

BOAS PLACE

Order of Magnitude Business Case



Succeeding
Together



March 2019

18-007

DRAFT



City of
Joondalup

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Attachments:

- Appendix A – Civil Costs & Current Market Values
- Appendix B – Background Analysis (**Pracsys**)
- Appendix C – Financial Feasibility Summaries
- Appendix D – Market Evidence (Sales and Leasing)
- Appendix E – Concept Estimate (**RBB**)
- Appendix F – Desktop Environmental Assessment (**Aurora**)
- Appendix G – Cost Benefit Analysis (**Pracsys**)

1. EXECUTIVE SUMMARY

The purpose of the OMBC is to provide a recommendation to the City as to the best use of the site which takes into consideration market trending as well as social, economic and environmental benefits. This assessment will assist in providing a final recommendation to the City informing which proposed development option provides the greatest amount of benefit to the precinct with the lowest financial risk.

Over the past six years, the City has sought expressions of interest from the market to develop Boas Place. For a variety of reasons, negotiations with the identified preferred development partner did not progress to development. A significant reason for this was the downturn in market conditions and its impact on project viability. This Business Case seeks to inform the City of the viability and performance of a City led development of Boas Place.

PROJECT OBJECTIVES

To assist in the evaluation of identified options, the following project objectives have been considered:

- 1. Development of City Centre** – The City wishes to see the City Centre developed to its highest and best use. This will occur in line with expected demand for varying land uses.
- 2. Positive NPV** - This has been evaluated over the total cashflow period, through to 2060, to allow for a full lifecycle of the administration building, whether a new build or refurbished asset and takes into consideration of all whole-of-life costs (one off costs, funding, recurring costs, recurring revenue, capital replacement).
- 3. Operating Surplus** - It is considered vital that the optimal solution not worsen the City's operating deficit so an operating surplus will be required (when compared to baseline).

1.1 OPPORTUNITY

For some time, the City has been considering the development and reactivation of Boas Place and has engaged numerous consultants and developers to conduct an assessment of what they would consider achievable on the site. In 2017, The City

endorsed a concept plan designed by Woods Bagot which proposes the development of eight buildings comprising of commercial, residential, retail and hospitality surrounded by a substantial public realm that incorporates a civic square and interconnecting spaces.

Development of this concept plan was in response to the anticipated expected growth in the Joondalup precinct across the medium to long term, as well to re-vitalise the area to match other nearby re-developments such as Lakeside Joondalup. Boas Place is situated within the City Centre of the broader Joondalup Activity Centre and the key objectives for this precinct were highlighted within the Joondalup Activity Centre Plan included the following:

- Encourage the highest intensity of mixed-use development and the greatest concentration of employment intensive land uses.
- Support mixed-use development along Joondalup Drive and Grand Boulevard to form intense inner-city development corridors.
- Establish the Joondalup Drive/Grand Boulevard and Shenton Avenue/Grand Boulevard intersections as the primary gateways into the city centre.
- Reinforce Central Walk (north-south) and Boas Avenue (east-west) as the primary pedestrian spines by activating buildings with ground floor uses.

It is the intention of the City that Boas Place will provide a strategic setting and a sought after commercial and residential address, becoming the heart of the City of Joondalup.

1.2 DEMAND ANALYSIS

Pracsys have been engaged to provide background analysis with regard to current and future floor space breakdown across the Joondalup City Centre. The below table projects the additional requirements for Office, Residential and Retail land uses in the Joondalup City Centre over the next 17 years. The projections are based on historical floor space increases by use between 2001 and 2016 and take into consideration the future population projections for the North West Sub Region ("NWSR").

Land Use	2021	2026	2031	2036	Change from 2016
Office	19,627	9,070	9,494	9,361	47,552
Residential	3,416	3,554	3,719	3,667	14,356
Retail	9,563	12,705	13,298	13,112	48,678
Total	32,606	25,329	26,511	26,140	110,586
Cumulative Total	215,586	240,915	267,426	293,566	

1.3 LAND USES

We have reviewed the current Woods Bagot concept design, with indicative uses and amended based on specific sites. Sites A and B are ideally positioned as potential office accommodation which will complement the civic centre, library and proposed civic square. Site C has been endorsed as a future Hotel site, although timing for delivery will be subject to demand, given the 90-bed hotel development currently under construction opposite Boas Place. Sites D and E are considered prime residential development sites with ground floor retail activation. Site F is well positioned for multiple residential uses. However, due to the ongoing demand for aged care and retirement living product throughout the NWSR, we have allocated this site for this purpose. Sites G and H have dual potential uses, COJ administration building and Residential. The project team endorsed site G in order to provide an alternate option for relocating the administration building to an alternate site within the City Centre precinct.

Block	Endorsed Use	Land Area	Floors
A	Office	2,353	G + 10
B	Office	2,611	G + 7
C	Hotel	1,787	G + 7
D	Residential	1,235	G + 5
E	Residential	1,406	G + 5
F	Age Care & Retirement Living	2,555	G + 13

Block	Endorsed Use	Land Area	Floors
*G	Residential / COJ Admin	908	G + 6
H	COJ Admin / Residential	1,842	N/A
TOTAL		14,697	

*Additional floor added to site G in order to accommodate alternate site for COJ administration building.

1.4 DEVELOPMENT OPTIONS

In order assist in making an informed decision regarding the future development of the precinct, a number of land subdivision options have been developed. Base on the endorsed land uses, it was considered with the project team what types of assets COJ would develop with the intent on selling to market. These two built form options have been documented within the table below as well.

Option	Description	Land Sale	Land Lease
Land Development			
1	Refurbish Administration building, develop all remaining vacant lots and sell	A, B, C, D, E, F & G	N/A
2	Refurbish Administration building, develop all remaining vacant lots, selling some and leasing others	D, E, F & G	A, B & C
3	Build new administration building on site G, develop all remaining vacant lots and sell	A, B, C, D, E, F & H	N/A
4	Build new administration building on site G, develop all remaining vacant lots, leasing lots with uses that support ground leases and selling the remaining lots.	D, E, F & H	A, B & C

Option	Description	Land Sale	Land Lease
Built Form			
5	Refurbish Administration building, develop all remaining vacant lots and sell	A – Office B – Office D – Residential E – Residential G – Residential	C & F
6	Build new administration building on site G, develop all remaining vacant lots, leasing lots with uses that support ground leases and selling the remaining lots.	A – Office B – Office D – Residential E – Residential H – Residential	C & F

Based on the following developments options, two staging option scenarios were developed. The detail and designs for these two staging options can be found under Section 6.

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1.5 FEASIBILITY

LAND AND BUILT FORM DEVELOPMENT OPTIONS

The following table represents the Key Performance Indicators for the land and built form development options.

Options	Net Present Value	IRR	Net Position	Net Margin	Peak Annual Debt / Period
Land Development Options					
Do Nothing	-\$15,653,413	0.45%	-\$81,580,585	N/A	-\$81,580,585 / 2060
Option 1	-\$10,436,558	4.56%	\$7,284,834	6.85%	-\$33,062,476 / 2024
Option 2	-\$19,861,737	3.35%	-\$36,010,682	-34.56%	-\$37,998,088 / 2034
Option 3	-\$12,736,855	4.30%	\$7,606,829	7.12%	-\$35,741,318 / 2026
Option 4	-\$22,683,739	3.13%	-\$36,580,628	-34.37%	-\$43,970,468 / 2028
Built Form Development Options					
Option 5	-\$32,521,830	1.87%	-\$32,040,400	-7.78%	-\$101,435,307 / 2034
Option 6	-\$28,720,850	2.55%	-\$13,067,033	-3.05%	-\$95,946,371 / 2027

SUMMARY OUTCOME

Based on the analysis undertaken, Option 1 has been identified as the preferred option based on NPV and IRR performance.

1.6 EVALUATION OF PREFERRED OPTION

Based on the analysis conducted above, **Option 1 was identified as the preferred option**. Economic planning and development consultants, Pracsys, have undertaken a cost benefit analysis to indicate the anticipated economic and social benefits to the city.

Boas Place will provide a significant opportunity to induce private investment into the precinct and provide substantial economic and social benefits to the City and its residents. This will flow from the anticipated 2,298 direct FTE's (construction and operational) expected from the preferred option, providing over \$145M in economic benefits and over \$13M in social benefits. The net present value has been summarised below:

Item	Value
Total Present Value Benefits	\$158,150,000
Total Present Value Costs (City's Costs)	\$27,430,000
Net Present Value	\$130,720,000
Benefit Cost Ratio (7%)	5.77

This is a net present value of \$131M over 30 years. The benefit cost ratio (BCR) indicates that for every dollar invested by the city, it will provide \$5.77 of benefits to the community. Even if a conservative BCR discount rate is applied (10%) this will still provide a BCR rating of 4.16, a sound investment return. Overall, the preferred option presents a strong value for money return to the City as well as providing substantial benefits to the community.

1.7 ENVIRONMENTAL

Aurora Environmental were engaged to undertake a desktop environment assessment of the site. As a whole, the site contains very few environmental

constraints which may impact further development. However, key recommendations which arose from the assessment included:

- \ A pre-demolition hazardous materials survey conducted (potential asbestos in one of the buildings).
- \ Development of a bushfire management plan (southern part of the site mapped within a bushfire prone area).
- \ Acquisition of a clearing permit from the Department of Water and Environmental Regulation for any vegetation and flora clearing (limited to south east corner).

