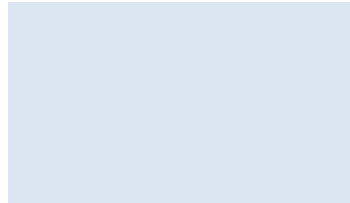


# Stirling City Centre

## Land Development Advice

Final

December 2013



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#### **Quality Assurance**

Report Stage	Author(s)	Date	Review	Date
Draft Report	Grace Taylor	20 Dec 2013	Jenaya Shepherd	20 Dec 2013
Final Report	Grace Taylor	23 Jan 2014	Jenaya Shepherd	23 Jan 2014

**Prepared for: Stirling Alliance**

**Client Representatives: Nanette Garland and Victor Popescu**

## Executive Summary

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The Stirling Alliance Public Private Community Partnership has completed a significant volume of work leveraging off a range of specialists to inform the creation of a *Sustainable 21 Century City*. The *draft* Structure Plan boundary comprises of six precincts:

- Station, Southern and Osborne Park comprising largely of mixed and industrial uses; and
- Innaloo, Woodlands and Northern containing predominantly the centre's residential hinterland.

MacroPlan Dimasi has been commissioned by the Stirling Alliance to provide Land Development Advice around the release and timing of land in the *draft* Structure Plan boundary. The scope of this work was to prepare a Development Scenario, Development Strategy and Financial Feasibility model around Concept Scenario 1 (Rev H) focusing on the stage 1 area i.e. vacant State Government land south of the Mitchell Freeway road reserve (see Figure 1).

Station, Southern and Osborne Park carry the greatest development potential attributed to larger lots with fewer land owners and the opportunity to change to a higher yielding use. The Station and Southern Precincts in particular contain a considerable amount of state owned land albeit constrained by future infrastructure planning or contamination. Here the potential for state land sales to offset the cost of necessary public infrastructure depends largely on the space requirements (and cost) of regional infrastructure.

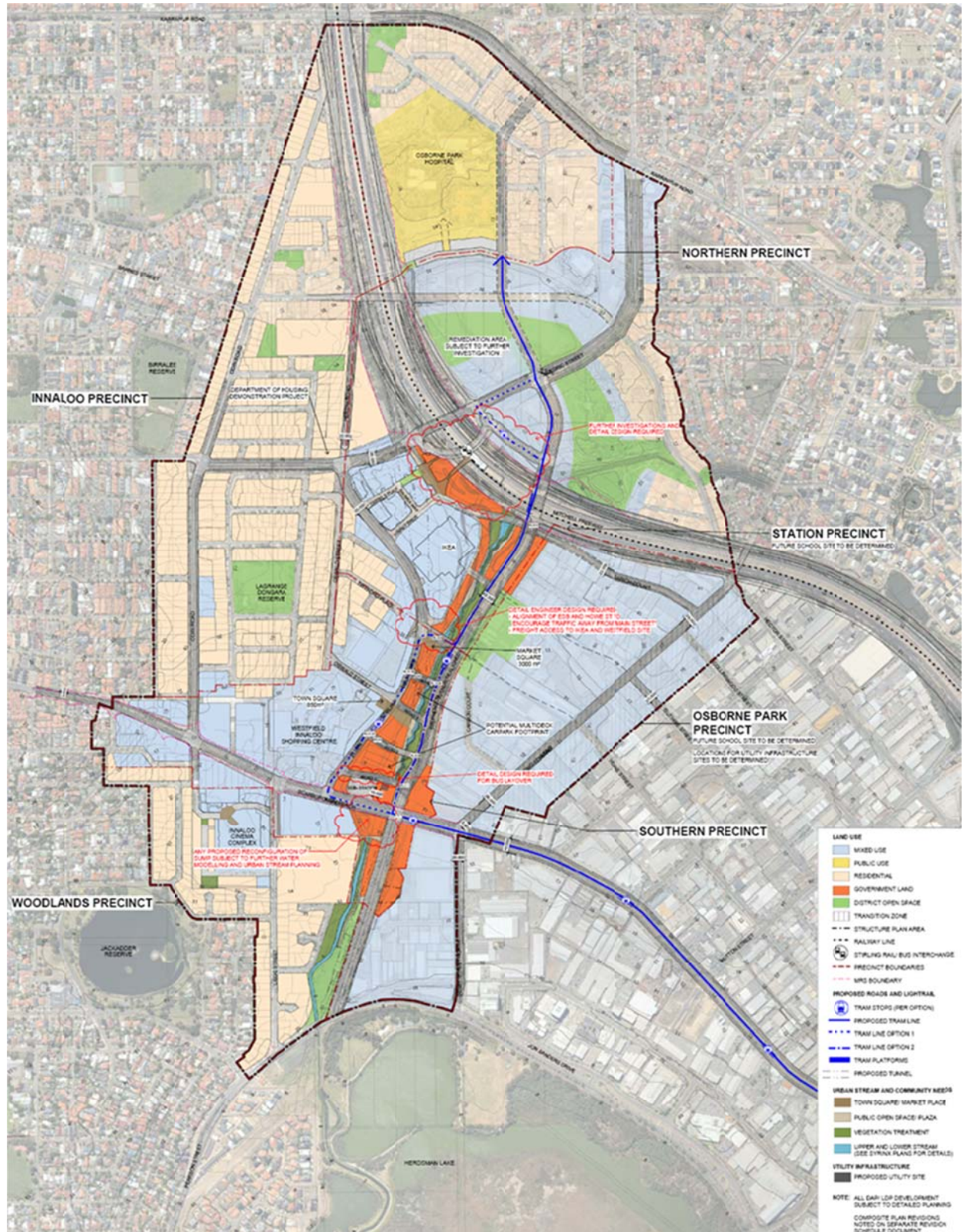
Stirling City Centre is not a financially viable proposition if strategic infrastructure is included as a project cost. Leveraging revenue from the sale of state land to offset the planned infrastructure costs is out weighed 2:1<sup>1</sup>. There is a need to induce a level of demand in the short term to activate the centre and bring forward investment and infrastructure. The challenge is to manage infrastructure delivery in step with a strategy to optimise release of state land.

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<sup>1</sup> Landcorp *Programmed Business Case* 2012



Figure 1 Concept Scenario 1 revision (H)



There are a number of actions the City of Stirling and State Government may take in relation to public land holdings within Stirling City Centre. MacroPlan Dimasi has used the following approach in preparing the Land Development Advice:

- Decouple strategic infrastructure costs from expenditure required to ready State land for development.
- Define prerequisites to major infrastructure and development.
- Set criteria to determine the release strategy best suited for each State land parcel.
- Pursue a balance between capital infrastructure expenditure and development staging over time.
- Leverage off private development i.e. Developer Contribution Schemes and levies.
- Identify a staging pattern that continues to gain momentum.
- Options to start i.e. lighter, quicker, cheaper.

In accordance with the project brief development and infrastructure delivery has been considered in three time horizons:

- ❖ Short term 5-15 years
- ❖ Medium term 15-30 years
- ❖ Long term 30-45 years

### **Strategic infrastructure**

The vision for Stirling City Centre is heavily intertwined with achieving broader strategic infrastructure outcomes. In many cases development cannot occur on State land without the strategic infrastructure being in place. This relationship causes an impediment to achieving a commercial outcome within the short term.

Achieving improved long term transport outcomes within the centre cannot be contingent upon developing State land. There is a Metropolitan-wide benefit to these initiatives. Therefore the Alliance should consider a commercial development strategy that decouples the long term transport infrastructure costs from its short-term development objectives. This approach has been taken in many redevelopment areas including New Northbridge and Perth City link.

Utility upgrades addressing State Planning Policy and 50 per cent increase on current infill targets should be factored into capital works and maintenance programs of the main utility providers<sup>2</sup>.

## Land and property uses

Yield assumptions used are taken from the Hames Sharley September 2013 built form study. These have been adjusted against the Alliance Stirling City Centre September 2013 yields i.e. accounting for parking at a rate of 250 bays per hectare for the State land parcels. The following yields are given for the 45 year time horizon (to 2056) set by the Stirling Alliance.

Under Concept Scenario 1 Osborne Park will see the biggest use transition from industrial (presently) to mixed use. Woodlands, Innaloo and Northern precincts will maintain a residential focus with the Northern and Innaloo precincts doubling in size and Woodlands almost tripling. Station and Southern will see land use diversification with the introduction of major residential and office components (from the existing retail dominance).

Precinct	Total Floorspace (GLA)		
	Existing	Concept Scenario 1	
Station	89,647	706,136	93,750*
Southern	91,882	357,721	111,250*
Osborne Park	294,444	585,662	-
Northern	83,578	161,008	-
Innaloo	112,400	239,400	-
Woodlands	54,722	140,588	-
<b>TOTAL</b>	<b>726,673</b>	<b>2,190,514</b>	<b>205,000</b>

\*SCCA2013 yields for State land south of the freeway applying 250 parking bays per Ha

The Metropolitan Land Use Forecast Survey (MLUFs) projects population to 2041 based on current zoning allocations. A comparison of the current zoning forecasts for Stirling City Centre against Concept Scenario 1 follows. This gives the annual average growth rate to 2041 and shows an overall increase in growth under

<sup>2</sup> GHD *Utilities Infrastructure Strategy* 2013



Concept Scenario 1. As expected the established residential precincts attract comparatively low growth, while due to rezoning Osborne Park attracts the highest. There is a significant shift in the growth for the Station and Southern precincts, which can be attributed to the introduction of a denser housing offer i.e. apartments.

Precinct	Annual Average Growth Summary 2011-2041 (%)			
	MLUFs		Concept Scenario 1	
	population	dwellings	population	dwellings
Innaloo	5%	4%	3%	2%
Northern	6%	6%	4%	4%
Osborne Park	27%	25%	33%	28%
Southern	3%	3%	10%	10%
Station	4%	4%	10%	10%
Woodlands	3%	3%	3%	3%
<b>TOTAL</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>

Source: MLUFs and MPD adjusted

Existing latent capacity i.e. without need for major planning intervention or capital funding for dwelling increase within the residential precincts has been calculated. There is a realistic unconstrained redevelopment potential today for 490 new homes based on current R-Codes.

Note for the residential precincts:

- The Innaloo precinct has greatest existing capacity for increased dwelling numbers in the short to medium term under the current planning framework.
- Up-zoning the Northern and Woodlands Precinct over the medium term should provide some impetus for greater density within the existing residential allocation.
- Adopting a planning policy to encourage lot amalgamation coupled with developer incentives to encourage policy take up will help drive greater densities to reach residential targets over the longer term.

Over the 45 year time horizon there is theoretically the potential for development to regenerate (and intensify) twice i.e. 30 year build life. However, GIS mapping illustrates this capacity is constrained as a number of residential lots have reached capacity under current codes and have been strata titled.

## **Car parking**

Government plays an important ongoing role in providing (and enforcing) appropriate levels of car parking in activity centres. Public car parking is generally preferred over private tenant parking to encourage reciprocal use and more efficient space / resource management.

Stirling's emerging parking strategy mirrors the Perth Parking Policy, which provides for a lot area parking rate for non-residential uses. The key difference in the Perth CBD is the accessibility of (fee-based) public car parks to offset on-site constraints.

The Alliance should consider a commercial approach to addressing car parking requirements within the centre. Emphasis should be given to centralising public bays and constraining private supply. Government owned public car parks present an option for ongoing public revenue for the centre, and would be required up front.

This presents an opportunity to hold the asset in order to generate value over time while capturing revenue from parking fees. Costs could be recouped through cash in lieu payments (at structured car park rates) from benefiting development. Over time, as access by non-car modes improves the multi-storey car parks can be redeveloped to help realise mode shift and yields targets.

The proposed car parking standards of 250 bays per hectare for non-residential plus 1.25 bays per dwelling is commercially constrained. Consideration should be given to providing a regional car parking solution on the basis of broader TOD principles.

How maximum levels of supply relate to land use and local travel behaviours is important. A balance between desired development activities and long-term



sustainable access and parking requirements is needed. Rates around 1.5 bays per dwelling, 1.5 bays per 100m<sup>2</sup> (commercial) and 2.5 bays per 100m<sup>2</sup> (retail) are more appropriate in the short term. These can reduce over time as non-car modes improve.

State land with potential for short to medium term car parking use include sites adjacent to IKEA in the Station precinct and the site adjacent to the sub-station in the Southern precinct. In addition the LGA site opposite IKEA on Ellen Stirling Boulevard provides another opportunity for a publicly owned public car parking asset.

### **Market assessment**

The 2011 Census recorded 1,535 dwellings in the Stirling City Centre area and shows the following market characteristics when compared to the broader Stirling LGA:

- Higher proportion of residents in white collar employment (61 per cent) compared with Stirling (C) LGA at 54 per cent.
- Higher personal (around 20 per cent) and household (around 46 per cent) incomes.
- Smaller household sizes.
- More than half the number of traditional families (16 per cent) and a higher share of lone person households (36 per cent).
- Still large dominance of separate houses (49 per cent) but a higher proportion of medium density product (47 per cent) i.e. town houses.
- Higher level of home ownership and lower share of renters

The mix of uses and the timing of investment within the City Centre will be important. While encouraging mixed use in key locations will aid the provision of a critical mass populous and spread hours of activation further across the day and night, it is not necessarily suitable for every development site. Comment on the current and future general market conditions have been summarised in the following table.

