
**Wave Park Group – Surf Sports
Recreation and Leisure Facility
Tompkins Park**

BUSINESS CASE

Final 29 November 2016

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1 PROJECT BACKGROUND AND OVERVIEW

At the June 2016 Ordinary Meeting of the Council, the City of Melville Bowls Strategy report and agenda item was presented. One of the adopted Recommendations arising from that report was:

That the Council;

Directs the Chief Executive Officer to investigate and report to the Council suitable future recreational uses of the existing Melville Bowling Club site for a possible financial contribution towards the redeveloped facilities at Tompkins Park and development of community sporting hubs.

The Recommendation came about due to the Bowls Strategy recommending the relocation of the Melville Bowling Club 300 metres east to the main Tompkins Park sporting hub, in keeping with the community/sporting hub focus of the City and Council Policy CP-037. At the Ordinary Meeting of the Council in October 2016, the relocation of Melville Bowling Club to Tompkins Park was approved.

Following the June 2016 Ordinary Meeting of the Council, the City of Melville (City) received a formal and unsolicited bid (the Proposal) from Wave Park Group Pty Ltd (WPG) to develop an integrated surf sports, recreation and leisure facility featuring a Wavegarden wave generator on the Melville Bowling Club site including a portion of the existing Tompkins Park playing fields, and a part of a land parcel owned by the State.

Following a briefing presentation by WPG to Elected Members of the City on 23 August 2016, a letter was sent from the City inviting WPG to submit a non-binding offer of commercial terms on the Proposal to fully consider the Proposal and make a recommendation to Council.

The City has considered the Proposal in accordance with Section 3.59 of the *Local Government Act 1995*. The Business Case provides further background and relevant information on the Proposal.

Proposal Details

Wave Park Group Pty Ltd is seeking to design, develop and operate a world-class, surf sports, recreation and leisure facility named “URBNSURF Perth” at Tompkins Park Alfred Cove in the City of Melville.

The facility will feature, and be designed around, a Wavegarden “Cove” open water surf sports lagoon, but will also include a variety of other aquatic and non-aquatic services and amenities for guests and the general public.

A Wavegarden™ ‘Cove’ is a large, man-made water body in which surfable waves are generated by proprietary mechanisms located along the central axis of the water body. High quality, perfectly shaped, surfing waves of up to 2.1m in height and over 150m in length are created in the ‘Cove’. The ‘Cove’ is divided into separate zones, which cater to guests of differing capabilities.

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Surfing is an important and iconic Australian sport and recreation activity that forms an integral part of Australian cultural heritage and national identity. Australian Bureau of Statistics (ABS) data reveals surf sports are the second most popular aquatic sport undertaken in Australia behind swimming. In terms of all sports undertaken in Australia, surf sports sit immediately behind Australian Rules Football ARF in terms of total national participation. Survey data indicates more than 1.5 million Australians surf regularly, and up to one third of all non-surfing Australians (approx. eight million persons) would be interested to learn to surf.

URBNSURF Perth (name of proposed facility) will operate an admissions based revenue model, with surf sessions and lessons offered to guests on a fee per session basis. Other revenue sources will include food and beverage sales, sales of equipment, accessories and apparel, the hosting of functions and events, conducting group fitness sessions, high performance training and coaching, and through the delivery of other tourism, sport and recreation related services and activities.

The Proposal includes the development of a world-class sport, recreation and leisure facility, and comprises of the following key elements:

Open Water Lagoon

The Facility will feature, and be designed around, a Wavegarden™ ‘Cove’ open water surf sports lagoon.

The proponent outlines that Wavegarden™ is the world’s leading technology for the delivery of authentic, man-made surfing waves, with several commercial developments in operation, and under construction around the world.

The open water lagoon will comprise of two zones within which waves of differing heights are produced. The two zones allow for beginner through to advanced levels of surfing competency to be accommodated contemporaneously.

The “Peak” zone will provide up to 1.7 metre-high, 15 second-long, steep left and right hand pitching waves allowing the highest levels of performance surfing. Waves in this zone will form cleanly and break with constant power and shape through the ride, which will be equivalent to riding high quality ocean based waves of similar sizes. Guests will typically enjoy a longer, and higher quality, wave riding experience than can be experienced on the Perth coast.

The “Bay” zone produces reformed, smooth, white-water waves at 0.6 metres in height which are ideal for beginner to novice surfers. It is also an ideal location for children and other guests with limited knowledge, or sense, of open water safety, enabling the acquisition of the basic skills required for surfing. The Bay area is well suited for both surfing lessons and free-surfing sessions.

The maximum lagoon capacity is approximately 84 participants per hour, comprising 36 intermediate-to-advanced level surfers in the “Peak” zone, and up to 48 beginner-to-novice level surfers in the “Bays”. The lagoon can accommodate all forms of surf craft, together with body surfing.

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Lagoon-side Ancillary Facilities

- Licensed café;
- Surf sessions and surf lessons (for all level of ability);
- Surf Competitions;
- Personal and group fitness programs;
- Hire equipment and demonstrations services;
- Private and corporate functions;
- Ability to host community, art, music, and film festivals (providing the opportunity to integrate with the adjacent Atwell Arts Association);
- Plunge pool;
- Skate course;
- Mountain bike pump track; and
- Children's playground.

In terms of built forms, it is envisaged that URBNSURF Perth will include an arrivals centre, change rooms, a dedicated surf academy and pro shop, equipment storage room, meeting rooms and an outdoor functions space. A licensed café which will be accessible by the general public, together with a rooftop sun deck and garden are also proposed.