1.8 KEY ASSUMPTIONS

The following provides a summary of our key assumptions

- \ Cashflow models have been considered from 2019 through to 2060. The reason for this is to allow for a full lifecycle of the administration building, whether a new build or refurbished asset.
- \ We have relied on McGees valuation report (2016) to inform end lot values whilst considering Colliers Valuation report (2018) for likely ground rent yields (6.5%).
- \ With regard to options considering refurbishment of the existing administration building, we have relied on costs provided by COJ prepared by Wilde and Woollard (\$16.3M). To be consistent, we have considered that building refurbishment would take place in the shorter term, circa 2023, a similar timeframe to the options proposing development of a new administration building on site G.
- \ The Perth residential market has been in a depressed state for the past 4-5 years with the majority of re-sales stock, constructed within the last 15 years, currently achieving sales rates in the order of \$4,000 - \$5,000m² of living area. Residential development at these sales rates would not be feasible. The market will not deliver residential product until pricing has reached a level to make the project viable. For modelling purposes, we have adopted prices more reflective of current asking prices for the "Art House" development, see Appendix D.
- \ The current market value of the administration building, circa \$16.5M, includes 106 parking spaces which would not remain with the building post land development of all remaining lots. We are unaware of a market value that considers the administration building, excluding car bays and surplus land. For

the purpose of our analysis, we have adopted \$16.5M as a current value for the administration building.

- \ Similarly, the City does not currently have a fair market value for Lotteries House. For the purpose of this assessment, we have adopted the advised Current Replacement Cost (CRC) for the building (\$5.8M).
- \ Comparable large-scale commercial assets to those proposed, particularly on sites A and B, have not yet been developed and/or sold within the Joondalup market. To this end, we have analysed sales from the Perth CBD and surrounds in order to determine a capitalisation rate (yield). The yield adopted, 7.5%, considers a strong existing lease covenant and new build asset. Similarly, office rental evidence for similar assets are not readily available and our assessed present-day net rental rate of \$300/m² considers a new build asset, inclusive of parking.
- \ We have assumed a present-day value of a refurbished administration building of \$21.18M. This has been calculated based on a net rent of \$300/m² capitalised at a yield of 7.5%.
- \ The assessed value of a refurbished administration building (\$21.18M) is far less than the current market value (\$16.5M) plus the costs of refurbishment (\$16.3M). This is however a cheaper alternative to the development of a new administration building on site G (\$18.15M).

1.9 KEY FINDINGS

Based on our analysis undertaken, Option 1 has been identified as the preferred option based on NPV and IRR performance. However, it should be noted that Option 1 and Option 3 are very similar, from an overall performance perspective, see table below:

Key Performance Indicators (Whole of Life)	Option 1	Option 3
Net Present Value	-\$10,436,558	-\$12,736,855
IRR	4.56%	4.30%
Net Development Profit	\$7,284,834	\$7,606,829

Key Performance Indicators (Whole of Life)	Option 1	Option 3
Development Margin	6.85%	7.12%
Peak Annual Debt / Period	-\$33,062,476 / 2024	-\$35,741,318 / 2026

- \ The current concept, although high level, provides for well-proportioned lots with significant public realm to support the proposed City Centre development. Ultimate land uses may require refinement over time, to reflect market demand.
- \ Although providing a negative NPV (\$10.4M), this option provides ongoing revenue (rates) whilst allowing the market to deliver the built form, pending demand.
- \ The major difference in performance between Options 1 and 3 is the longer-term debt carried throughout the operational phase of Option 1. Although, ultimately, providing a marginally superior development profit/margin, Option 1 does not achieve this until close to the end of the cash flow period (2058), adversely impacting on NPV and IRR performance.
- \ Rates income generated is far greater p.a. than land lease income, therefore, develop and sell scenarios perform better than models involving ground leasing sites. If all sites, other than the existing administration building (Site H) were to be developed and leased, this would result in a present-day gross rental income in the order of \$900k. Conversely, if all sites, excluding H, were developed and sold, this would result in present day gross rates revenue in the order of \$1.5M.

From a programming perspective, implementation of Option 3 is considered to be a less risky proposition for the City, as a new administration facility could be constructed whilst COJ continue to occupy the existing building. Once the new building reaches practical completion, the City would then be able to move their administrative operations to the new building and prepare the existing building for demolition and ultimate lot creation. In addition to this, the Whole of Life NPV for Option 1 considers a terminal value for the refurbished administration building of \$83.5M (2060). Should the administration building have a lower value, without allocated parking, Option 1 would cease to present a better financial proposition, when compared to Option 3. **From a sensitivity perspective for Option 1, if the administration building had a**

terminal value in the order of \$44M (2060) the two options would have a comparable NPV with Option 3 having a superior IRR (4.30% v 3.46%).

EVALUATION OF OPTION 3

In addition to the analysis undertaken on the financially preferred option, Option 1, Pracsys have undertaken analysis on the longer-term benefits of the implementation of Option 3. The below table represents the sensitivity analysis undertaken relating to the NPV of the present value benefits and costs.

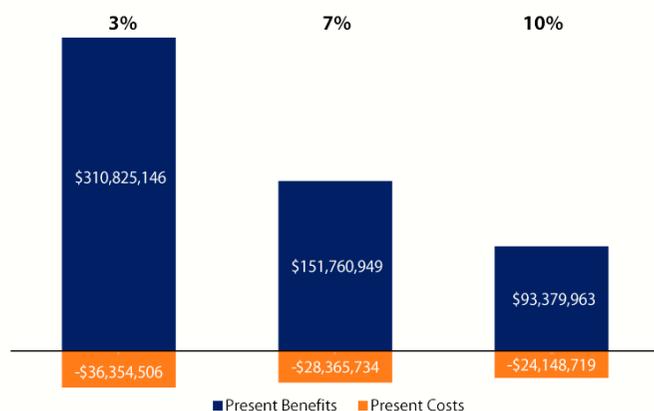


Figure 1: Option 3 CBA Sensitive Analysis by Pracsys.

The Benefit Cost Ratio (BCR) was calculated based on the ratio of present value benefits to present value costs.

Benefit Cost Ratio			
Discount Rate	3%	7%	10%
NPV	\$274,471,000	\$123,395,000	\$69,231,000
BCR Ratio	8.55	5.35	3.87

From a Cost Benefit Analysis perspective, Option 1 performs slightly better to Option 3 (\$131M NPV v \$123M NPV). The primary reasons for this can be summarised below:

- \ Land development and construction schedule (Option 3 benefits will occur later compared to Option 1, therefore lower PV).
- \ Additional cost associated with the existing administration building demolition and construction of new premises.
- \ Less retail floorspace based on the concept plan, therefore fewer retail benefits.

1.10 RECOMMENDATIONS

Based on our analysis, we provide the following recommendations:

- \ The current performance of all development scenarios is reflective of current market and the previous market engagement process run by the City. In light of the findings of this business case, a balanced risk-return profile should be considered in future market engagement, when the market dictates.
- \ Based on the identified project objectives, notably that a City led development of Boas Place needing to produce a positive NPV, none of the options considered in this business case satisfy all of these objectives. To this end, the City should again consider alternate development scenarios including a public-private partnership (PPP) with prospective development partners, once the project is viable (improved market).
- \ A PPP allows for the City to explore a number of opportunities including divesting the site (englobo/super lot) or participate in the development (Land and/or Built Form). Additionally, the City may consider engaging the market to deliver an office building with the City then purchasing the building from the developer or leasing the asset on a longer-term basis. This scenario de-risks the delivery for the City as well as preserves the capital associated with developing a new office building, if they were to secure a long-term lease.
- \ Potential options available to the City include sale of the site as an englobo parcel or creation of a super lot for market to deliver end vacant sites and subsequent built form development, pending demand. In the interim, the City should continue to progress planning to de-risk the development for the market and be market

ready for the point in time where development of Boas Place is financially viable, either City Led, Market led or a combination.

REFINING THE OPTIONS

- \ We recommend that COJ procure updated market valuations for the proposed end lots together with Lotteries House and the Administration Building, assuming no parking space. This will provide greater certainty to the performance of all options, particularly when considering terminal asset values.
- \ Further to the above, it is recommended that COJ engage a property valuer and/or planning consultant to consider the marketability of the administration building if it were to have no car parking associated with it.
- \ The administration building is circa 40 years old and requires significant modification from a compliance and modernisation perspective. If Option 1 were to be progressed, COJ should consider the practicalities from an operational perspective in remaining in the administration building whilst the refurbishment is undertaken as this Option has not allowed for any relocation or alternate leasing costs.
- \ The development of Boas Place will result in a loss of not only parking related to the administration building but also parking for visitors to the precinct. COJ need to further consider the replacement of this parking allocation within the precinct as street parking along the extended portion of Davidson Terrace and the newly created accessways will be insufficient to replace what is lost.

2. INTRODUCTION/PURPOSE

The Joondalup City Centre (commonly referred to as Boas Place) is located along Boas Avenue, Joondalup and is home to the public library, reception centre, Council Offices and Lotteries House. With mass redevelopment in the area primarily focused on the expansion of Lakeside Joondalup Shopping Centre, Boas Place has been left underutilised with a large portion of the site being primarily dedicated to car parking. The City of Joondalup ('City') is seeking the opportunity for a redevelopment of the precinct with an extensive mix of commercial, residential and public spaces introduced to the area. This would form a new urban precinct in the heart of the City's centre filled with compelling landmarks and aligning the centre with a balance of the City's existing cultural, retail and recreational elements.

The purpose of the Order of Magnitude Business Case (OMBC) is to provide the City with appropriate information to allow for an educated decision regarding the future of the site. This will be derived based on current market demand for commercial, retail, residential and public spaces. The preferred option will then be assessed utilising a triple bottom line assessment of social, economic, and environmental benefits whilst identifying potential risks associated with implementation.

PROJECT OBJECTIVES

To assist in the evaluation of identified options, the following project objectives have been considered:

- 1. Development of City Centre** – The City wishes to see the City Centre developed to its highest and best use. This will occur in line with expected demand for varying land uses.
- 2. Positive NPV** - This has been evaluated over the total cashflow period, through to 2060, to allow for a full lifecycle of the administration building, whether a new build or refurbished asset and takes into consideration of all whole-of-life costs (one off costs, funding, recurring costs, recurring revenue, capital replacement).
- 3. Operating Surplus** - It is considered vital that the optimal solution not worsen the City's operating deficit so an operating surplus will be required (when compared to baseline).