Sector	Current Position	Forecast Outlook	Likely Timing Implications
<b>Residential</b>	<ul style="list-style-type: none"> <li>Diversification in housing products towards higher density</li> <li>Strong growth in sales prices resulting in decreased affordability and increased attractiveness of higher density products</li> </ul>	<ul style="list-style-type: none"> <li>Apartment-style dwellings represent the most feasible form of residential development for consideration by Local Government due to the intensity of built form and the associated land take</li> </ul>	<ul style="list-style-type: none"> <li>Short-term market focus on apartments / high density dwellings</li> <li>Market potential for 75-100 apartments per year on State land.</li> </ul>
<b>Commercial</b>	<ul style="list-style-type: none"> <li>Strong CBD market underpinned by resource related activities</li> <li>Sub-regional office markets becoming increasingly attractive</li> </ul>	<ul style="list-style-type: none"> <li>Reasonably high levels of white collar workers makes Stirling City a logical location for commercial office space</li> </ul>	<ul style="list-style-type: none"> <li>Given the current infancy of the Stirling City Centre, and possible incubation period of sub-regional office market, the further provision of commercial space is suggested to be appropriately phased</li> <li>Yield at 72,000sqm provide 15-20% of the total floorspace required</li> </ul>
<b>Retail</b>	<ul style="list-style-type: none"> <li>Four major competitors within 5-10km MTA with retail GLA of 38,000-68,000sqm</li> <li>Relatively high residents income in the MTA (Main Trade Area) capturing higher retail expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Significant population growth and potential mixed use development in the Stirling City Centre expect to boost retail trade volume drawn from beyond the trade area</li> <li>Strong opportunity for specialty, DDS and food catering at the Stirling City Centre</li> </ul>	<ul style="list-style-type: none"> <li>Potential additional 50,000sqm of core shop retail floors over the next 20 years</li> </ul>
<b>Tourist Accommodation</b>	<ul style="list-style-type: none"> <li>Significant rise in international tourist nights in Stirling, with education and visiting friends and relatives being major drivers</li> <li>Strong preference away from hotels, motels and resorts for international visitors</li> </ul>	<ul style="list-style-type: none"> <li>Potential opportunity for apartment style products to enter the Stirling tourism market and capitalise on the large number of international visitors</li> <li>Additional requirement for tourist accommodation will be tested by the feasibility model</li> </ul>	<ul style="list-style-type: none"> <li>Serviced apartments to address current demand for multi-night stays could be delivered as part of early land release.</li> </ul>

## State land yields

In providing strategic advice on appropriate yields and take-up for state land, the two latest yield assumptions were assessed i.e. 'high' yield scenario Hames Sharley (Sept 2013) and 'low' yield scenario Alliance SCC (Sept 2013). Fundamentally the state does not own a significant portion of land within the mixed-use precincts making it difficult to leverage value off state land sales/development. It is therefore important the state look to active strategic, investible land parcels in the short term whilst safeguarding longer term strategic infrastructure goals/needs.

Employment self-containment is a current issue for Stirling City Centre, which if improved will have knock-on benefits of reduced traffic and generate critical mass to support business activation day and night. The local market context indicates market demand for apartment accommodation in the central city area is likely to be relatively strong.

Stirling City Centre should therefore focus on providing a residential accommodation to create a sustainable 'centre' population capable of driving demand for employment and anchor retail tenancies.

There is strong potential for the market to absorb up to 1,500 units i.e. 15-20 years supply on State land holdings. This equates to a take-up rate of 75-100 units per annum.

The Alliance (SCC Sept 2013) allocates State land to provide only 900 dwellings, despite residential uses having a high return. The Hames Sharley (Sept 2013) yield assumptions provide for 1,456 dwellings, which are more appropriately aligned with market potential.

*Note:* State land has the potential to account for around 80-100% of the forecast 20 year apartment supply for Stirling City Centre. Meaning the centre will need to 'grow the pie' rather than simply absorb net demand from elsewhere in the immediate catchment.

There is currently little supply of commercial floor space in the Stirling City Centre. Introducing commercial floor space has the combined effect of improving local employment sustainability while reducing the anticipated car parking requirement. As a high activity generator, however, the provision should be realistic and cater to a range of anchor tenancies and smaller complementary tenancy types providing for a mix of white-collar workers.

It is necessary to constrain commercial floor space in the centre as a mechanism for reducing car trips. There is capacity of up to 90,000m<sup>2</sup> GFA of commercial floorspace on State land holdings. This equates to around 6,000m<sup>2</sup> per annum over 15 years.

The Stirling Alliance (SCC Sept 2013) allocates State land to provide 90,000m<sup>2</sup> GFA of commercial, while Hames Sharley (June 2013) yield assumptions provide for 165,559m<sup>2</sup>. This implies the Alliances' revised commercial floor space estimates more appropriately align with the market and balance policy needs relating to mode shift/parking and broader market signals.

The focus for retail investment on State land should aim to consolidate the existing retail hierarchy and create activity linkages between the retail anchors and other areas within the precinct. It is important to cluster retail in two nodes within the mixed use precincts. This avoids dispersed or un-commercial retail outcomes and pushes commercial value and risk back to Westfield (as a major anchor).

There is capacity for 5,000 to 10,000m<sup>2</sup> NLA of retail floor space on State land holdings. This should be clustered in key locations fronting Scarborough Beach Road and Stephenson Avenue to leverage value out of strategic sites and connect to existing private sector supply i.e. Westfield.

The Stirling Alliance (SCC Sept 2013) allocates State land to provide 20,000m<sup>2</sup> NLA of retail, while Hames Sharley (June 2013) yield assumptions provide for 27,500m<sup>2</sup>. This implies both Hames Sharley and the Stirling Alliance's revised retail yields are not necessarily well focused commercially. Both are considered high and will compete with private land holdings.

## Development scenario

Development staging will be different for each of the precincts. The residential precincts will develop organically in response to the residential demand and the development potential allowed by planning controls. Whereas the mixed-use precincts have significant constraints, as retail and business land uses are more likely to require infrastructure investment which will delay commencement. Smaller scale retail and business developments should still be viable within the existing development capacity, however.

## Development strategy

The development strategy is set within the context of the study scope to focus on government land holdings south of the freeway reserve. This has been reflected in the short, medium and long term time horizons.

	SHORT TERM 5-15 years	MEDIUM TERM 15-30 years	LONG TERM 30-45 years
<b>POLICY</b>	Structure Plan Improvement Scheme Car Parking Strategy	Redevelopment Area	Normalisation Split R-Codes Transit Orientated Development
<b>INFRASTRUCTURE</b> <i>Note: required for government land release only</i>	<ul style="list-style-type: none"> <li>• Culvert main drain south SBR</li> <li>• Remove SUMP south SBR</li> <li>• Sewer Osborne Park</li> </ul>	<ul style="list-style-type: none"> <li>• Main Street ESB</li> <li>• Relocate sub-station</li> <li>• Ext. Stephenson to Howe</li> <li>• Ext. Howe</li> <li>• Urban Stream south</li> </ul>	<ul style="list-style-type: none"> <li>• Downgrade Cedric Street off-ramp</li> <li>• Subdivide IKEA</li> <li>• Ext. Guthrie</li> <li>• Urban Stream north</li> </ul>
<b>PRECINCTS</b>	Southern Northern Innaloo Woodlands	Station Southern Osborne Park	Station

The staged release of State land has been nominated against key transport infrastructure required to gain access, and the option for Westfield to deliver the project vision on the central land parcels under their expansion plan. It is noted the regional road requirements through Stirling City Centre are still under review and therefore the staging is subject to change. On the other hand if a deal is struck with Westfield there will be an opportunity for government to optimise the land release strategy as the development impetus will be driven from the private sector.



## Infrastructure staging

### Short-medium term

Active land bank (parking)

### Long term

Amalgamate (IKEA)

Comprehensive redevelopment

### Short term

Active land bank (main street)

### Medium term

Disposal (EOI)

Relocated main drain

### Short term

Active land bank (parking)

### Medium term

Disposal (EOI)

Relocate main drain & SS

### Short term

Disposal (EOI)

Site access & redirect SUMP

### Short term

Amalgamate

Culvert main drain

### Short term

Land bank

### Medium term

Public Private Partnership

Site and station access

### Short-medium term

Land bank

### Long term

Disposal (EOI)

Site access ext. Guthrie St

### Short term

Land bank

### Medium term

Disposal (EOI)

Relocated main drain

### Short term

Disposal (EOI)

Site access Stephenson Ave.

### Short term

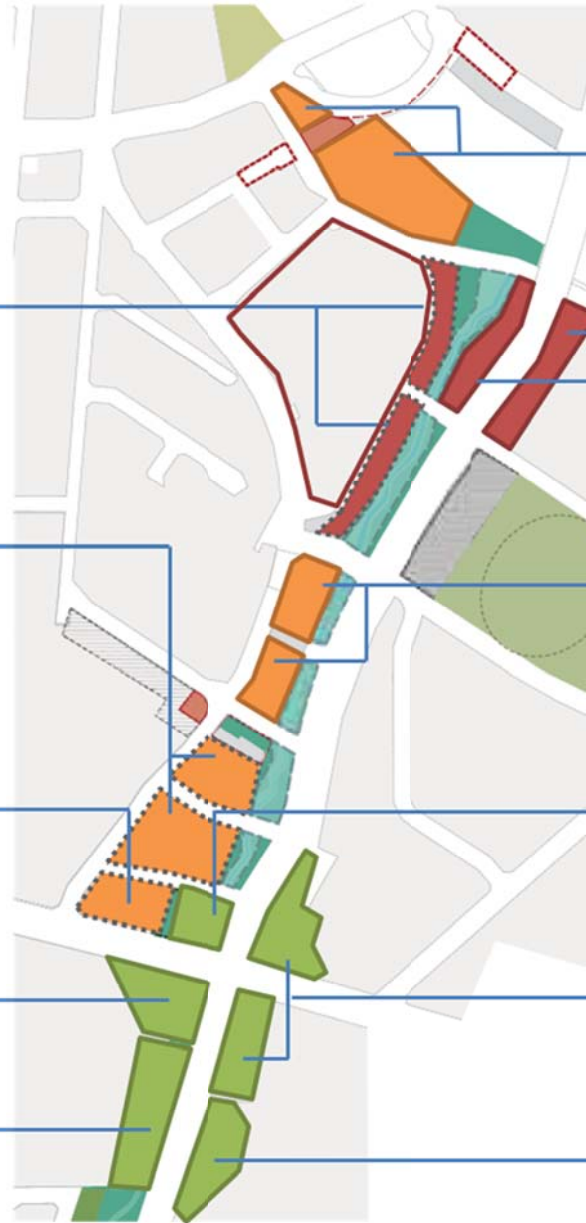
Disposal (EOI)

Sewer Connection

### Short term

Amalgamate

Sewer Connection



## Westfield staging

**Short term**  
Amalgamate (Westfield)  
Relocated main drain

**Short term**  
Amalgamate (Westfield)  
Relocated main drain

**Medium term**  
Disposal (EOI)  
Site access & redirect SUMP

**Medium term**  
Amalgamate  
Culvert main drain

**Medium term**  
Transfer (Western Power)  
Relocate sub-station



## **Active land banking**

Despite long lead times for capital infrastructure projects there are opportunities to make use of vacant government land in the short to medium term. This involves exploring options for a low-cost, high-impact incremental framework for improving the amenity or infrastructure in short order. 'Light development' strategies can makeover underutilised spaces and attract more partners for long-term transformation.

The Alliance should consider temporary 'main street' functions and activities along Ellen Stirling Boulevard to engage the local community and set the scene for the long term vision. Temporary car park on state land, which is less amenable to comprehensive redevelopment in the short term, has the potential to create longer-term income streams as well. These may be on-sold to take out parties and levied over time.

## **Financial Feasibility**

The long term redevelopment vision for Stirling City Centre will require significant infrastructure investment totalling up to \$1b over the life of the project (45 years). This infrastructure will be funded in varying degrees by State and Local government, utilities providers, land owners, and developers. This presents a challenge as the specific mix and timing of funding and infrastructure is uncertain at this stage of the project.

To assess the specific costs related to developing State land the Alliance assisted in splitting out costs for strategic infrastructure, development contributions, and land development. This has provided a real cost assessment of developing land within Stirling City Centre.

The Stirling Alliance indicated the developer contribution area includes the three mixed-use precincts (Station, Southern and Osborne Park) only. Distributing the developer contribution costs to the target yields in these precincts equated a rate of \$30 per m<sup>2</sup>. This rate is slightly higher than the \$18-20 per m<sup>2</sup> rate MacroPlan Dimasi has previously worked with in central Sydney and Melbourne, where land values are higher.

The Stirling Alliance may wish to consider separating Westfield into its own developer contribution area. Westfield has the potential to expand on their current site. This will intensify use on their existing land which will directly impact the capacity of existing infrastructure networks without the need for forward works.

For State land MacroPlan Dimasi has prepared a discounted cash-flow (DCF) analysis which provides a level of transparency and the opportunity to review model assumptions. The value capture scenarios examined in this analysis include:

- Disposal of public land involving sale in a single line;
- Disposal of public land in stages as per the development strategy; and
- A share of revenue streams generated through joint ventures / development partnerships.

There are a number of additional cost recovery mechanisms, such as a special area rates and/or various forms of developer contributions which may be applied to fund infrastructure and services within Stirling City Centre.

Key findings from testing the feasibility of different value capture scenarios include:

- Revenue from the disposal of State land in a single line would generate \$43.9m (net of sales costs and GST).
- Discounted revenue from the staged disposal of State land would generate \$55.1m (net of sales costs and GST) and \$31.2m through ground leases.
- Discounted revenue generated through joint ventures range \$8.9m - \$15.6m (net of sales costs and GST) and \$31.2m through ground leases.
- While ground leases may generate an ongoing annuity stream and flexible redevelopment options they produce a lower overall financial return.
- Poor performance of ground leases reflects the costs of providing infrastructure and services to leasehold land and the impacts of discounting for future costs and market risks.
- Creation of public assets, i.e. car parks, has the potential to generate annuity income as well as value through future asset disposal.

- Municipal rates and charges range from \$52.8m - \$92.3m though the timing of this value capture mechanism will depend on development mix, yields and staging.

The Stirling Alliance is encouraged to consider the disposal of high value/high exposure State land in the short term as a means of generating funds required to deliver important urban infrastructure improvements. This will attract private investment, unlock long term property values, and drive long term value capture opportunities through municipal cost recovery mechanisms as required. It will also help set a price benchmark early in the project lifecycle.

