APPENDIX 1
ATTACHMENT 1

This is a 'mark-up' version of the JPACF Business Case showing amendments made since the Major Projects Committee meeting held on 28 November 2016.
Additions are highlighted green, deletions are highlighted in red.

City of Joondalup

Joondalup Performing Arts and Cultural Facility

Business Case

January 2017

A Global City: Bold | Creative | Prosperous

Contents

Executive Summary

Background

The need for a performing arts and cultural facility for the Joondalup region was first identified and defined in the 1992 Joondalup Cultural Plan. Throughout the period 1996 – 2006 significant progress was made towards achieving this ambition including the purchase of a site for the facility. During this time a number of studies and reports clearly identified the need for a cultural facility in Joondalup and indicated strong support from community and other stakeholders for the concept of a centrally-located performing arts centre containing a range of venues and facilities.

The Project Philosophy and Parameters as adopted by Council in 2011 are summarised below:

- Partnerships
- World Class, state of the art facility
- Imagination and Creativity
- Inclusive Environment
- Viability and Attraction
- Financial Sustainability

A vast amount of research has been commissioned by the City of Joondalup (the City) for this project with several studies being undertaken since 2001. The most recent feasibility study from 2012 has further supported the development of a performing arts and cultural facility in Joondalup.

The City commenced an international architectural design competition in April 2013, receiving 21 submissions. In April 2014 Council endorsed ARM Architecture as the winner of the architectural design competition for their Art Box concept. A People's Choice vote was also undertaken and was awarded to ARM Architecture

The numerous studies and reports have laid the foundations for this business case.

Context – City of Joondalup

The City of Joondalup is the thriving centre of the Perth North West Sub Region, with significant economic growth forecast in the next 20 years, including an additional 20,000 jobs.

Perth's North West Sub Region is experiencing rapid population growth which makes the catchment area of the proposed Joondalup Performing Arts and Cultural Facility (JPACF) one of the largest of its type in Australia.

The City:

- Aspires to be a global City, the Strategic Community Plan (Joondalup 2022) sets out the path to achieve this
- is projected to continue to enjoy large economic development
- is on track to becoming formally recognised as a Strategic Metropolitan Centre.

Needs Analysis

In 2012 the City undertook a comprehensive market analysis and feasibility study for the development of a performing arts and cultural facility in the City. This study reinforced the notion that there is currently a significant under provision of performing arts and cultural facilities within the northern corridor of Perth.

The need is confirmed by the following:

- The catchment area has a population of over 300,000 people and will grow to over

500,000 within 20 years.

- The catchment area is already much larger than that of most other comparable facilities in Australia.
- Australian Bureau of Statistics (ABS) data indicates a high level of demand for cultural participation.
- The JPACF will address the lack of existing facilities in the region.

Location, Options and Features

The location for the facility was evaluated and selected several years ago, and is in an ideal location, adjacent to the Joondalup Learning Precinct with excellent access by public transport and roads.

Facility model options have been thoroughly evaluated. The preferred option is an Art Box Model which will provide multiple community and commercial spaces ensuring continuous activation of the facility.

The design is iconic and will contribute significantly to the urban and cultural fabric of the City and broader region.

The program model for events has been researched and will be developed to deliver a diverse range of events that will appeal to all sectors of the community.

The project plan will ensure the facility is constructed and ready for operation by July 2019 (subject to funding approvals). The Facility will feature:

- An 850 seat main auditorium of international standard, including a fly tower, with lighting and acoustic specifications of a high standard
- A 200 seat black box theatre to accommodate a variety of non-traditional theatre stagings and performances
- A range of rehearsal spaces that could also serve as places for small performances and general community activities
- Theatre support spaces such as a box office, green room, make up and change areas, backstage workshops and storage
- A dedicated art gallery
- Jinan Chinese Cultural Garden
- Conferencing and exhibition spaces
- Spaces for the practice of fine arts and crafts
- Curatorial space
- Bar and catering facilities
- Office and managerial spaces
- Multi-storey car parking to cater for staff and patrons of the facility and day-time public parking.

Financial Projections

- The project is estimated to cost $99.7 million to plan, design and construct.
- The City is projected to have $37.5 million in reserves to help fund the project. The remaining costs will be funded by a $10 million grant and by borrowings of $57.8 million.
- The borrowings of $57.8 million will result in interest costs of $22.6 million so the total repayment of the borrowings is $80.4 million. There may be $46.7 million in proceeds from Tamala Park Land Sales after construction, which are assumed to be used to repay some of the debt. The remaining $33.7 million of the loan repayments are assumed to be funded from general municipal funds.The JPACF will require an ongoing annual contribution by the City, estimated to be $863,000 per year. The estimated annual subsidy is 21% of

operating expenses, which compares favourably to other similar facilities in Australia.Cost per Ratepayer for the annual operating subsidy is $13.77 per year (in today's dollars)

- Cost per Ratepayer for servicing the debt, net of the Tamala Park proceeds, is $33 per rateable property year for 15 years.
- Depreciation expense of $1.5m per year is estimated.
- Total incremental costs up to 2058-59 is estimated to be $232.4 million.
- Net impact after costs of borrowings and further contribution from Tamala Park land sales is estimated at $170.8 million.
- All whole-of-life impacts are included in the City's 20 Year Strategic Financial Plan.
- Average annual cost per rateable property is $55.27, this is an average per year over the 40 year life of the project and relates to the total net cost after funding.
- Detailed analysis has been prepared and reviewed by expert external consultants on several occasions during the past few years.
- There is opportunity for improvement to financial assumptions and projections as the project progresses.

Project Benefits

Delivering positive economic and social value

An estimated 609 jobs will be supported (directly and indirectly) due to the construction of JPACF. The operation of 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.

Supporting the growth of the creative economy

JPACF will catalyze 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.

Summary

- Construct the JPACF at a cost of $99.7 million, which will become an iconic part of the Joondalup City Centre.
- Utilise the facility for more than half of the year equating to 186 days per year for the primary theatre, engaging the community and building local cohesion and identity.
- Ongoing annual operating subsidy estimated to be $863,000 (excluding Interest and depreciation).
- Develop a diverse program that caters for the needs of the community.

1 Introduction and Background

1.1 Background

The City of Joondalup (the City) is the northern regional centre of Perth, located 30 kilometres north of the CBD, abutting the Indian Ocean to the west, City of Wanneroo to the north and east, and City of Stirling to the south.

The City provides many of the key services for the region (health, education, retail) with a catchment area that extends as far north as Geraldton. Its location, relative to Perth Central area, and access to high-order public transport infrastructure has positioned the City as an ideal location for investment in regional-level infrastructure including the Joondalup Health Campus, the Arena, Council Chambers and Library and Edith Cowan University.

The City is a key activity centre and employment node for the northern corridor and rapid population increases across the region will place added pressure on the City to provide additional employment, health, entertainment and educational opportunities to support the needs of a growing region.

The maturity of the City into a resilient, adaptable, and diverse strategic centre is essential in order to ensure the significant populations of the northern corridor are not disadvantaged, forced to travel to other centres to access amenity and employment, adding to existing congestion, limiting productivity and impacting on quality of life.

The Joondalup Performing Arts and Cultural Facility (JPACF) will be a catalyst project which acts as a key piece of enabling infrastructure as the City grows into a principle centre of activity within Perth's urban network. It will play a significant role in the development of an adaptable and robust regional economy and a population of resilient individuals and communities.

The purpose of this report is to set out the current challenges facing the catchment and the opportunities that this project will provide to the region. The business case will also provide a holistic analysis of the benefits of investment in the JPACF.

1.2 History of Project

The need for a performing arts and cultural facility for the Joondalup region was first identified and defined in the 1992 Joondalup Cultural Plan. Throughout the period 1996 – 2006 significant progress was made towards achieving this ambition including the purchase of a site for the facility. During this time, a number of studies and reports clearly identified the need for a cultural facility in Joondalup and indicated strong support from community and other stakeholders for the concept of a centrally-located performing arts centre containing a range of venues and facilities.

In 2010 the Joondalup Performing Arts and Cultural Facility Steering Committee was formed and the Project Philosophy and Parameters were adopted. The Steering Committee included City of Joondalup Elected Members, specialist members, representatives from community arts groups and representatives from the Joondalup Learning Precinct (Edith Cowan University, North Metropolitan TAFE and Western Australian Police Academy). The Steering Committee was disbanded in 2015 and the City of Joondalup Major Projects Committee of Council now oversees the progress of the project.

A vast amount of research has been commissioned by the City for this project with several studies being undertaken since 2001. In 2012 a Market Analysis and Feasibility Study (MAFS) was prepared by Pracsys and is a comprehensive report that will be referred to throughout the document. The MAFS incorporates demand and supply analysis, accommodation schedule and concept design description, operations management, business framework and financial

analysis. This study reinforced the notion that there is currently a significant under provision of performing arts and cultural facilities within the northern corridor of Perth.

The need is confirmed by:

- The catchment area is over 300,000 people and will grow to over 500,000 within 20 years
- The catchment area is already much larger than that of most other equivalent facilities in Australia
- ABS Data indicates a high level of demand for cultural participation
- A lack of facilities of the type and size of the proposed JPACF within the greater metropolitan area.

The City commenced an architectural design competition in April 2013 receiving 21 submissions from local and international architects. In April 2014 Council endorsed ARM Architecture as the winner of the architectural design competition for their Art Box concept. As part of the design competition, a community survey was also completed, which indicated large community support for the project.

From 2014 onwards the Business Case was reviewed by the City in detail. In the interests of accountability, probity and transparency as part of the on-going due diligence applied to this project, a number of consultant reviews were undertaken by:

- Paxon Group
- Rudi Gracias
- Pracsys
- Deloitte.

These reviews were presented to Council, to allow them to make an informed decision on progressing the project.

1.3 Project Objectives

The project objectives are reflected in the Project Philosophy and Parameters, which were adopted by Council in 2010. Additionally, the City's Strategic Community Plan also includes objectives that apply to the project. The objectives are summarised as follows:

Figure 1*: Joondalup Performing Arts and Cultural Facility project objectives*

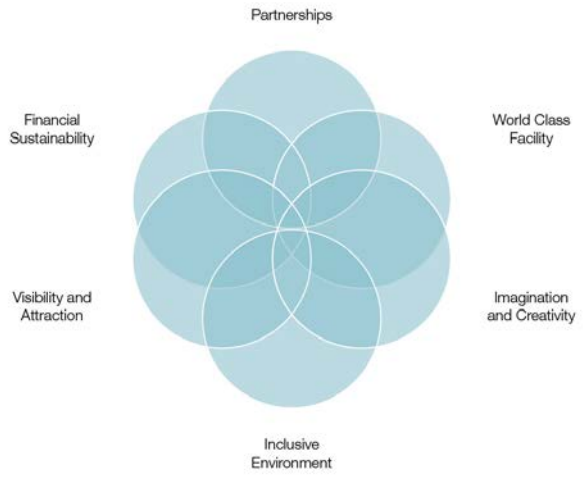

Table 11*: Joondalup Performing Arts and Cultural Facility project objectives*

No.	Objective	Details
1	Partnerships	Create synergies with the existing educational institutions and reinforce the Joondalup City Centre as the creative and educational centre of the northern corridor.
2	World Class Facility	Provide a world class, state of the art centre incorporating innovative and sustainable design that is architecturally symbiotic with the existing natural and built environment.
3	Imagination and Creativity	Project an ambience of cultural significance, providing an easily recognised entry statement to the City that creates strong visual and physical linkages to existing and future civic buildings, educational precinct, green areas and transport hub.
4	Inclusive environment	Become a place to celebrate imagination and creativity, inspiring individuals and the community to take part in the arts and raise the aspirations of all users.
5	Viability and Attraction	Create an inclusive environment where people of all ages and levels of cultural awareness can develop and nurture a strong sense of the possibilities that the arts can provide.
6	Financially Sustainability	Provide a facility that can host a mixture of commercial and community activities that supports the viability and attraction of the venue.

1.4 Location, Options and Features

The location for the facility was evaluated and selected several years ago, and is in an ideal location, adjacent to the Joondalup Learning Precinct with excellent access by public transport and roads.

Facility model options have been thoroughly evaluated. The preferred option is an Art Box Model which will provide multiple community and commercial spaces ensuring continuous activation of the facility.

The design is iconic and will contribute significantly to the urban and cultural fabric of the City and broader region.

The program model for events has been researched and will be developed and deliver a diverse range of events that will appeal to all sectors of the community.

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- A dedicated art gallery
- Jinan Chinese Cultural Garden

- Conferencing and exhibition spaces
- Spaces for the practice of fine arts and crafts
- Curatorial space
- Bar and catering facilities
- Office and managerial spaces
- Multi-storey car parking to cater for staff and patrons of the facility and day-time public parking.

1.5 Jinan Garden

The Jinan Chinese Cultural Garden is an important component of the overall development of the Joondalup Performing Arts and Cultural Facility. The City of Joondalup is engaged in an ongoing Sister City Relationship with Jinan Municipal People's Parliament in China. The Sister City Relationship began in 2000 with the signing of a Memorandum of Understanding and in 2006 the two Cities agreed to a long term Relationship Plan to assist in guiding the growth and continuity of the Jinan-Joondalup Sister City Relationship.

In 2009 the Jinan Municipal People's Parliament constructed a 'Joondalup Garden' in Jinan at the 7th China International Garden and Flower Expo and the City agreed to incorporate the Jinan Chinese Garden into the design of the JPACF.

Occupying approximately 1100m^2 the Jinan Garden will be reminiscent of the Baotou Spring located in the City of Jinan in China. The garden will feature ponds, water fountains, a small water fall, a bridge, a rock garden, trees and flowers and an assortment of open and covered walkways that meander through the garden. The focal point in the garden will be the traditional lotus pavilion.

It is intended that the Jinan Garden is constructed at the same time as the JPACF adjacent to the facility in Central Park. The cost of the Jinan Garden has been incorporated into the financial modelling for the JPACF.

Image: Jinan Garden Concept Plan

2 Context

2.1 City of Joondalup – Current

The City of Joondalup is located 30 kilometres north of the Perth CBD, abutting the Indian Ocean to the west, City of Wanneroo to the north and east, and City of Stirling to the south.

Image: Joondalup context

After experiencing significant residential growth throughout the 1980s and 1990s, the City's population has since stabilised as areas have become developed. Table 2 summarises some of the key statistics for the City:

Table 2: Key statistics – City of Joondalup

Joondalup Headline Statistics:	
Population – 2016 (Estimated Resident Population)	164,942[1]
Distance between Perth and the Joondalup City Centre	30 kilometres
Number of businesses – Business Register 2014	13,061
Headline Gross Regional Product (NEIR 2014)	$5.88 billion
Public Open Spaces	369

Current services located in the City include Joondalup Health Campus, Edith Cowan University, Joondalup Arena and North Metropolitan TAFE. Additionally, the City hosts the largest shopping/retail centre in Western Australia, the Lakeside Shopping Centre. Despite the diversity of facilities already provided in the area, there is a growing demand for improved services including a performing arts facility.

The City of Joondalup provides an extensive range of services to the community, including but not limited to:

- Community development, education and youth services
- Library, festivals, concerts and other cultural events
- Infrastructure including roads, footpaths and street lighting
- Leisure and recreation services and facilities
- Building, planning and health regulatory services
- Waste Management
- Building and planning approvals
- Environmental health services
- Rangers and community safety
- Parking facilities
- Parks and natural areas and management of the environment
- Economic development.

2.2 City of Joondalup – Future

The City has embarked on a bold and ambitious plan for the improvement of the City, the Strategic Community Plan Joondalup 2022 which was adopted by the City of Joondalup in 2012, and sets out a series of bold and creative strategies to develop the city as a global city. The development of the JPACF is one of the core initiatives identified in the Strategic Community Plan.

[1] Forecast id. provides a 2016 estimated resident population for the City of Joondalup of 164,942 (See: http://forecast.id.com.au/joondalup).

The City has an exciting future with extensive opportunities for economic development:

- Population Growth: An increase of approximately 9% over the next 20 years.
- Housing Growth: 5,326 additional dwellings in the next 20 years, comprising of 1,626 new dwellings and 3,700 'in-fill' higher density dwellings, where existing lots are subdivided. The higher density will be achieved as a result of Housing Opportunity Areas; these areas are concentrated within high quality public transport and will have the zoning restrictions relaxed to encourage higher density development.
- Economic Development: The City adopted an Economic Development Strategy in 2014, which aims to improve the self-sufficiency of employment within the City. It is estimated that the number of jobs in the City will need to increase by 20,000 (from 50,000 to 70,000) by 2031.
- Digital Strategy: The City has also adopted a Digital Strategy encouraging economic development in this area. The City set up free wifi throughout the City Centre in 2012.

Joondalup Learning Precinct is the only known educational precinct in the world incorporating a university, police academy and technical and further education college. The Precinct is made up of the three co-located education campuses of Edith Cowan University, North Metropolitan TAFE and the Western Australia Police Academy. As these education and training facilities develop, the precinct provides enormous potential for social, cultural and economic growth over the next 20 years.

2.3 Perth North West Sub Region

Joondalup currently provides many of the key services for the region (health, education,

shopping). Regional population increases will place added pressure on the City to provide additional employment, health, entertainment and educational opportunities to support the needs of a growing region.

Whilst the City itself will have moderate increases in population, the wider region is enjoying large growth, in particular the neighbouring City of Wanneroo. The City of Wanneroo has over 8,000 additional residents each year, and over the next 20 years will have an estimated 89% increase in population.

2.4 Joondalup – Strategic Metropolitan Centre for Perth North West Sub Region

The Western Australia State Government has identified the need for Strategic Metropolitan Centres in Western Australia, and Joondalup is identified as the centre for the North West Sub Region. This need was first identified in the North West Corridor Structure Plan (1992) and updated more recently in the 2010 report, "Activity Centres for Perth and Peel". The State Government is in the process of updating the reviews with the draft release of "Perth and Peel @ 3.5 million".

Joondalup is identified as a Strategic Centre due to its central location, relative to Perth Central area, and access to high-order public transport infrastructure. The planning framework further states that a Strategic Centre, "must build on their existing assets and invest in the attributes that influence the location decision of these businesses, including accessibility, land availability, local amenity, communications and technology and the availability of skilled labour".

Joondalup is on track to becoming a Strategic Centre. In a very short period Joondalup has developed from being undeveloped bush (1970s), to the thriving centre of the North West Sub Region. Joondalup Strategic Metropolitan Centre is the only current centre in the North West Sub region.

2.5 Context in Summary

- The City of Joondalup is the thriving centre of the Perth North West Sub Region, with significant economic growth forecast in the next 20 years, including an additional 20,000 jobs.
- Perth's North West Sub Region is experiencing rapid population growth which makes the catchment area of the proposed JPACF once of the largest of its type in Australia.
- Joondalup's neighbouring City of Wanneroo grows by over 8,000 additional residents each year, and over the next 20 years will have an 89% increase in population.

The City of Joondalup:

- Aspires to be a global City, the Strategic Community Plan (Joondalup '2022') sets out the path to achieve this
- Will continue to enjoy large economic development
- Is on track to becoming formally recognised as the Strategic Metropolitan Centre, as per State Planning Policy.

3 Strategic Context

3.1 State Policy Alignment

A Culturally Ambitious Nation – Strategic Plan 2014-2019[2]

A Culturally Ambitious Nation is the strategic plan of the Australian Council for the Arts – the Australian Government's arts funding and advisory body. The Plan sets out a vision for the arts in Australia and defines the following four key goals:

Australian arts are without borders

- Enable Australian Art to travel across the globe and access new markets
- Maximise impact of National Regional Touring Programs to increase access across regional communities
- Australia is known for its great art and artists
- Support a more diverse range of artists, ensuring that all artists are able to express their art no matter from where they come

Build the capacity of artists to make excellent work

- The arts enrich daily life for all
- Ensure more Australians have greater access to and engage with arts regardless of where they live, what language they speak or how much they earn
- Partner with governments (State, Territory and Local) on targeted arts development in regional and urban areas

Increase public and private investment in the arts

- Australians cherish Aboriginal and Torres Strait Islander arts and cultures
- Support young Aboriginal and Torres Strait Islander people to practice and experience their culture by supporting an intergenerational transfer of Indigenous arts and culture knowledge

The JPACF will increase access to art and cultural experiences and provide key enabling infrastructure for artists to practice and develop their skills. The JPACF will support in the achievement of a wide range of the abovementioned national goals for art in Australia and is therefore supportive of the Plan.

Towards a Strategic Directions Framework 2015 – 2030[3]

This document is a discussion paper produced by the Western Australian Arts Leadership Group for the Department of Arts and Culture WA which sets a strategic direction for the culture and arts sector for 2015–2030. Themes outlined in the document include: valuing and sustaining Aboriginal arts and cultures, increasing community access and participation, technological innovation, enhancing access to collections, greater internationalisation, infrastructure, education, and arts funding and philanthropy.

The framework identifies a broad range of opportunities under each of these themes, with many exhibiting direct linkages with the JPACF including:

- Strengthen local government capacity to foster participation in culture and arts at the local community level and promote the value of community arts programs and strategies

[2] Australia Council for the Arts (2014). *A culturally ambitious nation: Strategic Plan 2014 to 2019*
[3] Arts Leadership Group (2015). *Towards a strategic directions framework 2015 – 2030*

- Promote volunteering in support of cultural and arts organisations and activities
- Engage with the ageing population and loyal customers, don't alienate them
- Utilise new technologies to create new forms of work and to engage new audiences
- Promote participation between artists, cultural organisations and audiences to increase interest and participation in new works and practices.
- Touring exhibitions and loans from WA State Collections
- Promote national and international collaborations to develop new markets and raise standards
- Promote the success of social responsibility initiatives such as those undertaken in the Pilbara to increase the engagement of vulnerable people in the arts
- Replicate the success of the disability arts sector model to engage other marginalised groups in arts practice and participation.

Under the theme of cultural infrastructure, the plan specifically references the proposed JPACF as a key opportunity. The JPACF provides a vehicle for harnessing a great range of these opportunities in particular, supporting the City of Joondalup to foster participation in culture and arts not only in their local government area but also in the broader north-west corridor. The JPACF will reach out to a significant catchment, connecting artists and cultural organisations with audiences and volunteers. There are also opportunities for JPACF to directly engage with marginalised and disadvantaged groups.

3.2 Regional Significance

Perth & Peel@3.5million[4]

Perth and Peel @3.5Million is the strategic planning document by the Department of Planning, envisioning the Perth metropolitan and Peel Region with a population of 3.5 million in 2050. The document builds on previous spatial planning documents, principally *Directions 2031 and beyond,* to develop a robust strategic direction for region.

Perth and Peel@3.5Million establishes seven key objectives to be achieved by 2050, three of which exhibit direct linkages to JPACF, namely:

- **Economy and Employment** – Promoting employment opportunities and increasing the number of people that live and work in the sub – regions (self sufficiency).
- **Community and Social Infrastructure** – Provide a wide range of community and social infrastructure to enhance health and wellbeing in the community while promoting the use of existing facilities and infrastructure to reduce traffic movement and establish a sense of social cohesion.
- **Environment and Landscape** – Preserve and enhance exciting environmental and landscape values for the current and future generations to enjoy

The document supports the preferred future growth pattern established in *Directions 2031 and beyond* for a 'connected city' which provides a balance between urban infill and fringe development. The high level spatial framework identifies three integrated networks, the most important of which is the activity centre network. This is an integrated system of activity centres that deliver employment, entertainment and higher-density lifestyle choices. Joondalup is identified in the framework as a Strategic Metropolitan Centre, that is, a centre that provides the main regional activity, servicing populations of up to 300,000.

The JPACF will support the ongoing development of Joondalup as a Strategic Metropolitan

[4] Department of Planning (2015). *Draft Perth and Peel@3.5million*

Centre and be a piece of key enabling infrastructure as the City matures into a principle centre of activity within Perth's urban network. It will therefore support the connected city growth pattern and aligns with *Perth and Peel @3.5million.*

Draft North West Sub-Regional Planning Framework[5]

The *Draft North West Sub Regional Planning Framework* builds on the framework in *Perth and Peel @3.5Million* focusing on the North-West Sub-Region which comprises the City of Joondalup and City of Wanneroo. The framework acknowledges that as a Strategic Metropolitan Centre, Joondalup contains a number of regional-level services and facilities including Joondalup Hospital, Edith Cowan University, a major sporting and events arena, a basketball stadium and a district court.

The sub-regional framework encourages a focus on:

- employment opportunities that can complement and support existing regional-level facilities to support an agglomeration of uses;
- making the most efficient use of transport networks, service infrastructure, employment and key community/social infrastructure facilities; and
- opportunities that build on existing and proposed infrastructure within these centres can provide a catalyst for a mix of land uses, employment opportunities and housing choice.

The JPACF will complement and exhibit synergies with existing regional-level education, health and recreation facilities to support the development of a regional hub with the capability to service the rapidly growing population of the Northwest corridor. The JPACF therefore aligns with the draft framework.

Public Transport for Perth in 2031[6]

The Plan seeks to address congestion and accessibility issues Perth faces as the population rises to an expected 2.7 million by 2031. The Plan identifies principles to support integration of public transport and land use planning including:

1. Concentrate development in particularly designated strategic centres within an acceptable walking distance (400 – 1,000 metres) from major public transport nodes.
2. Align centres with major public transport corridors.

The City of Joondalup has been identified as a Strategic Metropolitan Centre and is well serviced with easy access to transport infrastructure. The JPACF will support the objective to concentrate development in designated strategic centres in close proximity to transport nodes with the Joondalup Train/Bus terminal just a few hundred metres from the site. The project thus aligns with this strategy.

State Planning Policy Urban Growth and Settlements (SPP 3.0)[7]

This policy sets out the principles and considerations which apply to planning for urban growth and settlements in Western Australia. The objectives of this policy include promoting the development of sustainable communities for which the key requirements include:

- directing urban expansion into designated growth areas which are, or will be, well serviced by employment and public transport
- clustering retail, employment, recreational and other activities which attract large numbers of people in existing and proposed activity centres at major public transport nodes so as to reduce the need to travel, encourage non-car modes and create attractive, high amenity mixed use urban centres;
- access for all to employment, health, education, shops, leisure and community facilities

[5] Department of Planning (2015). *Draft North-Wesr Sub-regional Planning Framework*
[6] Department of Transport (2011). *Public Transport for Perth in 2031*
[7] WAPC (2006). *Statement of Planning Policy No. 3 Urban Growth and Settlement*

by locating new development so as to be accessible by foot, bicycle or public transport rather than having to depend on access by car (whilst recognising the convenience of car travel for some trips and the limited potential to provide alternatives in rural and remote locations);

- good urban design which creates and enhances community identity, sense of place, liveability and social interaction in new and existing neighbourhoods;

The City of Joondalup has been identified as a designated growth centre. The JPACF will support a cluster of regional level services with a range of health, education and retail services already located within the City of Joondalup in close proximity the JPACF site and the Joondalup Train/Bus terminal. This will support easy access to a range of services and amenities in one location. The JPACF will be a feature in the City that enhances pride and identity. The project thus aligns with this strategy.

Examining Perth's Performing Arts Infrastructure[8]

"The Committee for Perth is a member funded think tank focused on maintaining and improving the liveability of the Perth metropolitan region by ensuring its vibrancy, economic prosperity, cultural diversity and sustainability". In 2013 the Committee issued a report, *Examining Perth's Performing Arts Infrastructure*, which summarised research of infrastructure in the Perth and Peel region in comparison to other capital cities. The research evaluated facilities in the wider region, including the catchment area of the JPACF, and the following observations are worth noting:

- Perth will need adequate performing arts infrastructure to meet the demand of an estimated population of four million people, indicating that Perth will need infrastructure that is of comparable size and quality to that of metropolitan Melbourne today. This means that the number of performing arts venues in Perth will need to approximately double.
- There is a need for more theatres with a capacity of 800 to 1000 seats.
- There is a shortage of affordable, appropriately sized rehearsal space in the region.
- There is significant evidence that Perth's people not only have a growing appetite for arts and culture but that there remains untapped potential for audience growth.

3.3 Local Objectives

Joondalup 2022: Strategic Community Plan 2012-2022[9]

Joondalup 2022 is the City of Joondalup's long-term strategic planning document that sets out a number of key objectives for the City. Objectives in the area of 'Economic prosperity, vibrancy and growth' include those on activity centre development and the growth of Joondalup into a Destination City, capable of attracting and providing a high level amenity for residents. Objectives in the area of 'Community wellbeing' include those focused on cultural development, namely:

- Establish a significant cultural facility with the capacity to attract world-class visual and performing arts events.
- Invest in publicly accessible visual art that will present a culturally-enriched environment.
- Promote local opportunities for arts development.

The development of the JPACF is one of the core initiatives identified in the Strategic Community Plan, described in the Plan as a transformational project critical to achieving the

[8] Committee for Perth (2013). *Examining Perth's Performing Arts Infrastructure*
[9] City of Joondalup (2012). *Joondalup 2022: Strategic Community plan 2012-2022*

City's aspirations of establishing a thriving cultural scene within the City.

Joondalup: Digital City[10]

This strategy identifies various digital technology strategies which could support the City to take advantage of the opportunities of digital technologies and broadband services. It identifies various strengths and challenges of Joondalup, one challenge being the lack of a strong cultural centre or unique identity. It also notes that Joondalup needs to build economic and employment diversity.

Actions recommended by the strategy include promoting digital arts activity in the City, in conjunction with the JPACF.

The support to be considered should include:

- Competitions
- Festivals
- Seed funding
- Shared facilities
- "smart art" installations throughout the City

The JPACF therefore aligns withthe City's strategy for a 'Digital City'.

Expanding Horizons: An Economic Development Strategy for a Global City[11]

Expanding Horizons is the City's Economic Development Strategy. The document builds on the 'Destination City' objective within the Strategic Community Plan taking a perspective that recognises the 'visitor economy' to include retail and arts and recreation services identifying that a wide range of people visit Joondalup for a variety of reasons.

The strategy states that development of major strategic projects including the JPACF will enhance Joondalup as a major destination location and provide greater recognition of the City as meeting the requirements of a Primary Centre as defined by State Government.

The strategy also highlights the City's current dependence on population driven employment and the imperative to support the growth of strategic employment in order to ensure long term economic prosperity, competitiveness and resilience. The strategy includes a goal to support and encourage the growth of more sustainable, innovative and productive businesses to enhance local strategic employment.

The JPACF will not only support the City's aspiration to become a 'Destination City' but will also be a key driver of strategic employment creation and is therefore supportive of the City's Economic Development Strategy.

[10] City of Joondalup (2013) *Digital City*
[11] City of Joondalup (2014). *Expanding Horizons*

4 Need for the Facility

4.1 2012 Market Analysis and Feasibility Study

Pracsys Consulting Firm was employed by the City to prepare a Market Analysis and Feasibility Study (MAFS) commencing in 2011. This resulted in a comprehensive analysis that has been used by the City as a guiding platform for the project. The key outcomes from the study were:

Table 3: JPACF Market Analysis and Feasibility Study Key findings

Demand and Supply	Operational Analysis	Financials
• Demand and Market for facility was clearly established, using ABS data • Availability of existing facilities and opportunities for groups to supply market are inadequate	• Program model developed • Design initial scope • Operational analysis	• Initial Financial projections • Benchmark to other Performing Arts Centres

4.2 Catchment Area

The catchment area of the proposed JPACF is one of the largest of its type in Australia. The MAFS identified the primary catchment area as the City of Joondalup and the City of Wanneroo, which comprises of a population of over 360,000 and is forecast to grow to over 500,000 in 20 years. A secondary catchment takes in most of the northern metropolitan area, stretching south to the City of Stirling and east to the City of Swan. A further area of influence stretches out north into the Wheatbelt, including towns on the way north from Perth, such as Cervantes, Jurien, Dongara, and as far as Geraldton.

People living in towns in the northern Wheatbelt already travel to Joondalup for major shopping trips and popular shows that do not tour north of Perth. It is expected that the JPACF is likely to draw some audience members from these areas. This has been facilitated by the completion of the Indian Ocean Drive, allowing easy access to Joondalup for communities to the north of the metro area, who would previously have had to use Brand Highway and then cut across to Wanneroo Road. See the below image for an illustration of the proposed catchment area.

Joondalup is more accessible to the majority of residents in the City of Wanneroo than the Perth CBD. The primary growth areas of the City of Wanneroo (largely in the north) are approximately a 15 – 30 minute journey by car from the City of Joondalup but 50 minutes from Perth CBD. It is therefore reasonable to assume that the vast majority of City of Wanneroo residents can be considered as part of the primary catchment area.

The 2016 estimated resident population of the Primary Catchment area is 363,631 comprising of:

- 164,942 within the City of Joondalup[12]
- 198,689 within the City of Wanneroo[13]

[12] Forecast.id (2016) Available at: http://forecast.id.com.au/joondalup
[13] Forecast.id (2016) Available at: http://forecast.id.com.au/wanneroo

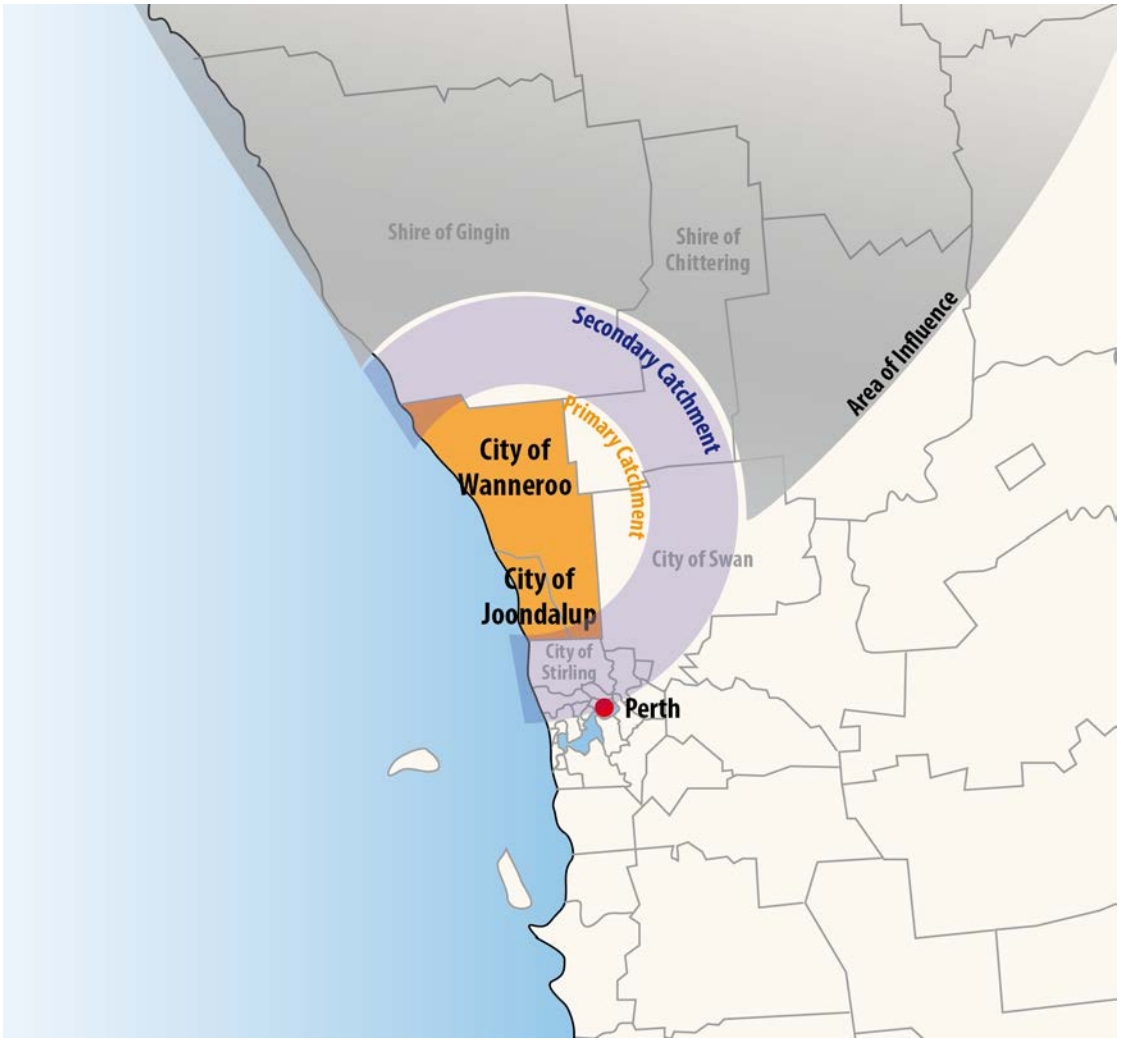


Image: Joondalup Performing Arts and Cultural Facility catchment areas. Source: Pracsys Market Analysis and Feasibility Study 2012

4.3 Population Growth

Whilst the City of Joondalup is forecast to have moderate increases in population, the catchment overall is enjoying large growth driven predominantly by the City of Wanneroo, which is forecast to grow by 81.2% between 2016 and 2036.

The City of Wanneroo stretches from Girrawheen and Koondoola in the south to Yanchep and Two Rocks in the north and the majority of population growth expected to occur in the Northern Coastal Growth Corridor (Alkimos, Eglinton, Yanchep and Two Rocks) and East Wanneroo (Gnangara, Jandalbup and Mariginiup). The North West Sub Region is expected to grow by over 180,000 people during the next 20 years to 534,854 people. See Table 4 and Figure 2 for headline statistics on the primary catchment's expected population growth.

Table 4: Primary Catchment Population Growth

Measure	City of Joondalup	City of Wanneroo	Primary Catchment
Estimated Resident Population – 2016[14]	164, 942	195,369	360,311
Population 2036	180, 812	354, 042	534, 854
Population change 2016 – 36	9.62%	81.22%	48.4%

Source: Forecast id. (2014)

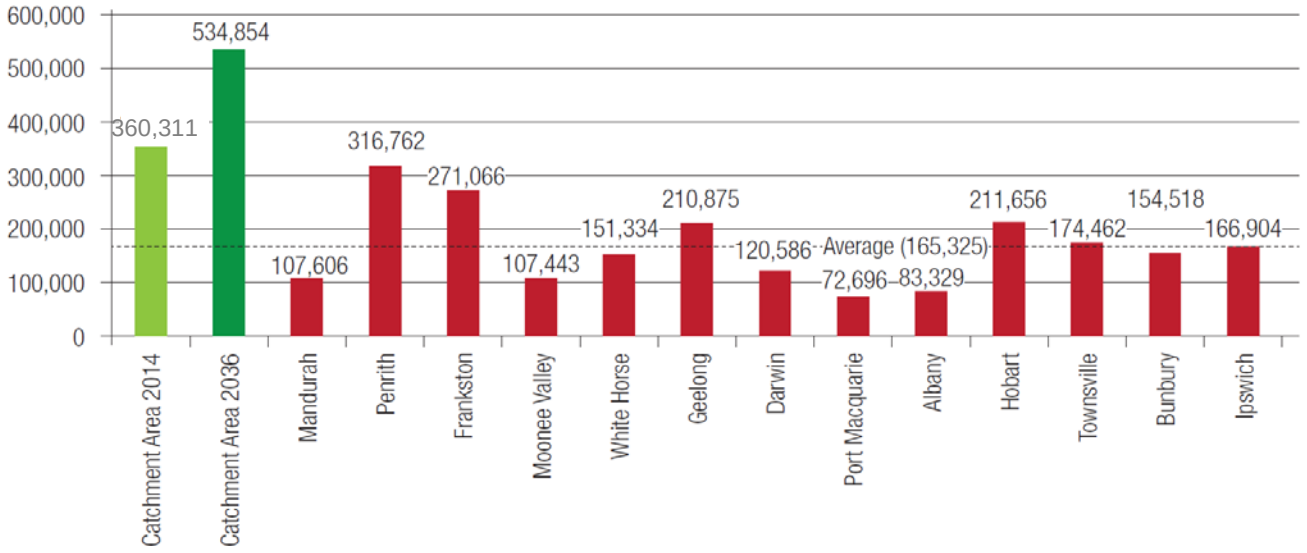
4.4 Comparison of Catchment Population

The chart below compares the catchment population of the JPACF to other comparable areas. The other areas selected were those identified in the 2012 Feasibility Study. This chart shows that the JPACF catchment is larger than any of the other regions and twice the size of the average of the other 13 areas, and by 2036 would be more than three times the size of the average.

This comparison is vital for two key reasons:

- The need for the facility in the North West Sub Region
- Confidence that the JPACF will be highly utilised

Figure 2: Joondalup Performing Arts and Cultural Facility – Comparison catchment area populations



4.5 ABS Data – Participation in Cultural Activities

The Australian Bureau of Statistics (ABS) collects data on attendance at cultural venues and events as well as participation in selected arts and cultural activities[15]. The ABS data analyses participation and attendance for a range of event/activity types with children analysed separately to adults. Data is available at both a state and national level and also looks at the frequency and of engagement.

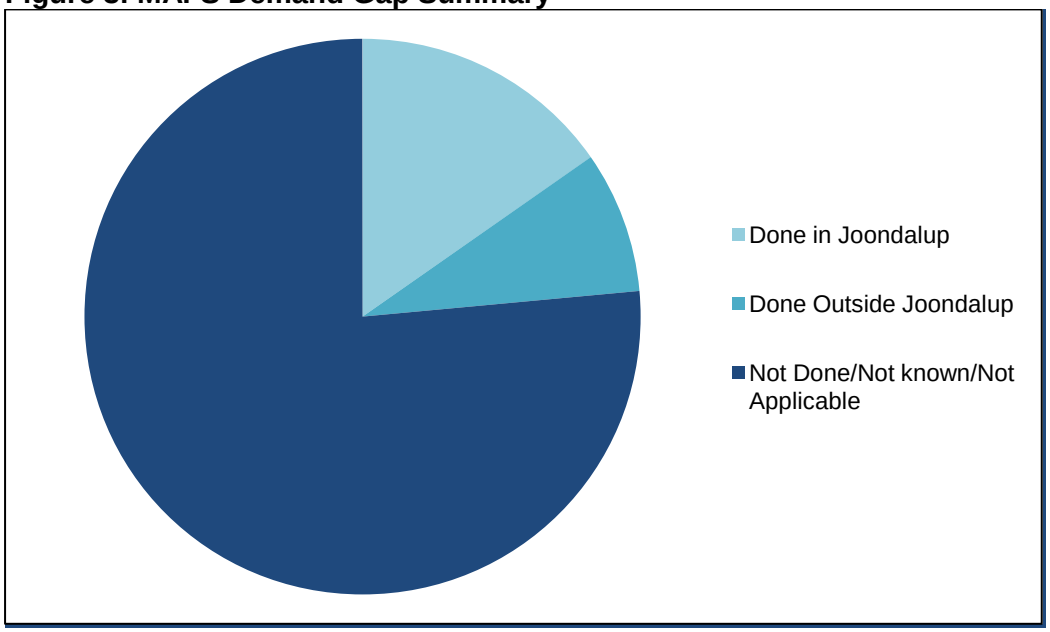
[14] These population estimates were obtained from Forecast.id in 2016. Forecast id. provided the same numbers in 2014 (See: http://forecast.id.com.au/joondalup).
[15] ABS (2009) Cat No. 4114.0 *Attendance at Selected Cultural Venues and Events, Australia, 2009-10*

Demand modelling was completed within the MAFS and was used to develop an estimate of the level of cultural activity that could be expected of a Western Australian population of the size and demographic profile of the primary catchment area.