2.1 SITE PARAMATERS

The site itself is comprised of three main lots and two smaller portions of land (58 Boas Avenue and Lot 66 Boas Avenue), each owned in freehold by the City. A total legal area of the site has been identified as 34,390m² however, the City has provided a total approximate project working area of 20,363m². The site area has been zoned as 'Centre' under the City's zoning scheme and is approximately 500m from Lakeside Joondalup Shopping Centre.

Following an initial site inspection and based on information provided by the City, the site currently comprises of the four following built form components as seen in Figure 2:

- \\ Lotteries House;
- \\ City of Joondalup Administration Offices;
- \\ Joondalup Library (not included in the development site); and
- \\ Joondalup Civic Chambers (not included in the development site).

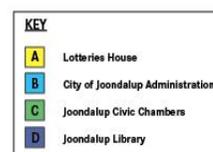


Figure 2: Boas Place Site Map

2.2 CURRENT CONCEPTS

For some time, the City has been considering the development and reactivation of Boas Place. Over the past six years, the City has sought expressions of interest from the market to develop Boas Place. Developers were asked to submit a proposal based on an assessment of what they considered achievable on the site. Proposals were submitted however, they were never progressed due to a variety of reasons. Following this, in March 2017 the City endorsed the Boas Place Concept Plan which provided a conceptual design of the City's vision for development of Boas Place.



Figure 3: Boas Place conceptual design by Woods Bagot

The concept plan was designed by Woods Bagot and proposes the development of eight buildings comprising of commercial, residential, retail and hospitality surrounded by a substantial public realm that incorporates a civic square and interconnecting spaces (Figure 3). This document acknowledges the initial design, however,

understands these plans are only conceptual and are subject to change provided the changes meet the City's objectives for the development of the site.

The City has also previously engaged with development partner Devwest to create a concept plan that envisioned a vibrant and community-based precinct for the Boas Place site. The concept plan assumed that if the development took place, the following would be provided:

- \\ 600 underground car parking bays;
- \\ The injection of residents, workers and visitors will help anchor the area as the City Centre and increase economic activity; and
- \\ Development of stage one and two will ultimately accommodate 1,391 workers.

The City has also prepared the *Joondalup Activity Centre Plan (JACP) Part 1 and 2* which expresses the City's commitment to the Boas Place redevelopment. The document details the City's desire to:

- \\ Integrate and activate Lakeside Joondalup with the City Centre via Boas Avenue;
- \\ Enhance Boas Avenue as the 'main street' of Joondalup; and
- \\ Development of a lively and active city centre focused on the central spine of Boas Avenue.

The OMBC takes guidance from this document and forms a final recommendation that will allow the City to best achieve these objectives.

2.3 SITE DENSITY

The following table details the indicative block areas, land uses and density of the current concepts.

Block	Indicative Use	Land Area	Floors	FECA
A	Office	2,353	G + 10	22,706
B	Mixed Use	2,611	G + 7	15,621
C	Hotel/Retail	1,787	G + 7	9,320

Block	Indicative Use	Land Area	Floors	FECA
D	Residential Mixed Use	1,235	G + 5	6,752
E	Residential Mixed Use	1,406	G + 5	6,847
F	Residential Mixed Use	2,555	G + 13	21,786
G	Mixed Use	908	G + 5	5,400
H	Residential / COJ Admin	1,842	N/A	N/A
TOTAL		14,697		88,432

The table details indicative land uses, site areas, heights and Fully Enclosed Covered Area (FECA). The table is indicative only based on initial site concept design undertaken by Woods Bagot in March 2017. The intent of the City's vision is for the development to act as a catalyst to stimulate further development in the Joondalup City Centre, which is currently underdeveloped.



Figure 4: Boas Place concept plan Aerial View by Woods Bagot

3. JOONDALUP ACTIVITY CENTRE PLAN

3.1 OVERVIEW

The intention of the JACP is to guide how the Joondalup Activity Centre (JAC) will respond to the future needs and aspirations of the Joondalup community. The centre has a boundary based on the current structure plan with some minor amendments. Covering a large geographical area, as yet, not fully developed, JAC has capacity to support regional growth in a sustainable way.

Land use within the JACP is divided into seven precincts, as seen in Figure 5:

- \ Precinct 1 - City Centre;
- \ Precinct 2 - Health and Wellness;
- \ Precinct 3 - Learning and Innovation;
- \ Precinct 4 - Joondalup Edge;
- \ Precinct 5 - Joondalup West;
- \ Precinct 6 - Quarry Park; and
- \ Precinct 7 - Lakeside Residential.

Boas Place is located within Precinct 1, City Centre, the primary location for urban intensity. with Boas Avenue as the focus. The City Centre is anchored by Lakeside Joondalup, Central Park, Joondalup Train Station and the Boas Place precinct. The precinct also features many mixed-use residential developments, many of which are two to four storeys with ground floor commercial space. In addition to this, the precinct is home to many large format retail outlets, wholesalers and small-scale office developments. The City Centre Precinct also functions as the entertainment hub, with an array of retail and dining options across the area.

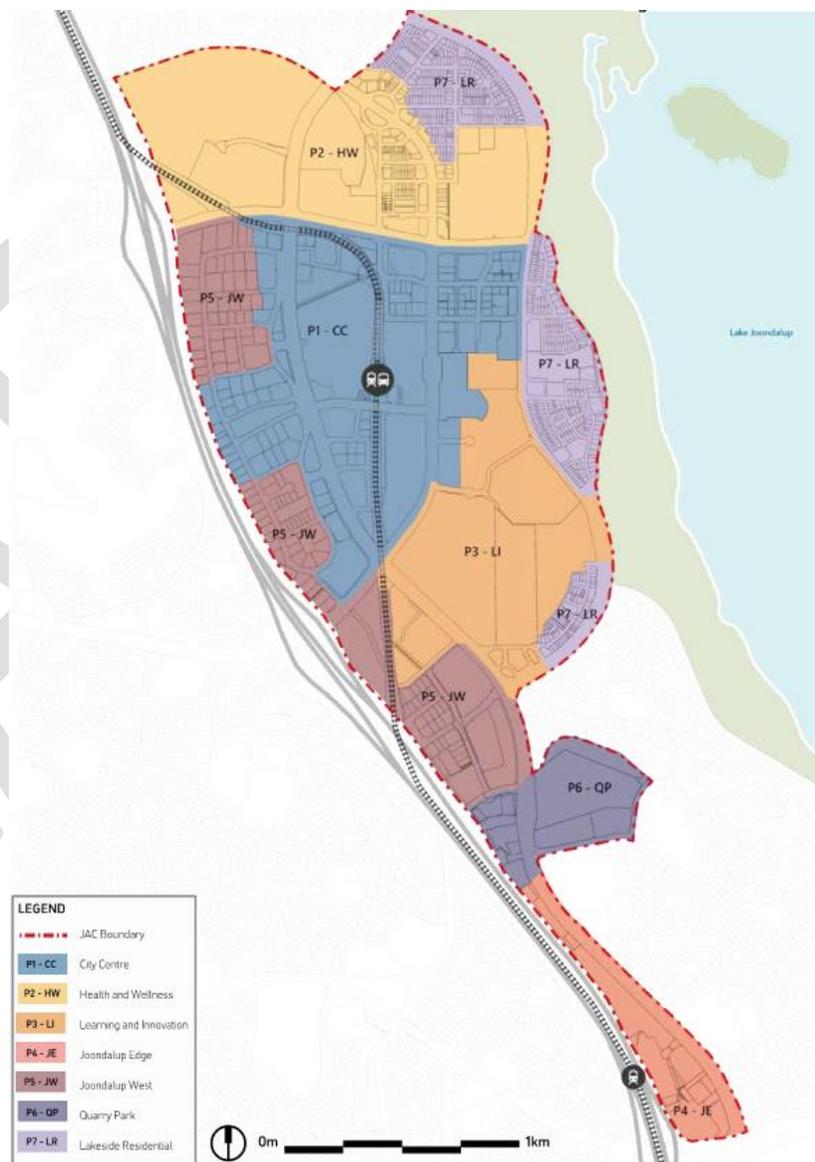


Figure 5: Joondalup Activity Centre Precinct Plan.

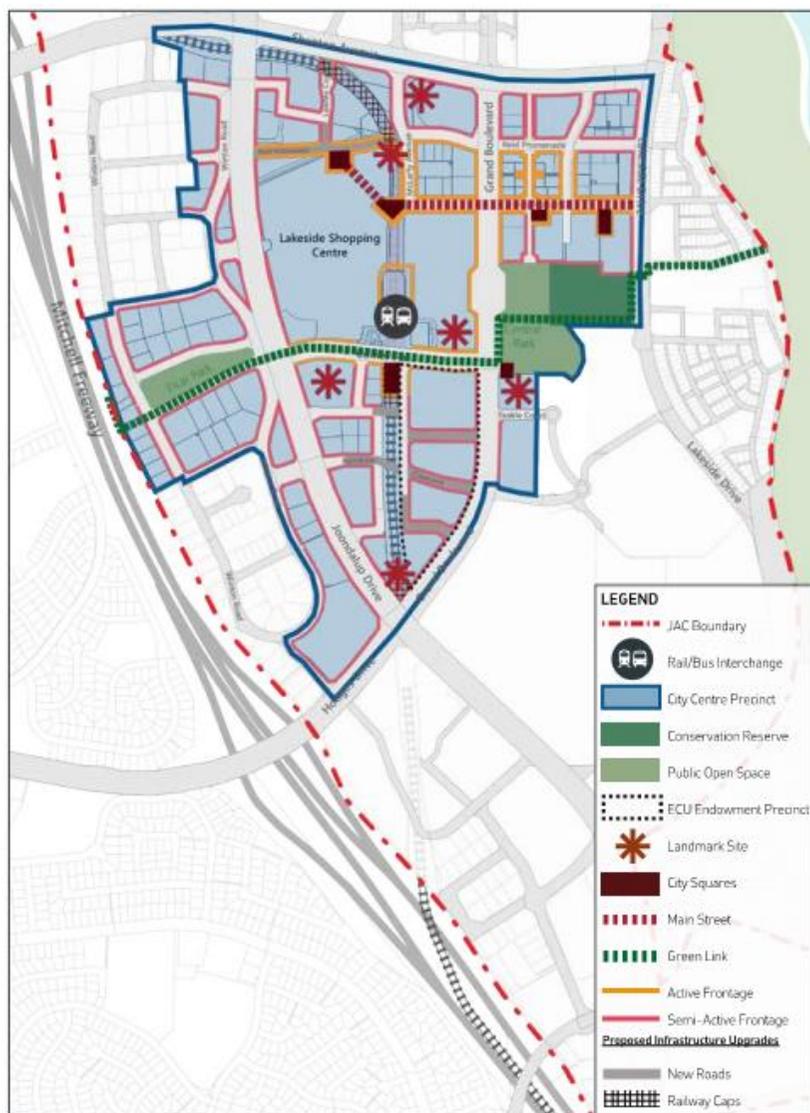


Figure 6: City Centre Precinct Plan.

