

REVIEW of REDEVELOPMENT FEASIBILITY ~ CHARING CROSS CENTRE

Prepared For:
RAYDA INVESTMENTS PTY LTD

Prepared By:
LEYSHON CONSULTING PTY LTD
SUITE 1106 LEVEL 11
109 PITT STREET
SYDNEY NSW 2000

TELEPHONE (02) 9224 6111
FACSIMILE (02) 9224 6150

TABLE of CONTENTS

	Page
DISCLAIMER	
EXECUTIVE SUMMARY	
1 INTRODUCTION	1
2 EXISTING CENTRE CONTEXT	3
3 PLANNING CONTROLS	5
4 GENERAL FEASIBILITY	9
5 PROPOSED REDEVELOPMENT	11
6 CONCLUSION.	13

TABLES

5.1	:	SUMMARY of DEVELOPMENT CONCEPT(FLOORS- SPACE ESTIMATES) – CHARING CROSS SITE
-----	---	---

FIGURES

3.1	:	STOCKLAND CAMMERAY
3.2	:	STOCKLAND CAMMERAY
3.3	:	CAMMERAY PLACE
3.4	:	CAMMERAY PLACE

DISCLAIMER

This Report has been prepared solely for the purposes recorded at Section 1 of the Report and solely for the benefit of the party to whom the report is addressed. No third party is entitled to rely upon this Report for any purpose without the written consent of Leyshon Consulting Pty Ltd having first been sought and obtained.

This Report involves the making of future projections. Those projections are grounded upon the facts and matters contained in this Report. Some or all of those facts and matters comprise assumptions and/or representations upon which Leyshon Consulting Pty Ltd has relied but about which it has no knowledge of its own. By reason of this, Leyshon Consulting Pty Ltd cannot warrant or represent the correctness or accuracy of such assumptions and/or representations. It follows that, while the projections contained in this Report are made with care and judgment, Leyshon Consulting Pty Ltd cannot confirm, warrant or guarantee that actual results achieved will be consistent with the results projected by this Report.



EXECUTIVE SUMMARY

Introduction

This Report has been prepared for Rayda Investments Pty Ltd and Barbary Coast Investments Pty Ltd.

The Report relates to properties at 203-209 Bronte Road, Waverley (the Robin Hood Hotel) and associated properties—namely 94 Carrington Road and 223-227 Bronte Road, Waverley.

The purpose of the Report is to review the existing development context of the Charing Cross centre and to comment on the economic feasibility of redevelopment under various planning controls and in relation to the redevelopment concept for the Charing Cross centre prepared by H&E architects and urban designers Roberts Day.

Existing Centre Context

Charing Cross presents as a typical inner city strip centre focussed on Bronte Road. Apart from some larger sites such as that occupied by the Robin Hood Hotel, the balance of the centre has a development pattern based on a traditional terrace lot subdivision.

The centre is heavily impacted by traffic on Bronte Road and has limited off-street car parking.

On the southern side of the centre, adjacent to the properties referred to above, there is a system of laneways which are largely undeveloped. In 2016, about 21,836 persons lived within one kilometre of the centre. The centre should support a more diverse range of local convenience retail facilities and services than is presently the case.

EXECUTIVE SUMMARY

(Cont'd)

Planning Controls

The majority of the centre has a building height control of nine metres and a maximum FSR of 1:1 which reflects the centre's existing built-form. Such controls do not usually provide sufficient economic incentive in any locality for the demolition of existing property and its replacement with new buildings.

Examples from other similar centres such as Cammeray indicate that an FSR of in excess of 2:1 is required to trigger redevelopment.

General Feasibility

The analysis of the general feasibility of redeveloping a theoretical site in the Charing Cross centre so as to determine what FSR would be required to encourage reinvestment in the centre indicates that an FSR in excess of 2:1 would be required to achieve the required return by funding authorities of 25% return on capital invested.

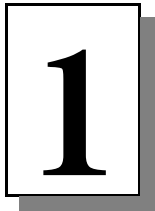
Proposed Redevelopment

Analysis of a redevelopment scheme with an FSR of 2.85:1 prepared by Roberts Day and Humphrey and Edwards, Architects indicates that an acceptable return on capital investment as far as funding authorities are concerned could be achieved.