The Proposal's ancillary buildings, as shown in **Appendix 1 (Concept Design)**, have an approximate footprint of 2,000sqm (approximately twice the area of the current Melville Bowling Club building). The nature of the proposed amenities (including the proposed food and beverage offering) are not dissimilar to those currently provided by the Melville Bowling Club to its members, but will instead be available to the public, and will provide a significantly improved level of amenity for a larger and more diverse section of the community.

Additional Amenities Proposed

The Proposal, as shown by the concepts presented in **Appendix 1**, also anticipates the following improvements and upgrades to areas adjacent to the Facility:

- Additional car parking providing improved access to the Swan River front and for users of the dual-use pathway.
- Improved and connected car park access to the existing Atwell Community Arts Centre and Gallery car park.
- Kiosk amenities and an "activity node" adjoining, and directly accessible by users of, the dual-use pathway, which will feature the installation of a mountain bike pump track.
- The opportunity to work with the City on an upgraded park integrating the adjacent Atwell Community Arts Centre and Gallery, with improved landscaping and the possibility of incorporating outdoor fitness and adventure play equipment.
- Financial and other support for the rehabilitation of adjacent wetland vegetation, together with water sensitive urban design upgrades to adjacent stormwater drainage (assisting, and possibly facilitating, the "Living Stream" as proposed by the Swan Estuary Reserves Action Group.

Operations

It is proposed that URBNSURF Perth will operate between the hours of 6am to 9pm, Sunday to Thursday, and is anticipated up to 10pm on Friday and Saturday evenings during the non-winter period. The Facility will operate on a reduced opening hours' basis during the three-month winter season (9am – 6pm).

Up to 45 full time equivalent staff members will be required to operate URBNSURF Perth, with opportunities to be aimed at local youth, and the employment of older members of the community. It is proposed that casual and part-time vocational training programs (e.g. lifesaving and surf coaching and instruction), will also be delivered within the proposed Facility. WPG is proposing to collaborate with Surf Life Saving WA (Inc.) for the provision of lifeguarding services for the Facility. SLS (WA) has developed for WPG a detailed operating procedures manual for the Facility.

Current forecasts suggest car parking for approximately 180 cars will be required for guests and for the facility's staff parking. The current concept, as shown in **Appendix 1**, provides for 215 car bays, together with an internal road connection to the existing Atwell Gallery car park. The existing point of access to the site from Canning Highway is proposed to be retained in order to service the Facility.

The parking estimates provided will be further supported by traffic studies to be completed by URBNSURF as part its development application process. The estimates also exclude patrons likely to be travelling to the Facility by public transport, or via the cycle path. It is noted that a Transperth bus stop is directly in front of the Site servicing bus routes 111, 148, 158 and 910.

It should be noted that additional public car parking servicing the remainder of Tompkins Park is being retained and increased in the context of the larger Tompkins Park Master Plan redevelopment.

Forecast Attendances

The total annual attendance at URBNSURF Perth is forecast at approximately 250,000 surf sessions (unstructured surfing and surfing lessons) per annum and 50,000 general admission guests, with the general public also able to access and utilise the licensed café and separate kiosk associated with the Facility.

Given the surf lagoon has an estimated maximum capacity of 84 persons per hour, annual attendance numbers, and the timing of attendances at the URBNSURF Perth throughout the day, are expected to be similar to that experienced at a local recreation centre, with greater attendance levels in the early morning, after work, and on weekends.

The facility will operate with a bookings based system, with the lagoon having a restricted capacity that regulates attendance.

It is forecast that the total daily Facility occupancy during a 15-hour operating day will range from a low of approximately 300 surfers in winter up to a maximum of approximately 1,500 surfers on weekends at the peak of summer.

Relevant Experience

WPG is a Perth based group of companies with the Australian exclusive rights to world-leading Wavegarden™ surf park technology.

WPG are currently progressing similar projects to this proposal at Melbourne Airport and at Sydney Olympic Park.

WPG have now fully executed the lease agreement with the Sydney Olympic Park Authority for a parcel of land directly north of ANZ Stadium. The project key issues for addressing through that Development Application (referred to as an Environmental Impact Statement [EIS]) were issued by the New South Wales (NSW) Department of Planning and Environment on 4 October 2016. WPG are progressing the necessary supporting technical studies and anticipates lodgement of the EIS in March 2017 with approval expected to be issued in July 2017. Given the project is located in a prescribed State Significant Precinct; the project is required to be assessed as a State Significant Project (subjected to a full public exhibition process).

The Sydney site has similarities to Tompkins Park both being in iconic locations, zoned for recreation use and adjacent to areas with environmental values (Narrawang Wetlands with Endangered and Vulnerable Species). Parking, traffic and accessibility are key issues for the residents of the adjacent Wentworth Point area. WPG advises that the regulators in NSW do not see any critical project constraints (subject to the technical studies being completed). WPG advises the Sydney project team is largely the same personnel (Perth architects, engineers and water/environmental consultants).

The project at Melbourne Airport has received planning approval and is scheduled to commence construction in early 2017.

Capacity to Deliver

An independent Financial Risk Assessment (**Confidential Attachment and Addendum**) has been undertaken as part of the due diligence process and includes an analysis of WPG's financial structure, project funding sources and financial capacity to construct and operate the facility.