## **Governance**

The Western Australian Planning Commission has the power to make an improvement plan and create improvement schemes over the plan. Improvement schemes are only short-term instruments used to facilitate immediate development. As such a longer term governance mechanism needs to also be identified for Stirling City Centre to address the 45 year vision time horizon.

Landcorp and the Metropolitan Redevelopment Authority present viable options for medium term land development and management of Stirling City Centre. Landcorp powers relate to dealing with land and development on that land i.e. plan, undertake, promote and coordinate the development of land. The MRA powers relate to targeted land acquisition, resumption powers, development, sales conditions, and development performance standards.

## **Findings**

1. Lone person households dominate the Stirling City Centre area (36 per cent) indicating potential demand for smaller dwellings.
2. Strata development occurring in the established residential precincts will make future comprehensive redevelopment difficult.
3. The central mixed use precincts carry the greatest development potential and options to diversify land use.
4. Achieving strategic transport initiatives cannot be contingent upon developing State land within the City Centre.



5. The Stirling Alliance should consider a commercial approach to addressing car parking requirements within the centre i.e. front end delivery of public car parks supported by a comprehensive parking strategy.
6. Station, Southern and Osborne Park precincts have significant constraints which will delay development commencement.
7. The developer contribution rate of \$30 per m<sup>2</sup> is slightly higher than the \$18-20 per m<sup>2</sup> rate MacroPlan Dimasi has previously worked with in central Sydney and Melbourne.
8. Based purely on revenue returned there is a prima facie case for the straight disposal of State land (generating \$90.9m) under the feasibility assumptions tested.
9. There are opportunities to make use of vacant government land in the short to medium term through active land banking.

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# Introduction

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## Background

The Stirling Alliance Public Private Community Partnership (the Alliance) has completed a significant volume of work leveraging off a range of specialists to inform the creation of a 'Sustainable 21 Century City'. Stirling City Centre (SCC) is allocated as a strategic metropolitan centre under *Directions 2031* with a defined role to support and complement Perth central area.

The SCC draft Structure Plan boundary comprises of six precincts (see **Figure 2**). Woodlands, Innaloo and Northern precincts comprise the existing residential hinterland. Growth in these precincts has occurred of late in accordance with existing planning framework and state infill targets (50%)<sup>3</sup>. GIS mapping illustrates a number of lots in these precincts have already reached capacity and have been strata titled.

The mixed use precincts (Station, Southern and Osborne Park) carry the greatest development potential. This is attributed to larger lots with fewer land owners and the opportunity to change to a higher yielding use. The Station and Southern precincts contain State government land holdings, albeit this land is constrained by infrastructure planning and contamination.

Leveraging revenue from the sale of government land to offset the planned infrastructure costs is currently out weighed 2:1 bringing into question the overall viability of the project<sup>4</sup>. The challenge therefore is to manage infrastructure delivery in step with a strategy to optimise government return through release of land.

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<sup>3</sup> Department of Planning *Directions 2031*

<sup>4</sup> Landcorp *Program Business Case 2012*

**Figure 2 Stirling City Centre Precincts**



## Study Scope

MacroPlan Dimasi (MPD) has been commissioned by the Alliance to provide advice relating to the land development aspects of the SCC. This advice is based on the conceptual plan prepared and compiled by the Alliance through a team of consultants (referred to as Concept Scenario 1) with a key focus on the Stage 1 area, i.e. vacant State Government land south of the Mitchell Freeway road reserve.

In preparing the land development advice, MPD was required to deliver three work packages:

1. **Development Scenario** that considers the planning objectives represented in Concept Scenario 1 and provides advice and recommendations with respect to achieving its development potential;
2. **Development Strategy** that provides advice and recommendations with respect to identifying practicable options and mechanisms for development structuring and staging under an Improvement Scheme; and
3. **Financial Feasibility** that assesses the potential revenue options from the vacant state government land.

This report is the culmination of completing the scoped work packages and incorporates all of the work undertaken for the Development Scenario, Development Strategy and Development Financial Feasibility.

## Report Structure

There are four sections following this introduction providing a summary of:

- |           |   |
|-----------|---|
| Section 1 | Development Scenario market assessment and recommendations on key land and property uses.                                 |
| Section 2 | Development Strategy what (and where) development and/or redevelopment can occur.   |
| Section 3 | Financial Feasibility model customised to the local conditions, expenditures and returns on vacant state government land. |
| Section 4 | Findings and Actions relating to the three work packages and overall market view.   |



## Our Approach





## Limitations

There are a number of limitations to this paper which impact on the overall rigor of the Land Development Advice which can be provided. These relate (largely) to consultant work being completed in parallel that would otherwise be the basis of any feasibility testing including:

1. The SCC project vision 45 year time horizon sits outside the existing planning and funding framework and mechanisms currently available to the State Government, Stirling Council and the Alliance.
2. Yield assumptions derived to date are form based and have varied based on assumptions of land available for development, currently assumed 9.7Ha, and assumed car parking provision.
3. Yield assumptions used for utility and transport infrastructure cost analysis are different resulting in incomparable cost projection.
4. Few studies consider the Structure Plan area as a whole. Many focusing on government landholdings or even more micro sub-sets making it difficult to compile a full and current picture of the entire study area.
5. The approach to car parking is yet to be agreed with the Alliance stakeholders.
6. Yield assumptions are currently being revised and refined i.e. impact of the car parking on yields is yet to be fully factored.
7. Ongoing testing of the road network capacity and a lack of agreed direction for strategic road infrastructure means there is a lack of certainty over government land available for development.
8. Delivering strategic infrastructure up front will most certainly impede a successful commercial outcome over the initial 5-10years.

## Assumptions

Given the project limitations and requirements, MPD has had to make a series of assumptions in order to prepare the Development Scenario including:

1. Land Development Advice looks in detail at government land as defined in Concept Scenario 1 rev H providing context advice only for the balance of the structure plan area.

2. Estimated yields taken from Hames Sharley September 2013 assumptions and SCC September 2013 assumptions that applied parking to State government land only.
3. Infrastructure costs taken from the Program Investment Options (Landcorp 2012) supplemented by the draft Utilities Infrastructure Strategy costs (GHD 2013).

**Note:** the draft Utilities Infrastructure Strategy uses Hassell 2011 yields

4. Regional and strategic infrastructure has been decoupled from infrastructure requirements for land development.
5. The Urban Stream can be delivered in parts provided hydraulic capacity is maintained.
6. The Western Power sub-station on Scarborough Beach Road will remain in-situ for 5-10 years.
7. Government land south of Stirling Station is locked up until freeway access is resolved.
8. Scenario Development is based on the Metropolitan Land Use Forecast Survey (MLUFS).

## Section 1: Development Scenario

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### 1.1 Framework

A 45 year time horizon (to 2056) set by the Alliance is the basis of the scenario testing. MPD has used the following approach in preparing the Development Scenario:

- Decouple strategic infrastructure spend from infrastructure spend required to release state government land
- Define prerequisites to major infrastructure and development
- Pursue a balance between capital infrastructure expenditure and development staging over time
- Leverage off private development i.e. Developer Contribution Schemes and levies
- Identify a staging pattern that continues to gain momentum
- Options to start i.e. lighter, quicker, cheaper

### 1.2 Demographic Profile

The socio-economic profile of the SCC area was derived from ABS Census 2011 data. Data has been assessed at the Statistical Area 1 level, which is the finest grain data level provided by the ABS.

The 2011 Census recorded 1,535 dwellings in the SCC area. Market characteristics when compared to the broader Stirling Local Government Area (LGA) include:

- Higher personal (around 25 per cent) and household (around 41 per cent) incomes
- Smaller household sizes
- More than half the number of traditional families (16 per cent) and a higher share of lone person households (36 per cent)
- Still large dominance of separate houses (49 per cent) but a higher proportion of medium density product (47 per cent) i.e. town houses

- Higher level of home ownership and lower share of renters

**Table 1: Key Socio-Economic Characteristics**

2011	SCC Area	Stirling Coastal	Stirling Central	Stirling SE	Stirling LGA	WA
<b>Population and Households</b>						
Persons	3,717	67,945	110,971	16,787	195,702	2,239,170
Households	1,535	26,396	44,494	6,428	77,318	794,159
<i>Average Household Size</i>	<i>2.0</i>	<i>2.4</i>	<i>2.3</i>	<i>2.4</i>	<i>2.4</i>	<i>2.6</i>
<b>Income and Wealth</b>						
Median Personal Income	\$43,122	\$41,401	\$31,755	\$39,681	\$35,353	\$34,623
<i>Variation from WA</i>	<i>24.5%</i>	<i>19.6%</i>	<i>-8.3%</i>	<i>14.6%</i>	<i>2.1%</i>	<i>-</i>
Median Household Income	\$103,225	\$87,809	\$61,737	\$88,278	\$70,393	\$73,261
<i>Variation from WA</i>	<i>40.9%</i>	<i>19.9%</i>	<i>-15.7%</i>	<i>20.5%</i>	<i>-3.9%</i>	<i>-</i>
<b>Occupation</b>						
Managers & Administrators	12%	15%	10%	16%	12%	12%
Professionals	26%	32%	22%	35%	27%	20%
Technicians & Tradespersons	16%	13%	15%	9%	14%	17%
Community & Personal Services	8%	9%	10%	9%	9%	10%
Clerical & Administrative	18%	15%	16%	14%	15%	15%
Sales	9%	9%	10%	9%	9%	9%
Machinery Operators & Drivers	4%	3%	6%	3%	5%	8%
Labourers & Related	8%	6%	10%	5%	8%	10%
<b>Occupation by Sector</b>						
White Collar	61%	61%	48%	65%	54%	47%
Blue Collar	30%	22%	32%	17%	27%	34%
Service Sector	9%	17%	20%	18%	19%	18%
<b>Age Distribution</b>						
0-14	13%	17%	17%	16%	17%	20%
15-19	5%	6%	5%	7%	6%	7%
20-29	15%	15%	18%	16%	17%	15%
30-39	14%	15%	16%	13%	16%	14%
40-49	12%	14%	13%	15%	14%	15%
50-59	10%	12%	11%	13%	12%	13%
60+	31%	20%	19%	20%	20%	18%
<i>Median Age</i>	<i>42.0</i>	<i>37.0</i>	<i>35.0</i>	<i>38.0</i>	<i>36.0</i>	<i>36.0</i>
<b>Birthplace</b>						

Australia	59%	68%	57%	69%	62%	67%
Overseas	41%	32%	43%	31%	38%	33%
<b>Family Type</b>						
Couple with dependent children	16%	45%	39%	47%	42%	46%
Couple with non-dependent children	9%	6%	7%	6%	6%	7%
Couple without children	29%	25%	24%	23%	24%	24%
One parent with dependent children	3%	7%	9%	5%	8%	9%
One parent with non-dependent children	6%	3%	4%	2%	4%	3%
Other family	1%	1%	2%	2%	2%	1%
Lone person	36%	12%	15%	15%	14%	10%
<b>Tenure Type</b>						
Privately Owned	40%	34%	30%	32%	32%	30%
Being Purchased	27%	34%	32%	33%	33%	39%
Private Rental	28%	27%	31%	30%	30%	26%
State Housing Authority Rental	0%	4%	5%	1%	5%	4%
Other	5%	1%	1%	4%	1%	1%
<b>Dwelling Type</b>						
Separate House	49%	57%	52%	55%	54%	71%
Semi-detached House, Townhouse	47%	23%	27%	14%	25%	9%
Flat, Unit or Apartment	3%	10%	12%	22%	12%	7%
Other	0%	0%	0%	0%	0%	1%

Source: ABS, Census 2011

### 1.3 Land and Property Uses

Land use categories are based on the Western Australian Standard Planning Land Use Classification.

Yield assumptions used are taken from the Hames Sharley September 2013 built form study. These have been adjusted against SCC September 2013 i.e. accounting for parking at a rate of 250 bays per hectare for the State government land parcels. The below yields are given for the 45 year time horizon set by the Alliance.

**Table 2: Total Floor space under existing and proposed frameworks by precinct and land use**

Precinct	Land Use	Total Floor space (NLA)	
		Existing	Concept Scenario 1
Station	Residential**	34,200	254,000
	Office	20,000	278,470
	Community	1,000	4,091
	Retail	20,000	58,426
	Entertainment	1,000	-
	Industrial	-	-
	<b>Total (NLA)</b>	<b>76,200</b>	<b>600,148</b>
Southern	Residential**	6,100	127,500
	Office	5,000	40,910
	Community	2,000	2,980
	Retail	60,000	119,30
	Entertainment	5,000	7,680
	Industrial	-	-
	<b>Total (NLA)</b>	<b>78,100</b>	<b>298,500</b>
Osborne Park	Residential**	-	202,800
	Office	-	101,130
	Community	-	5,460
	Retail	-	184,810
	Entertainment	-	-
	Industrial	265,000	-
	<b>Total (NLA)</b>	<b>265,000</b>	<b>494,200</b>
Northern	Residential**	55,220	97,350
	Office	5,000	16,350
	Community	15,000	27,515
	Retail	-	500
	Entertainment	-	-
	Industrial	-	-
	<b>Total (NLA)</b>	<b>75,220</b>	<b>141,715</b>
Innaloo	Residential**	110,160	212,400
	Office	-	-
	Community	-	2,660
	Retail	-	400
	Entertainment	-	-
	Industrial	-	-
	<b>Total (NLA)</b>	<b>110,160</b>	<b>215,460</b>
Woodlands	Residential**	38,700	95,400
	Office	-	12,670
	Community	-	2,015
	Retail	-	13,065
	Entertainment	10,550	-
	Industrial	-	-
	<b>Total (NLA)</b>	<b>49,250</b>	<b>123,150</b>

\*SCCA2013 yields for State land south of the freeway applying 250 parking bays per Ha

\*\* Number of units

Under Concept Scenario 1 Osborne Park will see the biggest transition from industrial (presently) to mixed use. Woodlands, Innaloo and Northern precincts will maintain a residential focus with the Northern and Innaloo precincts doubling in size and Woodlands almost tripling. Station and Southern will see land use diversification with the introduction of major residential and office components (from the existing retail dominance).

