

10 March 2023

Mr Ray Brownlee PSM
Chief Executive Officer
Northern Beaches Council
PO Box 82
Manly NSW 1655

Attention: Mr Neil Cocks, Manager, Strategic & Place Planning
neil.cocks@northernbeaches.nsw.gov.au

Dear Sir

**RE: RR-2021-104 – 159-167 Darley Street West, Mona Vale
Affordable Housing Contribution**

Thank you for our recent meeting held on 1 March 2023 with the Department of Planning and Environment (Department) regarding the Planning Proposal (PP) for 159-167 Darley Street West, Mona Vale (subject site). Thank you also for providing a copy of the HillPDA peer review on the Affordable Housing Contribution viability assessment prepared by Macroplan for the subject site.

The purpose of this letter is to provide feedback on the approach to be adopted by Council for an affordable housing contribution on the subject site, and to provide feedback on the HillPDA peer review so Council can progress the PP to the Department. We note that more than 90 days have passed since the PP was required to be submitted to the Department and we trust that Council will be able to progress the matter as soon as possible noting our advice regarding the impacts that project delays is having on the extent of a viable affordable housing contribution.

We note that the items outlined in this letter were largely discussed in our recent meeting and are detailed herein to reflect Intrec Management Pty Ltd's (Intrec) offer in relation to an Affordable Housing Contribution for the proposed development.

On behalf of Intrec, we reaffirm our commitment to addressing affordable housing on the site. Our proposition was (and remains) to address affordable housing by introducing a variety of household sizes which are limited in the Mona Vale area. In addition, we agree to provide a financial contribution to Council to assist in delivering Council's affordable housing program, even though (in our view) there are limited grounds in the *Environmental Planning and Assessment Act 1979* (EP&A Act) to impose this requirement at the PP stage.

Notwithstanding, we recognise that this is an important consideration for the Northern Beaches and based on the fact that it may be required at a later stage, we are happy to demonstrate our commitment to addressing this requirement now, provided that project

viability is retained and continues to be retained up to and including the timing of payment. Project viability is a key consideration supported by the North District Plan (p44) and remains a key consideration for Intrec, noting the likely timeframes associated with finalisation of the PP, approval of a DA and issue of CC (circa 18 months).

We note that the Northern Beaches Affordable Housing Contributions Scheme (Contributions Scheme) was formally adopted by Council on 28 September 2021 after lodgement of the planning proposal. We also note that this was done in parallel with approval of the Frenchs Forest Precinct Strategy and that the scheme also now includes a second site at 1294-1300 Pittwater Road and 2-4 Albert Street, Narrabeen. The Narrabeen site was added to the Contributions Scheme in February 2022 with a contribution of 5.7% and has since been reduced by Council to 1.71%.

The reduction in contribution applicable to the Narrabeen site was based on an error in the calculation of GFA uplift. We note that Council's approach to Narrabeen has been to apply a contribution to the uplift in GFA enabled by the PP only. In this regard, the Narrabeen PP sought to increase the allowable GFA by 30% (i.e. 30% uplift x 5.7% contribution = 1.71%).

Whilst acknowledged by HillPDA, the approach to recognise 'existing GFA' or 'potential GFA' has not been applied in their review of the Mona Vale PP. Intrec has recently engaged Giles Tribe Architects to confirm the existing GFA on the site, and to identify allowable GFA under the existing zoning (see attached plans). The existing GFA on the subject site is 792m² and if the same approach to the one adopted by Council for Narrabeen was applied, we have identified that a potential residential GFA of circa 4,400m² could be developed on the site which would completely offset an affordable housing contribution. We realise that this was unlikely to be Council's intent, but the approach (and now precedent) supports a contribution only applying to the uplift in residential floor area (above potential GFA), enabled by the planning proposal. Given the confusion that this precedent has established, we believe that recognition of existing GFA should be applied as an absolute minimum with clarity on the treatment of potential GFA to be provided.

We also note that Council's preferred approach is for the PP to include an amendment to the Pittwater LEP 2014 (similar to clause 6.11 of the Warringah LEP 2011), together with an amendment to the Affordable Housing Contributions Scheme. We raise concerns about how this approach can reflect changes in project viability over time. Given the almost certain changes in project viability over the next 18 months while development approval processes are progressed, the approach to be adopted by Council must be agile enough to reflect viability changes without the requirement for an LEP amendment. We recognise that Council's preference is to 'guarantee' a contribution at the DA/CC stage, and we draw Council's attention to section 4.15 of the *Environmental Planning and Assessment Act 1979* which requires the Council to take into consideration "any planning agreement that has been entered into under section 7.4, or any draft planning agreement that a developer has offered to enter into under section 7.4" in determining the application.

Including a provision in the Pittwater LEP 2011 like the Warringah LEP 2011 will create a major impediment with changes in financial viability. If a provision is included in the LEP, an amendment to the LEP will be necessary prior to approval of a revised contribution if project viability changes. This will involve significant time and further uncertainty. We note from our discussions at the meeting on 1 March 2023 that Council is unlikely to determine a review of this nature to be minor or correcting an error.

Whilst Council rightly advised on the timeframes associated with a planning agreement being executed, there are no impediments to this process being run in parallel with the PP, including coordinated public consultation and this would still meet the direction provided by the Sydney North Planning Panel. The planning agreement could reflect the circumstances and processes to be followed including how changes to project viability are managed. We also note that Council's Contributions Scheme pre-empts Council undertaking negotiations through a proposed planning agreement for the provision of affordable housing, in connection with a development application or proposed development application, noting that the *Minister's Direction Environmental Planning and Assessment (Planning Agreements) Direction 2019* is to be considered.

