers Costs		-	-	-	-					-
NET SALES REVENUE		141,558,359	149,406,913	167,035,737	231,815,215					689,816,224
TOTAL REVENUE (before GST paid)		141,558,359	149,406,913	167,035,737	231,815,215					689,816,224
Less GST paid on all Revenue		(11,071,986)	(11,810,419)	(13,594,590)	(19,574,245)					(56,051,240)
TOTAL REVENUE (after GST paid)		130,486,373	137,596,494	153,441,147	212,240,970					633,764,983
Costs										
Land Purchase Cost		39,325,000	39,325,000	39,325,000	39,325,000					157,300,000
Land Acquisition Costs		2,791,553	2,791,553	2,791,553	2,791,553					11,166,210
Construction (inc. Construct. Contingency)		69,436,852	71,786,674	79,975,845	96,054,308					317,253,679
Professional Fees		7,047,347	7,288,486	8,125,091	9,774,177					32,235,101
Statutory Fees		2,048,089	2,135,695	2,374,552	2,705,827					9,264,162
CIC		463,823	773,039	1,546,078	4,000,783					6,783,722
Land Holding Costs		1,272,844	1,271,567	1,267,970	1,138,714					4,951,096
Pre-Sale Commissions		-	-	-	-					-
Finance Charges (inc. Line Fees)		644,643	666,117	741,696	888,400					2,940,856
Interest Expense		15,374,607	15,438,588	16,046,847	16,845,279					63,705,320
TOTAL COSTS (before GST reclaimed)		138,404,757	141,476,719	152,194,631	173,524,040					605,600,147
Less GST reclaimed		(11,060,504)	(11,351,037)	(12,306,218)	(14,358,206)					(49,075,964)
Plus Corporate Tax		-	-	-	-					-
TOTAL COSTS (after GST reclaimed)		127,344,253	130,125,682	139,888,414	159,165,834					556,524,183
Performance Indicators		1	2	3	4	5	6	7	8	TOTAL
¹ Gross Development Profit		3,142,120	7,470,811	13,552,733	53,075,136					77,240,800
² Net Developer's Profit after Profit Share		3,142,120	7,470,811	13,552,733	53,075,136					77,240,800
³ Development Margin (Profit/Risk Margin)		2.38%	5.53%	9.32%	31.79%					13.33%
Target Development Margin		25.00%	25.00%	25.00%	25.00%					
⁴ Residual Land Value (Target Margin)		18,175,463	20,223,014	22,247,093	42,524,079					103,169,649
⁵ Breakeven Date for Cumulative Cash Flow		Aug-2021	Apr-2021	Apr-2021	Dec-2020					Mar-2021
Discount Rate (Target IRR)		18.00%	18.00%	18.00%	18.00%					
⁶ Net Present Value @ Start of Stage		(21,288,574)	(19,415,233)	(17,354,784)	956,585					
Date of Commencement		Nov-16	Nov-16	Nov-16	Nov-16					
Holding Discount Rate		10.00%								
⁷ NPV at Start of Consolidated Cash Flow		(21,288,574)	(19,415,233)	(17,354,784)	956,585					(57,102,006)
⁹ Project Internal Rate of Return (IRR)		6.35%	7.64%	9.27%	18.41%					10.90%
⁸ Residual Land Value (NPV) @ Start of Stage		16,078,933	17,809,937	19,713,833	36,633,904					90,236,606
Yield Analysis		1	2	3	4	5	6	7	8	TOTAL
Sales		Qty	SqM	Qty	SqM	Qty	SqM			Qty
Residential - 1 Bedroom Units		-	1,760	-	1,870	-	2,145	108	2,970	108
Residential - 2 Bedroom Units		-	5,440	-	5,780	-	6,630	218	9,265	218
Residential - 3 Bedroom Units		-	950	-	1,045	-	1,235	36	1,710	36
Commercial Office		1	1,797	-	-	1	1,797	1	1,788	3
Retail Shops		1	719	2	2,515	1	719	1	715	5
TOTAL		2	10,665	2	11,210	2	12,525	364	16,448	370
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.										
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.										
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



C17138 : TRANSIT SITE

FSR 5:1 + 3% AH : Mixed Use Development Ground floor retail and residential on upper floors

Date of Report :	08-Dec-2016	Project Size :	130 Units
Time Span :	Nov-16 to Nov-21		1 per 22.76 of Site Area
Type :	Mixed Use	Project Size :	14,795 GFA
Status :	Under Review		1 per 0.2 of Site Area
Site Area :	2,959	FSR :	5:1
		Equated GFA :	14,795
Prepared By :	HillPDA	Address :	Kingsford and Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick 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.

