Affordable Housing Viability Assessment

Bankstown Strategic Centre

City of Canterbury-Bankstown

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Atlas URBAN ECONOMICS

Document Control

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Executive Summary

BACKGROUND

The City of Canterbury-Bankstown Council (**Council**) prepared the draft Bankstown City Centre Masterplan in 2020. Following public exhibition and feedback, the Masterplan was adopted by Council in September 2021. The planning and development controls outlined in the Masterplan will ultimately be reflected through amendments to the Local Environmental Plan, Development Control Plan and Contributions Plan.

The Bankstown City Centre Masterplan (**the Masterplan**) introduces a draft Bankstown City Centre Affordable Housing Scheme which proposes to require sites which benefit from an uplift in development density (e.g. floorspace and building height) to contribute towards Affordable Housing in an area defined as the draft Scheme Area.

Atlas Urban Economics (Atlas) has been engaged by Council to carry out the Viability Assessment to accompany the draft Bankstown City Centre Affordable Housing Scheme (**the draft Scheme**).

BANKSTOWN MASTERPLAN

The Masterplan seeks to intensify planning capacity in areas most suited for new development - areas proximate transport infrastructure, retail amenity and/or green spaces.

The magnitude of proposed change to density controls varies. Some areas benefit from a significant uplift in planning capacity with densities (FSRs) more than three times greater than currently permitted under the Bankstown Local Environmental Plan 2015 (LEP). Other areas proposed for change are to experience more modest levels of planning uplift. Certain areas are not expected to experience any change to planning controls.

Areas identified for change will generally benefit from an increase in FSR ranging from minimal change to up to circa FSR 4:1. A sustainability incentive (FSR 0.25 or FSR 0.5:1 depending on the site) will apply more broadly then under the current LEP.

Whilst many areas will be the beneficiary of an increase in density controls, it does not mean all sites will be commercially viable to redevelop. A range of factors, including existing property values, land ownership and site consolidation patterns invariably influence and challenge the feasibility of development in established urban centres such as Bankstown City Centre.

Affordable Housing contributions are intended to apply to sites which benefit from a planning uplift of at least FSR 1:1 under the Masterplan. The exceptions to this are sites where the proposed FSR in the Master Plan are 1.5:1 or less and are getting a minimum 0.75:1 uplift.

The Study carries out feasibility capacity modelling to assess the tolerance of sites in the draft Scheme Area to contribute to Affordable Housing based on the controls outlined in the Masterplan.

CONTRIBUTION CAPACITY TESTING

The Study investigates firstly the feasibility of development under the Masterplan and subsequently the capacity of land in the draft Scheme Area to contribute to Affordable Housing (over and above other statutory fees and charges).

Where a site is the beneficiary of planning uplift (e.g. increase in FSR) there is generally a commensurate increase in land value and development profit. It is through this increase in value that a site will have the capacity to contribute to Affordable Housing while remaining viable for development.

Before commencing feasibility capacity testing, the Study 'monetises' the cost of Affordable Housing contributions into a dollar value. This allows the contributions to be 'included' as a dollar value in testing impact on feasibility.

Based on the September 2020 median strata dwelling price in the Canterbury-Bankstown LGA (DCJ 2020), the Study converts the cost of purchasing a median-priced strata titled dwelling in the LGA into various % contribution rates. Affordable Housing contribution rates at 3% and 4% ($198/sqm and $264/sqm GFA respectively) are iteratively included to test impact.

The testing is to assess if, after Affordable Housing contributions, investment hurdle rates are within acceptable range. 'Impact' is observed with reference to development margin and project return.

The contribution capacity testing is undertaken in three steps:

1. **Step 1 - Identification of Testing Scenarios**

   This step identifies sites and develops notional development yields which are then tested in Step 2 and Step 3.

2. **Step 2 - Feasibility of Masterplan Controls**

   Generic feasibility testing is carried out on development yields developed in Step 1 in two scenarios:

   - Base Case assuming existing planning controls (Bankstown LEP) and required statutory fees and charges.
   - Proposed Masterplan controls, required statutory fees and charges, sustainability requirements and parking rates.

3. **Step 3 - Tolerance to Affordable Housing Contributions**

   Step 3 iteratively tests Affordable Housing contributions to examine tolerance to different contribution rates.

The capacity of development to contribute to Affordable Housing varies across the draft Scheme Area.

- All things being equal, sites that benefit from greater planning uplift (increased FSR) have better tolerance. The increase in value helps offset impact from the requirements of the Masterplan (Affordable Housing, sustainability requirements).
- There is broad tolerance to a 3% Affordable Housing contribution in the business zones and 4% in the residential zones, with the latter having capacity to pay a higher rate of 4% given the greater proportion of planning uplift proposed. This presents a case for lower contributions (3%) in the business zones (B1 and B4) and 4% in the R4 zone. The grading of rates would represent best fit to a 'bell curve' of tolerance, which is directly a function of planning uplift.

The analysis has not specifically considered deepening market demand induced by the Metro station when completed in 2024. Improved transport accessibility and urban amenity from the infrastructure investment is expected to further offset impact.

In existing urban areas, the feasibility of development is influenced by myriad factors including, critically, the cost of land. Where existing buildings are functional and valuable, their value may be too high to be economically feasible for development. Sites not feasible to develop in the first instance have no capacity to contribute to Affordable Housing.

The key to mitigating feasibility impacts is notice. Advance notice would allow sites already purchased to be progressed for development and for due diligence investigations to account for any increased contributions prior to site purchase.

RECOMMENDATIONS

The Study makes the following recommendations:

- Affordable Housing contributions of 3% in the B1 and B4 zone and 4% in the R4 zone, applicable to total residential GFA.
- Calculation of the dollar value for monetary contributions with reference to the NSW Department of Communities and Justice *Sales and Rents Report*.
- Quarterly indexation to ensure monetary contributions are aligned to residential market dynamics.
- Regular review of development activity to monitor implications of the adopted Affordable Housing contribution rates.

Depending on take-up, between 200 and 400 affordable housing dwellings could result over the 2021-2036 period.

Phasing-in of Affordable Housing Contributions

The Study recommends that advance notice (at least 12 months) of new Affordable Housing contributions is provided to the market with savings provisions applying to applications lodged during this time. This would allow:

- Sites already purchased and developments already in the pipeline to be progressed and delivered.
- Market participants to factor-in the Affordable Housing rates in due diligence and purchase negotiations.

As with all contributions policy, landowner expectations and market behaviour adjust over time. Implementation that provides clear notice to the market will ensure any adverse impact to future investment can be mitigated as far as possible.

The Masterplan foreshadowed the requirement for Affordable Housing contributions. When the Masterplan controls are implemented into the Bankstown LEP, it is conceivable more than 12 months would have elapsed since its publication.

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1. Introduction

1.1 Background and Overview

The City of Canterbury Bankstown (the City) was proclaimed on the 12 May 2016 and has the largest local government resident population in NSW. Located between 7km and 20km south-west of the Sydney CBD, the City is one of Greater Sydney's most vibrant and ethnically diverse regions.

The Bankstown City Centre is one of the City's two Strategic Centres and is characterised by a mix of commercial, retail and high-density residential land uses. Looking forward, Bankstown City Centre will continue to serve as the City's principal commercial, retail and administrative hub. The City Centre is set to experience significant transformation with delivery of the Sydney Metro City & Southwest, upgrade of Bankstown train station, a new university campus and a potential new hospital.

The City of Canterbury-Bankstown Council (**Council**) has prepared and adopted the Bankstown City Centre Masterplan (the Masterplan). Following public exhibition and feedback, the Masterplan was adopted by Council in September 2021. The planning and development controls outlined in the Masterplan will ultimately be reflected through amendments to the Local Environmental Plan, Development Control Plan and Contributions Plan.

The Masterplan introduces a draft Bankstown City Centre Affordable Housing Scheme (**the draft Scheme**) to the Bankstown City Centre. Under the draft Scheme, sites which benefit from an uplift in development density (e.g. floorspace and building height) could be required to contribute towards Affordable Housing.

The draft Scheme is prepared in accordance with the *Environmental Planning and Assessment Act 1979*, *State Environmental Planning Policy No. 70–Affordable Housing (Revised Schemes)* and the Department of Planning, Industry and Environment's (DPIE) *Guideline for Developing an Affordable Housing Contribution Scheme* (**the Guideline**).

The draft Scheme is underpinned by two supporting documents:

- Local Housing Needs Assessment (referred to as Appendix A in the Guideline) which demonstrates the need for additional Affordable Housing across the City.
- Viability Assessment (referred to as Appendix B in the Guideline) which carries out development feasibility analysis to examine the capacity of development to contribute to Affordable Housing in the Bankstown City Centre.

Atlas Urban Economics (Atlas) has been engaged by Council to carry out the Viability Assessment to accompany the draft Bankstown City Centre Affordable Housing Scheme.

1.2 Scope and Approach

The Bankstown Masterplan envisages development uplift on certain sites in the Bankstown City Centre. It is through this uplift that a requirement for Affordable Housing could be imposed.

The Viability Assessment (the Study) carries out development feasibility analysis to test the capacity of development to contribute to Affordable Housing within the Bankstown Masterplan Affordable Housing Contribution Scheme Area (**draft Scheme Area**). The Study builds upon feasibility analysis which was prepared by Atlas Urban Economics to inform the draft Bankstown and Campsie Masterplans.

The approach of the Study aligns with the prescribed approach detailed in the Guideline. Development feasibility testing is firstly carried out to establish the viability of development under the planning controls proposed in the Masterplan. Iterative testing is then undertaken to assess the tolerance of development to an Affordable Housing contribution, in addition to other new contribution requirements, including s7.11 local contributions as well as higher design and sustainability standards.

The following tasks have been carried out to complete the Study:

- Comparison of existing planning controls in the Bankstown Strategic Centre to those outlined in the Masterplan to understand the nature and extent of change proposed to the planning framework.
- Property market research to understand existing property values, demand for residential and non-residential floorspace, likely price points, take-up rates and development site values.

- Identification of hypothetical development sites (and notional development typology) representative of the envisaged change under the Masterplan.
- Mechanism for 'costing' Affordable Housing contributions based on the median cost of a strata dwelling in the City of Canterbury-Bankstown LGA.
- Generic feasibility modelling to test feasibility of development under the Masterplan and tolerance to inclusion of Affordable Housing contributions in addition to other contribution requirements (e.g. s7.11 local contributions, higher design and sustainability standards).
- Recommendations of Affordable Housing contributions in the draft Scheme and other matters for consideration.
- Estimate of potential Affordable Housing outcomes in the Bankstown Masterplan Affordable Housing Contribution Scheme Area.

The Study highlights that the feasibility analysis is based on current observations of the economic context. The feasibility of development is influenced by market cycles as well as market response to infrastructure investment.

1.3 Assumptions and Limitations

The Study carried out property market and land use research at an aggregate level. Feasibility testing was carried out on generic development typologies with findings considered to be representative for the Study Area.

While the methodology is considered appropriate for the objectives of the Study, we highlight the limitations to an aggregate study such as this:

- Desktop appraisal of 'as is' property values without internal or site inspections.
- Use of site-specific feasibility testing to infer precinct-wide implications.
- Generic feasibility testing does not consider nuances of a site typically considered in detailed feasibility analysis.
- Use of generic cost assumptions based on professional experience and standard cost publications.

Despite the limitations of generic feasibility analysis, the Study is considered to be instructive in understanding the impacts of including Affordable Housing contributions across the Bankstown City Centre.

Broader Planning Policy Change

The Study tests the impact of Affordable Housing contributions. The impact of broader planning policy or contributions policy change is beyond the scope of analysis.

The Study acknowledges that local and regional contributions frameworks are currently under review as part of broader infrastructure contributions reform at the NSW state level. The Study assumes that any change to broader contributions policy (regional and local contributions) will be implemented with advance notice and appropriate staging.

2. Bankstown Strategic Centre

2.1 Study Area

The draft Bankstown Masterplan defines the geographical boundary of the Bankstown Strategic Centre. This area is broadly bounded by Macauley Avenue in the south, Stacey Street to the east, the Hume Highway to the north and Brancourt Avenue and Clarence Street to the west.

Figure 2.1 is an excerpt from the Masterplan and illustrates the boundaries of the Bankstown Masterplan Area.

