

## **Base NPV Assumptions**

### Construction Cost at Beenyup - \$4,000,000-\$4,500,000

It is estimated that the likely cost to develop the Beenyup site will be between \$4.0 and \$4.5 million. Should this option be pursued a formal detailed assessment of the existing buildings can be undertaken and a concept plan developed.

2.5 ha flat site with an access road available adjacent to the lease area.

### Construction and Land Purchase (3 ha) at Hodges - \$13,500,000

This assumes land purchased at \$120/sqm and allows for escalation for development costs for twelve months to allow for subdivision requirements to be completed prior to works commencing.

3 ha site required at Hodges due to topography of site and access requirements.

Land value to increase by 7.0% per annum. Should the increase be 6.0% the NPV result would be -\$9,185,342 or at 8.0% -\$7,274,060.

### Construction and Land Purchase (4 ha) at Hodges - \$15,000,000

This assumes land purchased at \$120/sqm and allows for escalation for development costs for twelve months to allow for subdivision requirements to be completed prior to works commencing.

Land value to increase by 7.0% per annum. Should the increase be 6.0% the NPV result would be -\$9,307,944 or at 8.0% -\$6,759,569.

### Beenyup Lease

Lease fee assumes a 12.5% increase for Market Valuation Reviews in year 6 and each 5 years after. Should the market valuation increase be 13.5% would increase the NPV for Beenyup by \$47,734 whereas a valuation increase of 11.5% decrease \$47,155.

### Assumes no borrowings

### CPI 3.0%

CPI at 2.0% would result in the NPV for Beenyup decreasing to -\$7,579,404

CPI at 4.0% would result in the NPV for Beenyup increasing to -\$8,071,732

### Cost of Money 5.5%

### Exclusions from NPV:

Maintenance costs - lower cost at Beenyup

Depreciation - not a cash item

Operational costs and Outgoings - similar for both options

Investment Opportunities - Initial outlay for Beenyup estimated at \$9.0m less than Hodges (3 ha) and \$10.5m less than Hodges (4 ha)

Rates - Currently not received from Beenyup site however would be received if LandCorp sold Hodges site to a rateable party

## Base NPV Comparison between Beenyup and Hodges Drive Sites

	Beenyup Site	Hodges Drive	Hodges Drive
Years	Annual Lease Fee based on \$8/sqm - 2.5 ha	Land (3ha) Value \$3.6m - Value increase of 7% p.a.	Land (4ha) Value \$4.8m - Value increase of 7% p.a.
0	-4,500,000	-7,000,000	-7,500,000
1	0	-6,500,000	-7,500,000
2	-200,000	0	0
3	-206,000	0	0
4	-212,180	0	0
5	-218,545	0	0
6	-245,864	0	0
7	-253,239	0	0
8	-260,837	0	0
9	-268,662	0	0
10	-276,722	0	0
11	-311,312	0	0
12	-320,651	0	0
13	-330,271	0	0
14	-340,179	0	0
15	-350,384	0	0
16	-394,182	0	0
17	-406,008	0	0
18	-418,188	0	0
19	-430,734	0	0
20	-443,656	0	0
21	-456,965	14,906,025	19,874,699
<b>NPV</b>	<b>-7,814,213</b>	<b>-8,318,743</b>	<b>-8,152,479</b>

**CJ300 - 12/04      SITE ACQUISITION - WORKS DEPOT – [80513]****WARD - All**

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**PURPOSE**

To advise the outcome of the public comment period on the business plan for the proposed site acquisition and construction of a works depot and investigations into the viability of remaining at Ashby Depot and recommend next steps.

**EXECUTIVE SUMMARY**

At the Council meeting of 20 July 2004, the Joint Commissioners resolved to note negotiations were being finalised with LandCorp for a contract of sale for a fully serviced 4 hectare site for an amount of \$2,800,000 with the purpose of constructing a works depot. The Joint Commissioners also endorsed a concept design and project budget for the works depot and approved a business plan to be advertised for a period of 42 days to enable public comment on the proposed land purchase (C46-07/04 refers).

The business plan was advertised in The West Australian and Joondalup Community Newspaper with a closing date of 16 September 2004. Following a request from the community, the public comment period was extended to 12 October 2004.

At the close of comment period, eight submissions were received. Some of the concerns raised included the location of a works depot on what is considered to be a landmark site, excessive costs of the project primarily due to high site costs and the impact of increased traffic levels. Suggested alternatives included the use of the Quarry site at Edgewater, operating a number of smaller depots within the City's boundaries and sharing of facilities with neighbouring cities.

The Quarry site had previously been considered and deemed unsuitable as the site is zoned parks and recreation and is in close proximity to residential properties. The City would have to go through a formal rezoning process including community consultation and Western Australian Planning Commission approvals. The City's position on this site has not changed.

Operating a number of smaller depots within the City would require the duplication of facilities such as vehicle wash down areas, chemical storage areas, first aid rooms, amenities and administration areas. Financially this option will have a negative impact of both development and operational costs.

In relation to sharing of facilities, the City currently shares facilities with the City of Wanneroo at Ashby Depot. The City had previously been advised by the City of Wanneroo that this arrangement could not continue in the longer term, which initiated an alternative site being pursued. However, at its Council meeting of 21 September 2004, the City of Wanneroo resolved to "*reaffirm its support further enter into negotiations with the City of Joondalup for the possible extension of a lease agreement with the City of Joondalup for a portion of the Ashby Depot*".

Following receipt of this new information, the City appointed consultants Connell Wagner and Ralph Beattie Bosworth to undertake a building condition report and costing to determine what capital improvements would be required at Ashby Depot in the event a new lease could be negotiated. The report found that a number of items require attention in the short term, being immediate requirements for ongoing occupation of the site, medium term, required if the site remains occupied while a new facility is constructed, and long term, if the City is committed to the site for a long term lease (ten years).

Initial negotiations were also undertaken with the City of Wanneroo in relation to the possible term and cost of any lease options that might be available to the City at Ashby Depot. The outcome was that the City of Wanneroo advised they would continue to operate from the existing depot site for at least the next ten years and would be willing to consider a longer-term lease by the City of Joondalup. Further, they would not contribute to any capital improvements required, but may consider a lease fee reduction, depending on the level of capital expenditure incurred by the City of Joondalup on the site. The City of Wanneroo also indicated that they did not have any funding required for short term works that are required due to the encroaching residential area and aged buildings.

In relation to the site acquisition from LandCorp for the 4 hectare site, the City received advice from LandCorp on 24 September 2004 that the delay in finalising the contract of sale had highlighted a complication for LandCorp in that it required a current valuation (less than 3 months old) to support any sale contract. Accordingly, LandCorp had sought a review of the \$2.8 million valuation of the site from Burgess Rawson. The outcome was an increase in value to \$4.2 million. The City sought an independent valuation from Knight Frank using the same valuation brief originally agreed between the City and LandCorp. The valuation was received on 25 November 2004 and valued the site at \$2.5 million. This value includes the impact of site works attributed to the topography of the site being \$900,000, which will be a cost to the City. However it is acknowledged that as a condition of the sale, LandCorp will bear the full cost of constructing a bridge to access the site at \$1.5 million.

