

2015 Stakeholders Meeting

Date: May 7th 2014

Where: Quest Manly

Time: 7.30am to 9.30am

Present:

Council Staff

Henry Wong - General Manager
Anthony Hewton - Executive Manager Corporate Support Services
Gordon Malesevic - Chief Operating Officer Civic and Urban Services
Nathan Rogers - Chief Information Officer
Kathy Fuller - Manager, General Manager's Office

Council Consultants

Tai Ropiha - CHROFI
Joshua Zoeller - CHROFI
Graham Brooke - KPMG
Tara Colston - KPMG
Alan Finlay - Bitzios Consulting
Garry Neville - CARDNO Engineering
Martin Hill - Hill PDA

GFM Consultants

Bruce Kitson (Financial Advisor)
David Wunder (Civil Engineer)

Community Stakeholders

John Humphrey - Humphrey's Newsagency
Ian Miller - Local property owner
Garry Brown - Henroth Investments

Chamber of Commerce

Mark Stanley - President
Drew Johnson - Vice President
Jonathan Allara - Treasurer
Stacey Randell - Executive Officer

Press

Cayla Dengate - Manly Daily

Meeting Introduction – Mark Stanley

Council Introduction – Henry Wong

Project Design Overview – Tai Ropiha

- This plan is set to address some of the underperformance of some parts of Manly
- The new plans design principles based on a village feel, which is in keeping with Henry Gilbert Smith's original plan of having the "public common" at the town centre
- Laneways to the North represent huge potential for future development
- The idea is to remove more cars from the town centre to create more space for pedestrians and more opportunities for business to flourish
- Anywhere in the centre is within 200m of a parking station
- Investing in a car park is about the long term capacity building as part of a 40 year plan
- Pedestrians spend more money and the longer we can get people to stay in Manly, the more their spend increases
- Improvements in Manly's retail offering will allow us to remain competitive with other retail centres
- The plan's focus is to build a strong offering for locals and a sustainable community
- Showed Council's official 2015 promo video

KPMG Analysis - Graham Brook

- Tried to be transparent with information provided to Council of which there are two key reports. May 2013 (a summary is on Council's website) and the other is a letter to Henry Wong in December 2013, (provided in full on Council's website)
- These reports were created independently and objectively and KPMG is not paid in relation to the success of this project
- A lot changed between the those two reports and Graham will answer questions regarding why the figures have changed between these two dates by using a waterfall diagram to demonstrate
- The assessment is about the viability of the car park component of the project in isolation
- Their core analysis is presented without the sale of the Whistler St car park but have also completed an analysis inclusive of the sale of the Whistler St car park
- KPMG does not estimate the cost of building projects, the basis for their accounting assumptions for this project is reliant on data from;
 - QS's (Quantity Surveyors such as CARDNO Engineering and WT Partnerships)
 - Ski data (actual figures about the existing usage and income of the car parks, as sourced from Council)
 - Demand study from Bitzios Consulting
- They do however do some testing of these benchmarks to verify that the assumptions are correct

Main Difference between the two reports completed by KPMG

May 2013 Report	Dec 2013 Report
Relied on budget estimate figures from CARDNO Engineering	Relied on budget estimate figures from WT Partnerships
Rate of return estimated at 12.9% (without taking into account the 2 hour free parking)	Rate of return 6.6%
\$42,875 per car space	\$40,000 per car space
\$34.3m overall cost	\$30.4M overall cost
Didn't account for increase in use over the next 20 years	Accounted for an average increase in usage of 3.5%pa (tempered from 4% in Bitzios study)
Stormwater impact cost included	Stormwater impact levy already set aside
800 spaces	760 spaces
Average cost per visit \$14	Average cost per visit \$14

- Increased contingency provisions to 10% in Dec 2013 due to;
 - A lower cost estimate for professional fees
 - A lower cost per space
 - The actual number of car spaces reduced
 - Access to ski data, which changed KPMG's assumption on usage and turnover
 - Average amount spent per visit is \$12
- If the sale of Whistler St car park is included in the equation at \$14m, the rate of return increases to 10% and if it is valued at \$16m the rate of return is 11%.

Garry Brown Q – With 50% utilization of car park, you said the rate of return is 3.7%, why do we end up with 30% utilization up to 6.6% rate of return?