Figure 2.1: Bankstown City Centre Masterplan Area

Source: CBC (2021)

2.2 Existing Land Uses

As one of Greater Sydney's oldest centres and the City of Canterbury-Bankstown's principal centre, the Bankstown Strategic Centre expectedly comprises a diverse mix of land uses including commercial, retail, hospitality, education, civic and residential. The Bankstown Strategic Centre stretches north and south of the T3 Bankstown rail line with Chapel Road and Bankstown City Plaza serving as the centre's key thoroughfares. With around 160,000sqm of office floorspace and over 270,000sqm of retail floorspace (Empirical CRE, 2021), the Bankstown Strategic Centre is major source of employment and economic activity.

The core of the precinct – loosely defined as the 400m catchment surrounding Bankstown train station – is dominated by commercial and retail uses. These are distributed in a variety of built forms, including aged retail shop fronts and commercial buildings, enclosed shopping centres and medium-rise office buildings. Bankstown Central Shopping Centre is a key anchor in Bankstown's core – spanning almost 11ha and accommodating around 86,000sqm of retail floorspace.

Bankstown's 'core' also features a mix of medium and high-rise residential flat buildings ranging from 4 to 10 storeys. Many of these have been developed in the past 15-20 years, particularly south of the rail line.

Beyond this 400m core area, residential land uses are more commonly observed with a mix of single storey detached houses, low rise 'walk up' unit blocks and medium rise residential flat buildings. New apartment buildings from 5-8 storeys are increasingly being developed in the southern section of the centre, predominantly along Restwell, Leonard and Percy Streets.

Several important institutional and community uses are observed in the northern end of the centre, including the TAFE NSW Bankstown campus, the Bankstown Library and Knowledge Centre and PCYC Bankstown.

Figure 2.2 depicts a selection of common land uses observed throughout the Bankstown Strategic Centre.

Figure 2.2: Sample of Existing Land Uses, Bankstown Strategic Centre

Source: CPG/CoreLogic RP Data

2.3 Existing Planning Framework

Land use and development in the Bankstown Masterplan Area is subject to the Bankstown Local Environmental Plan 2015 (Bankstown LEP). There is a draft consolidated Local Environment Plan for the Canterbury-Bankstown LGA (a consolidation of the Bankstown LEP and Canterbury LEP), however this draft LEP did not result in any changes to zoning, height and/or floor space in the Bankstown Strategic Centre.

Parts of the Bankstown Strategic Centre are subject to unique local provisions which permit additional density (gross floor area) where sustainability design and construction standards are met. Certain sites within the Strategic Centre are specifically identified as required to display design excellence and/or provide sun access upon development.

2.3.1 Land Use Zones

The Bankstown Strategic Centre comprises a mix of land use zones with the primary zones including:

- **B4 Mixed Use** applies to the much of the 'core' area to the north and south of the rail line. A core objective of the B4 Mixed Use zone is to maintain the role of the Bankstown CBD as a major metropolitan centre. Key permitted uses include commercial premises, short-term accommodation, residential flat buildings and shop top housing.
- The **R4 High Density Residential** zone adjoins the B4 Mixed Use zone and applies to much of the Bankstown Strategic Centre. All forms of residential uses are permitted, notably residential flat buildings, boarding houses and seniors living.
- There is only a small number **R3 Medium Density Residential** pockets observed throughout the Bankstown Strategic Centre, notably along Percy Street (south of rail line) and Chapel Road (north of rail line). Most residential uses are permitted with the exception of residential flat buildings.
- **R2 Low Density Residential** applies to two small pockets of land at the northern and southernmost ends of the Bankstown Strategic Centre. Higher intensity residential typologies (e.g. townhouses, apartments) are not permitted.

Figure 2.3 depicts the existing land use zones which apply to the Bankstown Strategic Centre under the Bankstown LEP.

Figure 2.3: Bankstown Strategic Centre, Existing Land Use Zones

Source: Atlas/Nearmap

2.3.2 Density Controls

The primary controls which determine permitted density across the Bankstown Strategic Centre are floor space ratios (FSR) and maximum building height controls.

In the B4 Mixed Use zone, FSRs generally range from 2:1 to 3:1 with heights mostly ranging from 17m to 35m. Land immediately north of the train station and bounded by Rickard Road, Chapel Road and Jacobs Street/The Applan Way benefits from greater densities, with FSRs from 4.5:1 to 8:1 and building heights from 41m to 83m.

In the R4 High Density Residential zone, FSRs are generally 1:1 with building heights from 11m to 13m. A smaller section of R4 lands along Percy Street, Leonard Street and Restwell Street to the south of the train station benefits from higher densities, including FSRs from 1.75:1 to 2:1 with building heights from 19m to 25m.

Figure 2.4 illustrates the density controls (FSR, building heights) which currently apply to the Bankstown Strategic Centre.

Figure 2.4: Bankstown Strategic Centre, Density Controls (FSR, HOB)

Source: Atlas/Nearmap

Sustainability Incentive

Clause 4.4a of the Bankstown LEP permits additional density for certain sites within the Bankstown Strategic Centre to encourage building design that minimises energy and water consumption. Known as the 'sustainability incentive', sites are able to access an additional FSR 0.5:1 if a list of sustainability design standards have been met. Other requirements include:

- The site is zoned B4 Mixed Use
- The site is subject to an existing FSR 3:1
- The site is situated at least 18m wide at the front building line
- Development is for the purpose of commercial premises or a mixed use development

This effectively increases the density controls for much of the Bankstown Strategic Centre's B4 Mixed Use zone to FSR 3.5:1.

Design Excellence for Certain Sites

Clause 6.12 of the Bankstown LEP states that additional density (FSR and height) is permitted on certain sites within the Bankstown Strategic Centre subject to a defined set of design excellence standards being met. These sites include 83-99 North Terrace and 62 The Mall which are permitted a base density of FSR 4.5:1 and building height of 41m-53m.

Should development meet design excellence requirements, these sites are permitted FSR 5:1 and building heights of 83m.

2.4 Bankstown Strategic Centre Masterplan

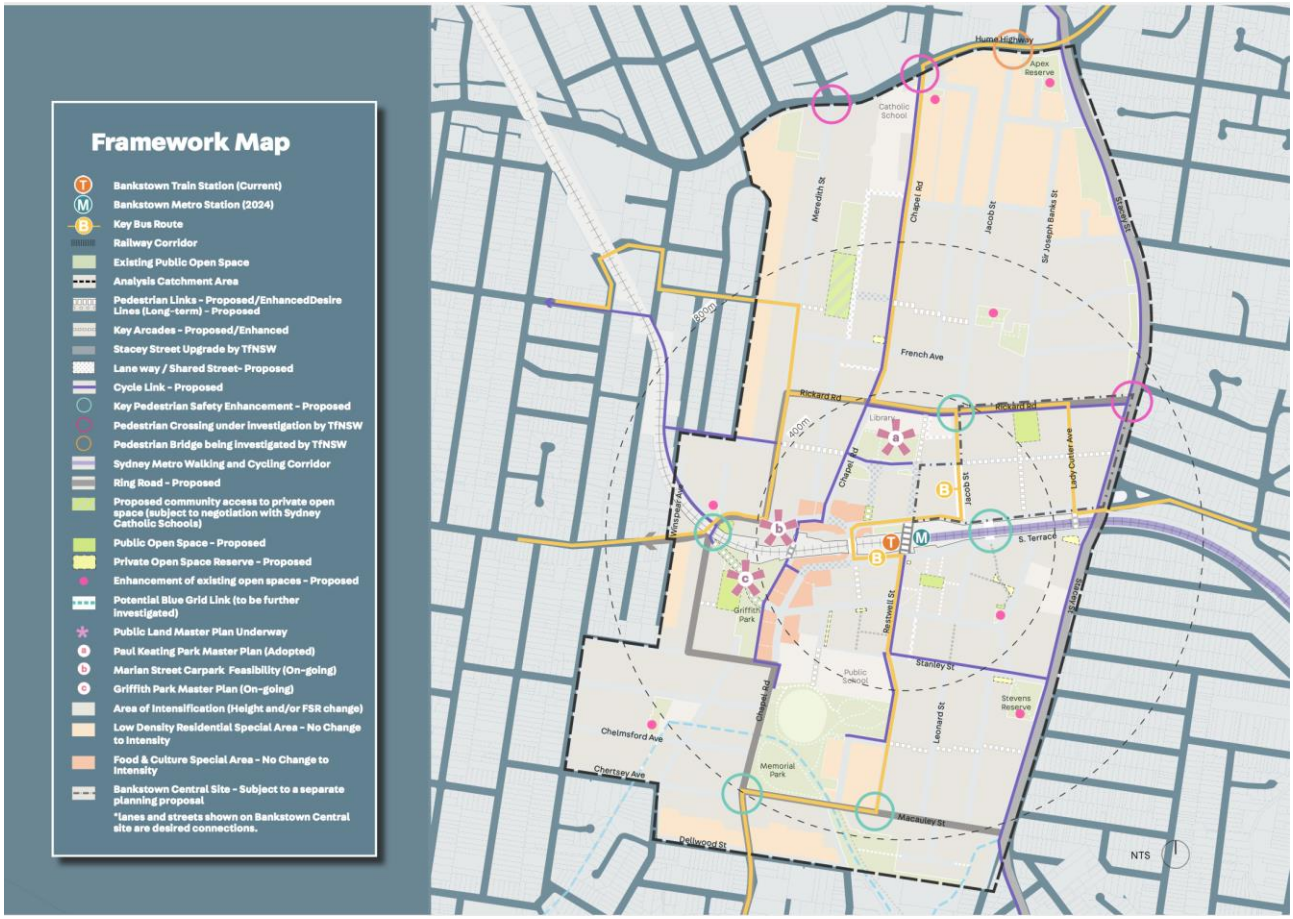
The Bankstown Strategic Centre is poised to benefit from significant infrastructure investment over the coming decade. Projects such as Sydney Metro City & Southwest, a $1.3 billion investment in a new Bankstown-Lidcombe Public Hospital, the proposed Western Sydney University Campus and upgrade of Bankstown North Public School will cumulatively contribute to revitalisation outcomes.

Recognising the significant level of investment that is imminent, the Masterplan seeks to leverage these projects to enforce Bankstown's role as the primary strategic centre. The Masterplan establishes a series of key features or 'themes' to guide land use and development outcomes in the centre. Some of these key items include:

- Define a series of unique Character Areas based existing and future land uses.
- Improve connectivity throughout the centre and retain, enhance and create new through-block connections to encourage passive transport such as walking and cycling.
- Connect with regional movement and open space networks (e.g. Sydenham to Bankstown Active Transport Link).
- Achieve design and sustainability excellence for new development and coordinate development with infrastructure.
- Formalise Paul Keating Park as the premier park within the Canterbury-Bankstown LGA.
- Deliver a series of new parks throughout the centre to ensure residents and workers have uniform access to green space.
- Concentrate development in strategic locations, including proximate Bankstown train station, Bankstown TAFE and existing amenity. Development should reflect the height limitations of Bankstown Airport and avoid overshadowing existing and proposed green spaces. Excessive building heights along Saigon Place should be prohibited.

Figure 2.5 depicts the proposed structure plan for the Bankstown Strategic Centre.

Figure 2.5: Bankstown Strategic Centre, Framework Map



Source: City of Canterbury-Bankstown (2021)

2.4.1 Proposed Density Controls

Changes to planning controls proposed in the Masterplan are mostly focused around increasing density controls (both FSRs and building heights). Part of the existing B4 Mixed Use zone around Bankstown train station, City Plaza and Saigon Place is proposed to be rezoned as B3 Commercial Core. This is to capitalise on significant public infrastructure investment (i.e. new Metro station) and the new university campus and preserve capacity for future employment.

Certain areas throughout the Strategic Centre are not envisaged for any planning change, notably in R2 Low Density Residential zones in the northern and southern edges of the centre. No changes are proposed along Saigon Place and City Plaza - the existing fine grain character of this area is instead to be retained and protected.

Table 2.1 summarises the existing and proposed planning controls across the Bankstown Strategic Centre.

