Atlas Economics

Ku-ring-gai Transit Oriented Development (TOD) Centres

Affordable Housing Feasibility Analysis

KU-RING-GAI COUNCIL

MARCH 2025

Document Control

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1
Introduction

Beyond the
horizon thinking.

1.1 Background

In accordance with the National Housing Accord, the NSW Government has committed to facilitating the delivery of 377,000 new homes by 2029 (which is equivalent to approximately 75,000 new homes annually for five years).

In response, the NSW Department of Planning, Housing and Infrastructure (**DPHI**) introduced the Transport Oriented Development (**TOD**) program as part of a suite of planning initiatives to enable housing supply. There are two parts to the TOD program:

- Part I focuses on eight accelerated precincts, where land within 1,200 metres of rail and metro stations are rezoned by the NSW Government to increase development capacity. Seven of the precincts were rezoned in November 2024.
- Part II focuses on precincts within 400 metres of 37 selected stations, where land is rezoned through a new State Environmental Planning Policy (**SEPP**) commencing April 2024.

Part II of the TOD program included the precincts of Roseville, Lindfield, Killara and Gordon in the Ku-ring-gal local government area (**LGA**). New planning controls allowing for 6 storey residential flat buildings were applied to all land, including in Heritage Conservation Areas (**HCAs**). This was accompanied by an inclusionary zoning requiring 2% affordable housing contribution for all new development.

In response to the TOD program, Ku-ring-gai Council (**Council**) prepared alternate scenarios to the TOD program for public consultation during November and December 2024. The alternate approach sought to redistribute development capacity within the centres to retain HCAs, areas of significant tree canopy and environmentally sensitive areas.

Council engaged SJB Urban and SJB Planning to review the TOD scenario (as made in the SEPP provisions, referred to as 'Baseline Scenario') and the alternate scenarios (prepared by Council) and to, *inter alia*, prepare structure plans and a proof of concept to test the feasibility of the proposed alternate controls and development outcomes.

The Urban Design technical study (SJB, 2025) identifies a preferred development scenario (**the Preferred Scenario**) where increases to density are focused on well-located sites and the boundaries of planning change are expanded to include suitable areas within an 800m catchment of train stations. If implemented, planning controls for the Preferred Scenario would replace the Baseline Scenario and the previously made SEPP planning controls would be repealed.

Atlas Economics (**Atlas**) is engaged by Council to carry out a financial feasibility analysis (**the Study**) to assist with development of a preferred scenario and Affordable Housing contribution requirements to accompany the implementation of new planning controls.

1.2 Scope and Approach

The overarching objective of the Study is to investigate the capacity of development to contribute to affordable housing. The Study carries out a feasibility analysis of an alternate TOD area around the station precincts of Roseville, Lindfield, Killara and Gordon (individually referred to as '**the Precinct/s**' and collectively referred to as '**the Study Area'**). The feasibility analysis is predicated on the Preferred Scenario and its associated planning controls.

The Study recognises that development feasibility in the Study Area will vary. Lot and ownership patterns as well as the nature of existing uses and buildings collectively influence the cost of site consolidation and the likelihood of development as a realistic and feasible proposition. These accordingly influence the feasibility of the alternate planning controls for development.

To fulfill the requirements of the brief, the Study carries out the following tasks:

- Market appraisal, including an analysis of market activity and prices paid for existing uses/ buildings and development sites.
- Feasibility testing of a sample of sites in the Precincts to investigate if development is feasible, and where feasible, the capacity to contribute to affordable housing.
- Aggregation of observations for the purposes of making recommendations on policy settings and implementation.

Atlas worked with GLN Planning (**GLN**) who provided with policy drafting advice to assist with the Study's recommendations.

1.3 Assumptions and Limitations

The Study carries out a generic feasibility assessment which makes a number of assumptions to enable observations to be made at an aggregate level across the Study Area. The following limitations are highlighted:

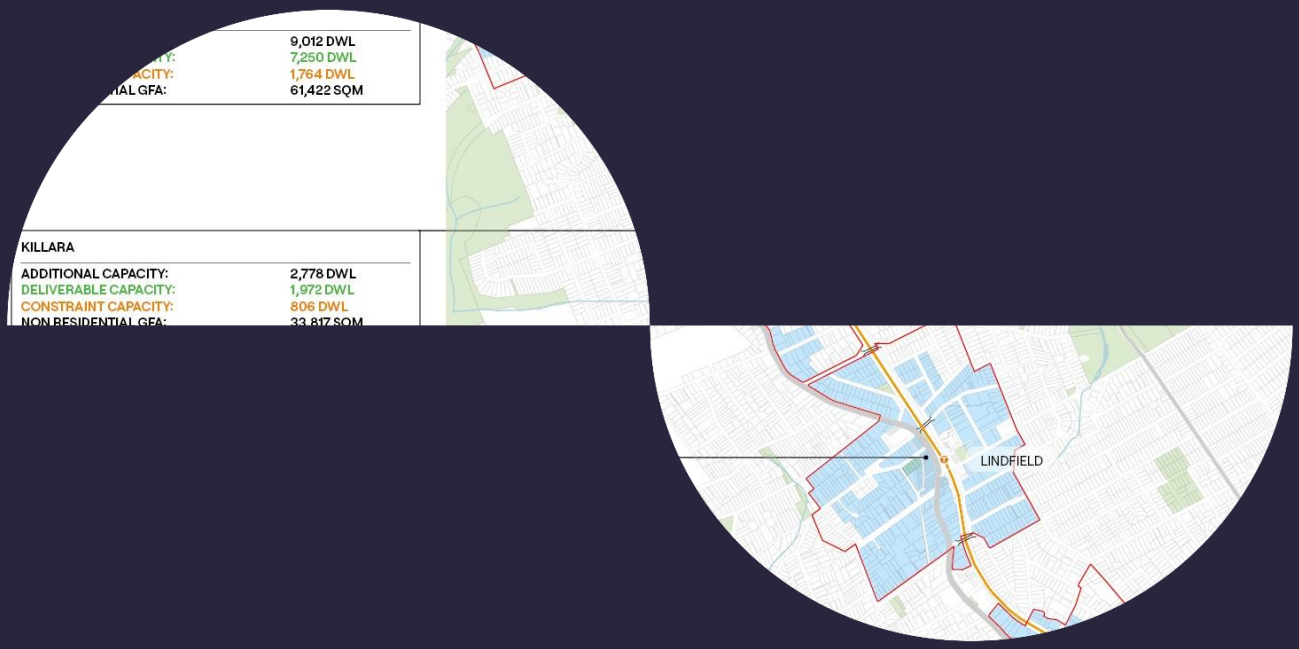
- It is not practically viable to examine the feasibility of every site across the Study Area. Sample sites are selected and notional development typologies are assumed (based on the urban design work by SJB) for generic feasibility testing.
- Generic feasibility testing is based on high-level revenue and cost assumptions and does not consider site-specific nuances typically considered in detailed feasibility analysis. If there are site-specific factors (e.g. geotechnical/ topography constraints) that affect the cost of development, the analysis could require revision.
- A desktop appraisal of 'as is' or existing property values is carried out without the benefit of site inspections or property-specific financial information (e.g. rental income, investment returns, lease break clauses). The estimate of existing property values is made in the absence of site-specific information and is accordingly high-level and indicative only.

The observations of the generic feasibility testing are aggregated to consider location-specific factors that influence the capacity of development in the Study Area to contribute to affordable housing.

Notwithstanding the assumptions made and limitations of generic feasibility testing, the Study aims to provide guidance at a strategic level on the relative appropriateness of affordable housing contribution requirements across the Study Area.

2

Preferred Scenario



Beyond the
horizon thinking.

The Urban Design technical study (SJB) is underpinned by principles identified by Council, including a desire to focus increasing density on well-located sites to ensure that development occurs in appropriate locations while preserving valued areas.

FIGURE 2-1 contains a comparison of TOD area boundaries, with **FIGURE 2-2** showing the areas of change in the Preferred Scenario.

FIGURE 2-1: TOD Baseline Scenario Boundary v Preferred Scenario Boundary

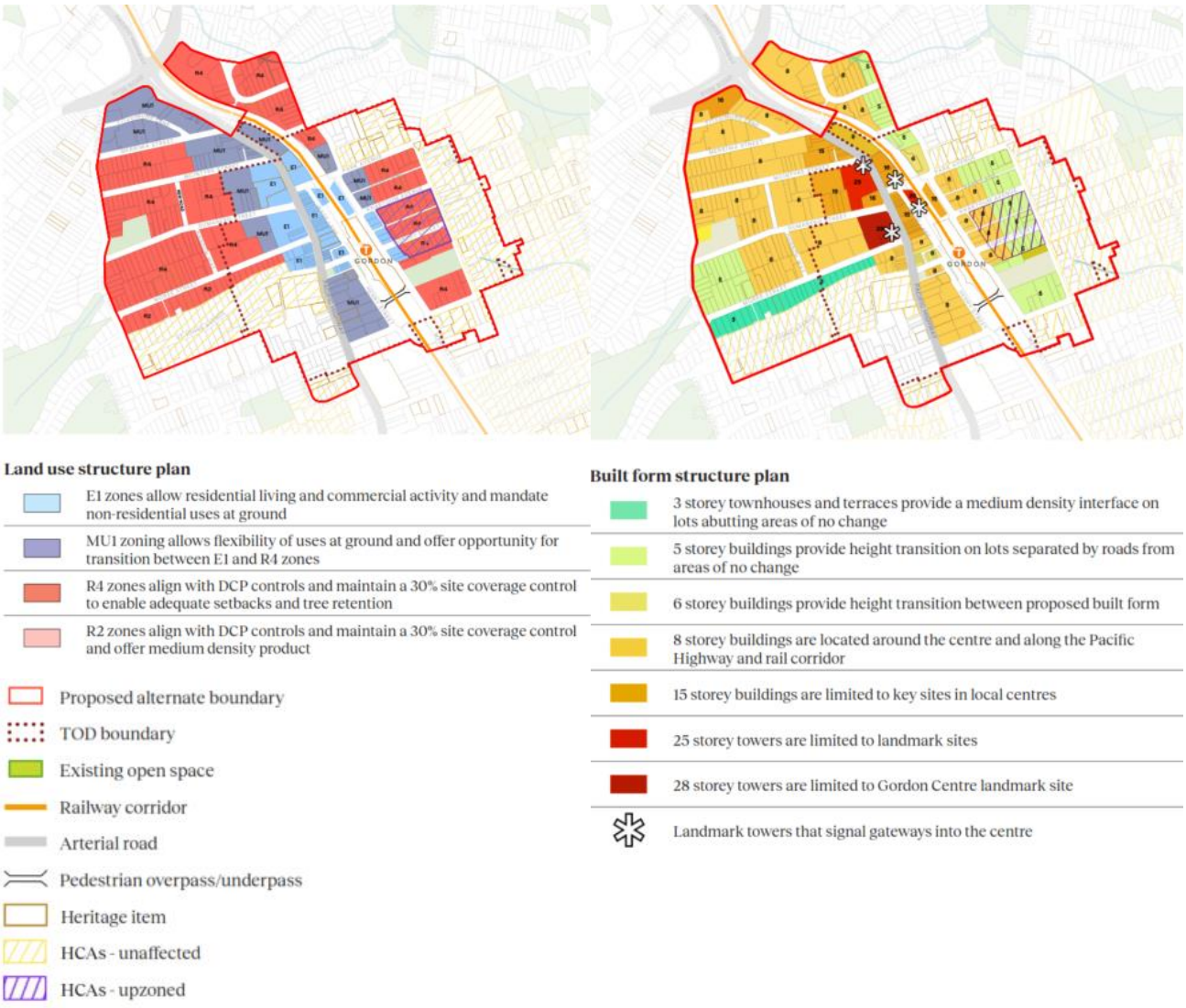
FIGURE 2-2: Study Area Areas of Change

2.1 Gordon

In the Gordon Precinct, the alternate TOD boundary extends further west, with large areas of R2 land to the west proposed for R4.

FIGURE 2-3 extracts the structure plans from the Urban Design study and **TABLE 2-1** summarises key planning amendments.

FIGURE 2-3: Land Use and Built Form Structure Plan, Gordon Precinct



Source: SJB Urban

TABLE 2-1: Key Existing and Proposed Planning Controls, Gordon Precinct

AREA	CURRENT ZONE	PROPOSED ZONE	CURRENT FSR (N=1)	PROPOSED FSR (N=1)	PROPOSED STOREYS
WEST OF PACIFIC HIGHWAY					
SOUTHERN SIDE OF MOREE ST	R2	R2	0.3	0.85	3
MERRIWA, MCINTYRE, DUMARESQ, MOREE ST	R2	R4	0.3	1.3, 1.8	5, 8
MERRIWA, MCINTYRE, DUMARESQ, MOREE ST	R3	R4	0.8	1.8	6
MERRIWA, MCINTYRE, DUMARESQ, MOREE ST	R4	R4	0.8, 1.8	3.0	15
MERRIWA, MCINTYRE, DUMARESQ, MOREE ST	R4	MU1	1.3, 1.8	3.0, 5.0	8, 15
NORTHERN SITE OF MERRIWA ST	MU1	MU1	2.0, 2.3, 2.5	3.0, 6.0	8, 16
PACIFIC HIGHWAY	E1	E1	2.5, 2.8, 3.0, 3.5	3.0, 5.0, 6.0	8, 15, 25

AREA	CURRENT ZONE	PROPOSED ZONE	CURRENT FSR (N=1)	PROPOSED FSR (N=1)	PROPOSED STOREYS
EAST OF PACIFIC HIGHWAY					
CARLOTTA, MT WILLIAM, BURGOYNE, PARK	R2	R4	0.3	1.3, 1.8	5, 8
PARK, KHARTOUM AVE	R2	MU1	0.3	2.0	8
WERONA AVE	R2	E1	0.3	3.0	8
BETW PACIFIC HIGHWAY AND TRAIN LINE	R4	MU1	0.85, 1.3	2.0, 3.0	8, 16
WERONA AVE	R4	E1	0.85, 1.3	3.0	8
CARLOTTA AVE	R4	R4	1.3	1.8	8
AROUND TRAIN STATION	E1	E1	2.0, 3.0	2.0, 3.0, 5.0	15, 16, 25

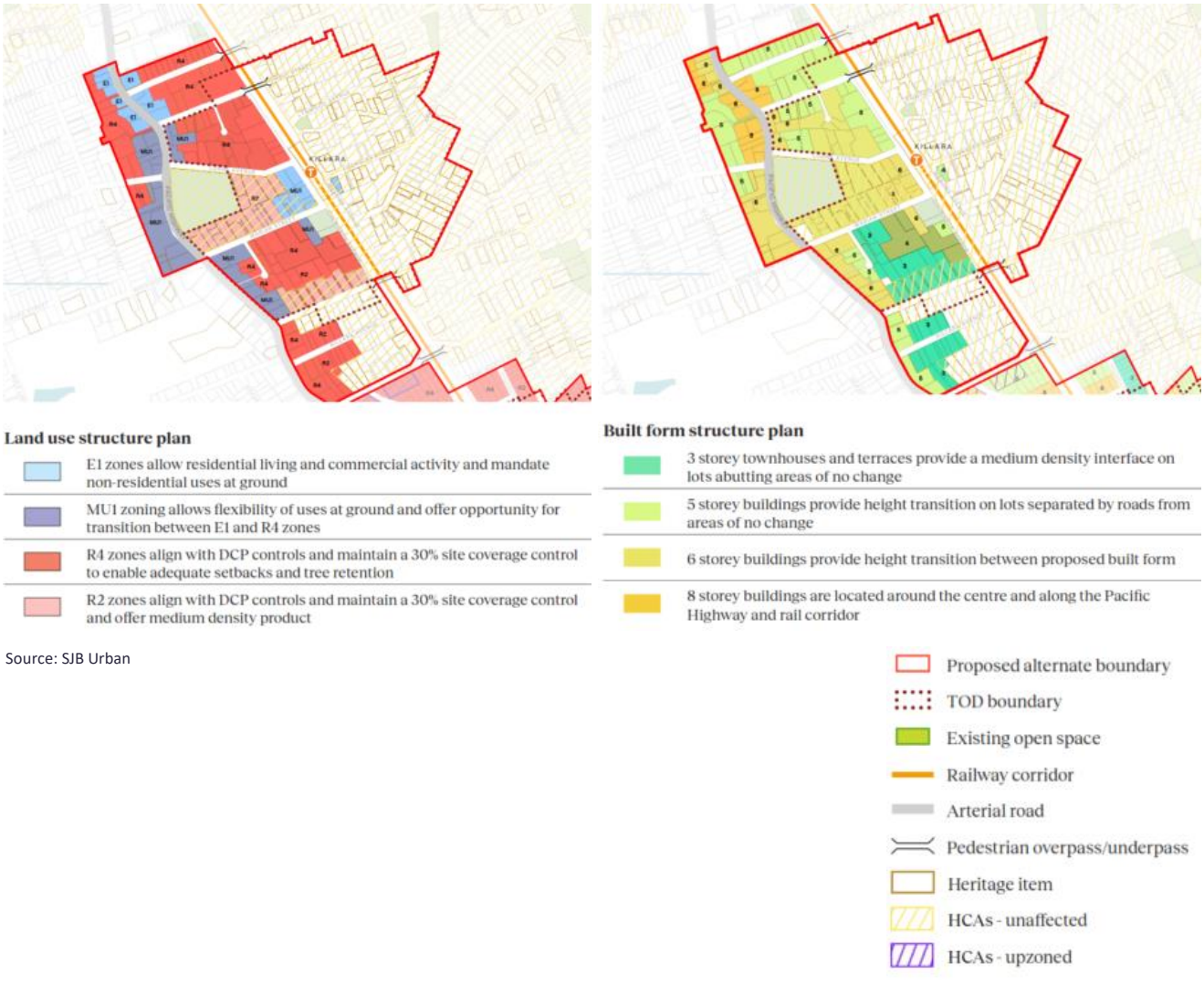
Source: Atlas

2.2 Killara

In the Killara Precinct, increased development capacity is focused on the western side of the train line, with targeted increase to densities on either side of the Pacific Highway.

