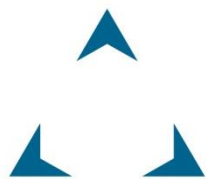


Retail & Commercial Study for Camden Town Centre

Camden Council

**Economic Feasibility Report
November, 2014**



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Executive Summary

Background and Overview

In August 2014, AEC Group completed the Camden Town Centre Opportunities and Issues Paper (the Paper) for the Camden Town Centre. The purpose of the Paper was to identify the current situation and activities undertaken in the Town Centre and provide an assessment of the strengths and weaknesses based on an analysis of the economic structure and property market characteristics of the centre.

The Paper also examined issues faced by the Town Centre (such as the relocation of Council administrative functions to Oran Park in 2016) and outlined future opportunities to be explored to help inform the strategic vision and long term planning for the Camden Town Centre.

This report builds on the Opportunities and Issues Paper by investigating potential development opportunities within Camden and provide a series of recommendations to help accommodate growth and facilitate renewal in the Town Centre.

Growth Opportunities

Drivers to Sustainability and Growth

At present, a major driver of Camden's sustainability is the local residents and workers, visitation to the Town Centre dominated by the local community. JBA's pedestrian survey indicates some 83% of those patrons surveyed in the Town Centre either live or work in the local catchment.

While the local community will continue to drive the weekday trade environment, visitors from outside the catchment will become increasingly important for the Town Centre's future resilience and sustainability.

Local residents and workers (i.e. those from the local catchment) are expected to have most impact on daily (weekday) trade. Visitors who have business dealings with establishments in the Town Centre (e.g. banking, professional services) are also among those that drive economic activity during the week. This patron profile is consistent with Camden being more of an 'internal retail community'.

Local residents and visitors from beyond the local catchment are expected to drive a large proportion of Camden's weekend trade. Accordingly, attractors that are of a 'higher impact' are required to attract visitors from beyond to make Camden a destination retail location.

Potential Investors and Barriers to Investment

Given the unique competitive advantages of the Camden Town Centre of being able to offer a unique retail experience, there are three main focal points for attracting future investment in the town centre, including:

- Encouraging/support existing businesses to expand.
- Attracting new property investors and developers.
- Attracting new investment and employment from prospective future tenants.

Each of these areas will require specific marketing messages and unrelated activities as each group is unique.

There are numerous barriers to investment in the Town Centre. Many of these barriers are out of the control of local government and based either on market fundamentals (in terms of property development) and/or business practices of tenants.

The barriers/threats to investment include:

- Fragmented land ownership patterns and small allotment sizes are serious challenges for land assembly.

- 'Built up' nature of the Town Centre, necessitating increased densities or intensified use to make redevelopment feasible.
- Parts of the Town Centre within the floodplain, thereby subject to limited development potential.
- Development constraints associated with heritage items. This has implications for proposed alterations/expansions by existing businesses as well as for new development.
- Regulatory environment (planning controls that limit development to 7m heights).
- Limited trading hours on weekends.
- Imminent departure of Council staff on relocation 2016, impacting the viability of weekday trade.

At a local level, there are few options to mitigate against the first three barriers of investment. However, efforts should be made around improving local business competitiveness, adaptive capability and encouraging innovation as well as ensuring the most business friendly regulatory environment possible.

Initiatives to bolster local visitation during the week in the first instance will give existing businesses confidence which underpins decisions for reinvestment and expansion. A sufficient critical mass of patrons to the Town Centre then creates opportunities for new businesses in search of a location. It is equally important for Camden's built form to be able to respond and accommodate business floorspace requirements. Existing planning controls do not necessarily facilitate feasible redevelopment and could be reviewed.

Recommendations

Actions that could be pursued immediately are those aimed at bolstering patron numbers, drawing visitors into the Town Centre from within the local catchment. Engagement with major employers and institutions (e.g. Camden Hospital, Sydney University, Bicentennial Equestrian Park) to encourage staff and employees as well as visitors to these institutions to visit the Town Centre have the potential to significantly increase its patronage.

Council recognises the opportunity of leveraging these assets for the Town Centre's continued viability and intends to commence planning for their future use. There are a number of methods in which future use of Council's assets could be delivered - by Council as proponent or divestment to a private investor through lease or sale.

A planning framework that is conducive to development will attract future investment. There are a number of constraints (environmental and heritage) that impede the development potential of some properties in the Town Centre, however there are nevertheless opportunities for renewal where development can be intensified to accommodate a mix of new uses.