Table 2.1: Bankstown Strategic Centre, Proposed and Existing Planning Controls

Location	Existing Planning Controls[1]			Proposed Planning Controls (inclusive bonuses)		
	LUZ	FSR (Base)	HOB (Base)	LUZ	FSR	Storeys
North of Train Line	B4	2.0:1 to 3.0:1	17m to 35m	B4	2.5:1 to 5.8:1[2]	14-18
	B4	2.0:1 to 8.0:1	17m to 83m	B3	4.5:1 to 8.5:1[3]	14-22
	R4	1.0:1, 3.0:1	13m to 19m, 30m	R4	1.5:1 to 3.5:1	4-15
	R3	0.75:1	10m	R3	1.5:1 to 2.0:1	10m
	R2	0.5:1	9m	R2	0.5:1	9m
South of Train Line	B4	2.0:1 to 3.0:1	17m to 38m	B4	2.5:1 to 5.5:1[3]	8-25
	B4	2.0:1 to 3.0:1	17m to 23m	B3	3.5:1 to 7.5:1[3]	6-16
	R4	0.5:1 to 2:1	10m to 26m	R4	1.2:1 to 2.65:1	4-13
	R3	0.5:1	10m	R3	0.5:1	10m
	R2	0.5:1	9m	R2	0.5:1	9m

1 - Does not include the sustainability incentive offered on certain sites in the B4 Mixed Use zone
2 - No change in the area immediately north of the train station
3 - No change in along parts of Chapel Road
Source: City of Canterbury-Bankstown (2021)

Incentive Height and Floorspace

A key tenet of the Masterplan is to align future growth with infrastructure delivery. Accordingly, the Masterplan proposes an incentive height and floor space system, whereby for sites that receive a floor space ratio increase of FSR 1:1 or more above the current maximum FSR controls, the delivery of one of the following will be required:

- On-site infrastructure, such as through-site links, open space and/ or community facilities;
- Substantial employment floorspace (a minimum of 50% of total proposed floorspace); ***or***
- Contribution to Affordable Housing.

Development proposing more than 50% of total floorspace for employment uses will not be required to deliver Affordable Housing.

Development which seeks to access the incentive floorspace controls (in excess of FSR 1:1) will be required to deliver on-site infrastructure or Affordable Housing. The only exception is an area south of Macauley Avenue which currently has an FSR of 0.5:1 but will see significant increase (≥FSR 0.75:1). Development under the 'base controls' (i.e. the Bankstown LEP 2015) can still occur without making these additional contributions.

Site Frontage and Areas

Only sites which comprise a frontage of at least 30m and site area of 1,500sqm will be able to access heights greater than 50m (circa 15-storeys). Accordingly, not all sites may be able to achieve the incentive height and floorspace controls proposed.

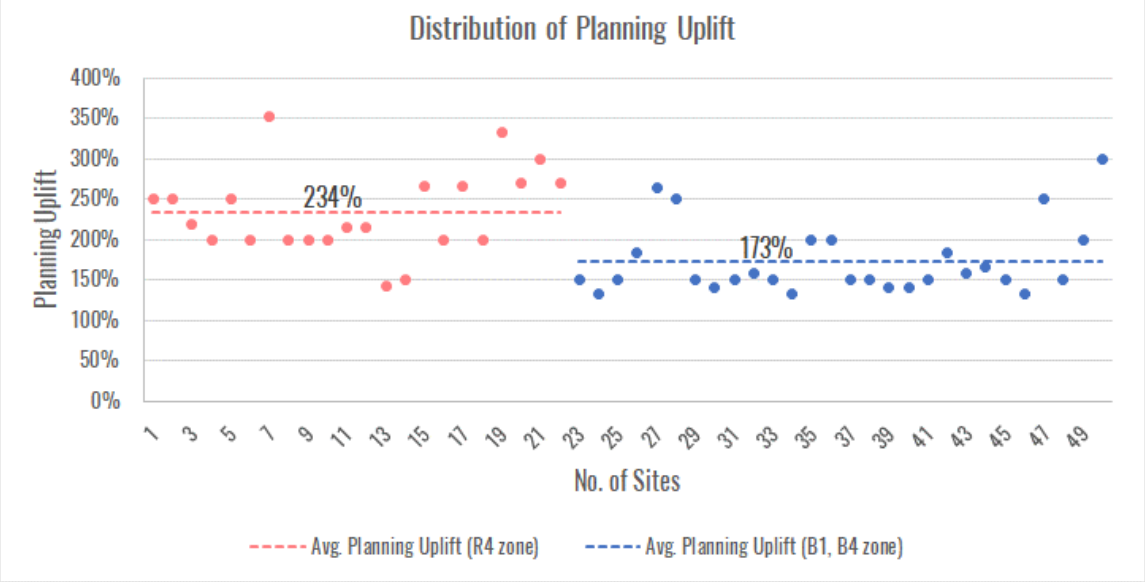
The minimum site frontage and area requirement replaces an existing site frontage to floor area provision which already applies under the Bankstown LEP.

Distribution of Planning Uplift by Zone

As a proportion of existing FSR, a higher proportion of planning uplift is proposed in residential zones (R4) compared to business zones (B1 and B4).

As **Figure 2-6** illustrates, the average proportion of planning uplift proposed in the R4 zone (234%) is higher than in the business zones (173%). This has direct implications for the capacity of development to contribute to Affordable Housing or on-site infrastructure.

Figure 2-6: Bankstown Masterplan, Distribution of Planning Uplift by Zone



Source: CCB, Atlas

2.4.2 Minimum Non-Residential Floorspace Control in B4 Zone

Under Clause 6.9 of Bankstown LEP 2015, development in the B4 Mixed Use zone requires that the ground and first floor of mixed-use development to be provided for non-residential uses. The Masterplan intends on strengthening this clause by stipulating that mixed-use development in the B4 Mixed Use zone must provide a minimum of FSR 1.4:1 of employment floorspace or the ground and first floor (whichever is the lesser).

Certain sites within the Bankstown Strategic Centre have been identified to provide a minimum of 50% of total floorspace for employment uses. These sites are *not required* to deliver Affordable Housing in order to access incentive density controls.

The Masterplan intends on introducing a 'no net loss of employment floorspace' clause into the LEP. This would require any existing buildings which already comprise more than the minimum required quantum of employment floorspace to retain an equivalent amount of employment floorspace upon redevelopment.

2.4.3 Car Parking Rates

The Masterplan seeks to encourage more sustainable transport movements across the Strategic Centre. To assist in achieving this objective, the Masterplan sets maximum car parking rates in the inner core area (400m walking distance from Bankstown train station) with reduced minimum and maximum parking rates in areas outside this core area.

Table 2.2 summarises the proposed minimum and maximum parking rates proposed in the Masterplan.

Table 2.2: Recommended Minimum and Maximum Parking Rates, Bankstown Masterplan

Land Use	Size/ Description	Bankstown Core City Centre		Beyond Bankstown Core City Centre	
		Minimum	Maximum	Minimum	Maximum
Detached dwelling	N/A	1 space per dwelling	N/A	1 space per dwelling	N/A
	Studio	0	0.5 space per dwelling	0	0.75 space per dwelling
	1 bedroom			0.2 space per dwelling	

Land Use	Size/ Description	Bankstown Core City Centre		Beyond Bankstown Core City Centre	
		Minimum	Maximum	Minimum	Maximum
Residential Flat Buildings/ Shop Top Housing	2 bedroom		1 space per dwelling	0.5 space per dwelling	1.5 space per dwelling
	3 bedroom		1.5 space per dwelling	1 space per dwelling	2 space per dwelling
	Visitor		1 space per 10 dwellings	0	1 space per 5 dwellings
Office premises	Office premises		1.25 space per 100sqm	1 space per 100sqm	2 space per 100sqm
Retail premises	Shops				
Education	Education				
All other land uses	N/A		Not defined	0	Not defined

Source: CBC (2021)

2.4.4 Unit Mix Rates

The Masterplan seeks to ensure future housing across the Strategic Centre is diverse and capable of accommodating a broad range of household types and sizes.

Accordingly, the Masterplan seeks to implement prescribed unit mix ranges for residential flat building and shop top housing developments which comprise more than 20 dwellings. The recommended unit mix rates are as follows:

- Studios: 5% to 10%.
- One bedroom: 10% to 30%.
- Two bedroom: 40% to 75%.
- Three bedroom and greater: 10% to 45%.

2.4.5 Redesign Sustainability Bonus Scheme

Clause 4.4A of the Bankstown LEP encourages development in the B4 Mixed Use zone to implement best practice sustainability initiatives in exchange for a density bonus of FSR 0.25:1 or FSR 0.5:1 depending on the site.

The Masterplan intends on retaining this clause and provides the option of additional height and/or FSR bonuses for developments which meet a newly designed set of sustainability incentive criteria.

2.5 Implications of Proposed Changes

The Masterplan seeks to intensify planning capacity in areas most suited for new development - areas proximate transport infrastructure, retail amenity and/or green spaces.

The magnitude of change in planning controls varies across the Strategic Centre. Some areas benefit from a significant uplift in planning capacity with densities (FSRs) more than three times greater than currently permitted under the Bankstown LEP. Other areas proposed for change are to experience more modest levels of planning uplift. Certain areas are not expected to experience any change to planning controls.

Areas identified for change will generally benefit from an increase in FSR ranging from minimal change to up to circa FSR 4:1. A sustainability incentive (FSR 0.25 or FSR 0.5:1 depending on the site) will apply more broadly then under the current LEP.

Whilst many areas throughout the Strategic Centre will benefit from an increase in density controls, this does not necessarily mean all sites will be commercially viable to redevelop. A range of factors, including existing property values, land ownership and site consolidation patterns invariably influence the feasibility of development.

Affordable Housing contributions are intended to apply to sites which benefit from a planning uplift of at least FSR 1:1 under the Masterplan. The exceptions to this are an area south of Macauley Avenue with FSR of 1.75:1 but will see a notable increase to between 2.5:1 and 2.65:1. These sites are identified in the **draft Scheme Area**. Sites which provide for more than 50% of total floorspace for employment uses or on-site infrastructure are *not subject to* Affordable Housing contributions.

The next chapter carries out development feasibility modelling to assess the capacity of these sites to contribute to Affordable Housing based on the controls proposed in the Masterplan.

3. Feasibility Capacity Testing

3.1 Rationale of Capacity to Contribute

This chapter investigates firstly the feasibility of development under the Masterplan and subsequently the capacity of land in the draft Scheme Area to contribute to Affordable Housing (over and above other statutory fees and charges).

Where a site is the beneficiary of planning uplift (e.g. increase in FSR) there is generally a commensurate increase in land value and development profit. It is through this increase in value that a site will have the capacity to contribute to Affordable Housing while remaining viable for development. For any (additional) contributions to be viable, development without the contribution needs to be viable in the first instance.

Before testing the capacity of development to contribute to Affordable Housing, it is first necessary to establish a dollar value for Affordable Housing contributions.

3.2 Monetising Affordable Housing

Before commencing development feasibility testing, it is necessary to 'monetise' the cost of Affordable Housing contributions into a dollar value. This then allows the contributions to be 'included' as a dollar value in testing impact on feasibility.

The following two-step process describes the 'monetisation' of Affordable Housing contributions.

1. Estimate the baseline cost of purchasing a strata-titled dwelling in the Canterbury-Bankstown LGA.
2. Convert the estimated baseline cost into various contribution (%) rates. This establishes a dollar value of contributions.

3.2.1 Baseline Cost of Affordable Housing

A base cost for delivering Affordable Housing can be inferred from the market value of a completed strata dwelling in any given particular area. This base cost effectively represents the cost which would be incurred by Council to purchase a strata-titled dwelling in the private market for the purposes of use as Affordable Housing.

The median sale price for strata dwellings in Canterbury-Bankstown is a useful proxy for this base cost. In September 2020 (during preparation of the Masterplan), the median strata dwelling price in the Canterbury-Bankstown LGA was $560,000 (as per the NSW Department of Communities and Justice *Sales and Rents Report*).

For the purposes of this Study, an average unit size of 85sqm is assumed and a generic cost of procuring an Affordable Housing dwelling (strata) is calculated as follows:

= Median Strata Price ÷ Average Strata Dwelling Size (GFA)

= $560,000 ÷ 85sqm GFA

= $6,588/sqm of GFA

Based on the above steps the cost of Affordable Housing in the Canterbury-Bankstown LGA is calculated as $6,588/sqm GFA based on the median strata dwelling price recorded in September 2020 and assumed average strata dwelling size.

3.2.2 Converting Baseline Cost into Contribution Rates

Once a generic cost of Affordable Housing (on a $/sqm GFA basis) is established, the percentage cost of Affordable Housing contributions can be calculated. This is done by applying percentage rates to the generic cost, as shown in **Table 3.1**.

Table 3.1: Affordable Housing Contribution Rates

Contribution Rate (%)	$/sqm Gross Floor Area
Median Strata Dwelling at $560,000	**$6,588**
1%	$66
2%	$132
3%	$198

Contribution Rate (%)	$/sqm Gross Floor Area
4%	$264
5%	$329

Source: Atlas/DCJ (2020)

These monetised/ dollar value rates can be factored into the feasibility capacity testing to assess tolerance of development under the Masterplan controls to Affordable Housing contribution (%) rates.

