FAR lane

Site-specific Viability Assessment

City of Rockingham

16 December 2021

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First Draft	13/12/2021	Linnea Edebert and Giles Tuffin	Jason McFarlane
Final	16/12/2021	Linnea Edebert	Jason McFarlane

3. PURPOSE AND SCOPE

The purpose of this draft report is to provide the City of Rockingham (the City) with high-level site-specific viability assessments of three locations identified by the City. This work forms part of FAR Lane's contribution to inform the City of Rockingham's Precinct Structure Plan (PSP) for the Rockingham Strategic Centre (RSC). This work supplements the Economic Resilience Framework developed by FAR Lane for which also complemented the PSP and RSC (see Technical Appendices).

The focus of this report is to prepare an indicative commercial viability model for each of the three sites. This will be based upon benchmark asset yields and sales prices to determine whether they are likely to attract capital investment.

4. INTRODUCTION

The City, via consultants Hames Sharley, has nominated three sites to be assessed for commercial viability.

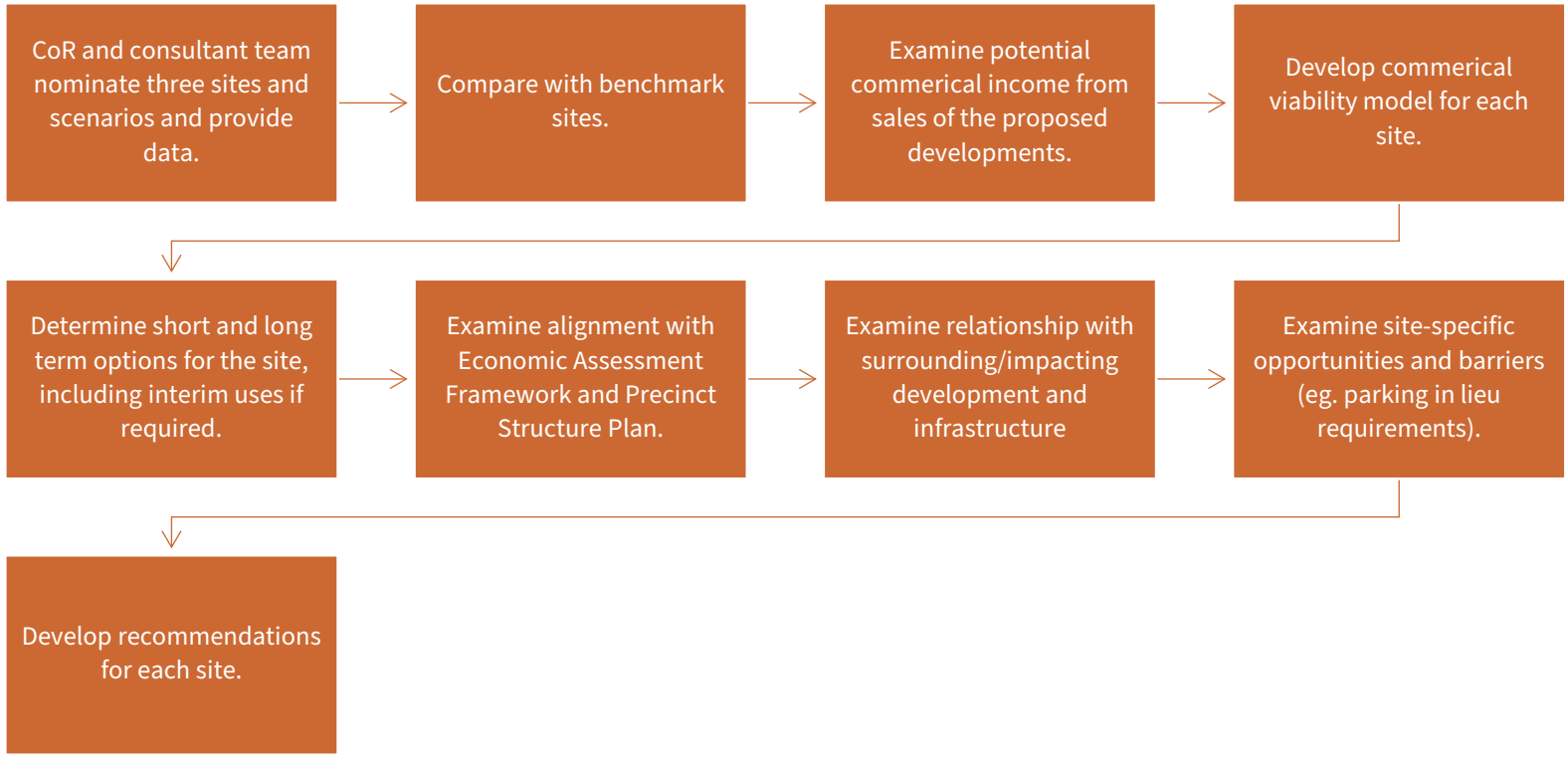
1. Lot 201, City Centre - a large block nominated for mixed-use.
2. Lot 20-26 Rockingham Beach Road – a waterfront block nominated for apartments.
3. Lot 190-191 Lewington Street – a residential block nominated for low rise apartments.

