

MOD Kitchen Justification

The approved alterations have an approved wet bar / kitchenette on the ground floor. This MOD is to allow cooking facilities in kitchenette as an entertaining kitchen for the ground floor indoor / outdoor entertaining and living area.

The lower level has had a deck approved.

The aim of the deck is to connect the house with the large garden area for indoor outdoor living.

Upstairs has the bedrooms and living areas and kitchen. The kitchen upstairs also gets used as office bench as it is a central area to work and enjoys the views and sunlight..

Downstairs is intended to be entertainment area and indoor outdoor living.

As such a kitchen downstairs is proposed as part of the entire houses entertainment area.

A wet bar / kitchenette has been approved. My research online and in legislation had shown cooking appliances were possible. , Council initially said its up to a certifier as to what could be in the wet bar in regards to cooking appliances . Subsequently a certifier said a second kitchen is allowed but it was dependent on Council. On speaking to a Council Planner today , they said it was possible to approve depending on different factors.

The upstairs area is joined to the lower area by an internal staircase. The upper stairs open into the upstairs living area, bedrooms and existing kitchen without doors or separation. The property is on the lakefront northern Beaches and as such a premium level of real Estate. The property that is of a level that luxury inclusions and amenities such as a working kitchen and entertaining kitchen is in keeping with the level of amenities in this level of house.

Other inclusions that are also this level of property are the outdoor shower and bath, large decks and gardens, large master suite with large ensuite and other bedrooms with ensuites.

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With the renovation / additions , updating the existing kitchen was considered , however rather than destroying a functional kitchen and throwing it into landfill for the sake of update , the preferred option is to add a sense of luxury by having a working kitchen in the main everyday living space upstairs and an entertaining kitchen for indoor outdoor living and entertaining ...especially having spent a lot of time at home during COVID and appreciating home and reassessing life and the value of spending time with family and friends

It is not the aim to turn this into a duplex.I don't want to do things that would void insurance. It is a house that I want to live in forever.

By turning it into a duplex it would cause too much separation of amenities of the house. if I lived upstairs I would lose all access to the backyard and large new deck and indoor / outdoor entertaining. The backyard has access to the lake and a pathway to the shops. Living upstairs would take away both these and takeaway access for kayaks and paddle boarding.

If I lived downstairs there would be limited bedroom and living space , loss of the views available upstairs from the main living area and loss of access to the new main master bedroom and large ensuite. There is already a main bedroom and small ensuite at the back

of the upstairs level. I have lived in the house 20 years. I spend 80% of my awake time inside in the upstairs living area due to the sweeping direct views over the lake. I am fulfilling a long dream of having an upstairs bedroom looking over the lake with a big luxury marble ensuite (as opposed to the small ensuite the current main bedroom). The bulk of my outside time is spent in the backyard and using the direct access to the lake and using the direct path along to Narrabeen shops. By creating a duplex it would totally fracture the house and the biggest highlights of the new renovation.

There is what they call a “law of diminishing returns.” A small granny flat would rent out at a much higher rate per square meter. Leasing out an entire half of a luxury house without multiple bedrooms would give a poor return while massively effecting the use of the house. A tenant who is essential house sharing doesn't pay the same as a proper purpose built duplex. Additionally tenants don't pay a premium for views and location like buyers do when purchasing real estate does.

These two points together make leasing out a whole floor of makeshift duplex an extremely poor return and doing so without full council approval as a duplex can compromise insurance cover let alone Council inspections / orders.

Given recent sales and the increasing prices in the recent market , the house could be close to \$5 million. (recent sale of 143 Ocean Street near the beach but not on the beach was \$4.9 million) Downstairs as a duplex would be one bedroom / studio. Most single bedrooms are \$350 to \$500. On searching Realestate.com I found one single bedroom found was \$750 a week fully furnished , including internet. On a \$5 million dollar house split in half – at \$2 500 000 a even maximum rent of \$750 represents a 1.5% return while drastically reducing the amenities and functionality of the house for the owner.

