



The Economic Benefits of the Proposed Contributions for Development Of Land At 10-16 Loftus Crescent, 2 Subway Lane, 88- 92a Parramatta Road And 5 & 9-11 Knight Street, Homebush

FINAL – Prepared for Pacific Planning by PPM Consulting

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Executive Summary

Pacific Planning has commissioned PPM Consulting to provide an assessment of the economic benefits of the contributions that the proponent could offer Strathfield Municipal Council.

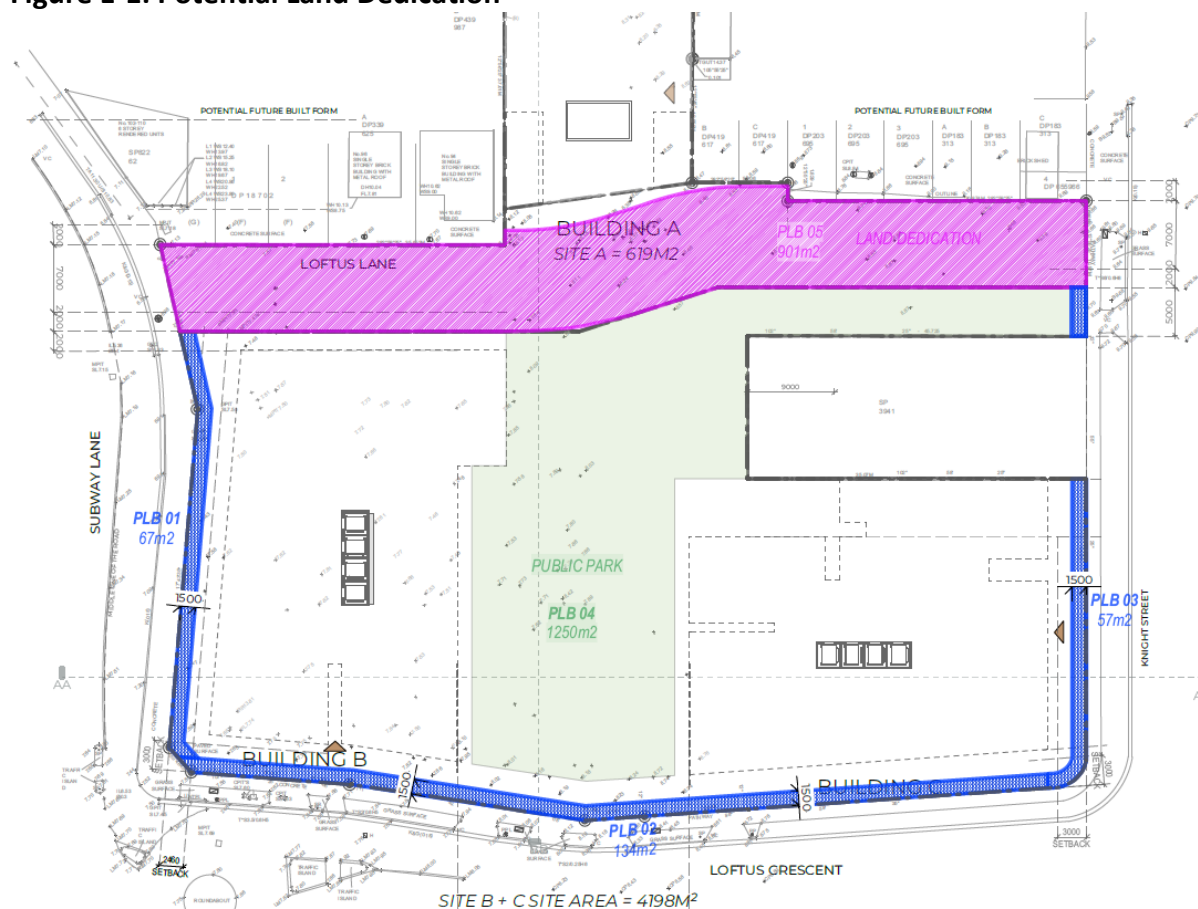
The development site is land located at 10-16 Loftus Crescent, 2 Subway Lane, 88-92a Parramatta Road and 5 & 9-11 Knight Street, Homebush, New South Wales.

