

PROPERTY DEVELOPMENT SERIES 4 EARLY DESIGN AND TOWN PLANNING

A PERSPECTIVE

Property Development Series 4

Early Design and Town Planning

You have now secured that perfect development site, paid the 10% deposit, and settlement is occurring in 12 months. How would you proceed to the next stage of early design and ultimately, town planning submission? You hope to obtain planning approval prior to settlement, so that your land can receive an uplift in value and hence secure a better lending ratio and terms from the banks. If all goes well, you may even be able to start construction on land settlement! Hence it is in your best interest to efficiently proceed with the design and planning process.

One may think that the design process is a simple matter of engaging a good architect and town planner and everything will naturally fall into place with little or no effort from you the developer. Then I question what your role is in the whole process – do you only pay fees and charges, or should you take a more proactive stance? After all, it is YOUR development and bears your signature and brand name. With all respect to the professionals who make developments happen, consultants are only a small part of a project – the developer has a key role to play in the whole process. Below is our perspective of what role a developer should play in the early design and town planning phase. It assumes that you will take the development through to completion of construction and not offload the site after planning approval.

1. Ensure adequate resources and information are readily available to enable the architect to formulate a solid concept design – this requires you to understand the timing and format of such information to be delivered. Such information may include a detailed topographical and site survey, arborist assessment of existing plantations on site, setting up pre-lodgment meetings with Council and landscape design to co-ordinate with the architectural design. All these require good advance planning so that activities occur in a timely fashion. The last thing we want is the whole team waiting on the site feature survey to be produced with no productive activities taking place, or Council comes back with new requirements which require re-design to take place.

2. Establishing a firm project brief to the team so that key project parameters such as minimum GFA, design requirements and pro-

ject vision is clearly communicated to the team as early and as clear as possible. Do not underestimate the importance of a clear project vision and a well thought-out and comprehensive brief, especially for more complex projects. At the end of the day, a clear project vision and brief will save you project time, provide clarity to the team and also minimize numerous re-designs that we see so often in projects – thus wasting both time and effort. I have been involved in numerous projects of varying complexity and size, both as a client and as a consultant team member. I can confirm that the most frustrating thing from the point of view of the consultant is constant client requested design changes and refinements, resulting in numerous rounds of redesign and documentation, for which the client will rarely pay for. From a client's perspective it means lost time in re-design effort and declining team morale over time. If you team is not motivated and energized, your project will become a burden rather than a joy.

Let us clarify what a project vision and brief really means, as there are some who regard these as pretentious, meaningless terms. In fact, there are far from being useless as mentioned above.

A project vision should be a concise document, typically less than 1 page long, which outlines what you as the project developer and owner envision this site to become, not in terms of number of apartments, office space GFA or building height, but an overarching objective and goal of what the project should achieve in a broader societal and economic context. What will this development do the immediate surrounding environment, what are your target end-users, what do you want your end-users to feel when they visit your development, what is your customer value proposition, what is the focal point of this project, and will it be a new landmark in the local area? It should state the developer's mind in its purest and raw form. A good architect and design team will then translate this vision into a design outcome and solution. It may also include reference to other projects around the world as an exemplar and also include some images and

photos to highlight some abstract concepts that may not be able to be expressed in words. This document is articulation of the developer's true passion for the project and functions as a key motivation for the project team members. When reviewing proposed designs, always ask the question – does the proposed design (architectural, interiors, elevations, building services) align with the stated vision?

A project brief can be a simple functional design document, outlining the minimum parameters to be achieved to make the project feasible from a financial perspective – such as minimum floor areas, number of bedrooms, target end-user market, quality of finishes, specific design ideas and concepts that you desire (eg. Double height ceilings, extra large balconies, designer lighting, a particular design theme). It represents a wish list of design parameters and concepts to be explored by the design team. This document defines the developer's design expectations from the outset and is clearly written down, so the architect can focus on meeting these specific wants and end up with a happy client. It will also state what design elements to avoid and discard all together.

3. Set the ground rules for leading, managing the engaging the whole team. Define meeting frequency, location and format. Define strict timeframes and milestones for delivery of certain project deliverables. Clearly define what is expected by when and allow time for reviews, holidays and buffers, and most important agree these milestones with the whole team at the first team meeting. Monitor these milestones strictly at every meeting. Define expectations up front and clearly state the time expected, not just the date – when a deliverable is due on Monday 5pm, it means Monday 5pm, not Monday 6pm. Be firm and strict and do not tolerate laziness or excuses.

