

TABLE OF MOST CHARGES FOR WARNERVALE SUBDIVISION (EXAMPLE)

Assumptions:

- 1 developer throughout
- no rezoning (so no Planning Proposal is required, which would add 1-2 years plus additional fees (2 levels of government), advertising and exhibition fees, consulting charges and holding costs - >\$100,000)
- sufficient equity (elsewhere) and track record to achieve the quoted interest rate
- 100% borrowing (if insufficient, the interest rate would be much higher)
- minimal design amendments required by approval authorities
- no disasters during the project
- loss of yield is reasonable (eg under a national standard), not some assessor's peccadillo
- no onerous requirement to upgrade existing structures to current standards
- a reasonable retail sales market at the time of selling
- out-of-house consultants for all DA and CC work
- out-of-house contractors for all works
- determined by Council (not other levels of the State's planning hierarchy; where additional time delays and costs would necessarily be involved)
- success in disproving claimed Endangered Ecological Community
- no roundabout, seagull intersection or traffic lights (>\$200,000 subject to site conditions, infrastructure, predicted increase in traffic volume – on or off-site)
- reasonable progress, excluding common but negative things such as lapsed Consents (not due to developer), land tax threshold being triggered (not due to developer) etc.
- say 4 years elapse from purchase date until sufficient lots have been sold to pay out the loan (and all development costs)
- no mortgage insurance
- no building or contents insurance
- all quoted fees are for 2015
- no covenants or easements are allowed for
- lot sizes are approx. 500-700 sq m; comparable estates range up from 450 sq m
- services are above ground and below ground (all underground is more expensive)
- sewer and water mains are very close and sized to suit
- \$10,000 is often shown below as the developer's current budgetary figure
- no upgrading to current standards for existing structures which are generally unaffected by the subdivision (such upgrading is typically required)
- many fees apply in some form across Australia (eg stamp duty), even if levied by each State

Facts about this project:

- Site is first to be developed in a strategically rezoned residential area with flooding and ecological issues, of State interest to help accommodate Sydney's overflow population. Being first means this developer is expected to wear costs that benefit later developers, without credit, eg extension of water and sewer mains, potential underboring of the Great Northern Railway line for a sewer main! Need for approvals due to flooding and ecological status of land downstream, need to prove/disprove existence of threatened flora species in the adjacent road reserve, need to provide buffers for bushfire (not required once adjacent blocks are also developed).

- Inbuilt delay in receiving financial benefit of credits – developer needs to be able to fund the gap.
- Council tried to require a land and ecological survey of downstream land off-site over which we had (and received) no access rights.
- Two external State agencies assessed and regulated the project, “silo” style (Office of Water, Rural Fire Service).
- Cost-shifting is now the norm: from the Feds to the States, from the States to Councils, from Councils to developers and from developers to retail buyers.
- Wyong has low socio-economic indicators – typical of a fringe outer-metropolitan Council area within 2 hours’ commute each way of Sydney, Newcastle and the lower Hunter Valley, with good building land for single houses (although highly affected by climate change)

TABLE 1: DEVELOPMENT AND SELLING COSTS – BUDGET AND ACTUAL INCLUDING PROFIT

FEE/CHARGE	PAYABLE TO	STAGE	AMOUNT
establish loan – application fees (@ 1% of loan value) - estimate	lender	pre-purchase	\$37,000
valuation of land and other assets being used as equity - estimate	lender (for its valuer)	pre-purchase	\$7500
wholesale land purchase (potential 38 lot subdivision)	2 adjacent vendors	pre-Development	\$3.7m
stamp duty, transfer fee, mortgage registration fee; conveyancing costs (guess)	State; conveyancer	Application (DA) lodgement	\$151,600 \$10,000
rates water supply standing charge sewer supply standing charge	Council	from purchase until all sold (annual)	\$10,000
preparation of the Development Application (all required reports*), lodgement, monitoring and negotiation to Consent	consultants	pre-DA lodgement	\$160,000
ground-truthing where information on which strategic decisions have been made (eg rezoning of land) is inaccurate at site level	consultants	pre-DA lodgement	\$10,000
"consultations" with agencies holding strategic information who may dispute site-specific reports and/or maintain "silo thinking"	consultants	pre-DA lodgement	\$10,000
potential payments if access onto other sites has to be paid for, either during survey or via easements and rights of access (on Title); may also require payment of a bond to cover damage	other landowner(s)	pre-DA lodgement	not known – subject to negotiation
yield loss due to buffers which are additional to the area covered by the constraints (bushfire, acoustic, wetland, flooding, detention basin, EEC if found) – typical widths are 10-40m on all sides; some buffers can be overlaid, others have to be laid horizontally, separately (one being additional to others)		pre-DA lodgement	\$800,000
DA fee, advertising fee, handling fee for Integrated DA, assessment fees, Long Service Levy (fund for building workers) (0.2% of construction cost), PlanFirst (0.64% of construction cost)	Council, Council, Council, State departments, through Council to State, State Dept. of Planning & Environment (for Sydney's	DA lodgement	\$10,000

