

# minutes

## Major Projects and Finance Committee

MEETING HELD ON **MONDAY 6 MAY 2019**

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## CITY OF JOONDALUP

### MINUTES OF THE MAJOR PROJECTS AND FINANCE COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 6 MAY 2019.

#### ATTENDANCE

##### Committee Members

Mayor Hon. Albert Jacob, JP	<i>Presiding Member</i>	
Cr Kerry Hollywood	<i>Deputy Presiding Member</i>	<i>absent from 6.08pm to 6.48pm</i>
Cr Tom McLean, JP	<i>Deputising for Cr Hollywood</i>	<i>from 6.08pm to 6.48pm</i>
Cr Russ Fishwick, JP		
Cr John Logan		<i>absent from 7.52pm to 7.55pm</i>
Cr Russell Poliwka		<i>absent from 7.16pm to 7.17pm;</i> <i>and from 7.41pm to 7.52pm;</i> <i>and from 8.17pm to 8.25pm</i>
Cr Christopher May	<i>Deputising for Cr Poliwka</i>	<i>from 7.16pm to 7.17pm;</i> <i>from 7.41pm to 7.52pm;</i> <i>from 8.17pm to 8.25pm</i>
Cr Philippa Taylor		<i>absent from 8.35pm to 8.37pm</i>
Cr Mike Norman	<i>Deputising for Cr Hamilton-Prime</i>	

##### Observers

Cr John Chester		<i>absent from 7.54pm to 7.56pm</i>
Cr Christopher May		<i>from 6.05pm to 7.16pm;</i> <i>absent from 7.01pm to 7.05pm</i> <i>from 7.18pm to 7.40pm;</i> <i>from 7.53pm to 8.16pm;</i> <i>from 8.26pm</i>
Cr Tom McLean, JP		<i>from 6.05pm to 6.08pm;</i> <i>from 6.49pm</i>

##### Officers

Mr Garry Hunt	Chief Executive Officer	
Mr Mike Tidy	Director Corporate Services	
Mr Nico Claassen	Director Infrastructure Services	
Mr Brad Sillence	Manager Governance	<i>absent from 7.02pm to 7.04pm;</i> <i>and from 7.51pm to 7.52pm</i>
Mr Blignault Olivier	Manager City Projects	<i>absent from 6.48pm to 6.50pm</i>
Mr Scott Collins	Senior Project Officer	<i>absent from 6.48pm to 6.50pm</i> <i>to 8.18pm</i>
Ms Genevieve Hunter	Senior Project Officer	
Mrs Wendy Cowley	Governance Officer	

##### Guest

##### In relation to Item 11

Mr Edwin Bollig	Bollig Design Group	<i>to 6.48pm</i>
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## DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.05pm.

## DECLARATIONS OF INTEREST

### Disclosures of Financial / Proximity Interest

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

<b>Name/Position</b>	<b>Cr Russell Poliwka.</b>
<b>Item No./Subject</b>	Item 9 – Joondalup City Centre Development – Draft Order of Magnitude Business Case.
<b>Nature of interest</b>	Proximity Interest.
<b>Extent of Interest</b>	Cr Poliwka owns property adjacent to the Boas Place development.

<b>Name/Position</b>	<b>Cr Kerry Hollywood.</b>
<b>Item No./Subject</b>	Item 11 - Confidential Burns Beach Café/Restaurant - Project Status.
<b>Nature of interest</b>	Proximity Interest.
<b>Extent of Interest</b>	Cr Hollywood resides close to the proposed Burns Beach Café / Restaurant project.

### Disclosures of interest affecting impartiality

Elected Members (in accordance with Regulation 11 of the *Local Government [Rules of Conduct] Regulations 2007*) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

<b>Name/Position</b>	<b>Cr John Logan.</b>
<b>Item No./Subject</b>	Item 1 - Bi Monthly Capital Works Project Reports.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	Cr Logan is a committee member of the Kingsley Amateur Football Club, and a stakeholder with interest in the lighting upgrade project at Kingsley Park.

<b>Name/Position</b>	<b>Cr Philippa Taylor.</b>
<b>Item No./Subject</b>	Item 7 - Ocean Reef Marina Project Status.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	Cr Taylor is a member of the Ocean Reef Sea Sports Club and the Joondalup RSL.

## **APOLOGIES / LEAVE OF ABSENCE**

### **Leave of Absence previously approved**

Cr Nige Jones	5 to 10 May 2019 inclusive;
Cr Sophie Dwyer	5 to 12 May 2019 inclusive;
Cr Christine Hamilton-Prime	5 to 24 May 2019 inclusive;
Cr Sophie Dwyer	28 May to 3 June 2019 inclusive;
Cr John Logan	1 to 9 June 2019 inclusive;
Cr Sophie Dwyer	26 June to 31 July 2019 inclusive;
Cr Kerry Hollywood	23 July to 27 August 2019 inclusive.

## **CONFIRMATION OF MINUTES**

### **MINUTES OF THE MAJOR PROJECTS AND FINANCE COMMITTEE HELD ON 11 MARCH 2019.**

**MOVED Cr Hollywood SECONDED Cr Fishwick that the minutes of the meeting of the Major Projects and Finance Committee held on 11 March 2019 be confirmed as a true and correct record.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

## **ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

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

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

**PETITIONS AND DEPUTATIONS**

Nil.

**CONSIDERATION TO CHANGE THE ORDER OF BUSINESS**

**MOVED** Mayor Jacob, **SECONDED** Cr Poliwka that the Major Projects and Finance Committee in accordance with clause 14.1 of the *City of Joondalup Meeting Procedures Local Law 2013*, suspends the operation of clause 4.3 – Order of Business of the *City of Joondalup Meeting Procedures Local Law 2013*, to enable Item 11 – Confidential Burns Beach Café / Restaurant – Project Status to be considered as the first item of business on the agenda.

**The Procedural Motion was Put and**

**CARRIED (7/0)**

**In favour of the Procedural Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

**REPORTS**

**Disclosure of Proximity Interest**

<b>Name/Position</b>	<b>Cr Kerry Hollywood.</b>
<b>Item No./Subject</b>	Item 11 - Confidential Burns Beach Café/Restaurant - Project Status.
<b>Nature of interest</b>	Proximity Interest.
<b>Extent of Interest</b>	Cr Hollywood resides close to the proposed Burns Beach Café / Restaurant project.

*Cr Hollywood left the room at 6.08pm. Cr McLean deputised for Cr Hollywood.*

**ITEM 11                      CONFIDENTIAL        BURNS        BEACH        CAFÉ        /  
RESTAURANT - PROJECT STATUS**

<b>WARD</b>	North
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Chief Executive Officer
<b>FILE NUMBER</b>	102656
<b>ATTACHMENTS</b>	Attachment 1    Refined Indicative Development Location Plan and Sections Attachment 2    Previous Indicative Development Location Plan Attachment 3    Burns Beach Master Plan – Coastal Node Concept Plan  <i>(Please Note:    The Report and Attachments are confidential and will appear in the official Minute Book only).</i>
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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

- *The determination by the local government of a price for the sale or purchase of property by the local government.*

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

## **OFFICER'S RECOMMENDATION**

That the Major Projects and Finance Committee NOTES:

- 1 the confidential report on the status of the Burns Beach Café / Restaurant project;
- 2 the Chief Executive Officer will initiate an Expression of Interest process to identify commercial operators for the proposed café / restaurant facility at Burns Beach;
- 3 the proposed indicative location for the Burns Beach Café / Restaurant, as shown in Attachment 1 to this Report, is the location for the facility for the purposes of progressing the design development for the Burns Beach Café / Restaurant and the *Burns Beach Master Plan – Coastal Node Concept Plan*.

**MOVED Mayor Jacob, SECONDED Cr McLean that the Major Projects and Finance Committee NOTES:**

- 1 **the confidential report on the status of the Burns Beach Café / Restaurant project and the potential investigation of:**
  - 1.1 **the parking bays to the immediate west of section K to be removed;**
  - 1.2 **possible connection of a footpath through the Bush Forever site to allow residents from the south improved access to the Burns Beach area;**
- 2 **the Chief Executive Officer will initiate an Expression of Interest process to identify commercial operators for the proposed café / restaurant facility at Burns Beach;**
- 3 **the proposed indicative location for the Burns Beach Café / Restaurant, as shown in Attachment 1 to this Report, is the location for the facility for the purposes of progressing the design development for the Burns Beach Café / Restaurant and the *Burns Beach Master Plan – Coastal Node Concept Plan*.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Logan, McLean, Norman, Poliwka and Taylor.

*Cr Hollywood entered the room at 6.48pm.*

*The Manager City Projects, Senior Project Officer and Mr Edwin Bollig of Bollig Design Group left the room at 6.48pm.*

## **RESUMPTION OF ORDER OF BUSINESS**

**MOVED Mayor Jacob, SECONDED Cr Hollywood that the Major Projects and Finance Committee RESUMES the operation of clause 4.3 of the *City of Joondalup Meeting Procedures Local Law 2013 – Order of Business*.**

**The Procedural Motion was Put and**

**CARRIED (7/0)**

**In favour of the Procedural Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

**Disclosure of interest affecting impartiality**

<b>Name/Position</b>	<b>Cr John Logan.</b>
<b>Item No./Subject</b>	Item 1 - Bi Monthly Capital Works Project Reports.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	Cr Logan is a committee member of the Kingsley Amateur Football Club, and a stakeholder with interest in the lighting upgrade project at Kingsley Park.

*The Manager City Projects and Senior Project Officer entered the room at 6.50pm.*

**ITEM 1 BI MONTHLY CAPITAL WORKS PROJECT REPORTS**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Nico Claassen Infrastructure Services
<b>FILE NUMBER</b>	107023, 101515
<b>ATTACHMENT</b>	Attachment 1 Whitfords Nodes Health and Wellbeing Hub Attachment 2 Burns Beach to Mindarie Dual Use Path Attachment 3 Percy Doyle Sorrento Bowling Clubrooms Refurbishment Attachment 4 Juniper Park Landscape Masterplan Attachment 5 Parin Pioneer Park Development Attachment 6 Leafy City Program Attachment 7 Joondalup City Centre Lighting Attachment 8 Kingsley Park Flood Lighting Upgrade
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

**PURPOSE**

For the Major Projects and Finance Committee to note the bi-monthly project status reports for capital works projects.

**EXECUTIVE SUMMARY**

At the Major Projects and Finance Committee meeting held on 12 November 2018 the committee determined which capital works project reports were required and the frequency of reporting. The bi-monthly project reports are attached (Attachments 1-8 refer).

*It is therefore recommended that the Major Projects and Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 8 to this Report.*

## BACKGROUND

At its meeting held on 12 November 2018 the Major Projects and Finance Committee requested that the following project reports from the *2018-19 Capital Works Program* be provided on a bi-monthly basis:

Project Code	Project Description
FNM2054 PEP2707	Whitfords Nodes Health and Wellbeing Hub
FPN2240	Burns Beach to Mindarie Dual Use Path
MPP2063	Percy Doyle Tennis Clubrooms Refurbishment
MPP2065	Percy Doyle Sorrento Bowling Clubrooms Refurbishment
PDP2117	Juniper Park Landscape Master Plan
PDP2272	Parin Pioneer Park Development
SSE2057	Leafy City Program
STL2003	Joondalup City Centre Lighting
STL2055	Kingsley Park Floodlighting Upgrade

The following project which required bi-monthly project reports was completed and the final report was presented to the Major Projects and Finance Committee meeting held on 11 March 2018:

- Percy Doyle Tennis Clubrooms Refurbishment.

## DETAILS

A summary of the projects and their current status is detailed in the bi-monthly project reports forming Attachments 1 to 8 to this Report.

### Issues and options considered

Not applicable.

### Legislation / Strategic Community Plan / policy implications

**Legislation** Sections 5.17 and 6.80 of the *Local Government Act 1995*.

A committee cannot make decisions, on behalf of the Council, that require an absolute majority decision (section 5.17 of the *Local Government Act 1995*), in which case, and in accordance with Section 6.8 of the *Local Government Act 1995*, includes approving expenditure not included in the City's Annual Budget. The Major Projects and Finance Committee may only recommend to the Council to approve or modify capital works projects.

### Strategic Community Plan

**Key theme** Financial Sustainability.

**Objective** Major project delivery.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

**Risk management considerations**

Not applicable.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The attached capital works project reports provide an update on the activities undertaken.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Fishwick, SECONDED Cr Logan that the Major Projects and Finance Committee NOTES the bi-monthly capital works project reports forming Attachments 1 to 8 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnMPF190506.pdf](#)*

## **ITEM 2                    UPDATE ON THE 2018-19 CAPITAL WORKS PROGRAM**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Nico Claassen Infrastructure Services
<b>FILE NUMBER</b>	107023, 101515
<b>ATTACHMENT</b>	Attachment 1    Capital Works Project Report 2018-19
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Major Projects and Finance Committee to note the update on the *2018-19 Capital Works Program*.

### **EXECUTIVE SUMMARY**

The Capital Works Project Report for the 2018-19 program as at 30 March 2019 is attached (Attachment 1 refers).

*It is therefore recommended that the Major Projects and Finance Committee NOTES the report on the Capital Works Projects for 2018-19 as at 30 March 2019 forming Attachment 1 to this Report.*

### **BACKGROUND**

At its meeting held on 6 November 2017 (JSC03-11/17 refers), Council resolved, in part as follows:

*“That Council:*

*“2    ESTABLISHES a new Major Projects and Finance Committee, with the role of the new committee being to:*

- 2.1    oversee the progress of the City’s annual capital works program and review of the City’s Five Year Capital Works Program;*
- 2.2    make recommendations to Council on modifications of capital works projects and major strategic capital projects;”*

## **DETAILS**

The Capital Works Project Report for the 2018-19 program as at 30 March 2019 is provided at Attachment 1 to this Report.

### **Issues and options considered**

Not applicable.

### **Legislation / Strategic Community Plan / policy implications**

#### **Legislation**

Sections 5.17 and 6.8 of the *Local Government Act 1995*.

A committee cannot make decisions, on behalf of the Council, that require an absolute majority decision (section 5.17 of the *Local Government Act 1995*), in which case, and in accordance with Section 6.8 of the *Local Government Act 1995*, includes approving expenditure not included in the City's Annual Budget. The Major Projects and Finance Committee may only recommend to Council to approve or modify capital works projects.

#### **Strategic Community Plan**

##### **Key theme**

Financial Sustainability.

##### **Objective**

Major project delivery.

##### **Strategic initiative**

Not applicable.

##### **Policy**

Not applicable.

#### **Risk management considerations**

Not applicable.

#### **Financial / budget implications**

Not applicable.

#### **Regional significance**

Not applicable.

#### **Sustainability implications**

Not applicable.

#### **Consultation**

Not applicable.

## **COMMENT**

The Capital Works Project Report for the 2018-19 program provides an update on the capital works activities undertaken as at 30 March 2019.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Hollywood, SECONDED Cr Norman that the Major Projects and Finance Committee NOTES the report on the Capital Works Projects for 2018-19 as at 30 March 2019 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2agnMPF190506.pdf](#)*

### **ITEM 3                    IMPACT ON 20 YEAR STRATEGIC FINANCIAL PLAN OF REPORTS TO COUNCIL – JANUARY TO MARCH 2019**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	107632, 101515
<b>ATTACHMENT</b>	Attachment 1    Impact on <i>20 Year Strategic Financial Plan</i> of Reports to Council – January 2019 to March 2019
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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#### **PURPOSE**

For the Major Projects and Finance Committee to note the impacts to the *20 Year Strategic Financial Plan* (20 Year SFP) of reports approved by Council for the period January to March 2019.

#### **EXECUTIVE SUMMARY**

A new quarterly report was introduced in January 2014, as part of the Chief Executive Officer's (CEO) Key Performance Indicators. The intention is to provide progressive updates between annual reviews of the 20 Year SFP by summarising the impacts on the 20 Year SFP of reports presented to Council.

This report covers Quarter 3 (January to March 2019). There is one report, Installation of Toilet Facility at Shepherds, Kingsley (CJ028-03/19 refers) that have a cost in the 20 Year SFP of \$0.5 million.

The previous report covering July 2018 to December 2018 reported costs of \$3.1 million and therefore the cumulative impacts for the year 2018-19, including the Quarter 3 report, are \$3.6 million.

*It is therefore recommended that the Major Projects and Finance Committee NOTES:*

- 1        one report considered by Council for the period January to March 2019 that had an estimated net cost over the life of the 20 Year Strategic Financial Plan of \$0.5 million;*
- 2        the estimated net cumulative cost over the life of the 20 Year Strategic Financial Plan of decisions by Council July 2018 to March 2019 is \$3.6 million.*

#### **BACKGROUND**

A new quarterly report was introduced in January 2014, as part of the CEOs Key Performance Indicators. The intention is to provide progressive updates between annual reviews of the 20 Year SFP by summarising the impacts on the SFP of reports presented to Council. This report is for the second quarter of 2018-19, there were no impacts listed for the first quarter.

The 20 Year SFP is a long-term planning tool and evaluating impacts which are minor is of little relevance, therefore a minimum threshold has been applied where an impact of less than \$50,000 is not reported. The threshold of \$50,000 results in many of the reports being outside the scope of this analysis as they have a relatively small amount (for example planning fees) or have no financial impact at all. Consequently, most of the reports presented to Council have no impact on the 20 Year SFP.

## DETAILS

Attachment 1 provides details of one report between January and March 2019 that has an overall cost of \$0.5 million as follows:

- Installation of Toilet Facility at Shepherds Bush Park, Kingsley at a cost of approximately \$120,000 with annual operating costs of \$11,500.

The table in Attachment 1 notes the impacts have been categorised as follows:

- \$0.5 million commitments made by Council.
- \$0.0 million other impacts including amounts that were informed by other bodies, or potential impacts for reports that have been noted, without a firm commitment having been made yet.

The 20 Year SFP impact is based on the following:

- Total estimated cash flows up to 2037-38.
- Includes inflation.
- Includes all whole-of-life costs such as capital expenditure, operating expenses, operating income, reserves, borrowings, interest payments and earnings on cash held.

As a result of calculating the impacts up to 2037-38 for total cash, the impact for each report is higher than the initial impact.

## Issues and options considered

When the 20 Year SFP is next updated the decisions by Council as listed in Attachment 1 will be used to update the plan.

## Legislation / Strategic Community Plan / policy implications

**Legislation** *Local Government Act 1995.*  
Section 5.56 of the *Local Government Act 1995* provides that:  
“(1) A local government is to plan for the future of the district.”

## Strategic Community Plan

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative**

- Manage liabilities and assets through a planned, long-term approach.
- Balance service levels for assets against long-term funding capacity.

**Policy** Not applicable.

### **Risk management considerations**

The 20 Year SFP is based on many assumptions. There is a risk that those assumptions may not come to pass, however, it is a planning tool and the City is not committed to anything in the plan by virtue of endorsing it. Periodic review and continual update of the plan will ensure that it remains a relevant and useful document to manage the City's financial affairs into the future.

### **Financial / budget implications**

The impact to the City up to 2037-38 of the reports approved between January and March 2019 is estimated to be a cost of \$0.5 million. This impact is the total change in cash at the end of 2037-38.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

This report provides a further enhancement to the long-term financial sustainability of the City by providing a progressive update on the impacts on the 20 Year SFP of Council decisions.

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Hollywood, SECONDED Mayor Jacob that the Major Projects and Finance Committee NOTES:**

- 1 one report considered by Council for the period January to March 2019 that had an estimated net cost over the life of the *20 Year Strategic Financial Plan* of \$0.5 million;**
- 2 the estimated net cumulative cost over the life of the *20 Year Strategic Financial Plan* of decisions by Council July 2018 to March 2019 is \$3.6 million.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 3 refers*

*To access this attachment on electronic document, click here: [Attach3agnMPF190506.pdf](#)*

**ITEM 4                    2020-21 COMMUNITY FACILITY REFURBISHMENT PROJECT – ELLERSDALE PARK CLUBROOM**

<b>WARD</b>	South
<b>RESPONSIBLE DIRECTOR</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	18812, 101515
<b>ATTACHMENTS</b>	Attachment 1    Ellersdale Park Clubroom aerial Attachment 2    Ellersdale Park Clubroom floorplan (existing) Attachment 3    Ellersdale Park Clubroom concept plan Attachment 4    Ellersdale Park Clubroom cost estimate Attachment 5    Ellersdale Park Clubroom consultation report
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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**PURPOSE**

For Council to consider the concept plans and estimated capital costs for the 2020-21 refurbishment project for Ellersdale Park Clubroom, Warwick.

