

QUEANBEYAN CBD TRANSFORMATION BUSINESS CASE

QUEANBEYAN-PALERANG REGIONAL COUNCIL
FINAL DRAFT
7 SEPTEMBER 2018

KEY PROPOSAL DETAILS

| PROPOSAL INFORMATION | |
|---|--|
| Proposal name | Queanbeyan CBD Transformation and Activation |
| Lead proponent (e.g. Council) | Queanbeyan-Palerang Regional Council |
| Lead proponent ABN | 95933070982 |
| Proposal partners | |
| LEAD CONTACT | |
| Name | <i>Peter Tegart</i> |
| Position | <i>Chief Executive Officer</i> |
| Phone | <i>02 6285 6223</i> |
| Email | <i>Peter.tegart@qprc.nsw.gov.au</i> |
| Fax | |
| Address | <i>253 Crawford Street Queanbeyan NSW 2620</i> |
| PROPOSAL SCOPE | |
| Proposal summary for publication <i>Please provide 150 words or less</i> | |
| PROPOSAL LOCATION | |
| Proposal address | <i>Queanbeyan CBD</i> |
| Local government area | <i>Queanbeyan-Palerang Regional Council</i> |
| NSW electorate | <i>Monaro</i> |
| Federal electorate | <i>Eden-Monaro</i> |
| SUPPORTING INFORMATION | |
| Attachments <i>Please list out all supporting information provided</i> | Cost Plan Heads of Agreement |

DOCUMENT INFORMATION

| Document Summary Information | |
|------------------------------|------------------|
| Version | Draft Final |
| Version Release Date | 7 September 2018 |
| Document Security | Confidential |

| Document History | | | |
|------------------|-------------------------|------------------|---------------|
| Version | Amendment | Amendment Date | Amended by |
| 1.0 | Final edits and markups | 7 September 2018 | Brendan Leary |

CONTENTS

| | | |
|----------|--|-----------|
| 1 | EXECUTIVE SUMMARY | 5 |
| 2 | CASE FOR CHANGE | 8 |
| 2.1 | BACKGROUND..... | 8 |
| 2.2 | RATIONALE FOR INVESTMENT | 11 |
| 2.3 | STRATEGIC ALIGNMENT | 12 |
| 2.4 | EXPECTED OUTCOMES..... | 16 |
| 2.5 | STAKEHOLDER & COMMUNITY SUPPORT..... | 17 |
| 3 | ANALYSIS OF THE PROPOSAL | 18 |
| 3.1 | OBJECTIVES & INDICATORS..... | 18 |
| 3.2 | THE BASE CASE | 18 |
| 3.3 | OTHER OPTIONS CONSIDERED | 19 |
| 3.4 | INFORMATION ABOUT THE PROPOSAL..... | 20 |
| 3.5 | PROJECTED COSTS | 21 |
| 3.6 | COST-BENEFIT ANALYSIS..... | 23 |
| 3.7 | FINANCIAL APPRAISAL | 31 |
| 3.8 | PROPOSED FUNDING ARRANGEMENTS | 32 |
| 3.9 | FINANCIAL HEALTH & SUPPORT | 32 |
| 4 | IMPLEMENTATION CASE | 33 |
| 4.1 | PROGRAM & MILESTONES..... | 33 |
| 4.2 | GOVERNANCE | 33 |
| 4.3 | KEY RISKS | 34 |
| 4.4 | LEGISLATIVE, REGULATORY ISSUES & APPROVALS | 35 |
| 4.5 | PROPOSED MANAGEMENT ACTIVITIES | 36 |

1 EXECUTIVE SUMMARY

Queanbeyan-Palerang is one of New South Wales' most prosperous Regions. The economic strength of the Region is marked by strong, ongoing population growth, very high levels of household income, an exceptionally high proportion of highly educated workers and very low levels of unemployment, underpinned by close links to Canberra. These features lend the Region strength today and support exceptionally good prospects for ongoing growth and expanded opportunity over time.

Whereas the civic centre of such a wealthy and prosperous community should be a setting promoting openness, exchange and liveliness, the present-day Queanbeyan CBD is marked by inactivity, dispersal of activity and underuse relative to its underlying potential. A recent shopper and business survey undertaken for Queanbeyan-Palerang Regional Council concluded that:

- shoppers dislike the number of vacant shops; outdated or run-down facades; lack of retail variety and higher-quality shopping options; traffic congestion; and disconnected pedestrian thoroughfares
- owners and operators are generally negative about Queanbeyan CBD, considered unappealing, with a high vacancy rate, poorly maintained shop fronts, congested with traffic, yet lacking for pedestrians.

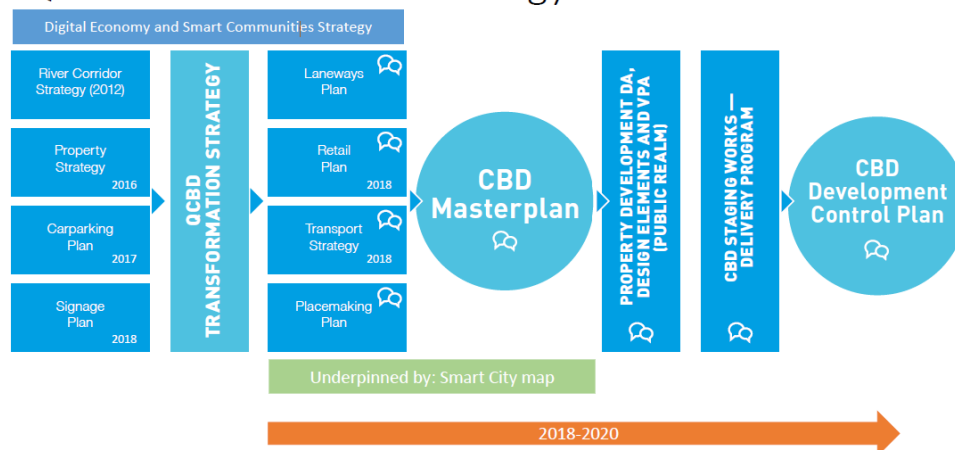
Specifically, a number of factors constrain the amenity of its CBD and its capacity to perform its key roles, including:

- proximity to the Kings Highway, which impedes the physical integration of the CBD and creates significant noise and visual impacts
- at-grade car parks centrally located in the heart of the Queanbeyan CBD, which constrains land uses and tends to disperse patrons, rather than concentrating them
- a significant quantity of vacant commercial properties and relatively low value retail activities on many occupied commercial sites
- negligible design considerations to suit a pedestrianised retail environment, especially in relation to existing enclosed laneways with limited natural light
- large-scale, high quality retail offerings over the border in the ACT (such as at Civic, Woden and Belconnen)
- relatively low concentrations of local office workers
- poor accessibility between commercial, retail and recreational activity centres (for example, between commercial office towers, retail sites, river frontage and other recreational sites).

An initial step towards addressing these needs was been taken through co-investment from Council and the NSW Government in the Ellerton Drive Extension bypass, set for completion in mid 2020. The Extension will take much of the freight traffic away from the CBD, consistent with the 'Movement and Place' framework principles outlined in Future Transport 2056.

As a further measure to leverage the opportunity created by the Extension, Council has progressively developed a coherent program of policies, masterplanning and land use controls in formulating its Queanbeyan CBD Transformation Strategy.

QCBD Transformation Strategy - 2017



To complement its policy framework, the Council has also developed a six-stage investment program to transform and revitalise the Queanbeyan CBD. In overview, the six stages are:

1. Smart City Pilot and River Walk (FY19)
 - Smart lighting, sensing and Wifi: Crawford lifestyle precinct;
 - Smart parking: Morisset carpark
 - Low level pedestrian bridge
 - Paved shared pathway, both sides, from low level bridge to pedestrian suspension bridge
2. Lowe carpark (FY20)
 - Offices and smart hub
 - Mixed use redevelopment: commercial and residential (private)
 - Smart public domain
 - Smart parking
 - Laneway connectors
3. Morisset carpark (FY21)
 - Multi-level smart carpark, with some commercial
 - Smart public domain
 - Laneway connectors
4. Rutledge carpark (FY22)
 - Mixed use redevelopment, commercial and aged care residential
 - Smart public domain
 - Laneway connectors
5. Monaro corridor (FY23)
 - Widening and refurbishment of footpaths
 - Expansion of lighting, seating and plantings
 - Reduction of median
 - Addition of cycleway
 - Modifying pedestrian refuges
 - Refurbishment of pavement
 - Re-phasing traffic controls
6. Crawford carpark (FY25)
 - Multi-level smart carpark.

The Council intends that the program largely be funded from own-source contributions.

From an economic perspective, key benefits of implementing the investment program are:

- ensuring the opportunity for economic placemaking on Monaro Street (Kings Highway) enabled by the Ellerton Drive Extension is realised
- increasing the productive potential of the land through repurposing Council assets
- removing the effects of urban blight in the CBD
- making a broader range of retail sector offerings and opportunities available for Queanbeyan's consumers, retail workers and businesses
- increasing government revenues by virtue of greater value and activity attributable to improved land use
- repatriating significant retail activity from Canberra, increasing wages and profits for NSW residents in the process
- pedestrianizing the CBD, connecting green spaces and carparks, serviced by smart infrastructure
- Creating an attraction magnet in the CBD to attract visitors, shoppers, new businesses and new residents to the town

Key risks identified with implementing the investment program relate to:

- cost
- community & stakeholder support
- scope / design
- transaction interfaces
- project controls
- market risks to revenue
- funding.

Through proactive mitigation measures, all risk exposures are expected to be contained to moderate levels.

To accelerate the benefits realised by the residents of Queanbeyan-Palerang and broader NSW community, the Council now seeks capital funding of \$27.5 million over three years to improve the public realm and functionality of the Monaro Street (Kings Highway) corridor between the Queens Bridge and Lowe Street (Stage 5 of the program).