FIGURE 2-4 extracts the structure plans from the Urban Design study and **TABLE 2-2** summarises key planning amendments.

FIGURE 2-4: Land Use and Built Form Structure Plan, Killara Precinct



Source: SJB Urban

TABLE 2-2: Key Existing and Proposed Planning Controls, Killara Precinct

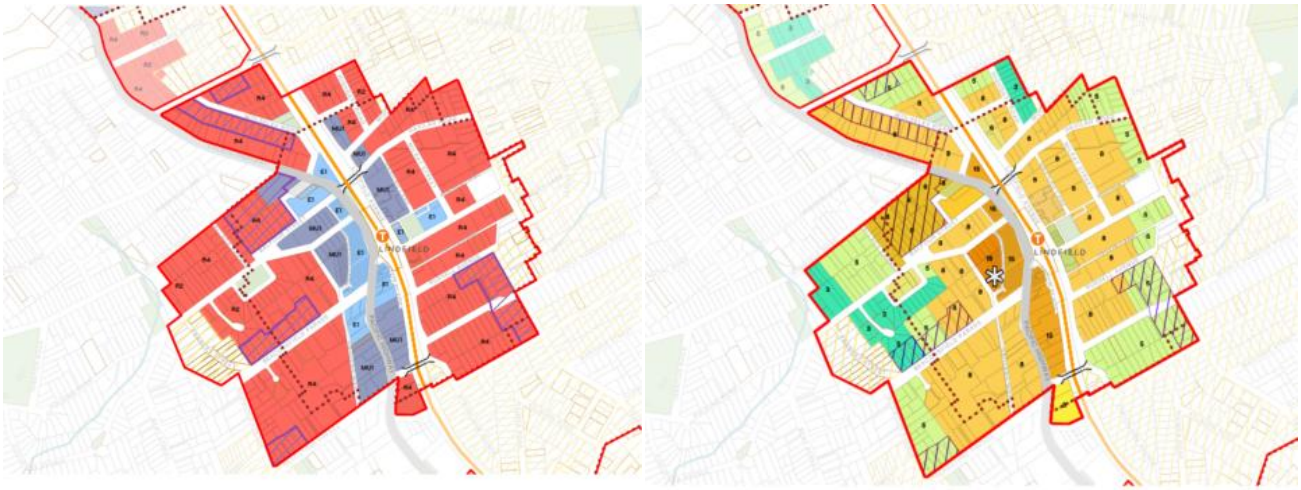
AREA	CURRENT ZONE	PROPOSED ZONE	CURRENT FSR (N=1)	PROPOSED FSR (N=1)	PROPOSED STOREYS
WEST OF PACIFIC HIGHWAY					
SPENCER ST	R2	R4	0.3	1.3	5
ESSEX, SPENCER ST	R4	R4	0.85	1.3	5
PACIFIC HIGHWAY	R4	MU1	0.85	2.0, 3.0	6, 8
PACIFIC HIGHWAY	R4	E1	0.85	2.5, 3.0	6, 8
EAST OF PACIFIC HIGHWAY					
MARIAN, POWELL, GREENGATE	R2	R4	0.3	1.3	5
CULWORTH	R3	R4	0.8	1.3	5
MARIAN, STANHOPE	R4	R4	0.85, 1.3	1.3, no change	4, 5
PACIFIC HIGHWAY	R4	MU1	0.85, 1.0, 1.3	2.0, 2.5	5, 6
PACIFIC HIGHWAY	R4	E1	0.85	3.0	6

Source: Atlas

2.3 Lindfield

In the Lindfield Precinct, increased capacity is on either side of the train line, with targeted increases to density along Pacific Highway.

FIGURE 2-5: Land Use and Built Form Structure Plan, Lindfield Precinct



Land use structure plan

- E1 zones allow residential living and commercial activity and mandate non-residential uses at ground
- MU1 zoning allows flexibility of uses at ground and offer opportunity for transition between E1 and R4 zones
- R4 zones align with DCP controls and maintain a 30% site coverage control to enable adequate setbacks and tree retention
- R2 zones align with DCP controls and maintain a 30% site coverage control and offer medium density product

Built form structure plan

- 3 storey townhouses and terraces provide a medium density interface on lots abutting areas of no change
- 5 storey buildings provide height transition on lots separated by roads from areas of no change
- 6 storey buildings provide height transition between proposed built form
- 8 storey buildings are located around the centre and along the Pacific Highway and rail corridor
- 15 storey buildings are limited to key sites in local centres
- 18 storey buildings envisioned for the Lindfield Village Hub

Source: SJB Urban

- Proposed alternate boundary
- TOD boundary
- Existing open space
- Railway corridor
- Arterial road
- Pedestrian overpass/underpass
- Heritage item
- HCAs - unaffected
- HCAs - upzoned

FIGURE 2-5 extracts the structure plans from the Urban Design study and **TABLE 2-3** summarises key planning amendments.

TABLE 2-3: Key Existing and Proposed Planning Controls, Lindfield Precinct

AREA	CURRENT ZONE	PROPOSED ZONE	CURRENT FSR (N=1)	PROPOSED FSR (N=1)	PROPOSED STOREYS
WEST OF PACIFIC HIGHWAY					
HIGHFIELD, POLDING, BEACONSFIELD	R2	R2	0.3	0.85	3
HIGHFIELD, POLDING, BEACONSFIELD, GLADSTONE	R2	R4	0.3	1.3, 1.8	5, 8
PACIFIC HIGHWAY	R2	MU1	0.3	3.0	8
BEACONSFIELD, GLADSTONE	R3	R4	0.8	1.8	5
BALFOUR, BEACONSFIELD, GLADSTONE	R4	R4	1.3	1.8	5
GLADSTONE	R4	MU1	0.85	3.0	8
PACIFIC HIGHWAY	E1	E1	2.5	2.5	8
EAST OF PACIFIC HIGHWAY					
KILLARA AVE	R2	R2	0.3	0.85	3
TREATTS, WOLSELEY RD	R2	R4	0.3	1.3, 1.8	5, 8
WOODSIDE, HAVILAH	R2	MU1	0.3	2.5	6
WOLSELEY	R3	R4	0.8, 0.85	1.8	8
PACIFIC HIGHWAY, HAVILAH, MURRAY, TRYON	R4	R4	0.5, 0.85, 1.3	1.3, 1.8	5, 8
WOODSIDE, HAVILAH, LINDFIELD	R4	MU1	0.85, 1.3, 1.6, 2.0	3.0, 5.0	8, 15
PACIFIC HIGHWAY	E1	E1	2.0, 2.5, 3.0	2.0, 3.0, 5.0	8, 15

Source: Atlas

2.4 Roseville

In the Roseville Precinct, increased development capacity is focused on the western side of the train line, with targeted increase to densities on either side of the Pacific Highway.

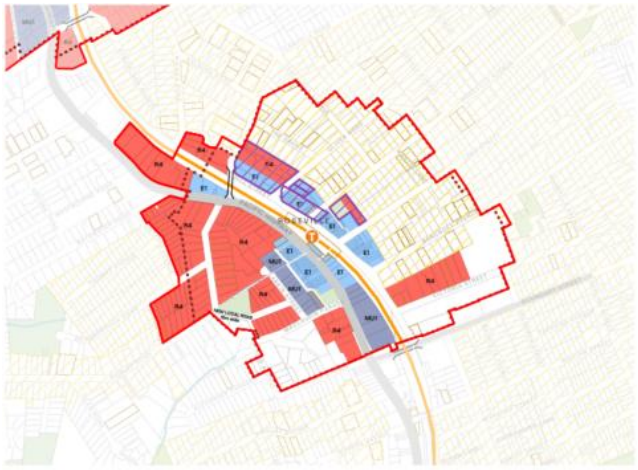
TABLE 2-4 summarises key planning amendments and **FIGURE 2-6** extracts the structure plans from the Urban Design study.

TABLE 2-4: Key Existing and Proposed Planning Controls, Roseville Precinct

AREA	CURRENT ZONE	PROPOSED ZONE	CURRENT FSR (N=1)	PROPOSED FSR (N=1)	PROPOSED STOREYS
WEST OF PACIFIC HIGHWAY					
BAYSWATER, SHIRLEY, MACLAURIN	R2	R4	0.3	1.3, 1.8	5, 8
MACLAURIN, CORONA	R4	R4	0.5, 0.85, 1.3	1.3, 1.8	5, 8
LARKIN	R4	MU1	0.5	3.0	8
PACIFIC HIGHWAY	E1	E1	1.0, 2.0, 3.0	3.0	8
EAST OF PACIFIC HIGHWAY					
VICTORIA, OLIVER, RAWHITI	R2	R4	0.3	0.85, 1.3	3, 5
VICTORIA, BOUNDARY	R4	R4	0.85, 1.3	1.3, 1.8	5, 8
PACIFIC HIGHWAY	R4	MU1	0.85	3.0	8
CLANVILLE, OLIVER, ROSEVILLE	R4	E1	0.85	2.5, 3.0	6, 8
PACIFIC HIGHWAY	E1	E1	1.0, 2.0	2.5, 3.0	6, 8

Source: Atlas

FIGURE 2-6: Land Use and Built Form Structure Plan, Roseville Precinct



Land use structure plan

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- MU1 zoning allows flexibility of uses at ground and offer opportunity for transition between E1 and R4 zones
- R4 zones align with DCP controls and maintain a 30% site coverage control to enable adequate setbacks and tree retention
- R2 zones align with DCP controls and maintain a 30% site coverage control and offer medium density product

Built form structure plan

- 3 storey townhouses and terraces provide a medium density interface on lots abutting areas of no change
- 5 storey buildings provide height transition on lots separated by roads from areas of no change
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- 8 storey buildings are located around the centre and along the Pacific Highway and rail corridor

- Proposed alternate boundary
- TOD boundary
- Existing open space
- Railway corridor
- Arterial road
- Pedestrian overpass/underpass
- Heritage item
- HCAs - unaffected
- HCAs - upzoned

Source: SJB Urban

2.5 Summary of Proposed Planning Controls

The Preferred Scenario will require amendments to the Ku-ring-gai Local Environmental Plan 2015 (**the LEP**). These include land use zones, building height and floorspace ratio (**FSR**). Additionally, the following provisions would be introduced in the LEP:

- **Minimum lot size and frontage for residential flat buildings**

  New minimum lot size of 1,500sqm and street frontages of 24m for residential flat buildings in the R4 zone.

- **Active frontages within the MU1 Mixed Use and E1 Local Centre zones**

  Clarification that active frontages are only required along primary frontages (as indicated by the active frontages map).

  Ground floor uses would be required as of course in E1 zones, whereas land in the MU1 land would be required to accommodate active uses along an identified active frontage.

The Study assumes that mixed use developments in the E1 zone would generally provide for FSR 0.8:1 non-residential floorspace, while mixed use developments in the MU1 zone (along an active frontage) would provide for FSR 0.5:1 non-residential floorspace.

The LEP amendments would require supporting amendments to the Ku-ring-gai Development Control Plan 2015 (**the DCP**). Precinct-specific provisions that apply to the Study Area would require updating with new provisions introduced for the Killara centre.

The next chapter investigates the feasibility of development under the Preferred Scenario and the capacity of development to contribute to affordable housing.

3
Feasibility Analysis

Beyond the
horizon thinking.

3.1 Market Appraisal

This chapter undertakes a feasibility analysis to examine if the Preferred Scenario could result in feasible development, and if so, the affordable housing contributions that could be made. The feasibility analysis relies on an analysis of property market activity.

3.1.1 Analysis of Market Activity

This section provides a brief overview of market dynamics, including local market activity, development activity and the key implications for planning controls in the Study Area.

Limited sales activity has been observed across the Study Area in the past 24 months, particularly for large development sites. Most recent transactions have been for existing uses - smaller commercial low-rise buildings and single dwellings.

Understanding property values across the Study Area is relevant because they underpin the cost of land (i.e. what a development site could cost) and influence the type of development activity that will likely be undertaken.

LOT PATTERNS AND EXISTING-USE VALUES

The value of land in the Study Area is influenced by a myriad factors. Principally, the value of land is different depending on whether it is residential or commercial. In the Study Area, land is subject to various land use zones - R2 Low Density Residential, R3 Medium Density Residential, R4 High Density Residential and E1 Local Centre. This land could be improved with single dwellings or apartments, retail strip or commercial buildings, civic or community facilities.

In the R3 and R4 zones, a large proportion of land is improved by apartments and/ or medium density, with a small number of single dwellings in these zones. Residential unit blocks could be held under strata title and in single ownership under Torrens title. There are some residential unit blocks that are aged and approaching the end of their economic useful life.

TABLE 3-1 shows the median lot size of single dwellings in the Study Area (extracted from GIS information provided by Council).

TABLE 3-1: Residential Single Dwelling Lot Patterns, Study Area

PRECINCT	LOT SIZE QUARTILES (SQM)		
	Quartile 1	Median	Quartile 3
GORDON	708	892	1,194
KILLARA	919	1,132	1,437
LINDFIELD	731	965	1,235
ROSEVILLE	842	982	1,214

Source: Council

Focusing then primarily on single dwellings in the residential zones, the factors that influence the value of single dwellings include location, block size, quality and size of the improvements (i.e. number of bedrooms, bathrooms, tennis courts, etc.).

The values of existing single dwellings vary in the Study Area and can range from $3 million to upwards of $6 million. When analysed on a dollar rate per square metre of overall improved site area, the sale prices generally reflect a range as summarised in **TABLE 3-2**.

TABLE 3-2: Single Dwellings Existing-use Values, Study Area

PRECINCT	AVERAGE SALE PRICE		ANALYSIS ($/SQM IMPROVED SITE AREA)	
	Large Block (1200sqm)	Small Block (800sqm)	Large Block	Small Block
GORDON	$5,100,000	$3,900,000	$4,400	$5,400
KILLARA	$5,400,000	$4,000,000	$4,500	$5,000
LINDFIELD	$5,500,000	$4,000,000	$4,600	$5,000
ROSEVILLE	$5,500,000	$4,200,000	$4,600	$5,300

Source: Atlas

The analysis of sale prices against lot sizes is relevant to the feasibility analysis as there is an inverse relationship between the value of land (with a single dwelling) and block size. That is, the larger the block, generally the lower the property value (per square metre of site area). Furthermore, the larger the block, the lower the need for site consolidation of multiple allotments. This has direct implications for the cost of land to a developer.

If a large single dwelling block was able to be secured, no amalgamation may be necessary. If smaller blocks were secured, there could be a minimum of two or three lots required for development site of workable scale. It could conceivably cost upwards of $4,500/sqm of overall improved site area to secure a single dwelling, before any premium incentive/ inducement to the landowner.

The Study Area comprises a diverse range of commercial land uses. Along the Pacific Highway there are fine grain, retail strip properties, low-rise commercial buildings as well as large format showrooms and service commercial premises. There are additionally residential unit blocks and other residential uses that front the Pacific Highway.

The values of existing commercial properties vary according to the quantum of lettable floorspace and the level of functional utility - which is a function of exposure, visibility and quality of accommodation. When analysed on an equivalent dollar rate per square metre of improved site area, the sale prices reflect a wide range, as summarised in **TABLE 3-3**.