**EXECUTIVE SUMMARY**

Ellersdale Park Clubroom is located on Ellersdale Park on Ellersdale Avenue, Warwick (Attachment 1 refers). The park is classified as a 'Local Park' within the City's existing *Parks and Public Open Spaces Classifications Framework*. The park has an active sporting field, two sports floodlighting poles, centre cricket wicket, two cricket practice nets, three on three basketball pad and a playground.

The facility was constructed in two stages with the toilet / changeroom building built in 1970 and the separate clubroom built in 1979 (Attachment 2 refers). In 2007-08 the clubroom was refurbished with a new kitchen, toilets and painting. In 2010-11 the verandah adjoining the two buildings was replaced and in 2016-17 the Warwick Greenwood Junior Football Club constructed an additional storeroom.

At its meeting held on 12 December 2017 (CJ205-12/17 refers), Council noted the active reserve and community facility review report and the recommendations made for the refurbishment projects based on a strategic approach to the future provision of community and sporting facilities and infrastructure.

As part of the report it was recommended that \$935,000 be listed in 2020-21 of the *Capital Works Program* for the Ellersdale Park Clubroom and changeroom refurbishment due to the age and condition of the buildings which are considered inadequate to service the user groups due to the following issues:

- Lack of internal storage.
- Existing internal toilets do not meet access and inclusion requirements.
- Limited change room space and lack of showers.
- No umpire change room.

As part of the feasibility and planning stage for the project, stakeholder consultation was undertaken with all regular user groups. Considering the feedback and priorities identified by the City, a scope of works was developed in order to complete concept plans and a cost estimate.

Community consultation was conducted from Friday 9 November to Friday 30 November 2018 in accordance with the City's *Community Consultation and Engagement Policy and Protocol*. Targeted consultation was undertaken with residents within 200 metres of Ellersdale Park and park user groups. The City received 22 valid responses during the consultation period (Attachment 5 refers). Respondents were asked to indicate their level of support for the refurbishment project with over 95% of respondents either supporting or strongly supporting the project. Most of the support for the project was from respondents affiliated with regular user groups.

Currently, there is \$935,000 listed in 2019-20 and 2020-21 for construction in the City's *Five Year Capital Works Program* for the Ellersdale Park Clubroom refurbishment project. Based on the agreed concept plan the cost estimate for the project is \$900,000.

*It is therefore recommended that Council:*

- 1 *NOTES that \$100,000 (reserve funds) is listed in 2019-20 for detailed design and \$835,000 (reserve funds) is listed in 2020-21 for construction within the City's Five Year Capital Works Program for the refurbishment of Ellersdale Park Clubroom;*
- 2 *APPROVES the proposed refurbishment works at Ellersdale Park Clubroom as detailed in this Report to proceed to the detailed design and tender stage.*

## **BACKGROUND**

<b>Suburb/Location</b>	50 Ellersdale Avenue Warwick WA 6024.
<b>Applicant</b>	City of Joondalup.
<b>Owner</b>	Crown Land – City of Joondalup Management Order.
<b>Zoning</b>	<b>DPS</b> Parks and Recreation.
	<b>MRS</b> Urban.
<b>Site area</b>	35,815m <sup>2</sup> .
<b>Structure plan</b>	Not applicable.

Refurbishment projects are intended to improve the functionality and aesthetics of the facility and are not designed to undertake general maintenance. The scope of each project is generally confined to the following aspects:

- Painting.
- Replacing fixtures and fittings.
- Upgrading external environments – for example building pathways, landscaping around the building and signage.

- Kitchen facilities.
- Floor coverings.
- Toilets and changerooms (including refurbishment or new extensions).
- Storage facilities (extensions to the facility).
- Heating / cooling systems.
- Window treatments.

Ellersdale Park Clubroom is located on Ellersdale Park on Ellersdale Avenue, Warwick (Attachment 1 refers). The park is classified as a 'Local Park' within the City's existing *Parks and Public Open Spaces Classifications Framework*. The park has an active sporting field, two sports floodlighting poles, centre cricket wicket, two cricket practice nets, three on three basketball pad and a playground.

The facility was constructed in two stages with the toilet / changeroom building built in 1970 and the separate clubroom built in 1979 consisting of a meeting room, kitchen, store and toilets (Attachment 2 refers). In 2007-08 the clubroom was refurbished with a new kitchen, toilets and painting. In 2010-11 the verandah adjoining the two buildings was replaced and in 2016-17 the Warwick Greenwood Junior Football Club constructed an additional storeroom.

The clubroom is used by two community groups (approximately 60 members) and both the park and the clubroom are used in summer by the Warwick Greenwood Junior Cricket Club (220 members) and Warwick Greenwood Senior Cricket Club (105 members) and during the winter by the Warwick Greenwood Junior Football Club (500 members).

At its meeting held on 12 December 2017 (CJ205-12/17 refers), Council noted the active reserve and community facility review report and the recommendations made for the refurbishment project based on a strategic approach to the future provision of community and sporting facilities and infrastructure.

As part of the report it was recommended that \$935,000 be listed in 2020-21 of the *Capital Works Program* for Ellersdale Park Clubroom and changeroom refurbishment due to the age and condition of the buildings which are considered inadequate to service the user groups due to the following issues:

- Lack of internal storage (including furniture).
- Meeting room capacity is limited to 80 people due to the number of toilets.
- Existing internal toilets do not meet access and inclusion requirements.
- Limited changeroom space and lack of showers.
- No umpire changeroom.

## **DETAILS**

### Stakeholder consultation

As part of the feasibility and planning stage, stakeholder consultation was undertaken with all regular user groups. All user groups signed off the draft concept plans agreeing with all the proposed works to be considered as part of the projects.

### Concept plans and capital cost estimates

A scope of works was developed based on addressing the functionality issues and challenges identified during stakeholder consultation. Facility concept plans were developed based on the scope of works and cost estimates were obtained from an external quantity surveyor.

The proposed facility concept plan (Attachment 3 refers) is in line with the City’s standard facility fit-out specifications and includes the following:

- Refurbish and extend the meeting room to include new toilets and storage. This will increase the meeting room capacity to 103 people.
- Refurbish and extend the changerooms to include a new umpire changeroom and a new external unisex accessible park toilet (including automatic timed door lock system).

Other minor works to be undertaken will include replacement of flooring, windows and doors, a new heating / cooling system, a new alarm and security screens and the rendering and painting of the exterior. The extension works will also require the relocation of the three-on-three basketball pad and new pathways.

During construction, the community groups will be relocated to alternative nearby facilities and the sporting clubs will be provided with a temporary meeting room, storage and toilet facilities to enable them to continue to utilise the park for sporting activities.

The below table is a summary of the items and cost estimates (Attachment 4 refers):

Item	Cost
Meeting room extension	\$ 418,500
New external unisex accessible park toilet and umpire changeroom	\$ 190,660
Changeroom extension	\$ 252,340
Removal and replacement of three on three basketball pad	\$ 6,600
New pathways	\$ 3,380
Temporary facilities	\$ 28,520
<b>TOTAL</b>	<b>\$ 900,000</b>

The cost estimate summary table includes preliminaries and small works margin (15%), professional fees in order to undertake detailed design (12%), design contingencies (5%), building contingencies (5%) and cost escalation to June 2020 (3.67%).

It is not recommended to adjust the project budget given the estimated capital cost is based on high level concept plans and tender prices may differ following the detailed design stage.

All amounts quoted in this report are exclusive of GST.

### Issues and options considered

Not applicable.

### Legislation / Strategic Community Plan / Policy implications

**Legislation** Not applicable.

### Strategic Community Plan

**Key theme** Community Wellbeing.

**Objective** Quality facilities.

**Strategic initiative**

- Support a long-term approach to significant facility upgrades and improvements.
- Understand the demographic context of local communities to support effective facility planning.

**Policy** *Requests for New or Capital Upgrades to Existing Community Buildings Policy.*

**Risk management considerations**

All capital projects bring risks in relation to contingencies and over-runs against original design. The capital cost estimates are based on high level concept plans and may differ once further detailed designs are undertaken for the project.

**Financial / budget implications**

<b>Account no.</b>	BCW2562.
<b>Budget Item</b>	Ellersdale Park Clubroom refurbishment.
<b>Budget amount</b>	\$935,000 (\$100,000 2019-20 and \$835,000 2020-21).
<b>Amount spent to date</b>	Nil.
<b>Proposed cost</b>	Nil.
<b>Balance</b>	\$935,000.

**Annual operating cost** The current annual operating costs for Ellersdale Park Clubroom is approximately \$24,000 per year. This is based on the average operating expenses for the past three years comprising of cleaning, maintenance and utilities (\$11,500); depreciation (\$14,000) less the operating income of \$1,500.

**Estimated capital costs and funding** The total one-off cost is estimated at \$900,000, fully funded by the City. The adopted *20 Year Strategic Financial Plan* assumes that the costs will be funded by the Strategic Asset Management Reserve. It is estimated that \$108,000 of the capital cost relates to renewal of existing assets, the other \$792,000 are upgrade / new assets which increase the operating costs and therefore impact the City's ability to address the operating deficit.

**Operating impact** The capital costs of \$900,000 are estimated to result in an increase in depreciation from \$14,000 per year to \$30,000 per year.

The size of the proposed extension works is approximately 95m<sup>2</sup>. The average cost per square metre for maintenance / utilities for sporting facilities is \$65.26m<sup>2</sup>. Therefore, the increase in cleaning, maintenance and utilities will be approximately \$6,200. Therefore, the revised cleaning, maintenance and utilities costs are estimated to increase from \$11,500 to \$17,700 per year.

It is assumed that there will not be any increase in operating income.

The overall operating impacts are estimated to increase by \$22,200. This comprises of the additional depreciation of \$16,000 and an increase in cleaning, maintenance and utilities of \$6,200. The overall cost of the facility will therefore increase from \$24,000 to \$46,200 per year.

**Operating deficit / 20 Year Financial Plan impact** The adopted *20 Year Strategic Financial Plan* has included an estimated increase in depreciation of \$16,000. However, the increase in cleaning, maintenance and utilities of \$6,200 has not been included so this will impact the ability to address the operating deficit. The *20 Year Strategic Financial Plan* is updated on an annual basis. The next update will be early 2019 and will include the updated projections for this project.

**Write-off / disposal** It is estimated that the renewal component of the project will result in a one-off cost of approximately \$4,000 which will lower the operating results during the year of completion.

All amounts quoted in this report are exclusive of GST.

### **Regional significance**

Not applicable.

### **Sustainability implications**

#### Environmental

All facility refurbishment projects are planned to reduce the impact of the carbon footprint and consider environmental sustainability design features where possible within the project budget for example LED lighting, waterless urinals, water saving taps and toilet cisterns and insulation.

#### Social

The project has included consultation with the existing user groups of the facility and local community to ensure that feedback received represents their needs. Furthermore, refurbishment works consider access and inclusion principles with the aim to enhance the amenity of the public space.

#### Economic

Not applicable.

### **Consultation**

Community consultation was conducted from Friday 9 November to Friday 30 November 2018 in accordance with the City's *Community Consultation and Engagement Policy* and *Protocol*. Targeted consultation was undertaken with residents within 200 metres of Ellersdale Park and park user groups. In addition, consultation documentation was available on the City's website for any other interested community members to make comment. The consultation was advertised through the following methods:

- Direct mail out – cover letter and frequently asked questions sheet was sent to the identified stakeholders.
- Site signage – three signs were placed at the park during the consultation period.
- City's website – frequently asked questions sheet and online comment form were available on the City's website during the consultation period.

The aim of the community consultation was to determine the level of support for the project. The City received 22 valid responses during the consultation period (Attachment 5 refers). Respondents were asked to indicate their level of support for the refurbishment project with over 95% of respondents either supporting or strongly supporting the project. Most of the support for the project was from respondents affiliated with regular user groups.

In addition, respondents were asked if they had any additional comments regarding the project. Seventeen respondents provided feedback and common themes included the following:

- Belief that the building is overdue for refurbishment / replacement (eight).
- Belief that the existing building is too small and has inadequate access to facilities, such as toilets (three).
- Belief that additional parking would be beneficial (three).

## COMMENT

Currently, there is \$935,000 listed in 2019-20 and 2020-21 for construction in the City's *Five Year Capital Works Program* for the Ellersdale Park Clubroom refurbishment project. The estimated capital cost as provided by the external Quantity Surveyor for this project is \$900,000. It is not recommended to adjust the project budget given the estimated capital cost is based on high level concept plans and tender prices may differ following the detailed design stage.

## VOTING REQUIREMENTS

Simple Majority.

*Cr May left the room at 7.01pm and returned at 7.05pm.*

**MOVED Cr Fishwick, SECONDED Cr Logan that Council:**

- 1 NOTES that \$100,000 (reserve funds) is listed in 2019-20 for detailed design and \$835,000 (reserve funds) is listed in 2020-21 for construction within the City's *Five Year Capital Works Program* for the refurbishment of Ellersdale Park Clubroom;**
- 2 APPROVES the proposed refurbishment works at Ellersdale Park Clubroom as detailed in this Report to proceed to the detailed design and tender stage.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 4 refers*

*To access this attachment on electronic document, click here: [Attach4agnMPF190506.pdf](#)*

**ITEM 5                    AMEND    EXISTING    VEHICLE,    PLANT    AND  
EQUIPMENT RESERVE TO BECOME THE ASSET  
RENEWAL RESERVE**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTORS</b>	Mr Mike Tidy Corporate Services
<b>FILE NUMBER</b>	107632, 101515
<b>ATTACHMENTS</b>	Attachment 1    Asset Renewal Reserve Schedule
<b>AUTHORITY / DISCRETION</b>	Executive – The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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**PURPOSE**

For Council to amend the existing Vehicle, Plant and Equipment Reserve to become the Asset Renewal Reserve (ARR) to assist with the funding of asset renewals from 2019-20 onwards.

**EXECUTIVE SUMMARY**

As part of its asset management and long-term strategic financial planning the City has been considering how it may best manage the need for asset renewals into the future. The City's infrastructure assets are currently relatively young, but as they get older there will need to be higher levels of capital expenditure on renewals to ensure that these infrastructure assets continue to maintain the same level of service to the community. In the preparation of the Capital Works Budget in recent years, the City has refined its analysis of works requirements related to new, upgrade and renewal of assets to improve its assessment of asset useful lives and the future requirements for renewals. It is proposed that an ARR would address the financial requirement to provide for future asset renewals.

In addition to this the City has reviewed the operation of the existing Vehicle, Plant and Equipment Reserve. The reserve was established to assist with the needs for vehicle, plant and equipment renewal and was designed to smooth out the financial impact of peaks and troughs in the renewal program. The reserve has been accumulating funds at a greater level than expected. This is due to maintaining an annual \$1.8 million allocation to vehicle, plant and equipment purchases but with declining vehicle, plant and equipment replacement expenditure net excesses have been regularly transferred to the reserve.

In consideration of both the requirement for an ARR which would be new and currently has no funding and the review of the Vehicle, Plant and Equipment reserve which has excess funding it is proposed that existing Vehicle, Plant and Equipment reserve is renamed the Asset Renewal Reserve. The purpose of the renamed reserve would then be extended to cover the renewal of existing City infrastructure, building assets and vehicle, plant and equipment to ensure that the City can continue to utilise these at service levels expected.

*It is therefore recommended that Council:*

1 *NOTES the definition of capital expenditure as follows:*

*““Renewal” - capital expenditure on existing assets/infrastructure. The renewal expenditure ensures that the asset can continue to be used as it has been previously used e.g. a 1.8 metre path is replaced with a 1.8 metre path.*

*“New” - Capital expenditure on a completely new asset, that did not exist in any form beforehand.*

*“Upgrade” - Changing the use of an existing asset to improve or extend service potential/economic benefit. For example, the replacement of an existing 1.8 metre path with a 2.3 metre path. In this example the expenditure on the 1.8 metres would be classed as renewal and the additional 0.5 metres classed as upgrade.”;*

2 *LISTS for consideration in the draft 2019-20 Budget the establishment of an Asset Renewal Reserve by renaming and redefining the purpose of the existing Vehicle, Plant and Equipment Reserve, for the purpose as follows:*

*“To fund renewal of existing City infrastructure, building assets and vehicle, plant and equipment to ensure that the City can continue to utilise these at service levels expected. The Asset Renewal Reserve will not be used to fund upgrades of existing assets or acquisition or construction of new assets”;*

3 *Subject to the establishment of an Asset Renewal Reserve as part of the draft 2019-20 Budget ENDORSES the Asset Renewal Reserve being based on the following:*

3.1 *Annual Renewal expenditure from 2019-20 onwards to be funded in its entirety from the Asset Renewal Reserve;*

3.2 *Annual transfer from operating cash surplus to the Asset Renewal Reserve to be determined using a forecast of future renewal requirements and update of the Asset Renewal Reserve Schedule. The transfer will be included within the budget process. The transfer from operating cash flows into the reserve will either be:*

3.2.1 *more than required for the following year’s renewals (the surplus will then be retained in the Asset Renewal Reserve to fund later years);*

3.2.2 *same as required for the following years asset renewals;*

3.2.3 *lower than required for following year’s renewals (the shortfall required to fund renewals will be a transfer out of the Asset Renewal Reserve);*

3.3 *Funding of the Asset Renewal Reserve to be higher priority than the funding of Upgrade or New Expenditure. Upgrade and New Expenditure is not funded by the Asset Renewal Reserve;*

3.4 *Asset Renewal Reserve to be managed by the City in accordance with the process and principles within this Report;*

- 4 *LISTS for consideration in the draft 2019-20 Budget the renaming of the Strategic Asset Management Reserve to the Strategic Asset Reserve and the change in purpose to the following:*

*“The Strategic Asset Reserve is used for the purposes of new or upgrade capital expenditure on major projects or those projects as determined by Council. The Reserve is not to be used for asset renewal expenditure.”.*

## BACKGROUND

### Glossary

The glossary below is used to explain some of the technical terms used in this report:

Ref	Term	Definition
1	Renewal Expenditure	Capital expenditure on existing assets/infrastructure. The renewal expenditure ensures that the asset can continue to be used as it has been previously used such as a 1.8 metre path is replaced with a 1.8 metre path.
2	New Expenditure	Capital expenditure on a completely new asset, that did not exist in any form beforehand.
3	Upgrade expenditure	Changing the use of an existing asset to improve or extend service potential/economic benefit. For example, the replacement of an existing 1.8 metre path with a 2.3 metre path. In this example the expenditure on the 1.8 metres would be classed as renewal and the additional 0.5 metres classed as upgrade.
4	Asset Class / Group / Type	<p>An asset class relates to an overall set of assets that relate to an overall level of service provided to the community such as roads, parks.</p> <p>Within an Asset Class there are then Asset Groups each of which have similar functions, but not always the exact same function. For example, in the Parks Asset Class there is an Asset Group called Furniture and Equipment, which relates to a variety of different assets throughout parks.</p> <p>Within each Asset Group there is a more specific set of assets referred to “Asset Types” which perform the same function. For example within the Asset Group of Furniture and Equipment there is an Asset Type for “BBQs”, “Seating”, “Shade Sails”.</p>
5	Level of Service	The level of service relates to the condition and performance of an asset that is expected or agreed by its users (such as community). The level of service can be different for different types of assets dependent on their location and profile within the community.
6	Useful life	The anticipated life in years that an asset is expected to provide a level of service to the community.

Ref	Term	Definition
7	Depreciation	Non cash financial cost per year of consuming assets.
8	Smoothing	This term is used to describe the practice of phasing expenditure over several years rather than all in one year. For example if a renewal plan indicated that \$20 million drainage renewal was required in a single year this could be impractical or indeed impossible to complete, so the \$20 million could be phased over four years, with \$5 million in each year.
9	Operating Cashflows	This relates to the cashflow in/out due to recurring general activities (such as rates, fees/charges, employment expenses, materials/contracts, utilities). Operating Cashflows exclude depreciation because depreciation is a non-cash item.
10	Asset Management Plan	A plan that is prepared for one asset class and outlines the demand and level of service for the asset class and how that should be achieved. The <i>Asset Management Plan</i> will include a review of useful lives and projected long-term renewal plans.
11	Intergenerational equity	This term means that each generation of ratepayers pays for their fair share of costs.

#### Asset Replacement Reserve History

In 1986-87 an ARR was created to assist with financing various essential assets. In 2010-11 Council resolved to merge the old Strategic Asset Management and ARR into the Strategic Asset Management Reserve (SAMR), which remains in place. The intention with the newly formed reserve in 2010-11 was to fund the acquisition and development of new and renewal of existing City infrastructure and building assets. As the years have progressed though the SAMR has tended to be used mostly for new assets only, the only major renewals funded by the reserve are the current City Centre Street Lighting project.

The City now has a much clearer view of the increases in renewal expenditure that are likely in future years to ensure that existing assets can continue to provide a satisfactory level of service to the community.