2 CASE FOR CHANGE

2.1 BACKGROUND

Queanbeyan-Palerang is one of New South Wales' most prosperous Regions. The economic strength of the Region is marked by strong, ongoing population growth (the strongest in NSW according to the 20 Year Economic Vision for Regional NSW), very high levels of household income, an exceptionally high proportion of highly educated workers and very low levels of unemployment.

Much of Queanbeyan-Palerang's economic success and prospects relate to its proximity and integration with Canberra, Australia's capital. Canberra has a wealth of institutions that support economic development and a large, relatively wealthy and high-skilled population to sell products to or draw labour from.

This range of features not only gives the Queanbeyan-Palerang Region strength today, but also lend its communities exceptionally good prospects for ongoing growth and expanded economic opportunities over time.

To position the Region to make the most of its opportunities, the Queanbeyan-Palerang Regional Council, through consultation and engagement with its community, has proactively identified key factors that could enhance, impede or constrain the extent of its economic development potential. These engagement processes include consultation supporting development of the Queanbeyan-Palerang Regional Economic Development Strategy 2018-2022.

A key finding of the Regional Economic Development Strategy process was that the town centres of the three major centres of the Region, Queanbeyan, Bungendore and Braidwood, do not presently serve as 'Places for People' as well as they could. The dysfunction in these centres is attributable to several factors.

One of the impeding factors is the proximity of the Kings Highway freight corridor to the three town centres. In the case of Queanbeyan's CBD, this will be alleviated in part by the Ellerton Drive Extension bypass set for completion in mid 2020. To build on this initial measure, Queanbeyan-Palerang Regional Council now propose to implement a six-stage program to transform and revitalise the Queanbeyan CBD. In overview, the six stages are:

1. Smart City Pilot and River Walk (FY19)
 - Smart lighting, sensing and Wifi: Crawford lifestyle precinct;
 - Smart parking: Morisset carpark
 - Low level pedestrian bridge
 - Paved shared pathway, both sides, from low level bridge to pedestrian suspension bridge
2. Lowe carpark (FY20)
 - Offices and smart hub
 - Mixed use redevelopment: commercial and residential (private)
 - Smart public domain
 - Smart parking
 - Laneway connectors
3. Morisset carpark (FY21)
 - Multi-level smart carpark, with some commercial
 - Smart public domain
 - Laneway connectors
4. Rutledge carpark (FY22)
 - Mixed use redevelopment, commercial and aged care residential
 - Smart public domain

- Laneway connectors
5. Monaro corridor (FY23)
 - Widening and refurbishment of footpaths
 - Expansion of lighting, seating and plantings
 - Reduction of median
 - Addition of cycleway
 - Modifying pedestrian refuges
 - Refurbishment of pavement
 - Re-phasing traffic controls
 6. Crawford carpark (FY25)
 - Multi-level smart carpark.

This program business case incorporates the implications of the six stages, with special focus on the implications of near term decisions relating to implementation of stages 1-4 and proposed State funding contribution to accelerate Stage 5 works.

The stages of the proposed program are represented in the Figure 1.2 overleaf.

Through this program, the Council expects to attain a range of transformative outcomes across the themes of identity, connection and investment, as reflected in Figure 1.1 below:

Figure 1.1: Intended Outcomes of the Queanbeyan CBD Transformation Strategy

| CBD TRANSFORMATION SUCCESS FACTORS | |
|---|---|
| IDENTITY | A defined and distinct identity |
| | Streetscape beautification and amenity |
| | Welcoming public spaces that attract people to stop and enjoy |
| | High workforce and pedestrian density |
| | Cultural and promotional activities are evident |
| | Quality urban design and renewal — providing attraction for people and business |
| | An entrepreneurial and small business ecosystem that contributes to the CBD identity |
| CONNECTION | Compact — smaller blocks and densified retail footprint |
| | Pedestrian focused environment — ease of safe pedestrian access between precincts and attractions |
| | Parking provision for precinct connectivity and ease of pedestrian access |
| | Transport Linkages — cycle paths and public transport |
| | Connecting the CBD to parks and green spaces |
| | Activate Queanbeyan River Corridor |
| INVESTMENT | An enabling business environment |
| | Retail that suits the needs of people attracted to the CBD |
| | Proactive private sector and business community |

Figure 1.2: Map Queanbeyan CBD Transformation Strategy sites



2.2 RATIONALE FOR INVESTMENT

Improving the functionality of the three major centres of the Region is a key economic imperative for Queanbeyan-Palerang. Town centres are hubs of commercial and civic activity precisely because they are normally places that are easy to access and navigate. Ease of access and egress is what makes them functional as a common meeting place for buyers, sellers and citizens, thereby facilitating exchanges of goods, services and information.

Surveys of Queanbeyan business owners and residents have demonstrated that the current state of the Queanbeyan CBD is dissuading residents from using the CBD to its fullest extent, and that this has led to poor social and commercial outcomes. The lack of investment is highlighted in the fact that Queanbeyan-Palerang Regional Council has only received one new commercial development application for the CBD in the last ten years.

A recent shopper and business survey undertaken for Council concluded that:

- shoppers dislike the number of vacant shops; outdated or run down facades; lack of retail variety and higher-quality shopping options; traffic congestion; and disconnected pedestrian thoroughfares
- owners and operators are generally negative about Queanbeyan CBD, considered unappealing, with a high vacancy rate, poorly maintained shop fronts, congested with traffic, yet lacking for pedestrians.

Where town centres are not easily accessed or navigated, it can become difficult for them to perform their roles as hubs for commerce or civic events. In the case of Queanbeyan, a number of factors constrain the amenity of its CBD and its capacity to perform its key roles, including:

- proximity to the Kings Highway, which impedes the physical integration of the CBD and creates significant noise and visual impacts
- at-grade car parks centrally located in the heart of the Queanbeyan CBD, which constrains land uses and tends to disperse patrons, rather than concentrating them
- a significant quantity of vacant commercial properties and relatively low value retail activities on many occupied commercial sites
- negligible design considerations to suit a pedestrianised retail environment, especially in relation to existing enclosed laneways with limited natural light
- large-scale, high quality retail offerings over the border in the ACT (specifically at Canberra Civic, Woden and Belconnen)
- relatively low concentrations of local office workers
- poor accessibility between commercial, retail and recreational activity centres (for example, between commercial office towers, retail sites, river frontage and other recreational sites).

These factors significantly curb the economic and social potential of Queanbeyan CBD. Whereas the civic centre of such a wealthy and prosperous community should be a setting promoting openness, exchange and liveliness, the present-day site is marked by inactivity, dispersal and underuse relative to its underlying potential.

With the current dysfunction of the CBD in mind, the Queanbeyan-Palerang Regional Economic Development Strategy casts re-establishing Queanbeyan (and the other major centres) as a 'Place for People' as one of the Region's major strategic imperatives.

In partnership with the State Government, Queanbeyan-Palerang Regional Council has already begun to take initial steps to realise the potential of Queanbeyan's CBD. Most significantly, Council and State Government funding has been committed towards the Ellerton Drive Extension, presently in delivery. As a part of this plan, the QPRC has executed a heads of agreement with development groups to establish aged care residential facility, serviced apartments hotel, and residential terraces on CBD land vacated by council – generating over 150 jobs.

By mid 2020, the Ellerton Drive Extension will provide relief from much of the present-day freight traffic by offering a bypass that saves time for those on the road while creating the potential opportunity to begin to improve the CBD environment, beginning with reduced noise and visual impacts and greater accessibility within the precinct. The pending completion of the bypass offers a significant platform to undertake further complementary initiatives to improve the economic and social potential of the Queanbeyan CBD.

2.3 STRATEGIC ALIGNMENT

The Queanbeyan CBD Transformation and activation demonstrates strong strategic alignment with a range of federal, state and local strategic priorities. Key sources of alignment are outlined below.

Federal Government Strategies

Smart Cities Plan

The Smart Cities Plan is the Federal Government's overarching strategic policy for the future of Australian cities, large and small. Some of the key policy directions established by the Commonwealth in the Plan include:

- while the opportunities have never been greater for our cities, congestion, poor access to jobs and services, reduced housing affordability and increasing pollution can challenge the quality of life they offer.
- to respond to this growth, and take advantage of tomorrow's economic opportunities, we need to rethink the way our cities are planned, built and managed today.
- to secure our future prosperity and global competitiveness, all levels of government need to work in partnership to support our cities big and small.
- prioritising projects that meet broader economic objectives, like agglomeration, accessibility, jobs, affordable housing and healthy environments
- the Smart Cities Plan is not just for our capital cities, or just for our CBDs. Across Australia, cities are facing different opportunities and challenges. Many of our regional cities, where there is a single local government responsible for metropolitan planning, are especially well placed to take advantage of City Deals.

The Council's Digital Economy and Smart Community Plan is a direct response to the Smart Cities Plan and the policy directions and opportunities it identifies.

State Government Strategic Priorities

Premier's & State Priorities

The 12 Premier's Priorities reflect the highest order strategic challenges that the NSW Government has set for itself. These are complemented by 18 State Priorities, which represent the second tier of the State's highest order priorities.

The Queanbeyan CBD Transformation Program proposal aligns to numerous Premier's and State Priorities, noting in particular its direct alignment to:

- Creating jobs (Premier's Priority) – this is presently focused on creating 150,000 new jobs by 2019, but applies over long term horizons
- Making it easier to start a business (State Priority)
- Encouraging Business Investment State Priority
- Boosting Apprenticeships (State Priority).

20 Year Economic Vision for Regional NSW

The Government's new vision for regional NSW reviews the 37 regions of the State redefines the growth framework used by the Government to promote economic and social development across regional NSW.

