



City of
Joondalup

**Business Plan
For
The Lease of Land and Construction of
a Works Depot**

February 2006

INTRODUCTION

The proposed lease and construction of a Works Depot is an exempt land transaction however it is considered appropriate to comply with the Provisions of the Local Government Act 1995 and the Local Government Act (Functions and General) Regulations 1996. Accordingly this business plan has been prepared to comply with the provisions of Section 3.59 of the Act and the Regulations.

The section of the Act provides that all major land transactions require a business plan to be prepared prior to entering into the transaction. It is the City's intent to lease approximately 2.50 hectares located on Ocean Reef Road Craigie from the Water Corporation and construct a City Works Depot on the leased site.

SITE DESCRIPTION

The proposed lease area forms part of the Beenyup Wastewater Treatment Plant, which occupies a large tract of land located to the southern side of Ocean Reef Road and to the immediate west of the Mitchell Freeway, within the suburb of Craigie approximately 21 kilometres from the Perth Central Business District. Direct and convenient access to the property is provided via the Mitchell freeway, which has on and off ramps associated with Ocean Reef Road. A plan of the proposed site is attached.

Surrounding development is predominantly residential orientated and includes the established suburbs of Craigie, Beldon and Heathridge to the west and the suburbs of Woodvale and Edgewater to the east of the Mitchell Freeway respectively. Commercial development associated with Joondalup Drive is located to the north eastern side of the Mitchell Freeway and Ocean Reef Road, extending in a northerly direction towards Joondalup regional centre. An extensive range of commercial, retail, civic and educational facilities are provided within the City of Joondalup which has been developed as the major regional centre within Perth's northern corridor.

TITLE PARTICULARS

The parent lot of the site is legally described as being Lot 8278 on Deposited Plan 30778, being the land contained in Certificate of Title Volume LR3127 Folio 149. The land is classified as Reserve 28971 for the purpose of sewerage, depot and storage, being subject to Management Order H988994 which contains conditions to be observed. The primary interest holder of the property is the Water Corporation.

Lot 8278 is zoned "Public Purposes" under the Metropolitan Region Scheme, with the northern portion designated as "Public Purposes SU" (Special Use) and the southern portion "Public Purposes WSD" (Water Corporation). A

similar "Public Purposes" zoning is reflected in the City's District Planning Scheme No. 2.

The central eastern and southern eastern portions of Lot 8278 are subject to a Bush Forever classification, namely "Other Government Lands (Including Existing and Proposed Public Utilities)". The Bush Forever classification relates to the existing remnant vegetation on the site and precludes the subject lease area.

The proposed lease area is included within an odour buffer associated with the Beenypup Wastewater Treatment Plant. The Water Corporation have revealed that this odour buffer is not encapsulated within the Metropolitan Region Scheme, the Local Authority Town Planning Scheme or any other planning policy. The buffer extends for an area of approximately 500 metres surrounding the wastewater treatment plant and has been established as a safeguard against odour nuisance emanating from the plant. Notwithstanding, enquiries have indicated that the proposed use of the site as a Council works depot would likely have no compatibility use issues in respect of the odour buffer zone.

Site Details

The parent landholding comprising Lot 8278 comprises a total area of 81.9749 hectares. The site has a disjointed frontage to Ocean Reef Road of 97.20 metres, aggregate depth along the eastern and western boundaries of 1,298.92 metres and 1,604.34 metres respectively, with a rear southern boundary of 695.77 metres.

The northern portion of the site is relatively level and thereafter, falls gradually in a southerly direction towards the rear boundary.

The proposed lease area is located towards the northern portion of the site, having an area of approximately 2.5 hectares (subject to survey). The lease area is mostly level throughout and is predominantly cleared, with the exception of some remnant vegetation. The lease area is surrounded by vegetation to all sides, including vegetated buffers adjacent to the Mitchell Freeway to the east and the established Craigie residential area to the west. Soils appear to be of a free draining sandy nature, displaying natural drainage characteristics.

Dimensions in relation to the lease area have not been provided however, the configuration of the site is shown on the plan appended to this report.

Services

The normal utility services are available and connected to the site, with access to the lease area being provided via a bitumen driveway extending off Ocean Reef Road. Electronic security gates with swipe card access are provided to this road, towards the north eastern corner of the site.

Improvements

Improvements on the land comprise various older style buildings, including a single level administration block, various sheds and workshops, with the balance of the site incorporating a mix of bitumen and limestone and hardstand previously utilised for parking and open storage purposes. The buildings are in varying condition with several, including the administration block, being in disrepair and requiring significant upgrading. Several of the workshop buildings appear to be in a reasonable state of repair and potentially could be retained and utilised.

The balance of the site comprises bitumen hardstand ranging in condition from fair to good, with an area of limestone hardstand forming the south western portion of the lease area. The site is security fenced to the perimeter boundaries, with double security gates to the main entrance, providing access to dual entry/exit driveways.