As part of a better planning outcome, the proponent could offer Strathfield Municipal Council and the state government the following:

- a new laneway intersecting the site
- dedicated of land to facilitate additional parking in Loftus Street, the provision of a dedicated on-road bicycle lane and improved footpath
- the dedication of a new public park
- bus shelter upgrade in Parramatta Road.

The potential land dedications are shown on Page 29 of the Urban Design Report by Alexandar Design Group, and are shown in Figure E-1 and summarised in Table E-1.

Figure E-1: Potential Land Dedication



Source: Aleksandar Design Group

Table E-1: Potential Land Dedication – Areas

Identifier	Area (m ²)
PLB 01	67
PLB 02	134
PLB 03	57
Land Facilitating Parking, Cycleway and Footpath (PB01+PB02+PB03)	258
PLB 04	1,250
PLB 05	901

Source: Aleksandar Design Group

Note that PLB 01, PLB 02 and PLB 03, identified in Figure E-1 and Table E-1, are the land parcels around the site that could be dedicated to facilitate additional parking bays, cycle lane and footpath, which could total 258m².

Part of the site is presently zoned for a floor space ratio (FSR) of 1.7:1 and part is 2:1. The proposal seeks to increase the FSR 7:1. The Parramatta Road Corridor Urban Transformation Strategy for the area identifies a 5:1 FSR for the whole site. However, an FSR of 7:1 can be achieved via the public benefits provided. At 5:1 only the statutory levies would be provided; no additional public benefits would be provided.

Required s94 contributions have been estimated at just under \$6.6 million for the development at an FSR of 5:1.

At an FSR of 7:1, the value of the contributions is estimated to be 3.3 times the contributions at 5:1. The land and construction of the park are valued at \$6.8 million, the land dedication and construction of the increased parking along Loftus Street, cycle lane and footpath are estimated to be worth nearly \$1.4 million, the lane intersecting the site valued at \$4.5 million and there are smaller benefits associated with the bus shelter.

Table E-2 details the total economic benefit of all four additional components. In total, the economic benefit could be expected to be approximately \$37.5 million, or 5.7 times the benefits at an FSR of 5:1. The benefits at 7:1 have been estimated to exceed the benefits at 5:1 by as much as \$30.9 million. Most of the benefit is derived from the creation of the new public park and the Loftus Lane dedication.

Table E-2 – Total Benefit

Total Benefits	5:1	7:1
S94	6,579,869	9,211,816
Loftus Lane – Land Dedication		4,505,000
Facilitation of Parking, Cycleway and Footpath – Land and Construction		1,438,514
Park - Land Dedication and Construction		6,760,000
Bus Shelter		25,000
Total Benefits (ex Economic Value)	6,579,869	21,940,331
Park - Economic Benefits Minus Costs		15,542,774
Total Benefits - Including Economic Value	6,579,869	37,483,105

Introduction

The subject site is located at 10-16 Loftus Crescent, 2 Subway Lane, 88-92a Parramatta Road and 5 & 9-11 Knight Street, Homebush, New South Wales, in the Strathfield Municipality. The site is approximately 150 metres from Homebush train station, which is to the east. Aleksander Design Group has prepared the Urban Design Report (UDR) on behalf of the proponent. This report draws extensively from the UDR.

The site is 5,765m² in total. Part of the site is presently zoned for a floor space ratio (FSR) of 1.7:1 and part is 2:1. The proposal seeks to increase the Floor Space Ratio (FSR) 7:1. The Parramatta Road Corridor Urban Transformation Strategy for the area identifies a 5:1 FSR for the whole site. However, an FSR of 7:1 can be achieved via the public benefits provided. At 5:1 only the statutory levies would be provided; no additional public benefits would be provided.

