



# **PROPOSAL LOT 601 MAJOR LAND TRANSACTION**

~ May 2020

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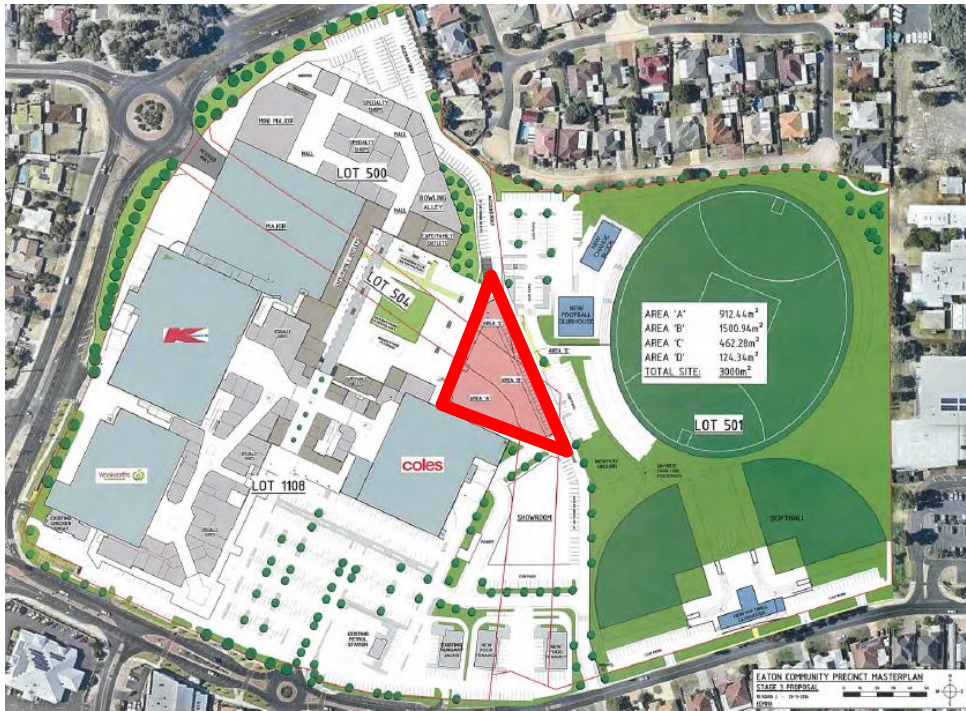
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## 1. OVERVIEW

This document (the Proposal) outlines the Shire of Dardanup’s proposal to purchase Lot 601 (the remainder of Lot 500 approximately 1.66 hectares in size) from the Minister of Lands for \$1; and to then sell Lot 601 to Citygate Properties Pty Ltd for \$5million, plus 3,000m<sup>2</sup> of land to be owned by the Shire of Dardanup in freehold adjoining Eaton Fair Shopping Centre. The location plan below shows where the proposed 3,000m<sup>2</sup> of land will be (marked in red outline):



By advertising this proposal, the Shire aims to satisfy a condition from the Minister of Lands to dispose of the Land under Section 74 of the Land Administration Act 1997. The Shire has previously complied with the requirements of the Local Government Act 1995 with regards to section 3.58 and 3.59 to conduct a major land transaction. Council considered the submissions received on the business plan advertised under the Local Government Act 1995 requirements at the Ordinary Council meeting in May 2018; and subsequently entered into a Heads of Agreement with Citygate Properties Pty Ltd (Appendix 1 - 2018 HOA).

The proceeds of the proposed sale is intended to be used to support the construction of a three storey building that will include a library, community spaces, administration offices and commercial retail/office space. The current concept design endorsed by Council provides growth for the Shire’s administration for at least the next 20 years and fulfils the need for a centrally located community library that will also cater for community spaces and a makerspace.

The financial analysis of the proposal is positive and indicates that the proposal would result in a significant profit to the Shire through the land transaction achieving an above market value price. It also indicates that the three storey building can be achieved financially with the allocation of the \$5million proceeds from the proposal, the projected increase in commercial rates that will be payable as Eaton Fair Shopping Centre expands into Lot 601, and rental income from the retail and commercial space.

The building of the administration centre and library, and the expansion of the shopping centre is expected to create in the order of 100 jobs during construction phases and in excess of 500 jobs ongoing, with the total investment in the order of \$100 million.

## 2. THE PROPOSAL

The proposal is for the Shire of Dardanup to:

1. purchase Lot 601 (the remainder of Lot 500) from the Minister of Lands for \$1 plus GST; and
2. sell Lot 601 (the remainder of Lot 500) to Citygate Properties Pty Ltd for the sum of:
  - a. \$5million plus GST if applicable, plus
  - b. 3,000m<sup>2</sup> of land to be held by the Shire in Freehold as per the location plan above.

### 2.1 Land Description

The Land the subject of this proposal is described as Lot 601 – Reserve 39158 on Deposited Plan P412288 (Title LR3170/696).

The Land is 16,617m<sup>2</sup> in size and is located between Eaton Drive, Council Drive and Glen Huon Reserve (Reserve 50882).

The Land currently contains the Shire of Dardanup Administration Office, a skate park, open space and a stormwater drain.

Lot 500 (approximately 17.5hectares in size) was originally valued in 2017 to be worth approximately \$280/m<sup>2</sup> with a total value of \$4,950,000. A recent 2020 valuation (Appendix 2) confirmed that the value of the land is still estimated to be \$280/m<sup>2</sup>. If the \$280/m<sup>2</sup> is applied to Lot 601 the estimated value of the Land (16,617m<sup>2</sup>) is \$4,652,760.

### 2.2 Proposed Purchase

The Minister of Transport, Planning and Lands in 2018 provided the Shire of Dardanup with in-principle support that will allow the Shire of Dardanup to purchase the balance of Lot 500 (now Lot 601) – Reserve 39158 from the Crown at \$1.00 plus GST.

### 2.3 Proposed Sale

Once Lot 601 is purchased from the Minister of Lands, it is proposed to be sold to Citygate Properties Pty Ltd. for \$5,000,000 plus 3,000m<sup>2</sup> of land.

If the \$280/m<sup>2</sup> valuation is applied to the 3,000m<sup>2</sup> of land, the total value of the transaction is considered to be worth \$5,840,000.

### 2.4 Proposed Building

The Shire proposes to construct a new building to enable the relocation of the existing library from the Eaton Community College, to replace the existing administration building, and to cater for the next twenty years of growth of the Shire. The Eaton community and the College have enjoyed a shared service for about 18 years, however population and school growth demands that a new library be established. Including the library in the town centre and within the civic precinct provides a cost efficient solution. Further details regarding the building and previous options considered are contained further below in this proposal.

### 3. EXPECTED EFFECT OF THE PROPOSAL

#### 3.1 Expected Effect of the Proposal on matters referred to in the Shire’s Strategic Community Plan and Corporate Business Plan

The Shire of Dardanup’s Strategic Community Plan 2018–2028 together with the Corporate Business Plan 2020/21 – 2023/24 is the Shire of Dardanup’s “Plan for the Future” and has been prepared to achieve compliance with the *Local Government (Administration) Regulations 1996*.

The Community Values adopted in the Shire’s Strategic Community Plan include the following:

- Strong civic leadership representing the whole of the Shire which is supported by responsible and transparent corporate governance;
- Maintaining a balanced respect for our natural assets and built environment, while retaining our lifestyle values, community spirit and identity;
- A safe and vibrant community which is inclusive and welcoming for all ages and interests;
- To encourage a diverse and resilient economy that supports a range of local employment opportunities; and
- Provision and maintenance of facilities, infrastructure and services to promote the Shire as an attractive and desirable place to live.

The community comments received in preparing the Shire of Dardanup 2018 Strategic Community Plan also identifies the need for new and improved community facilities and infrastructure, and specifically a new dedicated library. In addition the comments supported the creation of a Town Square and providing a high level of service to the Shire’s Town Centres. The relevant comments from the community is provided below:

- Enjoy the library and programs offered, but a new dedicated library needed;
- New and improved community facilities and infrastructure;
- More community events and public activities;
- Increased promotion of events and activities;
- Activities for Seniors and Aged;
- Focus on activities and facilities for youth;
- Family events and activities;
- Cultural, arts events and activities;
- Create town square;
- Good sporting and recreation facilities;
- Increased Local Employment opportunities.