This report conducts a commercial viability model for each site that seeks to answer the following question:

"Would a rational investor see short term moderated risk opportunity in the development of this site under the nominated scenario?"

Answering this question is a practical approach to determining whether each scenario is commercially viable. This is achieved through the following logic.

Figure 1 – FAR Lane commercial viability assessment model



5. SITE ASSESSMENT METHODOLOGY

Assessments have been considered based upon State Planning 7.2. Precinct Design Guidelines' economic, social, and environmental feasibility requirements. This includes long- and short-term options, market conditions, current development proposals, employment and business opportunities, landscape, infrastructure and existing built form (DPLH 2021).

The guidelines identify the following desired characteristics for Strategic Metropolitan Centres:

- Diversity of uses in the activity centre.
- A full range of economic and community services for the community and catchment residents.
- Focus on public transport networks.
- Wide range of retail types.
- The attraction of major offices and state government agencies.
- Walkable catchment distances of 800 metres.

Methodology

Net Present Value (NPV) is used to assess the commercial viability of each site. NPV is determined by:

- Calculating costs (negative cash flows) and benefits (positive cash flows) over separate individual periods (years).
    - Cost includes the cost of land, building and parking spaces (see below).
    - Benefits include revenues from sales.
- The Present Value (PV) of each period's net cash flow is then determined by discounting its future value at a given rate of the market return. Three discount rate scenarios of 5%, 7% and 10% have been modelled to reflect variability in market prices, inflation, and other variables.
- Summing each discounted PV gives the NPV.

Commercial viability is achieved if the net present value of the project is positive. When comparing projects, the project with the highest net present value is preferred.

The NPV in this assessment does not consider the cost of capital (i.e. interest rates). The more debt that is used to finance a project the riskier it becomes. Consideration is required to ongoing cash flows and the ability to pay interest and amortisation of loans.

Other considerations are:

- The model is high-level and does not consider all elements subjected to development.

- Negative cash flows include the following:
    - Land value has been extracted from Landgate as the unimproved land value for the exact lots, or lots next to the assigned lot. Note that the unimproved land value used is a conservative estimate.
    - Construction costs, which are estimated from the BMTQS Construction Cost Table.
    - Parking in lieu requirements (see below)
- Positive cash flow comes from property sales. Benchmark sites have been nominated by Hames Sharley for comparison with the three sites listed below. The sales price for these benchmark sites has been used to determine the approximate sales prices of the nominated sites.
- The model does not directly consider changing market conditions such as inflation, shocks, or different investment approaches.
- All NPV figures assume that the benchmark development was profitable and that similar market conditions exist for the availability of similar properties.

Parking in Lieu (PIL) Requirements in the City of Rockingham

Developments that have car bay shortfalls can be required to make parking-in-lieu payments. This funding allows the local government to develop car bays in other locations to make up for the shortfall. The City states the following:

"The cash-in-lieu payment shall not be less than the estimated cost to the owner or developer of providing and constructing the parking bays required by TPS2, plus the value, as estimated by a sworn valuer appointed by the Council, of that area of his land which would have been occupied by the parking spaces and manoeuvring area".[1]

The following formula has been used to calculate PIL costs:

$$\text{PIL} = (Construction\ cost\ per\ bay) + (land\ value\ x\ car\ bay\ shortfall\ m2)$$

Construction costs per bay vary depending on the type of parking. The land value component differs largely between locations and needs to be valued by a licensed land valuer. Estimations for the construction cost for a 30m^2 car bay (accounting for the car bay, aisle and vehicle access) for various parking options are:

- At grade: $4,500.

[1] City of Rockingham *PLANNING POLICY No.3.3.4 CASH-IN-LIEU OF CARPARKING*

- At grade multi-storey: $30,000.
- Underground/Basement parking: $60,000.[2]

[2] Source: The estimations are taken from DPLH based on a case study done about PIL schemes in Perth and Peel.

