

Future Project Application

Building G – 7 Railway Street, Chatswood

Submitted to
Department of Planning
On behalf of Mirvac

May 2009 ■ 09117

Residential Development of Proposed Building G – 7 Railway Street, Chatswood

Executive Summary

The paper outlines the positive planning outcome that would be achieved if the Minister for Planning were to declare the development of a residential building on a site known as Building G at 7 Railway Street Chatswood (part of Pacific Place) to be a ‘Major Project’ under State Environmental Planning Policy (Major Projects) 2005) (SEPP Major Projects).

This paper also presents the strongly held view, evidenced by the sites history, that the development of a commercial building as per the expressed wishes of Willoughby Council has been, and will continue to be a financially unviable proposition. Incumbering the site in such a way will ensure it remains undeveloped and vacant for many years into the future.

Also concluded is the view that a residential development on this site is an entirely appropriate and necessary use to meet the future housing needs of Sydney, without preventing the sub-region from meeting its future office growth needs.

Background

The Pacific Place Masterplan development application was approved as a stage development application under consent 1999/1812 on 12 February 2001 (see drawing SK-01 below). The Masterplan consent approved six buildings across the site with a gross floor area of 99,965 square metres which included:

- 26,460 square metres of commercial office space (Building G),
- 870 square metres of retail space across the site,
- 548 residential units,
- A public precinct of 5000 square metres (adjacent to Building G), and
- 1,139 car parking spaces.

The Masterplan consent required the submission of separate development applications for the erection of each of the six building and the construction of associated works.

Residential Buildings “B-C”, “D-E”. “H”, “Altura” and “Epica” were each granted subsequent development consent. The buildings have been constructed and are occupied.

Building G, the Commercial Tower is the subject of development consent No 20010600 which was granted on 20 January 2002 for the “Construction of a 21 storey commercial office building, retail shops, restaurant, basement car parking, and landscaped public precinct.” The development consent has been the subject of several applications to modify the consent relating to refinement of car parking, storm water detention, design changes to improve the relationship between the building and the public space and update the external façade, and to enable the subdivision of the site accommodating Building G.

Building G has never been built and the Site of the building and the public precinct remains vacant.

The Site

The Site on which Building G and the public space is proposed is known as Lot 6 in DP 1058962, No. 7 Railway Street in Chatswood (the Site). It is proposed that the site be developed for residential not commercial purposes.

Introduction

This submission recommends the Minister for Planning (the Minister) declare the development of Building G within the Pacific Place complex for residential purposes and the delivery of public spaces to be a 'Major Project' under SEPP Major Projects. This submission is intended to inform discussion of a proposal prior to a formal request being made for a declaration. When the request is made, it will also seek that, should the Minister form the necessary opinion:

- a) The Minister authorise the proponent to submit a Project Application for the proposed development; and
- b) The Director General issues the requirements for the preparation of an Environmental Assessment to accompany the Project Application for the proposed development.

The proposed development involves the construction of a residential flat building with ground floor retail space and public spaces. The site is subject to development consent 20010600 issued by Willoughby City Council on 29 January 2002 for the construction of a 21 storey commercial office building, which is one of six buildings that form the 'Pacific Place' staged masterplan development. The development consent has been commenced through the undertaking of preliminary site works.

This submission demonstrates that residential development is more appropriate on the site. **Figure 1** illustrates the site's regional context.