EstateMaster Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES		FSR 5:1 + 3% AH	FSR 5:1 + 5% AH							
TRANSIT SITE	Mixed Use Development Ground floor retail and residential on upper floors		Mixed Use Development Ground floor retail and residential on upper floors							
	130 Units 14,795 GFA 2,959		130 Units 14,795 GFA 2,959							
	Mixed Use Under Review		Mixed Use Under Review							
Estate Master Licensed to: HII PDA										
Revenues										
	Gross Sales Revenue	168,038,149	165,002,176							333,040,325
	Less Selling Costs	(5,406,091)	(5,305,904)							(10,711,995)
	Less Purchasers Costs	-	-							-
	NET SALES REVENUE	162,632,058	159,696,272							322,328,330
	TOTAL REVENUE (before GST paid)	162,632,058	159,696,272							322,328,330
	Less GST paid on all Revenue	(13,180,594)	(12,904,596)							(26,085,190)
	TOTAL REVENUE (after GST paid)	149,451,464	146,791,676							296,243,140
Costs										
	Land Purchase Cost	39,325,000	39,325,000							78,650,000
	Land Acquisition Costs	2,791,553	2,791,553							5,583,105
	Construction (inc. Construct. Contingency)	79,975,845	79,975,845							159,951,689
	Professional Fees	8,125,097	8,125,101							16,250,198
	Statutory Fees	2,374,552	2,374,552							4,749,104
	Community Infrastructure Contribution	1,546,078	1,546,078							3,092,155
	Land Holding Costs	1,268,496	1,268,862							2,537,358
	Pre-Sale Commissions	-	-							-
	Finance Charges (inc. Line Fees)	741,696	741,696							1,483,393
	Interest Expense	16,182,204	16,272,442							32,454,646
	TOTAL COSTS (before GST reclaimed)	152,330,520	152,421,128							304,751,648
	Less GST reclaimed	(12,292,556)	(12,283,449)							(24,576,005)
	Plus Corporate Tax	-	-							-
	TOTAL COSTS (after GST reclaimed)	140,037,963	140,137,680							280,175,643
Performance Indicators										
	1 Gross Development Profit	9,413,501	6,653,996							16,067,497
	2 Net Developer's Profit after Profit Share	9,413,501	6,653,996							16,067,497
	3 Development Margin (Profit/Risk Margin)	6.47%	4.57%							5.52%
	Target Development Margin	25.00%	25.00%							
	4 Residual Land Value (Target Margin)	19,821,559	18,203,854							38,025,412
	5 Breakeven Date for Cumulative Cash Flow	Apr-2021	Apr-2021							Apr-2021
	Discount Rate (Target IRR)	18.00%	18.00%							
	6 Net Present Value @ Start of Stage	(19,495,482)	(20,922,622)							
	Date of Commencement	Nov-16	Nov-16							
	Holding Discount Rate	10.00%								
	7 NPV at Start of Consolidated Cash Flow	(19,495,482)	(20,922,622)							(40,418,104)
	9 Project Internal Rate of Return (IRR)	8.10%	7.31%							7.70%
	8 Residual Land Value (NPV) @ Start of Stage	17,735,785	16,417,080							34,152,865
Yield Analysis										
Sales		Qty	SqM	Qty	SqM					Qty
	Residential - 1 Bedroom Units	-	1,995	-	1,895					-
	Residential - 2 Bedroom Units	-	6,480	-	6,380					-
	Residential - 3 Bedroom Units	-	1,235	-	1,235					-
	Affordable Housing	-	-	1	501					1
	Commercial Office	1	1,797	1	1,797					2
	Retail Shops	1	719	1	719					2
	Not Classified	1	300	-	-					1
	TOTAL	3	12,525	3	12,525					6
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.										
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.										
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



C17138 : Infill

FSR 4:1 : 372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential on upper floors

Date of Report :	09-Dec-2016	Project Size :	46 Units
Time Span :	Jan-17 to Jan-22		1 per 25.17 of Site Area
Type :	Mixed Use	Project Size :	4,632 GFA
Status :	Under Review		1 per 0.25 of Site Area
Site Area :	1,158	FSR :	4:1
		Equated GFA :	4,632
Prepared By :	HillPDA	Address :	Kingsford and Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick 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.