6. CASE STUDIES – INTERIM SITE USES AND MODULAR BUILDINGS

Modular buildings have significant advantages compared to traditional construction. They are quicker and cheaper to build, significantly reduce construction waste, can be recycled or repurposed, or simply moved to a new location.[3] Modular buildings can also be used for a wide variety of purposes, including short-stay accommodation, build-to-rent apartments, and pop-up shopping and entertainment precincts. Modular buildings, therefore, provide significant advantages for interim uses for sites the City may wish to keep aggregated for future developments.

Below are two relevant examples of modular constructions that could be emulated by the City for interim uses.

BOXPARK

Launched in London in 2011, BOXPARK is a pop-up precinct built from shipping containers. The precinct combines shopping, eating, drinking, and entertainment, but differently from a traditional shopping centre. Street food is served through a permanent food market, both familiar and independent retail brands are featured, and ag-tech production facilities and a micro-brewery are present. Entertainment events are also held, such as concerts, DJ workshops, and classes with celebrity chefs. BOXPARK has subsequently opened two further sites within London.

Source: Retail & Leisure International, 2021.

Source: Pinterest, 2021.

[3] Blagg, Linda, Video – Modular Manufactured Building, 2014, https://www.hougoumonthotel.com/old--new-collides, last viewed 10 December 2021.

Hougoumont Hotel

The Hougoumont Hotel in downtown Fremantle features 37 luxury rooms made from shipping containers, combined with the built-form of the former Duke of York Hotel (est. 1901). The rooms were constructed in Thailand and shipped to Perth, where they were erected in four days on-site. The hotel also features a bar, microbrewery, event space, and conference facilities.

Source: Time Out 2017.

Source: Hougoumont Fremantle 2021.

7. SITE ASSESSMENTS

Site 1 - City Centre

The site development is proposed as residential mixed-use, potentially with commercial or retail ground floor offerings on Whitfield Street. The development is required to provide a strong presentation to the street with a nil setback and expansive glazing.

Table 1 - Site overview

Site	Street address	Sub Precinct	Proposed zoning	Existing density	Proposed density
Lot 201, City Centre Large, currently vacant block.	Whitfield Street	P6 - Southern residential	Mixed-Use - RAC - 0	1555	3299

The site has been proposed with two options summarised in Table 2.

Table 2 – Options descriptions

Option 1 – 4 Storeys and decked at grade parking	Option 2 – 8 Storeys and Basement parking
50 apartments • 15 x 1 Bedroom • 30 x 2 Bedroom • 5 x 3 Bedroom 85 car bays	140 apartments • 42 x 1 Bedroom • 74 x 2 Bedroom • 14 x 3 Bedroom 218 car bays

Commercial viability

The construction cost variability changes with density, due to lifts and depending on the type of parking. The analysis makes the following assumptions about the cost per m^2 for the 4- and 8-unit respectively.

Table 3 – Cost per sqm assumptions between a 4- and 8-Storey development.

Density	Cost per sqm ($)

4 Level	$2,580
8 Level	$2,849

Source: BMTQS 2021 *Construction Cost Table*

Option 1 – 4-Storey development

The below analysis suggests a 4-storey development has an NPV of up to $1,078,729 which is attractive for developers.

The sales price for apartments within this development is based on a benchmark site nominated by Hames Sharley. It is the Radius Rockingham development on 95 Chalgrove Avenue in the City Centre. Based on the current market the estimated revenue from sales are:[4]

- 1 Bedroom: $250,000
- 2 Bedroom: $320,000
- 3 Bedroom: $400,000

Table 4 –Cash flow analysis and net present value (NPV) of the project for the 4-level development

	Year 0	Year 1
Capital expenditure (Capex)		
Cost of land	$ 719,583	
Building	$ 10,216,800	
Car park	$ 2,550,000	
	$ 13,486,383	
Revenue from Sales		
3 Bedroom		$ 2,000,000
2 Bedroom		$ 9,600,000
1 Bedroom		$ 3,750,000

[4] Source: FAR Lane research based on Realestate.com.au, 2021, https://www.realestate.com.au/buy/property-unit+apartment-in-rockingham,+wa+6168/list-1

Present Value	-$ 13,486,383	$ 15,350,000

Discount rate	NPV of project
5%	$ 1,078,729
7%	$ 803,189
10%	$ 425,603

Source: BMTQS 2021 *Construction Cost table*, DPLH 2021, Landgate 2021, Far lane 2021.

Table 5 - Economic Impact from construction costs of 4-storey development

Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output ($M)	$13.40	$8.80	$2.15	$24.35
Employment (Jobs)	23	20	7	50
Wages and Salaries ($M)	$1.94	$1.81	$0.49	$4.24
Value-added ($M)	$4.26	$3.20	$1.26	$8.72

Source: Remplan 2021

Construction of the 4-story development shows a good economic impact for Rockingham's economy, contributing to an additional total effect of approximately $24 million in output and an additional 50 jobs (FTE).

