

13.2 Lathlain Precinct Redevelopment Project Zone 1 Approval of Business Plan

Location	Lathlain
Reporting officer	Strategic Projects Manager
Responsible officer	Chief Operations Officer
Voting requirement	Absolute majority
Attachments	<ol style="list-style-type: none">1. LPRP Zone 1 - Business Plan Rev 5 [13.2.1 - 20 pages]2. Schedule of Submissions - LPRP Zone 1 Business Plan [13.2.2 - 6 pages]3. Business Plan Attachment 1 - PFC Key Terms [13.2.3 - 6 pages]4. Business Plan Attachment 2 - Key Terms - WCE Partial Surrender of Lease and Construction Licence [13.2.4 - 10 pages]5. Business Plan Attachment 3 - Site Plan - WCE Partial Surrender of Lease and Construction Licence [13.2.5 - 1 page]6. Business Plan Attachment 4 - Lathlain Zone 1 Funding Analysis [13.2.6 - 23 pages]7. Business Plan Attachment 5 - Development Application plans [13.2.7 - 19 pages]

Summary

The Lathlain Precinct Redevelopment Project – Zone 1 is a major construction and development project that is to be undertaken by the Town. The value of the development is above the threshold amount for a major land transaction for a local government authority therefore Section 3.59 of the Local Government Act applies.

A business plan has been published and public comment collated to help inform elected member decision making regarding the Lathlain Precinct Redevelopment Project Zone 1. Approval of the Business Plan is now sought.

Recommendation

That Council:

1. Notes the public submissions received following the public comment period as contained
2. Endorses the business plan at attachment 1 in line with Section 3.59 of the *Local Government Act 1995*, for the development of the Lathlain Precinct Redevelopment Project Zone 1.
3. Approves the CEO to continue seeking additional funding contributions to the project through grants and advocacy to reduce the required funding commitment of the Town.

Background

1. The Lathlain Precinct Redevelopment Project (LPRP) is a large-scale revitalisation project that has transformed the suburb of Lathlain.
2. Of the 7 LPRP zones, only the area known as Zone 1 remains for redevelopment. This area includes the current grandstand and football facility owned by the Town and leased to the Perth Football Club (PFC).

3. The Lathlain Park Grandstand is a large building asset owned by the Town of Victoria Park. It is approaching the end of its useful life and poses a significant renewal challenge for the organisation.
4. In March 2020, Council endorsed the Zone 1 project mandate due to the existing facilities' dilapidated nature and to assist in the advocacy to secure additional funds required to complete the development.
5. In November 2020, Council resolved to list Zone 1 for consideration in the Long-Term Financial Plan, nominating an indicative amount of \$5 million.
6. Funding contributions have been secured from the Federal Government (\$4m excl. GST), State Government (\$4m excl. GST), West Coast Eagles ground lease contribution (\$1m excl. GST) and Western Australian Football Commission (\$200,000 excl. GST). Funding agreements between the Town and the Federal and State governments have been executed.
7. In August 2021, council endorsed the Vision and Aspirations and the development of four high level concept designs ranging from low intervention to high intervention. The concept options phase and then the design development phase were completed in collaboration with the project's stakeholders and the Lathlain Park Advisory Group and was guided by regular elected member decision making.
8. A Development Application was lodged with the Town in October 2023 with public comment closing on December 8, 2023. At a Special Council Meeting on December 18, 2023 Council endorsed the recommendation for approval of the Development Application. The Development Application was then submitted to the Western Australian Planning Commission (WAPC) on 21 December for final determination at the Statutory Planning Committee meeting on 30 January 2024. The approval of the Development Application by the WAPC was received by the Town in February 2024.
9. During 2023, the Town and the PFC undertook an advocacy campaign to seek additional external funding to address the shortfall in capital to deliver the Development. The Town is awaiting the outcome of additional funding requests. The business plan has been prepared on the basis that this joint campaign manages to secure additional external funding of approximately \$6 million for the purposes of the Development.
10. During 2023 the Town was in negotiation with the PFC over future lease terms following completion of the Development. At the Ordinary Council Meeting in May 2023 draft heads of terms were endorsed that define the parameters for a future lease with the PFC within the Community and Football facility.
11. At the December 2023 OCM, draft key terms were endorsed for the partial surrender of an approximately 217m² area of the West Coast Eagles (WCE) lease that the proposed development encroaches upon.
12. At the February 2024 OCM Council endorsed the publishing of the Lathlain Precinct Redevelopment Project Zone 1 Business Plan for public comment.
13. The Town gave Statewide public notice of this Business Plan by publishing on the Town's website and social media platforms on 21 February 2024, through notice in the West Australian Newspaper on 23 February 2024 and by posting the notice on the notice boards at the Town's Administration Office and Town library.