EstateMaster [®] Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES		FSR 3.7.1	FSR 3.6.1	FSR 4.1						
Infill		372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential use	372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential use	372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential use						
		44 Units	41 Units	46 Units						
		4,284.60 GFA 1,158	4,168.80 GFA 1,158	4,632 GFA 1,158						
		Mixed Use Under Review	Mixed Use Under Review	Mixed Use Under Review						
Estate Master Licensed to: HII PDA										
Revenues										
	Gross Sales Revenue	54,419,029	50,622,340	56,117,476						161,158,845
	Less Selling Costs	(1,797,760)	(1,669,830)	(1,855,569)						(5,323,159)
	Less Purchasers Costs	-	-	-						-
	NET SALES REVENUE	52,621,269	48,952,510	54,261,907						155,835,686
	TOTAL REVENUE (before GST paid)	52,621,269	48,952,510	54,261,907						155,835,686
	Less GST paid on all Revenue	(4,643,156)	(4,298,002)	(4,797,560)						(13,738,717)
	TOTAL REVENUE (after GST paid)	47,978,113	44,654,508	49,464,347						142,096,968
Costs										
	Land Purchase Cost	11,358,742	11,358,742	11,358,742						34,076,226
	Land Acquisition Costs	763,999	763,999	763,999						2,291,996
	Construction (inc. Construct. Contingency)	18,637,767	17,679,557	19,973,813						56,291,137
	Professional Fees	1,895,191	1,797,704	2,032,973						5,725,868
	Statutory Fees	533,417	515,129	575,093						1,623,639
	Community Contribution	242,022	181,308	423,539						846,868
	Land Holding Costs	577,517	577,900	641,296						1,796,713
	Pre-Sale Commissions	-	-	-						-
	Finance Charges (inc. Line Fees)	171,504	162,772	183,952						518,228
	Interest Expense	3,884,184	3,832,115	3,989,145						11,705,443
	TOTAL COSTS (before GST reclaimed)	38,064,343	36,869,225	39,942,551						114,876,119
	Less GST reclaimed	(3,102,853)	(2,988,937)	(3,259,726)						(9,351,516)
	Plus Corporate Tax	-	-	-						-
	TOTAL COSTS (after GST reclaimed)	34,961,490	33,880,288	36,682,825						105,524,602
Performance Indicators										
	1 Gross Development Profit	13,016,624	10,774,220	12,781,522						36,572,366
	2 Net Developer's Profit after Profit Share	13,016,624	10,774,220	12,781,522						36,572,366
	3 Development Margin (Profit/Risk Margin)	35.41%	30.31%	33.17%						32.99%
	Target Development Margin	25.00%	25.00%	25.00%						
	4 Residual Land Value (Target Margin)	12,617,042	11,454,143	12,210,529						36,281,714
	5 Breakeven Date for Cumulative Cash Flow	Nov-2020	Feb-2021	Jan-2021						Jan-2021
	Discount Rate (Target IRR)	18.00%	18.00%	18.00%						
	6 Net Present Value @ Start of Stage	549,402	(511,839)	279,472						
	Date of Commencement	Nov-16	Jan-17	Jan-17						
	Holding Discount Rate	10.00%								
	7 NPV at Start of Consolidated Cash Flow	549,402	(503,756)	275,059						320,704
	9 Project Internal Rate of Return (IRR)	18.98%	17.05%	18.49%						18.20%
	8 Residual Land Value (NPV) @ Start of Stage	10,833,788	9,853,179	10,584,367						31,271,334
Yield Analysis										
Sales		1	2	3	4	5	6	7	8	TOTAL
	Qty	Qty	Qty	Qty						Qty
	SqM	SqM	SqM	SqM						
	Residential - 1 Bedroom Units	- 660	- 660	- 770						-
	Residential - 2 Bedroom Units	- 2,380	- 2,125	- 2,380						-
	Residential - 3 Bedroom Units	- 380	- 380	- 380						-
	Retail Shops	1 295	1 295	1 295						3
	TOTAL	1 3,715	1 3,460	1 3,825						3
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.										
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.										
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



C17138 : Infill Site

FSR 4:1 + AH 3% : 372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential on upper floors

Date of Report :	24-Nov-2016	Project Size :	46 Units
Time Span :	Jan-17 to Jan-22		1 per 25.17 of Site Area
Type :	Mixed Use	Project Size :	4,632 GFA
Status :	Under Review		1 per 0.25 of Site Area
Site Area :	1,158	FSR :	4:1
		Equated GFA :	4,632
Prepared By :	HillPDA	Address :	Kingsford and Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick Council		NSW
			Australia