In the 20 Year Vision, the Queanbeyan-Palerang Region is identified as a 'Metro Satellite' Region of Canberra. The Vision projects that in the next two decades, Metro Satellites will transform from satellite areas of bigger cities, to become major hubs in their own right, attracting large numbers of families seeking new lifestyle and employment opportunities.

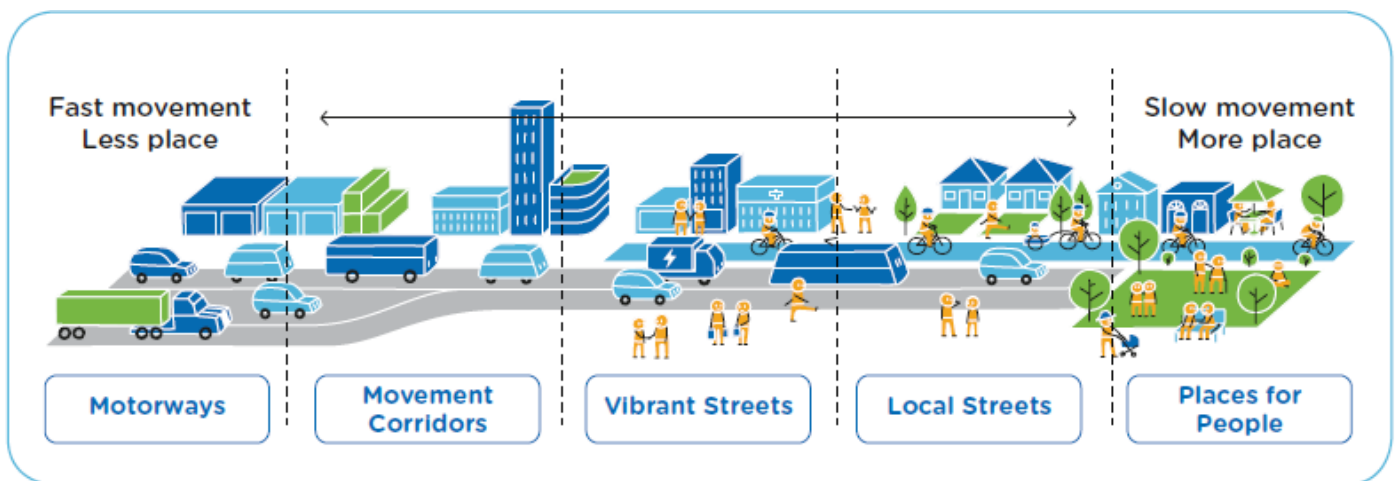
Queanbeyan-Palerang, growing at around 1.7 per cent per annum is one of the fastest growing regions in NSW. The Vision projects that the Queanbeyan-Palerang Region will see particularly strong population growth into the future, leading the Regions of the State with population growth of more than 65 per cent over the forthcoming 20 year period.

Future Transport Strategy 2056

The new Future Transport Strategy 2056 includes a 'movement and place' framework to plan, design and operate the road network while appropriately accounting for different land purposes and uses. The guiding conceptual principles within the framework are:

- local connectivity –improving public transport, active transport and connections to transport gateways and other key land uses
- creating places for people – supporting centre development and placemaking
- movement corridors – designing and managing major roads to be sensitive to centres and their surrounding land uses, including through planning for future bypasses using the movement and place principles.

Figure 2: Future Transport's 'Movement and Place' Framework



A key strategic direction from applying these principles is the separation of through movement (Movement Corridors) and reinforced place-based activity (Places for People). Applying this concept in Queanbeyan can enhance both liveability and the economy for residents.

Legislative Purposes – Restart NSW Fund

In 2011, the NSW Government established the Restart NSW Fund to establish a new approach to infrastructure funding to support infrastructure projects across NSW.

The Restart Fund is expected to be the source of funding applied for the prospective NSW Government contribution towards the Queanbeyan CBD Transformation program. The governance of the Restart Fund largely rests with Infrastructure NSW, who in general must recommend a project to the Government in order for it to be funded out of Restart proceeds.

In considering funding recommendations, Infrastructure NSW considers both the legislative requirements for Restart funding established by the *Restart NSW Fund Act 2011* and its own funding assessment protocols agreed by NSW Cabinet. In seeking a funding contribution from Restart NSW, it is important to consider these requirements and protocols to allow Infrastructure NSW to conclude they will be satisfied.

The legislated purpose of the Restart Fund is to improve economic growth and productivity in the State. The Queanbeyan CBD proposal satisfies this by reference to the significant increases in economic output and employment opportunities the proposal would lead to, reflected on the cost-benefit assessment of this business case (section 3.6 below).

Infrastructure NSW's own project assessment framework is based on a 'three part test', as follows:

1. strategic assessment, to ensure the project aligns with the Restart Act criteria and existing government priorities
2. economic assessment to ensure the project can produce a net economic benefit and improve economic growth and productivity in the State (reflected in a benefit-cost ratio greater than 1)
3. Gateway assurance, an independent review process to ensure, where required, the project has successfully completed the appropriate business-case processes.

It is anticipated Roads and Maritime funding would be sourced within these grants, as its contribution to renewing state highway infrastructure.

This business case plays a fundamental role in demonstrating alignment against the three criteria:

- strategic alignment against NSW Government priorities and the Restart legislation (as demonstrated in this section of the business case)
- The economic merit of the proposal (as outlined in section 3.6 of this business case, below)
- Appropriate assurance processes are in place (as is reflected in the governance and implementation actions to ensure project risks and opportunities are actively managed, as outlined in section 4, below).

These multiple points of alignment support a conclusion that the Queanbeyan CBD Transformation program reflects strong strategic alignment to the NSW Government's strategic priorities and relevant funding criteria.

Regional and Local Strategic Priorities

South East and Tablelands Regional Plan

The Department of Planning & Environment's Regional Plan for the broader South East & Tablelands catchment identifies a number of Directions directly relevant to the Queanbeyan CBD Transformation program. These Directions include:

- Direction 9 – Grow Tourism in the Region
- Direction 11 – Enhance strategic transport links to support economic growth
- Direction 12 – Promote business activities in urban centres.

Alongside these strategic Directions, the Plan identifies specific opportunities and actions relevant to the Queanbeyan CBD, as follows:

Major opportunities for the freight network include managing amenity impacts where key routes

run through town centres, particularly in the Hilltops and Queanbeyan-Palerang local government areas

[Action] *Reinforce the role and function of centres as the primary places for commerce, retail, social activity and regional services through local strategies and local environmental plans.*

Queanbeyan-Palerang Regional Economic Development Strategy

The Queanbeyan-Palerang Regional Economic Development Strategy identifies a number of strategic imperatives for the future prosperity of the Region.

One of the imperatives of particular relevance to the Queanbeyan CBD Transformation Program is Strategy 2: Re-establish the Town Centres as 'Places for People'. Against this Strategy, the identified strategic opportunities are:

- re-instate the main streets as "Places for People"
- de-lineate freight corridors from "Places for People"

matched with early stage actions to:

- develop a program business case for revitalising the Queanbeyan CBD
- Review measures to encourage landlords to let their properties, including rate incentives to do so.

Queanbeyan CBD Transformation Strategy

The Queanbeyan CBD Transformation Strategy promotes three key success factors (Identity, Connection, Investment) supported by a 10 point strategic plan for realising the transformative outcomes across the themes of identity, connection and investment. The 10 strategic opportunities identified in the Masterplan are:

1. Create and integrated and cohesive streetscape network
2. Introduce a flexible, two speed, calming of Monaro Street traffic
3. Balance retail activation strategies with identified market demand
4. Develop a streets, precincts and laneways place strategy
5. Create diversity and a 'point of difference' through themed and curated place making
6. Connect, integrate and develop the shopping precinct
7. Link the CBD to the river and local parks through a green cultural trail
8. Leverage 'smart city' infrastructure to drive economic development
9. Shape an access and parking strategy that can evolve with 'smart transport'
10. Implement a governance and delivery framework to drive success.

Retail Growth Strategy

The Retail Growth Strategy is intended to identify and recommend realistic and innovative strategies and actions to achieve the long-term rejuvenation of the Queanbeyan CBD. The Strategy is best viewed as retail-specific complement to CBD Masterplan Renewal.

The primary aim of the Strategy is to engage Council, the businesses and the community to develop a vision and direction for Queanbeyan's town centre. The Strategy identifies that the 'leakage' of expenditure from the Region is significant, as Canberra attracts workers which in turn takes a good deal of discretionary expenditure over the border. The majority of Queanbeyan residents work in Civic which underpins the loss

of 64% of the hospitality spending to Canberra. This represents a significant reduction in activity today, but also provides a significant opportunity for an improved retail future in Queanbeyan.

The Strategy projects that Monday to Friday dining after five and relaxed family dining on weekends can be provided by venues in the Queanbeyan CBD. The higher incomes in the surrounding catchment allow for a greater proportion to be spent on eating out as a frequent part of daily life for local residents. The benefits of more people in the City centre of an evening is also projected to attract a better mix of retailers in the future.

A key recommendation in the Strategy is to consolidate the retail offering around the retail core (Woolworths/Kmart and new cinema) block in the first instance and then grow the diversity of the mix along Crawford and Monaro Streets through strong linkages.

Queanbeyan-Palerang Regional Council Tourism Plan 2017-2025

The QPRC Tourism Plan details that the revitalisation of the Queanbeyan CBD is a 'Game Changer' for both the community and visitors. The revitalisation will enable the city to position itself as a business destination to attract small, niche and expert industry as well. A critical issue that CBD revitalisation will address is how the renewal will 'enable' a new retail offer and attract new industry sectors such as start-ups and tech industry, high quality events and flexible work hubs. The QPRC Tourism Plan states that the city can reposition itself in the context of the broader region and provide a distinct offering to attract new businesses and residents.