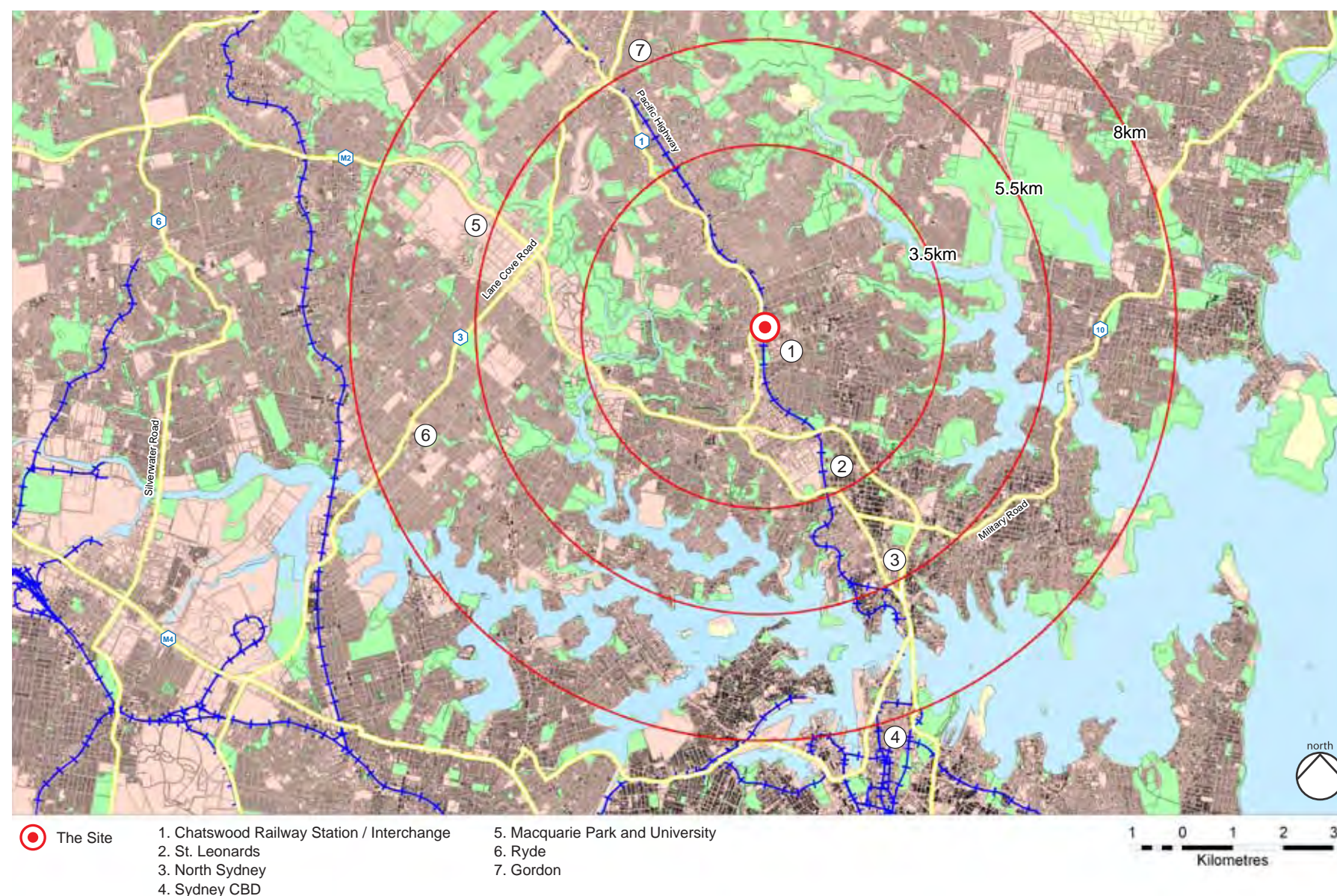


Figure 1 – Regional Context

The Site and the Locality

Referring to **Figure 2**, the Site is located to the east of the Pacific Highway and adjacent to the North Shore railway line in Chatswood. It is within a medium/high density residential precinct between Anderson Street to the east and Railway Street / North Shore railway line to the west.

The Site is located on the corner of Railway and Help Streets, which define its south and west boundaries (refer to **Figure 3**) and its real property description is Lot 6 in DP 1058962. The land has been under the ownership of Mirvac since 2000, in which time the site has been vacant and cleared in preparation for development.

Part of the Site occupies the air space above the adjacent rail corridor, with the approved commercial building designed to be constructed above the railway.



Figure 2 – Aerial view of the site and locality

The attributes and character of the surrounding locality and available services can be summarised as follows:

- Adjoining uses:
 - North – the Pacific Place masterplan development, which comprises of two elliptical towers of 32 (Epica) and 25 (Altura) storeys of residential apartments with minor elements of retail and commercial space.
 - East – the remainder of the medium / high density residential precinct within which the site is located (including larger residential flat buildings at Cambridge Lane and Endeavour Street).
 - South – the commercial precinct to the south of Help Street.
 - West – The commercial precinct between Railway Street and Pacific Highway.
- Transport – the site is within 400m walking distance of Chatswood railway station and Transport Interchange, which provides:
 - Train services to Sydney CBD, North Sydney, St Leonards, Epping, Macquarie Park and Hornsby
 - Bus services to Lane Cove, North Willoughby, Frenchs Forest and the Northern Beaches
- Services – the site is within 1km of:
 - Westfield and Chatswood Chase Shopping Centres
 - Chatswood High School
 - Chatswood Public School
 - Open space and recreational facilities at Chatswood Park and Beauchamp Park
- Amenity – as the precinct is located on the north - south ridge along which the Pacific Highway passes, taller buildings have the potential for views across Middle Harbour to the east, Lane Cove National Park to the west, and the Sydney CBD to the south.



Figure 3 – The site

Planning and Property Issues

The Site is part of the Pacific Place project which has been successfully developed by Mirvac between 2001 and 2008 for residential purposes and ancillary retail development. Building G as approved includes 28,144m² of gross floor area (GFA), comprising office, retail and restaurant uses, basement parking and publically accessible landscaped areas.