PROPOSED LEASE AGREEMENT

The pertinent details of the proposed details of the lease and amendments are summarised as follows:

- The proposed Lessor is Water Corporation of 629 Newcastle Street, Leederville, Western Australia.
- The proposed Lessee is City of Joondalup of 90 Boas Avenue, Joondalup, Western Australia.
- The City of Joondalup is to prepare a diagram identifying the proposed lease area and which is to be surveyed at the Lessor's expense. This area is identified on the plan attached to this report and is estimated to contain an area of approximately 2.5 hectares.
- The lease term is to be limited to 21 years. The lease is to contain a clause dealing with future use of the site and both parties' intentions to enter into a further lease of the premises.
- The proposed date of commencement for the lease is 1 July 2006.
- The leased premises are to include all buildings and structures on the land.
- Prior to commencement of the lease, the Water Corporation at its own expense, will conduct an environmental survey and take any action required to remediate pre-existing contamination. In the event that the projected cost of remediation is such that it is not financially viable, the Corporation reserves the right not to proceed with the matter.
- The Corporation will also arrange for removal of substances containing harmful asbestos.

- In the event that the Corporation is unable to conclude remediation of contamination and removal of asbestos prior to the proposed commencement date of 1 July 2006, commencement date of the lease is to be postponed until such time as remediation and asbestos removal works are completed.
- Rent free of 12 months to apply from commencement date of the lease and the Lessee undertakes to take possession of the premises in “as is” condition (subject to above).
- The Lessee shall construct buildings/improvements as required by the Lessee’s operation and having obtained prior Lessor’s approval.
- At termination of the Lessee’s occupancy, the Lessor may require at the Lessor’s discretion, that certain improvements be removed by the Lessee and the area be cleaned up to the Lessor’s reasonable satisfaction.
- Base rent has been determined by a jointly appointed valuer. The cost of the valuer determining a fair market rent is to be paid by the City of Joondalup however, half of such cost is to be refunded by the Corporation once the formal lease agreement is entered into by the parties.
- The initial rent as determined is to be fixed for the first two years and then followed by annual CPI adjustments, except after six years, and every five years thereafter when reviews to market shall apply.
- The Lessee shall pay all statutory outgoings assessed by the relevant authorities in relation to the lettable area.
- The Lessee shall reimburse the Corporation for legal costs involving preparation of the formal lease document.
- The first rental payment is due on the anniversary of the Commencement Date, with each succeeding payment being due and payable on the first day of each month during the Term.
- To the extent that any supply made under or in connection with the lease is a taxable supply, the consideration for the supply is increased by the rate at which GST is imposed in respect of the supply.

CURRENT DEPOT ARRANGEMENTS

The City does not currently own a dedicated Works Depot. To facilitate the delivery of works and services and to reduce future operational costs, there is a requirement to establish a Works Depot to meet the long term needs of the City.

The City currently operates from two sites, both highly constrained, as follows:

- The major depot facility is provided by way of a lease agreement with the City of Wanneroo for the part use of the Wanneroo Works Depot located in Wanneroo Road, Ashby. This is outside of the Joondalup municipal boundary. The lease agreement commenced on 27 June 2000 with an expiry of 30 June 2007, and an option to extend the term of the lease for a further term of one year.
- The second location is a minor depot of 0.2683 ha, Lot 502 Winton Road in the Winton Road Business Park. This facility is used for operational crews that undertake maintenance activities in primarily CBD areas. The City of Joondalup owns this facility on freehold title and, due to the constrained size, there is no scope to expand the services operating from this location.

Further services typically based in a Council depot but currently outsourced via a Service Level Agreement between the Cities of Joondalup and Wanneroo include:

- Waste Management Collection Services; and
- Fleet Maintenance Services.

In the short to medium term the City of Wanneroo can provide basic depot facilities to meet City of Joondalup requirements. However, due to the expected growth of Wanneroo and subsequent demands on depot facilities, there are no guarantees that these existing facilities will be available for lease in the longer term. In addition, there are transport efficiency and operating gains anticipated in having a centrally located depot within the City of Joondalup.

The operational areas proposed to be accommodated at a new Works Depot are to include:

- Engineering Maintenance Services
- Engineering Minor Construction
- Parks Maintenance Service
- Building Maintenance Service
- Building Cleaning Services
- Ranger Security Services Vehicle Pound
- Stores and Stockpiling
- Other future needs

In determining the accommodation/facilities needs and land requirements it was also envisaged that the services currently provided under a Service Level Agreement with the City of Wanneroo would, in the future, continue in this manner. However, in the future the City may find that the combination of operational risk reductions and increases in operating and financial benefits can be realised through the internalisation of part or all services currently outsourced via this Service Level Agreement.

It has been estimated that the minimum land area required for a Works Depot is 2.5 hectares. This would allow appropriate master planning of the site for traffic management and facilities control purposes.

The Concept Design will be developed in accordance with the original project brief and in direct consultation with operational staff and the Executive Management Team.

The project brief will direct the consultant team to adopt Environmentally Sensitive Design (ESD) principles into the building and site fabric.

EXPECTED EFFECT ON OTHER PERSONS PROVIDING FACILITIES AND SERVICES IN THE DISTRICT

This section is not considered relevant as it is a specific function of local government to coordinate and provide these services and facilities.