Option 2 – 8-Storey development

The below analysis shows an 8-storey development has an NPV of up to -$1.5 million which is not attractive for developers. Due to additional costs of constructing basement parking, as well as the expected revenues achieved from sales, the construction cost per m^2 must be less than $2,759 for the development to be commercially viable.

This negative NPV is largely influenced by Rockingham's current property market with lower sale prices. Therefore, this type of development may be more feasible in the future when the MNC is more developed and becomes more attractive for individuals.

The sales price for apartments within this development is based on a benchmark site nominated by Hames Sharley. It is the Radius Rockingham

development on 95 Chalgrove Avenue in the City Centre. Based on the current market the estimated revenue from sales are:[5]

- 1 Bedroom : $250,000
- 2 Bedroom: $350,000
- 3 Bedroom: $450,000

These sales prices are slightly higher compared to the 4-storey development as the market suggests that sale prices for apartments on higher levels are worth more. Likely as a result arising from better window/balcony views.

Table 6 - Cash flow analysis and net present value (NPV) of the project for the 8-storey development

	Year 0	Year 1
Costs (Capex)		
Cost of land	$ 719,583	
Building	$ 29,253,532	
Car park (*at grade)*	$ 1,500,000	
Car park (*underground)*	$ 10,080,000	
	$ 41,553,115	
Revenue from Sales		
3 Bedroom		$ 6,300,000
2 Bedroom		$ 25,900,000
1 Bedroom		$ 10,500,000
		$ 42,700,000
Present Value	-$ 41,553,115	$ 42,700,000

Discount rate	NPV of Project
5%	-$ 844,236
7%	-$ 1,538,853

[5] Source: FAR Lane research based on Realestate.com.au, 2021, https://www.realestate.com.au/buy/property-unit+apartment-in-rockingham,+wa+6168/list-1

10%	-$ 2,486,302

Source: BMTQS 2021 *Construction Cost table*, DPLH 2021, Landgate 2021, Far lane 2021.

Table 7 - Economic Impact from construction costs of 8-Storey development

Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output ($M)	$41.50	$27.94	$6.83	$76.28
Employment (Jobs)	74	63	22	159
Wages and Salaries ($M)	$6.17	$5.74	$1.56	$13.46
Value-added ($M)	$12.58	$10.11	$4.01	$26.71

Source: Remplan, 2021.

Although the development is not commercially viable currently, the construction of the 8-story development shows a strong overall economic impact on Rockingham's economy, with an additional total effect of approximately $76 million in output and up to 159 additional jobs (FTE).

Strategic alignment

- Uniqueness – A development of this size and density would add to Rockingham's uniqueness.
- Connectivity – located close to the RCCTS route, and is within walking distance from Rockingham Centre. Walking or cycling to the foreshore is difficult.
- Fit for purpose – aligns with the City's objectives of achieving a more consolidated urban form, and facilitating an increased number of people both living and working in the same place.
- Infrastructure – Close to Rockingham Centre.

Interim uses

Due to the low NPV for Option 2, this lot is well suited to interim uses. Options to keep the site aggregated for future development for up to approximately 25 years are summarised in Table 8.

Table 8 – Interim uses options for City Centre lot.

	Short stay accommodation	Pop-up commercial lease	Dedicated space for public markets and festivals	Public open space	Car park	Arts and crafts precinct and studios	Modular build-to-rent accommodation
Suitability	Medium	Good	Good	Low	Good	Good	Good
Notes	The site is a long distance from the waterfront, so may not be popular with tourists.	BOXPARK-like facility would create vibrancy and act as a drawcard to the city centre.	Help create vibrancy in the city centre.	Suitable, but Rockingham is not short of public open space.	Provides extra car parking for the city centre.	Help create vibrancy in the city centre.	Create density and improved accommodation options in the city centre.

Opportunities and barriers

- Keep open to multiple and mixed uses.
- Constructing basement car parking may become viable over the longer term.
- Use strict street activation controls to bring vibrancy, including having commercial space on the ground floor.
- Consider interim uses (see above) to keep the block aggregated for long term development.

Summary of commercial viability

- Option 1 (4-storeys) - evidence suggests a moderate risk-tolerant investor would regard this scenario as a potentially attractive investment.
- Option 2 (8-storeys) – evidence suggests a moderate risk-tolerant investor would *not* regard this scenario as a potentially attractive investment.
- However, Option 2 may be viable in the long-term depending on future property prices which will be impacted by future demand.
- Construction cost variability between the sites becomes higher with height - see construction cost table.
- Interim uses that keep the site aggregated should therefore be considered.

