

1 December 2023

Mr Peter Debnam
Chair, Sydney North Planning Panel
Locked Bag 5022
PARRAMATTA NSW 2124

Dear Mr Debnam and Panel Members

**RE: Submission – Planning Proposal (PP-2021-7404)
159-167 Darley Street West, Mona Vale**

I am writing in relation to the planning proposal (PP-2021-7404) for land located at 159-167 Darley Street West, Mona Vale currently on public exhibition through the NSW Planning Portal.

This submission is lodged on behalf of the proponent, Intrec Management Pty Ltd and is in support of the planning proposal, except for the method by which the Affordable Housing Contribution has been determined and the method by which it is to be reflected in the Pittwater LEP 2014 as detailed below.

No reportable political donations have been made by persons lodging this submission.

Table 1 – Submission Summary

Proposal	Submission
Rezone the site from the R2 Low Density Residential Zone to R3 Medium Density Residential Zone	Support
Amend Clause 4.5A of the Pittwater LEP 2014 so that the maximum dwelling density requirements do not apply to the site	Support
Introduce an Affordable Housing clause in the Pittwater LEP 2014, identify a 5% contribution rate for the site and include on an Affordable Housing Contributions Scheme Map	Support in Part, Object in Part

Submission

The proponent has no objection to providing a generous affordable housing contribution as part of future development on the site. Indeed, previous offers made during the gateway review represent the single largest contribution to the Council's housing affordability fund.

However, any contribution must be fair, equitable and viable. Our submission relates to:

1. the method used to determine the contribution; and
2. the method of inclusion in the Pittwater LEP 2014.

1. Affordable Housing Contribution Methodology

The approach proposed by Council differs from the approach previously adopted by Council for Frenchs Forest and North Narrabeen. Given there are currently no state guidelines on the method for determining affordable housing contributions, the proponent contends that the method being applied in the Northern Beaches Council area should be consistent.

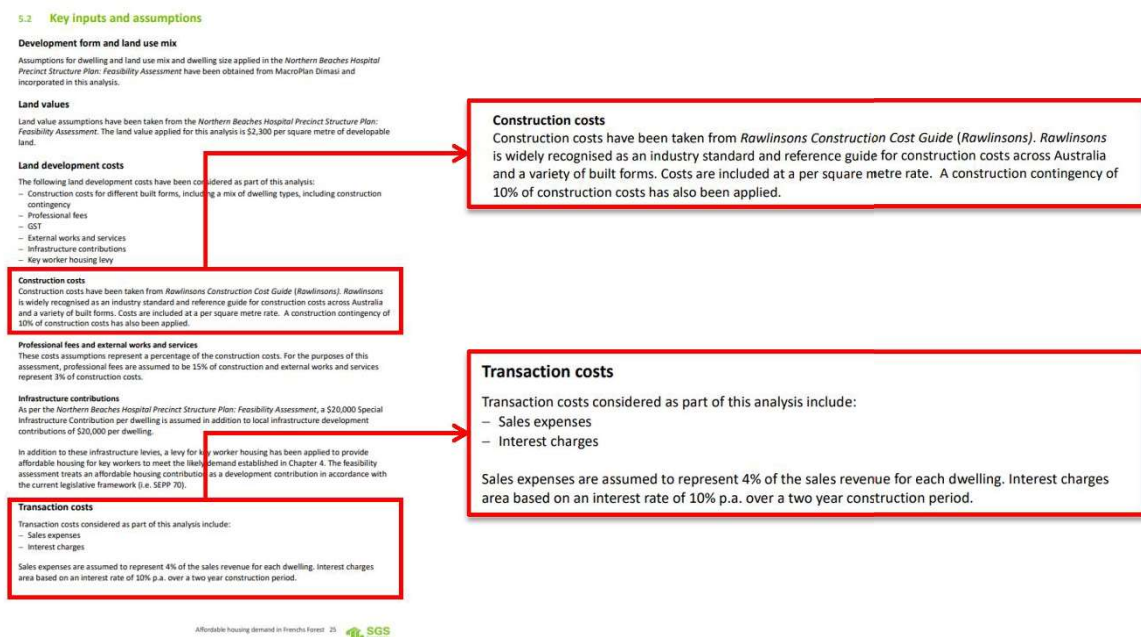
In this regard, the methodology previously endorsed by Council (based on advice from its consultants, SGS Economics) for both North Narrabeen and Frenchs Forest differs significantly with respect to the treatment of bank interest and construction contingency. Table 2 below summarises these differences.

