

minutes

Major Projects Committee

MEETING HELD ON **MONDAY 28 NOVEMBER 2016**

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CITY OF JOONDALUP

MINUTES OF THE MAJOR PROJECTS COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 28 NOVEMBER 2016.

ATTENDANCE

Committee Members

Mayor Troy Pickard	<i>Presiding Member</i>	
Cr Kerry Hollywood	<i>Deputy Presiding Member</i>	
Cr Nige Jones		<i>Absent from 9.17pm to 9.18pm</i>
Cr Liam Gobbert		
Cr Mike Norman		
Cr John Chester		<i>Absent from 8.44pm to 8.46pm</i>
Cr Russ Fishwick, JP		

Observers

Cr Tom McLean, JP		
Cr Philippa Taylor		<i>Absent from 7.47pm to 7.48pm</i>
Cr Russell Poliwka		<i>to 7.58pm; Absent from 7.51pm to 7.53pm</i>

Officers

Mr Garry Hunt	Chief Executive Officer	<i>Absent from 8.35pm to 8.38pm</i>
Mr Mike Tidy	Director Corporate Services	<i>to 8.02pm</i>
Ms Dale Page	Director Planning and Community Development	<i>to 9.14pm</i>
Mr Brad Sillence	Manager Governance	
Mr Blignault Olivier	Manager City Projects	<i>Absent from 7.58pm to 7.59pm</i>
Mr Allan Ellingham	Senior Financial Analyst	
Mrs Genevieve Hunter	Senior Projects Officer	<i>from 7.50pm</i>
Mr Scott Collins	Senior Projects Officer	<i>to 7.52pm</i>
Mrs Lesley Taylor	Governance Officer	

Guests

In relation to Item 3 – Joondalup City Centre Development – Project Status Update

Mr Will Schofield	Woods Bagot Architecture	<i>from 7.59pm to 9.23pm</i>
Mr Tony Hatt	Chief Executive Officer, Devwest Group Pty Ltd	<i>from 7.59pm to 9.23pm</i>
Mr Chad Ferguson	Executive Director, Devwest Group Pty Ltd	<i>from 7.59pm to 9.23pm</i>
Mr Chad Ferguson	Executive Director, Devwest Group Pty Ltd	<i>from 7.59pm to 9.23pm</i>

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 7.20pm.

DECLARATIONS OF INTEREST

Disclosures of Financial / Proximity Interest

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration. An employee is required to disclose their financial interest and if required to do so by the Council must disclose the extent of the interest. Employees are required to disclose their financial interests where they are required to present verbal or written reports to the Council. Employees are able to continue to provide advice to the Council in the decision making process if they have disclosed their interest.

Name/Position	Cr Russell Poliwka.
Item No./Subject	Item 3 - Joondalup City Centre Development - Project Status Update.
Nature of interest	Proximity Interest.
Extent of Interest	Cr Poliwka owns property adjacent to the Joondalup City Centre development.

Name/Position	Cr Russell Poliwka.
Item No./Subject	Item 4 - Confidential - Joondalup City Centre Development - Memorandum of Understanding.
Nature of interest	Proximity Interest.
Extent of Interest	Cr Poliwka owns property adjacent to the Joondalup City Centre development.

Disclosures of interest affecting impartiality

Nil.

APOLOGIES/LEAVE OF ABSENCE

Leave of Absence Previously Approved:

Cr Christine Hamilton-Prime	4 December to 10 December 2016 inclusive;
Cr Liam Gobbert	6 December 2016;
Cr Sophie Dwyer	7 December to 9 December 2016 inclusive;
Cr Liam Gobbert	17 December 2016.

CONFIRMATION OF MINUTES

MINUTES OF THE MAJOR PROJECTS COMMITTEE HELD ON MEETING 3 OCTOBER 2016 AND 28 NOVEMBER 2016

The minutes of the meeting of the Major Projects Committee held on 3 October 2016 and resumed on 28 November 2016 were not available for confirmation at the time of this meeting.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS**ITEM 1 JOONDALUP PERFORMING ARTS AND CULTURAL FACILITY PROGRESS AND BUSINESS CASE**

WARD	North	
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO	
FILE NUMBER	75577, 101515	
ATTACHMENT	Attachment 1	Deloitte Review of JPACF Business Case
	Attachment 2	Management Response to Deloitte Review of JPACF Business Case
	Attachment 3	Pracsys Response to Deloitte Review of JPACF Business Case
	Attachment 4	JPACF Business Case
	Attachment 5	JPACF Business Case - Part Two Appendices
	Attachment 6	Draft Communication Plan
	<i>(Please Note: Attachments 4 and 5 are only available electronically).</i>	
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.	

PURPOSE

For Council to note the progress of the Joondalup Performing Arts and Cultural Facility (JPACF) project and to endorse the JPACF Business Case for the purpose of advertising for public comment.

EXECUTIVE SUMMARY

At its meeting held on 1 August 2016 the Major Projects Committee resolved in part that it:

- “2 *REQUESTS the Chief Executive Officer to review and refine the Business Case for the Joondalup Performing Arts and Cultural Facility taking into account the outcomes of the schematic design stage and the assessment of social and economic impacts, and a further report be presented to the October meeting of the Major Projects Committee with the intention of making the information available for public comment following Council’s consideration of this item.*”

After that meeting the City engaged several consultants with various areas of expertise to review and provide recommendations on the JPACF Business Case and subsequently refined the Business Case accordingly (Attachments 4 and 5 refer). The refined Business Case was submitted to the Major Projects Committee at its meeting held on 3 October 2016. At that meeting the Major Projects Committee resolved to adjourn the meeting.

Since the meeting held on 3 October 2016, the City received a peer review report of the JPACF Business Case from consultants Deloitte. In September 2016 Deloitte was engaged by the City to undertake a review of the following components of the JPACF Business Case:

- The financial projections and the basis of the key financial assumptions and supporting information.
- The sources of funding (in particular progress with assets sales, National Stronger Regions Fund (NSRF) grant and WATC debt funding) and the proposed financing strategy for the JPACF.
- Risks, sensitivity analysis and potential variability of cash flows, returns and impact on the City.
- The Social and Economic Impact Analysis.
- The Cost Benefit Analysis.

The peer review was commissioned by the City in the interests of accountability, probity and transparency as part of the on-going due diligence regime applied to this project. Deloitte's report: *Review of JPACF Business Case* forms Attachment 1 to this Report.

According to the report by Deloitte the process followed by the City to develop the Business Case and the assumptions underlying the financial forecasts appear robust. This supports an earlier review of the financial modelling for the JPACF project, undertaken by Deloitte in June 2016, which indicated the financial model was rigorous and provided assurance to the City's financial modelling approach.

However Deloitte raised several matters in their review of the Business Case, in particular the: options analysis; building maintenance/utilities expenses/capital expenditure; operating deficit; total cash impact to ratepayers; cost benefit analysis; and demand analysis sections of the Business Case. These issues and a response from the City and consultants Pracsys are provided in Attachments 1, 2 and 3 to this Report and discussed in the Details section of this Report.

The Business Case as proposed is considered robust although some minor matters and assumptions are considered worthy to reflect. In response to the Deloitte report it is proposed that several refinements are made within the Business Case in the interests of providing greater detail and clarity on some issues. The extent of the refinements is outlined in the Details section of this Report. Following support for these proposed changes community consultation is proposed to be undertaken in alignment with the City's *Community Consultation and Engagement Policy*. Details of a proposed community consultation plan are outlined in this Report and a Draft *Communications Plan* is attached (Attachment 6 refers).

Since the last meeting of the Major Projects Committee held on 3 October 2016, the City received advice from the Federal Department of Infrastructure and Regional Development that its application to Round Three of the NSRF was not successful. The City will continue to explore other funding opportunities, including both State and Federal Government.