Site 2 – Waterfront village

Table 9 – Site summary

Site	Street address	Sub Precinct	Proposed zoning	Existing density	Proposed density
Lot 20-26 Rockingham Beach Rd Multi-storey apartments on the beachfront.	51 Rockingham Beach Rd	P2 Waterfront village	Mixed Use - RAC - 0	1097	3787

The site has been proposed by Hames Sharley as:

- 450sqm net lettable commercial space.
- 95 apartments total [5 x 3 Bedroom, 62 x 2 Bedroom, 28 x 1 Bedroom].
- 162 Car bays (Private) based on 2 per 2 & 3 bedroom apartment, and 1 bay per 1 bedroom apartment, parking over 4 levels (basement, ground, L1, L2)]

Construction costs have been estimated from BMTQS Construction Cost Table.
The sales price for apartments within this development are based on prices of the current property market for similar developments:[6]

- 1 Bedroom: $300,000.
- 2 Bedroom: $500,000.
- 3 Bedroom: $700,000.

Commercial viability

The below analysis shows the development has an NPV of up to $10.6 million which is an attractive investment for developers and investors.

Table 10 - Cash flow analysis and net present value (NPV) of the project for the Waterfront Village Site

[6] Source: FAR Lane research based on Realestate.com.au, 2021, https://www.realestate.com.au/buy/property-unit+apartment-in-rockingham,+wa+6168/list-1

	Year 0	1
Capex		
Cost of land	$ 3,002,429	
Building	$ 21,891,716	
Car park (At grade)	$ 3,660,000	
Car park (Basement)	$ 2,400,000	
	$ 30,099,445	
Revenue from sales[7]		
3 Bedroom		$ 3,500,000
2 Bedroom		$ 31,000,000
1 Bedroom		$ 8,400,000
Commercial		$ 1,346,797
		$ 42,846,797
Present Value	$ 30,954,145	$ 44,246,797

Discount rate	NPV
5%	$ 10,653,011
7%	$ 9,717,758
10%	$ 8,427,469

Source: BMTQS 2021 *Construction Cost table*, DPLH 2021, Landgate 2021, Far lane 2021.

Parking Considerations

Note that parking in lieu requirements do not apply to this area, as the Waterfront Village Sector is exempted from the policy due to the planning frameworks in place. The City states that only PIL payment is needed for cay bay shortfall:

- "In the case of residential development, the cash-in-lieu contribution shall be the visitor allocation as per the Residential Design Codes.

[7] Source: FAR Lane research based on Realestate.com.au, 2021, https://www.realestate.com.au/buy/property-unit+apartment-in-rockingham,+wa+6168/list-1

- In the case of commercial or non-residential development, the cash-in-lieu contribution shall be a minimum of 60 per cent of the total number of parking spaces required.
- The number of parking spaces provided on-site may be reduced by the number of parking spaces provided through the cash-in-lieu."[8]

In other words, the residential developer does not have to consider car bays as per the City Centre due to the City's Transit Strategy. For commercial uses, PIL is applicable however at a 40% discount.

Based on considering parking for commercial uses, the following should be considered:

- Parking assets such as basement and decked car parks are capital intensive parking assets and are required to generate substantial revenue to realise a return on capital over time.
- Future technology and disruptive innovations are likely to change the need for parking as there will be new ways to travel. As result, there is significant uncertainty over future demand for parking, meaning a higher risk for capital intensive projects with long payback periods.
- At-grade parking may therefore be more suitable for commercial sites as it is the cheaper option and is easier for redevelopment.
- Opportunities for treatment of parking as an interim use that allows for redevelopment/alternative uses as transport technologies and disruptions evolve.

Table 11 - Impact Summary from Construction Costs

Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output ($M)	$30.00	$19.05	$4.64	$53.69
Employment (Jobs)	50	43	15	108
Wages and Salaries ($M)	$4.17	$3.91	$1.06	$9.14
Value-added ($M)	$10.12	$6.97	$2.72	$19.81

Source: Remplan 2021

Construction of the development shows a strong economic impact on Rockingham's economy - contributing to an additional total output of approximately $53 Million as well as an additional 108 jobs (FTE).