Sub-regional Planning Context

Chatswood is in the Willoughby local government area (LGA). It is also a Major Centre within the Inner North sub-region identified by the Draft Inner North Sub-regional Strategy (INDSS). As a Major Centre, it comprises:

“Major shopping and business centre serving immediate subregional residential population usually within a full scale shopping centre, council offices, taller office and residential buildings, central community facilities and a minimum of 8,000 jobs”.

The INDSS states that Chatswood has around 300,000m² of office space and 190,000m² of retail space. Willoughby Council is considering opportunities to increase the amount of office space in Chatswood by around 95,000m² and to increase retail space by around 40,000m².



Figure 4 – Sub regional planning context

Local Planning Context

The site is zoned 3(c2) Business Commercial, under Sydney Regional Environmental Plan No 5 – (Chatswood Town Centre)

(SREP No. 5). Residential Flat Buildings are a permissible land use on the Site under SREP No. 5.

The Council is currently preparing a comprehensive draft local environmental plan. The zoning of the Site and range of permissible land uses is at this stage unknown. However, in discussions with Council the Council has advised that it is possible that residential development would not continue to be a permissible land use. Notwithstanding the current permissibility, the Council in recent consultations has advised that it would not support the development of the Site for residential purposes under any circumstances.

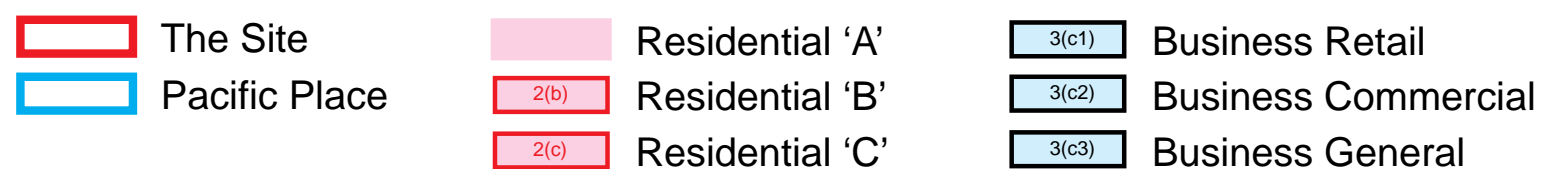
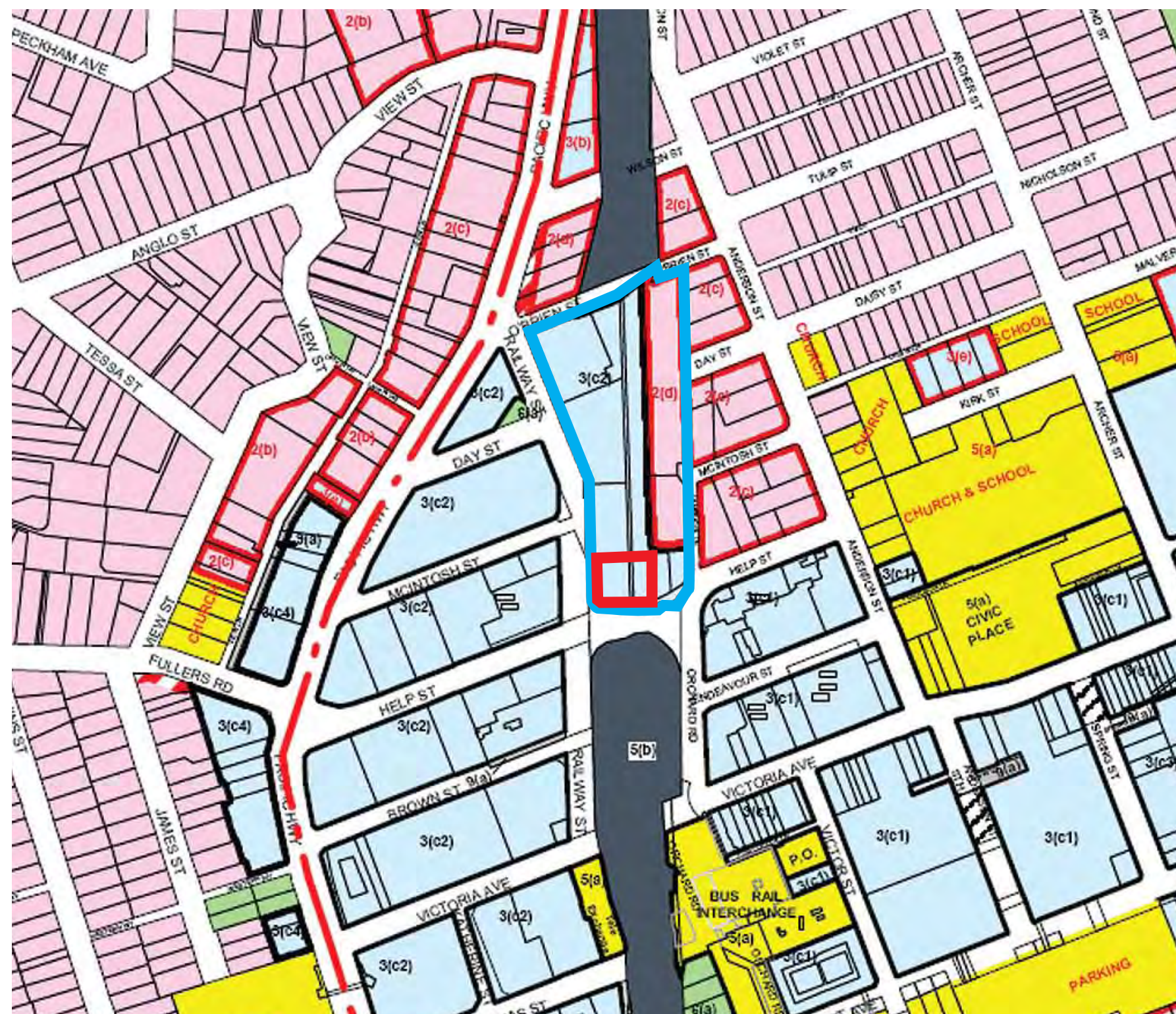


