

**BUSINESS CASE PROPOSAL**

**FOR**

**PINNAROO POINT CAFÉ/KIOSK  
DEVELOPMENT**

**CITY OF JOONDALUP**



## **Note to Applicant:**

The purpose of the business case is to demonstrate how the acquisition of Crown land will contribute to the project outcome and how the community will benefit from the proposed use of the land through this project.

Essentially, the business case should answer three questions:

1. What do you want to do with the Crown land?
2. Why do you want to do it?
3. How will you do it?

Please include as much information as necessary to support your case. This will facilitate the assessment of your case and assist the Department in making an informed decision.

**For further information or help with completing the business case, please contact:**

*State Land Services*

*Email: [stateland@rdl.wa.gov.au](mailto:stateland@rdl.wa.gov.au)*

*Phone: 6552 4400*

Ask for the regional team dealing with the region within which the land you propose to acquire is situated.

## **Approvals**

The business case will need to demonstrate that relevant approvals including (but not restricted to) project approvals, planning and building approvals, land title, native title, heritage approval, incorporation, legal requirements and licenses have been obtained and that there are no barriers to the progression of the project. Any potential barriers that might interfere with the development or completion of the project should be communicated to the Department.

## 1. EXECUTIVE SUMMARY

A facility at Pinnaroo Point will provide a commercial food and beverage outlet to service the local residents, tourists and visitors who make use of this strategic recreational location. The proposed development is considered to be consistent with community expectations for the provision of lifestyle and alfresco culture. The development includes a kiosk, café, restaurant, bar and function area.

The proposed facility is a visually interesting, sustainable design comprised of a series of interlocking recycled sea-containers with a mix of different interior and exterior surface textures and incorporates design elements which respond to the City of Joondalup's *Environmental Design Guidelines*.

To facilitate the project, it is proposed that the City of Joondalup (The City) enters into a Crown Land lease and then subleases the land to a developer/operator who will be responsible for the construction and operation of the facility.

The project has attracted strong community support on social media and is supported in the *City of Joondalup Beach Management Plan*. The City has consulted with various stakeholders at Pinnaroo Point and will undertake further public consultation as the project progresses.

The City is seeking support from the Department for this proposal and requests a Crown Land Lease be provided to the City for consideration and approval. Support for this proposal will provide the impetus for advancement of the project, including further lease and development negotiations with White Salt and progression of the relevant approvals processes including an application for Development Approval, Building Permits and Liquor Licensing.

The City respectfully requests the Department to provide support of the proposal, as detailed below.

## 2. PROJECT SCOPE AND EVALUATION

### 2.1. Background and Project Description

The City manages a number of strategically located land parcels of community and potentially commercial value that could be developed to accommodate a range of commercial uses, such as cafés, kiosks and restaurants.

A Project Plan entitled "The Development of Cafés/Kiosks/Restaurant facilities within the City of Joondalup" was adopted in 2009 and at the meeting of Council held 22 June 2010 the Project Philosophy and Parameters Report was endorsed. The project scope included identified opportunities and options for the development of café/kiosk/restaurant facilities on Crown Land managed by the City.

- Provide café/kiosk/restaurant facilities within the City's identified
- tourism zones which will advance the City's ability attract
- visitors/tourists for entertainment and socialising;
- Provide café/kiosk/restaurant facilities which will provide more

- employment, increase business opportunities, a greater awareness
- of the City's natural assets and a greater social and economic
- contribution by tourists;
- Provide equitable community based facilities that acknowledges and
- provides for the lifestyle and alfresco culture of Western Australia.

The development of cafés, kiosks and restaurants along the City's coastline is supported in the City of Joondalup Beach Management Plan which in part acknowledges the "Current lack of coastal commercial development within the City, particularly with regards to the provision of café, kiosk and restaurant establishments".

At its meeting held on 27 May 2013, after considering a report entitled "Cafés/Kiosks/Restaurants – Site Identification and Assessment" Council resolved to authorise the Chief Executive Officer to initiate an Expression of Interest (EOI) process for the development of a Café/Kiosk facility at Pinnaroo Point.

The City undertook a two stage EOI process and after considering a report on the second stage of the EOI Council determined that Rock (WA) Pty Ltd t/as White Salt (White Salt) were the preferred respondents for the development.

The City has worked with White Salt since they were identified as the preferred respondent on the design and location for the facility.