EXPECTED FINANCIAL EFFECT ON THE LOCAL GOVERNMENT

Lease Valuation

A Valuation Brief was prepared and forwarded to Ray White Valuers to provide valuations of the subject land. The final valuation report was received on 15 November 2005.

Site Negotiations

At its meeting of 13 December 2005, Council authorised the Chief Executive Officer to negotiate with the Water Corporation for the proposed lease of the site for the purpose of housing the City of Joondalup's planned Works Depot.

Development of New Depot

It is estimated that \$4.0 to \$4.5 million will be required to develop the site to a suitable condition. This estimate can only be confirmed once a more detailed assessment of the existing building can be undertaken and a concept plan is developed. Designs for this site would be undertaken based on a building life of 20 years. The lease fee for the site will commence at \$200,000 increasing annually to CPI with market valuation review in year six and each five years after. The current lease fee for the Wanneroo site is \$80,810.

Provision for the funding of the Works Depot has been made available in the Asset Replacement Reserve account.

The project budget estimate for the development of a works depot at the site previously identified as the preferred location being Hodges Drive was \$11.0 million (costing July 2003) including the purchase of land at \$2.8 million.

A review of available sites for the proposed works depot identified two options being the purchase of the Hodges Drive site and the lease of the Beenyup site. The base Net Present Value calculations indicates that the lease option is the preferred financial option however the City would not own the land and would have to negotiate a new lease at the expiry of the proposed lease or find an alternative location.

Operational Savings

The current Wanneroo Works Depot lease agreement is not conducive to efficient and effective work practices as there are considerable restrictions on administration processes and public interaction with the City of Joondalup Operations Unit.

Operational efficiency gains of up to \$614,000 per annum are identified. In addition to lease costs of \$80,810 per annum, there are also costs involved in travel time and running costs due to the Depot's location. In addition, 63 vehicles and 128 staff are currently housed at the Wanneroo Depot and it is estimated that, based on the distance from Joondalup (20kms per day) and travel time for the start and finish of shifts (30 minutes), the potential for increased productivity would be in excess of \$2,200 per day (not including accelerated depreciation due to higher dead running time).

EXPECTED EFFECT ON MATTERS REFERRED TO IN THE LOCAL GOVERNMENT'S CURRENT PRINCIPAL ACTIVITIES PLAN PREPARED UNDER SECTION 5.56

Section 5.56 of the Local Government Act relates to the Principal Activity Plan for the City for the ensuing 5-year term. The published Principal Activity Plan for the City of Joondalup for the Infrastructure Services Directorate for 2003/2004 to 2007/2008 states the following:

Key Objectives:

- To work in partnership with the community to achieve mutual outcomes
- To provide management services for the planning, design and asset maintenance and management of the community's infrastructure
- To maintain effective partnerships which enhance the delivery of Ranger Services

Activities to be undertaken by the Infrastructure Services Directorate to achieve these objectives are listed as follows:

- Adopt a multi-disciplined team approach in managing the public's infrastructure assets through the provision of the services mentioned below;
 - Building services
 - Community infrastructure asset management services
 - Engineering design services
 - Surveying services
 - Project management services
 - Traffic management services
 - Parks and landscaping services
 - Administration support services
- Enhance the quality of life through the implementation of educational initiatives and strategies and the enforcement of the following:
 - Promotion of responsible dog ownership
 - Street, school and private parking
 - Sign control
 - Firebreak inspections
 - Removal of abandoned vehicles and off-road vehicle control
 - Control of unauthorised dumping of litter
 - Processing firework applications

Performance measures for the Infrastructure & Operations Directorate of the City include:

- Infrastructure programs and projects are designed and implemented within the budgets and timeframes agreed with by Council
- The project management costs associated with survey, design administration and construction are competitive when benchmarked with other local governments and private industry

- The level of customer satisfaction with community's infrastructure, i.e. with parks, roads, paths, drainage networks and traffic management initiatives and animal control.

ABILITY OF THE LOCAL GOVERNMENT TO MANAGE THE UNDERTAKING OR THE PERFORMANCE OF THE TRANSACTION

The City of Joondalup ordinarily administers many land transactions and contracts in the day-to-day management of its assets and community facilities. The skills of its members and officers are adequate to meet the requirements of this proposal.

In accordance with the City's management of designated Council Projects, a Project Plan for the Works Depot is being prepared in conjunction with Clifton Coney Group (CCG), Project and Development Managers. The City has established a project team to deliver the Works Depot project on behalf of the Council. This team will include specialist consultants to assist in the design, management, construction and commissioning of the new facility.

CONCLUSION

The City has sought to address the long-term need for the establishment of a Works Depot within the City of Joondalup.

While the lease agreement with the City of Wanneroo for part use of the Wanneroo Works Depot has addressed the immediate need, that lease agreement only provides facilities until 30 June 2008 assuming available options are exercised. Due to the expected growth of Wanneroo and subsequent demands on depot facilities, there are no guarantees that these existing facilities will be available for lease in the longer term.

In addition, there is potential for efficiency gains in having a centrally located depot within the City of Joondalup.

SITE PLAN



PROPOSED DEPOT SITE - BEENYUP