The implementation of the proposal will allow the Shire to give effect to the following relevant outcomes, strategies and actions within the Strategic Community Plan and Corporate Business Plan, which aim to address the community comments outlined above:

No:	STRATEGIES
5.3.1	To provide community facilities that enable a healthy community that volunteers, embraces lifelong learning and cultural awareness, and is involved with a diverse range of vibrant community, sporting, cultural and artistic organisations and pursuits.
5.2.2.1	Libraries: Create a place for learning, creativity, innovation, well-being and participation for all ages.

No:	STRATEGIES
5.2.1.6	Public buildings: Provide accessible and functional public halls and buildings to meet the needs of a diverse range of community groups, organisations and individuals.
5.1.6.1	Urban Planning & Design: Create liveable places that are connected and accessible.
5.1.2.4	Street scaping: Develop quality streetscapes, which are well maintained and allow for safe pedestrian, cycle and vehicle movement.
5.1	To be a Connected Community.
1.4.3.1	Develop the 'Makerspace' proposal.
2.5	Town centres' are vibrant, welcoming and well presented.
2.5.1.3	Continue to provide a high standard of town centre presentation and maintenance,
2.6.1.2	Urban Planning & Design: Create liveable places that combine form & function.
2.6.1.3	Commercial Development: Encourage and support the development of diverse and affordable commercial & industrial areas aligned with commercial and community needs.
2.6.1.4	Sustainable Building Design & Retrofitting: Encourage climate resilience in building design.
3.1	To be a Creative Community that fosters cultural and artistic activity and diversity.
3.1.1	To foster Creativity in the community through our public spaces and urban environment.
3.1.2	To Promote Creative Participation by supporting the development of opportunities for artists and creative minds.
3.1.2.1	Creative workspaces: Support the delivery of affordable, accessible, creative workspaces to promote diverse creative endeavours.
3.1.2.2	Art presentation spaces: Support affordable and appropriate display spaces to artists.
3.2.1	To encourage social connectedness in our community through participation in positive social networks, interaction and events.
3.2.1.1	Universal accessibility: Provide an accessible, tolerant and inclusive environment for our diverse community through the Disability Access & inclusion Plan.
3.2.1.2	Festivals & Cultural Events: Create a stimulating, social and enjoyable place to live.
3.2.1.4	Community Meeting Places: To provide gathering facilities for a range of community based education, cultural, recreation, health, social and leisure opportunities, which make a positive contribution to our residents' lives.
3.2.1.7	Youth: To support facilities and services that encourage, engage and develop our youth, through improved access to services, facilities and programs.

No:	STRATEGIES
3.2.1.8	Seniors: Facilitate and support the provision of a variety of aged person’s accommodation, facilities, services and activities within the Shire and region.
3.3.2.1	Continue to provide facilities and services to support local community organisations.
4.1.3.2	Industrial and Commercial development: Support the development of land and property to service industrial and commercial growth opportunities.

The proposal will allow the above to be implemented by:

- Providing a financial contribution of \$5million towards a new building that will include a new library, meeting places for a range of community based activities including large function spaces that could be used by a range of community groups, organizations and individuals as well as a makerspace;
- Providing 3,000sqm of land that will allow the Shire’s existing admin building to be relocated to frame the proposed town square and through this create a contemporary and model Town Centre;
- Allow the new building to comply with current Australian Standards and Building Codes particularly with regards to universal accessibility and sustainability;
- Result in improved working environment that will contribute to a high standard work environment that encourages the attraction and retention of a diversely skilled workforce, which will ultimately improve productivity and service delivery; and
- It is estimated that through the construction phases and after completion of both the Shire building and the extension to Eaton Fair a total of 100 construction jobs and 500 ongoing jobs will be created.

As such the proposal will have a positive effect on the implementation of the Shire’s current Strategic Community Plan and Corporate Business Plan and is considered to be aligned with the community’s expectations for a new library, maker space, and community meeting places. The proposal will also allow the Shire to provide an improved working environment that will contribute to a productive workforce, greater efficiencies and as a result better service delivery for the community.

**3.2 Expected Effect on the provision of Facilities and Services provided by the Local Government**

As outlined in the Strategic Community Plan and Corporate Business Plan section above, the proposal will provide both a financial contribution of \$5million and land (3,000m<sup>2</sup>) to allow the construction of a new civic building of approximately 6,000m<sup>2</sup> that will include the following community, civic and commercial facilities:

- Public Library;
- Makerspace;
- Community Meeting Places;
- Community Function Rooms (Halls);
- Shire Administration Offices; and
- Small Commercial / Retail Space.



### 3.2.1 Public Library

The Shire received notification from Eaton Community College (ECC) that the College is not supportive of an extension of the current agreement whereby the Shire operates a public library from the Eaton Community College facilities. As such the Shire will have to vacate the ECC facility by the end of 2023.

Therefore in order for the Shire to continue to provide a library facility within Eaton, the Shire will need to build a new facility within the next 3 years. In considering the options for a new library it is believed that the provision of a centralised Library, community facilities and administration centre within the Eaton Town Centre will contribute to a high standard town centre and will further activate the proposed town square.

### 3.2.2 Makerspace

The new facility is intended to provide for a makerspace. A makerspace is a collaborative work space that allows the public access to a variety of maker equipment including 3D printers, laser cutters, soldering irons, sewing machines or even art spaces.

This would be a new facility which the Shire of Dardanup has not provided previously and would contribute to achieving the outcomes, strategies and actions included in the Shire's current plans and may provide art studios, exhibition space and a workshop spaces. The fit out of the facility is intended to be funded as part of the overall project and has not yet been decided upon.

### 3.2.3 Community Meeting Spaces and Function Rooms

Currently the Shire do not provide any public community meeting spaces within the Shire Administration building or within the public library. It is intended that the new building would provide flexible community function spaces that could allow larger spaces to be used for bigger functions, or smaller break out rooms for meetings or workshops to be undertaken by the community and other stakeholders. These facilities is intended to be able to be booked by the public for their use through a central booking system.

### 3.2.4 Shire Administration Offices

The Shire Administration Offices are currently housed within a building that was constructed in the 1990's. The building does not comply with modern day standards in terms of insulation, universal accessibility or amenities. Additionally as the building is not large enough to house existing staff levels, Council in 2016 approved a temporary office building, including temporary ablution facilities to be placed at the back of the current building.

Previous options considered to upgrade and expand the building to cater for current standards and needs identified that the roof will also require significant upgrades. Leaks particularly during winter pose a risk for damage to property or potential injury. Whilst this is normally addressed with short term maintenance, a longer term solution is required.

The new building is anticipated to provide office space that may in the short to medium term be surplus to the Shire's requirements. It is intended that this surplus office space be leased out as flexible office spaces until required by for the Shire's operations. In this regard it is estimated that up to 620m<sup>2</sup> of office space could be leased out.

By building this as part of the initial project it is expected to result in a medium to long term financial benefit to Council as it would provide economies of scale and efficiency of only one building project. Additionally the lease revenue will contribute towards the overall project and will ensure there is space available should the Shire need this in the longer term for its operations or additional public spaces.

### 3.2.5 Impacts on Other Facilities and Services

The new facility will replace existing out dated and outgrown facilities. Only positive impacts are predicted with the construction of the new administration centre and library facility. The new design will encourage community participation in town centre and community activities. Access for all people will be greatly improved; being in the town centre brings more visitors to access Shire services, including young mothers, children and the youth, through space for early learning, Makerspace and youth space.

### 3.3 Expected Effect on Other Persons Providing Facilities and Services in the District

As outlined above the building will mainly provide civic and community functions, however the building is intended to make up to 360m<sup>2</sup> available for retail/commercial use and up to 620m<sup>2</sup> for office space. Within the broader context of the Eaton Fair Activity Centre Precinct there is 22,706m<sup>2</sup> of space available for retail/commercial. The proposal will also allow for the extension of Eaton Fair to provide an additional 9,500m<sup>2</sup> of retail space resulting in a total of 32,744m<sup>2</sup> of retail. The 320m<sup>2</sup> of retail commercial space that the Shire will make available as part of its building is therefore considered to be insignificant, being less than 1% of the overall retail provision, in the context of the Eaton Fair Activity Precinct. As such it is considered that the effect of the proposal in this regard is negligible.

With regards to the proposed office space, whilst there is currently limited office space available within Eaton, the previous iteration of the Eaton Fair Activity Centre Plan planned to create 4,000m<sup>2</sup> of office space where the new Shire building is now proposed. As such the effects and impacts of the proposal will be positive in that it may still make some office space (620m<sup>2</sup>) available in the short and medium term, but it does not cater for the overall demand for office space. As such the building will still allow the private sector to provide for the additional office space demand within the district.