[8] City of Rockingham Planning *Policy 3.2.5 - DPP - Waterfront Village Sector* https://rockingham.wa.gov.au/forms-and-publications/planning-and-building/policies-and-procedures/planning-policy-3-2-5-development-policy-plan-wate

Strategic alignment

- Uniqueness – A development of this size and density would add to Rockingham's uniqueness and help the City build its brand of being a coastal destination, particularly if used for short stay accommodation.
- Connectivity – located close to the RCCTS route, and is within walking distance to the beach and foreshore precinct. Walking or cycling to the city centre is difficult.
- Fit for purpose – aligns with the City's objectives of achieving a more consolidated urban form; promoting the City as a coastal tourism destination; local business development.
- Infrastructure – close to waterfront precinct.

Interim uses

Table 12 - Interim uses options for Waterfront Village.

	Short stay accommodation	Pop-up commercial lease	Dedicated space for public markets and festivals	Public open space	Car park	Arts and crafts precinct and studios	Modular build-to-rent accommodation
Suitability	Good	Good	Low	Low	Low	Good	Good
Notes	Excellent proximity to the waterfront.	Hospitality options would create vibrancy. See case studies.	The adjacent Bell Park reserve already serves this function.	The adjacent Bell Park reserve already serves this function.	Ample car parking nearby. Fails to create vibrancy.	Helps create vibrancy at the waterfront precinct.	Create density and improved accommodation options in the precinct.

Opportunities and barriers

- Parking in lieu requirements does not apply in this area, meaning the developer does not have to follow the normal PIL scheme.
- Returns on sales are considerably higher for Site 2, creating more opportunities for the developer to build something unique and extensive.
    - With the same cost per sqm, the developer can construct at a higher price per sqm and still return a positive NPV. There is therefore scope for a larger development than nominated by Hames Sharley.

- The developer can budget for higher development costs and still be commercially viable. These margins may allow for a unique and exciting development.

Summary of commercial viability

- Evidence suggests a moderate risk-tolerant investor would regard this scenario as a potentially attractive investment.
- High property sales allow for higher development costs per sqm, allowing for a broader range of development/construction opportunities and still being commercially viable.

Site 3 – Coastal lots

Table 13 – Site Summary

Site	Street address	Sub Precinct	Proposed zoning	Existing density	Proposed density
Lot 190-191 Lewington Street Suburban development close to the waterfront.	10 Lewington St	P3 Coastal lots	Residential R80	536	1,762

The site consists of two lots with a laneway running behind it, and has been proposed as:

- Option 1 - Single Lot Apartments = 8 dwellings
    - 6 x 2 beds and 2 car bays
    - 2 x 1 bed and 1 car bay
- Option 2 - Amalgamated Lot Grouped = 16 dwellings
    - 12 x 2 beds and 2 car bays
    - 4 x 1 bed and 1 car bay

Construction costs have been estimated from BMTQS Construction Cost Table.
The following sales price for apartments has been used:

- 1 Bedroom: $300,000. [9]
- 2 Bedroom: $500,000. [10]

[9] Source: FAR Lane research based on Realestate.com.au, 2021, https://www.realestate.com.au/buy/property-unit+apartment-in-rockingham,+wa+6168/list-1
[10] Source: FAR Lane research based on Realestate.com.au, 2021, https://www.realestate.com.au/buy/property-unit+apartment-in-rockingham,+wa+6168/list-1

Commercial viability

Option 1 - Single Lot Apartments

The below analysis suggests the project has an NPV of up to $1 million, which would be attractive for developers and investors.

Table 14 - Discounted Cash Flow analysis and net present value (NPV) of the project for the Single Lot Apartment (Coastal lot)

	Year 0	Year 1
Capex		
Cost of land	$ 470,000	
Building	$ 1,452,220	
Car park (at grade multi-storey)	$ 420,000	
	$ 2,342,220	
Revenue from Sales		
2 bedrooms		$ 3,000,000
1 bedroom		$ 600,000
		$ 3,600,000
Total Cash flows		
Present Value	-$ 2,342,220	$ 3,600,000

Discount rate	NPV
5%	$ 1,034,620
7%	$ 955,389
10%	$ 845,916

Source: BMTQS 2021 *Construction Cost table*, DPLH 2021, Landgate 2021, Far lane 2021.

Table 15 - Economic impact from construction costs

Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect

Output ($M)	$1.872	$1.275	$0.312	$3.459
Employment (Jobs)	$2.34	$1.38	$0.33	$4.05
Wages and Salaries ($M)	4	3	1	8
Value-added ($M)	$0.30	$0.28	$0.08	$0.66

Source: Remplan 2021.

Construction of the development shows a mild economic impact on Rockingham's economy contributing to an additional total effect of approximately $3.50 million in output as well as an additional 8 jobs (FTE).

Option 2 - Amalgamated Lot - Grouped

The below analysis shows the development has an NPV of up to $2.9 million, which is very attractive for developers.