Commercial Agreement

Following discussions with the Department of Lands, it is anticipated that the Crown Lot will be offered for sale to the City in order to unify the tenure of the Site. Assuming the amalgamation of the Freehold Lot and the Crown Lot, it is proposed that the initial term of the lease will be 30 years, plus a further two lease option periods of ten years each.

The majority of the Freehold Lot is currently occupied by the Melville Bowling Club (approximately 19,946sqm, including car parking), with a portion of this site sub-leased to the "Cirque Espace Flying Trapeze" (occupying approximately 1000sqm) on a month-to-month sub-lease.

In addition to the current Melville Bowling Club site, the Proposal requires approximately 24,119sqm from the larger (approximate) 220,826sqm Tompkins Park site (i.e. 10.9%). Of the 24,119sqm required, approximately 4,541sqm is existing car parking and 5,386sqm is unirrigated and underutilised open space located to the north of the Melville Bowls Club.

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All of the current sporting functions at Tompkins Park would be retained, with the existing four cricket ovals, three rugby pitches and two soccer pitches either remaining in place, or being repositioned, as foreshadowed in the larger Tompkins Park Master Planning process.

As part of the works, the existing 95 bay (4,541sqm) public car park servicing the Melville Bowling Club will be reconfigured and expanded to accommodate 215 bays for both public purposes and to service the Facility (see draft site plan in **Appendix 1**).

The Proposal assumes WPG taking responsibility for obtaining regulatory approvals, providing assistance for the management and rehabilitation of adjacent wetlands, delivering improvements to the adjacent 'living stream', together with responsibility for the design, funding, development, operation and maintenance of the proposed Facility.

In terms of the demolition of the existing built forms on the Site, an option is for WPG and its contractors to be responsible for the conduct and cost of the works to an agreed amount. However, this may see a reduction in the annual lease amount as WPG would be covering the demolition costs.

The Proposal views the City as the role of lessor / land manager and envisages working collaboratively with WPG and the Facility management to deliver a number of community based initiatives and programs over the life of the Facility.

2 PROPERTY PARTICULARS

- Current Owner
 - 36,699sqm of Lot 39 City of Melville (owned in freehold)
 - 7,366sqm of Lot 9789 Crown Land with a Management Order in favour of the City
- Address
 - 596 Canning Highway, Alfred Cove Western Australia
- Title Particulars
 - 36,699sqm of Lot 39 (owned in freehold by the City, volume/folio 1185/584) (Freehold Lot); and
 - 7,366sqm of Lot 9789 (Crown Land with a Management Order in favour of the City, volume/folio LR-3141/868) (Crown Lot). With Power to Lease (21 years)
- Easements and Encumbrances
 - Metropolitan Regional Scheme (MRS) Reservation (Portion of Canning Highway adjacent to site, proposed future widening)
- Total Lease Area
 - 44,065sqm
- Zoning
 - Parks and Recreation under the (MRS)
 - Parks and Recreation under proposed LPS No.6
- Other Regulatory Approval Authorities
 - Swan River Trust (Dept. of Parks & Wildlife)
 - Department of Planning (WAPC)
- Current Lease Income from Melville Bowling Club
 - Approximately \$700 per annum

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Ground Lease Approval Process

Following receipt of the detailed proposal, the City is required to undertake its own due diligence and options analysis on the Proposal, including a site valuation and negotiation of the proposed commercial terms. This has been completed and forms part of confidential attachments.

The Council Item recommends the Proposal be advertised by way of a Public Notice issued in accordance with section 3.59 of the *Local Government Act 1995*. . It is noted that any acceptance of the Proposal by the City would need to be consistent with the objectives and requirements of the City's Policy: *Land Property Retention, Disposal and Acquisition – CP-005*.

Lot 9789 is vested with the City under a Management Order that permits commercial leasing. It is understood the proposed ground lease would require the Minister's for Land's approval in accordance with Part 4 of the *Land Administration Act 1997*. Further, any variance of the permissible lease term (specified as 21-years in the Management Order) would further require the Minister's consent under S46 (3) of the *Land Administration Act 1997*.

Following a meeting with the Department of Lands (DoL) on 6 September 2016, it is understood that the DoL would be open to the disposition of the Crown Lot to the City in order to unify the tenure of the Site. The terms of the disposition and the process associated with this are still to be determined.

Project Regulatory Approval Framework

The Site is appropriately zoned *Parks & Recreation* under both the Metropolitan Region Scheme and under the City's latest Local Planning Scheme Number 6.

The Proposal will be assessed through submission of a Development Application to the City, which would be subsequently referred to the Metropolitan Central Development Assessment Panel, based on the expected project capital expenditure exceeding the referral threshold of \$7M.

Importantly, the Site lies within the Swan-Canning Development Control Area, and therefore the Development Application will require referral (by the Western Australian Planning Commission) to the Department of Parks and Wildlife (which incorporates the former Swan River Trust) to assess the Proposal against the following agency priorities:

- Maintaining and enhancing community access to the foreshore;
- Appropriate management of potential environmental impacts; and
- Net environmental benefits to the Swan-Canning river system.

The Department of Parks and Wildlife will also consider the Proposal's potential impacts to the adjacent Alfred Cove A-Class Reserve (water body), and for being within 50 metres of the Swan River (a Conservation Category Wetland).

Other likely referral agencies may include:

- Western Australian Planning Commission – despite the fact that no loss of native vegetation is proposed as part of the development, Tompkins Park is mapped as being part of Bush Forever site no. 331.