The proposal is therefore seen to not have any negative effects on the services and facilities being provided by other persons within the District.

### 3.4 Expected Financial Effect on the Local Government

#### 3.4.1 Shire of Dardanup Financial Projections

A snap shot of the Shire of Dardanup's current financial projections is provided in Appendix 3 – Financial Projections. This sets out the Shire's expected cash flows for the next 10 years and shows that the constructing the building and servicing the related loan can be accommodated.

The proposal will have a positive effect on the Shire of Dardanup's finances, effectively generating a net profit of \$5million plus providing an asset of 3,000m<sup>2</sup> of land held in freehold within the Eaton Activity Centre. The proceeds will be used to assist the funding of the new administration and library building. Without this capital injection the Shire will need to borrow significantly more funds to be repaid over a longer period of time to

achieve a less favourable and inefficient result. A lesser project will only provide growth for ten years. The proposed project will provide at least twenty years growth.

The total building project including fit out and landscaping is estimated to cost approximately \$16.5mil. This is intended to be funded as follows:

- \$5.5mil from reserves (previous land transactions and savings over time);
- \$6mil from borrowings (new loan from State government); and
- \$5mil from the proceeds of the sale of Lot 601.

The Shire is also actively pursuing grants to assist with the funding of the building. Any grants that may be received towards this project will aim to reduce the reserve funds and borrowings required to construct the building.

### 3.4.2 Financial Risk Assessment

The Shire engaged Paxon Group to undertake a financial risk assessment and analysis of the proposed project costs in a discounted cash flow model (Appendix 4 – Paxon Report). The Paxon report considered a number of alternative scenarios in relation to the new building and in Appendix B of the Paxon Report undertakes a comparison with the previous option considered by Council to expand the current administration building by adding a library, additional offices and a new Council Chamber.

Whilst the Financial Risk analysis does indicate the potential for positive and negative effects as a result of potential delays in the expansion of Eaton Fair, or reduced rental revenue, the overall financial effect of the proposal provides a positive effect on the Shire from a financial and qualitative position as detailed further below. This is supported in particular by the following statement on Page 15.

*Once debt has been fully repaid in financial year 2045, EBITDA, or operating profit, is forecast to be approximately \$310,000 based on the input assumptions. Compared to the EBITDA under the status quo of negative \$435,000 this indicates a net benefit to the Shire of approximately \$745,000.*

Effectively what it means is that once the loan is paid off (20 years), the Shire will be \$745,000 per annum better off than what it would be if the Proposal was not to go ahead, and a new building was not built. It should be noted that this may reduce as the Shire expands into the office space, however the total income projected from the office space is expected to be less than \$130,000. Therefore even if the Shire reduces the leasable office space, the Shire would still be \$615,000 better off per annum as a result of the Proposal.

## 4. LOCAL GOVERNMENT'S ABILITY TO MANAGE THE UNDERTAKING OR PERFORMANCE OF THE PROPOSAL

### 4.1 Actions required to perform the Proposal

The proposal requires the finalisation of contracts based on a previous Heads of Agreement entered into between the Shire and Citygate Properties Pty Ltd in 2018 (Appendix 1). As per the 2018 Heads of Agreement, Citygate Properties Pty Ltd will be responsible for undertaking the relevant subdivision applications and works to provide the Shire with the land. The Shire will engage lawyers to assist with finalising the relevant contracts required as part of the process.

Additionally the proposal will result in the Shire constructing a new building on the 3,000m<sup>2</sup> lot within the Eaton Activity Centre. The Shire has already called for expressions of interest as part of a design and construct tender process. The expression of interest process invites relevant companies to submit their portfolio and relevant experience to the Shire for consideration. Through this process the Shire is intending to select a number of preferred tenderers with the appropriate skills to undertake the design and construction of the building. To assist the Shire with this process it is intended that the following additional independent expertise will be contracted:

1. Project Manager;
2. Quantity Surveyor;
3. Timber Specialist; and
4. Lawyers.

The independent specialists will assist the Shire in preparing the relevant tender and contract documentation and also assist with the implementation and execution of the contracts. The Shire will also involve WALGA to ensure probity throughout the tender process.

#### 4.2 Previous Similar Transactions and Buildings

In early 2020, the Shire and Citygate Properties Pty Ltd finalised land transactions that were the subject of a Heads of Agreement entered into in 2017. This resulted in two portions of reserve land being sold to Citygate Properties Pty Ltd for approximately \$1.2million. The land transferred to Citygate Properties Pty Ltd under the 2017 agreements will allow, in part, the creation of the 3,000m<sup>2</sup> of land which will form part of the compensation included in the proposal.

During the 2017/18 financial year, the Shire undertook three major construction projects, including two sports pavilions and a new shire works depot. The total combined value of these projects was \$9 million. These projects were completed on time and on budget.

The Shire is therefore not unfamiliar with the type of contractual arrangements or the capital works required to undertake and perform the activities within the proposal.

#### 4.3 Organisational Overview

The Shire of Dardanup is a progressive and proactive local authority, governed by nine elected members and a team of about 116 employees. The executive team comprises of:

- Chief Executive Officer;
- Deputy Chief Executive Officer;
- Director Infrastructure Services; and
- Director Sustainable Development Services.

In 2019/20 the Shire of Dardanup's annual budget was \$37.9million. The Shire's current assets have a replacement value of approximately \$271million with a current book value of \$178million. The Shire holds \$17.5million in cash reserves of which \$5million is earmarked to undertake the new building.

#### 4.4 Organisational Project Management Capacity

The Shire employs degree qualified engineers and licensed building surveyors. In addition the Shire also employs an Engineering Degree qualified Project Engineer, and, the Chief Executive Officer, Director Infrastructure and a number of Engineering staff have completed a Diploma in Project Management.

Whilst the Shire staff have the relevant qualifications, as outlined above the Shire intends to engage relevant professionals and specialists to support the implementation of the project. In addition the Shire will also involve WALGA to participate in the contractual stages of the tender to ensure probity is maintained throughout.

## 5. OTHER MATTERS

This section provides an overview of the background and previous options considered which led to the proposal.

### 5.1 Planning to Support a Vibrant Town Centre and Town Square

The Dardanup Shire Council commenced planning to expand its administration centre almost a decade ago when early versions of the Shire’s Work Force Plan indicated long term staff numbers that would exceed current office accommodation. At the time of planned extensions it was anticipated that the existing building would also be requiring refurbishment work due to its age.

Early concepts were based on simple extensions to the existing building; however, these later became more complex designs that would integrate the building into the growing Eaton town centre. The following is a summary of the various ideas and concepts that have been considered over the years.

#### 5.1.1 Eaton Fair Structure Plan

The Eaton Fair Structure Plan was adopted by Council on 11 January 2012 and approved by the Western Australian Planning Commission (WAPC) on 17 January 2012. This plan was prepared to guide the expansion and development of Eaton Fair and also aimed to improve its interface with the surrounding development, including improved pedestrian connectivity across Recreation Drive and Council Drive. This plan clearly indicates an intention to connect the existing Shire Office to a town square situated on the northern side of Eaton Fair, although this was still to be divided by Council Drive as indicated on the map below, which formed the basis of the approved Structure Plan:



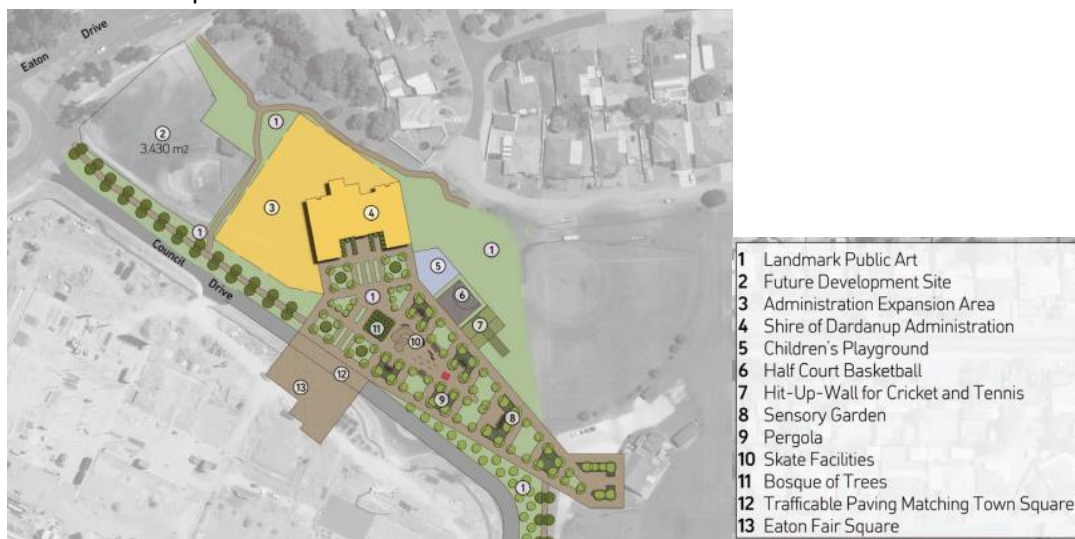
### 5.1.2 Eaton Main Street Master Plan

In 2013, Council engaged Hames Sharley to undertake the Eaton Main Street Project together with a Council working group. The purpose of this plan was to create a true town centre within the Eaton Activity Centre, and one which would provide growth, economic benefit for business, as well as include the Shire administration and civic functions as part of the town centre.

