

5 May 2025

Mr Carl Scully  
Panel Chair  
Sydney Eastern City Planning Panel

Dear Mr Scully

## **RR-2024-32 – Redevelopment of the Edgecliff Centre (203-233 New South Head Road, Edgecliff)**

### **1 Introduction**

- 1.1 Longhurst Investments No 1 Pty Limited (**Longhurst Group**) is pleased to present a revised planning proposal (**Planning Proposal**) considering and responding to the Panel's recommendations from the Rezoning Review and Record of Decision dated, 19<sup>th</sup> of November 2024.
- 1.2 The revised Planning Proposal addresses, in response to the Panel recommendations:
  - (i) the delivery, on site, of 15% of the increased residential GFA to be affordable housing, for a period of 15 years; and
  - (ii) preparation of a draft site-specific Development Control Plan (DCP), the submission of which is to be a requirement of the instrument change.

### **2 Affordable Housing Contribution**

- 2.1 Longhurst Group recognises the importance of affordable housing to achieve a diversity in housing opportunities within the Woollahra LGA and to assist with the housing affordability crisis which is currently unfolding in New South Wales and Australia more widely.
- 2.2 Longhurst Group commissioned an independent feasibility analysis to assess the impact of a 15% Affordable Housing contribution on the overall viability of the project. The assessment prepared by JLL dated 1 May 2025, which is **attached**, is in accordance with industry standards and is accompanied by an independent Cost Plan prepared by quantity surveyors, WT Partnership.
- 2.3 The analysis highlights that a 15% affordable housing contribution would be significantly detrimental to the overall viability of the project, which would jeopardise the ability to deliver any housing whatsoever. Longhurst Group has sought to consider options that would enable an Affordable Housing contribution that is as close as possible to the Panel's recommendation whilst maintaining project viability.
- 2.4 The JLL feasibility analysis assessed (**Scheme 1**) the current Planning Proposal scheme with 15% Affordable Housing contribution, as recommended by the Panel. JLL found that this scheme would be "substantially not feasible", producing a P/R return of 12.2% and an IRR of only 9.3%.

- 2.5 **Scheme 2** considered an affordable housing contribution that would be delivered on site and managed in line with the panel's recommendation over a 15 year period. The findings of this analysis result in an Affordable Housing contribution of 5% producing a P/R return of 17.4% and IRR of 11.6%.
- 2.6 **Scheme 3** alternatively considered an affordable contribution in perpetuity to be delivered on site. These findings result in an Affordable Housing contribution of 2.5%, producing a P/R return of 17.5% and IRR of 11.6%.
- 2.7 During the Rezoning Review, the Panel expressed a level of interest as to the overall quantity of commercial offices within the proposal. Longhurst noted that this had only been considered in the design to respond to feedback received from Council during the design. The Panel noted that this could be reconsidered, with particular attention given to prioritising the delivery of affordable housing over commercial offices noting the bleak current market outlook for commercial office space and the emerging housing crisis.
- 2.8 Reflecting on the Panel's comments and assessing the viability concerns for the project, Longhurst Group undertook an analysis of various alternative schemes for the site, including preliminary massing and apartment planning.
- 2.9 Whilst maintaining retail and commercial uses within the podium, **Schemes 4 to 6** considered converting a small portion of the commercial office use into residential and affordable housing which results in the project delivering a non-residential FSR of 1:1 and a residential FSR of 8:1. This improves the project's viability and as a result, supports the delivery of a greater proportion of affordable housing whilst remaining consistent with the overall FSR of 9:1 as deemed appropriate by the panel.
- 2.10 **Scheme 4** considered the same quantum of affordable housing requested by the Panel, being 3,682.5 sqm, equating to a 12.5% Affordable Housing contribution at this density (equivalent to 15% of the Affordable Housing contribution requested). Whilst the return metrics of this scheme improved the viability outlook compared to the proposed controls, considering the risk and complexity of the project and its location above a railway platform, this would still present an adjusted risk profile that would adversely affect the project's viability.
- 2.11 JLL also considered alternatives schemes, which are outlined below for the Panel's consideration:
- (i) **Scheme 5** considers an Affordable Housing contribution of 10%, of an 8:1 residential FSR scheme, equating to 2,946 sqm of affordable housing GFA (equivalent to 12% of the Affordable Housing contribution requested). JLL's analysis highlights that the project is showing return metrics which are closer to industry standards when reflecting on the risk adjusted return a developer and financier would consider when proceeding with a project of this scale and complexity especially given the current state of the tier 1 building market.
  - (ii) **Scheme 6** considers an Affordable Housing contribution of 8%, of an 8:1 residential FSR scheme, equating to 2,357 sqm of affordable housing GFA (equivalent to 10% of the Affordable Housing contribution requested). According to JLL, the project is very close to a feasible return metric under this scheme.