It is therefore recommended that Council:

- 1 *NOTES the review of the refined Joondalup Performing Arts and Cultural Facility Business Case by consultants Deloitte and corresponding responses from the City Management and Pracsys as detailed in Attachments 1, 2 and 3 to this Report;*
- 2 *NOTES the City was not successful in its grant application to Round Three of the Federal Government's National Stronger Regions Fund;*
- 3 *SUPPORTS the community consultation process for the Joondalup Performing Arts and Cultural Facility Business Case as outlined in the Consultation section of this Report;*
- 4 *NOTES the three Joondalup Performing Arts and Cultural Facility Business Case review reports from consultants Pracsys, Paxon Group and Rudi Gracias provided in Attachment 5 to this Report;*
- 5 *ENDORSES the reviewed and refined Joondalup Performing Arts and Cultural Facility Business Case forming Attachments 4 and 5 to this Report, for the purposes of public advertising, noting the Chief Executive Officer will refine the Business Case in view of the review conducted by Deloitte, prior to the Business Case being advertised for public comment, as follows:*
 - 5.1 *Include details relating to the overall whole of life cost-per-ratepayer;*
 - 5.2 *Make adjustments to the resource value and car occupancies used to calculate the value of utility for the Cost Benefit Ratio;*
 - 5.3 *Address minor typographical errors noted by Deloitte.*

BACKGROUND

At its meeting held on 15 December 2015 (C77-12/15 refers), Council considered a Report entitled 'Joondalup Performing Arts and Cultural Facility Business Case and Progression Options'. The report provided a draft Business Case for the JPACF and options to progress the project through a schematic design stage. Upon consideration of the report it was resolved that Council:

- “1 *NOTES the Business Case, at this point in time, for the Joondalup Performing Arts and Cultural Facility as detailed in Attachment 1 to Report C77-12/15;*
- 2 *REQUESTS the Chief Executive Officer to proceed with the schematic design stage of the Joondalup Performing Arts and Cultural Facility project and NOTES Ashton Raggatt MacDougall Pty Ltd T/A ARM Architecture will undertake the schematic design based on the scope of works and fee proposal as outlined in Report C77-12/15;*
- 3 *NOTES the Business Case for the Joondalup Performing Arts and Cultural Facility project is final at this point in time and will be further refined for Council's approval in view of the outcomes of the schematic design stage and revised costings;*
- 4 *NOTES the Chief Executive Officer will submit a grant application to Round Three of the Federal Government's National Stronger Regions Fund.”*

At its meeting held on 1 August 2016 the Major Projects Committee considered a report entitled 'Joondalup Performing Arts and Cultural Facility Project Status Report'. Upon consideration of this Report it was resolved that the Major Projects Committee:

- "1 NOTES the Joondalup Performing Arts and Cultural Facility Project Status Report;*
- 2 REQUESTS the Chief Executive Officer to review and refine the Business Case for the Joondalup Performing Arts and Cultural Facility taking into account the outcomes of the schematic design stage and the assessment of social and economic impacts, and a further report be presented to the October meeting of the Major Projects Committee with the intention of making the information available for public comment following Council's consideration of this item".*

At its meeting held on 3 October 2016 the Major Projects Committee resolved that:

"the meeting be ADJOURNED and RECONVENED on Monday 28 November 2016 commencing at 5.45pm to enable further consideration of Item 3 – Joondalup Performing Arts and Cultural Facility Business Case Report, including a community consultation plan for public consultation on the Joondalup Performing Arts and Cultural Facility".

Prior to that meeting the City had engaged Deloitte for the purposes of conducting a peer review of the Business Case that was submitted to the Major Projects Committee at that time.

DETAILS

Business Case

Since Council considered the draft JPACF Business Case in December 2015 the City has engaged several consultants to review and revise the JPACF Business Case. The reviews took into account the various changes to the design resulting from the schematic design stage of the project. The consultants were engaged to review the relevant components of the Business Case based on their areas of expertise. The scope of the work undertaken by the consultants is outlined below in this Report. The recommendations from consultants have been either adopted outright or used to complement existing data in the Business Case. The impact of the consultant's recommendations on the Business Case is outlined below in this Report and commentary included in the Business Case. The consultant's reports are included as appendices to the Business Case in Attachment 5 to this Report.

The refined Business Case for the JPACF consists of two parts: Business Case (Attachment 4 refers) and Business Case – Part Two, Appendices (Attachment 5 refers). Attachment 4 consists of details of the work undertaken on the project since its inception and includes the project scope, strategic context, needs analysis, design options, and financial, social and economic assessments. Attachment 5 consists of all of the supporting documentation and detailed information supporting the Business Case, including consultant reports, concept and schematic design drawings, detailed financial and operations analysis and other technical data.

Consultant Business Case Reviews

In developing the Business Case, and following the schematic design stage the following consultant reviews were undertaken.

Paxon Group Review

Consultant Paxon Group has demonstrated substantial previous experience in culture and arts projects in Western Australia and throughout Australia including Business Case development and financial and economic analysis of major arts and cultural infrastructure development projects. It should be noted that their previous work predominantly relates to the preparation of business cases for the development of new facilities rather than the review of existing facilities.

The analysis undertaken by Paxon took account of the changes made through the schematic design stage. Paxon reviewed the existing assumptions in the draft Business Case and undertook further financial analysis of the following components of the JPACF: repairs and maintenance, food and beverage, utilities, capital replacement costs and also provided comment on the operation of the art gallery and exhibition space, conferencing and events and opportunities for grants and sponsorships. Various recommendations from Paxon Group have been incorporated into the Business Case and the report from Paxon Group is included in Attachment 5.

Rudi Gracias Review

Rudi Gracias previously held the role of Acting General Manager, Perth Theatre Trust and prior to that held positions as Chief Operating Officer, Perth Theatre Trust and Director BOCS Ticketing and Marketing Services. Mr Gracias now works as a consultant and was engaged by the City to review the JPACF Business Case and provide advice and financial modelling on income from the primary and secondary theatres, staffing levels, ticketing, technical equipment and suggestions on a management model for the JPACF. Various recommendations from Rudi Gracias have been incorporated into the Business Case and the report by Rudi Gracias is included in Attachment 5.

Pracsys Review

During the undertaking of the schematic design process additional research into economic and social impacts of the JPACF was undertaken by consultants Pracsys. More recently Pracsys was re-engaged to provide improved assumptions for the art gallery, community use rooms and conferencing and events areas of the facility following the reconfiguration of these areas through the schematic design process.

Pracsys has also updated their previous work on the social and economic impacts and Social Return on Investment (SROI) and revised the overall Benefit Cost Ratio (BCR) and Net Present Value (NPV) for the JPACF, based on the new financial details resulting from the review of the Business Case. This information has now been included in the refined Business Case and their report is included in Attachment 5.

Summary of refinements to the Business Case since the December 2015 Business Case

Through the review process the City was provided with vast amounts of additional information and recommendations from the various consultants. The City has presented the relevant information in a balanced way to allow Council to make an informed decision on whether to progress the project to a community consultation process.

Financial Projections

After careful consideration of information provided by consultants and as a result of research undertaken by City officers, three scenarios have been prepared as follows:

- Scenario 1 – Worse Case. This includes some of the worse-case estimates for staff costs, utilities and repair/maintenance.
- Scenario 2 – Idealistic. The other end of the range of possibilities with best-case estimates for staff costs, utilities and repair/maintenance.
- Scenario 3 – Realistic. Amended set of assumptions, which represent a balance between Scenario 1 and Scenario 2.

Scenario 3 is used as the basis of the projections in the Business Case. The difference between the scenarios indicates that some uncertainty still exists with some of the assumptions and that there are further improvements that will continue to be made to the projections if the project progresses.

The 40 year whole-of-life project costs for the JPACF for Scenario 3 has increased from the December 2015 Business Case figure of \$200.1 million to \$217.5 million. Some of the major refinements are summarised as follows:

- An additional \$3 million for increased capital costs resulting from the schematic design stage of the project, including the cost of interest.
- An additional \$11 million for forecasted reduced Tamala Park proceeds, including the cost of interest.
- A \$4 million benefit for the reduced costs of borrowing (lower interest rate).
- An additional \$7 million due to the higher operating subsidy of \$863,000 per year (up from \$818,000 in December 2015).

Financing Strategy

In September 2016 the City prepared an alternative financing strategy, this is included as one of the appendices to the Business Case. The strategy considers alternative approaches to the traditional fixed rate/fixed repayment term financing. The report has recommended a move towards a financing strategy where there is a more structured approach in matching the term and repayment profiles of the debt facilities to the underlying forecast cashflows of the City, thereby reducing total interest costs. Although this is a move away from the City's traditional fixed repayment profile, it is a strategy which if managed effectively can reduce the total borrowing costs. However there is always a trade-off between risk, certainty and cost and the City would need to provide a risk management framework to manage the underlying risk.