The Station, Southern and Osborne Park precincts will be mixed use precincts. Station will have an emphasis on offices, Southern will have an emphasis on retail and Osborne Park will have an emphasis on both retail and offices.

The precinct north of the former landfill will remain as primarily a hospital and residential area. Innaloo Precinct is largely residential and planned to remain as such under the draft Activity Centre Structure Plan. Woodlands Precinct will be a medium to high density residential area, with few mixed use developments.

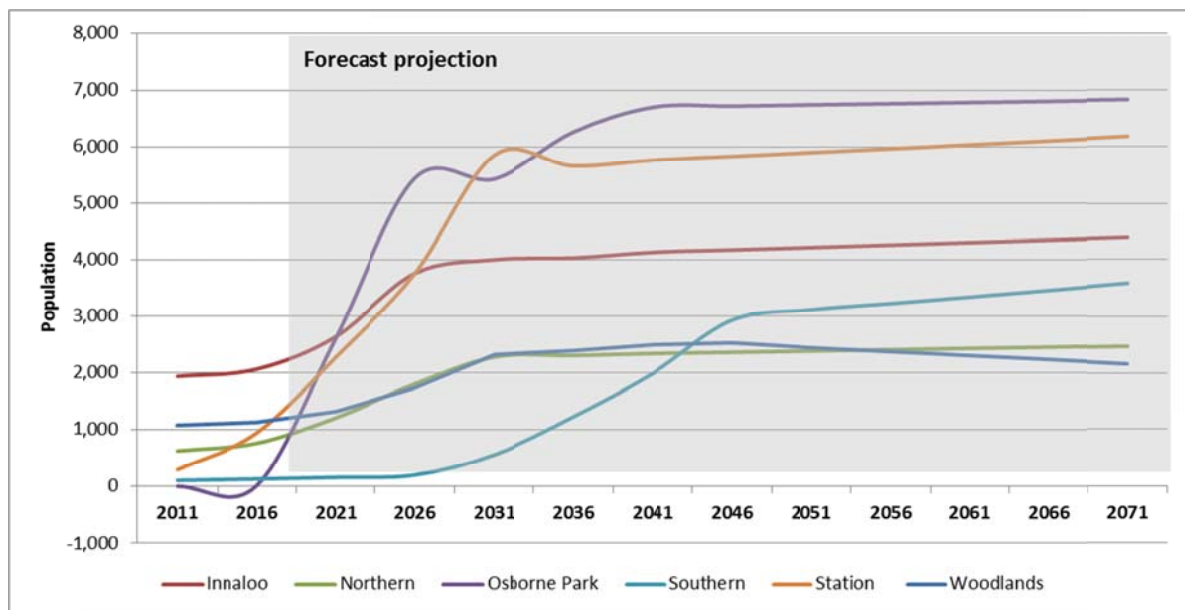
### **Concept Scenario 1 Growth Rate**

Concept Scenario 1 target yields for the SCC are on average higher than those proposed by current zoning.

The impact of applying select MLUF development curves to the precinct yields set by Concept Scenario 1 over the 45 year time horizon (to 2056) is shown in **Figures 3 and 4** below. Rezoning of Osborne Park to mixed use results in this precinct carrying much higher population and dwelling capacity than current projections. The proposed denser housing offer i.e. apartments in the Station precinct results in higher capacities in this location also.

Comparing MLUFs to Concept Scenario 1 population projections shows an increase of one point to six per cent annual average 2011 to 2041. Osborne Park still attracts the highest precinct growth and is up six points to 33 per cent. Station and Southern also increase, from four and three per cent respectively to ten per cent. This is likely due to the denser housing offer being proposed.

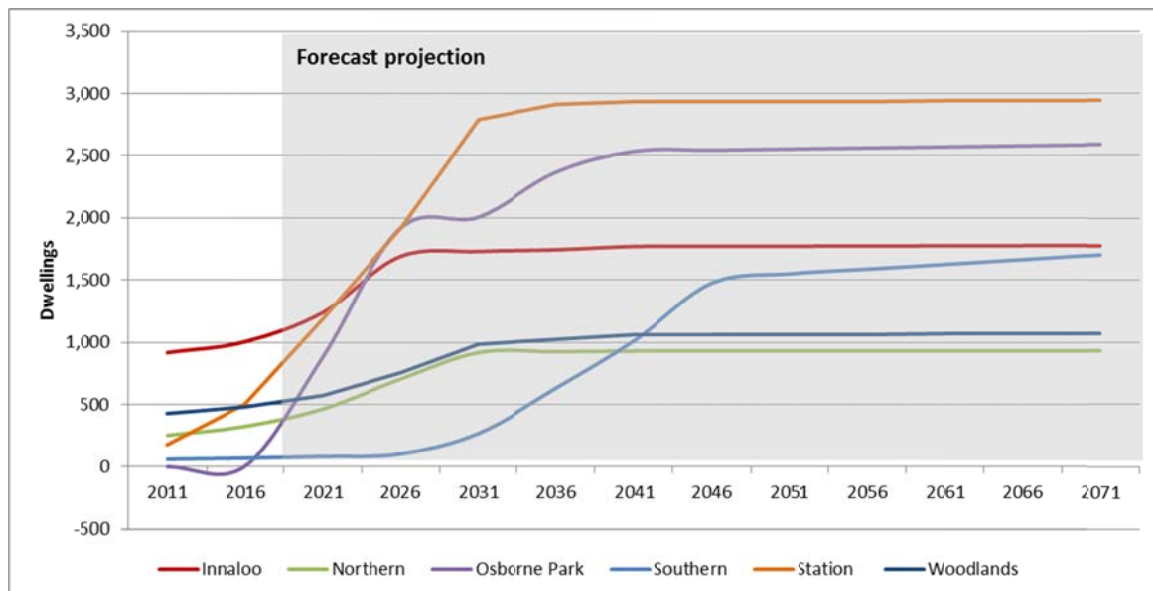
**Figure 3: Population Projections by Precinct 2011-2071**



Source: MPD using MLUFs

Concept Scenario 1 dwelling projections give rise to a similar story. Overall there is an increase of one point to six per cent annual average 2011 to 2041 from the MLUFs base. Osborne Park, Station and Southern precincts attract the greatest growth shift, increasing to three, six and seven points respectively.

**Figure 4: Dwelling Projections by Precinct 2011-2071**



Source: MPD using MLUFs



## Additional Dwelling Potential

Taking into account build life, lot size and vacant land within the study area, the additional dwelling potential can be calculated.

**Table 3: Dwelling Age profile - No. of dwellings as at 2012**

Build Period	Innaloo Precinct	Northern Precinct	Southern Precinct	Station Precinct	Woodlands Precinct	Grand Total
Pre 1960	82	2	2		4	90
1960s	152	69	8	4	49	282
1970s	58	39	5	36	58	196
1980s	24	3	11	68	28	134
1990s	149	6	4	8	13	180
C21	399	97	13	69	26	604
unknown	119	38	2	10	252	421
<b>Total</b>	<b>983</b>	<b>254</b>	<b>45</b>	<b>195</b>	<b>430</b>	<b>1907</b>

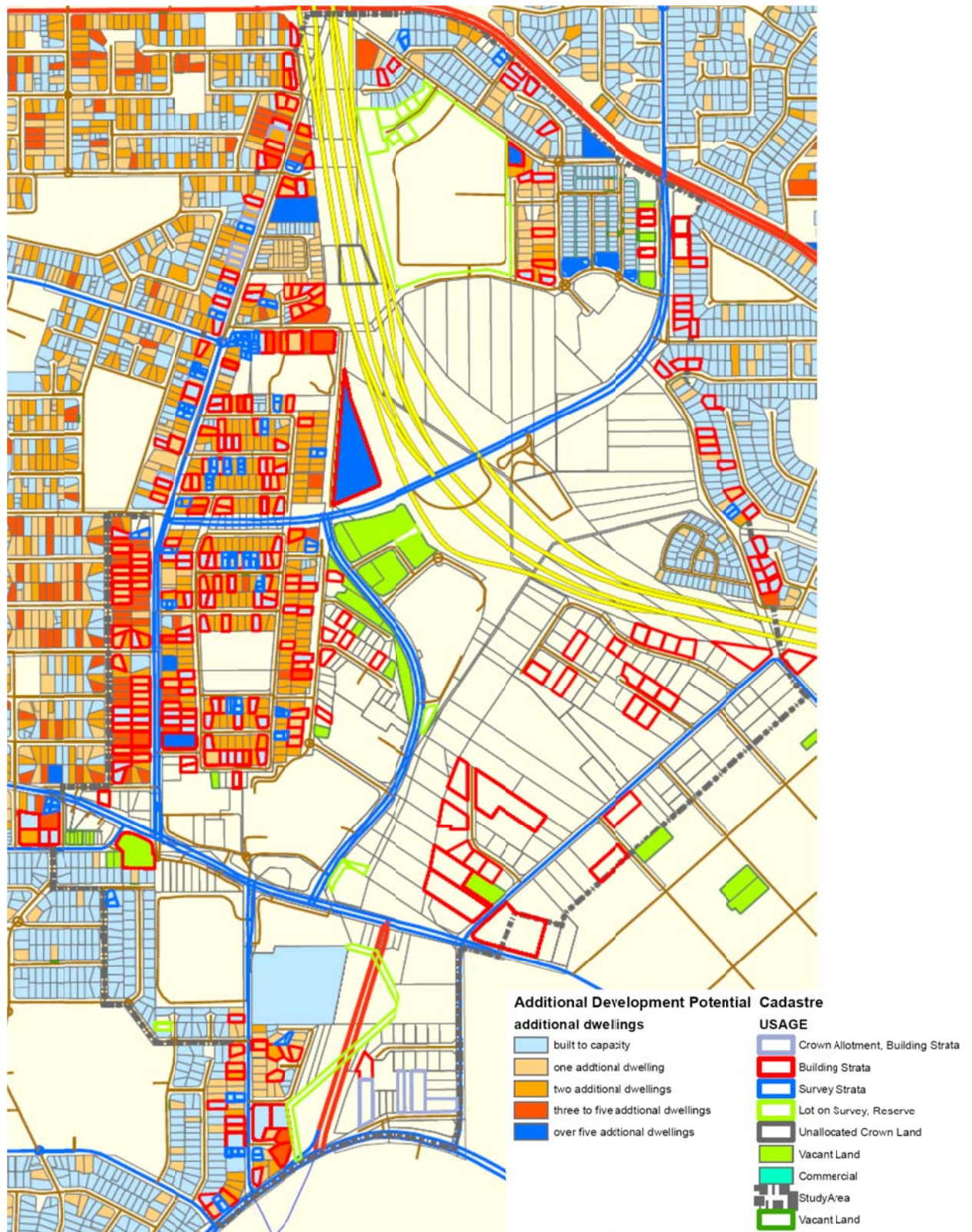
Source: Integrated Land Information Database

Build life is taken as 30 years meaning, unless individual houses are considered of heritage significance, dwellings built pre-1980 are considered ripe for redevelopment.

Looking more closely at the existing residential precincts, densities are generally higher in the Innaloo and Woodland precincts currently at around R40-60 than in the Northern precinct, which is currently only around R20. The additional development potential in these locations show Woodlands and the Northern Precinct are mostly built out to capacity (see **Figure 5**).

Over the 45 year time horizon, however, there is theoretically the potential for all three residential precincts to regenerate twice.

**Figure 5: Stirling City Centre Additional Dwelling Potential**



## 1.4 Car Parking

### Regulation

There are two regulatory mechanisms commonly used to ensure the level of parking provided remains at specified levels:

- Maximum level of supply
- Maximum and minimum parking ratios

Stirling's emerging parking strategy sets maximum parking standards based on the number of cars permitted on a hectare of land for non-residential uses. This is set at 250 bays per hectare across the entire structure plan area. Residential provision has been set at 1.25 bays per dwelling including visitor parking. The proposed car parking standards of 250 bays per hectare for non-residential plus 1.25 bays per dwelling is commercially constrained. This blanket approach mirrors the Perth Parking Policy and does not relate to patterns of use.

Maximum and minimum parking thresholds are based on the scale of development. Thresholds for residential parking should account for local average household size, car ownership levels and quality of public transport. Thresholds for commercial parking account for the employment density of the centre and access to public transport. Thresholds for retail parking are influenced by the prevailing retail hierarchy. This typically reflects the role and function of the centre.

## 1.5 Market Assessment

This section looks at a series of high level market assessments of current and forecast market situation for a number of segments in the SCC and surrounding areas.