The Eaton Main Street Project report was completed and was adopted by Council in November 2014. This plan indicated potential for an expanded administration centre that is better connected to further development in the town centre.

Two options were suggested in the Eaton Main Street Master Plan:

#### 1. Eaton Plaza – Expanded Link



#### 2. Eaton Plaza – Focused Plaza



Both options indicated the Shire's Administration building being expanded to the west of the existing building and connection to the town square proposed at Eaton Fair.

### 5.1.3 Revised Structure Plan – Concept

In July 2015, Council received a concept for a modified town centre, which included Council Drive being severed to provide a seamless and vehicle free town square that connected the Shire’s proposed new library and expanded Shire office to Eaton Fair.

This plan formed the basis for the preparation of the 2017 Heads of Agreement (2017 HOA). This agreement outlined the creation of the town square with unimpeded access to the library and Shire offices, road realignment that would allow further expansion of Eaton Fair to the east and reconfiguration of the Glen Huon Reserve to accommodate the new sports pavilions. The agreement allowed the necessary land transactions to occur between the Shire and the Citygate Properties Pty Ltd and further reinforced the development of a town square for public use.

The following map shows the proposed modified town centre, as per the 2015 Revised Structure Plan:





### 5.1.4 Eaton Fair Activity Centre Plan

The Eaton Fair Activity Centre Plan (EFACP) was approved by WAPC on 5 October 2017, which superseded the Eaton Fair Structure Plan. The EFACP outlined the creation of a town square with a civic and community precinct being created on Lot 500. The plan also proposed Recreation Drive be realigned to allow further expansion of Eaton Fair to the east, and took into consideration the reconfiguration of the Glen Huon Reserve to accommodate the new sports pavilions. Additionally this plan indicated the partial permanent closure of Council Drive to create the vehicle free town square and included the expanded Shire office and new library fronting the town square.

A copy of the map that forms the basis for the approved Eaton Fair Activity Centre Plan is provided below.



The following is an artist impression of the town square as provided in the Eaton Fair Activity Centre Plan. Note that the proposed Shire office extension and new library are on the left of the town square:



5.1.5 2018 HOA Concept Plan, Eaton Fair Activity Centre Plan Amendment and Scheme Amendment 202

In 2017, Council received an offer from Citygate Properties Pty Ltd to purchase Lot 500 in a transaction that involved the Shire receiving a free hold lot adjacent to the shopping centre for the construction of a new administration building and library. The purpose of Citygate Properties Pty Ltd.’s acquisition of Lot 500 is to expand the shopping centre under a new proposal for the activity centre.

This plan formed the basis for the preparation of the 2018 Heads of Agreement (2018 HOA). This agreement maintained the town square from the 2017 HOA but also outlined the establishment of the new library and Shire offices in the new location, further road closure on Council Drive and acquisition of Lot 500 that would allow further expansion of Eaton Fair to the north. The agreement allowed the necessary land transactions to occur between the Shire and the Citygate Properties Pty Ltd.

The following map shows the Concept Plan that formed part of the 2018 Heads of Agreement:



Subsequent to the 2018 Heads of Agreement being entered into, Citygate Properties Pty Ltd lodged an Amendment to the Eaton Fair Activity Centre Plan (EFACP) and an Amendment to the Shire’s Town Planning Scheme 3, being amendment 202. These planning documents were endorsed for advertising by Council in December 2018 and subsequently considered and conditionally supported by Council in March 2019.

The amendments to both the Eaton Fair Activity Centre Plan and the Shire’s Town Planning Scheme 3 were endorsed subject to minor modification by WAPC on 6 May 2020. This will supersede the EFACP approved by the WAPC in 2017.

The amended EFACP reflects the activity centre as proposed in the 2018 HOA and aims to maintain the town square from the previous EFACP, but now includes the establishment of the new library and Shire offices in the new location, further road closure on Council Drive and acquisition of Lot 500. The amended EFACP will allow further expansion of Eaton Fair to the north once the necessary land transactions occur between the Shire and the Citygate Properties Pty Ltd and for a new connection to Eaton Drive at the proposed Watson Street intersection.

A copy of the current concept plan that forms the basis for the amended Eaton Fair Activity Centre Plan is provided below:



## 5.2 2014 Expansion of Shire of Dardanup Administration Building

The Dardanup Shire Council first identified the need to expand the Shire offices in April 2013 when the Council adopted a recommendation from its Strategic Planning Committee to allocate a sum of \$2M in its forward plans for the works. Council referred the matter to the Engineering Services Committee to progress the planning for an extension to accommodate future staff number increases as identified in the Shire’s Workforce Plan. A sum of \$50,000 was allocated in the 2013-2014 Budget for this task.

In September 2013, Council adopted a brief to engage a consultant to prepare the Eaton Main Street Master Plan. The purpose of this plan was to create a true town centre within the Eaton Activity Centre, and one which would provide growth, economic benefit for business, as well as include the Shire administration and civic functions as part of the town centre.

In September 2013, the Council established a working party to develop the concept design for the extension of the administration building, which would take into account the Main Street Project and the proposed expansion of Eaton Fair. Hames Sharley were appointed to undertake the Eaton Main Street Project in November 2013. A working group was also formed to work with the consultant in the development of the master plan.

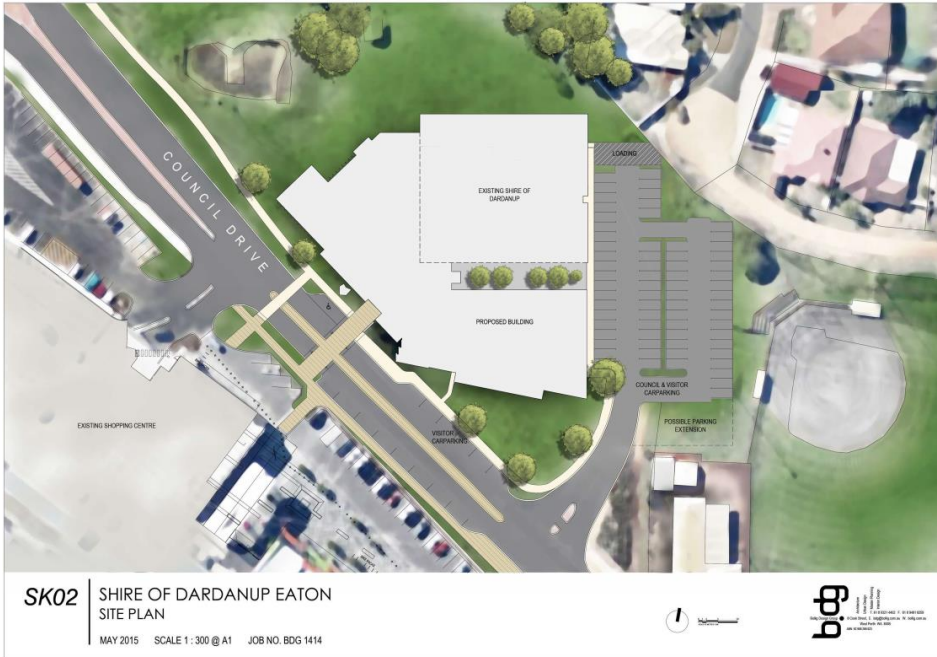
In September 2014, Council considered and adopted the Eaton Fair Structure Plan, which formed the basis for the expansion of the Eaton Fair Shopping Centre to its current form. The Eaton Main Street Project report was completed and was adopted by Council in November 2014. This plan indicated potential for an expanded administration centre that is better connected to the town square at Eaton Fair and one that will accommodate further development in the town centre.