Figure 5 – Zoning

Property Market Trends in Chatswood

Market demand in Chatswood over the last 10 years, a period until recently of economic growth, is such that the supply of existing and available commercial office floor space is at a level at which exceeds demand. During this period the total area of office space in Chatswood has declined by almost 6000 sqm, whilst vacancy rates have more than doubled. This represents a nett contraction in the Chatswood office market in the most favourable of conditions and when all other markets have experienced significant growth. The recent changes in global market conditions will see a considerable decrease in demand for commercial office space generally, which will negatively impact the Chatswood market even further.

The Chatswood commercial office market has suffered from poor rental growth, high vacancies and high rental incentives, all of which have contributed to commercial development of the Site being unviable for many years. The current economic climate, demand for office space and rental rates on the decline or at best stagnant produce circumstances that will prevent commercial development of the site for an indefinite period.

A lack of demand for office space in Chatswood is demonstrated by the fact that the site, while zoned and DA approved to permit commercial development, has been vacant for close to 10 years. While demand for commercial office space in the Sydney Metropolitan area as a whole has been high since the mid-1990s, it has been too low in Chatswood to make the development of new office space on the site commercially viable.

By contrast, demand for residential developments and apartments, in particular in Chatswood has increased markedly. Census data indicates that the population of the Chatswood statistical district has risen 28% from 10,580 in 2001 to 13,513 in 2006. The number of apartments in Chatswood has risen 58% from 1,926 to 3,050 in the same period.

