



# **BUSINESS PLAN FOR MAJOR LAND TRANSACTION**

## **Proposed Disposition Ground Lease Redevelopment**

**391 Canning Hwy and 36-38A Waddell Rd, Palmyra**

Dated October 2018

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## 1 EXECUTIVE SUMMARY

This business plan details the ground lease redevelopment proposal for the land located on the corner of Stock Road and Canning Highway, Palmyra, owned in freehold by the City of Melville and being:-

### 36-38A Waddell Road, Palmyra

Lot 830	Plan 3721	Volume 666	Folio 197
Lot 831	Plan 3721	Volume 666	Folio 197
Lot 832	Plan 3721	Volume 699	Folio 199

### 391 Canning Highway, Palmyra

Lot 55	Plan 26589	Volume 1891	Folio 839
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The City has undertaken an extensive Request for Proposals (RFP) process to facilitate the redevelopment of the site for the community; and to upgrade the existing improvements. This will lead to a substantial long term revenue stream for the City whilst delivering planning activation objectives.

This City is now seeking feedback from the community on the proposed disposition via long term ground lease before submitting this matter to the Council for determination 2018. Submissions close 4.00pm Wednesday 5<sup>th</sup> December 2018.

## 2 INTRODUCTION

The purpose of this Business Plan is to:-

1. Advise the community that the City proposed to undertake a Major Land Transaction for a long term ground lease proposal as a result of the Request for Proposals process for the Stock Road, Palmyra site;
2. Provide the opportunity for the community to make submission on the Business Plan; and
3. Satisfy the requirements of Sections 3.58 and 3.59 of the *Local Government Act 1995*

## 3 BACKGROUND DESCRIPTION

### PROPERTY DETAILS

<b>Current Owner</b>	City of Melville
<b>Address</b>	391 Canning Highway, Palmyra 36-38A Waddell Road, Palmyra

<b>Title Particulars</b>	Lot 55 Plan 26589 Volume 1891 Folio 839 Lot 830 Plan 3721 Volume 666 Folio 197 Lot 831 Plan 3721 Volume 666 Folio 197 Lot 832 Plan 3721 Volume 699 Folio 199
<b>Total Land Area</b>	7,462 m <sup>2</sup> as per titles (subject to survey)
<b>Zoning</b>	MRS: Urban City of Melville: Centre C2 R-AC0 and Mixed Use R-AC0 under LPS No. 6 Melville District Activity Centre Plan

**Subject Site (Proposed Ground Lease Area)**



At its Ordinary Meeting held on 10 December 2013, the Council resolved (5339) to authorise the Chief Executive Officer to advertise by way of Requests for Proposals or Expressions of Interest to redevelop or dispose of the following strategic properties with a view to delivering better outcomes to the community where possible, cost reductions, revenue increases and better use of strategic resources:-

- Lots 830-832 (36 to 38A) Waddell Road, Palmyra
- Lot 55 (391) Canning Highway, Palmyra

Further, that the Chief Executive Officer is to present to the Council any proposed disposition of land, major land transaction or trading undertaking arising out of the process for the Council's consideration prior to entering into any agreement to give legal effect to the transaction.

The RFP submission phase for the ground lease and redevelopment of the 7,462 m<sup>2</sup> site comprising the properties at Lots 830 to 832 (36 to 38A) Waddell Road, Palmyra, and Lot 55 (391) Canning Highway, Palmyra ended on 22 September 2017, with a preferred proponent selected from the three submissions received following a panel evaluation assessment.

Melville Health, Aged and Community (WA) Pty Ltd an aged care provider was selected as the preferred proponent to develop the Melville Health, Aged and Community Activity Centre at the site. The proposal includes significant benefits to the City including:

1. A new world class ageing facility with acute care, dementia and complex care, community care, mental health management, young and disabled and health services for Melville residents;
2. Certain existing site uses / services are proposed to be retained on site, including meals on wheels, podiatry / allied health and senior citizens facilities;
3. A financial outcome for the City from a long-term ground lease with the ability to recoup rates annually;
4. Long-term employment opportunities and economic stimulation (demand for local goods & services);
5. Melville Health, Aged and Community Activity Centre will advance the City's Age Friendly City outcomes and aspirations; and
6. Proposal meets and furthers planning outcomes for the site and new Melville District Activity Centre Plan.