	Density Breakdown	Affordable Housing	Affordable Housing GFA	Affordable Housing Units (Approx.)
<b>Scheme 1</b> 15% AH (15yrs)	7:1 Residential 2:1 Non-Residential	15%	3,682 Sqm	36 Apartments
<b>Scheme 2</b> 5% AH (15yrs)	7:1 Residential 2:1 Non-Residential	5%	1,227 Sqm	12 Apartments
<b>Scheme 3</b> 2.5% AH (perpetuity)	7:1 Residential 2:1 Non-Residential	2.5%	614 Sqm	6 Apartments
<b>Scheme 4</b> 12.5% AH (15yrs)	8:1 Residential 1:1 Non-Residential	12.5% (15% equivalent)	3,682 Sqm	36 Apartments
<b>Scheme 5</b> 10% AH (15yrs)	8:1 Residential 1:1 Non-Residential	10% (12% equivalent)	2,880 Sqm	29 Apartments
<b>Scheme 6</b> 8% AH (15yrs)	8:1 Residential 1:1 Non-Residential	8% (10% equivalent)	2,303 Sqm	24 Apartments

- 2.13 The table above provides a summary of the affordable housing units that would be delivered with each associated scheme. The alternate schemes (**Schemes 4-6**) were considered in response to the Panel's comments around the configuration of commercial office area and alternatives to provide greater amounts of Affordable Housing within the development.
- 2.14 Whilst not completely achieving industry expected hurdle rates, we believe **Scheme 5** provides a balance of feasibility and public benefit, ensuring a reasonable outlook on project viability whilst delivering a substantial quantum and percentage (double digit) of affordable housing on site as part of the development.
- 2.15 It is important to note that this project can only be delivered with the appointment of a tier 1 builder due to the complexity of the development, primarily a result of its location above a live rail corridor. The current outlook within the construction sector, particularly around the limited number of tier 1 builders still in operation, is of great concern to us and something that the Panel ought to have regard to.

### 3 Site Specific Draft DCP

- 3.1 The Panel recommended that the instrument change include a clause that requires the preparation of a site-specific DCP before development consent can be granted.
- 3.2 To assist the Panel to understand what such a DCP could look like, Longhurst Group has prepared a draft site-specific DCP that outlines the scale of the built form which establishes the transitional and variable height across the site that is in accordance with the Planning Proposal, including appropriate setbacks to reflect the adjacent lower scale heritage area and appropriate podium heights.

- 3.3 The DCP incorporates all matters outlined by the Panel including but not limited to:
- (i) Boundary Setbacks
  - (ii) Podium Heights
  - (iii) Solar access and overshadowing of the lower scale heritage conservation area
  - (iv) Height of individual buildings and podiums including the road reserve portion
  - (v) Private and communal open space delivery and quantum
  - (vi) Any agreed community facilities
  - (vii) Criteria for location of affordable housing
  - (viii) Public domain improvements

Kind regards,

A handwritten signature in black ink, appearing to read 'Paolo', with a stylized flourish at the end.

Paolo Razza  
CEO