



cutting through complexity™

Manly 2015

Car Park, Library & Town Centre
Financial & Commercial Analysis

July 2013



Manly Town Centre

The Project

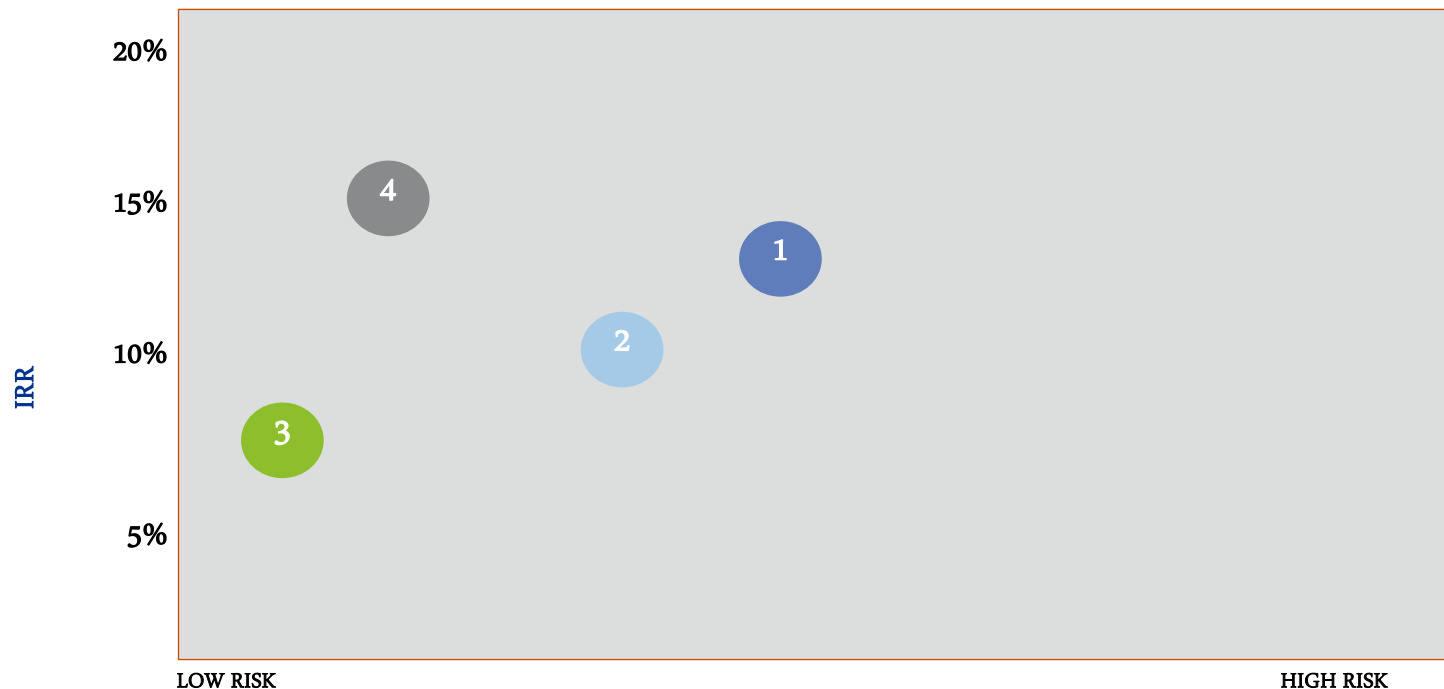
- This element of the Manly 2015 Masterplan involves the removal of the existing Whistler Street Car Park and the redevelopment of a new larger, state of the art Library and multipurpose community space.
- Development of the Town Centre has been assessed under four scenarios. Under each scenario, the Council will develop the Library and multipurpose community space. The variations relate to the development and ultimate ownership of the commercial property to be located on the existing Whistler Street Car Park site.
- Under the first two scenarios, the council will undertake the development of the Commercial space, with an option to dispose of the development upon completion.
- The second two scenarios involve the divestment of the Whistler Street Car Park as a development site to the private sector.
 - The first option assumes divestment of the site with a DA based on the Commercial Space as it is described in the Manly 2015 Masterplan.
 - The second option is to divest the site with a 'highest and best use' DA which would maximise the development potential of the site.



Manly Town Centre – Council Risk Comparison

	Scenario	Construction Risk	Take out / Disposal Risk	Leasing Risk	Operating Risk	Reputation Risk
1	Develop and retain Whistler Street Commercial	✓		✓	✓	✓
2	Develop and divest Whistler Street Commercial on completion	✓	✓			✓
3	Divest Whistler Street Car Park site (with DA as per existing Masterplan)		✓			
4	Divest Whistler Street Car Park site (with 'highest and best use' DA)		✓			✓

Manly Town Centre – Financial Risk & Return Comparison



Comment

- The financial analysis conducted indicates that in order to maximise the value capture opportunity of the Whistler Street Car Park site, Council should secure a 'highest and best use' outcome for the ratepayers of Manly (**Scenario 4**).
- This scenario provides the optimal return for the Council in terms of the reduced exposure to funds deployed in development projects and improved cash returns to the Council for reinvestment in core facilities.