It is proposed to construct three buildings, one 21 storeys in height and two 25 storeys in height, with a gross floor area of proposed residential apartments of 40,306m². The total number of units proposed is 481 over the three buildings, at a floor space ratio (FSR) of 7:1. It is proposed that there will be retail/commercial space on the podium level of the complex, totalling a gross floor area of 1,278m².

The alternative scenario is a building with an FSR of 5:1. To enable comparison, it has been estimated that this would create a development approximately 71 per cent of the preferred building mass, and would comprise 344¹ apartments and 913m² of retail/commercial space.

The proposed characteristics of the development, at FSRs of 5:1 and 7:1 are shown in Table 1.

Table 1: Proposed Site and Building Characteristics

	FSR of 5:1*	FSR of 7:1
1 Bedroom (no.)	93	130
2 Bedrooms (no.)	229	320
3 Bedrooms (no.)	22	31
Total Bedrooms (no.)	344	481
Retail (m²)	913	1,278
Land Size (m²)	5,765	5,765
Residential GFA (m²)	27,877	39,028
Retail GFA (m²)	913	1,278
Total GFA (m²)	28,790	40,306

* Scaled at 71 per cent of massing at 7:1, or 5/7 of the scheme at 7:1

Source: Aleksander Design Group, PPM Consulting

Pacific Planning has commissioned PPM Consulting to provide an assessment of the economic benefits of the contributions that the proponent could offer Strathfield Municipal Council as part of a better planning outcome associated with an FSR of 7:1. The base levies

¹ Rounded down to the nearest whole apartment

are based on the required s94 Direct Contributions set out in the Strathfield Local Environmental Plan (LEP).

Figure 1 shows the proposed ground floor plan, showing the lane, park and pedestrian/cycling upgrades and dedications.