Data from the 2009-10 *Attendance at Selected Cultural Venues and Events* Survey was used comprehensively in the preparation of the MAFS. This survey showed that 86% of the Australian population aged 15 years and over attended at least one of the selected cultural venues or events in the year prior to the survey, with the rate for Western Australia equal to the national rate. Earlier releases (1999 and 2005-06) and the latest release (2013-14) indicate similar national attendance rates with results ranging between 85% and 86%. For this reason, results from demand modelling based on the 2009 data are still deemed to be relevant.

Modelling indicated that approximately 15% of attendances were being met locally and a further 10% were being met outside of Joondalup. This means that 85% of potential attendances are either occurring outside of Joondalup or not occurring at all.

Figure 3: MAFS Demand Gap Summary



Source: Pracsys (2012) JPACF Market Analysis and Feasibility Study

4.6 Industry Consultation

The City has also consulted with various parts of the Arts and Culture Industry, including:

- Australian Performing Arts Centres Association (APACA). APACA represents organisations throughout Australia and prepare reports of operating activities:
- Economic Activity Report (2013) included data from 88 respondents
- Venues Charges and Salaries Report (2013) had 66 respondents.
- WA Department of Culture and Arts
- General Managers of other facilities in Western Australia have been consulted on a regular basis.
- AEG Ogden, are commercial operator of Arts Centres.

The consultation has allowed the City to test the need for the facility and refine the operating assumptions.

4.7 Need for the Facility in Summary

A vast amount of research and industry consultation has occurred to date. In 2012 the City engaged consultants Pracsys to undertake a comprehensive market analysis and feasibility study for the development of a performing arts and cultural facility in the City. This study reinforced the notion that there is currently a significant under provision of performing arts and cultural facilities within the northern corridor of Perth.

The need is confirmed by:

- The catchment area is over 300,000 people and will grow to over 500,000 within 20 years
- The catchment area is already much larger than that of most other equivalent facilities in Australia
- ABS Data indicates a high level of demand for cultural attendance currently not being met within the local catchment
- A lack of facilities of the type and size of the proposed JPACF within the greater metropolitan area

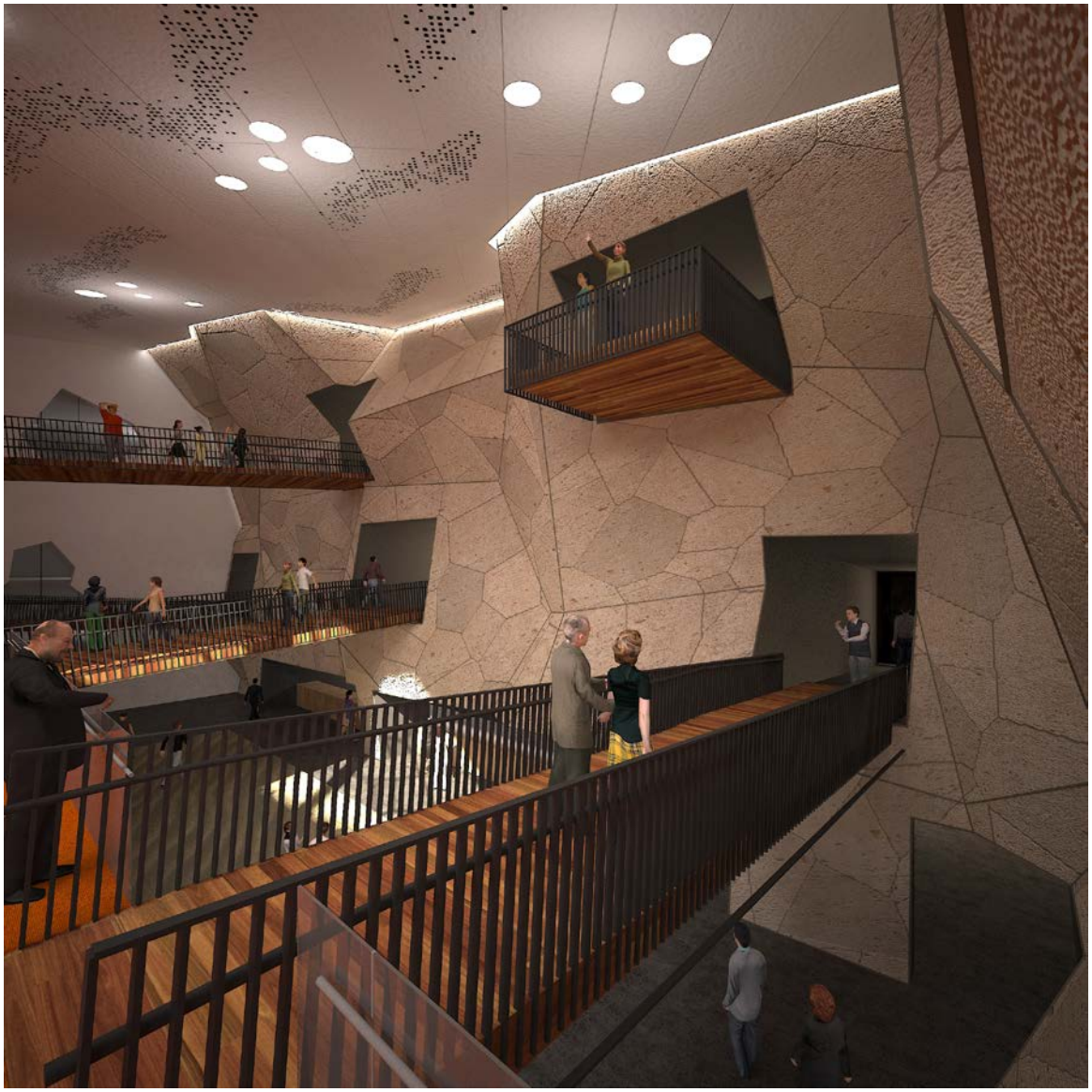


Image: Joondalup Performing Arts and Cultural Facility: ARM Architecture

5 Location, Options and Proposal

5.1 Location – Lot 1001, Kendrew Crescent, Joondalup

In 2004, the City purchased Lot 1001 from the Department of Education and Training (now the Department of Training and Workforce Development), for the sole purpose of developing the arts facility. The contract of sale for the land included special conditions limiting the use of the land to the provision of a cultural facility and associated activities. If the City proposes development on the site, that is inconsistent with this use, then the Department of Training and Workforce Development reserves the right to repurchase the land. Additionally, the City is required to advise the Department of any proposed development on the site prior to seeking development approval outlining the connection between the proposed development and the cultural facility.

In deciding to purchase the land for the construction of the JPACF the City considered the following factors:

Table 5*: Site identification matrix*

Location	✔	Prominent location within the City Centre
Entry Statement	✔	JPACF will provide an easily recognisable entry statement to the City
Existing Civic Buildings	✔	Creates strong and physical linkages to existing buildings
Public Transport	✔	Accessible to public transport with the Joondalup Train/Bus terminal just a few hundred metres from the site
Roads	✔	Accessible to road users, just 2 kilometres from the freeway
Education Precinct	✔	Adjacent to Education Precinct, providing synergies and opportunities for the growing precinct

5.2 Traditional Performing Arts Centre versus Art Box Model

The 2012 Market Analysis and Feasibility Study considered three options for the detailed design description being:

- A cultural campus, spread over a larger area.
- A traditional performing arts centre.
- An “Art Box” design, reflecting a contemporary architectural engagement with the environment, and that includes facilities for both visual and performing arts.

The cultural campus was immediately excluded as it relies on far greater land resources than is available. The Traditional Performing Arts Centre would include a primary theatre, secondary theatre and rehearsal space however this design has major shortcomings when considered against the project objectives.

Therefore, the study focused on the ‘Art Box Model’ as a representation of a complete cultural community arts centre. The Art Box Model has the same spaces as the traditional performing

arts centre but also has additional multi-purpose spaces so that the facility becomes more activated (during the day, not just in the evening) and is therefore a more inclusive environment for the community.

5.3 Art Box Model Proposal

The proposal for the Community Art Box Model will include:

Figure 4: ***Joondalup Performing Arts and Cultural Facility features.***

5.4 Design Options

The City has evaluated a wide number of alternative options in the design and operation of the facility, including:

- 1,000 seats within the primary theatre
- Condensed model
- Two Stage Construction
- Traditional performing arts centre.

These options were assessed in detail during the concept design stage of the project and discussed in previous versions of the Business Case. This Business Case focuses on the Art Box Model as described above.

5.5 JPACF Design Solution

The City conducted an architectural design competition in April 2013 receiving 21 submissions from local and international architects. In April 2014 Council endorsed ARM Architecture as the winner of the architectural design competition for their Art Box concept.

The submission by ARM Architecture is an exciting design that will capture the imagination of the users/patrons and reflects the aspirations of the City. The design delivers a built form of significant aesthetic merit that will greatly enhance the streetscape and fits seamlessly with both Central Park and Jinan Gardens.

The design concept is highly functional with scope for flexible use of spaces. The design demonstrates a good balance between innovation, contextual variation and the efficient use of space.

The key design features are:

- The building form springs from the natural traits of the Joondalup region i.e. Large eroded block: the building is rendered as an abstracted block. Using a process of erosion, the outer perimeter is opened up, perforated with gaps and caverns throughout the building. It appears as both natural and manmade, with rough stone formations, contrasting with the smooth water-like theatre space. From the outside, the erosion generates window openings, cloisters, garden balconies and entry spaces.
- Context / Presence: the JPACF sits within the central activity zone of Joondalup, adjacent to the major shopping centre, to the rail station and the Joondalup Learning Precinct. It is adjacent to the Central Park land and green spine that links through to the lake. The design is of a scale that can generate a civic identity.
- Activated edges: a primary rule of new public buildings is that they are not built like fortresses, contemporary buildings need to operate at least 12 hours a day, 7 days a week and be open/ integrated to surroundings. The JPACF design locates active uses (such as foyers, studios and food & beverage) to the edges of the site overlooking Central Park.
- Human scale: the large eroded mass creates a presence along Grand Boulevard, but is also broken down into smaller elements.
- Landscape Master Plan and Jinan Gardens: design accommodates a building forecourt with secondary ‘spill-over’ and event spaces in addition to external dining and cafe zones. Leafy green planting zones are used to separate areas. Nearby existing parklands are retained for visual and contextual reasons.
- Functionality: three zones which have discrete entries, allowing the truly multifunctional uses of the facility to function independently from each other, whilst still belonging together in a simple building.
- Theatre Design: a place that everyone wants to return to: Artists, because it supports their art well; and the community, because it gives them a sense of belonging as audience members and active participants.
- Acoustic Design: caters for all genres (music, dance, theatre, comedy, spoken word).
- Environmentally sustainable design.
- Building management considerations – e.g. air conditioning levels adjusts to ticket sales.

5.6 Program Model

The program model is the most important aspect of operating the facility, and requires dedicated expertise from the management team to drive the program model. The program

model has to consider the demographics, diversity of program, activation of the facility during the day and evening, long-term bookings, and commercial imperatives.

A potential program model was initially prepared as part of the 2012 Feasibility Study, and has since been reviewed with reference to more recent Australian Performing Arts Centres Association (APACA) data and consultation with performing arts management consultants.

Table 6 provides an outline of the potential program model for the primary theatre and secondary theatre by Year 5 (2023-24). This indicates that the primary theatre should be utilised for 186 days per year, and the secondary theatre used for 163 days a year.

Table 6: *Joondalup Performing Arts and Cultural Facility potential program*

Potential Program Model – Year 5	Primary	Secondary	Total	% of Total
Comedy	12	10	22	6%
Theatre	38	39	77	22%
Dance and Ballet	24	11	35	10%
Music	39	23	62	18%
Festivals	16	15	31	9%
Schools	16	11	27	8%
Film	6	19	25	7%
Joondalup Eisteddfod	12	11	23	7%
Special Events	23	24	47	13%
Total	186	163	349	100%

The JPACF management team is planned to be recruited at least one year before construction is completed: so that the program model can be developed in advance of the opening (the financial projections have included provision for this).

It will take some years before the program model is fully developed, perhaps as many as five years.

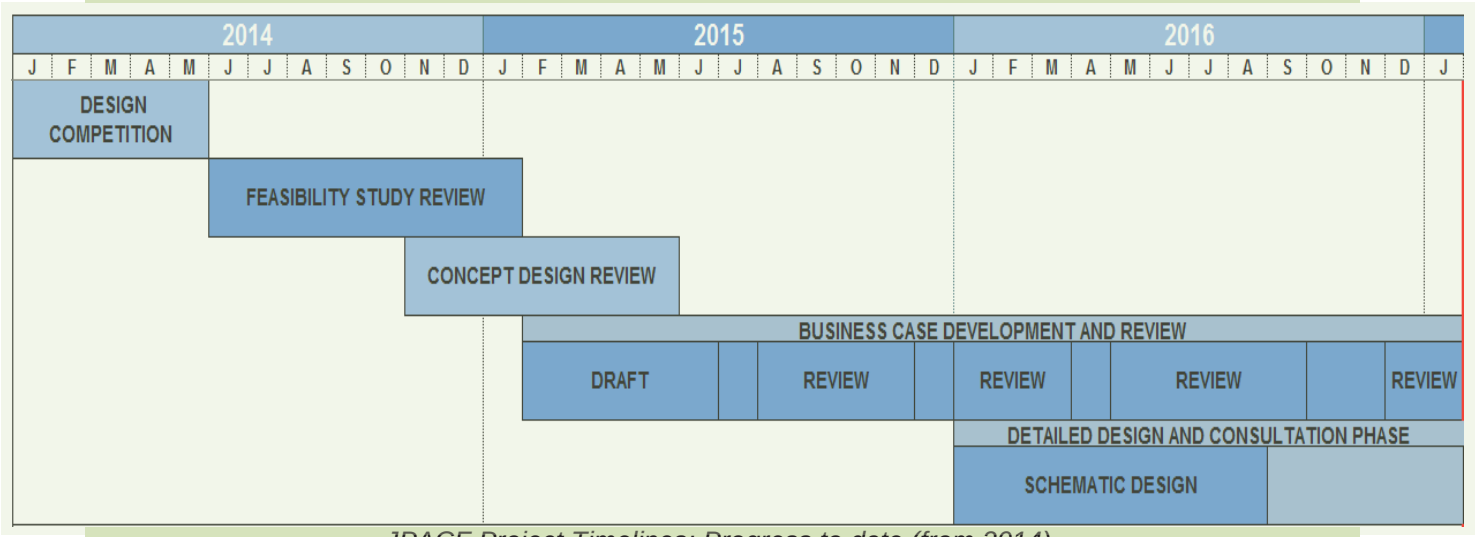
There are a range of opportunities that the management team can consider to develop the program model, particularly in the early years:

- In-house theatre/Dance Company: Develop a relationship with a client company who use the facility for creative development/rehearsal and to premiere their works. This option would see the City of Joondalup offering complimentary venue hire and other services for one or two years to support both activation of the JPACF and the company. This could provide long-term benefits by improving the status, activation and commercial viability of the JPACF
- City of Joondalup Cultural Program: The City should develop a community festival development strategy that supports and integrates the JPACF program plan. This doesn't necessarily mean that the cultural program should be completely focused on the JPACF, nor should the cultural program be expanded just so it uses the JPACF (which may be to the detriment of other potential users).
- Music Workshop Plan: Host music workshops, encourage musical development and long term utilisation.

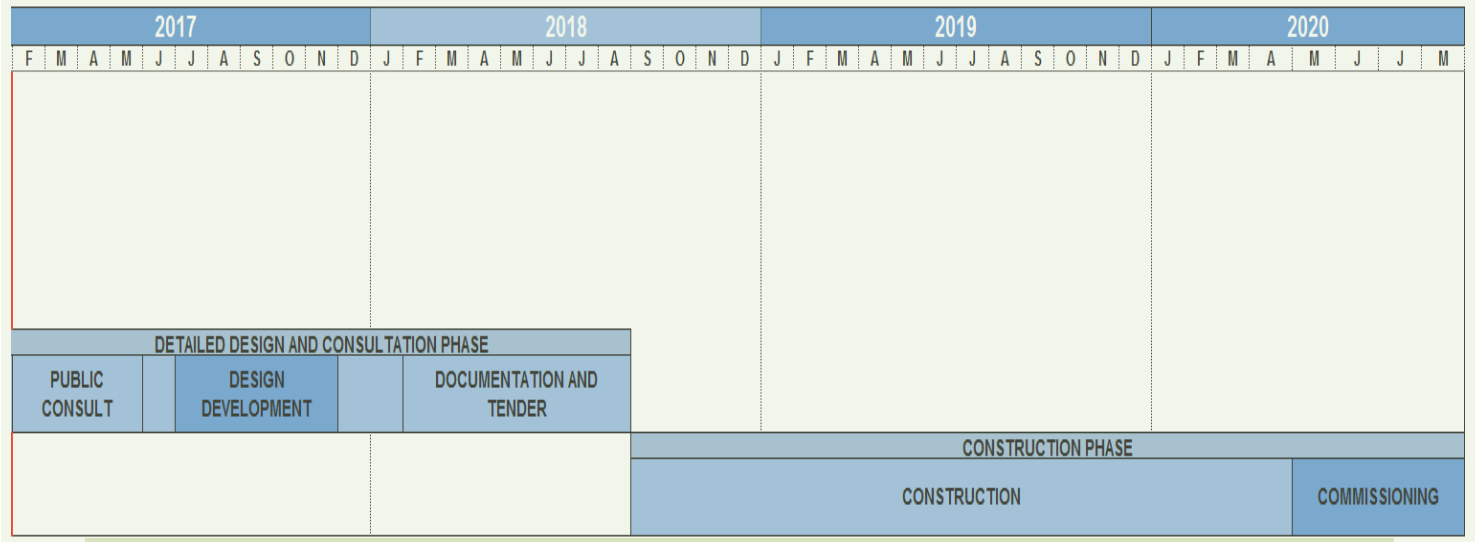
5.7 Project Plan and Key Milestones

Figure 5: Timelines

N.B. The program as outlined below is indicative only. The timelines assume that public consultation will commence early in 2017 with design development to occur afterwards. It should be noted that the timelines do not correlate with the financial projections as indicated in Section 6 of this Business Case. The financial projections relate to the currently adopted project budget and 20 Year Strategic Financial Plan and will be amended to reflect the updated timelines in due course.



JPACF Project Timelines: Progress to date (from 2014).



JPACF Project Timelines (Continued): Iindicative program.

5.8 Location, Options and Proposal in Summary

- The Location for the Facility was evaluated and arranged several years ago, and is in an ideal location, adjacent to the Joondalup Learning Precinct with excellent access to public transport and with linkages to main roads.
- Options have been continually evaluated; the preferred option is an Art Box Model which will provide multiple spaces with activation throughout the day and evening.
- Design has several key features, which will make it an iconic part of the City.
- Program Model for events has been researched with a diverse program that will appeal to all sectors of the Community.

Image:Joondalup Performing Arts and Cultural Facility : ARM Architecture.

6 Financial Projections

6.1 Establishment Phase

It is estimated that the project will cost $99.7 million and includes the following:

- $96.5 million Design and Construction
- $ 2.1 million Jinan Gardens
- $ 1.1 million Project Management

The project is subject to detailed design, and therefore the costs will vary. A contingency of $5.2 million is included in the costs. An indicative phasing of the $99.7 million is as follows:

Table 7*: Indicative costs phasing.*

Phasing of Project Costs	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Estimated Cost ($m)	$0.2	$1.7	$11.3	$53.6	$32.9	$99.7
% of Total	0%	2%	11%	54%	34%	100%

(N.B. The phasing of costs as outlined above is indicative only and is subject to project program and funding approvals. It should be noted that the project program and associated phasing of costs is continually being reviewed and amended accordingly. The above figures align with the current budget. At the time the budget was approved it was anticipated that construction would commence in the latter part of the 2016-17 financial year however this scenario is now highly unlikely).

~~The above values are current as at 2016. By the time the facility is constructed prices are expected to have escalated, the total estimated cost including escalation is $105.3 million.The City has planned for the project for a number of years and implemented strategies (e.g. sale of vacant surplus land) to contribute to the cost of the JPACF. At present there is $21 million in reserves specifically for the project, and It is estimated that there will be $37 million in total available at the point of construction, this has reduced by $8m since the previous update due to revised forecast of proceeds from Tamala Park Regional Council. The financial projections currently assume a $10 million grant being received from the National Stronger Regions Fund, subject to a successful grant application.~~

~~The remainder of the funding would derive from borrowings from Western Australia Treasury Corporation. It is estimated that $58 million borrowings would be required during the construction period, repaid over a 15 year term at fixed interest rate of approximately 3.81%. The total repayments, including principal and interest, are estimated at $80 million. It is estimated that approximately 60% of the repayments will be repaid using future proceeds from the sale of surplus land, with the remaining 40% being funded from general municipal funds. If the City's application for a $10 million Federal Grant is unsuccessful this would result in additional borrowings and total repayments of $14 million resulting in overall borrowings of $94 million.~~

~~The City has begun a detailed evaluation of alternative forms of financing, including variable rate loans and interest only loans.~~
~~A separate report is available which indicates that an alternative interest-only arrangement rather than traditional fixed interest fixed term arrangements may be beneficial. The financing review is subject to validation and until the review is complete the JPACF business case will continue to assume the traditional method of financing, which is a Fixed Rate Fixed Term (15 years).~~

6.2 Funding

The table below summarises the estimated sources of funding the $105.3 million cost. The project assumes that the City can secure a $10 million grant, there will be forecast reserves available at point of construction of $37.5 million with the remaining $57.8 million to be borrowed.

Table 8*: Funding Sources*

Funding Sources (including escalation)	$m
1 Grants	$10.0
2 City Reserves	$37.5
3 Borrowings	$57.8
Total Funding	**$105.3**

The following table summarises how City reserve funds are proposed to be used for the JPACF. At present there is $22 million within reserves that may be used, with a further $15.5 million forecast to be available in the next 3 years which would provide a total of $37.5 million from City Reserves towards the project. A further $46.7 million is forecast to be available after construction, providing an overall total of $84.2 million from City Reserves towards construction costs and repayment of borrowings.

Table 9*: Reserves proposed for use in JPACF*

Reserves Proposed for use in JPACF $ms	Pre-Construction				Post Construction	Total
	Balance at June 2016	2016-17 to 2018-19	Total Available			
1 JPACF Reserve	$12.3	$8.9	$21.2			$21.2
2 Tamala Park Land Sales Reserve	$9.8	$4.6	$14.3		$46.7	$61.0
3 Strategic Asset Management Reserve #1		$2.0	$2.0			$2.0
Total Funding	**$22.0**	**$15.5**	**$37.5**		**$46.7**	**$84.2**

Strategic Asset Management Reserve has a balance of $22m at June 2016. This is not shown in the table above because only $2m of it is set aside for the JPACF

Each of the reserve funds are explained further below:

1. JPACF Reserve: Created in 2000-01 to assist with the design and development of a regional performing arts facility in the Joondlaup City Centre. The reserve is mostly funded from proceeds of surplus land/property.
2. Tamala Park Land Sales Reserve: The reserve was created in 2013-14 to hold the City's share of the dividends received from the proceeds of the sales of Tamala Park land to be held and subsequently applied for investing in income producing facilities, to build significant one-off community facilities and to assist with the cash flow requirements of development significant infrastructure assets aligned to the 20 Year SFP. The City has assumed within the *Adopted 20 Year Strategic Financial Plan* that the Tamala Park proceeds (both pre-construction and post-construction) will be used for the JPACF. The 20 Year SFP is a planning tool and the City is not necessarily held to all assumptions in the SFP.
3. Strategic Asset Management Reserve. The reserve is intended to fund the acquisition and development of new and renewal of existing City infrastructure and building assets. $2 million has been identified within the 20 Year SFP as being available for the JPACF and therefore reducing the amount to be borrowed.

The table below summarises the total costs of the borrowings and how these are to be repaid. This shows that the total cost of the borrowings is $80.4 million comprising principal of $57.8 million together with interest costs of $22.6 million. The interest costs of $22.6 million are based on borrowings from West Australian Treasury Corporation with a fixed interest (3.81%) fixed term

(15 years). The future proceeds from Tamala Park (post-construction) are estimated at $46.7 million leaving a shortfall of $33.7 million in borrowing costs to be met from general municipal funds.

Table 10*: Borrowing Costs*

	Borrowings Costs	$m
1	Borrowings	($57.8)
2	Interest	($22.6)
	Total Cost of Borrowings	**($80.4)**
	Repayment of Borrowings	
3	Future Tamala Park Reserve	$46.7
4	Shortfall funded by General Municipal Funds	$33.7

If the City is unable to secure a $10 million grant this would result in additional borrowings and total repayments of $14 million resulting in overall repayments of $94 million.

The City is currently reviewing other alternatives to the financing of all borrowings in the City which may result in a different repayment profile. The alternative method considers a move towards a more flexible strategy where there is an 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. This approach was reviewed by Deloitte (November 2016) and confirmed that this could be a worthwhile approach but the risks would need to be carefully managed.

The timings of the Tamala Park proceeds have been compared to the timings of the loan repayments to consider if there is a reduction in interest costs that can be directly attributed to the JPACF business case. This comparison is included in the supporting Financial Evaluation paper (Appendix 5) and indicates that there is no benefit that can be directly attributed to the JPACF business case because the loan repayments are higher at all times than the proceeds from Tamala Park.

6.3 Operating Phase

The operating assumptions have been reviewed on several occasions during the past four years, and will continue to be reviewed on an ongoing basis. Comparisons to other facilities and information available from APACA have been used to inform the reviews. It is assumed that it will take five years to build up the program. The financial projections have therefore assumed that year 5 becomes the 'steady state' and from years 6 to 40 the same operating assumptions are used in the financial model, except for Parking Income. The key assumptions that are assumed from Year 5 in the operating model are:

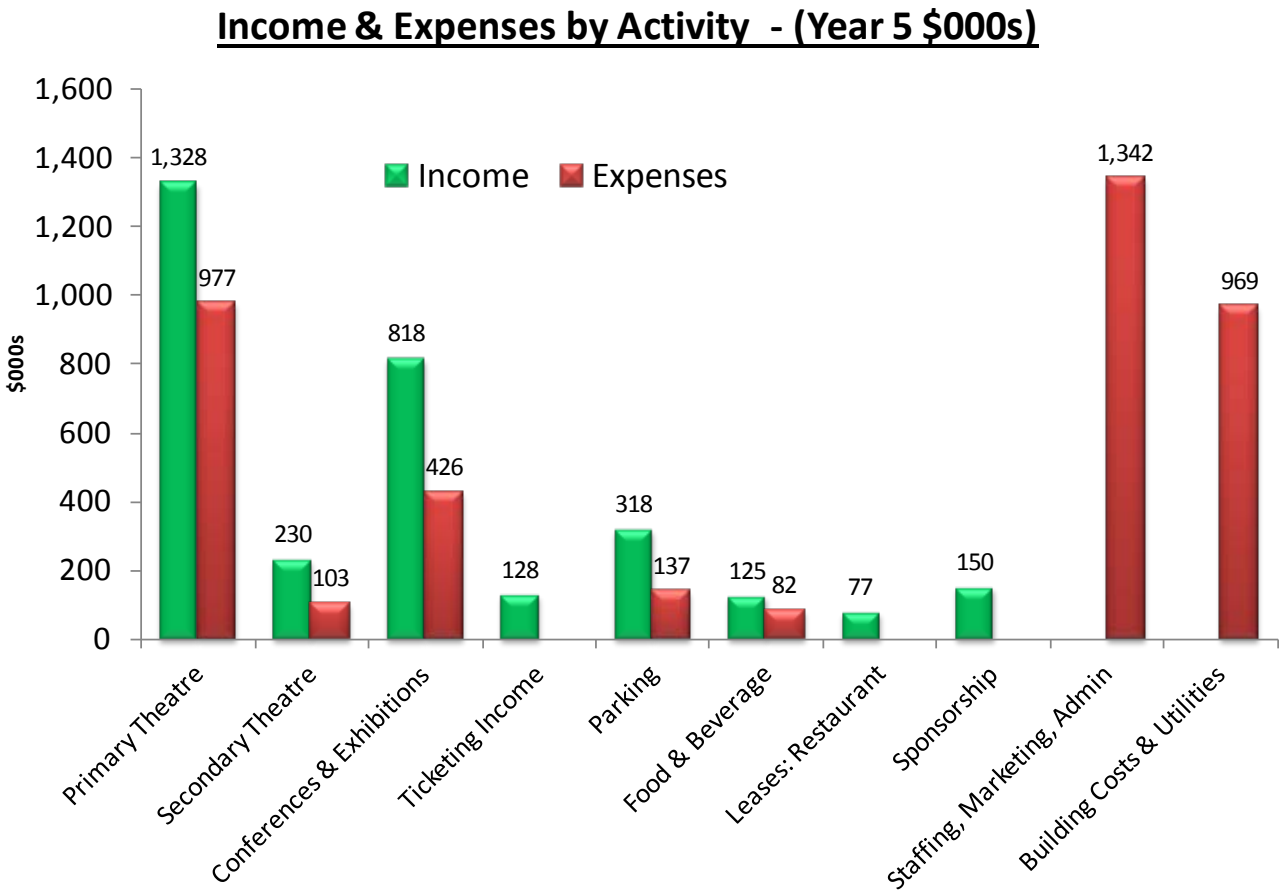
- Utilisation: 186 days usage of the Primary Theatre and 163 days in the Secondary Theatre
- 50% Average Occupancy (% of seats filled): With the large catchment area of the JPACF it would be hoped that the occupancy could be higher than the APACA average, but this is deemed a prudent assumption at this stage
- Community User Groups: Reduced fees may be provided to Community user groups for hire of spaces
- Parking (374 bays): During the 186 times when the Primary Theatre is used, it is assumed that there would be 85% occupancy of the Parking Bays. The Parking Bays will also be available for daytime use, and it is assumed that there will be 40% occupancy in the first 15 years and then increasing to 50% occupancy as the area around the JPACF develops.
- Marketing Expenses: 8% of Expenses

- Staff: 20 Full Time Equivalent Staff employed. This would include management, administrative, technicians, ushers, box office staff, cleaners and parking attendant.
- No assumption is made yet within the financial projections regarding the management model, irrespective of the type of model used the City would be responsible for the subsidy.

The annual operating expenses are estimated at $4,037,000 and the annual operating income is $3,174,000, resulting in an Operating Subsidy of $863,000.

It is acknowledged that a facility of this nature will require an ongoing subsidy, the average subsidy of facilities within the APACA analysis is 37% of operating expenses. The projections for the JPACF from Year 5 onwards are a subsidy of 21% of operating expenses; this is 16% better than the industry average predominantly due to the surpluses generated from the facility's 374 parking bays. The estimated annual subsidy from Year 5 (in today's dollars) of $863,000 is summarised in Figure 6 below.

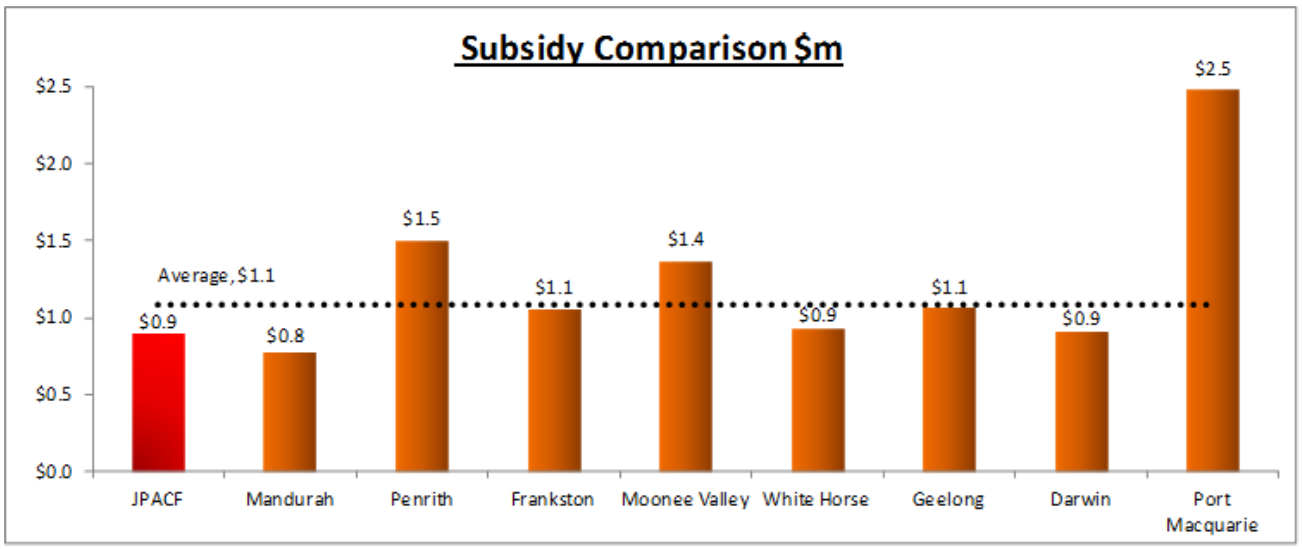
Figure 6*: Income and Expense by Activity - Year 5 $000s*



(N.B. The expenses exclude the interest expense on the borrowings of approx. $1.45 million per year, payable for 15 years).

The operating subsidy of $0.9 million has been compared to other regional facilities in Australia, as summarised in Figure 7 below. This shows that the average subsidy is $1.1 million and therefore the JPACF projections are $0.2 million less.

Figure 7*: The operating subsidy of comparable facility in Australia.*



6.4 Operating Expenditure

In addition to the $863,000 operating subsidy, there would be additional operating expenditure:

- Interest expense on the borrowings of approx. $1,506,000.
- Depreciation $1,527,000.

The total operating losses per year whilst the borrowings are being repaid is estimated at $3,896,000. This has the impact of depressing the Operating Surplus Ratio for the overall City by 2.8%.

6.5 Option Evaluation

The City has undertaken detailed financial evaluation of other scenarios:

- Scenario 1 – Worse Case. This includes some of the worse-case estimates for staff costs, utilities and repair/maintenance as provided by Consultants. This could result in a subsidy per year of $1,150,000.
- Scenario 2 – Idealistic. The other end of the range of possibilities with best-case estimates for staff costs, utilities and repair/maintenance. This scenario results in a subsidy per year of $529,000.
- Scenario 3 – Realistic. Amended set of assumptions, which represent a balance between Scenario 1 and Scenario 2. This is the $863,000 as described earlier.

Scenario 3 is used as the basis of the projections in the Business Case. The difference between the scenarios indicates the uncertainty with some of the assumptions and that the financial projections should continue to be reviewed on a regular basis.

A separate report entitled Financial and Scenarios Evaluation provides more details on the financial assumptions (Appendix 4 refers).

6.6 Total Cash Flows up to 2058-59

The whole-of-life cash flows have been projected up to 2058-59, including escalation. This covers the period of construction and 40 years of operation. By evaluating over such a long period ensures

that the long-term impacts including capital renewals can be evaluated. The tables below summarise the overall cash flow impacts, this table includes all of the cash flows in the previous sections (Capital Costs, Funding, and Operating assumptions).

The Total Cash Flows have been split into 2 tables as follows:

- Table 11 – Incremental cash flows only that arise directly as a result of the construction and operation of the JPACF
- Table 12 – Funding: Reserves, Borrowings and Tamala Park Proceeds. Net Impact to the City which takes account of the funding.

Each of the 16 lines are explained underneath the tables.

The range of outcomes for the scenarios is influenced by the different operating subsidy assumptions. Scenario 1 with an operating subsidy of over $1.1 million per year would result in an overall Cash flow of $198.3 million, whereas Scenario 2 with an operating deficit of just over $0.5 million would be $137.9 million. Scenario 3 with an operating subsidy of $0.9 million has an overall cash flow of $170.8 million. Scenario 3 is $29.4 million lower than the December 2015 business case due to the inclusion of the post-construction Tamala Park proceeds. The range of differences between the scenarios is considered to be reasonable at this stage of a $100 million project.

Table 11*: Incremental Cash Flows (Total Cash Flows up to 2058-59)*

	Table 1 Incremental Cash Flows (Total Cash Flows up to 2058-59)		Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
	Establishment Costs					
1)	Capital & Other One-Off Costs	*$ms*	($103.0)	($105.3)	($105.3)	($105.3)
2)	Grants	*$ms*	$10.0	$10.0	$10.0	$10.0
3)	**Net Establishment Costs**	*$ms*	**($93.0)**	**($95.3)**	**($95.3)**	**($95.3)**
	Operating Impacts					
4)	Operating Expenses	*$ms*	($311.6)	($404.1)	($346.2)	($377.9)
5)	Operating Income	*$ms*	$260.4	$319.0	$321.5	$320.2
6)	**Operating Deficit**	***$ms***	**($51.2)**	**($85.1)**	**($24.8)**	**($57.7)**
7)	Asset Replacement	*$ms*	($79.4)	($79.4)	($79.4)	($79.4)
8)	**Incremental Cash Impact of JPACF**	*$ms*	**($223.6)**	**($259.8)**	**($199.5)**	**($232.4)**

Table 12: Funding: Reserves, Borrowings and Tamala Park Proceeds (Total Cash Flows up to 2058-59)

	Table 2 - Funding Reserves, Borrowings and Tamala Park Proceeds (Total Cash Flows up to 2058-59)		Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
	Pre-Construction					
9)	Reserves pre-construction	*$ms*	$45.2	$37.5	$37.5	$37.5
10)	Borrowings	*$ms*	$47.8	$57.8	$57.8	$57.8
11)	**Pre-Construction**	*$ms*	**$93.0**	**$95.3**	**$95.3**	**$95.3**
	Post-Construction					
12)	Repayment of Principal	*$ms*	($47.8)	($57.8)	($57.8)	($57.8)
13)	Interest payments	*$ms*	($21.7)	($22.6)	($22.6)	($22.6)
14)	Tamala Park Proceeds post-construction	*$ms*	$0.0	$46.7	$46.7	$46.7
15)	**Funding Shortfall paid by Municipal**	*$ms*	**($69.5)**	**($33.7)**	**($33.7)**	**($33.7)**
16)	**Net Impact Line 8+11+15**	*$ms*	**($200.2)**	**($198.3)**	**($137.9)**	**($170.8)**

Each of the 16 lines in Tables 11 and 12 are explained in more detail below for Scenario 3.

1) Capital & Other One-Off Costs – $105.3 million relates to the overall one-off costs including escalation.
2) Grants. $10 million relates to the assumption that the City can secure State or Federal funding.
3) Net Establishment Costs. This is the net impact of lines 1 and 2, and indicates that the net costs to establish the facility are estimated to be $95.3 million. The City has to fund $95.3 million which is explained in Table 12.
4) Operating Expenses $377.9 million. This is the 40-year impact of the annual operating expenses of $4.0 million, including escalation.
5) Operating Income $320.2 million. This is the total 40-year impact of the annual operating income of $3.2 million, including escalation.
6) Operating Deficit $57.7 million. Difference between lines 4 and 5, and indicates that the overall 40-year impact of the operational subsidy of $863,000 including escalation is $57.7 million.
7) Asset Replacement. $79.4 million Capital Replacement costs are estimated.
8) Incremental Cash Effect of the JPACF is estimated at $232.4 million. This is the sum of Lines 3 $95.3 million, Line 6 $57.7 million and Line 7 $79.4 million. The $232.4 million represents the incremental cash impacts that arise directly from the JPACF and excludes the impacts of reserves and costs of borrowings.
9) Reserves pre-construction. $37.5 million is estimated to be available during construction. This comprises of $22 million currently available (June 2016) and a further $15.5 million proceeds available in next 2 years from Tamala Park land sales and other asset sales by the City.
10) Borrowings - $57.8 million borrowings required to establish the facility. This is based on Line 3 $95.3 million less Line 9 $37.5 million Reserves.
11) Pre-Construction $95.3 million is the sum of Lines 9 and 10 and matches Line 3. This confirms that the costs to establish the facility are being raised.
12) Repayment of Principal $57.8 milion. This is the repayment of the borrowings (Principal) from Line 10.
13) Interest Payments $22.6 million this is the cost of interest of the $57.8 million borrowings.
14) Tamala Park Proceeds post-construction $46.7 million. From 2019-20 to 2027-28, it is projected that the City will receive a further $46.7 million in proceeds from land sales.These could contribute to the repayment of the borrowings.
15) Funding shortfall paid by Municipal is $33.7 million. This is the difference between the repayment of the borrowings (Line 12 and 13) less the contribution from future Tamala Park proceeds of $46.7 million (Line 14).
16) Net Impact of $170.8 million is the sum of all cashflows. This is calculated as Line 8 plus Line 11 plus Line 15. The $170.8 million represents the bottom-line impact to the City taking account of the costs of borrowing and contribution from reserves.

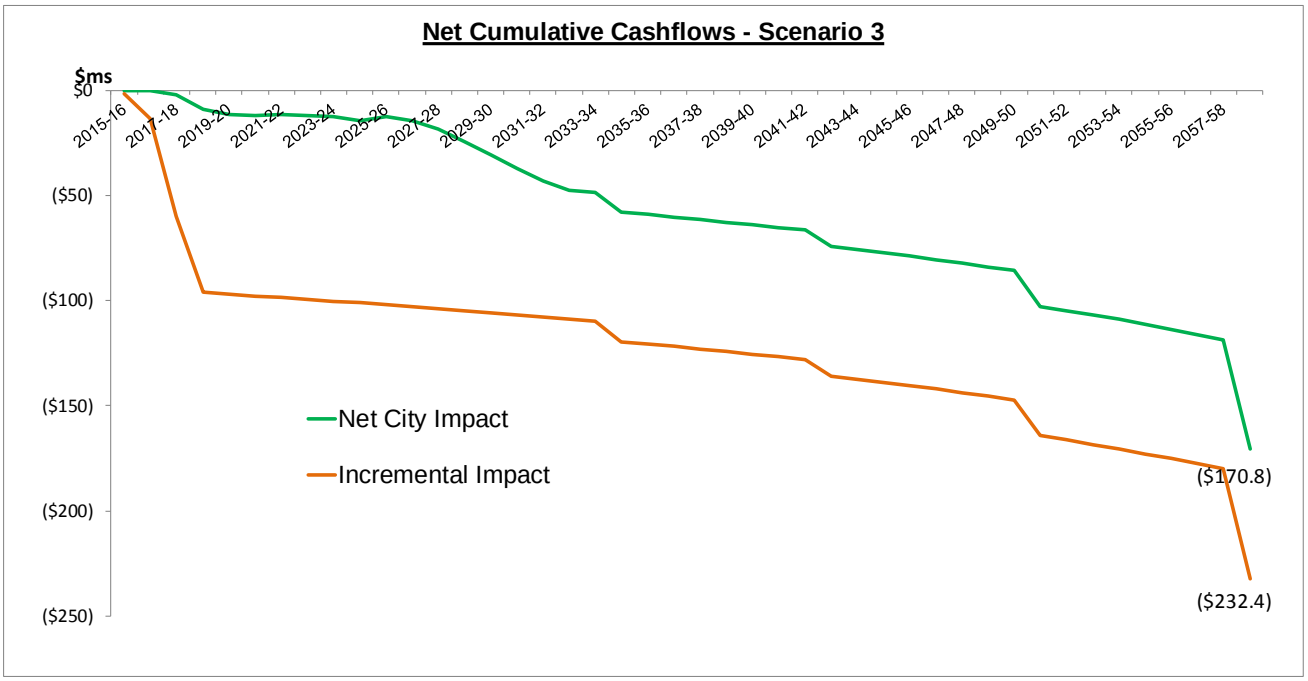
6.7 Phasing of Cash Flows

Figure 8 below summarises the overall cash flow impacts, shown both in terms of the incremental impact of the JPACF itself and the net cost to the City.