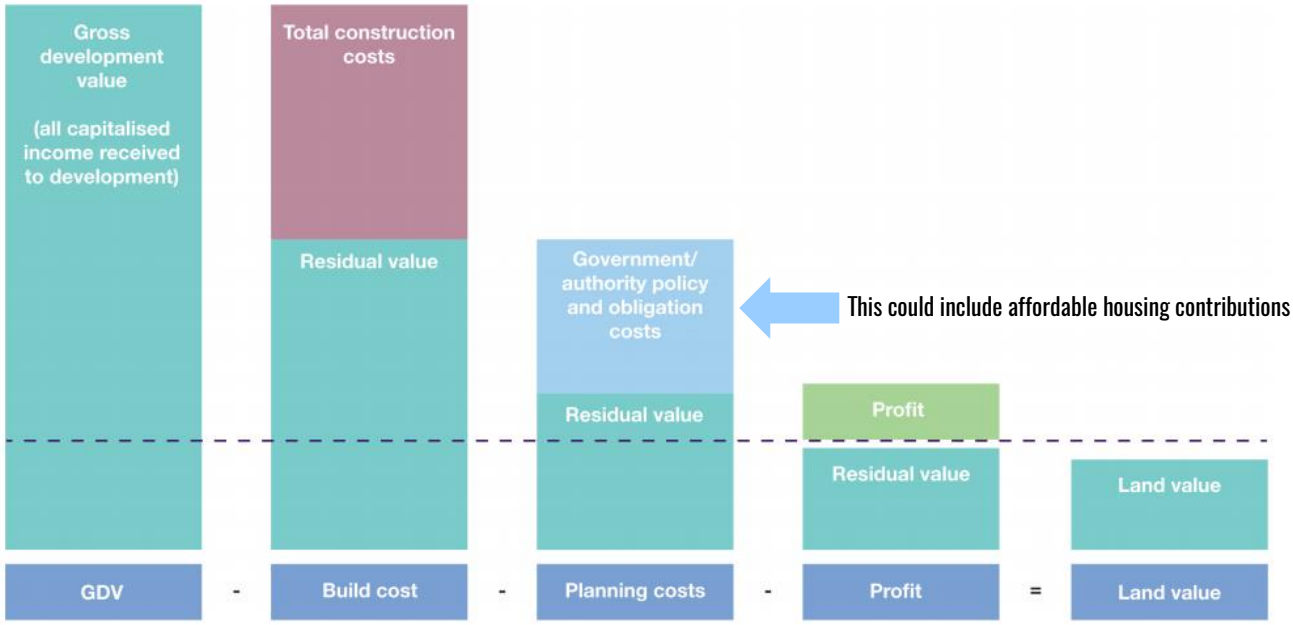
3.3 Approach and Methodology

Generic feasibility modelling is undertaken to test the viability of development under the Masterplan planning controls. Testing is then undertaken to test the implications of including Affordable Housing contributions on development feasibility.

The Residual Land Value (RLV) approach is adopted as the method of assessment. The RLV approach involves assessing the value of the completed product, making a deduction for development costs and a further deduction for profit and risk while ensuring the development achieves target profit margin and target return. The amount that a development can afford to pay for land is a 'residual', i.e. the amount that remains after development costs are deducted and target hurdle rates are achieved.

Figure 3.1 illustrates the concept of the Residual Land Value (Hypothetical Development) approach.

Figure 3.1: The Residual Land Value Method



Source: RICS (2019)

The RLV is the maximum price a developer could pay for a property for the opportunity to develop the site while achieving target hurdle rates for profit and project return. For there to be an incentive to develop in the first instance, the RLV must exceed the value of the existing use so as to 'displace' that use.

For Affordable Housing contributions to be within tolerance, after their payment, the development must be able to achieve commercial returns (as measured by development margin and project return).

There are several steps in the generic feasibility modelling:

1. **Step 1 - Identification of Testing Scenarios**

   This step identifies sites and develops notional development yields which are then tested in Step 2 and Step 3.

2. **Step 2 - Feasibility of Masterplan Controls**

   Generic feasibility testing is carried out on development yields developed in Step 1 in two scenarios:

   - Base Case assuming existing planning controls (Bankstown LEP) and required statutory fees and charges.
   - Proposed Masterplan controls, required statutory fees and charges, sustainability requirements and parking rates.

3. Step 3 - Tolerance to Affordable Housing Contributions

Step 3 iteratively tests Affordable Housing contributions to examine tolerance to different contribution rates.

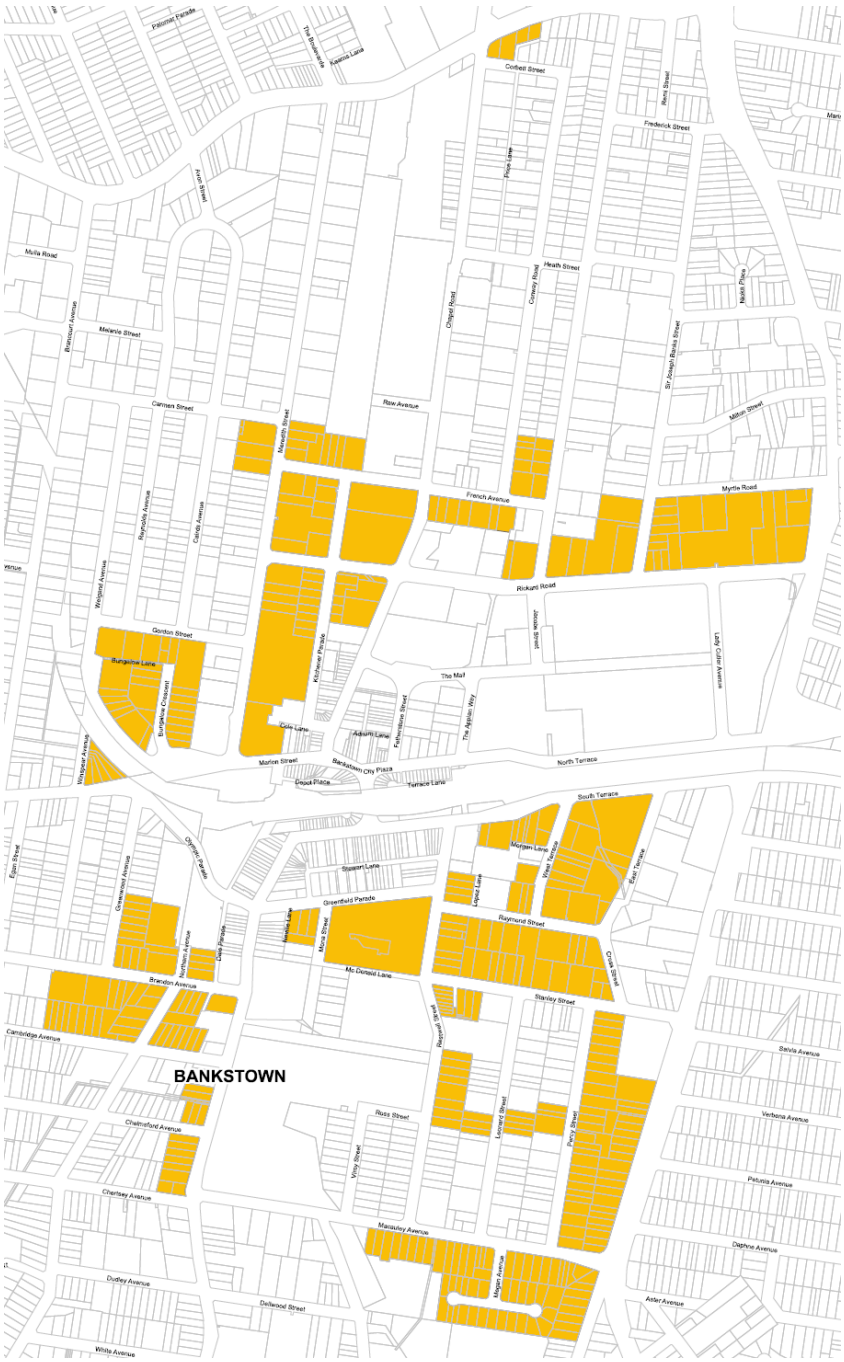
All things being equal, sites in receipt of greater planning uplift will have greater capacity to contribute to Affordable Housing (or other infrastructure or public benefit). The tolerance of developments' capacity to pay is analysed in the context of the respective quantum of planning uplift assumed on the sites tested.

The testing is to assess if, after Affordable Housing contributions, investment hurdle rates are within acceptable range.

3.3.1 Step 1: Contribution Testing Scenarios

Affordable Housing contributions are intended to apply to sites in the draft Scheme Area which benefit from a planning uplift of at least FSR 1:1 (with the exception of an area south of Macauley Avenue) under the Masterplan. Sites which provide for more than 50% of total floorspace for employment uses or on-site infrastructure are *not subject to* Affordable Housing contributions. The draft Scheme Area is shown in **Figure 3.2**.

Figure 3.2: Draft Affordable Housing Contribution Scheme Area



Source: CBC

Generic feasibility testing is based on notional development yields formulated for the purposes of contribution capacity testing. The development yields tested are notional only; they have not been urban design or engineering tested.

In collaboration with Council, a series of hypothetical development scenarios is developed in Step 1. They are intended to represent a range of locations in the draft Scheme Area and are summarised in **Table 3.2**.

Table 3.2: Areas and Notional Developments Tested

Location	Sites Tested	LUZ	Existing FSR	Proposed FSR (with Incentive)	% FSR Increase
North of Train Line	Meredith St	B4	3.0:1	4.0:1	133%
	Chapel Rd	R4	3.0:1	3.75:1	125%
South of Train Line	Mona St	B4	2.0:1	4.5:1	225%
	Leonard St	R4	1.75:1	2.65:1	151%

Commercial development sites are not tested as Affordable Housing will not be required on non-residential GFA.

3.3.2 Step 2: Feasibility of Masterplan Controls

Based on the hypothetical development scenarios nominated, in Step 2 generic feasibility modelling is undertaken to assess the feasibility of planning controls proposed under the Masterplan. All statutory fees and charges, including s7.11 contributions, sustainability requirements and minimum non-residential floorspace requirements in the B4 zone are included.

Table 3.3: Capacity Testing Scenarios and Contributions Assumptions

Site	Development Type (Zone)	Base Testing Assumptions	Masterplan Testing Assumptions
Meredith St	Mixed use (B4 Mixed Use)	• Existing FSR 3.0:1 • All applicable fees and charges • Minimum non-residential GFA (2 floors)	• Proposed FSR 4.0:1 • All applicable fees and charges • Minimum non-residential GFA (2 floors) • Sustainability requirements
Chapel Rd	Residential flat building (R4 High Density Residential)	• Existing FSR 3.0:1 • All applicable fees and charges	• Proposed FSR 3.75:1 • All applicable fees and charges • Sustainability requirements
Mona St	Mixed use (B4 Mixed Use)	• Existing FSR 2.0:1 • All applicable fees and charges • Minimum non-residential GFA (2 floors)	• Proposed FSR 4.5:1 • Sustainability requirements • Minimum non-residential GFA (2 floors) • Sustainability requirements
Leonard St	Residential flat building (R4 High Density Residential)	• Existing FSR 1.75:1 • All applicable fees and charges	• Proposed FSR 2.65:1 • All applicable fees and charges • Sustainability requirements

Source: Atlas

The cost of land is a critical variable to the feasibility of development. If the price paid for land exceeds its value as a development site as permitted, its viability as a feasible development will be challenging. The consolidation of a development site can be a high-risk, high-resource activity for developers, particularly when site and ownership patterns and fragmented and/ or existing buildings are functional and valuable.

The contribution impact testing assumes that the price paid for land reflects the development potential currently permitted and as proposed by the Masterplan. Sites that are speculatively purchased at a price that presumes successful rezoning to higher FSR controls than permitted are a matter of risk for the developer.

The testing in Step 2 establishes the baseline from which to compare the impact of Affordable Housing contributions (which is tested in the next step).

3.3.3 Step 3: Tolerance to Affordable Housing Contributions

Step 2 considered the feasibility of development (under current and proposed Masterplan controls) in the draft Scheme Area assuming all statutory fees and charges. Step 3 tests the capacity of land to make Affordable Housing contributions in addition to fees and charges assumed in Step 2.