Enforce these milestones into the consultant agreements if possible, so that any delay will result in some form of penalty. This is very crucial to the success of the project – every day is money and foregone opportunity cost for you the developer. Adopting a professional firm approach to project management will only give you credibility and respect over time and keep the best team on board. Make sure the consultant agreements do not have any conditions on number of meetings to be attended or number of site visits. The consultant is required to do what is necessary to complete their obligations. If it means no meetings, then you have appointed a solid team member. If it means daily or hourly meetings because they do not plan their work well, do not appoint them in the future. Avoid negotiating consultant fees to the last dollar, as you pay for what you get. After all, overall consultant fees are only between 6 and 8% of construction cost, so minor savings in fees will not be a huge

impact. You would rather spend time and effort on value engineering and builder contract negotiations!

4. Review any proposed design critically from a design and sales perspective, and spend the extra time and effort to look at design details and quality of documentation and co-ordination. Rigorously question and constantly challenge the design team to consider different design options. Get your team in a room to co-ordinate designs face to face, rather than through numerous emails. After all, co-ordination errors will cost you money and time during construction! Take a zero tolerance approach to careless mistakes, spelling errors or incomplete documentation. Review to see if your design and layouts are sellable. I have seen many approved plans with completely unsellable layouts, just because the developer thinks the more units there are, the higher the yield (35sqm apartments with internal borrowed light bedrooms and corridor kitchens). Yes these apartments may sell well in Asia or in some dense inner city suburbs, but will they sell in suburban Melbourne, where people are still used to 35sqm bathrooms alone!

This is the first step to an optimal outcome for your project. Our experience shows a design team with a lot of similar past experience is typically influenced by confirmation bias and as such, they will propose many standard provisions and designs. Especially if you are looking for something unique, you need to really challenge conventional thinking by asking the right questions at the right time. Ask around other architects, designers and builders and suppliers if you wish to test some thoughts. Any hands-off approach will not act in your best interest.

5. Undertake early design with a strict cost discipline. Very often, at the early stages of a project, emotion and passion tends to dominate. Carry out cost checks during schematic design through a QS, or builders to ensure your project is still feasible financially. Optimise cut and fill volumes if the site is sloping, and consider buildability when designing basements. Optimise layouts to simplify the structure as far as practicable – with minimum transfer structures, rectilinear and symmetric designs and straight vertical elements. Pay attention to proposed materials and design of external elevations, external fence designs and roof forms, as these are non-negotiable items after town planning stage. Avoid being prescriptive with materials at this stage – as you will want to optimize your costs at detailed design stage, especially in the specification of internal materials and finishes.

6. Finally, and most important, create a team environ-

ment. Development and design is a tough business as you have already felt above with strict time, cost and quality constraints. We could not underestimate the softer side of project management. Many times, developer solely focus on the hard side of projects – deliverables, design, materials cost etc. They often neglect the human side of project management – the design team is working on numerous projects at any one time and treasure appropriate praise and celebration at certain key project milestones. Spend time building a collegial team environment early on through lunches, social events, and dinners. Remain firm and fair throughout to build respect and discipline. Reward accordingly and help to build the profile of their business as well. Some form of joint marketing in magazines or press will be mutually beneficial. Praise the people actually doing the drawings and design with a simple email, Christmas card or ad-hoc gift. These are the people who make or break your project, not always the partner or director of the design firm.

So, in summary, you can see that the developer is a planner, a visionary, a communicator, a whip at times, a design stop-gate and a team builder all combined into one. STM Developments adopts a hands-on approach to leading and delivering projects of any scale and firmly believes these traits and qualities are what distinguish a successful project from an ordinary one. In our eyes, there is no such thing as a passive developer. A developer is an integral part of the team and plays a distinct and participating role, much more than just paying the bills and cracking the whip!

Town Planning

Town planning is normally one of the biggest risks faced by a developer and can result in completely failed project. For a small project like a boutique townhouse project, the whole process from submission, to statutory review periods, public advertising to issue of conditions and approval can take between 6 to 12 months, depending on suburb, neighbours and how far you challenge and stretch the planning scheme provisions. This will exclude any independent external tribunal and legal processes which could take more time. For more complex higher density projects, we typically allow 9 months to 12 months for town planning processes as a conservative estimate, assuming we proactively and intimately manage the whole process.

