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MY PERSONAL INFORMATION BEFORE

PUBLICATION OF THIS SUBMISSION

NAME: WARDMAN INVESTMENTS
PTY LTD ACN 002 152 534
ADDRESS: SUITE C
LEVEL 1
144-148 WEST HIGH STREET,
COFFS HARBOUR
NSW 2450
DATE: 22 OCTOBER 2019

ATTENTION: DIRECTOR – KEY SITE ASSESSMENTS

PLANNING AND ASSESSMENT

**DEPARTMENT OF PLANNING, INDUSTRY AND ENVIRONMENT,
GPO BOX 39,
SYDNEY NSW 2001**

Dear Director,

State Significant Development Application Number SSD-10300.
Coffs Harbour Cultural and Civic Space.

I object to this proposal and desire and request that a public hearing be held.

The reasons why I object to this proposal are:

Population growth, and impact on traffic movements and car parking.

The projected population growth will accelerate the growth in number of vehicles and vehicle movements in the CBD. It will also significantly increase the demand for parking spaces in the CBD.

The modelling shown in the DA documentation is optimistic to the extent that the projected increase in vehicle movements is less than the trendline that has been witnessed over the last 10 years.

The DA documentation understates the traffic congestion that will arise if the forecast visitor numbers and population growth are achieved.

Alternate forms of transport

The understated traffic numbers appear to be based on alternate forms of transport emerging in the near future.

Whilst it is probable that such alternate forms of transport will emerge in the medium to long term, it is extremely unlikely to occur in the short-term (5 to 15 years).

On that basis, if the projected visit numbers are achieved, there will be unacceptable levels of congestion, and insufficient car parking spaces (in the vicinity of the development) in the short term.

Flooding

The flood study in the DA documentation is based on rainfall data measured over the past century. While on face value, this appears to be adequate, it ignores the evidence that major rainfall events are increasing in frequency and in intensity. That trendline will lead to a situation where the subject land will no longer be flood free.

Councils climate change policy.

It is commendable that Council has adopted a climate change policy.

At last reading, that policy set out a prediction that sea level in the LGA region will rise by approximately 1 m by 2100.

Recent reports by the intergovernmental body addressing climate change are now predicting sea level rises greater than 1 metre by 2100.

On that basis, the marginal adequacy shown in the DA flood study will become seriously inadequate during the operational life of the proposed development.

Location

1. The regional gallery has an obligation to be accessible to the regional population. The consequence of locating the regional gallery and the regional library in a location within the Coffs Harbour CBD is unsatisfactory to whole of the LGA which extends over a north south axis in excess of 50 km. (it is only convenient to the residents of the Coffs Creek catchment)
2. Cultural facilities do not need to be drawn into a 400 metre radius to be located alongside commercial, retail, civic, and inner-city housing.
3. Segregation of cultural facilities. It is disappointing that two components (Library and regional gallery) are being located in a position which does not facilitate the future aggregation of a more comprehensive cultural precinct in the medium-term. This is particularly disappointing given the fact that an appropriate location does exist within 1 km of the CBD at the intersection of major regional arterial roads.
4. Tweed Regional Gallery is an outstanding example of the benefits to be gained by having a prominent gallery located outside the CBD.
5. Inverness Cultural precinct (in northern Scotland, in a city of approximately the same size as Coffs Harbour) is also an outstanding example of the benefits to be gained by having a comprehensive cultural complex located outside the CBD.

“Invigoration” of CBD

It has long been argued by supporters of the Gordon Street development proposal that it will lead to a significant boost to the invigoration of the CBD, particularly outside business hours.

There is no evidence to support this argument, and accordingly it is an Invalid assumption.

Project costs.

Contingencies: the financial value of contingencies that will inevitably arise during the development of the project is a vital factor in assessing project viability.

The figures presented in the DA documentation appear to be optimistically low. There is a high risk associated with such optimism.

Escalations: the financial value of escalations that will inevitably occur during the development of the project is also a vital factor in assessing project viability.

The existing level of project development in the Coffs Coast region is at a record high.

With increasing population, and the inevitable increase in project development over the next five years (including the estimated \$2 billion cost of the highway bypass) escalation in development costs will be substantial.

The figures presented in the DA documentation have all the hallmarks of being too low.

There is a high risk associated with such optimism.

Forecast visitor numbers.

The projection of 412,000 visitors per annum by year 5 is grossly optimistic.

This figure has not been tested, and the consequential projected revenue stemming from those visitors is equally optimistic.

Benefit cost analysis.

The results of the benefit cost analysis as published in the DA documentation are unrealistic, inappropriate, and irresponsible.

It is noted that the Net Present Value (NPV) and the consequential benefit cost ratio (BCR) have been calculated using a discount rate (known in the industry as the weighted average cost of capital (WACC)) of 7%.

The associated sensitivity test is also unrealistic, inappropriate, and irresponsible.

Adopting a WACC 4% below the mean (at 3%), and 3% above the mean (at 10%) is only reasonable if the mean WACC is also reasonable.

The adopted mean Discount Rate (WACC) is seriously in error.

Given the fact that the business model (including forecast visitor numbers, forecast visitor revenue, forecast operating costs, forecast maintenance costs, forecast depreciation costs, CAPEX assumptions, and Overhead assumptions) is unproven and based on miscellaneous (unproven) predictions, the mean discount rate should be greater than 12%.

The associated sensitivity test should therefore analyse BCR's and NPV's using a low discount rate of the order of 8%, and a high discount rate of the order of 15%.

On that basis, both the mean and the high BCR will be less the \$1.00, and the mean and the high NPV will be negative.

Those figures alone (irrespective of any other physical or environmental data) clearly demonstrate the lack of financial viability of this project.

An appropriate discount rate should be in line with industry standards. It should be comprised of economic factors including:

- Risk-free rate (of the order of 1.33% based on the 10 year Australian Government Bond rate as at 30 June 2019)
- Equity beta based on a comparable industry analysis to determine a low and high range ungeared beta.
- Equity market risk premium (of the order of 8%), taking into consideration the average market risk premium on the ASX All Ordinaries Index over the last 10 years, and adjusting this to incorporate liquidity/negotiability risk and size risk.
- Alpha (of the order of 5%) as no adjustment has been made to the forecast cash flows and there is an inherent risk in any forecast that the forecast EBITDA will not be achieved.
- Pre-tax cost of debt (at a figure of the order of 7%, based on the RBA statistics) for business variable term loan rate.
- Australian National Corporate income tax rate used is 27.5% which is the lower company tax rate.
- Target debt to capital ratio **greater than** 0%, on the basis that the project is not wholly equity funded.

In the past two years I have not made any reportable political donations.

Yours sincerely,



DIRECTOR

Signature