Conclusion

The analysis set out in this Report indicates it is necessary to increase substantially the FSR applying to Charing Cross from the current level of 1:1 if redevelopment of existing properties in the centre is to be encouraged and facilitated. Further, an FSR of up to 2.85:1 is required to guarantee an adequate commercial return to enable the laneway redevelopment concept for Charing Cross to be undertaken and a significant net community benefit to be realised.





INTRODUCTION

This Report has been prepared by Leyshon Consulting Pty Ltd for Rayda Investments Pty Ltd the owners of 203-209 Bronte Road, Waverley (the Robin Hood Hotel) and Barbary Coast Investments Pty Ltd—the owner of 94 Carrington Road and 223-227 Bronte Road, Waverley.

We have been provided with a copy of a report prepared by architects H&E and urban designers Roberts Day. That report sets out a redevelopment concept for a site which includes the Robin Hood Hotel bottleshop and adjoining properties (94 Carrington Road and 223-227 Bronte Road). The aim of the redevelopment concept is to re-invigorate the Charing Cross centre.

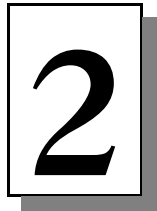
The Report is intended to form part of a Planning Proposal to be submitted to Waverley Council in relation to the redevelopment concept.

The Report also articulates how various properties in the centre could be redeveloped to create a new form of development in Charing Cross and, as a urban design benefit, create a new laneway system in the centre. The development concept put forward in the report will, however, require a change to current planning controls as they relate to building height and permissible Floor Space Ratio (FSR) in the Charing Cross centre.

The purpose of this Report is as follows:

- to review the existing development context of the Charing Cross centre; and

- to comment on the economic feasibility of redevelopment in the centre in general under current and proposed planning controls and of 203-209 Bronte Road, 94 Carrington Road and 223-227 Bronte Road (the site).



EXISTING CENTRE CONTEXT

Charing Cross presents as a typical inner city strip centre focussed on Bronte Road and extending from Victoria Street in the north-west to about the intersection of Bronte and Albion Street in the south-east.

Apart from some larger sites, such as that occupied by the Robin Hood Hotel, the balance of the centre has a development pattern based on a traditional terrace lot subdivision pattern. Accordingly, the majority of the individual properties in the centre have narrow frontages and are relatively small in scale (less than 200m²). A common form of development in the Charing Cross centre is retail or commercial activity at ground level with one or more residential flats on the first level.

The centre is heavily impacted by traffic on Bronte Road, Carrington Road and, to a lesser extent, Victoria Street. This is particularly so during peak hours where 'Clearway' restrictions apply to facilitate the flow of traffic through the centre.

The Charing Cross centre also has very limited off-street car parking. The only public car park is owned by Council off Victoria Street and provides approximately 21 spaces. Due to the nature of development there is little off-street parking on individual commercial allotments.

On the south-eastern side of the centre there are a number of laneways which allow pedestrian access from Bronte Road to the rear of some of the commercial properties fronting Bronte Road and to Judges Lane which runs off Carrington Street. In addition, some properties in this area have rear lane vehicular access off Judges Lane itself.

From a retail perspective, the centre provides a range of basic convenience retail services including two pharmacies, newsagent, bottle

shop, take-away food outlets, a large greengrocer/deli (QE Foodstores) and a very small convenience supermarket (Foodworks).

At the 2016 Census about 13,100 people resided within walking distance of the centre (800m) and about 21,836 lived within one kilometre of Charing Cross. Notwithstanding the centre's proximity to Bondi Junction, this population could (and should) support a more diverse range of local convenience retail facilities and services than is found in the Charing Cross centre at present.

The centre also has the potential to attract retail sales from the substantial volume of traffic which transits through it along Bronte Road, Carrington and Victoria Streets.

We understand that over the past decade two trends which have emerged are an increase in the number of coffee shops/cafés in the centre and an increase in the number of businesses retailing home decoration/renovation products.

Examples of the latter include a Reece Plumbing showroom, Cass Brothers bathroom and plumbing supplies and Luumo Design. In our experience, such businesses serve subregional or regional markets rather than attracting customers solely from the immediately surrounding residential area. To that extent the Charing Cross centre appears to be on a similar trajectory as Willoughby Road, Willoughby where a wide range of businesses retailing home decoration/renovation products have established in recent years.