Table 16 - Discounted Cash Flow analysis and net present value (NPV) of the project for the amalgamated development (Coastal lot)

	Year 0	Year 1
Capex		
Cost of land	$ 940,000	
Building	$ 2,904,440	
Car park	$ 840,000	
	$ 4,684,440	
Revenue		
2 beds		6,000,000
1 Bed		1,200,000
		7,200,000
Total Cash flows		
Present Value	-$ 4,684,440	$ 7,200,000

Discount rate	NPV
5%	$ 2,069,241

7%	$ 1,910,778
10%	$ 1,691,831

Source: BMTQS 2021 *Construction Cost table*, DPLH 2021, Landgate 2021, Far lane 2021.

Table 17 – Economic impact of development

Impact Summary	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output ($M)	$4.68	$2.75	$0.67	$8.10
Employment (Jobs)	7	6	2	15
Wages and Salaries ($M)	$0.60	$0.57	$0.15	$1.31
Value-added ($M)	$1.77	$1.02	$0.39	$3.19

Source: Remplan 2021.

Construction of the development shows a mild economic impact on Rockingham's economy, with the total effect of approximately $8 million in output as well as an additional 15 local jobs (FTE).

Parking bay considerations

- Underground parking is double the price as at grade multi-story parking. For underground parking to be viable it must be reflected in the returns of sales, which will be influenced by the demand for car bays.
- Improvements to Rockingham's public transport networks may impact this in the long term.

Table 18 - Parking cost variance for the amalgamated lot with 28 car bays.

	At grade	At grade multi-story	Underground
Cost per bay	$ 4,500	$ 30,000	$ 60,000
Total	$ 126,000	$ 840,000	$ 1,680,000

Source: DPLH 2021.

Strategic alignment

- Uniqueness – Higher density coastal lots will increase Rockingham's uniqueness. The block is also located next to Amawind Self Contained

Apartments, which suggests viability to host short stay accommodation and Air BNB facilities.

- Connectivity – located close to the RCCTS route, and is within walking distance to the beach and foreshore precinct. Walking or cycling to the city centre is difficult.
- Fit for purpose – aligns with the City's objectives of achieving a more consolidated urban form, and facilitating an increased number of people both living and working in the same place.
- Infrastructure – Close to the waterfront and several amenities such as the bowls club. Two storey apartments on the corner block (near bowls club) and the block behind, including some which are currently being used for short stay accommodation (see above).

Interim uses

Not applicable at this site as there is limited vacant land.

Opportunities and barriers

- Good location for Airbnb style short stay accommodation.
- Laneway gives broader car park development opportunities.

Summary of commercial viability

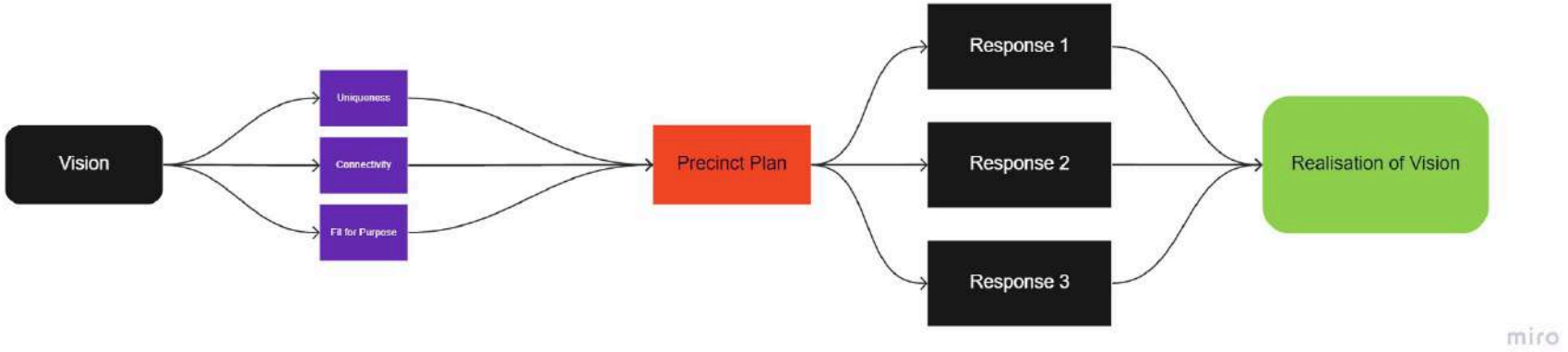
- Evidence suggests a moderate risk-tolerant investor would regard this scenario as a potentially attractive investment for both Option 1 (Single Lot of eight apartments) and Option 2 (Amalgamated Lot Grouped of 16 dwellings).
- Depending on project timeframes, good interim use for the lot is short-stay accommodation alternatives and modular build-to-rent accommodation.

