BRIEFING BULLETIN 6
13TH FEBRUARY 2014

THIS BULLETIN PROVIDES THE FOLLOWING WORK-IN-PROGRESS UPDATES:

1. Up Dates - Council's Resolution 76/13 Part B of 3 June 2013

A. Communication
B. CapEx Review by DLG
C. DA and JRPP
D. Due Diligence
E. Tender
F. Timeline

2. MANLY 2015 Northern Quarter

A. Short Street Plaza
B. Raglan Street
C. Henrietta Lane
D. Manly Oval Car Park

3. Financial Summary

4. Other Key Points

PART 1 UPDATES

A COMMUNICATION

- An information session is being planned for about 25 people who have registered via www.manly.nsw.gov.au .
- The fly-through video has attracted 6,093 unique views on YouTube.
- Expert consultant reports were made available to the public, including key findings of the independent due diligence advice from KPMG, Parking Demand study by consultants Bitzios, and Economic study of the village centre by expert consultants HillPDA.
- One Media Release issued 'Manly Council sticks by findings of Manly2015 Due Diligence Studies'.
- Short Street works notified on Council's website, Manly2015 website and in the Manly Daily 'Works in Your Street'.

B CAPEX REVIEW

A comprehensive Capital Expenditure (CapEx) Review submission for the Manly Oval Car Park has been lodged with the NSW Division of Local Government in accordance with Council's resolution on Manly2015 of June 3rd 2013. In accordance with the same resolution of Council, feedback will be obtained from the Division of Local Government before Council progresses to the detailed planning phase to lodge a Development Application for the Manly Oval Car Park site. The Division of Local Government will, among a range of other considerations, review the financial plan for the project and the risk management plan. The Division has a 90 day service guarantee to respond to Council's CapEx submission.

C DA AND JRPP

The CapEx Review Condition Precedent is not yet met.

D DUE DILIGENCE

In June 2013, Council resolved to engage independent expert consultants to provide further advice on the Manly2015 Masterplan.

Advice was sought from KPMG on Financial and Commercial Review; Bitzios Consulting on parking demand; and HillPDA on an economic study of the village centre. These further reports were completed and published online in December 2013.

The December 2013 KMPG Financial and Commercial Review Report concludes that the proposed Oval carpark is likely to achieve an internal rate of return of 6.6%, which is considered acceptable if Council's cost of funds is in the order of 5% (under the 100% equity model), and the project potentially exceeds the required returns.

In the HillPDA study, a number of economic benefits were identified as being likely to result from the implementation of the Manly 2015 Masterplan. That study concluded that the net increase in car parking spaces could attract an additional $15m of retail expenditure per annum to the Manly Town Centre to the benefit of existing businesses. Over a 20 year period this could lead to an increase of close to $300m in 2013 dollars. It further identified that the redevelopment of the Whistler Street car park and other sites in the vicinity (which can only be achieved if the Manly Oval carpark is completed) has the potential to generate the following benefits for Manly:

- There could be more than 50 new residential dwellings (on this site) for locals generating an additional $1.6m in retail expenditure per annum;
- Close to $15m of construction works leading to the generation of 42 jobs years and an increase in demand for local goods (in the order of $120,000 per annum) from construction workers alone;
- The provision of additional ground floor retail would also provide opportunities for new businesses and a complementary mix of food retailers and services for locals;
- Once fully developed, these retail and commercial facilities could generate in the order of 100 operational jobs that in turn would generate an additional $290,000 annually in retail expenditure; and
- The mixed use redevelopment of key sites within Whistler Street could generate approximately $15m in additional investment to the economy and an additional $34m in production and consumption induced multipliers.

  - Improvements to the public domain can boost pedestrian footfall and trading by up to 40%, and 98% during weekday evenings;
  - Investing in better streets and public places which, in turn, improves walking and cycling accessibility, can increase retail sales by 30%;
  - Good quality urban design is likely to increase the value of land within the nominated area by well in excess of the amount initially invested.

In Bitzios Consulting's report, it provided demand forecasts for the proposed Oval Carpark, which formed one of the bases for assessing operational revenues for the carpark.