Given the distribution of planning uplift varies by zone, i.e. greater planning uplift envisaged in the R4 zone compared to the B1 and B4 zones (earlier illustrated in **Figure 2-6**), there will invariably be different capacity of development to pay.

Accordingly, different Affordable Housing contribution rates at 3% and 4% ($198/sqm and $264/sqm GFA respectively per **Table 3.1**) are iteratively included to test impact on different development typologies and to observe impact by zone. 'Impact' is observed with reference to development margin and project return.

Benchmark hurdle rates and their 'feasible' ranges are indicated in **Table 3.4**.

Table 3.4: Benchmark Hurdle Rates*

Performance Indicator	Feasible	Marginal to Feasible	Not Feasible
Development Margin	>20%	18%-20%	<18%
Project Return (Project IRR)	>18%	17%-18%	<17%

*We note historic low interest rates (expected to endure at least for the medium term) have re-set market expectations and lowered benchmark project returns.
Source: Atlas

Where the project IRR falls below 18% but remains above 17%, the project is considered to still be overall feasible, however with a reduced return and profit. Where the project IRR approaches 17% the development is considered marginal, and where project IRR falls below 17% the development is considered not feasible.

Similarly, where development margin falls below 20% but above 18%, the project is considered marginal-to-feasible, however with a reduced profit. Where the development margin falls below 18% the development is considered not feasible.

The Study highlights that where development is not feasible in the first instance (e.g. due to valuable existing uses), there will be no tolerance to any contribution (including Affordable Housing). This is not uncommon in established urban areas (like Bankstown) - where properties can be more valuable in their existing use than for their development potential.

3.4 Feasibility Testing Outcomes

Tolerance of development to Affordable Housing contributions varies, a direct function of the proportion of planning uplift.

A series of graphs shows the impact of Affordable Housing contributions on profit margin which is undertaken in three stages (as described in section 3.3.2 and 0) which assume the following:

- Base controls and existing statutory fees and charges.
- Masterplan controls, statutory fees and charges and sustainability requirements.
- Masterplan controls, statutory fees and charges, sustainability requirements and Affordable Housing (at 3% and 4%).

The testing outcomes are presented by land use next - mixed use development and as residential development.

Mixed Use Development

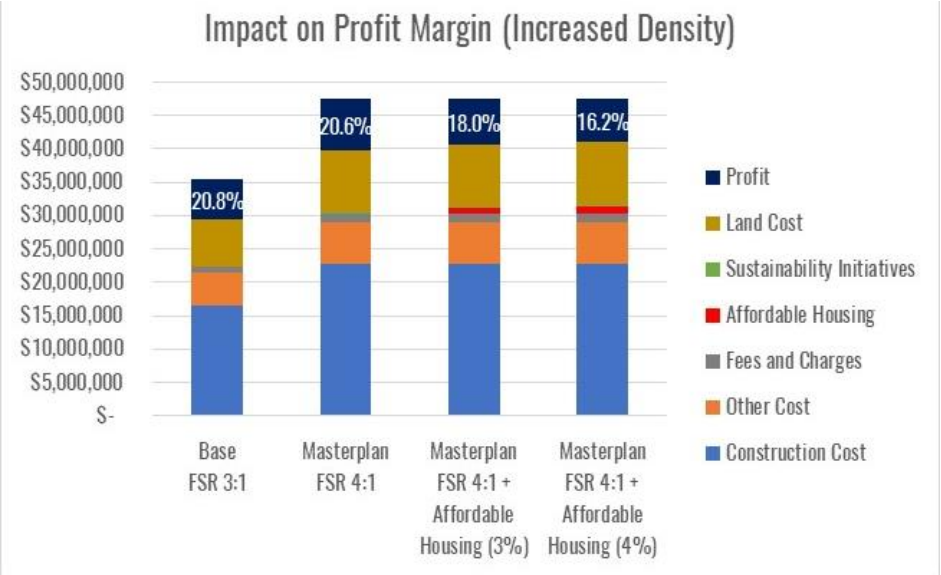
The impact of Affordable Housing contributions is illustrated on mixed use development in the draft Scheme Area:

- Notional site which receives modest planning uplift (133%), increased from FSR 3:1 to FSR 4:1.
- Notional site which receives significant planning uplift (225%), increased from FSR 2:1 to FSR 4.5:1.

The notional sites are on either side of the average planning uplift (173%) and are considered useful in understanding the relative tolerances to Affordable Housing.

Figure 3-3 shows the impact of 3% and 4% Affordable Housing contributions on profit margin of a mixed use development where an increase of FSR 1:1 represents 133% planning uplift on existing controls.

Figure 3-3: Mixed Use Development (133% Planning Uplift), Impact of Affordable Housing Contributions



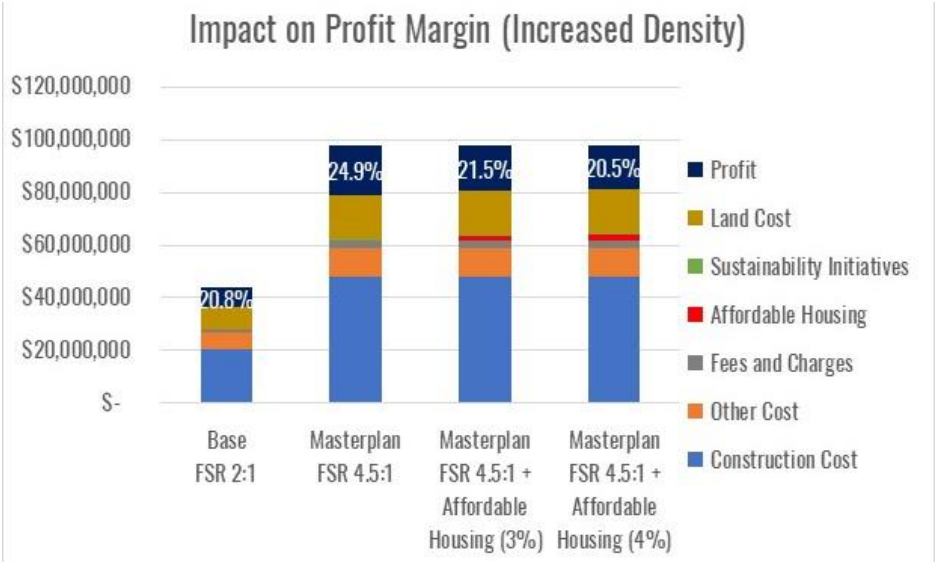
Source: Atlas

The following observations can be made:

- The proposed Masterplan controls result in a larger development and is feasible.
- Inclusion of Affordable Housing contributions at 3% results in profit margin falling to 18.0% (Marginal-to-Feasible) and at 4% profit margin falling to 16.2% (Not Feasible).

Figure 3-4 shows the impact of 3% and 4% Affordable Housing contributions on profit margin where an increase of FSR 2.5:1 represents 225% planning uplift on existing controls.

Figure 3-4: Mixed Use Development (225% Planning Uplift), Impact of Affordable Housing Contributions



Source: Atlas

The following observations can be made:

- The proposed Masterplan controls result in a significantly larger development and is feasible.
- Inclusion of Affordable Housing contributions at 3% results in profit margin of 21.5% (Feasible) and at 4% profit margin of 20.5% (Feasible).

While this notional site demonstrates tolerance to 4% Affordable Housing contributions, its planning uplift (225%) is well above the average planning uplift of 173%. The notional site with 133% planning uplift is tested to only have tolerance to 3% Affordable Housing contributions.

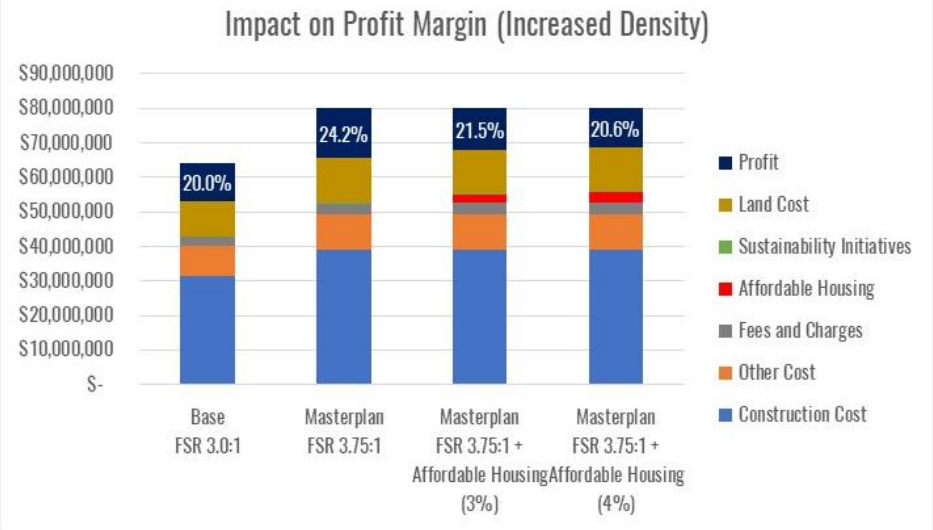
Residential Development

The impact of Affordable Housing contributions is illustrated on residential development in the draft Scheme Area:

- Notional site which receives modest planning uplift (125%), increased from FSR 3:1 to FSR 3.75:1.
- Notional site which receives significant planning uplift (151%), increased from FSR 1.75:1 to FSR 2.65:1.

Figure 3-5 shows the impact of 3% and 4% Affordable Housing contributions on profit margin of a residential development where an increase of FSR 0.75:1 represents 125% planning uplift on existing controls.

Figure 3-5: Residential Development (125% Planning Uplift), Impact of Affordable Housing Contributions



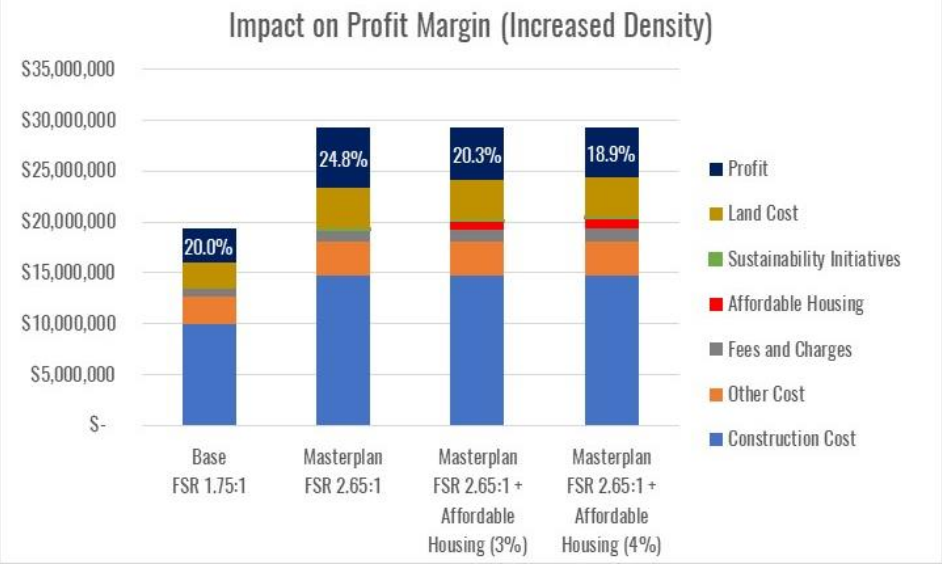
Source: Atlas

The following observations can be made:

- The proposed Masterplan controls result in a larger development and is feasible.
- Affordable Housing contributions at 3% and 4% results in profit margin of 21.5% and 20.6% respectively (Feasible).

Figure 3-6 shows the impact of 3% and 4% Affordable Housing contributions on profit margin of a residential development where an increase of FSR 0.9:1 represents 151% planning uplift on existing controls.

Figure 3-6: Residential Development (151% Planning Uplift), Impact of Affordable Housing Contributions



Source: Atlas

The following observations can be made:

- The proposed Masterplan controls result in a larger development and is feasible.
- Contributions at 3% and 4% results in profit margin of 20.3% (Feasible) and 18.9% (Marginal) respectively.

Observations of Impact

In existing urban areas, the feasibility of development is influenced by myriad factors including, critically, the cost of land. Where existing buildings are functional and valuable, their value may be too high to be economically feasible for development. Sites not feasible to develop in the first instance have no capacity to contribute to Affordable Housing.