Table 2 – Method Inconsistency

Project	Bank Interest	Construction Contingency
Frenchs Forest ¹	10%	10%
North Narrabeen	10%	10%
Subject Site (Mona Vale)	7.5%	5%

An extract from Council's Affordable Housing Contributions Scheme is detailed in Figure 1 below.

Figure 1 – Frenchs Forest & North Narrabeen Affordable Housing Contribution Assumptions (Council endorsed)



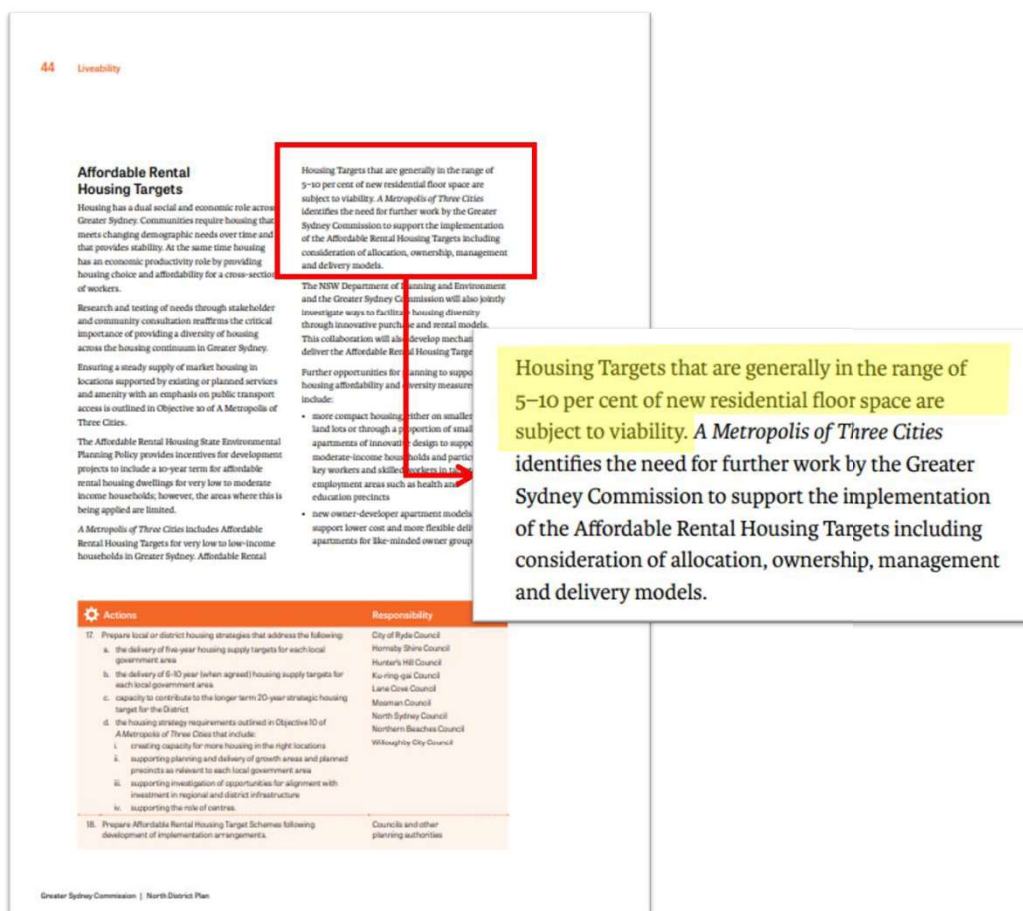
In addition to the above assumptions, it is noted that Council's feasibility study prepared by Hill PDA for the subject site did not credit the existing GFA existing on the subject site (792m²), even though it was acknowledged as an appropriate offset in section 1.2 of the report.

¹ <https://files-preprod-d9.northernbeaches.nsw.gov.au/nbc-prod-files/affordable-housing-contributions-scheme-may2019.pdf>

The reality is that the assumptions relied upon by Council for the subject site are inconsistent and result in the project becoming unviable. Council's suggested contribution of \$3.374m results in a net contribution of more than \$82,000 per apartment towards Council's Affordable Housing Contribution Fund. This is in addition to other Council fees and development charges.