In 2014, Council appointed Bollig Design Group to develop concept designs for the extensions to the administration building. During this time, the working party recommended the inclusion of a new library in the scope for the extensions to the administration centre. The decision to include the library was made on the basis that the existing library, which is operated jointly with the local college, has an agreement which is set to expire at the end of 2023. It was mooted by the college that they were not planning to recommit to a joint facility with the Shire, which would mean that the Shire would have to provide a new library facility by 1 January 2024. Additionally the current library location is disjointed from the activity centre and contemporary planning suggests that the establishment of a modern library at the heart of the activity centre would be prudent and would play a key role to the activation of the area.

The working party also identified that the existing administration building did not comply with current Australian standards and Building Codes and that therefore any expansion would trigger the requirement to upgrade the whole building to comply with these standards. One particular element that would require a significant upgrade is the roof of the existing building.

In June 2015, the Council adopted the concept design prepared by Bollig Design Group and decided to commence the procurement of a consultant to undertake the detailed design of the project. In October 2015, Bollig Design Group was awarded the contract to prepare the detailed designs for the administration building extensions and new library. The concept designs were prepared by Bollig Design Group and some of the concepts are provided below:

Building footprint – includes the existing building with extensions and new library



Artist impression of the building elevation looking from the west on Council Drive (near Eaton Drive)



In July 2016, Council resolved to support the Eaton Fair Activity Centre Plan (EFACP) and to initiate Scheme Amendment 194 to the Town Planning Scheme No 3, which would create a Civic and Community zone over Lot 500. This would enable further development of Lot 500 for civic and community purposes. It would also create a town square, which excluded vehicle traffic and was surrounded by the shopping centre and the Shire’s civic buildings. The amendment was conditionally supported in November 2016 and was later approved by the WAPC in October 2017.

The final design concepts were prepared and costed. At the time the cost to construct the extension and the library, temporarily relocate the administration staff, and to upgrade the existing building was estimated to be around \$11mil. This would result in a single storey building on the south eastern side of Lot 500 (now Lot 601).

In March 2017, Council decided to hold off on calling tenders for the construction of the extensions to the administration centre and new library, so that it could explore alternative options for the administration centre and library within the town centre.

### 5.3 Temporary Buildings

In October 2016, Council approved the installation of a transportable office at the rear of the existing administration centre to provide workstations for staff that could not be adequately accommodated in the existing building. This was intended to be a short term solution until the new building was constructed.

The Temporary buildings also include transportable toilets for staff to use, as an interim measure whilst the new building is being considered. The building is disconnected from the main administration building with a roofed outdoor area providing connection between the three buildings.

### 5.4 Option to Lease Offices

In late 2016 and early 2017, the Shire was approached by Citygate Properties Pty Ltd to consider several options as alternatives to the extension of the existing administration centre and the proposed new library. Options proposed included the Shire leasing an office building constructed and owned by Citygate Properties Pty Ltd or a freehold site adjacent to the shopping centre on which the Shire could build the administration centre and library, and which would make Lot 500 (now Lot 601) available to Citygate Properties Pty Ltd for possible purchase.

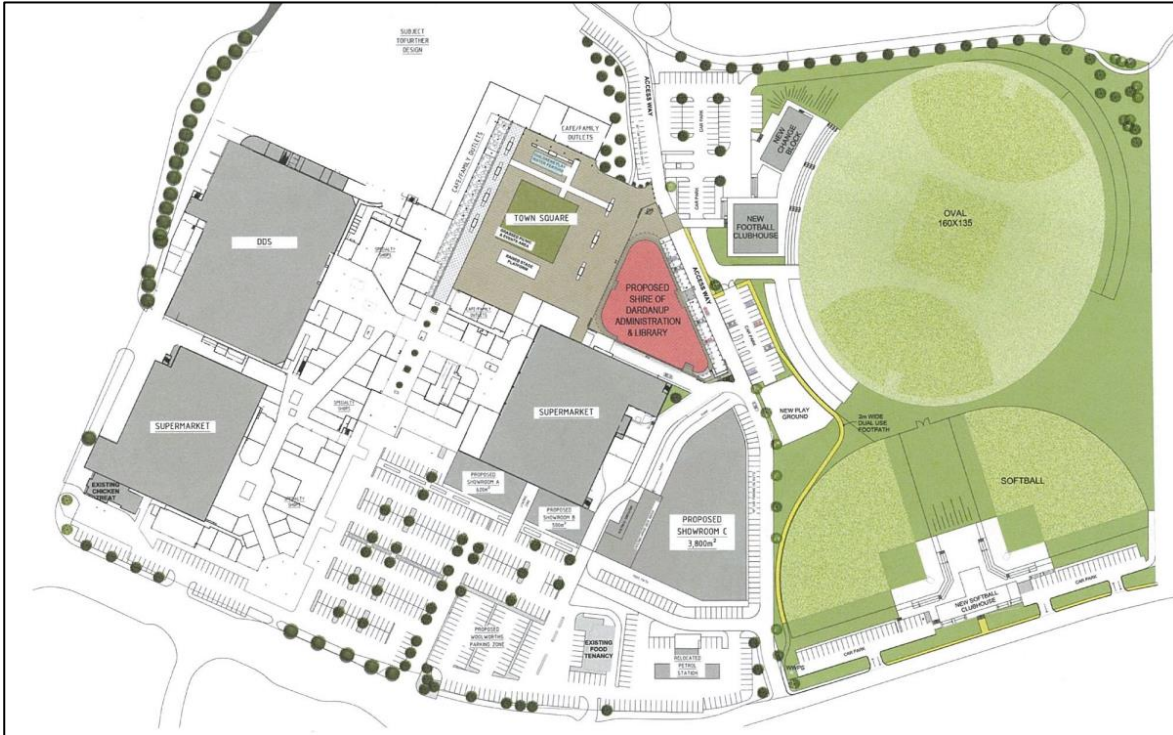
The option to lease a building from Citygate Properties Pty Ltd would result in the Shire of Dardanup receiving a cash injection from selling Lot 500 (now Lot 601), but would ultimately mean that Shire would not own its Administration or Library building and would in perpetuity have to lease the building or construct a new building sometime in the future. As a result, Council in 2017 when considering this option decided not to progress with this option any further.

### 5.5 New Three Storey Building

In late 2017, the Council engaged Bollig Design Group to develop a new concept for the land to be obtained by the Shire through the 2018 HOA. The concepts were to consider what the building on the new 3,000m<sup>2</sup> lot would accommodate a library, shire offices, chambers, community spaces and some leased office and retail space. The building size would need to be sufficient for long term growth of the Shire administration requirements and to meet the increased demand in services resulting from the longer term proposed development of Wanju and Waterloo Industrial Park areas.

The concept design prepared by Bollig Design Group and adopted by Council in early 2018 consisted of a three-storey building with a total floor area in the vicinity of 6,000m<sup>2</sup>. Some of the drawings of the concept design are provided below:

1. Location and footprint of the proposed building



2. Floor plans of each level (Ground level, 1<sup>st</sup> level and 2<sup>nd</sup> level)



3. Artist impression of the building elevation look from the north



In January 2018, Council resolved to adopt the concept for the three storey building as Councils preferred option. In determining this as the way forward, Council considered the concepts and relevant business cases exploring the options of constructing a two to three storey building on free-hold land and the sale of Lot 500 (now Lot 601) to fund the project.

In March 2018, Council adopted a business plan under the Local Government Act 1995. The Business Plan proposed to purchase Lot 500 (now Lot 601) from the Minister of Lands at 5% of Market Value and subsequently selling Lot 500 (now Lot 601), to Citygate Properties Pty Ltd. Council at the time adopted a market valuation for the land and approved the advertising of the business plan in accordance with the Local Government Act 1995. Council received one objection to the proposal and resolved to proceed with the Business Plan; and subsequently endorsed the Heads of Agreement (2018 HOA) in May 2018. This satisfied the process required for local governments when undertaking a major land transaction under the Local Government Act 1995.