TABLE 3-3: Commercial Existing-use Values, Study Area

PRECINCT	ANALYSED SALE PRICES ($/SQM IMPROVED SITE AREA)	
	Large Block (>400sqm)	Small Block (100-300sqm)
GORDON	$9,000	$17,000-$20,000
LINDFIELD	$9,000	$13,000
ROSEVILLE		$10,000-$10,500

Source: Atlas

There is evidently an inverse relationship between lot size and the intensity of development on the land. Generally, small lots are more intensively developed and therefore more valuable on a rate per square metre of site area. This can be observed from the sales activity of commercial uses. Fine grain, small lots (<200sqm) disclose sale prices approaching $20,000/sqm of overall improved site area, whereas larger lots (>400sqm) can indicate sale prices of ~$10,000/sqm of overall improved site area.

If large commercial lots were secured, existing-use values could range from $10,000/sqm to $15,000/sqm of overall improved site area. This is lower than smaller commercial lots, wherein existing-use values could range from $15,000/sqm to $20,000/sqm of overall improved site area. These rates would be before any premium incentive/ inducement to the landowner is included.

All things being equal, commercial properties are observed to be more valuable in Gordon compared to the other precincts, which is unsurprising given the principal centre role it plays within the LGA.

While not shown above, there are additionally residential strata and commercial strata complexes within the Study Area. Depending on the number of strata units within a complex, on a rate per square metres of improved site area, the existing-use value could be up to 50%-100% higher than properties held under Torrens title. This has direct implications on the cost of land to a developer and the density required for feasible development.

For the analysis recent sales activity by land use and precinct location refer to Schedule 1.

3.1.2 Analysis of Development Site Sales

There has been a dearth of development site sales in the Study Area over the last 12-18 months. The paucity in development site sales activity can be attributed to many factors, including:

- **Uncertainty** following Council's commencement of court proceedings against implementation of the Baseline Scenario. Informal discussions with selling agents indicate that should the Baseline TOD controls be a given, development interest would be notable.
- **Headwinds in the development market** following the rapid increase in construction cost prices, labour and supply chain disruptions and the softening of expected apartment sale prices amid increases to the cash rate and interest rates.

At the end of 2024, there were over 30 development sites in various areas of the LGA for sale. Many of these were located in Gordon, Lindfield and Roseville (~10 sites or more each). There were fewer sites in Killara for sale.

The development sites that were marketed included amalgamations of up to 6 lots, with a range of land parcels being offered (560sqm to 8,500sqm). Existing improvements were predominantly single dwellings (in the R2 zone), with a few sites improved with higher value commercial buildings (MU1/ E1 zone) or older, strata residential unit blocks (R4 zone).

A few sites are understood to have recently sold, however have yet to reach settlement, hence sale details remain confidential. Indicative asking prices were in the order of $5,000/sqm GFA. Notably, this reflects the upper range of historical residential development site values in the locality ($4,000/sqm to $5,000/sqm GFA).

The site value range of $4,000/sqm to $5,000/sqm GFA represents residential development potential. Sites with a non-residential floorspace component disclose lower rates, ranging from $2,500/sqm to $3,500/sqm GFA depending on the proportion of residential floorspace available. Many of the historical sales do not reflect an Affordable Housing contributions requirement.

3.2 Influencing Factors of Development Feasibility

In existing urban areas, a variety of factors affects the feasibility of development. Arguably, the largest challenge in existing urban areas is the high cost of land. The following are a selection of factors that affect the feasibility of development in the Study Area.

LAND VALUES AND SITE CONSOLIDATION

To economically acquire and develop land, the value of a site as a development prospect must exceed its value in existing use. Development will only occur if a proposed use is valuable enough to displace its existing uses. For instance, while many existing buildings may be aged, they may still be providing a good level of functional utility and be relatively valuable. This is evident of many of the commercial buildings in the Study Area. Furthermore, where there are long-term tenants and long leases, vacant possession of development may be costly and not be immediately forthcoming.

Consequently, the acquisition of land for development can be a high-risk and high-resource activity, particularly where numerous sites have to be amalgamated prior to development. Where multiple properties are required, the payment of incentives over and above market value is often required to incentivise landowners to sell their properties.

Particularly relevant to the Study Area is the high cost of land especially when amalgamation premiums are required.

COST OF CONSTRUCTION

The cost of construction increases as buildings become taller due to additional engineering and building and fire compliance requirements (e.g. service shafts, fire escapes, etc). The cost to construct buildings up to 3 storeys, 8 storeys, 10-20 storeys and 20-40 storeys is different for these reasons. The taller buildings are, the greater the requirement for vertical transportation, fire safety and evacuation and basement parking.

The construction of basements is expensive and depending on geotechnical ground conditions, the construction cost can begin from $60,000 to $70,000 per space.

The cost of construction has been under significant upward pressure in the last 36 months. Some industry commentators expect cost rate escalations to return to trend from 2025. This does not mean construction cost prices will return to their previous levels, merely that annual cost rises will be circa 3%-4%, down from their rises in excess of 10% per annum.

LAND USE CONTROLS

The alternate TOD planning controls envisage that ground floor (and potentially first floor) non-residential uses would be required in the E1 Local Centre zone. In contrast, in the MU1 Mixed Use zone, non-residential uses would only be required along streets identified in the 'active frontages' map. Accordingly, if there is no active frontage identified along a site's boundary, development of a residential flat building would be permitted. This has direct implications for the financial feasibility of development given that residential floorspace is generally more valuable than non-residential floorspace.

OBSERVATIONS IN THE STUDY AREA

The Study finds that a number of headwinds makes it challenging for development in existing urban areas to be feasible generally. This is as a result of the cumulative influence of high existing-use values (and therefore the cost to consolidate a development site), elevated construction costs and relatively soft end sale values of completed apartments.

Notwithstanding the challenges of feasibility, the Study Area is in part well positioned to accommodate feasible development to higher densities. This is attributed to:

- Relatively large residential allotment sizes, with the median size of single dwelling lots between 900sqm and 1,100sqm. All things being equal, the larger the block, the lower the property value (per square metre of site area). Larger blocks additionally reduce the need for amalgamation of multiple allotments. This has direct implications for the cost of land to a developer.
- Robust market demand for higher density living. The desirability of the Study Area carries with it a willingness by the market to pay an economic price[1] for completed residential product.

In and around the station precincts and along the Pacific Highway, land use patterns are more intensive - including fine grain commercial and retail properties, residential unit blocks (held under strata title or Torrens title) and strata commercial properties. The cost of land associated with purchasing these sites would accordingly be higher. Consequently, higher densities are required to 'displace' the existing uses.

[1] Economic price refers to the price needed to cover the cost of production (cost of land and cost development) and a commercial return

3.3 Feasibility Testing

METHODOLOGY

The financial feasibility analysis relies on the Residual Land Value approach. The approach involves assessing the value of the completed product, making a deduction for development costs and making a further deduction for profit and risk while ensuring the development achieves a target profit margin and target return (or the 'target hurdle rates').

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. The residual land value (**RLV**) is therefore the maximum price a developer would be prepared to pay for a site for the opportunity to develop under the alternate planning controls whilst achieving target hurdle rates.

For there to be an incentive to develop, the RLV must exceed the cost of land. The cost of land includes: a site's existing value which is influenced by its improvements and ownership patterns, and the costs that may be necessary to secure vacant possession (e.g. incentive premium/s to landowner, lease break payments).

Accordingly, the value of existing uses, premium and any other costs that a developer may need to be pay to consolidate a development site, are fundamental to the feasibility equation of new development.

SELECTION OF SITES FOR TESTING

The Study reviews the nature of proposed planning change in the Study Area and the patterns of existing uses, and identifies a selection of sites in each precinct for generic feasibility testing. The sites selected are intended to be representative of sites that would be subject to the alternate planning controls in the Preferred Scenario.

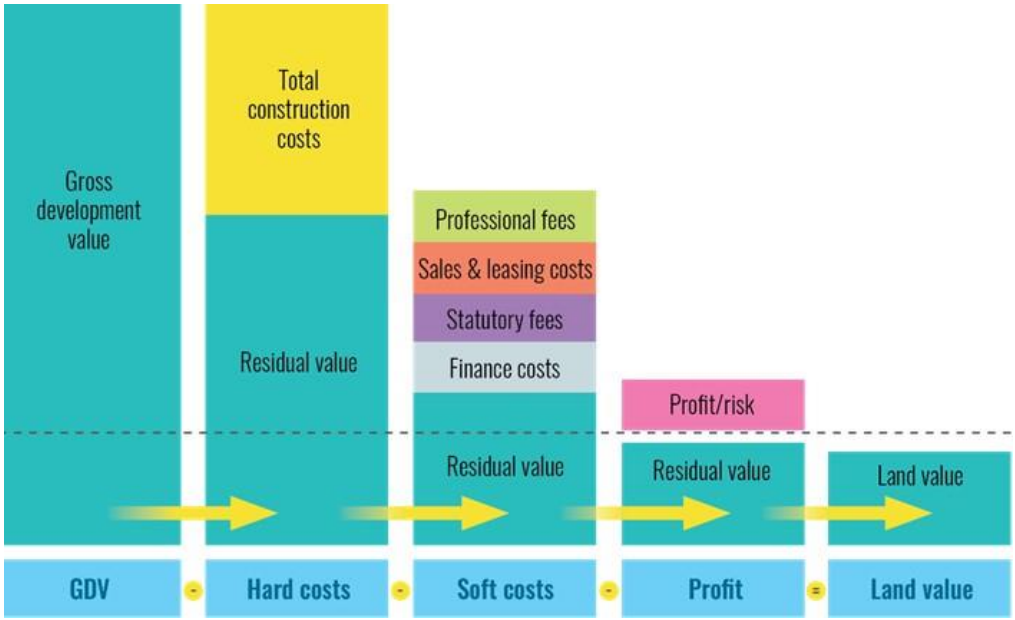
Notional development yields are formulated for the selected sites. The cost to purchase individual properties (including an incentive premium) within a development site is estimated from property market research into sales activity.

There are three key steps in the generic feasibility analysis:

- **Step 1**: Assess the 'as is' value of a selected site under the current planning framework (i.e. existing use value) including an incentive premium a developer would likely need to pay in addition to secure the site. This is the assumed cost of land.
- **Step 2**: Carry out feasibility modelling to identify the RLV of the assumed development site. If the RLV is higher than the assumed cost of land (assessed in Step 1), the alternate controls are feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for a change in use and the site will remain 'as is'. The step is referred to as the 'baseline feasibility'.
- **Step 3**: If feasible, iteratively test for affordable housing contributions that could be made. Affordable housing contributions can be made as a completed dwelling/s (effectively representing sales revenue that is forgone) or as an equivalent monetary contribution. For the purposes of the feasibility modelling, the contributions are assumed in the form of sales revenue foregone.

FIGURE 3-1 illustrates the concept of the Residual Land Value (also known as the Hypothetical Development) approach.

FIGURE 3-1: The Residual Land Value Method



Source: Atlas

3.3.1 Gordon

The Preferred Scenario envisages the most planning change in the Gordon precinct. The key changes to planning controls were outlined in **TABLE 2-1** and are broadly as follows:

- Rezoning of low density residential to permit FSR 0.85:1 (3 storey medium density, e.g. terraces, townhouses).
- Rezoning of low/ medium density residential to permit residential flat buildings at:
  - FSR 1.3:1 (5 storeys)
  - FSR 1.8:1 (8 storeys)
  - FSR 3.0:1 (15 storeys)
- Rezoning of existing high density residential to permit residential flat buildings at higher densities:
  - FSR 1.8:1 (8 storeys)
  - FSR 3.0 (15 storeys)
- Rezoning of existing residential to MU1 Mixed Use at higher densities of up to FSR 5.0:1 (up to 15 storeys).
- Rezoning of existing E1 Local Centre from up to FSR 3.5:1 to densities of up to FSR 6.5:1 (up to 28 storeys).
- Rezoning of existing MU1 Mixed Use from up to FSR 2.5:1 to densities of up to FSR 6.0:1 (up to 25 storeys).

Active frontages are identified along the frontages of E1 zoned land, therefore active, non-residential floorspace is required along the same. In the MU1 zone, active frontages are identified along Park and Werona Avenue (east of Pacific Highway) and at the corner of Pacific Highway and McIntyre Street. Residential flat buildings elsewhere in the MU1 zone would be permitted.

SCENARIOS AND SITES TESTED

A selection of sites in the Precinct is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing.

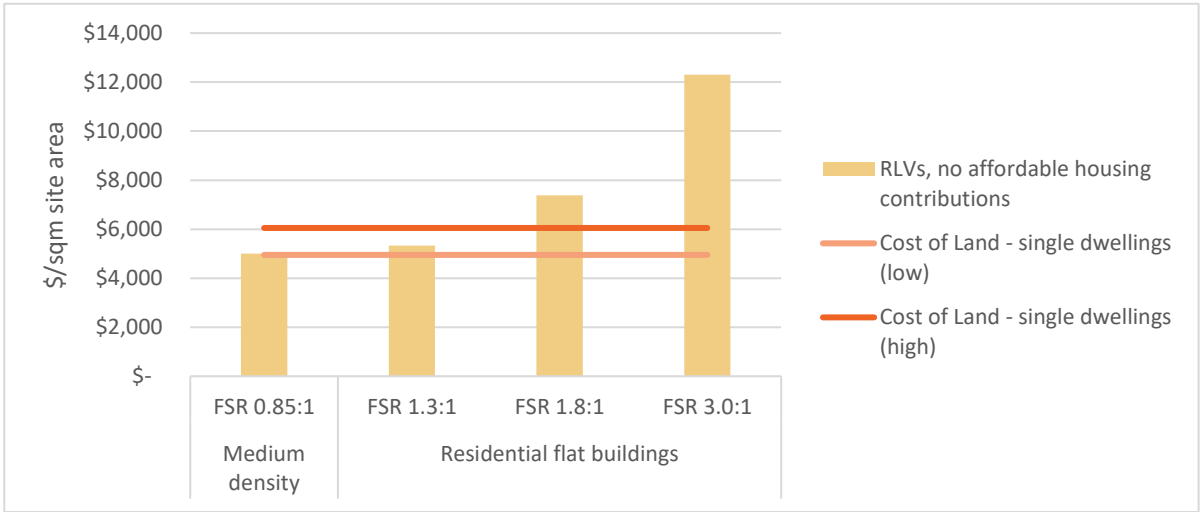
In a series of graphs, the baseline feasibility of development (with no affordable housing contributions) is indicated - through a comparison of the assumed cost of land for selected sites against the residual land value (**RLV**) of development (to the alternate planning controls). If the RLV is higher than the assumed cost of land, the alternate controls are feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for development and the site will remain 'as is'.

Where sites are indicated to be feasible to develop, the inclusion of affordable housing contributions is made to test the capacity of development to contribute, while remaining feasible.

MEDIUM AND HIGH DENSITY RESIDENTIAL

FIGURE 3-2 shows that at the assumed cost of land, residential flat buildings (to FSR 1.8:1 and FSR 3:1) are generally feasible to develop (i.e. the RLVs exceeding the cost of land and target hurdle rates are met). However, medium density and lower density apartments (FSR 0.85:1 and 1.3:1 respectively) are more marginal to develop - the RLVs modelled to be at or below the cost of land. If a site can be secured at the lower end of the assumed cost of land, these lower density developments could be feasible.

FIGURE 3-2: Feasibility of Residential Development (No Affordable Housing Contributions), Gordon Precinct



Source: Atlas

Given that lower density residential development is more 'marginal' and therefore only likely to occur at smaller scale, no affordable housing contributions are tested.

FIGURE 3-3 shows the implications for feasibility following the iterative testing of various affordable housing contribution rates in the case of residential flat buildings of FSR 1.8:1 and FSR 3:1.

FIGURE 3-3: Feasibility of Residential Development (with Affordable Housing Contributions), Gordon Precinct

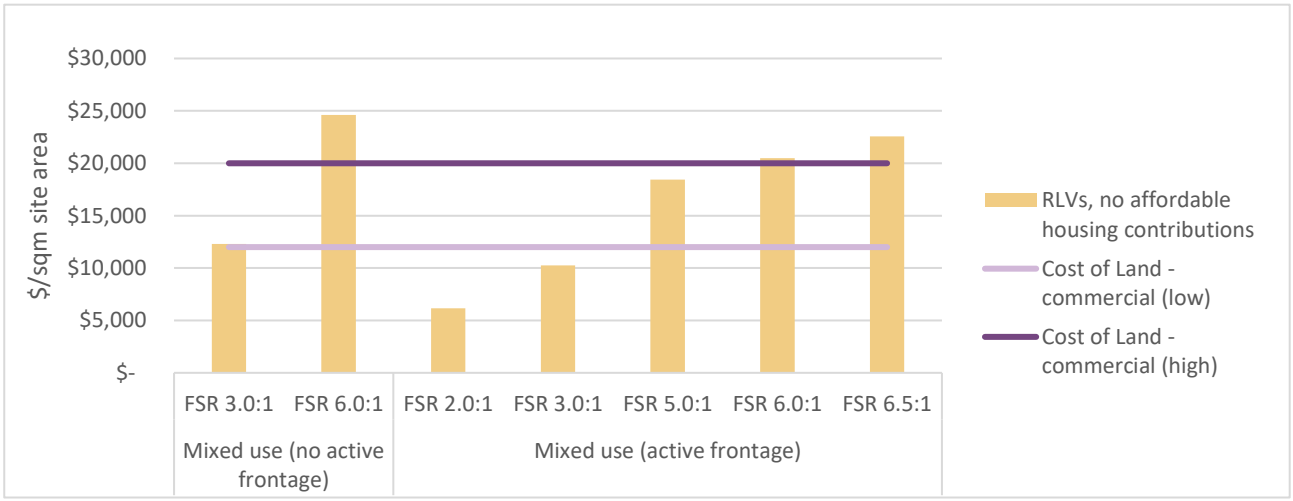
Source: Atlas

At the indicated affordable housing contribution rates, the RLVs exceed the cost of land and target hurdle rates are met. While a developer is able to pay a lower sum for a site (due to lower RLVs), the RLVs still exceed the assumed cost of land, therefore still resulting in an incentive to displace the existing single dwellings.