While this trend of change in centre function is beneficial to some extent—for instance, by attracting new customers to the centre—it can also lead to a 'crowding out' of more traditional convenience retail uses. Willoughby Road, for example, now contains few retail businesses which meet the convenience retail needs of residents of the surrounding residential area.



PLANNING CONTROLS

The majority of the Charing Cross centre is zoned B4 – Mixed Use under Waverley Local Environmental Plan 2012. Those commercial properties on the south-western side of Bronte Road and the western side of Carrington Road also interface with an R2 Medium Density Residential zone.

The majority of the centre has a building height control of 9m and a maximum FSR of 1:1. These controls essentially reflect the centre's existing built form. That said, there are buildings such as the adjacent Eastern Suburbs Legion Club which substantially exceed the height and density controls.

In our experience, a height control of 9m and an FSR of 1:1 does not usually provide sufficient economic incentive in any locality for the demolition of existing property and its replacement with new buildings. This is particularly so in circumstances where the property is already at, or above, the existing FSR provision, is in reasonably good structural condition and is used for commercial activity at the ground floor and residential uses on the first floor.

Simply put, under these circumstances the only economically feasible option is the refurbishment and/or 're-purposing' of existing buildings. Examples of this process can be seen along various parts of Bronte Road where existing properties have been upgraded although not substantially expanded in terms of their floorspace.

An exception to this pattern of building refurbishment was the redevelopment of 235 Bronte Road to accommodate below ground parking for seven vehicles, a retail shop at ground level and five residential apartments above the ground level. The project was

approved by Council in 2007 and modified in 2011 prior to its construction.

Nevertheless we note the 2011 the modification approved by Council permitted a development with an FSR of 1.376:1 (compared with a maximum FSR of 1:1) and a height limit of 10.149m compared with the standard height limit for the centre of 9.0m.

In this regard we also note the Eastern Suburbs Legion Club at 213 Bronte Road—which abuts the Robin Hood Hotel—substantially exceeds the current FSR control of 1:1.

There are examples where redevelopment has occurred in smaller neighbourhood-scale centres which are reasonably comparable to Charing Cross. Cammeray is an example of such a centre particularly given its proximity to a major centre (North Sydney) and that the centre has both substantial amounts of through traffic and is on an important bus route into the North Sydney CBD and Sydney CBD.

Cammeray is a vibrant neighbourhood strip shopping centre located on Miller Street to the north of the Warringah Freeway. Two relatively recent mixed-use developments have substantially added to the vibrancy of the centre.

The first—Stockland Cammeray—is located on the corner of Miller and Amherst Streets and involved the redevelopment of a former hardware site comprising some 6,800m² in total.

The redevelopment provided some 2,580m² of new retail floorspace, including a Harris Farm store of 712m² together with 39 residential apartments, a child-care centre and, importantly, a significant public square (FIGS 3.1 and 3.2 refer)



Figures 3.1 and 3.2: Stockland Cammeray



Underground parking for 70 vehicles was provided which substantially increased the amount of public car parking within the Cammeray centre per se.

Stockland Cammeray has an approximate FSR of 2:1 and is generally within the prescribed height limit for development on the site of 10m. The development was approved by the JRPP in 2009.

The other recent redevelopment in Cammeray is at the centre's northern end on a 1,288m² site formerly occupied by a BP service station and mechanical workshop. The redevelopment known as Cammeray Place was completed in 2011.

Cammeray Place effectively provides a northern 'gateway' to the centre and contains 655m² of retail space, 36 apartments and 57 parking spaces. The retail component of the development includes a specialist supermarket/deli/coffee shop known as About Life which has proved a highly successful chain in Sydney's inner city suburbs (Figs 3.3 and 3.4 refer).

The overall Cammeray Place development largely (but not entirely) complies with the height limit of 13m in that part of the centre. The Cammeray centre per se is not the subject of specific provisions with regard to FSR however we understand the completed FSR of Cammeray Place is approximately 2.5:1.

In our opinion, both of these developments have substantially improved the 'retail offer' in Cammeray by way of introducing retail uses of direct relevance to the surrounding resident population while not being out of scale with the balance of the centre in which they are located.