Considering the heritage and environmental constraints that implicate the potential for development in the Town Centre, it is recommended that an urban design and heritage study be undertaken to identify opportunities for development. Once identified, these opportunity sites can be examined to establish minimum density thresholds required to be an attractive proposition to stimulate private investment.

Council support for local business throughout is imperative. Flexibility will assist businesses remain competitive as well as encourage new businesses to start up. As an established market takes shape in the Town Centre, the floorspace needs of new and existing businesses will change accordingly. It is essential that the planning framework is able to respond and accommodate that need.

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1. Introduction

1.1 Background

Camden is located approximately 65km to the south-west of the Sydney CBD. Established in the mid-1800s, it grew to become the main centre for the Camden local government area (LGA). However, with the establishment of new centres at nearby Narellan and Mount Annan in the early 1990s, the primacy of Camden as a retail destination started to decline.

With the ongoing development of the South West Growth Centre (SWG) including centres at Oran Park and Leppington, Camden is likely to face continued challenges as these newer centres compete with it for not only retail and commercial activity, but also for community and government facilities. This is evidenced by council's recent decision to relocate its administration building from Camden to Oran Park in 2016, a move which will see loss of 110 workers from the town centre and consequent flow on economic impacts.

In addition to the presence of two major supermarkets and representation from major banks, a number of community facilities are located in and close to the town centre, including sporting and recreational facilities such as a public swimming pool, library and school. Importantly, Camden Hospital is also located in the town centre. The Camden Hospital is a 74-bed facility, accommodating 69,000 patients a year and specialising in aged care and rehabilitation, palliative care and medical outpatients.

Critically, the Town Centre has a distinctly different character and townscape than other more recent nearby centres, with a semi-rural setting, an attractive, tree lined main street (Argyle Street) that is pedestrian friendly where people are comfortable spending time in.

1.2 Structure of the Study

In August 2014, AEC Group completed the Camden Town Centre Opportunities and Issues Paper (the Paper) for the Camden Town Centre. The purpose of the Paper was to identify the current situation and activities undertaken in the Town Centre and provide an assessment of the strengths and weaknesses based on an analysis of the economic structure and property market characteristics of the centre.

The Paper also examined issues faced by the Town Centre (such as the relocation of Council administrative functions to Oran Park in 2016) and outlined future opportunities to be explored to help inform the strategic vision and long term planning for the Camden Town Centre.

Purpose of this Report

This report builds on the Opportunities and Issues Paper by investigating potential development opportunities within Camden and provide a series of recommendations to help accommodate growth and facilitate renewal in the Town Centre.

The purpose of the report is to identify key drivers that could help drive growth in the Town Centre, including potential catalyst developments and land use policy amendments required to facilitate the same.

This report should be read in conjunction with the Opportunities and Issues Paper.

This report is informed by AEC's research as well as JBA's consultation and engagement with businesses and visitors to the Camden Town Centre. Together with the Opportunities and Issues Paper, the findings of this report will assist Council as it plans for a sustainable future for Camden Town Centre.

2. Opportunities and Issues

A number of opportunities and issues were identified in the Paper.

While an expanded retail offer will be required to draw more visitors from beyond the Camden local area, there are conceivably already large numbers of visitors to Camden who do not specifically visit the Town Centre due to:

- Sole focus on their specific reason for visiting Camden, whether to the Camden Hospital, Bicentennial Equestrian Park, Sydney University, etc.
- Lack of awareness of the Town Centre's retail offer and experience.
- Lack of alignment between special events and Town Centre trading hours.

The Paper recommended that steps be taken to strengthen linkages between major employers and the Town Centre, encouraging already present staff, residents and visitors to visit the Town Centre.

While existing and future demand for a range of uses has been identified (retail, commercial suites and multi-unit residential) in the Town Centre, the availability of suitable development sites to accommodate new development is particularly constrained by:

- Floodplain and environmental considerations.
- Heritage values and constraints.
- Density controls that limit development to two storeys.

This report examines potential development scenarios and evaluates the feasibility of development opportunities in the Town Centre, identifying potential incentives and necessary changes to planning policy as required.

3. Development Opportunities

The existing built form in Camden Town Centre is characterised by one and two storey strip retail shops, low rise commercial buildings and freestanding cottages, many of which are recognised to be of heritage value.

This Chapter examines the requirements in order for new development in the Town Centre to be feasible. These requirements are then compared to that which is permitted in current planning controls.

3.1 Existing Planning Controls

The Camden Local Environmental Plan (LEP) 2010 is the statutory planning instrument which regulates and guides development in the Camden Town Centre. The central core of the Town Centre is within a B2 Local Centre zone with the fringe of the town located in a B4 Mixed Use zone.