**Table 4: Indicative Uses for Stirling City Centre**

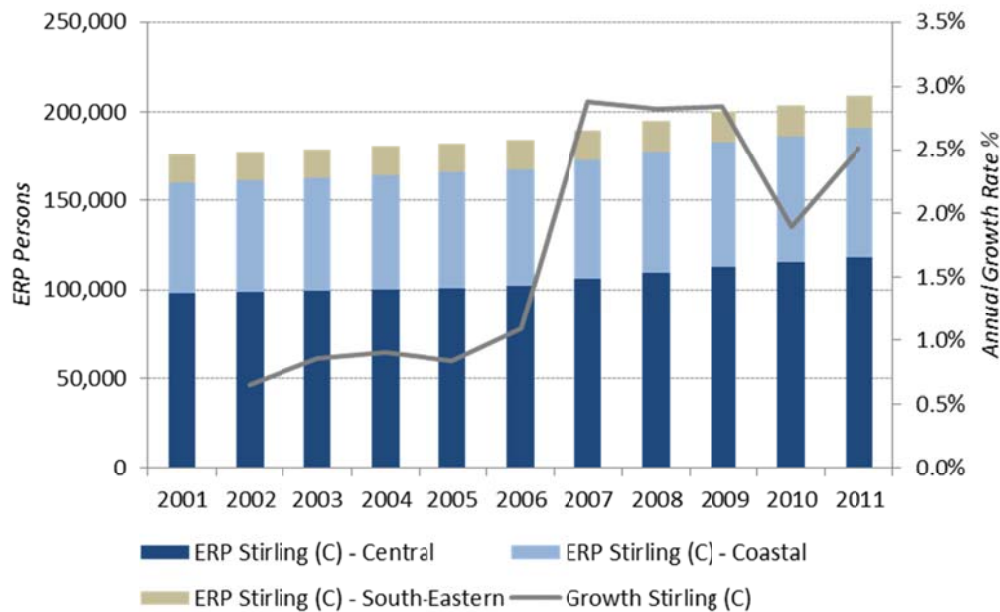
Sector	Current Position	Forecast Outlook	Likely Timing Implications
<b>Residential</b>	<ul style="list-style-type: none"> <li>Diversification in housing products towards higher density</li> <li>Strong growth in sales prices resulting in decreased affordability and increased attractiveness of higher density products</li> </ul>	<ul style="list-style-type: none"> <li>Apartment-style dwellings represent the most feasible form of residential development for consideration by Local Government due to the intensity of built form and the associated land take</li> </ul>	<ul style="list-style-type: none"> <li>Short-term market focus on apartments / high density dwellings</li> <li>Market potential for 75-100 apartments per year on State land.</li> </ul>
<b>Commercial</b>	<ul style="list-style-type: none"> <li>Strong CBD market underpinned by resource related activities</li> <li>Sub-regional office markets becoming increasingly attractive</li> </ul>	<ul style="list-style-type: none"> <li>Reasonably high levels of white collar workers make Stirling City a logical location for commercial office space</li> </ul>	<ul style="list-style-type: none"> <li>Given the current infancy of the SCC, and possible incubation period of sub-regional office market, the further provision of commercial space is suggested to be appropriately phased</li> <li>Yield at 72,000sqm provide 15-20% of the total floor space required</li> </ul>
<b>Retail</b>	<ul style="list-style-type: none"> <li>Four major competitors within 5-10km MTA with retail GLA of 38,000-68,000sqm</li> <li>Relatively high residents income in the MTA (Main Trade Area) capturing higher retail expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Significant population growth and potential mixed use development in the SCC expect to boost retail trade volume drawn from beyond the trade area</li> <li>Strong opportunity for specialty, DDS and food catering at the SCC</li> </ul>	<ul style="list-style-type: none"> <li>Potential additional 50,000sqm of core shop retail floors over the next 20 years</li> </ul>
<b>Tourist Accommodation</b>	<ul style="list-style-type: none"> <li>Significant rise in international tourist nights in Stirling, with education and visiting friends and relatives being major drivers</li> <li>Strong preference away from hotels, motels and resorts for international visitors</li> </ul>	<ul style="list-style-type: none"> <li>Potential opportunity for apartment style products to enter the Stirling tourism market and capitalise on the large number of international visitors</li> <li>Additional requirement for tourist accommodation will be tested by the feasibility model</li> </ul>	<ul style="list-style-type: none"> <li>Serviced apartments to address current demand for multi-night stays could be delivered as part of early land release.</li> </ul>

## Residential Market

Overall population growth in Stirling LGA has increased significantly since 2006, with an average annual growth rate of 2.6 per cent during the period 2006-2011.



**Figure 6: Estimated Resident Population and Annual Growth**



Source: ABS 3235

The time series to assess growth exists at a higher statistical level i.e. Stirling (C) – Central. The growth shown in **Table 5** represents 6,129 dwellings or 15 per cent over the 10 year period from 2001-2011.

Separate housing stock showed a relatively slow increase. This suggests that the diversification in housing stock has seen a progressive shift towards medium rather than high density dwellings.

**Table 5: Housing Stock by Type, Stirling (C) – Central**

Dwelling Type	2001		2006		2011		No. Growth 2001-2011	% Growth 2001-2011
Separate house	24,370	60%	25,305	59%	26,507	56%	2,137	8.8%
Semi-detached, row or terrace house, townhouse	11,594	28%	11,930	28%	14,123	30%	2,529	21.8%
Flat, unit or apartment	4,635	11%	5,752	13%	6,347	14%	1,712	36.9%
Other dwelling	13	0%	31	0%	15	0%	2	15.4%
Not stated	266	1%	63	0%	15	0%	-251	-94.4%
<b>Total</b>	<b>40,878</b>	<b>100%</b>	<b>43,081</b>	<b>100%</b>	<b>47,007</b>	<b>100%</b>	<b>6,129</b>	<b>15.0%</b>

Source: ABS Census 2011

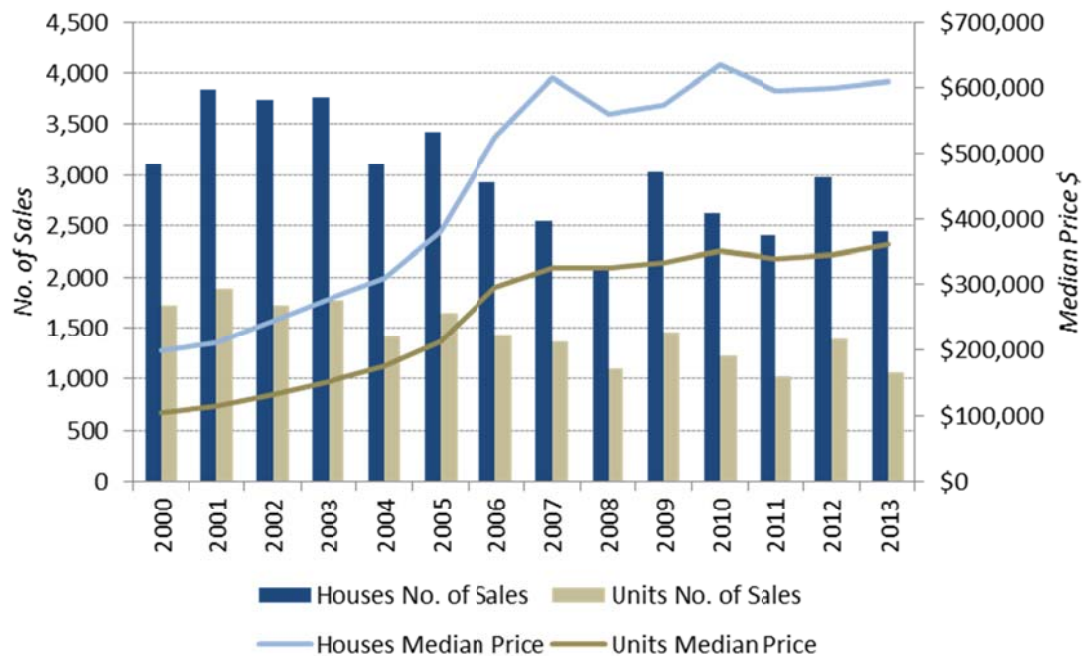
Building approvals in Stirling LGA have seen a notable shift away from detached houses towards a more dense residential building form during the past decade i.e. townhouses, unit, flats and apartments.

Apartment-style dwellings represent a highly feasible form of residential development for SCC due to the intensity of built form and the associated land take.

The increased diversification of housing stock in Stirling (C) – Central has been the result of a combination of increased median house prices (lower levels of affordability) and consistent levels of apartment demand.

Price growth, faster than that of incomes, has resulted in decreased affordability and therefore increased the attractiveness of townhouses, apartments and other types of higher density dwellings to prospective buyers.

**Figure 7: Residential Sales and Median Prices, Stirling (C), 2000-2013YTD**



Source: RP Data

## Commercial Office Market

Demand for mineral commodities has driven capital investment in the state, underpinning economic activity. The strength of this investment has in turn driven a strong requirement for commercial office space in Perth. The Perth commercial office market has been one of the strongest CBD markets through the 2000s.

The supply of commercial space in Perth has increased steadily over this period, with the greatest supply occurring over the last few years.

**Table 6: Current Office Development Activity, Perth, Sep 2013**

Property	Precinct	NLA (sqm)	Type	Status	Completion	Major Tenant
<b>Perth CBD</b>						
1006 Hay St	West CBD	3,104	New	UC	Sep-13	
WorkZone - 202 Pier St	CBD Fringe	27,910	New	UC	Sep-13	Leighton
Veil 253 - 253 St Georges Tce	West CBD	3,577	Mooted	DA	Jul-14	
Cloisters - 863 Hay St	Mid CBD	10,947	New	UC	Dec-14	Aurecon
999 Hay St	West CBD	10,800	New	UC	Mar-15	GHD
May Holman Centre - 32 St Georges Tce	Mid CBD	14,895	Refurb	UC	Mar-15	Legal Aid
Treasury Building - Cnr Barrack & St Georges Tce	Mid CBD	30,219	Mooted	DA	Jun-15	Public (state)
Kings Square 1 - Wellington St	West CBD	23,000	New	UC	Jun-15	
Kings Square 2 - Wellington St	West CBD	19,000	New	UC	Jun-15	Shell
Kings Square 3 - Wellington St	West CBD	8,000	New	UC	Jun-15	Leighton
Kings Square 4 - Wellington St	West CBD	13,000	New	UC	Jun-15	HBF
123 St Georges Tce	West CBD	30,000	New	UC	Mar-16	Brookfield
Bishops See II - 239 St Georges Tce	West CBD	46,000	Mooted	DA	Dec-16	
Elizabeth Quay Site 4	Mid CBD	52,355	Mooted	EP	Jul-17	
<b>Total</b>		<b>292,807</b>				
<b>West Perth</b>						
11-13 Lucknow Place	West Perth	765	Refurb	UC	2013	
1 Ord Street	West Perth	3,448	New	UC	2013	
1160 Hay Street	West Perth	1,500	New	UC	2013	
1101 Hay Street	West Perth	2,264	New	UC	2013	
959 Wellington Street	West Perth	1,414	New	DA	Mooted	
<b>Total</b>		<b>9,391</b>				

Source: Savills Research

Note: UC = under construction; DA = development approval; EP = early planning

Sub-regional office markets are becoming increasingly attractive options for potential tenants. Stirling LGA stands to benefit from any shift away from the Perth CBD.

**Table 7: Key Market Indicators, Perth CBD & West Perth, Jun 2013**

Key Indicators	Perth CBD						West Perth			
	Premium		A Grade		B Grade		A Grade		B Grade	
	Low	High	Low	High	Low	High	Low	High	Low	High
Rental - Gross Face (\$/sqm)	858	995	653	843	508	663	601	705	503	597
Rental - Net Face (\$/sqm)	775	905	595	775	450	595	500	575	425	495
Rental - Net Effective (\$/sqm)	698	815	513	668	388	513	456	525	388	452
Outgoings - Operating (\$/sqm)	115	120	95	115	75	90	80	90	50	55
Outgoings - Statutory (\$/sqm)	45	60	45	60	45	60	65	90	65	90
Outgoings - Total (\$/sqm)	160	180	140	175	120	150	145	180	115	145
Typical Lease Term	7	10	5	7	5	7	5	7	5	7
Yield - Market (% Net Face Rental)	7.00%	7.75%	7.50%	8.75%	9.00%	10.00%	7.75%	8.75%	8.50%	10.00%
IRR (%)	9.00%	9.50%	9.00%	10.25%	9.75%	11.00%	9.00%	9.75%	9.00%	11.25%
Cars Permanent Reserved (\$/pcm)	750	800	700	750	550	685	350	375	300	350
Cars Permanent (\$/pcm)	700	765	600	700	500	600	350	375	300	350
Capital Values (\$/sqm)	9,000	10,000	6,500	9,000	4,500	6,600	5,700	7,400	4,250	5,800

Source: Savills Research, June 2013



The central location of the SCC in relation to the Perth CBD (and State Parliament) and the Mitchell Freeway has the potential to make this centre an attractive option for the relocation of government offices.

SCC has a higher proportion of professionals (61 per cent) within its occupation mix than the broader LGA area (54 per cent), indicating a high rate of residents employed in occupations requiring office floor space.

## Retail Market

Although SCC is classified as a strategic centre with attractors like IKEA, the centre is considered to have a metropolitan-wide draw. However, Westfield Innaloo itself contains discount department stores like Target, which has a more localised draw. For the purposes of analysis the main trade area (MTA) has been defined generally as comprising an area within a 5-7km radius of existing retail provisions at Westfield Innaloo.

Residents living within the MTA have higher household disposable incomes relative to the rest of Perth. This means the SCC has strong potential to capture higher relative volumes of expenditure than similar sized retail centres in other, less affluent areas of the metropolitan area.

**Table 8: Trade Area Competitive Regional and Sub-regional Supply**

Retail Centre	Total GLA	Retail GLA	MAT	Turnover/m2	Pedestrian Estimate
<b>Westfield Innaloo (excluding mega centre)</b>	<b>37837</b>	<b>37837</b>	<b>\$244,200,000</b>	<b>\$ 6,454</b>	<b>4,709,874</b>
Karrinyup Shopping Centre	55173	52330	\$ 424,406,387	\$ 8,110	8,900,000
Centro Dianella	20790	68314	\$ 84,510,000	\$ 1,237	-
Mirrabooka Square	39363	39363	\$ 196,409,966	\$ 4,990	4,900,000
Gwelup Plaza	5151	5151	-	-	1,000,000
Centro Galleria	72621	68314	\$ 432,360,000	\$ 6,329	26,904

Source: PCA (2010) and MPD

## Tourist Accommodation

The number of visitors to Stirling (C) has shown a growing trend with fluctuations during the period from financial year 2000-01 to 2012-13.

For domestic visitors, the primary purpose to visit Stirling (C) is visiting friends and family. As with domestic tourists, international visitors' most prominent purpose is visiting friends and relatives in Stirling (C).

Over the past 5 years, for both domestic and international visitor nights, the majority were spent in non-dedicated tourist accommodation.

It is observed the following key characteristics and drivers for the tourist accommodation market in Stirling (C):

- Tourism visitation is very volatile, and it will be important to enhance the tourism sector to develop a more sustainable and integrated economy.
- Stirling has experienced a significant rise in international tourist nights in recent years, with visiting friends and relatives and educational purposes being major reasons.
- Holiday and leisure visitors are heavily affected by one-off events, indicating strategies for year round growth should be encouraged. Potential can be seen from business tourism which could be derived from the development of Stirling sub-regional commercial market and which can be scheduled in the off season.
- Significant share of visitor nights in non-dedicated accommodation suggests either a strong preference for rented houses and friends/relatives properties, or a lack of appropriate or competitive supply of hotels, motels and resorts in the area. This presents potential opportunity for new hotels to capitalise particularly on the large number of international visitors.