On this basis, the City considers the \$2.8 million purchase price previously agreed to be reasonable and that LandCorp should honour the \$2.8 million purchase price. Negotiations have been ongoing between the City and LandCorp since December 2002, the City conditionally accepted LandCorp's offer at \$2.8 million by Council resolution on 29 April 2003 and the price was confirmed by LandCorp in contract of sale documents as recently as June 2004.

It is therefore recommended that the Joint Commissioners:

- 1 *NOTE the comments received in relation to the advertised business plan and thank those residents that submitted their comments;*
- 2 *ADOPT the business plan as advertised;*
- 3 *AUTHORISE the Acting Chief Executive Officer to prepare and execute the necessary documents to give effect to a contract of sale between the City and LandCorp for the purchase of a fully serviced site of 4.0 hectares at Hodges Drive for the purpose of constructing a works depot at a purchase price of up to \$2.8 million;*

- 4 *APPROVE the production of detailed design and tender documentation and the calling of tenders for the construction of the City of Joondalup proposed Works Depot Concept Design at Hodges Drive as endorsed at its meeting held on 20 July 2004.*

#### **DETAILS**

At the Council meeting of 20 July 2004, it was resolved that the Joint Commissioners:

- 1 NOTE that negotiations for the contract of sale are being finalised with LandCorp for a fully serviced site of 4.0 hectares for an amount of \$2,800,000;
- 2 ENDORSE the City of Joondalup proposed Works Depot Concept Design as the proponent as shown on Attachment 1 to Report C46-07/04;
- 3 ENDORSE the project budget of \$11 million in the 2004/2005 Draft Budget for Development of the Works Depot;
- 4 APPROVE a business plan to be advertised on the proposed land purchase for a period of 42 days to enable public comment;
- 5 NOTE that a further report will be presented to Council as soon as practical following the completion of the business plan process in order to obtain authority to execute the contract of sale for the Works Depot site.

#### **Business Plan**

The business plan was advertised in The West Australian on 3 August 2004 and Joondalup Community News paper on 5 August 2004 with a closing date of 16 September 2004. Following a request from the community, the public comment period was extended to 12 October 2004.

At the close of comment period, eight submissions were received. Some of the concerns raised included the location of a works depot on what is considered to be a landmark site, excessive costs of the project primarily due to high site costs and the impact of increased traffic levels. Suggested alternatives included the use of the Quarry site at Edgewater, operating a number of smaller depots within the City's boundaries and sharing of facilities with neighbouring cities. A summary of the submissions received is provided at Attachment 1. Copies of all submissions will be made available to the Joint Commissioners.

#### **Response to Key Public Comments**

##### Landmark Site

- The comments received concern the use of a landmark site for a works depot.

As outlined in the advertised business plan, the location of the site was recognised in the City's concept design brief as being a gateway to the City of Joondalup. The concept design brief included the need for an iconic landmark building with a building presence to Hodges Drive and the Freeway that reflected the importance of the location.

The Architect, James Christou and Partners, has met the brief in locating all of the buildings addressing Hodges Drive with the main administration office in a prominent location addressing the intersection of Hodges Drive and the Freeway. The building fabric will be detailed in the manner that incorporates the latest architectural finishes and sculptural forms.

#### Cost of Development

- Comments received that the expenditure of \$11 million is excessive.

As identified in the business plan constructing the depot at Hodges Drive will provide operational efficiency gains of \$536,000 per annum and lease cost savings of \$80,000 per annum. Additionally the City will own the depot site and will be using its funds to develop within its boundaries. The Connell Wagner building condition report has highlighted the deficiencies of the existing depot site in Wanneroo, which have been costed by Ralph Beattie Bosworth at \$4,650,000. The City of Wanneroo has advised that they are not prepared to fund any development on their site meaning Joondalup would have to fund any development at that site. The cost benefit analysis shows that the cheapest option for the City is to develop the Hodges Drive site.

#### Traffic levels

- Comments primarily expressed concern at the proposed site on the basis of increased traffic levels on Hodges Drive as a result of an access/egress point required to service the Works Depot and the costs associated with the construction of the access bridge.

Both the City and LandCorp recognised early in negotiations that vehicle access from Hodges Drive to the site would be inappropriate. Therefore, LandCorp agreed to fund and construct a bridge over the current rail reserve to provide access to the site as a condition of to the contract for sale of the land.

The City has negotiated construction access to the site with Main Road WA (MRWA) from Hodges Drive to permit construction to commence prior to the completion of the traffic bridge. This is a critical aspect of the works program, however will only be in operation until construction has finished or the bridge completed.

#### Alternative Sites

- Comments suggested alternative sites outside the City boundaries.

Investigations of other sites such as Wangara have not produced any alternative 4 hectare sites that are currently available. LandCorp have purchased a 40 hectare site that is expected to be divided into lots to a maximum of 2 hectares. The land is unlikely to be available in the next two years. Current selling prices for larger lots at Wangara are around \$70 to \$80 per square metre, valuing a 4 hectare site today at \$2,800,000 to \$3,200,000. Purchasing land outside the boundaries of the City will not resolve the issue of operational inefficiencies that are currently incurred at Ashby.



### Quarry site, Edgewater

- Comments suggested the Quarry site at Edgewater as an alternative depot location.

The Quarry site was originally considered in December 2001 when the City first sought site options for the purpose of constructing a works depot. In a confidential report to Council (C148-12/01 refers), a report was provided by Australian Property Consultants, who were commissioned to undertake the assessment of various site options. This report was recently released for public information by the Joint Commissioners (CJ196-08/04 refers). In relation to the Quarry site, Edgewater, Australian Property Consultants noted, "The quarry site is a possibility however would require City of Joondalup to go through a formal rezoning process including community consultation and Western Australian Planning Commission approvals. The likelihood of achieving a rezoning from parks and recreation in our experience is highly unlikely, however, the final decision rests with the Western Australian Planning Commission. As requested we have confirmed that crown land can be transferred to City of Joondalup however it has to be purchased at current unimproved market value."

The City Depot Site Committee was formed following a council resolution in December 2001 (C148-12/01 refers). The terms of reference were "to investigate an alternative City Depot site, for the purpose of accommodating Council's outdoor operations with the objective of establishing a site preferably within the City of Joondalup." After consideration of all options, including the Quarry site, Edgewater, the City Depot Site Committee ultimately determined that investigations should be pursued in relation to the LandCorp site adjacent the Mitchell Freeway (CJ140-06/02 refers). This report was originally a confidential item, however was also released for public information by the Joint Commissioners (CJ196-08/04 refers).

### Operating a Number of Smaller Depots within the City's Boundaries

- Comments suggested operating a number of smaller depots at sites around the City.

Operating a number of smaller depots with the City would require the duplication of facilities such as vehicle wash down areas, chemical storage areas, first aid rooms, amenities and administration areas. Financially this option will have a negative impact of both development and operational costs.

### Sharing of Facilities

- Comments suggested sharing facilities with other local governments.

The City had previously been advised by the City of Wanneroo that sharing of facilities at Ashby Depot was not feasible in the longer term. However, on 21 September 2004, the City of Wanneroo Council resolved to reaffirm support to enter into negotiations with the City of Joondalup for a possible extension of a lease arrangement at Ashby Depot.