Graham Brook A – The answer to your question is to again run through every step of previous waterfall diagram. The big offset is the fact that previously, they hadn't taken into account the economic growth in the utilization, which almost completely offsets the concessional free parking. In addition the utilization figures you are referring to, are two separate pieces of information. The 50% you are referring to was the effective car park usage irrespective of whether they were paying or not. The 30% came later in our analysis and refers to the number of paying customers. (Graham offered to provide a written explanation to Garry).

Ian Miller Q – All of these figures are irrelevant anyway as they do not include proceeds from the Whistler St car park, so the IRR is actually much higher in reality. Is this correct?

Graham Brook A - Yes, that is correct.

David Wunder Q – Which year did you put the sale of the Whistler St car park into the model?

Graham Brook A – Will have to get back to you on that. But certainly after the oval car park is completed.

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Bruce Kitson Q – Did you receive a copy of the Hill PDA report, as it's not mentioned in your report at all?

Graham Brook A – Yes

Bruce Kitson Q - So we've got 42% growth coming from BITZIOS and 15% growth coming from Hill PDA and you've ended up choosing some number that's closer to BITZIOS and above Hill PDA increase in commercial floor space.

Graham Brook A – I wouldn't articulate it that way but I have been clear on the assumptions.

Bruce Kitson Q – Nobody else has had access to the ski data but when I ask for figures the total revenue for year ending June on Whistler St car park is for total revenue of \$1.2m, your revenue for the first year is \$1.8m. Why the discrepancy? Ultimately you've used an assumption that 100 more cars are using the space per day than the ski data indicates. Also, using council assumptions I get an average revenue of \$12.29 and you've used \$14.

Graham Brook A – Have completed an extra sensitivity just incase but yes, their baseline analysis is \$14. All assumptions are based on the ski data.

Bruce Kitson Q – Upset that he only became aware of the exact numbers two days ago and that he hasn't had access to ski data.

Graham Brook A – Data is rock-solid and straight from the system but in answer to questions regarding discrepancy, there was an audit report provided to council where those figures were different. The only obvious thing would be the difference in timing between the two sets of data and 15% increase in car parking fees in July 2013, which would explain a good proportion of the difference. But as it is a concern we could either reconcile all figures to the dollar or treat it as a sensitivity to see the impact. But taking into account the sale proceeds from car park, the return is up at 10%, even taking into account free parking to residents. You have to make a lot of adjustments before the return becomes a worry. Happy to deal with it either way but the point can be covered. It is a legitimate question.

Bruce Kitson Q – In the original plan, the sale of the car park proceeds were earmarked for the library development, now the funds seem to be earmarked for the car park development, is this change just so we can get this approved and then worry about the library later?

Graham Brook A – The figures presented this morning are without the impact of the sale of Whistler St. I have presented verbally this morning the difference this will have on our figures, but you are right, you can look at them either way.

Bruce Kitson Q – Is it possible for us to get a reconciliation of these numbers because the numbers are all over the place?

Anthony Hewton A – Council run 4 car parks as a business and it's what we refer to as "commercial In confidence" and because they are potentially open to competition in the future

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and so on that basis they haven't released that information. You can be assured that the information provided to KPMG is straight from the source and direct from the system, which is reported on to our councillors on a monthly and quarterly basis.

Bruce Kitson Q – We understand all that but the information that has been released has been wrong.

Henry Wong A – What you are asserting is that the information is wrong. The number you are quoting on refers to total throughput of the car park, which didn't describe what the throughput was composed of, which we have clarified for councillors.

Bruce Kitson Q – called into question the difference of \$675,000

Henry Wong A – This is a question you should be directing to KPMG because council never questioned how they prepared their work. He is happy to take the matter offline.

David Wunder Q – The guide that is used for costings throughout the industry is the Rawlinson's cost guide and this guide puts the cost of constructing a 2 level, underground car park in Sydney in 2013 at \$50,850 and \$54,000 per car space, which is a lot higher than the \$40,000 figure as put out by council. This figure by Rawlinson's doesn't cover the cost of lifts or entry/exist ramps etc. His estimate for taking everything into account finds the total cost to run around \$50m. Professional fees by council estimate are set at 4.5% but according to Rawlinson's it should be in a range of 10%-11.5%, so therefore including the 6% contingency, you end up with a figure of about \$52m, which is a long way north of \$34m. Why would Manly Council use a number that is so dramatically under the recognized standard?

