

Common Good Meeting 3

The meeting commenced at 6.30pm, 23 October 2012

At Epping Baptist Church, meeting rooms

Chairperson: Mark Anderson

McGrath presentation

Michael Bevan presented his views on the Lyon's offer. In his experience, there are 6-10 developers in Sydney which could do what Bruce Lyon is proposing. Is this ultimately in your interest at this time with the \$10,000 option? It ties your property up for 2 years.

\$2.3 million – as a figure, based on unknown development terms, in my view is something I would be concerned about. The future is unknown. Do you want to tie up to one developer? There is far more certainty in a free, transparent environment once the zoning is known.

Hornsby Council don't see a gazettal for at least 18 months (at the minimum 12 months). The plans are likely to be for 5 storeys.

If you're interested in \$2.3 million, I would recommend more than \$10,000 for 2 years. They will not have an answer in the next 12 months.

Epping business district is fundamentally owned by 3 owners. Those 3 owners own a lot of land which is in Parramatta Council. Parramatta Council has different views to Hornsby Council on development.

At the moment 70-80% of property is driven by the Asian market. Epping is becoming a bigger Asian market over time. 4- 6 properties together could create an enormously competitive market. Epping is a very attractive place for home owners and investors. There is still a lot of scope for development.

If the gazetting doesn't go through – no development will go ahead.

Questions

Can you explain the process of you acting as the agent for a group of people?

We have full time architect and town planner on our team. We present what can be done feasibly with all the different scenarios. We obtain a report in plain language from the council as to what the zoning means. We present a lot more information. Campaign – we write an information memorandum, we put that into a document which goes out to all developers who enquire and also to all developers on our database. We advertise the SMH on Sat and real commercial.com which is where to find the developers. We run a campaign over 4 weeks. We ask for Expressions of interest (not an auction) but we essentially create a Dutch auction once expressions close. Our job is to achieve the highest offers with the best terms for the owners. At Beecroft, we had 42 new enquiries in 4 week period. We sent out 1066 memos to contacts on our database.

Cost – in Beecroft each property paid \$2,100 for marketing. Each property paid 2.2% (incl GST) in commission on sale. Initial offers were between \$1.4-1.5 million. With the certainty of the gazettal each property got \$1,612,500.

What were the sizes of the blocks?

In Beecroft: 3 x 750sqm, 1 x > 1000sqm. The 4 owners however agreed to split the final price evenly 4 ways as ¼ of the largest block was unable to be developed. We are not involved with determining the amount each block receives unless requested.

On Cliff Rd, the blocks are about 840sqm. On Carlingford Rd it varies but generally about 930sqm.

Would you consider auctioning the site to developers?

He doesn't recommend auctions for development sites. His experience is this doesn't work. Under expressions of interest we tend to get more offers. Owners can then ultimately make the decision.

How is premium determined?

Premium is determined by the competitive nature of the development. Premium at the moment could be 60-70%. It all depends on the gazettal. For example at Beecroft the homes were worth \$900-1.1million. The premium was 50%, but this can be lower or higher.

How much does gazettal change the premium?

Developers talk about price per site and the amount of land value equated to each unit sold. Take a site which has 50 units. Developers will pay \$100,000 per unit. In Beecroft the cost of the units ended up being around \$160 000. In Carlingford this was \$110 000-\$115 000. Epping should be about \$180 000. Density, height and capability have a big influence as to the offer.

Consider the Reverse model – Take 54 units on 4 blocks of land. i.e.2 blocks on Carlingford Rd and 2 blocks in Cliff Rd. $\$180,000 \times 54 = \9.5 million. Divide by the 4 properties = $\$2\,364\,000$. This is where Bruce got \$2.3 million from. However, if you add more units on more blocks for example 6 blocks with 81 units $\times \$180\,000 =$ approx $\$12.45$ million. Divide by 6 blocks = $\$2.4$ million per block.

Developers at the moment are looking to do 40-80 units in each development. There are very few developers who can afford 200-300 unit developments. Many developers are not interested in Epping at the moment as there is too much unknown.