Discussion

14. Following 6 weeks of community consultation 962 visits to the webpage occurred and 337 visitors downloaded the document. 16 community members provided a response to the survey. One email was also sent directly to the Town's CEO and has been included in the submissions. The engagement results are summarised in attachment 2 Schedule of Submissions LPRP Zone 1 Business Plan.
15. Nine of the online responses and the email to the CEO mention a single topic. They highlight the difficulty the Lathlain Primary School P&C (and by extension other local community groups) have in finding suitable facilities for large fundraising events such as quiz nights and disco's with commercial kitchens that can be used by the groups to fundraise (eg sale of food and beverages to event attendees).
16. All ten of the above-mentioned respondents request a change to the Business Plan to require the PFC managed function space to be available for hire to community groups at a low rate and for this hire to

- include allowing the groups to operate the commercial kitchen and bar as a fundraising initiative. This would require inclusion in the final lease terms with the PFC.
17. Including such a requirement in the future lease arrangement is likely to receive strong objection from the PFC. The objection would be on management grounds given the operational challenges and risk it would involve and on commercial grounds given the need to operate the function space as a commercial entity to generate enough additional income to cover the additional expenses the club will incur due to the new facility and new lease arrangement.
 18. One other comment relates to a change to the content of the Business Plan and is generally supportive of the project overall however objects to the rent received from the PFC being held specifically to cover estimated ongoing maintenance and renewal costs of the Town.
 19. The Key Terms of a future rent to the PFC have been endorsed by council separately to the business plan. This rent was specifically calculated to only cover the Town's estimated costs for ongoing maintenance liabilities, therefore not to gain profit from the lease arrangement with the PFC. The holding of funds for this purpose in a "sinking fund" type arrangement is considered good practice for large scale facilities and allows the annual municipal budget to be spent on other Town needs rather than on this facility. It should be noted that the lease terms require the PFC to pay rates to the Town which will be included in the municipal rates base and not be held for maintenance of the facility.
 20. Other community comment received either clearly supports the project, objects to it or comments on the design of the project.
 21. The Business Plan contains several assumptions. Work is progressing on each of the assumptions and to date none have been considered unachievable by Town officers.
 22. Assumption a) *"That an Agreement for Lease can be successfully negotiated with the PFC that is aligned with the lease parameters endorsed by council at the May 2023 OCM."* is progressing with surveying of proposed future lease boundaries underway.
 23. The achievability of Assumption b) *"That the Town and the PFC's joint advocacy efforts in 2023 can successfully achieve approximately \$6 million of additional external funding."* will not be definitively known until May 9 when the WA state budget is published.
 24. Town officers have been advised that the West Coast Eagles (WCE) agree in principle to Assumption c) *"That the West Coast Eagles board will approve the Partial Surrender of Lease and Construction License as per the key terms approved by council at the December 2023 OCM."* Surveying work is currently underway to create the required plans. The WCE have provided key conditions for the construction license that have been included in released construction tender documents.
 25. Negotiations are ongoing regarding assumption d) *That the replacement of the existing telecommunications leases with a new lease on a single pole top location can be achieved and will be of a similar value to the existing leases resulting in a minimal financial effect to the Town."* and are of a constructive nature.
 26. To ensure assumption e) *"That the construction contract will be of a similar cost to the latest quantity surveyor estimate received."* is met, a tender has been released to the construction market seeking to engage a contractor on a two-stage contract. Stage one will be for an Early Contractor Involvement (ECI) stage where the Town, a builder and the Town's consultants work together to define a final lump sum construction contract. This process enables true market costs to be confirmed and contractually bound before committing to stage 2 the construction stage. This will provide a greater deal of accuracy and reduced risk to the project.
 27. Assumption f) *"That the remaining funding shortfall following confirmation of assumption e) above is sourced, but no decision has been made by the Town as to whether it will or will not contribute to any funding shortfall."* remains an unconfirmed assumption and the inclusion of recommendation 2 of this report requests approval for activities to continue to source the shortfall.
 28. Assumption g) *"That a satisfactory development approval can be obtained from the WAPC."* has been confirmed with the WAPC granting development approval to the project.

29. Assumption h) *“That the Town receives a tender for goods and services comprising the construction works that the Town wishes to accept.”* is currently progressing with the release of a two-stage construction tender. The results of the tender will be presented to council as a confidential item on this meeting’s agenda for a decision regarding tender award.
30. The two-stage construction contract includes provisions that ensure proceeding to stage 2 of the contract is at the discretion of council. Clause 3B.1 (d) of the contract states:
- 3B. Notice to Proceed
- 3B.1 Principal’s Determination
- (d) Without limiting the Principal’s rights under subclause (b) the Principal may consider the following, in determining whether to issue a Notice to Proceed:
- (i) whether there is sufficient funding for the Project, to the satisfaction of the Principal, and on terms acceptable to the Principal;
- (ii) the updated Contract Sum, having regard to the Final Cost Plan submitted by the Contractor;
- (iii) feasibility and achievability of the Baseline Program;
- (iv) the outcome of the financial due diligence assessment;
- (v) approval from the Council via Council Resolution;
31. If the Business Plan and the award of a construction contract is approved by council, and all other condition precedents are met through Stage 1 of the contract, approval by Council to proceed to stage 2 of the construction contract would be sought in September 2024. Funding to meet the final contract value would be required by this stage.
32. Approval of this business plan (along with the two-stage contract RFT award) allows for the project’s progression into the ECI stage with Town Officers, Consultants and a nominated head builder working together to resolve detailed design and trade package tendering. This will result in a stage 2 lump sum contract figure for council review before proceeding with construction. This lump sum can be compared to funding to determine viability.

