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Dear Zoe,

WILTON TOWN CENTRE PEER REVIEW

Urbis has been commissioned by the Department of Planning & Environment (DPE) to prepare a review of the Deep End Services letter dated in 27 August 2018 *Assessment of Wilton Town Centre Precinct Indicative Layout Plan*.

The letter has been addressed to the Secretary of the DPE. The letter presents a review of the Wilton Town Centre Precinct draft ILP as well as an analysis of expected employment and economic generation within the precinct.

Urbis' review will provide high level commentary on the 'reasonableness' of assumptions for the following:

- Development outcomes and timing of anticipated uses within the ILP
- Ongoing employment generated by anticipated uses
- Economic benefits from the construction phase i.e. employment and net present value.
- Proposed land use controls within the Wilton North precinct and its potential impact on Wilton Town Centre.

Overall, Urbis concludes that Deep End's assumptions that are used to inform key findings in the August 2018 letter to be reasonable. However, we have identified shortcomings in some of the assumptions contained in Deep End's letter. Specifically, we have made comment on the following:

- Wilton Town Centre Precinct draft ILP
- Timing of anticipated uses
- Ongoing employment generation
- Construction phase benefits
- Wilton North ILP.

Urbis' opinion relating to Deep End's assumptions on the above dot points are provided on the following pages.

Wilton Town Centre Precinct Draft ILP

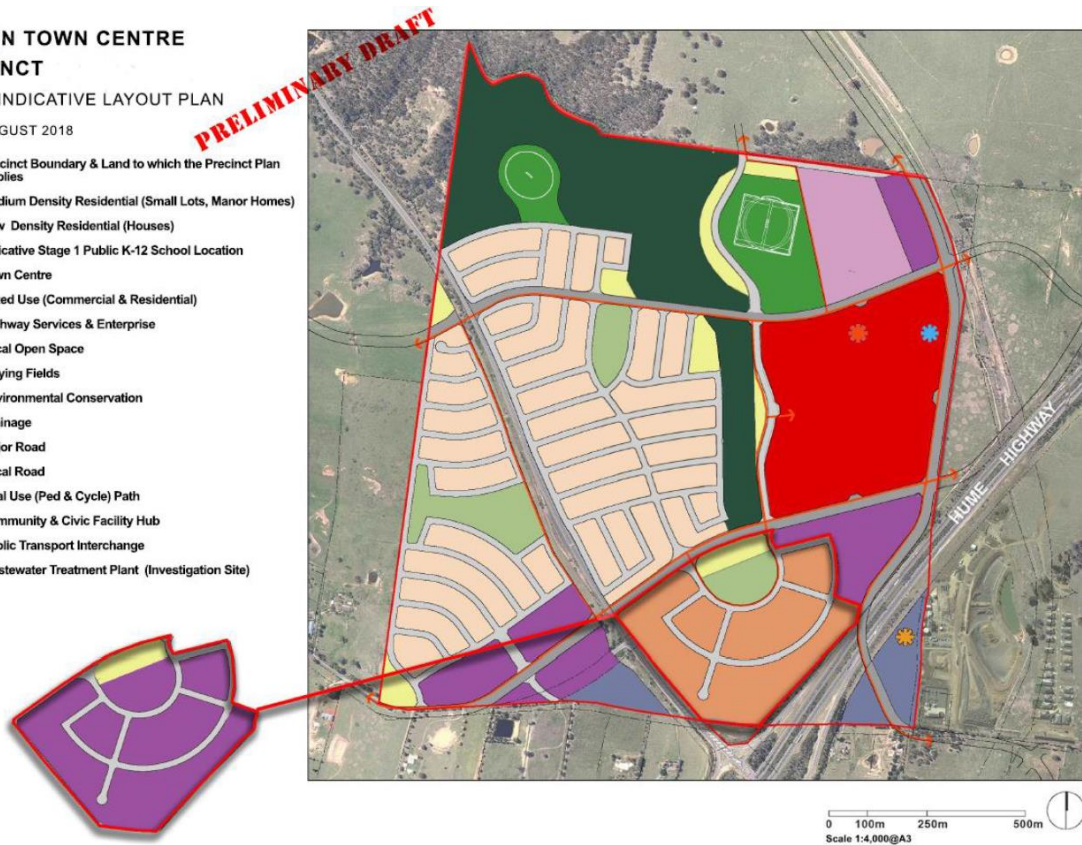
1. Deep End have outlined on Page 6 of the letter *“The key land use features (of the Wilton Town Centre Precinct draft ILP) include a proposed medium density precinct in the southern part of the precinct (between Picton Road and Hume Motorway) with total yield of 400 dwellings.”*

The map below of Wilton Town Centre Precinct Draft ILP is referenced on page 7 of Deep End's Letter dated 28 August 2018. Urbis will make comment on the alternative land use scenario that is under consideration by DPE.