Queanbeyan-Carparking Strategy 2017

The key principles of Carparking Strategy are:

- Be point of difference – country living/city benefits
- People access, not parking supply, drives business activity
- Prioritise short stay, high turnover parking over long stay, low turnover parking
- Parking must be smart and support overarching transport objectives

Its key proposals include:

- Multistorey timed car parks in the Morisset and Crawford car parks
- Private basement timed parking associated with site redevelopments at Lowe and Rutledge car parks
- Utilising existing reserves carparking or new release areas as sites for park and ride untimed carpark facilities
- Progressively extending smart parking infrastructure and wayfinding apps into the timed CBD car parks

Queanbeyan CBD Flood Management Plan

The works along Monaro Street (Kings Highway) are expected to assist in flood management, as outlined in the (draft) CBD Flood Management Plan.

2.4 EXPECTED OUTCOMES

The head office and smart hub is intended to serve as the catalyst for the QCBD transformation, freeing up sites vacated by staff, for potential sale and redevelopment to increase workers and residents in the CBD. This will support a range of outcomes, including:

1. **A New Queanbeyan-Palerang Headquarters and Smart Hub**
 - Replace 11 CBD office/cottages

- Release sites for redevelopment.

2. Recycling car park assets for better use

- Decked central car parks
- New smart green public domain
- Release sites for development.

3. More residents, workers and services

- Mixed use developments, including serviced hotel and apartment style living
- Class A offices
- Residential aged care
- Child care
- Redeveloped hotels
- More cafés
- A new cinema
- Increased foot traffic supporting greater retail and lifestyle activity

2.5 STAKEHOLDER & COMMUNITY SUPPORT

Significant community and stakeholder engagement has been undertaken to date, involving the Transformation Strategy, Carparking Strategy and Retail Growth Strategy, while the concepts proposed for the CBD masterplan and their application have been in development and refinement until recently, requiring strict confidentiality other than engagement with Councillors, Council's Economic Advisory Panel and potential transaction partners.

A 2018 Survey of residents and business owners has demonstrated considerable support for urban renewal in principle. The 2016 community survey reinforced the community's desire to improve the public realm, carparking and connectivity in the CBD. Early consultations on this specific strategy with the community has been positive. However, strong stakeholder and community engagement is critical to the success of the program. Effective engagement is not only a pre-requisite for the Special Rate Variation that may be sought from IPART to help fund the initiatives, but more importantly to explain to citizens and businesses what the strategy is and what it will achieve for the community.

The Council intends that community engagement on the Queanbeyan CBD transformation proposal would be undertaken in conjunction with the CBD masterplan review (spatial business plan) which is close to completion.

To support effective engagement, Council further intends that community engagement on both the Transformation Strategy and Masterplan is supported by an online 'story board' of the project and its benefits.

3 ANALYSIS OF THE PROPOSAL

3.1 OBJECTIVES & INDICATORS

Table 3.1 below outlines the high-level investment logic of the proposal and key indicators of success.

Table 3.1: Proposal objectives

| Key problem/issue | Key proposal objective | Key success indicator |
|---|---|---|
| The Queanbeyan CBD is poorly physically integrated, largely due to the Kings Highway which bisects the CBD | Improve the accessibility and appeal of the Queanbeyan CBD for residents and visitors | Increased use of the Queanbeyan CBD by residents and visitors. Lower volumes of heavy vehicles in the CBD. |
| The CBD is characterised by ground level car parks and low use alleyways | Make the Queanbeyan CBD dynamic, smart, safe and connected | Reduced crime rates in the CBD, increased use of the CBD; reduced traffic congestion; improved carspace turnover |
| The CBD does not currently house a significant number of high value jobs | Increased high value jobs in the Queanbeyan CBD | Movement of high value jobs into the Queanbeyan CBD, increasing resident and worker foot traffic through CBD shops and cafes |
| The Queanbeyan CBD lacks business attraction appeal | Position the CBD as an attractive destination to do business | Increased number of businesses established in the CBD Improved perception of the CBD as a vibrant commercial place |
| Characterised by a current low level of new commercial investment | Increased private investment activity in commercial, residential and public amenity | Increased private investment in the CBD |
| A lack of desirable residential space in the CBD | Increased residential variety in the CBD | Take-up of higher value residential space in the CBD, increasing resident and worker foot traffic through CBD shops and cafes |
| A significant quantity of vacant commercial properties and relatively low value retail activities on many occupied commercial sites | Increase the desirability of the Queanbeyan CBD as a place to live, visit and work and accordingly improve the viability for commerce | Lower retail vacancy rates, higher value retail activities on commercial sites, increased retail patronage |

3.2 THE BASE CASE

The base case would result in a continuation in the use of the Queanbeyan CBD as it currently operates. The Ellerton Drive Extension project, would open in mid-2020, providing flood-free access to the CBD and reducing heavy truck movements impacting on the CBD.

Without the catalytic effects of targeted public investment, the opportunity for urban renewal created by the realignment of the Kings Highway is at serious risk of passing unrealised.

The Transformation Program's series of staged investments is an opportunity to ensure the economic potential of the Queanbeyan CBD is realised. Without supporting investment, the likelihood remains that the Queanbeyan CBD will remain disjointed, uncompetitive and unattractive, characterised by vacant shops, poorly presented premises, and infrastructure in poor condition and growing costs of maintenance.

3.3 OTHER OPTIONS CONSIDERED

In assessing the best outcome for the Queanbeyan-Palerang community, the project team considered several scenarios, including Do Nothing – Retain Status-Quo. The Base Case, section 3.2, covers the current situation. To do nothing will see Queanbeyan CBD remain a poor ‘place for people,’ and a dead zone for commercial activity as evidenced by the current level of commercial vacancy of 20% (in Monaro St and Crawford St combined).

The status quo means that the social and economic potential of the Queanbeyan CBD remains lower than would best service the people of Queanbeyan and NSW.

Other options considered include:

- postponing the investment, and
- proceeding with a cut-down version of the proposal.

Postpone the investment

The investment from QPRC that is funded by debt, and the grant request from the NSW Government could be postponed. This decision would lead to the private investment being postponed (or not occurring) given the important role of government to act as a catalyst for this proposal, and that the private funding is contingent on the public funding. It is notable, that given the significant benefits to the Queanbeyan community identified in the cost-benefit analysis, that the benefits to the local community would be modest from this course of action. Timing is also important to capitalise on the benefits from the Ellerton Drive Extension which is set for completion in mid-2020.

Do the minimum

There are some actions at the minimum that would be required in the absence of this proposal. These would include significant maintenance expenditure along the Kings Highway and works to accommodate committed public service movement into refurbished office space in the CBD. Given the magnitude of the current dysfunction in the Queanbeyan CBD, it is unlikely that this minimum option would do much to alleviate this. Rather, a do minimum approach would be seen as merely a “Band-Aid” solution, particularly by the business community in Queanbeyan.

The current proposal

The current proposal capitalises on the Ellerton Drive Extension bypass set for completion in mid-2020. A key barrier to unlocking the economic and social potential of the Queanbeyan CBD is the Kings Highway that bisects the CBD, and acts as one of its main thoroughfares. The Ellerton Drive Extension, by taking heavy vehicle traffic off the Kings Highway, offers a unique opportunity to revitalise the CBD. In conjunction with works along the Kings Highway that improve access for people, repurposing some low value space in the form of Council buildings, and ground level carparks to build a dynamic commercial and residential hub would have significant benefits to the Queanbeyan community.

The funding from the NSW Government allows the key works along the Kings Highway corridor to be brought forward to maximise the benefits from the entire programme of works.

The multi-criteria analysis that describes the benefits of the various proposals is summarised in Table 3.2.

Table 3.2 Multi Criteria Analysis

| Criteria | Base Case | Option 1 Delay | Option 2 Do the minimum | Option 3 The proposal |
|-------------------|-----------|-------------------|----------------------------|--------------------------|
| Capital Cost | 5 | 3 | 2 | 1 |
| Places for people | 1 | 3 | 2 | 5 |

| | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|
| Regional economic impact | 1 | 3 | 2 | 5 |
| Impact on ongoing costs | 2 | 3 | 3 | 2 |
| Public safety | 1 | 3 | 2 | 5 |
| Total Score | 10 | 15 | 13 | 18 |

3.4 INFORMATION ABOUT THE PROPOSAL

3.4.1 SCOPE OF WORKS

The work plan is a holistic plan that is designed to improve accessibility and increase the social and economic performance of the Queanbeyan CBD. The outline of works is as follows.

1. Smart City Pilot and River Walk (FY19)
 - Smart lighting, sensing and Wifi: Crawford lifestyle precinct;
 - Smart parking: Morisset carpark
 - Low level pedestrian bridge
 - Paved shared pathway along river, both sides, from low level bridge to suspension bridge
2. Lowe carpark (FY19-21)
 - Offices and smart hub
 - Mixed use redevelopment: commercial and residential (private)
 - Smart public domain
 - Smart parking
 - Laneway connectors
3. Morisset carpark (FY20-21)
 - Multi-level smart carpark, with some commercial
 - Smart public domain
 - Laneway connectors
4. Rutledge carpark (FY20-22)
 - Mixed use redevelopment, commercial and aged care residential
 - Smart public domain
 - Laneway connectors
5. Monaro corridor (FY20-23)
 - Widening and refurbishment of footpaths
 - Expansion of lighting, seating and plantings
 - Reduction of median
 - Addition of cycleway
 - Modifying pedestrian refuges
 - Refurbishment of pavement
 - Re-phasing traffic controls
6. Crawford carpark (FY25)
 - Multi-level smart carpark.