Figures 3.3 and 3.4 Cammeray Place



The scale of the two redevelopment projects is also consistent with our comment above that such redevelopment is unlikely to proceed if the prevailing permissible FSR is less than 2:1.

4

GENERAL FEASIBILITY

We have analysed the general feasibility of redeveloping a **theoretical site** with a mix of commercial and residential floorspace in the Charing Cross centre so as to determine what FSR would be required to encourage investment in the centre by generating a satisfactory commercial return.

Any feasibility analysis rests on a series of assumptions about development parameters, development costs and, importantly, the revenues which would flow from any theoretical redevelopment.

As a general proposition, we have assumed that redevelopment of a single terrace-style allotment is not feasible both on economic and practical grounds. Accordingly, we have assumed any theoretical redevelopment involves the amalgamation of more than one site to produce a minimum site area of 500m². We have also assumed the theoretical development site is not constrained by heritage considerations—for example, by the need to retain an existing facade or to moderate the future built form to take account of the nature of adjoining heritage property.

It is our understanding that at present Australian funding authorities (particularly the major banks) require a return of **at least 25%** on funds invested before they will make land acquisition or project funds available. Many funding authorities also require significant components of developer equity and the pre-sale of residential units before providing funding for residential development projects.

Such a return is also required to offset risk factors associated with property development including potential increases in interest rates and the possibility of a decline in average unit selling prices.

The analysis demonstrates that development of a theoretical site of 500m² with an FSR of 1.5:1 would produce a negative return—that is, the cost of development would exceed projected revenues. At an FSR of 2.0:1, revenues would exceed costs although the return on funds invested would be below 15% which is too low to attract project funding.

In general, the analysis indicates that an FSR of well in excess of 2.0:1 will be required to achieve an acceptable level of project viability.



PROPOSED REDEVELOPMENT

We have reviewed a commercial feasibility study prepared by Rayda Investments Pty Ltd for the following properties namely:

- the existing Robin Hood Hotel bottleshop (which fronts Carrington Road)
- 233-227 Bronte Road; and
- 94 Carrington Road.

These properties have a combined site area of 1,229m². Together they form the largest development parcel which is likely to be amalgamated into single ownership in the Charing Cross centre.

We understand the development concept is based on an analysis of potential building areas undertaken by H&E architects.

The results of the H&E floorspace analysis are summarised in TABLE 5.1. It should be noted that the floorspace estimates shown in TABLE 5.1 **exclude** the basement parking area.

The Humphreys and Edwards analysis indicates that the resultant FSR is approximately 2.85:1.

The financial feasibility analysis models the preferred development strategy based on the floorspace analysis summarised in TABLE 5.1.

We have reviewed the feasibility analysis and concur with its basic assumptions. In summary, the feasibility analysis indicates a return on capital invested can be achieved which would be acceptable to funding authorities. The analysis confirms that an FSR of about

2.85:1 is required to make such a redevelopment scheme commercially acceptable to funding authorities.

TABLE 5.1
SUMMARY of DEVELOPMENT
CONCEPT (FLOORSPEACE ESTIMATES) –
CHARING CROSS SITE

Category ...	Factor m ²
Site Area	1,229
Gross Floor Area (GFA)	
Retail	1,386.0
Commercial	838.0
Residential	3,540.0
Total ¹	5,764.0

Net Leasable Area (NLA)

Retail	744
Commercial	524
Residential	2,234
Total ¹	3,502

Notes:

1. Excludes car park.

Source: H&E Rev 15, May 2018.

6 CONCLUSION

The analysis set out in this Report indicates it is necessary to increase substantially the FSR applying to Charing Cross from the current level of 1.0:1 if redevelopment of existing properties in the centre is to be encouraged and facilitated.

An FSR of 2.85:1 is required to guarantee an adequate commercial return and enable the redevelopment proposal for the Charing Cross centre to be realised.

In particular, the FSR as proposed is required to deliver benefits to the centre through the development of new retail and commercial space together with benefits to residents in terms of new off-street open space and parking.

In our opinion, therefore, a significant net community and economic benefit would flow to the Charing Cross centre from the proposed development proceeding. This benefit would include the introduction of additional housing in the centre itself, the creation of more off-street parking, a new public square and new opportunities for the introduction of additional retail and commercial services to the centre.