~~The financials have been projected up to 2058-59, including inflation. This covers the period of construction and 40 years of operation. By evaluating over such a long period ensures that the long-term impacts including capital renewals can be evaluated. The graphs below summarises the overall cash flow impacts and net present cost. This includes all costs and income for the facility, establishment costs, funding costs, capital renewals, operating costs, and escalation. The projections indicate that the total cost to the City is estimated to be $217 million by 2058-59, with a net present cost of $94 million.~~

The reductions in the first 15 years are steeper than the remaining years, due to the repayment of the borrowings. The spikes in (2034-35, 2042-43, 2050- 51 and 2058-59) relate to estimated capital renewals.

Figure 8*: Net Cumulative Cash flows ($millions)*



6.8 Costs per Rateable Property

The following table shows the average cost per rateable property per year, this is based on the cash flows in Table 11 and 12 above divided by the number of rateable properties.

The Average annual cost per rateable property is $55.27, this is an average per year over the 40-year life of the project and relates to the total net cost after funding .

Table 13*: Costs per Rateable Property*

Average annual cost per Rateable Property	During Construction	Operational								Total
		Years 1 - 5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Years 31-35	Years 36-40	
1) Establishment Cost	-$380.05									**-$30.84**
2) Operating Subsidy	-$3.59	-$12.24	-$13.35	-$15.40	-$15.93	-$18.95	-$22.66	-$26.76	-$32.00	**-$18.67**
3) Capital Replacement					-$24.47	-$17.28		-$40.14	-$129.85	**-$25.69**
4) **Incremental Cash Impact of JPACF**	-$383.64	-$12.24	-$13.35	-$15.40	-$40.40	-$36.23	-$22.66	-$66.89	-$161.86	**-$75.20**
5) Funding: Pre-Construction	$380.05									**$30.84**
6) Funding: Post-Construction	-$31.50	$0.61	-$22.24	-$54.03						**-$10.90**
7) **Net Impact**	-$35.09	-$11.63	-$35.59	-$69.43	-$40.40	-$36.23	-$22.66	-$66.89	-$161.86	**-$55.27**

6.9 Risk & Sensitivity

It should be noted that while the projected cash flows indicate a potential overall cost by 2058-59 of $170.8 million, it is vital to emphasise that there a large number of risks with the financial estimates, both in terms of the initial establishment and the ongoing operation. In reality the total cash flows could be a lot worse than the $170.8 million, while there is also a lesser possibility that the cash flows could be better. The likelihood of worse cash flows is considered to be greater than the likelihood of better cash flows as there are several key risks in the establishment phase whilst the Operating Subsidy projection is optimistic when compared to other facilities.

The table below summarises the sensitivity of the overall cash flows i.e. how much higher or lower than the $170.8 million the outcome may be by 2058-59. The parameters used for the analysis are:

- Establishment Costs being higher or lower than the $99.7m currently estimated. It is more likely that the establishment costs could be higher than the $99.7m than lower, and therefore the analysis evaluates the impacts of a 30% increase to capital costs but only considers a reduction of 10%.
- Operating Subsidy being $400,000 less than the $863,000 estimated or $400,000 more.

The results of the sensitivity analysis indicate that the overall cost by 2058-59:

- Best case could be $118.5 million which would arise if the capital costs were 10% lower and the Operating Subsidy was $400,000 less
- Worst Case could be $271.3 million which would arise if capital costs were 30% higher and the Operating Subsidy was $400,000 more.

Table 14*: Sensitivity analysis*

Operating Subsidy per year	-10%	-5%	0%	5%	10%	15%	20%	25%	30%
($463)	($118.5)	($126.0)	($133.6)	($141.2)	($148.7)	($156.3)	($163.8)	($171.4)	($197.0)
($563)	($127.8)	($135.3)	($142.9)	($150.4)	($158.0)	($165.6)	($173.1)	($180.7)	($206.3)
($663)	($137.1)	($144.6)	($152.2)	($159.7)	($167.3)	($174.9)	($182.4)	($190.0)	($215.6)
($763)	($146.3)	($153.9)	($161.5)	($169.0)	($176.6)	($184.1)	($191.7)	($199.3)	($224.9)
($863)	($155.6)	($163.2)	**($170.8)**	($178.3)	($185.9)	($193.4)	($201.0)	($208.5)	($234.2)
($963)	($164.9)	($172.5)	($180.0)	($187.6)	($195.2)	($202.7)	($210.3)	($217.8)	($243.5)
($1,063)	($174.2)	($181.8)	($189.3)	($196.9)	($204.4)	($212.0)	($219.6)	($227.1)	($252.7)
($1,163)	($183.5)	($191.1)	($198.6)	($206.2)	($213.7)	($221.3)	($228.9)	($236.4)	($262.0)
($1,263)	($192.8)	($200.3)	($207.9)	($215.5)	($223.0)	($230.6)	($238.1)	($245.7)	($271.3)

Some of the major risks are as follows:

- One-off capital costs higher than projected – unforeseen costs with construction (e.g. ground work), changes to specification, final costs per square metre could be higher than estimated. The project is still subject to detailed design and tender and there are a wide number of issues that can arise during these phases.
- Funding risks – grant funding not secured, proceeds from land sales (e.g. Tamala Park) do not materialise, interest costs increase.
- Operating assumptions – failing to meet the program envisaged in the evaluation, adverse variation to the occupancy levels and number of attendees, parking surpluses do not materialise. The project cash flows of $170.8 million assume that the escalation of fees each year is broadly in line with the increase in expenditure but it is possible that expenses (e.g. employment expenses) increase by more than income as patrons become less able/willing to accept fee increases.

The previous Business Case (December 2015) indicated an overall cost to establish the project of $97.6 million. The $97.6 million estimate was used to update the recently adopted 20 Year Strategic Financial Plan. The revised estimates for the favoured Option are $2.1 million higher, with a total revised cost of $99.7 million. The $99.7 million includes a contingency for design and construction of $5.2 million. It may be worth capping the costs to $97.6 million, by reducing the contingency to $3.1 million.

The contingency costs of $5.2 million are prepared by ARM Architecture and supporting sub-contractors based on industry standard practice. If the City reduced the contingency to $3.1 million this would present additional risks to the project.

6.10 Comments / Affordability

The project cost is a significant outlay for the City and it is vital that the City understands the overall project costs (including ongoing operating subsidy) and plans accordingly. The City uses a variety of tools to ensure it is financially sustainable, including the 20 Year Strategic Financial Plan. At the heart of the City's 20 Year Strategic Financial Plan is a set of guiding principles, which includes five key ratios (e.g. avoiding rate increases above 5%), that the City uses to evaluate the long term plans. The impacts of the JPACF on the key ratios have been evaluated and the targets are still projected to be achieved by the City after construction of the JPACF.

The City has undertaken a "shadow credit assessment" with West Australia Treasury Corporation regarding the capacity of the City to borrow funds for the JPACF in 2017-18 and 2018-19, especially as the proposed borrowings would be much higher than any previous borrowings by the City. A "shadow credit assessment" is an informal evaluation of the City's projected borrowings using the same criteria that would be used with a formal loan application. The assessmentconfirmed that the City would have capacity to borrow the proposed borrowings.

The evaluation was based on the projections within the Adopted 20 Year Strategic Financial Plan which includes Rates Increases in the next few years of 4% to 5%. The City has recently (2016-17) implemented a 2.5% rate increase and if the increases for one or more of the next few years were less than 4% this would present a risk of the City's capacity to borrow for the JPACF.

6.11 Financial Projections in Summary

- The project is estimated to cost $99.7 million to plan, design and construct.
- The City is projected to have $37.5 million in reserves to help fund the project. The remaining costs will be funded by a $10 million grant and by borrowings of $57.8 million.
- The borrowings of $57.8 million will result in interest costs of $22.6 million so the total repayment of the borrowings is $80.4 million. There may be $46.7 million in proceeds

from Tamala Park Land Sales after construction, which are assumed to be used to repay some of the debt. The remaining $33.7 million of the loan repayments are assumed to be funded from general municipal funds.

- The JPACF will require an ongoing annual contribution by the City, estimated to be $863,000 per year. The estimated annual subsidy is 21% of operating expenses, which compares favourably to other similar facilities in Australia.
- Cost per Ratepayer for the annual operating subsidy is $13.77 per year (in today's dollars)
- Cost per Ratepayer for servicing the debt, net of the Tamala Park proceeds, is $33 per rateable property year for 15 years
- Depreciation expense of $1.5 million per year is estimated.
- Total incremental costs up to 2058-59 is estimated to be $232.4 million.
- Net impact after costs of borrowings and further contribution from reserves is estimated at $170.8 million.
- All whole-of-life impacts are included in the City's 20 Year Strategic Financial Plan.
- Average annual cost per rateable property is $55.27, this is an average per year over the 40 year life of the project and relates to the total net cost after funding .
- Detailed analysis has been prepared and reviewed on several occasions during the past few years.

There is opportunity for improvement to financial assumptions and projections as the project progresses.

Image: Joondalup Performing Arts and Cultural Facility – Gallery Entrance, corner of Grand Boulevard and Teakle Court: ARM Architecture.

7 Economic Impact Assessment

There are local and regional economic benefits associated with the development of a facility such as the JPACF. Not only will the construction and operation of the JPACF generate direct and indirect employment opportunities but the cultural activities/events will attract consumers from throughout the catchment who spend money on a ticket, eating out, parking, accommodation and other activities. This supports local businesses and provides jobs in retail and consumer service businesses.

7.1 One-off Investment

The project is estimated to cost $99.73 million (as at 2016). Considerable construction employment will be generated during the two-year construction period. Initial estimates of employment have been prepared using a regionalised input-output table.

The modelling was undertaken by by Pracsys using the latest cost figures. This has estimated that:

- Direct - Construction employment associated with the $99.73 million development is estimated at 117 jobs over the lifetime of the project. As the project is spread mostly over two years, this can be equated to 59 full time employees (FTE) per year.
- Indirect - An estimated 492 jobs would be further supported indirectly in the wider economy through the multiplier effect.

In total an estimated 609 jobs will be supported through the direct and indirect construction activities associated with the JPACF construction over the lifetime of the project, which equates to 305 FTE per annum on average over the two years of the construction phase.

The total economic benefit of the one-off investment is $274 million. A detailed review of the economic benefits of the one-off investment is provided in Table 15.

Table 15: *Joondalup Performing Arts and Cultural Facility construction economic impacts*

Modelling the effect of adding $99.73m in Construction ($ 2016)				
Summary	**Output ($m)**	**Value-added ($m)**	**Wages and salaries ($m)**	**Local jobs**
Direct Impact	99.73	28.26	13.57	117
Total Input Effects	110.06	44.31	24.47	232
Consumption Effects	63.84	36.78	14.92	260
Total Impact on Australian economy	273.63	109.36	52.96	609

Source: Pracsys 2016, ABS National Accounts 2012/2013 (Catalogue 5206)

7.2 Direct and Indirect effect of Operating Expenses

The economic impact of the annual operations has been assessed by the City using the *National Institute of Economic and Industry Research (NIEIR)* © *2015 Model.* This estimates that a total of 37 FTE jobs are created on a permanent ongoing basis including 20 direct FTE jobs and 17 indirect FTE jobs.

In addition, 10 jobs are created in relation to the operation, maintenance and servicing of the

facility's bar/restaurant, art gallery and other additional functions of the facility. This includes six FTE jobs generated directly and four FTE jobs generated indirectly.

7.3 Potential Expenditure on Arts and Culture in the Catchment

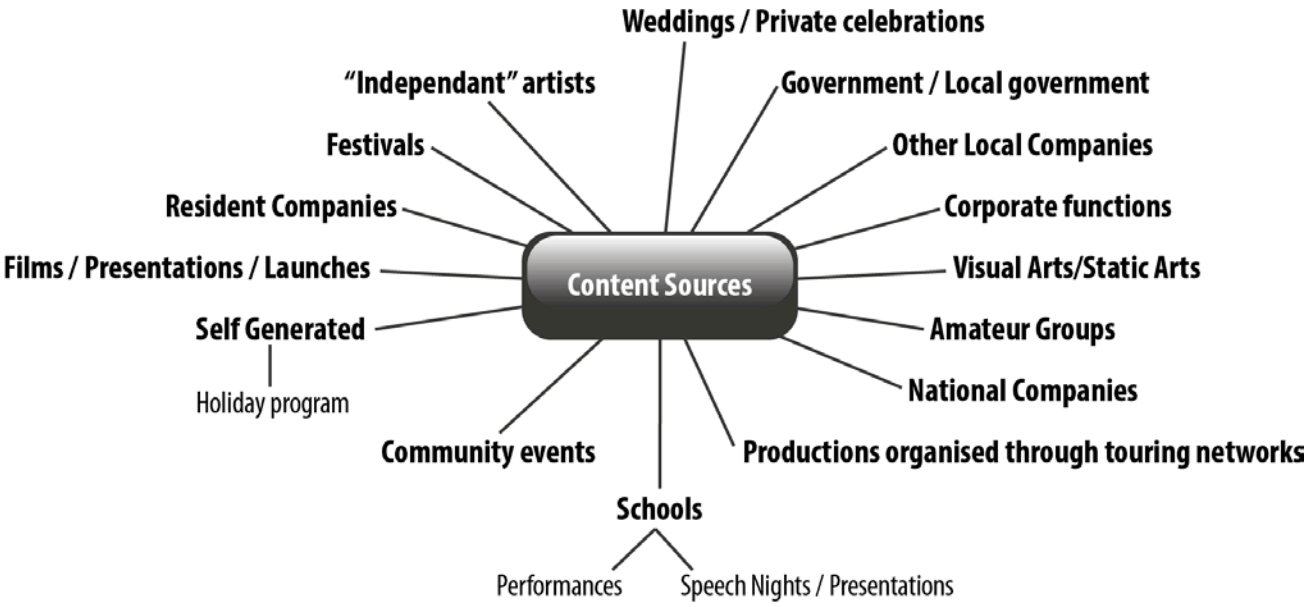
Revealed preference modelling conducted in production of the MAFS identified total potential demand for attendances within the catchment of approximately 810,000[16] attendances. Based on an average expenditure of $40 per visit, this represents potential total expenditure on arts and culture in the order of $32.4 million.

Stakeholder consultation indicated that approximately 124,000 attendances (15%) currently occur in Joondalup and a further 66,500 (8%) occur outside of Joondalup, representing a capture of approximately $5 million and leakage of approximately $2.6 million respectively[17].

An estimated 620,000 (76%) potential attendances do not occur at all and the value of this attendance could be in the order of $24.8 million.

The ability to capture a portion of this expenditure is likely to be an attractive driver of investment in the JPACF. This expenditure pool will drive growth within industries related to a variety of different content sources. An example of these content sources are shown in Figure 9.

Figure 9: *Arts Content Sources*



Source: Pracsys (2016)

A growth in expenditure will also open up opportunities for other neighboring institutions and companies that will further drive growth and promote synergies. These partnerships could include:

- Intrastate programs
- Interstate programs
- Fringe festival
- Commercial presenters
- Fledgling industry

[16] This excludes film, which it is understood is predominantly being met through existing commercial facilities.
[17] Assuming expenditure of $40 per visit.

- Perth International Art Festival (PIAF)

Linking with these institutions is likely to capture more expenditure through diversification of activity with the potential to attract a larger number of users into the future.

7.4 Secondary Visitation and Tourism Expenditure

Much like a major retailer such as Myer or David Jones acts as an anchor tenant for a shopping centre, the JPACF can act as a major destination for the Joondalup activity centre. In this way it supports the growth of the Joondalup Strategic Metropolitan Centre into a more liveable, attractive, vibrant, multi-purpose centre. The JPACF will therefore have significant flow on benefits to the local economy. It is anticipated that the JPACF will attract over 100,000 attendances per year, by visitors from both within and outside of Joondalup, with significant flow on benefits for the local economy.

If these visitors were to spend anywhere between $20 and $80 on retail and cafes in the surrounding activity centre per visit, this could result in increased expenditure of between $2 and $11 million per annum directly supporting jobs in these industries. The expenditure in the retail and food and beverage industries is expected to generate anywhere between 18 and 103 FTE jobs annually (see 17 and 18).

If the anticipated 100,000 attendances for JPACF supported a spend of $40 per visit, this could represent the creation of 37 direct FTE jobs a further 49 indirect FTE jobs.

Applying a conservative assumption, if 1% of visitors were to stay overnight as part of their trip (1,000 per annum) and spend on average a further $300 on tourism activities, this could result in an injection into the tourism industry of $300,000 per annum. Based on National Accounts and Input-Output data this could directly support 2 FTE jobs in tourism and a further 3 indirect FTE jobs.

Table 16*: Potential Secondary Expenditure – Retail, Food and Beverage*

	Potential Spend			
Visitors	$20	$40	$60	$80
100,000	2,000,000	4,000,000	6,000,000	8,000,000
120,000	2,400,000	4,800,000	7,200,000	9,600,000
140,000	2,800,000	5,600,000	8,400,000	11,200,000

Source: Pracsys (2016).

Table 17*: Potential Jobs Created*

	Potential Spend			
Visitors	$20	$40	$60	$80
100,000	18	37	55	74
120,000	22	44	66	89
140,000	26	52	78	103

Source: Pracsys (2016) calculated using ABS (2014). 5204.0 - Australian System of National Accounts, 2013-14

7.5 Total Employment Generated by JPACF

It is a priority for the region to create more local jobs given the current unsustainable level of out commuting for employment. Employment opportunities generated by the construction and operation of the JPACF will support the creation of self-contained and vibrant communities with diverse employment and lifestyle choices.

Total ongoing employment generated by JPACF is estimated in the order of 138 FTE jobs based on those jobs directly supported by the facility and those supported by secondary expenditure associated with increased visitation and tourism (see Table 18).

Table 18*: Total ongoing employment generated by the JPACF*

	Direct Jobs	Indirect Jobs	Total Jobs
Directly supported by facility [A]			
JPACF	20	17	37
Suppliers	6	4	10
Secondary Expenditure [B]			
Visitation	37	49	86
Tourism	2	3	5
TOTAL	**65**	**73**	**138**

Sources:

[A] National Institute of Economic and Industry Research (NIEIR) © 2015. Compiled and presented in economy.id.

[B] Pracsys (2016) calculated using ABS (2014). 5204.0 - Australian System of National Accounts, 2013-14

7.6 Sponsorship

The JPACF would encourage sponsorship which would be expected to lead to improved activity for sponsors. A modest estimate of $150,000 per year has been assumed for sponsorship.

Whilst it may be plausible to consider additional economic benefits arising from sponsorship (as attendees are influenced to use sponsor's products), no impact has been calculated as the benefits are already included in the Economic Impact Assessment Model.

7.7 Travel Time and Vehicle Operating Cost Savings

As established in the MAFS, there is a lack of arts and culture infrastructure in North West sub-region. This creates a situation in which constituents must drive further to access culture and arts infrastructure.

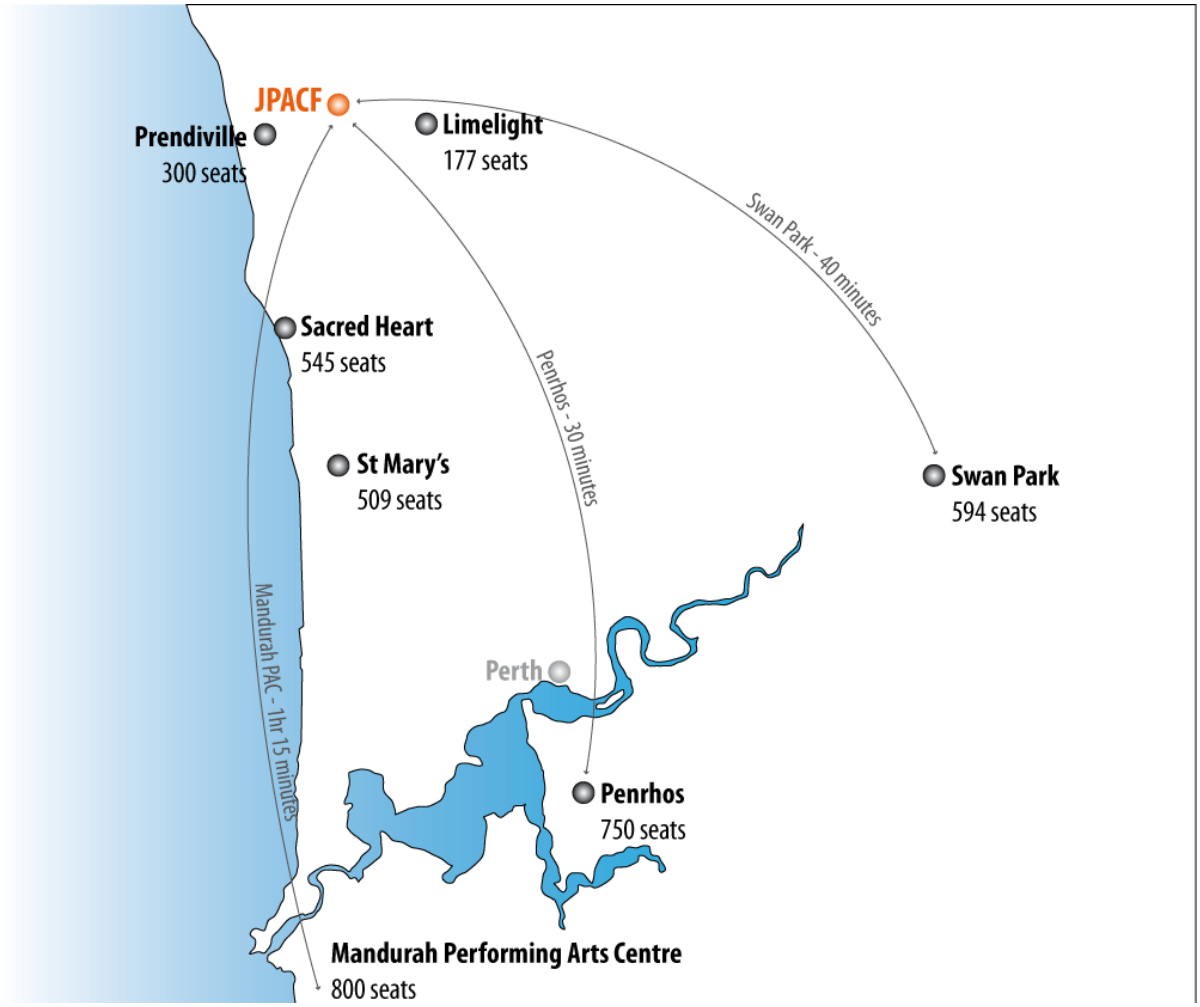
The distance required to travel to a facility represents a premium over and above other costs involved in attending and participating in arts and culture i.e. ticket costs and parking. For members of the community already disadvantaged by lower incomes this represents a cost barrier to participation and attendance.

If JPACF were to be built it would provide significant cost savings in terms of reduced travel time and vehicle operating costs for residents, through the provision of a facility in closer proximity. Doing so not only represents savings to residents currently travelling far distances but also encourage increased participation and attendance.

Figure 10 demonstrates the cultural and arts infrastructure currently being used by cultural groups within the JPACF catchment area as identified through consultation, despite being far away. Table 19 demonstrates the extent of the potential savings in vehicle travel time and operating costs that could be accrued by residents through the development of the JPACF. The

figures show that there are potential savings of $12 million per annum in terms of vehicle operating costs and a further $4 million per annum in vehicle travel time savings.

Figure 10*: Performing Arts Facilities Servicing the Primary Catchment*



Source: Pracsys (2012). JPACF Market Analysis and Feasibility Study

Table 19*: Vehicle Cost Savings*

Local Government Area	Capture Rate	Trips	Total Km's Saved	Vehicle Operating Costs Saved (pa)	Vehicle Travel Time Saved (pa)
Joondalup	50%	330,000	29km	$7,410,000	$2,289,000
Wanneroo	40%	263,000	20km	$3,978,000	$1,229,000
Chittering	40%	8,000	29km	$173,000	$53,000
Gingin	40%	8,000	29km	$184,000	$57,000
Total			N/A	$11,745,000	$3,627,000

Source: Pracsys (2016) based on vehicle operating costs in RAC (2015).

***Vehicle Running Costs Guide* [https://rac.com.au/car-motoring/info/buying-a-car/running-costs]**

Notes: Assumes average occupancy of 1.6 persons per car and average speed of 60 km/hr. Vehicle operating costs assumed to be 62c/km based on RAC (2015), *Vehicle Running Costs Guide* [https://rac.com.au/car-motoring/info/buying-a-car/running-costs], vehicle travel time costs assumed to be $11.49/person-hr based on Austroads (2008) *Guide to Project Evaluation Part 4: Project Evaluation Data.*

7.8 Economic Benefit Cost Ratio (BCR)

What is cost-benefit analysis?

The Federal Government's handbook on cost benefit analysis[18] provides the following description of cost-benefit analysis:

> *Cost-benefit analysis is a method for organising information to aid decisions about the allocation of resources. Its power as an analytical tool rests in two main features:*
>
> - *costs and benefits are expressed as far as possible in money terms and hence are directly comparable with one another; and*
> - *costs and benefits are valued in terms of the claims they make on and the gains they provide to the community as a whole, so the perspective is a 'global' one rather than that of any particular individual or interest group*

Cost-benefit analysis should be viewed as closely related to, yet distinct from financial evaluation. Whilst financial evaluation looks at the net benefit to the individual organisation (in this case the City of Joondalup) cost-benefit analysis considers the community as a whole. It provides a more holistic representation of the costs and benefits associated with a project. Whilst financial evaluation takes into account cash flows in and out of the organisation only, cost-benefit analysis considers benefits such as travel time savings and 'externalities' or other unmarketed spillover effects.

Costs and benefits occurring at different points in time have different values and future costs and benefits are discounted in order to determine their net present value (NPV).

The handbook states that:

"Subject to budget and other constraints and equity considerations, a project or policy is acceptable where net social benefit (total benefit less total cost), valued according to the opportunity cost and willingness to pay principles, is positive rather than negative".

What is a benefit-cost ratio (BCR)?

The BCR is calculated by dividing the present value of all benefits by the present value of all costs.

$$BCR = PV\ Benefits / PV\ Costs$$

For a project to be viable, the BCR must have a value greater than 1[19]. If the BCR is greater than 1, the net present value (NPV) is positive and vice versa. BCR's are used when choices have to be made between mutually exclusive viable projects.

The JPACF Benefit-Cost Ratio

Pracsys Economics have calculated a BCR and NPV for the JPACF taking into account vehicle travel time, vehicle operating cost and secondary expenditure within the region generated through visitation and tourism. The results of this analysis are shown in Table 20.

Considering economic benefits and costs only, the analysis calculates a NPV for the project of $126.9 million and BCR of 1.902. This indicates that taking into account all economic benefits, the project is viable and delivers significant positive value to the community overall, taking into account all costs.

[18] Commonwealth of Australia (2006), Handbook of Cost Benefit Analysis, January 2006 <https://www.finance.gov.au/sites/default/files/Handbook_of_CB_analysis.pdf.>
[19] Ibid.

Table 20*: NPV and BCR*

Category	Annual Income/Expense	$ Total (2016 to 2059)
Income		
Primary Theatre	$1,328,000*	$52,766,739
Secondary Theatre	$230,000*	$9,163,000
Studios, Conferences and Exhibitions	$818,000*	$32,497,672
Ticket Income	$128,000*	$5,248,000
Parking (escalated real/above inf)	$551,542*#	$24,813,248
Food and Beverage	$125,000*	$4,965,812
Leases: Bar/restaurant	$77,000	$3,157,000
Sponsorship	$150,000	$6,150,000
Secondary Expenditure to the Region	$4,000,000	$164,000,000
Tourism Spend	$300,000	$12,300,000
Vehicle Travel Time Savings	$3,627,417	$148,724,089
Vehicle Operating Cost Savings	$11,744,117	$481,508,799
Expenses		
Primary Theatre	$977,000*	$38,820,548
Secondary Theatre	$103,000*	$4,092,206
Studios, Conferences and Exhibitions	$426,000*	$16,926,844
Parking	$137,000	$5,617,000
Food and Beverages	$82,000*	$3,257,636
Staff Costs	$897,000*#	$36,652,932
Marketing	$323,000*	$12,923,589
Admin and General	$119,000*	$4,726,573
Building Maintenance and Repair	$676,000*	$26,278,925
Utilities	$313,000*#	$14,371,806
Asset Renewal	$792,000	$23,760,000
Estimated Capital Cost Cost		$99,700,000
Borrowings	-	$50,255,000[A]
Primary Theatre	- $977,000*	$38,820,548
Revenue PV		**$267,489,603**
Cost PV		**$140,622,276**
Economic NPV		**$126,867,327**
Economic Benefit Cost Ratio (BCR)		**1.902**

Source: (Pracsys 2016)

***These annual figures represent the steady state, assumed to be achieved in 2023/24. Income and expenses in the first years of operations as per the Financial and Options Evaluation have been used in the NPV analysis.**

 # Includes real cost escalation (over inflation)

[A] 15-year payback period assumed

[B] 7% discount rate has been used to calculate the Net Present Value. This is based on Treasury guidelines.

7.9 Economic Impact Assessment in Summary

The JPACF will provide major economic benefits for the region.

- One-off Investment creates 117 Direct Jobs and 469 Indirect Jobs
- Operating Activities create 37 FTE per year (20 Direct and 17 Indirect)
- Supplier Employment create 10 FTE (6 Direct FTE and 4 Indirect)
- Visitation and tourism could support the creation of an additional 39 direct jobs and 52 indirect jobs
- An economic benefit cost ratio of 1.902 indicates that taking into account economic benefits to the region the project provides positive value net of all costs.

Image: Joondalup Performing Arts and Cultural Facility – Main Entrance: ARM Architecture.

8 Creative Economy Growth

Supporting artistic and cultural attendance an***d participation drives economic growth in local and regional economies. Growth is supporte***d through a three-phase system whereby:

1. The meeting of communities of interest and practice is facilitated so as to support the production and dissemination of cultural and artistic products and experiences
2. Creators and consumers of these experiences and products translate individual creativity into social and commercial outcomes through creative industries such as publishing, architecture, advertising and software IT etc.
3. Ideas and creativity are amplified, creative networks are established and a cluster of creative industries emerges. The creative industry cluster connects with the broader economy to accelerate the overall rate of innovation and commercialisation of ideas and creativity, driving economic success

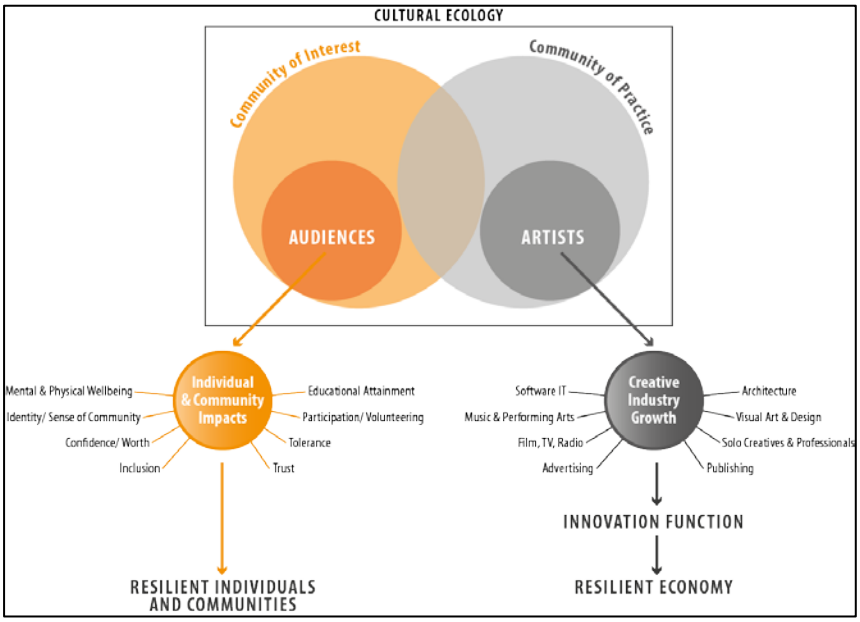
The JPACF will be the catalyst that galvanizes this process for the North-West sub region, facilitating cultural attendance and production, acting as an anchor cultural institution to facilitate the creation of a creative industry network and link with the broader economy (both public and private sector). It will in doing this, expand the pool of ideas and creativity to drive innovation and economic growth.

Exposure to and participation in such activities/events provide significant individual and community level social benefits. Research shows that they support sense of mental and physical wellbeing, which leads to positive personal attributes such as tolerance, trust, participation and even educational attainment.

Collectively these individual well-being characteristics aggregate to community cohesion, identity and pride, which are essential to well-functioning societies. These impacts are explored in more detail in the Social Impact Assessment (Section 10).

Figure 11 provides a representation of various the components of the process to realise both economic and social outcomes through arts and culture.

Figure 11*: Cultural Ecology Model*



Source: Pracsys (2016)

8.1 Uniting Communities of Interest and Practice

The JPACF will provide a facility to connect audiences and artists so as to support the production and dissemination of cultural and artistic products and experiences.

The JPACF will serve to enhance the cultural ecology of the North-West sub-region of Perth (the region) and the wider area of influence. The cultural ecology consists of the community of interest (audience and potential audience) and the community of practice (artists and associated service/equipment providers). The JPACF will be a key location where the communities of interest and practice meet for cultural exchange.

Demand modelling conducted in the preparation of the MAFS concluded that the level of formal cultural activity in the primary catchment is significantly less than could be expected of a Western Australian population of the size and demographic profile.

Modelling indicates that local residents are either travelling outside of the primary catchment area for their cultural pursuits (meaning that the cultural life of the City of Joondalup is being subsidised by other councils), or else this activity is not happening at all.

There are many producers of entertainment, culture and arts product who for many reasons, including the lack of suitable facilities, are unable to supply within the primary catchment.

The MAFS also examined barriers to participation in culture and the arts and production of artistic products. The most common barrier to increased participation was a lack of time, followed by expense/cost and lack of opportunities close to home/transport problems.

Developing the JPACF would allow those suppliers currently excluded from the market to enter, and address barriers currently being faced by potential attendees through improved access to opportunities for cultural attendance. The JPACF will therefore unite the existing and potential communities of interest and practice in order to increase the overall cultural attendance and production in the City of Joondalup.

8.2 Supporting Creative Industry Growth

JPACF will catalyse creative industry growth in the region which will increase economic diversity and support the knowledge-driven, strategic employment crucial to driving economic resilience.

Increasing the pool of creative individuals producing art and cultural not only provides outputs for audiences to consume, but also translates into growth of related creative industries. Creative industries in turn support the growth of innovation-rich economies that are capable of adaptation and evolution to high productivity industries.

This is achieved through a process whereby artists, designers and academics translate their individual creativity into social and commercial outcomes. For example, a local artist may also be engaged within a creative institution such as an advertising agency or a publishing company. Increasing the pool of creative individuals can subsequently result in growth of creative industries which provide significant benefits to local and regional economies.

Analysis of existing creative industries within the North-West and the benefits associated with future growth of these industries has been conducted by Pracsys Economics. For the purpose of the analysis creative clusters we identified; these represent groupings of creative industries (at ANZSIC 4 Level) that share similar characteristics.

Based on 2011 ABS Census data[20] creative industries are underrepresented in the North-West. It is estimated that 1,235 people are employed in creative industries and this accounts for only 1.75% of total employment (see Table 21).

[20] As at 2016, the most recent data from ABS available is that of 2011. This analysis we be updatable with new statistics once the 2016 Census is released.

Table 21*: North-West Creative Clusters*

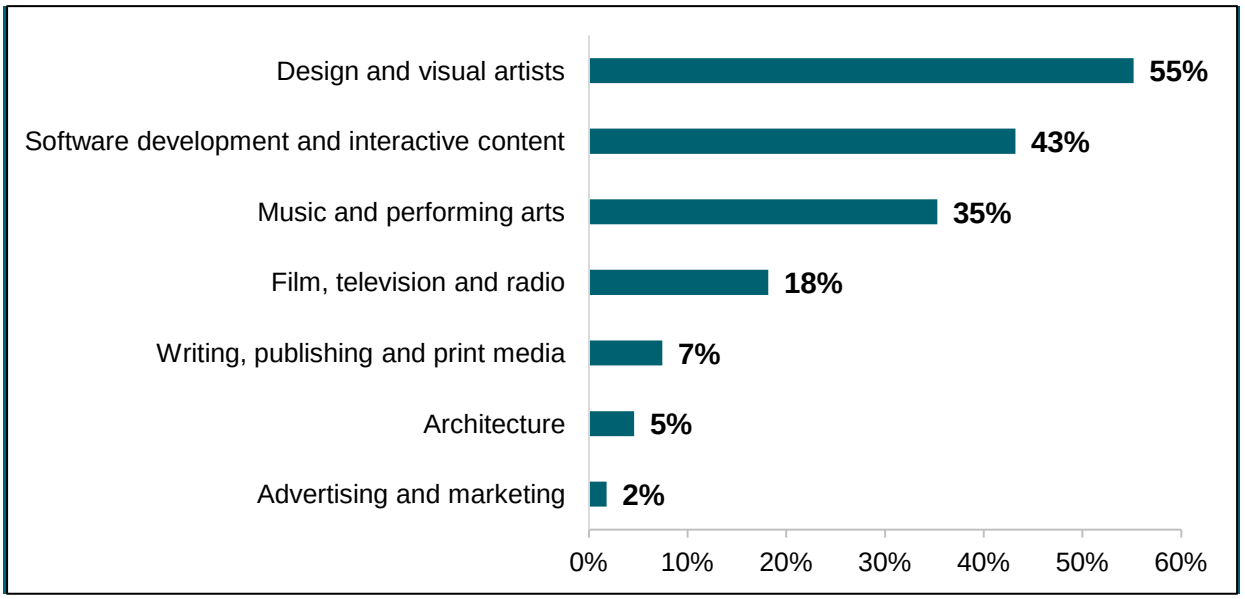
Cluster	No. Employed	Share of Creative Industries	Share of total Employment in the North West
Advertising and marketing	113	9%	0.16%
Music and performing arts	115	9%	0.16%
Design and visual artists	284	23%	0.40%
Film, television and radio	39	3%	0.06%
Writing, publishing and print media	159	13%	0.23%
Architecture	114	9%	0.16%
Software development and interactive content	411	33%	0.58%
Total	1,235	100%	1.75%

Source: Pracsys (2016), ABS Place of Work (2011)

Software development and interactive content and design and visual art are the biggest industries of employment, accounting for 33% and 23% of creative employment respectively. These industries may be associated with the presence of Edith Cowen University (ECU) which caters for a range of creative productions as well as software engineering.

Between the 2006 and 2011 Census, total employment in the North-West grew by 14,099 jobs representing a 25% increase. Creative industries have experienced similar growth in employment (24%) over this period. Design and visual artists and Software development and interactive content represented the creative clusters that experienced the most significant growth whilst Architecture and Advertising and marketing have remained relatively stable (see Figure 12).

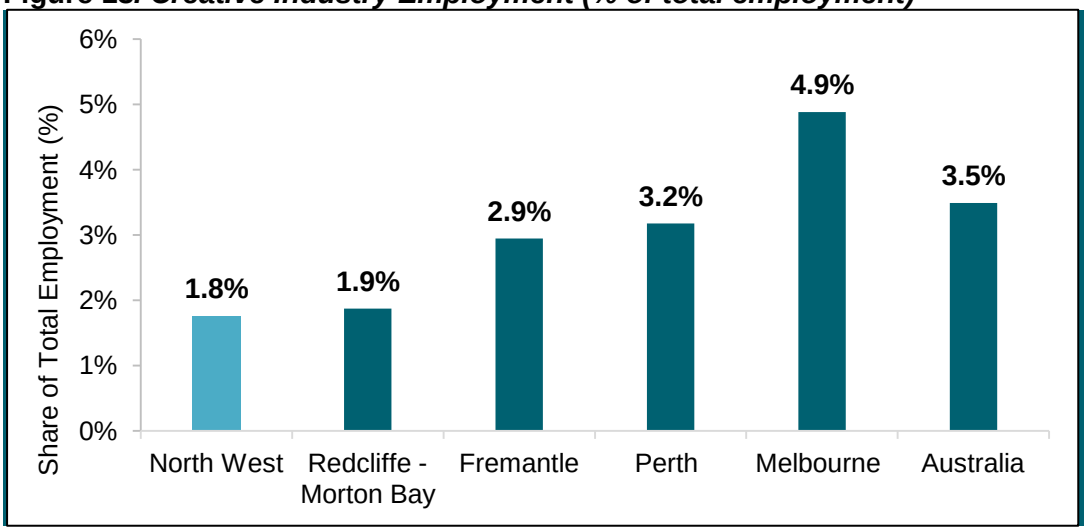
Figure 12*. Creative Cluster Employment Growth (North West Sub-Region 2006 to 2011)*



Source: Pracsys (2016), ABS Place of Work (2011), ABS Place of Work (2006)

For comparison, analysis of creative industry employment in benchmark locations identified in the MAFS has been conducted. The results highlights that the North-West has a significantly lower share of creative industry employment when compared to Perth, Australia and other creative citicies such as Melbourne, Fremantle and Redcliffe-Morton Bay (see Figure 13).

Figure 13*. Creative Industry Employment (% of total employment)*



Source: Pracsys (2016), ABS Place of Work (2011)

This is indicative of a gap in the three-phase system. Although there is a pool of existing creative individuals, it is not significant enough to facilitate the growth of creative industries in line with the Nation, Greater Perth and other creative cities. This is due to the fact that many potential producers face barriers to producing creative output largely due to the lack of enabling infrastructure. The JPACF will provide the enabling infrastructure to expand the pool of creative individuals producing creative output which will support the growth of creative industries.

If the development of the JPACF facilitated growth in creative industries in line with benchmark locations, it would represent considerable growth in local jobs and associated reductions in unemployment levels.

Table 23 identifies the job creation resulting from creative industry employment in line with benchmark ratios. Employment Self Containment (ESC) was used to calculate the potential employment creation within Joondalup, accounting for the fact that a portion of newly created jobs will be filled by residents from outside of the region.

Some positions will be filled by currently unemployed persons and some will be filled by individuals that shift from employment in other jobs/industries. It is assumed that unemployed people will be able to take vacant jobs.

Analysis indicates that the growth of creative industries in line with benchmarks could reduce unemployment by 20 to 500 jobs in Joondalup (see table 22).