Viability is a particularly important consideration because the North District Plan recognises that contributions must be viable (see Figure 2 below). Indeed, whilst the aspiration of the District Plan is to achieve a contribution of 5-10% of new residential floor space, the contribution must ultimately be determined having regard to viability as referenced in the District Plan. Failure to do so will result in further deterioration of housing supply in an already constrained area.

Figure 2 – North District Plan (extract)



The assumptions that undermine the viability of the project are addressed below:

Bank Interest

The proponent is currently paying 10.40%pa variable interest, plus 1.65% establishment fee and 0.275% broker fee through its financier. These rates are consistent with industry benchmarking rates for construction loan facilities. A copy of the finance agreement can be provided upon request. Council's allowance of 7.5%pa interest rates are below market rates and should be amended to reflect the actual rates noting that further changes in interest rates are likely prior to construction commencing. In this regard, it is important that the method and approach to

determining viability can be adjusted at the time the contribution amount is determined (i.e. development application).

Construction Contingency

Council has allowed construction contingency of 5% whereas Council has previously endorsed 10% at Frenches Forest and North Narrabeen. Given the current state of the market and time between this PP being finalised, and a DA being lodged and finalised, and construction commencing, 5% is unrealistic. 5% would be an acceptable construction contingency at the issue of a development approval, but not at rezoning.

The proponent has retained an independent Order of Costs Budget from WT Partnership (see Attachment A). WT Partnership are international cost management consultants, quantity surveyors, sustainability consultants, asset and building consultants, PPP advisors and facility managers.

WT Partnership have advised as follows:

- 5% design development contingency should be allowed during the design development period between now and construction commencing; and
- A further 5% construction contingency (which is standard practice) for the start of the construction period to cover unforeseen risks. It is also required to meet most financier's requirements.

WT have advised that the estimate has been prepared on benchmark rates for similar projects that have been completed including escalation during construction and that the benchmarking rates are required to be escalated to the start of construction (which has been assumed to be mid-2025).

WT have advised that the project of this nature would generally require a construction duration of 22-24 months, whereas Council have previously advised that a construction timeframe of 16 months should be allowed.

Importantly, WT have advised that escalation costs to the start of construction should be as follows:

- 2023 – 4%
- 2024 – 2.8%
- 2025 – 3.5%

Based on the independent advice from WT Partnership, 10% is also likely to be too low for viability assessments undertaken now. It is clear though that the allowance of 5% in Council's feasibility should be amended to accurately reflect the likely changes in costs over the next 18 months.

Credit existing GFA

The District Plan (Figure 2 above) recognises that affordable housing targets relate to "*new residential floor space*". Council's feasibility assessment agrees with this requirement (see section 1.2), but then fails to make allowance for the existing GFA on the site. This allowance should be recognised in the future affordable housing contribution plan for the site.

2. Pittwater LEP 2014

The approach being sought by Council to include a fixed affordable housing contribution rate (%) in the Pittwater LEP 2014 does not reflect the varying nature of affordable housing contributions which must be viable at the time payment is made.

It should be noted that the proponent does not object to making an affordable housing contribution, but it must be viable. The combination of the assumptions detailed above and the lack of recognition that a development application (DA) is necessary once the subject site is rezoned means that a fixed rate does not allow for viability to be tested at the DA stage.

The approach outlined in the PP and requested by Council (i.e., a fixed affordable housing contribution %) in the LEP will require a further LEP amendment in the future at the time payment is made if the specified amount (5%) continues to be unviable. Council undertook an amendment to the Warringah LEP 2011 for North Narrabeen in February 2022 to reduce the contribution from 5.7% to 1.71% to correct an error in the calculation. This amendment could have been avoided with the approach recommended below.