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EstateMaster [®] Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES		FSR 4:1 + AH 3%	FSR 4:1 + AH 5%							
Infill Site		372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential	372-388 Anzac Parade, Kingsford - Mixed Use Development Ground floor retail and residential							
		46 Units	46 Units							
		4,632 GFA	4,632 GFA							
		1,158	1,158							
Estate Master Licensed to: HII PDA		Mixed Use Under Review	Mixed Use Under Review							
Revenues										
	Gross Sales Revenue	54,511,534	53,440,906							107,952,440
	Less Selling Costs	(1,802,573)	(1,767,242)							(3,569,816)
	Less Purchasers Costs	-	-							-
	NET SALES REVENUE	52,708,961	51,673,664							104,382,625
	TOTAL REVENUE (before GST paid)	52,708,961	51,673,664							104,382,625
	Less GST paid on all Revenue	(4,651,565)	(4,554,235)							(9,205,800)
	TOTAL REVENUE (after GST paid)	48,057,396	47,119,429							95,176,824
Costs										
	Land Purchase Cost	11,358,742	11,358,742							22,717,484
	Land Acquisition Costs	763,999	763,999							1,527,998
	Construction (inc. Construct. Contingency)	19,973,813	19,973,813							39,947,626
	Professional Fees	2,032,975	2,032,976							4,065,951
	Statutory Fees	575,093	575,093							1,150,186
	Community Infrastructure Contribution	423,539	423,539							847,077
	Land Holding Costs	641,426	641,517							1,282,943
	Pre-Sale Commissions	-	-							-
	Finance Charges (inc. Line Fees)	183,952	183,952							367,903
	Interest Expense	4,056,255	4,072,950							8,129,205
	TOTAL COSTS (before GST reclaimed)	40,009,793	40,026,579							80,036,372
	Less GST reclaimed	(3,254,908)	(3,251,696)							(6,506,605)
	Plus Corporate Tax	-	-							-
	TOTAL COSTS (after GST reclaimed)	36,754,885	36,774,883							73,529,768
Performance Indicators										
	1 Gross Development Profit	11,302,511	10,344,545							21,647,057
	2 Net Developer's Profit after Profit Share	11,302,511	10,344,545							21,647,057
	3 Development Margin (Profit/Risk Margin)	29.31%	26.84%							28.08%
	Target Development Margin	25.00%	25.00%							
	4 Residual Land Value (Target Margin)	11,320,277	10,750,908							22,071,185
	5 Breakeven Date for Cumulative Cash Flow	Feb-2021	Feb-2021							Feb-2021
	Discount Rate (Target IRR)	18.00%	18.00%							
	6 Net Present Value @ Start of Stage	(561,922)	(1,065,181)							
	Date of Commencement	Jan-17	Jan-17							
	Holding Discount Rate	10.00%								
	7 NPV at Start of Consolidated Cash Flow	(561,922)	(1,065,181)							(1,627,103)
	9 Project Internal Rate of Return (IRR)	17.01%	16.10%							16.55%
	8 Residual Land Value (NPV) @ Start of Stage	9,806,902	9,341,880							19,148,782
Yield Analysis										
Sales		Qty	SqM	Qty	SqM					Qty
	TOTAL	1	3,825	1	3,825					2
	TOTAL	-	-	-	-					

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



C17138 : Opportunity Site

FSR 5:1 : Ground floor retail, 2 levels of commercial and residential on upper floors

Date of Report :	09-Dec-2016	Project Size :	80 Units
Time Span :	Nov-16 to Jul-21		1 per 24.05 of Site Area
Type :	Mixed Use	Project Size :	9,620 GFA
Status :	Under Review		1 per 0.2 of Site Area
Site Area :	1,924	FSR :	5:1
		Equated GFA :	9,620
Prepared By :	HillPDA	Address :	Kingsford and Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick Council		NSW
			Australia