MIXED USE DEVELOPMENT

FIGURE 3-4 shows that the feasibility of mixed use development in the Precinct could vary significantly depending on the cost of land and the requirement for non-residential floorspace along identified active street frontages.

FIGURE 3-4: Feasibility of Mixed Use Development (No Affordable Housing Contributions), Gordon Precinct



Source: Atlas

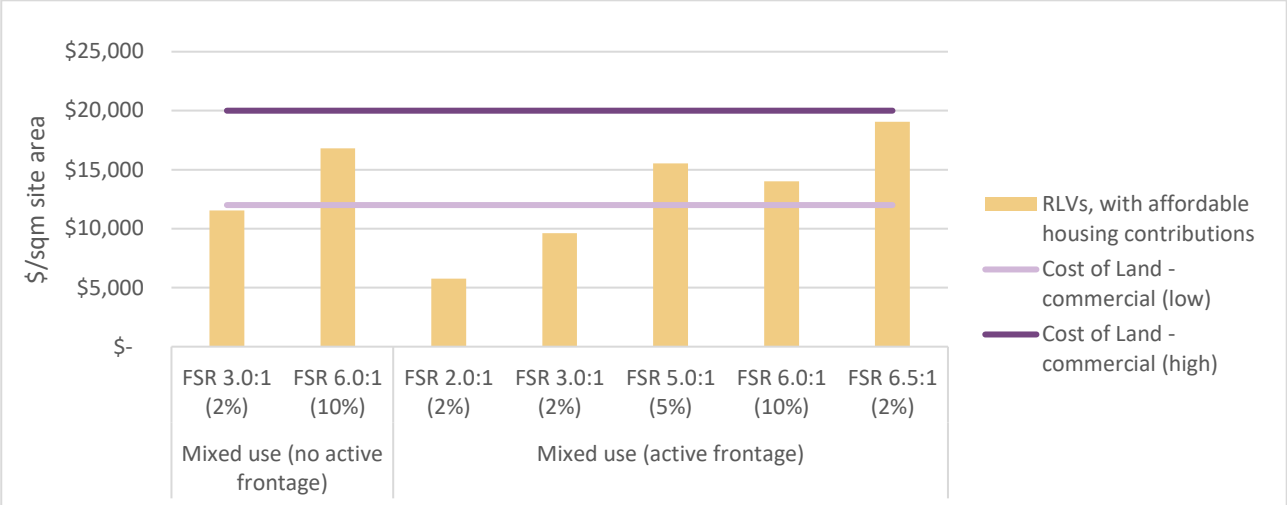
The cost of land is a function of its existing use (which could be retail strip, commercial or residential strata buildings). In the Precinct, the Preferred Scenario envisages E1 and MU1 zones that enable mixed use development from FSR 2:1 to 6.5:1. The planning controls however apply in a wide range of scenarios, where there is not necessarily a relationship between existing uses (and therefore the cost of land) and the proposed density of development (and therefore site value, or the price a developer could be prepared to pay).

In many instances the proposed planning controls density is insufficient to displace the existing uses, i.e. the RLVs do not exceed the assumed cost of land. In those circumstances, development will not be feasible and the sites will likely remain 'as is'.

If development is not feasible, there is no capacity for development to make affordable housing contributions. Notwithstanding and considering the NSW State Government's TOD policy approach of requiring an inclusionary zoning of 2% affordable housing, where sites are considered not feasible, a default affordable housing contribution rate of 2% is applied.

FIGURE 3-5 shows the implications for feasibility following the iterative testing of various affordable housing contribution rates.

FIGURE 3-5: Feasibility of Mixed Use Development (with Affordable Housing Contributions), Gordon Precinct



Source: Atlas

After inclusion of a default affordable housing contribution of 2%, development in parts of the Precinct remain either not feasible or marginally feasible. Elsewhere, where the existing uses (and therefore the cost of land) are more accommodative of development, those sites have greater tolerance for affordable housing contributions (at 3%, 5% and 10%).

OBSERVATIONS

The feasibility of development in the Precinct depends in the main, on the cost of land. That is, the sum a developer would have to pay to secure a site/ s for development. The cost of land is the composite of the value of the existing use/s, any incentive to induce sale and any cost to secure vacant possession (which could involve lease break payments, etc.).

A lower cost of land is generally associated with single dwellings on large lots. The highest cost of land is generally associated with buildings that use a site intensively (e.g. commercial building with multiple levels, multi-level residential unit block) and/ or where ownership is fragmented and multiple lots are required for consolidation into a development site.

In the town centre, lot patterns are fine grain and sites are intensively improved (between Pacific Highway and Wade Lane, and along Pacific Highway between Dumaresq Street and St Johns Avenue). The fine grain patterns require multiple lots consolidated at prices towards the upper end of the indicated cost of land range. While the FSR 5:1 proposed is 'high' compared to the existing FSRs of 2:1 to 3:1, development feasibility is challenging for these reasons. The 'default' affordable housing contribution rate of 2% is applied.

The Gordon Centre (802-808 Pacific Highway) is an enclosed neighbourhood centre anchored by Woolworths and Harvey Norman and is occupied by numerous specialty retail and non-retail tenants. The Gordon Village Arcade (767 Pacific Highway) is connected to the Gordon Centre by a pedestrian bridge over Pacific Highway. Feasible development of these neighbourhood centres will be underpinned by the cost of land which is comprised of the value of the existing uses/s and cost to secure vacant possession. A search of the titles indicates lease expiry dates mostly within four years (2025-2029) and a 10-year option of renewal to Woolworths.

Investment assets with demolition clauses within leases would have less cost associated with lease break payments; the landowner typically able to secure vacant possession by giving the specified/ required notice under the demolition clause. In the absence of demolition clauses, the cost to securing vacant possession for a development would be subject to negotiation and could be high particularly in circumstances where a tenant/s is trading well.

The alternate TOD planning controls would enable a mixed use development of FSR 6.5:1 on the Gordon Centre. A non-residential floorspace requirement of FSR 1:1 will apply, which would facilitate a renewed, contemporary neighbourhood retail offer with associated non-retail and commercial floorspace. The default affordable housing contribution rate of 2% is applied.

The feasibility modelling finds the following particular sites could have greater capacity to contribute to affordable housing.

- 15-21 McIntyre Street - five single dwelling lots. The alternate TOD planning controls envisage mixed use development at FSR 3:1. There is no 'active frontage' requirement, and accordingly an entirely residential development would be permitted. An affordable housing contribution of 10% is suggested, which enables an incentive to the landowners while ensuring development is feasible.
- 810 Pacific Highway - a site approved for mixed use development (FSR 3:1, to include an ALDI supermarket). The alternate TOD planning controls facilitate development at FSR 6:1. An affordable housing contribution of 10% is suggested.

The Study takes a nuanced approach to the feasibility of development in the Precinct. This acknowledges that land use and density controls (using FSR as a proxy) is not necessarily the only indicator of a development's capacity to contribute to affordable housing.

3.3.2 Killara

The Preferred Scenario envisages relatively modest planning change In the Killara precinct. The key changes to planning controls were outlined in **TABLE 2-2** and are broadly as follows:

- Rezoning of low density residential to permit FSR 0.85:1 (3 storey medium density, e.g. terraces, townhouses).
- Rezoning of low/ medium/ high density residential to permit residential flat buildings at FSR 1.3:1 (5 storeys).
- Rezoning of existing high density residential to MU1 Mixed Use at higher densities of up to FSR 3.0:1 (up to 8 storeys).
- Rezoning of existing high density residential to E1 Local Centre at higher densities of up to FSR 3.0:1 (8 storeys).

Active frontages are identified along the frontages of E1 zoned land, therefore active, non-residential floorspace is required along the same. Active frontages are not identified in the MU1 zone, therefore enabling residential flat buildings to be developed.

SCENARIOS AND SITES TESTED

A selection of sites in the Precinct is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing.

In a series of graphs, the baseline feasibility of development (with no affordable housing contributions) is indicated - through a comparison of the assumed cost of land for selected sites against the residual land value (**RLV**) of development (to the alternate planning controls). If the RLV is higher than the assumed cost of land, the alternate controls are feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for development and the site will remain 'as is'.

Where sites are indicated to be feasible to develop, the inclusion of affordable housing contributions is made to test the capacity of development to contribute, while remaining feasible.

MEDIUM AND HIGH DENSITY RESIDENTIAL

FIGURE 3-6 shows that at the assumed cost of land, medium density and lower density apartments (FSR 0.85:1 and 1.3:1 respectively) are marginal to develop - the RLVs modelled to be at or below the cost of land. If a site can be secured at the lower end of the assumed cost of land, these lower density developments could be feasible.

FIGURE 3-6: Feasibility of Residential Development (No Affordable Housing Contributions), Killara Precinct

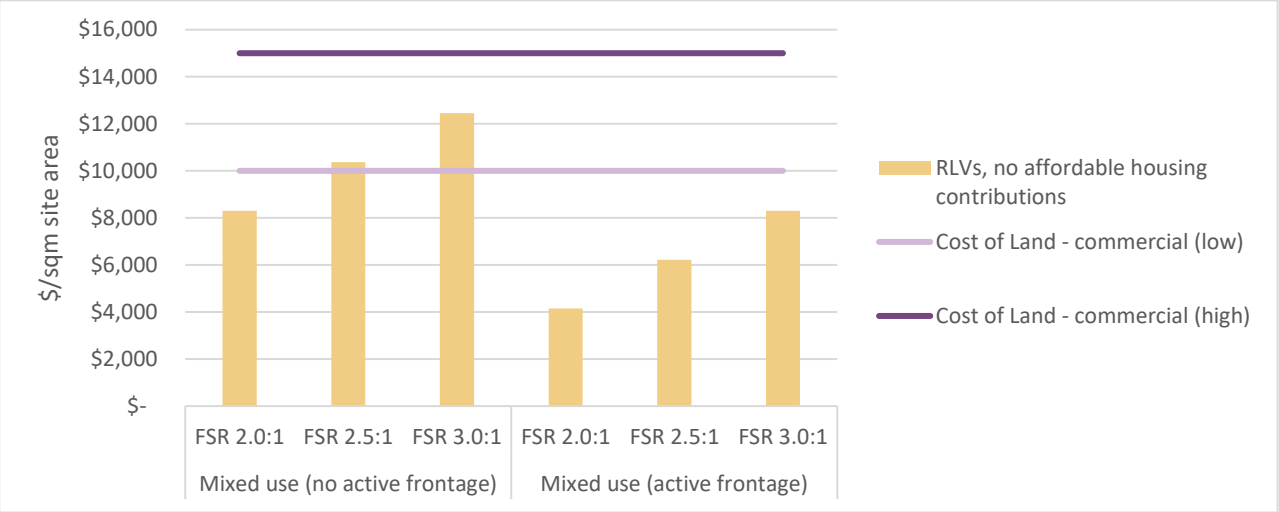
Source: Atlas

Given that lower density residential development is more 'marginal' and therefore only likely to occur at smaller scale, no affordable housing contributions are tested.

MIXED USE DEVELOPMENT

FIGURE 3-7 shows that the feasibility of mixed use development in the Precinct varies significantly depending on the cost of land. In the Precinct, the Preferred Scenario envisages E1 and MU1 zones that enable mixed use development from FSR 2:1 to 3:1. The MU1 zone is not subject to identified active frontages, which therefore does not require non-residential floorspace provision at ground.

FIGURE 3-7: Feasibility of Mixed Use Development (No Affordable Housing Contributions), Killara Precinct



Source: Atlas

In many instances the proposed density is insufficient to displace the existing uses, i.e. the RLVs do not exceed the assumed cost of land. In those circumstances, development will not be feasible and the sites will likely remain 'as is'.

If development is not feasible, there is no capacity for development to make affordable housing contributions. Notwithstanding and considering the NSW State Government's TOD policy approach of requiring an inclusionary zoning of 2% affordable housing, where sites are considered not feasible, a default affordable housing contribution rate of 2% is applied.

OBSERVATIONS

The feasibility of development in the Precinct depends in the main, on the cost of land. That is, the sum a developer would have to pay to secure a site/ s for development. The cost of land is the composite of the value of the existing use/s, any incentive to induce sale and any cost to secure vacant possession.

A lower cost of land is generally associated with single dwellings on large lots - in the Precinct, this is observed to be in the existing low density residential areas. The highest cost of land is generally associated with buildings that use a site intensively (e.g. commercial building with multiple levels, multi-level residential unit block) and/ or where ownership is fragmented and multiple lots are required for consolidation. In the Precinct, this is observed to be along Pacific Highway - in the existing E1 and R4 zones.

Along the Pacific Highway, the alternate TOD controls envisage mixed use density of FSR 2:1, 2.5:1 and 3:1. While these are higher compared to the existing FSRs of 0.85:1, 1:1 and 1.3:1, development feasibility is challenging due to the high cost of land (residential unit blocks and commercial buildings). The 'default' affordable housing contribution rate of 2% is applied.

The Study takes a nuanced approach to the feasibility of development in the Precinct. This acknowledges that land use and density controls (using FSR as a proxy) is not necessarily the only indicator of a development's capacity to contribute to affordable housing.

3.3.3 Lindfield

The Preferred Scenario envisages some areas of notable planning change In the Lindfield precinct. The key changes to planning controls were outlined in **TABLE 2-3** and are broadly as follows:

- Rezoning of low density residential to permit FSR 0.85:1 (3 storey medium density, e.g. terraces, townhouses).
- Rezoning of low/ medium/ high density residential to permit residential flat buildings at:
  - FSR 1.3:1 (5 storeys)
  - FSR 1.8:1 (8 storeys)
- Rezoning of existing residential to MU1 Mixed Use at higher densities of up to FSR 5.0:1 (up to 15 storeys).
- Rezoning of existing E1 Local Centre from up to FSR 3.0:1 to densities of up to FSR 5.0:1 (up to 15 storeys).

Active frontages are identified along the frontages of E1 zoned land, therefore active, non-residential floorspace is required along the same. In the MU1 zone, active frontages are similarly identified, therefore precluding residential flat buildings in the MU1 zone.

SCENARIOS AND SITES TESTED

A selection of sites in the Precinct is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing.

In a series of graphs, the baseline feasibility of development (with no affordable housing contributions) is indicated - through a comparison of the assumed cost of land for selected sites against the residual land value (**RLV**) of development (to the alternate planning controls). If the RLV is higher than the assumed cost of land, the alternate controls are feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for development and the site will remain 'as is'.

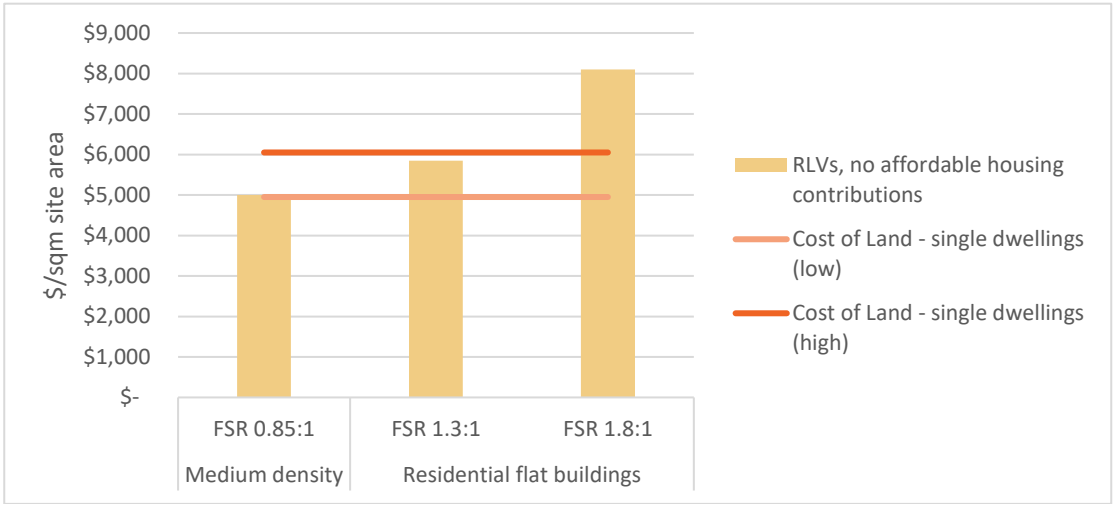
Where sites are indicated to be feasible to develop, the inclusion of affordable housing contributions is made to test the capacity of development to contribute, while remaining feasible.

