



## Economic Viability Assessment

### **Scope of Work**

The DP&I requires the services of a suitably qualified and experienced Service Provider to provide Economic & Viability Assessment services relating to the Ingleside Precinct, and specifically the completion of the scope of works set out below.

### **Economic and viability assessment**

The economic and viability assessment will generally comprise two parts; case studies to identify land uplift factors; and development optimisation modelling.

#### *1. Case studies to identify land uplift factors*

The case studies will address the following objective:

- *identify what factors underpin successful developments following rezoning, and in particular what percentage land value uplift is necessary in different circumstances.*

The Service Provider shall investigate locations where there have been recent rezonings and record:

- previous zoning and FSR;
- new zoning and FSR;
- previous built form and density;
- redeveloped built form and density;
- pre-rezoning baseline land value;
- post-rezoning baseline land value;
- typical lot sizes (pre and post rezoning);
- typical housing product and price points post rezoning; and
- any other obvious development factors (extent of capitalisation, fragmentation, proximity to infrastructure etc).

Where necessary, the Service Provider shall make allowance to augment their capabilities with specialist valuation advice.

Possible sites for investigation include Warriewood, Oran Park, Riverstone, Bundock Street Randwick, Leppington and the North Shore line. The PWG will confirm these at the time of commissioning. From the analysis and for each location the effective percentage of land value uplift following rezoning is to be identified.

Present the material in a short report and use it to refine the optimisation modelling framework.

#### *2. Development optimisation modelling*

This element of the study will address the following objective:

- *develop a model (approximating the Ingleside example) where the development and infrastructure cost variables are able to be modified to achieve target land value uplift benchmarks (to inform the desirable built form mix).*

The model will contain a number of modules, equivalent to the different sub-precincts



where different underlying development costs apply (based on inputs from engineers or others, but the costs need only be broadly accurate for the purposes of the modelling). For each of the modules a typical potential housing product would be identified (large detached, medium detached, compact detached, semi-detached/terrace, low rise apartments) each with a construction cost and related infrastructure cost profile (which will vary between modules for the different housing costs).

Provision shall be made for each of the sub-precincts to have a different underlying land value (information to be provided by a valuer). Assuming different price points for the different housing product (information from market research) it will be possible to assume different housing mixes and vary them by precinct/module to achieve the target value uplift benchmarks set by the experience derived from task 1. Ultimately the model will generate the Net Residual Land Value of any proposed use mix and this can be compared to the 'starting' land value. A guide to the desirable mix – the 'sweet spot' – will be provided.

The output of this study should be in the form of a GIS layer "heat map" showing the areas most likely to be developed early based on their viability, and those areas not likely to be developed at all.