3.1.1 Objectives of Zones

The objective of the B2 Local Centre zone is as follows:

- To provide a range of retail, business, entertainment and community uses that serve the needs of people who live in, work in and visit the local area.
- To encourage employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To ensure that mixed use developments present an active frontage to the street by locating business, retail and community uses at ground level.
- To minimise conflict between land uses within the zone and land uses within adjoining zones.
- To enable other land uses that are complementary to and do not detract from the viability of retail, business, entertainment and community uses within the zone.

The objective of the B4 Mixed Use zone is as follows:

- To provide a mixture of compatible land uses.
- To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.
- To minimise conflict between land uses within the zone and land uses within adjoining zones.
- To encourage development that supports or complements the primary office and retail functions of the local centre zone.

3.1.2 Density Controls

The LEP currently does not have floor space ratios for the Camden Town Centre. Rather, density of development is controlled by height limits and various other planning controls as stipulated in the Camden Development Control Plan (DCP) 2011.

The LEP limits the Camden Town Centre to a maximum building height of 7m (or 2 storeys). This impacts directly on the feasibility of redevelopment.

3.1.3 Heritage Controls

The majority of the Camden Town Centre is included in a Conservation Area with a number of sites included as general heritage items. Those sites included in the Conservation Area are regulated by heritage controls included in the Camden Development Control Plan (DCP) 2011. It is stipulated that future development must respect the traditional village character of Camden, particularly heritage listed facades which should be retained where possible.

3.2 Market Conditions and Activity

The Camden Town Centre provides a unique retail experience in a semi-rural setting and a palpable sense of community unrivalled in shopping malls. While the Narellan Shopping Centre is the major retail centre servicing the local Camden community, accommodating major brands and national retailers, the Camden Town Centre incorporates a high street retail strip incorporating a range of cafés and restaurants and boutique retailers.

Owing to floodplain and heritage constraints, development in the Town Centre has been constrained, thereby putting demand pressure on the existing stock of floorspace. Existing planning controls which limit building heights to two storeys (7m) are conceivably also a constraint on development.

The following are key findings of AEC's property market research:

- Although tenancies within arcades in low exposure positions can struggle to be re-absorbed following relocation by a tenant, the constrained supply of retail floorspace has led to a tightly held market.
- Market signals (prices, rents and vacancies) suggest popularity for small commercial suites which has underpinned demand. Rents for small commercial suites outperform similar space in Narellan.
- Residential options in the Town Centre are limited, with only a couple of residential unit blocks. There are freestanding dwellings in the Town Centre, many of which have been converted to commercial use.

Research identifies that underlying demand for retail, commercial and residential floorspace is positive. There are however challenges to increasing the supply of floorspace, including environmental and heritage constraints as well as commercial feasibility within the current planning framework.

3.3 Potential Development Types

Having regard to the historic character of Camden Town Centre, several development types are investigated for their ability to facilitate and accommodate economic activity that will contribute to sustaining the Town Centre.

- **Mixed use development**
Both the B2 and B4 zones permit residential uses that are combined with retail/commercial. For the purposes of market and feasibility investigations, ground floor retail is assumed with separate access to residential units above. Car parking is assumed to be accommodated within the site at basement level.

Owing to existing land values, the viable development of new ground floor retail is often required to be cross-subsidised by residential uses.
- **Residential development**
Various residential typologies (townhouses and apartments) are investigated for market feasibility.
 - Townhouses
A mix of 2 and 3 bedroom townhouses with larger floorplates than apartment units. Car parking is contained at ground level and is integrated as part of dwelling design.
 - Apartments
A mix of 1, 2 and 3 bedroom units. Car parking is accommodated at basement level.

3.4 Feasibility Testing

This following section explains the methodology and criteria used to assess the financial viability of each development type and the subsequent modelling results. Feasibility testing assumes that the sites are purchased without development consent but that the planning controls facilitate development as proposed.

The feasibility testing effectively allows for appropriate time to secure a development application before construction can commence, no time allowance for rezoning/amendment to planning controls.

3.4.1 Methodology and Definitions

To undertake this analysis, AEC has adopted the Residual Land Value approach utilising the industry standard Estate Master Development Feasibility software.

The Residual Land Value approach of feasibility assessment involves assessing the value of the end product of the development, allowing for development costs and making a further deduction for profit and risk that a developer would require to take on the project. The amount that remains, i.e. the 'residual' is the amount that a developer would be prepared to pay in exchange for the opportunity to develop the site.