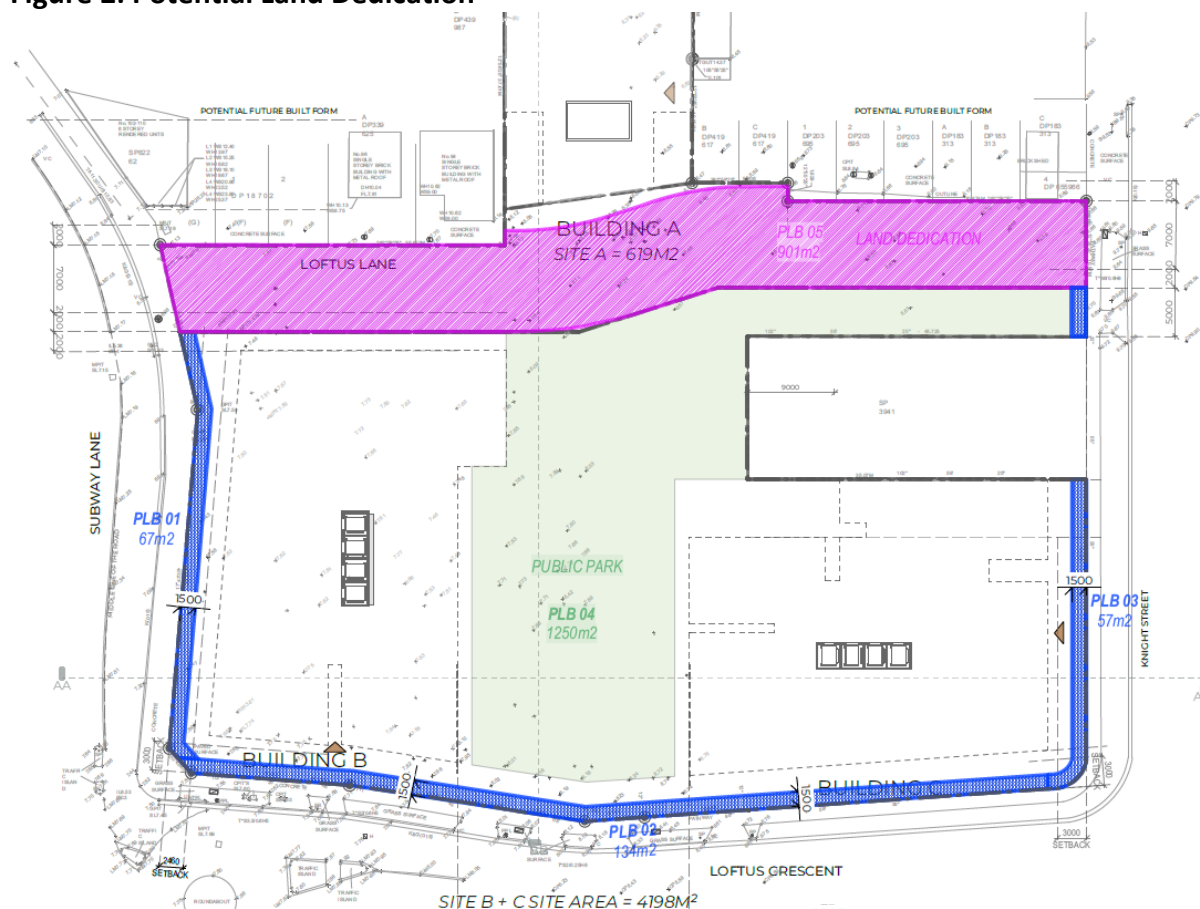
Figure 1: Proposed Ground Floor Plan



Source: Aleksandar Design Group

The potential land dedications are shown on Page 29 of the Urban Design Report, and are shown in Figure 2 and summarised in Table 2.

Figure 2: Potential Land Dedication



Source: Aleksandar Design Group

Table 2: Potential Land Dedication – Areas

Identifier	Area (m²)
PLB 01	67
PLB 02	134
PLB 03	57
Land Facilitating Parking, Cycleway and Footpath (PB01+PB02+PB03)	258
PLB 04	1,250
PLB 05	901

Source: Aleksandar Design Group

Note that PLB 01, PLB 02 and PLB 03, identified in Figure E-1 and Table E-1, are the land parcels around the site that could be dedicated to facilitate additional parking bays, cycle lane and footpath, which could total 258m². It should be further noted that the parking bays and cycle lane are on council land, but will be facilitated by the land dedication.

Section 94 Contributions

Strathfield Municipal Council has a Direct Development Contribution policy for Section 94 for 2010-2030. The policy is as follows:

Development that creates additional dwellings (including secondary dwellings, granny flats, dual occupancy and multi-unit development) or net additional industrial, retail, commercial or tourism floorspace will be subject to levies under the s94 Plan. The Strathfield LGA is divided into precincts. Different levies apply to each land use within each precinct.

The subject development is within Precinct 3, as shown at Figure 3.

Figure 3: Strathfield Municipal Council Development Contribution Precincts



Source: Strathfield Municipal Council

Under the policy, the levies highlighted in Table 3 apply.

Table 3: Section 94 Contribution Rates, September 2017

Bedrooms	Precinct								
	1	2	3	4	5	6	7	8	9
1 or less (\$)	10,264.36	11,577.41	13,176.91	11,084.90	10,056.45	10,057.48	10,056.45	9,697.23	9,697.23
2 (\$)	14,827.77	16,775.67	19,091.55	16,032.02	14,619.85	14,620.88	14,619.85	14,260.64	14,260.64
3 (\$)	18,345.01	20,000.00	20,000.00	19,838.08	18,102.10	18,104.16	18,102.10	17,683.19	17,683.19
4+ (\$)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Retail/m²	138.95	161.60	602.13	507.43	138.95	138.95	138.95	138.95	138.95
Commercial/m²	255.26	297.46	509.49	423.03	255.26	255.26	255.26	255.26	255.26

Source: Strathfield Municipal Council Section 94 Direct Contribution Rates

Table 4 outlines the approximate Section 94 contributions for the development at an FSR of 5:1 and 7:1.