Table 22*: Employment Growth in North-West and Joondalup to Meet Creative Industry Benchmarks*

Location	Output of Creative Industries	Additional Jobs Required in the North West to meet Benchmark Ratio	Additional Job creation in Joondalup
Moreton Bay	$404 million	86	22
Fremantle	$668 million	863	222
Perth	$984 million	1,032	265
Australia	$1.6 billion	1,266	325
Melbourne	$2.1 billion	2,312	594

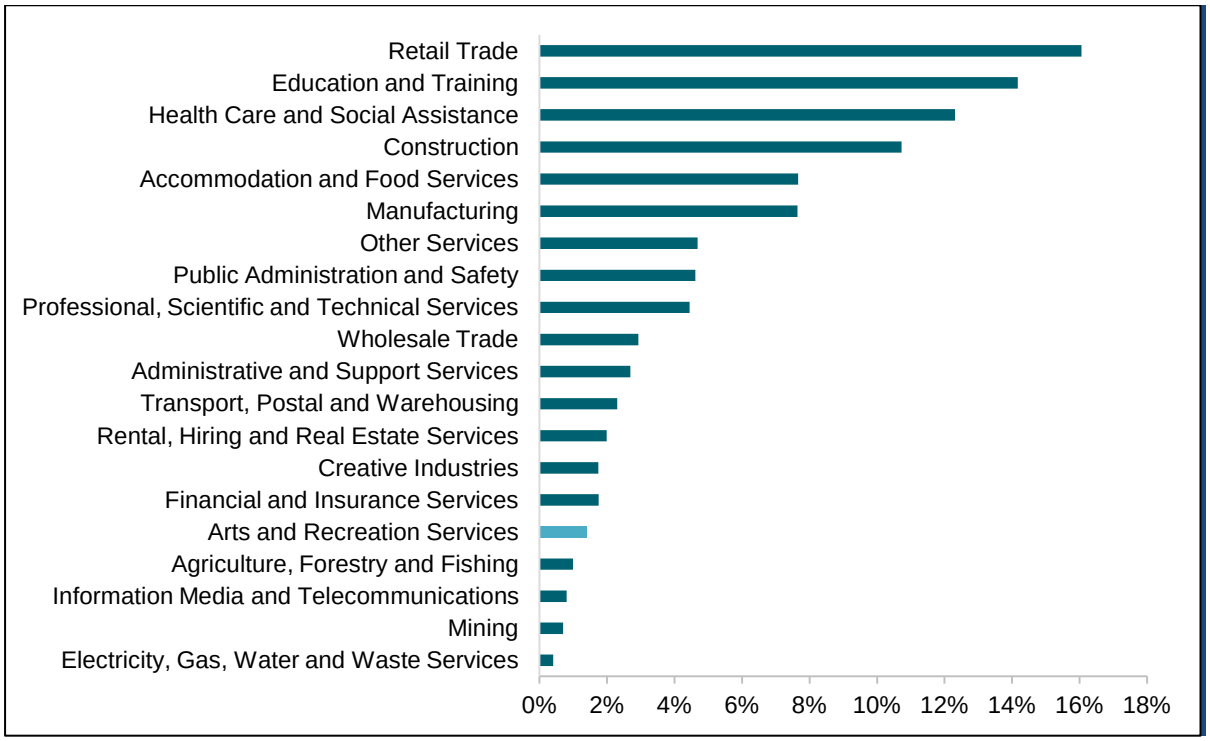
Source: Pracsys (2016) based on ABS National Accounts

Strategic Employment and Employment Self Sufficiency[21]

Jobs can be broadly broken down into strategic and population driven in nature. Population driven jobs are largely consumption based and are built from population growth. Strategic jobs are export and knowledge-based, autonomous of population growth and thus act as natural catalysts for economic activity.

Perth currently sits at approximately 20% strategic employment while the North-West sits at approximately 18%. The low level of strategic employment in the North-West is not particularly surprising considering the major industries of employment are retail trade, education and training and healthcare and social assistance which are largely population driven (see Figure 14).

Figure 14*. North West Industries of Employment*



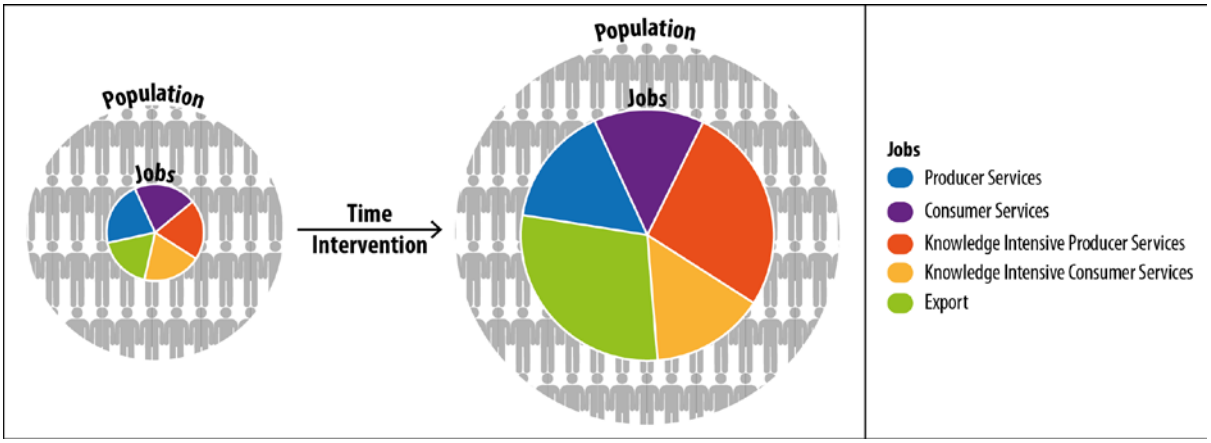
Source: Pracsys (2016)

According to data derived from national accounts and input-output data, creative industries are 49% export based. The growth in these creative industries will thus facilitate a transition into a more knowledge-based, strategic economy.

Strategic employment is also needed to maintain a region's Employment Self-Sufficiency (ESS) in line with sustained population growth. Only jobs supported through means outside of local consumption can improve the ratio of jobs to population in order to support a higher ESS (see Figure 15).

[21] Employment can be broadly broken down into 5 categories: export oriented, consumer services, producer services, knowledge intensive consumer services (KICS) and knowledge intensive producer services (KIPS). Of these, export oriented and KIPS are classified as strategic employment.

Figure 15*: Intervention Effects*



Source: Pracsys (2016)

Identifying strategic industry, supporting them and building additional human, productive and natural capacity around them to facilitate the development of local supply chains is one way to increase the quantum of jobs offered and increase the share of strategic jobs. The construction of the JPACF fits these criteria by building the human and productive capacity necessary to support this growth.

Table 23 provides the ESS targets established by the Department of Planning in *Perth and Peel@3.5million.* In order to achieve the increased job to population ratios required to support ESS targets, strategic jobs are required. With growth in population-driven employment only, the job to population ratio will remain constant (25%) into the future and ESS targets will not be met. Specifically, for the 2021 target to be met 18,600 new strategic jobs will need to be created in the North-West.

Table 23*: Perth and Peel@3.5million North West Employment Goals*

	Current	Targets			Total Change	Total % Change
	2011	2021	2031	2050		
Population	322,486	429,954	546,423	740,319	417,833	129.6%
Labour Force	163,636	211,087	268,331	376,386	212,750	130.0%
Jobs	80,566	126,014	174,201	229,089	148,523	184.3%
Jobs to Population	25%	29%	32%	31%	6%	
Employment Self Sufficiency (ESS)	49.2%	59.7%	64.9%	60.9%	11.6%	

Source: Pracsys (2016), DoP (2015)

Considering that strategic employment accounts for almost half of employment in the creative clusters, if through the influence of JPACF, employment in creative industries increased to the same level as benchmark locations between 11 and 291 strategic jobs could be created in Joondalup alone. This is an important contribution to efforts made by other industry initiatives to boost the representation of strategic employment in the region and meet the established ESS goals.

Higher provision of strategic jobs will have other positive benefits for the economy and wider community. At present a significant proportion of high quality jobs are held in the central sub-region (including most of Perth's cultural infrastructure). Given this, those that wish to have jobs in these industries yet live outside the central region are forced to commute in to satisfy this requirement.

By developing infrastructure that allows these industries to grow there is potential for employment opportunities to be created closer to a person's place of residence. This can have significant flow on effects in reducing the burden on transportation networks (a significant

portion of government spending) as well as other far reaching productivity and social benefits through travel time and road traffic accident savings.

8.3 Innovation and Economic Success

JPACF will become a powerful router and amplifier of ideas and creativity, accelerating the overall rate of innovation and economic success in the North-West.

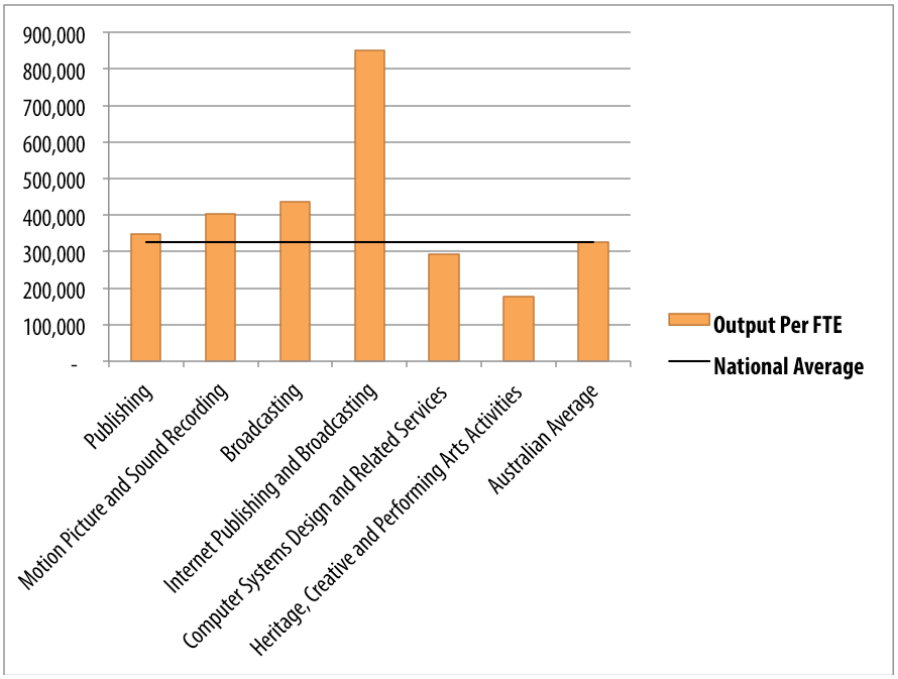
An examination of the relative productivity of creative industries provides an indicator of the potential economic benefit derived from creative industry growth.

The creative industry boasts relatively high productivity levels per FTE in comparison to the rest of the economy. This is particularly apparent in those sectors of the economy that have a more developed and mature industry associated with them, such as:

- Broadcasting
- Publishing
- Motion Picture and Sound Recording
- Internet Publishing and Broadcasting

These industries have output per FTE that is well above the national average. Creative industry output per FTE as derived from national Input Output tables is shown in Figure 16. Growth in these high productivity creative industries will drive higher incomes and higher employment levels beneficial to both national and local economies.

Figure 16*: Output per FTE – Creative Industries*



Source: Pracsys (2016)

In addition to the direct economic benefit of increased high productivity employment, the creative industries are built on core skills that act as a broad stimulant to innovation, which in turn drives growth, sustainability and prosperity. A defining feature of creative industries is the generation of creative ideas that have the potential to be commercialised and which once commercialised, underpin innovation and have a positive flow on impacts on the national economy.

Knowledge capital and ideas are the only infinitely reproducible economic resource with the potential to support exponential growth of worker productivity. Creative ideas work to facilitate

the adoption and adaptation of new technologies – through design and advertising, for example – along with the embedding of new technologies raising the output per worker.

The collaborative partnerships, flexible business models, and digital technologies evident in creative industries feed innovation and offer new opportunities across all sectors leading to the development of new markets and products that create jobs. The arts overall are therefore not only for entertainment but are an essential service in the process of economic growth, development and evolution.

It is in this way that growth of the creative industry can support improved rates of employment self-sufficiency (ESS) in the North-West. The JPACF will be an amplifier of ideas and creativity, supporting the growth of creative talent and creative industries in order to bolster the pipeline of ideas for commercialisation. In addition, the JPACF will be an anchor institution that encourages the partnerships required to facilitate downstream commercialise ideas into private sector growth and public service innovation for the North-West. The JPACF will be a catalyst for the growth of this industry that would otherwise not have a chance to grow.

8.4 Building on Joondalup's Arts and Cultural Strengths

The City is well placed to build on existing strengths of being a cultural and artistic hub for the greater region. The JPACF will significantly increase the City's capacity to provide larger, higher profile art and cultural activities in addition to a more diverse and inclusive program. The potential for the JPACF to facilitate this growth is demonstrated by the following:

- **Joondalup Eisteddfod**: young people showcase their talents and gain recognition, with a financial incentive of $6,000 in awards and prizes and a low entry cost of $21 to $35. With currently 900 young people registered the JPACF will provide capacity for more to participate and attend across the region.
- **Sunday Serenades**: Music concerts currently oversubscribed with 50% more interest than capacity. Popular with seniors at a low cost of $12. The JPACF would allow the City to meet the current and future demand.
- **Visual arts community groups**: Currently several community groups do not have access to a venue. The JPACF would provide a cost effective option with the opportunity to exhibit artworks and encourage financial sustainability through increased exposure and artwork sales.
- **Joondalup Festival**: For two days each year, the Joondalup City Centre is transformed to host free activities and showcase world-class artistic and cultural performances. The 2015 Festival was a major cultural experience aimed at fostering community spirit and encouraging a sense of belonging. The Festival assists the City to provide members of the community with access to cultural, artistic and inclusive community events. The Festival achieves this by encouraging active community participation. The Community Choral project and the Twilight Lantern parade encouraged individuals, community groups, schools and emerging and established artists to come together to perform and celebrate their achievements with the wider community. A program feature in 2013 was Urban Couture, an important opportunity for emerging artists to gain recognition and entry into the fashion industry and showcases their talents to the wider community. Urban Couture featured artists, designers, illustrators and photographers participating in fashion pop-up shows. No entry fee provided further encouragement.

The City will develop a suite of arts and cultural strategies that intersect with the JPACF, such as a community festival development strategy and a visual art development strategy that support and integrate with the JPACF Program Plan.

While the City of Joondalup is intended to be a significant user of the Facility, this does not imply that the entire Cultural Program of the City will be focused on the JPACF, nor will the Cultural program be expanded just so it uses the JPACF (which may be to the detriment of the other potential users).

8.5 Local Identify and Place Making

The JPACF will add an exciting new dimension to the City Centre and is a key component in the development of the region's cultural identity.

Arts-based engagement can promote cooperation, awareness of local issues and the reduction of social isolation, all of which contributes to a shared sense of community pride and identity.[22]

Arts initiatives and spaces can be transformative. The JPACF will be located within the Strategic Regional Centre of Joondalup. It will be close to public transport networks and will link with existing regional education and health services as well as restaurant and retail opportunities within the City Centre.

The JPACF will be the most significant piece of arts and cultural infrastructure to be built outside of the Perth CBD in the last decade. On completion the JPACF will sit alongside the State Theatre Centre of WA, Mandurah Performing Arts Centre, Bunbury Regional Entertainment Centre and the Albany Entertainment Centre as like-sized and equipped performing arts centres able to tour top quality performance work from WA, Australia and the world.

It will reinforce the Joondalup City Centre as the creative and educational centre of the northern corridor and be an easily recognisable entry statement to the City.

The facility will become a vibrant hub of activity through the day through interactive installations, community classes, public interest talks, trade shows and conferences, seminars, displays, functions and café and restaurant trade. Similarly evening performances and exhibitions will draw patrons and heighten the sense of 'liveability' of the region.

As the JPACF is activated during the night and day and is increasing used and frequented by communities of the Perth North West Sub Region, it will become the iconic heart for the City. Similarly, it will draw visitors to the destination of Joondalup to experience its unique sense of place.

Image: JPACF – 850 seat Theatre: ARM Architecture.

9 Social Impact Assessment

The economic value of the arts and cultural sector is only one part of its net worth to the community. The need to experience, understand and represent the world symbolically is in all of us. The intrinsic value of the arts is perhaps immeasurable.

The arts can transcend barriers of language, culture, ability, and socio-economic status and are therefore increasingly being used to connect and inspire communities, promote health and wellbeing and manifest a collective sense of place and identity.

Our ability to reflect, record, recall, express and exchange meaning through different art forms is what differentiates us as human beings. The arts have been critical to people understanding themselves and their place in the environment since the earliest known civilizations. Today, they are still fundamental to bond, enrich, inspire, enliven and create communities. It is no surprise then, that Western Australians highly value the role arts and culture play in their lives both at a personal and community level. [23]

While the question of how personally experienced values can be translated to a broader social meaning is difficult, and finding empirically convincing evidence for this transfer is complex. Since the 1990s there has been a growing body of evidence[24] demonstrating the links between arts and culture and other socially desirable outcomes.

There is now a well-established empirical evidence base supporting the view that the arts can make a vital contribution to our wellbeing. This can occur across a range of dimensions at an individual, community and broader society level. The arts have the potential to bridge our worlds, harness the wisdom of our different views, engage our imagination to explore new ways of thinking, and create experiences that can be shared by all people in our community.[25]

In 2015, a team of European sociologists and scholars exploring the “return on investment” of public funding in arts and culture concluded that “overall, the results of empirical research into the value of culture support the hypothesis that the experience of art, culture and heritage contributes to realising socially sought after effects such as cognitive development, health, social cohesion, technological and economic development”.[26]

The justification of public funding lies in the concept of market failure, that is, that the market fails to account for the broader societal benefits of arts and culture - referred to as ‘externalities’ - thus resulting in underinvestment (from a societal point of view) in the industry. Evidence from national and international sources demonstrates that even a modest investment in the arts at a local level can deliver significant returns on investment when the value of all benefits are taken into account.

Pracsys Economics has identified how JPACF could address disadvantage within communities of interest and in addition, conducted social return on investment (SROI) analysis in order to quantify the value of social benefits that could be realised by JPACF. The following sections of the Business Case provide the results of this analysis and culminate in the calculation of a BCR that in addition to economic variables of time travel savings, vehicle operating cost savings and visitation expenditure takes into account the broader value of social benefits.

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[23] Western Australian Department of Culture and the Arts Culture monitor 2015 fact sheet. Available at *http://www.dca.wa.gov.au/Documents/New%20Research%20Hub/Research%20Documents/Arts%20Monitor%20Fact%20Sheets/Arts_Monitor_2015_fact_sheet.pdf*

[24] *See Social Impacts of Participation in the Arts and Cultural Activities, Cultural Ministers Council, Statistics Working Group and Cultural Activities, Sydney 2004. Available at http://culturaldata.arts.gov.au/sites/www.culturaldata.gov.au/files/Social_Impacts_of_Participation_in_the_Arts_and_Cultural_Activities.pdf*

[25] *The Arts Ripple Effect: Valuing the Arts in Communities, Castanet with the support of Arts Victoria and the Australia Council for the Arts. Available at http://creative.vic.gov.au/Research_Resources/Resources/The_Arts_Ripple_Effect*

[26] *Culture: The Substructure for a European Common*, A research Report, Flanders Arts Institute, Brussels, February 2015, Pg. 63

9.1 Addressing Disadvantage

The 2015 study *Dropping off the Edge*[27] explores the geographic distribution of disadvantage across Australian states and territories, communicating the current imperative to address persistent and entrenched locational disadvantage across the country. The study looks at a range of indicators of socio-economic problems that impact on people's life opportunities and which create demand upon societal resources. This study highlights the need to when targeting services to communities, explore particular characteristics and factors that contribute to an disadvantage the type of disadvantage being experienced.

With respect to the JPACF, relative disadvantage has been identified in alignment with the SEIFA Index of Relative Socio-economic Disadvantage (IRSD). The SEIFA IRSD comprises a range of component variables, including:

- Income variables
- Education variables
- Employment variables
- Occupation variables
- Transport variables
- Other indicators of relative advantage or disadvantage

The SEIFA Index of Disadvantage measures the relative level of socio-economic disadvantage based on a range of Census characteristics. SEIFA provides a general view of the relative level of disadvantage in one area compared to others and is used to advocate for an area based on its level of disadvantage.

The index is derived from attributes that reflect disadvantage such as low income, low educational attainment and high unemployment. The findings of the SEIFA analysis show that the JPACF will directly and indirectly address current and future problems arising in the primary catchment area, that is, the rapidly growing North-West Sub Region.

SEIFA Analysis

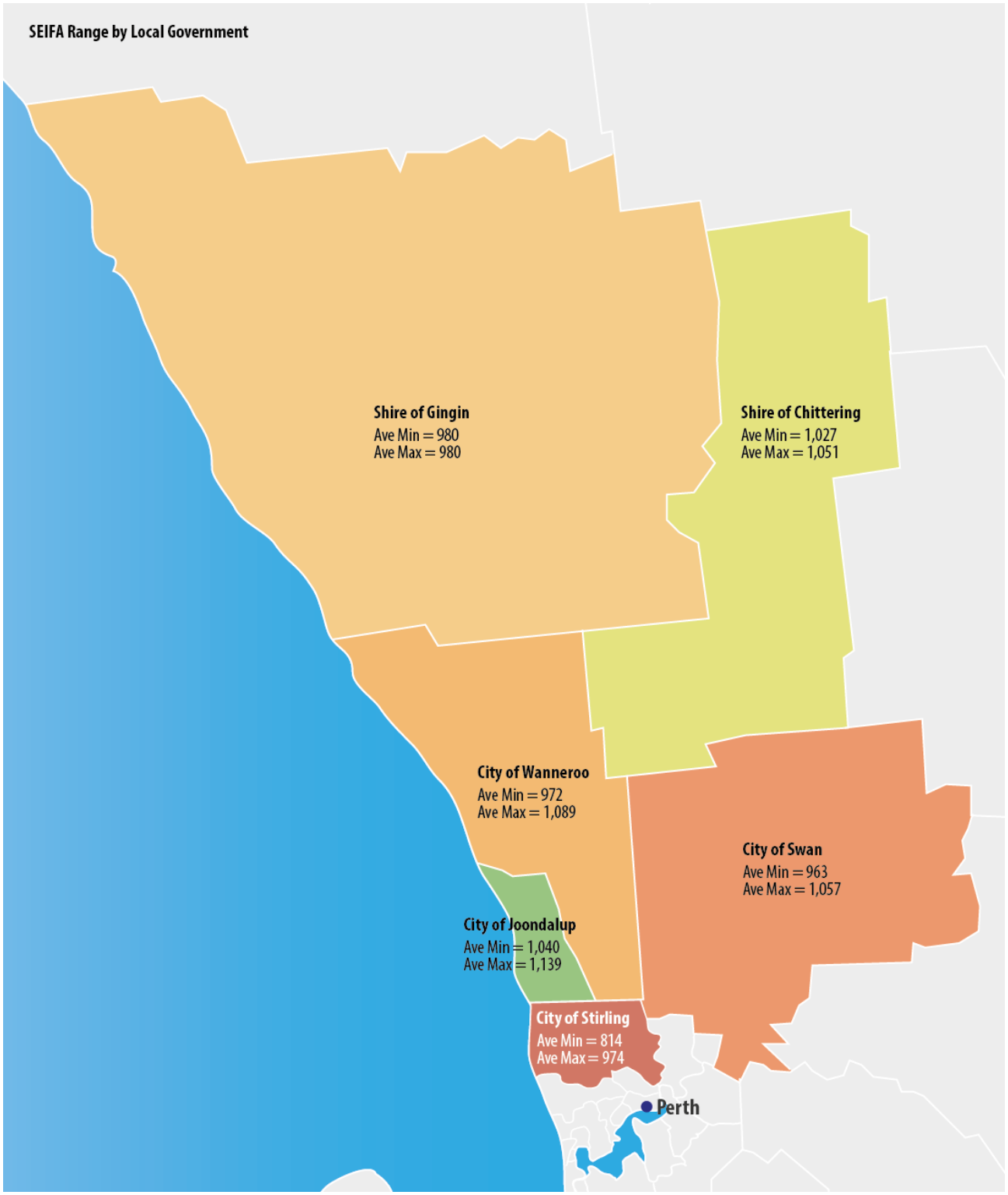
The analysis was undertaken at Local Government Area level as well as at Statistical Level 1 (SA1), in order to more precisely identify areas with low SEIFA scores within suburbs. Areas which include average minimum scores lower than 1,000 provide evidence of relative disadvantage.

Key Areas of Disadvantage

Whilst the City of Joondalup itself is relatively advantaged the catchment area that applies to the project and the broader area of influence extends to include areas with evidence of disadvantage. The City of Wanneroo (within the Primary Catchment) as well as the Cities of Stirling, Swan, Gingin and Chittering (within the area of influence) all have suburbs with average scores below 1,000 (See Figure 17).

[27] T. Vinson and M. Rawsthorne (2015). *Dropping off the Edge 2015: Persistent communal disadvantage in Australia (pages 100 – 105)*

Figure 17*: SEIFA Range by Local Government Area*



Source: Pracsys (2016) using (ABS, 2011). Socio-Economic Indexes for Areas (SEIFA), Statistical Area Level 1

Table 24 identifies suburbs within the primary catchment and their relative scores. Social indicators have been sourced to explain the type of disadvantage with indicators selected in alignment with those utilised in the 2015 study *Dropping off the Edge.*

Table 24*: Suburbs with Disadvantage*

Suburb	Average SEIFA Score [A]	Type of disadvantage (LGA Level Data)
Primary Catchment: Wanneroo (LGA)		
Koondoola	869	**Individual Income** Higher proportion of people earning low income (33.1% compared to 32.5%) and lower proportion of people earning high income (14.2% compared to 17.1%) **Unemployment** Similar proportion in employment, as well as a similar proportion unemployed. Overall, 95.1% of the labour force was employed (63.8% of the population aged 15+), and 4.9% unemployed (3.3% of the population aged 15+), compared with 95.3% and 4.7% respectively for Western Australia. **Volunteering** Lower proportion of population performing voluntary work (11.9% compared with 16.9%) **Occupation** Larger percentage of persons employed as Technicians and Trade Workers (19.9%) or Labourers (10.9%) compared to WA (16.7% and 9.7% respectively) **Post-School Qualifications** Lower proportion of persons with bachelor degree or higher (15.2% compared to 23.4%). Higher percentage of persons with no qualification (46.4% compared to 38.7%). **Self Assessed Health** Higher proportion of the people with fair or poor self-assessed health (14.0% compared to 13.7%). **Rent Assist** Higher percentage of households receiving rent assist (17.2% compared to 13.6%) **Cultural Acceptance** Higher percentage of population who disagree/strongly disagree with acceptance of other cultures (7.6% compared to 6.6%)
Merriwa	928	
Wanneroo	981	
Girrawheen	897	
Ashby	994	
Two Rocks	973	
Clarkson	995	
Woodvale	994	
Secondary Catchment: Swan (LGA)		
Cullacabardee	695	**Individual Income** Lower proportion of people earning a high income (13.0% compared to 17.1%) **Volunteering** Lower proportion of people who performed voluntary work (12.9% compared to 16.9%) **Occupation** Larger percentage of persons employed as Machinery Operators And Drivers (9.6%) and Clerical and Administrative Workers (16.3%) compared to WA (7.6% and 14.4% respectively) **Post-School Qualifications** Lower proportion of persons with bachelor degree or higher (10.8% compared to 17.5%). Higher percentage of persons with no qualification (49.0% compared to 43.%). **Self Assessed Health** Higher proportion of the people with fair or poor self-assessed health (14.9% compared to 13.7%). **Rent Assist** Higher percentage of households receiving rent assist (14.3% compared to 13.6%)
Midvale	813	
Swan View	942	
Midland	868	
Lockridge	879	
Bullsbrook	983	
Stratton	927	
Koongamia	909	
Hazelmere	975	
Middle Swan	980	

Suburb	Average SEIFA Score [A]	Type of disadvantage (LGA Level Data)
Beechboro	995	
Herne Hill	996	
Secondary Catchment: Stirling (LGA)		
Balga	913	**Unemployment** At LGA level there is a lower level of unemployment (4.5% compared to 4.7%) however there is a higher rate of unemployment in certain localities compared to the state Balga (11.0%), Mirrabooka (8.3%), Westminster (13.5%) and Girrawheen (8.2%). **Volunteering** Lower proportion of people who performed voluntary work (15.9% compared to 16.9%) **Occupation** At LGA level there is a higher proportion of Professionals (25.6% compared to 19.9%) however in certain localities there is a significantly higher proportion of labourers Mirrabooka (19.8%), Balga (17.2%), Girrawheen (16.9%) and Westminister (13.5%) compared to 9.7% across the state). **Cultural Acceptance** Higher percentage of population who disagree/strongly disagree with acceptance of other cultures (7.6% compared to 6.6%) **Psychological Distress** Higher percentage of the population with high or very high psychological distress (10.6% compared to 10.5%)
Westminster	901	
Mirrabooka	900	
Glendalough	945	
Balcatta	960	
Nollamara	964	
Osborne Park	994	

Source: Pracsys (2016) utilising:

- **PHIDU (2015)** ***Social Atlas of Australia –Cultural Acceptance, Psychological Distress, Rent Assist, Self-Assessed Health***
- **Population id (2016).** ***City of Swan, Wanneroo and Joondalup***
- **ABS (2011).** ***Census of Population and Housing***

[A] Average of all SA1 level scores within the SSC

The Link Between the Arts and Disadvantage

There is a body of evidence to support arguments that many of the intangible social impacts of the arts are connected to tangible impacts such as education, employment and income that contribute to disadvantage.

Whilst some of the social or intangible impacts such as mental health and wellbeing are intuitively directly connected to a desirable social outcome there are other connections that rely on achieving an intermediate outcome. For example, people may learn new skills and feel more confident as the result of participating in community arts activity, and this in turn may increase their employability[28].

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, as measured by the SEIFA Index.

Social Inclusion and Civic Participation

The arts foster a culture of inclusion within communities, which has direct and indirect impacts on disadvantage. Being socially included means that people have the resources, opportunities

[28] Jermyn, Helen (2001). *Arts and Social Exclusion: a Review Prepared for the Arts Council of England (Page 14)*

and capabilities they need to[29]:

- Learn (participate in education and training);
- Work (participate in employment, unpaid or voluntary work including family and carer responsibilities);
- Engage (connect with people, use local services and participate in local, cultural, civic and recreational activities); and
- Have a voice (influence decisions that affect them)

Those that are socially excluded can be prevented from participating in education or training, and gaining access to services and citizenship activities therefore the outcomes of social inclusion include highly tangible indicators such as increased employment rates and improved educational performance[30].

Whilst the causes of social exclusion are diverse and complex it has been shown that the arts can be a significant part of the solution because they transcend barriers of language, culture, ability, and socio-economic status[31]. Acceptance of cultural diversity is important for building inclusive local communities and various studies point to the impacts of participation in arts and cultural activity including: building cultural bridges, building better understanding of different cultures, fostering tolerance and understanding and directly decreasing social isolation and fostering social inclusion[32].

There is evidence of the significant contribution of nonprofit art and culture organisations as a result of volunteerism with many art businesses operating within a model of social enterprise, providing opportunities for volunteering. An example includes the Wangaratta Performing Art Centre in Victoria, which was construction in 2009 to replace the Wangaratta Memorial Town Hall which had very limited facilities for presenting professional performing arts. An economic impact assessment revealed a significant increase in volunteer levels (in comparison with the old venue) with volunteer hours increasing over tenfold[33].

The City of Joondalup's Community Development Plan identifies geographical and socio-economic factors as limiting civic and cultural participation. The JPACF will provide access to art and cultural experiences that reflect and celebrate diversity fostering social inclusion.

It will also provide numerous opportunities for increased engagement through volunteering. The Joondalup Volunteer Resource Centre (JVRC) in 2013-14, linked 1,904 volunteers to opportunities and the JPACF will provide the JVRC with a new range of volunteering opportunities where volunteers will enhance their sense of belonging providing them with the tools to learn, work, engage and have a voice.

Importantly, the JPACF will also help develop the community and provide increased access to arts and cultural facilities for residents within the broader North-West Metropolitan region. This will be achieved through:

- **Joondalup's existing arts and cultural program:** The City has one of the region's largest cultural programs with festivals, active visual arts programs and exhibitions, concerts, children's events, cultural celebrations, grants and funding schemes. The City currently supports residents to participate in art and cultural activities at low or no cost. The JPACF will greatly enhance the City's ability to deliver a more diverse and larger scale program of arts and cultural projects, events and activities.
- **Diverse programming**: The JPACF will provide a multitude of accessible opportunities for residents and patrons in the broader catchment area. The program will provide a balance of popular arts and cultural events and work targeted towards audience

[29] Department of Premier and Cabinet, Australian Social Inclusion Board (2010). *Social Inclusion in Australia: How Australia is faring*
[30] Castanet (2003). *The Arts Ripple Effect: Valuing the Arts in Communities* (Page 11)
[31] Ibid.
[32] Cultural Ministers Council Statistics Working Group (2004). *Social Impacts of Participation in the Arts and Cultural Activities: Stage Two Report Evidence, Issues and Recommendations (Pages 21 and 25)*
[33] Castanet (2003). *The Arts Ripple Effect: Valuing the Arts in Communities* (Page 14)

development and meeting community engagement needs. The program will be outlined through the Program Policy and annual Program Plan;

- **Strategic long term partnerships**: The JPACF will seek long term partnerships with a range of local, WA and national artists and arts organisations. Programming will take place over a one to three year time frame with an aim to develop ongoing relationships between local patrons and artists and arts organisations.

Cognitive Skills and Self-Confidence

Additional individual impacts of arts participations such as increased self-confidence and the development of creative as well as non-creative skills, such as communication or organisational skills have been shown to present progress towards the harder social inclusion outcomes such as employment or education[34].

Involvement in arts-based activities has been shown to create pathways for personal and social development which increase prospects for employability, particularly for young people and those from culturally diverse or disadvantaged backgrounds.

In addition, there is an understanding that the skills associated with artistic practices– creative thinking, self-discipline, collaboration, risk taking, and innovation – are skills that are in great demand in our contemporary knowledge economy[35] and that the skills taught by the arts will contribute to success. Arts education teaches children creativity, special thinking and abstract reasoning, all critical skill sets for tomorrow's software designers, scientists entrepreneurs and engineers[36].

The site for the proposed JPACF is in close proximity to the Joondalup Learning Precinct which comprises of the three co-located education campuses of Edith Cowan University, West Coast Institute of Training and the Western Australia Police Academy. The JPACF would provide opportunities for partnerships with these institutions, with opportunities to implement best-practice art education programs as a means of developing a workforce capable of great success in the knowledge-based economy.

Mental and Physical Health and Wellbeing

There is a growing body of evidence that participation in arts-based activity – such as visual art, music-making or writing – can have a measurable impact on physical health and wellbeing. As a result, the practice of applying arts initiatives to health problems and health promoting settings is becoming increasingly common.

In 2013, the Standing Council on Health and the Meeting of Cultural Ministers endorsed the National Arts and Health Framework[37], which recognises and promotes greater integration of arts and health practice. The framework acknowledges the value and benefits of arts and health practice and outcomes and endorses collaborative relationships between arts and health sectors at all levels of government and with the non-government sector.

In addition to the benefits of active participation, epidemiological research suggests that promoting general cultural attendance – such as attending a cultural institution such as an art centre - also makes a difference to mental and physical wellbeing. This can be through a variety of channels, for example through improvements the social relationships and networks[38] and reductions in stress levels[39] which, in turn, increase the likelihood of good mental and physical health and wellbeing. There is now considerable evidence that the stronger a sense of

[34] Jermyn, Helen (2001). *Arts and Social Exclusion: a Review Prepared for the Arts Council of England (Page 20)*
[35] Castanet (2003). *The Arts Ripple Effect: Valuing the Arts in Communities (Page 14)*
[36] Robert L. Lynch (2006) *Creating a Brighter Workforce with the Arts (Page 1)*
[37] Meeting of Cultural Ministers and the Standing Council on Health (2014). *National Arts and Health Framework*
[38] Castanet (2003). *The Arts Ripple Effect: Valuing the Arts in Communities (Page 14)*
[39] Mark O'Niell (2010). *Cultural attendance and public mental health – from research to practice*

belonging that people feel, the healthier they are[40].

Mark O'Neill's article in the Journal of Public Mental Health *Cultural attendance and public mental health – from research to practice*[41] explores the implications of this research. The article argues that if general cultural attendance, as evidence suggests, contributes to healthier lives, the issue of democratic access is critical and that cultural organisations need not only meet the demand of existing audiences but address the inequalities in cultural capital and engage non-users. The article suggests that increasing general, non-intensive attendance at cultural organisations among vulnerable communities may be able to achieve a health impact at a population level.

Currently, people living in Perth's North-West have no easy access to a local performing arts and cultural facility, creating a barrier to general cultural attendance and the benefits to mental health and wellbeing that exposure to the arts provides.

The JPACF will provide an important venue to reach out to audiences and creatives with existing demand for a venue and those non-users that have, without access to a facility, been discouraged from engaging with arts and culture. In addition, the close proximity of the JPACF to the Joondalup Health Campus, the largest healthcare facility in the northern suburbs, offers exciting synergies and opportunities for enhancing the arts and health connection.

9.2 Social Return on Investment (SROI)

A number of tools have been developed in order to articulate and measure the economic impact of arts and cultural institutions. The most commonly used method, economic impact assessment (EIA), examines the monetary flows through the economy and looks at the direct, indirect and induced effects of spending associated with arts and culture. This approach relies on estimates of employment and visitation as well as industrial economic data on the relationships between arts and culture and other sectors of the economy in order to determine flow on impacts. This analysis for JPACF was conducted by Pracsys Economics and included in Section 8 of this Business Case.

Whilst this approach communicates the economic impact of an institution to a defined economy, the approach focuses on traditionally 'measureable' economic impacts without considering the value of social or intrinsic benefits. SROI provides an alternative valuation approach for projects. The City of Joondalup commissioned Pracsys Economics to undertake an analysis of the Social Return on Investment (SROI) of the proposed JPACF.

Over the last decade, SROI has attracted a growing level of interest and support due to an intensified focus on impact and value for money by governments and the not for profit sector. SROI is recognised as an appropriate method to prove value by government and not-for profit organisations such as:

- Australian Government Department of the Prime Minister and Cabinet
- Australian Sports Commission (ASC)
- UK Department for Culture, Media and Arts
- Salamanca Art Centre (Hobart, Tasmania)
- Auckland Museum
- Community Arts Network WA

About SROI

SROI can be defined as: "*a framework for understanding, measuring and accounting for the*

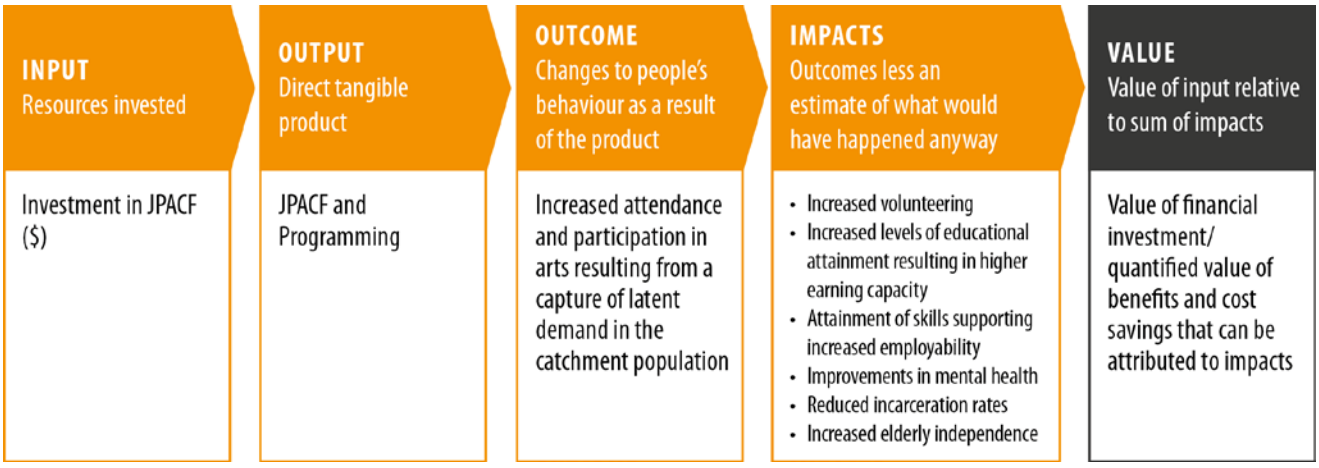
[40] Castanet (2003). *The Arts Ripple Effect: Valuing the Arts in Communities (Page 17)*
[41] Mark O'Niell (2010). *Cultural attendance and public mental health – from research to practice*

social value of projects, programs, organisations, businesses and policies" [42]. SROI analysis places a monetary value on the social impact (the benefit) of an activity and compares this with the cost incurred in creating that benefit. Specifically, SROI:

- Identifies the various cost savings, reductions in spending and related benefits that accrue
- Monetises those cost savings and related benefits through use of financial proxies
- Projects those savings over an investment timeframe and discounts those back in order to determine a net present value in the same way as cost-benefit analysis (described in Section 8.8)

SROI is based on 'theory of change' which distinguishes between outcomes achieved and impact. Figure 18 provides an overview of the way in which the theory of change model has been applied by Pracsys to the JPACF project.

Figure 18*: Theory of Change*



Source: Pracsys (2016)

Methodology

Pracsys has applied a commonly used SROI valuation methodology in order to provide a measure of the financial value of social benefits that may be accrued as a result of JPACF.

The methodology involved an extensive literature review to link exposure to, and participation in arts and culture with tangible and intangible social benefits at the individual and community level. Financial proxies have been calculated and applied to the catchment population in order to provide an estimate of the monetary value of social benefits. The proxy attempts to quantify outcomes or consequences that could arise if there is no change in current behavior. The financial proxies have calculated based on desktop research and a comprehensive literature review (See *SROI Technical Appendices* for more information on the calculation of financial proxies).

The SROI valuation methodology applied by Pracsys included the following stages of work:

- A literature review in order to define links between arts and culture, social impact and the produce theory of change logic model
- Selection of six tangible impacts to form the focus of the SROI analysis
- Identification of appropriate financial proxies for tangible impacts
- Estimation of the scale of impact that JPACF could have on new participants

[42] Social Ventures Australia (2012) *Social Return on Investment: Lessons learned in Australia* <http://socialventures.com.au/assets/SROI-Lessons-learned-in-Australia.pdf>

- Application of financial proxies to affected individuals in order to monetise the value of the social impacts
- Application of an additional attribution to take into account intangible impacts

It is assumed that catchment residents currently engaging in arts and culture within and outside of the catchment already enjoy the benefits of their engagement and financial proxies are therefore only applied to the people that are newly involved in arts and culture as a result of JPACF. These individuals are assumed to be those that represent latent demand, as established in the MAFS.