This site was originally investigated and assessed as a strategic site for the development of a café/kiosk against the following key criteria:

- Aspect
- site capability
- access
- car parking
- commerciality
- complementary business
- complementary amenities
- service utilities
- security
- existing infrastructure
- ease of implementation.

The scope of this project includes the following components:

- Establishment of a preferred operator/developer through an EOI process.
- detailed site assessment to ascertain the potential opportunities and constraints.
- investigation of the legal, governance and business issues to ensure compliance with relevant local, state and federal government legislation.
- negotiations with preferred operator/developer.

- engagement with the DPLH for formal land tenure and lease arrangements and advice and approvals as required.
- engagement with DPLH for specific land use, Reservation, Bush Forever, Coastal Planning Policy and Development Application queries as required.
- community consultation and public feedback on project proposal.
- council approval of recommendations as required.
- land lease arrangements with preferred operator/developer.
- application for planning, building approvals and liquor licence.
- construction of facility by preferred operator/developer.
- progression and monitoring of project through to construction and commissioning phase including project review.

This is the third version of the Business Case for the proposal, the first two versions having been presented to the former Department of Lands in 2015 and 2016 respectively. In February 2017, the Department of Lands provided the City of Joondalup with a draft Crown Land Lease.

Subsequent negotiations culminated in a meeting attended by the City of Joondalup CEO, Mr Garry Hunt, and two assistant Directors General from the DPLH, in addition to other officers from both the City and the Department. This Business Case affirms the key components of the discussions at that meeting and a following meeting between officers from the City and the Department held in November 2017.

Since the previous version of the Business Case was presented to the Department there have been several amendments to the proposed development and new information available in relation to the development size, servicing costs and lease area and these matters are outlined in the details section below.

## 2.2. Project Outcome

The facility at Pinnaroo Point will provide a commercial food and beverage outlet to service the local residents, tourists and visitors who make use of this strategic recreational location. The provision of a facility at Pinnaroo Point is considered to be consistent with community expectations for the provision of lifestyle and alfresco culture. This facility will also provide amenities for the significant number of tourists visiting the City.

The facility will provide the City with an opportunity to generate an additional revenue stream through ground leasing arrangements to a commercial developer/operator.

### Proposal Details

*Crown Land Lease details*

Item	Description
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Premises	Part of Reserve 39497 (239) Whitfords Avenue Hillarys WA 6025
Permitted Use	The construction and operation of a kiosk, café, restaurant, bar and function centre
Land Area	Approximately 1000 sqm (subject to detailed design)
Lease Term	21 years with an option of a further term of 21 years (total of 42 years)
Market Rent	\$40/sqm (current unimproved market value) for the two 21 year terms
Rent Payable	The rent payable will be 25% of the market rent, (to be waived for 15 years (based on costs of providing services of \$613,000)).
Market Rent Review	On the 3 <sup>rd</sup> anniversary of commencement date and every 3 years thereafter.

*Proposed Sub Lease and Development Details*

<b>Item</b>	<b>Description</b>
Premises	Part of Reserve 39497 (239) Whitfords Avenue Hillarys WA 6025
Permitted Use	The construction and operation of a kiosk, café, restaurant, bar and function centre
Land Area	Approximately 1000 sqm (subject to detailed design)
Lease Term	21 years with an option of a further term of 21 years (total of 42 years)
Market Rent	\$40/sqm (current unimproved market value) for the two 21-year terms
Market Rent Review	On the 3 <sup>rd</sup> anniversary of commencement date and every 3 years thereafter.

The City was previously in negotiations with White Salt on the key terms and conditions for the development, however these negotiations have been placed on hold until a Crown Land lease agreement has been agreed to.

The total cost of the facility is estimated at approximately \$3 million excluding GST (based on estimates from White Salt). A comprehensive project budget has been prepared as have detailed costs for site works, base build works, fit-out, services and fees. The proposal also includes a Traffic Impact Assessment. The project costs exclude the costs of providing services to the lease area. All projects costs and responsible parties are outlined in the 'funding strategy and budget' section below.

White Salt provided an extensive list of objectives and benefits for the project, including:

- an environmentally friendly design
- use of sustainable materials
- increased employment opportunities
- additional amenity for the community and tourists.

White Salt have provided projected cash flows for the operation of the facility. This included a detailed breakdown of all expenses and income, interest on borrowings, rent, depreciation and bank charges. These cashflows have been reviewed by an independent consultant engaged by the City and were shown to be in line with industry standards.