The smaller proportion of rooms than establishments suggests that establishments in the Stirling (C) LGA provide fewer rooms than establishments elsewhere in the Experience Perth TR. There appears to be a lack of larger scale accommodation establishments.

Tourist accommodation demand is highly seasonal with clearly defined 'peaks' and 'troughs'. As illustrated in the figure below, the seasonal highs and lows in the Stirling (C) LGA are roughly aligned with the trends in the Experience Perth TR.

Average takings per room night available fluctuated in line with room occupancy rates. Trends in the Stirling (C) LGA were close to those seen in the broader Experience Perth TR. The average takings per room night available in Stirling City recorded \$118.6 over the past five years.

### **Inter-relationships**

Redevelopment of SCC has the potential to generate local investment and expenditure multipliers, which together can stimulate long term economic value and employment sustainability within Stirling and surrounding areas.

Investments in new residential accommodation, commercial floor space catering to a range of uses, short-stay accommodation and retail floor space within the City Centre will drive visitation within the City Centre (i.e. day-time, night-time and weekend) and result in significant expenditure within the SCC and surrounds. Complementary accompanying community infrastructure investments and uses will complement commercial investments over time.

While encouraging mixed use in key locations will aid the provision of a critical mass populous and spread hours activation further across the day and night, it is not necessarily suitable for every development site.

Investment in residential housing options (i.e. apartments, townhouses, units) has the potential to attract new residents to the area and stimulate retail expenditure within the catchment. When residential investments are collocated proximate to commercial floor space catering to a variety of corporate tenancies employing business professionals, such investments typically result in enhanced employment sustainability within the corridor.

Investments in commercial floor spaces will attract jobs to the SCC and may result in relatively high level of local employment within the corridor with consequences for day-time, evening and in some cases weekend visitation and expenditure.

Investments in short-stay accommodation i.e. 3-4 star hotel and serviced accommodation catering mainly to corporate business visitors to the area has the potential to expand day-time and evening visitation and expenditure. Investment may coincide or follow commercial investment activities and such developments would need to attract stand-alone investor interest.

Investments in complementary retail activities would have relatively strong potential and the type and quantum of floor space would reflect this complementary role.

## 1.6 Infrastructure delivery

Much of the Concept Scenario 1 development proposals are burdened by broader regional infrastructure requirements and costs imposed on the SCC project. In order to assess the real costs in delivering the development aspirations in the Structure Plan area the strategic infrastructure projects have been taken out of the feasibility equation.

SCC and adjacent Osborne Park Industrial area has the highest level of employment and economic activity outside of the Perth CBD. As such, the majority of the road network upgrades and new links proposed under Concept Scenario 1 attempt to deal with existing regional traffic demands in the area.

As part of the *Sustainable 21 Century City* vision for Stirling, the Alliance is committed to promote modal shift away from private vehicle dependency. Options to deliver a sustainable mode shift have considered better pedestrian linkages between the train station and the activity centre, a high frequency shuttle bus, and a light rail shuttle.

Achieving sustainable transport initiatives cannot be contingent upon developing State Government land within the SCC. There are Metropolitan-wide benefits to these initiatives in mode shift away from private vehicles, notwithstanding the land value that will not support their delivery.

As with the road and public transport infrastructure, the upfront cost of utility infrastructure poses a challenge for the project delivery.

There are two main impediments to releasing state government land from a utilities point of view. The first is relocation of services, and the second is the capacity within the existing network.

## 1.7 State Land Yields

### Residential Yields

There is strong potential for the market to absorb up to 1,500 units i.e. 15-20 years supply on State land holdings. This equates to a take-up rate of 75-100 units per annum.

The Alliance (SCC Sept 2013) allocates State land to provide only 900 dwellings, despite residential uses having a high return. The Hames Sharley (Sept 2013) yield assumptions provide for 1,456 dwellings, which are more appropriately aligned with market potential.

*Note:* Government land holdings have the potential to account for around 80-100% of the forecast 20 year apartment supply for SCC. Meaning the centre will need to 'grow the pie' rather than simply absorb net demand from elsewhere in the immediate catchment.

### Commercial Yields

It is necessary to constrain commercial floor space in the centre as a mechanism for reducing car trips. There is capacity of up to 90,000m<sup>2</sup> GFA of commercial floor space on State land holdings. This equates to around 6,000m<sup>2</sup> per annum over 15 years.

The Alliance (SCC Sept 2013) allocates State land to provide 90,000m<sup>2</sup> GFA of commercial floor space, while Hames Sharley (June 2013) yield assumptions

provide for 165,559m<sup>2</sup>. This implies the Alliances' revised commercial floor space estimates more appropriately align with the market and balance policy needs relating to mode shift/parking and broader market signals.

## Retail Yields

There is capacity for 5,000 to 10,000m<sup>2</sup> NLA of retail floor space on State land holdings. This should be clustered in key locations fronting Scarborough Beach Road and Stevenson Avenue to leverage value out of strategic sites and connect to existing private sector supply i.e. Westfield.

The Alliance (SCC Sept 2013) allocates State land to provide 20,000m<sup>2</sup> NLA of retail, while Hames Sharley (June 2013) yield assumptions provide for 27,500m<sup>2</sup>. This implies both Hames Sharley and the Alliance's revised retail yields are not necessarily well focused commercially. Both are considered high and will compete with private land holdings.

The market take up of 20,000-27,500m<sup>2</sup> in a dispersed configuration would be low. Claisebrook redevelopment area is a good case study of prolonged take-up of (many) smaller retail tenancies. Market take-up of larger footprints would work if the centre needed another anchor to address a clear market gap. However, with Westfield and IKEA as anchors there is currently no gap. Regardless, MPD has discounted additional large format retail as being inconsistent with the project vision.

The focus for retail investment on State land should aim to consolidate the existing retail hierarchy and create activity linkages between the retail anchors and other areas within the precinct. Tenant location is an important consideration for ensuring the success of the project vision.

## 1.8 Active Land Banking

Despite long lead times there are opportunities to make use of vacant government land in the short to medium term. This involves exploring options for a low-cost, high-impact incremental framework for improving your community in short order. Lighter, quicker, cheaper (LQC) describes a local development strategy that can produce lower risk and lower cost temporary and interim use options which can even generate short term revenue for places in transition.

LQC projects can translate a community's vision into reality sooner and keep momentum moving. The idea is for proposals to be quickly implemented with minimal cost outlay, assessed, then tweaked or customised as required. LQC can take many forms, requiring varying degrees of time, money, and effort, and the spectrum of interventions should be seen as an iterative means to build lasting change. It is typical to start with the creation of public amenity or art to get the community engaged followed by eventing and intervention projects which can lead to 'light' development strategies for more semi-permanent use.

As an alternative to capital-intensive construction, adaptive reuse and temporary structures enable significant transformation with relatively minimal cost. LQC Light Development can make over underutilised spaces and attract more partners for long-term transformation.

It is understood that restricting delivery vehicle access to Ellen Stirling Boulevard is a project aim to promote a high street environment in this location. Options to constrict road geometry and turning radii could achieve a similar result without the expense of raising the street.

## 1.9 Development Scenario

Development phasing is different for each of the precincts and while some can develop organically with no or negligible infrastructure upgrades, the precincts in the centre of the study area have significant constraints which will delay commencement.

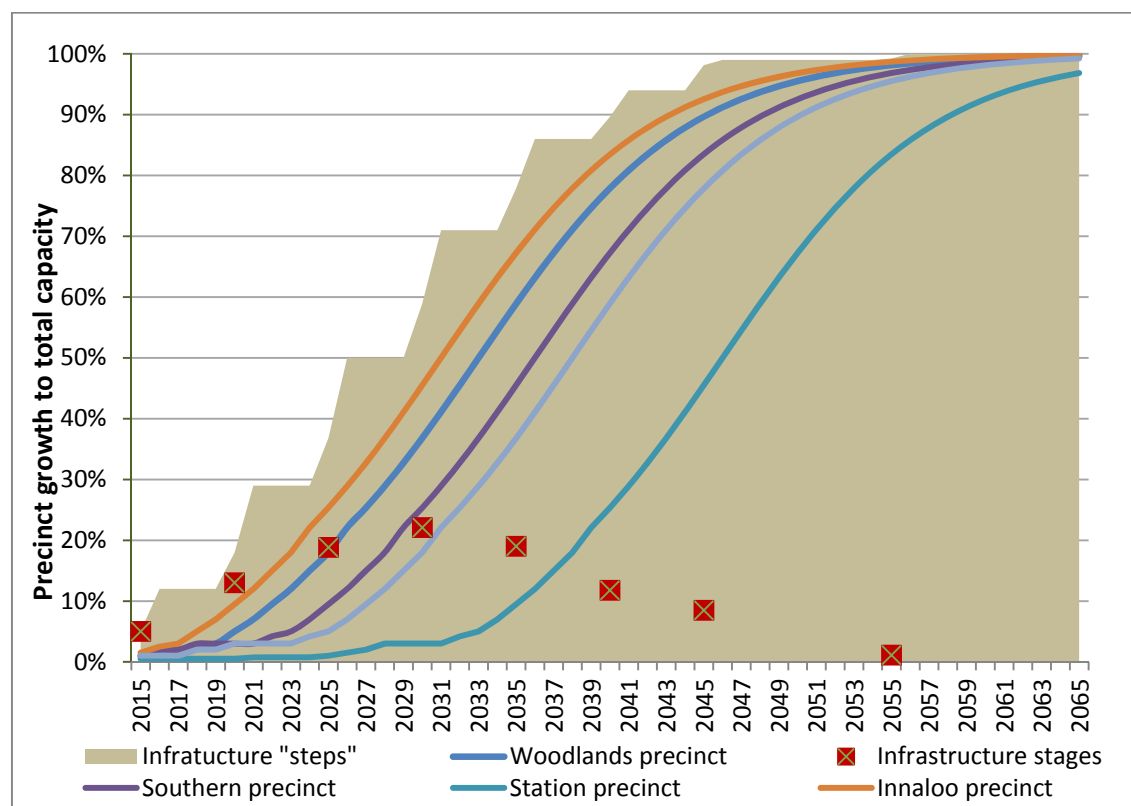


The fringes of the SCC boundary will continue to develop in response to the residential demand and the development potential allowed by planning controls. The R-codes have the most significant impact on development potential and the introduction of the Multi-Unit Housing Codes has increased the potential residential yield. In some areas this has effectively doubled the number of potential dwellings that can be built on existing sites without any increase in the R-code.

Other land uses such as retail and business use are more likely to require infrastructure investment, however smaller scale developments should still be viable within the existing development capacity.

Unlocking the major development sites will require a certain amount of investment in infrastructure, particularly in the road network to provide access to the more constrained sites.

**Figure 8: Development Curve by Precinct**



Source: MPD based on GHD assessments

The Woodlands precinct has fewer major infrastructure constraints than most of the precincts further to the north. This is a mixed residential and business area which can develop organically without significant triggers.

This precinct includes the Innaloo Greater Union Cinema Complex which is a very large land parcel with a significant at-grade car park.

In terms of residential development potential, there may be some opportunity to either up-code certain parts of the precinct, apply split R-codes (to encourage land aggregation) or to encourage use of the multi-unit housing code for new developments in the precinct.

## 1.10 Funding Options

While developer contributions are an essential part of funding local infrastructure they are not the only, or necessarily always the best, funding mechanism. The use of alternative and supplementary funding complements the funding available through the development contributions system and enhances the delivery of public facilities.

It is likely that a combination of measures will be needed throughout the 45 year timeframe for the development.

### Specified Area Rate

This option involves allowing the Improvement Scheme to provide:

- Greater flexibility to invoke a specified area rate applicable to non-contiguous land and with a focus on nonspecific projects and infrastructure; plus
- Scope for councils to levy rates to fund a range of community infrastructure, thereby enhancing councils' broader capacity to achieve orderly and proper planning consistent with local Development Planning processes and financial objectives and priorities.

Rates are a form of taxation based on property value. This mechanism could be most beneficial for delivery of the decentralised services infrastructure being promoted by GHD for the mixed use areas.

### **Planning Agreements**

This option involves creating a legislative and policy framework via the Improvement Scheme to facilitate negotiation and enforcement of specific planning agreements with land owners and developers specific to the project infrastructure requirements. This would allow certainty, transparency and a consistent approach for all parties.

Planning agreements permit particular governance arrangements that suit particular cases and foster the provision of infrastructure by the different levels of government in an efficient, co-operative, and co-ordinated way.

### **Local Infrastructure Contributions**

This option involves implementing State Planning Policy 3.6 through the Improvement Scheme allowing councils to levy developer contributions to fund local infrastructure requirements. The policy defines that development contributions can be sought for items of infrastructure that are required to support the orderly development of an area.

### **Metropolitan Infrastructure Contributions**

This option involves providing a policy and legislative framework allowing local government, in collaboration with State Government and other authorities to fund metropolitan infrastructure requirements. Of the options discussed, this one represents a significant longer term opportunity for further careful consideration by the Alliance. This option requires establishing a legislative framework.

## Section 2: Development Strategy

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### 2.1 Framework

Building on the Development Scenario, the Development Strategy is to identify:

1. What (and where) development and/or redevelopment within the SCC Precincts can occur.
2. What can commence without the provision of major infrastructure upgrades (roads and utilities) and/or site preparation.
3. Major infrastructure upgrades and/or site preparation requirements to progress.
4. Requirements of vacant government land.

### 2.2 Land Development Options

There are a number of actions the Alliance may take in relation to public land holdings within the SCC

#### Land Development

Disposal of government land is common and relatively straight forward. Publicly owned land may be sold in separate parcels or in a straight line, depending on the timeframe involved and revenue objectives. There is generally potential for increased revenue when property is sold with existing or improved use rights reflecting planning approval for highest and best use.