Table 4: Section 94 Contributions at FSR of 5:1 and 7:1

	5:1			7:1		
	Amount	Levy	Total	Amount	Levy	Total
1 Bedrooms (no.)	93	13,176.91	1,223,570	130	13,176.91	1,712,998
2 Bedrooms (no.)	229	19,091.55	4,363,783	320	19,091.55	6,109,296
3 Bedrooms (no.)	22	20,000.00	442,857	31	20,000.00	620,000
Retail (m²)	913	602.13	549,659	1,278	602.13	769,522
Total Levies (\$)			6,579,869			9,211,816

Source: Strathfield Municipal Council Section 94 Direct Contribution Rates, Aleksander Design Group, PPM Consulting

As can be seen, the levies at an FSR of 5:1 would be approximately \$6.6 million, and the levies at 7:1 would be approximately \$9.2 million.

Strathfield Municipal Council's s94A Plan applies to any development within the Strathfield Local Government Area that is not subject to the Direct (s94) Plan. We also understand that no Special Infrastructure Contribution would be applicable to the development. Therefore, no further levies would apply to the development.

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New Laneway

It is proposed that a new laneway intersecting the site would be built and dedicated, and allowing the eastwards continuation of Loftus Lane.

The land dedicated for the laneway would total 901m².

It is assumed that land in this locality would be worth approximately \$5,000²/m².

Therefore, the value of the land contribution of the laneway would be \$4.5 million, as shown in Table 5.

Table 5: Value of Land Contribution for Proposed Laneway

	Total
Lane Area (m ²)	901
Land Value (per m ²)	5,000
Total Land Contribution (\$)	4,505,000

Source: Aleksander Design Group, PPM Consulting

The lane will also provide some (unquantified) economic benefits, by:

- allowing access to basement parking, rather than off Parramatta Road, Loftus Street, Knight Street or Subway Lane
- providing a loading dock within the development, removing the need for trucks accessing the site to park along Parramatta Road, Loftus Street, Knight Street or Subway Lane.

Furthermore, the eastwards extension of Loftus Lane would encourage the further eastwards extension of Loftus Lane (possibly as far as the railway line). Extending Loftus Lane presents properties facing Parramatta Road redevelopment opportunities which would not otherwise be approved by Roads and Maritime Services (RMS) because without it, they would directly access Parramatta Road. The extension of Loftus Lane allows access to the properties along Parramatta Road without needing to access it directly, which should satisfy RMS and enable them to ban direct access to Parramatta Road while enabling redevelopment to occur. It is hard to place a dollar value on the value of redevelopment of blocks further east of the subject site, but it is likely that it would be in the tens of millions of dollars.

² The market value of the land is unknown at the time of writing this report. A land owner would value the land at its current market value, rather than the Valuer-General's valuation, as that ensures that the land owner is compensated for the full value of the land. \$5,000/m² has been assumed as a reasonable value of land in the area, based on recent sales. It does not represent an intention to value the land. The actual value of the land will be determined in the negotiation between the purchaser and the vendor. To the extent that this is more or less than \$5,000/m², the value of the public benefits will be more or less.

Land Dedication Facilitating Parking, Cycle Lane and Footpath

It is proposed to dedicate some of the land on the site to facilitate the creation of six new parking spaces on the northern side of Loftus Street (the southern boundary of the site), an on-road cycle lane and a wider footpath for pedestrians. The land dedicated could total 258m².

It is assumed that land in this locality would be worth approximately \$5,000/m².

Therefore, it is estimated that the value of the land contribution of the new parking bays and the bicycle lane would be \$1.3 million, as shown in Table 6.