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EstateMaster Development Feasibility CONSOLIDATION OF STAGES		1	2	3	4	5	6	7	8	TOTAL
Opportunity Site		FSR 4.6	FSR 4.5:1	FSR 5.1						
		Ground Floor retail, 3x levels commercial + 14 floors residential apartments	1 Ground floor retail, 2.5 levels of commercial and residential on upper floors	Ground floor retail, 2 levels of commercial and residential on upper floors						
		77 Units 9,042.80 GFA 1,960	70 Units 8,858 GFA 1,924	80 Units 9,620 GFA 1,924						
		Mixed Use Under Review	Mixed Use Under Review	Mixed Use Under Review						
Estate Master Licensed to: HII PDA										
Revenues										
	Gross Sales Revenue	103,722,504	95,750,713	107,302,542						306,775,759
	Less Selling Costs	(3,318,674)	(3,049,299)	(3,438,123)						(9,806,096)
	Less Purchasers Costs	-	-	-						-
	NET SALES REVENUE	100,403,831	92,701,414	103,864,418						296,969,663
	TOTAL REVENUE (before GST paid)	100,403,831	92,701,414	103,864,418						296,969,663
	Less GST paid on all Revenue	(8,008,417)	(7,282,510)	(8,322,869)						(23,613,797)
	TOTAL REVENUE (after GST paid)	92,395,413	85,418,903	95,541,549						273,355,866
Costs										
	Land Purchase Cost	18,671,035	18,671,035	18,671,035						56,013,104
	Land Acquisition Costs	1,294,140	1,294,140	1,294,140						3,882,420
	Construction (inc. Construct. Contingency)	44,268,176	42,203,433	46,190,036						132,661,645
	Professional Fees	4,496,148	4,284,847	4,694,643						13,475,638
	Statutory Fees	1,640,415	1,563,860	1,711,721						4,915,996
	Community Infrastructure Contribution	686,495	473,254	1,066,207						2,225,956
	Land Holding Costs	416,314	416,892	416,136						1,249,343
	Pre-Sale Commissions	-	-	-						-
	Finance Charges (inc. Line Fees)	414,110	395,114	432,106						1,241,330
	Interest Expense	6,394,452	6,339,729	6,545,480						19,279,661
	TOTAL COSTS (before GST reclaimed)	78,281,285	75,642,305	81,021,504						234,945,094
	Less GST reclaimed	(6,536,483)	(6,283,969)	(6,776,257)						(19,596,709)
	Plus Corporate Tax	-	-	-						-
	TOTAL COSTS (after GST reclaimed)	71,744,802	69,358,336	74,245,247						215,348,385
Performance Indicators										
		1	2	3	4	5	6	7	8	TOTAL
¹	Gross Development Profit	20,650,611	16,060,567	21,296,303						58,007,481
²	Net Developer's Profit after Profit Share	20,650,611	16,060,567	21,296,303						58,007,481
³	Development Margin (Profit/Risk Margin)	27.51%	22.18%	27.41%						25.76%
	Target Development Margin	25.00%	25.00%	25.00%						
⁴	Residual Land Value (Target Margin)	18,115,950	15,740,193	18,109,598						51,965,741
⁵	Breakeven Date for Cumulative Cash Flow	Sep-2020	Oct-2020	Sep-2020						Sep-2020
	Discount Rate (Target IRR)	18.00%	18.00%	18.00%						
⁶	Net Present Value @ Start of Stage	704,738	(1,612,545)	825,510						
	Date of Commencement	Nov-16	Nov-16	Nov-16						
	Holding Discount Rate	10.00%								
⁷	NPV at Start of Consolidated Cash Flow	704,738	(1,612,545)	825,510						(82,297)
⁹	Project Internal Rate of Return (IRR)	18.77%	16.18%	18.88%						17.97%
⁸	Residual Land Value (NPV) @ Start of Stage	17,624,860	15,483,644	17,736,456						50,844,960
Yield Analysis										
		1	2	3	4	5	6	7	8	TOTAL
Sales		Qty	SqM	Qty	SqM	Qty	SqM			Qty
	Residential - 1 Bedroom Units	-	1,265	-	1,155	-	1,320			-
	Residential - 2 Bedroom Units	-	3,995	-	3,570	-	4,080			-
	Residential - 3 Bedroom Units	-	665	-	665	-	760			-
	Commercial Office	1	1,208	-	-	-	-			1
	Retail Shops	1	427	2	1,635	2	1,635			5
	TOTAL	2	7,560	2	7,025	2	7,795			6
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.										
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.										
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



C17138 : Opportunity Site

FSR 5:1 + 3% AH : Ground floor retail, 2 levels of commercial and residential on upper floors

Date of Report :	09-Dec-2016	Project Size :	80 Units
Time Span :	Nov-16 to Jul-21		1 per 24.05 of Site Area
Type :	Mixed Use	Project Size :	9,620 GFA
Status :	Under Review		1 per 0.2 of Site Area
Site Area :	1,924	FSR :	5:1
		Equated GFA :	9,620
Prepared By :	HillPDA	Address :	Kingsford and Kensington
Prepared For :	Randwick Council		City/Suburb
Developer :	Randwick 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.