Following a request to the Minister for Lands to purchase Lot 500 (now Lot 601), the Shire received a letter from the Minister advising that the Shire can purchase the balance of Lot 500 (Lot 601) for \$1.00 plus GST subject to conditions stipulated in the letter. On 12 December 2018, Council considered the offer from the Minister and resolved as follows:

*“THAT Council:*

1. *Acknowledges the ‘in principle’ approval provided by the Minister for Lands, in correspondence dated 15 October 2018 (State ref: 72-13364), for the sale of the balance of Lot 500 Council Drive, Eaton, to the Shire at a discounted price of \$1.00 plus GST subject to conditions as stipulated in the Minister’s correspondence;*
2. *Instructs the Chief Executive Officer to undertake the activities necessary to fulfil the conditions for approval as in the Minister’s correspondence, being:*
  - a) *Demonstrating Western Australian Planning Commission support for the amendment of the Eaton Fair Activity Centre Plan to include the proposed changes to Lot 601 and the relocation of the administration buildings and associated services; and*
  - b) *Undertaking public consultation for the proposed disposal, providing the opportunity for submissions prior to the final decision by Council to seek the approval of the Minister pursuant to section 74 of the Land Administration Act 1997.*

*Advice Note:*

- i) *Lot 601 is the new lot to be created from the balance of Lot 500.*

*CARRIED  
6/0”*

At the 12 December 2018 Council meeting, Council also resolved to advertise Scheme Amendment 202 to rezone Lot 500 from Civic and Community Purposes to District Centre. This will enable the changes necessary to fulfil the requirements under the 2018 HOA. Following advertising and consideration of submissions, Council resolved at the 27 March 2019 meeting to conditionally support Scheme Amendment 202 and a revised Activity Centre Plan.



In May 2019, Council resolved to call for an Expression of Interest for a Design and Construct tender for the new building as follows:

*“THAT Council:*

1. *Approves a Design and Construct (D&C) contract model for the procurement of the new Council Administration and Library building.*
2. *Endorses the Shire Administration and Library Building Project Procurement Plan (subject to any minor amendments), including:*
  - a) *Calling of Expressions of Interest from suppliers to undertake the project based on the Scope of Works;*
  - b) *The selection of up to six suppliers by the Working Group to give a presentation to the Council;*
  - c) *The shortlisting of three suppliers by Council who are to be invited to submit a Tender for the project;*
  - d) *The inclusion of a WALGA officer to participate as a non-voting Panel Member for both the Expression of Interest and Tender Assessment Panels;*
  - e) *The inclusion of the Procurement Officer (chair), Chief Executive Officer, Director Engineering & Development Services, Director Corporate & Community Services and Project Development Engineer to participate as voting Panel Members for both the Expression of Interest and Tender Assessment Panels; and*
  - f) *Following the selection of up to six suppliers by the Working Group, the Working Group be disbanded and future Tender recommendations be made directly to Council by the Tender Assessment Panel.*
3. *Authorises the Chief Executive Officer to finalise the EOI document and proceed to the calling of expressions of interest.*

This process is currently underway and will provide Council with further opportunity to consider the detailed design and costs associated with the proposal when it progresses to the tender stage.

Although the Shire has not yet received formal notification, it is understood that the Western Australian Planning Commission (WAPC) on 6 May 2020, endorsed Scheme Amendment 202 and the Amendments to the Activity Centre Plan. It is expected that once the formal approval is given effect it would satisfy the Minister’s condition and part 2(a) of Council’s resolution from the 12 December 2018.

This Proposal document has been prepared and will be advertised in accordance with Council’s instruction to fulfil the Minister’s condition and part 2(b) of the resolution.

## 6. SUBMISSIONS

Council seeks public submissions in relation to the purchase and sale of Lot 601 (the remainder of Lot 500) Council Drive.

Submissions are to be in writing and are to be addressed to the Chief Executive Officer, Shire of Dardanup, PO Box 7016, Eaton WA 6232 or emailed to [records@dardanup.wa.gov.au](mailto:records@dardanup.wa.gov.au).

Advertising of this Proposal commenced on 23 May 2020.

Submissions will be received up to 4pm on the Monday the 6 July 2020.

## 7. APPENDICES

Appendix 1 – 2018 HOA (2018 Heads of Agreement between Shire of Dardanup and Citygate Properties Pty Ltd).

Appendix 2 – Lot 500 (now Lot 601) Valuation

Appendix 3 – Financial Position Snapshot

Appendix 4 – Paxon Report



# APPENDICES

**PROPOSAL  
LOT 601  
MAJOR LAND TRANSACTION**

~ May 2020

**Administration Centre – Eaton**  
1 Council Drive | PO Box 7016  
EATON WA 6232  
Tel: 9724 0000 | Fax: 9724 0091  
records@dardanup.wa.gov.au  
www.dardanup.wa.gov.au



2018

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**HEADS OF AGREEMENT**

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**BETWEEN**

**CITYGATE PROPERTIES PTY LTD (ACN 008 775 068)**

**AND**

**SHIRE OF DARDANUP  
(ABN 57 305 829 653)**

THIS DEED is made the 20 day of June 2018

**BETWEEN:**

**SHIRE OF DARDANUP** of 1 Council Drive, Eaton WA 6232

- AND -

**CITYGATE PROPERTIES PTY LTD (ACN 008 775 068)** of Registered Office, Unit 10, Block C, Homemaker Centre, 42 Strickland Street, Bunbury WA 6230

**1. INTRODUCTION**

- 1.1 This Agreement is made between the Shire of Dardanup hereafter referred to as 'Shire' and Citygate Properties Pty. Ltd. hereafter referred to as 'Citygate'.
- 1.2 This Agreement is to set out the requirements of both parties to the Agreement to meet the objectives of the following:
  - 1.2.1 a land transaction involving the sale of Lot 500 (Reserve 39158) in its entirety, being an area of 17,586 square metres (m<sup>2</sup>) (subject to survey) by the Shire to Citygate for a sale price of five million dollars (\$5,000,000) plus GST if applicable; and
  - 1.2.2 the transfer of ownership from Citygate to the Shire of a 3,000m<sup>2</sup> portion of land including part Lot 1108 Recreation Drive, Eaton located immediately north of the Eaton Fair Shopping Centre building and adjoining the current Council Drive 'reserve for access' to the east and shown as pink on the site plan at Annexure 1 of this Agreement.
- 1.3 Details of the areas of land to be sold and transferred per this Agreement are defined and subject to survey, on the site plan attached at Annexure 1 of this Agreement.
- 1.4 Part details of the proposal are referred to in Shire ordinary meeting minutes of the 24 January 2018, Resolution 02-18 and 28 March 2018 Resolution 103-18, Attachment 1 and 2.
- 1.5 The newly created lot is to be provided site-ready with the removal of all drainage, infrastructure and other encumbrances at Citygate's cost.
- 1.6 The newly created lot is to be prepared (site worked) by and at the cost of Citygate to be suitable for the construction of a three-storey civic building.

## (Appendix QR) ~~Appendix B~~

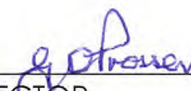
- 1.7 The newly created lot is to be fully serviced by utilities at the cost of Citygate including provision of electricity, water, gas and sewer at the time of creation.
- 1.8 All Shire drainage infrastructure that currently exists within the boundaries of Lot 500 and/or Council Drive is to be relocated to other Shire managed land in the vicinity or to the service road protected by an easement. If the infrastructure is not relocated immediately, it is to be protected via registered easement on the certificate of title prior to the land coming under the ownership of Citygate with all costs borne by Citygate.
- 1.9 The Shire is to remain in the existing Shire Administration Office building at 1 Council Drive, Eaton at nil lease cost following the sale of Lot 500 until such time as the construction of the new building on the newly created 3,000m<sup>2</sup> lot is complete and fully occupied by the Shire administration.
- 1.10 Citygate is not to be levied rates from Lot 500 until the Shire relocates to the new building.
- 1.11 Citygate is to prepare and initiate an amendment to the Eaton Fair Activity Centre Plan to address the proposed changes to Lot 500 and Council Drive, and identifying the new 3,000m<sup>2</sup> lot as a precinct for 'Civic and Community'.
- 1.12 In conjunction with the amended Eaton Fair Activity Centre Plan, Citygate is to prepare and initiate an amendment to the Shire of Dardanup Town Planning Scheme No. 3 to zone the land accordingly.
- 1.13 The Shire of Dardanup commits to liaise with Citygate on the design of the new shire building to ensure the amenity and design enhances the new town square.
- 1.14 Both parties to this Agreement acknowledge that the final approval of the Agreement, the acquisition of Lot 500, the creation of the new 3,000m<sup>2</sup> lot, the sale of land to Citygate, and amendments to the Eaton Fair Activity Centre Plan and the Local Planning Scheme are subject to approval of the Minister and/or the Department of Planning, Lands and Heritage.
- 1.15 Both parties agree to negotiate and agree on a reasonable and achievable timeframe for the implementation of the various components of this Agreement to ensure that the construction of the new Shire building is expedited.
- 1.16 Any future Development Application relevant to Lot 500 will be required to include a hydrological analysis outlining measures to address the treatment of storm water. Such measures to be endorsed and implemented by Citygate for the development of Lot 500.
- 1.17 Both parties agree that the existing Heads of Agreement dated 2 June 2017 remains in force in combination with this Agreement until such time all outstanding items are complete.