Summary of financial projections

- The project is estimated to cost \$99.7 million to plan, design and construct.
- The City has implemented strategies to fund the costs, and is projected to have \$37 million in dedicated reserves to help fund the project. The remaining costs will be funded by a \$10 million grant and by borrowings of \$58 million.
- The JPACF will require an on-going annual contribution by the City, estimated to be \$863,000 per year. The estimated annual subsidy is 21% of income, which compares favourably to other similar facilities in Australia.
- Cost per ratepayer for the annual subsidy is \$13.64 per year.
- Depreciation expense of \$1.5 million per year is estimated.

- Total costs up to 2058-59 are estimated to be \$217 million, with a net present cost of \$94 million.
- All whole-of-life impacts are included in the City's Draft *20 Year Strategic Financial Plan*.

Summary of economic and social projections

- An estimated 609 jobs will be supported (directly and indirectly) due to the construction of JPACF.
- The JPACF is expected to create 47 jobs (directly and indirectly) through the operations of the facility and supplies purchased.
- In addition, 91 jobs are expected to be created across the retail, food and beverage and tourism industries as a result of increased visitation and tourism in the region.
- The analysis calculates a Present Value for the project benefits of \$328.5 million, a Net Present Value of \$182.4 million and BCR of 2.34. This indicates that the project delivers significant social and economic return on investment.
- The arts foster a culture of inclusion and civic participation, facilitate the development of cognitive skills and self-confidence and support mental and physical health and wellbeing – all of which have direct and indirect impacts on disadvantaged sectors of the community.
- Increased access to art and cultural experiences and provision of enabling infrastructure to support art and cultural production is therefore likely to provide improvements in relative disadvantage.
- JPACF will catalyse creative industry growth in the North-West sub region which will increase economic diversity and support the knowledge-driven, strategic employment crucial to driving economic resilience.
- JPACF will provide a facility to connect audiences and artists so as to increase creative output in the region and the pool of creative individuals. This translates into growth of related creative industries such as advertising, software programming, publishing and architecture. It will in doing this, expand the pool of ideas and creativity accelerating the overall rate of innovation and economic success in the North-West.

Commentary on the refinements to the Business Case is provided in detail in the Business Case and Appendices (Attachments 4 and 5 refer).

Deloitte Review

Since the last meeting of the Major Projects Committee held on 3 October 2016 (and as recommended on 28 November 2016) the City has received a review report of the JPACF Business Case from consultant Deloitte. In September 2016 Deloitte Australia was engaged by the City to undertake a peer review of the following components of the JPACF Business Case:

- The financial projections and the basis of the key financial assumptions and supporting information.
- The sources of funding (in particular progress with assets sales, NSRF grant and WATC debt funding) and the proposed financing strategy for the JPACF.
- Risks, sensitivity analysis and potential variability of cash flows, returns and impact on the City.
- The social and economic impact analysis.
- The Cost Benefit Analysis (CBA).

The peer review was commissioned by the City in the interests of accountability, probity and transparency as part of the ongoing due diligence regime applied to the project.

According to Deloitte:

“the City has undertaken an extensive process in developing the Business Case for its current purpose. The City has consulted widely and engaged a number of relevant independent consultants to assist with the development. The City also developed a detailed financial model for JPACF (the Financial Model) and we understand from Management that the financial implications have been included in the City’s 20 Year Strategic Financial Plan. The process followed by the City to develop the business case and the assumptions underlying the financial forecasts appears robust” (Attachment 1 refers).

Furthermore it should be noted that at its meeting held on 8 June 2016, following a review of the financial modelling for the JPACF Business Case undertaken by Deloitte, the Finance Committee noted in part that the financial model was shown to be rigorous and provided assurance to the City’s financial modelling approach.

However Deloitte raised several matters in their review of the Business Case. These issues and a response from the City and consultants Pracsys are provided in Attachments 1, 2 and 3 to this Report and are discussed below.

During the review process the City also undertook further evaluation and consultation with consultants ARM Architecture, Pracsys, Quantity Surveyors Donald Cant Watts Corke and Randall Arts Management to provide additional information and improve the audit trail of some of the key cost items.

As the project is not yet at detailed design stage there still exists a level of uncertainty in the financial projections. The detailed design stage will provide greater certainty of figures on both the capital costs and the operating expenses.

In the main, the Deloitte review highlighted the following matters:

- Options analysis.
- Building maintenance/utilities expenses/capital expenditure.
- Operating deficit.
- Total cash impact to ratepayers.
- Cost Benefit Analysis.
- Demand analysis.

These matters are detailed below.

Options analysis

The Deloitte report commented that there is currently limited analysis and commentary on the financial and economic assessment of the alternative options to the current Art Box design. However Deloitte acknowledged that these issues and options have previously been considered by Council and the Major Projects Committee and were included in the December 2015 version of the Business Case. The Current Art Box design has evolved through extensive engagement with Elected Members and key stakeholders over a number of years. It is not proposed that these options be reintroduced into the Business Case.

Building maintenance/utilities expenses/capital expenditure

The consultation completed by the City during the Deloitte Business Case review has indicated that the assumptions for building maintenance and utilities expenses are within a reasonable tolerance. The City has now obtained a detailed estimate for capital replacement from a quantity surveyor which suggests that the Business Case estimates may be understated. However, the City has also received advice from an arts management consultant that has intimated that the City's lower estimate for capital replacement costs as contained in the Business Case may be within a reasonable tolerance.

The City is reasonably satisfied with the current assumptions in the Business Case, however acknowledges the matters raised by Deloitte and other consultants. It is therefore proposed to undertake additional research, particularly on operations and capital expenditure of established benchmark facilities throughout Australia, with the intent of updating the Business Case at a later stage as the project progresses.

Operating deficit

The Business Case indicates there are a range of potential scenarios (worse case, idealistic and realistic) for the operating subsidy. For illustrative and discussion purposes Deloitte has prepared an additional potential downside scenario which suggests that the operating subsidy could be \$1.4 million instead of the realistic scenario of \$863,000 currently shown in the Business Case. It should be noted that the additional potential downside scenario would be highly unlikely because it would be based on eight of the 11 operating lines all being worse case at the same time. The key issue is that the operating projections are uncertain and the reality is that the operating subsidy will be within a wide range, between \$500,000 and \$1.4 million.

While the City has received more detailed information for building maintenance/utilities/capital replacement and has reviewed the downside scenario prepared by Deloitte, it is not deemed necessary at this stage to amend any of the financial projections within the Business Case. A target operating subsidy of \$863,000 as currently shown in the Business Case is therefore still a useful indicator for the City to aim towards and is comparable with other facilities throughout Australia.

Total cash impact to ratepayers

The Business Case has provided sensitivity analysis which shows that the overall whole-of-life cashflows could be somewhere between \$165 million and \$318 million. This wide range takes account of the various operating scenarios as well as potential risks to the capital costs/funding of the project. The sensitivity analysis within the Business Case is also deemed to be a reasonable assessment of the overall range of possibilities and therefore no changes to the Business Case are proposed.

As part of the review of the Business Case Deloitte has shown the overall whole-of-life costs to an individual ratepayer. The Business Case prepared by the City had already included the overall whole-of-life costs to the City, but only showed this impact as a lump sum figure rather than on a cost-per-ratepayer basis. It is therefore proposed that these figures be included in an update to the Business Case prior to community consultation.

Cost Benefit Analysis

Deloitte's review makes various references to the value proposition and rationale for the JPACF from the perspective of Joondalup ratepayers. This perspective differs from the scopes of work for the Market Analysis and Feasibility Study (MAFS) and subsequent work undertaken by Pracsys in formulating a Cost Benefit Ratio (CBR) and Net Present Value for the project. For the purpose of the MAFS Pracsys initially established a primary catchment comprising of the cities of Joondalup and Wanneroo, as well as a broader area of influence that included Gingin and Chittering. The concept for a regional facility carried through from the MAFS to subsequent stages of work, including the NSRF applications which developed a strong benefit case for the project to demonstrate the value to the broader area of influence. A local facility would have significantly different scale, design and operational parameters and an alternative approach would be required to prove the need for the facility.

Deloitte's review makes reference to the potential demand that the facility could cater for and the implications that this has on the CBR. Pracsys' work modelled scenarios that produced a holistic CBR for the project that takes into account spill over impacts of increased cultural participation in the catchment across social, cultural and economic domains.

Deloitte has commented on some discrepancies that exist between various stages of work on the Business Case. Such discrepancies have arisen due to variations in the scope of work completed by Pracsys and Council officers between 2012 and 2016. As a result of the various matters raised by Deloitte Pracsys' will make adjustments to the resource value and car occupancies used to calculate the value of utility as well as minor typographical errors noted by Deloitte.