We therefore respectfully request that our offer be considered in the context of a planning agreement (see Attachment A), noting that Council retains absolute certainty in relation to the payment given that Council will be the consent authority for the subsequent development application. Should Council wish to progress an amendment to the Pittwater LEP 2014 like clause 6.11 of the Warringah LEP 2011, we would recommend against including a "X%" in the associated mapping and instead identify the subject land only and reference in the relevant LEP drafting that a contribution is applicable in accordance with the Affordable Housing Scheme and/or Planning Agreement. This approach would ensure that future changes as a result of viability do not trigger unnecessary LEP amendments.

In relation to the peer review undertaken by HillPDA, we note that several of our comments raise items of consistency with Council's treatment of the Frenches Forest and the Narrabeen site. We note and agree with Council's comments from the meeting with the Department that it would be very helpful if the Department issued guidelines on the assessment of affordable housing contributions. In doing so, this would remove any inconsistency, particularly as additional projects are required to make a contribution. In the absence of this, we believe that the approach adopted by Council should be consistent with the approaches already adopted for these existing sites.

As detailed at our recent meeting, Macroplan drew its feasibility modelling for the subject site from the methodology prepared and approved by Council (and their consultants, SGS) for the Frenches Forest Precinct and the Narrabeen PP's. We did this to ensure consistency in approach to Council's determination of an appropriate Affordable Housing Contribution. We would seek for Council to take the same approach for the subject site and in doing so, this will necessitate some amendments to the modelling prepared by HillPDA.

We note that most of the assumptions adopted by HillPDA have come from the Macroplan feasibility assessment, except for some changes to:

- construction timeframes
- bank interest
- construction contingency
- treatment of GST on sales

Each of these issues are addressed in this review. Importantly, the HillPDA feasibility does not appear to account for the existing or potential GFA on the site (as outlined above) and this will result in a significant variation to the calculations attached in their review, even though they have noted it in section 1.2 of their report.

HillPDA Review

The HillPDA approach to the peer review included undertaking a review of the Macroplan feasibility study and testing the base case, 5% and 10% contributions and a tipping point if any of the contribution options were unfeasible. This was a similar approach to the one adopted by Macroplan, except the Macroplan review relied on the viability assessment assumptions agreed by Council for Frenches Forest and Narrabeen rather than establishing new assumptions not previously accepted by Council. It is understood that HillPDA's scope did not include a consistency check with previous applications of the affordable housing contribution.

In general, Macroplan agrees with many of the comments and recommendations made by HillPDA including comments on identified unit mix and treatment of GST. Specific comments are listed in Table 1 below on items discussed at our recent meeting and Macroplan's comments.

Table 1 – Macroplan – HillPDA Viability Model - Comparison

Item	Macroplan	HillPDA	Comment
Professional Fees	10% of construction costs	10% of construction costs	HillPDA have noted that this is on the high side. Approximately \$650,000 has already been spent by Intrec on technical studies. It is likely that 10% will be well under the real cost of progressing the PP, DA and CC for the site. 10% has been retained notwithstanding costs incurred to date for the PP
Credit for existing GFA	Yes – 742m ² which has now been calculated as 792m ² by the project architects	Acknowledged in Section 1.2 but has not been applied to any of the calculations	See comments above – Should be reflected in AH calculations
Contingency	10% of construction costs	5% of construction costs	Given the issues associated with supply chains, labour costs, inflation, interest rates and the fact that it is expected to be at least 18 months until construction can commence, 10% is an absolute minimum. It should be noted that Council adopted and applied 10% contingency at Frenches Forest and Narrabeen. 5% should only be used once a construction contract has been issued.

Holding Costs	\$330,000 ex GST	\$600,000 ex GST	Macroplan's original holding cost estimates were calculated in May 2022 as part of the original feasibility prepared for the Sydney North Planning Panel. With the delays in progressing the PP and likely DA assessment timeframes, Macroplan agrees with HillPDA on increased holding costs. Indeed, this amount may need to be further increased to reflect ongoing client costs which are approximately \$40,000 per month at present (based on 3 lots secured). The current holding costs for these sites since the PP commenced is approximately \$800,000 and will be close to \$1m in interest accrued by mid year. Holding costs should be increased to reflect recommendation from HillPDA as a minimum.
Interest and Bank Fees	10% pa	7.5%pa	Intrec's financiers (NAB) are charging 6.85% pa plus a loan fee of 1.75% paid upfront for the project. This rate increased by a further 0.25% on 8 March 2022. Current industry projections are that further rises are expected this year. Given that construction is not expected to commence for 18 months, we consider that interest rates should be maintained at a minimum of 10%. Further increases beyond 10% may be necessary prior to the DA being issued.
Construction Period	2 years	60% pre-sales prior to commencement; construction period – 16 months; sell	The project involves significant earthworks, construction of drainage (including improved

		down period (post completion) – 4 months	Council drainage works) which in our view (with building works) will take longer than 16 months. In our view the project (with the required civil works) should be reduced from 24 months to 20 months. This is the same as HillPDA and includes a 4 months sell down period
Sales Revenue	\$65.82m which equates to a sales revenue of \$17,871/m ² ex GST (3,683m ² GFA)	\$70.342m which equates to sales revenue of \$21,496/m ² of NSA inc GST (based on different unit mix and NSA rather than GFA)	Converting Macroplan's estimate to NSA equates to Sales Revenue of \$70.972m (\$21,688/m ² of NSA inc GST) (3,272.4m ² NSA). With recent changes in market conditions (decline in the area of around 25%), both Macroplan's and HillPDA's estimates are overly ambitious. Whilst there has been a significant decline, Macroplan has retained the rates as agreed by HillPDA.