Number of blocks that Lyon is 35 blocks. (\$75million)

Will Hornsby Council do a master plan including all blocks or divide into smaller blocks?

Unlikely to be one DA (that is one big development). It is likely to be split into 6-8 stages. Developers need DA approval, without this the banks will not fund them. DA approval not likely until 6-9 months post gazettal. The risk is that if the gazettal goes through in 19 months time Bruce Lyon will want more time to obtain funding. It is better to go to a competitive environment.

In areas like this and your experience, do you envisage developers might buy up and then sell onto other developers?

It is possible. There are 3 phases to development. If you were to sell now with a 6 weeks settlement, you are likely to get \$1.6-1.7 million. Once the LEP goes to full draft the price is likely to rise to \$2 million. Once gazetted this could possibly be higher again.

Is there an advantage to selling in long blocks up Carlingford or Cliff Road rather than 2 blocks Carlingford + 2 blocks Cliff Rd?

Either can be done. Don't need to marry in a square block.

The optimum size seems to be 4 blocks. Are there advantages in selling with more or less?

Developers are keen to do 40-60 units, maybe up to 80. Developers need pre-sales to assist funding. It is harder with bigger blocks to get more presales. For the optimum price it is best not to go too much bigger.

How about less? 3 blocks?

You will need a minimum of two. Three yes but maybe not enough volume for a developer. Only do 3 as a strip. (not an L shape).

Land directly behind my property is heritage listed. Is this a disadvantage?

This depends on the status of heritage listing. I.e. Local state and federal heritage listing or Heritage item vs a Heritage home? Member responded that at this point the whole street was Heritage listed. McGrath stated that Developers are given guidelines and controls regarding Heritage. This is beyond their control.

How has the number of units/ storey's worked out?

It is not just about the number of units. Many councils work out the number of units based on a floor space per land size ratio. That is for each square unit of land they will allow a certain amount of floor space. Therefore the more floor space, the higher the block and the greater the number of units. Hornsby council does not use this system. They use an building plate system, which takes into account how far the building must be set back off the road, they height of the building they will allow and the size of each floor. There are talks the higher levels could be made smaller than the lower levels. It also depends on the type of units for example 1 bed, 2 bed or 3 bed. They will determine this by what the local market wants. So it is not simply the number of units. Developers will want to build a mixture to maximize their profit.

Mark thanked Michael for his time and informed the group that his contact details were on their website.

Bobby from DR Johnson (7.20pm)

Mark welcomed Bobby to the group. Offered him 15minutes to talk and then Question time.

Thank you for having me. Hopefully something will be happening in the next 12 months so it is good to be prepared. It is too early to say what will happen with zoning and what can be done. At this stage it is important to know who might be able to help you with questions and to decide how to proceed as a group.

Hornsby Council has started to rezoning with a push from the state government. In other areas of Hornsby Council 5 storeys have been allowed. I have been actively selling these in the last 6 months (eg Beecroft, Waitara and Asquith). I have a short list to provide to everyone.

The zoning occurring here seems to be similar to what is going through in Carlingford and other Hornsby council areas. Hornsby council has not introduced floor space ratio to determine the number of units to be built. They use a building envelope. Based on these guidelines they do not lock the numbers of units and they are more flexible with amount of building per sqm.

Based on our equations developing 2.5 blocks maximizes the developers plans. However you cant join as 2.5 blocks and 3 blocks doesn't give developers the most efficient way to make the most of their site. This is what we have seen previously in other areas in the same council.

We would recommend progressing in even numbers – 4 blocks together/ six together/ 8 together, so developers can divide to make the most of the land. The council may not allow them to have the longer/ wider or developments and with 3 blocks there is leftover land. Even numbers retain flexibility and therefore are more desirable for developers.

Bigger sites will reduce the number of available developers. Very few developers are able to build 150-200 units in one development. If you go bigger, you narrow down the buyers. Smaller sites have bigger developers, better competition, prices and terms and conditions. They have seen this with the old Martellis development on Carlingford Road.