Table 6: Estimated Value of Land Contribution to Facilitate Additional Parking, Cycle Lane and Footpath

	Total
Lane Area (m ²)	258
Land Value (per m ²)	5,000
Total Land Contribution (\$)	1,290,000

Source: Aleksander Design Group, PPM Consulting

In addition to the land value, the proponent would create the parking bays in Loftus Street. Table 7 shows the estimated cost to the developer of creating the six additional parking bays.

Table 7: Estimated Cost of Building Six Additional Parking Bays in Loftus Street

	Total
Parking Bays (no.)	6
Cost per Bay (\$)	15,000
Total Estimated Cost (\$)	90,000

Also in addition to the land value, the cycle lane and footpath need to be created and landscaped. Table 8 shows the estimated cost to the developer of creating the cycleway and footpath.

Table 8: Estimated Cost of Building Cycle Lane in Loftus Street, Including Landscaping

	Total
Cycleway Length (m ²)	172
Concrete Width (m)	1.5
Concrete Depth (m)	0.1
Cost of Concrete (/m ³) ³	268
Estimated Cost of Path (\$)	6,914
Landscaping (\$)	51,600
Total Estimated Cost (\$)	58,514

Source: Aleksander Design Group, PPM Consulting

³ Hanson Heidelberg Cement Group, <http://www.hanson.com.au/Products/Product-Support/Pricing-Ordering>, 25MPa concrete

Taking concrete to cost \$268 per cubic metre, a 172m long, 1.5 metre wide cycleway (with a depth of 0.1 metres) would cost \$6,914. Landscaping would also be required and it is estimated that this would cost around \$200 per square metre, totalling \$51,600. The total is estimated to cost \$58,514.

The total cost of the land contribution and parking lane, cycle lane and footpaths works is estimated to be a little over \$1.4 million. This is shown in Table 9.

Table 9: Total Contribution For Additional Parking Bays, Cycle Lane and Footpath

	Total
Land Contribution	1,290,000
Construction of Parking Bays	90,000
Construction of Cycleway and Landscaping	58,514
Total Land and Building Setback Contribution	1,438,514

Dedication of Public Park

The proponent intends on using around 22 per cent of the total site area to create a new publicly accessible park. The proposal is for 1,250m² of the site to be created as a publicly accessible park (at time of writing, it was unknown if the park would be dedicated to Council or remain accessible to the community under the ownership of the owners' corporation).

Benefit – Land Component

Table 10 outlines the land value of the park, assuming \$5,000 per square metre as the price of the land. This land component of the benefit of the creation of the park is estimated to come to a little under \$6.3 million.

Table 10: Land Value of Park

	Total
Size (m²)	1,250
Land Value (\$/m²)	5,000
Total Land Value (\$)	6,250,000

Source: Aleksander Design Group, PPM Consulting

Table 11 details the costs involved in creating the park. It would require levelling and landscaping and the installation of equipment (such as play equipment, barbecues, etc). The park is, therefore, estimated to cost around \$510,000 to create, on top of the land value.

Table 11: Costs of Park Creation

	Cost	Quantity	Total
Levelling (/m ²) (\$)	200	1,250	250,000
Landscaping (/m ²) (\$)	200	1,250	250,000
Equipment (\$)			10,000
Creation Cost (\$)			510,000

The total benefit of the land and creation component of the park is estimated to be a little over \$6.7 million, as detailed in Table 12.

Table 12 Total Land and Creation Costs

	Total
Land Cost (\$)	6,250,000
Creation Cost (\$)	510,000
Total Cost (\$)	6,760,000

Benefit – Use Component

The park will benefit the wider community (current residents from around the area and new residents in the proposed apartments).

The benefit is derived from the price that the average person places on leisure time, the amount of visitation, the travel time to the park, and the time spent in the park.

The estimated visitation to the park is based on the Zanon model⁴, which estimates the number of visitors to a public park based on four attributes – standard of service, catchment population, area of the park and public awareness of the park. The model has been shown to provide good forecasts for visits to major parks and like spaces in Melbourne. It is assumed that park visitation is similar in Sydney and Melbourne.