Demand Analysis

In their review Deloitte questioned the process employed by Pracsys in developing the demand modelling in the MAFS. Pracsys' informed that the modelling assumes a capture of 'latent demand' in the catchment. Latent demand comprises the attendances that could be expected to be occurring based on state cultural participation averages and catchment demographics - minus what is known to be currently occurring. The rates of cultural participation in the City are significantly lower than state and national averages. Given the nature of benefits incorporated into the Pracsys analysis, numerous alternative scenarios can be modelled with implications for the CBR.

Pracsys' response to the Deloitte review forms Attachment 3 to this Report.

Summary of proposed refinements to the Business Case (to occur prior to Community Consultation)

In view of the above recommendations and observations by Deloitte it is proposed to make the following refinements to the Business Case prior to undertaking community consultation:

- Include cost-per-ratepayer details prepared by Deloitte which show the overall whole-of-life cost per ratepayer.
- Make adjustments to the resource value and car occupancies used to calculate the value of utility for the Cost Benefit Ratio.
- Minor typographical changes noted by Deloitte.

Issues and options considered

Not applicable.

Legislation / Strategic Community Plan / policy implications

Legislation The City is governed by the requirements of the *Local Government Act 1995* in relation to dealings involving commercial undertakings and land development.

Strategic Community Plan

Key theme Community Wellbeing.

Objective Cultural development.

Strategic initiative Establish a significant cultural facility with the capacity to attract world-class visual and performing arts events.

Policy *Community Consultation and Engagement Policy.*

Risk management considerations

A comprehensive risk management plan outlining the risks apparent to the project has been prepared and is continually updated as the project progresses. The financial risks and sensitivities are outlined in the Business Case.

Financial / budget implicationsCurrent financial year impact

Account no.	1-210-C1002
Budget Item	Joondalup Performing Arts and Cultural Facility.
Budget amount	\$ 11,300,000
Amount spent to date	\$ 191,709
Balance	\$ 11,108,291

The budget allocated for 2016-17 is for the engagement of expert consultants and other costs associated with project management, site assessment, schematic design fees, design development fees, documentation and tendering and commencement of construction (subject to progression of the project).

Future financial year impact

The development of the JPACF will require a significant financial contribution towards the capital cost, ongoing costs and an annual subsidy for the facility's operations.

The capital cost of the facility is estimated to be \$99.7 million in today's dollars.

The financial analysis undertaken to date for the JPACF, including the recent financial reviews, has continually indicated an annual operating subsidy of between \$800,000 and \$900,000 (excluding borrowing costs and depreciation). It should be noted that investigations have indicated that annual operating subsidies for comparable facilities in Australia can exceed \$1 million.

20 Year Strategic \$97.4 million (as listed on the plan).
Financial Plan impact

Impact year 2018-19.

All amounts quoted in this report are exclusive of GST.

Funding strategy

The City recently received advice from the Federal Department of Infrastructure and Regional Development that its grant application to Round Three of the NSRF was not successful. The City requested formal feedback on the application from the Department of Infrastructure and Regional Development and was informed that a feedback session would be arranged at a later date.

Regional significance

The construction of the Joondalup Performing Arts and Cultural Facility will enhance the City Centre as the major commercial, educational, recreational and arts and culture centre for the northern corridor of the Perth metropolitan area.

The City will continue to explore other funding opportunities including both State and Federal Government. The Business Case will continue to assume a contribution of \$10 million towards the capital cost of the facility.

Sustainability implications

Sustainability implications have been considered during the schematic design stage and will be incorporated into the Business Case for the facility.

Consultation

From the early stages of the project the City has consulted widely on the JPACF project:

- In the initial scoping and planning phases of the project a comprehensive survey of various schools, community groups and professional cultural and performing arts performers and artists was undertaken by the City.
- In the preparation of the 2012 Market Analysis and Feasibility Study, numerous performing arts managers, performing arts venues, arts producers, local cultural organisations and existing, school, convention, sporting and learning facility representatives were consulted with.
- During the architectural design competition for the concept design, ratepayers, residents and the broader community were given the opportunity to view the four conceptual design submissions and vote and comment on their preferred design. The City received over 450 votes and numerous comments.
- On an on-going basis the City has consulted with performing arts facility managers, the Department of Culture and the Arts and the Perth Theatre Trust. The City has also liaised with experts in the performing arts, conferencing, events, exhibitions and education sectors.

- From 2011 to 2015 the JPACF project was overseen by the Joondalup Performing Arts and Cultural Facility Steering Committee which included external members from the Joondalup Learning Precinct, specialist performing arts and cultural experts and members from community arts groups.
- The City has briefed Government and Opposition representatives at both state and federal level highlighting the local and regional, social and economic benefit of this proposed facility, with the intention of obtaining financial support.
- Throughout the various phases of the project consultants specialising in facility operation and management, architecture and social, economic and financial analysis have been engaged by the City.

Pending a decision on progressing the project by Council the City will provide a further community consultation opportunity in alignment with the *Community Engagement Protocol* which has been established by the City to ensure an open, transparent and accountable approach to all community engagement activities.

It is intended that the methods for the community consultation would include:

- written/email communication to key stakeholders
- website updates
- newspaper advertisements
- fact sheets
- social media items
- articles in City publications (such as City News)
- media release
- information/presentation sessions
- project information displays in libraries
- City-wide mail out.

It is intended that the information presented for community consultation will be based on the current Business Case and would include details of:

- the history of the project
- consultation undertaken to date
- current status of the project
- operational and capital costs
- economic and social benefits
- FAQ's
- details of what the City is seeking from the community at this stage
- where and how the community can comment
- information on the next stage of the project.

A detailed *Community Consultation Implementation Plan* will be developed following a determination to proceed with the community consultation process.

In accordance with the *Community Consultation and Engagement Policy* it is proposed that the consultation will commence outside of the summer break soon after the first ordinary meeting of Council scheduled to be held on 21 February 2017.

Prior to proceeding with the development the City will ensure that the public notice requirements under the *Local Government Act 1995* are met, which are outside of the community consultation being proposed. Depending on how the project is implemented and the facility operated it may be necessary that the City prepares a separate *Business Plan* and that statewide public notice is given before proceeding with the development.

COMMENT

The Business Case for the JPACF responds to the project vision endorsed by Council, which articulates the intent and purpose of progressing the project:

- *Provide a world class, state of the art facility, incorporating innovative and sustainable design, symbiotic with the existing natural and built environment that is a place for the pursuit of activities such as performing arts, visual arts and crafts, film and media and cultural events for the community of Perth's northern corridor.*
- *Provide a facility that can host a mixture of commercial and community activities that creates an inclusive environment that becomes a place to celebrate imagination and creativity, inspiring individuals and the community to take part in culture and the arts and raise the aspirations of all users.*
- *Reinforce the Joondalup City Centre as the creative and educational centre of the northern corridor.*

The JPACF would be a significant piece of cultural infrastructure for the City of Joondalup and the northern corridor of Perth and represents a major investment for the City and its ratepayers.

The review of the JPACF Business Case undertaken by Deloitte has shown that the financial assumptions are robust. It is proposed that the JPACF Business Case will be refined to reflect comments and recommendations by Deloitte, as outlined in this Report.

While there remains a level of uncertainty with the financial projections, the City has undertaken a vast amount of research and analysis during the last four years and at this stage in the project the projections are as robust as they could be expected to be. Nevertheless it is recognised that there are further improvements that could be made to the projections which will be further refined as the project progresses.

It is considered that providing a further opportunity for the ratepayers of the City of Joondalup and the general public to have their say on the JPACF Business Case, prior to proceeding to the next stage of design, will further strengthen the robust process undertaken by the City in planning for this major development.

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That Council:

- 1 NOTES the review of the refined Joondalup Performing Arts and Cultural Facility Business Case by consultants Deloitte and corresponding responses from the City Management and Pracsys as detailed in Attachments 1, 2 and 3 to this Report;
- 2 NOTES the City was not successful in its grant application to Round Three of the Federal Government's National Stronger Regions Fund;
- 3 SUPPORTS the community consultation process for the Joondalup Performing Arts and Cultural Facility Business Case as outlined in the Consultation section of this Report;
- 4 NOTES the three Joondalup Performing Arts and Cultural Facility Business Case review reports from consultants Pracsys, Paxon Group and Rudi Gracias provided in Attachment 5 to this Report;
- 5 ENDORSES the reviewed and refined Joondalup Performing Arts and Cultural Facility Business Case forming Attachments 4 and 5 to this Report, for the purposes of public advertising, noting the Chief Executive Officer will refine the Business Case in view of the review conducted by Deloitte, prior to the Business Case being advertised for public comment, as follows:
 - 5.1 Include details relating to the overall whole of life cost-per-ratepayer;
 - 5.2 Make adjustments to the resource value and car occupancies used to calculate the value of utility for the Cost Benefit Ratio;
 - 5.3 Address minor typographical errors noted by Deloitte.