Following this advice, the City appointed consultants Connell Wagner to undertake a building condition report on Ashby Depot to determine what capital improvements would be required if an extended lease term could be negotiated in terms of amenity, operational efficiency, storage capacity, and site security, as well as being the future buffer between Wanneroo's own depot facilities and the new residential estate on the southern side.

### **Ashby Depot Building Condition Report and Costing**

After receiving advice of the City of Wanneroo's resolution of 21 September 2004 supporting new lease negotiations with the City of Joondalup for a portion of the Ashby Depot, the City appointed consultants Connell Wagner and Ralph Beattie Bosworth to undertake a building condition report and costing to determine what capital improvements would be required at Ashby Depot in the event a new lease could be negotiated.

The consultant brief requested the service of a structural engineer, architect and an electrical/mechanical engineer. The report was to include items that could be seen or be reasonably expected to exist i.e. issues such as asbestos and underground services are not included. Items to be covered included Occupational Health and Safety (OHS) issues, Building Code of Australia (BCA) requirements, Health requirements, a building condition report and site access and circulation conditions. Connell Wagner was commissioned to provide the required services.

The final report from Connell Wagner was received on 15 November 2004. It was then costed by Ralph Beattie Bosworth, Quantity Surveyors, to determine the likely costs of works required at Ashby Depot to meet the current and future requirements of the City of Joondalup.

The report found that a number of items require attention in the short term, being immediate requirements for ongoing occupation of the site, medium term, required if the site remains occupied while a new facility is constructed, and long term, if the City is committed to the site for a long term lease (ten years). These have been costed at \$125,000, \$200,000 and \$4,100,000 respectively by Ralph Beattie Bosworth at 30 November 2004 and are outlined as follows:

#### Short term - Immediate for ongoing occupation of the site

- Undertake a full Operational review including Occupational Health and Safety and Public Safety
- OH&S review of the site with mixture of City of Joondalup, public and other groups accessing the site
- Undertake a traffic review and rectify with line marking, signs and barriers to safely separate the different modes of transport and pedestrian access
- Upgrade fencing around the site for improved site security from residential developments
- Upgrade ventilation of the sheds to suit the application in particular where hazardous goods are stored
- Provide a suitable welding booth with appropriate construction and ventilation
- Provide suitable fire protection to the sheds
- Ensure the gas valve pit is clean and operational
- Provide adequate emergency eyewash and shower facilities
- Review the existing power outlets within the sheds and upgrade to suit environment including hazard locations
- Review lighting within the sheds and provide physical protection and upgrade to suit any hazard requirements
- Review the external lighting and upgrade to suit the security and operational requirements of the area.



Medium term - Required if the site remains occupied whilst a new facility is constructed

- Upgrade of the air-conditioning to the administration building is required to overcome hot spots within the administration area
- Review the fire system within the administration building, in particular the fire hose reel locations and coverage
- Upgrade the downpipe system to the sheds to avoid run off to the residential development
- Review the emergency lighting system and upgrade to current Australian Standard requirements
- Upgrade the distribution board within the Engineering Maintenance Shed
- Repair structure and provide corrosion protection to shed structures
- Undertake a full noise and environmental impact study of the site with the new residential development adjacent
- Undertake a review of setback of sheds appropriate with new adjacent residential development.

Long term - Committed to the site for a long-term lease (10 years)

- Undertake a review of the underground drainage system and upgrade as required
- Review the washdown area including the tanks and any contamination and undertake rectification works
- Spatial capacity of the site does not meet the requirements of the City of Joondalup briefing document so a full review of the site and additional requirements is necessary
- Test the incoming mains cabling, main switchboard and submains
- Provide suitable diffusers on the luminaires within the office spaces utilising screen based tasks
- Review the water damage within the administration ceiling and undertake rectification works
- Provide insulation to the storage sheds to assist with the environmental conditions for the stored equipment and goods.

Further information on these items is detailed within the building condition report attached.

**Negotiations with City of Wanneroo**

Following the City of Wanneroo's council resolution of 21 September 2004, initial negotiations were undertaken between officers of both Cities in relation to the possible term and cost of any lease options that might be available to the City of Joondalup at Ashby Depot. On 12 November 2004, the City received correspondence from the City of Wanneroo providing the following information:

- A master planning exercise has recently confirmed that the City of Wanneroo will continue to operate from the existing depot site for at least the next ten years;
- Residential development has now reached the southern boundary of the depot, however the eastern and northern boundaries abut Bush Forever areas;
- A longer term lease by the City of Joondalup would be considered and this could incorporate exclusive use areas;
- In the event of a long lease, planning could be undertaken to rationalise the areas occupied by both Cities; and

- The relevant lease fee could be impacted by the level of capital expenditure incurred by the City of Joondalup.

**Western Australian Shire Councils, Municipal Road Board, Health Boards, Parks, Cemeteries and Racecourse, Public Authorities Water Boards Union (LGRCEU) Advice**

On 5 November 2004, the City received correspondence from the LGRCEU advising that as a result of meetings with membership at the Ashby Depot, the Fleur Freame Pavilion and the Winton Road Depot, that the membership had unanimously resolved as follows:

“That the operational employees of the City of Joondalup support the Management and Council initiative to build and locate a depot for all operational staff within the boundaries of the City and request that their support be communicated to the Commissioners as a matter of urgency”.

The correspondence outlining the following as supporting reasons for the resolution:

- The absence of adequate modern facilities for when reporting and departing for work
- The difficulties in communications with supervisory staff caused by physical dislocation of staff operating from multiple sites.
- The absence of adequate and safe mustering and meeting areas where information can be communicated to staff (particularly at the Ashby depot).
- The absence of adequate, safe and secure parking facilities (particularly at Winton Road).

**Hodges Drive Site Valuation**

Negotiations with LandCorp since late 2002 have been on the basis of the purchase price for the 4 hectare site on Hodges Drive being \$2.8 million. This amount was identified in the advertised business plan.

The City received advice from LandCorp on 24 September 2004 that the delay in finalising the contract of sale had highlighted a complication for LandCorp in that it required a current valuation (less than 3 months old) to support any sale contract. Accordingly, LandCorp had sought a review of the \$2.8 million valuation of the site from Burgess Rawson. The outcome was an increase in value to \$4.2 million. The City sought an independent valuation from Knight Frank using the same valuation brief originally agreed between the City and LandCorp. The valuation was received on 25 November 2004 and valued the site at \$2.5 million. This value includes the impact of site works attributed to the topography of the site being \$900,000, which will be a cost to the City. However it is acknowledged that as a condition of the sale, LandCorp will bear the full cost of constructing a bridge to access the site at \$1.5 million. On this basis, the City considers the \$2.8 million purchase price previously agreed to be reasonable and that LandCorp should honour the \$2.8 million purchase price.

Negotiations have been ongoing between LandCorp and the City since December 2002 when Council resolved in relation to the Joondalup Normalisation Agreement to authorise the Chief Executive Officer to negotiate with LandCorp for either cash contribution, or partial cash and partial in-kind contribution by way of the transfer of land owned by LandCorp to the City either for the purpose of housing the City of Joondalup's planned works depot, or the transfer of Lot 6 Lawley Court.