Comparable Sales

Whilst HillPDA compared recent sales and/or target prices in the area, there are a number of examples in their review which are not comparable to the site and/or finish and should be discounted. There are a number of outliers in the report which have a superior location and/or finish and which were sold at the peak of the market. For example, Maya (19 Bungan Street, Mona Vale) is not comparable in terms of location or finish and has only achieved 30% pre-sales, whereas 155-157 Darley Street West, Mona Vale is directly comparable (both location and finish). Others such as Bayside (23 Mona Street) are also not comparable based on location and aspect.

Macroplan's original sales estimates were based on sales at the near top of the market in May 2022 (when the feasibility was first completed). Core Logic identifies that the median value of houses in Mona Vale has dropped from \$2.607m (31 May 2022) to \$1.948m at 31 January 2023 which is an annual change of -25.2%, whilst the median value of units in Mona Vale has also dropped from \$1.501m (31 May 2022) to \$1.134m at 31 January 2023 representing a -24.4% reduction in value. Whilst different areas in Mona Vale have recorded different price adjustments over the last 12 months, recent sales in Darley Street West have also confirmed the reduction in prices.

In parallel, Domain are reporting that the current median price in Mona Vale for 1 bedroom units is \$740,000, 2 bedroom units is \$1.148m and 3 bedroom houses are \$2.1m. Table 2 outlines the recent sales history (2022 and 2023) in Darley Street West which confirms the adjustments identified by Core Logic and Domain.

Table 2 – Recent Sales Activity (2022 & 2023) – Darley Street West, Mona Vale

Property Address	Type	Price
7/151-153 Darley Street West, Mona Vale 7/151-153 Darley Street West, Mona Vale, NSW 2103 - Property Details (realestate.com.au)	4 bed, 2 bath, 2 car townhouse – 266m ² – approx. 155m ² GFA	\$2.09m on 29/04/22 \$13,483/m ² GFA
7/135-137 Darley Street, Mona Vale 7/135-137 Darley Street, Mona Vale, NSW 2103 - Property Details (realestate.com.au)	3 bed, 2 bath, 2 car townhouse – 126m ²	\$1.75m on 16/11/2022 \$13,888/m ² GFA
5/155-157 Darley Street West, Mona Vale 5/155-157 Darley Street West, Mona Vale, NSW 2103 - Property Details (realestate.com.au)	2 bed, 2 bath, 2 car townhouse – approx. 120m ²	\$1.91m on 22/12/2022 \$15,916/m ² GFA
98 Darley Street West, Mona Vale 98 Darley Street West, Mona Vale, NSW 2103 - Property Details (realestate.com.au)	4 bedroom house – 466m ² site area (GFA - 157m ²)	\$2.1m on 31/1/2023

Given the changes in market conditions, both Macroplan’s and HillPDA’s previous sales revenue forecasts are considered overly optimistic. Even with quality finishes, current sales revenue targets are unlikely to be met in the current market. Even with a reduction of around 10%, the assumed sales rates are well above median sales for Mona Vale and above comparable recent sales in Darley Street West, but they are more reflective of current market conditions. Table 3 below outlines the current median sales (March 2023) compared with the benchmarked sales assumptions from May 2022.

Table 3 – Revised Assumed Sales Rates – March 2023

House Type	May 2022 Benchmark Sales Assumptions - Macroplan	Current Median Sales – March 2023 ¹
1 bedroom	\$935,000	\$740,000
2 bedroom	\$1.65m	\$1.148m
3 bedroom	\$2.3m	
Townhouse (3b) – assume house	\$2.6m	\$2.1m

¹ <https://www.domain.com.au/suburb-profile/mona-vale-nsw-2103>

Whilst benchmarked sales assumptions are more than 25% above recent median sales in the area, the benchmarked assumptions have been retained for the purpose of this feasibility assessment and to ensure consistency with the HillPDA assessment.

Feasibility modelling methodology

For the purposes of this report, the feasibility assessment considers the financial viability of the proposed development. A bespoke residual land value model has been developed by macroplan to test the feasibility of the development. The model calculates the residual land value of the development by deducting all the development costs from the sales revenues of all new dwellings in the current market. The development costs include the construction costs plus contingencies, professional fees, typical profit margin for the developer, interest charges and sales transaction costs.

This model aims to determine the threshold for an affordable housing contribution, i.e. the point beyond which the proportion of affordable housing levies makes the development unviable. Development is usually considered feasible when the residual land value is greater than the current land value.

This approach mirrors the approach previously adopted by Council for Narrabeen and reflects adjustments as identified in the HillPDA peer review.

Key inputs and assumptions

Development form

Assumptions for dwelling mix and dwelling size have been adapted from the proposed development plan (reflecting the mix noted by HillPDA) and are detailed in Table 4 below.