Revealed preference modelling conducted in production of the MAFS identified total potential demand for attendances within the catchment of approximately 810,000[43]. Stakeholder consultation indicated that approximately 620,000 of these attendances (76%) do not occur at all. Based on an average frequency of attendance of six artistic or cultural events per year[44], total latent demand is estimated in the order of 98,300 persons. The latent demand is not specific to JPACF, rather it is pool of demand for any art or cultural event available in the catchment.

The annual social benefit is then derived from the following formula:

Financial Benefit Per Annum ($) =

Affected Population (no.) x Estimated effect of JPACF (%) x Financial Proxy ($)

An annual value of potential benefits has been estimated and projected over an investment timeframe (2016 to 2059). This has been discounted back to provide a net present value (NPV).

Limitations

There are limitations to SROI which should be acknowledged and care should be taken in interpreting the findings. Assumptions made about the size of the population exposed to the benefit and the impact JPCAF could have on these individuals' behaviour should be taken into account (see *SROI Technical Appendices* for more information).

In addition, significant dimensions of a creator or audience's experience are therefore not captured in an SROI valuation and accounting for the pure cultural values of the arts distinct from economic contributions remains critical[45]. For this reason, the analysis conducted by Pracsys has included an additional 10% (of the total SROI value calculated) to capture these benefits.

Social Benefits Considered in the Analysis

Table 25 provides an overview of the measures and impacts considered in the SROI analysis conducted by Pracsys (See *SROI Technical Appendices* for more information).

[43] This excludes film, which it is understood is predominantly being met through existing commercial facilities.
[44] Australian Council of the Arts, 2015, Artfacts: Visual Arts
[45] Nesta (2010) *Culture of Innovation: An economic analysis of innovation in arts and culture organisations*

Table 25*: Social Benefits Considered*

Impact and (Measure)	Financial Proxy	Party to which benefit accrues	Rate of Incidence (%)	Population Exposed to Benefit	Description
Increased employment (reduced welfare expenditure)	$13,718	Federal Gov.	4.4%	2,310	Unemployed people who engage in arts as an audience member were 12% more likely to look for a job in the last four weeks when compared to unemployed people who had not engaged in the arts[46]. The Federal Government spends at least $13,718 per annum in unemployment benefits for eligible individuals aged 22-60. Based on 2011 ABS Place of Residence, the catchment has an unemployment rate of 4.4%.
Increased educational attainment (greater taxable income)	$3,219	Federal Gov.	67.3%	12,716	Within a sub-sample of 16-18 year olds, participants in the arts were 1% more likely on average to go onto further education in later years[47]. Based on the Smart Australians – Education and Innovation in Australia report by AMP it is estimated that individuals with Year 12 or equivalent will contribute at least $3,219 per annum in tax than less educated residents. Based on 2011 Census data, 67.3% of catchment residents aged 20-34 have attained a year 12 or equivalent education.
Increased social participation (increased volunteering)	$3,957	Local Gov.	14.3%	10,920	People who engage in arts as an audience member are 6% more likely to have volunteered frequently (once a fortnight or more)[48]. Based on the 2011 ABS data it is estimated that 14.3% of residents within the catchment volunteer. Applying an average hourly wage to the average hours per Australian volunteer it is estimated that each individual contributes $3,957 per annum in output.
Reduced mental health (reduced health expenditure)	$891	State Gov.	13.3%	7,198	Participants in the arts were 1.37% less likely to frequently visit GPs and 0.45% to have used psychotherapy services[49] The Public Health Information Development Unit (PHIDU) estimates that 10.0% of the catchment population experience mental health issues. Approximately $891 is spent per affected individual per annum.

[46] UK Department of Culture, Media and Sport (2014) Quantifying the Social Impacts of Culture and Sport https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/304896/Quantifying_the_Social_Impacts_of_Culture_and_Sport.pdf
[47] Ibid.
[48] Ibid.
[49] Ibid.

Impact and (Measure)	Financial Proxy	Party to which benefit accrues	Rate of Incidence (%)	Population Exposed to Benefit	Description
Reduced incarceration (reduced incarceration expenditure)	$134,601	State Gov.	0.2%	108	Specific programs have been successful at both diverting and rehabilitating people from criminal conduct[50]. The ABS estimates that 0.2% of Australian's are incarcerated. On average, the Federal and State Governments spend $134,601 per incarcerated individual per annum.
Increased elderly independence (reduced aged care expenditure)	$43,351	Federal and State Gov.	19.8%	2,011	People aged 65 and older who participated in community- based cultural programs used less medication and visited the doctor less often than those who did not, and that they also had better physical health[51]. Approximately 19.8% of individuals aged 85+ across the State live in aged care homes. Aged cared subsidisations and other benefits cost the Federal Government $43,351 per person in an aged care home per annum.

Source: Pracsys (2016) utilising various sources. See *SROI Technical Appendices* for more information.

Calculating SROI

A value was assigned to reflect the scale of impact that JPACF could have on the population exposed to benefit. There are a range of factors that influence social measures considered and for this reason conservative estimates of impact have been attributed ranging from 0.01% to 6%. These have been estimated with reference to literature provided in the above table (See *SROI Technical Appendices* for more information). Using the estimated effect of JPACF, and financial proxies the financial benefit per annum was calculated.

The analysis estimates that over 900 people could experience social benefits as a result of JPACF, and that, with an additional 10% included to account for intrinsic impacts, there is potential for up to $5.2 million worth of social benefits to be accrued per annum. The present value of social benefits (SROI and intrinsic), when discounted to 2050, is over $60 million (See Figure 19).

Table 26: *Financial Benefit Per Annum*

Measure	Estimated effect of JPACF	Benefiting Individuals	Financial Proxy ($)	Financial Benefit (per annum)
Reduced welfare expenditure	5%	116	$13,718	$1,584,388
Greater taxable income	1%	127	$3,219	$409,375
Increased volunteering	6%	655	$3,957	$2,592,466

[50] Paul Muller, Neil Cameron, Lauren Jameson, Kristel Robertson, Robert Grafton (2012) The Economic, Social and Cultural Value of the Salamanca Arts Centre 2011-2012 *http://www.parliament.act.gov.au/__data/assets/pdf_file/0018/622701/Exhibit-No.3-Belconnen-Arts-Centre.pdf*

[51] UK Department of Culture, Media and Sport, (2015) Further analysis to value the health and educational benefits of sport and culture *www.sportsthinktank.com/uploads/dcms-and-case-further-analysis-to-value-the-health-and-educational-benefits-of-sport-and-culture-(march-2015).pdf*

Measure	Estimated effect of JPACF	Benefiting Individuals	Financial Proxy ($)	Financial Benefit (per annum)
Reduced health expenditure	1%	72	$891	$64,129
Reduced incarceration expenditure	0.01%	0.01	$134,601	$1,453
Reduced aged care expenditure	1%	2	$43,351	$91,646
Additional Intrinsic benefit (10%)				$474,345
Total		972		$5,217,803

Source: Pracsys (2016)

Social and Economic Benefit Cost Ratio

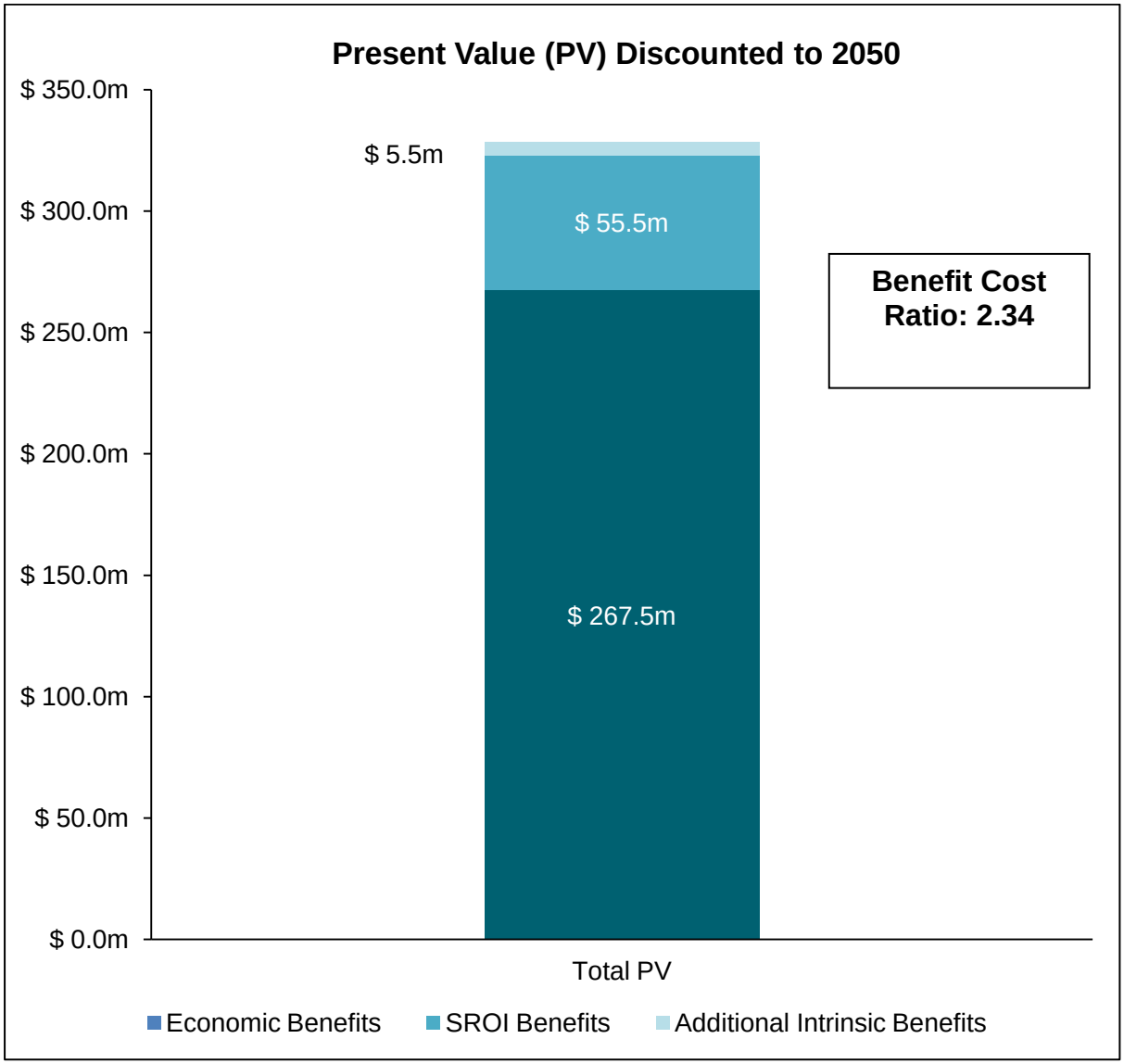
Based on the SROI analysis a BCR has been calculated to reflect the economic, social and intrinsic value of the JPACF. This BCR builds on that provided in Section 7.8 of the Business Case, that is, it includes all economic benefits as well as social benefits identified through the SROI analysis.

The results of this analysis indicate a BCR of 2.34 (see Figure 19).

A BCR between 2 and 3 positions projects favourably when they compete for funding within a limited pool. Given the JPACF represents a project whereby the vast majority of benefits are social in nature with many potential benefits difficult to quantify, the BCR of 2.34 positions the project well. It demonstrates that the project will deliver significant social and economic return on investment.

Image: Joondalup Performing Arts and Cultural Facility – Plaza: ARM Architecture.

Figure 19*: JPACF Net Present Value (Economic, Social and Intrinsic)*



Source: Pracsys (2016)

9.3 Social Impacts in Summary

It is estimated the JPACF will have the following social impact:

- strengthen local communities through the provision of accessible and inclusive arts and cultural experiences
- build on the City of Joondalup's strong arts and cultural program to address unmet community needs and demands for arts and cultural experiences
- address regional disadvantage
- provide social benefits to up to 900 people with the value of benefits estimated to be in the order of $5.2 million per annum. When projected over the life of the project (to 2050) and discounted to present value, social benefits are estimated to be in excess of $60 million.

10 Summary

10.1 Project Benefits

- Provide enabling infrastructure, which addresses the current barriers facing audiences and artists so as to increase cultural attendance and output.
- Catalyse creative industry growth in the region which will increase economic diversity and support the knowledge-driven, strategic employment crucial to driving economic resilience.
- Support the generation of ideas and creativity, accelerating the overall rate of innovation and economic success in the North-West.
- 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 disadvantage.
- Add an exciting new dimension to the City Centre and is a key component in the development of the region's cultural identity.
- Deliver instrumental social benefits to up to 900 people with the value of benefits estimated to be in the order of $5.2 million per annum. When projected over the life of the project (to 2050), the present value social benefits is estimated to be in excess of $60 million.
- Establish an anchor institution that mobilises and connects creative industries into a network and links with the broader economy to deliver economic benefits through innovation.
- Create 609 jobs through the construction of JPACF, 47 jobs through the operations of the facility and 91 jobs through increased visitation and tourism.
- Deliver economic and social benefits with a Present Value (PV) of $328.5 million, Net Present Value (NPV) of $182.4 million and a Benefit Cost Ratio (BCR) of 2.34.

10.2 Proposal Details

- Construct the JPACF at a cost of $99.7 million.
- Primary theatre utilisation of more than half of the year (186 days per year for the primary theatre).
- Operating subsidy estimated to be $863,000 per year.
- Develop a diverse program that caters for the majority of the community.

This is a 'mark-up' version of the JPACF Business Case (Part 2 - Appendix 4) showing amendments made since the Major Projects Committee meeting held on 28 November 2016. Additions are highlighted green, deletions are highlighted in red.

City of Joondalup

Joondalup Performing Arts and Cultural Facility

FINANCIAL AND SCENARIOS EVALUATION

UPDATED JANUARY 2017

CONTENTS

INTRODUCTION

1. INTRODUCTION AND BACKGROUND

1.1 Purpose of Paper

This plan is prepared in support of the Business Case (September 2016) for the Joondalup Performing Arts and Culture Facility (JPACF). This report will include a detailed evaluation of the financial implications of the JPACF and an evaluation of Scenarios. The contents include:

- Establishment costs;
- Operating Analysis;
- Scenario Evaluation;
- Value for Money; and
- Summary, including risks and sensitivity.

1.2 Out of Scope

The following are out of scope:

- Project Justification – included in business case;
- Procurement Plan;
- Risk Management Plan;
- Project Management Plan; and
- Asset Management Plan.
- Economic and Social benefits. These are assessed separately in the business case.

1.3 Whole of Life Approach

The City applies a whole-of-life approach to all projects, and prides itself on applying a wide number of tools to ensure it is financially sustainable both now and in the future. The ongoing operational impacts are assessed as much as the one-off costs. This ensures that the overall costs of a project over the long-term are evaluated and budgeted.

The funding for the Facility has been subject to constant review, with several supporting projects in place to set aside funding.

1.4 20 Year Strategic Financial Plan

The key tool to ensure that all of the financial impacts of the JPACF are identified and financially sustainable is the City's *20 Year Strategic Financial Plan which is updated* on an annual basis. The plan was last adopted by Council in June 2016 (*Adopted 20 Year Strategic Financial Plan*), and included all whole of life implications (Establishment costs, funding, interest expense, operating subsidy, depreciation and capital renewals) of the JPACF. The Adopted *20 Year Strategic Financial Plan*) is based on the Concept Design costings from the December 2015 Business Case.

The SFP also includes assumptions for funding of the JPACF, including contribution from reserves. This is only a guide, the SFP is a planning tool and the City is not bound by the assumptions.

1.5 Disclaimer

This report does not contend that the financial projections will come to pass exactly as stated, but are merely a guide in support of the business case. The projections are best estimates at this point in time, but there is a level of risk and uncertainty in all of the projections. The actual costs and income will vary, due to the following:

- Detailed Design and Specification;
- Tender;
- Program Model;
- Management Model;
- Demand / Catchment / Changes in taste / participation in cultural activities; and
- Economic Factors.

The financial projections will be reviewed annually, or at times deemed necessary by the project.

It should also be emphasised that the assumptions included in this document (e.g. the discount that may be provided to community groups) are not binding in any way, and are merely assumptions used for the purposes of financial evaluation.

Due to the size of the proposal, the Risks/Sensitivity of the assumption should be considered as much as the financial projections.

1.6 Data shown either in $, in Thousands ($k) or in Millions ($m)

There is a wide range of financial data referred to in this document. Data will either be shown in Dollars ($), thousands ('$k') or where necessary in millions ($m), depending on the size of the values being referred to.

1.7 Values initially shown in 2016 dollars

The report will initially review all of the assumptions in today's dollars as this is easier to review. All values will then be escalated to take account of inflation so that the overall costs over a 40-year period can be assessed.

1.8 Previous Version of This Paper

This report was initially prepared in 2015 and was used to support the December 2015 Business Case presented to Council. The costings were based on CONCEPT DESIGN. This version of the report is now based on SCHEMATIC DESIGN. The projections from the December 2015 Business Case are included for comparison in all tables and commentary has been added to explain whether the assumptions differ.

2 RESEARCH & SUPPORTING INFORMATION

2.1 Research 2012 to 2016

The City has commissioned a variety of work during the past few years that forms the basis of the financial evaluation:

- 2012 Feasibility Study - The 2012 Feasibility Study included an initial evaluation of the project costs and operating impacts, and continues to be used as a reference point for the operating assumptions.
- 2013 Architectural Design Competition - The 2013 competition, as described in more detail with the business case, provided the basis of the capital costs used in the December 2015 Business Case.
- 2014 Financial Review - The City used internal resources to complete an internal review of the financial projections, this mostly focused on the operating results.
- 2015 Design Review – Consideration of alternative scenarios e.g. 1000 seat capacity in the Primary Theatre instead of 850 seats
- 2016 Schematic Design
- 2016 External review of operating assumptions. Three separate consultants have been engaged to assist with the review of the operating assumptions. The reviews will be explained in more detail later in this section.

2.2 Industry Consultation – General Manager of Other Performing Arts Centre

A General Manager of another WA Performing Arts Centre has been consulted on a regular basis during the past two years. The other centre is not an ideal benchmark for the JPACF because it is further away from Perth, the catchment is smaller and the demographics are very different but there are many aspects which are still useful to review, particularly as it is in WA. It has been useful to draw upon the live experience of the General Manager. Some of the key issues arising from the discussions are:

- Programming (i.e. the arrangement of events) has to be long-term i.e. 1 to 2 years before events are held.
- JPACF could tie into the WA ‘circuit’ with other centres such as Albany, Bunbury, Geraldton and Mandurah.
- Utilisation Maximum (i.e. number of days that the primary and secondary theatre) could be expected to be used per year is 200 days, but that would take a lot of effort and may be sub optimal (more events doesn’t necessarily mean more attendees and could result in a higher loss than having the spaces used for less).
- Average Occupancy per performance may be approximately 50%, although will vary significantly depending on the type of performance.
- Commercial Hires are good earners; the Cost of Sales is approx. 25% of Income.
- Ticketing is best to be controlled by the facility themselves, do not recommend the use of a third party.
- Marketing is crucial to the operation and programming and should be driven by the facility itself.
- Staffing for shows is flexible, volunteers are also used.

2.3 Industry Consultation – Department of Culture and Arts

Discussions were held with the Department review the operating model. There was limited specific financial data available from the DCA, but it was useful for the following:

- Programming and Audience Development is the most important issue for an Arts Centre.
- Agreed that it will take some years to build up to 'steady state'. For the first couple of years, the facility has to make concerted efforts to develop the demand, and it may even be useful (and better financially in the long run) for the City to allow a resident company to use the facility for a couple of years for free hire, particularly a company who are up and coming and who can both develop their own brand and the JPACF at the same time.
- Average Occupancy of 50% level is a reasonable assumption.
- Capacity of the Primary Theatre at 850 seats was raised as an issue and consideration should be given to higher capacity. This has been evaluated and the results summarised in this report.
- APACA (Australian Performing Arts Centre Association) - vital source of information for planning an Arts Facility, and the City should join APACA to allow continued access to this data.

2.4 Industry Consultation – APACA (Australian Performing Arts Centre Association)

APACA prepare bi-annual reports based on information from Arts Centres around the country. Reports have been used throughout the review, and will be referenced throughout the report. Care has to be taken in using the APACA data as there is so much of it, and some of it may be irrelevant e.g. much smaller facilities.

The previous version of the Business Case relied upon the 2013 APACA reports. The City recently obtained the 2015 APACA reports and updated assumptions where relevant to do so.

2.5 Schematic Design 2016

The Schematic Design for the project has now been completed. This now includes updated establishment costs and changes to specifications which impact on operational estimates. The revised costings form the basis of the revised Scenarios.

2.6 External Review of Operating Assumptions 2016

Three consultants have been engaged during the past couple of months to assist with specific elements of the review of the business case:

- Pracsys – have provided detailed utilisation and pricing assumptions for the Non-Theatre spaces in the JPACF. The non-theatre spaces are the Conferences, Foyer, Gallery, Dance Studios, Music Studios and Community studios. Their findings have been used as the basis of updated income and cost assumptions for these areas.
- Ex General Manager of Perth Theatre Trust – review the assumptions for the Primary & Secondary theatres, and the staffing model. Their views have been taken on board and incorporated into the updated financials.
- Paxon Consulting – were engaged to review Utilities, Building Maintenance, Capital Replacement and also the non-Theatre Spaces. Their findings have been taken on board where possible to do so, although there are some elements that the City has opted not to use – these will be explained later on.

3 SCENARIOS, ASSUMPTIONS AND RESEARCH

3.1 Scenarios Evaluated

There are four sets of financial projections shown in this report:

- Business Case December 2015, based on Concept Design is shown for comparison.

Three Scenarios which are all based on Schematic Design:

- Scenario 1 – Worse Case. This includes some of the worse-case estimates for staff costs, utilities and repair/maintenance as provided by Consultants.
- 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 are mostly halfway between Scenario 1 and Scenario 2

Where a table displays all four sets of projections, a green box has been placed around Scenario 3 to clearly indicate this as the recommended Scenario for inclusion in the Business Case.

3.2 Assumptions

The table below lists some of the general assumptions within the financial model:

	Assumption	Value	Comments
1	Ready for Service	July 2019	o The analysis assumes that the facility is ready by July 2019. o This assumes that construction commences by 2017 and is completed over 2 years, 2017-18 and 2018-19 o These timescales are the same as used in the previous Business Case (December 2015) o These timescales are highly unlikely taking account of the further steps that would be required before construction could commence (e.g. Detailed Design, Tender, and Contract Award). o Whilst these timescales are highly unlikely they have been retained to facilitate clear comparison to the December 2015 Business Case. o The project will need to develop a detailed program, including tender/procurement plan, as part of the next phase and once this is done the scheduling and financial estimates can be revised.
2	Financial Evaluation Period	45 Years	o The analysis evaluates the cash flows over a 45-year period, from 2014-15 to 2058-59. o 2014-15 and 2015-16 are past (Sunk Costs), but for the purposes of comparing clearly to the previous business case the costs for 2014-15 and 2015-16 are included in the overall evaluation o The evaluation includes 40 years of operation from 2019-20 to 2058-59 o The long timeframe is necessary to ensure that the long-term implications are fully considered, and also ensures that capital renewal expenditure can be included in the evaluation
3	Escalation–Assumptions	Same as Previous	o For purposes of clear comparison to the previous business case, the escalation assumptions for all items have

		Business Case	remained the same as the December 2015 Business Case. A minor change in escalation assumptions can cause a large change in a 40-year evaluation and would distort the comparison to the December 2015 Business Case. A copy of the escalation rates in the financial projections is included in Appendix 2 of this paper. All cash flows use CPI for escalation except where otherwise stated.
4	Borrowing Terms	15 Year Repayment Loans	The costs of borrowing have reduced since the December 2015~~previous~~ business case, and WATC (West Australia Treasury Corporation) have recently provided updated forecasts. The assumptions used are: o 2017-18 borrowings at a Fixed Rate of 3.61% (previously 4.25%), repaid over a 15-year basis o 2018-19 borrowings at a Fixed Rate of 4.01% (previously 4.75%), repaid over a 15-year basis Additionally, there is a cost of 0.7% per year on the outstanding principal for the Govt Guarantee. The City has begun a detailed evaluation of alternative forms of financing, including variable rate loans and interest only loans. The findings are subject to a separate report that is attached. The findings are subject to external validation. Until the review is complete the JPACF business case will continue to assume the traditional method of financing, which is a Fixed Rate Fixed Term (15 years).

ESTABLISHMENT PHASE

4 PROJECT COSTS

4.1 Capital Costs EXCLUDING escalation

The tables below summarise the total one-off costs to establish the facility and compare to the previous estimate. The Capital cost is same for Scenarios 1, 2 and 3 because the differences in those Scenarios relate to operational costs, not capital costs.

The Schematic Design costs are now estimated to be approx. $2.1m (2.1%) more than the Concept Design estimate. The estimate includes contingency costs of $5.3m, it is standard practice and prudent for the City to have contingency at this stage in the project because there are likely to be other changes that could arise through the other stages (Detailed Design, Tender).

Capital & Other One-Off Costs Excluding escalation		Concept Design Business Case (Dec 2015)	Scenario1	Scenario2	Scenario3
			Schematic Design		
			Worse	Idealistic	Realistic
1 Project Costs, excluding Contingencies	*$000s*	($91,031)	($94,478)	($94,478)	($94,478)
2 Design & Construct Contingency	*$000s*	($6,600)	($5,260)	($5,260)	($5,260)
Total Capital & Other One-Off Costs	***$000s***	**($97,631)**	**($99,738)**	**($99,738)**	**($99,738)**

4.2 Schematic Design Costings & Value Engineering

The Capital Costs for each Scenario is based on data from ARM. ARM has used a range of sub-contractors (QS, Theatre Specialists) to prepare their estimates. ARM has intimated that Schematic Design costings can often result in costs being 5% to 7% higher than Concept Design and the first version of the Schematic Design costings were 12% higher. The initial increase of 12% arose for a number of reasons:

- Greater consideration given to finishes e.g. more toilets than just the basic number included in Australian Standards.
- Design improvements (e.g. walkways and foyer improvement as presented to Major Project Committee in April 2016)
- Some rates used at Concept Design were understated

ARM initiated an independent QS review of the costings, which confirmed that the level of rigour applied in the costings and the source of data was robust. Whilst the increased costs of 12% were legitimate it was acknowledged that the overall increase was too high and detailed reviews (value-engineering) were undertaken to reduce the costs. This culminated in a reduction to the final result of $99.7m which is a 2% increase versus Concept Design. There are numerous changes which ARM have separately provided and out with the scope of this report but it should be emphasised that the key features of the facility remain intact i.e. the Primary Theatre is still 850 seats.

In summary the costings of the Schematic Design are now based on more up-to-date information and it can be expected that there would be differences to the Concept Design. Whilst the $2.1m increase is far from ideal there has been a great deal of rigour applied to the latest costings and design.

4.3 Jinan Gardens & Planning Costs

The ARM Project Costs above now include all costs for the City, including Jinan Gardens and City Project Costs. The same assumptions as used in the previous Business Case:

- Jinan Gardens: Estimated cost for this is $2.1m. This is based on indicative costs provided by QS, provided in 2013 and then escalated to 2016 dollars. The QS evaluation in 2013 is deemed sufficient at this point in time.

- Planning and Other Project Cost $1.1m: Costs incurred within the City to manage the project and develop the business case. Additionally, the costs include an estimate of project management costs required to oversee the facility. These costs will be subject to further evaluation when the detailed implementation program is prepared

4.4 Contingency

The Contingency assumptions are based on standard practice for projects of this nature, with 2.5% Construction Contingency and 4% Design Contingency. It is possible that the contingency is not fully required and the overall establishment costs are less than estimated. The contingencies are helpful to mitigate issues that may still arise or are only known after Detailed Design is completed. It may be worth considering a reduction of the contingency and capping the overall costs at $97,631 – this will be explored in more detail in the Risks/Opportunities section.

Now that Schematic Design has been completed though, there is a lot more certainty on the VOLUME assumptions included in the costings than were included in the Concept Design. However there continues to be uncertainty with the RATE PER SQUARE METRE assumptions, because they will be uncertain until Detailed Design is complete and the project goes to tender.

The key issue that must be emphasised is that the Capital Costs above are still only ESTIMATES; the final cost would be either lower or higher than the sums stated. The Risk analysis towards the end of this report will provide more commentary on the sensitivity of the forecasts and probabilities.

4.5 Exclusions

During project planning it is standard practice for there to be exclusions in the costings due to the lack of information or because it is too early to evaluate. As the plans become more detailed though, the exclusions should eventually dissipate. At the point of the Concept Design there were exclusions for Traffic Treatment and External works which have now been included into the costings.

At this point in the process there are still some exclusions which would only be considered as part of detailed design, however these are minimal. There are three additional costs which could enhance the facility at a total cost of $1.63m, these are:

- Electronic Enhancement system $1.0m
- PV Cells $0.45m
- Gallery Climate control $0.18m

These items can be considered at a later point in time including a review of the operational impacts (e.g. reduced electricity costs with PV cells). Paxon carried out an evaluation of PV cells and there was not a compelling financial case to use them, but taking account of the improvements in battery technology and benefits to environment it is likely that PV cells will be included in future costings.

4.6 Phasing

The estimated timing of capital expenditure for Scenarios 1/2/3 is summarised in the table below. This indicates that the majority (54%) of the expenditure may arise in 2017-18, which would relate to the bulk of the construction costs. As mentioned earlier the phasing is deemed unrealistic but is retained for comparison to the previous business case.

Phasing of Project Costs	2014-15	2015-16	2016-17	2017-18	2018-19	**Total**
Scheduling	-$0.2	-$1.7	-$11.3	-$53.6	-$32.9	**-$99.7**
% of Total	0%	2%	11%	54%	33%	100%

$11.3m has been included in the Adopted Budget 2016-17. This assumed that some of the construction would commence in 2016-17, which is no longer expected to be the case. The scheduling of the project will be subject to further review.

4.7 Sunk Costs $1.9m

The Schedule above of the $99.7m includes $1.9m costs for 2014-15 and 2015-16 which are classed as Sunk Costs. There is no decision to make with the $1.9m costs, they are sunk. The future project cost where a decision needs to be made is the remaining $97.8m (2016-17 to 2018-19).

4.8 Capital Costs INCLUDING escalation

The final capital costs that will have to spent will be higher due to escalation from 2016. The table below summarises the Capital Costs for each Scenario excluding escalation and including escalation.

Capital Costs Excluding and Including Escalation		Concept Design Business Case (Dec 2015)	Scenario01 Worse Case	Scenario02 Idealistic	Scenario03 Realistic
Excluding Escalation	*$000s*	($97,631)	($99,738)	($99,738)	($99,738)
Including Escalation	***$000s***	**($102,992)**	**($105,268)**	**($105,268)**	**($105,268)**

5 FUNDING

5.1 Funding Estimates

The City proposes to fund the project using three sources: City Reserves, Grants ~~from National Stronger Regions Fund~~ and the remainder from borrowings. Each of these three sources will be explained further in the next sections. The table below summarises the estimated funding sources for each Scenario. The funding for Scenarios 1 to 3 is assumed to be the same, as the differences between these scenarios are the operational assumptions.~~Grants and Reserves is the same for each Scenario, with borrowings being the final source of funding.~~

The table shows that the contribution from reserves is approx. $7.7m less than the previous assumption due to reduced Tamala Park proceeds. The borrowings have increased by $10m since December 2015 business case due to the reduced Tamala Proceeds and the increased capital costs of $2.3m.

Funding Sources (including escalation)		Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
1 Grants	*$000s*	$10,000	$10,000	$10,000	$10,000
2 City Reserves	*$000s*	$45,220	$37,498	$37,498	$37,498
3 Borrowings	*$000s*	$47,772	$57,769	$57,769	$57,769
Total Funding	***$000s***	**$102,992**	**$105,268**	**$105,268**	**$105,268**

5.2 Grants ~~(NSRF) - National Stronger Regions Fund~~

~~The National Stronger Regions Fund was set up by the Commonwealth in 2014 with $1 billion to assist with projects that can demonstrate improvement against specific criteria. The criteria are not subject to comment in this report; a separate response to the criteria is available. For the purposes of the financial evaluation it is assumed that the application for $10m is successful. It is recognised that there is a high risk of the City being unsuccessful with the $10m application and this is subject to further review in the Risk Analysis.~~

The business case previously had an assumption of $10m from National Stronger Regions Fund, but the City has been unsuccessful in the applications. The JPACF continues to assume a $10m grant from an external source at this stage unspecified.

5.3 City Reserves

The table below summarises how City reserve funds are proposed to be used for the JPACF. At present there is $22m within reserves that may be used, with a further $15.5m forecast to be available in the next 3 years which would provide a total of $37.5m from City Reserves towards the project. A further $46.7m is forecast to be available after construction, providing an overall total of $84.2m from City Reserves towards construction costs or repayment of borrowings.

Reserves Proposed for use in JPACF $000s	Pre-Construction			Post Con struction	Total
	Balance at June 2016	2016-17 to 2018-19	Total Available		
1 JPACF Reserve	$12,258	$8,917	$21,175		$21,175
2 Tamala Park Land Sales Reserve	$9,765	$4,558	$14,323	$46,681	$61,004
3 Strategic Asset Management Reserve #1		$2,000	$2,000		$2,000
Total Funding	**$22,023**	**$15,475**	**$37,498**	**$46,681**	**$84,179**

Strategic Asset Management Reserve has a balance of $22m at June 2016. This is not shown in the table above because only $2m of it is set aside for the JPACF

Each of the reserve funds are explained further below:

~~The City has been planning for the JPACF for a number of years, and has implemented programs to partially fund the project, including:~~

1. JPACF Reserve~~Asset rationalisation strategy:~~ Created in 2000-01 to assist with the design and development of a regional performing arts facility in the Joondlaup City Centre. The reserve is mostly funded from proceeds of surplus land/property. ~~evaluated with Scenarios considered for sale or alternative use. Where the assets are sold, the proceeds are set aside into the JPACF reserve, which can then be used by the project. This reserve was used to fund $1.9m project costs for 2014-15 and 2015-16. There is currently (June 2016) $11.8m in the JPACF reserve, which is intended tol be used to fund the $11.3m costs in 2016-17. The reserve is expected to provide a further $8.0m funding in 2017-18. In total the JPACF reserve is estimated to contribute $21.2m to the project costs.~~

2. Tamala Park Land Sales Reserve~~Proceeds: The City owns 1/6 of land in the north of the region, together with other Councils. The land is being developed, subdivided and sold, with the net proceeds allocated to each of the Councils.~~ The reserve was created in 2013-14 to hold the City's share of the dividends received from the proceeds of the sales of Tamala Park land to be held and subsequently applied for investing in income producing facilities, to build significant one-off community facilities and to assist with the cash flow requirements of development significant infrastructure assets aligned to the 20 Year SFP. The City has assumed within the *Adopted 20 Year Strategic Financial Plan* that the Tamala Park proceeds (both pre-construction and post-construction) will be used for the JPACF, however the 20 Year SFP is a planning tool and the City is not necessarily held to all assumptions in the SFP. ~~The reserve currently (June 2016) has $8.9m. It is projected that there will be further proceeds of $5.4m in the next couple of years, allowing this reserve to contribute $14.3m in total towards the construction costs in 2017-18 and 2018-19. After the JPACF is constructed there will continue to be proceeds from Tamala Park, a further $46m is expected to be available from the Tamala Park Reserve to contribute towards the repayment of the borrowings.~~

3. Strategic Asset Management Reserve. The reserve is intended to fund the acquisition and development of new and renewal of existing City infrastructure and building assets. $2m has been identified within the 20 Year SFP as being available for the JPACF and therefore reducing the amount to be borrowed.

The values for Tamala Park proceeds described above are based on the most recent forecast from TPRC (Tamala Park Regional Council), as at June 2016. The previous Business Case, and also the Adopted SFP (June 2016) were based on forecasts from 2015. The 2016 Forecasts are a lot more pessimistic, with approx. $7.7m less in the next few years to contribute to the construction. The reduced proceeds of $7.7m are not caught up in later years either. As a result of the reduced proceeds from Tamala Park the estimated borrowings have increased.

5.4 Borrowings from West Australian Treasury Corporation (WATC)

The WATC is the state body in WA to assist Local Government and other State bodies with funding. The City can borrow from 3rd parties; however, the terms offered by the WATC have tended to be much better than other parties.

- Loan 1 2017-18 – 15-year repayment term, Fixed Rate of 3.61%
- Loan 2 2018-19 – 15-year repayment term, Fixed Rate of 4.01%

The interest costs at present are very low in comparison to previous years. It is expected that the low costs of borrowing will continue for a couple of years.

In addition to the standard terms above, the WATC also levy an additional cost of borrowings, known as the 'Government Guarantee'. This is calculated as 0.7% of the average balance outstanding and has been included in the financial evaluation.

The table below summarises the total cost of borrowings for each Scenario. Line 2, 'Interest', includes interest expense on the borrowings and also the government guarantee.

Lines 3 and 4 indicate how the borrowings will be repaid by the City. Line 3 shows the projected Tamala Park proceeds (post-construction) of $46.7m that can assist with the $80.4m repayments – as these proceeds are directly attributable to the JPACF project they have been included in the project cashflows. Line 4 is the remaining $33.7m which is a cost of the project and is therefore funded by general municipal funds.

Borrowings Costs		Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
1 Borrowings	*$000s*	($47,772)	($57,770)	($57,770)	($57,770)
2 Interest	*$000s*	($21,743)	($22,597)	($22,597)	($22,597)
Total Cost of Borrowings	***$000s***	**($69,515)**	**($80,367)**	**($80,367)**	**($80,367)**
Repayment of Borrowings					
3 Future Tamala Park Reserve	*$000s*	$46,524	$46,681	$46,681	$46,681
4 Shortfall funded by General Municipal Funds	*$000s*	$22,991	$33,686	$33,686	$33,686

5.5 Future Tamala Park Proceeds vs. Loan Repayments

In overall terms the $46.7m of Future Tamala Park Proceeds covers approximately 9 years' worth of the 15 year repayments of the $80.4m borrowings. A schedule (Appendix 3) has been prepared to compare the annual proceeds from Tamala Park versus the Repayment profile. The schedule was prepared to consider whether there is a reduction in the cost of interest that could be calculated and attributed to the JPACF business case. The schedule shows that the Tamala Park Proceeds do not cover the costs of the loan repayments and

therefore there is no benefit (reduction in interest costs) that can be calculated for the project.

5.6 Interest Costs and Alternative Financing Arrangements

The Interest Cost shown above of $22.6m is based on the traditional method of financing, with an assumption of 15 Year Fixed Term Fixed Interest. The City is currently reviewing other alternatives to the financing of all borrowings which may result in a different outcome. The alternative method considers a move towards a more flexible strategy where there is an 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. This approach was reviewed by Deloitte (Nov 2016) and confirmed that this could be a worthwhile approach but the risks would need to be carefully managed. If the new approach is implemented then it could reduce the interest costs of ($22.6m), but this could only be achieved using the overall City cashflows and would not be a benefit attributable to the JPACF business case itself.

Appendix 12 of the Business Case is the Alternative Financing Strategy. Note that the costs of borrowing used in Appendix 12 have lower borrowing rates than the rates of 3.61% and 4.01% used above. This is because Appendix 12 was completed at a later point in time than the JPACF business case and after feedback from WATC a new set of interest rate projections were provided for Appendix 12.

~~A separate report is provided and is still subject to independent review. In the meantime it is prudent to continue to assume a Fixed Interest Fixed 15 year term as indicated above.~~

~~5.7Repayment of Borrowings~~
~~As indicated earlier the City will use future proceeds from sale of land at Tamala Park to repay the borrowings. It is estimated that there will be a further $46.5m proceeds from sale of land at Tamala Park after the JPACF is built. This would leave a shortfall of $33.8m which would have to be funded municipal funds (unless there were other external sources which become available). Lines 3 and 4 of the table above summarise the repayment of the borrowings.~~

5.7 Impact if $10m Grant not Received

The table below summarises the impacts if the City is unsuccessful in securing a $10m grant~~it's application to the National Stronger Regions Fund~~ and increased borrowings. This shows that total repayments would be over $94m.

	Borrowings Costs if $10m grant Unsuccessful		Scenario 1,2 & 3	$10m Grant not Received	Difference
1	Borrowings	*$000s*	($57,770)	($67,770)	($10,000)
2	Interest	*$000s*	($22,597)	($26,509)	($3,912)
	Total Cost of Borrowings	***$000s***	**($80,367)**	**($94,278)**	**($13,912)**
	Repayment of Borrowings				
3	Future Tamala Park Reserve	*$000s*	$46,681	$46,681	
4	Shortfall funded by General Municipal Funds	*$000s*	$33,686	$47,597	$13,912

OPERATING ANALYSIS

6 KEY FEATURES & DEFINITIONS

6.1 Definitions

The table below summaries some of the definitions that are relevant for the Operating analysis:

	Item	Definition
1	Program Model	The Program Model for the JPACF is the term used to describe all of the different activities that are run in all of the different spaces throughout the facility. The Program Model comprises of: o Events set up and run by the JPACF themselves; o Hire of a space (Primary Theatre, Secondary, Conference, etc.) by a Commercial hirer o Hires by Community groups, charged at a lower rate than commercial o Hires by City of Joondalup
2	Subsidy	o The 'subsidy' is the difference between operating cash expenses compared to the income that the JPACF earns. o Interest expense associated with the costs of borrowings is excluded from the subsidy analysis because the interest costs are for 15 years whilst the subsidy is a longer term commitment (40 years). The interest expense is included in the overall whole of life evaluation.
3	Presented Event	o This term relates to those performances that are organised by Arts Centres at their own risk. o Arts Centres would take direct receipt (and risk) of the proceeds from ticket sales and would have responsibility for all the direct costs of the event (e.g. performance fee to the artists).
4	Hire	o The hire of the various spaces to promoters, community groups or to the City itself. The hires could be professional touring companies, local community groups or indeed the overall owner (i.e. Local Government). o The hirer has responsibility for organising the performance/event, and the collection (risk) of ticket proceeds. o A one-off fee is paid by the Hirer to the JPACF for the use of the space. This fee would reserve the space for a period of time to allow an event to be staged. o The fee would include the utility costs and use of the equipment. o The JPACF may provide support staff for the event (e.g. ushers), which would have to be separately paid by the hirer.
5	Performances	o General term relates to either a "Presented Event" or a "Hire"
6	Primary Space	o Main theatre o 850 Seat Capacity.
7	Secondary Space	o Proposal is for 200 Seats o Also referred to as the 'Black Box' which is an industry term intended to describe the flexibility of the space
8	Utilisation	o Number of days that a space is used per year. o The Utilisation % is calculated by comparing the number of days that the facility is used to the number of AVAILABLE days per year o The available days may be approximately 330 days per year as it would exclude the days that the spaces are unavailable due to holidays or maintenance.
9	Occupancy	o Number of Seats used per performance when compared to capacity. o For example, if there were - 425 attendees at the 850-capacity theatre, then the occupancy are 50%. - 650 attendees would be 76% of 850 seat capacity.
10	Cost of Sales	o Costs that can be directly associated with income raising activities

		o Includes Operational Staff whose time can be directly associated with specific activities, whereas the costs/activities of Administration/Management staff cannot be directly associated with specific income raising events.
11	Full Time Equivalent	o This term is used to equate jobs into a full time basis. o For example, if there were two part-time positions that spent 19 hours per week each, these two positions would equate to one full-time equivalent
12	Depreciation	o The Financial Model used to evaluate a project will initially only consider the CASH implications. Depreciation is a non-cash expense and is therefore excluded from the cash flow model. o Although Depreciation is not included in the project cash flows, the cash implications of capital renewals are included. o Depreciation is an important consideration as it forms part of several key ratios, most notably the Operating Surplus Ratio – this is explored in more detail later in the report.
13	Operating Grants	o It is not assumed at this stage that there are any operating grants from State/Federal to help reduce the cost of the annual subsidy to City of Joondalup ratepayers. o This was subject to research by Paxon.