The capacity of development to contribute to Affordable Housing varies across the draft Scheme Area. The testing assumes all fees and charges (including local contributions and sustainability requirements) and makes the following observations:

- An increase in FSR of 1:1 is equivalent to varying proportions of planning uplift. An increase in FSR of 1:1 on existing FSR 4:1 represents 125% but represents 150% on existing FSR 2:1.
- All things being equal, sites that benefit from greater proportional planning uplift have better tolerance. The increase in value helps offset impact from the requirements of the Masterplan (Affordable Housing, sustainability requirements).
- While there is broad tolerance to a 3% Affordable Housing contribution, however this varies. Sites with greater planning uplift have tolerance to a higher rate, however the selection of rate should necessarily balance tolerance in a 'bell curve'.
- Sites in the business zones (B1, B4) are contemplated for lower planning uplift compared to sites in the R4 zone. This presents a case for a lower contributions rate (3%) in the B4 Mixed Use zone and 4% in the R4 zone.
- Notwithstanding sites in the R4 zone contemplated for greater planning uplift, end sale values of residential units are likely to be lower than in business zones (B1 and B4) where place and urban amenity will be superior.
- On balance, the analysis supports a 3% rate in the B1 and B4 zones and 4% in the R4 zone, representing 'the best fit' in the 'bell curve' of planning uplift. The distribution of planning uplift by zone was illustrated in **Figure 2-6**.

The analysis has not specifically considered deepening market demand induced by the Metro station when completed in 2024. Improved transport accessibility and urban amenity from the infrastructure investment is expected to further offset impact.

The key to mitigating feasibility impacts is notice. Advance notice would allow sites already purchased to be progressed for development and for due diligence investigations to account for any increased contributions prior to site purchase. Supportive market conditions are also critical to the offset and mitigation of impact.

3.5 Potential Affordable Housing Outcomes

3.5.1 Theoretical Affordable Housing Outcomes

Theoretical supply of affordable housing under the Masterplan can be estimated from a review of the quantum of residential floorspace capacity in the draft Scheme Area. This is undertaken in the following steps:

- Estimate the residential floorspace capacity on sites that are beneficiary of planning uplift (as identified in the draft Scheme Area).
- Apply a 3% Affordable Housing contribution rate ($198/sqm GFA) to estimated residential GFA in the B1 and B4 zones and 4% ($264/sqm GFA) in the R4 zone to calculate the theoretical monetary contributions that could be received.
- Convert the theoretical monetary contributions into median priced strata dwellings (based on the September 2020 median price of $560,000).

As shown in **Table 3.5**, a total theoretical supply of 364 median priced strata dwellings could result - purchased from monetary contributions received in the draft Scheme Area.

Table 3.5: Theoretical Affordable Housing Outcomes, Draft Scheme Area

Zone	Total Residential GFA (sqm)	Theoretical Monetary Contributions (@ 3%)	Theoretical Monetary Contributions (@ 4%)	Equivalent Dwellings @ $560,000 per unit
	(a)	(b) = (a x 198/sqm)	(c) = (a x $264/sqm)	(d) = (b + c) ÷ $560,000
B1 Neighbourhood Centre	4,875	$965,250	-	1.7
B4 Mixed Use	527,784	$104,501,291	-	186.6
R4 High Density Residential	374,615	-	$98,898,360	176.6
Total	**907,274**	**$105,466,541**	**$98,898,360**	**364.9**

Notes:
(a) - Residential GFA on sites identified in draft Scheme Area (estimated from assuming non-residential FSR of 0.5:1 in B1 zone; FSR 1.4:1 in B4 zone)
(b) - Applying the 3% contribution rate of $198/sqm on total residential GFA
(c) - Applying the 4% contribution rate of $264/sqm on total residential GFA
(d) - Dividing the monetary contributions by the median strata dwelling price (September 2020)
Source: Atlas/CCB

3.5.2 Affordable Housing Scenario Outcomes

Not all the theoretical floorspace capacity in the draft Scheme Area will be developed. This could be for a variety of reasons (e.g. existing uses are highly valuable, landowner objectives do not align with development, etc). To forecast the quantum of affordable housing which could be delivered in the draft Scheme Area over the coming decades, potential development response to the Masterplan needs to be firstly considered.

The Masterplan forecasts approximately 18,700 dwellings by 2036, an increase of 12,500 dwellings over the 2020-2036 period. This is equivalent to around 780 dwellings per annum over the period or an average annual growth rate of 7.1%.

To estimate the number of affordable housing dwellings which could be delivered under the Masterplan, three take-up scenarios are considered over the 2021-2036 period.

For the purposes of estimating potential Affordable Housing outcomes (over a 15 year period from 2021-2036), a Low, Medium and High scenario assume varying average annual take-up rates in the draft Scheme Area:

- Low Scenario: average annual take-up of 400 dwellings.
- Medium Scenario: average annual take-up of 600 dwellings.
- High Scenario: average annual take-up of 800 dwellings (12,500 dwellings ÷ 15 years).

The Study notes that these ***are not*** projections of development take-up but potential scenarios under which Affordable Housing outcomes could result. The delivery of Affordable Housing outcomes is contingent on the take-up of the proposed controls in the Masterplan.

Under the three take-up scenarios, potential affordable housing outcomes in the draft Scheme Area are estimated at a high-level in a series of steps:

- Step 1: Calculate the total number of dwellings which could be delivered in the draft Scheme Area (by zone) under each take-up scenario over the 2021-2036 period.
- Step 2: Based on an average unit size of 85sqm GFA per unit, convert the dwelling supply in Step 1 into residential GFA.
- Step 3: Calculate the monetary contributions that could be received assuming 3% Affordable Housing contributions ($198/sqm GFA) in the B4 zone and 4% ($264/sqm GFA) in the R4 zone based on the residential GFA in Step 2.
- Step 4: Convert the monetary contributions into equivalent median priced strata dwellings (at $560,000) which could be purchased in the Canterbury-Bankstown LGA for appropriation as Affordable Housing.

Based on the various take-up scenarios, around 200 to 400 affordable housing dwellings could result over the 2021-2036 period. This analysis is shown in **Table 3.6**.

Table 3.6: Potential Affordable Housing Outcomes (2021-2036), Draft Scheme Area

Scenario	2021-2026	2026-2031	2031-2036	Total (2021-2036)
Step 1: Total Dwelling Supply				
Low Scenario (400 dwellings pa)	2,000	2,000	2,000	6,000
Medium Scenario (600 dwellings pa)	3,000	3,000	3,000	3,000
High Scenario (800 dwellings pa)	4,000	4,000	4,000	4,000
Step 2: Convert Dwelling Supply into Residential GFA (Step 1 x 85sqm GFA)				
Low Scenario (400 dwellings pa)	170,000	170,000	170,000	510,000
Medium Scenario (600 dwellings pa)	255,000	255,000	255,000	255,000
High Scenario (800 dwellings pa)	340,000	340,000	340,000	340,000
Step 3: Calculate Monetary Contributions @ 3% and 4% (Step 2 x $198/sqm GFA or $264/sqm GFA)				
Low Scenario (400 dwellings pa)	$38,303,736	$38,303,736	$38,303,736	$114,911,209
Medium Scenario (600 dwellings pa)	$57,455,604	$57,455,604	$57,455,604	$172,366,813
High Scenario (800 dwellings pa)	$76,607,472	$76,607,472	$76,607,472	$229,822,417
Step 4: Calculate Potential Affordable Dwellings (Step 3 ÷ $560,000 median strata dwelling price)				
Low Scenario (400 dwellings pa)	68	68	68	205
Medium Scenario (600 dwellings pa)	103	103	103	308
High Scenario (800 dwellings pa)	137	137	91	365

Source: Atlas

In the High scenario, the theoretical Affordable Housing outcomes are delivered by 2036 whereas in the Low and Medium scenarios, Affordable Housing outcomes would be delivered post-2036.

The analysis in **Table 3.6** is based on an Affordable Housing contribution rate of 3% ($198/sqm of residential GFA) in the B1 and B4 zones and 4% ($264/sqm residential GFA) in the R4 zone, which are derived from the Canterbury-Bankstown LGA median strata dwelling price (at September 2020). It will be important that the contribution rate is updated regularly to ensure future supply outcomes are aligned to local market dynamics. This will ensure monetary contributions collected have continued ability to facilitate the intended Affordable Housing outcomes.

This is a key benefit of indexing the affordable housing contribution rate to DCJ's *Rents and Sales* report which is updated quarterly (on a delayed basis). The frequency of indexation would need to consider pragmatic factors such as Council's internal resources and indexation of other contributions plans.

4. Conclusion and Recommendations

4.1 Matters for Consideration

Affordable Housing contributions have varying impact on feasibility. Impact varies by proportion of planning uplift (modest compared to more substantial increase) and is equally influenced by the ability to mitigate, i.e. if advance notice is given.

In a buoyant and active market, competition for development opportunities is fierce. In a rising market, developers are generally more willing to pay premiums for sites in anticipation that rising end sale values will help offset the cost of land and/ or increased contributions. Equally, in a flat/ softening market, willingness to pay increased contributions will be lower, which underscores the importance of advance notice, enabling appropriate pricing for site consolidation.

We consider the following issues important to consider:

- **Baseline development feasibility**

  The viability of Affordable Housing contributions is subject to baseline development feasibility. Development must be feasible in the first instance for an Affordable Housing contribution rate to be viable. It is a reality in established urban areas (like Bankstown and the draft Scheme Area) that not all development opportunities will be taken up. There will invariably be development capacity that is not taken-up by the market, with highly valuable buildings remaining 'as is'.

  The Study undertakes generic feasibility testing on a sample of sites in the draft Scheme Area, observing that the proposed increase in FSR generally results in varying levels of incentive (modest to more substantial). The more substantial to planning uplift, the more substantial the financial incentive. This has direct implications for the tolerance of development to Affordable Housing contributions.

- **Varying capacity to contribute**

  Sites that benefit from substantial planning uplift have greater capacity to contribute than sites with modest planning uplift. Accordingly for a uniform Affordable Housing rate to be viable, the selection of rate needs to be best fit to a 'bell curve' of tolerance, which is directly related to the proportion of planning uplift.

  The feasibility capacity testing in Chapter 3 showed that sites that benefit from a greater proportion of planning uplift have tolerance to higher Affordable Housing contributions (4%), whereas sites with more modest planning uplift have tolerance to lower contributions (3%) before development is not feasible.

  The Study notes that sites in the B1 and B4 zones are contemplated for lower planning uplift compared to sites in the R4 zone. This presents a case for a lower contributions rate (3%) in the business zones (B1 and B4) and 4% in the R4 zone which would represent 'best fit' in the 'bell curve' of tolerance.

- **Finite capacity to contribute**

  The increase in value associated with planning uplift provides scope for contributions to be made to public benefit while preserving development feasibility. Various forms of public benefit (Affordable Housing being just one) need to be appropriately apportioned by planning authorities to align with their strategic planning objectives.

  Affordable Housing contributions represent the ***maximum amount which could be contributed*** as a result of the proposed planning controls. There may be other forms of public benefit which Council may look to secure as a result of the Masterplan. This would reduce the capacity to contribute towards Affordable Housing. It is therefore prudent that the Masterplan requires ***either*** Affordable Housing contributions ***or*** the delivery of on-site infrastructure ***or*** 50% employment floorspace.

- **Phasing-in and notice to the market**

  Clear and definitive notice for new contributions and their phasing-in will be critical for managing impact on feasibility. Sites already purchased can be progressed for development and sites yet to be acquired can be purchased at prices that allow for the new contributions.

  Advance notice to the market of Council's intentions for Affordable Housing contributions would provide certainty for investment and development planning. This enable parties to be informed at the outset and make informed decisions on site purchase. Over time, market dynamics will adjust as the market accounts for the cost of the contributions.

The Masterplan has foreshadowed the requirement for Affordable Housing contributions. When the Masterplan controls are implemented into the Bankstown LEP, it is conceivable more than 12 months would have elapsed since publication of the Masterplan.

Council could consider the following phasing-in stages:

- 3% in B1 and B4 zone - 1% in the first year of scheme gazettal, 2% in the second year and 3% thereafter.
- 4% in R4 zone 1% in first year of scheme gazettal, 2.5% in the second year and 4% thereafter.

Broader Planning Policy Change

The Study tests the impact of Affordable Housing contributions. The impact of broader planning policy or contributions policy change is beyond the scope of analysis.

The Study acknowledges that local and regional contributions frameworks are currently under review as part of broader contributions reform at the NSW state level. The Study assumes that any change to broader contributions policy will be implemented with advance notice and appropriate staging.