- 1.18 Once this Heads of Agreement is executed between the Shire and Citygate; amendments to the Eaton Fair Activity Centre Plan and Local Planning Scheme are adopted; the Minister has granted approval for the acquisition of Lot 500 and the creation of the new 3,000m<sup>2</sup> lot and sale of land to Citygate; Council directs the Chief Executive Officer to call tenders for a suitably qualified consultant to progress the new Administration and Library Building project.
- 1.19 Settlement will be 60 days after all approvals have been obtained.



**EXECUTED** As an Agreement the day and year first herein written.

Executed for and on behalf of **CITYGATE** )  
**PROPERTIES PTY LTD (ACN 008 775 068)** )  
By authority of its Directors in accordance )  
with s127 of the Corporation Law in the )  
presence of: )

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
SECRETARY

The COMMON SEAL of the **SHIRE OF** )  
**DARDANUP** 57 305 829 653 )  
was hereto affixed by )  
Authority of a decision of the Council in )  
the presence of: )

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

  
\_\_\_\_\_  
SHIRE PRESIDENT

Annexure 1

Site plan of land sale and swap – subject to final survey



Council Resolution 02-18 24 January 2018

**THAT Council:**

1. ***Adopts the concept for the new three-storey Shire administration and library building (with a floor area of 6,069m<sup>2</sup>), incorporating timber construction as specified in the Concept Plans and Financial Analysis Report prepared by Bollig Design Group.***
2. ***Directs the Chief Executive Officer to prepare a Heads of Agreement with Citygate Properties for the creation of a new lot for the purposes of a Shire administration and library and the sale of crown land, incorporating the following:***
  - a) ***Land swap between Citygate Properties Pty Ltd and the Shire of Dardanup for the creation of a new lot of 3000 m<sup>2</sup> of land from Citygate Properties land to be vested in the Shire and an equivalent portion being excised from Lot 500, Council Drive, Eaton;***
  - b) ***The relocation of all drainage infrastructure from the newly created lot;***
  - c) ***The relocation of all Shire drainage infrastructure from Lot 500 and Council Drive to be relocated to other Shire managed land or easement or if not relocated immediately, to be protected via easement when the land changes ownership to Citygate Properties Pty Ltd. This is to be at the cost of Citygate Properties Pty Ltd;***
  - d) ***The skate park to be relocated to another suitable location in the Eaton Town Centre with the possibility of a contribution from Citygate towards that relocation;***
  - e) ***The newly created lot to be fully serviced by utilities including electricity, water, gas and sewer at the cost of Citygate Properties Pty Ltd at the time of creation; and***
  - f) ***The newly created lot to be prepared (site worked) by Citygate Properties Pty Ltd to be suitable for a three-storey development.***
  - g) ***The Shire to be able to remain in the existing building at no lease cost following the sale of Lot 500 until the new building is completed and fully occupied by the Shire administration.***
  - h) ***The Shire to acquire Lot 500 from the Crown for the purpose of land swap and sale to Citygate Properties Pty Ltd.***
  - i) ***The sale of the balance of Lot 500 to Citygate Properties is at a minimum price of \$5,200,585 plus GST.***
  - j) ***The amendment of the Eaton Fair Activity Centre Plan to include the proposed changes to Lot 500, closure of the western portion of Council Drive, and creation of new lot to be vested in the Shire.***

## (Appendix QR) ~~Appendix B~~

- k) *The acquisition of Lot 500, land swap, and sale of land to Citygate Properties is subject to approval of the Minister.*
  - l) *An agreed timeframe for the implementation of the various components of the Heads of Agreement to ensure that the construction of the new Shire building is expedited.*
  - m) *A hydrology analysis and the treatment of storm water is acknowledged as a component of the Development Application.*
3. *Once the Heads of Agreement is executed between the Shire and Citygate Properties and the Minister has granted approval for the acquisition of Lot 500, land swap, and sale of land to Citygate Properties Pty Ltd, directs the Chief Executive Officer to call tenders for a suitably qualified consultant for:*
- a) *The preparation of detailed designs and specifications;*
  - b) *The preparation of construction tender documentation;*
  - c) *Tender evaluation;*
  - d) *The preparation of contract documentation for the construction of the new Shire administration and library building; and*
  - e) *The role of Superintendent for the construction project.*
4. *Authorises the Shire President and Chief Executive Officer to meet with the Minister for Transport; Planning; Lands to seek in-principle support for the proposal for the land swap and sale of Lot 500 for the purposes of the new Shire building and expansion of Eaton Fair.*
5. *Request the Chief Executive Officer to investigate a 'design and construct' option as an alternative, and arrange a presentation to Council regarding what the positive and negative aspects of that option.*



Enquiries: Tom Chapman Ph: 9273 9024  
E-mail: tom.chapman@landgate.wa.gov.au

15 May 2020

Director Engineering & Development Services  
Shire of Dardanup  
1 Council Drive  
Eaton WA 6232

By email: Luke.Botica@dardanup.wa.gov.au

For the attention of Mr Luke Botica

### **UNIMPROVED MARKET VALUATION REVIEW - LOT 601 - 1 COUNCIL DRIVE, EATON**

In response to your instructions dated 11 May 2020 we can advise as follows. This review is an update on the unimproved market value of the subject site provided by Landgate on 3 November 2016. A review of the original valuation and previous inspection of the subject site was also completed on 2 August 2019.

By way of background, the subject site (former Lot 500 on Plan 66681) formerly comprised a total land area of 1.7586 hectares. The site is situated within close proximity to the Eaton Fair Shopping Centre which comprises a Woolworths, Coles, Kmart and a range of specialty shops. Since the August 2019 valuation Lot 500 is now known as Lot 601 following some boundary adjustments from another land transaction. Lot 601 is now 1.6617 ha as compared to 1.7586 ha of former Lot 500 - a change of 0.0969 ha or 5.51%

Enquiries with the planning department at the Shire of Dardanup confirmed the subject site is currently zoned "Urban" under the Greater Bunbury Region Scheme and "Civic and Community / Mixed Use / District Centre" under the Town Planning Scheme No.3 (District Scheme). However, it is noted the "Mixed Use" and "District Centre" zonings relate to small portions of the subject allotment at the south-eastern corner of the site. The majority of the allotment is currently zoned "Civic and Community". We note, this valuation assessment is made on the assumption the subject allotment will be rezoned to 'Development Zone / District Zone'.

Services available to the subject site include; mains water and reticulated sewer, with supply lines located along Eaton Drive and Culling Cove. Electricity and telephone are also available. The subject site is irregular in shape with the topography gently undulating contour.

**Sales Evidence:**

<b>Address / Land ID</b>	<b>Land Area / Zone</b>	<b>Sale Details</b>	<b>Comparability</b>
Lots 606 & 607 Recreation Drive, Eaton  (Lots 606&607P412288)	4,193m <sup>2</sup> (collectively) - Mixed Use	\$1,364,880 2/2020 GST undisclosed. Discloses \$325/m <sup>2</sup>	Smaller allotment size, comparable location.
6 Hollosy Way, Ashby (1P411846)	5,337m <sup>2</sup> Commercial	Under Offer \$1,600,000 ex- GST. Discloses \$300/m <sup>2</sup> .	Smaller allotment size, located on the perimeter of the Ashby Village Shopping Centre. Emerging city fringe location.
Lot 5002 Portobello Road, Dalyellup  (Lot 5002P412056)	1.4ha – Urban Development	\$3,600,000 ex- GST 1/2018. Discloses \$257/m <sup>2</sup>	Smaller allotment size, location considered inferior.
300 Joseph Banks Boulevard, Banksia Grove  (Lot 143P406014)	1.32ha - Centre	\$5,463,060 ex- GST 12/2017. Discloses \$415/m <sup>2</sup>	Smaller allotment size, more developed locality. Superior overall.
2 Sepia Court, Rockingham  (Lot 301D86804)	1.24ha - City Centre	\$4,500,000 ex- GST 8/2017. Discloses \$364/m <sup>2</sup>	Smaller allotment size, more developed locality, superior zoning. Superior overall.
<b>For sale</b>  Proposed Lot 19 The Promenade, Treendale	2.99ha – District Centre	Asking \$5,980,000 ex-GST. Discloses an asking rate of \$200/m <sup>2</sup>	Larger allotment in close proximity to Treendale Shopping Centre.