Relevant documents

Not applicable

Legal and policy compliance

[Section 3.58 of the Local Government Act 1995](#)

[Section 3.59 of the Local Government Act 1995](#)

Legal review of the Lathlain Precinct Redevelopment Project – Zone 1 Business Plan has been conducted by the Town’s Lawyers to ensure legal compliance.

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	The future financial impact of the development is outlined in detail within the Business Plan.

Risk management consideration

Risk impact category	Risk event description	Risk rating	Risk appetite	Risk Mitigation
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Risk impact category	Risk event description	Risk rating	Risk appetite	Risk Mitigation
Financial	If elements of the business plan change significantly and a new business plan is required, the contingent delays could risk achieving external funding milestone and having the funding withdrawn.	High	Low	TREAT risk by ensuring actions progressing the project are aligned with the content of the business plan.
Environmental	Not Applicable		Medium	
Health and safety	Not Applicable		Low	
Infrastructure/ ICT systems/ utilities	Not Applicable		Medium	
Legislative compliance	Ensure compliance with Section 3.58 & 3.59 of the Local Government Act 1995.		Low	TREAT risk by not deviating significantly from the content of the Business Plan as advertised.
Reputation	Publishing a business plan that is based on assumptions could raise community expectations, that if not met cause reputational damage.		Low	TREAT risk by Making clear to the community the assumptions of the business plan and discussing them in the council report and the business plan itself. The Public comment webpage highlighted the assumption and the need to seek public comment prior to their complete resolution.
Service delivery	Delay in this business plan process will jeopardise the ability to achieve complete replacement of the facility is along with the improvement and expansion of the services provided by the site.		Medium	TREAT risk by including assumptions within the business plan that must be met to avoid significant variation to the content of the business plan.

Engagement

Internal engagement	
Stakeholder	Comments
Property Development and Leasing	The Property Development Team have collaborated on the creation of the business plan and several elements of its content e.g. PFC lease formulation, West Coast Eagles partial lease surrender
Strategic Assets	The Coordinator Strategic Assets collaborated on the creation of the Business Plan and elements of its content e.g. PFC Lease Formulation, Asset management consideration and current grandstand condition reviews.

Place Planning	Place Planning have been frequently updated with progress of the project as a key deliverable of the Social Infrastructure Program.
Finance	The Finance team and Chief Financial Officer have been involved in various portion of the content of the Business Plan.

External engagement	
Stakeholders	Town of Victoria Park Community Members
Period of engagement	Wednesday 21 February to Wednesday April 3
Level of engagement	2. Consult
Methods of engagement	Online survey via Your Thoughts platform.
Advertising	Statewide public notice by publishing on the Town's website and social media platforms on 21 February 2024, through notice in the West Australian Newspaper on 23 February 2024 and by posting the notice on the notice boards at the Town's Administration Office and Town library.
Submission summary	<p>Total Survey webpage visits: 962</p> <p>Number of people that downloaded the documents: 337</p> <p>Total Responses: 17</p> <p>Objections: 1</p> <p>Support: 3</p> <p>Change requests: 12</p> <p>No position stated or neither support nor object: 1</p>
Key findings	<p>Of the requests for change:</p> <ul style="list-style-type: none"> 10 responses were concerned with a single issue and requested a change to the Business plan and PFC lease to require low-cost community use of the PFC managed function space and commercial kitchen. 1 objected to retaining rent from the PFC lease to be held to reduce Town liabilities for ongoing cost of the facility. 1 requested a design change regarding parking provision. <p>Refer to the submission schedule at attachment 13.3.2.</p>

Strategic alignment

Environment	
Community Priority	Intended public value outcome or impact
EN3 - Enhancing and enabling liveability through planning, urban design and development.	The project delivers a development that completes a precinct level revitalization. The project will further enhance the use and experience of Lathlain Park, its facilities and its surrounding environment. This development will be of social, economic and amenity value to the local community
EN5 - Providing facilities that are well-built and well-maintained.	The project involves replacing a poor-condition Town-owned facility with a contemporary, high-quality facility that enables improvement and expansion of the services delivered from the site.

Further consideration

33. Following the WA State government 2024/25 budget announcement on May 9, it can be confirmed that the Town has successfully secured a funding commitment of an additional \$6,000,000 for this project. The funding includes a condition for a commitment by the Town to facilitate increased and equitable use of the grounds and facilities. This confirms assumption b) of the Business Plan.