Based on the scale and location of the project, hurdle rates of 18% are assumed as market-acceptable development margin and discount rates.

For more detailed description of the methodology, assumptions and hurdle rates refer to Appendix A.

'As Is' Land Values v Residual Land Values

The assessment of financial viability of redevelopment is carried out by comparing the residual land value with the 'as is' land value of sites.

Development options that return higher residual land values than the 'as is values' are considered financially viable as it implies that they are a 'higher and better use' than current use, thus providing an incentive for their development and renewal.

In other words, in order for existing uses to be displaced and for a site to be redeveloped, the residual land value should exceed that of its existing value.

3.4.2 Notional Development Options and Sites

For the purposes of feasibility testing, two notional sites (1,250sqm in site area) are assumed to be acquired for development:

- A residential (cottage) site on Elizabeth Street (on the fringe of the town centre).
- A retail/commercial site on John Street (within the core of the town centre).

The following development options are considered in the feasibility testing for each site. Options 1-4 are residential-only development options while Options 5-7 are mixed use development options.

Table 3.1: Notional Development Options

Development Options	1	2	3	4	5	6	7
Development Type	Residential				Mixed Use		
No. of Units	23	32	39	16	22	30	38
Residential Type	units	units	units	townhouses	units	units	units
Retail GFA (sqm)	-	-	-	-	100	100	100
FSR	1.5:1	2.0:1	2.5:1	1.4:1	1.5:1	2.0:1	2.5:1
Notional Height (storeys)	3	4	5	2	3	4	5
Compliant with LEP	No	No	No	Yes	No	No	No

Source: AEC

The results differ for each site tested, primarily due to different 'as is' values. The 'as is' value of the residential site is assumed to be in the order of \$1m (\$800/sqm of site area) while the value of the retail/ commercial site is assumed to be in the order of \$3.8m (\$3,000/sqm of site area).

The results of the feasibility testing are summarised below.

Table 3.2: Feasibility Modelling Results (Residential Options)

Development Parameters	Option 1	Option 2	Option 3	Option 4
Site Area (sqm)	1,258	1,258	1,258	1,258
Number of units	23	32	39	16
Type of residential	Apartments	Apartments	Apartments	Townhouses
FSR	1.5:1	2.0:1	2.5:1	1.4:1
Notional Height (storeys)	3	4	5	2
Performance Indicators (on residential site)				
Development Margin	18.0%	18.0%	18.0%	-6.3%
Internal Rate of Return (IRR)	24.3%	23.4%	23.7%	0.2%
Residual Land Value	\$614,000	\$1,062,000	\$1,215,000	\$600,000
Residual Land Value (\$/sqm)	\$488	\$844	\$965	\$477
Feasibility	Not feasible	Feasible	Feasible	Not feasible
Performance Indicators (on retail/commercial site)				
Development Margin	-22.2%	-10.7%	-5.4%	-41.9%
Internal Rate of Return (IRR)	-12.2%	-2.5%	1.9%	-32.7%
Residual Land Value	\$939,119	\$1,461,170	\$1,722,367	-\$119,075
Residual Land Value (\$/sqm)	\$746	\$1,161	\$1,369	-\$95
Feasibility	Not feasible	Not feasible	Not feasible	Not feasible

Source: AEC (2014)

Table 3.3: Feasibility Modelling Results (Mixed Use Options)

Development Parameters	Option 5	Option 6	Option 7
Site Area (sqm)	1,258	1,258	1,258
Number of units	22	30	38
Retail GFA 9sqm)	100	100	100
FSR	1.5:1	2.0:1	2.5:1
Notional Height (storeys)	3	4	5
Performance Indicators (on residential site)			
Development Margin	18.0%	18.0%	18.0%
Internal Rate of Return (IRR)	26.3%	24.9%	24.7%
Residual Land Value	\$281,000	\$693,000	\$889,000
Residual Land Value (\$/sqm)	\$223/sqm	\$551/sqm	\$707/sqm
Feasibility	Not Feasible	Not Feasible	Feasible
Performance Indicators (on retail/commercial site)			
Development Margin	-25.0%	-13.7%	-7.8%
Internal Rate of Return (IRR)	-15.3%	-5.3%	-0.3%
Residual Land Value	\$663,989	\$1,159,837	\$1,451,792
Residual Land Value (\$/sqm)	\$528	\$922	\$1,154
Feasibility	Not feasible	Not feasible	Not feasible

Source: AEC (2014)

3.4.3 Summary of Findings

The findings of the feasibility testing can be summarised as follows:

- **Residential-only development**

New apartments are comparatively more feasible to develop than townhouses. This is due to higher densities required to displace existing uses, apartments responding better to density than townhouses.