Recommended Pittwater LEP 2014 Amendment

- Identify the subject site on an AH Contributions Scheme Area Map – outline only and then provide clarification in the LEP wording regarding the method and calculation of the relevant contribution.
- Table 3 below outlines the suggested wording to be included in the Pittwater LEP 2014
- Figure 3 below illustrates how the Affordable Housing Contribution Scheme Area could be identified in the Pittwater LEP 2014 mapping

Table 3 – Recommended Pittwater LEP 2014 Amendment

Action	Recommended Amendment
Add new section in part 7 – Additional Local Provisions	<p>7.13 Affordable housing contributions</p> <p>(1) This clause applies to development for the purposes of residential accommodation on land identified as “Affordable Rental Housing Contribution Area” on the Affordable Rental Housing Contribution Scheme Map.</p> <p>(2) When granting development consent to development to which this clause applies, the consent authority may impose a condition requiring an affordable housing contribution (a contribution).</p> <p>(3) A condition imposed under this clause must require a person to satisfy the contribution by a monetary contribution paid to the Council prior to the issue of an Occupation Certificate.</p> <p>(4) The contribution must be calculated at 5% of new residential floor space, subject to viability.</p> <p>(5) To avoid doubt, the demolition of a building, or a change in the use of land, does not give rise to a claim for a refund of a contribution.</p> <p>(6) In this clause—</p> <p>Affordable Rental Housing Contribution Scheme Map means the Pittwater Local Environmental Plan 2014 Affordable Rental Housing Contribution Scheme Map.</p> <p>Viability assessments include:</p>

	<ul style="list-style-type: none"> a. bank interest rates set at the current market rate for commercial / construction loans; b. construction contingency of 10% including 5% design development contingency and 5% construction contingency; and c. Construction duration to be determined by an accredited quantity surveyor.
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Figure 3 – Recommended Pittwater LEP 2014 Map Amendment



Other Affordable Housing Contribution Examples

Penrith City Council have taken a similar approach to Affordable Housing Contributions² as detailed above. The Penrith LEP 2010 identifies the contribution Area (without a '%' on the map) and then in section 7.31 of the Penrith LEP 2010 addresses the contribution through a link to a contribution plan. Our submission would establish a similar approach to Penrith with the Affordable Housing Contribution Scheme being updated at the time of DA to recognise updated viability testing.

Canada Bay LEP 2013 also takes a similar approach to Penrith in not specifying a '%' on the Affordable Housing Contributions Scheme Map.

² <https://legislation.nsw.gov.au/view/html/inforce/current/epi-2010-0540>

Whilst Council has applied a '%' in its Warringah LEP 2011, its recent LEP amendment to correct an error at North Narrabeen confirms that it is a clumsy and inefficient way to manage affordable housing contributions. The LEP Mapping should be utilised as trigger where contribution amounts are variable (such as for Affordable Housing contributions which are subject to viability testing).

If it remains as proposed, there will be further delays to housing in an area already significantly behind its housing targets. Given the government's priority to deliver new homes as quickly as possible, it is imperative that any LEP amendments enable viability testing to be fair, equitable and consistent.

We look forward to discussing our submission with the panel prior to finalisation. Please don't hesitate to contact me on 0467 719 198 or brendan.nelson@solveproperty.com.au if you require any further information of further clarity.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Brendan Nelson'.

Brendan Nelson
Partner, Advisory

Attachment – WT Partnership – Construction Estimate



29 September 2023

Andrew Thurlow

Magnolia Views Property Pty Ltd

Andrewthurlow1@outlook.com

Dear Sir

159 - 167 DARLEY STREET MONA VALE ORDER OF COSTS BUDGET ESTIMATE

Please find attached our Order of Costs Budget Estimate totalling **\$44,506,408 (Excl GST) inclusive of contingencies and escalation.**

Specifically, we have allowed for 5% design development contingency to be utilized during the design development period between now and construction. We have also allowed a further 5% construction contingency which is standard practice for the start of the construction period to cover unforeseen risks. It is also required to meet most financier's requirements.

The estimate has been prepared on benchmark rates for similar projects that have been completed and therefore including escalation during construction. These benchmarking rates are required to be escalated to the start of construction, which is for the basis of this estimate, we have assumed to be mid-2025.

While we are not programmers, WT are regularly required to benchmark overall program durations as part of financier roles. A project of this nature and size would generally require a construction duration of 22-24 months.