3.2 CITY CENTRE PRECINCT PLAN

The JACP identifies the following key objectives with regard to the City Centre:

- \ Encourage the highest intensity of mixed-use development and the greatest concentration of employment intensive land uses.
- \ Support mixed-use development along Joondalup Drive and Grand Boulevard to form intense inner-city development corridors.
- \ Establish the Joondalup Drive/Grand Boulevard and Shenton Avenue/Grand Boulevard intersections as the primary gateways into the city centre.
- \ Improve connectivity from Joondalup Train/Bus Stations to surrounding precincts.
- \ Establish a local mobility hub at the Collier Pass city square to improve connectivity between Joondalup Train Station and other precincts within the JAC.
- \ Establish a series of interconnected, functional and unique squares that form part of an integrated pedestrian network.
- \ Provide car parking in negotiation with lakeside Shopping Centre as the major trip generator in the City Centre.
- \ Reinforce Central Walk (north-south) and Boas Avenue (east-west) as the primary pedestrian spines by activating buildings at ground floor uses.
- \ Encourage the amalgamation of smaller lots into larger parcels to optimise redevelopment potential.

It is the intention of the City that Boas Place will provide a strategic setting and a sought after commercial and residential address, becoming the heart of the City of Joondalup. Further to this, it is intended that Boas place will unite the City's existing civic, cultural, retail, transport, recreation and education elements and anchor these with a new development containing a vibrant mix of commercial, retail, residential and public spaces.

3.3 REMAINING PRECINCTS

The table below details the remaining precincts that make up the Joondalup Activity Centre Precinct Plan.

Precinct	Description	Key Components
Health & Wellness	The Health & Wellness precinct brings together HBF Arena, the North Metropolitan Health and Wellness Training Campus, Joondalup Health campus and numerous allied health businesses along Grand Boulevard. The precinct also houses various apartment and townhouse developments.	<ul style="list-style-type: none"> \ Joondalup Health Campus \ Brightwater Aged Care \ HBF Arena \ Health and Wellness Training Campus (North Metropolitan TAFE)
Learning & Innovation	The Learning and Innovation Precinct comprises the Joondalup Learning Precinct and the norther portion of 'The Quadrangle' development. There remains and undeveloped western portion of the precinct that is constrained by the rail infrastructure.	<ul style="list-style-type: none"> \ ECU \ WA Police Academy \ North Metropolitan TAFE (Main Campus)
Joondalup Edge	Joondalup Edge is predominantly defined by the large format retail area bound by Joondalup Drive, Ocean Reef Road and the Mitchell Freeway.	<ul style="list-style-type: none"> \ Joondalup Gate \ Edgewater Train Station
Joondalup West	Joondalup West comprises the remaining portions of the Joondalup Business park and The Quadrangle. Predominant businesses uses are manufacturing, service commercial, technologies and large format retail.	<ul style="list-style-type: none"> \ PTA Bus Depot \ Bunnings
Quarry Park	Quarry Park is defined by the 9.7ha undeveloped Edgewater Quarry site and the existing large format retail west of Joondalup Drive. Whilst there are currently no residential developments in the precinct, the surrounding area is of a residential nature and is adjacent to education facilities.	<ul style="list-style-type: none"> \ Gateway Joondalup \ Edgewater Quarry \ Joondalup Drive Medical Centre
Lakeside Residential	The Lakeside Residential Precinct comprises the existing residential areas located on the boundary of the JAC. The Area abuts Yellagonga Regional Park.	

4. MARKET REVIEW

4.1 PRODUCT OPTIONS

Based on our broader precinct review, including major pipeline supply, of varying types of property uses throughout the Joondalup Activity Centre, we provide the following summary with regard to potential land uses within the Boas Place Precinct:

AGED CARE/RETIREMENT LIVING

In line with the ageing population, demand for aged care and retirement living product is increasing. We have analysed the population projections within the North West Sub Region (NWSR) in order to determine the requirement for additional aged care beds and independent living units

(ILU) over time. **Based on our analysis, there will be a requirement for in the order of 2,388 aged care beds and 3,764 ILU's within the NWSR between 2016 and 2036.** This does not take into account any pipeline supply for new ILU's or aged care beds. We acknowledge that the site located at 380 Joondalup Drive will provide an additional 140-suite aged care facility and 74 retirement living units, with an anticipated completion date of 2024 and any redevelopment of Boas Place for aged care beds or retirement living units should be post this period. For context, as at 30 June 2018, there were 4,625 operational aged care beds within the Metropolitan North Aged Care Planning Region (ACPR), where Joondalup is located. In addition to this, Joondalup currently features 186 residential aged care places.

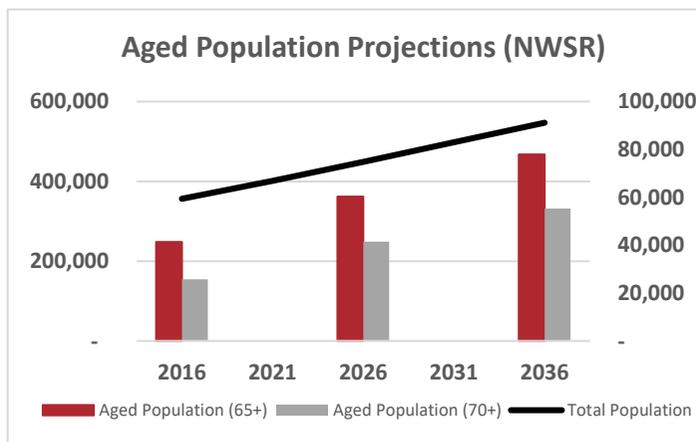


Figure 7: NWSR Population Projections

Based on the above analysis, there would appear to be an ongoing requirement for additional aged care beds and ILU's within the NWSR over the next 20-year period.

ALLIED HEALTH

The majority of allied health providers within Joondalup are located within proximity to the Joondalup Health Campus. Existing health care providers within this precinct include Dietetics, Occupational Therapy, Physiotherapy, Social Work and Speech Pathology. Our discussions with commercial sales and leasing agents active in the North West metropolitan markets indicate that allied health businesses prefer a location in closer proximity to the Health Campus. In addition to this, there are proposed additions to the campus site in the future which may further provide additional accommodation options for this sector. We also note that **Prime House**, opposite Joondalup Health Campus will offer additional medical consultancy space for lease.

CHILD CARE

Whilst Joondalup features a number of child care and early learning providers, redevelopment of the Boas Place precinct to accommodate new residential and commercial accommodation will result in additional occupation within the location. The provision of child care within this location is considered to be an appropriate use of space and provide a significant benefit to the redeveloped precinct and surrounding area.

FOOD AND BEVERAGE

Food and beverage offerings in the City Centre are concentrated around Lakeside Shopping Centre, with minor uses along Boas Avenue and Reid Promenade. The

ground floor components of any redevelopment within the Boas Place precinct present opportunity to bolster the food and beverage offering within the City Centre.

HOTEL/SHORT STAY

Joondalup currently offers minimal short stay or hotel accommodation. The most notable offering is the Joondalup City Hotel constructed in 2006, located along Grand Boulevard and offering 34 rooms. We note however that Match, in partnership with Quest, have commenced construction on a 90-bed hotel facility directly opposite the Boas Place site, with construction due to commence by the end of 2019. In addition to this, approval has been granted for the for development of a seven storey, 121 room hotel along Kyle Court. Development of any Hotel/Short Stay accommodation at Boas Place will be largely dependent on the viability of these two developments.

OFFICE

Commercial office space within the Joondalup City Centre has increased by over 16,000m² since 2001, however, decreased by over 4,000m² between 2008 and 2016. We also note that **Prime House**, opposite Joondalup Health Campus will offer additional office space for lease. To this end, development of additional office space in the short term will be challenging, however, over time will be required to accommodate the additional occupancy and commerce. During the year to March 2018, there were 79 office sales in the North Metro sub region. This represents a 27.4% increase in sales activity. Of the 79 total office sales in the North Metro sub region, only 12 of these were freehold with the remainder being strata. **The average building area of the 79 office sales recorded was only 172m² and the average price only \$4,486m²**, representing a 33.2% and 1.6% decrease respectively over the previous period.

RESIDENTIAL

The residential property market has been challenging over the past 3 to 4 years and continues to remain weak. However, apartment supply-demand dynamics and price growth are stabilising. Although apartment supply has been low throughout 2018, demand for Perth apartments remains subdued, but appears to be stabilising. Overall,

conditions are likely to remain subdued in the short term.

Since the start of 2016, the median price for units in Joondalup has declined by 16% from \$400,000 in Q1 2016 to Q4 2018. In addition to this, the Perth median rental price has contracted by over 11% over the same time period. However, with a backdrop of positive state economic outlook, gradual improvement is expected in the Perth market over the medium-term.

RETAIL

The retail precinct in Joondalup is dominated by Lakeside Shopping Centre, the second largest shopping centre in Western Australia at over 99,000m². Complementary retail areas are located along Boas Avenue and Reid Promenade. In addition to this, predominantly throughout Joondalup Edge and Joondalup West, there are major large format and bulky goods retail providers including Freedom, Spotlight, Barbecues Galore and Anaconda. As with food and beverage, the ground floor components of any redevelopment within the Boas Place precinct present an opportunity to bolster the retail offering within the City Centre.