MEDIUM AND HIGH DENSITY RESIDENTIAL

FIGURE 3-8 shows that at the assumed cost of land, residential flat buildings (to FSR 1.8:1) are generally feasible to develop (i.e. the RLVs exceeding the cost of land and target hurdle rates are met).

However, medium density and lower density apartments (FSR 0.85:1 and 1.3:1 respectively) are more marginal to develop - the RLVs modelled to be at or below the cost of land. If a site can be secured at the lower end of the assumed cost of land, these lower density developments could be feasible.

FIGURE 3-8: Feasibility of Residential Development (No Affordable Housing Contributions), Lindfield Precinct

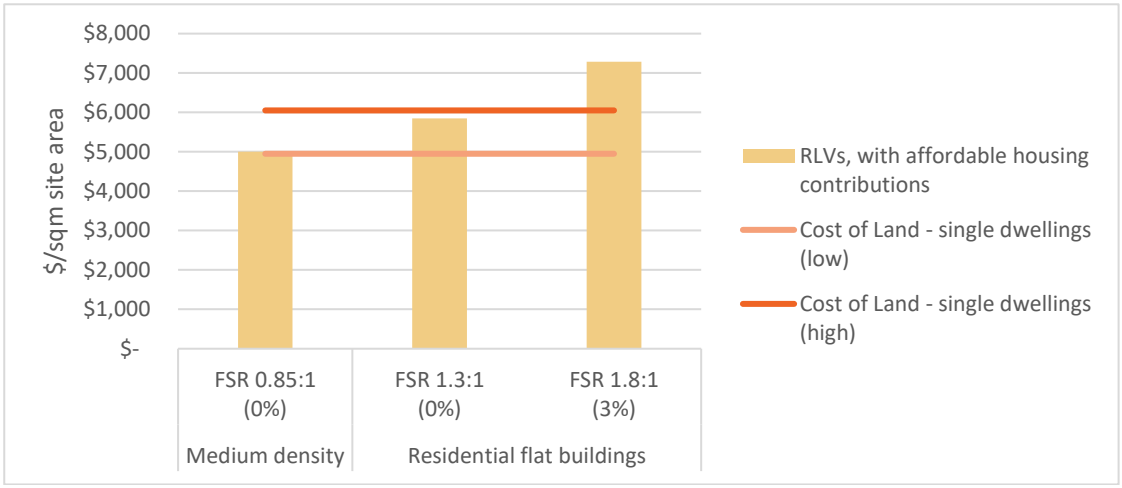


Source: Atlas

Given that lower density residential development is more 'marginal' and therefore only likely to occur at smaller scale, no affordable housing contributions are tested.

FIGURE 3-9 shows the implications for feasibility following the iterative testing of various affordable housing contribution rates in the case of residential flat buildings of FSR 1.8:1.

FIGURE 3-9: Feasibility of Residential Development (with Affordable Housing Contributions), Lindfield Precinct



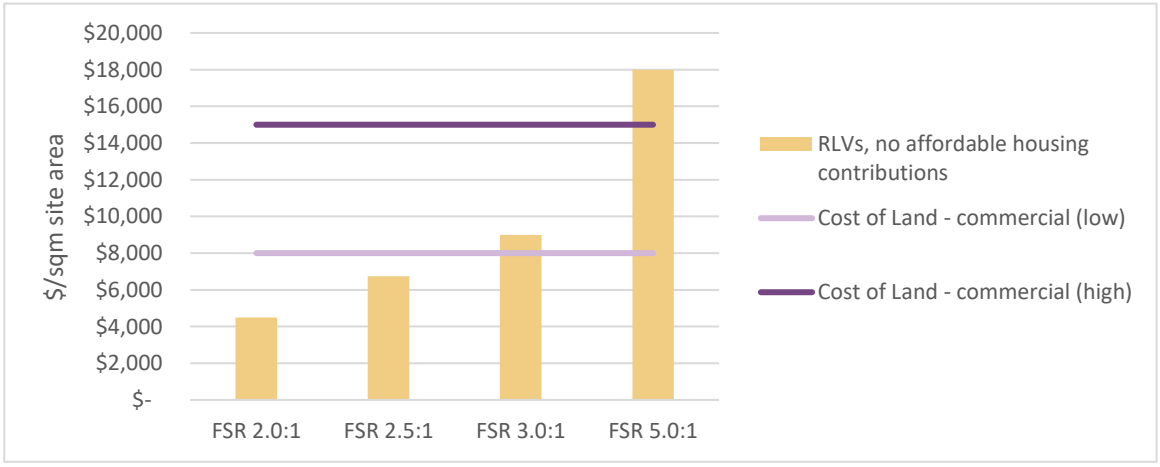
Source: Atlas

At the indicated affordable housing contribution rate (3%) for residential flat buildings (FSR 1.8:1), the RLVs exceed the cost of land and target hurdle rates are met. While a developer is able to pay a lower sum for a site (due to lower RLVs), the RLVs still exceed the assumed cost of land, therefore still resulting in an incentive to displace the existing single dwellings.

MIXED USE DEVELOPMENT

FIGURE 3-10 shows that the feasibility of mixed use development in the Precinct could vary significantly depending on the cost of land. Active street frontages are generally identified along the E1 and MU1 zones, therefore the requirement for non-residential floorspace applies in all the mixed use scenarios modelled.

FIGURE 3-10: Feasibility of Mixed Use Development (No Affordable Housing Contributions), Lindfield Precinct



Source: Atlas

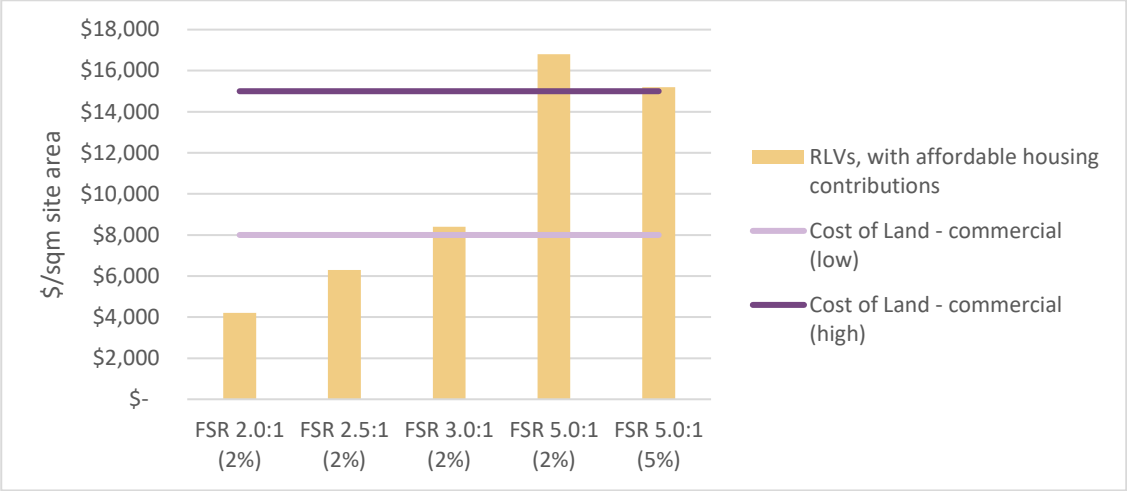
The cost of land is a function of its existing use (which could be retail strip, commercial or residential strata buildings). In the Precinct, the Preferred Scenario envisages E1 and MU1 zones that enable mixed use development from FSR 2:1 to 5:1. The planning controls however apply in a wide range of scenarios, where there is not necessarily a relationship between existing uses (and therefore the cost of land) and the proposed density of development (and therefore site value, or the price a developer could be prepared to pay).

In many instances the proposed density is insufficient to displace the existing uses, i.e. the RLVs do not exceed the assumed cost of land. In those circumstances, development will not be feasible and the sites will likely remain 'as is'.

If development is not feasible, there is no capacity for development to make affordable housing contributions. Notwithstanding and considering the NSW State Government's TOD policy approach of requiring an inclusionary zoning of 2% affordable housing, where sites are considered not feasible, a default affordable housing contribution rate of 2% is applied.

FIGURE 3-11 shows the implications for feasibility following the iterative testing of various affordable housing contribution rates.

FIGURE 3-11: Feasibility of Mixed Use Development (with Affordable Housing Contributions), Lindfield Precinct



Source: Atlas

After inclusion of a default affordable housing contribution of 2%, development in parts of the Precinct remain either not feasible or marginally feasible. Elsewhere, where the existing uses (and therefore the cost of land) are more accommodative of development, those sites have greater tolerance for affordable housing contributions (at 5%).

OBSERVATIONS

The feasibility of development in the Precinct depends in the main, on the cost of land. That is, the sum a developer would have to pay to secure a site/ s. The cost of land is the composite of the value of the existing use/s and any incentive to induce sale.

A lower cost of land is generally associated with single dwellings on large lots - in the Precinct, this is observed to be in the existing low density residential areas. The highest cost of land is generally associated with buildings that use a site intensively (e.g. commercial building with multiple levels, multi-level residential unit block) and/ or where ownership is fragmented and multiple lots are required for consolidation. In the Precinct, this is observed to be along Pacific Highway - in the existing E1 and R4 zones.

Along the Pacific Highway, the alternate TOD controls envisage mixed use density of FSR 3:1 and 5:1. While these are higher compared to the existing FSRs, development feasibility is challenging due to the high cost of land (residential unit blocks and commercial buildings). The 'default' affordable housing contribution rate of 2% is applied.

The feasibility modelling finds the following particular sites could have greater capacity to contribute to affordable housing.

- 345 Pacific Highway - existing commercial building. The alternate TOD planning controls envisage mixed use development at FSR 5:1. An affordable housing contribution of 5% is suggested, which still provides an incentive for development.
- 239-257 Pacific Highway - several residential unit blocks held under strata title. The alternate TOD planning controls facilitate mixed use development at FSR 5:1. An affordable housing contribution of 5% is suggested.

The Study takes a nuanced approach to the feasibility of development in the Precinct. This acknowledges that land use and density controls (using FSR as a proxy) is not necessarily the only indicator of a development's capacity to contribute to affordable housing.

3.3.4 Roseville

The Preferred Scenario envisages relatively modest planning change In the Roseville precinct. The key changes to planning controls were outlined in **TABLE 2-4** and are broadly as follows:

- Rezoning of low density residential to permit FSR 0.85:1 (3 storey medium density, e.g. terraces, townhouses).
- Rezoning of low/ medium/ high density residential to permit residential flat buildings at:
  - FSR 1.3:1 (5 storeys).
  - FSR 1.8:1 (8 storeys).
- Rezoning of existing high density residential to MU1 Mixed Use at FSR 3.0:1 (8 storeys).
- Rezoning of existing high density residential to E1 Local Centre at up to FSR 3.0:1 (8 storeys).
- Rezoning of existing E1 Local Centre from up to FSR 2.0:1 to up to FSR 3.0:1 (8 storeys).

Active frontages are identified along the frontages of E1 zoned land, therefore active, non-residential floorspace is required along the same. In the MU1 zone, active frontages are similarly identified, therefore precluding residential flat buildings in the MU1 zone.

SCENARIOS AND SITES TESTED

A selection of sites in the Precinct is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing.

In a series of graphs, the baseline feasibility of development (with no affordable housing contributions) is indicated - through a comparison of the assumed cost of land for selected sites against the residual land value (**RLV**) of development (to the alternate planning controls). If the RLV is higher than the assumed cost of land, the alternate controls are feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for development and the site will remain 'as is'.

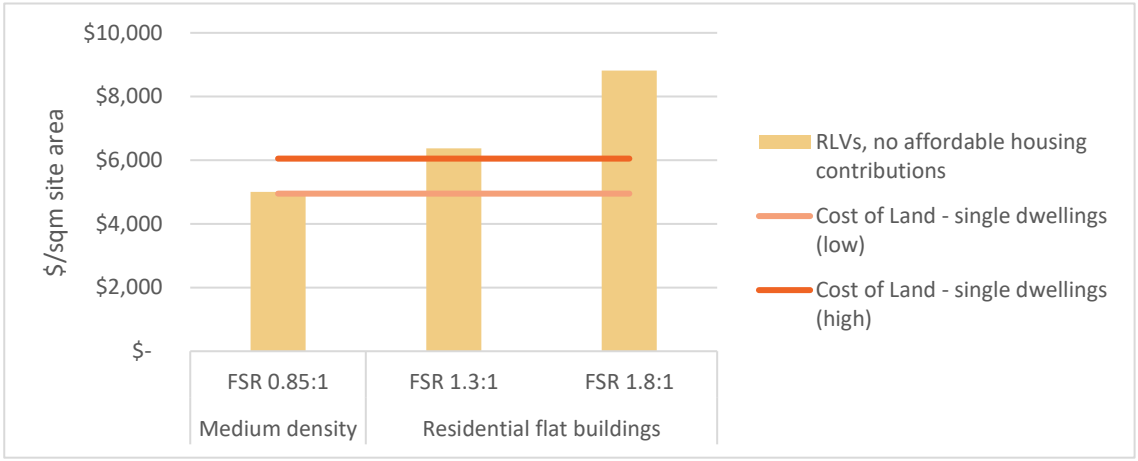
Where sites are indicated to be feasible to develop, the inclusion of affordable housing contributions is made to test the capacity of development to contribute, while remaining feasible.

MEDIUM AND HIGH DENSITY RESIDENTIAL

FIGURE 3-12 shows that at the assumed cost of land, residential flat buildings (to FSR 1.8:1) are generally feasible to develop (i.e. the RLVs exceeding the cost of land and target hurdle rates are met).

Medium density and lower density apartments (FSR 0.85:1 and 1.3:1 respectively) are more marginal - the RLVs modelled are at or below the cost of land. If a site is secured at the lower end of the assumed cost of land, these developments could be feasible.

FIGURE 3-12: Feasibility of Residential Development (No Affordable Housing Contributions), Roseville Precinct

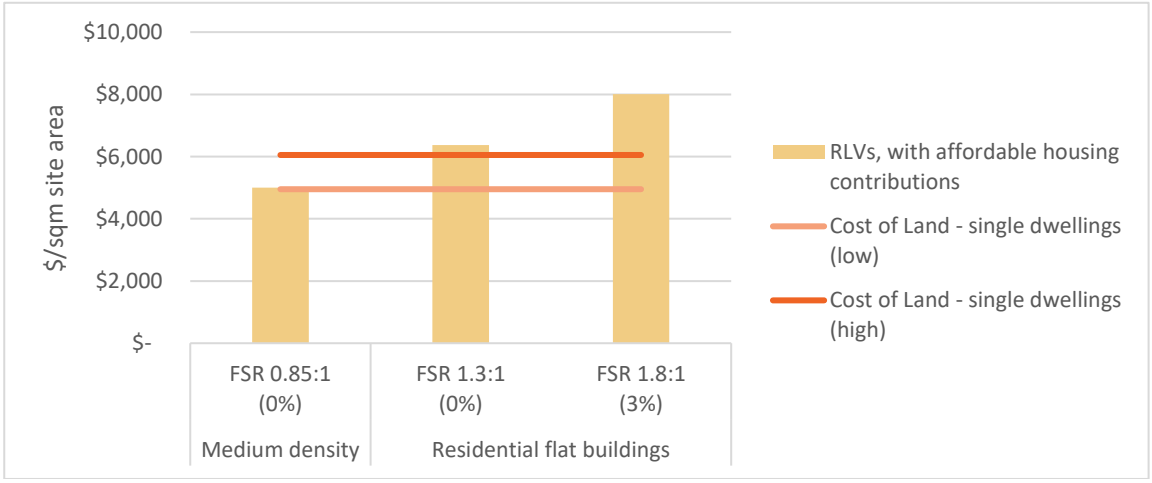


Source: Atlas

Given that lower density residential development is more 'marginal', no affordable housing contributions are tested.

FIGURE 3-13 shows the implications for feasibility following the iterative testing of various affordable housing contribution rates in the case of residential flat buildings of FSR 1.8:1.