Queanbeyan has been recognised in the NSW Transport 2056 Strategy and Economic Vision for Regional NSW as a significant regional centre adjacent to Canberra, and as such classified as a metro satellite. Without construction of the head office, the opportunity to accommodate the scheduled growth in NSW public servants in a Class A building in Queanbeyan is delayed. In addition, the head office is proposed to accommodate a smart hub as co-work and business start-up space. Collectively, that stage of proposed works commences the activation (by increased foot traffic into retail and cafes) in the CBD.

The larger footprint of the head office, inclusive of additional levels for public servants, increases requirements for carparking. The CBD is characterised by several at-grade carparks in poor condition, with spaces dominated by operators and employees, as there are insufficient short-stay/high turnover public carspaces available for shoppers and patrons. Without investment in modern, smart, secure and undercover parking, centralised around the retail and lifestyle precincts, Queanbeyan remains unable to compete with the shopper convenience of Canberra.

Converting part of the at-grade carparks into public domain and laneways, connecting the green spaces and carparks of the CBD, activates the centre with movement of people to and through the retail and café outlets, and creates spaces for people to congregate for social and event purposes.

Refurbishment of the Kings Highway pavement and paths from poor condition concrete to noise-dampening surfaces, is critical to improved visual and noise amenity. Those investments in turn assist the ambitions of Government to separate freight from people movement in regional centres.

Without the opportunity for Council to consolidate its staff into a single head office, the eleven (11) buildings in the CBD currently occupied by those 200 staff would not be available for redevelopment into commercial and residential uses by the private sector to increase residential and worker economic and social activity and patronage in the CBD.

The new building will also become a site for NSW Government operations, with the Government agreeing to acquire stratum and car parking on a cost basis.

3.4.2 PROPOSAL EXCLUSIONS

Not applicable.

3.4.3 RELATED PROJECTS

Given the current dysfunction in the Queanbeyan CBD, the private funding is largely contingent on government funding as a catalyst for development.

3.5 PROJECTED COSTS

3.5.1 PROJECTED CAPITAL COSTS

The projected capital costs are outlined in table 3.3, below. A contingency of 10% has been applied to all projects outlined in the detailed cost table (see table 3.4) with the exception of the offices and smart hub construction in the Lowe Carpark.

No additional contingency was incorporated into this estimate as the original costing for this work was for a larger project. This larger quote used should have a sufficient contingency for the now reduced scope of project.

Table 3.3: Projected capital costs inclusive of contingency (\$000s)

| Stage | 2018-19 | 2019-20 | 2020-21 | 2022-23 | 2023-24 | Total |
|---------------------|--------------|---------------|---------------|---------------|--------------|----------------|
| Base cost estimate | 2,811 | 43,143 | 61,628 | 22,368 | 6808 | 136,758 |
| Contingency 10%# | 281 | 2,910 | 4,421 | 2,169 | 681 | 10,462 |
| Escalation 4% | 123 | 3,753 | 7,414 | 4,227 | 1,563 | 17,080 |
| Nominal cost | 3,216 | 49,800 | 73,463 | 28,764 | 9,052 | 164,315 |

Costs, as identified in Table 3.4 were prepared and validated by PWA (see attached report). Costs have largely been attributed evenly over their estimated period of construction.

Table 3.4: Detailed projected capital costs inclusive of contingency (\$000s)

| Stage | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total |
|---|--------------|---------------|---------------|---------------|--------------|----------------|
| Smart City Pilot and River walk | | | | | | |
| Smart City Pilot | 931 | 0 | 0 | 0 | 0 | 931 |
| River Walk including pedestrian bridge, | 1,315 | 0 | 0 | 0 | 0 | 1315 |
| Smart parking pilot | 270 | 0 | 0 | 0 | 0 | 270 |
| Low e Carpark precinct | | | | | | |
| QHQ offices and smart hub (7500m2) | 700 | 21,229 | 21,929 | 0 | 0 | 43,858 |
| Mixed use redevelopment: commercial and residential (private) | 0 | 15,000 | 15,000 | 0 | 0 | 30,000 |
| Smart public domain (1850m2) | 0 | 1,169 | 0 | 0 | 0 | 1,169 |
| Smart parking (70csp) | 0 | 516 | 0 | 0 | 0 | 516 |
| Laneway connectors | 0 | 408 | 0 | 0 | 0 | 408 |
| Morisset Carpark precinct | | | | | | |
| Multi-level smart timed public carpark (608csp) | 0 | 11,427 | 11,427 | 0 | 0 | 22,853 |
| Smart public domain (3900m2) | 0 | 0 | 1,958 | 0 | 0 | 1,958 |
| Laneway connectors | 0 | 0 | 639 | 0 | 0 | 639 |
| Rutledge Carpark precinct | | | | | | |
| Redevelopment: aged care, residential and health (private) | 0 | 0 | 15,000 | 15,000 | 0 | 30,000 |
| Smart public domain (5000m2) | 0 | 0 | 0 | 2,544 | 0 | 2,544 |
| Laneway connectors | 0 | 0 | 0 | 0 | 332 | 332 |
| Monaro Street (Kings Highway) corridor | | | | | | |
| Widening, refurbishment, improvements | 0 | 0 | 0 | 3,720 | 3,720 | 7,440 |
| Refurbishment of pavement and traffic controls | 0 | 1,082 | 7500 | 7,500 | 4,000 | 20,082 |
| Total | 3,216 | 50,831 | 73,453 | 28,766 | 8,052 | 164,315 |

3.5.2 PROJECTED ONGOING COSTS

Ongoing costs from the proposal are shown in table 3.5. Annual operating expenditures of 1% of CAPEX for roads and parking, and 2.5 per cent of CAPEX for structures have been used.

Table 3.5: Projected ongoing costs (\$000s)

| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total to 2023-24 |
|-------------------|---------|---------|---------|---------|---------|---------|------------------|
| Maintenance costs | 0 | 25 | 594 | 1,387 | 1,476 | 1,526 | 5,008 |

3.6 COST-BENEFIT ANALYSIS

3.6.1 Role of Cost Benefit Analysis

Cost-benefit analysis is a process for identifying and assessing the broad social impacts of a proposal on the community.

When applied effectively, cost benefit analysis allows for a comprehensive assessment of the merits and implications of proceeding with a proposal. In approach, it can integrate data on impacts in the 'dollars & cents' measured economy with that for broader social and environmental impacts.

When applied systematically across a number of proposals that are competing for scarce resources, cost benefit analysis can be used to assess which projects will benefit society the most. Under these circumstances, it is especially important that applicants comply with relevant guidelines, so that comparisons between projects are easily made.

With the need for rigorous analysis in mind, the analysis below follows best practice cost benefit framework principles, consistent with prevailing NSW Government Guidelines.

3.6.2 Methodology

The cost benefit analysis of this proposal conforms to the requirements and framework set out in the NSW Government's *Guide to Cost-Benefit Analysis* (TPP 17-03). In outline, key aspects of the requirements and framework are:

- establishing strategic objectives (as reflected in previous chapters of this business case, especially section 3.1)
- measuring outcomes from the perspective of impacts on the welfare of all NSW residents (the referent group)
- identifying impacts on NSW residents' welfare from perspective of the 'four surpluses', consisting of:
 - Net impacts on labour
 - Net impacts on producers
 - Net impacts on consumers
 - Net impacts on governments
- undertaking both qualitative and quantitative evaluation of the identified costs and benefits
- establishing a 'base case' (counterfactual) and 'project case', such that a direct comparison between the two supports an assessment of the net benefits supported through investing in the project.

3.6.3 The Base Case

The base case is as per the outline provided in section 3.2 above.

From an economic perspective, a summary of key impacts associated with the base case are:

- the Ellerton Drive Extension is completed, but the full range of land-use benefits it could enable are not realised
- the current pattern of land use is sustained, with much of the CBD's commercial premises having no productive value in use and carrying a negative social impact because of the blight created by a sterilised retail environment marked by vacancies
- the public realm continues to represent a low amenity configuration, with land underutilised relative to its latent potential
- Queanbeyan's citizens and retail workers with jobs in Canberra continue to endure longer commutes for work or leisure purposes
- Residents and visitors perception of CBD as unattractive, disjointed place to shop
- Business confidence to invest, restore and convert premises for a fresh retail offering

3.6.4 The Project Case

The project case sees the full program of the Queanbeyan Transformation Strategy implemented as described in section 3.4 above.

From an economic perspective, key features of the project case are:

- ensuring the opportunity for economic placemaking on Monaro Street (Kings Highway) enabled by the Ellerton Drive Extension is realised
- increasing the productive potential of the land
- removing the effects of urban blight
- making a broader range of retail sector offerings and opportunities available for Queanbeyan's consumers, retail workers and businesses
- increasing government revenues by virtue of greater value and activity attributable to improved land use
- repatriating significant retail activity from Canberra, increasing wages and profits for NSW residents in the process
- pedestrianizing the CBD, connecting green spaces and carparks, serviced by smart infrastructure
- smart, secure, well sited carparks connecting the retail and lifestyle precincts
- providing a lead on which private investment may follow an flow

3.6.5 Identification & Assessment of Benefits and Costs

Addressing the land supply constraints is expected to confer a wide range of benefits on the referent group (NSW residents). Table 3.5 below identifies the primary categories of impacts on referent group members.