Graham Brook A – We have lots of sources of data but it's important to note that these guides aren't always 100% accurate. They have to base their analysis of QS's, who KPMG have to assume have reference to more data than you know. They should have seen all this, along with having their own reference points assessing this particular site's conditions to work out the cost of the site when putting together their reports. We have two QS's and they think that the base construction cost of this site is between \$30.4m and \$34.3m, so while there may be other benchmarks that say it's higher, we have to rely on the data from these two QS's. What KPMG have done, is taken those estimates and built in contingencies, compared it with other car park projects they are involved in and feel that the cost estimates are within an acceptable range. The best people to answer your question of discrepancy would be the QS because that's the main reference point that KPMG have used in their reporting.

Bruce Kitson Q – What was the residual value to be included in your cash flow?

Graham Brook A - \$44.3m but that's in 2034

Bruce Kitson Q – In what year did the accumulated cash flow become positive?

Graham Brook A – 01/01/32

Parking Demand Study - Alan Finlay

- Asked by council to verify parking demands for the oval car park, using detailed survey data.
- Base year being 2013 and projected out to a forecast year of 2033
- Included in the surveys were Whistler St, Pacific Waves and Manly National. Didn't survey Peninsula or any commercial operations.
- Surveys were done in Oct 2013
- Two part survey. 1. (Car park user characteristics) Where do you come from? How often do you visit Manly? What's the purpose of your trip? 2. (Randomised preference survey) Some people asked about cost and others asked about distance.
- 287 Thursday surveys and 417 Saturday surveys, completed during the entire business period of the day. 6am-11pm
- Most people were within 400m of their chosen car park and their intended destination, with Saturday's generally increasing walking distances slightly.
- The vast majority of people don't pay anything, as their stay is generally under 2 hours.
- Trip purposes on Thursday's were generally personal business or shopping and on Saturday's it was mainly recreation.
- Details of report have been published on Council's website.

Questions to be answered

1. What is the actual number of proposed cars to be removed from the streets as part of Manly 2015?

The actual number is a decision for Council but the minimum number required would be to allow for two-way traffic on Whistler St and those required for the Sydney Rd upgrade and car park access points and the roundabout that's proposed at Eustace St.

2. Could Council confirm which of the following areas of 67,000m² (HillPDA) or 111,124 m² (BITZIOS) equals current CBD floor space in Manly?

Data came from Council, which was the data used in the study to inform council for the future of the local environment plan (LEP).

3. Bitzios study shows initial weekend demand in oval car park of 225-341 with increase to 600-700 in 2033. Early figures are well below the current use of Whistler Street. Why the hurry to build the oval car park?

Early figures account for diversion to other car parks. Based on survey results, people didn't take into account that their next car park preference may already be full so they did a spreadsheet analysis, looking at car park data from council for existing car parks at the times they were likely to be full and diverted them to the oval car park.

4. What are the key drivers of the traffic forecast for the Oval car park? (Capacity of remaining car parks, cars from Whistler St and removal of parking from the Street)

The question seems to have already been answered by the statement contained in the brackets.

5. What is the basis of BITZIOS' projection of 46,783 m² of new floor space being built within the next 20 years?

Already answered (data from LEP)

6. Bitzios demand study shows weekend capacity in oval car park of 250-300 cars with increase to 600-700 in 2033. This shows no major increase in capacity for at least 10 years – is this correct?

Depends on various factors, including the removal of on-street parking and the fact that people would become accustomed to using the oval car park, after overcoming any initial reluctance to use. Location of oval car park has been designed to capture as many "visitors" to Manly as possible before it actually gets into the CBD network, thereby reducing congestion caused by those who are looking for a car space.

7. Would you confirm the percentage of patrons from the Whistler Street car park who said they would park in the new oval car park?

It was shown in the slide that it was 26% however the survey didn't allow for the lack of knowledge people had about other car parks.

Bruce Kitson Q – Is it assumed that the increase in demand will happen evenly over the period or does it happen in lumps as developments occur?

Alan Finlay A – It was assumed to be linear growth over that 20 year period

Bruce Kitson Q – So in order to work out demand in year 10, it's just the case of extrapolating 4%pa?

Alan Finlay A – Correct

Garry Brown Statement – Feels that the projected retail floor space figures for the next 20 years provided by Council were overly optimistic.

Martin Hill A – Government architects look at building envelopes and that total floor space used for this figure could also incorporate residential growth.