6.2 Year 5 (2023-24) is assumed to be Steady State

Based on discussions with industry, it is assumed that it will take a number of years to build up the program into a steady state. The financial assumptions for Operating Income and Expenses therefore assume that from Years 1 (2019-20) to Year 5 (2023-24) the use of the facility will steadily increase, and that Year 5 becomes the 'steady state'. From Years 6 (2024-25) to Year 40 (2058-59) it is assumed that the operating income and expenses are the same as Year 5. Year 5 of the Operating Income and Expenses is therefore analysed in detail within the Operating Analysis as it is used for Year 5 to Year 40.

The only exception to this principle is the Parking Income which is assumed to be lower in Years 5 to 14 and then increases from Year 15 onwards.

7 PRIMARY & SECONDARY SPACES

7.1 Assumptions for Primary and Secondary Spaces

The Primary and Secondary spaces are the main parts of the facility. It is therefore important to evaluate the usage, income and costs separately. There are some changes to the assumptions based on review of 2015 APACA data and review by ex-General Manager of Perth Theatre Trust.

7.2 Program Model

A potential program model was initially prepared as part of the 2012 Feasibility Study, and has since been reviewed with reference to APACA data and consultation with other facilities. The table below provides an outline of the potential program model assumed for the Primary Theatre and Secondary Theatre by Year 5 (2023-24). This indicates that Primary Theatre may be used for 186 days per year, and the Secondary Theatre used for 163 days a year.

Potential Program Model - Year 5	Primary	Secondary	Total	% of Total
Comedy	12	10	22	6%
Theatre	38	39	77	22%
Dance & Ballet	24	11	35	10%
Music	39	23	62	18%
Festivals	16	15	31	9%
Schools	16	11	27	8%
Film	6	19	25	7%
Joondalup Eisteddfod	12	11	23	7%
Special Events	23	24	47	13%
Total	**186**	**163**	**349**	**87%**

The assumptions above are assumed to be the same for all Scenarios.

The utilisation of 186 days and 163 days is comparable with data from APACA. Utilisation of 186 days per year is a reasonable use of the space when consideration is given to weekends and use of the space during the week. For example, if the spaces were used for the vast majority of Friday and Saturday evenings, as this would be the days that most patrons prefer to go out, this could account for over half (e.g. 100 days) usage per year, with the other 86 days used on other days of the week. The usage of 86 days would equate approximately to an average 2 days per week that the Theatre is used on a Sunday, Monday, Tuesday, Wednesday or Thursday.

7.3 Usage per Year

The events held would either be presented/organised fully by the JPACF themselves, or the events would relate to the hire of a space to either a Commercial body, Community or to the City of Joondalup. The table below summarises the assumptions included in the financial evaluation. It is assumed that 42 events in the Primary Theatre would be organised fully by the JPACF themselves ('presented' events) and the other 144 events would involve hiring the space to Commercial bodies or to Community/City.

The total events for the revised Scenarios are now lower than the previous business case as a result of the changes in the APACA data.

Usage Assumptions (Year 5 onwards)		**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Primary Theatre					
Presented	*Events & Hires Per Year*	43	42	42	42
Commercial Hires	*Events & Hires Per Year*	77	77	77	77
Community & City	*Events & Hires Per Year*	68	67	67	67
Total	*Events & Hires Per Year*	188	186	186	186
Secondary					
Presented	*Events & Hires Per Year*	21	19	19	19
Commercial Hires	*Events & Hires Per Year*	54	51	51	51
Community & City	*Events & Hires Per Year*	100	93	93	93
Total	*Events & Hires Per Year*	175	163	163	163
Utilisation (as % of 330 days)	Primary	57%	56%	56%	56%
	Secondary	53%	49%	49%	49%

7.4 Attendees per Year

It is assumed that the spaces would be 50% occupied on average for all Scenarios. The occupancy % would vary depending on the type/popularity of performance; some events may have 100% occupancy but others less than 50%. An average occupancy of 50% is comparable with data from APACA. The 50% occupancy would mean on average 425 attendees at the 850 capacity primary theatre.

The table below summarises the annual estimated attendees per year at the Primary and Secondary theatres based on the 50% occupancy assumption and based on the number of events per year. It is estimated that there would be annual attendees of 95,350 per year for Scenario 1, 2 and 3 which is slightly less than the previous business case estimate due to the lower assumption for events.

Capacity, Occupancy & Attendees (Year 5 onwards)		**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Capacity:	Primary	850	850	850	850
	Secondary	200	200	200	200
Occupancy % (Average per Event/Hire)		50%	50%	50%	50%
Attendees Per Year	Primary	79,900	79,050	79,050	79,050
	Secondary	17,500	16,300	16,300	16,300
	Total	**97,400**	**95,350**	**95,350**	**95,350**

7.5 Pricing per Event/Hire

The table below summarises the pricing assumptions for the theatres. The assumptions for pricing and hires were initially based on the 2012 Feasibility Study, refreshed by the City in 2014 and have now been updated in 2016 with more recent assumptions.

- Presented Events: The pricing for presented events is based on price per ticket, where the tickets are sold directly by the JPACF to the general public. The prices are average prices per event and would vary according to the popularity of the event, or the costs of booking performers.
- Commercial Hire: The price of hiring comprises of a base hire costs (e.g. $2,890 for Primary Theatre for Scenario 1, 2 and, 3), and then charges for the staff costs. The details of the staff costs are explained further on.
- Community Hire: It is now assumed that there should be a 30% discount provided to Community hires - This is based on industry standards but is now a lower discount than the previous business case. Note that the discount only relates to the Hire of the venue and not the staffing costs.
- COJ Hire: Fees are based on same assumptions as Community Hire.

Income Assumptions (Year 5 onwards)		**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Presented Events					
Price per Ticket	Primary	$40	$45	$45	$45
	Secondary	$23	$23	$23	$23
Hire of Space: Commercial					
Primary	Base Price	$2,700	$2,890	$2,890	$2,890
	Staff Costs	$1,156	$1,260	$1,260	$1,260
	Total	$3,856	$4,150	$4,150	$4,150
Secondary	Base Price	$990	$990	$990	$990
	Staff Costs	$544	$620	$620	$620
	Total	$1,534	$1,610	$1,610	$1,610
Discount to Community / City	Primary	35%	30%	30%	30%
	Secondary	35%	30%	30%	30%

The reality of the actual pricing model would be more detailed than the assumptions above as there would be issues such as group pricing, concessions, etc. For the purposes of this financial evaluation and the Business Case the above assumptions are deemed satisfactory at this stage in the project.

7.6 Annual Income Projections

The income estimates in the table below are based on the usage assumptions in the table above multiplied with the pricing assumptions. For example, the Income estimate for Presented Events at the Primary Theatre of $803,250 has been calculated as follows:

- 42 Presented Events at the Primary Theatre (Section 7.3) multiplied with;
- 425 Attendees per event (this is based on 50% Occupancy of the 850 Capacity (Section 7.4) multiplied with;
- $45 Price per Ticket (Section 7.5)

The calculations for the Hire Income are also based on the tables above. For example, the Income estimate for Commercial Hires of the Primary Theatre of $319,550 is based on

- 77 commercial hires (Section 7.3) multiplied with
- $4,150 Income per Hire (Section 7.5)

All Scenarios have the same income projections.

Income Projections (Year 5 onwards)		**Concept Design**	**Scenario 1**	**Scenario 2**	**Scenario 3**
		Business Case (Dec 2015)	Schematic Design		
			Worse Case	Idealistic	Realistic
Primary Theatre					
Presented		$731,000	$803,250	$803,250	$803,250
Commercial Hires		$296,912	$319,550	$319,550	$319,550
Community & City	*$ per year*	$190,332	$205,489	$205,489	$205,489
Total		**$1,218,244**	**$1,328,289**	**$1,328,289**	**$1,328,289**
Secondary					
Presented		$48,300	$43,700	$43,700	$43,700
Commercial Hires		$82,836	$82,110	$82,110	$82,110
Community & City	*$ per year*	$107,550	$104,625	$104,625	$104,625
Total		**$238,686**	**$230,435**	**$230,435**	**$230,435**

7.7 Cost of Sales Assumptions

The table below provides the details of the cost of sales assumptions for each Scenario. The assumptions for Cost of Sales were initially based on the 2012 Feasibility Study, refreshed by the City in 2014 and have now been updated in 2016 with more recent assumptions. Key issues to note:

- Presented Events - the costing for presented events has previously been assumed to be 110% i.e. for each $1 of income there would $1.10 of costs. This assumption is retained for Scenario 1. Scenario 2 though considers the impacts of limiting the Program Budget to equal the income and therefore a 100% is applied in the Idealistic Scenario. Scenario 3 assumes 105% so that it is a bit more prudent than Scenario 2.

- Hires – assumptions are prepared for the number of staff, number of hours and pay rates per hour required. A further table is provided underneath to illustrate how the staff cost estimates are prepared.

- Margins – a new item that has been added, based on APACA data and ex-General Manager of Perth Theatre Trust, is the profit margin for staff cost. An allocation for overheads is applied to the charge-out rate for the staff rates used to assists with events; the previous assumption (based on the 2012 Feasibility Study) simply assumed that the income related to the costs.

Cost of Sales Assumptions (Year 5 onwards)		**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Presented Events					
Cost of Sales as	Primary	110%	110%	100%	105%
% of Income	Secondary	110%	110%	100%	105%
Primary Theatre:					
Commercial Hires	Staff	8	8	8	8
	Hours	32	32	32	32
	Income	$1,156	$1,260	$1,260	$1,260
	% Margin		20%	20%	20%
Community & City	Staff	7	7	7	7
	Hours	28	28	28	28
	Income	$1,044	$1,044	$1,044	$1,044
	% Margin		20%	20%	20%
Secondary Theatre					
Commercial Hires	Staff	4	4	4	4
	Hours	16	16	16	16
	Income	$544	$620	$620	$620
	% Margin		20%	20%	20%
Community & City	Staff	3	3	3	3
	Hours	12	12	12	12
	Income	$432	$432	$432	$432
	% Margin		20%	20%	20%

Commercial Hire Staff Costs Primary Theatre	Cost per Hour	Staff	Hours	Cost
1 Head Technician	$45	1	4	$180
2 Duty Technician	$45	1	4	$180
3 General Operators	$35	1	4	$140
4 Front of House Man	$45	1	4	$180
5 House Assistant	$40	1	4	$160
6 Ushers	$35	3	12	$420
Total Operational Staff		**8**	**32**	**$1,260**

Commercial Hire Staff Costs Secondary Theatre	Cost per Hour	Staff	Hours	Cost
2 Duty Technician	$45	1	4	$180
5 House Assistant	$40	1	4	$160
6 Ushers	$35	2	8	$280
Total Operational Staff		**8**	**32**	**$620**

7.8 Annual Costs of Sales Projections

The Cost of Sales estimates are summarised in the table below. These are based on the usage and assumptions above. The calculations are explained with some examples relating to the previous business case as follows:

- Presented Events at Primary Theatre of $804,100 are based on 110% (Section 7.7) of the Income Estimate of $731,000 (Table 7.6)
- Commercial Hires Cost of Sales at Primary Theatre of $89,012 are based on 77 Commercial Hires (Section 7.3) x $1,260 Staff Costs less 20% margin (Section 7.7)

The Scenarios vary between each other due to the Cost of Sales assumption with Presented Events.

Cost of Sales Projections (Year 5 onwards)		**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Primary Theatre					
Presented		$804,100	$883,575	$803,250	$843,413
Commercial Hires	*$ per year*	$89,012	$77,616	$77,616	$77,616
Community & City		$70,992	$55,958	$55,958	$55,958
Total		**$964,104**	**$1,017,149**	**$936,824**	**$976,987**
Secondary					
Presented		$53,130	$48,070	$43,700	$45,885
Commercial Hires	*$ per year*	$29,376	$25,296	$25,296	$25,296
Community & City		$43,200	$32,141	$32,141	$32,141
Total		**$125,706**	**$105,507**	**$101,137**	**$103,322**
Primary & Secondary Cost of Sales		$1,089,810	$1,122,656	$1,037,961	$1,080,309

7.9 Annual Surplus/(Deficit) for Primary/Secondary Spaces

The table below summarises the surplus/(Deficit) assumed for each space, type of event and Scenario per year. This table is based on the Income estimates (Section 7.6) above less the Cost of Sales (Section 7.8).

Surplus / (Deficit) Primary & Secondary spaces - Year 5 onwards		**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Primary Theatre					
Presented	*$ per year*	($73,100)	($80,325)	$0	($40,163)
Commercial Hires		$207,900	$241,934	$241,934	$241,934
Community & City		$119,340	$149,531	$149,531	$149,531
Total		**$254,140**	**$311,140**	**$391,465**	**$351,302**
Secondary					
Presented	*$ per year*	($4,830)	($4,370)	$0	($2,185)
Commercial Hires		$53,460	$56,814	$56,814	$56,814
Community & City		$64,350	$72,484	$72,484	$72,484
Total		**$112,980**	**$124,928**	**$129,298**	**$127,113**
Total		$367,120	$436,068	$520,763	$478,415

8 CONFERENCES, EVENTS, GALLERY & STUDIOS

8.1 Assumptions for Conferences, Events, Gallery and Studio

All of the assumptions in this section are extracted from the separate Pracsys Consultancy report (Financial Evaluation and Review September 2016) (Appendix 11 refers). This report included a detailed review of the potential utilisation and pricing based on the Schematic Design. These assumptions now replace the previous assumptions from the 2012 Feasibility Study which were regarded as weak as they did not have a robust audit trail for utilisation.

The design of the facility has considered in great detail the unique nature of these other spaces and how they may be individually used with flexibility a key consideration. For example, the Community Arts Hub at the North East which is spread over 3 floors has its own access point – this may be useful to allow access just to that area without having the whole facility open. Conferences/Exhibitions can be held at 6 different locations in the facility with numerous layouts e.g. banquet, lecture.

8.2 Area Schedule

The table below summarises the Area Schedule.

Area	Number	Approximate Size (m^2)	Operating assumptions	Other Assumptions
Conference and Function Rooms	2	250 m^2 and 300 m^2	Hired out for corporate functions/events and general community use.	-
Drawing & Painting Studios and Craft Studio	3	190 m^2 each	Hired out under a residency arrangement to community or commercial users. Hirers charged a monthly rate. Hire periods of 6 months to 1 year.	As per the Schematic Design, the 378m^2 Drawing and Painting studio can be separated into two rooms. It has been assumed that this separation will be in place for everyday use.
Dance Studios	2	190 m^2 each	Hired out to community and commercial users under existing City of Joondalup facility hire model.	As per the Schematic Design, the 378m^2 Dance studio can be separated into two rooms. It has been assumed that this separation will be in place for everyday use.
Music Studio	1	90m^2	Hired out to community and commercial users	-

			under existing City of Joondalup facility hire model.	
Practice Rooms	4	25 m^2 each	Hired out to community and commercial users under existing City of Joondalup facility hire model.	As per information provided by CoJ, total floors space across practice rooms is approx. 100m^2.
Rehearsal Rooms	2	200 m^2 each	Hired out to community and commercial users under existing City of Joondalup facility hire model.	Total area not defined in Schematic Design, however drawings indicate that the two rooms are equal in size to the gallery (400 m^2)
Art Gallery	1	400 m^2	See Section 3 for more detail on the art gallery and the foyer/exhibition spaces.	
Foyer/ Exhibition Area	1	2,000 m^2		

8.3 Utilisation Assumptions

The table below summarises the utilisation assumptions.

Space	Total Capacity p.a. (all rooms)	Utilisation	Total Events
Conference/Function Room (x2)	610	0.35%	304
Practice Room (x4)	4,200	25%	1,050
Craft Studio, and Painting and Art Studios (x2)	6 uses per year (based on 6 month residency arrangements)	80%	5
Dance Studios (x2)/Rehearsal Rooms (x2)	4,200	20%	840
Music Studio	1,050	50%	525
Art Gallery	12 (3 week exhibitions)	100%	12
Foyer/Exhibition Space	12 (3 week exhibitions)	100%	12
Art Gallery and Foyer/Exhibition Functions	n/a	n/a	30

8.4 Financial Projections

The table below summarises the financial projections which are now built in to all 3 Scenarios. The income projection is almost 3 times as much as the previous business case. The net surplus of $392,000 is $175,000 higher than the previous surplus $217,000.

The income per year of $817,500 is approximately the same amount of income that the City currently receives for hire of its facilities for ALL BUILDINGS in the City. Paxon also reviewed these areas and were more pessimistic in their views compared to Pracsys, for example the JPACF's ability to hold conferences may be restricted somewhat in that it cannot offer overnight accommodation.

Further details can be reviewed in the separate Pracsys report.

	Revenue ($/p.a.)
Music Studio	99,000
Practice Rooms (x4)	37,000
Dance Studios (x2)/ Rehearsal Rooms (x2)	150,000
Corporate/Function Rooms General Hire (x2)	62,500
Gallery hire	32,000
Foyer hire	5,000
Craft Studio, and Painting and Art Studios (x2)	42,000
Corporate Functions Revenue	292,500
Gallery Functions Revenue	97,500
Total Revenue	**817,500**
	Costs ($/p.a.)
Corporate Functions Costs	(243,000)
Gallery Functions Cost	(37,500)
Curator	(75,000)
Sound Engineer	(70,000)
Total Costs	**(425,500)**
Gross Position	**392,000**

9 STAFF COSTS

9.1 Previous Business Case

The governance and management model have not yet been determined. However, for the purposes of preparing initial financial projections, assumptions had been made regarding the positions required. It had previously been estimated that 20 FTE in total would be required to manage, operate and clean the facility on a permanent basis. The assumptions have been made with reference to the *2012 Feasibility Study,* the APACA Benchmark Data 2013 and Other Consultation with Industry. The 20 FTE comprise of:

- 8 Operational Staff (Head Technician, Front of House Manager, 2 Duty Technicians, 1 House Assistant, 2 Ushers and 1 General Operative);
- 9 Management & Administration Staff; and
- 3 Cleaners.

The average FTE (Full Time Equivalents) used by Performing Arts Centres in Australia (that generate income of between $2m and $5m) is 19 FTEs (2013 APACA report). Therefore, the estimated 20 FTE for the JPACF appeared reasonable by comparison.

From the review in 2014, several changes were made to the analysis with some salary details updated in line with the APACA averages. Additionally, one more Administration officer has been added which is for a Finance Officer in the JPACF (approximately half of all Arts Centres have at least one dedicated Finance Officer rather than having Finance services supported by the Local Government/State).

9.2 Revised Assumptions

The table below summarises the Indirect Staff Costs assumptions for Scenarios. The assumptions in the previous business case have been used as the starting point for each Scenario with the following differences/changes:

- Salary Costs have been updated for all Scenarios with reference to the APACA 2015 data
- Scenario 1 includes an additional FTE for a Facilities Manager. This is recommended by the ex-General Manager of Perth Theatre Trust, taking account of the size of the facility and the many different rooms in the facility. Scenario 2 though takes this back out as does Scenario 3. Whilst the recommendation is acknowledged this should be subject to further consideration when the management model is being finalised.
- Scenario 2 removes the Finance Officer so that the impacts can be assessed. There is no easy answer with regards the inclusion of a Finance Officer in the staffing model. On one hand an on-site Finance Officer would improve the autonomy of the facility and assist the control and ability to develop programming. However, the other potential is for Finance services to be provided by the City using existing staff. Scenario 3 has included the Finance Officer.

Staff Costs (not included within Cost of Sales)	FTEs				Salary Costs per Annum				Loading	Total Costs incl Loading			
	Dec 2015 Bus Case	(1) Worse Case	(2) Ideal	(3) Realistic	Dec 2015 Bus Case	(1) Worse Case	(2) Ideal	(3) Realistic		Dec 2015 Bus Case	(1) Worse Case	(2) Ideal	(3) Realistic
1 General Manager	1	1	1	1	$100,000	$108,130	$108,130	$108,130	23%	$123,000	$133,000	$133,000	$133,000
2 Technical Manager	1	1	1	1	$70,000	$80,000	$80,000	$80,000	23%	$86,100	$98,400	$98,400	$98,400
3 Program Manager	1	1	1	1	$80,927	$100,927	$100,927	$100,927	23%	$99,540	$124,140	$124,140	$124,140
4 Marketing Co-ordinator	1	1	1	1	$70,000	$80,000	$80,000	$80,000	23%	$86,100	$98,400	$98,400	$98,400
5 Operations Manager	1	1	1	1	$80,927	$80,927	$80,927	$80,927	23%	$99,540	$99,540	$99,540	$99,540
6 Facility Manager		1				$80,927	$80,927	$80,927	23%		$99,540		
6 Administration Officer	2	2	1	2	$56,865	$60,000	$60,000	$60,000	23%	$139,888	$147,600	$73,800	$147,600
7 Box Office Co-ordinator	1	1	1	1	$56,865	$61,865	$61,865	$61,865	23%	$69,944	$76,094	$76,094	$76,094
8 Customer Service Co-ordinator	1	1	1	1	$56,865	$60,000	$60,000	$60,000	23%	$69,944	$73,800	$73,800	$73,800
Total Management & Admin Costs	**9.0**	**10**	**8**	**9**						**$774,056**	**$950,515**	**$777,174**	**$850,974**
Unallocted Direct Staff	1	0.5	0.5	0.5						$109,716	$49,716	$49,716	$49,716
Staff Costs Total	**10**	**10**	**8**	**9**						**$883,772**	**$1,000,231**	**$826,890**	**$900,690**

The positions and salaries listed are in no way intended to be the final profile, and are only the assumptions used for the purposes of the financials at this stage. The staffing profile, and indeed the overall governance/management model will be reviewed at a later stage.

10 BUILDING MAINTENANCE & UTILITIES

10.1 Repair, Maintenance, Cleaning & Security

The table below compares the annual Expenses projections for each Scenario at Year 5. The analysis is initially based on the *2012 Feasibility Study*, and has since been subject to internal review within the City. Paxon Consultancy has provided estimates, which have been used for Scenario 1. The City believes that the assumptions are still on the high side and therefore Scenarios 2 and 3 consider lower values. Once detailed design has been completed, a detailed estimate can be prepared for each space, which would consider the equipment in each space, the planned maintenance jobs and the estimated reactive maintenance. It is too early in the project to prepare 'bottom-up' estimates for each space.~~These estimates are an area for improvement, but building up a detailed estimate of jobs and costs.~~

	Repair, Maintenance, Cleaning, Security	**Concept Design** Business Case (Dec 2015)	**Scenario 1** Worse Case	**Scenario 2** Idealistic	**Scenario 3** Realistic
			Schematic Design		
A)	Insurance	$50,000	$100,000	$100,000	$100,000
	Cleaning, Security, Rubbish				
	Cleaning	$18.00	$16.00	$16.00	$16.00
	Security	$1.50	$1.50	$1.50	$1.50
	Rubbish	$1.00	$1.00	$1.00	$1.00
	Cost per m2 per Year	$20.50	$18.50	$18.50	$18.50
	m2	11,000	13,000	13,000	13,000
B)	Cleaning, Security, Rubbish - Cost per Year	$225,500	$240,500	$240,500	$240,500
	Repair & Maintenance				
	Capital Costs, excl Prof Fees & Contingencies	$74,198,094	$76,500,000	$76,500,000	$76,500,000
	% Allowance per Year for R&M	0.4%	0.5%	0.3%	0.4%
C)	Annual Budget for Repair & Maintenance	$292,700	$400,000	$250,000	$335,000
D)	**Total Repair, Maintenance, Cleaning, Security**	**$568,200**	**$740,500**	**$590,500**	**$675,500**

10.2 Utilities

The table below compares the annual utility costs for each Scenario. The Energy estimates are based the Paxon report but the other Scenarios consider lower figures.

	Utilities	Concept Design Business Case (Dec 2015)	Scenario 1 Schematic Design Worse Case	Scenario 2 Schematic Design Idealistic	Scenario 3 Schematic Design Realistic
	Energy				
	Kilowats per Hour / sqm p.a.	39.59	78.19	43.20	66.93
	Tariff per Kilowat	$0.303104	$0.303104	$0.303104	$0.303104
	Cost per m2	$12.00	$23.70	$13.09	$20.29
	m2	11,000	13,000	13,000	13,000
A)	Energy Annual Cost	$132,000	$308,096	$170,230	$263,730
B)	Water Charges #1	$13,200	$29,605	$29,770	$29,770
C)	**Utilities Total**	**$145,200**	**$337,701**	**$200,000**	**$293,500**

#1 Includes Water Rates & Service Charges

There is a wide disparity between Scenario 1, 2 and 3 and it is worthy of further comment:

- All estimates, including the Paxon estimate, are still high level based on the overall facility. It would be useful at some stage for the projection to be built up space by space, this analysis could consider the power consumption when the space is used and not used and then cash up accordingly. This analysis should be completed as part of the next review of the financials.
- The low estimate of $200,000 is still higher than the estimate in the 2012 Feasibility Study of $167,000.
- Mandurah Performing Arts Centre incurs expenditure of approximately $120,000 per year, but that is not an ideal comparison as it is smaller and older.
- There are no other comparable buildings in the City but it is worth listing the top 5 Buildings for Utility Costs for 2015/16, see below. This demonstrates that Utility costs for buildings can be over $200,000 and potentially gives support to the estimate in Scenario 1 for the JPACF of $337,701. the JPACF would have the most up-to-date technology (e.g. LED lighting in most areas) whereas the buildings below would not have the same features as the JPACF.

Utility Costs 2015/16 #1 **Top 5**	**M2**	**Utility Costs per Year** Total	Cost per m2
Craigie Leisure Centre	9,834	$477,269	$48.53
Joondalup Administration Centre	7,336	$272,369	$37.13
Joondalup Civic Chambers	4,858	$189,798	$39.07
Joondalup Library	4,855	$129,739	$26.73
Works Operations Centre	1,845	$51,060	$27.67

#1 Excludes Water Rates

- PV Cells are not yet assumed in the financials. Paxon have completed analysis of this and indicated that the financial case is not compelling. It may be worth adding in the PV cells into the next review of the financials as there are environmental benefits to consider.

The Water Charges of $29,605 for Scenario 1, 2 and 3 are made with reference to the Paxon report. The estimates from Paxon have not been used in their entirety because the City would be eligible for a discount on Water Rates which needs to be evaluated.

In summary the Utilities projections are an area that would benefit from more detail in future iterations of the financials.

11 PARKING

11.1 Parking Review

An internal review of the assumptions for parking income and expenses has been completed by the City. This involved the following:

- Utilisation trends in the area now, and in the immediate future.
- Utilisation trends in the long-term, with consideration of the expansion of the Education precinct.
- Review with the City Planning Team who are updating the City Centre Structure Plan
- Review of the expenses of the existing Reid Promenade Multi Storey Car Park and consideration of the operating model for the JPACF Car Park.

The outcomes from the review will be covered in this section.

11.2 Parking Income

The Concept Design for the Arts Box Model assumed space for 400 car parking bays but the Schematic Design has now had to reduce this to 374 bays (Above ground). The key assumptions regarding Parking Income and Utilisation are:

- Evening performances: The utilisation of 186 days per year of the Primary Theatre has been used as the basis of the income assumptions for evening. It is then assumed that for those evenings the parking bays would enjoy 85% utilisation. 85% utilisation is deemed to be full capacity.
- Daytime use: It is not anticipated that in the short term there would be high demand during the day for parking. Therefore 40% Utilisation has been assumed for the first 14 years. From Year 15 onwards there is a higher level of optimism and the utilisation is increased to 50%. The parking income is the only assumption in the operating model which has a different assumption after year 5.

The tables below summarise the usage assumptions for each Scenario.

Car Park Usage		Previous Financials		Sept 2016 Bus Case	
		Dec 2015 (Concept Design)	Jul 2016 (Schematic Design)	Year 5 to Year 14	Year 15 to Year 40
Bays Available		400	374	374	374
Utilisation					
Daytime	%	50%	50%	40%	50%
Evening	%	85%	85%	85%	85%
Bays Occupied					
Daytime	Short-Stay	50	50	30	30
Daytime	All Day	150	137	120	157
Evening (during events)		340	318	318	318
Chargeable Days					
Daytime		250	250	250	250
Evening (during events)		188	188	186	186

The table below summarises the income assumptions per bay and the overall income per year. The income per bay assumptions is as follows:

- Charges are shown in today's dollars
- $1.20 per hour is based on current charges at some of the City Centre parking
- Short-Stay income of $4.80 per day is based on 4 hours' usage which is based on 2 user's x 2 hours
- Daytime income of $6.00 per day is based on the same multiple used in current facilities of five hours' x hourly rate.
- Evening Rate of $1.80 is based on 1.5 hours' usage.

The income per year is based on the usage assumptions above multiplied with the income per bay assumptions. For example, the income for Evenings of $106,433 is calculated as 186 events x 374 bays x 85% occupancy x $1.80 per bay.

Note that the income currently earned at P8 (Central Park) would be lost when the facility is built and the loss of this income has been included in the model. The income at P8 is very small, average of just $4,000 for the past 3 years (which also typifies the current low demand for all day parking in the location of the JPACF.

Car Park Income (Year 6 onwards)		**Previous Financials**		**Sept 2016 Bus Case**	
		Dec 2015 (Concept Design)	Jul 2016 (Schematic Design)	Year 5 to Year 14	Year 15 to Year 40
Income per Bay per Chargeable Day					
Current Hourly Rate #1		$1.20	$1.20	$1.20	$1.20
Daytime	Short-Stay	$4.80	$4.80	$4.80	$4.80
Daytime	All Day	$6.00	$6.00	$6.00	$6.00
Evening (during events)		$1.80	$1.80	$1.80	$1.80
Income per Year					
Daytime	Short-Stay	$60,000	$60,000	$36,000	$36,000
Daytime	All Day	$225,000	$205,500	$179,400	$235,500
Evening (during events)		$115,056	$107,577	$106,433	$106,433
Total Income #1		**$400,056**	**$373,077**	**$321,833**	**$377,933**

#1 Income estimates are based on today's dollars (2016). The model will take account of expected fee increases from 2016 onwards

11.3 Parking Cost of Sales

An estimated cost of $127,000 per year for operating the Parking was previously included in the business case. The City now has experience of operating a Multi Storey Car Park which it did not have during the previous business case. The costs of the Reid Promenade Multi Storey are estimated to be over $300,000 for 2016-17, and therefore much higher than the $127,000 estimated for the JPACF Multi Storey. Care has to be taken with this comparison because the Reid Promenade Multi Storey is a standalone building with its own building maintenance, utilities, operation whereas the JPACF Multi Storey is part of a larger facility. The estimated expenses have been increased to $137,000 per year; this is based on the following key assumptions:

- Existing Parking Operations team should be used to assist with the operation of the facility. The control room at the Reid Prom facility can be enhanced to monitor the JPACF facility.

- Casual Parking staff will still be required during evening performances and an allowance of $60,000 has been included within the annual expenses for that
- The other $77,000 is various materials and contracts costs.

11.4 Parking Surplus Summary

The table below summaries the key assumptions explained above and shows the overall parking surpluses. This shows that the previous Business Case estimated surpluses of $273,065 per year. This is now reduced to $184,842 but only up to Year 14. From Year 15 onwards the utilisation is expected to improve and rise to $240,942. In reality utilisation would steadily increase rather than one large increase from Year 14 to year 15, but for the purposes of a 40-year long-term model it is reasonable just to build in one step increase.

In summary the key issue with regards Parking, and one that sets JPACF apart from other known facilities, is that the Parking Operation should generate operating surpluses which can help to mitigate the operating subsidy for the rest of the facility.

Summary	**Previous JPACF BC** Dec 2015 (Concept Design)	**Sept 2016 Bus Case** Year 5 to Year 14	Year 15 to Year 40
Key Assumptions			
Number of Bays	400	374	374
Daytime Utilisation	50%	40%	50%
Evening Utilisation	85%	85%	85%
Staff required to operate	1	Casual	Casual
Income			
Daytime	$285,000	$215,400	$271,500
Evening	$115,056	$106,433	$106,433
Income Total	**$400,056**	**$321,833**	**$377,933**
Expenses			
Employment Costs	($60,000)	($60,000)	($60,000)
Materials & Contracts	($66,991)	($76,991)	($76,991)
Utilities			
Expenses Total	**($126,991)**	**($136,991)**	**($136,991)**
Surplus/(Deficit)	**$273,065**	**$184,842**	**$240,942**
Difference to Dec 2015 Bus Case		**($88,223)**	**($32,123)**

12 OTHER INCOME & EXPENSE ASSUMPTIONS

12.1 Food & Beverage / Restaurant Lease

The table below summarises the key assumptions for the Food and Beverage and the Restaurant Lease. The Food and Beverage would be expected to generate an operating surplus with costs being 66% of income. There are no changes to the assumptions for any of the Scenarios compared to the December 2015 Business Case but as these %ages are based on the program revenue, which is different for each Scenario, then the final impact will vary for each Scenario.

Paxon suggested that the restaurant may not be as active and therefore suggested a reduction to $3,500 Turnover per Square Metre which has been reflected in Scenario 1. The City has a more optimistic view of the activation of the Restaurant area, particularly in the longer term, so Scenario 2 and 3 have different estimates.

Food, Beverage & Restaurant	**Concept Design** Business Case (Dec 2015)	**Scenario 1** Schematic Design Worse Case	**Scenario 2** Schematic Design Idealistic	**Scenario 3** Schematic Design Realistic
Food & Beverage				
Income: % of Program Revenue	8%	8%	8%	8%
Costs of Sales as % of Income	66%	66%	66%	66%
Restuarant Lease				
Square Metres	180	180	180	180
Turnover per square metre	$5,000	$3,500	$5,000	$4,250
Rent as % of Income	10%	10%	10%	10%
Lease p.a.	**$90,000**	**$63,000**	**$90,000**	**$76,500**

12.2 Marketing and Admin

The table below summarise the operating assumptions for Marketing and other Admin expenses, derived from the 2012 Feasibility Study and with consultation with General Manager of other facility. There are no changes to the assumptions since the previous business case.

Although the % assumptions are the same for each Scenario, the impacts will be different because the expenses and revenue are different for each Scenario.

Additional Cost Assumptions	**Concept Design** Business Case (Dec	**Option 1** Schematic Design Worse Case	**Option 2** Schematic Design Idealistic	**Option 3** Schematic Design Realistic
Marketing Costs as % of Expenses	8%	8%	8%	8%
Admin as % of Program Revenue	5%	5%	5%	5%

12.3 Sponsorship

A nominal estimate of $150,000 per year for sponsorship is included in the projections, however there is no more details of how/who that revenue will be earned.

12.4 Ticket Income

A new income stream has been added which is annual income of $128,000 per year for booking fees. This was added after review of advice from ex-General Manager of Perth Theatre Trust and review of APACA data. For each ticket sold the City can levy a charge for booking fee. The net income of $128,000 is based roughly on $1 per ticket x 128,000 attendances.

13 OPERATING ANALYSIS – SUMMARY

13.1 Operating Income Summary

The table below summarises the annual income projections at Year 5 for each Scenario. This indicates that Scenario 2 is slightly higher than Scenario 1 and 3. All Scenarios are now significantly higher than the previous business case predominately due to the Pracsys assumptions for Conferences, Exhibitions, Gallery and Studios.

Operating Income $000s (2023-24) excluding escalation	Concept Design	Scenario1	Scenario2	Scenario3
	Business Case (Dec 2015)	Schematic Design (July 2016)		
		Worse Case	Idealistic	Realistic
1 Primary Theatre	$1,218	$1,328	$1,328	$1,328
2 Secondary Theatre	$239	$230	$230	$230
3 Conferences, Exhibitions, Gallery, Studios	$322	$818	$818	$818
4 Parking	$400	$318	$318	$318
5 Food & Beverage	$117	$125	$125	$125
6 Leases: Bar/Restaurant	$90	$63	$90	$77
7 Sponsorship	$150	$150	$150	$150
8 Ticketing Income		$128	$128	$128
Annual Operating Income	**$2,535**	**$3,160**	**$3,187**	**$3,173**

13.2 Operating Expenses Summary

The table below summaries the annual expenses projections at Year 5 for each Scenario. All Scenarios are higher than the previous business case due to Line 3 again. The other differences between the Scenarios are due to the different assumptions explained earlier regarding Staff Costs, Utilities, and Repair, Maintenance, Cleaning, Security.

Operating Expenses excl. Interest $000s (2023-24) excluding escalation	Concept Design	Scenario1	Scenario2	Scenario3
	Business Case (Dec 2015)	Schematic Design (July 2016)		
		Worse Case	Idealistic	Realistic
1 Primary Theatre	($964)	($1,017)	($937)	($977)
2 Secondary Theatre	($126)	($106)	($101)	($103)
3 Conferences, Exhibitions, Gallery, Studios	($105)	($426)	($426)	($426)
4 Parking	($127)	($137)	($137)	($137)
5 Food & Beverage	($77)	($82)	($82)	($82)
6 Staff Costs	($884)	($1,000)	($827)	($901)
7 Marketing	($268)	($345)	($297)	($323)
8 Admin & General	($89)	($119)	($119)	($119)
9 Repair, Maintenance, Cleaning, Security	($568)	($741)	($591)	($676)
10 Utilities	($145)	($338)	($200)	($294)
Annual Operating Expenses excl. Interest	**($3,353)**	**($4,309)**	**($3,716)**	**($4,037)**

The expenses above exclude interest and depreciation; these will be subject to comment later on.

13.3 Operating Subsidy Summary

The table below summaries the Surplus/(Deficit) for each item in the Income/Expense analysis. This table is the difference between the income and expenses shown above. This shows the wide variation that can arise with the Scenarios, ranging from just over $0.5m per year to over $1.1m per year. Scenario 3 results in a subsidy similar to previously reported between the range of $800k to $900k per year.

Subsidy Analysis $000s Year 5 - 2023-24 excluding escalation)	Concept Design	Scenario1	Scenario2	Scenario3
	Business Case (Dec 2015)	Schematic Design (July 2016)		
		Worse Case	Idealistic	Realistic
1 Primary Theatre	$254	$311	$391	$351
2 Secondary Theatre	$113	$125	$129	$127
3 Conferences & Exhibitions	$217	$392	$392	$392
4 Parking	$273	$181	$181	$181
5 Food & Beverage	$40	$42	$42	$42
6 Leases: Restaurant	$90	$63	$90	$77
7 Sponsorship	$150	$150	$150	$150
8 Staffing, Marketing, Admin	($1,241)	($1,464)	($1,243)	($1,342)
9 Building Costs & Utilities	($713)	($1,078)	($791)	($969)
10 Ticketing Income		$128	$128	$128
Annual Subsidy (excluding Interest)	**($818)**	**($1,150)**	**($529)**	**($863)**
Subsidy as % of Expenses	**24%**	**27%**	**14%**	**21%**

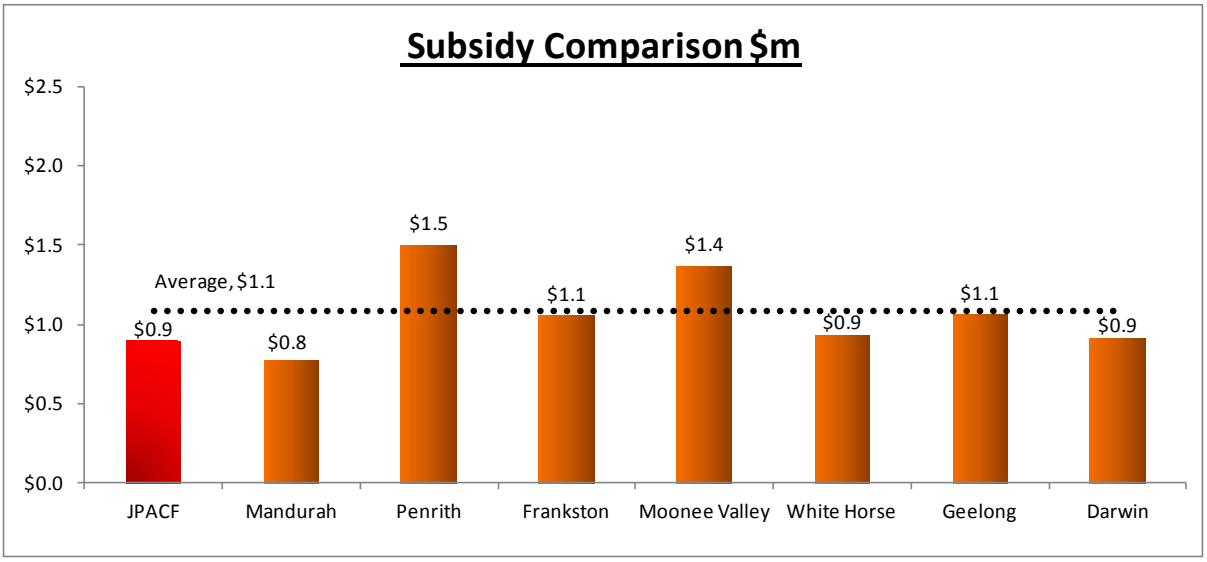
The summary above excludes interest and depreciation which are covered separately later.

13.4 Management Model / How Would the Subsidy Be Paid?

Whilst the City accepts that it will have to fund the operating subsidy, the exact method of how the subsidy would be paid to the JPACF will be resolved later, as this will depend on the management model. For example, if there was an arms-length governance model, then a fixed contribution may be agreed in advance each year and then paid in equal instalments during the year. Alternatively, if the facility was fully integrated within the City then the subsidy required would simply operate in the same way as other business units in the City, drawing down on the City's bank account in line with authorised budget. Irrespective of how the actual governance model will work in practice, from a financial perspective the annual impact will be similar in that general funds (i.e. Rates) would be required to pay for the facility on an annual basis.

13.5 Comparison to Other Facilities

As many Arts Facilities are owned by Local Government, or other public bodies, the operating results are often publicly available. Data has been obtained for eight other facilities that are similar in their size and catchment area, with results summarised in graph below. The graph indicates that the projected deficit for the JPACF of ($0.9m) is with a reasonable tolerance of the average of other facilities.



The data for other facilities has been obtained from desk top research using publicly available data. There may be other costs and income that are not fully reflected in the published accounts (e.g. Services provided by Local Government such as building maintenance that may not be charged to the facility). The JPACF subsidy of $0.9m appears optimistic when compared to the other facilities; however the JPACF projections include profits from parking which are not included in the other facilities.