In 2016 the Council endorsed the Melville District Activity Centre Plan. The Plan's desired outcome is to create a vibrant, mixed use centre that is a great place to live, work, run a business, socialise, recreate and have fun.

The proponent's proposal meets the planning and design objectives and height limits of the Melville District Activity Centre Plan, while providing social activation and meeting the medium to long term needs of the City's ageing population. The Melville local government area has been identified by the Commonwealth Department of Health as a "*Category 2 - High Need*" area for aged care services. The City is now proposing to advertise the proposed major land transaction in accordance with the *Local Government Act 1995* and then report to the Council following public submissions for determination on the proposed disposition in October 2018.

## 4 GROUND LEASE PROPOSAL

<b>Lessor</b>	City of Melville
<b>Lessee</b>	Melville Health, Aged and Community (WA) Pty Ltd (A.C.N. 624 674 362)
<b>Land/Premises</b>	391 Canning Highway and 36-38A Waddell Rd, Palmyra
<b>Title Details</b>	Lot 55 P26589, Lot 832 P3721, Lot 831 P3721, Lot 830 P3721
<b>Proposed Use</b>	Residential aged care facility with community aged care, primary/allied health and ancillary commercial uses thereto
<b>Initial Term</b>	40 years
<b>First Further Term</b>	20 years call option at election of Lessee
<b>Second Further Term</b>	20 years call option at election of Lessee
<b>Third Further Term</b>	10 years call option at election of Lessee
<b>Lease Commencement Date</b>	To be confirmed. The facility is anticipated to be built and operational by December 2022
<b>Rent Commencement Date</b>	12 months post date of practical completion to cover expected operational ramp-up period (December 2023)
<b>Ground Lease Rent (pa)</b>	Commencing at \$350,000 + GST + Outgoings per annum
<b>Rent Reviews</b>	Annual CPI
<b>End of term/lease</b>	Premises will be demolished, clean site handed back to the City by the Lessee

## 5 STATUTORY AND LEGAL IMPLICATIONS & REQUIREMENTS

### 5.1 MAJOR LAND TRANSACTION

Section 3.59 of the *Local Government Act 1995* details the process governing ‘commercial enterprises’ by local governments, including ‘Major Land Transactions’. A ‘Major Land Transaction’ means the acquisition, disposal (sell, lease or otherwise dispose of, whether absolutely or not) or development of land that is not exempt under the Act, and where the total value of:-

- (a) The consideration under the transaction; and
- (b) Anything done by the local government for achieving the purpose of the transaction,

Is more or is worth more than either \$10M or 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year.

In accordance with Section 3.59 before a local government enters into a major land transaction the local government is required to prepare a Business Plan. The Business Plan is to include an overall assessment of the major land transaction and is to include details of:

- (a) Its expected effect on the provision of facilities and services by the local government; and
- (b) Its expected effect on other persons providing facilities and services in the district; and
- (c) Its expected financial effect on the local government; and
- (d) Its expected effect on matters referred to in the local government’s current plan prepared under Section 5.56; and
- (e) The ability of the local government to manage the undertaking or the performance of the transaction; and
- (f) Any other matter prescribed for the purposes of this subsection.

The *Local Government Act 1995* also requires the local government to –

- (a) Give State-wide public notice stating that –
  - (i) The local government proposes to enter into the major land transaction described in the notice
  - (ii) A copy of the Business Plan may be inspected or obtained at any place specified in the notice; and
  - (iii) Submissions about the proposed undertaking or transaction may be made to the local government before a day to be specified in the notice, being a day that is not less than 6 weeks after the notice is given; and
- (b) Make a copy of the Business Plan available for public inspection in accordance with the notice.

This Business Plan complies with the requirements of Section 3.59 “Commercial Enterprises by Local Governments” of the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*.