EstateMaster [®] Development Feasibility		1	2	3	4	5	6	7	8	TOTAL
CONSOLIDATION OF STAGES		FSR 5:1 + 3% AH	FSR 5:1 + 5% AH							
Opportunity Site		Ground floor retail, 2 levels of commercial and residential on upper floors	Ground floor retail, 2 levels of commercial and residential on upper floors							
		80 Units 9,620 GFA 1,924	80 Units 9,620 GFA 1,924							
		Mixed Use Under Review	Mixed Use Under Review							
Estate Master Licensed to: HII PDA										
Revenues										
	Gross Sales Revenue	105,773,573	102,655,839							208,429,412
	Less Selling Costs	(3,387,667)	(3,284,782)							(6,672,449)
	Less Purchasers Costs	-	-							-
	NET SALES REVENUE	102,385,906	99,371,057							201,756,963
	TOTAL REVENUE (before GST paid)	102,385,906	99,371,057							201,756,963
	Less GST paid on all Revenue	(8,183,872)	(7,900,442)							(16,084,313)
	TOTAL REVENUE (after GST paid)	94,202,034	91,470,616							185,672,650
Costs										
	Land Purchase Cost	18,671,035	18,671,035							37,342,070
	Land Acquisition Costs	1,294,140	1,294,140							2,588,280
	Construction (inc. Construct. Contingency)	46,128,786	46,128,786							92,257,573
	Professional Fees	4,688,439	4,688,441							9,376,881
	Statutory Fees	1,709,452	1,709,452							3,418,904
	Community Infrastructure Contribution	1,066,207	1,066,207							2,132,413
	Land Holding Costs	416,233	416,439							832,672
	Pre-Sale Commissions	-	-							-
	Finance Charges (inc. Line Fees)	431,523	431,523							863,045
	Interest Expense	6,569,193	6,631,098							13,200,291
	TOTAL COSTS (before GST reclaimed)	80,975,007	81,037,122							162,012,129
	Less GST reclaimed	(6,765,485)	(6,756,132)							(13,521,617)
	Plus Corporate Tax	-	-							-
	TOTAL COSTS (after GST reclaimed)	74,209,522	74,280,990							148,490,512
Performance Indicators										
	1 Gross Development Profit	19,992,512	17,189,626							37,182,138
	2 Net Developer's Profit after Profit Share	19,992,512	17,189,626							37,182,138
	3 Development Margin (Profit/Risk Margin)	25.76%	22.16%							23.96%
	Target Development Margin	25.00%	25.00%							
	4 Residual Land Value (Target Margin)	17,332,001	15,642,952							32,974,953
	5 Breakeven Date for Cumulative Cash Flow	Sep-2020	Oct-2020							Sep-2020
	Discount Rate (Target IRR)	18.00%	18.00%							
	6 Net Present Value @ Start of Stage	109,418	(1,440,970)							
	Date of Commencement	Nov-16	Nov-16							
	Holding Discount Rate	10.00%								
	7 NPV at Start of Consolidated Cash Flow	109,418	(1,440,970)							(1,331,552)
	9 Project Internal Rate of Return (IRR)	18.12%	16.44%							17.28%
	8 Residual Land Value (NPV) @ Start of Stage	17,074,773	15,642,183							32,716,956
Yield Analysis										
Sales		1	2	3	4	5	6	7	8	TOTAL
		Qty	SqM	Qty	SqM					Qty
	Residential - 1 Bedroom Units	-	1,228	-	1,166					-
	Residential - 2 Bedroom Units	-	4,073	-	3,926					-
	Residential - 3 Bedroom Units	-	760	-	760					-
	Affordable Housing	-	-	-	308					-
	Retail Shops	2	1,635	2	1,635					4
	Not Classified	-	185	-	-					-
	TOTAL	2	7,880	2	7,795					4
Footnotes (based on current Preferences):										
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Disclaimer

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Market Movements Clause: This assessment is current as at the date of 4th November 2016 only. The assessment herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in appraisal. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where the this assessment is relied upon after the expiration of 3 months from the date of the valuation, or such an earlier date if you become aware of any factors that have an effect on the results provided.