What sort of process would you go through if we go with you?

Best result will come when zoning is present, not now when the zoning isn't yet finalized. Zoning results in bigger number of interested developers

Development is different to selling your house. Terms and conditions are also important. Quicker sales may sell for less but come with better terms. Bobby is happy to have individual meetings to discuss weighing cost vs terms and conditions.

Developers are interested in buying the block for a total price and they do not care about how the money is divided amongst the individual blocks. Bobby can assist sellers with how money is divided up. If you are unable to co-operate or come to an agreement you will not be able to sell at all and both will lose. Bobby has a database of developers and knows how all the different developers work so he can target the right developers for each person.

What if you don't know your neighbours well or feel you cannot negotiate this with them?

Bobby can help with getting enough neighbours together and co-operate to get a benefit for everyone. He can do individual dealings to bring the whole area together. No one can force you to sell.

What if the property is required for easement access? And they don't want to sell?

This has happened in the past. It can be taken to court and they can force developers to buy the area for the easement through the property. It is best most of the time, for the neighbours to get to an agreement prior to going to court.

What is the FSR (floor space ratio)?

There is no FSR in Hornsby council. The approx number of units is based on an envelope area (880 sqm) around 15-16 units per block. For each two blocks this is 30-32 units which are a combination of 1,2,3 bedrooms.

What if drainage is required to go through a heritage block?

Developers cannot damage the property, but they are allowed to go around it (front or back). This costs developers extra money, but it won't stop them.

What about Carlingford Rd and Cliff Road joining together into combined blocks?

In other similar situations, the plan has included landscaping in the middle of the two roads. This is often done to control traffic. Landscaping may mean that you can't join the blocks in this way.

Developers will then buy in strips. For example plans may make developers put in a shoulder to control the traffic coming and going to the units on Carlingford Rd. This would devalue the properties on Carlingford Rd. It may also increase the value on land on Cliff Road as it is quieter. We don't know until the gazette is finalized.

Open forum

If units are built around you and the land value goes up, but you are still in your house, do your council rates go up to the same amount as all the units paying on the block next to you?

Mark explained that Chris has covered this previously. Mark's understanding is that Council rates are determined on zoning. The valuer general then comes through and then this determines your rate.

Chris stated that land value is assessed about every 3 years. While land value is likely to increase it is not likely to increase to the same value as the development next door.

Mark then asked for a show of hands of those who have received the Lyons proposal who feel it is too early and will not be accepting the offer. The majority of hands were raised.

The common message is that why hurry before the zoning occurs. There was a majority show of hands for those who feel they would be declining the Lyons offer.

Has anyone had any other proposals?

There was a rumour that some properties are receiving other offers. It was acknowledged that it was good for everyone to know what each other is offered as it can benefit all of us to know. At the first meeting, everyone committed to each other to share all offers.

Mark has been asked a lot about the website and provided the website details. Mark has put up all developers who have approached him on the website. Mark is happy to add any additional information to the website including other developers details and offers which are made to people. He stated 'We can keep this process transparent so everyone gets the same information'.

Mark commented that people are often motivated by fear or greed. By being transparent, meeting and using the website we cannot change the greed, but we can reduce the fear and the risk of being 'bullied' into signing an offer.

It was asked if people would be interested to hear from the town planner?

Vote to those who would like to invite Town planner. Over-whelming support for the town planner to come and speak to the group. Mark to arrange this with the council. Mark will put it all on the website. Heritage considerations were asked to be put on the agenda for the town planner.

It was noted that 6 people in ½ blocks in Cliff road have not been approached. It was reported that Gary had confided that he had missed a few houses on the end of Cliff road. The zoning may mean that the ends aren't built as high and developers may not yet know what can be offered.

Gary has provided Mark with FAQ which are now available on the website. Gary has also left contracts at Mark's door for everyone to sign.

A member commented that she had phoned Australand - a big property developer. She spoke to the head of development of NSW. They are not interested in engaging until re-zoning is completed. They also echoed a lot of what McGrath said earlier regarding selling as smaller blocks rather than one big block.