From that date negotiations continued between the two parties for the terms of the contract of sale, including vehicular access to the site and the relocation of powerlines going through the site. This necessarily involved third parties including Main Roads, Western Power and the Public Transport Authority and took some time.

The fact that payment by the City for the depot site was to take place in lieu of a cash payment from LandCorp to the value of \$2.8 million as part of the Joondalup Normalisation Agreement, meant that a contract of sale could not be entered into until all matters relating to the Normalisation Agreement had been resolved. This included the requirement to obtain a private ruling from the Australian Taxation Office on whether or not GST was applicable to the cash or kind components of the Normalisation Agreement. This process commenced in September 2003 and a ruling was obtained from the Australian Taxation Office that none of the transactions relating to the agreement formed a taxable supply in March 2004.

Finalised contract of sale documents were received from LandCorp on 17 June 2004, which confirmed the purchase price of \$2.8 million for the depot site. The requirement for the City to undertake a business plan for the acquisition of the depot site was given consideration at the time the purchase was negotiated with Landcorp. At this time it was deemed not required to comply with the provision of Section 3.59 of the Local Government Act 1995 and the Local Government Act (Functions and General) Regulations 1996, as the City was acquiring the land solely for the purposes of the works depot and no part of the site was to be disposed (sell or lease as defined in 3.58) to a third party.

The City sought legal advice clarifying the requirement or otherwise for a business plan for the acquisition of the depot site. This advice referred to Regulation 8 (1) of the Local Government (Functions and General) Regulations 1996 which provides that a land transaction is an exempt land transaction for the purposes of section 3.59 if the local government enters into it *“without intending to produce profit to itself and without intending that another person will be sold, or given joint or exclusive use of, all or any of the land involved in the transaction.”*

The City's solicitor noted that the City's instructions were that, if the land was purchased, the present proposal was that it would be used for a works depot. The City received advice that this factor alone did not satisfy regulation 8 (1). If in purchasing the land, the City was making an investment and, in the fullness of time, the land may be sold at a profit, then regulation 8 would not apply.

On this basis, at the Council meeting of 20 July 2004 it was recommended that the City take a prudent approach and the Joint Commissioners approved a business plan to be advertised on the proposed land purchase and concept design for a period of 42 days to enable public comment (C46-07/04 refers). LandCorp were advised as soon as the City became aware of this matter and the public comment process commenced immediately it was possible to do so.

It is understood that clause 2.3 of LandCorp's Procedures Manual requires that “valuations for active projects shall be reviewed as necessary depending upon the market conditions that prevail. Stock that remains unsold after 6 months should be revalued.” However it is the City's contention that the depot site has effectively been committed since Council's resolution of 29 April 2003 to accept LandCorp's offer for the City to purchase a fully serviced site of 4 ha for an amount of \$2.8 million and authorise the CEO to negotiate the contract of sale with LandCorp (CJ107-04/03 refers).

## **Planning Issues at Ashby Depot**

There are a number of planning issues associated with negotiating a lease extension with the City of Wanneroo at Ashby Depot that require consideration, including adjoining residential development, noise generation, traffic generation, Bush Forever and zoning/tenure. Details of these issues are outlined below.

### Zoning/Tenure

The site is currently zoned 'Public Use' under the City of Wanneroo Town Planning Scheme. This zoning, together with the designation of the crown reserve as 'Municipal Depot and Community Radio Sites' provides the appropriate tenure for the existing depot.

The surrounding land is zoned 'Urban Development'. Some residential development has already commenced to the immediate south of the depot site.

Structure planning for the area appears to include the site in the 'Future Urban' precinct, where 'land is assessed as having constraints to immediate urbanisation but to which should become available after ten to fifteen years.'

While current zonings are likely to be maintained in the immediate future, this is less certain in the longer term.

### Adjoining Uses

Unless appropriate buffers are established surrounding a land use such as a depot, there is the potential for conflicts between that use and adjoining residential uses.

It is noted that residential development has commenced to the immediate south of the site.

Should the City's current depot facilities require redevelopment or alteration, it is possible that the development application would be advertised to the adjoining residential land owners to the south of the depot site for their comments. Alterations may well be of concern to these residents.

Should the current depot require upgrading, as has been suggested by Connell Wagner's Building Condition Report, it should be noted that various conditions of planning approval could be applied to an approval that may affect the operation of the depot (eg operating hours). A new business plan will also need to be prepared and advertised in accordance with Section 3.59 of the Local Government Act (1995) outlining the lease details and proposed capital expenditure.

### Traffic and Noise

It is understood that there are currently some existing issues regarding vehicle movement through the depot sites and onto Wanneroo Road. This may be exacerbated by any expansion or redevelopment of the depot.

Similarly, noise generation from the depot will become more evident as the development of residential properties to the south of the depot becomes occupied.



Information received from an acoustic consultant indicates that the noise levels generated from the City of Wanneroo's operations will exceed the regulated levels once the residential properties are occupied. It follows that any operation undertaken on the site by Joondalup, being between Wanneroo's depot and the residential development, will exceed regulated levels. Advice received suggests that the construction of a double brick or limestone wall will not reduce the noise generated to acceptable levels. It should be noted that noise reduction is the responsibility of the occupier of the site not the owner.

### Bush Forever

It is noted that the eastern portion of the subject site is designated for protection under 'Bush Forever'; however, this doesn't appear to encroach onto the currently developed depot area.

### **Cost Benefit Analysis**

Ralph Beattie Bosworth has undertaken a cost benefit analysis and a net present value assessment for the City on both the construction of a new depot at the Hodges Drive site and negotiating a longer-term lease with the City of Wanneroo and remaining at Ashby Depot. The assumptions of the cost benefit analysis were as follows:

Hodges project cost incl land @ \$2.8M	: \$12.0M
Hodges land	: \$2.8M
Construction Cost at Ashby	: \$5.8M (reduced depot brief)
Interest rate on cash investment	: 6.25% p.a.
Land cost increase	: 20 year average: 7% p.a.
Current lease cost Ashby	: \$80,000
Increases in lease cost (estimate)	: 3% p.a.
Operational inefficiencies at Ashby (estimate)	: i) \$536K ii) \$672K
Construction cost increases	: 5% p.a. (long term average)
Construction cost at Hodges	: \$9.2M excluding land

Cost of capital (\$12.0M) is not included in calculations.

Rates, taxes, maintenance, incidentals etc are not included in calculations.

GST is excluded

Interest (income) calculation based on \$12M less \$5.8M construction at Ashby = \$6.2M x 6.25%pa. Lease cost and operational inefficiency cost is then deducted from interest income.

Period cost is calculated as:

- (i) construction cost at Ashby plus lease cost plus inefficiency cost less interest income.



Development at End of Lease of Period is:

(i) at Ashby

cost of new construction at Hodges at 10 and 20 years (escalated) plus escalated cost of land

(ii) at Hodges

proportion cost of replacement construction at Hodges without site costs (\$0.9m) assuming 25 year life (escalated at 5.0% pa)

This Cost Benefit Analysis, requested by the City of Joondalup, deals with the following options for the City's depot.

(i) Remaining at and redeveloping Ashby including the cost of the purchase of Hodges land at the end of the Ashby lease.

(ii) Developing the Hodges site as planned.

The analysis addresses both 10 and 20 year periods.