Recently, Mr Marcus Spiller of SGS Economics and Planning⁵, used the Zanon model to estimate visitation to estimate the visitation to a proposed public square as part of the redevelopment of the Queen Victoria Market in Melbourne.

The Zanon model uses the following formula:

$$\text{Visits} = 27 \times \text{Standard of Service}^{1.04} \times \text{Catchment Population}^{0.19} \times \text{Area}^{0.11} \times \text{Public Awareness}^{0.47}$$

where:

- Standard of Service is a figure between 0 and 100 indicating the “quality” of the park, judged by reference to amenities provided, including seating, shelters, barbecues, landscaping, etc
- Catchment Population is the population within a local catchment
- Area is the area of the proposed park in hectares
- Public awareness is the percentage of a random population that would be aware that the park exists.

Table 13 details the assumptions made for the variables in the Zanon model.

Table 13 Estimated Park Visitation

	Park Estimates
Standard	65
Population*	865.8
Area (ha)	0.125
Public Awareness	80
Visits	46,775

Source: A Model for Estimating Urban Park Visitation –Parks Victoria Occasional Paper Series, Dino Zanon, 1998

⁴ A Model for Estimating Urban Park Visitation –Parks Victoria Occasional Paper Series, Dino Zanon, 1998

⁵ Melbourne Am C245 Queen Victoria Market Precinct Renewal Evidence report of Marcus Spiller April 2016, SGS Economics and Planning

A value of 65 has been placed on the “Standard” of the park, as it will be a local park with some amenities. The proposed development would include 481 new apartments. The population is based on visitation from only the new residents of the new development, a very conservative assumption, with an estimated 1.8 persons per dwelling. It is likely that visitors from the wider local area will use the park as well as local residents. It is assumed that 80 per cent of residents know that the park exists, again a very conservative assumption.

As detailed in Table 13, the Zanon model estimates that 46,775 people per year would visit the park.

Table 14 details the economic benefit of the use of the park. It is assumed that the median return travel distance would be 500 metres. At a walking travel speed of 5 km/h, the median return travel time would be 6 minutes (0.1 hours). It is further assumed that, once there, the median time spent at the park would be an hour. The value of leisure time is assumed to be \$14.43. Therefore, the value of journeys to and from the park is estimated to be \$67,497 per year, and the value of time spent at the park is estimated at \$674,966. The capitalised value of the park, over 50 years, would be a little over \$15.9 million.

Table 14: Economic Benefit of Park Dedication

	Total
Estimated annual visitation (no.)	46,775
Assumed median travel distance return (km)	0.5
Travel speed (walking) (km/h)	5
Median travel time to and from (hrs)	0.1
Time spent at open space (hrs)	1
Value of leisure time (\$)	14.43
Value of journey (\$)	67,497
Value of Time Spent (\$)	674,966
Value of visits/ year (\$)	742,462
Capitalised value (50 Years) (\$) – Net Present Value	15,949,712

Source: A Model for Estimating Urban Park Visitation –Parks Victoria Occasional Paper Series, Dino Zanon, 1998, PPM Consulting

Costs

Dedicating a public park to Council will create an asset worth around \$16 million. However, if the park is dedicated to Council in perpetuity, Council will also need to fund the maintenance of the park and upgrades to it over time. Ongoing maintenance includes mowing, rubbish collection and removal and ongoing gardening.

In the absence of definitive cost data, a number of assumptions have been made for ongoing maintenance of the park. Table 15 outlines these assumptions.