Yours faithfully

IAN MENZIES

NATIONAL DIRECTOR

WT

WT REF: PR-021659 - 159 - 167 Darley Street Mona Vale



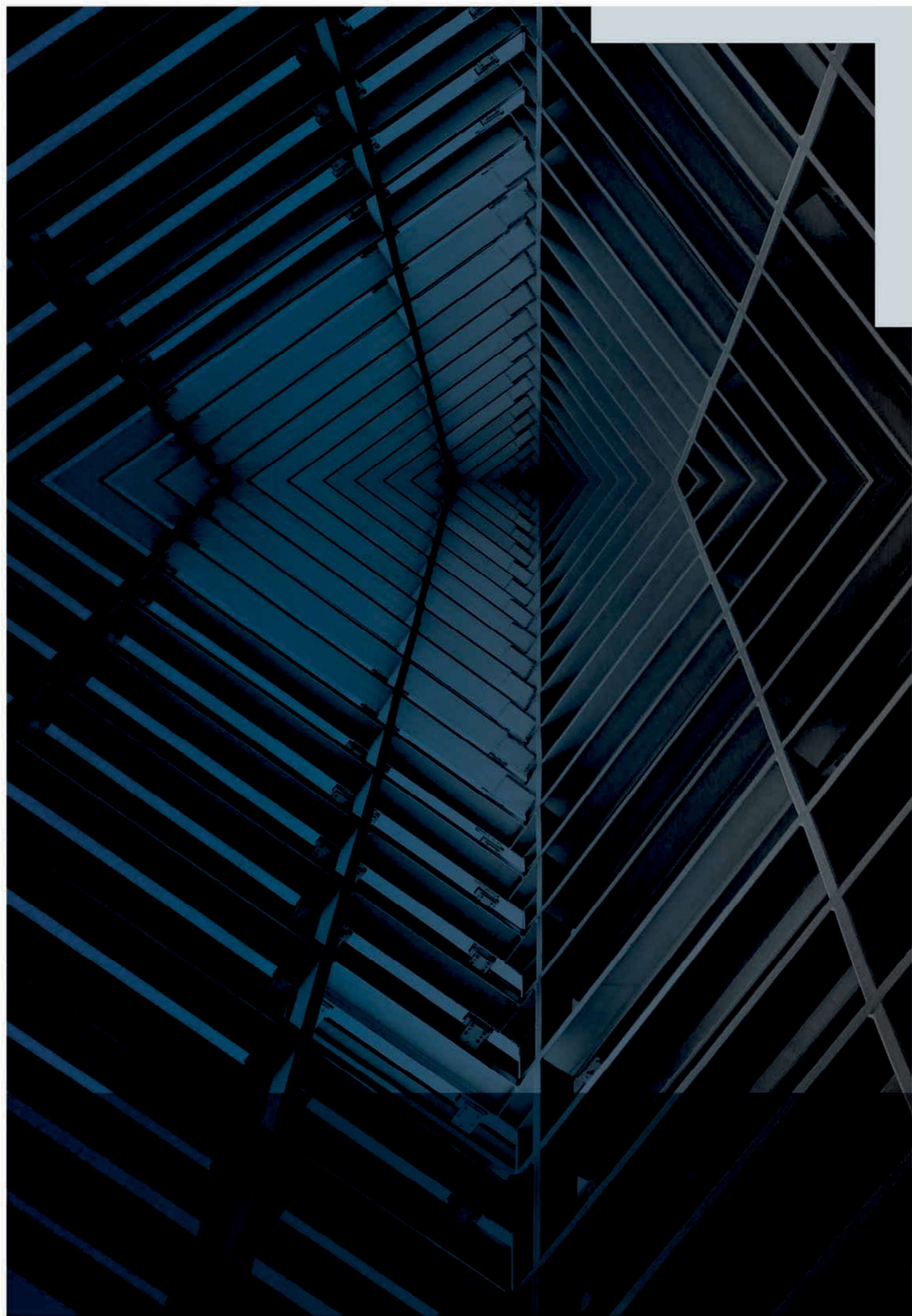
159-167 DARLEY STREET
MONA VALE DEVELOPMENT
BUDGET ESTIMATE NO.1

27 September 2023

159-167 Darley Street Mona Vale					
Preliminary Budget Estimate					
29/09/2023					
	G.B.A.	Quantity	UNIT	RATE/m2	EXTENSION
ELEMENT	m2	m2		\$	\$
Demolition / Site Prep / Temp Works / Sservices Diversions / Relocations					
Allow to Demolish existing buildings		1	Item	142,800	142,800
Provisional allowance for Hazardous Building Material Removal		1	Item	50,000	50,000
Allow to cap and disconnect incoming services		1	Item	30,000	30,000
Extra over for services relocations (excluded - assume no major relocations required)				Excl	Excl
Allow to strip existing site		1	Item	244,880	244,880
Allow for incoming services connections (Included in Infrastructure Costs Below)				Incl	Incl
Allow for underpinning adjoining structures				Excl	Excl
Subtotal Demo					467,680
Basement incl Substructure					
Basement					
Bulk excavation		8,088	m3	50	404,415
E.O. for excavation in rock (assume 20%) - Minimal rock advised		1,618	m3	75	121,325
Allow for disposal of GSW (assume 150mm across basement area)		662	t	270	178,678
Allow for disposal of contaminated materials				Excluded	Excluded
E.O. for dewatering		1	item	50,000	50,000
Allow for Shoring - assume 450mm dia. contiguous secant shoring piles including capping beam and shortcrete - allow 1.5mtr socket TBA		1,020	m2	1,300	1,326,614
Allow for footings		2,451	m2	150	367,650
Allow for hydrostatic slab on ground - assume there is a water table issue		2,451	m2	500	1,225,500
Allow for Slab on Ground - incl. above				Incl.	Incl.
Allow for suspended slab - N/A				N/A	N/A
Allow for fitout to basement area (service, walls, columns, etc.)	2,451		GBA	640	1,568,640
Ground Floor Basement Entry Ramp (area assumed)		100	m2	750	75,000
External Façade - Allow for External Walls to last		162	m2	700	113,252
Allow for roller shutter - carpark		2	Item	20,000	40,000
Allow for roller shutter - townhouse		3	Item	10,000	30,000
Subtotal Basement	2,451		GBA	2,244	5,501,074
		80	Cars	\$ 68,763 / car	
		31	m2/car		