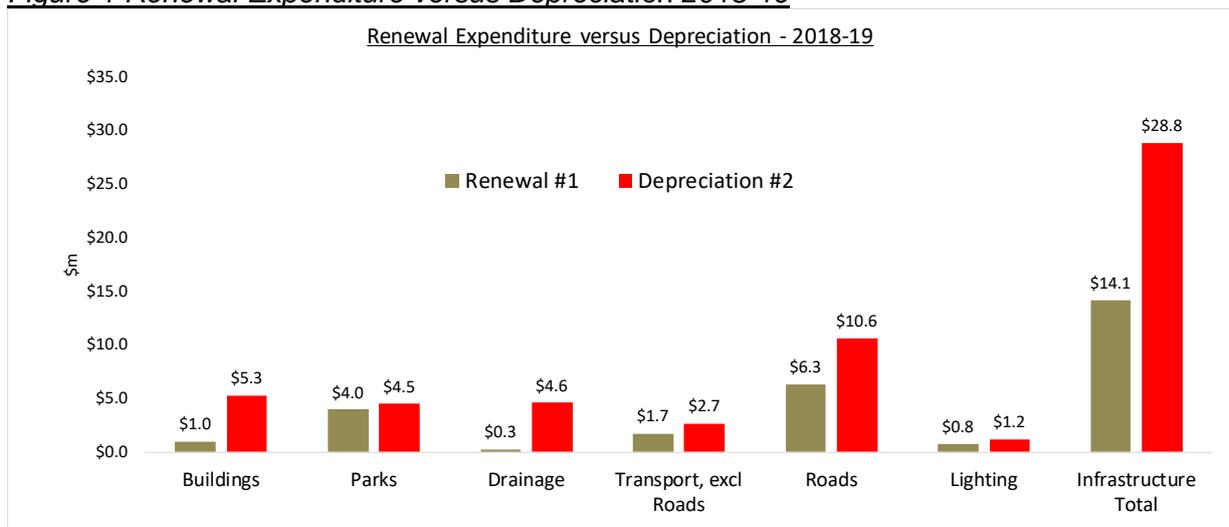
#### Asset Values

The City is responsible for a large asset base, over \$2.1 billion at full replacement cost. The City needs to ensure that it maintains the assets and renews at appropriate times to ensure that the assets continue to provide a satisfactory level of service.

#### Asset Renewal Expenditure versus Depreciation 2018-19

The City's assets and infrastructure are relatively young in comparison to their expected useful lives. For example, the City's drainage assets are mostly less than 40 years old, but their estimated useful life is between 75 and 100 years. Consequently, the City is currently spending a lot less on capital renewal expenditure for assets than is being consumed as represented by depreciation. This is shown in the figure below. There is estimated to be \$28.8 million of depreciation expense in 2018-19 for total infrastructure assets, but expenditure on asset renewals is proposed to be \$14.1 million, less than 50% of depreciation.

*Figure 1 Renewal Expenditure versus Depreciation 2018-19*



#1 Adopted CWP 2018-19, extract from PPIBS  
 #2 Depreciation budget sourced from Finance One Sept 2018

Vehicle, Plant and Equipment Reserve History

The Vehicle, Plant and Equipment Reserve was created in 2008-09, for the purpose of supporting the funding of vehicle, plant and equipment purchases, by amalgamating the previous separate reserves for Heavy Vehicles Replacement, Light Vehicle Replacement and Plant Replacement. These had all originally been created in 1996-97. The reserve is managed, and the transfers in/out determined by the following:

- Net expenditure on Vehicles, Plant and Equipment for the year which is the difference between the capital expenditure less the disposal proceeds for assets sold.
- An annual municipal funding amount of \$1.8 million was established, so:
  - i) if the net expenditure is less than \$1.8 million then the municipal fund would transfer the difference into the reserve to help for those years that need more
  - ii) if the net expenditure is more than the \$1.8 million then the shortfall would be transferred out from the reserve into municipal fund.

The reserve balance has steadily grown because the net expenditure has been less than \$1.8 million for most years resulting in a steadily growing net gain compared to what was originally anticipated. The projected June 2019 balance of the reserve \$5 million. The forecast transfers in/out of the reserve over the next 20 years have been projected and indicate that the balance on the reserve may be as high as \$7.5 million by 2026-27, while the lowest balance in the reserve would be \$4 million in 2022-23.

The forecast of the reserve therefore indicates there is more funding than is projected to be required just for vehicles, plant and equipment. There is an opportunity to consider better utilising these reserve funds by expanding the scope to meet the needs for infrastructure and asset renewal. This could be achieved by renaming the reserve as an Asset Renewal Reserve and expanding its definition.

Projected Renewal Expenditure and Potential Funding Gap

While the City’s infrastructure assets are relatively young, as they get older there will need to be higher levels of capital expenditure on renewals to ensure that these infrastructure assets continue to maintain the same level of service to the community.

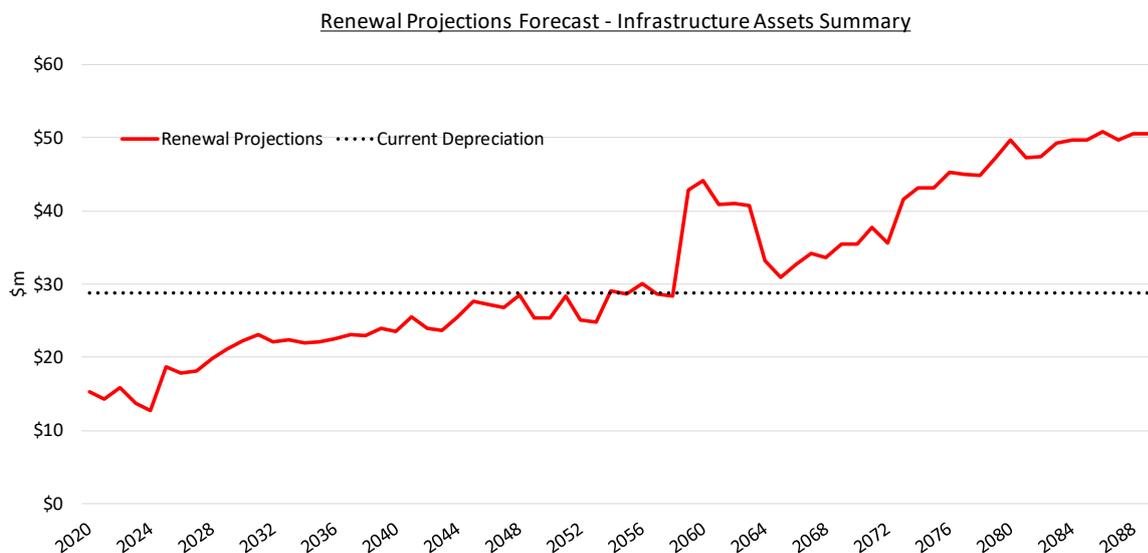
To help plan for these future needs it is proposed to establish an ARR. The purpose of the ARR will be to fund renewal of existing City infrastructure, building assets and vehicles, plant and equipment to ensure that the City can continue to utilise these at service levels expected. The ARR will not be used to fund upgrades of existing assets or acquisition or construction of new assets.

A detailed 70 year forecast of capital renewal requirements and funding required from an ARR has been prepared (Attachment 1 refers). The schedule indicates that there will need to be a gradual increase in the transfers into the ARR, but it is not intended that there should be higher rate increases to fund the ARR. One of the key objectives of the ARR is to avoid unsustainable rate increases in later years to fund higher expenditure on renewals and this can be achieved by commencing now to provide progressively for these.

The long-term projections of the ARR demonstrate that it is vital for the reserve balances to be steadily increased in the next few years so that there is adequate funding for renewals in later years. Within the next five years from 2019-20 to 2023-24 it is estimated that the City would need to fund a net \$10 million into the ARR. The adopted Capital Works Program 2018-19 to 2022-23 (CWP) has implemented reductions in comparison to the previous CWP which has resulted in estimated increases to the SAMR of \$6.4 million over the five years, this should instead be used as partial funding of the ARR. In addition, it is projected within the *20 Year Strategic Financial Plan* (SFP) that there will be sufficient operating cash surpluses to fully fund the ARR.

Figure 2 below shows projected renewal expenditure for all infrastructure assets for the next 70 years. This indicates that renewal requirements will increase to approximately \$25 million by mid 2040s. There will be steady increases thereafter and in 70 years time the renewal expenditure may be as high as \$51 million, four times as much as current renewals. (note that the values below exclude escalation). The projected renewals have been calculated using the City’s inventory and asset lives, these projections will change in the years ahead due to a wide number of factors (such as useful life reviews, replacement costs and condition assessment). Although the actual renewals will be different to those projected, there will definitely be an upward trend. The chart also shows existing depreciation and that in the short-term renewals would not be expected to match depreciation, but in later years renewals may be higher than depreciation expense.

Figure 2 – Capital Renewal Projections 2020 to 2089



Although the timeframes above are some years away, it is important for the City to plan for the long-term and ensure that current users of the City's infrastructure do not leave behind a funding gap for future generations. This report considers options on how the City may approach this issue.

### Objectives

The following are the key objectives of planning for long-term renewal expenditure.

*Figure 3 – Objectives of Planning for Capital Renewal Expenditure*



## **DETAILS**

### Options

Unless the City considers funding strategies for increases in renewal expenditure the result could be very high rate increases in future years. For example, in Figure 2 an increase in renewal expenditure of over \$30 million is projected, a \$30 million increase equates to a 30% rate increase. There are several options that the City can use to plan for increases in long-term renewal requirements:

#### Option 1 - Do Nothing

There are many assets at present (for example drainage) which require no renewal expenditure for a number of years, but in the longer term there will be a need for much higher renewals and potentially over a short timeframe. If the City did not have the financial capacity to meet the renewal requirements there could be asset failures and significant impacts to the community. There could also be unsustainable rate increases to fund large increases in renewals. This option is not considered viable due to the risk to the community in asset failure and financial sustainability.

#### Option 2 – Smoothing

This results in the City not using assets to their optimum economic use and where asset renewals occur before they are required in order to manage rate increases smoothly but also results in asset write-offs. As a standalone option it is not recommended but in reality the City may still need to smooth out some peak renewal expenditure.

### Option 3 - Borrowings to fund higher renewals

There is a limit on the capacity to borrow and borrowings should not normally be used to fund day to day renewal expenditure.

### Option 4 – Establish an Asset Renewal Reserve

There is an opportunity for the City to act now, at a time when renewal expenditure is low and to plan for the long-term by setting aside funds early. This is the recommended option.

### Current Funding of CWP versus ARR

The key distinction between the proposed ARR and the current method of funding CWP is the separation between renewal expenditure and new/upgrade expenditure. At present the City funds most of its share of the CWP from municipal funds (excluding grants, contributions and disposal proceeds) and some reserve funds for specific projects. The ARR mechanism would require all renewal expenditure to be funded from the ARR, including vehicle, plant and equipment replacement, and the new/upgrade parts of the CWP are only funded after the ARR is funded.

### How the ARR Would Work (Attachment 1 refers)

The ARR model needs to assess renewal requirements over a timeframe that is long enough to include the renewal of large peaks/troughs, particularly those assets such as drainage with a very long life. A model has therefore been developed which forecasts the transfers in/out of the reserve over a 70 year period and is summarised in Attachment 1 to this Report. It is proposed to update the model twice a year to inform the budget setting process, there are five steps to the update of the ARR projections:

- Step 1      Renewal requirements are assessed based on the City's Assets Inventory and expected useful lives. Remaining useful lives of individual assets are determined by periodic technical and condition assessments, while expected useful lives for each asset group/type are established by asset management plans or as part of revaluations (valuations will be about five years apart). Fleet requirements are determined using the "Economic Life Model" which takes account of all whole-of-life costs for the assets (initial acquisition, maintenance, repair, fuel, disposal, kilometres used per year).
- Step 2      City Funding of renewals calculated. This is the difference between Step 1 and the external proceeds received (grant funding and proceeds of vehicles being replaced).
- Step 3      ARR Movements.
- The first line of Step 3 in Attachment 1 is the opening balance of the ARR, which would initially derive from the closing balance of the Vehicles, Plant and Equipment Reserve at June 2019.
  - Transfer in from Operating Cashflows is then shown. This is initially estimated at \$12 million per year, and the transfers are then increased every five years.
  - Transfer out to Fund Renewals is shown, this matches the values from Step 2.
  - Interest on Reserve is then calculated on the balance of the reserve for the year.
  - Balance at the end of year is based on the opening balance plus net transfers plus interest.

The closing balance shows gradual increases over the next 10 years to \$16.5 million and then steeper changes to over \$60 million by 2071-72. In the later years of the forecast the balance steadily declines because the transfers out to fund renewals are higher than the transfers in. The key part of the ARR schedule is the calculation of the transfers in, these have been calculated so that the ARR closing balance can never be less than zero and that there is sufficient available to fund renewals.

Step 4 Operating Cashflows – total operating cashflows for the City are prepared including the estimates required to fund the ARR each year.

Step 5 Cash to Fund Loans, Upgrade/New Capex. This step illustrates that the remaining cashflows from the City, after the funding of the ARR, can be used to pay for new/upgrade expenditure. This is the final step in the process because the funding of the ARR should take priority.

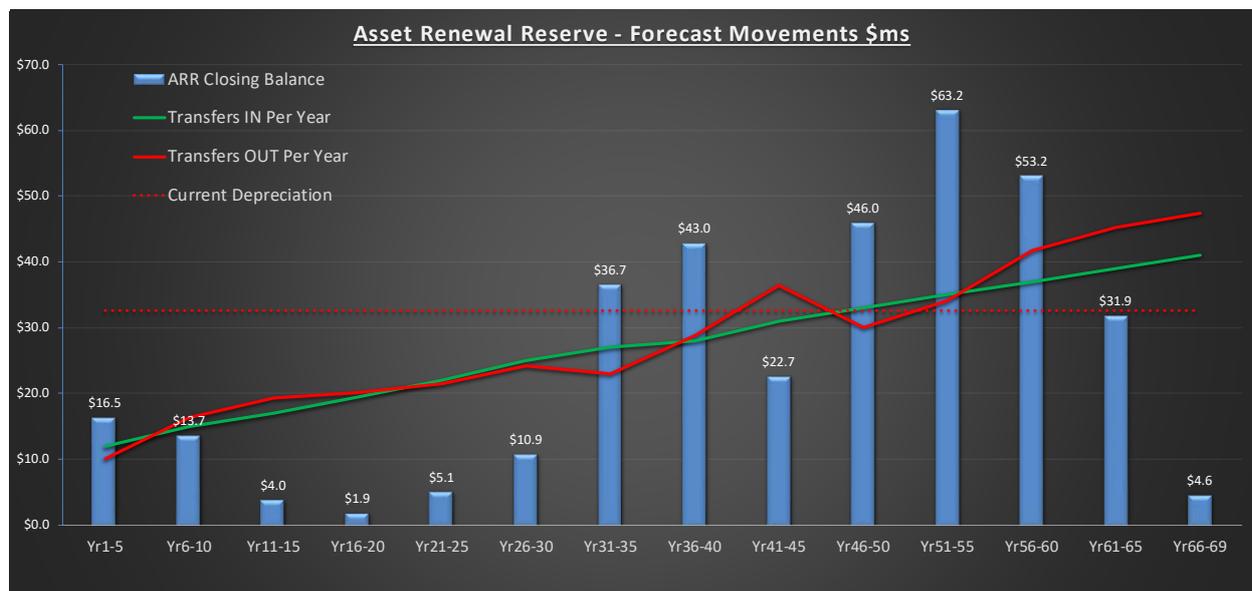
In summary the annual transfer from operating cash flows into the ARR will either be:

- (a) more than required for the following year’s renewals (the surplus will then be retained in the ARR to fund later years)
- (b) same as required for the following years asset renewals
- (c) lower than required for following year’s renewals (the shortfall required to fund renewals will be a transfer out of the ARR).

Forecast Movements of the ARR 2019-20 to 2088-89

Figure 4 below summarises the movements of the ARR within Attachment 1 to this Report as explained in Step 3 above. The graph is summarised into five year blocks but shows the annual transfers in/out for each five year period. In the first five years of the ARR a total of \$60 million is transferred into the ARR (average of \$12 million per year) and then \$50 million is transferred out (average of \$10 million per year). The difference of \$10 million over the five year period is a net transfer into the ARR to help fund future renewals. The closing balance at year five is estimated at \$16.5 million, which also includes interest and the opening balance from the Vehicles, Plant and Equipment Reserve.

Figure 4 – Forecast Movements In/Out of ARR 2019-20 to 2088-89



The graph shows the steady increases over the next 70 years and also illustrates the points where the transfer out to fund renewals is more than the transfer into the ARR.

Funding for the ARR

There are three sources of funding the ARR:

- Existing Vehicles, Plant and Equipment Reserve balance.
- The CWP had implemented reductions in the 2018 program compared to the previous program, by reducing Upgrade/New expenditure. A total of \$6.4 million was reduced over the 2019-20 to 2023-24 CWP. Within the SFP, this will currently be shown as a transfer into the SAMR, but can instead be considered as partial funding for the ARR.
- Surplus Operating Cashflows. As illustrated in Figure 1, there is no current need for the City to fully fund depreciation because the average age of infrastructure and therefore has sufficient operating surpluses to fund existing renewals and to support transfers into the ARR for later years.

It is not proposed that the funding for the ARR is funded by rates increases.

The fundamental issue to ensure affordability of the ARR is to achieve a balanced operating budget, and ideally an operating surplus. A balanced operating budget ensures that income is keeping pace with expenditure and effectively means that where renewal expenditure does not need to match depreciation (as is currently the case), there is flexibility to put aside funds to assist for those later years where renewal expenditure may be higher than depreciation.

**Issues and options considered**

Principles/Conditions of ARR

The table below lists the various principles that need to be followed by the City in using the ARR. There is a total of 10 principles required which may appear a lot, but this is necessary because the proposed reserve touches upon the overall financials for the City.

Ref	Principle	Details
1	Rates Increases	Rates should not be increased to fund the ARR. General ratepayer funds may be used to fund the reserve but has to be considered together with all other aspects of the rate setting process.
2	New Expenditure must be separately identified and excluded from the ARR Movements.	Capital Expenditure should always indicate whether the expenditure is renewal, upgrade, new or a combination thereof.  New Capital Expenditure is not funded by the ARR.