8. KEY TAKE-AWAYS

- City Centre sales prices for apartments are currently not high enough to justify the construction of basement parking (noting this is not the case for the waterfront precinct, which is not subject to PIL). This may change in the longer term.
- Consideration of project timeframes is required to identify appropriate interim uses for vacant lots.
- Medium to long term interim developments can enhance vibrancy within the city centre and increase land and property values, until such time the project becomes feasible for development.
- Modular constructions provide cheaper and quicker development than regular construction that can also create vibrancy for interim use sites.
- Generally speaking, parking assets are capital intensive and requires generating substantial revenue to realise a return on capital over time. Future technology and disruptive innovations are likely to change the need for parking as there will be new ways to travel. Treating parking assets as an interim use allows for redevelopment/alternative uses as transport technologies evolve.

1. TECHNICAL APPENDICES - ECONOMIC ASSESSMENT FRAMEWORK

Figure 2 – Economic Assessment Framework



Source: FAR lane 2021.

The assessment framework is designed to ensure the PSP addresses the City's vision for the RSC. It consists of the following steps:

1. Understand the City's vision for the RSC and region.
2. Assess the RSC against the key criteria of Uniqueness, being Fit For Purpose, and Connectivity (see below) to determine alignment with the vision.
3. Outline the key responses in the PSP that will have the most impact in achieving the City's vision.

Examining the Precinct Structure Plan's Uniqueness, Connectivity, and whether it is Fit For Purpose allows us to assess whether it will increase the RSC's competitiveness and resilience, and therefore its likelihood of achieving the City's strategic vision.

Uniqueness - What a centre, place or economy has that others do not.

Uniqueness is an important foundation for utilising competitive advantages in industry specialisation (see below). Uniqueness is also important in terms of cultural diversification, including different lifestyles, preferences and needs of a population. Therefore, it is important to not impose a one-size-fits-

all approach to ensure all sections of society are catered for, and to create different and unique places. This results in increased and higher quality social and economic transactions. Uniqueness also provides a foundation to ensure a vibrant local business community that attracts start-ups and events, minimising consequences from external shocks. The Precinct Plan should therefore consider:

- What are the existing characteristics that can be leveraged to enhance its Uniqueness in the future? And on this basis:
- Does the proposed development contribute and enhance the economy and centre's Uniqueness?

Connectivity - How the resident catchment and other businesses interact and connect with the centre.

Connectivity is important for precinct development as it ensures local catchment residents can efficiently connect with businesses and services, and that the workforce can efficiently access their place of work. This supports a broader range of local employment options, resulting in increased competitiveness and resilience to shocks. The PSP should therefore consider:

- Does the proposed project have adequate public transport connection, footpaths, cycling infrastructure and roads?
- Does the proposed project enhance Connectivity to other precincts?
- Does the proposed project facilitate new, or utilise existing, infrastructure to meet the needs of current and future types of businesses?
- What are the Connectivity barriers related to the proposed project that could hinder access to markets?

Fit For Purpose - How a centre, place or economy meets the specific needs of a centre's residents, workers, businesses, and visitors.

For a centre to be Fit For Purpose, it needs adequate infrastructure, configuration and alignment that meets local needs and attracts activity to the centre. This helps provide a strong foundation for competitiveness. The PSP should therefore consider:

- Do the centre's current activities meet catchment residents' demands, and provide businesses and the workforce with adequate development opportunities?
- Does the current infrastructure and services attract and support investment?
- How does the centre align with Rockingham's activity centre hierarchy and economic development goals and objectives?

The three above characteristics can create a comparative advantage that leverages Rockingham's economy, eliciting an advantage in producing goods and services. Creating economic impact from exports or place-related opportunities depends on the local economy's capacity to leverage/develop comparative advantages. Therefore, supporting and developing sustainable comparative advantages is crucial to ensuring Rockingham's economy can

remain competitive (across both local and traded economies) and be resilient to future shocks. For Rockingham, this is particularly the case for further developing Defence and Road Freight industries.

The PSP should therefore consider:

- Does the activity enhance the industry's comparative advantages (existing or emerging) to support traded economy opportunities?
- Does the proposed centre enhance the characteristics and skillsets of the local workforce through infrastructure and employment?
- Does the proposal contribute to local land and natural resources that are relevant to industry comparative advantages?
- Does the proposal support productive and dynamic efficiency of businesses, effective density, anchor businesses/industries and amenitiesfor business, workers, and residents?