Recommended Rates in Context of GSC Affordable Housing Targets

The Greater Sydney Commission recommends that Affordable Housing rates of 5%-10% of new residential floor area be considered "subject to feasibility". After feasibility testing, adopted rates could fall outside of the recommended range.

Table 4-1 shows a comparison of the approach of applying Affordable Housing contribution rates on 'total GFA' and 'additional GFA'.

- On the sample sites tested, 5%-10% Affordable Housing contributions applied on 'Additional Residential GFA' could result in 614sqm to 1,228sqm Affordable Housing GFA.
- By comparison, applying a rate of 3% and 4% Affordable Housing contributions in the business zones (B1, B4) and R4 zones respectively could result in 981sqm Affordable Housing GFA. This falls within the 5%-10% range on Additional Residential GFA.

While some sites would contribute less than or more than 5%-10% of Additional Residential GFA, a 'standard rates' for Affordable Housing contributions is conceivably simpler to understand and administer.

Administration of Affordable Housing on Additional Residential GFA would require the 'Additional Residential GFA' to be specified and mapped. In the B4 Mixed Use zone, identifying 'Additional Residential GFA' is less straightforward, particularly as a minimum non-residential requirement applies (two floors or FSR 1.4:1 whichever is the lesser).

Depending on the split between residential and non-residential components of a proposed development, the amount of 'Additional Residential GFA' could be complex to define and could potentially be an area of contention with proponents.

Table 4-1: Affordable Housing Contributions as % Total v % Additional Residential GFA

Particulars		Meredith St (mixed use)	Chapel Rd (residential)	Mona St (mixed use)	Leonard St (residential)	Affordable Housing GFA (sqm)
Base Residential GFA (sqm)	(a)	2,400	8,700	1,740	2,625	
Masterplan Residential GFA (sqm)	(b)	3,900	10,875	8,990	3,975	
Additional Residential GFA (sqm)	(c) = (b – a)	1,500	2,175	7,250	1,350	
5%-10% x Additional Residential GFA (sqm)	(d) = (c x 5%)	75	109	363	68	614
	(e) = (c x 10%)	150	218	725	135	1,228
3% x Residential GFA (sqm), B1 and B4 zone	(f) = (b x 3%)	117		270		981
4% x Residential GFA (sqm), R4 zone	(f) = (b x 4%)		435		159	

Source: Atlas

4.2 Recommendations

The Study makes the following recommendations:

- Affordable Housing contributions of 3% in the B1 and B4 zones and 4% in the R4 zone, applicable to total residential GFA.
- Calculation of the dollar value for monetary contributions with reference to the NSW Department of Communities and Justice *Sales and Rents Report*.
- Quarterly indexation to the NSW Department of Communities and Justice *Sales and Rents Report* to ensure monetary contributions are aligned to residential market dynamics in the Canterbury-Bankstown LGA. The frequency of indexation would depend on practical factors such as internal resourcing and potential alignment with indexation frequency of other contribution plans.
- Regular review of development activity and take-up of development opportunities to monitor implications of the adopted Affordable Housing contribution rates.

Phasing-in of Affordable Housing Contributions

The Study recommends that advance notice (at least 12 months) of new Affordable Housing contributions is provided to the market with savings provisions applying to applications lodged during this time. This would allow:

- Sites already purchased and developments already in the pipeline to be progressed and delivered.
- Market participants to factor-in the Affordable Housing rates in due diligence and purchase negotiations.

As with all contributions policy, landowner expectations and market behaviour adjust over time. Implementation that provides clear notice to the market will ensure any adverse impact to future investment can be mitigated as far as possible.

The Masterplan has foreshadowed the requirement for Affordable Housing contributions. When the Masterplan controls are implemented into the Bankstown LEP, it is conceivable more than 12 months would have elapsed from publication of the Masterplan.

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Schedules

SCHEDULE 1

Market Appraisal

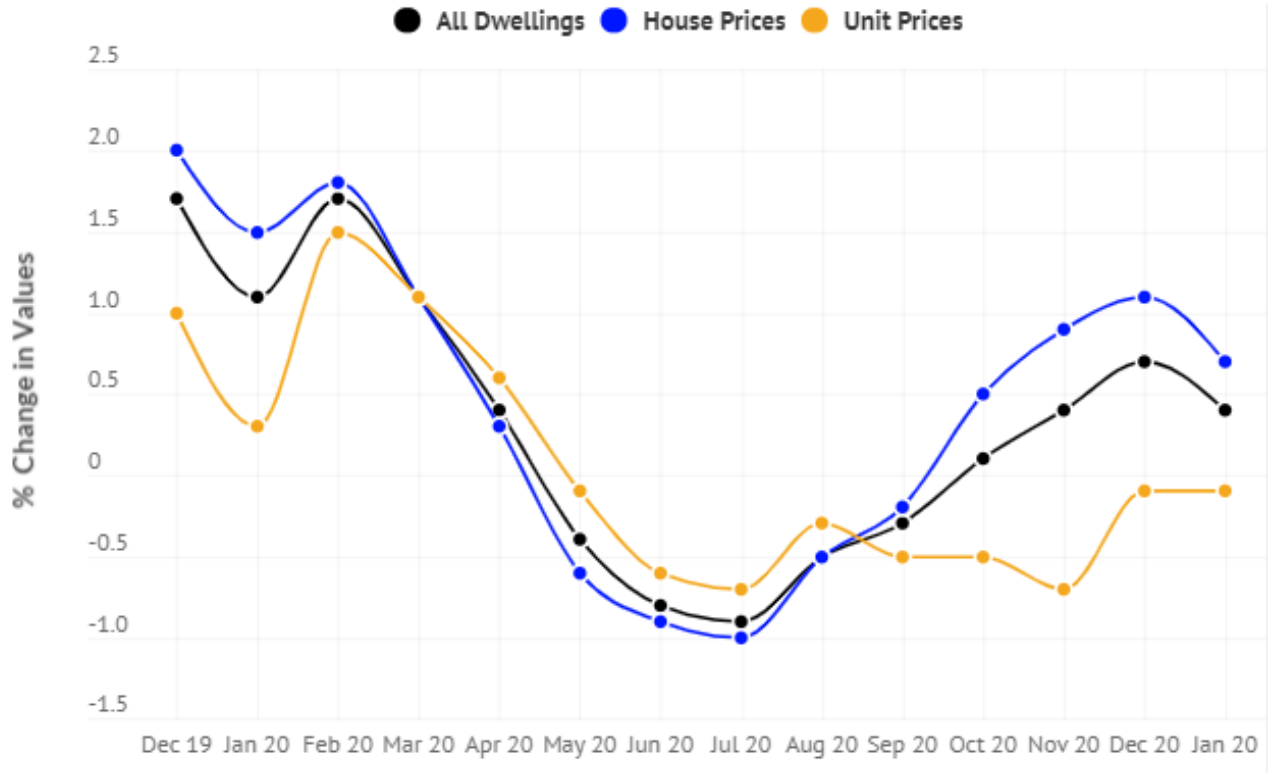
General Market Conditions

Australia's east coast housing boom of 2012-2017 resulted in extraordinary price growth across Greater Sydney. Tightening credit conditions over the course of 2017-2019 saw a slowdown in market activity, with many purchasers (notably investors) retreat from the market. Price declines occurred across many markets in Greater Sydney (including Bankstown and Campsie) throughout 2018 and 2019, with purchasers becoming more selective on location and overall product quality.

Following the Federal Election in May 2019, market conditions began to improve driven by cash rate reductions by the Reserve Bank of Australia (RBA), a review of servicing buffer requirements for banks by APRA which eased lending conditions for purchasers and policy certainty around treatment of negative gearing and capital gains tax.

This renewed burst of activity halted in Q1 2020 as a result of the COVID-19 outbreak. Soft market sentiment in the wake of a major uptick in unemployment saw dwelling values fall over the first half of 2020. However, since June 2020, market sentiment has improved with a 'two speed' change in dwelling price growth now observed. A preference for traditional housing as compared to smaller housing typologies has been observed throughout this period. This is reflected in house prices having returned to positive growth whereas apartments have continued to decline.

Figure S1.1: Change in Dwelling Values (Dec 2019-Jan 2020), Greater Sydney



Source: CoreLogic RP Data (2021)

This flight to traditional housing compared to smaller housing formats (i.e. townhouses, apartments) is not expected to persist over the medium to long-term. Housing affordability in Greater Sydney remains a central issue, with recent price growth offsetting much of the declines observed over the course of 2018-2019. Well-located apartments proximate public transport, amenity and green spaces will remain a popular typology for a large cohort of the market.

This bodes well for high-density development in Bankstown and Campsie, particularly given the upcoming completion of the Sydney Metro City & Southwest line.

Bankstown Strategic Centre

Existing Property Values

A review of recent sales activity across the Bankstown Strategic Centre is indicative of wide range of 'existing use' (also referred to 'as is') property values. Whilst every property is unique with their own set of characteristics driving their underlying value, a broad range of existing use values can be categorised by location, land zone and existing improvements.

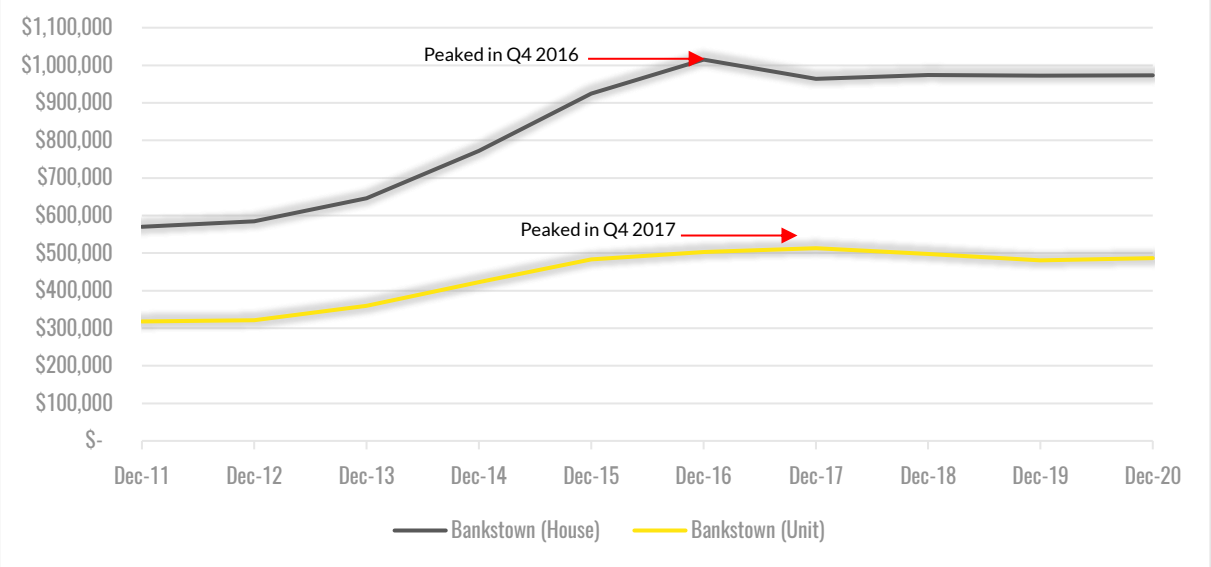
- Fine grain retail shop fronts and commercial buildings within the B4 Mixed Use zone immediately surrounding Bankstown Train Station command the highest property values on a *dollar per square metre of site area* basis – a reflection of their high utility value and fine grain allotment patterns. These properties typically command sale prices from $4,000/sqm to $6,000/sqm of overall site area.
- Larger low- and mid-rise commercial office buildings observed throughout the B4 Mixed Use zone expectedly achieve higher sale prices compared to older retail and commercial buildings given their quality and more intensely developed nature. However, given they typically occupy a larger site, sale prices achieved for these properties are often lower on a dollar per square metre of site area basis. Evidence indicates such properties achieve sale prices ranging from $5,000/sqm to $6,000/sqm of overall site area.
- Older style, low rise 'walk up' unit blocks observed throughout the R4 High Density Residential zones across Bankstown would represent amongst the most expensive sites to acquire and consolidate. Whilst dependent on the number of apartments within each block and the premium required to incentivise existing owners to divest, site values for such blocks could commence at $4,500/sqm of site area to $12,000/sqm of site area.
- The lowest sale prices (on a dollar per square metre basis) observed throughout the Bankstown Strategic Centre are for detached dwellings throughout in various residential zones. Detached housing in the R4 zone expectedly achieves higher prices compared to those in the R3 or R2 zones given their greater development potential – sales evidence indicates prices analysing to $1,700/sqm to $3,000/sqm of site area. Prices in the R3 and R2 zones are more closely aligned, with detached housing typically attracting sale prices analysing to $1,500/sqm to $2,500/sqm of site area.