Ref	Principle	Details
3	<p>Upgrade Expenditure must be separately identified and excluded from the ARR Movements.</p>	<p>“Upgrade” expenditure relates to the increasing or improving the service potential/usability of an existing asset. There can be several causes of this – firstly this can be caused by natural replacement and that the new form of renewal is considered as an enhancement to the previous use, for example paths are sometimes renewed at a wider width than the current width. Upgrade expenditure can also relate to a specific functional request to improve an asset to provide for an enhanced use.</p> <p>Upgrade expenditure is caused in the first instance by an asset that already exists, but it is NOT reasonable to assume that upgrades should be funded by the ARR because this would undermine the primary purpose of the ARR. The estimated transfers in and out of the ARR are based on estimated renewal expenditure only, not upgrades. If upgrade expenditure was funded partially or wholly from the ARR this could lead to funding gaps in future.</p> <p>Upgrade expenditure must therefore be recognised as lower priority than renewal expenditure.</p>
4	<p>Renewal funding should take higher priority than New Expenditure.</p>	<p>Renewal funding should take priority over new expenditure because renewal relates to assets that already exist, that are already providing a service to the community and the community expects to be provided into the future. New and Upgrade expenditure should only be funded if there is sufficient cash available to fund it.</p>
5	<p>Asset Management Plans / Expected useful lives.</p>	<p>Where available, Asset Management Plans should provide the basis of renewal plans. Asset Management Plans will include an assessment of expected useful lives, based on City data where available.</p> <p>Periodic information (for example condition or dilapidation reports) may be used to amend remaining useful lives of individual assets.</p>
6	<p>Assets not replaced before end of useful life.</p>	<p>Assets should be replaced in accordance with their useful life and not beforehand, unless the following:</p> <ul style="list-style-type: none"> <li>• Safety – there are specific safety issues that require replacement earlier.</li> <li>• Functionality/community requirements – a need has arisen to change the functionality of the asset and replace earlier.</li> </ul> <p>Where assets are proposed to be replaced early the write-off cost (depreciation expense not yet charged to accounts) must be estimated and reported as part of the replacement process.</p>

Ref	Principle	Details
7	ARR Forecast Movements.	<p>The City must maintain a schedule of forecast movements in/out of the ARR, as per Attachment 1. This will include the following:</p> <ul style="list-style-type: none"> <li>• Renewal expenditure – forecast requirements based on AMPs and renewal of New/Upgrade capital expenditure.</li> <li>• Grant funding estimates.</li> <li>• Operating cashflows, based on prudent estimates and using the 20 Year SFP for the first 20 years.</li> <li>• Transfers from ARR to fund renewal expenditure.</li> <li>• Estimated balance on ARR (must be greater than zero).</li> </ul> <p>The schedule must include the next 70 years as a minimum.</p>
8	Smoothing Avoided where possible.	<p>The smoothing of capital renewal should be avoided because it leads to sub-optimal economic use of assets. However, the need to smooth out capital expenditure cannot be ruled out completely, dependent on availability of income and/or peaks of expenditure. For example there could be insufficient capacity (for the City and/or its suppliers) to undertake renewal expenditure in one year if there was substantially more than normal and therefore smoothing may be one of several tools at the City’s disposal to plan/manage renewal expenditure.</p> <p>One of the other benefits of smoothing is that it should only be necessary once and that future renewal programs have the benefit of a smoother replacement profile with less peaks.</p>
9	Borrowings for CWP avoided where possible.	<p>Ideally there should be sufficient surpluses from operating cashflows (especially if the City is within its target range for operating surplus ratio) to fund current or future renewal requirements. Ideally borrowings would not be used to fund the renewals, especially when the City’s infrastructure is young, borrowings would only normally be considered for unique or new infrastructure.</p> <p>However, borrowings should not be completely ruled out for capital renewal expenditure in future years. Borrowings are one of a number of tools that are available to the City and could legitimately be required to fund parts of the CWP in future to assist with peaks.</p>

Ref	Principle	Details
10	Depreciation is not used as the basis of determining capital renewal expenditure.	<p>Depreciation is important, as it is a financial record of the consumption of assets by the community. However, annual depreciation expense does not by itself provide the basis of annual capital renewal expenditure, because the age and condition profile of assets and community requirements will determine renewal requirements. For example a newly constructed building may have a depreciation expense of \$200,000 each year but that does not mean that \$200,000 should be spent on renewal expenditure for that building in the early years of its life.</p> <p>In the long run though, it would be expected that average capital renewal expenditure may be similar (but not identical) to the average depreciation expense, but there would be peaks and troughs.</p> <p>Comparing capital renewal expenditure to depreciation expense is a useful measure (Asset Sustainability Ratio), but it is only a guide, not a prescription.</p>

SFP – Unspecified Capital Renewal \$168 million

The SFP has projected that from 2023-24 onwards there would be further operating cash surpluses which can assist with the City’s renewal program. A total of \$168 million between 2023-24 to 2036-37 has been set aside into “unspecified capital renewal”, this further supports the contention that the transfers into the ARR are affordable.

Useful Lives

The expected useful lives applied to assets are the single biggest factor affecting the capital renewal projections. The City’s expected useful lives have been subject to review during the past few years as part of revaluations and are comparable with other local governments. There is further progress to be made in substantiating expected useful lives though by using the City’s historical maintenance data to develop models which can evaluate the optimum economic replacement of key assets types.

Creation of Asset Renewal Reserve and change to Strategic Asset Management Reserve

In consideration of both the requirement for an Asset Renewal Reserve which currently has no funding and the review of the Vehicle, Plant and Equipment Reserve which has excess funding it is recommended that these issues be addressed by combining them and renaming the existing Vehicle, Plant and Equipment Reserve to the Asset Renewal Reserve. The purpose of the renamed reserve would then be extended to cover the renewal of existing City infrastructure, building assets and vehicle, plant and equipment to ensure that the City can continue to utilise these at service levels expected.

This change will also necessitate a change to the City’s existing SAMR.

The City’s existing SAMR was initially set up to include assisting with asset renewals, but over the years it has traditionally been used to fund new projects, mostly new buildings. The SAMR is also being used to fund parts of the current Five Year CWP, most notably for the City Centre Street Lighting project.

With the proposal to establish an ARR, asset renewals should be removed from the purpose of the SAMR. It may still be used to fund new expenditure, but not renewal projects. It is proposed to rename the reserve the “Strategic Asset Reserve” and amend the definition to read as follows:

*“The Strategic Asset Reserve is used for the purposes of new or upgrade capital expenditure on major projects. The reserve is not to be used for asset renewal expenditure”.*

It is proposed that the definition of the new ARR is as follows:

*“To fund renewal of existing City infrastructure, building assets and vehicle, plant and equipment to ensure that the City can continue to utilise these at service levels expected. The Asset Renewal Reserve will not be used to fund upgrades of existing assets or acquisition or construction of new assets”.*

To implement these changes, it is proposed that they form part of the draft 2019-20 Budget.

### **Legislation / Strategic Community Plan / policy implications**

#### **Legislation**

Section 5.56 (1) of the *Local Government Act 1995* provides that:

*“A local government is to plan for the future of the district.”*

Section 6.11 (1) of the *Local Government Act 1995* provides that:

*“Subject to subsection (5), where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose.”*

Regulation 17 of the *Local Government (Financial Management) Regulations* provides that:

*“A reserve account is to have a title that clearly identifies the purpose for which the money in the account is set aside.”*

#### **Strategic Community Plan**

##### **Key theme**

Financial Sustainability.

##### **Objective**

Effective management.

##### **Strategic initiative**

- Manage liabilities and assets through a planned, long-term approach.
- Balance service levels for assets against long-term funding capacity.

##### **Policy**

Not applicable.

## **Risk management considerations**

There are several risks and opportunities for the City changing the current Vehicle, Plant and Equipment Reserve into an Asset Renewal Reserve, as listed below:

- Expected useful lives of assets are different to estimate. This risk will be mitigated by updating the ARR schedule twice a year.
- Replacement Costs lower or higher than currently projected. The ARR projections in Attachment 1 are based on the City's Asset Inventory and expected useful lives and the projections assume full replacement cost of the asset at the end of their expected useful lives. It is likely that the actual renewal cost will be different. This risk will also be mitigated by regular update of the ARR schedule.
- Growth for Major Projects. An indicative estimate of future renewal caused by major projects has been included in the schedule.
- Rates Increases. There is a risk that the City applies a lower percentage increase than is assumed in the SFP and the ARR projections. If Council applied a lower increase this may result in less funding available for capital expenditure. This can be addressed in several ways:
  - Reduce the funding for the ARR. This is likely to result in the need for higher increases in later years.
  - Reduce new/upgrade capital expenditure but continue to fund the ARR in full.

The ARR will require regular updates and detailed review to ensure that the risks/opportunities mentioned above are continually evaluated.

There are also risks on how the reserve is used. Primarily the reserve must not be used to fund new or upgrade expenditure. The principles outlined earlier, and the five-step process will be a crucial tool for the City to use to ensure that the ARR is used in accordance with the original intentions and to support long-term financial sustainability.

## **Financial / budget implications**

### SFP Guiding Principles

The establishment of an ARR is consistent with the Guiding Principles of the SFP as adopted by Council at its meeting held on 21 August 2018 (CJ152-08/18 refers), because renewals are identified as being of higher priority. The ARR process will ensure that the City is considering the long-term and avoiding unsustainable rates increases in future years or indeed at present. The ARR requirements will be factored into the draft 2019 SFP.

### 20 Year Strategic Financial Plan 2019

The SFP is updated on an annual basis, tied into the annual budget cycle. The changes proposed in this report can be factored into the next update of the SFP to be considered by Council in 2019.

## **Regional significance**

Not applicable.

### **Sustainability implications**

The proposal for changing the existing Vehicle, Plant and Equipment Reserve to an Asset Renewal Reserve will contribute to the City meeting its goals and objectives for financial sustainability.

### **Consultation**

Informal feedback has been received from leading members of the Institute Public Works Engineering Australia (IPWEA) who lead on key topics of *Local Government Financial Sustainability* – the feedback has been incorporated into the proposals where necessary.

The City of Wanneroo have an ARR, as they have similar (and potentially more extreme) issues than the City of Joondalup with very low renewals today with a lot of their new suburbs but a much higher renewal requirement in later years.

### **COMMENT**

#### How Does the Asset Renewal Reserve align with the City's key requirement to address the Operating Deficit?

The introduction of an ARR may initially appear to be at odds with the City's primary financial issue, the need to address the operating deficit as it may suggest that additional cash is required. However, the introduction of an ARR is mutually beneficial to addressing the operating deficit because of the following:

- Clear separation between renewal and upgrade/new expenditure.
- Limiting the amount of new expenditure within the CWP (excluding major projects) which therefore reduces the impact of new depreciation and new operating expenses.
- When the City addresses the operating deficit (either by increased income, reduced expenditure or a combination thereof), this will provide more opportunity for funding of the ARR.

#### ARR is Not Intended to Simply Accumulate Cash

The ARR is not intended to accumulate unnecessary cash surpluses. The financial health of a local government is often viewed in terms of its cash surpluses and outstanding loans. A local government with high cash surpluses and no borrowings is often viewed as being very healthy in financial terms. This is often misleading because excess cash can often mean that income has been raised unnecessarily and the community is paying more in rates than is required. A local government's ideal financial position is where there is a healthy operating surplus (but not excessive) and there is a sound long-term financial plan to meet future operating expenditure and renewal requirements, which may or may not involve cash reserves and/or borrowings. In summary if renewal expenditure was the same every year there would be no requirement for an ARR but the City of Joondalup has a young infrastructure asset age profile which will result in large peaks in the future and the need for an ARR.

#### Intergenerational equity

The proposal for an ARR is broadly consistent with intergenerational equity. Intergenerational equity is a key concept in organisations such as local government with long-life assets. The term relates to the fairness that each generation of ratepayers should be paying sufficiently for assets that they are using/consuming, rather than underpaying which results in later generations having to pay a lot more by comparison.

Indeed if the City considers the potential that some new or upgrade projects in the CWP may need to be removed or delayed so as to afford the transfer into the ARR, this is consistent with intergenerational equity. Today's ratepayers should be paying sufficient sums for renewal expenditure in comparison to what they are consuming, and this is a higher priority than having more upgrade or new expenditure (which creates an even bigger burden for future generations).

## VOTING REQUIREMENTS

Simple Majority.

## OFFICER'S RECOMMENDATION

That Council:

- 1 NOTES the definition of capital expenditure as follows:

*“Renewal” - capital expenditure on existing assets/infrastructure. The renewal expenditure ensures that the asset can continue to be used as it has been previously used such as a 1.8 metre path is replaced with a 1.8 metre path.*

*“New” - Capital expenditure on a completely new asset, that did not exist in any form beforehand.*

*“Upgrade” - Changing the use of an existing asset to improve or extend service potential/economic benefit. For example, the replacement of an existing 1.8 metre path with a 2.3 metre path. In this example the expenditure on the 1.8 metres would be classed as renewal and the additional 0.5 metres classed as upgrade.”;*

- 2 LISTS for consideration in the draft 2019-20 Budget the establishment of an Asset Renewal Reserve by renaming and redefining the purpose of the existing Vehicle, Plant and Equipment Reserve, for the purpose as follows:

*“To fund renewal of existing City infrastructure, building assets and vehicle, plant and equipment to ensure that the City can continue to utilise these at service levels expected. The Asset Renewal Reserve will not be used to fund upgrades of existing assets or acquisition or construction of new assets”;*

- 3 Subject to the establishment of an Asset Renewal Reserve as part of the draft 2019-20 Budget ENDORSES the Asset Renewal Reserve being based on the following:

- 3.1 Annual Renewal expenditure from 2019-20 onwards to be funded in its entirety from the Asset Renewal Reserve;

- 3.2 Annual transfer from operating cash surplus to the Asset Renewal Reserve to be determined using a forecast of future renewal requirements and update of the Asset Renewal Reserve Schedule. The transfer will be included within the budget process. The transfer from operating cash flows into the reserve will either be:

- 3.2.1 more than required for the following year's renewals (the surplus will then be retained in the Asset Renewal Reserve to fund later years);

- 3.2.2 same as required for the following years asset renewals;
  - 3.2.3 lower than required for following year's renewals (the shortfall required to fund renewals will be a transfer out of the Asset Renewal Reserve);
  - 3.3 Funding of the Asset Renewal Reserve to be higher priority than the funding of Upgrade or New Expenditure. Upgrade and New Expenditure is not funded by the Asset Renewal Reserve;
  - 3.4 Asset Renewal Reserve to be managed by the City in accordance with the process and principles within this Report;
- 4 LISTS for consideration in the draft 2019-20 Budget the renaming of the Strategic Asset Management Reserve to the Strategic Asset Reserve and the change in purpose to the following:

*“The Strategic Asset Reserve is used for the purposes of new or upgrade capital expenditure on major projects or those projects as determined by Council. The Reserve is not to be used for asset renewal expenditure.”*

*The Manager Governance left the room at 7.02pm and returned at 7.04pm.*

*Cr Poliwka left the room at 7.16pm. Cr May deputised for Cr Poliwka.*

**MOVED Mayor Jacob, SECONDED Cr Norman that Council:**

- 1 **NOTES the definition of capital expenditure as follows:**

***““Renewal” - capital expenditure on existing assets/infrastructure. The renewal expenditure ensures that the asset can continue to be used as it has been previously used such as a 1.8 metre path is replaced with a 1.8 metre path.***

***“New” - Capital expenditure on a completely new asset, that did not exist in any form beforehand.***

***“Upgrade” - Changing the use of an existing asset to improve or extend service potential/economic benefit. For example, the replacement of an existing 1.8 metre path with a 2.3 metre path. In this example the expenditure on the 1.8 metres would be classed as renewal and the additional 0.5 metres classed as upgrade.”;***

- 2 LISTS for consideration in the draft 2019-20 Budget the establishment of an Asset Renewal Reserve by renaming and redefining the purpose of the existing Vehicle, Plant and Equipment Reserve, for the purpose as follows:

***“To fund renewal of existing City infrastructure, building assets and vehicle, plant and equipment to ensure that the City can continue to utilise these at service levels expected. The Asset Renewal Reserve will not be used to fund upgrades of existing assets or acquisition or construction of new assets”;***

- 3 Subject to the establishment of an Asset Renewal Reserve as part of the draft 2019-20 Budget ENDORSES the Asset Renewal Reserve being based on the following:**
- 3.1 Annual Renewal expenditure from 2019-20 onwards to be funded in its entirety from the Asset Renewal Reserve;**
  - 3.2 Annual transfer from operating cash surplus to the Asset Renewal Reserve to be determined using a forecast of future renewal requirements and update of the Asset Renewal Reserve Schedule. The transfer will be included within the budget process. The transfer from operating cash flows into the reserve will either be:**
    - 3.2.1 more than required for the following year’s renewals (the surplus will then be retained in the Asset Renewal Reserve to fund later years);**
    - 3.2.2 same as required for the following years asset renewals;**
    - 3.2.3 lower than required for following year’s renewals (the shortfall required to fund renewals will be a transfer out of the Asset Renewal Reserve);**
  - 3.3 Upgrade and New Expenditure is not funded by the Asset Renewal Reserve;**
  - 3.4 Asset Renewal Reserve to be managed by the City in accordance with the process and principles within this Report;**
- 4 LISTS for consideration in the draft 2019-20 Budget the renaming of the Strategic Asset Management Reserve to the Strategic Asset Reserve and the change in purpose to the following:**

***“The Strategic Asset Reserve is used for the purposes of new or upgrade capital expenditure on major projects or those projects as determined by Council. The Reserve is not to be used for asset renewal expenditure.”.***

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, May, Norman and Taylor.

*Appendix 5 refers*

*To access this attachment on electronic document, click here: [Attach5agnMPF190506.pdf](#)*

## **ITEM 6 STATUS REPORT ON CITY FREEHOLD PROPERTIES PROPOSED FOR DISPOSAL AND A PROPOSED CROWN LAND ACQUISITION**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	63627, 101515
<b>ATTACHMENT</b>	Attachment 1 Lot 2 (20) Kanangra Crescent, Greenwood Attachment 2 Lot 803 (15) Burlos Court, Joondalup Attachment 3 Lot 12223 (12) Blackwattle Parade, Padbury
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Major Projects and Finance Committee to note the progress towards the disposal of two City-owned freehold properties and the acquisition of a Crown land community purpose reserve.

### **EXECUTIVE SUMMARY**

Ten sites have been disposed of from the original total of 14 that were being considered; two sites were withdrawn from sale. Table 1 below indicates the sales proceeds achieved.

The two remaining sites to be sold are Lot 2 (20) Kanangra Crescent, Greenwood (Lot 2) and Lot 803 (15) Burlos Court, Joondalup (Lot 803) both of which went to auction on 13 June 2018 and did not sell.

At its meeting held on 19 March 2019 (CJ032-03/19 refers), Council, among other matters, authorised the Chief Executive Officer (CEO) to dispose of Lot 2 (Attachment 1 refers) and Lot 803 (Attachment 2 refers) by private treaty, public tender or public auction. Council also supported the retention of the restricted use as part of the residential zoning on both sites. This restriction requires the sites to be developed for people over age 55 only.

With regard to Lot 2, an offer has been received from a developer that exceeds the latest market valuation on the property and a separate report on a proposed private treaty sale of the site has been prepared for Council's meeting to be held on 21 May 2019.

Lot 803 is still available for sale and the City is open to receiving offers that will be assessed against up-to-date market valuations.

Concerning the City’s acquisition of Lot 12223 (12) Blackwattle Parade, Padbury (Lot 12223) (Attachment 3 refers), a report was submitted to Council’s meeting held on 19 March 2019 (CJ031-03/19 refers) that provided the latest position to Council. At the meeting, Council authorised the CEO to dispose of the site by public auction. Should this method prove unsuccessful, Council also authorised the sale of the site by private treaty.

*It is therefore recommended that Major Projects and Finance Committee:*

- 1 *NOTES the status report on the progress of the City’s proposed disposal of two freehold land sites and the acquisition of a community purpose reserve Lot 12223 (12) Blackwattle Parade, Padbury;*
- 2 *NOTES that a report on the sale of Lot 2 (20) Kanangra Crescent, Greenwood by private treaty will be considered by Council at its meeting to be held on 21 May 2019;*
- 3 *NOTES a further status report on the progress of the City’s proposed disposal of freehold land and the proposed acquisition of a Crown land site will be submitted to the Major Projects and Finance Committee meeting to be held on 12 July 2019.*

## **BACKGROUND**

The land disposal project commenced early in 2010 with investigations into community purpose sites that were considered surplus to requirements. After those investigations, Council decided that use of these sites should be for the development of units for people over age 55 allowing residents the opportunity to ‘age in place.’ A restricted zoning and a suitably conditioned contract of sale reinforced this, and also prevented rezoning of the sites in the future.

The City’s freehold land disposal project initially included 14 sites. Lot 181 (4) Rowan Place, Mullaloo (CJ096-05/12 refers) and Lot 971 (52) Creaney Drive, Kingsley (CJ103-06/14 refers) were withdrawn from sale. At the time, the total value of these two properties was in the vicinity of \$4.5 million.

Table 1 indicates the 10 sites that have sold to-date and their sales price.

Except for the site that was sold to Masonic Care WA in Kingsley, Council approved the sale of these properties for the development of ‘Aged and Dependent Persons’ Dwellings’ – or unit developments for people over 55 years of age.