STUDENT ACCOMMODATION

Campus student enrolments at ECU Joondalup were 15,105 as at 2017, an increase of 4.3% over 2016 campus enrolments. The majority of student accommodation within the City is located at ECU Village Joondalup, which offers in the order of 250 student rooms, ranging from studios to multi room shared accommodation. In addition to this, many local and international students lease freehold accommodation at the Southern

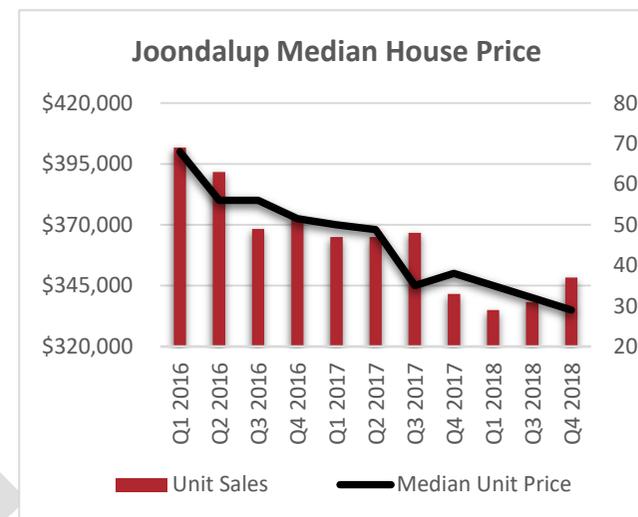


Figure 8: Joondalup Median Unit Price

edge of the campus site, predominantly in multi-level residential developments along Walsh Loop. Due to the distance from the Boas Place precinct to ECU Joondalup (approximately 18 minutes' walk) as well as the recent acquisition of 350 Hodges Drive by ECU, development of Student Accommodation within the Boas Place precinct may be challenging.

4.2 MAJOR PIPELINE SUPPLY

We have reviewed the current and pending development within JACP's seven precincts. Below are the major potential developments that may impact timing and delivery of a redeveloped Boas Place Precinct.

CITY CENTRE

380 Joondalup Drive – Currently under contract, agent's advice over \$8M. Carmel Group and Aegis Aged Care Group will deliver a five-storey, 140-suite aged care facility, 74 retirement living units, 72 apartments, 46 serviced apartments, medical centre, hospitality, retail, Childcare facilities and office space over three stages. Development is due to commence in 2020 with a completion date circa 2024.

Match/Quest Hotel (90 Boas Avenue) – Construction is planned for the development of a 90-bed hotel facility with construction due to commence by the end of 2019.

“Art House” 113 Grand Boulevard – Proposed 17 storey residential tower with ground floor commercial/retail uses. Construction of the \$85 million development commenced in February 2018 with the development finally achieving sufficient pre-sales to proceed. The development will feature 168 apartments over 17 storeys with ground floor retail space.

We highlight that the majority of re-sales stock, constructed within the last 15 years, is currently achieving sales rates in the order of \$4,000 - \$5,000m² of living area. Residential development at these sales rates would not be feasible and therefore, we have adopted prices more reflective of current asking prices for the “Art House” development, see Appendix D.

In addition to the above, **Prime House**, located at 8 Davidson Terrace, provides significant office space to the Joondalup City Centre in the short term. The State Government secured a deal to lease 9,600m² of the 12,182m² net lettable area for a period of 15 years with 2 five-year options. However, we understand that significant space within the building is currently available to lease.

HEALTH & WELLNESS

Joondalup Health Campus – The campus currently includes 467 public beds and 47 mental health beds. The proposed \$167M State Government funded upgrades comprise of an additional 90 public beds and 25 to 30 mental health beds. In addition to this, should the Federal Labor Government be successful at the 2019 Federal election, they have committed a further \$154M to fund a mental health wing at the Health Campus.

Department of Communities – The Department of Communities own a substantial 9.7 ha land holding across two separate Certificates of Title. Located to the North of Boas Place, between HBF Arena and Joondalup Health Campus, the future use of the site is currently not known.

4 Kyle Court – A 1,211m² site with three street frontages. Approval has been granted for development of a seven storey, 121 room hotel with basement parking, ground floor retail, gym, pool, spa and rooftop garden.

JOONDALUP WEST

350 Hodges Drive – ECU recently acquired a 6.34ha parcel of land from LandCorp within the predominantly bulky goods “The Quadrangle” precinct. The site abuts the Edith Cowan College and College of Electrical Training. The ultimate use of the site by ECU is currently unknown, however, may include tertiary and student accommodation uses.

4.3 DEMAND ANALYSIS

Pracsys have been engaged to provide background analysis with regard to current floor space breakdown across the Joondalup City Centre. The table below details the increase in floor space within the Joondalup City Centre from 2001 to 2016. Of note, the most appropriate floor spaces that relate to the proposed redevelopment of the Boas Place precinct are Office (OFF), Residential (RES) and Shop / Retail (SHP). Refer to Pracsys background analysis (Appendix B) for further reference.

Year	Total Floorspace	ENT	HEL	MAN	OFF	PRI	RES	RET	SER	SHP	STO	UTE	OTHER
2001	210,741	37,388	51,998	195	41,383	-	-	7,486	1,560	55,496	869	1,561	12,805
2008	328,510	52,524	107,051	364	61,990	-	7,059	7,040	4,327	72,831	1,557	6,054	7,713
2016	523,901	55,267	225,394	275	57,575	-	26,830	5,495	2,904	98,575	2,589	38,113	10,884
Total change from 2016	313,160	17,879	173,396	80	16,192	-	26,830	(1,991)	1,344	43,079	1,720	36,552	(1,921)
% Change from 2001	149%	48%	333%	41%	39%	N/A	N/A	-27%	86%	78%	198%	2342%	-15%

OFF refers to Office / Business and includes administrative, clerical, professional and medical offices. These are activities which do not necessarily require the land area/floor space or exposure of other land uses. Although offices require building and parking facilities, these needs are quite distinct from those of commercial uses and service industries.

SHP refers to Shop / Retail and includes any activity which involves the sale of goods from a shop located separate to, and/or in, a shopping centre other than those included in Other Retail. Examples of "Other Retail" include car sales yard or carpet showroom.

RES refers to Residential and includes all types of residential land use ranging from single housing to nursing homes for the aged, residential hotels, motels, other holiday housing, institutions and religious housing.

The below table projects the additional requirements for Office, Residential and Retail land uses in the Joondalup City Centre over the next 17 years. The projections are based on historical floor space increases by use between 2001 and 2016 and take into consideration the future population projections for the NWSR.

Land Use	2021	2026	2031	2036	Change from 2016
Office	19,627	9,070	9,494	9,361	47,552
Residential	3,416	3,554	3,719	3,667	14,356
Retail	9,563	12,705	13,298	13,112	48,678
Total	32,606	25,329	26,511	26,140	110,586
Cumulative Total	215,586	240,915	267,426	293,566	

5. ENVIRONMENTAL ASSESSMENT

Aurora Environmental were engaged to conduct a desktop environmental assessment of the broader Boas Place precinct. The purpose of the assessment was to advise any environmentally based opportunities or constraints which may impact future development of the site, identify any additional environmental work that may be required and outline potential mitigation strategies to address environmental concerns. A summary of the findings of the report have been provided below however, the full report can be found under Appendix F.

5.1 KEY FINDINGS

Some of the key findings which were identified within the report included the following:

- \ There is no known risk of acid sulphate soils (ASS) beneath the site based on the ASS Risk Mapping.
- \ The majority of vegetation was classified as a good condition, with the vegetation located within the southern portion of Lot 497 likely to be rated as degraded.
- \ The Forest Red-tailed Black Cockatoo (classified as vulnerable) and the Carnaby's Cockatoo (classified as endangered) were found to be present within the area (primarily in Central Park which is south of the site). Given that the majority of the site is already developed, it is anticipated this will have little impact on the existing fauna in the area.
- \ There are no wetlands or watercourses mapped on the site.
- \ The site is unlikely to flood under extreme rainfall events.
- \ The groundwater for the site is between 40m and 60m below ground level.
- \ The site is not registered as contaminated under the Contaminated Sites Act 2003.
- \ The site is not listed as an Aboriginal Heritage site.
- \ The site does not contain any buildings which are considered European Heritage and the site is not registered with the Heritage Council.

5.2 CONSTRAINTS & RECOMMENDATIONS

As a whole, the site contains very few environmental constraints which may impact further development. However, potential issues that did arise have been recorded below as well as a recommended mitigation strategy.

4. **Existing Land Use:** At least one of the buildings on the site was constructed between the late 1970s and 1995, potentially meaning that asbestos containing materials may be present.
Recommendation: If asbestos containing materials are present, then it would be anticipated that the current owner has an asbestos register in place (as per Management Code of Practice) and this should be reviewed. If modifications or demolition of the buildings is proposed, it is recommended that a pre-demolition hazardous materials survey be conducted to assist with appropriate management of these materials.
5. **Bushfire Risk:** The southern half of the JCCD development site is mapped within a bushfire prone area. A separate bushfire attack level assessment report was completed by Bushfire Prone Planning Group Pty Ltd and will be further discussed in Section 5.3.
6. **Vegetation and Flora:** The majority of the site has been cleared of native vegetation, the only exception is a small (approximately 0.1ha) area in the south east corner of the development site. Under Section 51C of the *Environmental Protection Act 1986*, clearing of native vegetation requires a permit unless there is an applicable exemption.
Recommendation: Where possible, clearing of vegetation should be avoided. If unavoidable, a clearing permit from the Department of Water and Environmental Regulation (DWER) will be required. Given the impacted area is small, it is unlikely that the clearing would be regarded as significant.
7. **Terrestrial Fauna:** The small (approximately 0.1 ha) area of native vegetation in the south-eastern portion of the site provides very limited habitat resources for

fauna species. The loss of this habitat is not likely to constitute a significant impact to fauna species that may utilise this area of habitat.