FIGURE 3-13: Feasibility of Residential Development (with Affordable Housing Contributions), Roseville Precinct



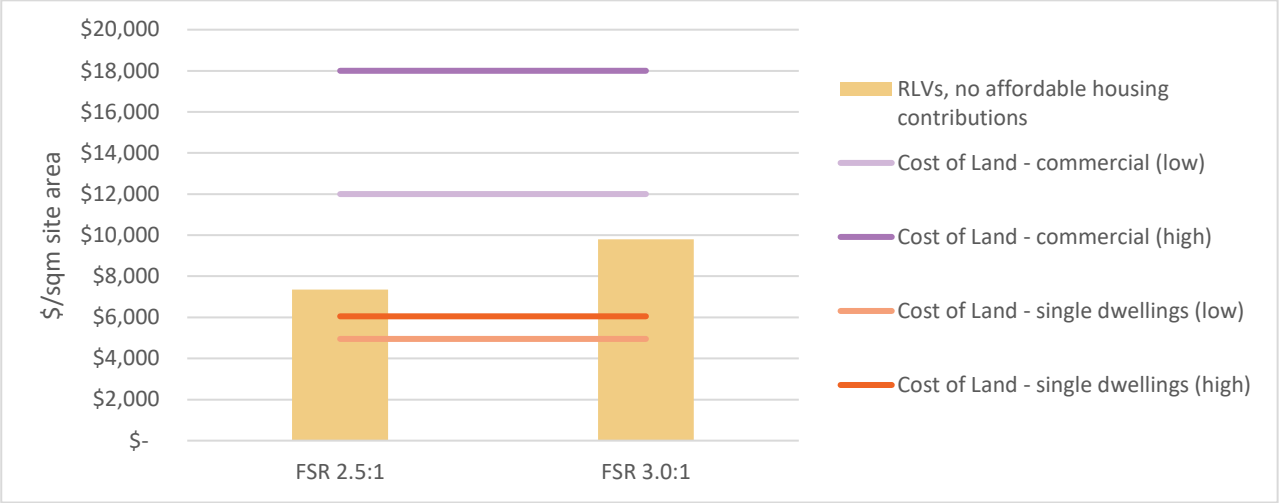
Source: Atlas

At the indicated affordable housing contribution rate (3%) for residential flat buildings (FSR 1.8:1), the RLVs exceed the cost of land and target hurdle rates are met. While a developer is able to pay a lower sum for a site (due to lower RLVs), the RLVs still exceed the assumed cost of land, therefore still resulting in an incentive to displace the existing single dwellings.

MIXED USE DEVELOPMENT

FIGURE 3-14 shows that the feasibility of mixed use development in the Precinct could vary significantly depending on the cost of land. Active street frontages are generally identified along the E1 and MU1 zones, therefore the requirement for non-residential floorspace applies in all the mixed use scenarios modelled.

FIGURE 3-14: Feasibility of Mixed Use Development (No Affordable Housing Contributions), Roseville Precinct



Source: Atlas

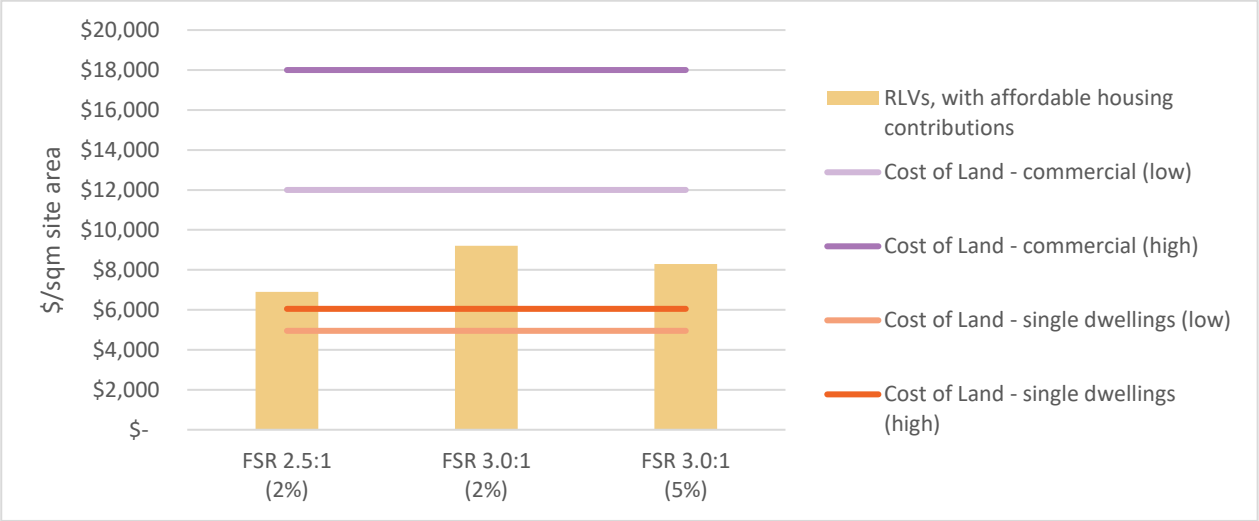
The cost of land is a function of its existing use (which could be retail strip, commercial or residential strata buildings). In the Precinct, the Preferred Scenario envisages E1 and MU1 zones that enable mixed use development from FSR 2.5:1 and 3:1.

In some instances the proposed planning controls density is insufficient to displace the existing uses, i.e. the RLVs do not exceed the assumed cost of land. In those circumstances, development will not be feasible and the sites will likely remain 'as is'. If development is not feasible, there is no capacity for development to make affordable housing contributions. Notwithstanding and considering the NSW State Government's TOD policy approach of requiring an inclusionary zoning of 2% affordable housing, where sites are considered not feasible, a default affordable housing contribution rate of 2% is applied.

Where however, the existing uses are low density residential, the cost of land is lower and therefore, the proposed densities have better prospects of enabling feasible development. In these circumstances, an affordable housing rate greater than 2% is tested.

FIGURE 3-15 shows the implications for feasibility following the iterative testing of various affordable housing contribution rates.

FIGURE 3-15: Feasibility of Mixed Use Development (with Affordable Housing Contributions), Roseville Precinct



Source: Atlas

After inclusion of a default affordable housing contribution of 2%, development in parts of the Precinct remain either not feasible or marginally feasible. Elsewhere, where the existing uses (and therefore the cost of land) are more accommodative of development, those sites have greater tolerance for affordable housing contributions (at 5%).

OBSERVATIONS

The feasibility of development in the Precinct depends in the main, on the cost of land. That is, the sum a developer would have to pay to secure a site/ s. The cost of land is the composite of the value of the existing use/s and any incentive to induce sale.

A lower cost of land is generally associated with single dwellings on large lots - in the Precinct, this is observed to be in the existing low density residential areas. The highest cost of land is generally associated with buildings that use a site intensively (e.g. commercial building with multiple levels, multi-level residential unit block) and/ or where ownership is fragmented and multiple lots are required for consolidation. In the Precinct, this is observed to be along Pacific Highway - in the existing E1 and R4 zones.

Along the Pacific Highway, the alternate TOD controls envisage mixed use density of FSR 2.5:1 and 3:1. While these may be higher compared to the existing FSRs, development feasibility is challenging due to the high cost of land (residential unit blocks and commercial buildings). The 'default' affordable housing contribution rate of 2% is applied.

The feasibility modelling finds the following particular sites could have greater capacity to contribute to affordable housing.

- 1-21 Larkin Street - six single dwelling lots and two small scale residential unit blocks
- 1-5 Sixth Mile Lane - two single dwelling lots and one small scale residential unit block

The alternate TOD planning controls envisage mixed use development at FSR 3:1. There is an 'active frontage' requirement, and accordingly non-residential floorspace would be required at ground level. An affordable housing contribution of 5% is suggested, which enables an incentive to the landowners while ensuring development is feasible.

The Study takes a nuanced approach to the feasibility of development in the Precinct. This acknowledges that land use and density controls (using FSR as a proxy) is not necessarily the only indicator of a development's capacity to contribute to affordable housing.

3.4 Implications for Affordable Housing Contributions

Sites that have the greatest prospect for development under the alternate controls are generally those with existing single dwellings in the R2, R3 and R4 zones. In the existing E1 Local Centre and R4 High Density Residential zones, the existing uses (e.g. retail strip, commercial, residential units) generally have a higher value threshold with more fragmented lot and ownership patterns. Accordingly, they require higher densities to displace the existing uses and for development to be feasible.

The Preferred Scenario focuses on increasing development capacity in the four centres, which are well located and considered best placed to accommodate growth in the LGA. The highest densities are proposed within the centres of Gordon and Lindfield and along parts of the Pacific Highway.

FEASIBLITY OF DEVELOPMENT

The following observations emerge from the findings of the feasibility analysis:

- The feasibility of development is not solely driven by the proposed controls. It is also influenced by a site's existing use and associated value (which contributes to the cost of land to a developer).
- The cost of land includes:
    - A site's existing value which is influenced by its existing improvements.
    - Incentive payments to induce sale, which is influenced by ownership patterns.
    - The costs that may be necessary to secure vacant possession (e.g. lease break payments).
- If the value of a development site (even with high density) is lower than the cost of land, it is not more attractive than the site's existing uses. That being the case, there is no incentive for the existing uses to be displaced, and the site will remain 'as is'.
- The capacity of development to contribute to affordable housing therefore varies. Sites that are recipient of large planning uplift are not necessarily always feasible, nor have the greatest capacity to contribute to affordable housing.
- All things being equal, development sites in the MU1 Mixed Use zone are more financially attractive than those in the E1 Local Centre zone which have a greater requirement to provide for non-residential floorspace within the development.

In established urban areas, it is a reality that not all sites will redeveloped, even with higher densities permitted. The cost of land, combined with landowners who may not be motivated, make development in infill areas challenging.

CAPACITY FOR AFFORDABLE HOUSING CONTRIBUTIONS

The findings of the feasibility analysis have the following implications for Affordable Housing contributions:

- Sites with fragmented lot and ownership patterns are challenging and costly to consolidate. Despite higher densities envisaged by the alternate controls in parts of the Study Area, the capacity to contribute to affordable housing is not necessarily higher.
- Existing commercial uses are more valuable than residential uses. Similarly, despite higher densities envisaged by the proposed controls in parts of the Study Area, the capacity to contribute to affordable housing is not necessarily higher.

In some parts of the Study Area, development does not have the capacity to contribute to affordable housing, This because:

- Development is not feasible in the first instance, that is, the cost of land is higher than the value of the site as a development opportunity; and/ or
- Development is only 'just feasible' or marginal.

In these circumstances, despite fragile or poor feasibility, a default affordable housing contribution rate of 2% is applied, in line with NSW State Government policy in TOD areas.

The next chapter examines the requirement for affordable housing contributions in the Study Area and policy considerations for their implementation.

4

Affordable Housing Contribution Requirements

Beyond the horizon thinking.

4.1 Affordable Housing Contribution Rates

There are two components/ parts to an affordable housing contribution requirement.

- A percentage (%) contribution rate which represents the proportion of a residential development that is 'contributed' to affordable housing. In a development of 100 apartments, a 3% requirement would mean 3 apartments are built and contributed (gifted) as affordable housing.
- A dollar ($) contribution rate which represents the dollar equivalent if the contribution to affordable housing is made in cash. In the same example, an equivalent dollar contribution would be the market value of the 3 apartments.

The Study investigates the capacity of development to contribute in percentage (%) terms, in the context of the planning change envisaged in the Preferred Scenario.

The Study understands Council is planning to develop an Affordable Housing Contribution Scheme (**AHCS**) which would enable it (Council) to collect equivalent monetary contributions in lieu of completed dwellings. The AHCS would specify the method of contribution and dollar ($) contribution rates that would apply and how equivalent monetary contributions are to be calculated.

LEP CLAUSE AMENDMENT

An LEP clause to enable affordable housing contributions is proposed as follows:

X.X. AFFORDABLE HOUSING CONTIRBUTIONS

(1) This clause applies to development on land identified as "Affordable Housing Contribution Area" on the *Affordable Housing Map* resulting in—

(a) the erection of a new building with more than 200sqm of gross floor area used for the purposes of residential accommodation, or

(b) alterations to an existing building that result in at least 200sqm of additional gross floor area used for the purposes of residential accommodation.

(2) This clause does not apply to development for the purposes of boarding houses, community housing, group homes, hostels or social housing.

(3) This clause does not apply to development approved under clause [insert the clause number referring to *Additional floor space and building height in Gordon town centre*]

(4) The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring an affordable housing contribution equivalent to the contribution specified in subclause (5).

(5) The contribution for development is the amount of gross floor area equivalent to the percentage, shown for the land on the *Affordable Housing Map*, of the gross floor area of the residential component of the development.

(6) A condition imposed under this clause must permit a person to satisfy the contribution by—

(a) a dedication, in favour of the Council, of land comprising 1 or more dwellings, each having a gross floor area of at least 50sqm, and a monetary contribution, paid to the Council, for any remainder, or

(b) a monetary contribution paid to the Council, of equivalent value to the gross floor area specified in subclause (5).

(7) The rate at which a dedication of land or monetary contribution is taken to be equivalent to floor area for the purposes of this clause must be calculated in accordance with the *Ku-ring-gai Affordable Housing Contribution Scheme*.

(8) In this clause—

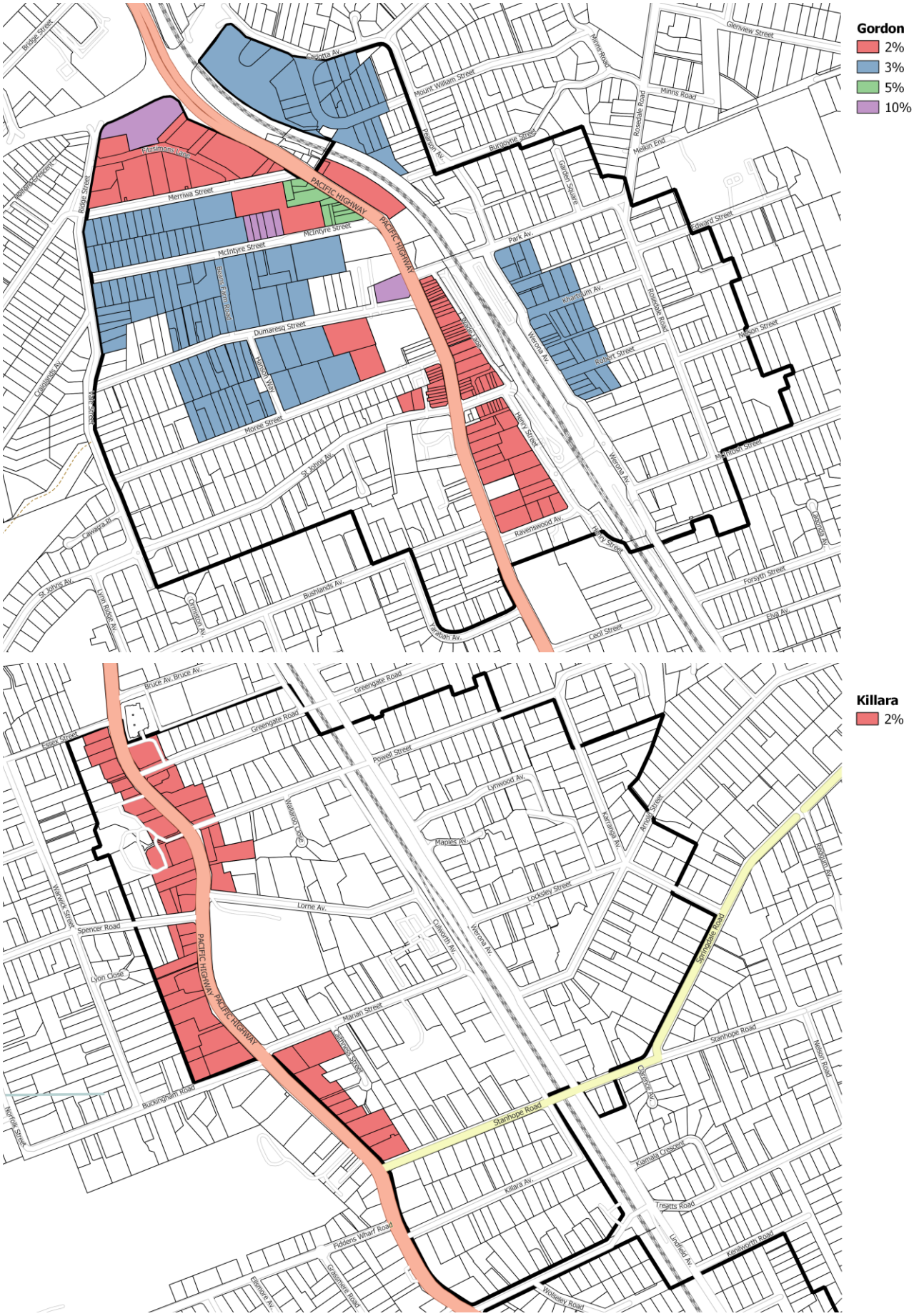
community housing has the same meaning as in the Community Housing Providers National Law (NSW).