Figure 1 – Wilton Town Centre Precinct draft ILP

WILTON TOWN CENTRE PRECINCT DRAFT INDICATIVE LAYOUT PLAN V3. 02 AUGUST 2018

-  Precinct Boundary & Land to which the Precinct Plan Applies
-  Medium Density Residential (Small Lots, Manor Homes)
-  Low Density Residential (Houses)
-  Indicative Stage 1 Public K-12 School Location
-  Town Centre
-  Mixed Use (Commercial & Residential)
-  Highway Services & Enterprise
-  Local Open Space
-  Playing Fields
-  Environmental Conservation
-  Drainage
-  Major Road
-  Local Road
-  Dual Use (Ped & Cycle) Path
-  Community & Civic Facility Hub
-  Public Transport Interchange
-  Wastewater Treatment Plant (Investigation Site)



Alternative Land Use Scenario Under

Source: Deep End Services

Specifically, DPE are investigating the potential for the north-east corner of Picton Road and Hume Highway as a large format and bulky goods retail or medium density housing with a total yield of 400 dwellings (refer to Figure 1).

In general, Urbis agrees with the DPE that this precinct appears more appropriate for large format bulky goods retail than medium density residential housing for the following reasons:

- The precinct is located on the intersection of Hume Highway and Picton Roads, which is earmarked by DPE to become a regionally significant interchange. Bulky goods centres fare best when they are highly visible and located on main roads that can be accessed easily by a broad catchment population.
- The precinct presents the only viable location within the Wilton Priority Growth Area (PGA) to accommodate bulky goods and large format retail, of which a large proportion was forecast within the Maldon Industrial Precinct in the *Urbis Future Employment Analysis Report (2017)*.

This is noting that further land use investigations at Maldon have recommended that land is not suitable for large scale employment across this precinct. As such, DPE must consider alternative precincts in order to meet future employment targets in the Wilton PGA.

- There are significant drawbacks to residential development in the precinct, noting the precinct's proximity to a significant regional interchange and its associated noise and visual impacts on residents.
- There is potential to provide higher residential density across the remaining Wilton Town Centre precinct to offset the loss in dwelling yield that would arise from allocation of this land to a large format/bulky goods precinct.

As such, we believe that that DPE should allow for planning controls that accommodate for bulky goods/large format retail on the precinct.

Timing of Anticipated Uses

2. **Deep End's assumed timing of anticipated retail uses outlined in Page 8 in the letter dated 28 August 2018 has regard for anticipated population growth rates, delivery of key social infrastructure, and the development timeframe provided by Governors Hill.**

We will make comment on Deep End's retail staging assumptions with regard to Urbis' initial staging assumptions within the *Urbis Greater Macarthur and Wilton Retail Market Analysis (2016)* Report. The timing differences in staging are outlined in Table 1.

Table 1 – Retail Staging Assumptions – Wilton Town Centre

Staging	Deep End Timing 28 August 2018	Urbis Timing 2016 Report
Stage 1 (Supermarket 1)	2023	2025
Stage 2 (Supermarket 2, DDS 1)	2027	2031
Stage 3: (Supermarket 3, DDS 2)	2035	2040

Source: Deep End; Urbis

Overall, we believe that Deep End's timing of retail staging to be on the bullish side. However, we have not been provided with residential take-up assumptions used to inform Deep End's staging assumptions. As such, we can only make comment on staging with regard to initial take-up

assumptions outlined within the *Urbis Greater Macarthur and Wilton Retail Market Analysis (2016)* Report:

- **Stage 1:** 2023 is a reasonable assumption, as it is not unreasonable to fast-track retail development in greenfield areas by two years to catalyse broader residential take-up in the area.
- **Stage 2:** We believe that 2027 may be too early. Urbis' initial findings find that there is only capacity to support two full-line supermarkets in Wilton by 2031. As such, the addition of a supermarket at Wilton Town Centre could result in the supermarket initially trading at below benchmark levels over a relatively long establishment period before it has the capacity to achieve benchmark levels.
- **Stage 3:** Similarly, we believe that 2035 is may be too early for this stage. This stage would result in there being up to five full line supermarkets (including Bradcorp's supermarket at Lakeside Activity Centre and Bingarra Gorge supermarket) within the primary trade area of the Town Centre estimated to be around 30,000 people (assumed within the *Urbis Greater Macarthur and Wilton Retail Market Analysis (2016)*).