**Table 1 (GST exclusive)**

<b>Property</b>	<b>Date Sold</b>	<b>Sale Price</b>
Lot 200 (18) Quilter Drive, Duncraig	March 2013	\$ 1,350,000
Lot 766 (167) Dampier Avenue, Kallaroo	March 2013	\$ 1,055,000
Lot 147 (25) Millport Drive, Warwick	March 2013	\$ 1,340,000
Lot 613 (11) Pacific Way, Beldon	March 2013	\$ 700,000
Lot 671 (178) Camberwarra Drive, Craigie	March 2013	\$ 828,000
Part Lot 702 (11) Moolanda Boulevard, Kingsley	August 2015	\$ 1,050,000
Lot 745 (103) Caridean Street, Heathridge	December 2015	\$ 874,000
Lot 23 (77) Gibson Avenue, Padbury	December 2016	\$ 1,800,000
Lot 900 (57) Marri Road, Duncraig	July 2017	\$ 1,030,000
Lot 1001 (14) Camberwarra Drive, Craigie	December 2017	\$ 990,000
	<b>TOTAL</b>	<b>\$11,017,000</b>

Concerning Lots 2 and Lot 803, at its meeting held on 19 March 2019 (CJ032-03/19 refers) Council resolved the following, in part:

*“That Council:*

- 2 *AUTHORISES the Chief Executive Officer to dispose of the following sites by private treaty, public tender or public auction:*
  - 2.1 *Lot 803 (15) Burlos Court, Joondalup;*
  - 2.2 *Lot 2 (20) Kanangra Crescent, Greenwood.”*

Concerning the City’s acquisition of Lot 12223, at its meeting held on 19 March 2019 (CJ031-03/19 refers) Council resolved the following in part:

*“That Council:*

- 1 *AUTHORISES the Chief Executive Officer to dispose of Lot 12223 (12) Blackwattle Parade, Padbury by public auction on the property being owned by the City;*
- 2 *AUTHORISES the Chief Executive Officer to dispose of Lot 12223 (12) Blackwattle Parade, Padbury by private treaty should the public auction process be unsuccessful.”*

## DETAILS

**Table 2**

	<b>Property Address</b>	<b>Land Disposals – Current Status</b>
1	<p>Lot 2 (20) Kanangra Crescent, Greenwood.</p> <p>Land Area: 3,005m<sup>2</sup>.</p> <p>Attachment 1 refers.</p>	<p>This site is zoned Residential with a restricted use to ‘Aged or Dependent Persons’ Dwellings’ and it has a density code of R40.</p> <p>Council considered the potential removal of the restricted use on this property at its meeting held on 19 March 2019 and resolved it be retained (CJ032-03/19 refers).</p> <p>An offer received exceeding the latest market valuation on Lot 2 meant the CEO could consider progressing a private treaty transaction with the developer. A report has been prepared for Council’s meeting to be held on 21 May 2019 on the subject.</p>
2	<p>Lot 803 (15) Burlos Court, Joondalup.</p> <p>Land Area: 4,410m<sup>2</sup>.</p> <p>Attachment 2 refers.</p>	<p>This site is zoned Residential with a restricted use to ‘Aged or Dependent Persons’ Dwellings’ and it has a density code of R60.</p> <p>Lot 803 (15) Burlos Court, Joondalup did not sell at auction on 13 June 2018.</p>

	Property Address	Land Disposals – Current Status
		Council considered the potential removal of the restricted use on this property at its meeting held on 19 March 2019 and resolved it be retained (CJ032-03/19 refers).

	Property Address	Crown Land Acquisition – Current Status
1	Lot 12223 (12) Blackwattle Parade, Padbury.  Land Area: 3,332m <sup>2</sup> .  Attachment 3 refers.	The City has executed the contract of sale and an EFT transfer of the balance purchase price was undertaken on 30 April 2019. Settlement is being planned to take place as soon as possible.

### Issues and options considered

A report has been prepared for the Council meeting to be held on 21 May 2019, on the potential sale of Lot 2 by private treaty.

The developer that had interest in the potential purchase of Lot 803 if the restricted use to the development of units for people over age 55 was removed from the zoning was informed of Council's decision to retain the restriction on 22 March 2019.

The City is awaiting to hear an update on the proposed settlement date for Lot 12223.

### Legislation / Strategic Community Plan / Policy implications

**Legislation** Sections 3.58 and 3.59 of the *Local Government Act 1995*, together with the *Local Government (Functions and General) Regulations 1996* determine how a local government may dispose of property.

#### Strategic Community Plan

**Key theme** Quality Urban Environment.

**Objective** Quality built outcomes.

**Key theme** Financial Sustainability.

**Objective** Financial diversity.

**Strategic initiative** Identify opportunities for new income streams that are financially sound and equitable.

**Policy** *Asset Management Policy.*  
*Sustainability Policy.*

#### Risk management considerations

Disposal of property needs to comply with the requirements of sections 3.58 and 3.59 of the *Local Government Act 1995*, which are designed to ensure openness and accountability in the disposal process.

There is always the potential that the reserve price on a City property will not be realised. Reserves are based on current market valuations obtained from a licensed valuer. The City will not consider an outright sale of a freehold land site below these reserves.

The recommendations for disposal are based on a combination of the best financial return, planning outcomes, and community benefit.

Regarding the proposed sale of Lot 2 (20) Kanangra Crescent, Greenwood and Lot 803 (15) Burlos Court, Joondalup, the future of these sites may wish to be reconsidered based on the market's response to their proposed sale and the developers' feedback.

### **Financial / budget implications**

Council has agreed that the proceeds from the sale of freehold land are to be transferred to the Joondalup Performing Arts and Cultural Facility Reserve Fund. The Reserve Fund currently holds an amount of \$19,702,939.

Proceeds achieved from the future sale of Lot 12223 (12) Blackwattle Parade, Padbury are required to be spent on capital/community projects in line with the definition of "Community Purpose" under LPS3.

The associated main expenditure costs related to the City's disposal of freehold land are legal and settlement fees, advertising costs, valuation costs, land surveying and costs related to subdivision/amalgamations.

### **Regional significance**

Not applicable.

### **Sustainability implications**

City freehold land that has been set aside for community use should not be disposed of without there being a nominated purpose addressing a community need.

Concerning the freehold land disposal project to date, Council has supported the restricted use of 'Aged or Dependent Persons' Dwellings' providing alternative housing choices for the City's ageing population. Potentially, other cohorts of the community should now be considered.

The sale proceeds from the eventual disposal of Lot 12223 (12) Blackwattle Parade, Padbury will be used for community projects.

### **Consultation**

Public auction, public tender and private treaty methods have been used regarding the City's land disposal project. Advertising is a requirement with all three methods unless, in respect of private treaty, the disposal is exempt under regulation 30 of the *Local Government (Functions and General) Regulations 1996*.

The statutory public advertising period of 42 days for amendments to LPS3 provides an opportunity for the community to make a submission on the future intent for the site on disposal.

The method of community consultation followed during the proposed acquisition of Lot 12223 (12) Blackwattle Parade, Padbury, was conducted in accordance with the City's approved *Community Consultation and Engagement Policy* and *Community Engagement Protocol*.

## COMMENT

Lot 2 is being dealt with via a separate report to Council's meeting to be held on 21 May 2019.

With regard to Lot 803, the City is open to receiving offers for assessment against current market valuations.

As the City has signed the contract and payment for the site took place on 30 April 2019, it is expected that it will be reported to the Major Projects and Finance Committee meeting to be held on 12 July 2019 that the property is in the City's ownership and public auction actions have commenced.

## VOTING REQUIREMENTS

Simple Majority.

*Cr Poliwka returned to the room at 7.17pm.*

**MOVED Cr Norman, SECONDED Cr Fishwick that the Major Projects and Finance Committee:**

- 1 NOTES the status report on the progress of the City's proposed disposal of two freehold land sites and the acquisition of a community purpose reserve Lot 12223 (12) Blackwattle Parade, Padbury;**
- 2 NOTES that a report on the sale of Lot 2 (20) Kanangra Crescent, Greenwood by private treaty will be considered by Council at its meeting to be held on 21 May 2019;**
- 3 NOTES a further status report on the progress of the City's proposed disposal of freehold land and the proposed acquisition of a Crown land site will be submitted to the Major Projects and Finance Committee meeting to be held on 12 July 2019.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 6 refers*

*To access this attachment on electronic document, click here: [Attach6agnMPF190506.pdf](#)*

**Disclosure of interest affecting impartiality**

<b>Name/Position</b>	<b>Cr Philippa Taylor.</b>
<b>Item No./Subject</b>	Item 7 - Ocean Reef Marina Project Status.
<b>Nature of interest</b>	Interest that may affect impartiality.
<b>Extent of Interest</b>	Cr Taylor is a member of the Ocean Reef Sea Sports Club and the Joondalup RSL.

**ITEM 7 OCEAN REEF MARINA PROJECT STATUS**

<b>WARD</b>	North Central
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	04171, 101515
<b>ATTACHMENTS</b>	Attachment 1 Indicative Timeline (as at April 2019) Attachment 2 Ocean Reef Marina Refined Concept Plan
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Major Projects and Finance Committee to note the progress of the Ocean Reef Marina development.

**EXECUTIVE SUMMARY**

To progress the implementation of the Ocean Reef Marina development, the following activities and tasks have been undertaken since the previous project status report was considered by the Major Projects and Finance Committee at its meeting held on 11 March 2019 (Item 4 refers):

- 1 Liaison and engagement with the State Government through LandCorp.
- 2 Concept Plan development.
- 3 Progression of the environmental and planning approval processes.
- 4 Community Engagement.
- 5 Stakeholder Engagement.
- 6 Other matters.

The project is progressing in accordance with the updated project plan prepared by LandCorp and represented in the Ocean Reef Marina Indicative Timeline as at April 2019 (Attachment 1 refers).

*It is therefore recommended that the Major Projects and Finance Committee NOTES the Ocean Reef Marina Project Status report.*

## **BACKGROUND**

### **1 State Government / LandCorp**

Following the announcement by Premier Mark McGowan and Hon. Rita Saffioti (Minister for Transport; Planning; Lands) in September 2017 that LandCorp would lead the implementation of the Ocean Reef Marina project, the City's ongoing involvement in the project was articulated in the Memorandum of Understanding (MOU) endorsed by Council at its meeting held on 20 February 2018 (CJ031-02/18 refers) and executed in March 2018.

Clause 7.1 of the MOU states that:

*“The Parties agree to facilitate the transition of proponentcy to LandCorp in an orderly and expeditious manner.”*

As part of the orderly transition process, in October 2018 the City formally notified the Environmental Protection Authority (EPA) that proponentcy for the project, for the purposes of the Public Environmental Review (PER), now rests with LandCorp.

Further engagement and negotiation with LandCorp and the Department of Planning, Lands and Heritage (DPLH) is required to transfer proponentcy for the Metropolitan Region Scheme (MRS) Amendment. It is anticipated this will occur prior to gazettal of the MRS Amendment.

### **2 Concept Plan Development**

The refined Concept Plan was endorsed for community engagement by the Government Steering Committee in August 2018. The refined plan was developed following an extensive review process undertaken by the Project Steering Group with considerable input from the Department of Transport (DoT) (Attachment 2 refers).

### **3 Planning and Environmental Approvals**

#### Metropolitan Region Scheme Amendment 1270/41

Metropolitan Region Scheme (MRS) Amendment 1270/41 was advertised for public comment from November 2016 to February 2017.

In August 2018 the City and LandCorp made a deputation to the Western Australian Planning Commission (WAPC) as part of the Hearing process for the assessment of the MRS Amendment.

Following the deputation, clarification was provided to the Commission on the current concept plan, consideration of the refined Concept Plan and the statutory planning delivery framework.

In short, the current concept plan remains the relevant plan for consideration in the MRS Amendment 1270/41 process. It is considered imperative that the current MRS process progresses in order to provide project certainty and to meet State Government expectations for onsite commencement in 2020.

#### Negotiated Planning Outcome for Bush Forever Site 325

Following public advertising concurrently with MRS Amendment 1270/41, finalisation of the draft Negotiated Planning Outcome (NPO) commenced. The NPO must be finalised prior to gazettal of MRS Amendment 1270/41.

### Public Environmental Review

Public advertising of the PER documents occurred from November 2016 to February 2017 and responses to submissions received, both public and agency, were finalised and accepted by the Environmental Protection Authority in October 2018.

In October 2018, following a formal request from the City, the EPA transferred the proponentcy for the PER to LandCorp.

Following consideration of comments and feedback received from the City, LandCorp and other agencies on the proposed draft PER conditions, the EPA advised that the Ocean Reef Marina proposal was environmentally acceptable and recommended to the Minister for Environmental that the proposal could proceed with strict conditions.

The EPA recommended nine conditions including the following:

- Further investigations and management plans are carried out to minimise impacts to the nearby beaches.
- Requirements for monitoring and management plans to ensure the proposal will avoid or minimise impacts to water quality and marine habitats outside the marina.
- Offsetting the residual impacts to the marine environment by requiring the proponent to implement actions to improve the health of reef habitats in the Marmion Marine Park.

The EPA's report to the Minister was open for a two week public appeal period which closed on Monday 11 March 2019.

### Marmion Marine Park

The actual impacts of the Ocean Reef Marina on the Marmion Marine Park habitat are considered through the PER process as are any offset requirements. However, separate to that process, the development requires excision from the Marmion Marine Park which is a complex process managed by the Department of Biodiversity, Conservation and Attractions on behalf of the Conservation and Parks Commission.

Following "in-principle" support from the Conservation and Parks Commission for the excision process (subject to the project receiving the required statutory approvals), a Cabinet Submission was prepared to progress the required Act of Parliament process.

### Draft preliminary Ocean Reef Marina Structure Plan

Further development of the draft preliminary *Ocean Reef Marina Structure Plan* (Structure Plan) cannot be progressed until the outcome of the PER and MRS Amendment processes is known. The need for a structure plan is also being considered as part of the investigations into an alternate planning framework.

## **4 Stakeholder Engagement**

The extensive Stakeholder Engagement and Communications Strategy (developed by LandCorp and endorsed by the Government Steering Committee) is being implemented and the City assists as requested and required.

## DETAILS

### 1 State Government / LandCorp

#### Land Assembly and the City's freehold land

Based on the refined concept plan, the whole of Lot 1032 and a portion of Lot 1029 (owned by the City freehold) will form part of the Ocean Reef Marina development. Further, the City has management over a major part of the Crown Land within the development area.

Clause 6.1 of the MOU between the City and LandCorp (endorsed by Council at its meeting held on 20 February 2018, CJ031-02/18 refers) outlines the City's responsibility in terms of its freehold land:

*“6.1 The City agrees that it shall:*

- (f) Not dispose of or otherwise deal with land it owns within the area of the Project (27 hectare area comprising Lot 1032 on Plan 13198 and Lot 1029 on Diagram 57604) which would materially affect or restrict the implementation of the Project.*
- (g) Contribute the portion of City owned land required for the Project for an agreed market value (assumed to be nominal) consideration. The methodology used to value the required Project land to be agreed between the Parties.”*

The total area of the City's freehold land is:

- Lot 1032      2.6911 ha
- Lot 1029      24.4047 ha      27.0958 ha.

The refined concept plan requires the City to contribute the whole of Lot 1032 (2.6911 ha) and 8.6251 ha of Lot 1029 which totals 11.316 ha.

Advice received from McGees Property in December 2015 estimated the 'as is' current market value of the land at between \$300 per square metre and \$500 per square metre. The McGees Property report noted *“... that the subject land is to be valued on the basis of its current circumstances and encumbrances to assist with land assembly and tenure discussions with the relevant State Government agencies involved in assisting the City of Joondalup with the project”* (Ocean Reef Marina).

In accordance with the above, the “as is” market value of the City's land contribution (11.316 ha) to the project is estimated at between \$33,948,000 and \$56,580,000. This is consistent with the value currently included in the City's Asset Register.

However, recent advice provided to the City by LandCorp confirms that the approved Cabinet Submission (on which the decision to implement the project was based) assumed all the project land (freehold and reserve), including the City's was to be contributed to the project at nil cost.

Further, valuation advice obtained by LandCorp from Landgate includes the following:

*“The market value of land depends on its utility i.e. the use to which it can be put, land reserved for community public purposes such as the land required for this project has a limited value and is not normally transacted (bought and sold) in the commercial market.*

*The land subject to transfer to LandCorp for incorporation with adjoining lands for the Ocean Reef Marina Project as proposed in accordance with Concept Plan 7.2A is understood to have no potential for other higher uses under the terms of the proposed transfer.*

*Restricted to sale for development strictly in accordance with Concept Plan 7.2A, with the excess lands retained for public purposes much as currently used and development, we consider that the required land would be unsaleable.*

*Based on the information provided by LandCorp that indicates the Ocean Reef Marina Project as proposed by Concept Plan 7.2A will result in a significant negative project value it is considered that the required lands have a nominal value and we have assessed a value of one dollar (\$1) GST inclusive for transfer purposes.”*

While it is reasonable to assume that the State Government (through LandCorp) would not be open to compensating the City for its freehold land at the market value suggested by McGees Property, agreement negotiations between the City and LandCorp should consider:

- that the City’s land does have a positive value
- the City’s project expenditure
- current income generated by the existing car/trailing parking
- other existing assets.

Project Expenditure

Since the establishment of the Ocean Reef Marina Committee in April 2007 (CJ007-04/07 refers), the City has expended the following on the project (excluding internal staff costs):

2006-08	\$ 133,241	
2008-09	\$ 779,967	
2009-10	\$ 182,698	
2010-11	\$ 237,921	
2011-12	\$ 318,512	
2012-13	\$ 317,544	
2013-14	\$ 773,853	
2014-15	\$1,238,282	
2015-16	\$1,076,316	
2016-17	\$ 496,066	
2017-18	\$ 108,529	
2018-19	\$ 7,217	\$ 5,670,145
<b>LESS GRANTS</b>		
2004 State Government Grant	- 700,000	
2010 RBFS Grant	- 85,500	
2017 State Government Grant	- 500,000	- 1,285,500
<b>TOTAL EXPENDITURE</b>		<b>\$ 4,384,645</b>

Income generated by existing facilities

Car/Trailer Parking	\$ 152,000 pa
Ocean Reef Sea Sports Club Lease	\$ 3,731 pa
Telstra Communications Infrastructure	\$ 45,662 pa

The City is currently undertaking a detailed financial analysis of the impact of the project (based on the refined concept plan), both income and expenditure, to the City. The outcome of this analysis will form the basis of negotiations/agreements between the City and LandCorp.

It has been estimated that the City will receive approximately \$2,200,000 per annum in rates income from a fully operational and completed marina (includes residential, retail/commercial); it should be noted that it would take upwards of 10 years to reach this estimate. It is also probable that the City will receive income from public car parking from a fully developed marina.

The number and location of public car parking is subject to detailed design. Discussion on this matter has previously occurred with LandCorp. However, given the likely high specification of the development and the likelihood that the City will be land-side manager, expenditure per annum is likely to be greater than the rates income.

Through negotiation and agreement with LandCorp, the City will need to identify additional income generating opportunities to ensure that the historical, present and future expenditure is matched by on-going income.

## **2 Concept Plan Development**

The refined concept plan formed the basis of business planning discussions with both the Ocean Reef Sea Sports Club (ORSSC) and Whitfords Volunteer Sea Rescue Group (WVSRG).

The above entities have sought some amendments to the southern marine services precinct to better suit their needs. Following workshops hosted by LandCorp's consultants, both entities have advised that the amendments made provide a better outcome and align with their long-term requirements.

Once the concept plan has been finalised and approved by the Government Steering Committee, it will form the basis for detailed design.

## **3 Planning and Environmental Approvals**

### Metropolitan Region Scheme Amendment 1270/41

Following formal consideration of the MRS Amendment by the WAPC, and the deputation made by the City and LandCorp, the required statutory process is progressing.

The timing of gazettal of the MRS Amendment is dependent on the finalisation of the PER process (refer to information below). Gazettal will also provide the trigger for an alternative planning framework process (refer to information below).

### Improvement Plan / Scheme

LandCorp is committed to commencing construction of the marina by late 2020 and, as such, requires an appropriate planning framework to be in place to enable this to occur.

Through extensive liaison between the DPLH, the LandCorp Project Team and the City, it has been agreed that an improvement plan and improvement scheme will be the most efficient and effective planning process to progress the Ocean Reef Marina development.

Improvement plans and schemes allow the State Government to become the planning authority for particular areas of land, identified as requiring special planning, with the intention of advancing its planning and development.

It is proposed that the Ocean Reef Marina improvement plan and scheme will include delegation of planning powers back to the City.

An improvement plan and improvement scheme will advance the planning, development and use of the land, and will provide a bespoke statutory planning mechanism specifically targeted at facilitating development of the marina. The scheme can be supported by a detailed Scheme Report and Built Form Guidelines. An improvement scheme also facilitates the coordination of all State Government agencies involved in implementing the project.

In April 2019, LandCorp submitted an improvement plan for WAPC consideration and adoption as the first step in progressing an improvement scheme.

The lodgement of the improvement plan is not intended to detract from the current MRS Amendment process, which still needs to occur in the interim. The WAPC has been respectfully requested to support this approach.

It has been acknowledged that the WAPC may only provide a recommendation to the Minister for Planning, that the land be dealt with through an improvement plan under section 119 of the *Planning and Development Act 2005* and that the Minister may only consider the improvement plan once the MRS Amendment is gazetted.

#### Draft preliminary Ocean Reef Marina Structure Plan

Should the alternate planning framework described above be acceptable to the WAPC and other relevant authorities, an Ocean Reef Marina Structure Plan is no longer required.

#### Negotiated Planning Outcome for Bush Forever Site 325

The WAPC is finalising the acquisition of a parcel of land suitable as an off-set for the portion of Bush Forever required for the development.

It has been agreed between LandCorp and the WAPC that the project may “use” 26ha of the site which is in excess of the off-set requirement.

Acquisition of this land parcel for inclusion in the conservation estate forms 90% of the NPO requirement with the remaining 10% being rehabilitation of degraded sections of Bush Forever Site 325 in the vicinity of the development. The precise location of rehabilitation areas will be determined through engagement with the City and other stakeholders.