Development of residential units at FSR 1.5:1 or less is not feasible on either site tested.

On the residential (cottage) site, residential-only development at an FSR upwards of 2:1 is feasible. On the retail/commercial site, residential-only development is required to be at least FSR 4:1 to be feasible.

- **Mixed use development**

Owing to slightly lower end sale values of commercial space compared to residential floorspace, the density threshold (i.e. minimum FSR) for feasible development is higher than that of residential-only development. Car parking requirements for retail/commercial uses is also higher than for residential, resulting in more basement parking required. Unless the additional cost in parking is sufficiently offset, provision of retail/commercial space can detract from feasibility.

On the residential (cottage) site, mixed use development at an FSR upwards of 2.5:1 is feasible. On the retail/commercial site, mixed use development is required to be at least FSR 5.5:1 to be feasible.

A notable observation is that all feasible development options are not compliant with current LEP controls, all breaching the height controls of 7m (2 storeys).

4. Growth Opportunities

Camden's economic future is not a given, it needs to be protected and nurtured. The property market has a role to play through provision of good quality buildings and places.

There is a delicate and necessary relationship between demand for retail/commercial floorspace and demand for retail goods and services. The ability for the property and development market to respond to floorspace demand is critical; any impediments in the process should be identified and reviewed.

This chapter examines the role the property and development market can play to accommodate and encourage growth opportunities in the Town Centres.

4.1 Stakeholder Engagement

As part of the project, stakeholder engagement was undertaken by JBA including two separate workshops and an e-survey report. Key findings from the stakeholder engagement which are relevant to this report are summarised below:

- Focus on town atmosphere and sense of community to set Camden apart from Sydney.
- The need for public realm improvements including bike paths, footpaths and town beautification projects at strategic locations.
- More specialty shops and tourist attractor facilities such as arthouse cinemas.
- More hotels and tourist accommodation in the Town Centre.
- More cultural attractors such as art galleries and pop up events.
- An education hub to attract younger people to the town.

4.2 Constraints to Development

There has been a dearth of development in the Town Centre, indicative of a variety of issues - lack of suitable sites, modest developer interest as well as environmental, heritage and planning constraints.

The following issues challenge development in the Camden Town Centre, in many cases planning intervention required for feasible development.

- **Site assembly**
Acquisition of land and site assembly is a high risk and high resource activity for developers, particularly where numerous parcels of land are to be amalgamated prior to development. Sites on the fringe of the Town Centre (those in residential use) are cheaper to assemble, hence density thresholds for development are comparatively lower than for retail/commercial sites in the core of the Town Centre.
- **Site constraints**
The location of the Town Centre within the flood plain is a severe constrain on the ability of sites to be developed. Additionally, many sites are constrained by heritage conservation requirements.
- **Planning constraints**
Height controls currently restrict development to no more than 7m (or two storeys). Feasible development options (assessed in section 3.4) range from FSRs of 2:1 upwards, equating to more than two storeys. This suggests that current planning controls do not facilitate feasible development.

4.3 Drivers to Sustainability and Growth

At present, a major driver of Camden's sustainability is the local residents and workers, visitation to the Town Centre dominated by the local community. JBA's pedestrian survey indicates some 83% of those patrons surveyed in the Town Centre either live or work in the local catchment.

While the local community will continue to drive the weekday trade environment, visitors from outside the catchment will become increasingly important for the Town Centre's future resilience and sustainability.

While there are large numbers of visitors from beyond Camden¹, the majority of these visitors' primary purpose is to visit friends and relatives (70%). The Camden Town Centre can therefore be considered more of an 'internal retail community' than a destination retail location.

Different patron profiles have different impacts on the Town Centre's viability. Visitation and spending patterns by local residents/workers and by visitors impacts differently on the Town Centre's trading potential. Local visitation impacts greater on weekday trade while visitation from beyond the local catchment would have greater implications for weekend trade in the Town Centre. It is therefore useful to think of impact in these terms when considering initiatives to foster resilience and sustainability in the Town Centre.

Local residents and workers (i.e. those from the local catchment) are expected to have most impact on daily (weekday) trade. Visitors who have business dealings with establishments in the Town Centre (e.g. banking, professional services) are also among those that drive economic activity during the week. This patron profile is consistent with Camden being more of an 'internal retail community'.

Local residents and visitors from beyond the local catchment are expected to drive a large proportion of Camden's weekend trade. Accordingly, attractors that are of a 'higher impact' are required to attract visitors from beyond to make Camden a destination retail location.