Table 4 – Proposed Development Mix and Size

Building	GFA / NSA
A	1,748m ² / 1,544.2m ² (88.3% efficiency) 2 x 3 bed, 12 x 2 bed, 6 x 1 bed
B	1,518m ² / 1,311.2m ² (86.4% efficiency) 2 x 3 bed, 10 x 2 bed, 6 x 1 bed
C, D & E (Townhouses)	417m ² (139m ² GFA / NSA each)
TOTAL	3,683m² / 3272.4m²

In addition to the above, it should be noted that there are 4 existing houses on the subject site. The total GFA of the existing dwellings is 792m² (see Attachment C - Giles Tribe).

In real terms, the proposal creates 3,272.4m² of NSA with 37 additional dwellings. This represents an additional 2480.4m² of NSA (in excess of the existing GFA).

Land values and acquisition costs

Macroplan previously utilised a rate of \$2,700 per square metre of developable land for the original feasibility. HillPDA determined that this rate was reasonable on the basis that a premium would be paid to incentivise owners to facilitate site consolidation. Given the changes in market (and the changes in market conditions as detailed above), it is likely that RLV have also reduced in the current market conditions. HillPDA identified that the average \$/m² for land sales in the general vicinity (since 2021) has averaged between \$2,419/m² to \$2,813/m². Notwithstanding the likely decrease in RLV as a result of the current market

conditions, macroplan has retained a rate of \$2,700/m² which is consistent with the HillPDA assessment. Based on a site area of 6,120m², this equates to a raw land value of \$16.524m. In addition, legal and administrative / transaction costs and stamp duty are estimated at \$1.147m meaning that land purchase and acquisition costs are now estimated to be \$17.671m.

Land development costs

The following land development costs have been considered as part of this analysis (noting the comments detailed in Table 1 above):

- Construction costs for proposed development, including construction contingency
- Professional fees
- GST
- External works and services
- Infrastructure contributions
- Affordable Housing contribution

Construction costs

Construction costs have been taken from *Rawlinsons Construction Cost Guide* (Rawlinsons) and Argus EstateMaster. Rawlinsons is widely recognised as an industry standard and reference guide for construction costs across Australia and a variety of built forms. Costs are included at a per square metre rate (\$2,000/m² for basement construction (including earthworks) and \$4,800/m² for unit construction – both ex GST). A construction contingency of 10% of construction costs has also been applied given the timeframe until a Construction Certificate can be issued. It should be noted that recent building material cost escalation is occurring at a rate higher than property values, and this has the potential to erode project viability significantly in the short term. A 5% construction contingency should only be considered once a construction contract is issued.

Professional fees and external works and services

These costs assumptions represent a percentage of the construction costs. For the purposes of this assessment, professional fees are assumed to be 10% of construction; and external works and services represent 3% of construction costs. It should be noted that Intrec have spent more than \$650,000 to date on technical studies to support the PP. It is highly likely that 10% will be exceeded in this example but should be retained for current purposes. It should be noted that Council has previously endorsed professional fees at 15% for affordable housing contributions.

Infrastructure contributions

The Northern Beaches Section 7.12 Contributions Plan 2021² applies to the proposed development. Given that the proposed development will cost more than \$200,000 to complete, a levy of 1% of the development will be applicable. A quantity surveyor who is a registered member of the Australian Institute of Quantity Surveyors will certify the construction value at the time of the development application.

In addition to these infrastructure levies, a levy for affordable housing has been considered as part of this submission. The feasibility assessment treats an affordable housing

² https://www.northernbeaches.nsw.gov.au/sites/default/files/NB_s7_12_Contributions_Plan_2021_-_adopted_15_June_in_force_19_June_2021.pdf

contribution as a development contribution in accordance with the current legislative framework. The AH contribution has been tested for viability in this submission. Detailed affordable housing contribution assessment calculations are included in Attachment B.

Transaction costs

Transaction costs considered as part of this analysis include:

- Sales and marketing expenses
- Finance (Interest) charges

Sales expenses are assumed to represent 2% of the sales revenue for each dwelling whilst marketing has been reduced from 1.25% in the original feasibility to 0.75% of sales revenue, consistent with the HillPDA assessment. Finance (interest) charges are based on an interest rate of 10% p.a. over a 20-month (1.67 years) construction period (including sell down). This is also consistent now with the HillPDA assessment, even though 2 years was adopted by Council in the feasibility assessments for Narrabeen and Frenches Forest.

Sales revenue

Table 3 above identifies the current median sales³ recorded for Mona Vale up to March 2023 and benchmark sales assumptions for the proposed development. The benchmark sales assumptions recognise the location and quality of the proposed development and provide a premium above median sales, noting that they are considered overly ambitious at present. Table 2 outlines comparable recent sales (2022 and 2023) for Darley Street West which are both realistic and relevant to the current market.

Using the same benchmark sales assumptions detailed in Table 3 above, the following assumed sales revenue (Table 5) has been determined:

Table 5 – Assumed Sales Revenue

Building	NSA	Assumed Sales Revenue (inc GST)
A	1,544.2m ² 2 x 3 bed, 12 x 2 bed, 6 x 1 bed	\$33.011m
B	1,311.2m ² 2 x 3 bed, 10 x 2 bed, 6 x 1 bed	\$29.381m
C, D & E (Townhouses)	417m ² (139m ² NSA each)	\$8.580m
TOTAL	3272.4m²	\$70.972m (21,688.06/m² NSA)

The assumed sales revenue can be determined as \$21.688.06/m² of NSA. This is above the contribution determined by Council for Narrabeen (\$15,894/m²) and is at least 25% above all recent comparable sales in Darley Street West (see Table 2).

³ <https://www.domain.com.au/suburb-profile/mona-vale-nsw-2103>

How should the Affordable Housing Contribution be calculated?