The biggest "driver" of cost in the Ashby option is the cost of inefficiencies; at \$536K - \$6.1M after 10 years and \$14.4M after 20 years. For comparative analysis of inefficiencies; at \$672K - \$7.7M after 10 years and \$18.1M after 20 years, are also provided.

Cost Summary

10 years		Period Cost	Development at End of Period	Total Cost of Option	NPV Inflation 3.5%
Ashby Site inefficiencies \$536K		\$9,912,000	\$20,508,000	\$30,420,000	\$21,567,000
Ashby Site inefficiencies \$672K		\$11,961,000	\$20,508,000	\$32,469,000	\$23,020,000
Hodges Site		\$12,000,000	\$12,880,000	\$24,880,000	\$17,640,000

20 years					
Ashby Site inefficiencies \$536K		\$20,643,000	\$35,215,000	\$55,858,000	\$28,096,000
Ashby Site inefficiencies \$672K		\$27,153,000	\$35,215,000	\$62,368,000	\$31,371,000
Hodges Site		\$12,000,000	\$25,760,000	\$37,760,000	\$18,993,000

As per the summary above, the most cost effective option for the City is to purchase the Hodges Drive site and construct a depot in the short term.

**Financial Implications:**Operational Savings

Operational savings or inefficiencies were identified in the advertised Business Plan being approximately \$536,000 for travel time and running costs and \$78,000 for lease payments. There are currently 128 staff and 63 vehicles operating out of the Ashby site. The identified operational savings have been estimated based on the distance from Joondalup (20kms per day) and travel time (30 minutes per day) giving a saving of approximately 16,000 staff hours and 8,000 vehicle hours per annum. The average hourly costs used in the Business Plan estimate were staff \$30 and for vehicles \$7 giving a total potential saving of \$536,000 per annum. The current average hourly cost for staff is \$36 and for vehicles \$12 giving a total potential saving of \$672,000 per annum.

Asset Replacement Reserve

The Asset Replacement Reserve was created in 1986/87 to assist with financing various essential assets including a works depot. Transfers from accumulated surplus include interest. Additions to this reserve are through specific budget allocation. Funding from this reserve is to undertake construction of the depot facility.

**Financial Implications:**

<b>Asset Replacement Reserve</b>	<b>Actual 30 June 2004</b>	<b>Budget 2004/2005</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	7,163,348	7,233,986
Transfer from Accumulated Surplus	1,361,769	3,000,000
Transfer to Accumulated Surplus	(1,291,131)	(5,352,000)
<b>Closing Balance</b>	<b>7,233,986</b>	<b>4,881,986</b>

<b>Works Depot Funding Analysis</b>	<b>Date</b>	<b>Balance</b>	<b>Total</b>
		<b>\$</b>	
Opening Balance of Reserves	1/07/2004	7,233,986	
Interest earned	2004/05	200,000	
<b>Sub total</b>			<b>7,433,986</b>
Joondalup Normalisation Agreement Reserve	2004/05	2,800,000	
<b>Sub total</b>			<b>10,233,986</b>
Interest Earned	2005/06	118,014	
Municipal Funds (General)	2005/06	544,769	
<b>Sub total</b>			<b>10,896,769</b>
<b>Total Establishment Cost of Project</b>			<b>10,896,769</b>

### **Sustainability Implications:**

Remaining at Ashby depot for a period of at least ten years is not considered to be a sustainable solution to the requirements of the City. The City of Wanneroo has advised that they have a ten-year plan to remain at their current location. With residential development reaching the southern boundary of the Ashby depot site it is a matter of time before complaints are received about noise levels. It is known that noise levels generated by the current operations of the depot exceed requirements at the boundary of the depot site. Ensuring compliance with requirements is the responsibility of the occupier of a site not the owner.

The new depot has been designed taking into account the latest ESD principles where the Ashby depot is 30 years old and is in need of a major overhaul. The Ashby site has been identified as having operational inefficiencies of \$536,000 per annum, which will only increase over time. Additionally, lease payments and development costs to remain at Ashby are considered to be 'dead money' as they do not return an asset to the City. The Ashby site has no potential for expansion to meet future needs unless the City of Wanneroo move out of their site. The proposed Hodges Drive depot has incorporated the current requirements of the City and has been designed to meet the future changing needs of the City.

At some stage in the future the City would be moving out of the Ashby site and without an available parcel of land, a new location within the City may not be available. The proposed site will consolidate the current depot operations that are currently split.

Based on environmental, financial and operational factors discussed within this report the Hodges Drive site is seen to be the most sustainable site for the future.

### **COMMENT**

The City has undertaken detailed and exhaustive investigations to ensure the best outcome is achieved in relation to the performance of operations services through the works depot for the City of Joondalup.

These investigations clearly demonstrate that the most cost effective, efficient and sustainable option remains the construction of a new works depot at the Hodges Drive site. Securing the Hodges Drive site from LandCorp will enable the City to proceed with the tender process required to commence construction of the previously endorsed concept design in a timely manner and enable the City to realise the efficiency gains that will result from operating a new works depot at this site.

### **Additional Information provided 7 December 2004**

The following additional information is provided in response to matters raised by the Joint Commissioners.

### **Operational Inefficiencies - Assumptions**

The geographic centre of the City is approximately the intersection of Craigie Drive and Eddystone Avenue. This is 10.7 km from the Ashby depot. Travel time to this point is the basis for the operational inefficiency calculation. The trip takes 15 minutes in a sedan in normal business hours.

The entry to the Hodges Drive depot will be from a bridge accessed from Eddystone Avenue. The distance from this point to the geographic centre is approximately 1.7 km. The trip takes 2 minutes in a sedan. The extra travel distance of 20 km per day outlined in the operational inefficiency calculations is one trip each way. The distance from Ashby to Hodges Drive is 7.5 km however there will be no entry or exit at this point.

The average cost for staff that would be required to travel from Ashby Depot if that was the location is \$36.00 per hour. This is calculated from the adopted Council budget for the depot operation and is inclusive of all staffing costs.

Based on the table below the break-even point is approximately \$160,000 in operational inefficiencies. This table also shows inefficiencies using a figure of \$280,000.

10 years	Period Cost	Development at End of Period	Total Cost of Option
Ashby Site \$280K inefficiencies	\$6,050,000	\$20,508,000	\$26,558,000
Ashby Site \$160K inefficiencies	\$4,250,000	\$20,508,000	\$24,758,000
Hodges Site	\$12,000,000	\$12,880,000	\$24,880,000

20 years			
Ashby Site \$280K inefficiencies	\$8,390,000	\$35,215,000	\$43,605,000
Ashby Site \$160K inefficiencies	\$2,650,000	\$35,215,000	\$37,865,000
Hodges Site	\$12,000,000	\$25,760,000	\$37,760,000

It is important to recognise that whilst the above sensitivity analysis reveals a break-even point at \$160,000 in operational inefficiencies, the related additional travel time for this figure is approximately 9 minutes and for the \$280,000 figure, is approximately 16 minutes. It is considered that these travel times are unrealistic for the additional travel required as it relates to the geographic centroid.

Whilst three years ago Hodges Drive may not have been the most attractive option for a depot site, with the passage of time and subsequent increases in land values and building construction costs, Hodges Drive is considered at this point in time as the best option available to the City from an economic, social and environmental perspective.