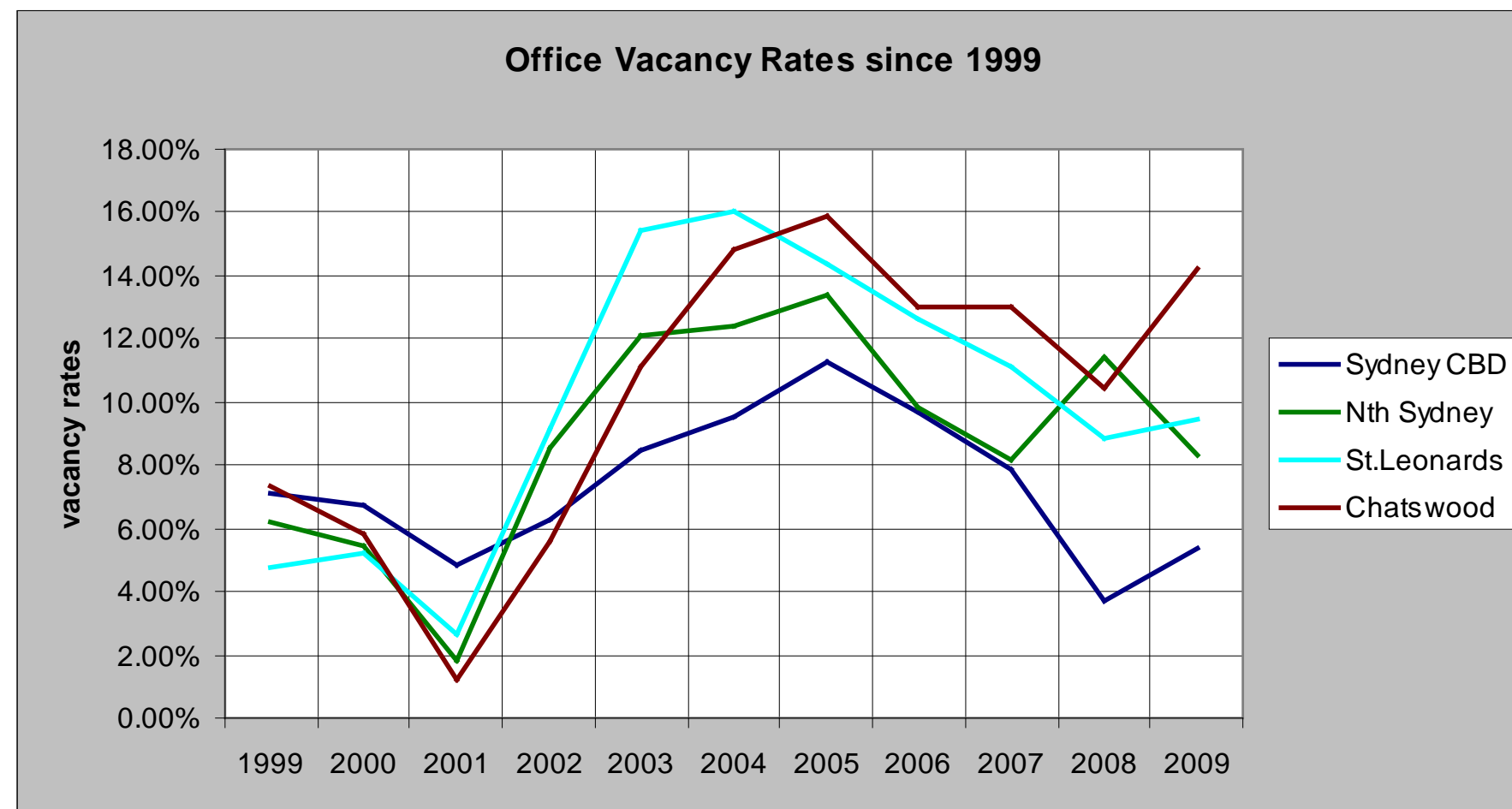


Figure 6 – Office Vacancy Rates since 1999

Commercial Property Trends in the Sub-region

The INDSS identifies strong increases in demand for commercial space elsewhere in the Inner North Sub-region. The draft states that, in the past 15 years, floor space in Macquarie Park has doubled, with an employment growth of around 800 to 1,000 jobs per year.

The trends in vacancy rates, office stock movement and office occupancy movement since 1999 within the CBD and lower North Shore is clearly described in the graphs below which have been sourced from Propert Council of Australia data.

