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Strategic Planning

Willoughby City Council

31 Victor Street

Chatswood NSW 2057

01 September 2016

Dear Norma

**Subject: Channel Nine Site (6-30 Artarmon Road) VPA
and Public Benefit Advice**

In response to your request regarding development contributions relating to the submission to increase the development yield of the site at 6-30 Artarmon Road, Willoughby (the Channel Nine site - hereafter referred to as 'the Site'), we provide commentary on the proposed Voluntary Planning Agreement (VPA) for the Site. The Proponents (L.E.P.C9 Pty Ltd - hereafter referred to as 'the Proponent') seek consent for development in excess of that identified in the Approved Concept Plan and have submitted a revised proposal - hereafter referred to as the 'Modified Application'.

Instructions

Specifically we provide a response to your requests being:

- Assess the value uplift as a result of the Modified Application;
- Assess the appropriateness of the suggested level of VPA contributions for the increased development resulting from the Modified Application; and
- Provide advice regarding Section 94 Contributions, Section 94A Contributions and Affordable Housing Contributions.

1 PROJECT BACKGROUND

The Approved Concept Plan for the Site provides for building envelopes for five residential flat buildings and two rows of terrace houses incorporating:

- Up to 400 dwellings; and
- Up to 500 SQM floor area of non-residential uses to support the development

The Site and surrounds are shown in Figure 1.

Figure 1 - Aerial Photo of the Site



Source: JBA, S75W Modification Application, Modifications to Approved Master Plan

Modified Application

An application has been lodged with the Department of Planning & Environment to modify the Approved Concept Plan under Section 75W of the Environmental Planning and Assessment Act 1979 (EP&A Act). The Proponent seeks to modify building envelopes, development yield, landscaping and open space, vehicular access, cycle and pedestrian routes and off-site infrastructure improvements.

The Modified Application compared to the Approved Concept Plan is shown in Table 1.

Table 1 - Summary of Changes from Approved Concept Plan to Modified Application

Indicator	Approved Concept Plan	Modified Application	Change
Dwellings	400 dwellings	510 dwellings	+ 110 dwellings
Gross Floor Area (SQM)	37,136	44,900	+7,800 (Subject to further design)
Height in Storeys	Maximum of 8 storeys	Maximum of 12½ storeys	Increase of 4½ storeys
Public Open Space (SQM)	5,178	7,055	+1,877 (36% increase)
Communal Open Space (SQM)	4,160	7,018	+2,858 (69% increase)
Vehicular access points	3 driveways	2 driveways	1 less to Artarmon Road

Source: JBA 'Channel 9 Site , Request for SEARs', April 2016

2 VOLUNTARY PLANNING AGREEMENT (VPA) METHODOLOGY

VPA Methodology

Where a developer seeks to build above a Local Environmental Plan (LEP) height limit or a Development Application (DA) approved height limit, a planning authority can seek to enter into a Voluntary Planning Agreement (VPA) whereby a developer agrees to make development contributions towards a public purpose.

A monetary contribution can be applied to the total amount of Gross Floor Area (GFA) above the DA approved height limit. The GFA above the approved height limit is referred to as the 'bonus GFA'. The monetary contribution applied to the bonus GFA can be calculated using the following method:

VPA Contribution =

Value of bonus GFA (expressed as \$/SQM of GFA)

*

Bonus GFA (SQM of additional area achieved by a Planning Proposal)

*

Adopted % share of Land Value Uplift to be received by Council (apportionment between the developer and Council adopted by Willoughby City Council.

Share of Land Value Uplift

Willoughby City Council has received advice stating that "once the quantum of the 'uplift' is known, land valuers can be engaged to determine the financial value of the uplift in relation to the value of the site. The 'uplift' can then be shared on a 45/55 basis between Council and the proponent."

3 LAND VALUE UPLIFT

Land Value Uplift - Developer Benefit

HillPDA's research undertaken in August 2016 identified that development sites, where access to rail transport is lower than in transport hubs such as Chatswood, achieve GFA rates for development in the range between \$2,115/SQM and \$3,900/SQM.

The development site sales most comparable to the Site record a GFA rate/SQM of \$2,750. This value has been adopted and is relatively conservative, having regard for the range of evidence and comparisons with the Channel Nine site location and access to transport infrastructure. The evidence used to inform these rates are shown in Table 2.

The increase in floor area identified in the Modified Application is for an additional 7,800 SQM of GFA, or an additional 110 dwellings.