The NSA of the proposed development is 3,272.4m². With a reduction of NSA for the existing GFA of the 4 existing dwellings located on the subject site (792m²), the additional NSA is 2,480.4m². Based on a 10% allocation for affordable housing, approximately 248m² would be required to be dedicated (without viability test). This area is then 'converted' into potentially three (3) x one-bedroom units (say 50m²) with a nominal value of \$1,028,500 each and one (1) x two-bedroom unit (say 98m²) with a nominal value of \$1,815,000 giving a total value of \$4,900,500.

Feasibility Results

Using the inputs and assumptions, the residual land value of the proposed development (without an affordable housing contribution) has been calculated. As can be seen in Table 6 below, there is minimal capacity to provide an affordable housing contribution and maintain project viability.

It is important to note that this feasibility assessment draws on the HillPDA assumptions and minimal change has been made to reflect the current market conditions. It is likely that market conditions will continue to shift into the future, which in turn may impact the revenue and costs assumptions applied in this analysis.

Table 6 – Feasibility Results – Proposed Development – March 2023

Affordable Housing Contribution	0.00%
Costs	\$m (ex GST)
Construction and Contingency	
Demolition	0.250
Drainage include stormwater in road reserve & onsite detention	0.650
Basement construction and earthworks (\$2,000/m ²) x 2,000m ²	4.000
Unit construction ⁴ (\$4,800/m ² GFA) x 3,683m ²	17.678
External works and services (3%)	0.677
Construction Contingency (10% minimum)	2.326
Total Construction and Contingency	25.581
Professional fees (10%)	2.559
Local infrastructure charges (1%)	0.255
Affordable Housing Contribution	-
Holding costs (As per HillPDA – approaching \$1m in mid 2023)	0.600
Marketing expenses (0.75% of Revenue)	0.532
Finance (10% x 20 months of construction and contingency)	4.264
TOTAL Costs excluding land	33.791
TOTAL Costs including land and acquisition costs	51.462
TOTAL Costs including land and sales costs	52.881
Revenue	\$m (inc GST)
1 bedroom (\$1,028,500 x 12)	12.342
2 bedroom (\$1,815,000 x 22)	39.930
3 bedroom (\$2,530,000 x 4)	10.120

⁴ <https://www.rlb.com/cc/#construction-cost-indicator>

Townhouses (\$2,860,000 x 3)	8.580
TOTAL Gross Revenue	70.972
Less Sales GST (10%)	6.452
Less Sales costs (2% of Total Revenue)	1.419
TOTAL Net Realisation (ex GST)	63.101
Developer's profit margin (20% of costs)	10.292
Residual Land Value (after 20% profit)	17.870
Existing Land Value	16.524
Land Acquisition Costs	1.147
Feasibility Ratio	1.081
RLV minus Current Land Value	1.346

What are the impacts of different affordable housing contribution rates on feasibility?

Table 6 show the impact of applying four different AHC rates using the feasibility assessment detailed in table 5 above. The AHC has been treated as a statutory charge similar to local infrastructure charges.

Table 6 – Feasibility Results – Proposed Development (\$m)

Residual Land Value and AHC	0%	Break-even	5%	10%
Residual land value (after 20% profit) (\$m)	17.870	16.524	14.642	11.415
AHC as % of additional floor space (%)	0%	2.085%	5%	10%
AHC dollar value (\$m)	0	1.122	2.690	5.380
Existing land value (\$m)	16.524	16.524	16.524	16.524
'Residual land value after AHC' minus 'Existing Land Value' (\$m)	1.346	0	(1.882)	(5.109)

Feasibility results

Based on the macroplan's feasibility assessment, a 5% or 10% AHC would generate residual land values (rounded) of \$14.642m and \$11.415m respectively, both of which are below the existing land value of \$16.524m. In the case of the 10% contribution rate, this RLV implies that the proponent would receive \$5.109m less for the land than they would by selling the land as it currently exists. A fourth rate was considered to estimate the 'break-even' point at which the AHC would generate an RLV exactly equal to the existing land value (\$16.524m). This analysis found that a rate of 2.085% was the break-even point. At this point, a contribution of \$1,122,627 towards affordable housing was determined.

AH Contribution Summary

- The method to calculate the AHC has been tested against the average value of floor space and conversion of AHCs. The approach is consistent with the approach undertaken by Council and their consultants for Frenchs Forest and Narrabeen.
- The land valuation is above current market values for each of the subject sites which is in favour of a higher contribution to Council.

- The construction estimates have been determined using Rawlinsons and Argus EstateMaster and are consistent with benchmarks previously used by Council at Frenches Forest and Narrabeen.
- Based on this evidence, we conclude that an AHC of not more than 2.085% (\$1,122,627) is unlikely to prevent the development from proceeding.

The above approach adopted by macroplan represents a pragmatic approach to addressing the request from the Sydney North Planning Panel so the PP can be progressed to the Department. As outlined, there are a large number of assumptions in this feasibility which do not reflect current market conditions, but have been retained so the matter can progress as soon as possible.

We look forward to Council confirming the timeframe for submission of the PP to the Department and are available to assist should it be required.