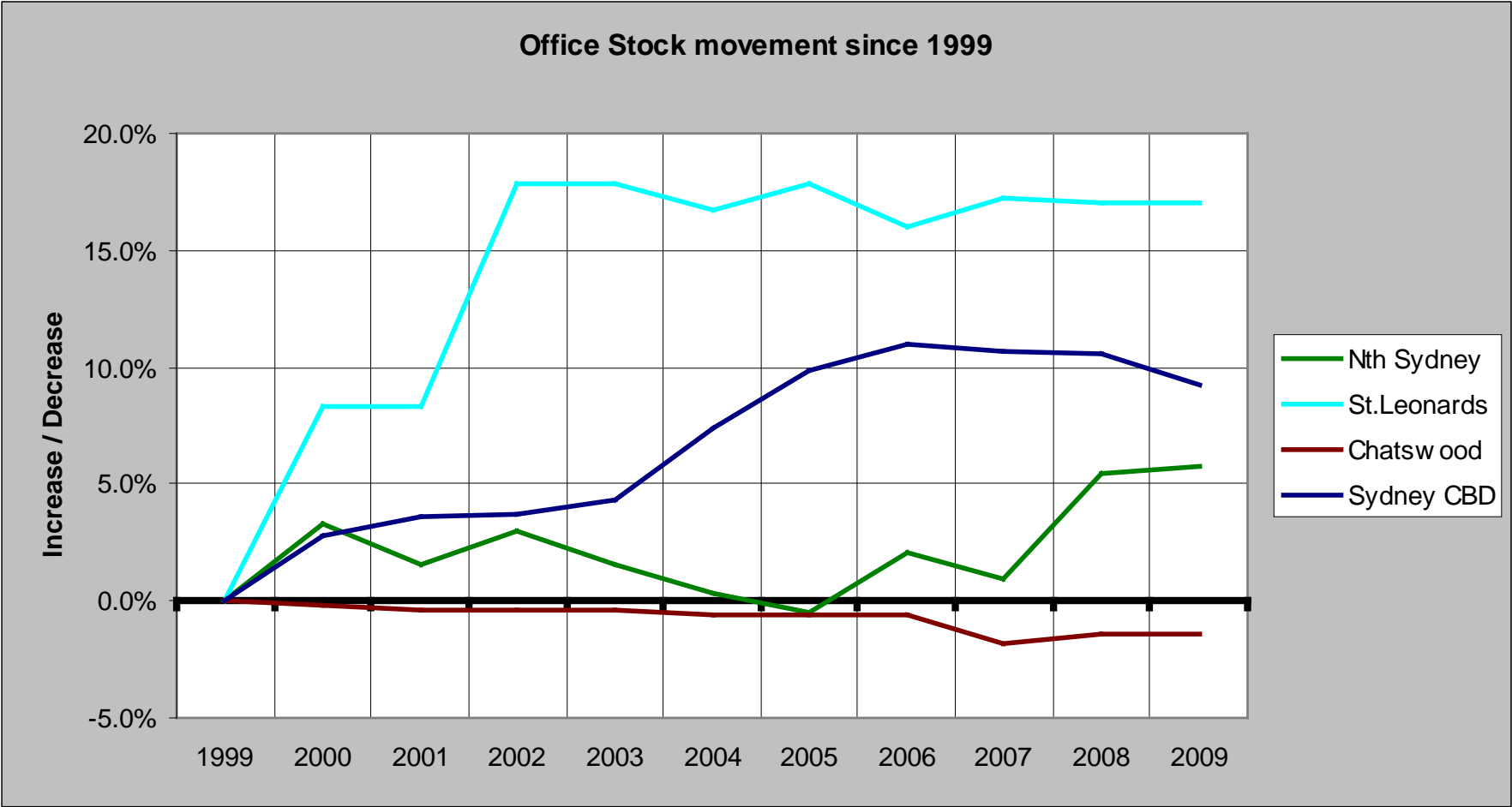


Figure 7 – Office Stock movement since 1999

Availability of Commercial Space in the Sub-region

North Sydney Council's draft Local Development Strategy (draft LDS) is being prepared in order to inform a new Local Environmental Plan (LEP) for North Sydney. The draft LDS states that the existing LEP for the LGA, gazetted in 2001, provided for an additional 250,000m² of commercial floor space in the North Sydney LGA. To date, around 88,315m² has been approved for development, leaving around 161,685m² to be developed. Assuming an occupancy rate of around 20m² per employee, the employment capacity of North Sydney under existing planning controls is therefore 8,084 jobs.

In order to meet the target for North Sydney set by the INDSS sufficient floor space must be provided for an additional 2,916 employees. With an occupancy rate of 20m² per employee, the amount of additional employment floor space required to 2031 is just 146m². Considering the amount of land suitable for redevelopment in the North Sydney CBD, it is submitted that the INDSS employment target for the North Sydney LGA is inadequately low. By contrast, employment capacity targets for Chatswood are artificially high. The employment capacity target for Chatswood of an additional 7,300 jobs by 2031 represents 12% of the target of 60,000 for the entire sub-region (an increase from 129,000 to 159,000 between 2001 and 2031).

Furthermore, In addition to the commercial office capacity of North Sydney, the INDSS estimates that there is potential for a further 900,000m² commercial office space in Macquarie Park (bringing the total for the centre to around 1,700,000m²).

It is arguable that the market will direct where the employment land uses will be generated rather than a strict adherence through planning controls to a target. The increased stock that has come into the market in North Sydney, St.Leonards and most notably in North Ryde/Macquarie in recent years is evidence of this.