Table 15: Ongoing Maintenance of Dedicated Park – Cost Assumptions

Ongoing	Times	Hours	Cost	Annual Cost (2018 Dollars)
Mowing	26	4	50	5,200
Rubbish Removal	52	1	50	1,300
Gardening	26	2	50	2,600
Amenities Cleaning	52	3	50	7,800
Total				9,100

Source: PPM Consulting

It is also likely that every 15 years or so, the park will need upgrading, facilities will need replacing and landscaping will need renewal. It is assumed that Council will spend \$75,000 (in 2018 dollars) to upgrade the park in Years 16, 31 and 45. Therefore, at an annual inflation rate of 2 per cent, it is assumed that Council will spend \$100,940 in Year 16, \$135,852 in Year 31 and \$182,839 in Year 46.

Under the forgoing assumptions, the net present value of the ongoing and capital costs would be \$406,938 over 50 years.

Total Benefit

Taking the land value, the cost of creating the park and value of visitation, the total economic benefit of the park is estimated to be approximately \$22.7 million. This would be offset by the ongoing costs of park maintenance and upgrades of \$406,938 over the 50 year life of the park. As detailed in Table 16, the net benefit of the park is estimated to be approximately \$22.3 million, in net present value terms.

Table 16: Total Economic Benefit of Park Dedication, Net Present Value, 2018 Dollars

	Total
Land Cost (\$)	6,250,000
Creation Cost (\$)	510,000
Visitor Benefit (\$)	15,949,712
Total Benefit (\$)	22,709,712
Total Cost (\$)	406,938
Net Benefit (\$)	22,302,774

As noted above, at time of writing it was unknown if the park will be dedicated to Council or if it will remain in the private ownership of the owners' corporation. Either way, the park will be totally open and free for the general community to use and enjoy. However, the economic benefit to Council will be higher if the park remains in private ownership, as Council will not be liable for upgrades or maintenance.

Bus Shelter

It is expected that, as part of the Parramatta Road Corridor Urban Transformation Study, that new and improved bus services will run along Parramatta Road. There is currently a bus stop (with no shelter) adjacent to the development site.

A new bus shelter could be incorporated into the site frontage along Parramatta Road which is connected to the new north-south pedestrian link through the site.

The proponent has offered to build a bus shelter on behalf of Council and Transport for NSW on Parramatta Road, adjacent to the development.

No land would be dedicated to the bus stop, as it would be built on land that is currently owned by Strathfield Municipal Council (as footpath).

It is likely that, with labour and materials, the bus shelter would cost the proponent around \$25,000 to build.

Total Benefits and Conclusion

As part of a better planning outcome, the proponent could offer Strathfield Municipal Council the following:

- a new laneway intersecting the site, totalling 901m²
- 258m² of land dedicated to facilitate increased parking in Loftus Street, the provision of a dedicated on-road bicycle lane and improved pedestrian facilities
- the dedication of a new 1,250m² public park
- a bus shelter upgrade in Parramatta Road.

Table 17 details the total economic benefits of all four additional components, and compares it to the scenario where only s94 contributions are paid at an FSR of 5:1.

Total land and building dedication is estimated to be \$21.9 million. When the \$15.5 million of economic value (net of ongoing costs) of the park are included, this is estimated to come to a little under \$37.5 million. This compares with the \$6.6 million estimated with s94 contributions alone at an FSR of 5:1.

Table 17: Total Benefit

Total Benefits	5:1	7:1
S94	6,579,869	9,211,816
Loftus Lane – Land Dedication		4,505,000
Facilitation of Parking, Cycleway and Footpath – Land and Construction		1,438,514
Park - Land Dedication and Construction		6,760,000
Bus Shelter		25,000
Total Benefits (ex Economic Value)	6,579,869	21,940,331
Park - Economic Benefits Minus Costs		15,542,774
Total Benefits - Including Economic Value	6,579,869	37,483,105

The benefits at 7:1 have been estimated to exceed the benefits at 5:1 by nearly \$31 million.

At an FSR of 7:1, the value of the land dedications and buildings are estimated to be 3.3 times that for a development at 5:1 where only the statutory levies are contributed. When the economic benefits of the park are included, this rises to 5.7 times.

As can be seen, the public benefit items as part of a better planning outcome are estimated to be significant.

Disclaimer

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