## ATTACHMENTS

Attachment 1	Summary of Public Comments from Business Plan
Attachment 2	Connell Wagner Building Condition Report
Attachment 3	Ralph Beattie Bosworth Cost Report

## VOTING REQUIREMENTS

Absolute Majority

**OFFICER'S RECOMMENDATION:** That the Joint Commissioners BY AN ABSOLUTE MAJORITY:

- 1 NOTE the comments received in relation to the advertised business plan and thank those residents that submitted their comments;
- 2 ADOPT the business plan as advertised;
- 3 AUTHORISE the Acting Chief Executive Officer to prepare and execute the necessary documents to give effect to a contract of sale between the City and LandCorp for the purchase of a fully serviced site of 4.0 hectares at Hodges Drive for the purpose of constructing a works depot at a purchase price of up to \$2.8 million;
- 4 APPROVE the production of detailed design and tender documentation and the calling of tenders for the construction of the City of Joondalup proposed Works Depot Concept Design as endorsed at its meeting held on 20 July 2004.

**MOVED Cmr Anderson, SECONDED Cmr Fox** that the Joint Commissioners:

- 1 NOTE the comments received in relation to the advertised business plan and thank those residents that submitted their comments;
- 2 ADOPT the business plan as advertised;
- 3 AUTHORISE the Acting Chief Executive Officer to prepare and execute the necessary documents to give effect to a contract of sale between the City and LandCorp for the purchase of a fully serviced site of 4.0 hectares at Hodges Drive for the purpose of constructing a works depot at a purchase price of up to \$2.8 million;
- 4 REQUEST the City's officers in acknowledgement of public submissions received to the Business Plan and in the interests of the long-term strategic planning for the City, undertake a needs and opportunities analysis of the Edgewater Quarry site and report back to Council.

Discussion ensued. Cmr Smith foreshadowed her intention to move a different motion should the motion under consideration be lost.

**The Motion was Put and**

**LOST (2/3)**

**In favour of the Motion:** Cmr Anderson and Clough **Against the Motion:** Cmr Paterson, Smith and Fox

**MOVED Cmr Smith, SECONDED Cmr Fox** that the Joint Commissioners:

- 1 NOTE the comments received in relation to the advertised business plan and thank those residents that submitted their comments;
- 2 ADOPT the business plan as advertised;
- 3 AUTHORISE the Acting Chief Executive Officer to prepare and execute the necessary documents to give effect to a contract of sale between the City and LandCorp for the purchase of a fully serviced site of 4.0 hectares at Hodges Drive for the purpose of constructing a works depot at a purchase price of up to \$2.8 million;



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- 4 REQUEST the City's officers in acknowledgement of public submissions received to the Business Plan and in the interests of the long-term strategic planning for the City, undertake a needs and opportunities analysis of the Edgewater Quarry site and report back to Council.

Discussion ensued. Cmr Smith foreshadowed her intention to move a different motion should the motion under consideration be lost.

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**LOST (2/3)**

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**MOVED Cmr Smith, SECONDED Cmr Fox that the Joint Commissioners:**

- 1 NOTE the comments received in relation to the advertised business plan and thank those residents that submitted their comments;
- 2 ADOPT the business plan as advertised;
- 3 AUTHORISE the Acting Chief Executive Officer to prepare and execute the necessary documents to give effect to a contract of sale between the City and LandCorp for the purchase of a fully serviced site of 4.0 hectares at Hodges Drive for the purpose of constructing a works depot at a purchase price of up to \$2.8 million;

**CJ176 - 08/05 SITE ACQUISITION - WORKS DEPOT – [80513]  
[58498]****WARD:** All**RESPONSIBLE  
DIRECTOR:** Mr David Djulbic  
Infrastructure and Operations

CJ050823\_BRF.DOC:ITEM 7

**PURPOSE**

To consider the purchase of the 4-hectare site on Hodges Drive for the proposed use of the City's works depot.

**EXECUTIVE SUMMARY**

Negotiations with LandCorp since late 2002 have been on the basis of the purchase price for the 4-hectare site on Hodges Drive being \$2.8 million. This amount was identified in the advertised business plan.

The City received advice from LandCorp on 24 September 2004 that the delay in finalising the contract of sale had highlighted a complication for LandCorp in that it required a current valuation (less than 3 months old) to support any sale contract. Accordingly, LandCorp had sought a review of the \$2.8 million valuation of the site. The outcome was an increase in value to \$4.2 million based on highest and best use for the land. The City sought an independent valuation using the same valuation brief originally agreed between the City and LandCorp based on the land designated for depot purposes, with potential for higher uses. The valuation was received on 25 November 2004 and valued the site at \$2.5 million.

Over the past six months negotiations with LandCorp have resulted in a joint valuation being obtained with the value of the land now \$4.6 million based on highest and best use as Landcorp want the highest possible return for the site. This value assumes the power lines will be relocated prior to purchase. Previously the City was to fund the relocation and allocated \$415,000 for the works. As the owner of the land, LandCorp will only value the land at its highest possible use regardless of its actual use.

Should the City decide to proceed with the purchase the business plan will need to be re-advertised and the budget for the project will need to increase to an approximately \$14.0 million. If the City does not proceed an alternative site will need to be found.

*It is recommended that Council:*

- 1 *NOTES the current status of negotiations with Landcorp as it relates to the purchase of the Hodges Drive site, recently valued at highest and best use value of \$4.6 million;*
- 2 *ENDORSES the action of the Chief Executive Officer to investigate alternative sites;*
- 3 *REQUESTS the Chief Executive Officer to report on options for alternative sites as soon as practical;*
- 4 *NOTES that a Business Plan will be advertised seeking public comment following the identification of an alternative site.*

## BACKGROUND

Negotiations with LandCorp since late 2002 have been on the basis of the purchase price for the 4-hectare site on Hodges Drive being \$2.8 million. This amount was identified in the advertised business plan.

The City received advice from LandCorp on 24 September 2004 that the delay in finalising the contract of sale had highlighted a complication for LandCorp in that it required a current valuation (less than 3 months old) to support any sale contract. Accordingly, LandCorp had sought a review of the \$2.8 million valuation of the site. The outcome was an increase in value to \$4.2 million. The City sought an independent valuation using the same valuation brief originally agreed between the City and LandCorp. The valuation was received on 25 November 2004 and valued the site at \$2.5 million. This value included the impact of site works attributed to the topography of the site being \$900,000, which will be a cost to the City. However it was acknowledged that as a condition of the sale, LandCorp will bear the full cost of constructing a bridge to access the site at \$1.5 million. On this basis, the City considered the \$2.8 million purchase price previously agreed to be reasonable and that LandCorp should honour the \$2.8 million purchase price.

Negotiations have been ongoing between LandCorp and the City since December 2002 when Council resolved in relation to the Joondalup Normalisation Agreement to authorise the Chief Executive Officer to negotiate with LandCorp for either cash contribution, or partial cash and partial in-kind contribution by way of the transfer of land owned by LandCorp to the City for the purpose of housing the City of Joondalup's planned works depot.