#### Public Environmental Review

Following the announcement that the EPA had recommended that the Ocean Reef Marina proposal is environmentally acceptable and could proceed with strict conditions, EPA Report 1629 was released to the public. A two week public appeals period ran from 25 February to 11 March 2019.

As at the closing date, three appeals were received from the State’s Appeals Convener – two from stakeholder groups and one from a member of the community.

In collaboration with the City, LandCorp and environmental consultants Strategen submitted responses to the appeals in April 2019.

The EPA is now required to submit to the Minister for Environment a report on the appeals which includes the responses provided by the proponent as well as advice received from the relevant Decision-Making Authorities. An agreement or decision can then be made on whether the proposal may be implemented subject to implementation conditions.

The project program prepared by LandCorp suggests this decision may be made by June 2019.

### Marmion Marine Park

The required process to excise the Ocean Reef Marina from the Marmion Marine Park is progressing. The process occurs largely without significant input from LandCorp or the City. However, the LandCorp Project Team has and will continue to engage with the relevant agencies and assist where required.

It should be noted that given the broader implications of the proposal on the boundary and management of the Marmion Marine Park and recreational abalone fishers, the EPA provided high level advice to the Minister for Environment (as part of the PER process) about Government agencies working together to address these matters.

## **4 Stakeholder engagement**

### Public Realm Community Reference Group

LandCorp established the Public Realm Community Reference Group (CRG) in January 2019. The role of the CRG is to provide input into the design of the public realm areas of the Ocean Reef Marina including parks, streetscapes, boardwalks, walk trails etc. The CRG includes community members and representatives from community groups. The City is represented on the CRG.

Facilitated by the project's landscape architects, UDLA, three workshops were held during February and March 2019. Outcomes from the workshops include the:

- identification of the vision and guiding principles for the public realm
- developed public realm options
- agreement on the ultimate direction for the public realm.

Together with additional information obtained through engagement with local school students, the outcomes of the CRG workshops will be collated into a landscape master plan which will be presented to a future meeting of the Government Steering Committee for endorsement.

### Ocean Reef Sea Sports Club and Whitfords Volunteer Sea Rescue Group

As outlined above (section 2 – Concept Plan Development), business planning for the ORSSC and WVSRG has commenced. Working Groups to assist with the business planning have been established consisting of representatives from the following:

- LandCorp.
- The City.
- Taylor Burrell Barnett.
- Department of Fire and Emergency Services (WVSRG).
- Department of Transport.
- Department of Local Government, Sport and Cultural Industries.
- McGees Property and Benchmark Projects (consultants engaged by LandCorp).
- ORSSC.
- Joondalup RSL.
- WVSRG.

Workshops conducted during February and March resulted in the generation of a needs matrix which formed the basis of amendments to the refined concept plan. The needs matrix also enabled preliminary draft floor plans of the required buildings to be developed.

The concept plan amendments resulted in:

- moving the ORSSC building closer to the water and boat pens
- location of building maximises views over the marina waterbody and northern coastal area
- potential for the provision of an additional boat ramp (exclusive club use on event days)
- managed pedestrian access from the boat ramps to the club building
- provision of adequate car parking and hard stand area for boat storage for the ORSSC
- co-location of the WVSRG with the Department of Transport (Marina Manager)
- location of WVSRG building close to boat pens providing clear and full sight lines to the ocean
- suitable location for aerials and associated equipment
- adequate storage for vessels and other equipment
- widening of the southern access road to enable two-lane access into the marina (required for WVSRG personnel to access their facilities during high boat ramp usage).

Both the ORSSC and WVSRG have confirmed in-principle agreement on the concept plan amendments and draft preliminary building floor plans.

The above outcomes will assist with the preparation of Business Cases for both entities to enable funding for the new facilities to be sought.

## **5 Other matters**

### Native Title

No additional information is available since the previous Major Projects and Finance Committee meeting which was held on 11 March 2019. However, LandCorp maintains contact with the Department of the Premier and Cabinet and Department of Planning, Lands and Heritage to ensure the exchange of information on the matter of Native Title.

### Abalone Compensation

Engagement with the Department of Primary Industries and Regional Development (DPIRD) is on-going to ensure that the Voluntary Fisheries Adjustment Scheme to facilitate compensation to the commercial abalone licence holders can be instigated once the project receives final approval.

### **Issues and options considered**

Not applicable.

### **Legislation / Strategic Community Plan / Policy implications**

#### **Legislation**

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

Other applicable legislation include the following:

- *Planning and Development Act 2005.*
- *Environmental Protection Act 1986.*
- *Fisheries Adjustment Scheme Act 1987.*
- *Environmental Protection, Biodiversity and Conservation Act 1999 (Cwlth).*
- *Local Planning Scheme No. 3.*

The approvals for the development are influenced by the following State Planning and Development Control policies:

- 2.6: *State Coastal Planning Policy.*
- 2.8: *Bushland Policy for the Perth Metropolitan Region.*
- 3.7: *Planning in Bushfire Prone Areas.*
- 1.8: *Canal Estates and Artificial Water*

### **Strategic Community Plan**

<b>Key theme</b>	Economic Prosperity, Vibrancy and Growth.
<b>Objective</b>	Destination City.
<b>Strategic initiative</b>	Facilitate the establishment of major tourism infrastructure. Encourage diverse accommodation options.
<b>Policy</b>	Not applicable.

### **Risk management considerations**

Early engagement with the State Government / LandCorp on the City's on-going role and responsibilities as the project progresses was previously identified as a risk management consideration.

The execution of the MOU ensures that the City's interests in the project are acknowledged and protected. Further it allows the City to negotiate with the State Government on matters such as land tenure, on-going management responsibilities of a constructed marina and the City's contribution to the construction of community infrastructure.

The financial analysis currently being undertaken by the City will ensure relevant and up-to-date information on the financial impact of the construction and on-going operation of the marina on the City is available. This analysis will assist in the City's negotiations with LandCorp and the Department of Transport on the on-going project, development and operational responsibilities. Further, this analysis and any future financial analyses will mitigate the risk of the City being placed in a position where the financial burden of its on-going responsibilities is untenable.

### **Financial / budget implications**

#### Current financial year impact

<b>Account no.</b>	C1001.
<b>Budget Item</b>	Ocean Reef Marina.
<b>Budget amount</b>	\$ 112,398
<b>Amount spent to date</b>	\$ 32,304
<b>Balance</b>	\$ 80,094

Total Project Expenditure (as at 31 March 2019 including internal staff costs)

2007-08	\$ 133,241
2008-09	\$ 968,284
2009-10	\$ 266,604
2010-11	\$ 325,046
2011-12	\$ 388,552
2012-13	\$ 376,393
2013-14	\$ 838,371
2014-15	\$ 1,314,917
2015-16	\$ 1,163,151
2016-17	\$ 575,906
2017-18	\$ 174,832
2018-19	\$ 47,133
LESS Grants Received	<u>\$(1,285,500)</u>
 Total City Expenditure	 \$ 5,286,180

2018-19 MYR Budget

The 2018-19 MYR project budget is \$112,398 which covers staff costs, communications and marketing (independent of LandCorp’s stakeholder engagement strategy) as well as an allocation for the City to undertake financial / economic investigations on the on-going financial impacts (both income and expenditure) of the project. LandCorp are responsible for all costs related to the project (not directly attributable to the City).

<b>Annual operating cost</b>	Investigations into the on-going financial impacts (both income and expenditure) have commenced based on the refined concept plan and other information provided by LandCorp.
<b>Estimated annual income</b>	
<b>Capital replacement</b>	The outcomes of these investigations will inform the City’s negotiations with LandCorp on the matters identified in this Report the outcomes of which will enable a more accurate determination on whole of life impacts.
<b>20 Year Strategic Financial Plan impact</b>	
<b>Impact year</b>	The outcomes will also enable a detailed Business Case (if required) to be prepared for the disposal of the City’s freehold land for the development.

All amounts quoted in this report are exclusive of GST.

**Regional significance**

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

**Sustainability implications**

Infrastructure Sustainability

Endorsed by Council in 2009 (JSC5-05/09 refers), the Ocean Reef Marina Philosophy and Parameters articulated the City’s vision for the project and acknowledged the City’s commitment to achieving a sustainable green development.

At its meeting held on 20 February 2018 (CJ031-02/18 refers) it was agreed that Council, among other things that it:

“3 *REQUESTS the City to liaise with and request LandCorp to pursue development parameters which will deliver world class sustainable built form at the Ocean Reef Marina.*”

The project has been registered for an Infrastructure Sustainability (IS) Planning rating from the Infrastructure Sustainability Council of Australia.

Significant progress has been made on the completion of the Infrastructure Sustainability Scorecard | Planning 2.0 which forms the basis of IS Planning Rating. The project will be rated on several categories including the environment which includes the following sub-categories:

- Energy and carbon.
- Green infrastructure.
- Environmental impacts.
- Resource efficiency.
- Water.
- Ecology.

#### Nine Innovation Ideas

Detailed scoping and identification of project team participants has occurred for the Nine Innovation Ideas identified by the Ocean Reef Marina Project Team:

- Big picture, world-scale land uses.
- Smart precinct / smart marina.
- Water wise development.
- Low carbon integrated energy system / micro-grid.
- Smart waste precinct.
- Abalone artificial reef and dive trail.
- Future proofed transport.
- Self-sustained community development.
- Celebrating coastal maritime and indigenous cultural history.

Some workshops have been conducted and it is anticipated that workshops for all innovation ideas will be held during the coming months. The City has requested representation on all innovation project teams.

#### **Consultation**

LandCorp's stakeholder engagement strategy identifies His Worship the Mayor, Elected Members and the City as well as Ministers, State Government Agencies and special interest groups such as abalone industry representatives as key stakeholders in the project.

Regular engagement with these, and other stakeholders, occurs as and when required and will continue as the project progresses.

The strategy also complements and builds on the community engagement undertaken by the City throughout the life of the project. The City has provided LandCorp with extensive information on the outcomes of past engagement with the community as well as other key stakeholders (including Government agencies).

## **COMMENT**

Since the previous meeting of the Major Projects and Finance Committee held on 11 March 2019, the Ocean Reef Marina project has progressed in accordance with the amended program prepared by LandCorp.

The project is subject to a tight timeframe and there are several challenges to be resolved. One of the challenges for the City will be successful negotiations with LandCorp and the Department of Transport to ensure that the City's substantial investment in the project (in terms of expenditure, existing infrastructure and freehold land) is acknowledged and suitable recompense provisioned in any executed agreement.

The City continues to provide support to LandCorp and the project at all levels of the project and is committed to protecting the City's vision for, and investment in, the Ocean Reef Marina.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Taylor, SECONDED Cr Hollywood that the Major Projects and Finance Committee NOTES the Ocean Reef Marina Project Status report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 7 refers*

*To access this attachment on electronic document, click here: [Attach7agnMPF190506.pdf](#)*

## **ITEM 8 JOONDALUP PERFORMING ARTS AND CULTURAL FACILITY – PROJECT REVIEW STATUS**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	75577, 101515
<b>ATTACHMENT</b>	Attachment 1 Joondalup Performing Arts and Cultural Facility - Refined concept design drawings and images Attachment 2 Jinan Garden – Concept image and location plans Attachment 3 Joondalup Performing Arts and Cultural Facility – Project History
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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### **PURPOSE**

For Council to consider:

- details of the project review process undertaken for the Joondalup Performing Arts and Cultural Facility (JPACF) project
- estimated capital and operating costs and adopting a new concept design for the JPACF project
- JPACF project objectives review outcomes
- supporting the separation of the Jinan Garden from the JPACF project and progressing the Jinan Garden as a stand-alone project.

### **EXECUTIVE SUMMARY**

The City has reviewed the JPACF project since Council's 2017 decision not to proceed with the design development stage of a \$100 million facility (CJ101-06/17 refers) so that the City could explore a new vision for the project. The review process has explored alternative options for the concept design, facility operations, project funding and project objectives.

At its meeting held on 12 November 2018 the Major Projects and Finance Committee noted a condensed concept design that would form the basis for further design refinement and cost analysis. The new concept was costed by quantity surveyor consultants at approximately \$59 million which is a significantly less expensive facility than the previous \$100 million facility. The design provides fewer spaces than the previous design however, provides spaces with a high degree of flexibility, capable of housing 'multi-use' activities.

The new concept is also estimated to have much lower operating costs, however it maintains a design standard appropriate for a world class, state of the art facility. The new concept design is shown in Attachment 1 to this Report.

The project Philosophy and Parameters were initially adopted for the project in 2010 and have guided the project since then. The purpose of the project Philosophy and Parameters is to articulate, for historical purposes, the intent of Council progressing the project and address the objectives of the project and why it is proposed. A recent review of the Philosophy and Parameters has shown that they remain relevant and still serve to guide the City on the development of the JPACF. Additional operating and financial objectives will be developed during progression of the project and preparation of a business case.

As part of the review of the JPACF project the City has considered the relevancy of retaining the Jinan Garden as a part of the JPACF project. At its meeting held on 14 December 2010 (CJ217-12/10 refers), Council agreed to incorporate the Jinan Garden in the design of the Joondalup Performing Arts and Cultural Facility. However, given the City's decision not to proceed with the development of the JPACF at this point in time, and with regard to the City's commitment to the Joondalup-Jinan sister city partnership, it is considered appropriate to progress the Jinan Garden as a project in its own right, separate from the JPACF project.

*It is therefore recommended that Council:*

- 1 *NOTES the refined concept design and associated capital and operating cost estimates as detailed in this Report and shown in Attachment 1 and ADOPTS this concept design for further progression of the Joondalup Performing Arts and Cultural Facility project, including:*
  - 1.1 *further refinement of capital and operating costs;*
  - 1.2 *funding opportunity investigations and grant applications;*
  - 1.3 *further refinement of the concept design;*
  - 1.4 *preparation of a business case;*
- 2 *BY AN ABSOLUTE MAJORITY REVOKES part 3 of its decision of 14 December 2010 (CJ217-12/10 refers) as follows:*
  - “3 *AGREES to incorporate the Jinan Garden in the design of the City's Performing Arts and Cultural Facility.*”;
- 3 *SUPPORTS the development of the Jinan Garden, as a significant stand-alone piece of cultural infrastructure, separate from the Joondalup Performing arts and Cultural Facility;*
- 4 *LISTS FOR CONSIDERATION in the City's Five Year Capital Works Program \$260,000 in 2019-20 and \$1.89 million in 2020-21, for the planning and development of the Jinan Garden and REDUCES the capital expenditure within the 20 Year Strategic Financial Plan for the Joondalup Performing Arts and Cultural Facility by \$2.15 million;*
- 5 *SUPPORTS the proposed location for the Jinan Garden as detailed in Attachment 2 to this Report, subject to further site investigations and approvals as required;*
- 6 *NOTES the Chief Executive Officer will present further status reports on the Jinan Garden and Joondalup Performing Arts and Cultural Facility projects to the Major Projects and Finance Committee at a later date.*

## **BACKGROUND**

At its meeting held on 12 November 2018 the Major Projects and Finance Committee considered a report detailing a review of the JPACF project (Item 9 refers). The report included details of alternative concept designs. Upon consideration of the report it was resolved that the Major Projects and Finance Committee:

- “1 *NOTES the review process undertaken to date for the Joondalup Performing Arts and Cultural Facility project;*
- 2 *NOTES the concept design options and associated capital costs as detailed in this Report;*
- 3 *NOTES the preliminary condensed concept design described as ‘Option 2’ in this Report (Attachment 1 refers) will form the basis for further design refinement and cost analysis;*
- 4 *NOTES that the Chief Executive Officer will continue to investigate funding opportunities for the project;*
- 5 *NOTES the Chief Executive Officer will review the Project Philosophy and Parameters and present a further report to the Major Projects and Finance Committee at and later date”.*

Additional details of the history of the JPACF project is contained in Attachment 3 to this Report.

## **DETAILS**

The City has reviewed the JPACF project since Council’s 2017 decision not to proceed with the design development stage of the \$100 million facility (CJ101-06/17 refers) in order to explore a new vision for the project. The review process has explored alternative options for the concept design, facility operations, project funding and project objectives as detailed below.

### **Concept Design**

At its meeting held on 12 November 2018 the Major Projects and Finance Committee noted a condensed concept design that would form the basis for further design refinement and cost analysis. The new design provides a less expensive facility with lower operating costs while still maintaining a design standard appropriate for a world class, state of the art facility and still responding to the endorsed Philosophy and Parameters for the JPACF project. The design provides fewer spaces than the previous design however, provides spaces with a high degree of flexibility, capable of housing ‘multi-use’ activities. This will provide the ability to achieve higher utilisation rates and a reduction of the costs associated with constructing and operating a building with a multitude of dedicated spaces.

The key features of the new concept design include the following:

- Primary theatre – 800 seats.
- Secondary ‘Black Box’ theatre – 200 seats.
- Café/restaurant and kitchen.
- Flexible foyer including gallery spaces.
- Box office.
- Bar.
- Front and back of house facilities and amenities.

The condensed concept results in the removal or reduction of several features of the original \$100 million design, including the following:

- Rehearsal rooms removed (rehearsals to take place in Primary or Black Box theatres).
- Community studios removed.
- Conference rooms removed.
- Multistorey car park removed (replaced with external car park).
- Outdoor plaza / performance space removed (existing Central Park car park to remain).
- Dedicated Gallery removed (gallery spaces now in foyer).
- Jinan Garden removed.
- Primary theatre reduced from 850 to 800 seats.

The concept also results in reduced back of house/front of house areas, administration areas and circulation spaces on the upper levels.

At this early concept design stage, the design and layout of the facility represents initial conceptual massing diagrams therefore, there are many aspects of the design that require much further detailed analysis of function, spatial relationships, and facility operations. These matters will continue to be refined as the project progresses.

The proposed concept was costed by quantity surveyor consultants at approximate \$59 million. It should be expected that this estimate will vary as the project progresses and as the design is refined. It is noted that a project cost of \$80 million is assumed in the City's *20 Year Strategic Plan 2018 (2017-18 to 2036-37)*. The indicative layout drawings and artist impressions of the proposed facility are shown in Attachment 1 to this Report.

### **Operating Costs**

The operating costs of the JPACF have been reviewed by the City with assistance from a Quantity Surveyor and based on expertise and assumptions previously adopted for the project. The review helped to improve the City's understanding of the capital and operational costs of each functional area of the building and resulted in a reduction of areas that generate no, or limited income.

Together with a reduction in staff numbers and other operating costs associated with a smaller facility, it is estimated the new concept design delivers a facility requiring a significantly lower annual operating subsidy of approximately \$390,000 when compared to the previous \$100 million facility, which required a subsidy of approximately \$860,000. A summary of the operating subsidy for the various components of the proposed facility, compared to the previous \$100 million facility, are shown in the table below:

Operating Subsidy  2028-29 - excluding escalation	Base	Option2	Difference
	2017 Business Case \$000s	Reduced Build \$000s	\$000s
01) Primary Theatre	(139)	17	156
02) Black Box Theatre	16	48	32
03) Gallery	(67)	42	108
04) Rehearsal Rooms	34	0	(34)
05) Comm'y Studios / Conf Rooms	3	0	(3)
06) Comm'y / Conf Foyer / Amenities / Store	24	0	(24)
07) Car Park	116	(7)	(124)
08) Café / Bar	86	71	(15)
09) Box Office / WC / FOH	13	15	2
10) Foyer	(120)	(83)	37
11) BOH / Loading / Admin	(290)	(151)	139
12) Plant	(87)	(33)	54
13) Unallocated	(452)	(312)	140
<b>Total for each option</b>	<b>(863)</b>	<b>(394)</b>	<b>469</b>

### Project objectives

The project Philosophy and Parameters were initially adopted for the project in 2010 (CJ103-06/10 refers) and have guided the project since then. The purpose of the project Philosophy and Parameters is to articulate, for historical purposes, the intent of Council progressing the project and address the objectives of the project and why it is proposed. Given Council's intent to adopt a new vision for the project and having regard to the proposed new concept design, a review of the Philosophy and Parameters was undertaken by the City to explore the potential for a new project vision and objectives.

The review identified that the project Philosophy and Parameters as adopted by Council in 2010 remain relevant and appropriate and still serve to guide the City on the development of what will be a world-class, state-of-the-art facility to service Perth's northern corridor. Additional operating and financial objectives will be developed during progression of the project and preparation of a reviewed and adapted business case.

### Jinan Garden

Beginning in 2000, the City of Joondalup engaged in an ongoing Sister City relationship with Jinan Municipal People's Parliament of China. The Joondalup-Jinan Sister City partnership was established to promote friendship, peace and cross-cultural awareness between the two cities, and to encourage and facilitate economic, socio-cultural and environmental exchanges.