Table 3.5: Key Costs and Benefits of the Queanbeyan CBD Transformation Proposal

| Surplus | Group(s) | Benefits | Costs |
|----------|------------------------------------|--|-------|
| Labour | Workers Employed in Queanbeyan CBD | <p>Reduced travel time from travelling to Queanbeyan for work rather than to Canberra destinations</p> <p>Extra wages above reservation wages</p> <p>Surpluses derived from increased tourism activity</p> | |
| Producer | Landholders | <p>Uplift in the productive potential of land over and above its prevailing shadow price (for both commercial and residential development)</p> <p>Extra profits attributable to additional retail activity repatriated from Canberra or attributable to tourism</p> <p>Creating a new destination by the establishment of new commercial or recreational facilities</p> <p>Improving the image of the CBD – stimulating visitor flow and raising demand for real estate</p> <p>Adding versatility to the CBD so that it may be used for events</p> <p>Public realm investment positive externalities</p> | |
| Consumer | Retail customers | <p>Increased amenity of the public realm</p> <p>Greater pedestrian accessibility, safety and ability to attract foot traffic</p> <p>Establishing 'character' in the CBD that implies the area is also for fun,</p> | |

| | | | |
|------------|--|--|--------------------------------------|
| | | recreating, socialising and meeting – not just working Reduced travel time from travelling to Queanbeyan for services rather than to Canberra destinations | |
| Government | Queanbeyan-Palerang Regional Council NSW Government | Increased Rates Increased Stamp Duties Increased Payroll Tax Revenues Increased Land Taxes Asset Residual Values (both of Council and the State) | Capital Costs Operating Costs |

While not directly factored as benefits at the time of submission of this business case, the proposal may lead to benefits associated with the co-location of Australian Public Service, Defence and ACT Government staff.

Each of the benefits and costs identified in Table 3.5 are evaluated in the sections below.

3.6.6 Costs

Costs associated with the proposal are concentrated in the government sector, as outlined below.

Capital Costs

The ongoing capital costs of the project are as outlined in section 3.5.1 above. For the purposes of evaluation, nominal dollars are converted into real terms equivalents.

Ongoing Operating Costs

The ongoing operating costs of the project are as outlined in section 3.5.2 above. For the purposes of evaluation, nominal dollars are converted into real terms equivalents.

3.6.7 Benefits

As noted in the table above, the Queanbeyan CBD Transformation proposal is expected to entail a wide range of benefits for NSW residents. Beneficiaries and benefits against each of these surpluses are set out in the subsections below.

Labour Surpluses

Labour surpluses in relation to the Queanbeyan CBD project reflect two key factors:

- the difference between a worker's actual wages in a new job and what they would otherwise be willing to accept (their reservation wage)
- the avoided costs of commuting to a job in Queanbeyan, compared to commuting to a similar job in one of Canberra's retail centres, like Woden or Belconnen.

The insight behind the calculation of labour surpluses is people will only take on new employment where they perceive it is in their interests to do so. This should take into account both monetary and non-monetary aspects of different jobs, although if it is presumed the non-monetary aspects of jobs are comparable, the difference in wages is equivalent to the surplus.

To encourage people already in full employment to move jobs, the wage premium for the new job must be sufficiently attractive to encourage people to take on the uncertainties inherent in moving between jobs.

At the individual level, labour surpluses tend to be largest for those workers who are either underemployed or unemployed. This is because these workers are seeking work, and the opportunity cost of working more hours is either forgone leisure time or unemployment benefits, both of which typically carry a markedly lower value than the additional income earned.

Unemployment in Queanbeyan is very low compared to averages for the State and Regional NSW – 5 per cent as at the 2016 Census. This suggests labour surpluses from job creation are likely to be smaller than would be case for other Regions. On the other hand, the retail sector lends itself to more part time and casualisation of jobs than is the case in other sectors, suggesting those in the community more likely to be underemployed will be among the primary beneficiaries of the opportunities created by the project.

Valuation of the labour surpluses accruing to the underemployed, unemployed and fully employed should be in keeping with the standard wage premiums applied by the NSW Government, consistent with the Cabinet-endorsed Investment Attraction Assessment Framework.

To value avoided commuting costs, we must first identify the number of Queanbeyan residents working in Canberra's retail sector. While it is likely the revitalisation of the Queanbeyan CBD would see some workers in other sectors also avoid commutes to Canberra in favour of a job closer to home, this analysis will proceed on the basis of the conservative assumption that impacts are confined to the retail sector only.

2016 Census data shows a total of 1,348 residents working in Canberra's retail sector. The Region's population is projected to grow by 65 per cent over the next 20 years. If the growth of Queanbeyan retail workers commuting to Canberra grows in line with the population, this would imply that 2,224 residents would make the commute in 2036.

Valuation also requires an estimate of how many trips these workers make to and from Canberra for work purposes. ABS data on Employee Earnings and Hours suggests that on average, retail employees typically get paid for around 26 to 29 hours a week, depending on their characteristics. For the purposes of this analysis, we equate this to four working days a week, meaning eight trips total a week, or a total of 384 trips a year for a 48 week working year.

We also need to evaluate time savings per trip compared to representative retail working locations in Canberra. The extra travel time for commuting to a number of prominent Canberra retail locations relative to Queanbeyan CBD is:

- Canberra Civic – an extra 20 minutes
- Belconnen – an extra 29 minutes
- Woden – an extra 17 minutes.

For the purposes of the evaluation, we assume Queanbeyan workers commuting to work in retail in Canberra will try to maximise their yield relative to their generalised costs, and so will likely seek jobs closer to home to the extent possible. Accordingly, we adopt 20 extra minutes per trip as the representative extra time these workers spend in the car relative to an equivalent job in Queanbeyan.

This implies that the 1,348 retail workers from Queanbeyan working in Canberra each spend an extra 128 hours a year compared to what they would if they had the same job locally.

If we conservatively assume all of this travel is essentially private travel, not business travel, then the applicable value of time applicable to each individual's excess commuting time is \$16.89 an hour.

On an annualised basis, this suggests the excess commuting cost per retail worker per year is \$2,161.92.

So, for the sake of the example:

- if all of the 2016 retail commuters worked in Queanbeyan instead, this would imply a resource saving of \$2.9M a year
- if all of the 2036 retail commuters worked in Queanbeyan instead, this would imply a resource saving of \$4.8M a year.

The remaining question is what proportion of these workers would actually be attracted to employment in Queanbeyan in favour of their base case employment in Canberra.

Preliminary analysis of the extent of 'retail uplift' feasible in the revitalised Queanbeyan CBD suggests a quarter of these workers may find employment in Queanbeyan under the project case.

Producer Surpluses

Producer surpluses reflect the gains attributable to NSW residents who own businesses or related assets. Many projects will produce impacts for businesses that reflect gains over and above the opportunity costs of producing the goods or services supplied by the businesses, and the gains attributable should be recognised within the analysis.

For Queanbeyan CBD's Transformation, the categories of potentially relevant producer surpluses are:

1. uplift in the productive potential of land over its shadow price by repurposing it for residential use
2. externalities accreting to property prices by virtue of investment in the public realm
3. additional profits to NSW businesses by virtue of retail activity repatriated from Canberra

Each of these effects is considered below.

To evaluate the 'value uplift' associated with repurposing of four targeted redevelopment sites, Corview has undertaken feasibility evaluation examining the extent of improvement in residual land values associated with medium density mixed uses. The Corview analysis should be considered to be concept in nature, not a detailed feasibility study. Corview's analysis forms an attachment to this business case.

In summary, Corview's analysis suggests the 'value uplift' attributable to the four sites totals \$28,767,263 presuming a two-year redevelopment profile.

Public realm benefits accreting to property prices are a somewhat contentious area of economic evaluation. For the purposes of this analysis, Corview has adopted estimates consistent with the parameters and outcomes of Urban Growth's Blackwattle Bay Final Business Case, which reflected urban amenity benefits worth between 2.4 per cent and 4.3 per cent of the discounted capital costs of investment. For the purposes of this analysis, we adopt the lower end of the range (2.4 per cent).

With respect to retail uplift, our analysis has built off the analysis of the recently-released Visitor Economy Industry Action Plan 2030. The VEIAP projects annual average compound growth of 4.2 per cent across Regional NSW.

By virtue of the proposed enhancements to the public domain and its endowments like Canberra and ease of access to Canberra Airport, we project the CBD Transformation investment program will create a 50 per cent uplift in visitor expenditure growth in the period through to 2030 (that is, a compound growth rate of 6.3 per cent rather than 4.2 per cent).

Consumer Surpluses

Consumer surpluses reflect the difference between the value (price) customers would be willing to sacrifice (pay) for a product, service or experience and the value (price) they actually sacrifice (pay).

For Queanbeyan CBD's Transformation, the relevant consumer surpluses do not reflect either additional consumption, or increased utility off the same level of consumption, but rather:

- avoided transaction costs (travel)
- an enhanced public realm (amenity benefits).

The avoided costs relate to reduced generalised costs of travel that would be otherwise incurred by Queanbeyan shoppers commuting to the ACT.

To evaluate avoided travel costs, we must first determine the number of trips taken for shopping purposes per day. We can infer then number of shopping trips taken per day by Queanbeyan-Palerang residents from Household Travel Survey results for other Regions. For the 2016/17 year, the Household Travel Survey data reflects that on an average weekday:

- Sydney residents made a total of 2,644,633 shopping trips (out of a population of 4,867,296)
- Hunter residents made a total of 362,178 shopping trips (out of a population of 595,133)
- Illawarra residents made a total of 278,573 shopping trips (out of a population of 443,207).

These figures support a conclusion that the number of shopping trips per day per person is lowest in Sydney (0.54 trips/person) and highest in the Illawarra (0.63 trips/person). To infer shopping trips per day by Queanbeyan-Palerang residents, we adopt the Hunter's middling ratio (0.61 trips/person).

This suggests the Region's population from 30 June 2017 of 59,136 would make an aggregate of 35,988 shopping trips per day, equivalent to 13,135,689 shopping trips a year.

A recent Retail Growth Strategy prepared for Council estimates rates of 'leakage' of retail expenditure outside of the Queanbeyan-Palerang Region. The analysis accounts for the fact rates of leakage vary considerably by type of retail offering. Table 3.6 below summarises the Retail Growth Strategy's estimated leakage rates across five broad categories of expenditure.