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- Department of Water (DoW) – as the Site sits within the Swan Canning floodplain development control area, and the development contemplates the construction of an artificial water body, which will potentially abstract / recharge groundwater to supply the surf lagoon, referral to DoW will be required.
- Department of Aboriginal Affairs (DoAA) – as the Site is adjacent to the Swan River, a place of mythological significance (no. 3536), referral to the DoAA is likely.

WPG, have advised the City, that through their due diligence process, they have satisfied themselves that no significant regulatory approvals constraints will impact the Proposal, either at a Western Australian State or at a Commonwealth level (including consideration of any requirements under the *Environment Protection Biodiversity Act 1999*). At this stage, this is also the shared understanding of the City in discussions with relevant key government stakeholders.

As part of the Development Application, WPG will be required to prepare the necessary and appropriate impact assessments and management plans for the construction.

It should be noted that a liquor licence application will be made by WPG to the Department of Racing, Gaming and Liquor in accordance with the *Liquor Control Act 1988* in support of the proposed licensed café.

The Proposal will need to acknowledge and comply with relevant Council or City's Policies.

3 GROUND LEASE PROPOSAL

WPG have submitted to the Chief Executive Officer a non-binding, indicative offer of terms with respect to the Proposal from Wave Park Group Pty Ltd with respect to a proposal to lease a portion of Tompkins Park (Site) encompassing part Lot 39 CT (1185/584) (Freehold Lot), and part Lot 9789 LR (3141/868) (Crown Lot) for the purpose of developing a surf sport, recreation and leisure facility to be named "URBNSURF.

Lease Terms

In developing the indicative offer of terms to the City, important considerations for WPG have been as follows:

Significant capital improvements are proposed to be undertaken by WPG at the Site, so there is a need to ensure;

1. Certainty of tenure, by ensuring the lease term is of a suitably long duration to allow the recovery of the capital investment in the project;
2. Save for a breach of the lease terms by WPG, possession of the Lease interest is not disturbed during the entirety of the Lease term;
3. WPG has the ability to access and operate the Proposed Facility year-round without impediment;
4. WPG has the ability to promote its business and activities on Site, and more generally within the CoM;
5. That WPG has the ability to structure its business interests in a suitable and efficient manner so as to be able to secure project finance;

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6. That WPG has the ability to mortgage the Leasehold interest;
7. That WPG has the ability to assign the Leasehold interest if the business were ever to be sold; and
8. The need to ensure compatibility between current and future CoM activities at Tompkins Park and the continued successful operation of the Proposed Facility.

WPG has proposed that the Agreement for Lease will include a series of conditions which will require satisfaction prior to the Lease having operative effect. It is suggested that these conditions would include the following:

- The obtaining of results satisfactory to WPG from any additional feasibility studies and technical enquiries which may be required (particularly on-site geotechnical investigations);
- Completion of the conveyance of the Crown Lot from the Department of Lands to the City of Melville, in order to facilitate unity of title between the Freehold Lot and the Crown Lot. It should be noted that the offer is conditional upon this being achieved;
- The obtaining of all regulatory and statutory approvals relating to the grant of the Lease;
- Concluding agreements with service providers (including Western Power and Department of Water) for the provision of essential services at the Site in volumes or amounts necessary for the operation of the Proposed Facility. Receipt of Development Approval in respect of the Lessor Works, which contains no unusual or onerous conditions;
- The obtaining of a building licence enabling the commencement of the Lessor and Lessee Works; and
- The securing of unconditional project finance on terms satisfactory to WPG.

The following summarises the key elements of the proposed offer to ground lease:

1. Site
 - i. The extent of the proposed lease area is 4.4 hectares
 - ii. Site survey will form part of the lease agreement
2. Lease Term
 - i. Initial Lease Term of 30 Years
3. Options
 - i. First Option Period - 10 Years
 - ii. Second Option Period – 10 Years
4. Commencing Ground Rent
 - i. \$700,000 per annum plus GST plus any applicable variable outgoings (dependent on the site handed over ready for construction)
5. Rent Abatement Period
 - i. 6 months' rent free period from practical completion

4 VALUATION

In order to inform possible negotiations over the proposed ground leasing rates with WPG and to meet the City's statutory obligations under Section 3.59 of the Local Government Act and its Property Disposal, Retention and Acquisition Policy (CP-005), the City engaged the services of a qualified property valuer to prepare the ground lease valuation report. The valuation report dated 13 October 2016 has been finalised and provided to the City.

The ground lease valuation was undertaken on the basis of a "As if Complete" Market Rental Valuation which assumes that the proposed development to be in a completed state as at the date of valuation and reflects current market conditions at the date of the valuation.

In determining the commencing ground lease value amount of \$700,000 pa net exclusive of GST or \$15.88m2 for the proposed lease site area of 4.4067 hectares, the valuer used the "Direct Comparison Method" and "Rate of Return Method" calculated as a market rate on the unimproved land value assessed on the basis of the land being zoned "Parks and Recreation". The ground lease offer of \$700,000 pa excluding GST agrees to the valuation report.

A full copy of the Valuation Report is provided as a Confidential Attachment to the Business Case.

5 FINANCIAL IMPLICATIONS

Total cumulative current value of the ground lease excluding rent reviews is \$20,300,000. The net present value (NPV) using a discount rate of 5% indicates a total cumulative ground lease value of \$9,613,000.

Total cumulative value of the ground lease including 2.5% CPI annual rent reviews and assuming no market rental growth over the full 30 year term of the lease is \$30,783,000. The NPV using a discount rate of 5% indicates a total cumulative ground lease value of \$13,417,000.