Yours faithfully



Brendan Nelson RPIA (Fellow)

General Manager, Planning

Attachment A – Planning Agreement – Letter of Offer

Mr Ray Browlee PSM
Chief Executive Officer
Northern Beaches Council
PO Box 82
MANLY NSW 1655

Attention: Ms Louise Kerr, Director, Planning & Place

10 March 2023

Dear Sir/Madam

**RE: Letter of Offer – Planning Agreement
s7.4 of *Environmental Planning and Assessment Act 1979*
Planning Proposal – RR-2021-104 – 159-167 Darley Street West, Mona Vale**

I'm writing in relation to the Planning Proposal for 159-167 Darley Street West, Mona Vale (subject land) which seeks to rezone the subject land from the R2 – Low Density Residential zone to R3 – Medium Density Residential zone. I also refer to advice from the Northern Sydney Planning Panel regarding the gateway determination for the subject site and to the request from the panel for the applicant to progress a planning agreement addressing affordable housing requirements on the subject site.

This letter of offer is provided to Council in accordance with Council's Voluntary Planning Agreements Policy and Guideline adopted by Council on 12 December 2019. This letter of offer is also made having regard to the *Environmental Planning and Assessment (Planning Agreements) Direction 2019* made by the Hon. Anthony Roberts MP, Minister for Planning on 28 February 2019 and the Practice Note on Planning Agreements issued by the Department of Planning and Environment in February 2021.

This letter of offer recognises that an affordable housing contribution can only be required by Council as part of a development application and not as part of a planning proposal. The agreement is being entered into in advance of a development application being lodged and only commences when the subject land is included in the R3 – Medium Density Residential zone and as a condition of a subsequent development approval.

Proposed Offer

1. The developer undertakes to provide an Affordable Housing contribution (AHC) to Council as part of a development approval on the subject site for a residential flat building and multi dwelling development.
2. The parties agree that the contribution is to be determined in accordance with Council's AH Policy, noting that the development must remain viable.

3. The developer advises that based on the current proposal (12 x 1 bedroom apartments, 22 x 2 bedroom apartments, 4 x 3 bedroom apartments and 3 x 3 bedroom townhouses) and market conditions, an AHC equivalent to \$1,122,627 (2.085%) of the development is break-even for the subject site (detailed feasibility attached).
4. This equates to a contribution of \$183.44/m² of site area (6,120m²) across the subject site.
5. The Council agrees to amend the Northern Beaches Affordable Housing Contribution Scheme to include 159-167 Darley Street West, Mona Vale as a site to which the scheme applies.
6. The agreement is to be entered into prior to finalisation of the rezoning application with payment made in accordance with a subsequent development approval(s).

A detailed submission addressing the full policy requirements (including valuations and cost estimates from accredited professionals) will be submitted to Council as part of final negotiations on the planning agreement.

We look forward to progressing discussions with Council on this matter.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrew Thurlow', with a long horizontal line extending to the right.

Andrew Thurlow
Development Director
Intrec Management Pty Ltd

Attachment B – Affordable Housing Contribution – Calculation Sheets

Development Feasibility Inputs - 159-167 Darley Street West, Mona Vale

Affordable Housing Contribution	m ²	\$
Site Area	6120	
NSA	3272.4	
Existing GFA	792	
Additional NSA	2480.4	
10% AHC m ²	248.04	
10% AHC \$		\$ 5,379,506
1% AHC \$		\$ 537,951

Sales Assumptions (inc GST)	Original Feasibility Est
1 bed	\$ 1,028,500
2 bed	\$ 1,815,000
3 bed	\$ 2,530,000
townhouse	\$ 2,860,000

Fields that can be modified

Raw Land Costs	Original Feasibility Est
Rate/m ²	\$ 2,700

Development	GFA	NSA	Efficiency	1 bed	2 bed	3 bed	townhouse	Sales	\$/m ² NSA
Building A	1748	1544.2	86.3%	6	12	2	0	\$33,011,000	\$21,377.41
Building B	1518	1311.2	86.4%	6	10	2	0	\$29,381,000	\$22,407.72
Buildings C, D & E	417	417	100.0%	0	0	0	3	\$ 8,580,000	\$20,575.54
Total	3683	3272.4		12	22	4	3	\$70,972,000	\$21,688.06

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159-167 Darley Street West, Mona Vale			
Affordable Housing Contribution			0.00
	Qty	Rate	
Costs			\$m (ex GST)
Construction and Contingency			
Demolition	1.00	\$ 250,000	\$ 250,000
Drainage include stormwater in road reserve & onsite detention	1.00	\$ 650,000	\$ 650,000
Basement construction and earthworks (\$2,000/m ²) x 2,000m ²	2000.00	\$ 2,000	\$ 4,000,000
Unit construction (\$4,800/m ² GFA) x 3,683m ²	3683.00	\$ 4,800	\$ 17,678,400
External works and services (3%)	3%	\$ 22,578,400	\$ 677,352
Construction Contingency (10% minimum)	10%	\$ 23,255,752	\$ 2,325,575
Total Construction and Contingency			\$ 25,581,327
Professional fees (10%)	10%	\$ 25,581,327	\$ 2,558,133
Local infrastructure charges (1%)	1%	\$ 25,581,327	\$ 255,813
Affordable Housing Contribution (per 1%)	0.00%	\$ 53,795,058	\$ -
Holding costs (As per HillPDA – approaching \$1m in mid 2023)	1.00	\$ 600,000	\$ 600,000
Marketing expenses (0.75% of Revenue)	0.75%	\$ 70,972,000	\$ 532,290
Finance (10% x 20 months of construction and contingency)	20.00	\$ 213,178	\$ 4,263,555
TOTAL Costs excluding land			\$ 33,791,118
TOTAL Costs including land and acquisition costs			\$ 51,461,978
TOTAL Costs including land and sales costs			\$ 52,881,418
Revenue			\$m (inc GST)
1 bedroom	12	\$ 1,028,500	\$ 12,342,000
2 bedroom	22	\$ 1,815,000	\$ 39,930,000
3 bedroom	4	\$ 2,530,000	\$ 10,120,000
Townhouses	3	\$ 2,860,000	\$ 8,580,000
TOTAL Gross Revenue			\$ 70,972,000
Less Sales GST (10%)	9.09%	\$ 70,972,000	\$ 6,452,000
Less Sales costs (2% of Total Revenue)	2.00%	\$ 70,972,000	\$ 1,419,440
TOTAL Net Realisation (ex GST)			\$ 63,100,560
Developer's profit margin (20% of costs)	20%	\$ 51,461,978	\$ 10,292,396
Residual Land Value (after 20% profit)			\$ 17,870,187
Existing Land Value	6120	\$ 2,700	\$ 16,524,000
Land Acquisition Costs	1	\$ 1,146,860	\$ 1,146,860
Feasibility Ratio			1.081
RLV minus Current Land Value			\$1,346,186.73