Table 3.6: Retail 'Leakage' Rates by Category of Expenditure

| CATEGORY | LEAKAGE |
|---|---------|
| Convenience, Homewares, Services Market Share Leakage | 12% |
| Take Home Food Market Share Leakage | 14% |
| Fashion/Clothing/Accessories Share Leakage | 52% |
| Meals out/Takeaway Market Share Leakage | 64% |
| Comparison Homewares Market Share Leakage | 71% |

For the purposes of the analysis, it is assumed that 40 per cent of shopping trips made by Queanbeyan-Palerang residents 'leak' into the ACT. This implies 5,254,275 total shopping trips to the ACT by Queanbeyan-Palerang residents each year.

As for the labour surpluses above, excess travel times and costs can be calculated on the basis of 20 minutes excess travel time per trip and the value of leisure time specified in the Transport for NSW economic appraisal guidelines. These calculations suggest the annual aggregate transaction cost of travel to the ACT for shopping purposes for Queanbeyan-Palerang residents of:

- \$29.6M for the 2016 population, rising to
- \$48.8M for the 2036 population.

Similar for labour surpluses, the only remaining issue is what quantity of shopping trips otherwise 'leaking' into the ACT are retained in Queanbeyan by the CBD Transformation Program.

For the purposes of the analysis, it is assumed only 15 per cent of retail expenditure is repatriated to Queanbeyan, along with a commensurate reduction in trips.

There are a range of estimates of consumer surpluses applicable to public realm enhancements. Valuation might best be guided by choice modelling, as some of the effects can prove very location and situation specific. A working proxy parameter can be taken from a recent study evaluating the Queen Victoria Market Precinct Renewal in Melbourne, which derived an estimate of the value of the enhanced precinct amenity of \$3.46 per visit.

To apply this parameter to Queanbeyan CBD, we must derive the number of trips made to the location. Assuming that with the CBD Transformation in place:

- 70 per cent of the Queanbeyan shopping trips that do not leak to Canberra are to the CBD
- 20 per cent of trips made for social or recreational purposes are to the CBD

Total annual visitation to the CBD would be 12.8 million trips in 2016 and 21.1 million trips in 2036. This would equate to additional consumer surpluses per year of \$44.3M (2016) and \$73M (2036).

Government Surpluses

By virtue of the retail activity diverted from Canberra and increased residential activity and land values from transitioning holdings to their highest and best uses, land values and levels of transaction are likely to be higher in NSW, with consequent impacts on revenues for Council and the NSW Government.

Uplift in these revenue bases is projected to rise in keeping with the increments associated with the 'value uplift' associated with redevelopment of land for mixed use and the public realm positive externalities. Allowance is also made for the share of principal place of residence exemptions and applicable thresholds.

Assets like buildings can have economic lives longer than the evaluation period adopted for a cost-benefit analysis. Where this is the case, NSW Treasury guidelines recommend that should the asset continue to be used, an asset residual value may be assigned based on the lesser of replacement costs or the present value of future benefits.

To apply this principle to the current analysis, a 100-year economic life has been adopted. This is in keeping with the provisions of Queanbeyan-Palerang Regional Council's accounting policies which adopt an economic life of 50 years for the superstructure of major buildings and 100 years for roads infrastructure.

This valuation is also consistent with Council's provisioning of periodic maintenance for these assets, which could be expected to support some amount of residual value at the end of the period, as well as the NSW Government renewing its assets.

3.6.8 Summary Results of Cost Benefit Analysis

<To be completed on receipt of DPC's modelling results>

3.7 FINANCIAL APPRAISAL

Table 3.4, below shows the financial impact of the project from the perspective of Council. Operational costs have not been matched with new revenue sources, as QPRC intends to use organic growth in the rates base as a funding source for additional operational/maintenance expenditure. The main additional cost item for the project comes from the of funding a significant portion of the project via debt. Table 3.6 gives an outline of the cost to service the new debt, and the measures that QPRC intends to use to meet these debt service obligations.

Table 3.6: Financial appraisal (000s)

| Stage | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|-----------------------------------|----------|-----------|--------------|--------------|--------------|--------------|---------------|
| Costs | | | | | | | |
| Debt servicing costs (to 2023-24) | 0 | 0 | 2,548 | 3,894 | 4,339 | 4,737 | 15,518 |
| Maintenance costs | 0 | 25 | 594 | 1,387 | 1,476 | 1,526 | 5,008 |
| Sub-total | 0 | 25 | 3,142 | 5,287 | 5,815 | 6,263 | 20,526 |
| Revenues | | | | | | | |
| Merger Savings | 0 | 0 | 1,434 | 1,434 | 1,434 | 1,434 | 5,736 |
| Cost Attribution | 0 | 0 | 500 | 500 | 500 | 500 | 2,000 |
| Lease | 0 | 0 | 200 | 400 | 400 | 400 | 1,400 |
| SRV | 0 | 0 | 414 | 1,560 | 2,005 | 2,403 | 6,382 |
| Sub-total | 0 | 0 | 2,548 | 3,894 | 4,339 | 4,737 | 15,518 |

Debt servicing costs are based on a 20 year loan term and a 5 per cent per annum cost of borrowing. These costs of borrowing are proposed to be met from a number of sources:

- merger savings of around \$1.4 million per annum from consolidation of the Council assets and the replacement of non-rateable buildings with rateable buildings, and service reviews.
- annual cost attribution contributions from Utility Funds (i.e. Sewerage and Water) ,
- leasing revenue from the new assets, predominantly from new parking spaces and the lease of smart hub/office space, and
- a Special Rate Variation (SRV) above the rate-peg, applied to rate payers in the Queanbeyan portion of the merged LGA only. This SRV has been set at a rate to offset remaining costs (4 years of increments above the rate peg of 1.5, 4, 2, and 1 per cent), this additional rates revenue would be kept in perpetuity (or at least for the life of the loan).

Debt would be payable into the 2039-40 financial year, but a steady state is reached in 2023-24.

3.8 PROPOSED FUNDING ARRANGEMENTS

The proposed funding sources are outlined in table 3.7 below.

Table 3.7: Proposed capital funding contributions (\$000s)

| Stage | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Remaining years | Total |
|---|--------------|---------------|---------------|---------------|--------------|-----------------|---------|
| Proposal capital costs | 3,216 | 50,831 | 73,453 | 28,766 | 8,052 | 0 | 164,315 |
| Funding sources | | | | | | | |
| NSW Government (subject of this request) | 0 | 1,082 | 7,500 | 11,220 | 7,720 | 0 | 27,522 |
| Council contributions | 970 | 31,749 | 25,953 | 1,002 | 332 | 0 | 60,004 |
| - <i>Funded by debt</i> | 0 | 31,749 | 25,953 | 1,002 | 332 | 0 | 59,034 |
| Land sales | 0 | 3,000 | 0 | 1,544 | 0 | 0 | 4,544 |
| Industry contributions | 0 | 15,000 | 30,000 | 15,000 | 0 | 0 | 60,000 |
| Community contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other government contributions | 2,246 | 0 | 0 | 0 | 0 | 0 | 2,246 |
| Other funding sources – stratum/developer contributions | 0 | 0 | 10,000 | 0 | 0 | 0 | 10,000 |
| Sub-total | 3,216 | 50,831 | 73,453 | 28,766 | 8,052 | | |

The capital cost that is the subject of this request is for \$27.5 million over three years to 2022-23, to upgrade the Monaro Street/Kings Highway corridor.

As outlined in table 3.7, the majority of Council contributions are financed by debt.

3.9 FINANCIAL HEALTH & SUPPORT

Letters of support from associated private developers form an attachment to this business case.

4 IMPLEMENTATION CASE

4.1 PROGRAM & MILESTONES

The Queanbeyan CBD Transformation Program schedule is presently high level, pending the outcomes of community consultation on the Masterplan.

Once consultation is complete, detailed schedules inclusive of design, procurement and approvals and works milestones for each stage as appropriate.

Table 4.1 below provides the current schedule by stage of Program.

Table 4.1: Key events and milestones for the Queanbeyan CBD Transformation Program

| Event | Start | Finish |
|---|---------------|----------------|
| Adoption of CBD Transformation Strategy | October 2016 | February 2017 |
| Release of CBD Carparking Plan | November 2017 | September 2018 |
| Release of the Masterplan | November 2018 | January 2019 |
| Appointment of Project Director | November 2018 | February 2019 |
| Appointment of Senior Team | February 2019 | May 2019 |
| Stage 1 (Smart City Pilot & River walk) | February 2019 | June 2019 |
| CBD Development Control Plan | January 2019 | June 2020 |
| Stage 2 (Lowe Carpark Precinct) | June 2019 | June 2021 |
| Stage 3 (Morriset Carpark Precinct) | March 2020 | June 2021 |
| Stage 4 (Rutledge Carpark Precinct) | March 2021 | March 2023 |
| Stage 5 (Monaro St Corridor) | May 2020 | June 2022 |
| Stage 6 (Crawford Carpark) | July 2024 | December 2025 |

4.2 GOVERNANCE

Queanbeyan-Palerang Regional Council applies a Project Management Framework to all major projects across the organisation. All projects need to pass a series of Gateways before proceeding to the next phase.

At the head of this sits a Project Management Committee (PMC), consisting of the Executive Group and the head of Contracts and Projects Branch. A Project Director is appointed for each specific project (stage) with a respective Project Board. The Project Director will be responsible for the oversight of their project team and ensures Project Board signoff is obtained at each Gateway before proceeding to PMC, with relevant procurement and contractual arrangements to be confirmed through reports to Council.