Economic and retail study - Martin Hill

- Grew up in Manly since 1968 and Manly has changed
- From a local perspective, Manly is still lacking in a high-end fashion and retail perspective compared to other markets.
- Looking at the success of Melbourne's laneways, that kind of entertainment is very attractive to people, which increases the rate of residential.
- The Unimproved Land Value on the Whistler St car park is \$7.2m. But according to his calculations, based on the number of car spaces it came out to \$8.9m
- They were using an assumption of \$11k per square metre of floor space for residential but it appears to have increased since. For example in North Ryde, they are currently achieving \$12k per sqm
- All reports (BITZIOS and Hill PDA) were done simultaneously, so they weren't aware of each other's reports.

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- Their modeling of the site being valued at \$15m was based on achieving a net gain of another 315 cars but they were not aware of the loss of on street parking, so this number would need some adjustment to take that loss into account.
- Activating the laneways alone could lead to an increase of 7500sqm of retail space. In our expenditure modeling this means based on 300 extra car spaces there could be an extra \$40 million in retail turnover that is possible. Admittedly this could take 20 years to realise, but in terms of future proofing Manly, if you build this extra retail space, then where else will the required car spaces come from?
- They did growth projections for both the Manly LGA and the Manly suburb. But if you take the growth projections for the Manly suburb (they have used 0.55, when in fact it's been more like 1.35-1.6). So from 2013-2031, was 8996sqm of growth. This figure is a demand and not a forecast.
- This only takes the residential aspect of Manly into account and not the high visitation rates that therefore affect this equation.
- Manly also has lower car parking requirements due to these high visitation rates who tend to use public transport to get here.
- There is a projected 1000sqm of retail space going in at the Whistler St site, plus taking into account other developments such as Royal Far West (a 6000sqm site making the retail increase between 4000-6000sqm) could make the projections achievable.
- Martin takes the oppositions point about construction, as Rawlinson's is also their bible but each site is different and taking into account other developments they have worked on, it is reasonable to have car spaces for this project valued at \$40,000 for underground car parking.
- \$43m is what is projected to be achieved with the extra servicing of the area
- Looking at what people spend out of the car and not on parking with 1.8pp in a car with a turnover of 2, and an average spend of \$36
- Manly is fortunate to have a 4% (low) vacancy rate compared to other areas and therefore it is wise to take a proactive approach to avoid development and retail going to other areas.
- The only negative Martin can see in the project is the additional walking distance.

Bruce Kitson Q – You talk about an economic improvement of \$15m per annum for 20 years, equals \$300m but of course in year 1 it's not \$15m?

Martin Hill A - The trouble was that the numbers that they had were larger and those figures had to be averaged down. That is a potential number.

David Wunder Statement – You mentioned that the costing you looked at, is less than that for underground parking, I'll accept that because a lot of the costs that are involved in constructing the building have been picked up in the cost of the car park.

Martin Hill A – I think you made a really valid point about the ramps and re-establishing the Manly Oval, and I like you use Rawlinson's first up to get my ball-park and then get the QS's, of which there were two.

Quantity Surveyors report - Garry Neville – CARDNO Engineering

- Council have radared all the utility services under the oval
- Engaged two lots of geotechnical work, which has formed the background to the estimates.

- A soil and contamination study
- A soil investigation
- The site's footprint is about 11,500msq
- There were about 8 bore-holes dug for testing through the site that have gone to various depths
- Refer to presentation slides for detail of site profile
- It's a very flat, tidal-affected water table
- A detailed hydrology model has been set up for the entire catchment
- There will be a large underground tank (1 megalitre) that will store water that presently runs undetained and causes flooding under the Belgrave St/Sydney Rd area, which will prevent the current issues of pooling, freeing up capacity for those streets to drain away more effectively.
- Able to design the car park ramps above the 100-year flooding levels, while complying with accessibility for vehicles.
- They briefed the QS on cost estimates and the geotechnical studies.

Bruce Kitson Q – So you release it when it's not raining?

Garry Neville A – It has a long tail, so it's released more slowly

John Humphrey Q – Will holding it back have an impact on the Manly Oval ground itself (making it soggy)?

Garry Neville A – It will still pond as it does now but it will pond less. This is an opportunity to improve drainage as well when the soil profile is re-instated on the oval.

David Wunder Q – Guessing most of the car park will be founded on sand, so what type of construction engine are you envisioning for the excavation of the site?

Garry Neville A – Yes. We will be using a process called Cut Soil Mix walls (CSM) A relatively new technology for Australia but has been successfully used elsewhere. Injecting a semiticious material into the soil to stabilise it which very effective for sand. Not only does this process produce great results, it is cost effective as we will be using materials already on site and will not have to pay for the removal of this material.