8. Water Management: Soils associated with the Quindalup and Spearwood dune systems are usually highly permeable and well drained. They are well suited for the infiltration of stormwater run-off.

Recommendation: It is recommended that stormwater management is considered through the redevelopment process, ensuring that run-off from the development site is captured, treated and disposed appropriately. Given the [likely] highly permeable nature of the in-situ soils, on-site infiltration of stormwater run-off will be the preferred option for the management of stormwater. The implementation of water sensitive urban design principles and practices are encouraged.

5.3 BUSHFIRE ATTACK LEVEL (BAL)

As noted previously, the southern half portion of the development site is mapped within a bushfire prone area. Bushfire Prone Planning Group Pty Ltd were engaged by Aurora Environmental to produce a BAL contour map to inform the bushfire attack level for each lot. The full contour map can be found under Appendix F.

The southern portion of the site is at the greatest risk of a bushfire attack due to the dense vegetation to the south which forms Central Park. The southern boundary was assessed as FZ meaning that there is an extremely high risk of ember attack and burning debris. It is recommended that any future development on the site will need to consider the likelihood of a bushfire attack associated with the vegetation in Central Park and it is recommended that any development occur in an area which is a BAL-29 rating (or lower) to reduce potential bushfire risks. It is also recommended that a Bushfire Management Plan be prepared for the site to ensure that risks associated with fire in Central Park are appropriately managed in accordance with the requirements of *State Planning Policy 3.7 Planning in Bushfire Prone Areas* (WAPC, 2015) and the *Guidelines for Planning in Bushfire Prone Areas* (WAPC, 2017).

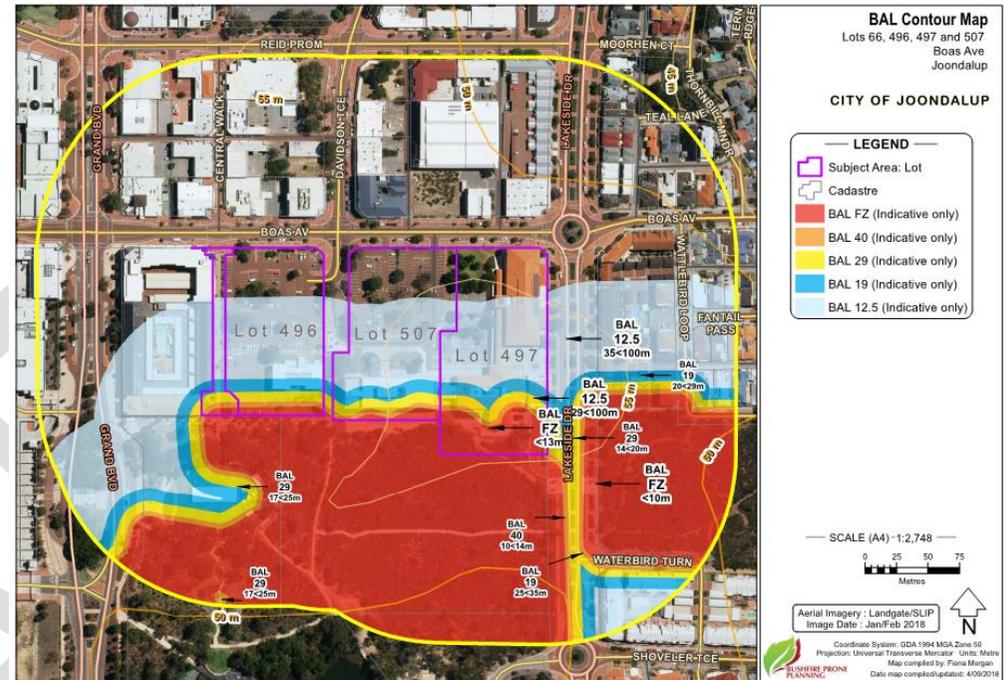


Figure 9: BAL Contour Map of the subject site.

6. LAND USES

6.1 ENDORSED LAND USES

We have undertaken analysis of the Woods Bagot concept design with indicative uses and amended based on specific sites. Sites A and B are ideally positioned as potential office accommodation which will complement the civic centre, library and proposed civic square. Site C has been endorsed as a future Hotel site, although timing for delivery will be subject to demand, given a 90-bed hotel is currently under construction opposite Boas Place. Sites D and E are considered prime residential development sites with ground floor retail activation. Site F is well positioned for multiple residential uses. However, due to the ongoing demand for aged care and retirement living product throughout the NWSR, we have allocated this site for this purpose. Sites G and H have dual potential uses, COJ administration building and Residential. The project team endorsed sites G and E in order to provide an option of relocating the administration building to an alternate site within the City Centre precinct.

Block	Endorsed Use	Land Area	Floors
A	Office	2,353	G + 10
B	Office	2,611	G + 7
C	Hotel	1,787	G + 7
D	Residential	1,235	G + 5
E	Residential	1,406	G + 5
F	Age Care & Retirement Living	2,555	G + 13
*G	Residential / COJ Admin	908	G + 6
H	COJ Admin / Residential	1,842	N/A
TOTAL		14,697	

*Additional floor added to site G in order to accommodate alternate site for COJ administration building.

6.2 BUILT FORM DEVELOPMENT

Taking into consideration the analysis undertaken by Pracsys and further evolved by NSA, we have been able to inform indicative demand for various land uses within the precinct. As sites G and H have different uses, we have developed separate land delivery and built form scenarios, informed by the demand analysis. Scenario 1 involves the administration building remaining at site H and residential developed on site G, whilst Scenario 2 analyses the option of moving the administration building to site G and demolishing the existing administration building for future development as residential. Based on our analysis, we provide the following Land Delivery and Built form delivery time frames for the proposed land uses.

BUILT FORM DELIVERY – SCENARIO 1

Block	Endorsed Use	Land Delivery	Built Form Delivery
A	Office	2024	2027
B	Office	2024	2035
*C	Hotel	2022	Post 2025 (Market)
D	Residential	2022	2024
E	Residential	2022	2028
*F	Age Care & Retirement Living	2029	Post 2025 (Market)
G	Residential	2027	2032
H	COJ Admin	N/A	N/A

*To be delivered by the market, not COJ.

We highlight that Scenario 1 includes the refurbishment of the existing administration building to extend the life of the building. Costs associated with this have been provided by COJ via Wilde and Woollard.

SCENARIO 1 STAGING



Figure 10: Indicative Delivery Programme (Scenario 1)

BUILT FORM DELIVERY – SCENARIO 2

Scenario 2 proposes to move the administration function from site H to site G, demolition of the existing administration building with the intent of site H redeveloped as Residential.

Block	Endorsed Use	Land Delivery	Built Form Delivery
A	Office	2024	2028
B	Office	2024	2035
*C	Hotel	2029	Post 2025 (Market)
D	Residential	2029	2031
E	Residential	2029	2037
*F	Age Care & Retirement Living	2026	Post 2025 (Market)

Block	Endorsed Use	Land Delivery	Built Form Delivery
G	COJ Admin	2021	2023
H	Residential	2024	2026

*To be delivered by the market, not COJ.

SCENARIO 2 STAGING

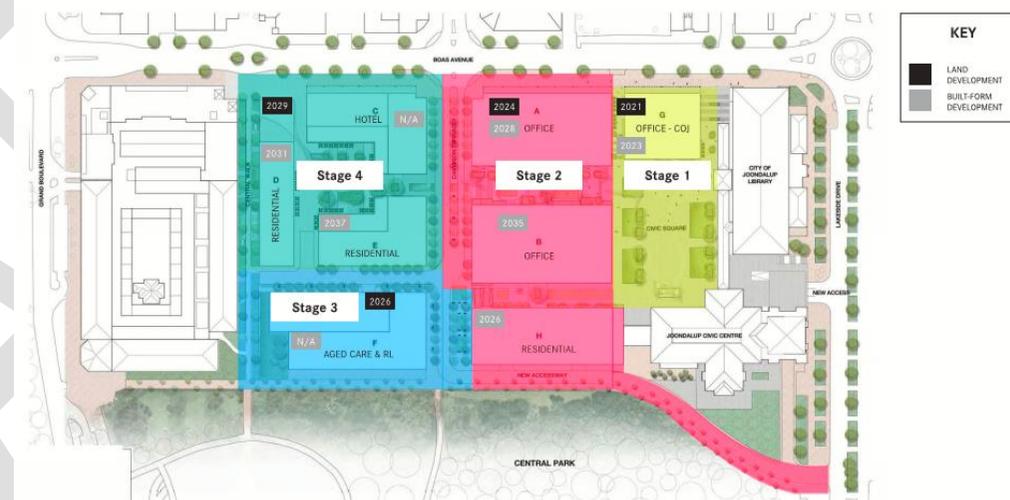


Figure 11: Indicative Delivery Programme (Scenario 2)

6.3 SUMMARY

The following provides a summary of our land use and staging considerations.

- It was endorsed that the City would be unlikely to develop a Hotel or Aged Care/Retirement Living development for sale to market and therefore these sites were not built & sold in either Option 5 or 6, the sites were sold to market for future development, by market.
- There are a number of potential uses for the proposed sites, however, office, hotel, residential, aged care/retirement living and COJ administration have been

identified as the specific uses of the various sites for the purpose of our analysis. This is further supported by the 20-year demand projections for these uses within the broader Joondalup precinct.

- \ As a means of comparison, we have considered relocating the administration building to an alternate site, site G, (Scenario 2) as well as refurbishing the existing building for ongoing use (Scenario 1).
- \ There are many methods of staging the land development, taking into account the end use and demand for that end use over time. For the purpose of this assessment, we have considered two land delivery models (Scenario 1 and 2) which differ, predominantly because of the position of the administration building (Existing or site G).
- \ Our built form delivery analysis considers the types of uses that the City may develop. It was endorsed with the project team that Aged Care/Retirement Living and Hotel uses would not be developed by the City and left to the market to deliver. Further to this, timing of built form delivery has been informed by the market demand for that product in the future.