Residential - Aparments					
Aparments Building A&B - GF Lobby	140		GBA	3,500	490,000
Aparments Building A&B - GF and L1	4,032		GBA	3,100	12,499,200
Aparments Building A&B - External Façade - Allow for External Walls		2,388	m2	1,200	2,865,600
Aparments Building A&B - Allow for Roof		2,139	m2	900	1,925,100
Aparments Building A&B - Residential Core - 4 Lifts from Basement to Level 1		4	No.	250,000	1,000,000
Subtotal Residential - Apartments	4,172		GBA	4,501	18,779,900
		38	units	494,208	
		110	m2/unit		
Residential - TownHouse					
TownHosue C,D&E - GF and L1	582		GBA	3,800	2,211,549
TownHosue C,D&E - External Façade - Allow for External Walls		615	m2	Incl.	Incl.
TownHosue C,D&E - Allow for Roof		341	m2	Incl.	Incl.
TownHosue C,D&E - Residential Core - Assume no private lifts				Incl.	Incl.
Subtotal Residential - TownHouse	582		GBA	3,800	2,211,549
		3	units	737,183	
		194	m2/unit		
# EXTERNAL / INFRASTRUCTURE WORKS / AMPLIFICATION WORKS					
EXTERNAL WORKS					
Allow for Driveway		412	m2	500	206,000
Allow for hard and soft landscaping to remaining site area not covered by built area		3,107	m2	600	1,864,200
E.O. for suspended slab		400	m2	400	160,000
Allow to Footpaths within site boundary		168	m2	900	151,200
EXTERNAL SERVICES					
Allow for incoming services connections (assumes services at Site Boundary)		1	Item	100,000	100,000
Allow for fire water storage tank and stormwater detention tank		1	Item	250,000	250,000
Allow for solar panels to roof		1	Item	100,000	100,000
Prov Allowance for ESD Initiatives				Excl	Excl
Allow for services diversions and amplification				Excl	Excl
Prov Allowance for Kiosk		1	Item	200,000	200,000
Prov Allowance for underground Power Lines and new Light Poles - Assume N/A					
Subtotal External & Infrastructure					3,031,400
TRADE TOTAL	7,205	GBA		4,163	29,991,603
# PRELIMINARIES AND PROFIT					
Preliminaries - 21%		21	%	29,991,603	6,298,237
Profit and overheads - 5%		5	%	36,289,840	1,814,492
	7,205			5,289	38,104,332
# STATUTORY / COUNCIL FEES & CHARGES:					
DA / Building Construction Certificate			Item		Excl
Long Service Leave Levy (0.35%)			Item		Excl
	7,205			5,289	38,104,332
# DESIGN AND CONSTRUCT FEES (excl)			Item		Excl