Scenarios

- 1 • Develop and retain Whistler Street Commercial
- 2 • Develop and divest Whistler Street Commercial on completion
- 3 • Divest Whistler Street Car Park site (with DA as per existing Masterplan)
- 4 • Divest Whistler Street Car Park site (with 'highest and best use' DA)

Manly Oval Car Park

The Project

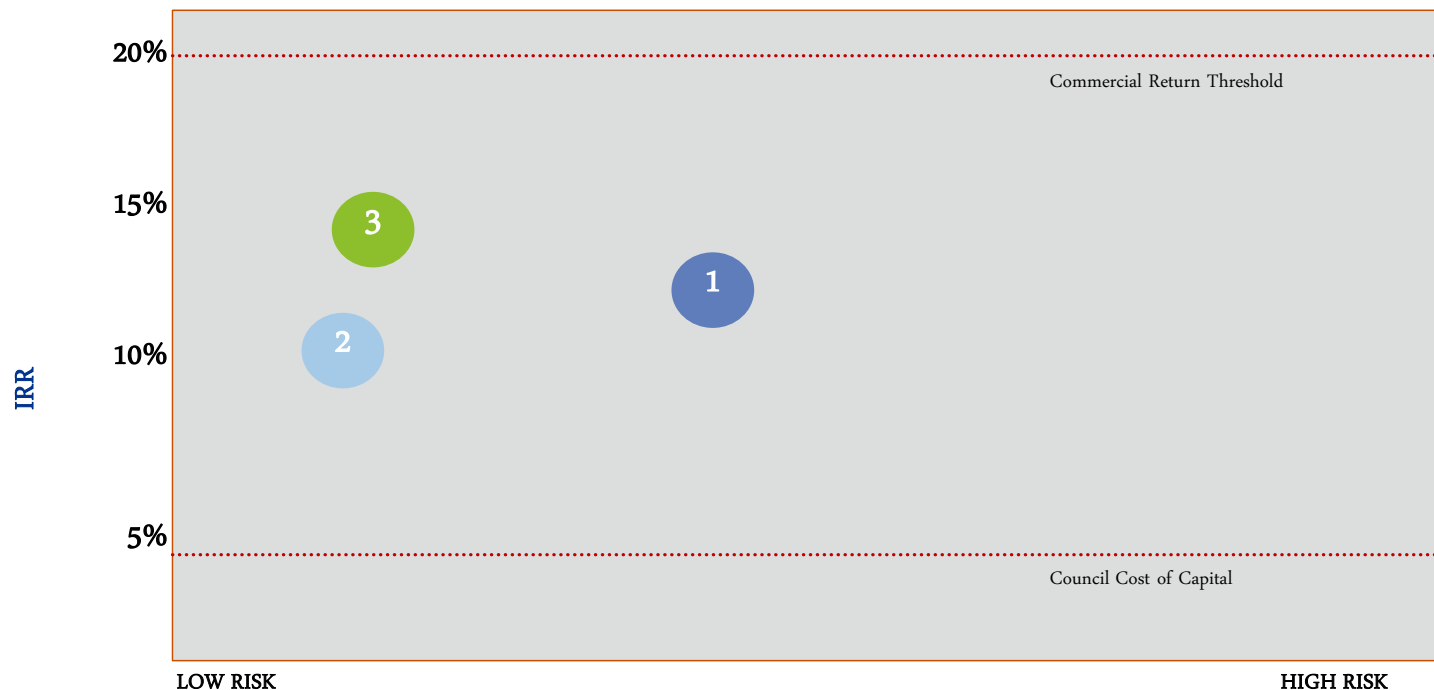
- This element of the Manly 2015 Masterplan involves the construction of a new underground Car Park.
 - The new purpose built Car Park will be located under Manly Oval and will include spaces for 800 cars.
 - Vehicular entry and egress points will be located on Sydney Road.
- Development has been modelled on the basis of a council funded model (100% equity) and a private sector funding and delivery model (PPP).
- Under the PPP model, two scenarios have been considered:
 - **1.** Ownership of the car park reverts to the council after a 20 year concession period and ;
 - **2.** Ownership of the car park remains in private hands.



Manly Oval Car Park – Council Risk Comparison

	Scenario	Construction Risk	Counterparty Risk	Demand Risk	Operating Risk	Reputation Risk
1	Council Funded (100% Equity)	✓		✓	✓	✓
2	Private Sector Funded (20 year concession)		✓			✓
3	Private Sector Funded (ownership retained)		✓			✓

Manly Oval Car Park – Financial Risk & Return Comparison



Comment

- Whilst the IRR for the project is higher under the Private sector funding model, this level of return would not be acceptable to a Private developer. Our experience with infrastructure projects of this nature indicates that a minimum return of 18% would be required in order for project to be commercially feasible.
- Given that Manly Council's cost of funds is 5%, under a 100% equity model, the project exceeds the required return. As such, KPMG recommends that Council pursue the option to develop and fund the Car Park on its own balance sheet (**Scenario 1**).

Scenarios

- 1 • Council Funded (100% Equity)
- 2 • Private Sector Funded (20 year concession):
- 3 • Private Sector Funded (ownership retained):