## **5.2 ASSESSMENT OF MAJOR LAND TRANSACTION**

### **5.2.1 EXPECTED EFFECT ON THE PROVISION OF FACILITIES AND SERVICES BY THE CITY OF MELVILLE**

The disposal by way of the Long Term Ground Lease arrangement will have an effect on the provision of existing buildings used as community facilities. These uses include:-

- Senior Citizens Centre
- Meals on Wheels/Kitchen (Community First)
- Melville Theatre Company (Performing Arts)
- Nysztor Studio (Art Exhibitions)

The redevelopment by the proponent, proposes to accommodate the Senior Citizens Group, Meals on Wheels and Art Exhibitions in conjunction with the City of Melville. The Melville Theatre Company will occupy space within the proposed Melville Library and Cultural Centre at Garden City Booragoon.

The proceeds from the annual ground lease which commences at \$350,000 per annum will provide the City with an additional long term revenue stream which will enhance the City's ability to deliver facilities and services into the future and provide a means for achieving intergenerational equity within the Melville community.

### **5.2.2 EFFECT ON OTHER PERSONS PROVIDING FACILITIES AND SERVICES IN THE DISTRICT**

The proposed disposal by way of ground lease is not anticipated to have a negative effect on other persons providing facilities and services within the City of Melville. Further it is expected that when the site is redeveloped it will deliver planning outcomes sought under the Melville District Activity Centre Plan, community benefits and economic benefits enhancing the amenity and activation within the precinct. This is expected to have a direct positive impact for the local community and businesses.

### **5.2.3 EXPECTED FINANCIAL EFFECT ON THE CITY OF MELVILLE**

The estimated value of the land of the lease in nominal terms excluding rent reviews is \$14M for the first 40 year lease term and if the further lease options are exercised by the Lessee the estimated value is \$31.5M for 90 years. The lease is considered to have a material effect on the City's Strategic Corporate Plan into the future. In addition, the Lessee is expected to be levied annual rates or make an annual rates equivalent payment to the City.

Costs associated with the preparation of the ground lease are expected to not exceed \$20K and the City is expected to incur no further costs as the Lessee will be responsible for the costs of demolition and site preparation, redevelopment and ultimately site rehabilitation when the lease terminates. The site and premises will be provided by the City with vacant possession on an "as-is" basis.



#### **5.2.4 EFFECT ON MATTERS REFERRED TO IN THE PLAN FOR THE FUTURE**

The proposed disposal by way of ground lease is aligned to the City's Strategic Community Plan 2016-2026. The lease revenue proceeds from the proposed ground lease will be used by the City to fund other strategic priority services and offset future rates increases for Melville ratepayers.

#### **5.2.5 ABILITY OF THE CITY TO MANAGE THE UNDERTAKING**

The City of Melville has sufficiently qualified and experienced resource personnel to manage the proposed disposition by way of ground lease. The City of Melville has also provided sufficient budgeted funding to appoint professional consultants to advise the City on the transaction.

### **6 BUSINESS PLAN ADVERTISING AND SUBMISSIONS**

Section 3.59 of the *Local Government Act 1995* requires the City to give state-wide and local public notice on the major land transaction under consideration inviting public submissions for a minimum of six week period.

A Notice will be placed in the "West Australian" (state-wide newspaper) on Saturday 20<sup>th</sup> October 2018 and the "Melville Times" (local district newspaper) on Tuesday 23<sup>rd</sup> October 2018. Notices will also be placed on Public Notice Boards at City of Melville locations including the Administration Building and Library located at 10 Almondbury Rd, Booragoon. This Notice and Business Plan will also be available to view at [www.melvillecity.com.au/consultation](http://www.melvillecity.com.au/consultation) and available to inspect at the City's Administration Building upon request.

Submissions are to be made in writing to the Acting Chief Executive Officer and to be eligible must be received by the City no later than 4pm Wednesday 5<sup>th</sup> December 2018.

Submissions are to be addressed to:-

**Acting Chief Executive Officer  
City of Melville  
10 Almondbury Road  
BOORAGOON WA 6154**