John – He is cautious about Gary.

Another neighbor has spoken to developers that are friends and reported that our property as a group may be a lot more attractive as one big block of land. Once you start taking in all the set backs etc, they can get more on the land than if you split into smaller blocks. A bigger developer will need to be discussed with the town planner. If the council allows smaller developments, some blocks may get landlocked between units. We need to continue to be the common good and consider those in our group who are disadvantaged (e.g. Heritage and ½ blocks).

The number of units that Hornsby council allows on the block will also determine the value of the land. We need to do the maths once we know.

Chris – indicated he was also Secretary of Epping Civic Trust and had some background in rezonings. From the Epping Town Centre Study the properties that were not approached at the Kent street end are proposed for 2 storey developments only. When you get to the bottom of Cliff road the inclusion of ½ size blocks may mean the developers would need to buy off each person, however if some are strata title developers will have to get agreement from both people in the property. This may be too hard for developers at this stage.

Chris also spoke to a Solicitor friend who reported that if you sign the Bruce Lyon Option to Purchase, you are effectively signing a contract which has immediate effect as soon as Lyon wishes. You cannot vary that contract. Chris and his wife oppose the re-development and wanted to stay here a long time. They are now looking at the next 20 years and what is good long term result. If rezoning goes through and they get the price they want, then they will sign up. At this stage, the option presented by Bruce Lyon is not what they would accept. Chris has put on the website a 'zoning' tab which when clicked will provide you with information regarding the re-zoning process and status. It will tell you what it is, why are we here, what can happen etc. He will add some links to useful resources.

Has anyone taken up the offer?

No-one knows anyone who has taken up the offer.

Joy noted the house across the road is being surveyed. Another neighbour has also seen surveyors. We should also for the common good tell people on the other side of the Cliff Road what is happening.

Has anyone signed to Bruce Lyon offer or considering to sign the offer?

No hands raised. Mark stated that feeling of the meeting was that at this time, there was no interest in the offer. The group are waiting to speak to a town planner and to see also how things progress. Bruce Lyon may consider re-engaging once the rezoning is closer.

Who would be prepared to go along with that viewpoint?

Everyone agreed with a show of hands.

It was noted that the upfront fee on a proposal like Bruce Lyon should be 1%. If market value is \$2.3 million, he should be showing \$23,000. Another member noted that the 1% usually offered is then taken off the total price. However in this case the 0.5% is in addition to the selling price. This still sees a shortfall of \$6000.

Joy noted that if you sign the Bruce Lyon option you cannot go to other developers. Mark added that once you sign with Bruce Lyon you cannot do ANYTHING for 2 years. If you need to sell your place to go to a nursing home or want to leave Sydney, you cannot sell while Lyon holds the contract.

A group member thought that it may be possible to leave after 12 months

It was clarified that under the terms of the Bruce Lyon contract Bruce Lyon can leave after 12 months but you cannot leave for 2 years. It was noted that with Bruce Lyon they have options, but we don't.

A member received an offer of \$1.1 million from a company in the Eastern Suburbs to sell now. Another neighbor noted the same person offered \$1.5 million to another property in the street, but felt it was not a serious offer. Mark has been approached by a real estate agent's from Waverly and suspects it is likely to be the same company.

A member from Kent St who works in property spoke. He reported that everyone is on the right track to hold out and recommends not signing until thorough legal advice has been sought. The clause from Bruce Lyon that only they can sell on is very risky. He felt McGrath represented things very well. He recommending holding back and wait to see what happens. His personal view is that it will go through and but it will take time.

Anyone to speak in favour of the Lyons offer?

It was noted it was a lot of money, but also noted that this was not guaranteed.

Plan:

- Mark will go back to Lyons as the Common Good Group and report that on the basis of the show of hands, we are not going ahead at this time; however he stressed that individuals can do what they wish.
- Aim for next meeting with Town Planner next Tuesday, at the same location, if available.

Mark thanked Chris Dunkerley for assistance and Tim and Chris for organising the Church.

[The meeting closed at 8.30pm.](#)