If the proposed ten year plus ten year options were exercised by WPG then the cumulative lease term would be 50 years in total and the cumulative current value of the ground lease excluding rent reviews would be \$34,300,000. The NPV using a discount rate of 5% indicates a total cumulative ground lease value of \$11,536,000.

Total cumulative value of the ground lease including 2.5% CPI annual rent reviews and assuming no market rental growth over the full 50 year term of the lease is \$69,228,000. The NPV using a discount rate of 5% indicates a total cumulative ground lease value of \$18,490,000.

The above lease income calculations are exclusive of GST with WPG paying GST in addition to these lease amounts plus all variable outgoings incurred which will be itemised in the proposed ground lease agreement.

Once the lease is in place there would be no further ongoing financial costs to the City.

The current lease to the Melville Bowls Club is approximately \$700 per annum, and building maintenance is undertaken by the City. Recent analysis highlights a City subsidy to Bowling members of the Club to be approximately \$400 per member (as reported in the City of Melville Lawn Bowls Strategy Report June 2016). Presently, the Club has 160 (capitated or Pennant Bowlers) members.

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6 STATUTORY AND LEGAL IMPLICATIONS

Section 3.59 (3) of the Local Government Act 1995 lists the content a Business Plan or Business Case should cover in the form of a major land transaction and requires an overall assessment of the proposal.

Several attachments referred to in this Report are determined to be confidential as they relate to commercially confidential information.

7 PROJECT OBJECTIVES AND OUTCOMES

The Proposal can deliver a number of benefits and opportunities for the City, assisting in meeting the City's vision and strategic goals through:

- Improved place activation by providing high quality amenities delivering a diverse experience for residents, visitors, workers and students;
- Increased diversity and relevance;
- Increased opportunities in sport development;
- Increased tourism; and
- Secure long term commercial lease income stream to the City to contribute to the City's financial sustainability objective.

Increased relevant and sport diversity

Sport and recreation play a significant role in the City's community. Predominantly sports offered at Tompkins Park relate to male centre, team based, field sports. The sport of bowls although attracting female participation predominantly attracts an older demographic.

Recent research by the CSIRO has identified a generational shift towards non-structured, non-team based, active recreation pursuits that have lifestyle elements. The proposal would serve to respond to this shift in recreational opportunities particularly in the 18-35 year old age.

Improved place activation

Place making is an important element in the activation of spaces in the City. The delivery of the proposal would see a unique "place experience" that will attract residents, visitors workers and residents and see increased use of the space in comparison to current site use. The proponent suggests over 300,000 visitors per annum. There are economic benefits for the local and broader community with such place making venture impacting on the local business economy.

The development of URBNSURF Perth can add to existing amenity of Tompkins Park, and provide visitors and residents with recreational, leisure and hospitality opportunities not previously available to them. This is particularly the case given there are currently limited offerings for users of the parklands and the dual-use pathway which follows the shoreline of the Swan River.

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Increased tourism

The proposal can act as a destination place for both international and local visitors with learning to surf as a popular activity identified by these groups. It is proposed to host regional surfing competitions that in turn will provide opportunities for the promotion of the facility.

Community Involvement

It is anticipated that the offer of activities will have appeal to a broad demographic. The proponent has indicated an interest and desire to create strong partnerships with the City and the wider community. It is suggested that the facility is designed to become a meeting place of the City of Melville community, much in the same way Surf Life Savings Clubs provide a hub for coastal communities.

It is proposed that the delivery of surf safety training programs in collaboration with Surf Life Saving (WA), together with the operation of interschool sports carnivals, will strengthen ties within local, metropolitan and regional primary and secondary schools and universities.

It is proposed the hosting of amateur and professional competitions, sporting and cultural events at URBNSURF Perth will engage and draw in the Perth community.

The proposal offers the opportunity to improve community physical and mental health outcomes over the longer term, particularly with respect to fitness participation, childhood obesity, social inclusion and the acquisition or improvement of aquatic skills and experience. Research programmes in these areas utilising the Facility are also being considered with Murdoch University.

Sport Development

During the recent Rio 2016 Olympic Games, surfing was announced as a medal sport for the Tokyo 2020 Olympics. Wavegarden has been invited by the International Olympic Committee into discussions about the potential of delivering the competition through a wave pool similar to the Facility.

In collaboration with WAIS, Murdoch University and Surfing Australia's 'Hurley High Performance Centre', the opportunity exists to create an Australian centre of excellence for sports science research, elite surf coaching and high performance training at URBNSURF Perth.

It is contemplated that a Surf Academy (seen in **Appendix 1**) will be developed to assist elite surf athletes to pursue their competitive sporting ambitions. In doing so, URBNSURF Perth will become the training base for the many State and national surf sport competitors located in Perth.

WPG will ensure that programs and sessions conducted at the Facility are developed so as to be able to engage with disadvantaged groups within the community, such as disaffected youth, indigenous persons, and persons with disabilities.

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City of Melville's Strategic Objectives

The City's Corporate Business Plan 2016-2020 provides for the following Priorities relevant to this proposal.

Priority 1: Restricted current revenue base and increasing/changing service demands impacts on rates.

Key Strategies to address this:

1. Explore opportunities for increased residential density and commercial investment in strategic locations, aligned to the local planning objectives and coupled with the exploration of special area rating.
2. *Creating greater revenue from our current and potential land, property and facility holdings.*
3. Pursue productivity and efficiency improvements.

Priority 2: Meeting the demand to provide fit for use/appropriate infrastructure into the future.