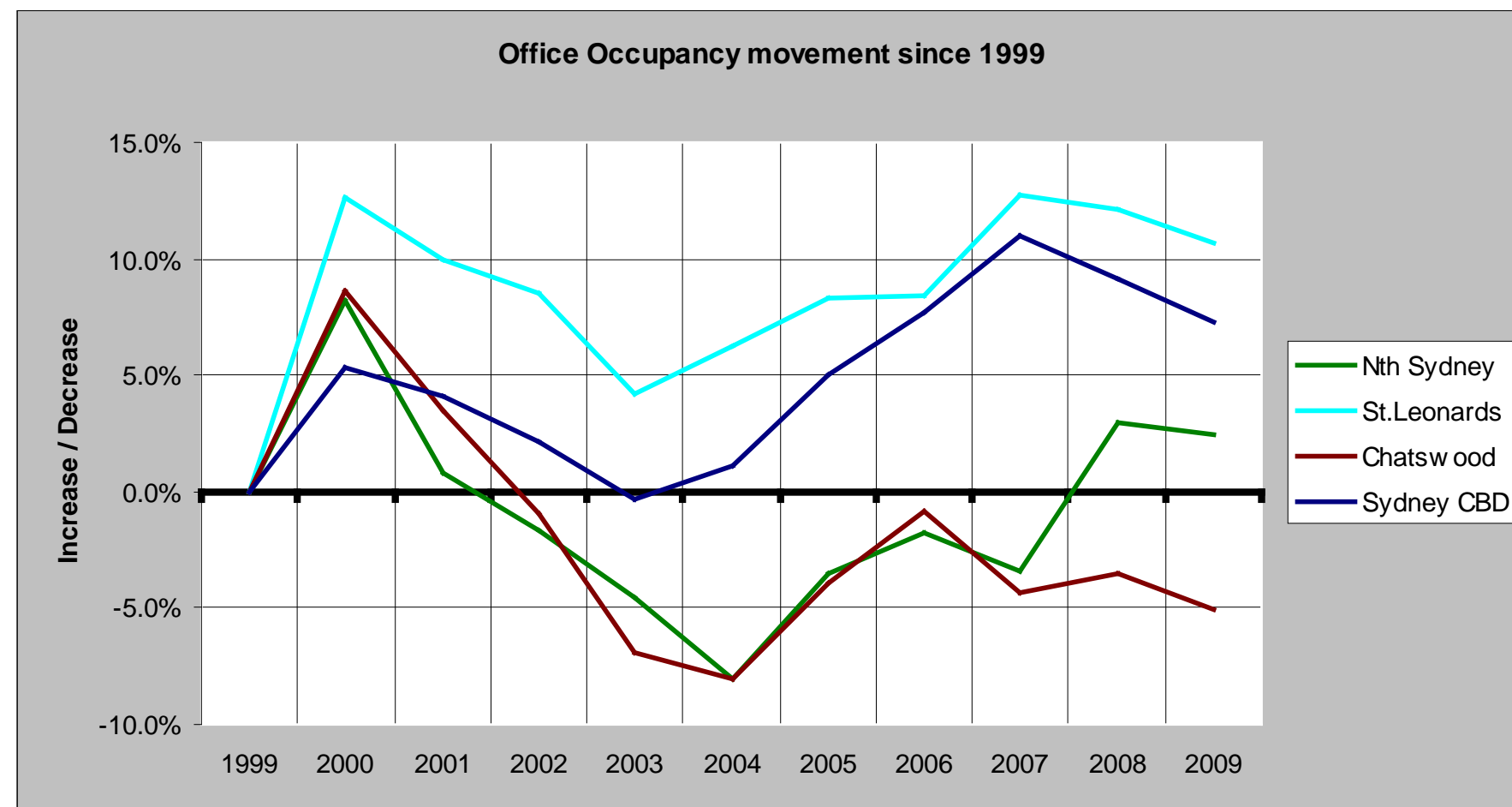


Figure 8 – Office Occupancy movement since 1999

Suitability of the Site for Residential Development

The Proposal

It is proposed that the site be used for the development of a residential apartment building, with ground floor retail/commercial space and basement parking. The proposal is subject to further development, but can be expected to include the following as a minimum:

- Residential GFA / FSR – Approximately 29,000 sqm of GFA with an FSR of 5.92:1;
- Residential Yield – 250 apartments comprising 110 x 3 bed, 90 x 2 bed and 50 x 1 bed apartments;
- Retail/ Commercial GFA - Approximately 350 sqm;
- Height – Approximately 115m above entry level;
- Development Cost in the order of \$150 million.

Note: With respect to height, massing and form, the development will be in accordance with the upcoming draft LEP

Residential development of the Site will contribute to the mixed use nature of Chatswood and will result in civic benefits with the construction of the public spaces onsite, increased pedestrian traffic day and night and promote street front retail which will provide an active street frontage.

The residential development of the Site will not detract from the established commercial zone on the western side of Railway Street, rather it will be consistent and compatible with the other residential and retail uses within Pacific Place.

The target for additional dwellings in Willoughby LGA by 2031 represents 23% of the target of 30,000 for the entire subregion (bringing the total to 159,000 from 129,000 in 2004). The proposed residential development of the Site would achieve 3.6% of the Willoughby LGA target for residential development under the Sub-regional Strategy.

Locational Advantages

The proposed development will consolidate and compliment an existing high density residential precinct (between Anderson Street to the east and Railway Street / North Shore railway line to the west). It will provide dwellings in walking distance from public transport infrastructure, shops and community services and within 1km of several schools, open space and recreation facilities. The proposed apartments will have good amenity, afforded by views of Lane Cove National Park, Middle Harbor and Sydney's CBD .