There are town planning processes which are completely outside our control and are statutory in nature – eg. public consultation process and statutory review timeframes. Normally, no matter how hard you pursue the development or how well connected you are within the senior ranks of Council, these are non-negotiable timeframes

you have to allow for. The beauty (or one may say dismay) of the Australian planning system is its extreme high transparency and structured process backed by solid and clear legislation. With enough project scale and macroeconomic impact to the community, there may be scope to escalate projects to a State Planning Minister level or even to a Federal Government level. However, in most circumstances, you will be dealing with the Local Government i.e. Council.

We typically find that the best way to establish a trusting long term professional relationship with Council is to focus your projects on one or two particular localities – in Melbourne, let's say the Councils of Stonnington and Boroondara. Your first or second project will be an uphill battle, meandering your way through an intricate maze of processes, forms, reviews and referrals, but your subsequent projects will be made a lot easier once you establish your trustworthiness in negotiations and delivery and execution capability. Some developers may see Council as their direct opponents, however we believe a more integrative approach with Council will typically yield good mutual outcome. Recall our discussion on the Tai Chi philosophy. A combative approach always has elements of co-operation and vice versa.

At a planning officer and working level, Council will appear to give you a hard time with numerous queries and time consuming referrals. However, the discussion at a management and Councillor Ward level will need to be more strategic. You have to be seen to be contributing to the urban fabric of the community and managing any sensitive neighbouring interfaces. Council is not concerned with how much money you will make or lose in the project, although they do make their cut from contribution fees and other planning and permit charges. We believe that ultimately, a good planning solution is not only profitable, but also contributes to the social fabric and enjoyment of its end users and neighbours. At the end, it comes down to architectural and landscape design and treatment of sensitive interfaces. An acceptable and caring design will override any perceived objections and voluntary planning scheme provisions.

The last thing Councillors want is major resident unrest due to your development, and fighting a prolonged and costly battle in VCAT. Obviously for larger scale projects, there would be an opportunity to engage in a more strategic dialogue with Council and this is where you demonstrate your working attitude and professional brand. You may not achieve your desired outcome for the first project, but you will have your golden opportunity in

the second and subsequent projects to negotiate a favourable outcome.

To build your brand as a respected long term developer, you should contribute your time and effort in participating and sponsoring Council led events, forums and public consultation on communal affairs to broaden your relationships. This involves participating in workshops, forums and educational seminars. It also involves sponsoring events and supporting Council initiatives in a transparent manner.

Appointing a competent well-connected town planner and architect with the particular Council is a first step, but you as the developer also have a vital role to play in the planning process. You need to work closely with the design team to orchestrate the best outcome in the shortest amount of time. We are of the view that the developer will need to perform the following roles during the town planning stage:

1. Determine the overall town planning strategy in consultation with the planner and architect. Given the planning constraints on the site, recent precedents and future planning policies in the local area, is it worth pushing the boundaries on this site? If so, which boundaries do we push – will it be building height, density, use, setbacks, carparking, or some or all of these? What is worth pursuing and what is the likelihood of success? The developer will need to make the decision on which buttons to push and when to relax or give way. Your negotiations skills come in useful from the very beginning.

Some developers may decide to pursue an aggressive scheme from Day One and is prepared to take their case to VCAT in any case. In some cases, just complying with all planning provisions make save you precious time, and in a strong market, this may be beneficial, in lieu of pursuing that extra bit of GFA or the extra floor. As such, the developer will need to balance the technical considerations with commercial reality and conditions and make an informed decision on the way forward. This is a tough decision, as there is no data or past precedent to work off – every site is unique and every Council planning officer is different. But you have to provide this direction in your project brief early on so your design team can proceed with confidence.

2. Project manage the early design process and engage in proactive discussions with Council at an early stage. Pre-lodgment meetings are a formal avenue, but your informal relationships with Council will come in handy at this early stage. Communicate broadly and clearly. Share your passion and infiltrate your vision with Council. For larger projects, attempt to hold one-on-one encounters with key Council decision makers, transport authority departments and ward

members to socialize your vision. Absorb any early feedback into the design prior to lodgment. Remember, once your application enters the Council processing “machine”, you are bound by strict review and statutory referral periods. There is little room for design amendments until the RFI response stage, which may already be 2-3 months post lodgment. Your aim is to minimize the number and frequency of any RFIs and make the process as easy and as smooth for the relevant government officers as possible.