To download these independent reports, please visit www.manly2015.com.au and click on **Independent Studies.**

Council has submitted the Oval Carpark component of the Manly2015 Masterplan to the Division of Local Government for CapEx Review. As part of the due diligence process, and following the CapEx review, Council will submit a development application to the Joint Regional Planning Panel (JRPP). If the DA is approved the project will be the subject of a fix sum tender.

E TENDER

The DA and JRPP Condition Precedents are not yet met.

F ESTIMATED TIMELINE as at 13th February 2014

1	Cost plan for Oval Carpark**	Completed
3	Retail Centre Study**	Published
4	Parking Demand Study**	Published
6	Independent Due Diligence Advice by KPMG	Published
6	Lodgement of CapEx to DLG	Provided to the DLG
7	Lodgement of DA to JRPP*	March 2014
8	Tender for Oval Carpark*	May/June 2014

**Contingent on Condition Precedents*

***Prepared by independent expert consultants*

PART 2 MANLY 2015 NORTHERN QUARTER

A SHORT STREET PLAZA

Works to redevelop Short Street Plaza have progressed according to schedule in terms of laying the waterproof membrane; repaving is progressing, and seating is being installed in mid February. Works overall are currently estimated to be at the point of practical completion in Council controlled areas by Mid March.

E RAGLAN STREET LANDSCAPING

The Construction of the CHROFI landscape design for Raglan Street is being planned for late 2014.

C HENRIETTA LANE

The public and private domain interface

D MANLY OVAL CARPARK

As part of preparing a Capital Expenditure Review for Manly Oval Carpark for the Division of Local Government Council has undertaken the following tasks:

- Received a Quantity Surveyor’s Reports on the costs of construction
- Had geotechnical and hydrology assessments of the site undertaken
- Completed a detailed risk assessment for the project
- Undertaken a draft Pedestrian Access Mobility Plan
- Worked on defining a more economical design footprint to avoid major underground services and the Manly Tennis Club facilities.

PART 3 FINANCIAL SUMMARY – REPLACEMENT CARPARK

In the KPMG independent report, the consultants conclude that the financial return (IRR) from the proposed Oval Carpark component of the Manly2015 Masterplan is likely to exceed the estimated cost of funds to Council.

Independent of the KPMG Financial and Commercial Review, Council also prepared and included in its Long Term Financial Plan the business case for Manly2015, in particular, the replacement carpark at the Oval and its funding from:

1 the sale of the site of the existing carpark at the centre of the CBD for mixed use developments, and
2 operational income to service debt capital over 50 years.

In all scenarios examined by Council in its Long Term Financial Plan using advice received from quantity surveyors, land economists, and traffic and parking experts, as well as commercial information from Council's carpark operations, the Oval replacement carpark is affordable and financially sustainable.

Guided by KPMG's independent advice, further scenarios were prepared to test the project's sensitivity to a 10% construction contingency (which is 4% higher than the Quantity surveyor's advice) and the proposed sale of Whistler Street in 2016.

Construction Contingency	Whistler Street	Internal Rate of Return
10%	Sale (low/med expectation)	10.6%
10%	Sale (med/high expectation)	10.8%
10%	No sale	6.3%
6%	No sale	6.6%

PART 4 OTHER KEYS POINTS

Some other key summary points relating to the financing of Manly2015:

- As recommended by KMPG, the sale of the Whistler Car Park site will achieve revenues to enable Council to substantially reduce its borrowing liabilities.

- The public domain improvements for streetscapes in Manly2015 will be paid for and funded over a period of years from existing Town Centre Improvement Local Rate.

- The proposed stormwater detention facility will be financed from the existing stormwater levy.

- Council has lodged a Capital Expenditure Review submission to the Division of Local Government for its review.

- Further governance gateways following the CapEx review are:

    - the preparation and lodgement of a Development Application with the Joint Regional Planning Panel, which will address the range of detailed environmental site issues relating to the project; and
    - the proposal will be subjected to fixed sum tenders and cashflows being within the budget parameters.