Key Strategies to address this:

1. *Optimise facilities to achieve "fit for use" facilities for current and future beneficiaries.* Includes amalgamation of like groups into hubs and shared use of facilities.
2. Review the standards and management model that we assess our asset gap against.
3. Ensure sufficient funding is available to replace assets at their end of life.

Priority 3: Urban development creates changes in amenity (positive and negative) which are not well understood.

Key Strategies to address this:

1. Facilitating higher density development in strategic locations, consistent with the local planning framework and structure plans, design guidelines for interface areas and ensuring measured change in established areas and consideration of parking and traffic issues.
2. Enhance amenity and vibrancy and enhancing community safety through streetscapes, public art, pedestrian and cycle paths, place making and creating well designed, attractive public areas.

Further, the City's Strategic Community Plan *People Places Participation 2016-2026* aims to facilitate the following aspirations:

- Clean and Green
- Sustainable and connected transport
- Growth and prosperity
- Sense of Community
- Healthy Lifestyles
- Safe and Secure

The offer provides the opportunity for the following benefits:

Benefit	Impact
Increased sport diversity and participation	Tompkins Park currently provides for no aquatic sports. The number of schools using the facility. Improved female participation. Wider age demographic using site.
Increased tourism and local business activity through operation.	WPG forecast approximately 250,000 surf hours per annum will be undertaken, with the facility receiving up to 300,000 visitations per year. The gross economic contribution for such a project is estimated to be in the order of \$300M over the operational lease period.
Improved amenities for the surrounding community	An improvement to the overall extent and quality of amenity currently offered. The Proposal also includes for the provision for new car parking servicing users of existing Swan River amenities (i.e. the dual use pathway, cyclists, and dog walkers). Creation of a living stream, activation of the area behind Atwell Arts Association.
Increased local employment options for local youth	300 jobs will be created through the construction period. 45 full time employees will be required to operate the facility throughout the operational life of the project.
Improved community engagement	Creation of partnerships with existing and new community groups (i.e. Atwell Arts Association, surrounding Primary and High Schools etc.)
Sport development	Surfing was recently announced as a demonstration sport for the Tokyo 2020 Olympics. This facility would offer training to assist elite athletes. This benefit can be measured by attendance of the facility by sports scientists, industry groups, athletes and the holding of surf competitions.
Net improvement to the environment	The Proposal includes for the improvement and beautification of the City's adjacent stormwater drain and rehabilitation of the riparian area of the adjacent wetland. Potential construction impacts will be managed through a Construction Environmental Management Plan. The Proposal offers to recognise the Aboriginal significance of the area through design and education.
Infrastructure and Servicing	The Proposal will see the upgrade of existing essential services, including power to the City's land (value adding). Further, the City retains the right to occupy the built forms following expiry of the lease
The furthering of the City's own Strategic Objectives	The Proposal will support the aspirations of the Strategic Community Plan -. and is also consistent with the objectives of the City's Corporate Plan.
Ongoing revenue to the City derived from the Facility Ground Lease	The Facility is estimated to generate \$34.3M over the full ground lease term of 50 years including the lease option periods for reinvestment into Tompkins Park's further planning improvements. This is expected to be a significant net difference between the current revenue derived from the site.

Possible Concerns – These matters would also be addressed with any Development Application and Approval

Loss of Amenity	Bowling Club to be relocated 300 metres east to new facilities. No net loss of playing fields at Tompkins Park. Proposed Built form design limits loss of residential view corridors to Swan River and grassed/vegetated berms and landscaping to screen facility.
Environment	Currently highly modified site (since (1960's) with no remaining specific environmental values. Proposal provides opportunity to improve adjacent wetland and create living stream (currently stormwater drain). Proponent discussions with Environment Protection Authority, Swan River Trust, Department of Parks and Wildlife, Department of Aboriginal Affairs and Department of Planning suggest no apparent issues.
Guest Behaviour	Expected users predominantly families, children and school groups. Current facility on site hired to variety of user groups in evenings with no loss of amenity, future usage proposed to be similar. Similar annual attendance to facilities as is seen at active sporting reserves. On-site security for busy times, with increased passive surveillance expected due to site activation.
Light and Noise	Lagoon lit from underwater and four medium sized light towers (similar to tennis court lighting), will be directed lighting to minimise spill. Noise management will be assessed by the relevant regulatory agencies.
Traffic	Facility attendance is self regulating given there are only a maximum of 84 surfing positions per hour – guests required to pre-book on line. Canning Highway is a major distributor road averages 45,000 vehicle movements a day. Good public transport available and access to cycle paths.
Sustainability	Sufficient ground water available, facility to have similar total water usage to that currently used by Bowls Club (annually). Power requirements similar to the Booragoon LeisureFit and planned substantial use of solar PV on site. Solar passive design proposed, use of recycled materials, use of sensitive urban design.

8 FINANCIAL SUMMARY CONSTRUCTION COST AND FUNDING

All planning, development approval, demolition and construction costs are to be incurred and paid for by WPG. WPG have not confirmed who will be providing their construction funding and operating funding but indicated it maybe a combination of both equity investment capital and debt funding from a lending institution.

Funding approval is a condition precedent contained with the proposed terms of the ground lease and WPG will be requested by the City to provide indicative funding advice from the intended funding source at the time of signing the ground lease documents.

The City will not bear any liability for ongoing maintenance of the facility and improvements and as such no provision has been made for the City to set aside a portion of the annual ground lease income for potential costs of the facility. It may be prudent for the City to consider establishing a sinking fund made up of an annual portion of the ground lease income set aside for any contingencies and unexpected costs associated with the facility.