MOVED Cr Gobbert, SECONDED Cr Hollywood that the Major Projects Committee:

- 1 **NOTES the review of the refined Joondalup Performing Arts and Cultural Facility Business Case by consultants Deloitte and corresponding responses from the City Management and Pracsys as detailed in Attachments 1, 2 and 3 to this Report;**
- 2 **NOTES the City was not successful in its grant application to Round Three of the Federal Government's National Stronger Regions Fund;**
- 3 **NOTES the three Joondalup Performing Arts and Cultural Facility Business Case review reports from consultants Pracsys, Paxon Group and Rudi Gracias provided in Attachment 5 to this Report;**
- 4 **REQUESTS the Chief Executive Officer to amend the Joondalup Performing Arts and Cultural Facility Business Case to include all proceeds from the sale of the Tamala Park Regional Council land being allocated to the Joondalup Performing Arts and Cultural Facility;**
- 5 **REQUESTS the draft communications plan and communication material for the Joondalup Performing Arts and Cultural Facility be submitted to the Major Projects Committee for endorsement;**

6 REQUESTS the Chief Executive Officer to include as part of the City's *Economic Development Strategy* a new pillar of creativity and innovation.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Mayor Pickard, Crs Chester, Fishwick, Gobbert, Hollywood, Jones and Norman.

Cr Taylor left the room at 7.47pm and returned at 7.48pm.

Appendix 1 refers

To access this attachment on electronic document, click here:

[*Attach1agnMP161128 - Attachment 1.pdf*](#)

[*Attach1agnMP161128 - Attachments 2 - 4.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 1 - 149.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 150 - 199.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 200 - 299.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 300 - 399.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 400 - 599.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 600 - 701.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 702 - 721.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 722 - 734.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 735 - 747.pdf*](#)

[*Attach1agnMP161128 - Attachment 5 pages 748 - 777.pdf*](#)

[*Attach1agnMP161128 - Attachment 6.pdf*](#)

Mrs Genevieve Hunter, Senior Projects Officer entered the room at 7.50pm.

Cr Poliwka left the room at 7.51pm and returned at 7.53pm.

Mr Scott Collins, Senior Projects Officer left the room at 7.52pm.

ITEM 2 OCEAN REEF MARINA - PROJECT STATUS UPDATE

WARD	North Central	
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO	
FILE NUMBER	04171, 101515	
ATTACHMENT	Attachment 1	<i>Ocean Reef Marina Communications Strategy</i> – list of prepared materials
	Attachment 2	Ocean Reef Marina Indicative Approvals Timeline (as at November 2016)
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').	

PURPOSE

For the Major Projects Committee to note the progress on the Ocean Reef Marina project with particular emphasis on the public advertising of the Public Environmental Review and the Metropolitan Region Scheme Amendment report.

EXECUTIVE SUMMARY

To progress the approval of the Ocean Reef Marina project the following activities and tasks have been undertaken since the previous project status report was considered by the Major Projects Committee at its adjourned meeting held on 3 October 2016.

- Approval to release the Public Environmental Review (PER) document for public submissions received from the Office of the Environmental Protection Authority (OEPA).
- Consent from the Minister for Planning to release the Metropolitan Region Scheme (MRS) Amendment report for public submissions.
- Finalisation of materials required to implement the *Ocean Reef Marina Communications Strategy* (Attachment 1 refers).
- State Government proponentcy.
- Stakeholder engagement.

Details of the above are provided in this report.

As far as possible the project is progressing in accordance with the Ocean Reef Marina Indicative Approvals Timeline. However, due to the delay in the release of the MRS Amendment report by the Department of Planning (DoP) and the Western Australian Planning Commission (WAPC) and the agreement to make the PER available publically for the same timeframe as the MRS Amendment report, the approval process timing has been extended. The timeline has been updated taking this delay into consideration (Attachment 2 refers).

It is therefore recommended that the Major Projects Committee NOTES the Ocean Reef Marina Project Status Report.

BACKGROUND

The City is progressing a complex approval strategy for the Ocean Reef Marina project.

There are three components to the strategy:

- A MRS Amendment to rezone the site to enable the development of the Ocean Reef Marina.
- A PER of the marine-based components of the marina.
- *Ocean Reef Marina Structure Plan.*

The relevant approval agencies supported the concurrent advertising of the MRS Amendment and the PER and this process was also supported by the Minister for Planning.

The City lodged the MRS amendment request with the WAPC in April 2014 and the amendment was initiated in June 2014.

To manage the potential impacts of the MRS Amendment on Bush Forever Site 325 the WAPC requires finalisation and agreement of the Ocean Reef Marina Negotiated Planning Outcome (NPO) prior to final approval of the MRS Amendment. Prepared by the City in collaboration with the DoP, Department of Parks and Wildlife and OEPA, the draft NPO was forwarded to these agencies seeking in principle support in February 2016.

Occurring in parallel with the MRS Amendment, the marine based components of the Ocean Reef Marina project are being assessed by the Environmental Protection Authority (EPA) under the *Environmental Protection Act 1986* via a PER – the highest level of assessment.

Following completion of the required studies / investigations the draft PER was forwarded to the OEPA for preliminary review in May 2016. A number of matters were identified as requiring further clarification or additional information. The City engaged with the relevant agencies to ensure the final PER adequately addressed the issues raised.

On the recommendation of the Major Projects Committee (meeting held on 29 August 2016) at its Special Meeting held on 29 August 2016 (JSC02-08/16 refers), Council noted the intention of the Chief Executive Officer to resubmit the amended PER and supporting documentation to the EPA for approval to advertise.

At the same meeting Council also requested the Chief Executive Officer to undertake a direct household mail-out to all City households as part of the *Ocean Reef Marina Communication Strategy* (JSC02-08/16 refers), previously endorsed by Council at its meeting held on 19 April 2016 (CJ065-04/16 refers).

The draft preliminary *Ocean Reef Marina Structure Plan* (Ocean Reef Marina SP), based on the concept plan that accompanied the MRS amendment request, has been sufficiently progressed to enable the document to be made available to the community at the same time as the PER and MRS Amendment report. The draft preliminary Ocean Reef Marina SP contains a substantial amount of detailed information, however it was considered desirable that the draft plan be released for the public to view to coincide with the *Ocean Reef Marina Communications Strategy*.

It should be noted that formal consideration, public advertising and adoption of the Ocean Reef Marina SP can only occur following gazettal of the MRS Amendment and amendments to the City's district boundary and *District Planning Scheme No. 2* (DPS2).

Therefore, at its meeting held on 1 August 2016 (Item 3 refers) it was agreed that the Major Projects Committee:

- “1 *NOTES the City's intention to publically release the proposed draft Ocean Reef Marina Structure Plan, once completed, as part of the City's Ocean Reef Marina communications plan, concurrently with the statutory public advertising of the Metropolitan Region Scheme Amendment and Public Environmental Review;*
- 2 *NOTES that the final Ocean Reef Marina Structure Plan will be formally submitted for Council consideration following gazettal of the amendments to the City's district boundary, District Planning Scheme No. 2 boundary and Metropolitan Region Scheme boundary.”*

At its meeting held on 6 October 2015 (CJ176-10/15 refers), Council agreed to request the Minister for Planning to initiate actions to assume the lead role for the project. To facilitate this LandCorp was directed to undertake a review of the concept plan and feasibility. Following completion of this review, the State Government announced that it would assume the lead role for the project and a detailed business case and Cabinet submission would be prepared for consideration.

At its meeting held on 20 September 2016 (CJ151-09/16 refers), it was agreed that Council:

- “1 *ENDORSES the draft Memorandum of Understanding between the City of Joondalup, LandCorp and the State Government for the Ocean Reef Marina Development as detailed in Attachment 1 to this Report;*
- 2 *AUTHORISES the signing of the Memorandum of Understanding by the Mayor and Chief Executive Officer under Common Seal.”*

DETAILS

Metropolitan Region Scheme Amendment

On 18 November 2016 the City was formally advised that the WAPC had resolved to amend the MRS in accordance with the provisions of the *Planning and Development Act 2005*.