13.6 Operating Surplus Ratio

The table below summarises the overall operating expenses (including interest and depreciation) and the impact on the operating surplus ratio.

The Operating Surplus Ratio is the primary measure for long-term financial sustainability and compares the overall Operating Surplus/(Deficit) versus Operating Income. The table below indicates that the JPACF by itself will have a considerable impact on the Operating Surplus, depressing the ratio by 2.8% for Scenario 3 for example, although the interest costs will only be relevant for the term of the borrowings.

	Operating Impacts and Impact on Operating Surplus Ratio	Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
	Cash				
1	Annual Cash Subsidy, excluding interest	($818)	($1,150)	($529)	($863)
2	Interest Costs Average p.a. (Yrs 1 to 15 only)	($1,450)	($1,506)	($1,506)	($1,506)
3	Annual Cash Subsidy, including interest	($2,267)	($2,656)	($2,036)	($2,370)
	Operating Expenditure Total				
4	Depreciation	($1,471)	($1,527)	($1,527)	($1,527)
5	Operating Expenditure, incl Depn	($3,738)	($4,183)	($3,563)	($3,896)
6	Operating Surplus Ratio %	2.8%	-3.0%	-2.5%	-2.8%

Note that the impacts above exclude the repayment of the principal (as these do not form part of the operating surplus calculations) and therefore do not show the total cash outlay for the project in years 1 to 15 – this is summarised later on.

14 OPERATING ANALYSIS – YEARS 0 TO 4

14.1 Start Up Expenses (2018-19)

It would be necessary to incur operational expenses prior to the opening of the facility. This will be necessary to ensure that the team are in place for opening and the program model has been built up. It is assumed that each Scenario would require operating costs of $872k in the year before opening for:

- Staff Costs;
- Marketing; and
- Administration (legal and contractual work to establish governance model).
- Website development

These estimates are preliminary only at this stage and would require more detailed evaluation as part of subsequent financial reviews.

14.2 Year 1 to 4 Utilisation

The Operating Analysis has focused on Year 5, as it is assumed this is the basis of 'steady state' and used for each year thereafter. The operating assumptions for Year 1 to Year 4 have assumed that there would be a steady progression to the steady state. This is illustrated in the table below with the Primary Theatre utilisation of 188 days:

	Year	Utilisation Days p.a.	Comments
1	2019-20	93	50% of Steady State
2	2020-21	116	Previous year plus 23 days
3	2021-22	139	Previous year plus 23 days
4	2022-23	162	Previous year plus 23 days
5	2023-24	186	Steady State

The majority of the income and expense items are based on the same assumptions as above. In reality the facility may enjoy an initial 'honeymoon' period where Year 1 and Year 2 have higher use than above.

14.3 Building Maintenance

Year 1 should have a low cost as covered by defects and a minor cost of $251k is included. Likewise, in Years 2 to 4 it is reasonable to assume that there should be fewer repairs than in future years, and therefore lower building maintenance costs have been assumed until steady state.

14.4 Subsidy Years 0 to Year 4

The table below summarises the total operating subsidy estimated for each Scenario from the year before opening up to year 4. Also shown is the average subsidy per year. It is expected that the costs would be less than Steady State as there would be some costs (e.g. Repair, Maintenance, Cleaning, Security) would be less than Steady State).

Subsidy Years 0 to Years 4		Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
Total Operating Subsidy (excl. interest & depreciation)	*$000s*	($3,518)	($5,203)	($2,934)	($4,146)
Average Subsidy per year	*$000s*	($704)	($1,041)	($587)	($829)

TOTAL IMPACTS

15 CAPITAL RENEWAL

15.1 Basis of Assumptions

The assumptions still used for all Scenarios is the same as the previous Business Case, which are internal City estimates with reference to the City's Building Asset Management Plan. Paxon have provided alternative information regarding replacement cycles. The Paxon information indicates that capital should be replaced much earlier than indicated in the assumptions below, and that a total of $276m should be included in the 40 year cashflows for capital replacement. At present the City has included $79m in the estimates so the Paxon estimates would increase the cash flows by $196m.

The City has chosen not to use the Paxon replacement profile because it does not agree with the earlier life cycle and there is insufficient information or examples to support the proposal. For example, it was suggested that $8.5m should be planned every 7 years for fitments. It is recognised that capital replacement is important but it was deemed unlikely that the facility would require $8.5m every 7 years.

These issues require further investigation.

15.2 Components

For the purposes of capital renewal planning, construction costs are broken down into 6 different components, this analysis was based on the City's Building Asset Management Plan.

Structure	72%
Roof	8%
Fixtures & Fittings	3%
Services(1) - Long Life	13%
Services(2) - Short Life	2%
Equipment	3%
Total	100%

15.3 Renewal Life

The table below summarises the estimated renewal life of each component. The first column shows the maximum life that each component could have. An assessment is then based on whether the component would be renewed at Condition 5 (full maximum life) or whether there would be a "Condition Intervention"). The Condition Ratings (from 1 to 5) are based on standard Asset Management practice (reference International Infrastructure Manual). For building assets it is assumed that Fixtures & Fittings, Services-short life and Equipment would be replaced before they deteriorate to Condition 5, and before they reach their maximum useful life.

	Maximum Life	Condition that asset maintained to	Renewal Life based on condition
Structure	80	Condition 5	80
Roof	80	Condition 5	80
Fixtures & Fittings	40	Condition 3	24
Services(1) - Long Life	40	Condition 5	40
Services(2) - Short Life	20	Condition 4	16
Equipment	20	Condition 4	16

15.4 Renewal Projections

Based on the split of Capital Cost of Component and the Renewal Life above, a 100-year renewal plan has been prepared. Within the financial evaluation included within this report (up to 2058-59), which includes 40 years of operation a total of $24m (excluding escalation) has been included, this is split in 4 lumps only (2034-35, 2042-43, 2050-51, 2058-59).

15.5 Sinking Fund not Recommended

Some external consultants (Paxon and AEG Ogden) have suggested that a sinking fund i.e. Reserve is used to set aside cash each year for future capital replacement, rather than have large lumps of expenditure in future years. This is not recommended because it is better from a Treasury management perspective for the City to plan for the cash as it is required rather than set aside each year. No examples could be provided to the City of other facilities who have a sinking fund.

The other argument for setting up a sinking fund is that it gives the City a better overall view of the annual financial costs of the facility by setting aside an annual cash budget for future replacement, rather than intermittent lumps. Whilst there is some merit in this, the true operating performance for the facility will be the operating results which would include Depreciation. As long as Deprecation is based on current costs and based on real consumption of the asset then the operating results will be a reliable gauge for the bottom line of the facility.

15.6 Depreciation Factors

The component lives in Section 15.2 are the lives that would be used for the basis of Depreciation charges and have been used to calculate the annual Depreciation charge of $1.5m per year. The $1.5m works out at overall life of 67 years.

16 TOTAL CASH FLOWS TO 2058-59

16.1 Total Cash flows 2014-15 to 2058-59

The whole-of-life cash flows have been projected up to 2058-59, including escalation. This covers the period of construction and 40 years of operation. By evaluating over such a long period ensures that the long-term impacts including capital renewals can be evaluated. The table below summarises the overall cash flow impacts, this table includes all of the cash flows in the previous sections (Capital Costs, Funding, Capital Renewals, Operating assumptions, Escalation).

The Total Cash Flows have been split into 2 tables as follows:

- Table 1 – Incremental cash flows only that arise directly as a result of the construction and operation of the JPACF
- Table 2 – Funding: Reserves, Borrowings and Tamala Park Proceeds. Net Impact to the City which takes account of the funding.

Each of the 16 lines are explained underneath the tables.

The range of outcomes for the scenarios is influenced by the different operating subsidy assumptions. Scenario 1 with an operating subsidy of over $1.1m per year would result in an overall Cash flow of $198.3~~244.9~~m, whereas Scenario 2 with an operating deficit of just over $0.5m would be $137.9~~84.6~~m. Meanwhile Scenario 3 with an operating subsidy of $863k has an overall cash flow of $170.8~~217.5~~. Scenario 3 is $29.4~~17.3~~m lower~~higher~~ than the December 2015 ~~previous~~ business case, caused mostly be the inclusion of the post-construction Tamala Park proceeds. The range of differences between the scenarios is considered to be reasonable at this stage of a $100m project.

	Table 1 Incremental Cash Flows		**Concept Design** Business Case (Dec 2015)	**Scenario1** Worse Case	**Scenario2** Idealistic	**Scenario3** Realistic
	Establishment Costs					
1)	Capital & Other One-Off Costs	*$ms*	($103.0)	($105.3)	($105.3)	($105.3)
2)	Grants	*$ms*	$10.0	$10.0	$10.0	$10.0
3)	**Net Establishment Costs**	*$ms*	**($93.0)**	**($95.3)**	**($95.3)**	**($95.3)**
	Operating Impacts					
4)	Operating Expenses	*$ms*	($311.6)	($404.1)	($346.2)	($377.9)
5)	Operating Income	*$ms*	$260.4	$319.0	$321.5	$320.2
6)	**Operating Deficit**	***$ms***	**($51.2)**	**($85.1)**	**($24.8)**	**($57.7)**
7)	Asset Replacement	*$ms*	($79.4)	($79.4)	($79.4)	($79.4)
8)	**Incremental Cash Impact of JPACF**	*$ms*	**($223.6)**	**($259.8)**	**($199.5)**	**($232.4)**

	Table 2 - Funding Reserves, Borrowings and Tamala Park Proceeds		Concept Design Business Case (Dec 2015)	Scenario1 Worse Case	Scenario2 Idealistic	Scenario3 Realistic
	Pre-Construction					
9)	Reserves pre-construction	*$ms*	$45.2	$37.5	$37.5	$37.5
10)	Borrowings	*$ms*	$47.8	$57.8	$57.8	$57.8
11)	**Pre-Construction**	*$ms*	**$93.0**	**$95.3**	**$95.3**	**$95.3**
	Post-Construction					
12)	Repayments	*$ms*	($47.8)	($57.8)	($57.8)	($57.8)
13)	Interest payments	*$ms*	($21.7)	($22.6)	($22.6)	($22.6)
14)	Tamala Park Proceeds post-construction	*$ms*	$0.0	$46.7	$46.7	$46.7
15)	**Post-Construction**	*$ms*	**($69.5)**	**($33.7)**	**($33.7)**	**($33.7)**
16)	**Net Impact** **Line 8+11+14**	*$ms*	**($200.2)**	**($198.3)**	**($137.9)**	**($170.8)**

Each of the 16 lines is explained in more detail below for Scenario 3

Table 1

1) Capital & Other One-Off Costs – ($105.3m) relates to the overall one-off costs of ($99.7m) with estimated escalation included.
2) Grants. $10m relates to the assumption that the City can secure State or Federal funding.
3) Net Establishment Costs. This is the net impact of lines 1 and 2, and indicates that the net costs to establish the facility are estimated to be ($95.3m). The City has to fund ($95.3m) which is explained in Table 2
4) Operating Expenses ($377.9m). This is the 40-year impact of the annual operating expenses of ($4.0m), including escalation.
5) Operating Income $320.2m. This is the total 40-year impact of the annual operating income of $3.2m, including escalation
6) Operating Deficit ($57.7m). Difference between lines 4 and 5, and indicates that the overall 40-year impact of the operational subsidy of ($863,000) including escalation is ($57.7m).
7) Asset Replacement. ($79.4m) Capital Replacement costs are escalated. This is based on the estimate of ($23.8m), plus escalation.
8) Incremental Cash Effect of the JPACF. ($232.4m). This is the sum of Lines 3 ($95.3m), Line 6 ($57.7m) and Line 7 ($79.4m). The ($232.4m) represents the incremental cash impacts that arise directly from the JPACF and excludes the benefits of reserves and costs of borrowings.

Table 2:

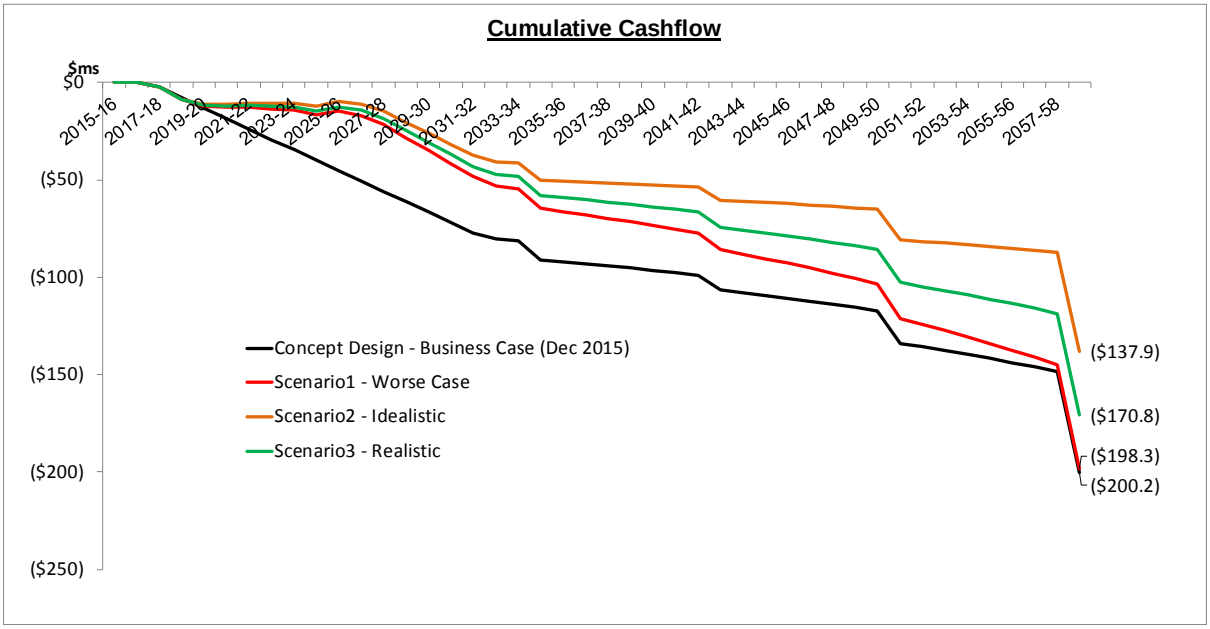
9) Reserves pre-construction. $37.5m is estimated to be available during construction. This comprises of $22m currently available (June 2016) and a further $15.5m proceeds available in next 2 years from Tamala Park land sales and other asset sales by the City.
10) Borrowings - $57.8m borrowings required to establish the facility. This is based on Line 3 ($95.3m) less Line 9 ($37.5m Reserves).
11) Pre-Construction $95.3m is the sum of Lines 9 and 10 and matches Line 3. This confirms that the costs to establish the facility are being raised.
12) Repayments ($57.8). This is the repayment of the borrowings (Principal) from Line 10.
13) Interest Payments ($22.6m) this is the cost of interest of the ($57.8m) borrowings.
14) Tamala Park Proceeds post-construction $46.7m. From 2019-20 to 2027-28, it is projected that the City will receive a further $46.7m in proceeds from land sales. These would contribute to the repayment of the borrowings.

15) Post-Construction impact is ($33.7m). This is the difference between the repayment of the borrowings (Line 12 and 13) less the contribution from future Tamala Park proceeds of $46.7m
16) Net Impact of ($170.8m) is the sum of all cashflows. This is calculated as Line 8 plus Line 11 plus Line 15. The ($170.8m) represents the bottom-line impact to the City taking account of the costs of borrowing and contribution from reserves.

~~17)~~ ~~The Net Present Cost is the sum of all the cashflows discounted back to today's values. The difference between each of the Scenarios follows the same trend as the overall Project Cash flows.~~

16.2 Cumulative Cash Flows

The graph below shows the cash flows on a cumulative basis. The cash flows for the first 15 years include the cost of loan repayments and therefore the reductions are steeper than later years. The trend in costs for each Scenario is similar to the previous business case. The spikes in 2034-35, 2042-43, 2050-51 and 2058-59 are due to the capital renewal costs.



16.3 Costs per Rateable Property

It is useful to illustrate how the net costs of ($170.8m) equate per rateable property. The first step in this calculation is the table below which shows the breakdown of costs into different time periods, this is necessary because there are different impacts in different time periods. The first column relates to the 4 years of planning/construction (from 2015-16 to 2018-19), each column thereafter is 5 years and the total number of years is 44 years. The cash impacts are shown in $ms, and are summarised in 7 lines in the similar format as the breakdown in section 16.1

Total Cash Impacts $m	**During Construction**	**Operational**								**Total**
		Years 1 - 5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Years 31-35	Years 36-40	
Number of Years	*4*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	***44***
1) Net Establishment Costs	($95.3)									**($95.3)**
2) Operating Subsidy	($0.9)	($4.0)	($4.5)	($5.3)	($5.6)	($6.8)	($8.3)	($10.0)	($12.2)	**($57.7)**
3) Capital Replacement					($8.6)	($6.2)		($15.0)	($49.5)	**($79.4)**
4) **Incremental Cash Impact of JPACF**	($96.2)	($4.0)	($4.5)	($5.3)	($14.2)	($13.0)	($8.3)	($25.0)	($61.8)	**($232.4)**
5) Funding: Pre-Construction	$95.3									**$95.3**
6) Funding: Post-Construction	($7.9)	$0.2	($7.5)	($18.6)						**($33.7)**
7) **Net Impact**	($8.8)	($3.8)	($12.0)	($23.8)	($14.2)	($13.0)	($8.3)	($25.0)	($61.8)	**($170.8)**

The 7 lines are explained as follows:

- Line 1 is the Net Establishment Costs of ($95.3m) which occurs only in the first 4 years
- Line 2 is the annual Operating Subsidy. This relates to the ($863,000) annual subsidy plus increases for escalation.
- Line 3 is the Capital Replacement costs, which are estimated to occur in 4 time periods only. Note that there is a large cost estimated in Year 40 of ($49.5m) which is much higher than the other years

- Line 4 is the sum of Lines 1 to 3
- Line 5 shows the Net Establishment Costs of $95.3m being funded. This relates to the reserves available at point of construction and borrowings.
- Line 6 is the funding costs post-construction. This relates to the repayment of the borrowings (Principal + Interest) less the contribution from future sales of Tamala Park. This shows that there is a net inflow of $0.2m in Years 1 to 5 as the contribution from Tamala Park proceeds is slightly higher than the costs of repayment, but in Years 6 to 10 there is a cost of ($7.5m). In Years 11 to 15 when there are no more Tamala Park proceeds, there is a cost of ($18.6m), which are the final repayment of borrowings.
- Line 7 is the Net Impact of Lines 4, 5 and 6. This shows the fluctuating costs in the early years due to the repayment of borrowings, and then there are fluctuations in later years due to capital replacement costs.

The table below then uses the information above to calculate an average cost per rateable property per year. The key features to note are:

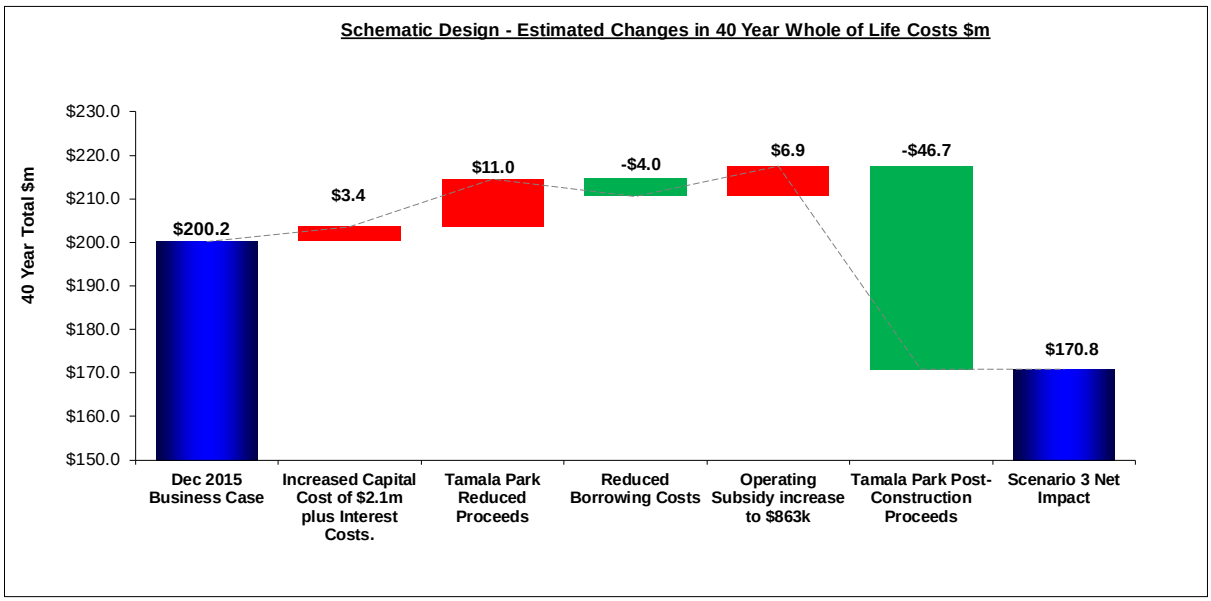
- Rateable properties relate to both Residential and Commercial. The increases are based on the increases within the Local Housing Strategy and Economic Development Strategy are consistent with the assumptions in the 20 Year Strategic Financial Plan.
- Costs per Ratepayer for each line are calculated as the total costs shown in the table above divided by the number of years divided by the rateable properties. For example, the cost of ($380.05) for the Establishment cost is calculated as ($95.3m) divided by 4 years divided by 62,689.
- Total Column shows the annual average cost per year as an average over the 44 years. This shows that the net impact per rateable property per year is an average of ($55.27). This is calculated by dividing the net cost of ($170.8m) divided by 44 years divided by an average number of rateable properties of 70,238.

Average annual cost per Rateable Property	**During Construction**	**Operational**								**Total**
		Years 1 - 5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Years 31-35	Years 36-40	
Rateable Properties	*62,689*	*65,373*	*67,432*	*68,848*	*70,290*	*71,758*	*73,252*	*74,747*	*76,241*	***70,238***
Cost per Ratepayer per Year										
1) Establishment Cost	-$380.05									**-$30.84**
2) Operating Subsidy	-$3.59	-$12.24	-$13.35	-$15.40	-$15.93	-$18.95	-$22.66	-$26.76	-$32.00	**-$18.67**
3) Capital Replacement					-$24.47	-$17.28		-$40.14	-$129.85	**-$25.69**
4) **Incremental Cash Impact of JPACF**	-$383.64	-$12.24	-$13.35	-$15.40	-$40.40	-$36.23	-$22.66	-$66.89	-$161.86	**-$75.20**
5) Funding: Pre-Construction	$380.05									**$30.84**
6) Funding: Post-Construction	-$31.50	$0.61	-$22.24	-$54.03						**-$10.90**
7) **Net Impact**	-$35.09	-$11.63	-$35.59	-$69.43	-$40.40	-$36.23	-$22.66	-$66.89	-$161.86	**-$55.27**

16.4 Comparison of Cashflows to Previous Business Case

The chart below summarises the changes in the revised estimates (Scenario 3) compared to the ~~Concept Design assumptions in the~~ previous business case. This shows that the net impact has reduced by ~~project costs have increased by approx~~ $29.4~~18~~m, and this is broken down into 5 main causes:

- ($3.4m) for Increased capital costs, including the cost of interest
- ($11.0m) for reduced Tamala Park proceeds, including the cost of interest
- $4.0m benefit for the reduced costs of borrowing (lower interest rate)
- ($6.9m) due to the higher operating subsidy of $863,000 per year
- $46.7m proceeds from Tamala Park received after construction are now included in the business case. The previous business case mentioned these proceeds but did not include them in the overall net impacts.


Schematic Design - Estimated Changes in 40 Year Whole of Life Costs $m
40 Year Total $m
$230.0
$220.0
$210.0
$200.0
$190.0
$180.0
$170.0
$160.0
$150.0
$200.2
$3.4
$11.0
-$4.0
$6.9
-$46.7
$170.8
Dec 2015 Business Case
Increased Capital Cost of $2.1m plus Interest Costs.
Tamala Park Reduced Proceeds
Reduced Borrowing Costs
Operating Subsidy increase to $863k
Tamala Park Post-Construction Proceeds
Scenario 3 Net Impact

SCENARIO EVALUATION

17 SCENARIO EVALUATION

17.1 Value for Money Concepts

The investment costs are significant, for example they are approximately equivalent to one year's worth of rates income. It is therefore crucial to consider whether the scope of the Arts Box and the size of the investment provide value for money.

The design team have extensive experience in the interrogation of conventional construction methods, combined with new modelling technologies to deliver world-class venues with tight budgets. Recent examples include the Melbourne Theatre Company Southbank Theatre, Melbourne Recital Centre and Hamer Hall redevelopment.

The JPACF has gone through value management processes to ensure that both the best design criteria and budget are met. Value management is an attitude within the design team to continually question whether emerging design solutions really represent the best value for money for the project. This process relies on both innovation (for example, consolidating unexpected areas of program) and strategy (for example, not spreading scarce budget out over large areas of the project, but concentrating it into areas where there is a real and perceived benefit).

The design team are committed to the innovative use of ordinary building materials and methods – using known technologies in creative and unusual ways. The Design Team strive for maximum impact without maximum cost. The advantage of this philosophy has benefits to the long term maintenance and life-cycle costs of the facility.

17.2 Value for Money Examples in the Design

Some examples of how value management has been employed in the concept design of the JPACF include:

- Locating the car park above ground instead of in basement levels. This saves the project approximately $6m in capital cost. The car parking levels also assist in the scaling up of the building to help in generating a critical civic mass, particularly in the context of the Lakeside Joondalup Shopping Centre. The car park is able to be naturally ventilated and the rest of the building is freed from the constraints of mechanical ventilation from a basement car park. The car park is also directly connected to the building at ground level, and the surrounding gardens, for ease of access and security.

- Combining the community and conference areas. It made sense to cluster together the studios for crafts and visual arts, with some of the lesser-utilised spaces such as ancillary rehearsal rooms and conference rooms, allowing them to be flexibly programmed for anything from dance classes to community meetings, and to share amenities.

- Providing a diverse mix of spaces which can be zoned for multiple event use, catering for a large pool of events. This ensures the building is utilised as fully as possible, and also saves on operating costs as areas of the building are able to be used independently – for example, the car parking and community studios can be used during the day while the theatres and main foyer are closed. The building aims to be activated 12 hours a day, 7 days a week.

The cost rates used are benchmark rates based on a combination of other projects, recently priced Bills of Quantities, pricing books and supplier prices where appropriate. The rates therefore reflect, as far as practically possible at this stage, the current market pricing for each component of work. The rates will evolve over time as the design and engineering develops.

17.3 Cost per Seat Comparison to Other Facilities

The design team also sense-check the different budgets for various functional areas against other projects. It is very difficult to ascertain a true comparison as each performing arts venue is unique, and therefore will have different overall function area allocations – for example, the inclusion of other functions additional to the actual auditorium space. The table below provides a comparison of the JPACF construction cost to other facilities, the issues to note are:

- Arts Facilities will tend to cost at least $60m. The only exception to this in the table below is a regional facility with just 478 seats, which is not a useful comparison

- JPACF cost per seat is estimated at $93,178, which is lower than 3 other facilities. Taking account of the other features of the JPACF (374 car park, gallery, conference rooms), this cost provides good value for money by comparison.

Facility	Details	Cost #1 $m	Seats #2	Cost per Seat
JPACF	Theatre, black box, community/conference, gallery, 374 bay car park,	$99.7	1,050	$94,952
State Theatre Centre of WA	Lyric Theatre, black box, courtyard, 2xRehersal rooms	$99.4	809	$122,833
Albany Entertainment Complex	Lyric theatre, studio, function facilities, 135 bay car park	$78.4	820	$95,610
Regional Performing Arts Centre (Confidential)	Not available	$31.0	478	$64,854
Melbourne Theatre Company - Southbank Theatre	Single-rake theatre, black box/rehersal room	$61.6	650	$94,742
Melbourne Recital Centre	Concert hall, salon.	$88.6	1,130	$78,373

#1 Capital Costs are based on 2016 dollars

#2 Seats relate to the total of the Primary Theatre and Secondary Theatre

17.5 Non-Financial Evaluation

The table below provides some comments as to how each Scenario achieves the non-financial objectives of the project.

Ref	Issue	Details
1	Imagination & Creativity	o Arts Box Model has a wider scope than a Traditional Performing Arts Centre and will encourage greater imagination and creativity. o There are more attendees per year with Arts Box Model
2	Inclusive Environment	o Arts Box model has the ability to be open 7 days a week, 12 hours per day. Meanwhile a Traditional Performing Arts Centre may only be open for performances and is far less inclusive. o Arts Box Model will have multipurpose spaces which can cater for a variety of different uses
3	Viability & Attraction	o The design for Arts Box would be much more attractive than the design for a Traditional Performing Arts Centre. It is clear that the design would be an iconic landmark within the City.

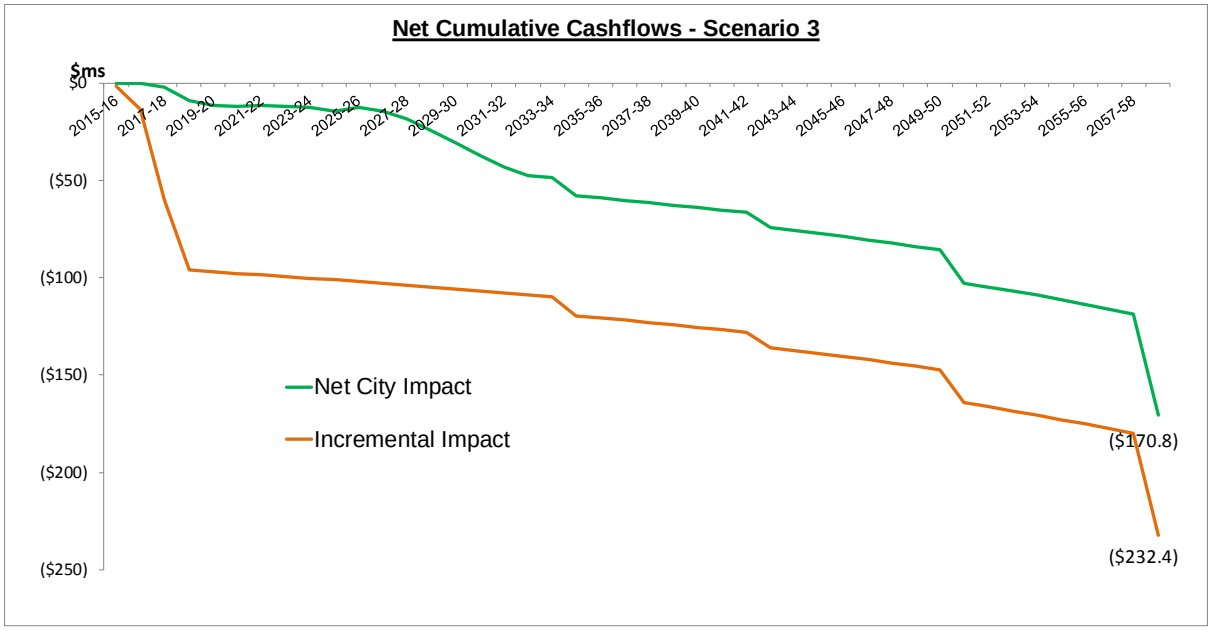
SUMMARY

18 IMPACTS FOR CITY OF JOONDALUP

18.1 Financial Summary of Scenario 3

Scenario 3 is used as the basis of the Business Case and would require the following commitment by the City:

- Investment of $99.7m (excluding escalation)
  - $1.9m Sunk Cost
  - $97.8m is a future investment
- Grant assumption of $10m ~~from National Stronger Regions Fund~~
- Borrowings estimated of $57.8m, which would result in an interest expense of $22.6m
- ~~Additional Depreciation of $1.5m~~
- Operating Subsidy of ($0.9m) per year
- Incremental impact of the JPACF after 40 years is estimated at $232.4m
- Net impact to the City including the benefit of reserve funding and borrowings is $170.8m
- Average annual cost per rateable property is $55.27 per year over the 40 year life of the project .



~~However it should be noted that the City expects to receive additional proceeds from sale of Tamala Park Reserve of $47m, an average of $3m per year over the same timeframe.~~

18.2 Budgeting for the JPACF

The City budgets for projects using the following:

1. Annual Budget
2. Mid-Year Review
3. 5 Year Capital Works Program
4. *20 Year Strategic Financial Plan*

Each of the plans is updated annually and the JPACF project will continue to be updated in the City's budgeting tools.

The 20 Year Strategic Financial Plan was recently (June 2016) adopted by Council. This included assumptions for the JPACF based on the December 2015 Business Case:

- $97.6m Establishment Cost
- Operating Subsidy of $818k per year

The recommended Scenario now has additional establishment costs of $2.1m and higher operating subsidy of $45k per year. These changes would not affect the projected achievement of ratios within the Adopted 20 Plan. The 20 Year plan is updated annually with the next update commencing in February 2017, the most up-to-date JPACF assumptions will be included then.

18.3 Guiding Principles / Key Ratios

At the heart of the City's *20 Year Strategic Financial Plan* are a set of guiding principles, which include 5 key ratios that the City uses to evaluate financial sustainability in the long term. The Adopted 20 Year Strategic Financial Plan provides detailed commentary on each of the ratios, which can be separately referred to. The plan also includes comments regarding the JPACF project as it has significant impacts on the projections.

The City has undertaken a "Shadow Credit Assessment"~~informal discussions~~ with West Australia Treasury Corporation regarding the capacity of the City to borrow funds for the JPACF in 2017-18 and 2018-19, especially as the proposed borrowings would be much higher than any previous borrowings by the City. A "Shadow Credit Assessment" is an informal evaluation of the City's projected borrowings using the same criteria that would be used with a formal loan application. The assessment confirmed that the City would have capacity. The evaluation was initially based on the same assumptions as the Adopted 20 Year Strategic Financial Plan which includes Rates Increases in the next few years of 4% to 5%. The City has recently (2016-17) implemented a 2.5% rate increase and if the increases for one or more of the next few years were less than 4% this may present a risk of the City's capacity to borrow for the JPACF.

19 RISKS, OPPORTUNITIES AND SENSITIVITY ANALYSIS

19.1 Risk & Opportunities - Overview

This business case does not contend that the projections will come to pass exactly as stated above. **The project will not cost $170.8 ~~217.5m,~~ which is only an estimate, it will either cost more or it will cost less.** The business case includes assumptions which may be different for any number of reasons. It is therefore vital to evaluate the risks and opportunities with the business case, so that actions can be considered to mitigate the risk and alternative opportunities considered.

There is a higher probability of the overall project costs increasing than decreasing. There is a lot more certainty that the costs will come to pass as expected, but there is a lot more uncertainty that the income or funding will come to pass as projected.

The comments on specific risks and opportunities will be analysed separately for each set of cash flows:

1. Capital Costs/Funding.
2. Operating Analysis.

Financial impacts will follow the same convention as used throughout the report i.e. Risks (adverse impacts) are negative and Opportunities are positive. The risk has also been assessed using the City's Risk Management Framework with the risk consequence, impact and level subject to comment within the analysis.

The sensitivity analysis and risks are as important as the projections in the rest of the paper so that the full potential impacts can be considered.

19.2 How the Project Costs have changed over time and the Confidence of the Estimates

The Establishment Costs of the project have increased a number of times during the project, but the increases have become lower as the accuracy and detail are refined. The table below summarises the movement in capital costs since 2009. At 2009 the project costs were crudely estimated at $35m and included in the 20 Year Strategic Financial Plan – there was no detailed audit trail for the $35m, the costs were merely a marker for inclusion in the 20 Year Strategic Financial Plan. Meanwhile in 2012 the costs were increased to $50.6m but again without any detailed QS Costings – the other key issue regarding the $50.6m is that it was based on a Traditional Performing Arts Centre as opposed to an Arts Box which has a much wider scope. The estimate for an Arts Box was first considered in 2013 following the Pracsys Feasibility Study and since then the estimates have become more refined.

The table below also includes a scale to indicate the confidence of the assumption. This shows that the estimates in 2009 and 2012 had no or little confidence. The confidence steadily improves over the past few years, although even at this stage the estimates cannot yet be determined as being 100% accurate, these uncertainties will only be resolved after Detailed Design and tender.

	Stage	$m #1		Confidence of Estimate #2
1	**2009 Adopted SFP**	**$35.0**	1	High Level estimate only, no detailed basis for the estimate i.e. no concept design
2	**2012 Adopted SFP (Nov 2012)**	**$50.6**	1	High level estimate only of a Traditional Performing Arts Centre, as opposed to an "Art Box"
3	**Pracsys Feasibility Study (March 2013)**	**$79.5**	2	Council resolved to increase scope of the facility to "Art Box" rather than a traditional Arts Centre. Costings were based on Rough Order of Magnitude only and not a detailed QS
4	**Concept Design (April 2014)**	**$90.7**	3	Based on ARM Concept Design from the Architectural Design Competition (2013). Costings included a QS Elemental Breakdown but were Concept Design only
5	**2014 Adopted SFP (Jun 2014)**	**$94.2**	3	Costs were increased to include Jinan Gardens and escalation since the 2013 Design Competition
6	**2015 Adopted SFP (Dec 2015)**	**$97.6**	3	Increase to take account of Traffic Treatment, External Works and escalation
7	**Schematic Design (July 2016)**	**$99.7**	4	Confidence of estimates has improved, although there is still some risk in the estimated rates.
8	**Detailed Design**		5	Detailed Design / Tender will provide certainty on the costs

#1 Excludes escalation
#2 Confidence of estimate is based on a scale of 1 to 5, where 1 has no confidence at all and 5 is very confident

19.3 Establishment Costs - Capital Costs and Funding - Risk & Opportunities

The table below lists various risks and opportunities and their potential impact on the capital costs or funding. The total best case is that the Establishment Costs may be $4m lower, but the Worse Case is a total worsening cash flow of ($37m). In summary, there is much more probability that the establishment costs will worsen than they will improve.

	Risk / Opportunity		Cash flow Impact $m			Risk Classification and Actions
	Subject	**Details**	**Worse Case**	**Mid**	**Best Case**	
1	**Capital Costs higher than estimated**	The costs at Schematic Design are not final; the Detailed Design stage will provide further refinement whilst the tender/procurement stage will also provide changes. Therefore the Capital Costs of $99.7m must be recognised as an estimate based on a set of assumptions – the final outcome will NOT be $99.7m, it will be higher or it will be lower. ARM has provided an evaluation of the range of probabilities for some of the most expensive capital items. This indicates a high level of confidence in the volume assumptions but a lower level of confidence in the rates. The evaluation has been used to prepare the overall worse case increase that could arise or the best case reduction in costs. This indicates the following: - Best case is that the costs may be $95.7m instead of $99.7m, a reduction of $4m - Worse Case is that the costs could be $113.7m, an increase of $14m. It must be emphasised that this is an extreme worse case.	($14m)	($5m)	$4m	o This likelihood is POSSIBLE, the consequence is medium and therefore the overall risk score is LOW. o The risks of the capital costs increasing can be managed as follows - All future specification changes are evaluated individually with a Cost/Benefit Analysis taking account of operational implications - Capital Costs remain as they are in the business case and the project needs to find ways to manage the cost increase. This could be achieved by reviewing other design issues, or managing the procurement process to ensure that the overall costs remain within budget. - Contingency already included in the Capital Cost estimates and may be sufficient to cover the costs of these additional items - Tender has the opportunity (particularly in the current market place) to provide cost reductions which cover the risks of unforeseen costs.

		Some examples of where costs may increase are: - Easement access with TAFE. If easement access is not provided, then mechanical ventilation would have to be provided at the Car Park (additional $0.6m) - PV Cells ($0.5m)				
2	**Reserve Funds not available**	The funding assumes that $37m is provided in total from Reserves to contribute to the construction of the facility. At present (June 2016) there is $20m within designated reserves, so a further $17m is projected in the next couple of years. The majority of this relates to further proceeds from Tamala Park. The proceeds from Tamala Park can no longer be classed as guaranteed due to a range of economic factors at local, state, federal and global level.	($4.0)	($3.0)	$0.0	o The likelihood of not receiving some of the $27m is possible, and the consequence is medium, the overall risk is MODERATE. o The City should continue to research other opportunities to dispose of land (or indeed buildings) that have minimal usage.
3	**Borrowings not within Capacity**	Proposed borrowings not approved by WATC. Informal discussions have taken place with WATC to review the borrowing impacts, the capacity of the City to borrow and the impacts on the Adopted *20 Year Strategic Financial Plan*. These discussions confirmed that the City would have capacity based on the projections within the 20 year SFP.	($5.0)	($3.0)	$0.0	o It is now classed as possible that the City would implement Rates increases within the next few years which are less than 4% or 5%. This would present a material risk to the projections in the 20 year SFP and the capacity for the City to borrow. o The consequence is major, and the overall risk is therefore MODERATE. o The City should continue to have informal discussions with WATC
4	**Grant of $10m not approved**	The projections include an assumption that the City will ~~be successful with an application to the National Stronger Regions Fund (NSRF). A 'Round 2'~~	($14m)	($7m)	($0m)	o The likelihood is likely, the impact is medium, and the overall risk is moderate. o The City should continue to review potential sources of funding e.g. State.

		~~application was made in July 2015 and failed, so it is possible that the 'Round 3' application made in March 2016 will not succeed either.~~secure $10m external grant The total impact (Worse case) would be $14m as additional borrowings would be required to bridge the gap which would attract interest costs of $4m.				

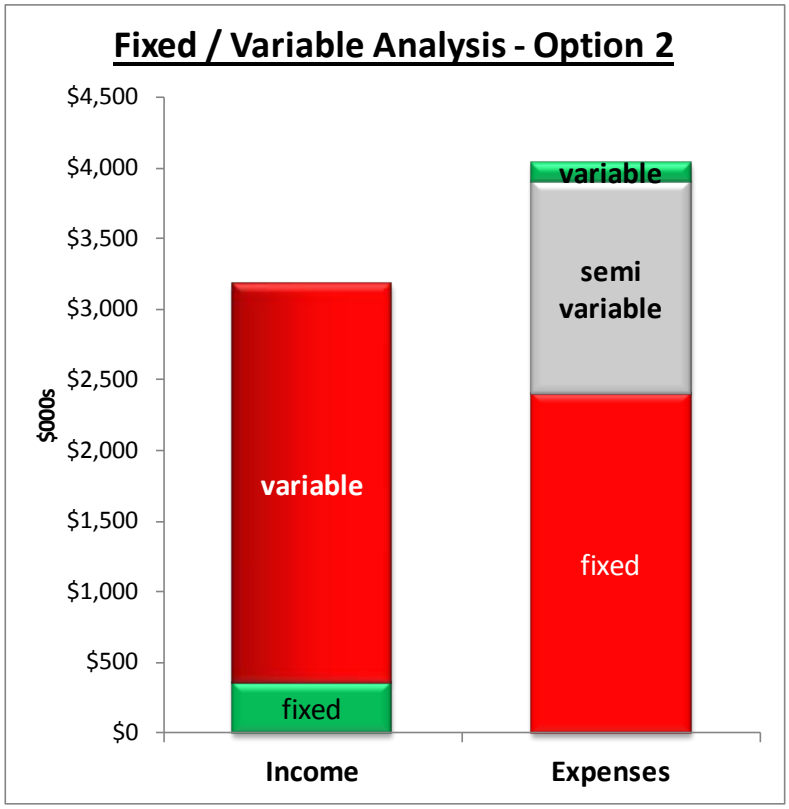
19.4 Potential Opportunity – Cap the Establishment Costs at $97.6m

The previous Business Case (December 2015) indicated an overall cost to establish the project of $97.6m. The $97.6m estimate was used to update the recently adopted 20 Year Strategic Financial Plan. The revised estimates for the favoured Scenario 2 are $2.1m higher, with a total revised cost of $99.7m. It may be worth capping the capital costs at $97.6m and reducing some parts of the specification.