We estimate that the value uplift generated by the proposed increase of gross floor area in the Modified Application is **\$21,450,000**.

Applying a rate of 45% of the land value uplift for each square metre of GFA - as per the advice provided to Willoughby City Council - provides a total value to Council of **\$9,652,500** to be received through VPA contributions.

Table 2 - Development Site Sales Evidence

Project	Suburb	Floor-Area (SQM GFA)	Site Area (SQM)	Units	Commercial GFA (SQM)	Site Purchase Date	Land Purchase Price	Purchased with DA Approval	Land Value \$/SQM GFA	Residential Floor Area (SQM GFA)	Residential Floor Area Value
Anderson Street Mixed Development - The Chatswood	Artarmon	13,439	3,356	156	1339	13/04/2015	\$37,534,000	Yes	2,793	12,100	\$33,794,285
Northcote Street Units - Northcote	Willoughby	1,150	1,283	15	0	9/12/2013	\$3,130,000	No	2,722	1,150	\$3,130,000
Koorunga Road Units	Chatswood	1,334	1,482	17	0	30/08/2012	\$3,390,000	No	2,541	1,334	\$3,390,000
Willoughby Road Mixed Use Development	Artarmon	790	528	8	243	8/12/2015	\$2,820,000	No	3,570	547	\$1,952,582
Hercules Street & Victoria Avenue Mixed Development	Chatswood	21,879	8,889	233	4094	30/04/2015	\$46,265,000	Yes	2,115	17,785	\$37,607,890

Source: HillPDA, CordellConnect, CoreLogic RPDATA

4 SECTION 94, SECTION 94A, AND AFFORDABLE HOUSING CONTRIBUTIONS

Section 94 Development Contributions

Section 94 development contributions have been repealed in Willoughby since 2011 for all development applications lodged after February 2012. Exceptions include developments in Chatswood CBD or developments where the purpose of development is;

- i) to provide disabled access;
- ii) for the sole purpose of providing affordable housing;
- iii) for the purpose of reducing building energy consumption or consumption of mains supplied potable water;
- iv) for the sole purpose of the adaptive reuse of an item of environmental heritage;
- v) where under a section 94 agreement of the Act has been imposed under a previous development consent relating to the subdivision of the land on which the development is proposed to be carried out.

The application for the Site was lodged after February 2012 and does not conform to the exceptions noted above, and as such, Section 94 development contributions cannot be applied.

Section 94A Development Contributions

The Willoughby City Council Section 94A Plan was approved by Willoughby City Council on 28 November 2011 and commenced on 1 February 2012. Section 94A development contributions will apply to the Approved Concept Plan, and to the Modified Application.

The Section 94A levy is calculated using a percentage rate of the proposed cost of development. The rates for developments by proposed cost of development are shown in Table 3.

Table 3 - Summary of Section 94A Levies by Proposed Cost of Development

Area	Proposed Cost of Development	Levy
All of City excluding Chatswood CBD	Up to and including \$100,000	Nil
	More than \$100,000 up to and including \$200,000	0.5%
	More than \$200,000	1%

Source: Willoughby City Council, Willoughby City Section 94A Development Contributions Plan 2011

Affordable Housing Contributions

Future development applications in Willoughby shall provide dwellings equivalent to a minimum of 4 percent of new residential floor area to Council at no cost, to be made available by Council as affordable housing consistent with the Willoughby Local Environmental Plan 2012. The Affordable Housing contributions proposed under the Approved Concept Plan and the Modified Application are shown in Table 4.

Table 4 - Proposed Affordable Housing Contribution

	Approved Concept Plan	Modified Application	Change
Affordable Housing Provision Requirement (Apartments)	16	20	4

Source: JBA, 'S75W Modification Application, Concept Plan MP10_0198', July 2016

The Affordable Housing contribution requirement is specified as a percentage of new residential floor area. Neither the Concept Plan Approval nor the Modified Application state the floor area of units to be provided as Affordable Housing. Rather they refer to the number of units that are proposed to be provided as Affordable Housing. Council should confirm that the Affordable Housing floor area provided as is at least 4% of the new residential floor area in the development.

5 PROPONENT'S OFFER IN RELATION TO MODIFIED APPLICATION

The Proponent wishes to enter into a VPA with Willoughby Council for a payment that contributes to the delivery of services / infrastructure of public benefit within Willoughby LGA.