The MRS Amendment report is now available for public inspection from Tuesday 22 November 2016 until Friday 24 February 2017. Members of the public have been invited to make submissions on the amendment report to the WAPC during this period.

Public Environmental Review

On 21 October 2016 the City received advice from the OEPA that the amended PER documents were suitable for release for public review.

As previously agreed with the relevant agencies, the PER documents are available for public review concurrently with the MRS Amendment report.

While the PER public review period was originally designated by the EPA to be eight weeks, in the interests of consistency it was agreed that the public review period would be extended to 12 weeks in line with the MRS Amendment.

Therefore members of the public have been invited to make submissions to the EPA on the contents of the PER documents for the period 22 November 2016 to 24 February 2017.

Negotiated Planning Outcome for Bush Forever Site 325

The DoP, Department of Parks and Wildlife and OEPA have formally provided in-principle support for the draft NPO and it was agreed that the draft NPO would be made available for the public review concurrently with the MRS Amendment report and PER documents.

While there is no formal process for seeking submissions on the NPO, it was also agreed that the City would invite and receive comments/submissions from the public. All submissions would be given due consideration during the finalisation of the NPO. It should be noted that the NPO must be finalised and formally agreed prior to gazettal of the MRS Amendment.

The agreement will also include the timing and mechanism for the transfer of funds for the land acquisition and the requirements of rehabilitation component. Funding for the land acquisition and rehabilitation portions of the NPO will be the responsibility of the ultimate proponent for the project.

At present there is no statutory mechanism for enforcing the NPO and a legal agreement, transferrable to the ultimate proponent, will be required prior to finalisation of the document.

Ocean Reef Marina Structure Plan

As noted by the Major Projects Committee at its meeting held on 1 August 2016 (Item 1 refers), the City has made available the draft preliminary Ocean Reef Marina SP for the community to review.

The City is not in a position to request formal submissions on the plan; however the community has been invited to make general comments on the plan during the MRS Amendment and PER public advertising period.

Ocean Reef Marina Communications Strategy

The materials required have been finalised and the City has commenced the implementation of the strategy. The purpose of the strategy is to raise awareness within the community of the PER and MRS Amendment statutory public advertising period and to encourage the community to participate in the public submission process.

As per the *Ocean Reef Marina Communications Strategy*, Attachment 1 lists the materials that have been prepared to support and promote the public submission period and lists the proposed recipients of the relevant materials.

The materials produced provide information on how submissions can be made, who the submissions need to go to as well as general information on the process.

In addition to the printed and website material, the City has also scheduled two community forums:

- Monday 5 December at 12.00pm.
- Thursday 8 December at 7.00pm.

It is also anticipated that a further forum will be scheduled for the latter part of January 2017.

Open to the public, the forums will be at the Ocean Reef Sea Sports Club and provide the community and stakeholders the opportunity to find out more about the project milestones and the environmental and planning assessment processes. The Mayor, Chief Executive Officer, representatives from LandCorp and the Ocean Reef Marina Project Team will take part in the forums and will be available to answer questions from the community.

State Government Proponency

The City continued with LandCorp during the preparation of the detailed Business Case for the Ocean Reef Marina. The City has been advised (November 2016) that the Business Case and accompanying Cabinet Submission is progressing in accordance with due process.

LandCorp has established a new Government Steering Committee to oversee the progression of the development. Consisting of senior departmental officers, the Chief Executive Officer is the City's representative. This committee is effectively the same as the City's Steering Committee which was chaired by the Chief Executive Officer. The same agencies are represented – Department of Planning, Department of Transport, LandCorp and the City. The first meeting of the new committee was held on 14 November 2016.

Stakeholder Engagement

The release of the MRS Amendment report and the PER documents represents a significant milestone in the project history. The logistics of the concurrent release required substantial engagement with the DoP and the OEPA to ensure the process was handled appropriately and in accordance with statutory regulations.

During the public advertising period, engagement with key stakeholders will be undertaken in an attempt to address any issues raised and to ensure that these stakeholders have all information available to enable meaningful submissions to be made.

The Ocean Reef Marina Community Reference Group has long been a key stakeholder group and the City will provide a briefing session to inform this group of the public advertising, the submission process and to seek their support in raising community awareness of the current planning and environmental assessment processes.

Issues and options considered

Not applicable.

Legislation / Strategic Community Plan / policy implications

Legislation

The City is governed by the requirements of the *Local Government Act 1995* in relation to dealings involving commercial undertakings and land development.

Other applicable legislation includes:

- *Planning and Development Act 2005.*
- *Environmental Protection Act 1986.*
- *Environmental Protection, Biodiversity and Conservation Act 1999 (Cwlth).*

The approvals for the development are influenced by State Planning policies:

- *2.6: State Coastal Planning Policy.*
- *2.8: Bushland Policy for the Perth Metropolitan Region.*
- *3.7: Planning in Bushfire Prone Areas.*

Strategic Community Plan

Key theme

Economic prosperity, vibrancy and growth.

Objective

Destination City.

Strategic initiative

- Facilitate the establishment of major tourism infrastructure.
- Encourage diverse accommodation options.

Policy

Not applicable.

Risk management considerations

The City has amassed a substantial amount of information on all aspects of the project over a number of years. This information together with that recently compiled ensures that the City is well positioned to respond to the requirements of the relevant approvals processes.

The City has obtained agency support for the concurrent advertising of the PER and MRS amendment at all levels. Continued engagement with the agencies, in particular the DoP and OEPA, as well as the identification of further mitigation strategies, will limit the risk of a desirable outcome not eventuating.

The Ocean Reef Marina Risk Management Assessment is continuously updated taking cognisance of the environmental and planning approval requirements.

It is also anticipated that the detailed and comprehensive business case, prepared by LandCorp in collaboration with the City, will enable further risk management considerations to be identified, mitigated and/or managed.

Financial / budget implications

Current financial year impact

Account no.	C1001
Budget Item	Ocean Reef Marina.
Budget amount	\$ 882,313
Amount spent to date	\$ 293,891
Balance	\$ 588,494

Note: The 2016-17 approved budget includes income of \$500,000 (State Government financial contribution).

Total Project Expenditure (as at 19 September 2016)

2007-08	\$ 133,241
2008-09	\$ 968,284
2009-10	\$ 266,604
2010-11	\$ 325,046
2011-12	\$ 388,552
2012-13	\$ 376,393
2013-14	\$ 838,371
2014-15	\$1,314,917
2015-16	\$1,163,151
2016-17	\$ 293,891
LESS Grants Received	<u>\$ (785,500)</u>
 Total City Expenditure	 \$5,282,878

Annual operating cost	The relevant business case/s, as far as possible, will include anticipated on-going operating costs.
Estimated annual income	The relevant business case/s, as far as possible, will include estimated annual income.
Capital replacement	Detailed analysis will be required at the appropriate stage of the project.

20 Year Strategic Financial Plan impact The City's *20 Year Strategic Financial Plan 2015-2016 to 2034-35* includes \$2,070,000 which represents capital expenditure for the 2015-16 and 2016-17 financial years. Further analysis of the impact on the *20 Year Strategic Financial Plan* will be undertaken at the appropriate stage of the project.

Impact year 2016-17.

All amounts quoted in this report are exclusive of GST.

Regional significance

The Ocean Reef Marina development will become a significant tourist / visitor destination and a key focal point within the northern Perth corridor.

Sustainability implications

Progression of the Ocean Reef Marina planning process required a number of studies / reports addressing key issues pertaining to sustainability (such as social and economic impact and environmental sustainability). Various management plans were required to be prepared as part of the MRS amendment, PER and structure plan processes.

Consultation

Extensive on-going consultation with key stakeholders, State Government departments and agencies has been undertaken to ensure the relevant approvals processes proceed in accordance with expectations and agreed timelines.

COMMENT

Significant milestones have been reached for the Ocean Reef Marina over recent times. The release of the MRS Amendment report and PER documents and the announcement by the State Government that it will take the lead role in progressing the project are considered the most significant milestones in the project's history.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Fishwick, SECONDED Cr Jones that the Major Projects Committee NOTES the Ocean Reef Marina Project Status Report.