9 STAKEHOLDERS

The key stakeholders are:

- City of Melville
- Tompkins Park Sporting Clubs – including Bowls
- Wave Park Group (Urbnsurf)
- Swan River Trust (Department of Parks and Wildlife)
- Department of Lands
- Department of Planning
- Department of Water
- Environmental Protection Authority (EPA)
- Water Corporation
- Western Power
- Main Roads
- Local Residents, Business Operators, and Residents Groups
- Atwell Arts Association
- Swan Estuary Reserves Action Group (SERAG)

10 RISK MANAGEMENT

The following is a list of risks identified from the WPG's proposal.

Project Risks

There are a number of commonly understood risks which exist in relation to a property development project of this nature and scale. WPG has developed a detailed risk management framework that will govern the activities of WPG's project team and the Project Working Group (discussed further below).

Specific risks associated with the Proposal are outlined below:

Planning and Development Risk

As identified in the Site Review Summary – Tompkins Park (**Confidential Attachment**), WPG has undertaken a desktop due diligence assessment of the Site and its services with no significant constraints being identified. Subject to testing of the ground conditions, no likely constraints are expected. WPG has presented the Proposal on an informal basis to key regulatory decision makers with no significant objections being received to the concept.

Construction Risk

Construction costs will be managed by WPG to ensure its own hurdle rate on return is achieved. Appropriate risk management practices will be incorporated to ensure the scope is delivered on budget. As part of the due diligence process, WPG has undertaken construction risk workshops with civil engineers and Tier 1 contractors to review the project's build-ability. No significant construction issues were identified through that process.

Operational Risk

WPG will be responsible for the ongoing operational viability of URBNSURF Perth. WPG will ensure that the City is indemnified through the ground lease arrangements in respect of any worker or public liability claims relating to activities or operations conducted on the Site.

Technology Risks

WPG believes the open water surf sport lagoon within URBNSURF Perth will maintain a sustainable competitive advantage in the Perth market for the following reasons:

- *Patented Technology* – the Wavegarden wave generating technology and lagoon design is patented in Australia (awarded July 2013).
- *Product Superiority* – the wave generating system has been developed through 10 years of rigorous testing and delivers an authentic surfing experience, dramatic cost improvements over prior wave pool designs, higher surfer capacity, and higher wave frequency.
- *Continuing R&D* – the engineering team and industrial designers at Instant Sport SL continue to improve and refine the Wavegarden design so as to improve performance and efficiencies, lower costs and to offer an evolving product line to suit different sites and markets.
- *Limited Competition* – there are currently no direct competitors to Wavegarden within Australia with a proven and viable product.
- *First to Market* – WPG will be the first to market in Perth in delivering an open water surf sports facility.
- *Relevance* – A Wavegarden lagoon meets the evolving recreation needs of the Perth community, who are now demanding personalised, non-structured, convenient, and active/extreme recreation experiences.
- *Brand Usage* – Wavegarden is now synonymous with the generation of the best man-made surfing waves in the world. WPG holds an exclusive, royalty free license with respect to the use of the Wavegarden trademark and brand in Australia.

Business Case – Wave Park Proposal

Project Closure Risks

Subject to security being provided by WPG for decommissioning and demolition, there is low risk to the City in relation to project closure. The built works to be undertaken by the WPG represent significant improvements to the Site, and could be used for a variety of purposes, which would be to the benefit of the City. In addition, the lease agreement would include 'make good' clauses for the provision of demolition and site restoration obligations on the WPG should the Lessor not require the improvements.

Community Engagement

Subject to the Business Case being approved, it is proposed that a Community and Stakeholder Engagement Plan be developed ensuring accurate well-presented information is made available to relevant stakeholders, and the opportunity to make comment and submissions regarding the Proposal within the Statutory time frame.

Independent Risk Assessment

The City engaged the services of an independent risk assessor to undertake a risk assessment. This assessment is attached as a Commercial in Confidence in the Confidential Attachment.

11 PROPOSED PROCESS AND PROGRAM SCHEDULE (INDICATIVE ONLY)

Note: The program is indicative at this point in time and the project timeframes are subject to variation.

<u>Dates</u>	<u>Process</u>
November 2016	Council approval to advertise proposal under Section 3.59
December 2016	Section 3.59 advertising for a minimum of 6 weeks
February 2017	Refer submissions received to Council for final approval
February 2017	Council approves conditional Agreement for Lease (AFL)
March 2017	Execute Agreement for Lease (AFL)
April 2017	WPG prepares and lodges Development Application (including supporting technical studies)
April 2017	WPG lodges Development Application
May–November 2017	Development Application referred to the Department of Planning and other decision making authorities for assessment (including Department of Parks and Wildlife) and public advertising
December 2017	Development Assessment Panel considers Department of Planning report on Development Application and issues conditional approval
February 2018	Application for Building License submitted to the City
March-April 2018	Demolition of existing structures and construction commences (this would occur in consultation with the City, Melville Bowls Club and the relocation to Tompkins Park)
December 2018	Construction completed
December 2018	Commissioning of facility
December 2018	City conducts final inspection and issues Certificate of Occupancy
January 2019	Official opening and lease commencement

Business Case – Wave Park Proposal

12 CONCLUSION AND RECOMMENDATIONS

The City has received an unsolicited proposal from the Wave Park Group to ground lease a portion of the Tompkins Park Reserve covering approximately 4.4 hectares for the purpose of constructing and operating a Wave Park recreational facility. The proposal is to be funded by WPG and will include payment to the City of an annual commencing ground lease rent of \$700,000 (Ex GST) plus variable outgoings in return for granting a long term ground lease to WPG.