159-167 Darley Street Mona Vale					
Preliminary Budget Estimate					
29/09/2023					
ELEMENT	G.B.A. m2	Quantity m2	UNIT	RATE/m2 \$	EXTENSION \$
Novated Consultants Fees			Item		Excl
Non Novated Consultants Fees Engaged by the Builder		1	%	38,104,332	381,043
	7,205			5,341	38,485,375
# ESCALATION TO CONSTRUCTION START DATE (excl) - to be included in separate Development Budget			Item		Excl
# CONTINGENCIES AND ESCALATION					
Construction Contingencies - (5%)		5	%	38,485,375	1,924,269
Design Contingencies - (5%)		5	%	38,485,375	1,924,269
Escalation to start of construction (4% in 2023, 2.8% in 2024 and 3.5% in 2025)		5.64	%	38,485,375	2,172,496
Total (Excl Professional Fees & GST)	7,205		GBA	6,177	44,506,408
# PROFESSIONAL FEES, DEVELOPMENT FEES AND DEVELOPMENT COSTS			Item		Excl
TOTAL (Excl GST)	7,205		GBA	6,177	44,506,408
NOTES:-	Basement - \$/m2 incl Prelims & Margin				\$ 2,851 / m2
1. Refer to attached List of Exclusions & List of Information	Basement - \$/m2 incl Prelims & Margin + Demo & Ext Works Apportioned				\$ 3,468 / m2
2. Based on bench marking, WTP recommend Professional Fees to be 8-9% including 2 to 3% of Consultant Fees which will be novated across to the contractor.	Basement - \$/car incl Prelims & Margin				\$ 87,364 / car
	Basement - \$/car incl Prelims & Margin + Demo & Ext Works Apportioned				\$ 106,268 / car
	Apartment - \$/m2 incl Prelims & Margin				\$ 5,719 / m2
	Apartment - \$/m2 incl Prelims & Margin + Demo & Ext Works Apportioned				\$ 6,336 / m2
	Apartment - \$/unit incl Prelims & Margin				\$ 627,891 / unit
	Apartment - \$/unit incl Prelims & Margin + Demo & Ext Works Apportioned				\$ 695,631 / unit
	Townhouse - \$/m2 incl Prelims & Margin				\$ 4,828 / m2
	Townhouse - \$/m2 incl Prelims & Margin + Demo & Ext Works Apportioned				\$ 5,445 / m2
	Townhouse - \$/unit incl Prelims & Margin				\$ 936,591 / unit
	Townhouse - \$/unit incl Prelims & Margin + Demo & Ext Works Apportioned				\$ 1,056,290 / unit

159-167 Darley Street Mona Vale
Preliminary Budget Estimate
29/09/2023
Exclusions
Escalation beyond mid 2025
Land costs, site acquisition costs, holding costs and interest charges;
Legal and Agent's fees;
Finance Costs;
Council contributions, special fees and payments (Section 94);
Development Application and Construction Certificates fees and charges;
Statutory Authority Fees and charges (Telstra, Energy Australia, Water and Agility);
Public artwork / sculptures;
Loose furniture and equipment, FF&E
Asbestos reports, monitoring and removal above allowance made in estimate;
Incoming services amplifications
Removal of contaminated spoil (if applicable), removal of asbestos, lead paint, etc. in excess of allowances made for GSW
Unknown site conditions;
Sales, leasing and Marketing Agent fees and costs;
Works to surrounding roads in excess of allowances made;
allowances made
Client Representative Fees, clerk of works costs;
Client project contingency;
Design and Construction contingencies in excess of 5% allowed in the estimate
Professional fees including Contractors D&C Fees;
Prolongation and time extension costs;
GST (10%);
Carpark management systems
Staging Costs
Information Used
Att 3 - Appendix A - Drawings prepared by GILES TRIBE
Att 3 - Appendix B - Urban Design Study prepared by GILES TRIBE



Submission Type

I am submitting on behalf of my organisation

Title

Mr

First Name

Brendan

Family name

Nelson

☐

Name withheld

Please tick this box if you do not want your name published in the list of submitters on the department's website

Email

brendan.nelson@solveproperty.com.au

Suburb/ Town

Sydney

I have made a reportable political donation

No

☒

I agree to the Privacy statement

submission

See attached submission