One of the key achievements resulting from the relationship is the plan to construct Sister City gardens. In 2009 the City of Joondalup engaged Plan-E Landscaping Consultants to develop a concept for a Sister City 'Joondalup Garden' to be established in Jinan, as part of the 7<sup>th</sup> China International Garden and Flower Expo. The garden was completed and opened in late September 2009.

At its meeting held on 14 December 2010 (CJ217-12/10 refers), Council agreed to incorporate the Jinan Garden in the design of the Joondalup Performing Arts and Cultural Facility. In 2012 the City engaged Plan-E to assist the City with a proposal for a reciprocal 'Jinan Garden' to be established in Joondalup. Based on a design gifted by the Jinan Municipal People's Parliament, the proposal is for the creation of a traditional Chinese walled garden.

The garden design takes inspiration from the Baotou Springs Park in Jinan and incorporates a wide variety of traditional Chinese garden elements including a pavilion overlooking a formal pond to a waterfall and miniature mountain-scape beyond. The scheme is enhanced by a botanically rich Chinese planting scheme and includes a gathering area for up to 70 people.

Work on the project to date includes interpretation of the Chinese design drawings, design development, a planting schedule, a procurement plan and location investigations. The current proposed location for the garden is in the area in between the North Metropolitan TAFE building and the Central Park Lake, east of the Central Park car park (Attachment 2 refers).

Given the City's decision not to proceed with the development of the JPACF at this time, and to reflect the City's commitment to the Joondalup-Jinan Sister City partnership, it is considered appropriate to progress the Jinan Garden as a project in its own right, separate from the JPACF project. This would allow the Jinan Garden project to be developed sooner than the JPACF facility, which currently has a completion date of 2027-28.

Next steps to progress the project would include instigating new project management documentation, further capital and operational cost analysis, design development, location and site investigations, funding opportunity investigations, community engagement, detailed design and construction. The City will also investigate project partnership opportunities between the City and the North Metropolitan TAFE. The project could potentially be phased over two years commencing in 2019-20.

The project cost to develop the garden has been estimated by a consultant Quantity Surveyor at \$2.15 million (today's dollars). Costs for the Jinan Garden project are currently included in the JPACF project assumptions in the *20 Year Strategic Plan 2018 (2017-18 to 2036-37)*, which assumes a total project capital cost of \$80 million (including Jinan), with a maximum contribution from City reserves of \$30 million. To facilitate expediting the Jinan Garden project Council could consider bringing forward \$2.15 million into the 2019-20 and 2020-21 budgets.

### **Issues and options considered**

Not applicable.

### **Legislation / Strategic Community Plan / policy implications**

**Legislation** *Local Government Act 1995.*

#### **Strategic Community Plan**

**Key theme** Community Wellbeing.

**Objective** Cultural development.

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

**Policy** Not applicable.

## Risk management considerations

The risk considerations for the development of the JPACF and Jinan Garden projects will be investigated as the projects progress. Current potential risk factors include the following:

- Protracted time to progress the design review process.
- Council unable to agree on or adopt the recommended refinements to the Project Philosophy and Parameters for the JPACF.
- Managing community/stakeholder expectations, those in favour of and those against the original JPACF proposal and any proposed alternative.
- Inability to secure external funding for the facility.

## Financial / budget implications

### Current financial year impact

<b>Account no.</b>	1-210-C1002.
<b>Budget Item</b>	Joondalup Performing Arts and Cultural Facility.
<b>Budget amount</b>	\$ 231,581
<b>Amount spent to date</b>	\$ 62,778
<b>Proposed cost</b>	\$ 0
<b>Balance</b>	\$ 168,803

### Future financial year impact

**Annual operating cost** Annual operating costs have been investigated as part of the project review process, as detailed in this report. These matters will continue to be refined as the project progresses.

**Estimated annual income** Estimated annual income have been investigated as part of the project review process, as detailed in this report. These matters will continue to be refined as the project progresses.

**Capital replacement** Capital replacement costs have been investigated as part of the project review process, as detailed in this report. These matters will continue to be refined as the project progresses.

**20 Year Strategic Financial Plan impact** \$80 million is currently adopted in the City's *20 Year Strategic Financial Plan 2017-18 to 2036-37*. The plan is currently being updated and it is proposed that the capital expenditure for the JPACF will be reduced by \$2.15 million to \$77.85 million if Jinan Gardens is brought forward as a stand-alone project. It is intended that the draft *20 Year Strategic Financial Plan 2018-19 to 3037-38* will be presented to the Major Projects and Finance Committee in July 2019.

**Impact year** Completion date 2027-28

All amounts quoted in this report are exclusive of GST.

## Regional significance

It is envisaged that the construction of the JPACF will enhance the City Centre as the major commercial, educational, recreational and arts and cultural centre for the northern corridor of the Perth metropolitan area.

## **Sustainability implications**

Sustainability implications have previously been considered during the design phase of the current JPACF concept plan and were incorporated into the Business Case for the facility. The consideration of sustainability implications will continue as the project progresses.

## **Consultation**

From the early stages of the project, commencing with a comprehensive youth, audience, venue and performing art organisations survey in 2001, the City has continued to consult widely on the JPACF project.

The following consultation has taken place on the project to date:

- In the initial scoping and planning phases of the project a comprehensive survey of various schools, community groups and professional cultural and performing arts performers and artists was undertaken by the City from 2010 - 2011.
- In the preparation of the 2012 Market Analysis and Feasibility Study, numerous performing arts managers, performing arts venue representatives, arts producers, local cultural organisations and existing, school, convention, sporting and learning facility representatives were consulted.
- During the architectural design competition for the concept design, ratepayers, residents and the broader community were given the opportunity to view the four conceptual design submissions and vote and comment on their preferred design. The City received over 450 votes and numerous comments.
- On an ongoing basis the City has consulted with performing arts facility managers, the Department of Culture and the Arts and the Perth Theatre Trust. The City has also liaised with experts in the performing arts, conferencing, events, exhibitions and education sectors.
- From 2011 to 2015 the JPACF project was overseen by the former JPACF Steering Committee which included Elected Members, external members from the Joondalup Learning Precinct, specialist performing arts and cultural experts and members from community arts groups.
- The City has briefed Government and Opposition representatives at both State and Federal level highlighting the local, regional, social and economic benefit of this proposed facility, with the intention of obtaining financial support.
- Throughout the various phases of the project, consultants specialising in facility operation and management, architecture and social, economic and financial analysis, have been engaged by the City.
- Community Consultation on the Business Case for the previous \$100 million project was undertaken over a 42 day period from 16 February 2017 to 30 March 2017. The results of Community Consultation process were detailed in a report considered by Council at its meeting held on 27 June 2017 (CJ101-06/17 refers).

Further community and stakeholder engagement will be undertaken at a later stage of the project in accordance with the City's *Community Consultation and Engagement Policy*.

## **COMMENT**

The preliminary financial analysis of the \$59 million design option demonstrates a much more affordable capital and operating cost scenario than the original \$100 million facility. The concept presents a world-class, state-of-the-art facility and would have the capacity to attract international visual and performing arts events to the Joondalup City Centre.

The \$59 million design cost estimate excludes key features previously included in the JPACF project scope, such as the Jinan Garden, multi-storey car parking, dedicated community, conferencing and rehearsal facilities, and an external events space. However, the concept has been designed in a manner that allows for flexible use of the provided spaces to accommodate the primary elements required to deliver a quality civic amenity. It is recommended that this design be adopted as the new concept for the JPACF project for the purposes of progressing the project.

The City's *20 Year Strategic Plan 2018 (2017-18 to 2036-37)* assumes a total project capital cost of \$80 million, with a maximum contribution from City reserves of \$30 million. Assuming the City provided a capital contribution of \$30 million from reserves the project would require external (government and/or private) capital funding. Accordingly, the City will continue to investigate opportunities to secure external funding.

## VOTING REQUIREMENTS

Absolute Majority.

*Cr Poliwka left the room at 7.41pm and returned at 7.52pm.*

*Th Manager Governance left the room at 7.51pm and returned at 7.52pm.*

*Cr Logan left the room at 7.52pm and returned at 7.55pm.*

*Cr Chester left the room at 7.54pm and returned at 7.56pm.*

## MOVED Cr Hollywood, SECONDED Cr Taylor that Council:

- 1 **NOTES** the refined concept design and associated capital and operating cost estimates as detailed in this Report and shown in Attachment 1 and **ADOPTS** this concept design for further progression of the Joondalup Performing Arts and Cultural Facility project, including:
  - 1.1 further refinement of capital and operating costs;
  - 1.2 funding opportunity investigations and grant applications;
  - 1.3 further refinement of the concept design;
  - 1.4 preparation of a business case;
- 2 **BY AN ABSOLUTE MAJORITY REVOKES** part 3 of its decision of 14 December 2010 (CJ217-12/10 refers) as follows:

**“3 AGREES to incorporate the Jinan Garden in the design of the City's Performing Arts and Cultural Facility.”;**
- 3 **SUPPORTS** the development of the Jinan Garden, as a significant stand-alone piece of cultural infrastructure, separate from the Joondalup Performing Arts and Cultural Facility;
- 4 **LISTS FOR CONSIDERATION** in the City's *Five Year Capital Works Program* \$260,000 in 2019-20 and \$1.89 million in 2020-21, for the planning and development of the Jinan Garden and **REDUCES** the capital expenditure within the *20 Year Strategic Financial Plan* for the Joondalup Performing Arts and Cultural Facility by \$2.15 million;

- 5 **SUPPORTS** the proposed location for the Jinan Garden as detailed in Attachment 2 to this Report, subject to further site investigations and approvals as required;
- 6 **NOTES** the Chief Executive Officer will present further status reports on the Jinan Garden and Joondalup Performing Arts and Cultural Facility projects to the Major Projects and Finance Committee at a later date.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.

*Appendix 8 refers*

*To access this attachment on electronic document, click here: [Attach8agnMPF190506.pdf](#)*

**Disclosure of Proximity Interest**

<b>Name/Position</b>	<b>Cr Russell Poliwka.</b>
<b>Item No./Subject</b>	Item 9 – Joondalup City Centre Development – Draft Order of Magnitude Business Case.
<b>Nature of interest</b>	Proximity Interest.
<b>Extent of Interest</b>	Cr Poliwka owns property adjacent to the Boas Place development.

*Cr Poliwka left the room at 8.17pm. Cr May deputised for Cr Poliwka.*

*The Senior Project Officer left the room at 8.18pm.*

**ITEM 9 JOONDALUP CITY CENTRE DEVELOPMENT – DRAFT ORDER OF MAGNITUDE BUSINESS CASE**

<b>WARD</b>	North Central
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	103036, 101515
<b>ATTACHMENT</b>	Attachment 1 Draft Boas Place – Order of Magnitude Business Case Attachment 2 Boas Place Concept Plan – Option 4B
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Major Projects and Finance Committee to note the preliminary outcome of the Order of Magnitude Business Case (OMBC) for the Joondalup City Centre Development – Boas Place.

**EXECUTIVE SUMMARY**

At its meeting held on 20 March 2018 it was agreed that Council, among other things that it:

“3 *REQUESTS the Chief Executive Officer to explore alternative strategies, through the preparation of an Order of Magnitude Business Case, for attracting major developers for the Boas Place development.*”

To facilitate the above, the City engaged a project team led by NS Advisory to prepare an OMBC for Boas Place. The main purpose of preparing an OMBC for Boas Place is to provide Council with the appropriate information to enable an informed decision on the future of the Joondalup City Centre Development – Boas Place project.

As stated in the Request for Quotation, issues to be addressed for the preparation of the OMBC included:

- market demand and supply analysis
- target market
- anticipated outcomes
- site analysis
- development options
- sale or lease options
- delivery mechanisms/government (including EOI / tender process)
- staging options
- evaluation of options – taking into account return to the developer
- risk assessment of identified options
- assessment and recommendation
- comparison of financial KPI's over five, 10 and 20 year timeframes.

In March 2019 NS Advisory provided the City with a draft OMBC for review by the City and further discussion with NS Advisory (Attachment 1 refers. Note: the attachments referred to within the document are not provided as they run to some 250 pages). The OMBC will then be finalised and presented to Council, through the Major Projects and Finance Committee at a future meeting. Taking into account the final options identified by NS Advisory, it is anticipated that a recommendation on progressing the project will be included in the accompanying report.

Further, as the City's Administration Building is part of the *Boas Place Concept Plan* (Option 4B, Attachment 2 refers), NS Advisory has considered long-term options for the building (5+ years) as part of the OMBC (Table 1 refers). These include refurbishment to extend the life of the building or the construction of a new administration building.

This report provides a summary of the options contained within the OMBC as suggested by NS Advisory. It should be noted that the City is not in a position to support or promote any of the options identified in the OMBC until further discussion with NS Advisory has taken place.

*It is therefore recommended that the Major Projects and Finance Committee:*

- 1 *NOTES the Joondalup City Centre Development – Draft Order of Magnitude Business Case Report;*
- 2 *NOTES the draft Boas Place – Order of Magnitude Business Case provided as Attachment 1 to this Report;*
- 3 *NOTES that a further report on the final Order of Magnitude Business Case will be presented to Council, through the Major Projects and Finance Committee, at a future meeting.*

## **BACKGROUND**

To harness potential interest, at its meeting held on 20 March 2018 (CJ053-03/18 refers), Council requested the Chief Executive Officer to investigate alternative strategies through an Order of Magnitude Business Case based on endorsed Concept Plan 4B (CJ036-03/17 and Attachment 2 refer).

The City's previous methodology to attract potential developers for Boas Place was based on a market-led approach; that is letting the market inform the City of what it would like to develop on the site.

The main purpose of developing an OMBC was to provide Council with the appropriate information to enable an informed decision on the future of the site and the impact on the City's financial position. The OMBC will also enable the City to provide potential developers/interested parties with sufficient information on the benefits of joining with the City to develop Boas Place.

It should be noted that since 2014 the City worked with Devwest Group Pty Ltd (Devwest), through a Memorandum of Understanding (which expired in September 2017), to progress the Joondalup City Centre Development – Boas Place to construction stage.

During that time several preliminary proposals were submitted by Devwest for consideration. At its meeting held on 15 May 2018 (CJ084-05/18 refers), Council considered a number of options for progressing with Devwest. It was determined that negotiations with Devwest for the sale of Lot C for a hotel development would only continue if a satisfactory resolution of identified outstanding issues could be reached.

Satisfactory resolution of the issues could not be achieved as it was considered that the information provided by Devwest was not sufficient to enable the necessary agreements to be progressed.

At its meeting held on 21 August 2018 (CJ151-08/18 refers), Council considered the following two options relating to the City's negotiations with Devwest:

- 1 Continue to negotiate with Devwest for the sale of Lot C for a primarily residential development.
- 2 Advise Devwest that further consideration of the sale of Lot C for a residential development can only proceed if the necessary detailed information was provided. Should that information not be provided, discontinue negotiations with Devwest and await the finalisation of the Order of Magnitude Business Case.

On the recommendation of the Major Projects and Finance Committee, Council agreed to proceed with Option 2.

As the necessary detailed information was not provided, at its meeting held on 20 November 2018 it was agreed (among other things) that Council:

**“NOTES:**

- 2 *in accordance with Council's decision of 21 August 2018 (CJ151-08/18 refers), negotiations with Devwest Group Pty Ltd for the sale and development of Lot C of the Boas Place Concept Plan will not be progressed;*
- 3 *a strategy for progressing the Joondalup City Centre development will be prepared for consideration by Council based on the outcome and recommendations contained within the Order of Magnitude Business Case currently being prepared by consultants NS Advisory Pty Ltd.”*

**DETAILS**

Following an Expression of Interest process, the City engaged a project team led by NS Advisory Pty Ltd to prepare an OMBC for the Joondalup City Centre Development – Boas Place.

In March 2019 the City received from NS Advisory a draft OMBC for review and further discussion (Attachment 1 refers. Note: the attachments referred to in the document are not included). Following is a summary of the draft OMBC.

To assist with the evaluation of identified options, NS Advisory considered the following project objectives:

- Development of Joondalup City Centre.
- Positive Net Present Value (NPV).
- Operating surplus.

Further, it was recognised that it is the City's intention that Boas Place will provide a strategic setting and a sought after commercial and residential address, becoming the heart of the City of Joondalup. As the City's Administration Building is part of the *Boas Place Concept Plan*, NS Advisory were also provided with information on the Space Planning and Utilisation Assessment being undertaken by Slavin Architects including the preliminary costs.

### **Demand Analysis**

A background analysis of current and future floor space across the Joondalup City Centre was undertaken. Projections are included for additional requirements for office, residential and retail uses in the Joondalup City Centre over the next 17 years. The Background Analysis – Briefing Note (appended to the draft OMBC) lists the following advantages / opportunities and limitations for consideration in developing the recommended options:

#### Advantages / Opportunities

- Consistently low commercial vacancy rates indicating that the centre is not experiencing oversupply issues (as per Perth CBD). Joondalup centre is performing well compared to other centres and continues to grow.
- The floorspace breakdown indicates a clear advantage in providing services to the North West Sub-Regional population.
- Strong growth in 'regional' level population driven services such as higher education and health experienced over the last 15 years, expected to continue.
- Potential opportunities for the attraction of medical specialists, other medical related services or aged care (such as medi-hotel) associated with the Joondalup Health Campus expansion.
- Potential opportunities for the attraction of ICT cyber/security specialists related to the Joondalup Innovation hub.
- Ideal central location of the site, given surrounding key facilities including Joondalup Health Campus and ECU.
- Presence of local and state government agencies, and health campus, directly adjacent or near to site ensure large long-term pool of workers benefiting retail and entertainment uses and place activation.
- Opportunity to provide more diverse open air / main street style entertainment offering that supplements and provides an alternative to the shopping centre's enclosed offerings, such as street cafés, bars with open-air gardens, restaurants overlooking well-designed open space.
- Opportunity to provide shopping street style retail to supplement mall style retail of Lakeside Joondalup Shopping Centre.
- Limited high-quality open spaces in the city centre. Opportunity to connect to Central Park and create strong linkages to open space.

### Limitations

- An apparent low demand for residential units and relatively low accommodation prices in the city centre.
- Little historical demand for non-health related office space (non-medical office floorspace has reduced in the last six years).
- Dominance of shopping centre for entertainment and retail offerings.

### **Land Uses**

The Council endorsed *Boas Place Concept Plan* was reviewed; the land uses for each of the lots were also reviewed. In general terms, the draft OMBC maintains the land uses as per the concept plan.

### **Market Review**

Based on a broader precinct review of varying types of property uses throughout the Joondalup Activity Centre, it was considered there was an on-going requirement for the following product options within Boas Place in the long term:

- Aged care/retirement living.
- Child care.
- Food and beverage.
- Hotel/short stay – dependent on the viability of the offerings currently being developed.
- Office accommodation – medium to long-term only.
- Residential – dependent on a positive state economic outlook.
- Retail.

### **Development Options**

To assist Council in making an informed decision regarding the future development of Boas Place, several land subdivision options were developed and reviewed. Based on the land uses of the *Boas Place Concept Plan* (Figure 1 and Attachment 2 refer), the project team also developed and reviewed built form options taking into consideration the types of assets the City could develop with the intent of selling to the market.