DRAFT

7. DEVELOPMENT OPTIONS

7.1 LAND SUBDIVISION

In order to assist in making an informed decision regarding the future development of the precinct, a number of land subdivision options have been developed.

Option	Description	Land Sale	Land Lease
1	Refurbish Administration building, develop all remaining vacant lots and sell	A, B, C, D, E, F & G	N/A
2	Refurbish Administration building, develop all remaining vacant lots, selling some and leasing others	D, E, F & G	A, B & C
3	Build new administration building on site G, develop all remaining vacant lots and sell	A, B, C, D, E, F & H	N/A
4	Build new administration building on site G, develop all remaining vacant lots, leasing lots with uses that support ground leases and selling the remaining lots.	D, E, F & H	A, B & C

Taking into consideration the endorsed site land uses, it is not considered appropriate for sites D, E, F, G or H to be leased to the market (ground rent). The reason for this is the ultimate use of these sites do not align with a ground rent model (Residential and Aged care uses).

7.2 BUILT FORM

Base on the endorsed land uses, it was considered with the project team what types of assets COJ would develop with the intent on selling to market. In this regard, the following two built form options were considered.

Option	Description	Build & Sell	Land Sale
5	Refurbish Administration building, develop all remaining vacant lots and sell	A – Office B – Office D – Residential E – Residential G – Residential	C & F
6	Build new administration building on site G, develop all remaining vacant lots, leasing lots with uses that support ground leases and selling the remaining lots.	A – Office B – Office D – Residential E – Residential H – Residential	C & F

BUILT FORM YIELD

In order to better understand the development potential of each of the sites, taking into consideration proposed land uses, Woods Bagot were engaged to provide high level indicative yields for each site. The table below provides an overview of these yields based on proposed land uses and heights.

Site	Endorsed Use	Retail NLA	Total GFA	TOTAL NLA	1 bed	2 bed / 1 bath	2 bed / 2 bath	3 bed / 2 bath	TOTAL	Car Bays
A	Office	358	29,090	20,229	N/A	N/A	N/A	N/A	N/A	59
B	Office	512	25,066	16,204	N/A	N/A	N/A	N/A	N/A	65
C	Hotel	N/A	9,540	9,540	N/A	N/A	N/A	N/A	N/A	20
D	Residential	488	8,081	4,020	20	16	16	4	56	89
E	Residential	292	6,290	3,444	24	20	4	4	52	81
F	Age Care & RL	N/A	23,215	23,215	N/A	N/A	N/A	N/A	N/A	N/A
G	Residential	280	6,608	3,856	24	20	4	4	52	84
G	COJ Admin	N/A	7,609	5,203	N/A	N/A	N/A	N/A	N/A	23
*H	COJ Admin (Existing)	N/A	6,810	5,294	N/A	N/A	N/A	N/A	N/A	N/A
H	Residential	N/A	7,360	4,450	50	11	11	5	77	116
TOTAL (Scenario 1)		1,930	114,700	85,802	68	56	24	12	160	398
TOTAL (Scenario 2)		1,650	116,251	86,305	94	47	31	13	185	453

*Scenario 1 includes existing COJ Administration Building.

With reference to the residential product, Woods Bagot have assumed the following areas:

Accommodation	Living Area (m ²)	Balcony (m ²)
1 bed / 1 bath	50	10
2 bed / 1 bath	65	10
2 bed / 2 bath	70	10
3 bed / 2 bath	93	10

8. FINANCIAL SUMMARY

8.1 LAND AND BUILT FORM DEVELOPMENT OPTIONS

The following table represents the Key Performance Indicators for the land and built form development options.

Options	Net Present Value	IRR	Net Position	Net Margin	Peak Annual Debt / Period
Land Development Options					
Do Nothing	-\$15,653,413	0.45%	-\$81,580,585	N/A	-\$81,580,585 / 2060
Option 1	-\$10,436,558	4.56%	\$7,284,834	6.85%	-\$33,062,476 / 2024
Option 2	-\$19,861,737	3.35%	-\$36,010,682	-34.56%	-\$37,998,088 / 2034
Option 3	-\$12,736,855	4.30%	\$7,606,829	7.12%	-\$35,741,318 / 2026
Option 4	-\$22,683,739	3.13%	-\$36,580,628	-34.37%	-\$43,970,468 / 2028
Built Form Development Options					
Option 5	-\$32,521,830	1.87%	-\$32,040,400	-7.78%	-\$101,435,307 / 2034
Option 6	-\$28,720,850	2.55%	-\$13,067,033	-3.05%	-\$95,946,371 / 2027

SUMMARY OUTCOME

Based on the analysis undertaken, Option 1 has been identified as the preferred option based on NPV and IRR performance.

9. EVALUATION (PREFERRED OPTION)

From a financial position, Option 1 has been identified as the preferred option. Economic and planning development consultants, Pracsys, have been engaged to undertake a cost benefit analysis for the preferred option. The full Cost Benefit Analysis report can be found under Appendix G.

9.1 DEVELOPMENT PHASE

The development of the site will be undertaken across two stages:

- \ Stage 1: Land development and lot preparation (undertaken by CoJ)
- \ Stage 2: Building construction (undertaken by private investors except for the new council offices which will be by the CoJ).

The following economic outputs are expected across the two construction stages:

	Direct Economy Injection	Indirect Economy Output	Direct Project Employment	Indirect Project Employment
Stage 1	\$12,000,000	\$26,000,000	35	81
Stage 2	\$276,000,000	\$633,000,000	443	1,945

Stage 1 is expected to directly inject \$12M into the local economy leading to an indirect output of \$26M, providing 35 direct FTE and 81 indirect FTE. While Stage 2 anticipates a direct economy injection of \$276M and an indirect output of \$633M. This large output multiplier is indicative of the significant amount of industry to industry inputs within the construction sector (e.g. purchasing of material that must be manufactured within Australia).

9.2 ECONOMIC BENEFITS

The preferred option anticipates the development of a total of 86,186m² of net lettable area (NLA) providing employment post construction of 1,820 FTE's. It is anticipated

that the development of office, residential, hotel, aged care and retail spaces combined with the injection of a significant number of additional workforce and residential population within the City will generate the following economic benefits for the precinct:

Economic Benefits	Present Value
Workers Retail Expenditure	\$86,801,000
Residents Retail Expenditure	\$19,443,000
Tourism Expenditure	\$14,006,000
Lot Sales Revenue	\$9,158,000
Rates Revenue	\$11,846,000
Maintenance Cost Savings (Admin Building)	\$3,847,000
Total	\$145,101,000

9.3 SOCIAL BENEFITS

A value for social benefits has also been derived based on the preferred option. With a monetary value assigned to the different benefits it has been calculated the anticipated saving on the economy. Social benefits include savings on health care (e.g. employees/residents expected to walk/cycle to work), social inclusion and the direct social/health benefits of the aged care facility.

The estimated social benefits have been summarised below:

Social Benefits	Present Value
Workers Health Benefits	\$195,000
Residents Health Benefits	\$330,000
Aged Care – Health Benefits	\$645,000

Social Benefits	Present Value
Aged Care – Social Interaction/Inclusion	\$2,370,000
Aged Care – VTT & VOC	\$5,000
Aged Care – Quality of Life of Carers	\$9,504,000
Public Realm Vibrancy & Amenity	Qualitative
Total	\$13,049,000

The Benefit Cost Ratio (BCR) was calculated based on the ratio of present value benefits to present value costs.

Benefit Cost Ratio			
Discount Rate	3%	7%	10%
NPV	\$284,445,000	\$130,720,000	\$74,908,000
BCR Ratio	9.26	5.77	4.16

9.4 COST BENEFIT ANALYSIS MODEL

As recommended by the Office of Best Practice Regulations (2016), present values are calculated at an annual real discount rate of 7% however, the sensitivity analysis was conducted to account for the uncertainty using real discount rates of 3% and 10% (see Figure 11).

The analysis estimates a BCR of 5.77, indicating that for every dollar invested by the City there is approximately \$5.77 benefits generated for the community. Even when the conservative approach is adopted (10%), this leads to only a minor reduction of the BCR to 4.16. This indicates that there is a relatively high level of certainty that the project could achieve a positive benefit compared to costs.

9.5 SUMMARY

Boas Place will provide a significant opportunity to induce private investment into the precinct and provide substantial economic and social benefits to the City and to its residents. This will flow from the anticipated 2,298 direct FTE's (construction and operational) from the preferred option providing over \$145M in economic benefits and over \$13M in social benefits.

This equates to a net present value of \$131M over 30 years resulting from the direct social and economic benefits of the preferred option. A BCR of 5.77 indicates that the investment provides strong value for money and even if the conservative BCR is adopted (4.16), this still demonstrates a good return to the City and will ensure there are substantial benefits generated for the community.

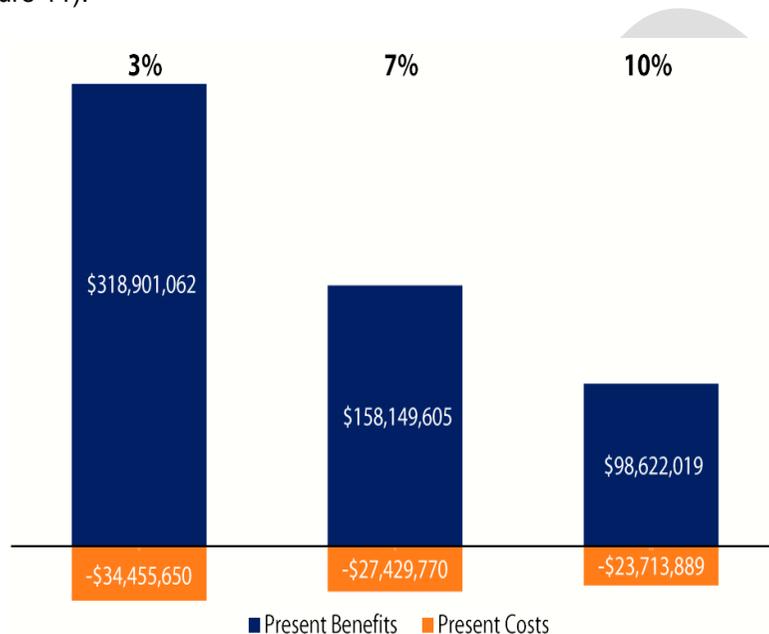


Figure 12: Option 1 CBA Sensitive Analysis by Pracsys.