fee for works on Crown Lands (eg foreshore reserve)	strategic planning) State Dept. of Roads and Maritime Services		avoided deliberately for this site (via design)
some design amendments required by approval authorities	consultants	after DA lodgement	say \$10,000
some design or procedural amendments required due to government changes during the process	consultants, possibly fees to State &/or Council	after DA lodgement	\$0 in this example, but could be tens or thousands
preparation and signature of Voluntary Planning Agreement (VPA)	State Dept. of Planning & Environment	after DA lodgement	developer's time only in this example, otherwise a consulting fee
agreement to pay Minister's (uncapped, unspecified) legal costs re VPA	Minister for Planning & Environment	before or after DA lodgement	not known, not contractually required to be "reasonable", say \$5000
Controlled Activity Approval for structure within riparian corridor (stormwater dispersal into "creek")	State Office of Water	after DA lodgement	assumed included in DA fee
yield loss at rear: 2 strips – acoustic barrier required by main road; previously-un-notified future acquisition for main road	(lost capital return and profit for developer)	first: before DA lodgement second: during DA assessment	\$800,000
preparation etc. of Construction Certificate for all works CC fee	consultants Council or private certifier	after Development Consent	\$25,000
implementation of all conditions of Consent including construction of a subdivision – fee includes: consultancy fees, site preparation, earth works, pavement of internal	contractors, project manager(s)	after Construction Certificate, before Subdivision	(developer estimate \$1.75m) but in Warnervale

roads, draining internal to subdivision, water reticulation, sewer reticulation, grassing and turfing, erosion and sediment control, provision of essential services. (not including DA)		Certificate application	area, recent estimates cost range from \$50,000-\$70,000 per lot. 38 lots X \$60,000 (average) = \$2,280,000
possible installation of infrastructure <u>mains</u> which are not available near the site, or else face onerous delays despite correct zoning: townwater, sewer electricity NBN telephone	developer may have to do and pay Council Ausgrid NBN (but Telstra is cheaper) Telstra	after CC	credits may or may not apply; no refund of interest payable; capital raising has to be feasible
possible removal of unapproved fill (believed uncontaminated although a little asbestos was found); authorised disposal	contractor, if needed, eg in order to successfully implement VMP in E3 strip	after CC, before Subdivision Certificate	>\$10,000
landscaping plan, implementation (estimates)	designer, contractor	plan for DA; then prior to issue of Subdivision Certificate (SC)	\$5000 \$15,000
temporary fencing to protect environment/flood-zoned land during subdivision construction (guess)	contractor	after CC stage, before lodgement of SC	\$10,000
temporary erosion and sedimentation controls (for protection during subdivision construction) (guess)	contractor	after CC stage, before lodgement of SC	\$7500
permanent delineation of wetland by bollards, sandstone blocks etc., even though there is disagreement among the authorities as to where it is and where the 1:100 year flooding extends to (estimate)	contractor	after CC stage, before lodgement of SC	\$6000
certification that all Development Consent and CC requirements have been met (estimate)	private certifier (submitted to Council with SC application)	before lodgement of SC	\$5000