Supermarkets tend to require a captive market of around 10,000 people within a primary trade area sector in a greenfield location to trade successfully.

As such, this stage may create an oversupply of supermarket floorspace which could impact on trading levels at Wilton Town Centre.

We must reiterate that our timing recommendations are based on initial population forecasts provided by DPE when the *Urbis Greater Macarthur and Wilton Retail Market Analysis (2016)* was prepared. We must appreciate that these take-up rate assumptions may have changed, and as such, would have informed Deep End's staging assumptions.

Ongoing Employment

3. **The Deep End 28 August 2018 states that their employment generation have been based on Urbis' employment rates, with minor adjustments made to reflect Deep End's understanding of typical employment for some uses.**

Ongoing employment estimates in Deep End's letter dated 28 August 2018 have been calculated by applying benchmark floorspace to job ratios (job densities) to floorspace estimates across a range of employment generating land uses. This is outlined in Page 11 of the letter.

4. Deep End have estimated total ongoing employment within the Wilton Town Centre Precinct to be 4,670 jobs on completion.

We believe the overall assumptions to be reasonable, except for education and medical related employment. This is outlined in the Table 2.

Table 2 – Employment Generation Assumptions

Deep End Assumption	Urbis Comment
Allocated retail floorspace (supermarket, DDS, specialties, large format) of 51,500 sq.m yields 1,200 jobs	<p>This assumption appears to be reasonable, without being provided with the specific retail mix within the precinct.</p> <ul style="list-style-type: none"> • The yield of 1,200 jobs equates to an effective employment rate of 43 sq.m per job. • This is a low rate relative to a benchmark sub-regional centre, which would typically support up to an overall employment rate of 25 sq.m per job. • However, we note that proposed retail does include provision for large format retail, which would lower the effective retail job density across the precinct. As such, a job density of 43 sq.m per job is not an unreasonable estimate.
Allocated commercial floorspace (ancillary centre uses, highway commercial, commercial offices) of 38,000 sq.m yields 1,705 jobs	<p>This assumption appears to be reasonable, without being provided with the specific commercial mix within the precinct</p> <ul style="list-style-type: none"> • The yield of 1,705 jobs returns an effective employment rate of 22 sq.m per job. Urbis notes that job densities for modern commercial office development is at around 15 sq.m per job. • Overall, Deep End's effective employment rate is reasonable, assuming that the majority of this commercial floorspace would consist of ancillary centre uses focused around local businesses and non-retail tenancies.

Deep End Assumption	Urbis Comment
Allocated education floorspace (childcare, schools, TAFE/Uni) of 26,400 sq.m yields 585 jobs	<p>We believe that this jobs estimate is too high:</p> <ul style="list-style-type: none"> The estimate includes provision for a K-12 school which will yield approximately 190 total jobs¹, and a potential TAFE which will yield between 200 to 250 jobs². This would generate up to a total of around 390 to 440 jobs, which leaves a gap of 145 to 195 jobs. An average sized child care centre typically requires around 10 employees to run. Therefore, the balance of 145 to 195 education jobs suggests some 15 to 20 child care centres across the Wilton Town Centre Precinct, which appears to be too high.
Allocated medical floorspace (health centres, hospital, aged care) of 10,300 sq.m yields 250 jobs	<p>We believe that this jobs estimate is too low:</p> <ul style="list-style-type: none"> The <i>Urbis Future Employment Analysis Report (2017)</i> highlights the potential for a private hospital within the Greater Macarthur Priority Growth Area (GMPGA), which could support up to 250 jobs. This would likely be accommodated within Wilton Town Centre, noting its regional centre role in the GMPGA. As such, Deep End's estimates for medical related jobs of 250 are too low, since it does not account for the medical centres and aged care facilities that are required across the precinct.

1. Staff estimates for schools sourced from the Department of Education

2. Job estimates sourced from *Urbis Future Employment Analysis Report (2017)*

Construction Phase Benefits

Construction Costs

5. **Deep End has calculated construction costs using online construction cost calculators and estimates provided by other consultants. Reference has also been made to the methodology and inputs used in the Wilton South East Precinct Economic Impact Assessment (MacroPlan, July 2016).**

Deep End's letter dated August 2018 does not appropriately source the online cost calculator used to calculate the construction value of residential and non-residential uses. As such, it is difficult to make comment on the validity of these estimates.

Construction costs can be calculated on a per sq.m basis by indicative property type (residential, schools, retail etc) using *Rawlinson's Construction Cost Guide*, a comprehensive building and construction reference book. Large volumes of data have been vetted to provide industry standard cost benchmarking, which have been indexed to reflect the appropriate variables for each capital city.