Figure 4.1 Queanbeyan-Palerang Regional Council Project Management Framework

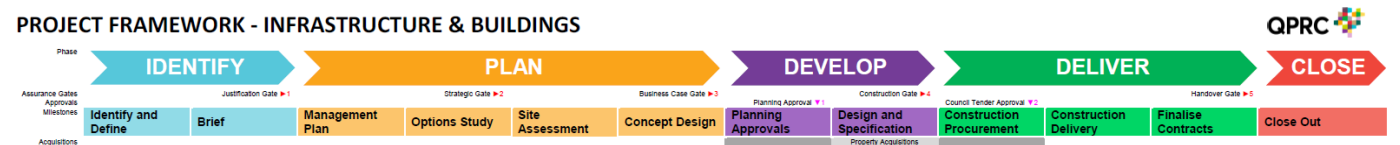
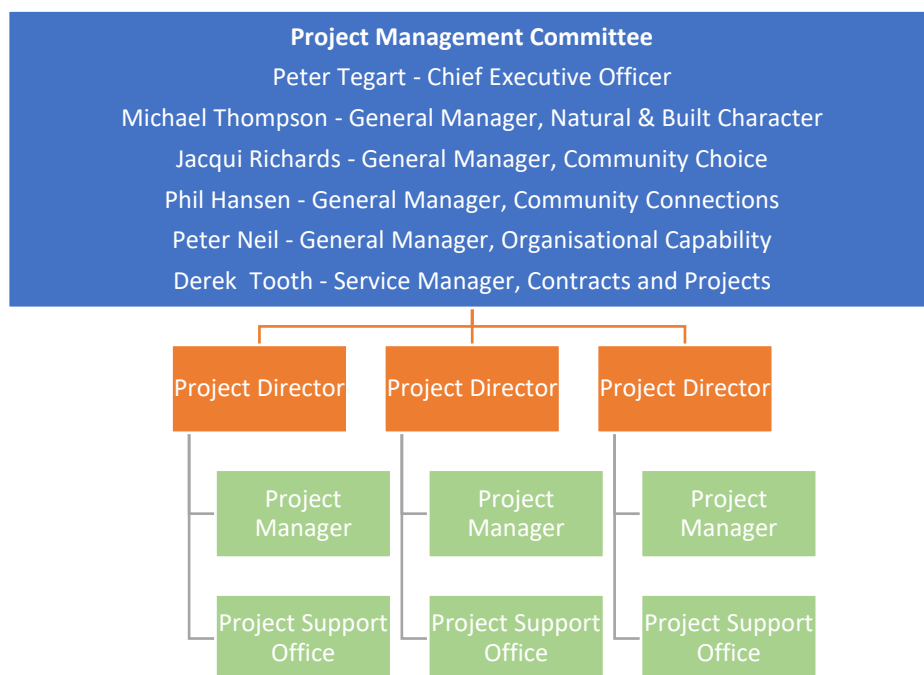


Figure 4.2 depicts the Project Governance structure. Once the team is established, they transition the project through the QPRC Gateways overseen by the Project Governance participants.

Figure 4.2 Proposed Project Governance Structure for the Queanbeyan CBD Transformation Program



Within the project team, the two key appointments supporting the Project Director are the Project Manager and Project Support Office.

Council will begin the process of appointing its Project Director and senior team members to coincide with the release of the Masterplan in November 2018.

4.3 KEY RISKS

Table 4.2 below identifies the key risks and mitigation strategies associated with the Queanbeyan CBD Transformation Program.

Table 4.2: Key proposal risks for the Queanbeyan CBD Transformation Program

| Risk(s) | Proposed mitigation(s) | Risk rating after mitigation | | |
|--|--|------------------------------|------------|--------|
| | | Consequence | Likelihood | Rating |
| Cost <ul style="list-style-type: none"> Cost estimates may have made insufficient provision for the cost of delivering the project | <ul style="list-style-type: none"> Peer review of Public Works' cost plan, with focus on whether client contingencies are sufficient and potential synergies between different packages | Moderate | Low | Low |
| Community & Stakeholder Support <ul style="list-style-type: none"> A lack of community & stakeholder support may jeopardise the transformational benefits intended to be secured by the project Insufficient community & stakeholder support may undermine the success of the intended special rate | <ul style="list-style-type: none"> Further public consultation on the Transformation Strategy, including through public release of the Masterplan in November 2017. Feedback from consultation of CBD Transformation and Carparking strategies has been positive | Moderate | Low | Low |

| | | | | |
|---|---|----------|----------|----------|
| variation submission to IPART | | | | |
| Scope / Design <ul style="list-style-type: none"> Not all scope or design considerations may be evident, with costings at concept stage | <ul style="list-style-type: none"> A value management workshop will be held ahead of the award of the contract for the Lowe (Stage 2) works | Moderate | Low | Low |
| Transaction Interfaces <ul style="list-style-type: none"> Targeted program benefits are contingent on private development and implementation actions and are at risk | <ul style="list-style-type: none"> A Benefits Realisation Management Plan will be developed, along with feasibility analysis and interface planning. | Critical | Low | Moderate |
| Project Controls <ul style="list-style-type: none"> The project team is not yet in place, which may delay the establishment of project controls and jeopardise the success of the project | <ul style="list-style-type: none"> The project management committee will actively monitor resourcing and recruitment for the roles Internal resourcing will be developed as a contingency Once the project team is in place, initial priorities will be developing a detailed schedule of program activities and developing risk management, change management and communication plan. | Critical | Low | Moderate |
| Market Risks to Revenue <ul style="list-style-type: none"> Some funding sources are contingent on market risks to revenue (leases, developer contributions) | <ul style="list-style-type: none"> Development feasibility analysis and market uptake will be assessed to determine Councils' potential exposure | Moderate | Moderate | Moderate |
| Funding <ul style="list-style-type: none"> The project requires a clear 'cornerstone' source of funds with an excess to underwrite market risks to revenue | <ul style="list-style-type: none"> The financial model will be "stress-tested" ahead of the IPART submission for a special rate variation. Council has access to NSW TCorp low interest, fixed term loans | Moderate | Moderate | Moderate |

4.4 LEGISLATIVE, REGULATORY ISSUES & APPROVALS

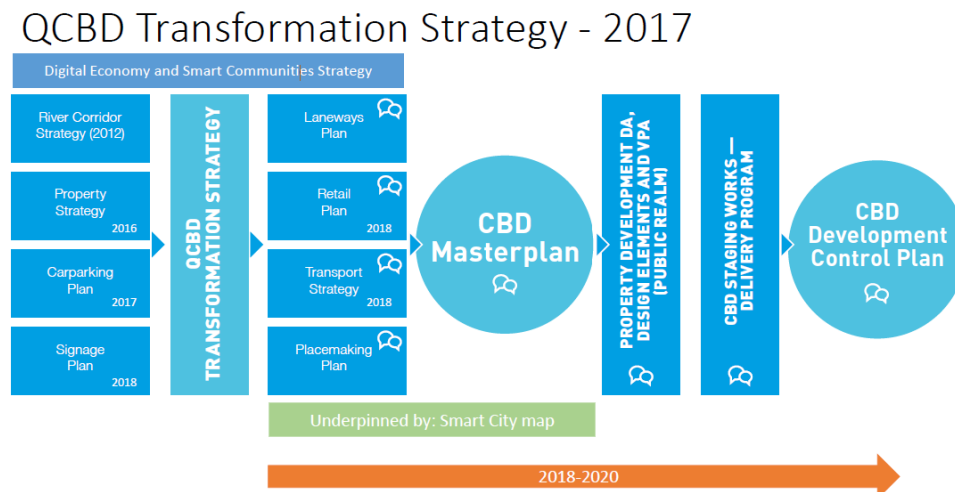
Two key sources of approvals are necessary to support implementation of the Queanbeyan CBD Transformation Proposal:

- Land use and development controls
- IPART special rate variation approvals.

Land Use Controls

Figure 4.3 reflects how the Transformation Program aligns policy, masterplanning and land use controls.

Figure 4.3 Policy, Masterplanning and Land Use Controls for the for the Queanbeyan CBD Transformation Program



IPART Special Rate Variation (SRV) Approval

IPART applies five key criteria in considering special rate variation proposals, as follows:

1. There must be a need for the Special Variation (this goes to both need for the project itself, but also the capacity of Council to pay)
2. The community is aware of the intention of Council
3. The proposed Special Variation must be able to be borne by the local area (this goes to current rates as well as the SEIFA status of the Council area)
4. The documentation around the special variation has been exhibited, and approved by Council
5. The application must explain productivity improvements/cost cutting strategies.

By virtue of this business case and the community and stakeholder support initiatives both undertaken to date and planned for the near term, the Council is very well placed to satisfy the IPART criteria successfully. It is proposed the SRV apply to Queanbeyan residential and business rate category properties, noting Queanbeyan has a relatively high SEIFA index of 1053.

4.5 PROPOSED MANAGEMENT ACTIVITIES

4.5.1 RISK MANAGEMENT

In accordance with Council's Project Management Framework and Risk Management Policy, the project team will develop a specific Risk Management Plan (RMP) for the project along with the Project Management Plan. This RMP will assess all risks throughout the project, through design, approvals, construction and commissioning.

The Project Manager is responsible to oversee the RMP and monitor its application throughout the project. QPRC specially incorporates clauses within contracts ensuring contractors and consultants include risk management and safe systems within their documentation. This includes design consultants, engineers and civil contractors.

These plans and new risks identified throughout the project will feature on the agenda of every project team meeting and will be reported periodically to the Project Board.

4.5.2 ASSET MANAGEMENT & OPERATIONS

As noted in previous sections, Council will operate and maintain its own premises and retain responsibility for management and maintenance of the public realm. These costs were recognised in section 3 of this business case. The RMS will continue with its responsibility for future maintenance of the lanes within Monaro Street (Kings Highway).

Many of the commercial and residential assets generated through the Transformation Program will be privately held, operated and maintained. Associated liabilities rest with private parties rather than Council itself.

