

Ref: 10902 – Showground Corporation Rezoning Review

15 January 2019

Mr Andrew McAnespie
Senior Planning Officer
Independent Planning Commission NSW
Level 3, 201 Elizabeth Street
SYDNEY NSW 2000

Dear Andrew,

RE: Information to be provided to the IPC Panel – Showground Precinct Castle Hill

This letter has been prepared in response to your email dated 10 January 2018 in relation to additional information required to be supplied to the IPC Panel in respect of the Showground Corporation Rezoning Review.

The Showground Corporation Housing Affordability Scheme

Showground Corporation has devised a housing affordability scheme for this project which has been underpinned by years of consulting with experts in the industry. Specifically, feedback from key stakeholders including the Housing Supply Association (HSA), Emergency Service Workers, Police Association, Defence, NSW Ambulance and Fire Brigade, The Professional Teachers Council (PTC), NDIS housing and community housing providers has provided crucial insight into the housing needs of key workers, first home buyers and NDIS occupants.

The Showground Precinct in Castle presents a significant opportunity to deliver affordable housing targeted at providing discounted rental and purchase opportunities for these groups. It preserves rental stock specifically for key workers for a minimum period of 5 years and protects purchase stock for first home buyers and occupiers from the investor market.

15% of the total yield sought by Showground Corporation under its Planning Proposal will be preserved as part of its housing affordability scheme. This equates to approximately 450 apartments within 50-400 metres walking distance of the new Showground Metro Station, a new dynamic retail centre and cultural innovation precinct with new parks and recreational facilities. Importantly, new affordable housing is to be delivered within a 5 minute commute to key job precincts in the Castle Hill and Norwest Business Parks.

The purpose-built model comprises of two key components:

Housing for First Home Buyers

Of the 15% affordable housing, 10% is proposed to be reserved specifically for first home buyers. This equates to 300 apartments comprising a mixture of affordable 1 and 2 bedroom stock. First home buyers will be invited to purchase apartments off-the-plan with a 5% deposit, as opposed to 10%. The balance (5%) will be payable by the purchaser after 18-24 months, equivalent to the construction period.

The benefits of the scheme to the first home buyers include:

- More time to save for the 10% deposit (balance of 5%) whilst still being able to purchase their off-the-plan apartment; and
- Having greater choice in the type of housing, with first home buyers being exclusively invited to purchase their properties before investors.

Discounted Rental Properties

Of the 15% affordable housing, 5% is proposed to be held by the proponent and offered to key workers, the NDIS and community housing providers as discounted rental properties for a minimum 5 year period. This equates to 150 apartments.

Under this part of the scheme, a mixture of properties including 1, 2 and 3 bedroom apartments will be offered at 20% below market rental rates. On a standard 2 bedroom apartment, this enables tenants to save upwards of \$30,000 - \$35,000 with the discounted rent over a period of 5 years; providing a significant contribution towards a deposit on their own property. At this stage, after 5 years the properties would return to full market rate, however, the developer may be open to negotiating extensions to this period closer to the date.

Showground Corporation is committed to providing opportunities for key workers and others to buy their own home. A save-to-buy option will be offered to those who are willing to pay full market rent and contribute 20% of the rent into a trust account for 5 years. At the end of the lease term, the tenant would be given the first right of reply to either purchase the property, or alternatively collect their trust moneys with interest gained.

It is proposed that the affordable rental housing would be managed by a mixture of community housing providers including the NDIS.

Based on the scale and staging of the project, the affordable housing will be delivered in stages over time. Whilst apartments will be offered for discounted rental for a period of 5 years, these will be released over a total project term of 10-15 years.

Net Present Value

Based on the IPC Panel's request and the assumptions below, the indicative nominal cost to the developer of providing a 20% discount on market rent for 5% of the stock over 5 years would be in the order of \$4,090,000 or as a Net Present Value (NPV) is \$2,780,000.

Please note this advice is limited to a calculation only and is based on the assumptions provided and does not make any representation on the accuracy of the assumptions used, staging of cashflows,

occupancy rates or any other input that may impact the resulting calculation. Any verification of inputs will require further consideration.

Assumptions used for the above NPV calculation are as follows;

Rental subsidy	20%
Net Monthly Rent per unit	\$2,194
Subsidy per Unit	\$438.75
# Units to apply subsidy	5%
Total Units	3000
Subsidised Units	150
Total Monthly Subsidy per month	\$65,812.50
NPV Discount Rate	16%
Rent escalations	
Year 1	0%
Year 2	0%
Year 3	2.5%
Year 4	2.5%
Year 5	5%

We trust that this information addresses your questions. Should you require anything further please contact me anytime.

Yours sincerely,



Josh Owen
Senior Associate Planner
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