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Mayor Pickard, Crs Chester, Fishwick, Gobbert, Hollywood, Jones and Norman.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2agnMP161128.pdf](#)

Disclosure of Proximity Interest

Name/Position	Cr Russell Poliwka.
Item No./Subject	Item 3 - Joondalup City Centre Development - Project Status Update.
Nature of interest	Proximity Interest.
Extent of Interest	Cr Poliwka owns property adjacent to the Joondalup City Centre development.

Cr Poliwka left the room at 7.58pm.

The Manager City Projects left the room at 7.58pm and returned at 7.59pm.

Messrs Tony Hatt, Chad Ferguson and Damon Ferguson of Devwest Group Pty Ltd and Mr Will Schofield of Woods Bagot Architecture entered the room at 7.59pm.

The Director Corporate Services left the room at 8.02pm.

ITEM 3 JOONDALUP CITY CENTRE DEVELOPMENT - PROJECT STATUS UPDATE

WARD	North
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	103036, 101515
ATTACHMENT	Attachment 1 Boas Place Concept Plan – Option 4 (endorsed) Attachment 2 Boas Place Concept Plan – Option 4(a) –(c)
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to note the progress on the Joondalup City Centre Development project and to endorse the amended concept plan for the development.

EXECUTIVE SUMMARY

At its meeting held on 3 October 2016 the Major Projects Committee noted the progress made on the Joondalup City Centre Development project and requested a review of the concept plan (Attachment 1 refers), specifically the location of Building G and its relationship to the Civic Square and Boas Avenue.

The City's consultant architects, Woods Bagot, undertook investigations into other examples of "closed in" squares / public open space and prepared a number of options to address Building G for consideration by the Major Projects Committee.

In addition to the above, Woods Bagot have continued the preparation of Design Guidelines for the development. Landscape architects Seedesign, in collaboration with Woods Bagot, have further refined the draft landscape plan.

A preliminary traffic and transport assessment was undertaken by consultants Arup resulting in minor amendments to the concept plan.

Woods Bagot will present detailed information on the above to the Major Projects Committee in PowerPoint presentation form.

Following the meeting of the Major Projects Committee held on 3 October 2016, Devwest Group Pty Ltd (Devwest) has continued to negotiate with potential end-users of the development.

Devwest will present updated information on the status of these negotiations to the Major Projects Committee, which was not available to submit in this report by close of business on Wednesday 24 November 2016.

To enable an informed decision to be made regarding the City's potential role as "precinct developer", investigations into the subdivision, civil works and other issues have been undertaken. The results of these investigations and updated land valuations will be used to inform the preparation of a draft financial analysis. Once complete, a report will be presented to a future meeting of the Major Projects Committee.

A multi-disciplined project team has been assembled to undertake detailed investigations into the optimisation of the City's Administration Building. It is anticipated that these investigations will be completed by early 2017 with a report to be presented to a future meeting of the Major Projects Committee.

It is therefore recommended that Council:

- 1 *NOTES the Joondalup City Centre Development Project Status Report;*
- 2 *ENDORSES the Boas Place Concept Plan – Option 4(c) as detailed in Attachment 2 to this Report.*

BACKGROUND

Devwest was identified as the City's preferred development partner for the Joondalup City Centre Development in December 2014 (JSC03-12/14 refers). Working collaboratively, the City and Devwest prepared a detailed submission to the State Government for office accommodation in Joondalup. The submission was based on the Boas Place Concept Plan as presented in the Devwest's proposal to the City.

In view of the State Government's decision that the City was not the preferred respondent and to progress the realisation of the City's overall vision for the establishment of a Joondalup City Centre through the Boas Place Concept Plan, at its meeting held on 16 February 2016 (CJ026-2/16 refers), it was agreed that Council:

- “1 *AUTHORISES the Chief Executive Officer, in light of the advice received from State Government on the City’s office development proposal, to progress negotiations with Devwest Group Pty Ltd towards the review of the Boas Place Concept Plan and the development of a renewed strategy for the delivery of the components of the City Centre precinct;*
- 2 *REQUESTS Devwest Group Pty Ltd to submit a revised Boas Place Concept Plan identifying proposals for development of the site.”*

In negotiations with the City, Devwest reviewed the components of the Boas Place Concept Plan and identified potential uses and end-users for the development. The outcome of the review was presented to the Major Projects Committee at its meeting held on 4 April 2016.

In broad terms, Devwest proposed the following components and construction priorities for Boas Place:

- 1 Hotel.
- 2 Student accommodation.
- 3 Commercial office building – lead by market demand.
- 4 Aged care/independent living units – co-located with child care and medical facilities.
- 5 Residential – lead by market demand.

Further amendments were made to the concept plan based on the specific requirements of the potential end-users identified by Devwest. At the meeting held on 1 August 2016, it was agreed that the Major Projects Committee, among other things:

- “2 *ENDORSES the amended Joondalup City Centre Concept Plan Option 4 (SK0010 Rev A) for the purposes of advancing the project.”*

At its adjourned meeting held on 3 October 2016 the Major Projects Committee identified that the location of mix-use Building G (mixed-use), on the eastern side of the development site fronting Boas Avenue, restricted the line of sight into Civic Square and the Joondalup Library. It was therefore requested by the Major Projects Committee that investigations be undertaken to create an “arrival” point with a better line of sight into Civic Square.

To enable the City to process negotiation of the Heads of Agreement with Devwest, the Major Projects Committee (meeting held on 1 August 2016) requested that a report be prepared on the implications, both financial and other, to the City assuming the role of precinct developer. The required investigations to facilitate the above commenced in October 2016.

In determining the components required to ensure the success of the Joondalup City Centre Development, investigations into the optimisation of the City’s Administration Building were considered appropriate. Therefore at its meeting held on the 27 July 2015, the former Office Development Committee requested that a report be presented to Council outlining the options for the City’s Administration Building.

DETAILS

Boas Place Concept Plan

Consultant architects Woods Bagot have made minor amendments to the concept plan (Attachment 1 refers) taking into consideration recommendations arising from the Town Planning / Submission Advice report prepared by the Rowe Group and the Traffic and Transport Technical Note prepared by Arup.

The Rowe Group recommended that the portion of the proposed new southern accessway to the south and west of Building F (proposed aged-care/mixed use) be removed as it is considered that this provides no benefit to the development. Further, it is also considered that this portion of the accessway impacts on the pedestrian amenity provided through Central Walk.

Arup recommended service vehicle access be reviewed in detail to ensure that sufficient width is provided to allow emergency, delivery and refuse vehicle access.

The removal of a portion of the new southern accessway has allowed for Building F to be moved further south (by approximately two metres) to enable the roadway on the northern side of the building to be widened to allow better service vehicle access.

Woods Bagot prepared three options for addressing the creation of an “arrival” point into Civic Square. In addition precedent studies were undertaken on other successful “squares” where the entrance points are considered similar to Boas Place including:

- Placa Reial, Barcelona Spain
- Piazza San Marco, Venice Italy
- Spanish Steps, Rome Italy
- Federation Square, Melbourne.

The three options for amending the concept plan are as follows:

- Removal of Building G and the creation of entry steps up to Civic Square.
- The creation of two entrances defined by two canopies over the steps leading into Civic Square.
- The creation of one wider entrance defined by a canopy over the steps leading into Civic Square.

Further detailed information on the amendments to the concept plan, including the recommended option, will be provided to the Major Projects Committee in the form of a PowerPoint presentation by Woods Bagot. The options are detailed in Attachment 2 to this Report.

Design Guidelines

Woods Bagot have progressed the preparation of the Boas Place Design Guidelines which will be given consideration by the developers of Boas Place when preparing development applications.

The guidelines are not enforceable through the City’s planning framework, however a *Local Planning Policy* will be prepared for the development that incorporates the components of the guidelines critical to ensuring appropriate built form and activity particularly at ground level.

Once finalised, the Boas Place Design Guidelines will be presented to the Major Projects Committee for further consideration.

Devwest Group Pty Ltd

Devwest will provide updated information on the status of negotiations with potential end-users to the Major Projects Committee. The information will include the potential mix of end-users, individual building requirements and location and the contribution the end-users will make to achieving the City's vision for the development. This information was not available for inclusion in this report by close of business on Wednesday 24 November 2016.

The City as Precinct Developer

The City engaged consultants the Rowe Group to provide advice and opinion on the town planning and submission of the Joondalup City Centre Development site. The work undertaken by the Rowe Group focussed on the following scope:

- Review of all relevant planning information.
- Testing of desired land uses against planning review.
- Site opportunities and constraints identification.
- Staging opportunities and constraints.
- Advice with regard to planning framework.
- Review of feature survey and other available site information.
- Identification of public utilities.
- Estimated costs for public utilities, earthworks, civic works and other subdivision costs.
- Potential conditions of subdivision approval.
- Project program.