- **Impact to weekday trade**

The departure of 110 Council staff will have a direct impact on Camden's weekday trade. Measures to stem the reduction in economic activity should be carried out to ensure 'replacement' patrons in the Town Centre as well as patronage exceeding current levels, thus enabling growth in the future.

- **Impact to weekend trade**

The attractiveness and unique experience offered by Camden have the potential to draw visitors from beyond the local catchment. This is however also subject to the type and attractiveness of the retail offer which underpin the ability to attract these visitors.

4.4 Potential Investors

Given the unique competitive advantages of the Camden Town Centre of being able to offer a unique retail experience, there are three main focal points for attracting future investment in the town centre, including:

- Encouraging/support existing businesses to expand.
- Attracting new property investors and developers.
- Attracting new investment and employment from prospective future tenants.

Each of these areas will require specific marketing messages and unrelated activities as each group is unique.

Council's role in supporting existing businesses, whether for existing or expanded operations, is important in a number of ways, in compliance and operational matters as well as consent authority for development applications. Flexibility and expeditious attention can help minimise operating costs for businesses and assist with competitive standing.

A planning framework that is conducive to development will attract future investment. There are a number of constraints (environmental and heritage) that impede the development potential of some properties in the Town Centre, however there are nevertheless opportunities for renewal where development can be intensified to accommodate a mix of new uses.

In order to attract visitors from beyond the local catchment, Camden's retail offer needs to be of 'high impact', offering an experience worthy of travel and distance. Potential

¹ 300,000 daytrip visitors and 50,000 overnight visitors in 2013 (TRA, 2014)

examples of 'high impact retail' include a wine and culinary centre, experience restaurants and a variety of events like jazz and music festivals, etc.

New businesses, particularly those that require significant capital on start-up will expectedly only invest in locations they are convinced will offer a viable business setting. For this reason, a sufficient 'critical mass' of patrons will need to be established - in the first instance during the week and building volume of trade on weekends. This pre-requisite will underpin decision-making by new 'high impact' retailers.

Our research and enquiries have shown that there is strong demand from commercial occupiers (e.g. professional practices, allied health providers), consistent with the service hub role that Camden plays. This underpins the need for additional good quality, contemporary commercial floorspace within the Town Centre.

There are numerous barriers to investment in the Town Centre. Many of these barriers are out of the control of local government and based either on market fundamentals (in terms of property development) and/or business practices of tenants.

The barriers/threats to investment include:

- Fragmented land ownership patterns and small allotment sizes are serious challenges for land assembly.
- 'Built up' nature of the Town Centre, necessitating increased densities or intensified use to make redevelopment feasible.
- Parts of the Town Centre within the floodplain, thereby subject to limited development potential.
- Development constraints associated with heritage items. This has implications for proposed alterations/expansions by existing businesses as well as for new development.
- Regulatory environment (planning controls that limit development to 7m heights).
- Limited trading hours on weekends.
- Imminent departure of Council staff on relocation 2016, impacting the viability of weekday trade.

At a local level, there are few options to mitigate against the first three barriers of investment. However, efforts should be made around improving local business competitiveness, adaptive capability and encouraging innovation as well as ensuring the most business friendly regulatory environment possible.

Initiatives to bolster local visitation during the week in the first instance will give existing businesses confidence which underpins decisions for reinvestment and expansion. A sufficient critical mass of patrons to the Town Centre then creates opportunities for new businesses in search of a location. It is equally important for Camden's built form to be able to respond and accommodate business floorspace requirements. Existing planning controls do not necessarily facilitate feasible redevelopment and could be reviewed.

4.5 Recommendations

A multi-pronged approach is required to foster and support increased retail and commercial activity in the Town Centre. This Study makes recommendations in two categories, designed to assist Council prioritise its actions over the immediate 12 months and as it structures longer term initiatives.

4.5.1 Short Term

Actions that could be pursued immediately are those aimed at bolstering patron numbers, drawing visitors into the Town Centre from within the local catchment. Engagement with major employers and institutions (e.g. Camden Hospital, Sydney University) to encourage staff and employees as well as visitors to these institutions to visit the Town Centre have the potential to significantly increase its patronage. This target market is already present in Camden on other business and in some respects could be considered a 'captive market'.

There is an evident events-culture present in Camden, with numerous festivals and events organised by Council and other organisations throughout the year. The Bicentennial Equestrian Park plays host to a large number of these events, attendance understood to be in the thousands for major signature events.