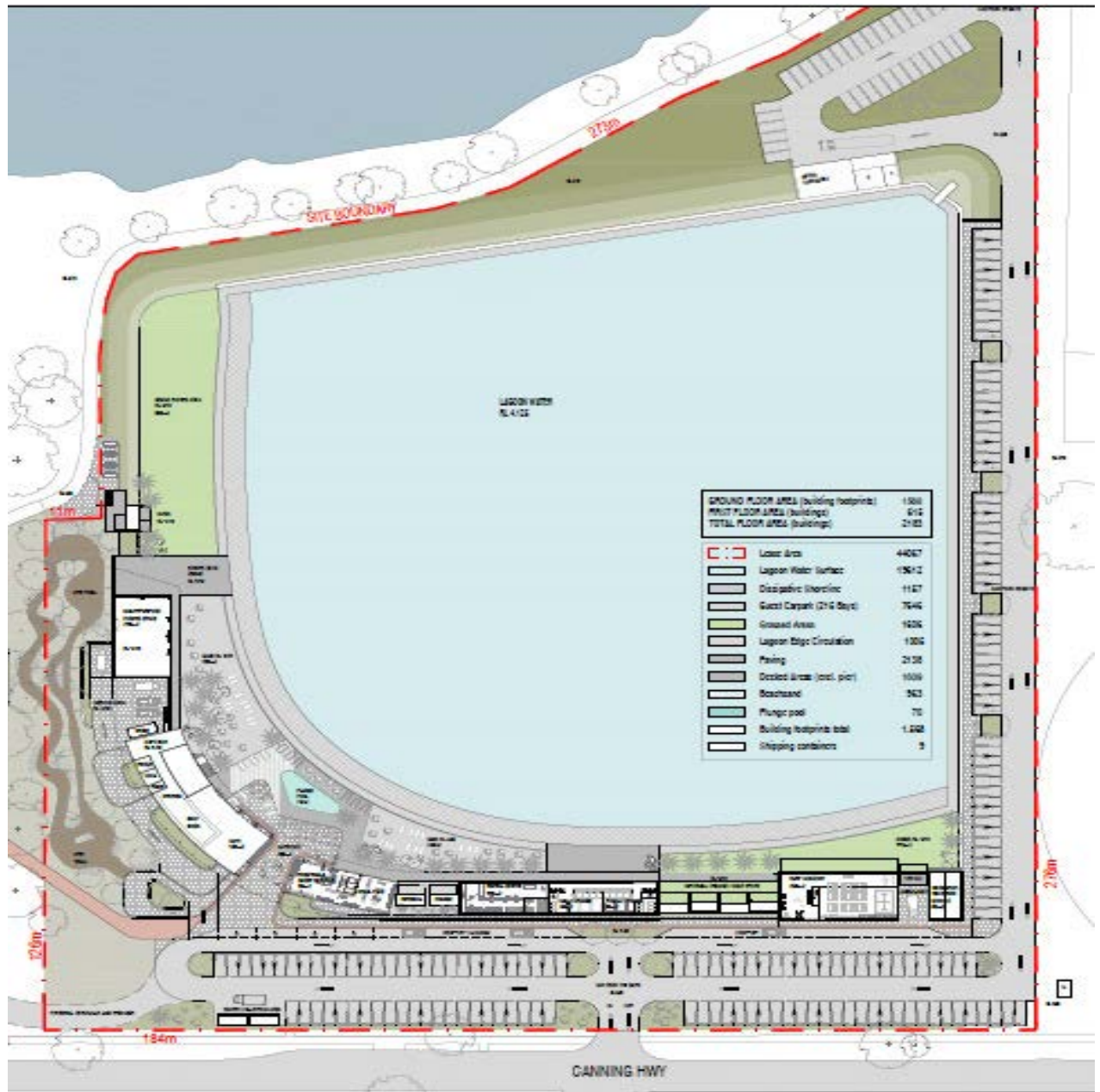
The following is a summary of recommendations for consideration:

1. Approve the advertising of the proposed ground lease with WPG as per the requirements under Section 3.59 of the Local Government Act 1995 in accordance with Section 3.59 of the *Local Government Act 1995*;
2. Authorise the Chief Executive Officer to progress the proposed development via:
 - a. Final negotiations for a Ground Lease Agreement, subject to approval by the Council after discussion at an EMIS.
3. Notes that the proposed ground lease will not commence and take effect unless:
 - a. Development Approval has been granted for the proposed facility.
 - b. The ground lease Agreement has been agreed and executed by both parties.
 - c. The City and the Department for Lands reach agreement on the purchase by the City from the State Government of a portion of Crown Lot 9789 covering an area of approximately 7,400sqm to unify the Title within Freehold Lot 39 to enable the ground lease to be registered on one Title.
 - d. The Lessee satisfies any and all conditions precedent within the ground lease agreement. Appropriate security performance guarantees and rental bonds are put in place by the Lessee to cover 'make good' costs and loss of rental to the City in the event the proponent and project fails.
4. Complete a site survey to define the lease area boundaries and pavilion/community area to form part of the lease agreement.

Site Plan 1



Site Plan 2



Business Case – Wave Park Proposal

Site Plan 3



Site Plan 4



Business Case – Wave Park Proposal