Construction Employment

6. **Deep End's estimates on construction employment estimates have been prepared on an annual basis by estimating the share of total construction costs associated with labour costs (50% residential construction, 40% non-residential construction), and applying an average construction wage based on latest ABS data.**

Overall, Urbis believes that this assumption is reasonable and that the methodology is consistent with industry standard practice.

However, it should be noted that the average construction wage varies significantly across residential and non-residential construction sectors and across different regions in Australia. As such, it is important to account for these wage differentials to provide more accurate construction employment estimates when dividing the estimated construction costs by a wage rate to derive total employment during the construction period.

Urbis typically conducts its construction employment analysis through the REMPLAN model (an economic input-output model), which has the ability to provide robust annualised construction employment estimates at a specified regional level.

As such, applying the REMPLAN model to construction scenarios across different projects yields robust estimates at a specified regional level, with regard to the latest government data sources.

7. **Deep End estimates that construction employment generated within the Town Centre would peak at approximately 1,050 jobs in 2027.**

Urbis cannot comment on the level of peak employment, without being provided with assumptions on the timing of residential and non-residential uses within the precinct.

Notionally however, peak construction employment would coincide with the period of highest capital expenditure in the development period, which Deep End have assumed to be around the time of delivery of Town Centre Stage 2. Deep End's assumption is therefore reasonable in this respect.

Wilton North ILP

8. Deep End have concluded that ***“Planning controls for the Wilton North precinct have the potential to encourage development that may adversely affect the ability to realise the vision for the Town Centre precinct.”***

Urbis believes that Deep End’s comments on the Wilton North precinct to be reasonable.

The Planning Proposal report referenced in the Deep End Letter *Wilton West Precinct Rezoning Planning Proposal (2017)* outlines provision for at least 10,000 sq.m of retail floorspace across two activity nodes, the Lakeside Activity Centre and a local northern local neighbourhood centre.

The Urbis letter *Greater Macarthur Additional Analysis (2017)* was initially submitted to DPE to analyse the potential impact from adding these additional retail centres on the delivery of Wilton Town Centre.

With all factors remaining constant, we have stated in our letter that the timing of Wilton Town Centre could be delayed until 2031 should a full-line supermarket be built at the Lakeside Activity Centre before 2025.

Development of retail at the northern local neighbourhood centre is likely to be a longer term proposition, and is not expected to impact on the timing on the initial stages of Wilton Town Centre.

It is noted however that the introduction of a full-line supermarket at this location by 2031 could result in a potential oversupply of supermarket floorspace and lower average trading levels across supermarkets within the overall Wilton PGA.

As such, both retail proposals have the potential to impact on the long-run scale or performance of Wilton Town Centre as the primary retail activity centre in Wilton.


Conclusions

Urbis has assessed the reasonableness of assumptions provided within Deep End's letter dated 28 August 2018. Overall, we found Deep End's assumptions to be reasonable within the letter, but we have identified some weaknesses in the methodology for some of the assumptions. We have made the following conclusions:

- **Wilton Town Centre Precinct Draft ILP:** The precinct forming the north-east corner of Picton Road and Hume Highway may be more appropriate for large format/bulky goods retail than medium density residential development. DPE must consider alternative precincts to meet Wilton's desired employment outcomes noting that Maldon is not suitable for large scale employment.
- **Timing of anticipated uses:** Without knowledge of residential take-up rates used to inform Deep End's estimates, we believe that the staging timeframe indicated by Deep End may be too bullish, and could result in the oversupply of retail floorspace at Wilton Town Centre initially.
- **Ongoing employment generation:** Estimated floorspace of employment generating uses have been informed by Deep End's knowledge of latest design plans and land use analysis. Urbis believes that the employment assumptions around education may be too high and medical related employment calculated for the precinct may be too low.
- **Construction phase benefits:** Deep End's construction cost estimates have not been sourced. However, overall we believe that Deep End's construction employment estimates have been calculated in line with industry standard practice.
- **Wilton North ILP:** Overall, Urbis agrees with Deep End's conclusions on the Wilton North ILP and its impact on Wilton Town Centre. Future retail development proposed within the Wilton North precinct could negatively impact on the initial timing of delivery and long run performance of Wilton Town Centre. This would undermine the centre's role as the primary retail activity centre within the Greater Macarthur Priority Growth Area. Furthermore, addition of new retail proposals at Wilton North could result in an oversupply of overall retail floorspace across the Wilton PGA, should both these developments proceed within the assumed development period.

Zoe, I hope this letter is of assistance to you.

Yours sincerely,



Princess Ventura
Director