Coordination within Council, with businesses and with organisers of events could target to build an awareness among event participants and businesses in the Town Centre to facilitate capture of trade during events. An alignment of trading hours with those of event times would be imperative.

Council support for local business (both existing and new) is important to facilitate competitiveness and encourage private investment.

Council's departure to Oran Park will release for occupation its chambers (Macaria) and the former SES building, both on John Street. Together with the Camden Civic Centre, these assets are located in a cluster that lends itself to assisting with revitalisation of the Town Centre.

Council recognises the opportunity of leveraging these assets for the Town Centre's continued viability and intends to commence planning for their future use. There are a number of methods in which future use of Council's assets could be delivered - by Council as proponent or divestment to a private investor through lease or sale. The following principles are suggested for each asset.

- **Macaria**

By virtue of its location and architectural quality, Council's chambers buildings presents a prime opportunity to be a commercial and retail hub.

Retail-type uses are recommended to, subject to heritage requirements and costs to adapt, be accommodated in the front portion of the building (e.g. wine and culinary centre, boutique retail) as these uses facilitate visitation by the public at large, enabling visitors to embrace the building's history and heritage values. Accommodation of commercial tenancies within this front portion of the building would limit the visitation and appreciation of the building, as only people who work there or visitors carrying out business with the occupants would visit the building.

There is an opportunity to assist with generating local employment and economic outcomes by accommodating various commercial uses within the rear portion of the building. Refurbishment of the existing building to offer quality, contemporary commercial suites could accommodate a mix of uses including professional suites, telecommuting, medical suites, start-up businesses, etc. Depending on the eventual mix of floorspace, a variety of lease tenures could be considered to cater to short term and longer term accommodation needs.

- **Former SES (family day care building)**

This asset is located at a prominent corner and could accommodate commercial/community uses to complement its position within a community hub (proximate to Camden Civic Centre and swimming pool).

Current planning controls do not facilitate feasible redevelopment. Should Council have aspirations for redevelopment on this site, Council could consider reviewing existing density controls.

- **Camden Civic Centre**

The civic centre is Camden LGA's sole cultural and performing arts asset. While offering a good level of functional utility with its multiple rooms and meeting spaces, the civic centre is not utilised to capacity. Initiatives to increase utilisation to 'fill calendar gaps' could help raise the profile of the Town Centre and increase the visitor patronage pool.

The short term recommendations are principally aimed at generating increased patron numbers from within the local catchment. When there is a critical mass of patrons from which to capture trade, new retailers will be attracted to establish in Camden which will then lead to a more diverse retail experience. This has consequent implications for drawing visitors from beyond the local catchment in search of a unique retail experience.

4.5.2 Longer Term

Camden's strategic location just 20 minutes from the burgeoning South West Growth Centre puts it in an enviable position to capture weekend trade from this growing area. Over 140,000 dwellings are envisaged over the next 20 years, potentially adding almost 20,000 new residents each year.

While there is great potential to capture visitation for weekend trade in Camden, in order to generate repeat and habitual visitation, the retail offer needs to be 'high impact' in nature. This will attract people to drive a distance to Camden, as opposed to weekday patrons who already have business in Camden and the local catchment area.

Discussed above, 'higher impact' retailers will be attracted to locations where a market of sufficient size and depth already exists. Retail uses are self-perpetuating, once there is an established market, the market will respond accordingly.

Land use and planning policy is one of the tools available to Council to facilitate private sector investment. Planning controls that support viable redevelopment can help facilitate development and renewal in parts of the Town Centre that are underperforming.

The introduction of more residential uses in the Town Centre would contribute to increasing the local patronage pool and the generation of local economic activity.

- Generic feasibility testing suggests that for residential sites on the fringe of the Town Centre, densities of between FSR 2.0:1 and FSR 2.5:1 are required for feasible redevelopment of apartments and mixed uses respectively.
- In the case of commercial sites within the Town Centre, densities of between FSR 4.0:1 and FSR 5.5:1 are required for feasible development of apartments and mixed uses respectively.

Considering the heritage and environmental constraints that implicate the potential for development in the Town Centre, it is recommended that an urban design and heritage study be undertaken to identify opportunities for development. Once identified, these opportunity sites can be examined to establish minimum density thresholds required to be an attractive proposition to stimulate private investment.

Council support for local business throughout is imperative. Flexibility will assist businesses remain competitive as well as encourage new businesses to start up. As an established market takes shape in the Town Centre, the floorspace needs of new and existing businesses will change accordingly. It is therefore important that the planning framework is able to respond and accommodate that need.