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159-167 Darley Street West, Mona Vale			
Affordable Housing Contribution			2.085%
	Qty	Rate	
Costs			\$m (ex GST)
Construction and Contingency			
Demolition	1.00	\$ 250,000	\$ 250,000
Drainage include stormwater in road reserve & onsite detention	1.00	\$ 650,000	\$ 650,000
Basement construction and earthworks (\$2,000/m ²) x 2,000m ²	2000.00	\$ 2,000	\$ 4,000,000
Unit construction (\$4,800/m ² GFA) x 3,683m ²	3683.00	\$ 4,800	\$ 17,678,400
External works and services (3%)	3%	\$ 22,578,400	\$ 677,352
Construction Contingency (10% minimum)	10%	\$ 23,255,752	\$ 2,325,575
Total Construction and Contingency			\$ 25,581,327
Professional fees (10%)	10%	\$ 25,581,327	\$ 2,558,133
Local infrastructure charges (1%)	1%	\$ 25,581,327	\$ 255,813
Affordable Housing Contribution (per 1%)	2.085%	\$ 53,795,058	\$ 1,121,627
Holding costs (As per HillPDA – approaching \$1m in mid 2023)	1.00	\$ 600,000	\$ 600,000
Marketing expenses (0.75% of Revenue)	0.75%	\$ 70,972,000	\$ 532,290
Finance (10% x 20 months of construction and contingency)	20.00	\$ 213,178	\$ 4,263,555
TOTAL Costs excluding land			\$ 34,912,745
TOTAL Costs including land and acquisition costs			\$ 52,583,605
TOTAL Costs including land and sales costs			\$ 54,003,045
Revenue			\$m (inc GST)
1 bedroom	12	\$ 1,028,500	\$ 12,342,000
2 bedroom	22	\$ 1,815,000	\$ 39,930,000
3 bedroom	4	\$ 2,530,000	\$ 10,120,000
Townhouses	3	\$ 2,860,000	\$ 8,580,000
TOTAL Gross Revenue			\$ 70,972,000
Less Sales GST (10%)	9.09%	\$ 70,972,000	\$ 6,452,000
Less Sales costs (2% of Total Revenue)	2.00%	\$ 70,972,000	\$ 1,419,440
TOTAL Net Realisation (ex GST)			\$ 63,100,560
Developer's profit margin (20% of costs)	20%	\$ 52,583,605	\$ 10,516,721
Residual Land Value (after 20% profit)			\$ 16,524,234
Existing Land Value	6120	\$ 2,700	\$ 16,524,000
Land Acquisition Costs	1	\$ 1,146,860	\$ 1,146,860
Feasibility Ratio			1.000
RLV minus Current Land Value			\$234