Economic Benefits of Residential Development

With strong existing demand for residential apartments in Chatswood, Mirvac are confident that should residential approval be received, construction works can commence within months.

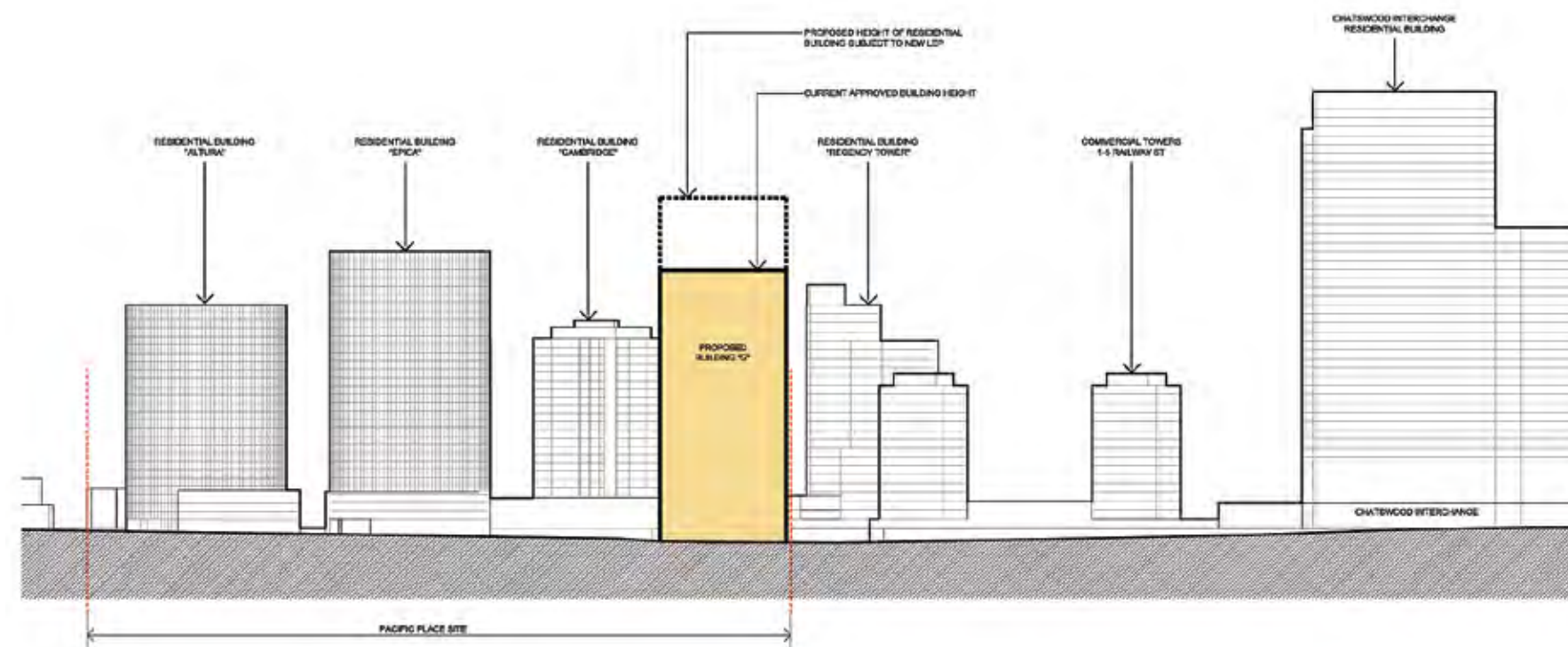


Figure 9 – Elevation



Figure 10 – Plans

Conclusion

The development of the remaining vacant land within Pacific Place, the site of Building G for residential development would enable the provision of over 250 dwellings in walking distance to transport, shops and community facilities. The development would satisfy existing market demand and would provide economic stimulus to Sydney.

The delivery of the residential development will result in the delivery of jobs in the short to medium term, and the delivery of a range of public improvements and public domain spaces.

A restriction of the site to only allow development of a commercial office building will result in the continued alienation from the Chatswood neighbourhood, through long term uncertainty and inactivity on the site.

Given recent high demand for residential apartments and low demand for office space in Chatswood and the capacity of other centres in the sub-region for commercial office space, future commercial development in Chatswood is inadvisable. The objectives and targets of the INDSS would be better served by allowing the site to be used for residential development and not commercial office development. This would ensure that:

- The function of Chatswood as a “high density commuter town” served by regional scale shopping, transport and community services, schools, recreation facilities with high amenity would be promoted.
- The function of North Sydney as a commercial core within “global Sydney” and of St Leonards as an expanding commercial centre will be better supported by allowing high density residential development to take place elsewhere.