From that date negotiations continued between the two parties for the terms of the contract of sale, including vehicular access to the site and the relocation of powerlines going through the site. This necessarily involved third parties including Main Roads, Western Power and the Public Transport Authority and took some time.

The fact that payment by the City for the depot site was to take place in lieu of a cash payment from LandCorp to the value of \$2.8 million as part of the Joondalup Normalisation Agreement, meant that a contract of sale could not be entered into until all matters relating to the Normalisation Agreement had been resolved. This included the requirement to obtain a private ruling from the Australian Taxation Office on whether or not GST was applicable to the cash or kind components of the Normalisation Agreement. This process commenced in September 2003 and a ruling was obtained from the Australian Taxation Office that none of the transactions relating to the agreement formed a taxable supply in March 2004.

Finalised contract of sale documents were received from LandCorp on 17 June 2004, which confirmed the purchase price of \$2.8 million for the depot site. The requirement for the City to undertake a business plan for the acquisition of the depot site was given consideration at the time the purchase was negotiated with LandCorp. At this time it was deemed not required to comply with the provision of Section 3.59 of the Local Government Act 1995 and the Local Government Act (Functions and General) Regulations 1996, as the City was acquiring the land solely for the purposes of the works depot and no part of the site was to be disposed (sell or lease as defined in 3.58) to a third party.

The City sought legal advice clarifying the requirement or otherwise for a business plan for the acquisition of the depot site. This advice referred to Regulation 8 (1) of the Local Government (Functions and General) Regulations 1996 which provides that a land transaction is an exempt land transaction for the purposes of section 3.59 if the local government enters into it *"without intending to produce profit to itself and without intending that another person will be sold, or given joint or exclusive use of, all or any of the land involved in the transaction."*

The City's solicitor noted that the City's instructions were that, if the land was purchased, the present proposal was that it would be used for a works depot. The City received advice that this factor alone did not satisfy regulation 8 (1). If in purchasing the land, the City was making an investment and, in the fullness of time, the land may be sold at a profit, then regulation 8 would not apply.

On this basis, at the Council meeting of 20 July 2004 it was recommended that the City take a prudent approach and the Council approved a business plan to be advertised on the proposed land purchase and concept design for a period of 42 days to enable public comment (C46-07/04 refers). LandCorp were advised as soon as the City became aware of this matter and the public comment process commenced immediately it was possible to do so.

It is understood that clause 2.3 of LandCorp's Procedures Manual requires that "valuations for active projects shall be reviewed as necessary depending upon the market conditions that prevail. Stock that remains unsold after 6 months should be revalued." However it is the City's contention that the depot site has effectively been committed since Council's resolution of 29 April 2003 to accept LandCorp's offer for the City to purchase a fully serviced site of 4 ha for an amount of \$2.8 million and authorise the CEO to negotiate the contract of sale with LandCorp (CJ107-04/03 refers).

Over the past six months negotiations with LandCorp have resulted in a joint valuation being obtained with the value of the land now being \$4.6 million or \$115/sqm. This value assumes that the power lines have been relocated prior to purchase of the land, which was not the previous instruction. The project budget of \$11.0 million allowed a sum of \$415,000 for the relocation of the power lines.

A number of factors can be identified as having a major impact on the valuation. Firstly, previous valuations were based on a land use of "Depot with the potential for Bulk Retail/Showroom/Service Industry". LandCorp wanted the land use as "Bulk Retail/Showroom/Service Industry". In June 2005 LandCorp agreed to include "Depot" in the description however the valuation is based on the highest and best use of the site being Bulk Retail/Showroom. Secondly, current sales evidence. The most recent similar sales achieved indicate a sqm rate of \$200 to \$250/sqm (Clarkson, Midland, Malaga). Finally, access and site conditions. Due to current indications from Main Roads advising that access or egress to Hodges Drive and the Freeway is not allowed and due to the topography of the site the value of the land is reduced by around 50% to \$115/sqm.

## DETAILS

At the Council meeting of 20 July 2004, Council resolved to note negotiations were being finalised with LandCorp for a contract of sale for a fully serviced 4-hectare site for an amount of \$2,800,000 with the purpose of constructing a works depot. The Council also endorsed a concept design and project budget for the works depot and approved a business plan to be advertised for a period of 42 days to enable public comment on the proposed land purchase (CJ46-07/04 refers).

The business plan was advertised in The West Australian and Joondalup Community Newspaper with a closing date of 16 September 2004. Following a request from the community, the public comment period was extended to 12 October 2004.

At the close of comment period, eight submissions were received. Some of the concerns raised included the location of a works depot on what is considered to be a landmark site, excessive costs of the project primarily due to high site costs and the impact of increased traffic levels. Suggested alternatives included the use of the Quarry site at Edgewater, operating a number of smaller depots within the City's boundaries and sharing of facilities with neighbouring cities.



These submissions were considered at the Council meeting held on 14 December 2004 (CJ300-12/04), when it was resolved that the Council:

- 1 *NOTE the comments received in relation to the advertised business plan and thank those residents that submitted their comments;*
- 2 *ADOPT the business plan as advertised;*
- 3 *AUTHORISE the Acting Chief Executive Officer to prepare and execute the necessary documents to give effect to a contract of sale between the City and LandCorp for the purchase of a fully serviced site of 4.0 hectares at Hodges Drive for the purpose of constructing a works depot at a purchase price of up to \$2.8 million;*
- 4 *APPROVE the production of detailed design and tender documentation and the calling of tenders for the construction of the City of Joondalup proposed Works Depot Concept Design as endorsed at its meeting held on 20 July 2004;*
- 5 *REQUEST the City's officers in acknowledgement of public submissions received to the Business Plan and in the interests of the long-term strategic planning for the City, undertake a needs and opportunities analysis of the Edgewater Quarry site and report back to Council.*

A joint valuation received on 1 July 2005 has valued the subject land at \$4.6 million. Accordingly the previous resolution of Council does not allow the Chief Executive Officer to execute the contract of sale. Should the City wish to proceed the business plan will need to be re-advertised as the purchase price has increased significantly. If the City does not proceed an alternative site will need to be found.

#### **Issues and options considered:**

The City could purchase the land and proceed with the development of a works depot on the site. A revised budget allocation of approximately \$14.0 million would be required to complete the development at this point in time.

The City could decide not to purchase the land and investigate alternative sites within the City boundaries or surrounding areas. A budget would need to be determined once a site has been identified.

Staying at the current Ashby site is not a long-term option. The longer the City waits to secure an alternative site the less chance there will be of an available site for a works depot.

It is also noted that Edgewater Quarry was raised during the previous Business Plan process as a possible alternative site. However, due to complications in the way the land is classified, its location adjacent to schools and residential amenities, and cost considerations should the City attempt to purchase the site, it is considered that this location is not a sustainable or suitable option for the City.

#### **Link to Strategic Plan:**

Development of the a new works depot will be consistent with each of the four key focus areas of the City's Strategic Plan as follows:

*Caring for the Environment:* The concept plan for the new depot has been designed taking into account the latest Environmentally Sensitive Design principles where the Ashby depot is 30 years old and is in need of a major overhaul.



*Community Wellbeing:* The development of a new depot will assist in providing a more efficient and environmentally friendly service to the community.

*City Development:* A new depot within the City boundaries will encourage local employment and economic development.