*Figure 1 – Boas Place Concept Plan (Option 4B)*

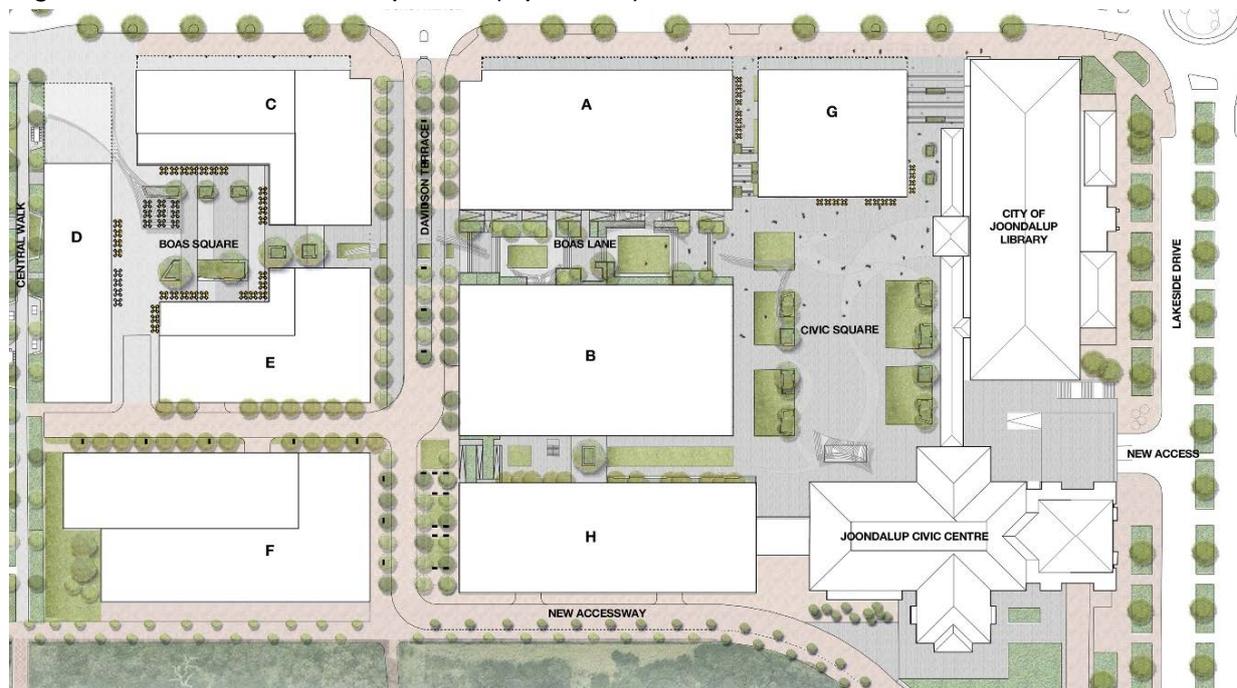


Table 1: Development Option – Land and Built Form

Option	Description	Land Sale (Lots)	Land (Lots)	Lease
<b>LAND DEVELOPMENT</b>				
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 Lot G, develop all remaining vacant lots and sell	A, B, C, D, E, F, G	N/A	
4	Build new administration building on Lot 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	
<b>BUILT FORM</b>				
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 Lot 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	

While the options were reviewed and evaluated by the project team, and a preferred option identified, it is considered that further detailed evaluations and analysis are required prior to the finalisation of the OMBC. It is intended that the City will engage extensively with the project team to ensure the preferred option/s are viable (from both a market and City perspective), are achievable taking the City's obligations under the *Local Government Act 1995* and meet Council's objectives and vision for the development. Therefore, the City is not in a position to support, promote or recommend any of the options identified in the OMBC at this time.

Notwithstanding the above, the draft OMBC provides the following recommendations based on the project team's analysis of the options:

- 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 the draft 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 needs to produce a positive NPV, none of the options considered in the draft business case satisfies all of the 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 /superlot) 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 superlot for the market to deliver end vacant sites and subsequent build 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 read for the point in time where development of Boas Place is financially viable – either City-led, market-led or a combination of both.

### Land and Built Form Delivery

The draft OMBC identifies Option 1 as the preferred option (at this stage) and two delivery scenarios are provided. By way of comparison, refurbishing the existing building for on-going use (Scenario 1) as well as relocating the administration building to an alternate site (Scenario 2) were considered.

#### Scenario 1

Lot	Endorsed Use	Land Delivery	Built Form Delivery
A	Office	2024	2027
B	Office	2024	2035
C*	Hotel	2022	Post 2025 (market driven)
D	Residential	2022	2024
E	Residential	2022	2028
F*	Aged Care / Retirement Living	2029	Post 2025 (market driven)
G	Residential	2027	2032
H**	City Administration	N/A	N/A

\* To be delivered by the market, not the City.

\*\* This scenario assumes the refurbishment of the City's Administration Building to extent its life.

#### Scenario 2

Lot	Endorsed Use	Land Delivery	Built Form Delivery
A	Office	2024	2028
B	Office	2024	2035
C*	Hotel	2029	Post 2025 (market driven)
D	Residential	2029	2031
E	Residential	2029	2027
F*	Aged Care / Retirement Living	2026	Post 2025 (market driven)
G	City Administration Building	2021	2023
H	Residential	2024	2026

\* To be delivered by the market and not the City.

## Evaluation Summary

The draft OMBC provides a detailed evaluation summary of the current preferred option (Option 1), including a financial analysis. The preliminary costs prepared during the Administration Building Space Planning and Utilisation Assessment have been included in the financial analysis. However, as noted in the report *Optimisation of the City's Administration Building – Space Planning and Utilisation* (Item 10 on this Agenda) these costs are subject to further scrutiny to identify cost savings.

The project team considers that Boas Place will provide a significant opportunity to induce private investment into the precinct and realise substantial economic and social benefits to the City and its residents.

Depending on the option, it is anticipated that Boas Place could generate in excess of 2,200 direct and indirect FTE's (construction and operational) providing over \$145 million in economic benefits and over \$13 million in social benefits.

While further detailed analysis is required, and depending on the option, the above equates to an NVP of approximately \$131 million over 30 years resulting from the direct economic and social benefits. The analysis provided in the draft OMBC indicates a Benefit Cost Ratio of 5.77 suggesting any investment would provide strong value for money as well as providing a good return to the City and substantial benefits for the community.

## Issues and options considered

Not applicable.

## Legislation / Strategic Community Plan / Policy implications

### Legislation

- The structure through which the City will facilitate any agreements with potential development partners will comply with the City's obligations under the *Local Government Act 1995*.
- The development of the site (Lot 507 (90) Boas Avenue, Lot 496 (70) Davidson Terrace and part Lot 497 (102) Boas Avenue, Joondalup) is subject to the provisions of *Local Planning Scheme No. 3* and the *Joondalup Activity Centre Plan*.

## Strategic Community Plan

### Key theme

Quality Urban Development.

### Objective

City Centre development.

### Strategic initiative

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

### Policy

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

The project may also require the preparation of a *Local Planning Policy*.

### **Risk management considerations**

A risk assessment of the identified options is included in draft OMBC.

A further detailed risk assessment, undertaken by the City, will also be required prior to progressing the development of Boas Place.

### **Financial / budget implications**

Detailed financial / budget implications are included the draft OMBC. Further internal analysis is currently being undertaken and will assist with the finalisation of the business case.

#### Current financial year impact

<b>Account no.</b>	220-C1041.
<b>Budget Item</b>	Joondalup City Centre Development – 220-2.
<b>Budget amount</b>	\$ 157,438
<b>Amount spent to date</b>	\$ 116,760
<b>Balance</b>	\$ 40,678

The 2018-19 MYR project budget makes provision for legal advice, other consultancy (including the OMBC) as well as internal staff costs.

All amounts quoted in this report are exclusive of GST.

### **Regional significance**

An integrated mixed-used development across Lot 507 (90) Boas Avenue, Lot 496 (70) Davidson Terrace and part Lot 497 (102) Boas Avenue will enhance the vitality and vibrancy of the City Centre by increasing the number of people attracted to it for work, retail, leisure, entertainment and commercial purposes. This will provide the impetus for the City Centre to grow and become the preferred location for investment in high-order public and private employment generating infrastructure. The City of Joondalup has been identified as a 'Strategic Metropolitan Centre' in the State Government planning framework *Perth and Peel@3.5 million* (Department of Planning, Lands and Heritage, 2018) and Boas Place supports and promotes the vision and objectives of the framework.

The draft OMBC provides an assessment of the impact of investment into the City Centre both in terms of employment generation as well as social and economic returns to the region.

### **Sustainability implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

As requested by Council at its meeting held on 20 March 2018 (CJ053-03/18 refers), alternative strategies for attracting major developers for the Boas Place development (through the preparation of an OMBC) have been explored.

The draft OMBC provides several options for review and consideration by the City. A financial summary and evaluation of the project team's identified option is also included.

The draft OMBC requires detailed review by the City and further discussions with the NS Advisory project team prior to finalisation. Therefore, at this stage Council approval or endorsement of a preferred option is not being sought as it is considered further work is required, taking into consideration the outcome of the Administration Building Space Planning and Utilisation Assessment and other factors.

It is considered that a fully completed Boas Place will only occur over the long-term and delivering the development via any of the options identified in the draft OMBC will take upwards of 12 years. Therefore, the City should continue to pursue potential development partners outside of a specific option (such as that proposed by the draft OMBC) for example where developers contact the City.

Once finalised, the OMBC will be presented to Council, through the Major Projects and Finance Committee at a future meeting.

### **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Hollywood, SECONDED Cr Logan that the Major Projects and Finance Committee:**

- 1 NOTES the Joondalup City Centre Development – Draft Order of Magnitude Business Case Report;**
- 2 NOTES the draft Boas Place – Order of Magnitude Business Case provided as Attachment 1 to this Report;**
- 3 NOTES that a further report on the final Order of Magnitude Business Case will be presented to Council, through the Major Projects and Finance Committee, at a future meeting.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, May, Norman and Taylor.

*Appendix 9 refers*

*To access this attachment on electronic document, click here: [Attach9agnMPF190506.pdf](#)*

*Cr Poliwka returned to the room at 8.25pm.*

## **ITEM 10                    OPTIMISATION OF THE CITY'S ADMINISTRATION BUILDING – SPACE PLANNING AND UTILISATION**

<b>WARD</b>	North Central
<b>RESPONSIBLE DIRECTOR</b>	Mr Garry Hunt Office of the CEO
<b>FILE NUMBER</b>	103036, 101515
<b>ATTACHMENT</b>	Nil
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Major Projects and Finance Committee to note the outcome of the Space Planning and Utilisation Assessment undertaken on the Administration Building.

### **EXECUTIVE SUMMARY**

Following consideration of a report on the Optimisation of the City's Administration Building, at its meeting held on 12 July 2017 it was agreed (among other things) that the Major Projects and Finance Committee:

- “2        *REQUESTS the Chief Executive Officer to undertake further investigations into the residual capacity of the City's Administration Building to allow for additional floors to be constructed;*
  
- 3        *REQUESTS the Chief Executive Officer to assess the City's current and future utilisation of the City's Administration Building and investigate the maximisation of existing space to accommodate the City's administrative operations in the short, medium and long-term.”*

To facilitate the above, the City engaged Slavin's Architects (Slavins) to:

- assess and report on the City's current configuration and use of available space within the administration building
- analyse and report on the City's future space needs
- prepare diagrammatic drawings and associated commentary to illustrate effective utilisation of the existing space
- prepare cost estimates based on the prepared diagrammatic drawings.

The Administration Building is part of the Joondalup City Centre Development – *Boas Place Concept Plan*; its future and long-term use forms part of the draft Boas Place Order of Magnitude Business Case (the report on this agenda titled *Joondalup City Centre Development – Draft Order of Magnitude Business Case* refers).

As requested by Council, investigations into the maximisation of existing space to accommodate the City's administration operations in the short, medium and long-term have been undertaken. However, additional interrogation could identify efficiencies, cost-savings and floor plan amendments as well as an appropriate timeline for major refurbishments should Council decide to progress at some future point in time.

*It is therefore recommended that the Major Projects and Finance Committee NOTES the Optimisation of the City's Administration Building – Space Planning and Utilisation report.*

## **BACKGROUND**

At its meeting held on 27 July 2015 it was agreed that the then Office Development Committee:

*“Requests a report be presented to Council considering the options for the potential redevelopment of the City's Administration Centre, 90 Boas Avenue, Joondalup, including but not limited to:*

- 1 demolition of the existing building and redevelopment of site for the City administrative operations plus other commercial activities;*
- 2 refurbishment of the existing building such that the building's external features and facade complement the components and building form of the Boas Place Concept Plan;*
- 3 demolition of the existing building with the relocation of the City's administrative operations to another location within the Boas Place Concept Plan.”*

Further, at its meeting held on 12 July 2017 it was agreed that the Major Projects Committee:

- “1 NOTES the Optimisation of the City's Administration building report;*
- 2 REQUESTS the Chief Executive Officer to undertake further investigations into the residual capacity of the City's Administration building to allow for additional floors to be constructed;*
- 3 REQUESTS the Chief Executive Officer to assess the City's current and future utilisation of the City's Administration building and investigate the maximisation of existing space to accommodate the City's administrative operations in the short, medium and long-term.”*

Following a Request for Quotation process, the City engaged Slavin's to facilitate the above and to assist with the assessment the City provided the following information:

- Existing floor plans outlining the location of the Teams, Business Units and Directorates.
- Employee statistics per Business Unit including the number of casual, full and part-time staff.
- Details on the capital expenditure relating to the *Five-Year Capital Works Program* (\$1.2 million for 2017-18 and an approximate amount of \$4 million for the following four years) which included:
  - replacement of existing cooling towers, motors and pumps
  - lift replacement, major electrical works and fire services upgrades.
- Building Assessment Report undertaken by Arup.
- 2017 Security Systems Review and Fire Engineering Proposed Scope of Works.
- Information on the tenancy of the 2<sup>nd</sup> Floor of the administration building.
- Other clarifying information as requested.

## DETAILS

As identified in a report presented to the Major Projects Committee at its meeting held on 12 July 2017 (Item 2 refers), the administration building was opened in 1979 and the investigations established that the building is reaching the end of its serviceable life. There are also pressures on the existing space to house the City's administrative operations within the current configuration of the building.

Further, it was reported that significant investment would be required to refit existing building services and equipment to keep the building operational and meeting the minimum code requirements due to the age of the building and its services.

Only limited upgrade works have occurred during the 40 year life-span of the building and major challenges include an antiquated security system, limited CCTV coverage, storage issues and lack of compliant facilities for persons with a disability. Other issues identified by consultants Arup during the major assessment of the building included several key building compliance aspects that were considered should be addressed/actioned immediately. Subsequent to the assessment, many of the compliance issues were rectified.

Over the past 18 months, approximately \$1,200,000 has been expended for significant works (including the compliance issues) due to major asset components exceeding the end of their useful lives. Significant works included:

Cooling towers	\$ 128,843
Asbestos removal	949
BCA works	10,792
Signage, fixtures, stairwell works	21,363
Lighting	1,799
Major refurbishment	
○ lifts	391,525
○ power	282,635
○ chiller	194,444
○ Fire services	86,500
○ 1 <sup>st</sup> floor VAV	62,547
Partitions	4,470
High voltage equipment service	13,451
LED sensor lighting and LED lights	8,059
Riser	46,015

The space planning and utilisation investigations of the City's administration building included the following tasks:

- Task 1: Assess and report on the City's current configuration and use of available space within the Administration Building.
- Task 2: Analyse and report on the City's future space needs.
- Task 3: Prepare diagrammatic drawings and associated commentary to illustrate effective utilisation of the existing space.
- Task 4: Prepare cost estimates based on the prepared diagrammatic drawings.

An outline of actions undertaken within each task area is provided in Attachment 3 to this Report.

The investigations undertaken by Slavin's aimed to provide the City with a concept design for the refurbishment of the administration building which achieved the following outcomes:

- Contemporary technologies (power and data reticulation, task lighting).
- Improved workplace aesthetics.
- Safe, efficient, adaptable workstations.
- Healthier working environment.
- Better use of space:
  - more efficient circulation routes
  - increasing the available area for 'workplace'
  - more efficient workstation configuration.
- More effective mix of casual and formal spaces.
- More collaborative and cohesive working environment.
- Improved workplace flow between Directorates, Business Units and their teams.
- An understanding of the capacity for growth.
- A flexible and readily adaptable workplace which will accommodate changing needs of the City's administration activities.

Following a detailed assessment of the administration building and current floor plans, a series of meetings were held with key senior officers to determine:

- opportunities and constraints within each Directorate and Business Unit
- preferences regarding location within the administration building and co-location with other teams and Business Units
- 'must haves' and 'nice to haves'.

Following the building investigations and initial consultation stage, a set of Guiding Principles were developed to inform the internal design, allocation of working areas and organisation distribution across all levels of the building.

The Guiding Principles included:

- existing floor plate
- enclose northern balconies
- establish circulation corridors
- improve access to natural light
- rationalisation of zoning within the building
- provision of break out spaces
- visual permeability.

Based on the Guiding Principles, floor plans were prepared and costed by Quantity Surveyors, Wilde and Woollard. The total estimated cost of the refurbishment, as per the prepared floor plans, was \$15,721,600 broken down as follows:

Demolition and alteration works	\$ 524,753
New works and finishes	3,976,495
Fit Out	1,160,224
Services	3,996,455
On costs	2,630,088
Furniture and work stations	2,420,985
External elements	77,000
Upgrade to toilet facilities	932,600

The estimated cost included significant costs to upgrade the toilet facilities on all levels to ensure compliance with the relevant codes.

It is recognised that the estimated cost represents a significant outlay for the City and further engagement with Slavin’s and Wilde and Woollard to identify potential savings is required prior to further consideration of progressing with any refurbishment works.

It should be noted that, as requested by the Major Projects and Finance Committee at its meeting held on 12 July 2017, further investigations into the residual capacity of the administration building to allow for additional floors have not yet been undertaken. It was considered more appropriate to await the finalisation of the Space Planning and Utilisation assessment and Order of Magnitude Business Case for Boas Place before undertaking these investigations (estimated cost approximately \$60,000 to \$80,000).

**Commercial tenancies**

The floor plans prepared by Slavin’s included two potential lease areas: 460m<sup>2</sup> of commercial office space on the Ground Floor and a café tenancy of approximately 145m<sup>2</sup>. McGees Property (March 2019) provided the following rental ranges in round terms for each tenancy:

<b>Office</b>						
<b>Area</b>	<b>Low end</b>	<b>Low end pa net</b>	<b>High End</b>	<b>High End pa net</b>	<b>Midpoint</b>	<b>Midpoint pa net</b>
460m <sup>2</sup>	\$170/m <sup>2</sup>	\$78,000	\$200/m <sup>2</sup>	\$92,000	185/m <sup>2</sup>	\$85,000

<b>Café</b>						
<b>Area</b>	<b>Low end</b>	<b>Low end pa net</b>	<b>High End</b>	<b>High End pa net</b>	<b>Midpoint</b>	<b>Midpoint pa net</b>
145m <sup>2</sup>	\$170/m <sup>2</sup>	\$25,000	\$200/m <sup>2</sup>	\$29,000	\$185/m <sup>2</sup>	\$27,000

The market rental valuation was estimated based on comparison with other similar tenancy opportunities within the suburban office market (using a “B” grade office accommodation classification) and café tenancies in municipal buildings.

However, it is considered that the above estimates need further interrogation given the current rental values for office accommodation in the new Primewest building at 8 Davidson Terrace is \$450 per square metre (classified as “premium” office accommodation) and the current “asking” rental for Joondalup House is \$325 per square metre (classified as B-grade office accommodation).

**Issues and options considered**

Not applicable.

**Legislation / Strategic Community Plan / Policy implications**

**Legislation** Not applicable.

**Strategic Community Plan**

**Key theme** Governance and Leadership.

**Objective** Corporate capacity.

**Strategic initiative**

- Maintain a highly skilled and effective workforce.
- Continuously strive to improve performance and service delivery across all corporate functions.

**Policy**

Not applicable.

**Risk management considerations**

Major expenditure on refurbishing the administration building or the provision of amenity and facilities for the City's workforce could result in a negative response from the community.

A comprehensive and detailed Business Case outlining the productivity and other benefits (that equate to financial benefit) would need to be prepared.

**Financial / budget implications**

Any actions arising from the investigations undertaken by Slavin's would require a detailed financial assessment including one-off costs and on-going operational costs and a cost benefit analysis.

**Regional significance**

Not applicable.

**Consultation**

Considerable consultation was undertaken at Executive and Management level and informed the preparation of the draft floor plans.

**COMMENT**

Assessments undertaken by both Arup and Slavin's indicate that the administration building is reaching the end of its serviceable life. The City's current utilisation of the existing space is less than optimum. However, substantial investment would be required to refurbish the building and provide spaces that are conducive to, and representative of, a modern, workplace environment.

The current state of the 40 year old administration building has been highlighted by this assessment as well as the assessment undertaken by consultants NS Advisory during the preparation of the draft Boas Place Order of Magnitude Business Case. In the medium to long term (0–five years) and considering the recent works undertaken on the building (lifts, chiller, power and fire services and the like), delays in addressing the inefficiencies of the building could prove problematic.

To ensure the best possible outcome for the City and to enable informed decisions to be made, further interrogation of the floor plans and preliminary costs is required. This interrogation needs to take into consideration the options identified in the draft Boas Place Order of Magnitude Business Case.

**VOTING REQUIREMENTS**

Simple Majority.

*Cr Taylor left the room at 8.35pm and returned at 8.37pm.*

**MOVED Cr Norman, SECONDED Cr Hollywood that the Major Projects and Finance Committee NOTES the Optimisation of the City's Administration Building – Space Planning and Utilisation report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Mayor Jacob, Crs Fishwick, Hollywood, Logan, Norman, Poliwka and Taylor.



**URGENT BUSINESS**

Nil.

**MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

**REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Nil.

**CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 8.49pm; the following Committee Members being present at that time:

MAYOR HON. ALBERT JACOB, JP  
CR KERRY HOLLYWOOD  
CR RUSS FISHWICK, JP  
CR MICHAEL NORMAN  
CR JOHN LOGAN  
CR RUSSELL POLIWKA  
CR PHILIPPA TAYLOR