The expected risks of the project were listed as:

- time to gain liquor licence
- establishing a new business
- signage to direct traffic/customers
- the location not being a high density residential suburb
- limited amenities surrounding the premises.

The proponent proposes to apply for a 'tavern restricted' liquor licence to allow for the sale of alcohol on the premises.

White Salt has employed the services of a hospitality management and design consultancy firm to coordinate the project. The proposed management approach to project delivery from White Salt is focussed on safety, efficiency, customer service and quality.

A detailed project program was supplied which addresses each major component of the project from submission to stage two, negotiation, construction to opening of the building.

It is proposed that noise from the facility will be limited to background noise and the option of background live music on weekends. A noise management plan was supplied and noise is proposed to comply with the *Environmental Protection (Noise) Regulations 1997*. The respondent believes that there will be no negative impact on the neighbouring residences given the separation distance between the two land uses.

### **2.3. Stakeholders and Consultation**

The City advertised Stage One of the EOI process in state wide and Joondalup community newspapers and erected four signs at Pinnaroo Point. Three of the signs were removed after the completion of Stage One. One sign currently remains at the site.

The EOI process was advertised on social media and received strong community support for a development at Pinnaroo Point. Email correspondence was sent to various user groups at Pinnaroo Point advising them of the Expression of Interest process. No response was received from any of the email recipients.

In accordance with Section 3.58 of the Local Government Act 1995, together with the Local Government (Functions and General) Regulations 1996 it is intended that the City will give local public notice of the proposed disposition (ground lease) and seek public comment (once an in-principle agreement has been reached on the Crown Land and sub leases).

In accordance with the provisions of the City's District Planning Scheme No. 2 the City may also publicly advertise the proposal after receiving a Development Application from White Salt.

## 1. PLANNING AND IMPLEMENTATION

### 1.1. Funding Strategy and budget

The City has undertaken a project entitled the Café/Kiosks/Restaurants, over several years. The project to date has included site inspection and evaluation (geotechnical, Bushfire Planning, Coastal Hazard and Risk), benchmark facility research, Expressions of Interests processes and public consultation. The overall project includes sites other than the Pinnaroo Point Site. The City has currently budgeted for ongoing planning, project management and staff costs for the Pinnaroo Point development for the remainder of 2017/18 and into 2018/19.

Funds have been allocated by the City to meet the necessary costs of providing services to the lease area. These costs are currently estimated by a quantity surveyor at \$613,000.

In addition to the provision of services to the lease area the City has allocated funds in its Capital Works Program to cover the costs of car park lighting upgrades and reconfiguring the current carpark to provide additional car bays and to provide vehicular and pedestrian access to the proposed lease area.

It is intended that the capital costs associated with the development of the actual facility will be the responsibility of White Salt. As outlined above White Salt provided a capital cost breakdown as part of their submission to the EOI process and this has since been reviewed by White Salt to reflect increased costs for the project. These costs, along with the City of Joondalup expected costs are outlined below:

Item of Expenditure	Budget (\$)	Source of Funds	Has the Funding been Secured?
<b>Project planning and setup costs (2015/16, 2016/17 &amp; 2017/2018)</b>	\$180,000	City of Joondalup Budget	Yes. COJ Adopted Budgets
<b>Facility Capital Costs</b>	\$3,000,000	White Salt	Subject to bank finance approval ( <i>Letter received from White Salt accountants outlining ability to obtain finance</i> ).
<b>Car park reconfiguration and access to lease area</b>	\$150,000	City of Joondalup Budget	Yes.
<b>Car Park lighting upgrades</b>	\$80,000	City of Joondalup budget	Yes.
<b>Upgrades to current services and head works costs</b>	\$613,000	City of Joondalup Budget	No. Council has been advised of the estimated costs. Provision will be made in the City's Capital Works Program once an agreement has been made on the Crown Land and Sub leases.

Item of Expenditure	Budget (\$)	Source of Funds	Has the Funding been Secured?
<b>Total Budget</b>	<b>4,023,000</b>	<b>(Excl. GST)</b>	

Please note the cost figures are preliminary indicative costs and may be subject to change pending detailed design.

## 1.2. Risk Analysis

Potential risks to the successful progression of the project include the inability to obtain support for the project from the statutory approval authorities, negative community reaction to the proposal and limited commercial interest in the business.

Any risk with regard to approval process outcomes have been mitigated by establishing and maintaining a working relationship with representatives of the relevant approvals agencies. Furthermore, a well-developed management plan and business case will assist with obtaining a successful outcome.

