

Attachment to TRRA submission on Discussion Paper – Progress of the Nelson Bay Town Centre and Foreshore Strategy, March 2017:

Comments on *Nelson Bay Town Centre Feasibility Testing of Residential Development Sites* - report prepared by Hill PDA, September 2016 ('the HillPDA Report'), and peer review by EPS, November 2016 ('the EPS report')

Council's Discussion Paper: *Progress of the Nelson Bay Town Centre and Foreshore Strategy* (February 2017) places considerable reliance on the findings of the HillPDA Report, in relation to building heights and viability of town centre developments.

There are serious question marks over both the quality of the HillPDA Report and the conclusions that Council has drawn from the Report.

A. Quality of HillPDA Report

While the HillPDA Report appears to provide some valuable information and commentary, there are serious question marks over the overall quality of the Report and therefore over any conclusions that can be drawn from it¹.

Peer review unfavourable

The EPS report is highly qualified – starting with two statements on page 2:

'...EPS review of the report alone does not enable a complete detailed analysis of the data imputed to a degree sufficient to provide a robust conclusion to be drawn as to the adequacy of the reports output. Limited by the scope, this peer review is likened to provision of commentary on an executive summary.'

and '...we have not been provided with a working version of the modelling nor sufficient input data to confirm the veracity of the conclusions. Hence it is difficult to quantify the impact that the issues we have flagged will have on the modelling outputs, particularly when viewed in light of their aggregated affects.'

Given these qualifications, and their numerous specific reservations about detailed sections of the HillPDA Report (12 key issues and 7 secondary issues and inconsistencies), it is difficult to see how EPS can conclude that:

'Overall EPS commend HillPDA on the quality of their report. We believe that once the issues identified above have been addressed, Council will have a robust and defensible basis for making future strategic decisions for Nelson Bay CBD. (page 11)

¹ Apart from the critique in the text, we note that there are basic errors in the report such as incorrect zoning for test sites 2 & 4 which are R3 not B2 (although with the same current LEP height limit), and miss descriptions of some of the test sites – incorrect addresses and lot/DP numbers

Questionable aspects of the modelling

The EPS Report failed to comment on one of the critical 'inputs' to the HillPDA modelling that they were asked to review; i.e. property values. The HillPDA report states that 'acquisition land value' is an input but no clear \$ figures are given for any of the five test sites.

Firstly, the HillPDA is unclear about the use of 'residual land value' in its tables. This can be EITHER :
- an 'output' from the model; i.e. what a hypothetical developer would be prepared to pay for the site to achieve commercial viability, based on an assumed number of units/retail floor space (p.23),
OR
- an input, based on an assumed 'adopted land purchase price' of \$45,000/unit (p.27 and later) - in this case it is unclear why a standard price should apply irrespective of the number of units allowed on any particular site.

Secondly, HillPDA appear to have made assumptions based on historic land sales, and current 'asking prices' but in either case, these may not be reliable inputs given the stagnant market and the arguably unrealistic expectations of landowners (partly due to the lack of a clear message from Council about permissible building heights).

With more sensible and consistent planning policies, property markets should operate on the basis of 'realistic' prices reflecting planning controls, including building heights, that have been set in accordance with public interest considerations.

Council should not adopt planning policies in order to fulfil landowners' expectations, which seems to the approach that Council (and HillPDA on Council's instructions) have taken to the review of the 2012 Strategy.

Unclear presentation

The Report is not clear about the use of some terms - such as Low/Medium/High Rise in the Tables. We have assumed that these refer to the 3, 5, and 8 storey options but this needs to be clear, and clearly linked to heights (Council's Discussion Paper assumes 3.5 metres per storey)

Unclear basis of some assumptions

The Report contain several assumptions that are not explained or supported. Two examples are the use of 'around 30-40% of the site area' for site cover/gross floor area and 'car park footprint' of 'around 70 to 75%' for car park footprint (both page 22).

The assumptions of unit sales is also questionable, particularly how much demand there will be, especially after an initial rush of sales. It is likely that if a number of high apartment buildings were constructed there would be an oversupply, particularly of standard 2 bedroom units with no water views. The EPS Report notes that the adopted apartment sales rates are optimistic overall, particularly given the shallow apartment market depth in Nelson Bay.

Selective inclusion of facts to support desired outcome

We note that the HillPDA Report is highly selective in which sites/market experience it reports. Just to give two examples², there is no mention of a recent approval for a 5-storey (17.5m) apartment building at 64 Dowling St (near test site 4) or a current DA for a 6 storey apartment building at 65 Donald St (near test site 2). Both of these, as well as another recent approval for a low rise apartment building at 90 Magnus St mentioned on p.17 – now under construction) indicate that some developers currently consider lower buildings to be commercially viable in the area of the town centre.³

There is no reference to the 'Ascent Apartments' which are proposed for part of test site 2, and which were being pre-sold during the period of the HillPDA study. Information on this proposed 8 storey (but 33m) building would be highly relevant.

The Report's commentary on the location of test site 1 as meaning potential distant water views would be 'distant', that there would be 'lack of water views' even from 8 and 11 storey apartments, and the statement that the site is 1.5km from the foreshore are both questionably biased/inaccurate.

Misleading treatment of parking

The Report makes the obvious point that excavated underground parking is more costly than above ground parking, and therefore considers development options for the test sites with alternative below/above ground parking scenarios. However, the Report fails to make it clear⁴ that the 'above ground parking' would add levels (storeys) to any development, such that an 8 storey building would need to be at least 10 storeys). On the flip side, all apartments in such a building would be on higher levels, with more having water views and therefore commanding higher prices – this does not appear to have been factored in.

The assumptions made in the study for the cost of below ground parking is based on "fully excavated" (page 6). Most sites within the Nelson Bay have at least some slope and in many cases only a small amount of excavation would be required. For sites in Church Street it may actually be more expensive to build car parking at street level than use the slope to advantage. The Report on Page 25 acknowledges this by showing examples of existing developments which have been able to use the sloping land to advantage but this has not been taken into account with the Report using 'blanket' values of \$50K for below ground and either \$20K (p.24) or \$25k (p.30) for above ground.

Inconsistent approach to parking

On pages 20 and 21 the Report mentions the objective of preserving public parking on both test sites 3 & 5. However, the detailed analysis for test site 5 includes Council's requirement for parking (although only for 140 spaces which is less than the capacity of the existing site), but there is no equivalent mention of a requirement for replacement public parking at test site 3. This appears to conflict with both the earlier 'site description' section and with reported specifications being used by Council in negotiations over development of these sites.

² There are several other sites with existing approvals in the CBD for 5-6 storey apartment buildings which are not mentioned

³ HillPDA acknowledge on pages 36 & 38 that there are a range of factors that affect developer activity, but they do not reflect this to qualify their primary analysis or conclusions in relation to the test sites.

⁴ apart from a brief mention on page 25