David Wunder Q – What level below excavation level do you have to take that down to, to get cutoff?

Garry Neville A – We haven't worked that out exactly yet, we'll refer to the geotechnical engineer. There will be spear de-watering but the finer details are still yet to be worked out. This is standard in projects like this.

David Wunder Q – Asked questions about tanking

Garry Neville A – It's a complex part of the design and will have to be worked out by the geotechnical engineers but could get them to answer your questions. There will be many design challenges on this project and tanking is certainly one of them. But it's surmountable.

David Wunder Q – These are the sorts of issues that I'm nervous haven't been considered by WT Partnerships.

Henry Wong A – The cost of tanking has been included in the WT Partnerships report but the detailed design isn't as yet.

David Wunder Q – The point is that the KPMG report was based on the assumption that the below ground conditions were relatively risk free. While risks aren't insurmountable, they come at cost.

Anthony Hewton A – At some point council will have to put the design and construct out to tender and obviously Council is not going to proceed if those costs come back too high.

David Wunder Q – What more than \$34m?

Henry Wong A – Council's approach to this project is fairly cautious and if the numbers don't stack up, council will not go ahead with it.

Ian Miller Statement – Made a disclosure as a property owner on Sydney Rd but is a strong supporter of this project. He is happy about the potential for revitalisation of the Western precinct of Manly. Because the shops in the precinct are old and tired, he believes we should be also be looking at positive flow on effect, beyond the dollar value. Compared back-lane strategies of other areas that could be viewed as future threats (City of Sydney, Neutral Bay, Nth Sydney, Crows Nest, St Leonards). Highlighted other redeveloped Manly precincts such as the Wharf area and the soon to be redeveloped RFW site.

The oval car park would get a lot of people out of their cars on the front door, directing them through the Western Precinct and filter down onto The Corso and the beachfront.

When we get the permanent parkers out of the other council car parks and move them over to the oval, there will be more casual parking in Manly than there is now.

High net-worth individuals from further up the peninsular could be attracted to a park and ride option into the city, rather than struggle with Military Rd. Have we explored a grant for a "Park and Float" type program?

Henry Wong Statement – Council was approached by those that operate the Opal Card system in terms of a preliminary discussion about a "Park and Ride" program for this car park. The plan would be to have that activated by 2016.

John Humphrey Statement – A car park under the oval has been brought up lots of times and if that's feasible to do, I think's that's a wonderful thing if we can get money do it. But Manly does need convenient parking, we are a second phase shopping centre and locals will not park under the oval if Whistler St goes and we will lose them. Mum's with prams won't walk from the oval as the Whistler St car park is the lynch pin and where our future lies.

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Bruce Kitson Q – A question about the timing. If you're doing the Manly Aquatic Centre at the same time as you're doing this and when I look at the numbers it doesn't seem that we are short of car parking for the next few years. In a few years time when the Aquatic Centre is built that the resources of council are then freed up to concentrate on this construction. I don't understand why the two are happening at the same time and why there's such a rush to get the job done?

Henry Wong A – That's a bit of a coincidence. The Aquatic Centre was contemplated by council back in 1997 and but for the fact that there was no funding source available to us and 2015 has been around since 2008 and resourcing will always be a stretch for council and for both project's we will be highly reliant on external resources. I accept your point that it will be challenging but I think they can be done simultaneously?

David Wunder Q - It appears from the sketches available that the proposed Manly Oval Car Park, in its proposed form, will not comply with the fire egress requirements of the Building Code of does Council envisage it can be made to comply given that it will not be possible to have fire exit spaces and/or interfere with traffic circulation within the car park?

Garry Neville A – There will be fire protected tunnels if we are less than a certain distance, and have put an extra egress point, adjacent to the tennis courts, which robs the field of a couple of metres but council is satisfied that that is not an impediment to the future use of the oval.

David Wunder Q – I understand that but how does that impact on the number of car parking spaces?

Garry Neville A – There is no reduction. That is based on 760 spaces.

Mark Stanley Statement – Thanks to everyone for coming and for their respectful input.

Henry Wong Statement – We are keen to continue constructive dialogue as I think we are all working to the same objective of making things better for Manly. We won't get it right every time but we try to minimise slip-ups. We would like for you to be with us and if this doesn't work out number wise, there is a gateway there to stop it.

No other business. Meeting closed at 10:00am