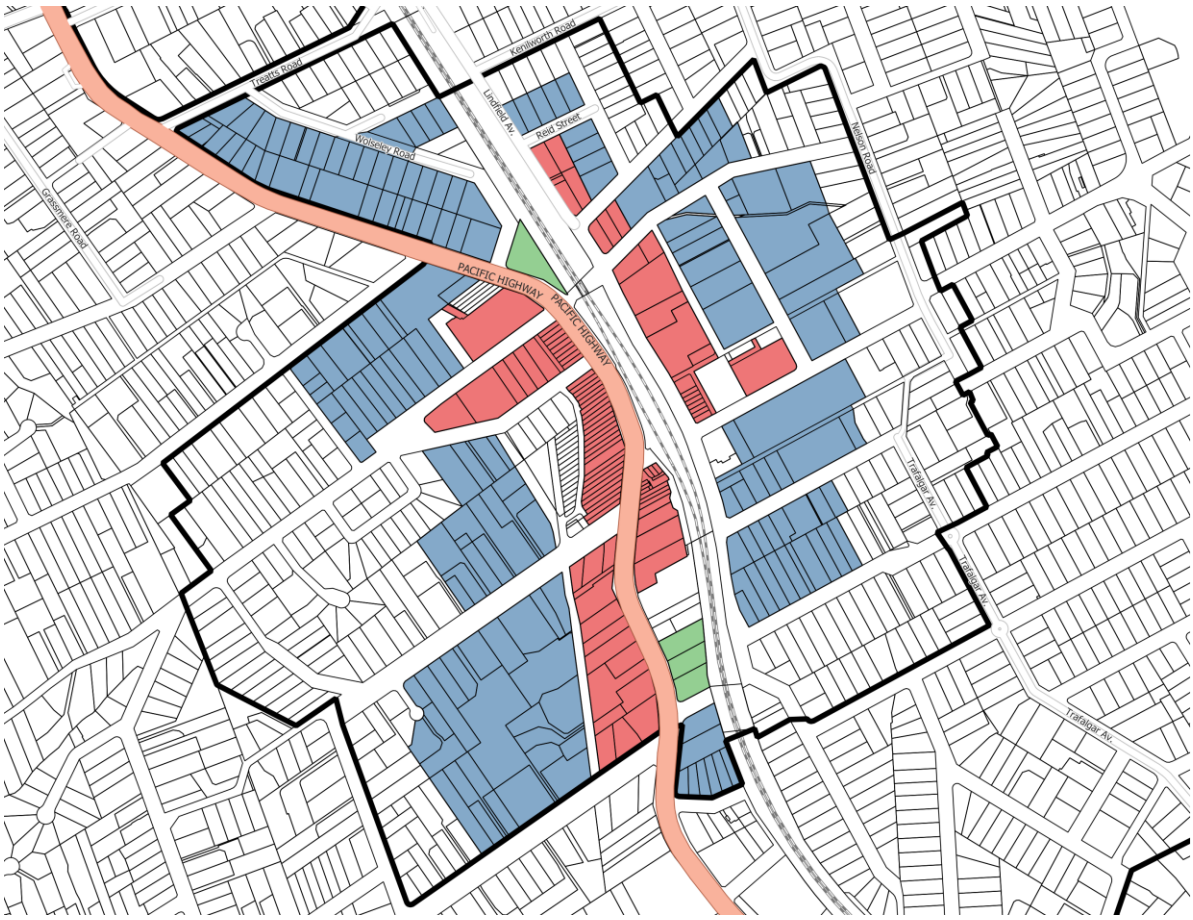
Ku-ring-gai Affordable Housing Contribution Scheme means the Ku-ring-gai Affordable Housing Contribution Scheme published by the Department in [MONTH & YEAR].

social housing providers are listed in the State Environmental Planning Policy (Housing) 2021.

The draft Affordable Housing Map is shown in **FIGURE 4-1**.

FIGURE 4-1: Draft Affordable Housing Map




Lindfield
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Treatts Road
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Reid Street
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Wolseley Road
Greenwire Road
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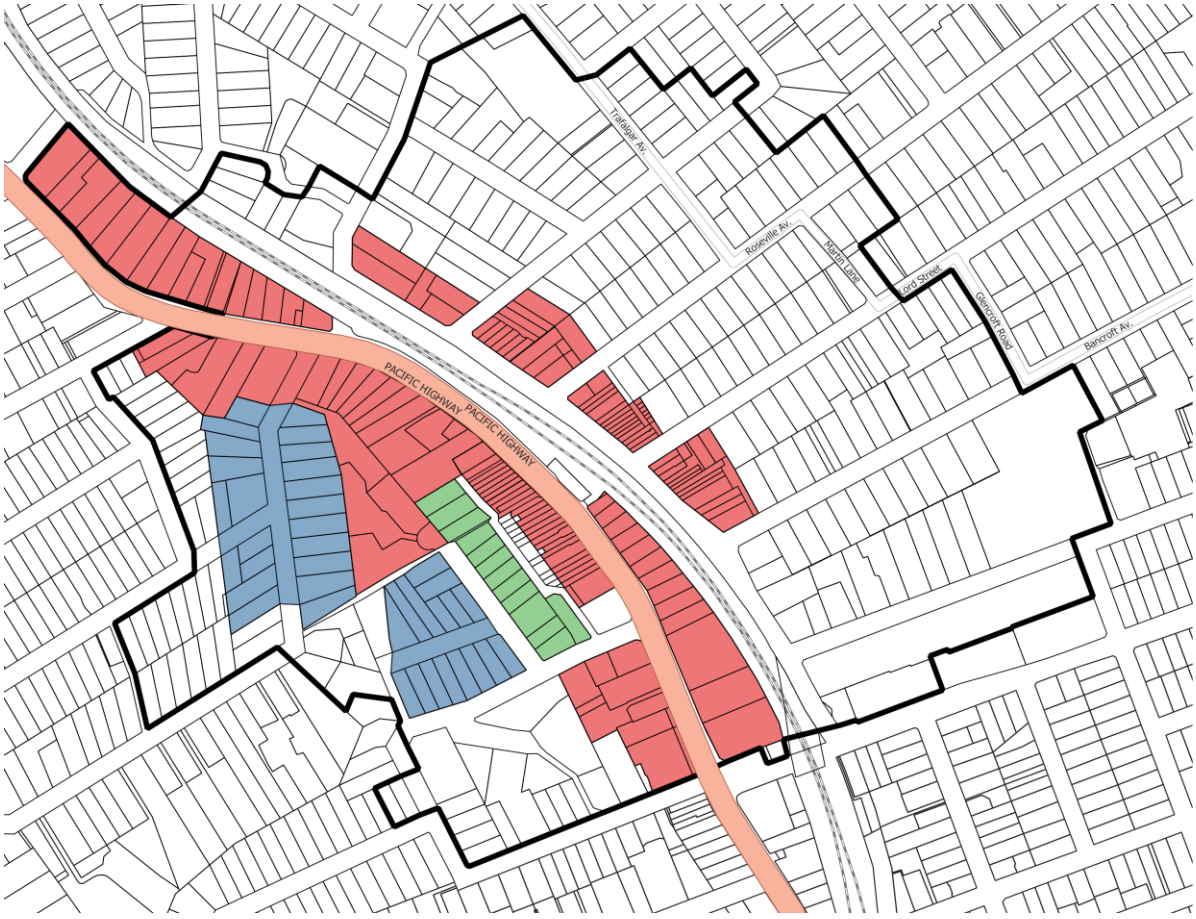
Trafalgar Av.
Trafalgar Av.
Trafalgar Av.


Roseville
2%
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Trafalgar Av.
Roseville Av.
Martin Lane
Reid Street
Glencroft Road
Bancroft Av.
PACIFIC HIGHWAY
PACIFIC HIGHWAY

4.2 Policy Considerations

The Study acknowledges that a number of headwinds currently make it challenging for development to be feasible. This is a result of the cumulative influence of high existing-use values (and therefore the cost to consolidate a development site), elevated construction costs and relatively soft end sale values of completed product.

Notwithstanding, there are some advantages in the Study Area, particularly in its residential areas wherein there are relatively large allotment sizes, with the median size of single dwelling lots between 900sqm and 1,100sqm. All things being equal, the larger the block, the lower the property value (per square metre of site area). Larger blocks additionally reduce the need for amalgamation of multiple allotments. This has direct implications for the cost of land to a developer.

There is generally robust market demand for higher density living. The desirability of the Study Area carries with it a willingness by the market to pay an economic price[2] for completed residential product.

4.2.1 Enabling Development and Growth

MARKET CONDITIONS

The development pipeline has been severely constrained by the cumulative effects of escalating construction costs, labour shortages, rising interest rates and softer demand. In residential markets, softer demand has been driven by rising interest rates and reduced borrowing capacity.

The cost of construction has been under significant upward pressure in the last 24-36 months. Some industry commentators expect cost rate escalations to return to trend from 2025. This does not mean construction cost prices will return to their previous levels, merely that annual cost rises will be circa 3%-4%, down from their current rises in excess of 10% per annum.

DIVERSITY OF HOUSING OUTCOMES

The Study recommends no affordable housing contribution rates apply to areas proposed for FSR 0.85:1 (medium density) and FSR 1.3:1 (4-5 storeys) to encourage the development of diverse housing forms. Development feasibility is marginal and by not requiring an affordable housing contribution, the sites that are feasible to develop will enable greater housing diversity in the Study Area.

These residential densities are lower than the NSW State Government's TOD program's planning controls (FSR 2.5:1) which have the associated policy requirement of 2% affordable housing.

LOW-MID RISE PLANNING REFORMS

The low and mid-rise housing policy reforms came into effect in February 2025, permitting low and mid-rise housing formats within 800 metres walking distance of town centres and train/ light rail stations. In the LGA, these apply in:

- The Study Area outside the TOD area boundary.
- Pymble, Turramurra and Wahroonga station and St Ives shopping centre.

In R3 and R4 zones, residential flat buildings or shop top housing will be permitted as follows:

- 0-400 metres from station/ centre
    - Maximum FSR 2.2:1.
    - Maximum height 6 storeys - residential flat building (22 metres) or shop top housing (24 metres).
- 400-800 metres from station/ centre
    - Maximum FSR 1.5:1.
    - Maximum height 4 storeys - 17.5 metres.

It is important that the planning controls and requirements for affordable housing in the Study Area are cognisant of the permissibility of higher density outcomes elsewhere in the LGA - FSR 1.5:1 and FSR 2.2:1 (depending on location).

The Study seeks to avoid a perverse outcome where development preferences locations elsewhere than in the Study Area.

[2] Economic price refers to the price needed to cover the cost of production (cost of land and cost development) and a commercial return

4.2.2 Enabling Affordable Housing

PLANNING UPLIFT AND FINANCIAL UPSIDE

As a general premise, planning uplift is generally accompanied by financial upside (greater revenue potential, land value and profit). It is from this financial upside that a site has the capacity to make affordable housing contributions.

In existing urban areas where lot patterns are established and buildings are valuable, it is a practical reality that not all properties will be redeveloped to new planning controls. Despite the potential for financial upside to be realised, landowner motivations do not always align with those of development.

The Preferred Scenario envisages various changes to planning controls, conveying varying levels of financial upside to properties therein. In some cases, land is more valuable (with greater development potential). In other cases, there is no change to the value of land (due to existing buildings that are more valuable). In those circumstances, there will be no incentive for the existing uses to be displaced, and they will remain. The land will therefore not be developed to the alternate planning controls and remain 'as is'.

While planning uplift could facilitate developer contributions to affordable housing, it could equally facilitate urban renewal outcomes. Where urban renewal occurs, there are positive flow-on implications for growth, amenity and services. Development is able to respond to contemporary market need and demand and bring about renewal in precincts. This is despite lower affordable housing contributions that may be required on sites where development is either not feasible or marginal.

NUANCED APPROACH TO RATE-SETTING

The Study takes a nuanced approach to the feasibility of development in the Study Area. This approach acknowledges that land use and density (using FSR as a proxy) is not necessarily the only indicator of a development's capacity to contribute to affordable housing.

By taking a nuanced approach to rate-setting, the requirement for affordable housing contributions recognises that there are different capacities to contribute. For example, even though land may be proposed for similar land use and density controls, the feasibility of development may vary significantly due to respective existing buildings (which consequently affect the cost of land). Large lots with single dwellings would have a lower cost of land compared to small lots with multi-level commercial buildings for example. Despite being in the same zone and proposed for similar density, the former would have more favourable development feasibility prospects and therefore have greater capacity to contribute to affordable housing.

The nuanced setting of affordable housing contribution rates seeks to avoid disproportionate impact on feasibility, which affects the likelihood of development occurring.

The Study balances government policy and desired housing outcomes. The Study recognises the importance of facilitating housing diversity, and that while low-rise housing forms (i.e. 3-5 storeys) have more limited capacity to contribute to affordable housing, are equally important to the mix of desired housing outcomes. Accordingly, no affordable housing contributions are suggested for these lower density housing formats.

ON-SITE INFRASTRUCTURE REQUIREMENTS

The Gordon Centre (802-808 Pacific Highway) is an enclosed neighbourhood shopping centre anchored by Woolworths and Harvey Norman. The Centre plays an important community asset, playing an important role servicing the retail, non-retail and commercial needs of the catchment. The Gordon Village Arcade (767 Pacific Highway) is connected to the Gordon Centre by a pedestrian bridge over the Pacific Highway.

Council has identified the Gordon Centre site as a suitable location for 3,000sqm of community facilities. This public benefit would ideally be provided by the future developer of the Gordon Centre site. This is done by allowing development on the site to exceed the current maximum FSR and heights in the current LEP in exchange for the developer providing the community facilities floor space. Details of the community facilities floorspace including, including specifications and timing, will be included in a planning agreement.

The alternate TOD planning controls would enable a mixed use development with an FSR of up to 6.5:1 on the Gordon Centre site. A non-residential floorspace requirement of FSR 1:1 will apply, which would facilitate a renewed, contemporary neighbourhood retail offer with associated non-retail and commercial floorspace.

The Study finds that feasibility of development is marginal at best. Furthermore, Council may in the interim find there is a more optimal location for the community floorspace. Accordingly, the Study recommends that there is some flexibility in the public benefits provided by the development. If Council and the developer fail to agree on the terms of the community floor space planning agreement, the developer can still utilise the greater height and FSR applying to the site under the LEP by instead making a 2% affordable housing contribution.

An LEP clause is proposed as follows:

X.X. ADDITIONAL FLOOR SPACE AND BUILDING HEIGHT IN GORDON TOWN CENTRE

(1) This clause applies to the following land in Gordon town centre:

(a) Lot 21 DP 732238

(b) Lot A DP 402533

(c) Lot B 402533

(d) Lot A DP 386879

(e) Lot B DP 386879

(2) The objective of this clause is to provide for additional floor space on certain land in Gordon town centre if any development of the site provides for community infrastructure.

(3) In this clause community infrastructure means development for the purposes of a community facility or a public administration building.

(4) Despite clause 4.3, a building on land to which this clause applies may have a height of up to 93 metres.

(5) Despite clause 4.4, a building on land to which this clause applies may have a floor space ratio of up to 6.5:1, but only if a minimum 1:1 of the floor space ratio is used for a purpose other than residential accommodation.

(6) Subclauses (4) and (5) do not apply unless the consent authority is satisfied that—

(a) the development has a minimum site area of 9,500 square metres, and

(b) the development includes either:

i. a minimum of 3,000 square metres of community infrastructure floor space and associated parking; or

ii. a minimum of 2% of the gross floor area contribution to affordable housing, in accordance with the *Ku-ring-gai Affordable Housing Contribution Scheme*.

METHOD OF CONTRIBUTION

It would be critical to enable contributions to be satisfied through dedication (free of cost) of dwellings or land, as well as through cash contributions. This would align with s7.32(2) of *Environmental Planning and Assessment Act 1979* (**EP&A Act**).

Council's AHCS would convey the ability for Council to receive cash contributions would address:

- The ill-suited nature of completed dwellings that are scattered across the Study Area.
- The ill-suited nature of developments that are designed for sale (not for rent) that have high strata fees and inclusions and finishes that are expensive to maintain.
- Capacity of the community housing sector to deliver affordable housing from the distribution of monetary contributions and by leveraging their structural tax advantages.

PARTNERSHIP WITH THE COMMUNITY HOUSING SECTOR

The Study highlights that not all forms of contributions result in optimum Affordable Housing outcomes.

Developer (cash) contributions and concessional land purchases are valuable resources for the community housing sector, given that affordable housing rents are subsidised and do not grow commensurate with the cost to operate the dwellings. Community housing providers can use their structural tax advantages and combine cash or land contributions received to build new stock in a cost-effective manner.