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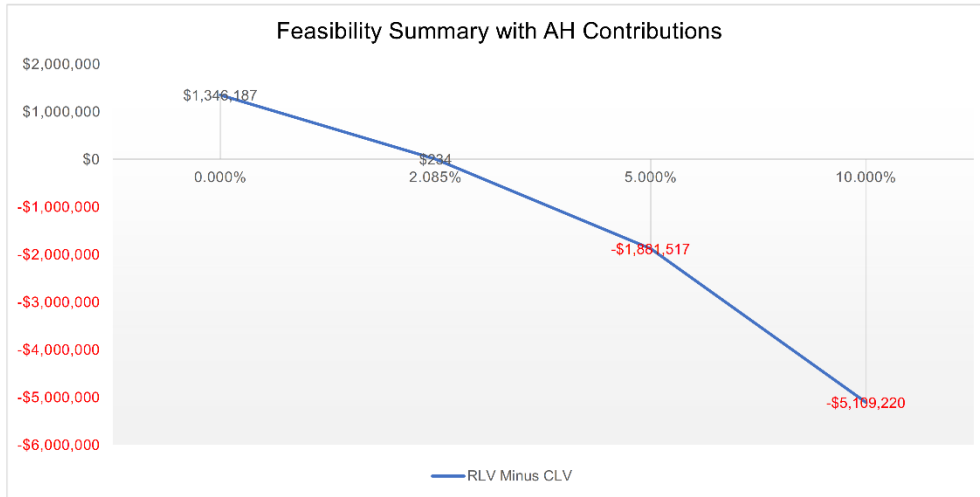
159-167 Darley Street West, Mona Vale			
Affordable Housing Contribution			5%
	Qty	Rate	
Costs			\$m (ex GST)
Construction and Contingency			
Demolition	1.00	\$ 250,000	\$ 250,000
Drainage include stormwater in road reserve & onsite detention	1.00	\$ 650,000	\$ 650,000
Basement construction and earthworks (\$2,000/m ²) x 2,000m ²	2000.00	\$ 2,000	\$ 4,000,000
Unit construction (\$4,800/m ² GFA) x 3,683m ²	3683.00	\$ 4,800	\$ 17,678,400
External works and services (3%)	3%	\$ 22,578,400	\$ 677,352
Construction Contingency (10% minimum)	10%	\$ 23,255,752	\$ 2,325,575
Total Construction and Contingency			\$ 25,581,327
Professional fees (10%)	10%	\$ 25,581,327	\$ 2,558,133
Local infrastructure charges (1%)	1%	\$ 25,581,327	\$ 255,813
Affordable Housing Contribution (per 1%)	5.00%	\$ 53,795,058	\$ 2,689,753
Holding costs (As per HillPDA – approaching \$1m in mid 2023)	1.00	\$ 600,000	\$ 600,000
Marketing expenses (0.75% of Revenue)	0.75%	\$ 70,972,000	\$ 532,290
Finance (10% x 20 months of construction and contingency)	20.00	\$ 213,178	\$ 4,263,555
TOTAL Costs excluding land			\$ 36,480,871
TOTAL Costs including land and acquisition costs			\$ 54,151,731
TOTAL Costs including land and sales costs			\$ 55,571,171
Revenue			\$m (inc GST)
1 bedroom	12	\$ 1,028,500	\$ 12,342,000
2 bedroom	22	\$ 1,815,000	\$ 39,930,000
3 bedroom	4	\$ 2,530,000	\$ 10,120,000
Townhouses	3	\$ 2,860,000	\$ 8,580,000
TOTAL Gross Revenue			\$ 70,972,000
Less Sales GST (10%)	9.09%	\$ 70,972,000	\$ 6,452,000
Less Sales costs (2% of Total Revenue)	2.00%	\$ 70,972,000	\$ 1,419,440
TOTAL Net Realisation (ex GST)			\$ 63,100,560
Developer's profit margin (20% of costs)	20%	\$ 54,151,731	\$ 10,830,346
Residual Land Value (after 20% profit)			\$ 14,642,483
Existing Land Value	6120	\$ 2,700	\$ 16,524,000
Land Acquisition Costs	1	\$ 1,146,860	\$ 1,146,860
Feasibility Ratio			0.886
RLV minus Current Land Value			-\$1,881,517

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159-167 Darley Street West, Mona Vale			
Affordable Housing Contribution			10%
	Qty	Rate	
Costs			\$m (ex GST)
Construction and Contingency			
Demolition	1.00	\$ 250,000	\$ 250,000
Drainage include stormwater in road reserve & onsite detention	1.00	\$ 650,000	\$ 650,000
Basement construction and earthworks (\$2,000/m ²) x 2,000m ²	2000.00	\$ 2,000	\$ 4,000,000
Unit construction (\$4,800/m ² GFA) x 3,683m ²	3683.00	\$ 4,800	\$ 17,678,400
External works and services (3%)	3%	\$ 22,578,400	\$ 677,352
Construction Contingency (10% minimum)	10%	\$ 23,255,752	\$ 2,325,575
Total Construction and Contingency			\$ 25,581,327
Professional fees (10%)	10%	\$ 25,581,327	\$ 2,558,133
Local infrastructure charges (1%)	1%	\$ 25,581,327	\$ 255,813
Affordable Housing Contribution (per 1%)	10.00%	\$ 53,795,058	\$ 5,379,506
Holding costs (As per HillPDA – approaching \$1m in mid 2023)	1.00	\$ 600,000	\$ 600,000
Marketing expenses (0.75% of Revenue)	0.75%	\$ 70,972,000	\$ 532,290
Finance (10% x 20 months of construction and contingency)	20.00	\$ 213,178	\$ 4,263,555
TOTAL Costs excluding land			\$ 39,170,624
TOTAL Costs including land and acquisition costs			\$ 56,841,484
TOTAL Costs including land and sales costs			\$ 58,260,924
Revenue			\$m (inc GST)
1 bedroom	12	\$ 1,028,500	\$ 12,342,000
2 bedroom	22	\$ 1,815,000	\$ 39,930,000
3 bedroom	4	\$ 2,530,000	\$ 10,120,000
Townhouses	3	\$ 2,860,000	\$ 8,580,000
TOTAL Gross Revenue			\$ 70,972,000
Less Sales GST (10%)	9.09%	\$ 70,972,000	\$ 6,452,000
Less Sales costs (2% of Total Revenue)	2.00%	\$ 70,972,000	\$ 1,419,440
TOTAL Net Realisation (ex GST)			\$ 63,100,560
Developer's profit margin (20% of costs)	20%	\$ 56,841,484	\$ 11,368,297
Residual Land Value (after 20% profit)			\$ 11,414,780
Existing Land Value	6120	\$ 2,700	\$ 16,524,000
Land Acquisition Costs	1	\$ 1,146,860	\$ 1,146,860
Feasibility Ratio			0.691
RLV minus Current Land Value			-\$5,109,220

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159-167 Darley Street West, Mona Vale
Feasibility Summary - Affordable Housing Contribution



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Attachment C – Giles Tribe – Existing GFA and Potential GFA Calculations