There is also the possibility that expected financial returns from a developed facility are not met, causing potential rental payment difficulties or cessation of a business. It is considered that a planned, environmentally acceptable and aesthetically pleasing development, run by an experienced operator such as White Salt is likely to gain community support and meet visitor needs. These measures are likely to make any potential development more acceptable to the community and mitigate potential negative reaction.

It is important to note that the DPLH's *State Coastal Planning Policy No. 2.6* will apply to the proposed development. This policy identifies numerous measures to be considered when proposing to develop on the foreshore, such as ecological values, landscape, seascape, visual amenity, indigenous and cultural heritage and public access. The policy also takes into account considerations such as setback and height limits for development in coastal areas. The development proposal for this site must also be cognisant of the potential risks from severe storm erosion and sea level rise on the coastal foreshore. A Coastal Hazard and Risk Management Adaptation Plan (CHRMAP) has been undertaken for the project and will form part of the application for Development Approval for the project.

A Bushfire Management Plan and Bushfire Attack Level assessment was undertaken for the previous site proposed for the facility and the results led to a recommendation to relocate the development site to a location with reduced radiant heat flux exposure to the building, which was undertaken.

Risk management assessments will continue to be reviewed as the project progresses and the proposal is developed. A separate risk management assessment will be prepared for the construction and implementation phase of the project.

Likelihood (L)	Consequences (C)					Overall Risk Score = L x C	
	Insignificant (1)	Minor (2)	Medium (3)	Major (4)	Catastrophic (5)	Score	Description
Almost Certain (5)	5	10	15	20	25	1 - 5	Low
Likely (4)	4	8	12	16	20	6 - 12	Moderate
Possible (3)	3	6	9	12	15	13 - 19	High
Unlikely (2)	2	4	6	8	10		Extreme
Rare (1)	1	2	3	4	5		

Risk Description	Likelihood of Occurrence	Consequences of Occurrence	Overall Risk Level	Current Controls in Place	Further Action Required (Responsibility and Timing)
Identification of risks from eroding shore line/ sea level rise	Possible	Medium	Moderate	<ul style="list-style-type: none"> <li>Investigations undertaken by City into coastal processes.</li> </ul>	<ul style="list-style-type: none"> <li>Geotechnical assessment to be undertaken prior to design development. Further consultation proposed with DOP.</li> </ul>
Identification of soil contamination on site during detail site analysis	Unlikely	Medium	Moderate	<ul style="list-style-type: none"> <li>Site investigations included in project plan.</li> </ul>	<ul style="list-style-type: none"> <li>N/A at present</li> </ul>
Failure to attract a competitive commercial operator to operate the new facilities	Unlikely	Medium	Moderate	<ul style="list-style-type: none"> <li>Robust EOJ process undertaken to identify Preferred Respondent.</li> </ul>	<ul style="list-style-type: none"> <li>Currently in negotiations with White Salt.</li> </ul>
Failure or delay in obtaining relevant land tenure as applicable from State Land Services	Possible	Major	Moderate	<ul style="list-style-type: none"> <li>Have maintained strong working relationship with DOL and DOP.</li> </ul>	<ul style="list-style-type: none"> <li>Engage with consultants and State Land Services at earliest opportunity</li> </ul>
The community does not support a particular proposal.	Possible	Major	Moderate	<ul style="list-style-type: none"> <li>EOJ process is continually being promoted through various media forums.</li> </ul>	<ul style="list-style-type: none"> <li>Public consultation undertaken indicates strong support. Additional consultation proposed to be undertaken</li> </ul>

### 1.3. Supporting Documents/ Attachments

The department has previously been provided with the relevant supporting documents.

### 1.4. Declaration and Sign-off

**By signing and submitting this business case, the signatories have understood and agreed that:**

1. This business case template is provided as a guide only and does not in any way guarantee that the request to lease or acquire land will be granted
2. DoL may ask for any information that would assist in assessing the business case
3. It is your responsibility to seek and obtain necessary approvals, licenses, insurance certificates and permits
4. DoL is not responsible for approving any of the supplied information, and it is up to you to ensure that all necessary approvals have been obtained and are satisfactory
5. DoL reserves the right to decline any request to lease or acquire land.

Signed		Signed	
Completed by	Scott Collins	Approved by	Blignault Olivier
Position	Senior Projects Officer	Position	Manager City Projects
Date	20 March 2018	Date	22 March 2018

Officers' signatures redacted