Market Activity

In line with the broader Greater Sydney market, Bankstown's residential market experienced significant growth over the 2013-2015 period. The median house price peaked in December 2016 at $1.02m, with apartments peaking 12 months later at $513,000 (Residex, 2021). Since this time, both house and unit values have declined by 4% and 3% respectively.

Unlike the broader trend observed across Greater Sydney, apartment values have recovered more strongly over the 12-months to Q4 2020, rising by 1.2% compared to 0.1% for detached houses. This trend reflects the large amount of new apartment stock which was brought to market in 2019 with new units expectedly achieving above median prices.

Figure S1.2: Median Dwelling Prices (2011-2020), Bankstown



Source: Residex (2021)

Owing to soft market conditions observed across Greater Sydney since Q1 2020, limited new apartment developments commenced marketing across Bankstown over the past 12-15 months. The three main projects which have marketed over this period are all clustered along Leonard Street, some 400m south of Bankstown Train Station.

Table S1.1 summarises sales activity observed in Bankstown's off-the-plan apartment market over the course of 2020.

Table S1.1: Sales Evidence and New and Recently Completed Apartments, Bankstown

The Leonard
35-37 Leonard Street, Bankstown

A 6 storey residential flat building under construction to comprise 48 apartments (7 x one bedroom, 39 x two bedroom and 2 x three bedroom) over basement car parking.

Enquiries with the marketing agent reveals project marketing commenced in early 2019 with the final apartments still for sale. Owing to very soft marketing conditions over 2020, asking prices have been reduced by 5%-10% compared to those initially listed in 2019.

Buyers have predominantly been local owner occupiers, mostly First Home Buyers, with limited interest from investors.

Unit Type	No.	Sale Price	Internal Area ($/sqm)
1 bedroom units	7	$400,000-$435,000	$7,900-$8,000
2 bedroom units	39	$550,000-$630,000	$7,300-$7,400

The Mark
1-9 Leonard Street, Bankstown

A 7-storey residential flat building comprising 156 apartments (20 x 1-bedroom,. 115 x 2-bedroom and 21 x 3-bedroom) poised for completion in 2021.

Enquiries with the marketing agent reveals project marketing commenced circa mid-2019 and is still in progress. Enquiry levels were severely dampened over the course of 2020 however interest has begun to improve over the past 2-months.

The project is approximately 95% sold with owner occupiers (particularly local First Home Buyers) been the primary buyer cohort over the course of marketing.

Unit Type	No.	Sale Price	Internal Area ($/sqm)
1 bedroom units	20	$415,000-$450,000	$8,200-$8,300
2 bedroom units	115	$535,000-$620,000	$7,100-$7,200
3 bedroom units	21	$630,000-$730,000	$7,000-$7,700

18 Leonard
18-20 Leonard Street, Bankstown

Completed in 2020, 18 Leonard is a 6-storey residential flat building comprising 44 apartments (8 x 1-bedroom, 26 x 2-bedroom and 9 x 3-bedroom) over two levels of basement carparking.

The project commenced marketing in late-2019 with the final sales recorded in February 2021. Enquiries with marketing agent suggest demand was significantly impacted over 2020 due to COVID-19, with new supply along Leonard Street also a contributing factor.

Most purchasers were young first home buyers.

Unit Type	No.	Sale Price	Internal Area ($/sqm)
1 bedroom units	8	$415,000-$450,000	$8,200-$8,300
2 bedroom units	26	$535,000-$620,000	$7,100-$7,200
3 bedroom units	9	$630,000-$730,000	$7,000-$7,700

Source: Atlas

Development Activity

Very little development site sales activity has been observed in Bankstown over the past 6-12 months – a reflection of soft economic conditions with developers remaining cautious over this period. The following development site sales (recorded over the 2019-2021 period) provide insight into the prices paid for development opportunities within Bankstown.

- **23-27 Marshall Street, Bankstown**
  A large site comprising some 1,838sqm zoned R4 High Density Residential (FSR 1:1) located just beyond the southern border of the Bankstown Strategic Centre. Comprising three single storey detached houses, the site was sold with existing DA-approval for construction of a 4-storey residential flat building comprising 32 apartments (50% of which are provided as Affordable Housing as per the Affordable Rental Housing SEPP 2009). Existing DA approval was up to FSR 1.4:1, reflecting the incentive provisions of the Affordable Rental Housing SEPP 2009.

  The site sold for $3.6m in July 2020, equating to $1,350/sqm of approved GFA and $1,965/sqm of site area.

- **2, 6 and 10 Leonard Street, Bankstown**
  A large site spanning over 3,000sqm some 350m south of Bankstown train station currently zoned R4 High Density Residential with FSR 1.75:1 and maximum height controls of around 6-storeys. After more than 12-months on the market the site sold in May 2020 for $8.1 million on 4-year delayed settlement terms to two local developer-builders.

  Under the deferred settlement terms (90% payable in Year 4) and at an assumed holding rate of 6%, the sale price is equivalent to $6,584,363 in present value terms. This would equate to a site value of $1,239/sqm potential GFA.

- **122-124 Restwell Street, Bankstown**
  A 1,267sqm site zoned R4 High Density Residential (FSR 1.75:1) some 700m south of Bankstown train station. Comprising two aged detached houses, the site sold off-market in November 2019 for $2.1 million to a local developer builder. This sale price equates to $947/sqm of potential GFA.

- **18-22 Stanley Street, Bankstown**
  A large site (approximately 2,090sqm) zoned R4 High Density Residential (FSR 1.75:1) around 400m south of Bankstown train station. Comprising three aged detached houses, the site was sold with existing DA approval for construction of a 6-storey residential flat building comprising 53 apartments.

  A total of 29 units (~55%) were provided as Affordable Housing dwellings in accordance with the Affordable Rental Housing SEPP 2009. The approved development comprised some 4,695sqm of GFA, equivalent to a FSR 2.2:1. This additional density reflects the incentive provisions of the Affordable Rental Housing SEPP 2009.

  The site sold in January 2019 to a local developer builder for $4.5m, equating to $958/sqm of approved GFA.

The analysis of development site sales evidence suggests a range of prices paid for development opportunities in Bankstown, ranging from $950/sqm to $1,350/sqm of GFA potential. This analysis provides a necessary secondary check on the financial feasibility modelling outcomes detailed in this Study.

SCHEDULE 2

Generic Feasibility Testing Assumptions

Generic feasibility testing adopts the Residual Land Value approach. This involves assessing the value of the end product of a hypothetical development, then deducting all of the development costs (including site acquisition costs, site demolition, construction costs, consultant fees, statutory fees) and making a further deduction for the profit and risk that a developer would require to take on the project. The land value is the 'residual that remains, i.e. the amount a developer could afford to pay in exchange for the opportunity to develop the site.

Project Timing

The tested sites are assumed to be appropriate zoned and progressed immediately upon settlement and span 6 months. Thereafter a development application is assumed to occur with pre-sales occurring shortly thereafter.

Demolition and construction are assumed from Month 12-18 spanning 12-18 months depending on scale of the development. Development is assumed to be completed in 2-3 years depending on scale after a 12-18 month lead-in period.

Development Yields

Table S2-1 summarises the areas selected and the respective notional development typologies (mixed use development and residential flat building) for contribution impact testing.

Table S2-1: Areas and Notional Developments Tested

Site	Development Type (Zone)	Base Testing Assumptions	Masterplan Testing Assumptions
Meredith St	Mixed use (B4 Mixed Use)	• Existing FSR 3.0:1 • All applicable fees and charges • Minimum non-residential GFA (2 floors)	• Proposed FSR 4.0:1 • All applicable fees and charges • Minimum non-residential GFA (2 floors) • Sustainability requirements
Chapel Rd	Residential flat building (R4 High Density Residential)	• Existing FSR 3.0:1 • All applicable fees and charges	• Proposed FSR 3.75:1 • All applicable fees and charges • Sustainability requirements
Mona St	Mixed use (B4 Mixed Use)	• Existing FSR 2.0:1 • All applicable fees and charges • Minimum non-residential GFA (2 floors)	• Proposed FSR 4.5:1 • Sustainability requirements • Minimum non-residential GFA (2 floors) • Sustainability requirements
Leonard St	Residential flat building (R4 High Density Residential)	• Existing FSR 1.75:1 • All applicable fees and charges	• Proposed FSR 2.65:1 • All applicable fees and charges • Sustainability requirements

Source: Atlas

Table S2-2 outlines the unit mix and internal area assumptions as well as parking ratios under the scenarios tested.

Table S2-2: Residential Unit Mix and Parking Assumptions

Internal Area (sqm)	Unit Mix	Base Parking Ratios	Masterplan Parking Ratios (core)
• Studio - 50sqm • 1 bedroom - 60sqm • 2 bedroom - 80sqm • 3 bedroom - 105sqm	• Studio - 10% • 1 bedroom - 20% • 2 bedroom - 60% • 3 bedroom - 10%	• Residential - 1 space per dwelling • Visitor - 0.2 space per dwelling • Non-residential - 1 space per 40sqm GFA	• Studio 0.5 space per dwelling • 1 bedroom - 0.5 space per dwelling • 2 bedroom - 1 space per dwelling • 3 bedroom – 1.5 space per dwelling • Visitor - 0.1 space per dwelling • Non-residential - 1.25 space per 100sqm GFA

Source: Atlas

Revenue Assumptions

Average end sale values are adopted based on market research and analysis. Residential revenue assumptions are based on NSA (net saleable area/ lettable area) and detailed in Table S2-3.

Table S2-3: Revenue Assumptions

Land Use/ Type	Residential ($/internal area)	Non-residential ($/sqm lettable area)
Studio	$9,500/sqm to $10,000/sqm	
1 bedroom unit	$10,000/sqm to $10,500/sqm	
2 bedroom unit	$9,500/sqm to $10,500/sqm	
3 bedroom unit	$8,500/sqm to $9,500/sqm	
Retail		$10,000/sqm
Commercial		$6,000/sqm to $8,000/sqm

It is assumed that 75% of the apartments would be pre-sold prior to completion of construction and the balance would be sold post completion at an average rate of 4-8 units per month.

Other revenue assumptions:

- GST is excluding on non-residential sales and included on the residential sales.
- Sales commission at 2.5% (residential) and 1.5% (non-residential) gross sales.
- Marketing costs of 1.0% on gross sales.
- Legal cost on sales included at $1,500 per unit.

Cost Assumptions

- Assumed cost of land based on applicable planning controls, informed by desktop research.
- Legal costs, valuation and due diligence assumed at 0.5% of land price and stamp duty at NSW statutory rates.
- Construction costs are estimated with reference to past experience and cost publications:
    - Retail and commercial construction (warm shell) assumed at $2,000/sqm to $2,500/sqm of building area
    - Residential construction assumed at $2,750/sqm to $3,250/sqm of building area, balconies at $1,000/sqm.
    - Basement car parking at $50,000 per car space.
- Provisional allowance for lead-in and services infrastructure at 2% of construction costs.
- Professional fees at 10% of construction costs expensed 5.5% (pre-construction) and 4.5% (during construction).
- Development management fee of 2%.
- Construction contingency at 5%.
- Statutory fees:
    - DA fees of 1% and CC fees of 0.5% of construction costs.
    - Long service levy of 0.35% of construction costs.
    - s7.11 contributions at $20,000 per residential unit.
- Finance costs:
    - Land value assumed as equity contribution with balance funded at interested capitalised monthly at 6% per annum.
    - Establishment fee at 0.35% of peak debt.

Hurdle Rates and Performance Indicators

Target hurdle rates are subject to perceived risk of a project (planning, market, financial and construction risk). The higher the project risk, the higher the hurdle rate. The following performance indicators are relied upon:

- Development Margin profit divided by total development costs (including selling costs).
- Discount rate refers to the project internal rate of return (IRR) where net present values of an investment is zero.
- Residual Land Value is arrived at by assessing the maximum land value a developer is willing to pay based on both hurdles of development margin and discount rate being met.

The following benchmark hurdle rates are assumed.

Table S2.4: Performance Indicators and Target Hurdle Rates

Performance Indicator	Feasible	Marginal	Not Feasible
Development Margin	>20%	18%-20%	<18%
Project IRR	>18%	17%-18%	<17%

Source: Atlas

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