Council's preparation of an Affordable Housing Contribution Scheme would enable it to specify how contributions received are to be dealt with and managed (under s7.33 of the EP&A Act). It could specify that contributions received must be acceptable to its nominated community housing provider (**CHP**) and be transferred to a not-for-profit CHP to enable growth of the sector.

Council could additionally develop a policy position wherein Council-owned land that becomes surplus to requirements is appropriated to a nominated CHP for delivery of affordable housing stock.

COUNCIL-OWNED LAND

The Study does not ascribe Affordable Housing contribution requirements to Council-owned land.

Council-owned sites play a public service and community function. They may continue to be needed (in their current form) and in the future may be needed for a different form of community function.

If in the future any of the sites become surplus to Council's operational requirements, Council may decide to make that site available (gifted/ or concessional sale) to a CHP to build purpose-designed affordable housing. In the alternate, a particular site could accommodate a mix of uses - including affordable housing and form of community facility.

Council's preparation of an Affordable Housing Contribution Scheme and policy position would frame how it would work with the community housing sector to maximise affordable housing outcomes.

References

Ku-ring-gai Council (2024). *Fees and Charges 2024-2025*. Accessible from: https://www.krg.nsw.gov.au/files/assets/public/v/4/hptrim/information-management-publications-public-website-ku-ring-gai-council-website-council/adopted-fees-charges-2024-2025.pdf

SJB Urban (2025). *Ku-ring-gai Centres Technical Study. Transit Oriented Development Preferred Scenario for Gordon, Killara, Lindfield and Roseville*. Prepared for Ku-ring-gai Council. February 2025

Schedules

Beyond the
horizon thinking.

SCHEDULE 1

Analysis of Sales Activity

Existing-use Sales Activity

To understand the value of the selected sites' 'as is', the sales activity of comparable residential and commercial property is analysed. **TABLE S1-1** provide a snapshot of the sales of single residential dwellings and **TABLE S1-2** provides a snapshot of sales activity for a variety of commercial uses in the Study Area.

TABLE S1-1: Sales Activity of Residential Uses

ADDRESS	SUBURB	SITE AREA (SQM)	SALE PRICE	SALE DATE	ACCOMMODATION
12 Lennox St	Gordon	801	$3,504,000	Dec 2024	3b x 1b
2 Robert St	Gordon	814	$3,200,000	Oct 2024	4b x 1b
4 Ashley Gr	Gordon	794	$2,920,000	Oct 2024	4b x 2b
86 St Johns Ave	Gordon	879	$4,326,000	Sept 2024	5b x 4b
8 Mount Ida St	Gordon	824	$3,400,000	Sept 2024	4b x 3b
26 Lennox St	Gordon	1,219	$3,730,000	Dec 2024	5b x 2b
36 Bushlands Ave	Gordon	1,189	$4,925,000	Oct 2024	5b x 3b
27 Ridge St	Gordon	1,228	$6,600,000	Oct 2024	4b x 3 b
5 Beaumont Rd	Killara	854	$2,900,000	Nov 2024	3b x 1b
3 Quebec Ave	Killara	782	$5,092,000	Nov 2024	5b x 5b
4 Greengate Rd	Killara	850	$4,018,000	Sept 2024	4b x 2b
18 Quebec Ave	Killara	790	$3,325,000	Sept 2024	4b x 3b
16 Gleneagles Ave	Killara	1,195	$3,180,000	Oct 2024	4b x 3b
64 Beaumont Rd	Killara	1,100	$3,875,000	Sept 2024	6b x 4b
12 Bruce Ave	Killara	1,226	$5,900,000	Mar 2024	3b x 1b
12 Larool Ave	Lindfield	734	$3,200,000	Dec 2024	3b x 1b
95 Eton Rd	Lindfield	803	$4,430,000	Nov 2024	5b x 2b
3 Burraga Pl	Lindfield	802	$3,700,000	May 2024	5b x 4b
85 Grosvenor Rd	Lindfield	1,182	$3,380,000	Oct 2024	5b x 2b
24 Chelmsford Ave	Lindfield	1,104	$6,200,000	Sept 2024	5b x 3b
50 Northcote Rd	Lindfield	1,208	$5,200,000	June 2024	5b x 4b
41 Thomas Ave	Roseville	842	$4,100,000	Nov 2024	4b x 2b
27 Thomas Ave	Roseville	835	$6,065,000	May 2024	5b x 2b
93 Shirley Rd	Roseville	841	$2,820,000	May 2024	5b x 2b
26 Archbold Rd	Roseville	1,107	$4,020,000	Dec 2024	4b x 2b
39 Archbold Rd	Roseville	1,216	$3,280,000	Sept 2024	4b x 2b
3 Shirley Rd	Roseville	1,227	$4,800,000	July 2024	3b x 2b
61 Shirley Rd	Roseville	1,119	$5,150,000	May 2024	5b x 3b

Source: various

The Study adopts an existing-use value of $4.0 million to $5.5 million per detached dwelling within the tested sites. This is equivalent to approximately $4,500/sqm and $5,500/sqm of overall improved site area for larger and smaller blocks respectively.

TABLE S1-2: Sales Activity of Commercial Uses

ADDRESS	SUBURB	SITE AREA (SQM)	SALE PRICE	SALE DATE	ANALYSIS ($/SQM)	ACCOMMODATION
733 Pacific Hwy	Gordon	130	$2,700,000	Nov 2024	$20,800	2 storey strip retail
756 Pacific Hwy	Gordon	231	$4,020,000	Aug 2024	$17,400	2 storey strip retail, corner
77 Werona Ave	Gordon	444	$3,980,000	May 2024	$9,000	Commercial premises (café) in R4 zone
330-332 Pacific Hwy	Lindfield	670	$6,100,000	Dec 2024	$9,100	2 storey strip retail, relatively large lot
340 Pacific Hwy	Lindfield	289	$3,740,000	Sept 2024	$12,900	2 storey strip retail
342-344 Pacific Hwy	Lindfield	525	$4,750,000	Jul 2022	$9,000	2 storey strip retail, relatively large lot
108 Pacific Hwy	Roseville	229	$2,400,000	Aug 2024	$10,500	2 storey strip retail
80 Pacific Hwy	Roseville	207	$2,050,000	Mar 2022	$9,900	2 storey strip retail

Source: various

There is evidently an inverse relationship between lot size and intensity of development. Generally, small lots are more intensively developed and therefore more valuable on a rate per square metre of site area. This can be observed from the sales activity of commercial uses. Fine grain, small lots (<200sqm) disclose a sale price of approaching $20,000/sqm of overall improved site area, whereas larger lots (>400sqm) indicate sale prices of ~$10,000/sqm of overall improved site area.

The Study adopts existing-use values of between $8,000/sqm and $15,000/sqm of overall improved site area for commercial lots of large size and $15,000/sqm to $20,000/sqm of overall improved site area for commercial lots of smaller size.

There is generally a price hierarchy observed. All things being equal, pricing is highest in Gordon compared to the other precincts.

Residential End Sale Values

A review of residential unit sales activity indicates the prices that could be achieved on completion of new apartments. **TABLE S1-3** provides an overview of brand new/ off-the-plan apartment sale prices of for sale in the precincts.

TABLE S1-3: Sales Activity of Brand New and Off-the-Plan Apartments

ADDRESS	UNIT TYPE	AVG. INTERNAL AREA (SQM)	SALE PRICE	$/SQM INTERNAL AREA
'NORTHGROVE', 26-30 MCINTYRE ST, GORDON	3b	131	from $2.1m	from $16,030
4-8 MARIAN ST KILLARA	2b	80	from $1.5m	from $18,750
	3b	100	from $2.2m	from $22,000
'VILLAGE LANE' 305-315 PACIFIC HWY LINDFIELD	1b	52 to 58	circa $880k	$15,200 to $19,920
	2b	82 to 100	$1.35m to $1.62m	$16,200 to $16,500
	3b	from 120	$2.1m to $2.6m	$17,000 to $21,700
'JULIET' 64-66 PACIFIC HWY ROSEVILLE	1b	50 to 57	$925k to $1.07m	$18,500 to $18,700
	2b	79 to 89	$1.5m to $1.7m	$18,700 to $19,000
	3b	97 to 118	$2.2m to $3.3m	$22,700 to $28,000
'ROSEWOOD RESIDENCES' 6-10 MACLAURIN PDE ROSEVILLE	1b	51	from $930k	from $18,240
	2b	82	from $1.4m	from $17,100
	3b	110	from $2.75m	from $25,000

Source: various

There are limited apartments selling off-the-plan in the station precincts, with projects including 'Northgrove' in Gordon and 'Rosewood Residences' in Roseville. Several developments have just reached practical completion, including 4-8 Marian Street in Killara, 'Village Lane' in Lindfield and 'Juliet' in Roseville.

Analysis of the brand new/off-the-plan apartment sales reflect values ranging from some $16,000/sqm to $28,000/sqm of net saleable area (**NSA**). Larger 3- bedroom apartments typically represent the higher sale price rates, attributed to their superior finishes and upper floor positions.

A price hierarchy is also observed across station precincts, with sale prices generally increasing toward the south. This is illustrated in the lower sale price rates in Gordon ($16,000/sqm to $22,000/sqm) and highest in Roseville (up to $28,000/sqm).

The Study adopts revenue assumptions ranging from $18,000/sqm (Gordon) to $20,000/sqm (Roseville) NSA in the feasibility testing.

Development Site Sales

There is a dearth of development site sales in the Study Area in the 12-18 months. To understand the price developers are prepared to pay, the analysis considered a selection of development site sales, as outlined in **TABLE S1-4**.

TABLE S1-4: Sales Activity of Development Site Sales

ADDRESS	SITE AREA (ZONE)	FSR (GFA)	SALE PRICE (DATE)	ANALYSIS	COMMENTS
330-332 Pacific Hwy, Lindfield	670sqm (E1)	2.5:1 (1,680sqm)	$6.1m (Dec 2024)	$3,640/sqm GFA	Freehold commercial building situated across the Lindfield station, subject to TOD controls. Marketed to businesses, investors and developers. Sold without DA. Site dimensions are notably small, potentially constraining full development potential.
23 Lorne Ave, Killara	840sqm (R4)	2.5:1 (2,090sqm)	$6.33m (Sep 2024)	$3,030/sqm GFA	Single dwelling situated 300m from Killara station, subject to TOD controls. Sold without DA consent. Site dimensions are notably small, potentially constraining full development potential.
3-3a Beaconsfield Pde, Lindfield	3,070sqm (R4)	1.3:1 (3,991 sqm) 2.5:1 (7,670sqm)	$24.9m (Dec 2023)	$6,240/sqm GFA $3,250/sqm GFA	Improved site comprising retirement village, situated 250m from Lindfield station. Sold on a vacant possession basis, with a submitted DA for 37 units (disclosing a sale price of $6,240/sqm GFA). A DA was subsequently lodged in Sep 2024 for 78 units, in line with TOD controls.
4-4a Beaconsfield Pde, Lindfield	2,550sqm (R4)	1.3:1 (3,320sqm)	c. $18.6m (2022-23)	$5,590/sqm GFA	2 older single dwellings. Lots were acquired in Oct 2022 and Jan 2023 without DA consent. DA subsequently lodged and approved for a mid-rise development comprising 22 apartments. Located 300m south of Lindfield station.
26-30 McIntyre St, Gordon	3,360sqm (R4)	1.3:1 (4,370sqm)	$17.6m (Mar 2023)	$4,030/sqm GFA	3 older single dwellings. Sold without DA consent. In late 2023 the site was approved for a mid-rise development comprising 31 apartments. Located 600m from Gordon station.
1-3 Woodside Ave, Lindfield	1,410sqm (R4)	1.24:1 (1,740)	$7.2m (2022-23)	$4,130/sqm GFA	2 single dwellings acquired separately over 2022-23, 350m northeast of Lindfield station.

Source: various

The site sale analysis indicates a price range of ~$3,000/sqm to $6,000/sqm GFA for high density development opportunities in and around the station precincts. It is evident that small sites and sites with mixed use development potential sell for a lower rate per square metre GFA compared to sites in the R4 zone with no requirement for non-residential floorspace.

Generally, development sites on Pacific Highway achieve lower prices compared to those on quieter streets beyond.

Additionally, sites with DA consent achieve higher price levels compared to those without. This represents the value ascribed by developers to planning certainty. This is affirmed by development site sales analysis in **TABLE S1-4**, where 3-3a Beaconsfield Parade achieved a 12% premium compared to 4-4a Beaconsfield Parade situated directly across. Both sites are comparable in size; albeit 3-3a Beaconsfield Parade was offered with a submitted DA for 37 luxury units.

The analysis of development site sales observes a residential site value range of $4,000/sqm to $5,000/sqm GFA. Sites with a non-residential floorspace component disclose lower rates, ranging from $2,500/sqm to $3,500/sqm GFA depending on the proportion of residential available. Relevantly, some of the sale prices do not reflect any obligation for Affordable Housing contributions.

SCHEDULE 2

Generic Feasibility Assumptions

Notional Development Yields

Notional development scenarios are prepared for the purposes of testing the feasibility of the sites selected and their capacity for affordable housing contributions (if any).

The Study develops notional development yields for the purposes of feasibility testing, as shown in **TABLE S2-1** and **TABLE S2-2**.

TABLE S2-1: Residential Development Typologies

DEVELOPMENT TYPE	TOTAL FSR	NO. STOREYS
MEDIUM DENSITY	0.85:1	3
RESIDENTIAL FLAT BUILDING	1.3:1	5
	1.8:1	6
	3.0:1	15

Source: Atlas

TABLE S2-2: Mixed Use Development Typologies

DEVELOPMENT TYPE	TOTAL FSR	MIN. NON-RESIDENTIAL FSR		
		E1 Active Frontage	MU1 Active Frontage	MU1 No Active Frontage
MIXED USE DEVELOPMENT (SHOP TOP HOUSING)	2.0:1	0.8:1	0.5:1	Nil
	2.5:1	0.8:1	0.5:1	Nil
	3.0:1	0.8:1	0.5:1	Nil
	5.0:1	0.8:1	0.5:1	Nil
	6.0:1	0.8:1	0.5:1	Nil
	6.5:1	0.8:1	0.5:1	Nil

Source: Atlas

TABLE S2-3 illustrates the adopted unit mix and unit sizes adopted in the feasibility testing. An efficiency ratio of 85% to gross floor area (GFA) is adopted.

TABLE S2-3: Unit Mix and Average Unit Sizes

UNIT TYPE	UNIT MIX	NET SALEABLE AREA (NSA)
1-BEDROOM	20%	55
2-BEDROOM	50%	85
3-BEDROOM	30%	120
TOTAL	100%	90

Source: Atlas

Revenue Assumptions

Average end sale values are adopted based on market research and analysis.

The average end sale values are weighted based on an adopted unit mix of:

- 1- bedroom units: 20%.
- 2- bedroom units: 50%.
- 3- bedroom units: 30%.

Based on an average unit net saleable area of 90sqm, average residential end sale values for each precinct are:

- Gordon: $1,620,000 ($18,000/sqm NSA).
- Killara: $1,665,000 ($18,500/sqm NSA).
- Lindfield: $1,710,000 ($19,000/sqm NSA).
- Roseville: $1,800,000 ($20,000/sqm NSA).

Other revenue assumptions:

- GST is included on the residential sales.
- Transaction costs of 5.5% on land purchase cost.
- Selling costs of 2.5% of gross revenue.

Cost Assumptions

Cost assumptions are adopted based on cost publications and professional experience.

- Demolition at $100/sqm estimated building area.
- Residential construction at $4,500/sqm to $5,500/sqm GBA (which is grossed-up from GFA at 115%).
- Balconies are assumed at $1,000/sqm.
- Basement car parking at $70,000 per car space.
- Construction contingency at 5%.
- Professional fees and application fees at 10% of construction costs.
- Statutory fees:
    - DA fees of 1.0% of construction costs.
    - CC fees of 0.5% of construction costs.
    - Long service levy of 0.25% of construction costs.
    - s7.11 contributions based on Council's 2024-25 fees and charges.
    - Housing and Productivity contributions at $10,000/dwelling.
    - Water infrastructure charges at $4,009/ET from July 2026. This is assumed to be equivalent to $3,207/apartment, based on a unit conversion rate of 1 ET per 0.8 apartments.
- Finance costs:
    - 100% debt funding at interest capitalised monthly at 7% per annum.
    - Establishment costs at 0.35% of peak debt.

Hurdle Rates and Performance Indicators

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate.

The key hurdle rate assumed for the feasibility modelling is the profit and risk margin at 18%.

If the resulting profit is sufficient to meet the target profit margin, the development is considered financially feasible.

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SYDNEY

Level 12, 179 Elizabeth St
Sydney NSW 2000
Gadigal Country

MELBOURNE

Level 5, 447 Collins St
Melbourne VIC 3000
Wurundjeri Country

atlaseconomics.com.au