implementation of Vegetation Management Plan on E3 zoned strip, over 5 year audit period ** (guess)	contractor	prior to issue of Subdivision Certificate then for 5 years (or as negotiated)	\$25,000
Subdivision Certificate application – paperwork fee	consultants Council website	after CC stage, before issue of SC	unknown \$5438
State Infrastructure Charge \$93,710/net developable hectare; 3.815 ha site (less APZs and 0.1ha/dwelling)	State	prior to issue of Subdivision Certificate (likely 2016)	\$228,652.40 (mid 2015 calculation, will increase mid-2016)
Section 94 contribution (to community facilities)	Council	before Subdivision Certificate is issued	\$1,400,000
preparation and lodgement of Subdivision Certificate (SC) application with all required certificates re conditions of Consent	Council	seeking issue of Subdivision Certificate	\$2,800
arrange with mortgagee/lender for existing Certificates of Title to be tendered to NSW LPI (guess)	consultant then lender	after issue of SC	\$750
handling of Subdivision Certificate and plan for lodgement of paperwork at 1 Sydney address, in person lodgement of Deposited Plan with NSW Land & Property Information: fee	legal agent or consultant State	after issue of SC: seeking registration of subdivision, after which retail lots exist independently of each other and can be on-sold, separately rated, land taxed etc.	\$1500 \$6779
land tax (levied annually on 31 December)	State	after purchase	\$56,624
stamp duty and associated fees	State	not sure if any	say \$0

conveyancing costs – selling (guess based on \$1000/lot x 38)	conveyancer	fees applicable on way out	\$38,000
marketing costs	selling agent	selling period	<\$50,000
commission on sales (typically 2.5-3.5%)	selling agent	selling period	deducted from gross income
early pay-out fee (depending on loan structure) (say 1% of remaining principle, say \$3m already paid off, \$700,000 residual)	lender	as loan is fully paid out, following sufficient sales	\$7000
mortgage discharge fee	NSW LPI	during discharge of mortgage	\$110
interest at say 5% (historically low), for all costs above (Another developer always allows 9.25% for 3 years, as a minimum)	lender	purchase through to sale of sufficient lots to pay out the loan, say 4 years (1.5 years DA, 0.5 yr CC, 1 yr construction, 1 yr for early sales)	\$600,000
SUBTOTAL EXCLUDING GST (and unknowns)			\$9,683,253
GST	Federal	10% on most transactions	\$968,325
SUBTOTAL (excluding unknowns)			\$10,650,478
profit (aka developer margin) before GST, to cover no income during project, uncertainty re approvals, eventual yield, price at exit, duration of selling period etc.	(retained by developer if profit eventuates)		25-35% standard (say 30%), \$2,904,976
INBUILT COSTS FOR 38 LOT SUBDIVISION (EXAMPLE), ON A PER LOT BASIS	(developer's budgetary estimate)		\$176,000
RECENT AVERAGE SELLING PRICE FOR SIMILAR LAND NEARBY			1. \$266,000/ LOT
SUBTOTAL OF COSTS (FROM EXAMPLE ABOVE), PLUS PROFIT, PLUS GST	TOTAL/ NO. LOTS	13,556,554/ 38	2. \$356,751/ LOT

TABLE 2: AFFORDABILITY COMPARISON (Compare 1 with A; 2 with B) – NOT AFFORDABLE

With say \$300,000 house and landscaping, and 100% borrowings	Weekly repayment at about 5% variable interest x >10 years (internet comparison)	1. \$566,000 cost 2. \$656,751 cost	1. \$3070 pcm = \$708 p w 2. \$3566 pcm = \$823 p w
WEEKLY AVERAGE HOUSEHOLD INCOME IN LOCALITY x 40% AS MEASURE OF AFFORDABILITY (ABS Census via Wyong website)	A) Wyong Shire average B) Adjacent (developed) suburb to site	A) \$737 B) \$1300	A) \$295 p w B) \$520 p w

* DA reports

- Acoustic (rear boundary is a State road, front boundary is across the road from main northern railway line: NSW to Hunter and Queensland)
- Land survey
- Lot design (subdivision plan)
- Plotting of individual trees by species in E3 zoned strip (zone allocated for flooding, not ecology)
- Plotting of claimed wetland boundaries along with riparian corridor (although the land is flat)
- Flora/fauna assessment (by ecologist) (might have needed year-long seasonal survey for 2 threatened flora species known in locality, but strategic designation of area for suburban development seems to have overridden the need to do this onerous survey)
- Vegetation management plan (by ecologist)
- Engineering: stormwater (tanks for each house, street system, detention basin design for a flat block! structure for disposal to drainage line, water quality protection or improvement); roads; sewer; other infrastructure; fill proposal for part of some building envelopes (residential-zoned land only)
- Additional flood information for intermittent drainage line
- Bushfire hazard
- Statement of environmental effects

** Vegetation Management Plan

An alternative to implementation of a VMP (weeding, limited replanting, 5 year project) is biobanking or other environmental offsets. One estimate is \$14,000/lot for biobanking in an immature market, so a VMP was preferred on this site.