The Proponent has held early discussions with Council regarding contributions to be made under a VPA with the early indication of contributions noted as follows:

- Monetary contribution of approximately \$3 million toward the upgrade of the Willoughby Road – Artarmon Road – Small Street intersection.
- Additional works for pedestrian and cyclist connections within local street and open space network - the proposed VPA proposes a contribution of \$1 million to Council to facilitate bushland regeneration and access improvements within the Walter Street Reserve.

These contributions are identified in the Modified Application as public benefits and are described further below.

Upgrade to Willoughby Road Intersection

The Proponent intends to contribute \$3 million to Willoughby City Council for the upgrade of the intersection of Willoughby Road, Artarmon Road, and Small Street. This has been costed based on the reference design commissioned by Council as a required upgrade to support its Willoughby Leisure Centre Masterplan. Council's 2012 reference design for these works is shown in Figure 2.

Figure 2 - Council's Reference Design for the Willoughby Road Intersection Upgrade



Source: Willoughby Leisure Centre Master Plan, Traffic and Parking Study, GTA Consultants 2012

The upgrade would provide for:

- New right-hand turning lane for north-bound traffic moving into Small Street;
- New south-bound slip lane for traffic exiting Small Street onto Willoughby Road;
- New median north on Willoughby Road north of intersection; and
- Improvements to signal phasing to allow more efficient turning movements

Modelling by GTA Consultants shows the Intersection Performance would be improved by reductions in delays at weekday AM and PM peak periods of 6.1% and 8.7% respectively.

However, Council have received advice indicating that the delivery of the intersection upgrade is a requirement for the Approved Concept Plan to proceed. According to the advice received, the upgrade to the intersection should not be included as a contribution in the VPA.

Regeneration of Walter Street Reserve

As part of the proposed public infrastructure contribution of the Modified Application, the Proponent proposes to contribute a sum of \$1 million to Council, or undertake works-in-kind to equal value. This contribution would be used for the construction of new access pathways and the bush regeneration of the Walter Street Reserve. This Modified Application indicates that the proposed contribution is in excess of the value of works required under Condition 18 of the existing Concept Plan Approval. Condition 18 states:

"Future Development Application/s for Stage 2 shall incorporate the provision of an accessible bush track to council requirements through Walter Street Reserve connecting the through-site link with Walter Street. The delivery of the track is to be negotiated with council and may either be provided as works-in-kind by the proponent, or constructed by council and funded by the proponent".

The Offer

The Modified Application indicated the contributions to be made by the development would amount to \$4 million, comprising \$3 million in intersection upgrades and \$1 million in the regeneration of Walter Street Reserve.

Council needs to determine to what extent the works to regeneration of the Walter Street Reserve represents a public benefit or are considered impact mitigation.

6 KEY FINDINGS AND RECOMMENDATIONS

The value uplift and assessment of VPA contributions and other contributions are shown in Table 5.

Table 5 - Value Uplift and VPA Contributions

	Modified Application
Additional SQM GFA	7,800
Land value rate per SQM GFA	\$2,750
Land Value Uplift of Additional GFA	\$21,450,000
% Contribution to Council	45%
Appropriate 45% VPA Contribution	\$9,652,500
Other Contributions	
Section 94 Contributions	N/A
Section 94A Contributions (unchanged)	1% Development Cost (Unchanged from Concept Plan Approval)
Affordable Housing Contribution	4% (Unchanged from Concept Plan Approval)
Proponent's Offer as part of Modified Application VPA	
Upgrade to Willoughby Road Intersection	\$3,000,000
Regeneration of Walter Street Reserve	\$1,000,000
Total VPA Contribution - Offer	\$4,000,000

Conclusion

We have provided our assessment of the reasonable VPA Agreement contribution payable for the described Modified Application in response to your instruction.

Under the VPA proposed by the Modified Application, we assess that the Proponent is liable for:

- \$9.65 million VPA contribution based on bonus GFA.

In addition to the above, the Proponent is liable for:

- Section 94A contribution of 1% of development cost; and
- Affordable Housing contribution of 4%.

To satisfy the VPA contribution, the Proponent has offered to provide road and open space works to a value of \$4 million. The Proponent is not offering a cash consideration.

Council will need to determine whether any or some of the works proposed (\$4 million) should be credited against the VPA contribution (\$9.65 million), or should be treated as separate condition requirements to mitigate impacts of the proposed development.

Council should seek to ensure the percentage of residential floor area to be provided to Council as an Affordable Housing contribution is at least 4% of the new residential floor area. The contributions nominated in the Concept Plan Approval, and in the Modified Application specify a number of units of undetermined floor area.

Yours faithfully



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