Think strategically on how you wish to appear and present to Council, depending on the site particulars and contentiousness of the project situation. You may wish to stay in the background and rely on the planner to be the main point of contact with Council. Only at critical negotiation stages or when the town planner has exhausted all avenues will you appear to push for a final outcome. Alternatively, you may wish to be highly visible and present at all Council meetings and conversations to demonstrate your active commitment and to build a relationship with Council. What works best will depend on very unique and specific circumstances, but one can be sure that if you remain permanently in the background in the eyes of the Council, you will never achieve personal learning or improvement, and every subsequent project will be an uphill battle. Dealing with Council is again an art, and the more you get involved in the details, the more you will understand what the underlying issues are or will be.

3. Dealing with Council always comes down to negotiation. Define and prioritise concessions you are willing to take when it comes to the pointy business end of the approval process. Only you are able to decide which concessions to take, given the feasibility of the project. As an example, for a major mixed use high rise project in the CBD, Council is pushing for 20% less car parks on site. This will have a major impact on the resident amenity and sellability of the apartments. Rather than trying to sell 100 apartments with no carparks, can we reduce the number of apartments to 50 larger upmarket units with larger setbacks and larger balconies, but retain car parks for these larger units. Commercially, this means almost doubling the area and selling price to retain the same financial outcome, but your construction cost should be slightly lower as there are 50 less carparks, kitchens, bathrooms and less dividing walls to construct, even though the total concrete floor area remains the same. Less apartment density will most likely be favoured by Council and your neighbours, but is there a market for these larger size apartments at a premium price? If so, great. If not, can we adjust the mix between

residential and commercial uses and still maintain the feasibility of the project. Are there nearby carparks that can complement your increased commercial uses? Does Council need any additional office space? Is there an unmet communal need that can be negotiated eg. Child care, food court, podium open space etc. Bringing these into the negotiation mix can open the room for relaxation of car parking requirements or achieve a mutual outcome. Another concession can be floor plates and building height, if there is no mandatory height controls. Smaller floor plates (hence greater setbacks and better design amenity) but greater building height to compensate can be financially beneficial, even with fewer car parks. Deciding which concessions to give will require understanding of Council's hot spots (communal uses, open space etc). It is also better to give concessions that are mutually beneficial – resulting in a better design or commercial outcome for you and also satisfy Council's hot spots to some extent. In many situations, ultimately fight the battle in VCAT if there are strong technical grounds in your favour.

Again, we can see the developer during town planning is a manager, a strategist, a visionary, and a negotiator, and just not the ATM machine or the occasional whip. The best developers or their project managers I have worked with in the past are those who are decisive and consistent in their thought process and who drive the team with discipline to a successful outcome, and be not bogged down by emotion or personal preferences. They keep the big picture in mind, and relentlessly but co-operatively pursue a mutual outcome with Council.

We hope the above provides a brief glimpse of the design and town planning process and our perspectives on what a developer's role should be. We would be happy to share further thoughts or provide another point of view in your current or future project endeavours. It never hurts to get another opinion.



STM Developments

YOUR TRUSTED AUSTRALIAN DEVELOPMENT PARTNER

OUR CAPABILITIES



SITE ACQUISITION

Solid pre-acquisition due diligence and sourcing of the best on and off market development sites is the first step to a successful project.



PROJECT FEASIBILITY

Thorough market research, detailed risk assessment and a robust project feasibility analysis will provide comfort for a successful acquisition.



DEVELOPMENT MANAGEMENT

Leading and managing all project consultants and stakeholders and securing the best planning approval is a crucial first step in the development process.



PROJECT MANAGEMENT & FINANCING

Disciplined project management, design and documentation management and cost control within feasibility limits will ensure projects are completed on time and to budget.



INVESTOR REPRESENTATION

On larger scale joint ventures or projects, negotiating development agreements, undertake commercial and technical due diligence and representing investors throughout the project will ensure their interest and risks are managed.

ABOUT US

STM Developments is a property development & advisory business based in Melbourne, Australia.

We work alongside developers and investors, providing site acquisition, feasibility analysis and project management services for residential and commercial projects. We initiate and participate in property development joint ventures as project proponent. We also act as investors' independent representatives as their point of contact for their co-investment projects and joint ventures.

Founder and Managing Director Simon Lee has more than 17 years of professional experience in all major facets of the development industry in Australia. He has successfully designed, led and managed major commercial, retail, mixed use and residential projects in Hong Kong and Australia ranging in value from \$4 million to \$20 billion. Simon is also an occasional guest lecturer and tutor at the Faculty of Architecture University of Melbourne.

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