10. SUMMARY

The following provides a summary of our key findings and recommendations.

10.1 KEY ASSUMPTIONS

- \ Cashflow models have been considered from 2019 through to 2060. The reason for this is to allow for a full lifecycle of the administration building, whether a new build or refurbished asset.
- \ We have relied on McGees valuation report (2016) to inform end lot values whilst considering Colliers Valuation report (2018) for likely ground rent yields (6.5%).
- \ With regard to options considering refurbishment of the existing administration building, we have relied on costs provided by COJ prepared by Wilde and Woollard (\$16.3M). To be consistent, we have considered that building refurbishment would take place in the shorter term, circa 2023, a similar timeframe to the options proposing development of a new administration building on site G.
- \ The Perth residential market has been in a depressed state for the past 4-5 years with the majority of re-sales stock, constructed within the last 15 years, currently achieving sales rates in the order of \$4,000 - \$5,000m² of living area. Residential development at these sales rates would not be feasible. The market will not deliver residential product until pricing has reached a level to make the project viable. For modelling purposes, we have adopted prices more reflective of current asking prices for the “Art House” development, see Appendix D.
- \ The current market value of the administration building, circa \$16.5M, includes 106 parking spaces which would not remain with the building post land development of all remaining lots. We are unaware of a market value that considers the administration building, excluding car bays and surplus land. For the purpose of our analysis, we have adopted \$16.5M as a current value for the administration building.
- \ Similarly, the City does not currently have a fair market value for Lotteries House. For the purpose of this assessment, we have adopted the advised Current Replacement Cost (CRC) for the building (\$5.8M).
- \ Comparable large-scale commercial assets to those proposed, particularly on sites A and B, have not yet been developed and/or sold within the Joondalup

market. To this end, we have analysed sales from the Perth CBD and surrounds in order to determine a capitalisation rate (yield). The yield adopted, 7.5%, considers a strong existing lease covenant and new build asset. Similarly, office rental evidence for similar assets are not readily available and our assessed present-day net rental rate of \$300/m² considers a new build asset, inclusive of parking.

- \ We have assumed a present-day value of a refurbished administration building of \$21.18M. This has been calculated based on a net rent of \$300/m² capitalised at a yield of 7.5%.
- \ The assessed value of a refurbished administration building (\$21.18M) is far less than the current market value (\$16.5M) plus the costs of refurbishment (\$16.3M). This is however a cheaper alternative to development of a new administration building on site G (\$18.15M).

10.2 KEY FINDINGS

Based on our analysis undertaken, Option 1 has been identified as the preferred option based on NPV and IRR performance. However, it should be noted that Option 1 and Option 3 are very similar, from an overall performance perspective, see table below:

Key Performance Indicators (Whole of Life)	Option 1	Option 3
Net Present Value	-\$10,436,558	-\$12,736,855
IRR	4.56%	4.30%
Net Development Profit	\$7,284,834	\$7,606,829
Development Margin	6.85%	7.12%
Peak Annual Debt / Period	-\$33,062,476 / 2024	-\$35,741,318 / 2026

- \ The current concept, although high level, provides for well-proportioned lots with significant public realm to support the proposed City Centre development. Ultimate land uses may require refinement over time, to reflect market demand.

- Although providing a negative NPV (\$10.4M), this option provides ongoing revenue (rates) whilst allowing the market to deliver the built form, pending demand.
- The major difference in performance between Options 1 and 3 is the longer-term debt carried throughout the operational phase of Option 1. Although, ultimately, providing a marginally superior development profit/margin, Option 1 does not achieve this until close to the end of the cash flow periods (2058), adversely impacting on NPV and IRR performance.
- Rates income generated is far greater p.a. than land lease income, therefore, develop and sell scenarios perform better than models involving ground leasing sites. If all sites, other than the existing administration building (Site H) were to be developed and leased, this would result in a present-day gross rental income in the order of \$900k. Conversely, if all sites, excluding H, were developed and sold, this would result in present day gross rates revenue in the order of \$1.5M.

From a programming perspective, implementation of Option 3 is considered to be a less risky proposition for the City, as a new administration facility could be constructed whilst COJ continue to occupy the existing building. Once the new building reaches practical completing, the City would then be able to move their administrative operations to the new building and prepare the existing building for demolition and ultimate lot creation. In addition to this, the Whole of Life NPV for Option 1 considers a terminal value for the refurbished administration building of \$83.5M (2060). Should the administration building have a lower value, or no value at all, without allocated parking, Option 1 would cease to present a better financial proposition, when compared to Option 3. **From a sensitivity perspective for Option 1, if the administration building had a terminal value in the order of \$44M (2060) the two options would have a comparable NPV with Option 3 having a superior IRR (4.30% v 3.46%).**

EVALUATION OF OPTION 3

In addition to the analysis undertaken on the financially preferred option, Option 1, Pracsys have undertaken analysis on the longer-term benefits of the implementation of Option 3. The below table represents the sensitivity analysis undertaken relating to the NPV of the present value benefits and costs.

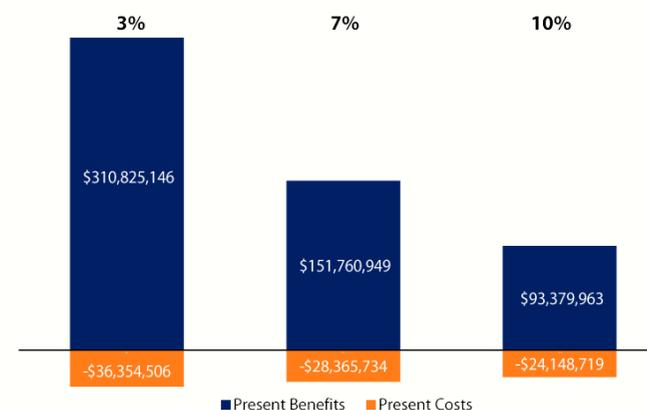


Figure 13: Option 3 CBA Sensitive Analysis by Pracsys.

The Benefit Cost Ratio (BCR) was calculated based on the ratio of present value benefits to present value costs.

Benefit Cost Ratio			
Discount Rate	3%	7%	10%
NPV	\$274,471,000	\$123,395,000	\$69,231,000
BCR Ratio	8.55	5.35	3.87

From a Cost Benefit Analysis perspective, Option 1 performs slightly better to Option 3 (\$131M NPV v \$123M NPV). The primary reasons for this can be summarised below:

- Land development and construction schedule (Option 3 benefits will occur later compared to Option 1, therefore lower PV).
- Additional cost associated with the existing administration building demolition and construction of new premises.
- Less retail floorspace based on the concept plan, therefore fewer retail benefits.

10.3 RECOMMENDATIONS

Based on our analysis, we provide the following recommendations:

- \ The current performance of all development scenarios is reflective of current market and the previous market engagement process run by the City. In light of the findings of this business case, a balanced risk-return profile should be considered in future market engagement, when the market dictates.
- \ Based on the identified project objectives, notably that a City led development of Boas Place needing to produce a positive NPV, none of the options considered in this business case satisfy all of these objectives. To this end, the City should again consider alternate development scenarios including a public–private partnership (PPP) with prospective development partners, once the project is viable (improved market).
- \ A PPP allows for the City to explore a number of opportunities including divesting the site (englobo/super lot) or participate in the development (Land and/or Built Form). Additionally, the City may consider engaging the market to deliver an office building with the City then purchasing the building from the developer or leasing the asset on a longer-term basis. This scenario de-risks the delivery for the City as well as retains the capital associated with developing a new office building, if they were to secure a long-term lease.
- \ Potential options available to the City include sale of the site as an englobo parcel or creation of a super lot for market to deliver end vacant sites and subsequent built form development, pending demand. In the interim, the City should continue to progress planning to de-risk the development for the market and be market ready for the point in time where development of Boas Place is financially viable, either City Led, Market led or a combination.
- \ The administration building is circa 40 years old and requires significant modification from a compliance and modernisation perspective. If Option 1 were to be progressed, COJ should consider the practicalities from an operational perspective in remaining in the administration building whilst the refurbishment is undertaken as this Option has not allowed for any relocation or alternate leasing costs.
- \ The development of Boas Place will result in a loss of not only parking related to the administration building but also parking for visitors to the precinct. COJ need to further consider the replacement of this parking allocation within the precinct as street parking along the extended portion of Davidson Terrace and the newly created accessways will be insufficient to replace what is lost.

REFINING THE OPTIONS

- \ We recommend that COJ procure updated market valuations for the proposed end lots together with Lotteries House and the Administration Building, assuming no parking space. This will provide greater certainty to the performance of all options, particularly when considering terminal asset values.
- \ Further to the above, it is recommended that COJ engage a property valuer and/or planning consultant to consider the marketability of the administration building if it were to have no car parking associated with it.

BOAS AVENUE

GRAND BOULEVARD

CENTRAL WALK

DAVIDSON TERRACE

LAKESIDE DRIVE

CITY OF JOONDALUP LIBRARY

JOONDALUP CIVIC CENTRE

CENTRAL PARK

BOAS SQUARE

BOAS LANE

CIVIC SQUARE

NEW ACCESS

NEW ACCESSWAY

KEY:

- A: OFFICE
- B: MIXED-USE
- C: HOTEL
- D: PBSA MIXED-USE
- E: RESIDENTIAL MIXED-USE
- F: RESIDENTIAL MIXED-USE
- G: MIXED-USE
- H: RESIDENTIAL