Information obtained during this work as well as other potential costs (such as updated land valuations) will inform the preparation of a financial analysis of the implications to the City as precinct developer. Once completed, a detailed report will be presented to the Major Projects Committee.

Optimisation of the City's Administration Building

A multi-disciplined project team has been engaged to undertake extensive investigations into the potential options for the City's Administration Building. The project team consists of consultants in the fields of:

- architecture
- building services
- structural engineering
- cost consultancy
- market analysis and valuation
- building surveying.

In accordance with the agreed program, an interim report will be provided to the City by December 2016 with the final report which includes recommended options to be received by the end of February 2017.

Issues and options considered

The finalisation and endorsement of the Boas Place concept plan will enable marketing materials to be prepared to raise awareness of the project in the market place. Further, it will also enable the progression of negotiations with Devwest.

Legislation / Strategic Community Plan / policy implications

Legislation

- The structure through which the City will facilitate any agreement with its development partner will comply with the City's obligations under the *Local Government Act 1995*.
- The development of the site (Lot 507 (90) Boas Avenue, Lot 496 (70) Davidson Terrace and part Lot 497 (102) Boas Avenue, Joondalup) is subject to the provision of *District Planning Scheme No. 2*.

Strategic Community Plan

Key theme

Quality Urban Development.

Objective

City Centre development.

Strategic initiative

Pursue the development of commercial office buildings within the Joondalup City Centre.

Policy

The development of the site is subject to the provisions of the relevant City of Joondalup planning policies.

The project will also require the preparation of the Local Planning Policy.

Risk management considerations

A risk management assessment will be a required component of the contract documents preparation phase and the business plan process required for any disposal of City owned land.

Financial / budget implications

Current financial year impact

Account no.	220-C1041
Budget Item	Joondalup City Centre Commercial Office Development – 220-2.
Budget amount	\$ 878,011
Amount spent to date	\$ 178,688
Balance	\$ 699,323

The approved 2016-17 project budget makes provision for legal advice, other consultancy, subdivision costs and marketing / promotion.

The project acknowledges that a business plan process will be undertaken in accordance with the City's obligations under the *Local Government Act 1995*.

Further potential financial implications are provided in the report titled *Joondalup City Centre Development – Financial Implications to the City as Precinct Developer* on this agenda.

All amounts quoted in this report are exclusive of GST.

Regional significance

The substantial commercial component of the integrated mixed-used development across Lot 507 (90) Boas Avenue and Lot 496 (70) Davidson Terrace Joondalup will enhance the vitality and vibrancy of the City Centre by increasing the number of people attracted to it for work, retail, leisure, entertainment and commercial purposes. This, together with the attraction of permanent residents to the development, will provide the impetus for the City Centre to grow and become the preferred location for investment in high-order public and private employment generating infrastructure – key performance indicators identified by the State Government for the classification of a “primary centre” articulated in *Directions 2031 and Beyond*.

Sustainability implications

Environmental

Environmental sustainability initiatives will be incorporated into the proposed design of all components of the entire development. The sustainability focus is underpinned by two core principles:

- Enhance the end user experience and provide a high quality environment.
- Reduce operating expenses with sensible solutions that satisfy whole of life considerations.

Social

The total development of Boas Place will offer a range of attractions and activities for locals, workers, visitors and tourists to see and do, throughout different times of the day, week and year.

Reflecting Joondalup’s unique community profile and diverse mix of businesses, educational, health, retail and other uses already present in the Joondalup City Centre, Boas Place will be a destination where everybody feels welcome. Boas Place will provide flexibility in many aspects of the work / life balance and will be a place to work, socialise, network, shop and relax.

Economic

The overall economic impacts of the total development of Boas Place include one-off construction impacts and on-going impacts generated by additional employment.

The current *Boas Place Concept Plan* predicts that the total benefit, including flow on impact, to the Joondalup economy will be 2,920 jobs. It is anticipated that of this number, 63% of the jobs generated will be taken up by local residents (some 1,857). This is likely to have a significant positive impact on the wider Perth metropolitan transport system by improving the employment self-sufficiency of the region.

The total on-going impact on the Australian economy will be in the vicinity of \$648 million in additional output and a total of 3,175 jobs added to the Australian economy.

The addition of 800 State Government officers, located in the new office building on the corner of Shenton Avenue and Davidson Terrace, will also benefit the Joondalup City Centre Development. These officers will increase the customer base for the commercial / retail tenants of the development and act as an attractor to potential end-users.

Consultation

In determining the proposed concept plan options, substantial consultation was undertaken with external consultants including Arup, Rowe Group, Woods Bagot and Seedesign. Devwest also provided input based on their negotiations with potential end-users and current market conditions.

COMMENT

It is considered that the amended concept plan maintains Council's overall objectives and vision for the project.

VOTING REQUIREMENTS

Simple Majority.

The Chief Executive Officer left the room at 8.35pm and returned at 8.38pm.

Cr Chester left the room at 8.44pm and returned at 8.46pm.

The Director Planning and Community Development left the room at 9.14pm.

Cr Jones left the room at 9.17pm and returned at 9.18pm.

OFFICER'S RECOMMENDATION

That Council:

- 1 NOTES the Joondalup City Centre Development Project Status Report;
- 2 ENDORSES the Boas Place Concept Plan – Option 4(c) as detailed in Attachment 2 to this Report.

MOVED Cr Hollywood, SECONDED Cr Gobbert that the Major Projects Committee:

- 1 NOTES the Joondalup City Centre Development Project Status Report;**
- 2 REQUESTS further refinement of the Boas Place Concept Plan to ensure that:**
 - 2.1 Building G has minimal impact on the western facade of the library building;**
 - 2.2 the pedestrian accessway between Building G and Building A be redesigned to enable an engaging pedestrian experience;**
 - 2.3 the new accessway to the south of Building H be revised to give focus to a pedestrian environment, with a possible restricted vehicle access, as well as respect the natural area of Central Park.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Mayor Pickard, Crs Chester, Fishwick, Gobbert, Hollywood, Jones and Norman.

Appendix 3 refers

To access this attachment on electronic document, click here: [Attach3agnMP161128.pdf](#)

Messrs Tony Hatt, Chad Ferguson and Damon Ferguson of Devwest Group Pty Ltd and Mr Will Schofield of Woods Bagot Architecture left the room at 9.23pm.

Disclosure of Proximity Interest

Name/Position	Cr Russell Poliwka.
Item No./Subject	Item 4 - Confidential - Joondalup City Centre Development - Memorandum of Understanding.
Nature of interest	Proximity Interest.
Extent of Interest	Cr Poliwka owns property adjacent to the Joondalup City Centre development.

ITEM 4 CONFIDENTIAL - JOONDALUP CITY CENTRE DEVELOPMENT - MEMORANDUM OF UNDERSTANDING

WARD	North
RESPONSIBLE DIRECTOR	Mr Garry Hunt Office of the CEO
FILE NUMBER	103036, 101515
ATTACHMENT	Nil.
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

This Report is confidential in accordance with section 5.23(2)(c) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.

A full report was provided to Elected Members under separate cover. The report is not for publication.

OFFICER'S RECOMMENDATION

That Council **AUTHORISES** the Chief Executive Officer to pursue negotiations for a new Memorandum of Understanding with Devwest Group Pty Ltd as identified in Option 3 of this Report.

MOVED Cr Fishwick, SECONDED Cr Hollywood that Council AUTHORISES the:

- 1 Chief Executive Officer to extend the exclusivity period of the Memorandum of Understanding with Devwest Group Pty Ltd for a period of nine months to commence from 11 December 2016;**
- 2 commencement of negotiations with Devwest Group Pty Ltd for a new Memorandum of Understanding for one or more components of the Boas Place Concept Plan or either one or more of the lots or specific sites of the development being Lot 507 (90) Boas Avenue, Lot 496 (70) Davidson Terrace and part Lot 497 (102) Boas Avenue, Joondalup.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Mayor Pickard, Crs Chester, Fishwick, Gobbert, Hollywood, Jones and Norman.

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil.

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 9.43pm; the following Committee Members being present at that time:

Mayor Troy Pickard
Cr Kerry Hollywood
Cr Nige Jones
Cr Liam Gobbert
Cr Mike Norman
Cr John Chester
Cr Russ Fishwick, JP