Land banking of property is also common and typically involves acquiring property and/or retaining existing property to be held for future use. Land banking may involve discrete parcels or englobo holdings. Generally there is potential for increased revenue when property is held in areas with strong price growth.

Amalgamation of property typically involves acquiring property and/or entering into a land-swap arrangement to create larger development parcels. Land amalgamation is often difficult and risky for the private sector to undertake.

Land development by the public sector typically involves a traditional design and construct or partnership/ joint venture approach. This approach is typically adopted for construction and operation of community based assets where there is a priority for long-term public ownership and operation of the facility.

Government land acquisition is also common and relatively straight forward. It is not un-common for Councils and State Government to acquire property in an open market context in a transparent manner. There is generally a requirement for acquired property to serve a community purpose and revenue generated through redevelopment may be hypothecated for specific uses.

### **Land Release**

Leasehold land arrangements provide opportunities, particularly for long-term land development projects. Since the SCC has a 45-year project life time, some Government sites may provide ground lease opportunities for the project. An alternative option is to put the project out for expression of interest as a wholesale development package – land plus infrastructure.

A public-private partnership (PPP) redevelopment “consortium” could be created to pool public and private resources to develop the SCC. This may encourage the private sector land owners to participate or provide the basis for the project to be packaged for an expression of interest.

## **2.3 Car parking**

### **Investment**

SCC is estimated to attract 105,000 vehicle trips per day. Through (regional) traffic is anticipated to account for an additional 35,000 vehicle trips per day. This means there would be close to 140,000 vehicle trips per day and around 12,000 to 13,000 trips per hour during peak periods<sup>5</sup>.

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<sup>5</sup> Sinclair Knight Merz *Stirling City Centre Access and Parking Strategy* (2010)

In these circumstances, the street network and parking provision for the centre may reach practical capacity. Achieving appropriate levels of car parking in particular is important for sustainable access, visitation and expenditure activities within the centre for:

1. Providing prioritised parking for city centre users, including residents;
2. Ensuring the commercial viability of the centre;
3. Managing congestion and travel demand, especially by commuters;
4. Encouraging modal shift to public transport, walking and cycling; and
5. Providing a potential source of funding for alternative transport infrastructure, facilities and services, particularly public transport.

Public parking is generally preferred over private tenant parking to encourage reciprocal use and more efficient space / resource management. Emphasis should be given to centralising public bays and constraining private supply. Government owned public car parks present an option for ongoing public revenue for the centre, though these would need to be delivered up front.

Consideration should be given to providing a regional car parking solution on the basis of broader TOD principles i.e. park and ride.

## **Revenue**

The Alliance should consider a commercial approach to addressing car parking within the centre. For example, selected government sites could be developed to provide car parks in the station and southern precincts. This will provide a much needed parking opportunity within this precinct and provide government with long term opportunities to capture value through fees/charges/levies over time and also own/operate and potentially on-sell commercial assets to third parties.

This involves decoupling development yields from parking requirements and requires the Alliance to take an early position on addressing parking by leading investment in car parking in strategic locations. This presents an opportunity to hold the asset in order to generate value over time. Sites for possible active land banking with temporary car parks exist in the Station and Southern precincts.

Fee-based parking is encouraged for SCC as a mechanism for controlling access and availability of parking as well as a long-term cost recovery mechanism.

Cash in lieu of providing car parking is a widely adopted mechanism for funding public car parking or other non-parking related infrastructure supporting the performance of activity centres. Cash in lieu of parking for SCC is encouraged where provision of parking is physically constrained, or it is desirable to restrict parking.

Car parking levies tend to target reduced traffic volumes in cities and areas where car parking has the potential to limit city centre growth and economic performance. Particularly in heavily congested areas, car parking levies have the long term potential to improve accessibility by reducing demand for car travel and providing a source of funds to improve alternative means of transport.

### **Redevelopment of public car parks**

As the SCC develops there will be the need to transition from on-grade to multi-storey car parking. Over time, as access by non-car modes improves the multi-storey car parks can be redeveloped to help realise mode shift targets.

This is an example of staged development resulting in effective re-use of existing infrastructure over time as underlying land values increase; allowing assets to generate income through different uses during an extended asset life-cycle.

Government land that presents options for short to medium term car parking use include sites adjacent to IKEA in the Station precinct and the site adjacent to the sub-station in the Southern precinct. In addition the LGA site opposite IKEA on Ellen Stirling Boulevard provides another opportunity for a publicly owned public car parking asset.

There is an option to place greater parking restrictions on State government land if public car parks are put in place early. Here government could leverage off the contract of sale mechanism to encourage use of sustainable travel modes and/or use of the public car parks over on-site provision.



## 2.4 Development Strategy

The development strategy is based on the need to "decouple" the strategic infrastructure from the components of the project which can proceed. This is set within the context of the study scope to focus on government land holdings south of the freeway reserve. This has been reflected in the short, medium and long term time horizons discussed below.

	SHORT TERM	MEDIUM TERM	LONG TERM
POLICY	Improvement Scheme	Redevelopment Area	Normalisation Split R-Codes TOD
INFRASTRUCTURE <i>Note: required for government land release only</i>	<ul style="list-style-type: none"> <li>• Culvert main drain south SBR</li> <li>• Remove SUMP south SBR</li> <li>• Sewer Osborne Park</li> </ul>	<ul style="list-style-type: none"> <li>• Main Street ESB</li> <li>• Relocate sub-station</li> <li>• Ext. Stephenson to Howe</li> <li>• Ext. Howe</li> <li>• Urban Stream south</li> </ul>	<ul style="list-style-type: none"> <li>• Downgrade Cedric off-ramp</li> <li>• Subdivide IKEA</li> <li>• Ext. Guthrie</li> <li>• Urban Stream north</li> </ul>
PRECINCTS	Northern Innaloo Woodlands	Southern Osborne Park	Station
LAND PARCELS <i>Note: using Hames Sharley referencing</i>	<ul style="list-style-type: none"> <li>• Develop 7 and 8</li> <li>• Activate 2, 4, 5 and 6</li> <li>• Land bank 1 and 3</li> </ul>	<ul style="list-style-type: none"> <li>• Develop 1, 3, 4 and 5</li> <li>• Activate 2 and 6</li> <li>• Land bank nil</li> </ul>	<ul style="list-style-type: none"> <li>• Develop 2 and 6</li> <li>• Activate nil</li> <li>• Land bank nil</li> </ul>

### Enabling Policy

**Short term:** Improvement Scheme (including Developer Contribution Plan) and rezoning/change of use amendments are appropriate to set the foundation for meeting the SCC vision and manage private development proposals in the short term. In support of the Improvement Scheme the Stirling Centre Structure Plan should be amended to reflect Concept Scenario 1 and adopted through the WAPC.

**Medium Term:** define a Redevelopment Area over the mixed use precincts only to better manage land parcelling and release strategies. This will give flexibility in market testing to optimise the best return for government.

**Long Term:** Split R-codes will encourage an increased dwelling density in the hinterland precincts and help drive social and economic critical mass outcomes.

### Enabling Infrastructure

**Short term:** Decouple strategic infrastructure and infill infrastructure costs from development forward works. To prepare government land south of Scarborough Beach Road culvert main drain along existing Stephenson Avenue alignment and redirect existing SUMP to unlock land parcels west of Stephenson Avenue.

**Medium Term:** Delivering the extension of Stephenson Avenue to Howe Street will allow for the formation of the southern portion of the Urban Stream as well as aid release government land parcels east of Ellen Stirling Boulevard. The action of diverting the drain and forming development frontage to Ellen Stirling Boulevard will transform the road into a main street. Extending Howe Street from King Edward to the newly formed Stephenson Avenue should help disperse traffic (transport modelling to confirm) and recreate more amenable street blocks in the Osborne Park Precinct. Medium term target should also be to launch/connect the decentralised utility grid service including local water treatment plant (if pursued).

**Long Term:** Strategic traffic movements through the centre will be better managed with the downgrading of the Cedric Street off ramp to form a local access road. The extension of Guthrie Street will complete the urban form street blocks in the Osborne Park Precinct and provide an opportunity to form the northern portion of the Urban Stream, even if the northern Stephenson Avenue connection is never pursued. Long term subdivision of the IKEA site will enable a more holistic development outcome on surrounding government land.

### Enabling Precincts

**Short term:** Residential precincts already subject to *Directions 2031* infill targets are providing for greater density in the Structure Plan area now. In the short term there are temporary use options for land parcels in the station and southern precincts also.

**Medium Term:** Over the medium term as rezoning opportunities are realised by the private sector the redevelopment of the Osborne Park Precinct will be facilitated. The southern precinct too has some medium term potential with lot amalgamation and Joint Venture development opportunities.

**Long Term:** Over the longer term the station park precinct will be unlocked when the strategic road infrastructure issues are resolved/managed i.e. Stephenson Freeway Interchange. Potential in this precinct north of the freeway reserve will also become more viable as land values increase and development pressure help unlock the old land fill site.

## Staging

**Short term:** Land parcels south of Scarborough Beach Road present the best opportunity to commence the release of government land. These parcels are already accessible and can be rolled into a more comprehensive redevelopment if bundled with adjacent land, either as a negotiated sale or joint venture.

Land to the immediate north of Scarborough Beach road present an opportunity for temporary use i.e. car park as will require minimal infrastructure to deliver. This can be held within government ownership as a means of active land banking. Similarly land surrounding IKEA could be considered for active land banking, again for temporary car park use provided it does not compromise the overall centre vision.

**Medium Term:** On extension of Stephenson Avenue to Howe Street government land parcels east of Ellen Stirling Boulevard will be unlocked. At this time the release strategy should be re-assessed but presently there will be options, after land banking for 10 plus years, for market sale (EOI) or partnership development arrangements. Where public open space outcomes are sort adjacent to government land parcels the latter is recommended.

**Long Term:** Government land tied up in the resolution of strategic road infrastructure will only be unlocked with the freeway access ramps in the Structure Plan area are properly dealt with.

A case study assessment into the impact of light rail on development uplift indicated a 1% per annum (over 15 years) yield increase on sites accessible to the service.<sup>6</sup>

Diagrammatic representation of government land parcel release is given overleaf.

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<sup>6</sup> SGS MAX Urban Economic and Property Assessment (2013)

## Infrastructure staging

### Short-medium term

Active land bank (parking)

### Long term

Amalgamate (IKEA)

Comprehensive redevelopment

### Short term

Active land bank (main street)

### Medium term

Disposal (EOI)

Relocated main drain

### Short term

Active land bank (parking)

### Medium term

Disposal (EOI)

Relocate main drain & SS

### Short term

Disposal (EOI)

Site access & redirect SUMP

### Short term

Amalgamate

Culvert main drain

### Short term

Land bank

### Medium term

Public Private Partnership

Site and station access

### Short-medium term

Land bank

### Long term

Disposal (EOI)

Site access ext. Guthrie St

### Short term

Land bank

### Medium term

Disposal (EOI)

Relocated main drain

### Short term

Disposal (EOI)

Site access Stephenson Ave.

### Short term

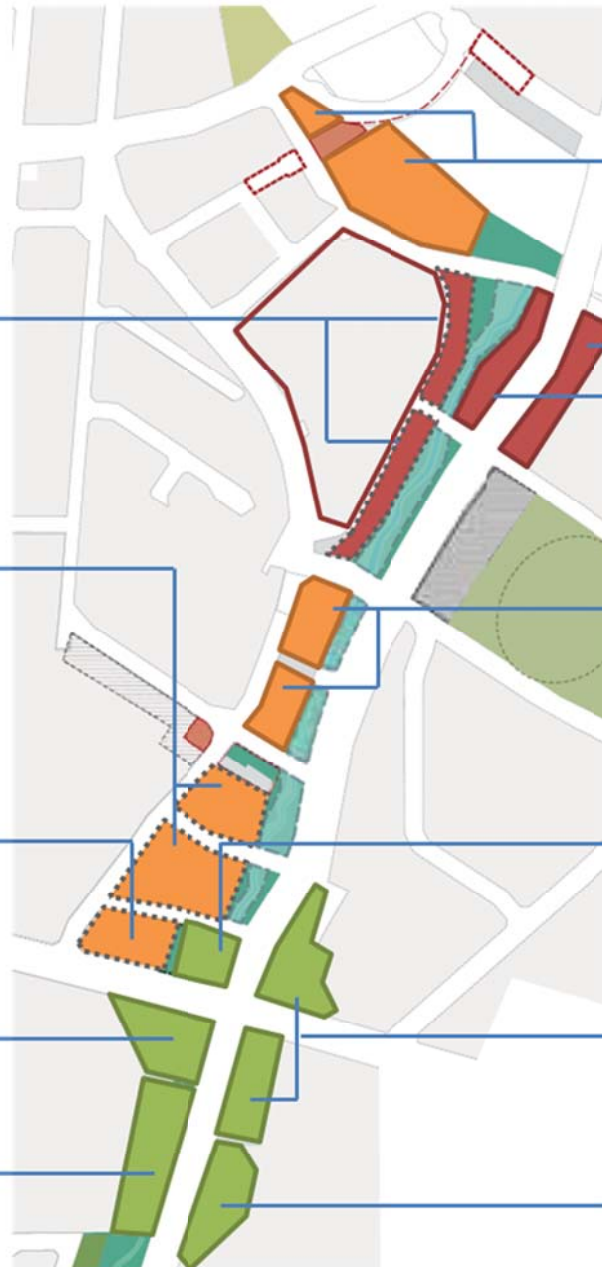
Disposal (EOI)

Sewer Connection

### Short term

Amalgamate

Sewer Connection



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## 2.5 Governance

### Planning and Development Act

The Planning and Development Act 2005 (as amended) (“PR Act”) now provides for the Western Australian Planning Commission (WAPC) to stimulate development and redevelopment through:

1. Improvement plans (section 119); and
2. Improvement schemes (section 122).

Improvement plans are strategic instruments used to facilitate the development of land in areas identified by the Western Australian Planning Committee (WAPC) as requiring special planning.