*Organisational Development:* Manage the development to provide a maximum return on the investment to benefit the City's ratepayers and community by the reduction in operational inefficiencies that have been identified with the depot in Ashby.

#### **Legislation – Statutory Provisions:**

The requirements of Section 3.59 of the Local Government Act 1995 and the Local Government Act (Functions and General) Regulations 1996 were followed however the purchase price nominated in the advertised Business Plan was \$2.8 million. Should the City wish to proceed with the purchase of the land the Business Plan will need to be re-advertised. LandCorp have advised that a contract must be executed by 27 September 2005 or the site will need to be revalued. The City must accept submissions on business plans for a period of not less than six weeks and then formally consider those submissions.

#### **Risk Management considerations:**

At some stage in the future the City would be moving out of the Ashby site and without an available parcel of land, a new location within the City may not be available. The current lease with the City of Wanneroo expires in June 2007.

If the Hodges Drive land were purchased and the City was unable to commence construction until the bridge was constructed, funds required for construction could continue to increase.

Operational inefficiencies identified at the current Ashby site continue to increase and if land cannot be found within the City's boundaries these inefficiencies will continue.

#### **Financial/Budget Implications:**

At its meeting on 20 July 2004 the Council endorsed the project estimate of \$11.0 million and allocated the funds required as per the break up in the table below (C46-07/04). At the Council meeting held on 14 December 2004 it was indicated that \$12.0 million would be required if the land could be purchased for up to \$2.8 million.

#### Hodges Drive – Original Project Estimates

ITEM	\$
Building Works (rate per sq. metre)	2,665,000
Communication cabling, I.T items, Two Way Radio and Reticulation Control.	150,000
Gateway Allowance (strategic location)	250,000
Site Works (significant cross fall)	2,970,000
Environmentally Sensitive Design Allowance	200,000
Escalation (to July 04)	200,000
Escalation Premium due to Market Condition	150,000
Consultant Fees	600,000
Land Acquisition	2,800,000
FF&E (furniture, fittings and equipment)	600,000
HV Relocation	415,000
<b>TOTAL:</b>	<b>11,000,000</b>

Should the City proceed with the purchase of this land and the development as per the concept plan the estimated cost would be approximately \$14.0 million depending on when site works could commence. This increased budget estimate includes the increase in land and construction costs. Should the City not proceed an alternative site will need to be found and a review of the required funding would be undertaken.

The City has spent approximately \$165,000 to date on this project. Should the concept design that has been developed and approved by Council not be compatible with an alternative site a new concept design would need to be developed. It is estimated that a new concept design and due diligence requirements would cost in the order of \$100,000.

#### NORMALISATION AGREEMENT

The \$5.24 million payment figure by LandCorp as part of the Joondalup Normalisation Agreement was agreed in October 2001, which covered a number of works negotiated between the City and LandCorp that effectively completed LandCorp's obligations for City development.

The Agreement was signed by the City and LandCorp in February 2003, but was not executed by the Minister for Planning and Infrastructure until June 2003 during a formal handover function.

As part of negotiations in 2003 between the City and LandCorp, it was agreed that the \$5.24 million payment would comprise \$1.9 million, which was received by the City in June 2004 and \$2.8 million as an offset to the purchase price of the 4ha Hodges Drive site.

The remaining \$540,000 was for the dualling of Collier Pass on a condition included as part of the Normalisation Agreement to dual Collier Pass, to be paid on termination of the Wanneroo Basketball Association lease (expires 23 December 2007), subject to LandCorp gaining vacant possession of the site.

#### **Policy Implications:**

Not Applicable.

#### **Regional Significance:**

Not Applicable.

#### **Sustainability implications:**

Remaining at Ashby depot for a period of at least ten years is not considered to be a sustainable solution to the requirements of the City. The City of Wanneroo has advised that they have a ten-year plan to remain at their current location. With residential development reaching the southern boundary of the Ashby depot site it is a matter of time before complaints are received about noise levels. Ensuring compliance with noise requirements is the responsibility of the occupier of a site not the owner.

The new depot has been designed taking into account the latest Environmentally Sensitive Design principles where the Ashby depot is 30 years old and is in need of a major overhaul. The Ashby site has been identified as having operational inefficiencies of \$536,000 per annum, which will only increase over time. Additionally, lease payments and development costs to remain at Ashby are considered to be 'dead money' as they do not return an asset to the City. The Ashby site has no potential for expansion to meet future needs unless the City of Wanneroo move out of their site. The proposed Hodges Drive depot has incorporated the current requirements of the City and has been designed to meet the future changing needs of the City.

At some stage in the future the City would be moving out of the Ashby site and without an available parcel of land, a new location within the City may not be available. The proposed site will consolidate the current depot operations that are currently split. The current lease with the City of Wanneroo expires in June 2007.

**Consultation:**

The business plan was originally advertised in The West Australian and Joondalup Community Newspaper with a closing date of 16 September 2004. Following a request from the community, the public comment period was extended to 12 October 2004. At the close of comment period, eight submissions were received. Should the City decide to proceed with the purchase the business plan will need to be re-advertised due to the increased purchased price.

**COMMENT**

LandCorp as the owner of the Hodges Drive site want to maximise their return on the sale of the site. To do so they will only value the land on its best and highest use with the subject value being \$4.6 million. The City would therefore be purchasing a site for use as a works depot that has a much lower value. Negotiations with LandCorp over the past six months have not been successful in changing the valuation basis.

Recent advice from LandCorp dated 12 August 2005 pertaining to apportioning costs associated with realignment of Western Power overhead lines and the deduction of an allowance for interest requires further examination and discussions with LandCorp.

Notwithstanding this, the City could continue with the purchase and development of the depot however a budget of approximately \$14.0 million would be required. Alternatively the City could source other sites within the City however there is no guarantee any is available now or in the future and as the future at the Ashby site is limited the City could be left without an alternative.

As the development of a depot at Hodges Drive cannot be achieved within the allocated budget of \$11.0 million at this point in time, it is recommended that alternative sites be investigated.

**ATTACHMENTS**

Nil.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION:** That Council:

- 1 NOTES the current status of negotiations with Landcorp as it relates to the purchase of the Hodges Drive site, recently valued at highest and best use value of \$4.6 million;
- 2 ENDORSES the action of the Chief Executive Officer to investigate alternative sites;
- 3 REQUESTS the Chief Executive Officer to report on options for alternative sites as soon as practical;
- 4 NOTES that a Business Plan will be advertised seeking public comment following the identification of an alternative site.

**MOVED** Cmr Smith, **SECONDED** Cmr Anderson that Council:

- 1      **REFERS** back the report to the Officers for further clarification of issues surrounding the Normalisation Agreement;
- 2      **ENDORSES** the action of the Chief Executive Officer to investigate alternative sites;
- 3      **REQUESTS** the Chief Executive Officer to report on options for alternative sites as soon as practical;
- 4      **NOTES** that a Business Plan will be advertised seeking public comment following the identification of an alternative site.

Discussion ensued.

To a query raised by Cmr Anderson, it was advised the purchase price that was reflected in the Business Plan put out to the community for comment, was \$2.8 million.

**The Motion was Put and**

**CARRIED UNANIMOUSLY (5/0)**