References

TRA (2014). *Tourism Research Australia Online Database: Overnight Visitation and Domestic Day Visitation Statistics*. Tourism Research Australia (TRA), Canberra.

Appendix A: Feasibility Testing Assumptions

Modelling Assumptions

The feasibility testing involves assessing the value of the end product of the hypothetical development, and then deducting all of the development costs including site acquisition costs, site demolition, consultant fees for design and project management, developer levies and taxes, construction costs, and making a further deduction for GST, land holding costs, marketing and financing costs.

If the resulting profit from this feasibility analysis is large enough to meet the target hurdles (in this case the development margin), the project is considered financially viable for redevelopment.

Project Timing

Development application is assumed to be progressed immediately upon settlement with pre-sales occurring shortly thereafter. Construction is assumed to begin in Month 13 and span for 12 months, sale of remaining units to be completed immediately following.

Revenue Assumptions

- Residential end sale values:
 - 1 bedroom unit at \$355,000;
 - 2 bedroom unit at \$425,000;
 - 3 bedroom unit at \$540,000.
- Revenue was assumed to escalate at 4.0% per annum.
- It was assumed that 50% of apartments would be pre-sold prior to construction and the balance would be settled after construction at the rate of 10 units per month.
- Retail end sale value of \$3,500/sqm.
- Other revenue assumptions
 - GST is included on the residential sales.
 - Sales commission and legal costs on sales was included at 2.0% of gross residential sales and 1.5% of net retail sales.
 - Legal cost on sales was included at 0.3% of gross sales.

Cost Assumptions

- Land purchase cost assumed based on analysis of sales evidence of similar properties in the area. A residual land value that exceeds the land purchase cost is deemed to result in a feasible development.
 - Land purchase cost at \$800/sqm of site area for residential site on Elizabeth Street.
Based on an analysis of sales evidence of residential properties along Broughton and Elizabeth Streets, existing land values ('as is' land values) are estimated to be between \$700/sqm and \$900/sqm of site area depending on size, location and quality of improvements. Development options that return residual land values exceeding the 'as is' value range of \$700/sqm to \$900/sqm are considered to be feasible.
 - Analysis of sales evidence suggests that land values ('as is') for retail/commercial properties are in the order of \$2,500/sqm to \$5,000/sqm of site area. Sites commanding more than \$4,000/sqm in value imply the buildings are still of good economic useful life and are not as yet ripe for development.

As a result development options that return higher residual land values than the \$2,500/sqm to \$4,000/sqm bandwidth are considered financially feasible, being of

a 'higher and better' use than current use, facilitating incentives for their development and renewal.

Land purchase cost of \$3,000/sqm of site area for retail/commercial site on John Street is assumed.

- Legal costs, valuation and due diligence was assumed at 0.5% of land price and stamp duty was included. These costs to be paid at settlement assumed in Month 3.
- Cost escalation of 3% per annum was assumed to commencement of construction.
- Construction was assumed at \$2,000/sqm for residential development based on a medium finish. Retail construction was assumed at \$1,450/sqm including preliminaries and builder's margin.
- Basement car parking was included at \$40,000 per space. Podium car parking was included at \$20,000 per space.
- A further 2.0% of construction cost was included for site works, landscaping and services.
- A further 5% construction contingency allowance (to cover risks) was included.
- Professional fees and application fees at 8.5% of construction costs.
- Development management fee at 2% of project cost (excluding land and finance).
- Section 94A contributions were included at 1.0% of construction costs, development approval fees at 10% of s94A contributions.
- Advertising and marketing costs were included at 1.0% of gross sales.
- Land holding costs including land tax, Council and water rates based on assumed unimproved land values.
- Project contingency of 5.0% (of total project costs net of land and finance).
- Developers equity is assumed at 25% of land acquisition cost. Equity is progressively injected when required.
- The balance of project cost is assumed to be debt funded with interest capitalised monthly (nominal 7.5% per annum).
- Finance establishment costs at 0.35% of project debt.

Hurdle Rates and Performance Indicators

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate. A number of performance indicators are relied upon when ascertaining the feasibility or otherwise of a development.

- **Development margin** is the profit divided by total development costs (including selling costs).
- **Residual Land Value** – this has been assessed as current market value depending on the current use and has been kept in place across each scenario for the three development options in order to test the viability of a use and also to provide a constant for comparison purposes.
- **Development Profit** – this represents the total revenue less total cost including interest paid and received.
- **Discount Rate** – this refers to the project internal rate of return (IRR) at which the net present values of an investment becomes zero.

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