The WAPC has the power to make an improvement plan anywhere in the State, and create improvement schemes to give effect to the development control powers of an improvement plan. Improvement schemes are only short-term instruments used to facilitate immediate development. As such a longer term governance mechanism needs to also be identified to address the 45 year vision time horizon.

### Local Government Act

The Local Government Act 1995 limits the type of development that a local government can undertake. Consequently the local government governance structure is unlikely to enable the complex land development and management required in SCC.

### Landcorp and the Metropolitan Redevelopment Authority

Landcorp and the Metropolitan Redevelopment Authority (MRA) present viable options for medium term land development and management of Stirling City Centre. Landcorp powers relate to dealing with land and development on that land i.e. plan, undertake, promote and coordinate the development of land. The MRA powers relate to targeted land acquisition, resumption powers, development, sales conditions, and development performance standards.



### **Contract of Sale**

Freehold land in Government landholdings provide a number of opportunities to achieve outcomes that may otherwise be difficult to achieve through the planning system. When the State Government sells land it can include provisions in the contract of sale that specify particular development outcomes.

The Metropolitan Redevelopment Authority has a long history of requiring particular outcomes (such as affordable housing, development timeframes, sustainability outcomes) through contractual arrangements rather than solely through planning controls.

### **Land Amalgamation**

Land amalgamation is often difficult and risky for the private sector to undertake. Even when done by government with the powers of resumption, it is a time consuming process unless there is a mechanism to help streamline the process.

For land required to implement a statutory scheme the mechanism of declaring a “reserve” over land provides one such mechanism to amalgamate parcels of land that are required for the “public good”.

### **Leasehold**

Leasehold land arrangements provide opportunities, particularly for long-term land development projects. Since the SCC has a 45-year project life time, some Government sites may provide ground lease opportunities for the project.

### **Expressions of Interest**

An alternative option is to put the project out for expression of interest (EoI) as a wholesale development package - land plus infrastructure.

This is likely to need a PPP arrangement to ensure interest. Various models could be used including private funding of Government infrastructure (Stephenson Avenue, Ellen Stirling Boulevard, urban stream) with the State Government providing payback over time.

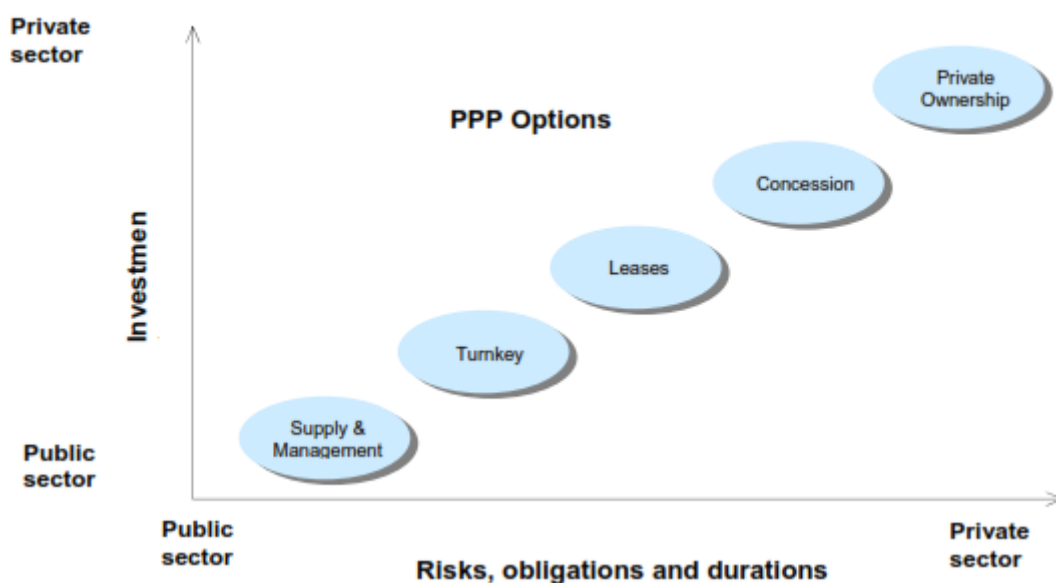
## Public Private Partnerships

A public-private partnership (PPP) redevelopment "consortium"/company/JV could be created to pool public and private resources to develop the SCC. This may encourage the private sector land owners to participate or provide the basis for the project to be packaged for an expression of interest. The legal mechanism would be a JV Agreement

PPP is an umbrella term used for a range of different funding and delivery models that can be used between Government and the private sector to deliver project outcomes. The actual model used for the SCC could employ a number of these approaches depending on the site-specific requirements, stage of development and outcomes desired.

Variations in public-private partnership (PPP) models

**Figure 1. Basic features of PPP models**



*Source: United Nations ESCAP, A guidebook on public-private partnership in infrastructure*

## Section 3: Development Financials

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### 3.1 Framework

The scope of the development financials is to analyse the potential revenue options and assesses the likely investment attraction from the vacant state government land. It forms part of the Land Development Advice being provided by MacroPlan Dimasi to the Alliance and should not be read in isolation.

There are a number of limitations to this paper which impact on the overall rigor of the Land Development Advice which can be provided. These relate to consultant work being completed in parallel that would otherwise be the basis of any feasibility testing.

### 3.1 Value Capture Opportunities

MacroPlan Dimasi has prepared a discounted cash-flow (DCF) analysis which provides a level of transparency and the opportunity to review model assumptions. The value capture scenarios examined in this analysis include:

Scenarios:

1. Disposal of public land involving sale in a single line;
2. Disposal of public land in stages during the life of the project; and
3. A share of revenue streams generated through joint ventures / development partnerships.

MacroPlan Dimasi has calculated the value of annuity income generated through ground leases associated with the use of public land during the life of the project under scenarios 2 and 3. MacroPlan Dimasi has also estimated the value of cost recovery generated through municipal rates associated with the creation of new residential, commercial and retail properties during the life of the project (Scenario 3).

MacroPlan Dimasi recognises the potential for the creation of physical income bearing assets through a development partnership/s (namely in the form of housing and/or car parking) as an opportunity for further examination.

There are a number of additional cost recovery mechanisms, such as a specified area levy / betterment tax and/or various forms of developer contributions which may be applied to fund infrastructure and services within Stirling City Centre. These are discussed at a high level in the earlier paper *Stirling City Centre Development Strategy (8 November 2013)* and are the subject of further analysis.

### 3.2 The Challenge

The long term redevelopment vision for Stirling City Centre will require significant infrastructure investment totalling up to \$1b during the life of the project.

This includes a mix of public transport infrastructure (\$8.1m); improvements to and additions to local and regional roads (\$300.4m); additions to existing and delivery of new utilities infrastructure (\$565.8m); realignment of the existing urban stream and creation of new public realm and waterways (\$32.4m); new enabling development works (\$49.0m); and landscaping (\$55.8m).

This infrastructure will need to be funded variously by the State Government, utilities providers, land owners, developers and City of Stirling. This presents a challenge as the specific mix and timing of funding and infrastructure is uncertain at this stage of the project.

It is acknowledged the timing of investments in major roads infrastructure – such as the extension of Stephenson Avenue; the possible realignment of Ellen Stirling Boulevard and the creation of local connecting roads – will influence the sequencing of redevelopment throughout parts of Stirling City Centre.

Equally the nature and timing of investments in bridges, pedestrian walkways and a variety of utilities infrastructure and services (i.e. gas, electricity, water and telecommunications) will influence the scale and timing of redevelopment.

The urban stream and associated landscaping and public realm improvements are critical elements in defining an active, vibrant, accessible place for future users. The timing of works associated with these elements will have a significant bearing on the success of wider City Centre redevelopment.

For the purposes of analysis and reflecting the uncertain timing of the above elements, MPD has adopted development sequencing assumptions contained in the earlier report *Stirling City Centre Development Scenarios (8 November 2013)*.

### 3.3 Net Value Capture

An assessment of the net value capture opportunities identified in this report demonstrates the following:

- Net revenue from the disposal of public land in a single line totalling \$43.9m (net of land development costs and GST) is lower than the net present value of revenue of \$55.1m comprising of staged land disposals (\$53.0m) and income generated through ground leases relating to public land prior to disposal (\$31.2m) less land development costs.
- Ground leases associated with serviced public land may generate an ongoing annuity stream and enable flexibility for future redevelopment and/or disposal of public land holdings. However the present value of income derived through ground leases during the life of the project does not exceed the value of income derived through disposal of public land. This is partly a reflection of the costs associated with providing infrastructure and services to leasehold land and the impacts of discounting for future costs and market risks.
- The redevelopment of public land within the Stirling City Centre may result in a mix of new residential dwellings, commercial spaces and retail shops capable of stimulating significant investment and unlocking property value chains during the life of the project. Such investments present the potential for:
  - Income from a share of revenue generated through developments
  - New physical assets with income generating potential
  - Municipal rates and charges

- Income generated through joint ventures involving a share of revenue may range from \$8.9m to \$15.6m depending on the specific scale, mix and timing of developments and future market conditions. Whilst the theoretical value capture resulting from revenue sharing arrangements may be significant, such schemes are not common and generally involve complex commercial terms, governance and monitoring arrangements which may be costly to administer.
- The creation of physical assets (e.g. subsidised community dwellings and/or car parking) has the potential to generate both annuity income as well as value through future asset disposal. Such a mechanism may generate income from assets such as subsidised housing assets during the economic life of such assets, coupled with value capture from asset disposals.
- As per the earlier joint venture scenario, this scheme is not particularly well established in Australia and can involve complex governance, quality assurance and risk management systems relating to procurement, delivery and ongoing maintenance of assets. An analysis of value capture from such assets has not been undertaken as part of this analysis.
- Municipal rates and charges associated with redevelopment of Stirling City Centre reflecting the assumed development yields discussed in this analysis may range from \$52.8m to \$92.3m. The timing of value capture through municipal rates and charges may vary depending on the mix, sequencing and overall development yields associated with redevelopment of the Stirling City Centre.

### 3.4 General remarks

There is a prima facie case for the disposal of public land (either in a single line or in stages), which may generate a one-off or progressive payments for land totalling up to \$90.9m (net of sales costs and GST). Under a staged land disposal scheme, income from ground leases may supplement cash payments from the disposal of land.

This approach involves the potential for early value capture and the release of land for redevelopment by the private sector. This approach is relatively straight

forward and creates an 'open for business' signal in the market whilst also transferring a large share of future development cost and risk to the private sector.

The initial costs of site remediation and public realm improvements including the creation of the urban stream may be largely offset by the proceeds of land sales under this arrangement. The theoretical value generated through disposal of public land in a single line may offset the entire capital works costs relating to the urban stream (\$32.4m) and landscaping improvements (\$55.8m).

Each of the other scenarios examined in this study involve delays (in some instances significant) in the timing of value capture, with the quantum of value captured being largely dependent upon the nature and timing of private development over time. As private development and consequential property value chains are dependent upon the timing of initial public infrastructure investments, this circular dependency is a challenge that needs to be carefully addressed in the context of the Stirling City Centre.

Early public investment in infrastructure together with the release of public land for investment is encouraged to activate private sector investment, particularly in active and highly visible strategic locations within the City Centre.

### 3.5 Key Findings

The Alliance is encouraged to consider the disposal of high value/high exposure public land throughout the City Centre within the next 1-5 years as a means of generating funds required to deliver important urban infrastructure improvements. This will attract private investment and unlock long term property values. The short-term benefits of such actions involve the release of strategic sites for development, the proceeds of which may be applied to fund significant local infrastructure improvements required throughout the City Centre. The longer term benefits involve unlocking significant private sector investment throughout the City Centre which will drive long term value capture opportunities through municipal cost recovery mechanisms as required.



Overall there is likely to be positive developer interest in developing State owned land located throughout the precinct, with particular interest in high exposure corner sites with strong potential for direct vehicle and pedestrian access and strong linkages to other areas within the precinct, specifically the retail core.

Under the high yield scenario, there is significantly higher potential for a Development Contribution Plan (DCP) and some absorption of development costs when compared with the low yield scenario. This owes to the constraints to development under the low yield scenario and indicates the long term development strategy for the precinct would need to favour more (not less) development in order to ensure private sector capacity to fund a share of infrastructure costs during the life of the project.

## Appendix 1: References

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Urban design and Landscape Strategy  
Draft Stirling City Centre Structure Plan  
Master Strategy Workshop summary  
Master Strategy Workshop outcomes  
Composite Plan  
Draft Stirling City Centre Improvement Scheme  
Draft Land Value Uplift and Property Taxation Analysis (Urbis)  
Draft Economic and Land Use Mix Assessment (Urbis)  
Value Capture Report  
Valuation Report South Station Government Hub and SBR/Stephenson Ave Sites  
Hedonic Price Modelling Effects of Rail on Perth Land Values  
Updated Land Use and Yield Estimates  
Stirling City Centre Detailed Yield Analysis (Hassell)  
Draft Development Contributions Scheme  
Draft Positioning Paper (SGS)  
Baseline Business Case  
Program Business Case  
Business Case Structure  
Infrastructure Estimates for Investment Options  
Draft Yield Analysis (Hames Sharley)  
Draft Utilities Infrastructure Strategy  
District Water Management Strategy  
Updated Utilities Concept Plan  
Utilities Infrastructure Workshop PPT  
Utilities Infrastructure Workshop Summary  
Utilities Infrastructure Investigations  
Water and Environmental Investigation Interpretive Report  
Urban Stream Concept Design  
Desktop Study and Geotechnical Assessment  
Stirling Tip Remediation (SMEC)  
Environmental Restoration WG Summary

Draft Integrated Transport Strategy (GHD)  
Integrated Transport Strategy (GHD)  
Access and Parking Strategy (SKM)  
Draft Public Transport Strategy (GHD)  
Review of Parking Policy and Scheme Requirement PPT  
Review of Parking Policy and Scheme Requirement  
Project Control Stirling City Alliance Engagement Strategy

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