To put it in perspective , a person who buys a \$5 million dollar waterfront house is after luxury not to earn a 1.5% return sharing their \$5 million dollar property and losing half its main highlights and use.

If a separate Sole Occupancy Space was the aim , it would be done for the new approved lower addition. A much smaller area that would comply with granny flat sizes. I have talked to Council Planners and discussed the possibility of an approved granny flat simply to have it as an option . I was told it was possible on first assessment. I am looking at the requirements for this as a legal SOU and would need to apply for dispensation for parking. I also feel that it would be a class 2 building and the close boundary may make fire regulations too restrictive. A separate DA may have already been simultaneously lodged or lodged later.

A small granny flat in the ground floor of the approved addition would gain nearly as much rent without effecting any of the amenities or privacy of the main house. The main house would still have access to the backyard / lake / new approved deck , new approved upstairs master bedroom and master ensuite.

If council approval for a granny flat is not possible or too hard to comply with fire regulations for something that I may not even use, then this same small 40m2 area could still be utilised as an Air BnB WITHOUT a kitchen which actually makes cleaning and upkeep easier and less expense of fitout of a kitchen that I may not even use if I don't even

do air BnB. An Air BnB next to the beach could be let out at a greater return for a fraction of the year if chosen too.

An Air BnB could return between \$250 and \$450 per night depending on season ie winter vs summer holidays ie \$750 to \$1350 for a weekend , \$1750 to \$3150 per week WITHOUT COOKING FACILITIES as people doing Air BnB eat out ,and do takeaway as they are n holidays or at most can use a BBQ or microwave which are not fixed cooking facilities meaning it is NOT a kitchen. There is no regulations on microwaves and BBQ's. This makes far greater sense to earn a much higher return for a much smaller space with no effect on the use of the main part of the house and having its access and amenities severely limited. Additionally it can be done for just part of the year. Say \$450 a night over 12 weeks of Summer comes to \$37 800 compared to \$39 000 for an entire year leasing out the entire lower floor with far greater capital gains tax then occurring for the home if sold.

Capital gains tax , renting out a much smaller area will effect capital gains far less. A principal place of residence has no capital gains. However if it is rented out it becomes subject to capital gains. If half the house is rented out then half the house becomes subject to capital gains , while if a very small section was let out for only a part of the year then Capital Gains tax becomes very small in comparison. As such Air bnb of a small section for the same money makes much more sense that renting out half the house and losing significant capital gains to tax.

If this was a house in the Cromer or Bilgola Plateau or Even Collaroy Plateau

Two things

- 1) The above suburbs compared to the rest of Australia are still very highly desired suburbs, but they don't have the close proximity to beach, lake, restaurants and transport. Compared to a house on the lakefront, 500M from the beach and 500m from Shops and restaurants and the B1 bus , these other areas could not command the same Summer holiday demand and rent as a small Air BnB. Thus making a small area with no kitchen that doesn't effect amenities of the house and minor capital gain tax effects far more sense than sacrificing half the house and amenities at high capital gains tax costs.
- 2) For a house in the suburbs / lower to medium end positions, a reliable second week in week out income permanently leasing out half the house could be important. The proposed second kitchen is in a higher end , premium positon house. I've been in the house 20 years , have no mortgage , haven't paid numerous stamp duties changing houses , and a high income as a dentist. High income earners are more likely to be the profile of a person who owns or purchases a \$5 million dollar house. The amenities and use of the house is more important than giving up half the house and half the amenities to make a 1.5% return than doesn't even cover interest rates when they are at an all time low.
- 3) A half house with one bedroom / studio in a \$5 million dollar house does not rent for 3 times the rent the same half house of a \$1.8 million dollar Cromer house. So the Cromer house makes more sense to split it for affordability to help with a mortgage.

Please ring to discuss if alternatives or things can be done to make this allowable that haven't been included here.

Regards Justin Sinfield