19.5 Operating Analysis - Risk & Opportunities

It is impossible to predict exactly what the subsidy will be each year; there are a vast number of assumptions, internal factors, external factors and unknown variables that will impact on the subsidy each year. Before evaluating the possible changes, the key issue to consider is the nature of the income and costs, whether they are fixed (i.e. certain to occur) or variable (uncertain). Each of the income/expense items have been separately categorised as fixed, variable or semi-variable, so that the un/certainty can be summarised. The graph below for Scenario 3 financials at Year 5 summaries the outcomes of this analysis, the key issues are:

- Vast majority of the income is variable i.e. there is no guarantee that just by opening the facility that people will buy tickets, people will hire the spaces, eat there or park there.
- Majority of the Expenses are fixed (e.g. staffing), in that the expense will occur whether or not there are hires or ticketed events.



In summary the analysis informs us that the JPACF operating model provides a significant level of risk that the subsidy could be higher than ($0.9m) because there is uncertainty with most of the income but high certainty of most of the costs.

The table below evaluates some of the financial risks and opportunities of the annual Operating Subsidy.

	Risk / Opportunity		Subsidy Impact $m			Risk – How to Mitigate / Opportunity – How to Exploit
	Subject	Details	Worse Case	Mid	Best Case	
1	**Audience Activation**	By year 5, the program and audience need to be well developed to achieve industry standard utilisation and a subsidy of ($0.9m) per year. There will need to be significant effort in Years 1 to 4 to help develop the program/audience. There is a risk that the subsidy will be higher than ($0.9m), comparison to other facilities confirms this whilst the nature of the cash flows (uncertainty of income but certainty of costs) is another key factor. Therefore the worse case is that the subsidy could be ($1.0m) higher i.e. a total subsidy of ($1.9m) per year	($1.0)	($0.5)	$0.0	o This likelihood is possible, the consequence is major and therefore the overall risk score is MODERATE. o Full consideration of how to activate the facility is crucial so that the Year 5 Financial Targets can be achieved, e.g. - High profile company to activate Restaurant space in its own right - Encourage (large discount?) a company to become resident in the space for the first couple of years (at least) to help build a name for the facility - Program built up 1 to 2 years before facility opens
2	**Conferences, Exhibitions, Studios, Gallery**	There is now much higher income included in the projections than previous estimates.	($0.2)	($0.1)	$0.0	o This likelihood is possible and the consequence is minor and therefore the overall risk score is LOW. o Continue to review the utilisation assumptions.
3	**Finance Officer**	The projections now assume a full-time Finance officer within the JPACF. There is an opportunity for the financial support to be provided by the COJ Finance team.	$0.1	$0.1	$0.1	o Cost benefit Analysis will be required to justify all staff that the JPACF intends to use, that could otherwise be supported by the City
4	**Occupancy / Catchment Area / Social Economic Profile**	Catchment area in the revised projections is much larger than other Regional Arts Facilities. It is possible that the opportunities for utilisation and occupancy are higher than projected. The demographics of the catchment area indicate a higher level of education and appetite for arts participation/attendance than average.	$0.1	$0.2	$0.3	o The marketing of the facility should consider the full catchment area ensuring the facility becomes recognised as a regional facility and not just a City of Joondalup facility

		The City should bear in mind that WA is isolated and it can often be difficult to attract artists to the area.				
5	**Operating Grants**	MPAC receive funding from Federal body to help subsidise some performances (e.g. with travel costs), but this may be discontinued in future as no longer classed as Regional. The Department of Culture Arts have a range of grants available to help support activities but it is deemed unlikely that these could be accessed and mitigate the subsidy	$0.0	$0.0	$0.0	o Further consultation with the Department of Culture & Arts.
6	**Building Maintenance and Utilities**	The revised projections have now increased the Utility and Building maintenance costs based on consultancy advice.	$0.0	$0.1	$0.2	Continue to review the projections for the Building Maintenance and Repair costs. Bottom up analysis (i.e. space by space) required.
7	**Volunteers**	Many Arts Facilities use Volunteers, people who have an interest in supporting the facility	Tbc	Tbc	Tbc	Set up a Volunteer program as early as possible. Analysis of volunteers used by other centres and identification of the possible savings.
8	**Buy a Seat**	Is there an opportunity for patrons to purchase a seat, which provides them with the opportunity of discounted tickets	$0.1	$0.1	$0.2	This could provide the JPACF with additional income, for example $500 per seat x 400 seats. To be investigated
9	**Parking Utilisation**	The projections from Year 15 assume 50% utilisation of the parking bays during the day. This could be higher or lower due to a range of factors e.g. development in immediate area.	($0.2)	($0.05)	$0.2	Continue to review and update utilisation assumptions.
10	**Parking Cost of Sales**	It is now assumed that the existing parking team should be used to assist with operating the parking at the JPACF. The City could consider at a later point in time that it would prefer dedicated staff during the day	($0.1)	($0.05)	$0.0	Continue to review the operating model for the Parking Facility in conjunction with the Parking Services Team.

19.6 Sensitivity Analysis

The table below summarises the sensitivity of the overall cash flows for Scenario 3 i.e. how much higher or lower than the $170.8~~217.5~~ million the outcome may be by 2058-59. The parameters used for the analysis are:

- Capital Costs being higher or lower than the $99.7m currently estimated. It is more likely that the capital costs could be higher than the $99.7m than lower, and therefore the analysis evaluates the impacts of a 30% increase to capital costs but only considers a reduction of 10%. These are evaluated in steps of 5%.
- Operating Subsidy being $400,000 less than the $863,000 estimated or $400,000 more. These are evaluated in steps of $100,000.

Operating Subsidy per year	-10%	-5%	0%	5%	10%	15%	20%	25%	30%
($463)	($118.5)	($126.0)	($133.6)	($141.2)	($148.7)	($156.3)	($163.8)	($171.4)	($197.0)
($563)	($127.8)	($135.3)	($142.9)	($150.4)	($158.0)	($165.6)	($173.1)	($180.7)	($206.3)
($663)	($137.1)	($144.6)	($152.2)	($159.7)	($167.3)	($174.9)	($182.4)	($190.0)	($215.6)
($763)	($146.3)	($153.9)	($161.5)	($169.0)	($176.6)	($184.1)	($191.7)	($199.3)	($224.9)
($863)	($155.6)	($163.2)	**($170.8)**	($178.3)	($185.9)	($193.4)	($201.0)	($208.5)	($234.2)
($963)	($164.9)	($172.5)	($180.0)	($187.6)	($195.2)	($202.7)	($210.3)	($217.8)	($243.5)
($1,063)	($174.2)	($181.8)	($189.3)	($196.9)	($204.4)	($212.0)	($219.6)	($227.1)	($252.7)
($1,163)	($183.5)	($191.1)	($198.6)	($206.2)	($213.7)	($221.3)	($228.9)	($236.4)	($262.0)
($1,263)	($192.8)	($200.3)	($207.9)	($215.5)	($223.0)	($230.6)	($238.1)	($245.7)	($271.3)

The results of the sensitivity analysis indicate that the overall cost by 2058-59:

- Best case could be $118.5 million which would arise if the capital costs were 10% lower and the Operating Subsidy was $400,000 less
- Worst Case could be $271.3 million which would arise if capital costs were 30% higher and the Operating Subsidy was $400,000 more.

19.7 Further Reviews of the Financial Projections

The financial projections are based on a set of assumptions. It is not expected that the projections will come to pass exactly as shown. The financials have been, and will continue to be, constantly reviewed, so that the risk and sensitivity of the project can be managed and the forward projections updated in the annual budget, 5-year Capital Works and future updates of the *20 Year Strategic Financial Plan*. Below are some of the key improvements required to the financial projections:

- Utilities – detailed review of each space in the JPACF, the potential usage, power required and detailed Utility forecast. At present the forecast is still high level.
- Building Maintenance & Utility Costs built up bottom up.
- Capital Replacement – ~~detailed review of each capital element (QS Breakdown) and consideration of the likely life cycle~~benchmarking of other Arts Centres in Australia that are at least 20 years old.
- Commercial returns of each area. It would be a useful exercise to allocate the income and all costs to each individual space, and compare to the capital costs. This would give an indication of the commercial return/loss of each space.

19.8 Reviews undertaken of the Financial Modelling

The analysis used within the financial evaluation does not contend to be precise. The analysis is deemed reasonable taking account of the assumptions by the project and provides robust supporting information to the Business Case and to assist decision makers with evaluating the project. In support of the Financial Analysis it is worth noting that there have been three~~two~~ external reviews of the Financial Analysis and Financial Modelling:

- November 2015 – external review of financial projections
- June 2016 (Deloitte) – Integrity Review of Financial Model used for JPACF project
- November 2016 (Deloitte)– Review of the Financial Assumptions and Business Case.

The review of the financial model confirmed that it was rigorous. The recent review by Deloitte~~Both reviews provide the City with a high level of assurance regarding the techniques and financial models used in the evaluation.~~ confirmed that the City had undertaken an extensive process in developing the business case and developed a detailed financial model.

APPENDICES

APPENDIX 1 – CONSTRUCTION COSTS SUMMARY

Element	2015 Estimate $m	July 2016 $m	Difference $m	Difference %
1 SUBSTRUCTURE	$1.8	$3.6	**$1.8**	**101%**
2 COLUMNS	$1.4	$1.8	$0.4	**28%**
3 UPPER FLOORS	$8.1	$10.3	**$2.2**	**26%**
4 STAIRS	$0.9	$1.0	**$0.1**	14%
5 ROOFS	$6.3	$6.9	**$0.6**	10%
6 EXTERNAL WALLS	$7.6	$7.3	-$0.3	-4%
7 WINDOWS AND EXTERNAL DOORS				
8 INTERNAL WALLS	$5.6	$6.4	**$0.8**	15%
9 INTERNAL SCREENS	$0.2	$0.6	**$0.4**	**244%**
10 INTERNAL DOORS	$0.7	$0.6	-$0.1	-12%
11 WALL FINISHES	$1.3	$1.1	-$0.2	-12%
12 FLOOR FINISHES	$2.6	$2.1	-$0.5	-20%
13 CEILING FINISHES	$1.3	$1.7	$0.3	25%
14 FITTINGS AND EQUIPMENT	$2.6	$4.3	**$1.7**	**64%**
15 SPECIAL EQUIPMENT	$1.0		-$1.0	-100%
16 SANITARY FIXTURES	$0.3	$0.4	$0.1	**48%**
17 SANITARY PLUMBING	$0.5	$0.9	$0.4	**95%**
18 WATER SUPPLY	$0.4	$0.7	$0.4	**97%**
19 GAS SERVICE	$0.0	$0.0	-$0.0	-2%
20 VENTILATION	$0.9	$0.8	-$0.0	0%
21 AIR CONDITIONING	$7.2	$7.3	$0.1	1%
22 FIRE PROTECTION	$3.0	$3.0	-$0.0	0%
23 LIGHT AND POWER	$5.4	$3.8	-$1.6	-29%
24 COMMUNICATIONS	$1.2	$1.3	$0.1	12%
25 LIFT INSTALLATION	$1.3	$1.6	$0.3	**25%**
26 SPECIAL SERVICES	$0.8	$0.7	-$0.0	-2%
27 Replanning Saving		-$1.8	-$1.8	
A TOTAL BUILDING WORKS	**$62.2**	**$66.5**	**$4.4**	**7%**
27 EXTERNAL WORKS	$1.7	$2.6	$0.9	**53%**
28 EXTERNAL SERVICES	$1.4	$1.2	-$0.2	-15%
29 MAIN CONTRACTOR PRELIMS	$8.9	$9.3	$0.4	5%
B CURRENT DAY BUILD COSTS	**$74.1**	**$79.5**	**$5.4**	**7%**
30 DESIGN CONTINGENCY	$3.7	$3.2	-$0.5	-14%
31 CONSTRUCTION CONTINGNECY	$2.9	$2.1	-$0.8	-28%
32 FURNITURE, FITMENTS AND EQUIP.	$0.7	$0.8	$0.0	5%
33 THEATRE TECHNICAL EQUIP.	$2.6	$3.5	**$0.9**	**37%**
34 PROFESSIONAL FEES	$8.8	$7.5	-$1.3	-15%
C ESTIMATED TOTAL COSTS	**$92.7**	**$96.5**	**$3.8**	**4%**
35 TRAFFIC TREATMENT & EXTERNAL WORK	$1.7		**-$1.7**	-100%
36 JINAN GARDENS & CITY PROJECT COSTS	$3.2	$3.2		
D TOTAL PROJECT COSTS	**$97.6**	**$99.7**	**$2.1**	**2%**

APPENDIX 2 – ESCALATION ASSUMPTIONS APPLIED

		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	and every year until	2058-59
CPI	%	2.5%	2.5%	2.5%	2.5%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%		3.5%
Employment Costs	%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.5%		3.5%
Utilities	%	3.3%	3.3%	3.3%	3.3%	3.8%	4.3%	4.3%	4.3%	4.3%	4.3%		4.3%
Parking Fees	%	20.0%	16.7%	14.3%	12.5%	5.6%	5.3%	5.0%	5.0%	5.0%	3.5%		3.5%

APPENDIX 3 – TAMALA PARK PROCEEDS (POST CONSTRUCTION) VS. LOAN REPAYMENTS

	$000s	Total	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Loan Repayments	Principal	**($57,770)**	($1,291)	($2,967)	($3,081)	($3,199)	($3,321)	($3,449)	($3,581)	($3,718)	($3,860)	($4,008)	($4,162)	($4,322)	($4,487)	($4,659)	($4,838)	($2,826)
Loan Repayments	Interest	**($22,597)**	($1,078)	($2,554)	($2,420)	($2,280)	($2,134)	($1,983)	($1,827)	($1,664)	($1,495)	($1,319)	($1,137)	($948)	($751)	($547)	($336)	($123)
Loan Repayments	Total	**($80,367)**	($2,369)	($5,522)	($5,501)	($5,479)	($5,456)	($5,432)	($5,407)	($5,382)	($5,355)	($5,328)	($5,299)	($5,270)	($5,239)	($5,207)	($5,173)	($2,949)
Tamala Park Proceeds - Post Construction		**$46,676**			$3,500	$6,000	$6,500	$5,667	$5,833	$4,167	$8,500	$4,333	$2,176					
Proceeds vs Loan Repayment	By Year	**($33,691)**	($2,369)	($5,522)	($2,001)	$521	$1,044	$235	$426	($1,215)	$3,145	($995)	($3,123)	($5,270)	($5,239)	($5,207)	($5,173)	($2,949)
Proceeds vs Loan Repayment	Cumulative		($2,369)	($7,890)	($9,891)	($9,369)	($8,325)	($8,090)	($7,665)	($8,880)	($5,735)	($6,730)	($9,853)	($15,122)	($20,361)	($25,568)	($30,741)	($33,691)

City of Joondalup

T: 08 9400 4000

JOONDALUP PERFORMING ARTS AND CULTURAL FACILITY

COMMUNICATIONS PLAN

Please note: The communications plan is based on Council approving the JPACF Business Case at its Wednesday 1 February 2017 Council Meeting. The communications plan will be updated, if required.

42 Day advertising period: **Thursday 16 February 2017 – Thursday 30 March 2017.**

ITEM	COMMENT	WHEN/WHERE	DATE
JPACF Brochure	For City wide mail out.	Provided to printer.	Thursday 2 February
Cover Letter	For City wide mail out.	Provided to printer.	Thursday 2 February
JPACF Marketing materials	All other marketing materials – finalised and approved.	Provided to printer (as applicable)	Thursday 2 February
City media release	Promoting the JPACF Business Case and seeking feedback from ratepayers, occupiers, businesses and key stakeholders during February 16 – March 30 community consultation.	Media release.	Thursday 16 February
Website update	Links to FAQ's, brochure and other supporting documents.	City's website.	Thursday 16 February
JPACF Brochure and FAQ's and relevant documents.	To be uploaded onto the website as soon as possible on the day of media release being published.	City's website.	Thursday 16 February
Social Media	First post – Business Case open for public comment.	Facebook, Twitter.	Thursday 16 February
JPACF Poster	Information on how to Have Your Say.	City's libraries, Customer Service Centres, Leisure Centres and other identified locations.	Thursday 16 February
City Advertisement	First ad - draft designed.	Joondalup Weekender.	Thursday 16 February
City wide mail out	Includes brochure and cover letter.	Delivered to City wide letterboxes (ratepayers, occupiers, businesses and key stakeholders).	Thursday 16 – Friday 17 February

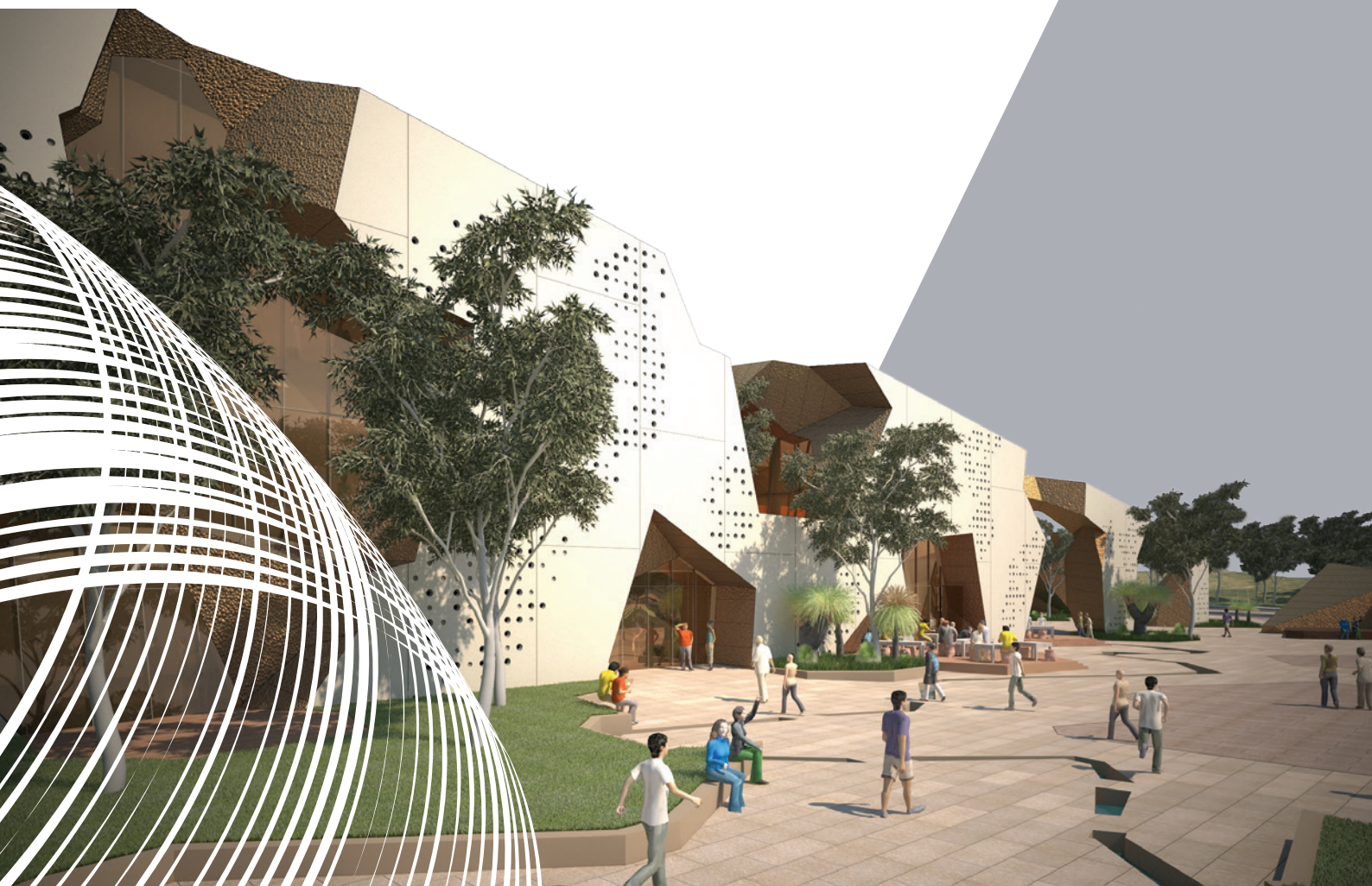
JOONDALUP PERFORMING ARTS AND CULTURAL FACILITY

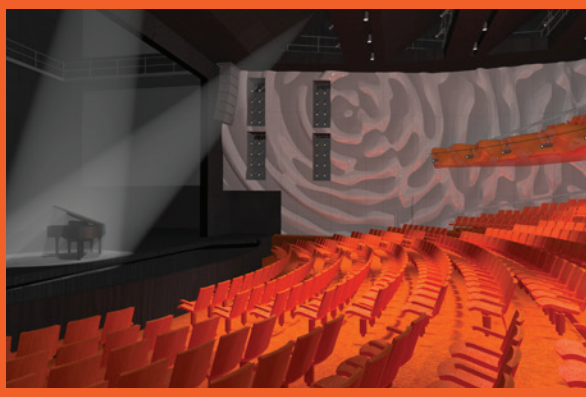
ITEM	COMMENT	WHEN/WHERE	DATE
Hero Image on website	Link to Joondalup Performing Arts and Cultural Facility webpage.	Uploaded.	Thursday 16 February
Landing page on website	Link to JPACF webpage.	Uploaded.	Thursday 16 February
Display screens	Displayed on TV screens at City libraries, Customer Service and Leisure Centres.	Uploaded.	Thursday 16 February
Social Media	Second post.	Facebook, Twitter.	Wednesday 1 March
City Advertisement	Second ad - Draft designed.	Joondalup Weekender.	Thursday 2 March
Information Sessions	Key stakeholders.		Dates to be confirmed
Articles in City publications – City News, Joondalup Voice	Delivered to all ratepayers. Joondalup Voice.	City News. Joondalup Weekender.	Saturday 11 March Thursday 9 March
City Advertisement	Third ad - draft designed.	Joondalup Weekender.	Thursday16 March
Social Media	Third post – advising of closing date for feedback.	Facebook, Twitter.	Monday 27 March
CLOSING DATE	**ALL ADVERTISING**		**THURSDAY 30 MARCH**

City of Joondalup

JOONDALUP

Performing Arts and Cultural Facility





A dedicated performing arts and cultural facility within the Joondalup City Centre will provide local opportunities for residents to participate in and experience cultural events.

Generating additional visits from across the metropolitan area, and tourists – such a facility will boost the local economy; create new jobs and further establish Joondalup as a destination City.

As the major northern regional centre for Perth's metropolitan area, Joondalup is an established business, education, entertainment, retail and tourism precinct. It is also a destination City for residents, visitors and tourists alike.

To complement existing facilities, the City has considered and researched the need for a purpose-built performing arts and cultural facility within the Joondalup City Centre. Such a facility will provide an outlet for cultural expression and experience, boost the economy and allow Joondalup to host prominent events and exhibitions that celebrate and encourage the arts.

Background

Since the 1990s, the City has considered the need for a dedicated performing arts and cultural facility. As the City's population has continued to grow, and as the City has established itself as the principal business, educational, entertainment and retail precinct within the northern corridor of Perth, the need for such as facility is now more pertinent.

Extensive research has been commissioned by the City of Joondalup for this project with several studies being undertaken since 2001. The most recent feasibility study (2012) further supported the development of a performing arts and cultural facility in Joondalup.

In April 2013, the City commenced an international architectural design competition for the project, receiving 21 submissions. ARM Architecture was endorsed by Council as the winner of the architectural design competition for their Art Box concept in April 2014. A People's Choice vote was also undertaken and was awarded to ARM Architecture.

Should the facility proceed, it will be located at 3 Teakle Court, Joondalup, which adjoins Central Park and the Joondalup Learning Precinct (Edith Cowan University, North Metropolitan TAFE and Western Australian Police Academy). This property, owned by the City, is ideally located close to public transport and facilities to maximise potential and usage.

Strategic planning

The development of the performing arts and cultural facility is one of the core initiatives identified in *Joondalup 2022: Strategic Community Plan 2012-2022*, and is considered a critical transformation project to achieve key outcomes.

The Plan provides the structure for the City's future, and outlines key goals for the coming years. It was developed based on a comprehensive community engagement process to ensure it aligned with the aspirations, expectations and vision of local residents and businesses.

As part of this Plan, the performing arts and cultural facility is identified as important to contributing to the growth of the Joondalup City Centre into a Destination City, capable of attracting and providing economic benefits and other outcomes for residents. These outcomes are connected to the Plan's strategic areas of "Economic prosperity, vibrancy and growth" and "Community wellbeing".

The Plan identifies that a performing arts and cultural facility would:

- establish a significant cultural facility with the capacity to attract world-class visual and performing arts events
- invest in publicly accessible visual art that will present a culturally-enriched environment
- promote local opportunities for arts development
- meet the City's aspirations of establishing a thriving cultural scene within the City.

The facility also links to the City's *Expanding Horizons: Economic Development Strategy*.

This strategy states that development of major strategic projects including the performing arts and cultural facility will enhance Joondalup as a major destination location and provide greater recognition of the City as meeting the requirements of a Primary Centre as defined by State Government.

The facility will be a key driver of strategic employment creation and is therefore supportive of the City's Economic Development Strategy.

Proposed inclusions

The proposed performing arts and cultural facility will feature:

- an 850 seat main auditorium of international standard, including a fly tower, with lighting and acoustic specifications of a high standard
- a 200 seat black box theatre to accommodate a variety of non-traditional theatre stagings and performances
- a range of rehearsal spaces that could also serve as places for small performances and general community activities
- theatre support spaces such as a box office, green room, make up and change areas, backstage workshops and storage
- a dedicated art gallery
- Jinan Chinese Cultural Garden
- conferencing and exhibition spaces
- spaces for the practice of fine arts and crafts
- curatorial space
- bar and catering facilities
- office and managerial spaces
- multi-storey car parking to cater for staff and patrons of the facility and day-time public parking.

Benefits

To be ideally located within the heart of the Joondalup City Centre, close to public transport and amenity, the project has strong support from industry stakeholders and community groups.

Extensive research and feasibility studies indicate the facility will:

- support an estimated 609 jobs (directly and indirectly) during construction
- create 47 jobs (directly and indirectly) through the operations of the facility and supplies purchased
- lead to the creation of 91 additional jobs across the retail, food and beverage and tourism industries as a result of increased visitation and tourism in the region
- 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
- increase access to art and cultural experiences
- connect audiences and artists
- increase creative output in the region and the pool of creative individuals – leading to the growth of creative industries such as advertising, software programming, publishing and architecture.

The inclusion of these aspects will deliver positive economic and social return on investment to the City of Joondalup and its ratepayers.

Financial projections

Financial modelling has been assessed by City officers and independent, external experts – experienced in the construction and management of similar facilities.

These costs have been considered and included as part of the City's 20 year Strategic Financial Plan.

Monetary projections are based on modelling. Should the project progress, there will be ongoing reviews and opportunities to improve financial assumptions and projections.

Design and construction

Based on current market rates the project is estimated to cost $99.7million to plan, design and construct. The City has already implemented strategies to fund the costs and if the project proceeds, will have a projected $37.5million in reserves to help fund the project. The remaining costs will be funded by a $10million grant and the balance by borrowings.

In addition, funds from Tamala Park land sales are forecast to provide an additional $46million to the City during the operating stage of the performing arts and cultural facility. Income from these sales will be used to pay down debt associated with the facility.

Annual operating costs

Based on detailed modelling and reviews of other similar facilities in Australia, it is anticipated that an ongoing annual contribution of $863,000 will need to be made to the facility by the City. This represents 21% of the total projected expenses of the facility; which is lower than other comparable facilities in Australia that require up to 37% of their expenses to be funded.

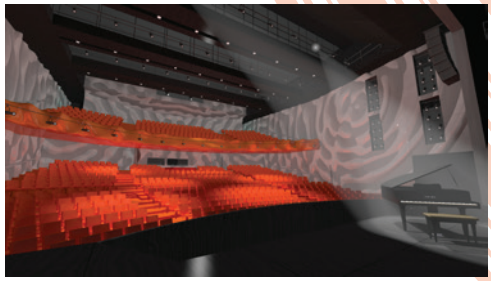
A depreciation expense of $1.5million per year is estimated.

Business Case

Based on population forecasts, market analysis and feasibility studies; there is evidence that there is currently a significant under-provision of performing arts and cultural facility within Perth's northern corridor.

Additionally, research indicates that such a facility will be extensively used, generate employment opportunities and encourage exposure to and uptake of the creative arts among City residents and residents of neighbouring localities.

The plan to include a multi-storey carpark as part of the construction, which can be used by patrons to the area, will also help alleviate future parking needs within the vicinity of the facility.



The City has prepared an extensive Business Case for the proposed facility, with the input of external experts, to assess the feasibility of a purpose-built facility. The working name for the project is the Joondalup Performing Arts and Cultural Facility (JPACF).

The Joondalup Performing Arts and Cultural Facility Business Case has been developed by City officers and external consultants. The studies and reports undertaken since 2001 have been incorporated into this Business Case.

It includes a thorough, expert-reviewed, analysis of the feasibility of the project in terms of:

- needs of the growing metropolitan population
- demand of the local population to access such facilities
- ability to attract major performing arts companies
- capital construction costs
- ongoing operational costs/revenue
- design options to maximise flexibility
- assessment of social and economic impacts
- sources of funding
- risk assessment (including variability of cash flows, returns and impacts on the City).

The Business Case has been reviewed and approved by Council for the purpose of public comment.

Have your say

The City of Joondalup requires feedback on the Joondalup Performing Arts and Cultural Facility Business Case from City residents and ratepayers, businesses and stakeholder groups.

Feedback received will inform Council in its decision-making process.

The Business Case will be open for comment for 42 days from **Thursday 16 February, 2017**. Comments and submissions can be made by completing the online comment form available at **joondalup.wa.gov.au**. Submissions must be received by **Thursday 30 March 2017**.

To view the draft Business Case and supporting materials visit **joondalup.wa.gov.au**

For further information please contact the Senior Projects Officer **(08) 9400 4292**.

City of Joondalup

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90 Boas Avenue Joondalup WA 6027
PO Box 21 Joondalup WA 6919

joondalup.wa.gov.au

This document is available in alternate formats upon request.

JOONDALUP
Performing Arts and Cultural Facility

City of Joondalup

Joondalup Performing Arts and Cultural Facility – Business Case Consultation

Frequently Asked Questions

What is the purpose of the consultation?

To seek community feedback on the Joondalup Performing Arts and Cultural Facility (JPACF) Business Case.

What is the project background?

The need for a regional performing arts and cultural facility was identified in the 1992 Joondalup Cultural Plan. Land for the proposed site of the JPACF (3 Teakle Court, Joondalup) was purchased in 2006.

At its June 2010 meeting (CJ103-06/20 refers), Council established the JPACF Steering Committee and endorsed the project philosophy and parameters for the JPACF. A Market Analysis and Feasibility Study was undertaken in 2012, outlining a significant under-provision of performing arts and cultural facilities in Perth's northern corridor.

At its March 2013 meeting (CJ04-03/13 refers), Council authorised the initiation of an architectural design competition for the development of a conceptual design for the JPACF.

The City commenced the two-stage competition through a request for Expressions of Interest (EOI) process in April 2013. A public voting process for the People's Choice Award was held for the four submitted concept designs, where Council subsequently endorsed a conceptual design.

What is the status of the JPACF Business Case?

In December 2015 (CJ77-12/15 refers), Council considered the Joondalup Performing Arts and Cultural Facility Business Case and Progression Options Report. This report provided options to progress the project through a schematic design stage.

Throughout the various phases of the project, feedback from consultants specialising in facility operation and management, architecture and social, economic and financial analysis, was collated and incorporated into the draft document.

In November 2016, the Major Projects Committee requested details of a community consultation plan for public consultation on the Joondalup Performing Arts and Cultural Facility.

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What is contained within the Business Case?

The Business Case includes the:

- project scope
- strategic context
- needs analysis
- design options
- financial, social and economic assessments.

The appendix contains all supporting documentation. This includes consultant reports, concept and schematic design drawings, detailed financial and operations analysis and other technical data.

Has the Business Case been reviewed?

In the interests of accountability, probity and transparency as part of the on-going due diligence applied to this project, a number of consultant reviews were undertaken by:

- Pracsys – Economic and social return on investment, forecast usage assumptions
- Rudi Gracias – Financial and operational assumptions
- Paxon Group – Repairs and maintenance, utilities, capital replacement costs, and forecast usage assumptions
- Deloitte – Financial projections, business case and financing.

These reviews were presented to Council, to allow them to make an informed decision on whether to progress the project to the community consultation stage.

Where is the proposed site location and how was the location decided?

In 2006, the City purchased Lot 1001 from the Department of Education and Training (now the Department of Training and Workforce Development).

The contract of sale for the land included special conditions limiting the use of the land to the provision of a cultural facility and associated activities.

This location is adjacent to the Joondalup Learning Precinct (Edith Cowan University, North Metropolitan TAFE and Western Australian Police Academy), and has access to public transport with integrated transport linkages to main roads.

What features are anticipated to be included in the facility?

The facility will feature:

- an 850 seat main auditorium of international standard, including a fly tower, with lighting and acoustic specifications of a high standard
- a 200 seat black box theatre to accommodate a variety of non-traditional theatre stagings and performances
- a range of rehearsal spaces that could also serve as places for small performances and general community activities
- theatre support spaces such as a box office, green room, make up and change areas, backstage workshops and storage
- a dedicated art gallery
- Jinan Chinese Cultural Garden
- conferencing and exhibition spaces
- spaces for the practice of fine arts and crafts
- curatorial space
- bar and catering facilities
- office and managerial spaces
- multi-storey car parking to cater for staff and patrons of the facility and day-time public parking.

What consultation has already been conducted?

The City has consulted widely on the JPACF project, specifically during:

Initial scoping and planning phases: the City undertook a comprehensive survey of various schools, community groups and professional cultural and performing arts performers and artists.

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.

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.

Industry experts: 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.

Joondalup Performing Arts and Cultural Facility Steering Committee: from 2011 to 2015 the JPACF project was overseen by the Joondalup Performing Arts and Cultural Facility Steering Committee. This committee included external members from the Joondalup Learning Precinct, specialist performing arts and cultural experts and members from community arts groups.

Government: 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.

How much is the project estimated to cost?

The project is estimated to cost $99.7million, at current market rates, to plan, design and construct.

The City has already implemented strategies to fund the costs and if the project proceeds, will have a projected $37.5million in reserves to help fund the project. The remaining costs will be funded by a $10million grant and the balance by borrowings.

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 expenses, which compares favourably to other similar facilities in Australia.

A depreciation expense of $1.5million per year is estimated.

Who is anticipated to benefit from the facility?

- 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.

Who is currently being consulted?

The City will be consulting with all residents, ratepayers and businesses in the City of Joondalup.

Various other stakeholders including representitives of schools and community arts groups will also be asked to provide feedback.

Where can I view the Business Case?

Due to the size of the documents, the Business Case and supporting information will be available on the City's website at **joondalup.wa.gov.au**.

When does the community consultation period close?

The community consultation process will be conducted over a 42 day period from **Thursday 16 February 2017**, closing on **Thursday 30 March 2017**.

What happens next?

Once all feedback received by the City has been collated and reviewed, a report will be prepared for Council.

This report will be used by Council in its decision-making process.

Who do I contact for more information?

For further information, please contact the City's Senior Projects Officer on **9400 4292** or at **info@joondalup.wa.gov.au**

Joondalup Performing Arts and Cultural Facility – Business Case

Online Comment Form

The City of Joondalup is seeking community and stakeholder feedback on its *Joondalup Performing Arts and Cultural Facility – Business Case.* This comment form can be completed electronically via the Community Consultation section of the City's website: **joondalup.wa.gov.au**

It is recommended that you read all the documents located on the City's website prior to providing feedback. If you have any questions, please contact the City's **Senior Projects Officer on 9400 4292** or email **info@joondalup.wa.gov.au**

Your Details:				
Note that for your comment form to be valid, your contact details must be provided. This information will be treated as confidential and will not be published in any document or report on the outcomes of the consultation.				
Name:				
Address:				
Suburb:				
Phone:				
Email:				
I am aged:	☐ under 18	☐ 18–24	☐ 25–34	☐ 35–49
	☐ 50–59	☐ 60–69	☐ 70–84	☐ 85+

1. Please nominate an option which best describes your stakeholder status. ***(Please tick as many as possible)***
☐ Business Owner/Representative
☐ State/Federal Government Department Representative
☐ Local Resident/Ratepayer
☐ Education Institution Representative
☐ State/Federal Government Member
☐ Not for Profit Organisation Representative
☐ Community Arts Group member
☐ Other – please describe:

Business Case Feedback

The Joondalup Performing Arts and Cultural Facility Business Case provides research and analysis on the following sections:

- Project background (i.e. project history, objectives)
- Context (i.e. local and regional significance)
- Need Analysis (i.e. feasibility studies completed, demographic analysis)
- Location, Design Options and Proposal
- Financial Projections
- Economic Impact Assessment (i.e. local and regional economic benefits)
- Economic Growth to support artistic and cultural participation
- Social Impact Assessments

2. Please provide your feedback on the *Joondalup Performing Arts and Cultural Facility – Business Case*.

Thank you for your feedback.

Please ensure this form is completed online by the closing date: **30 March 2017**

Request to be informed:

*The City of Joondalup can send you an email update informing you when the consultation results are finalised. If you would like to be informed via email, please tick the box below and **ensure your email address is provided in the "Your details" section above**.*

☐ I would like to be informed via email when the consultation results are finalised

City of Joondalup Community Engagement Network:
The Community Engagement Network is a network of community members interested in being consulted and engaged on an ongoing basis about future strategic initiatives in the City of Joondalup. Contact details are kept strictly confidential and members can opt-out at any time.

*If you are interested in joining the City of Joondalup Community Engagement Network, subscribe on the City's website at www.***joondalup.wa.gov.au**

☐ I am interested in joining the City of Joondalup Community Engagement Network

City of Joondalup

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Performing Arts and Cultural Facility

A dedicated performing arts and cultural facility within the Joondalup City Centre will provide local opportunities for residents to participate in and experience cultural events.

Generating additional visits from across the metropolitan area, and tourists – such a facility will boost the local economy; create new jobs and further establish Joondalup as a destination City.

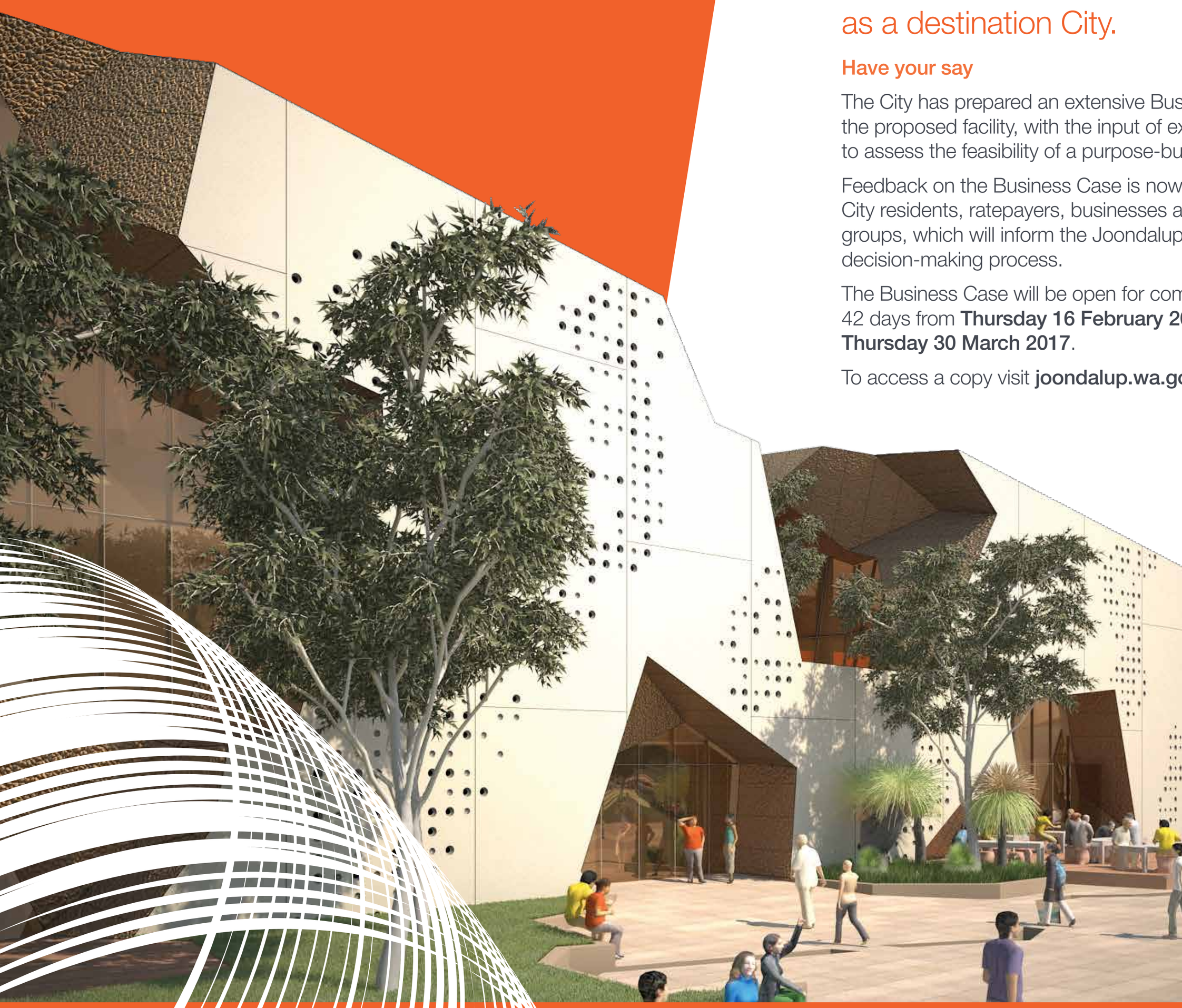
Have your say

The City has prepared an extensive Business Case for the proposed facility, with the input of external experts, to assess the feasibility of a purpose-built facility.

Feedback on the Business Case is now required from City residents, ratepayers, businesses and stakeholder groups, which will inform the Joondalup Council in its decision-making process.

The Business Case will be open for comment for 42 days from **Thursday 16 February 2017,** closing **Thursday 30 March 2017**.

To access a copy visit **joondalup.wa.gov.au**



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Community Consultation

Thursday 16 February – Thursday 30 March 2017