**Evidence Comments:**

Sales evidence of 1 to 6 hectare parcels of land within close proximity to developing commercial precincts range from \$200/m<sup>2</sup> to \$415/m<sup>2</sup> exclusive of GST depending on the location, size and zoning. There was limited evidence of large parcels of land of a similar zoning to the subject site within the last few years, therefore sales evidence of large vacant land parcels within proximity to newer and developing metropolitan centres have been utilised.

Having regard to the sales evidence above, the market value of the subject site of 1.6617 hectares on an 'as if complete' basis is considered to be in the range of \$270/m<sup>2</sup> to \$290/m<sup>2</sup> GST Exclusive. For the purposes of this unimproved market value review the midpoint of this range has been adopted. This rate is unchanged from our review from August 2019.

**Valuation:**

**\$4,650,000 rounded (\$280/m<sup>2</sup>) exclusive of GST, on an 'as if complete' basis.**

This valuation has been prepared by Tom Chapman under delegation of the Valuer-General as defined in Part II of the *Valuation of Land Act 1978*.

**Assumptions, Conditions and Limitations:**

- Unimproved land only market valuation.
- The subject site, to be valued 'as if complete', and that the proposed rezoning and required approvals have been completed at the date of valuation.
- "The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including Australia. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically."
- A desktop assessment is merely an indicative assessment made *without the benefit* of a physical inspection of the subject property.



This report has been prepared for the private and confidential use of the client to whom it is addressed and should not be reproduced, either wholly or in part, or relied upon by third parties for any use, without the express authority of the Valuer-General.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tom Chapman", written over a horizontal line.

**TOM CHAPMAN**  
**LICENSED VALUER**

**SPECIALIST VALUES**  
**VALUATION AND PROPERTY ANALYTICS**

15 May 2020



## RATE SETTING STATEMENT

Page	Forward Estimate																					
	2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30	
	Budget	Estimated Actual	Budget Estimate																			
	<b>OPERATING ACTIVITIES</b>																					
	Net current assets at start of financial year - surplus/(deficit)																					
	Revenue from Operating Activities (Excluding General Rates)																					
2	General Purpose Funding	301,183	404,751	382,052	2,066,122	2,077,164	814	822	2,084,993	2,138,486	843	864	2,209,932	2,304,399	2,397,711	2,491,281	2,585,911	2,680,481	2,775,051	2,869,621	2,964,191	
6	Governance	1,550	2,092,945	5,800	807	814	252,656	21,471	257,631	262,908	269,477	275,435	282,378	290,122	297,998	305,868	313,738	321,608	329,478	337,348	345,218	
16	Law, Order & Public Safety	237,660	265,858	243,400	20,799	21,471	0	0	22,182	22,978	23,864	24,750	25,636	26,522	27,408	28,294	29,180	30,066	30,952	31,838	32,724	
24	Health	20,150	15,650	2,150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
28	Education & Welfare	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
29	Housing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
32	Community Amenities	1,504,190	1,487,976	1,494,071	1,538,930	1,557,283	0	0	1,577,196	1,606,146	1,635,096	1,664,046	1,693,000	1,721,950	1,750,900	1,779,850	1,808,800	1,837,750	1,866,700	1,895,650	1,924,600	
43	Recreation & Culture	1,977,939	1,547,559	1,372,873	1,713,382	1,733,382	163,431	163,431	1,753,382	1,833,382	1,883,382	1,933,382	1,983,382	2,033,382	2,083,382	2,133,382	2,183,382	2,233,382	2,283,382	2,333,382	2,383,382	
57	Transport	177,801	177,801	156,057	159,513	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	163,431	
62	Economic Services	110,580	92,990	97,652	100,700	103,837	107,146	110,831	114,831	118,831	122,831	126,831	130,831	134,831	138,831	142,831	146,831	150,831	154,831	158,831	162,831	
68	Other Property & Services	1,258,007	1,344,375	1,133,800	84,432	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	86,539	
	<b>Total Revenue</b>	<b>7,356,080</b>	<b>7,029,886</b>	<b>5,514,964</b>	<b>5,392,530</b>	<b>6,018,198</b>	<b>6,299,095</b>	<b>6,458,975</b>	<b>6,640,913</b>	<b>6,822,851</b>	<b>7,004,789</b>	<b>7,186,727</b>	<b>7,368,665</b>	<b>7,550,603</b>	<b>7,732,541</b>	<b>7,914,479</b>	<b>8,096,417</b>	<b>8,278,355</b>	<b>8,460,293</b>	<b>8,642,231</b>	<b>8,824,169</b>	
	<b>Expenditure from Operating Activities</b>																					
2	General Purpose Funding	(409,569)	(380,294)	(515,112)	(384,507)	(372,688)	(539,824)	(418,603)	(491,731)	(591,177)	(681,621)	(771,565)	(861,509)	(951,453)	(1,041,397)	(1,131,341)	(1,221,285)	(1,311,229)	(1,401,173)	(1,491,117)		
6	Governance	(1,282,266)	(1,242,444)	(1,199,062)	(1,309,818)	(1,383,835)	(1,523,882)	(1,522,713)	(1,637,989)	(1,654,120)	(1,770,291)	(1,786,422)	(1,901,593)	(1,917,724)	(2,032,895)	(2,049,026)	(2,164,197)	(2,180,328)	(2,295,499)	(2,311,630)		
11	Law, Order & Public Safety	(1,661,176)	(1,912,544)	(1,643,657)	(1,674,394)	(1,721,816)	(1,721,816)	(1,801,238)	(1,801,238)	(1,880,660)	(1,880,660)	(1,960,082)	(1,960,082)	(2,039,504)	(2,039,504)	(2,118,926)	(2,118,926)	(2,198,348)	(2,198,348)	(2,198,348)		
18	Health	(564,913)	(542,865)	(534,703)	(498,984)	(538,676)	(560,500)	(582,124)	(604,044)	(625,968)	(647,892)	(669,816)	(691,740)	(713,664)	(735,588)	(757,512)	(779,436)	(801,360)	(823,284)	(845,208)		
24	Education & Welfare	(826,305)	(810,226)	(787,035)	(752,020)	(809,189)	(838,016)	(867,843)	(897,670)	(927,497)	(957,324)	(987,151)	(1,016,978)	(1,046,805)	(1,076,632)	(1,106,459)	(1,136,286)	(1,166,113)	(1,195,940)	(1,225,767)		
29	Housing	(2,832,799)	(2,721,049)	(2,829,922)	(3,383,400)	(3,328,601)	(3,342,951)	(3,272,984)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)	(3,591,486)		
32	Community Amenities	(8,169,605)	(7,844,738)	(7,583,653)	(7,780,750)	(8,345,436)	(8,573,738)	(9,304,253)	(9,729,158)	(10,204,063)	(10,678,968)	(11,153,873)	(11,628,778)	(12,103,683)	(12,578,588)	(13,053,493)	(13,528,398)	(14,003,303)	(14,478,208)	(14,953,113)		
43	Recreation & Culture	(5,802,313)	(5,736,458)	(5,670,603)	(5,336,513)	(6,389,263)	(6,622,323)	(6,738,690)	(6,791,911)	(6,845,132)	(6,898,353)	(6,951,574)	(7,004,795)	(7,058,016)	(7,111,237)	(7,164,458)	(7,217,679)	(7,270,900)	(7,324,121)	(7,377,342)		
57	Transport	(603,072)	(563,470)	(517,640)	(425,209)	(388,269)	(397,851)	(411,429)	(425,007)	(438,585)	(452,163)	(465,741)	(479,319)	(492,897)	(506,475)	(520,053)	(533,631)	(547,209)	(560,787)	(574,365)		
68	Other Property & Services	(263,824)	(261,591)	(261,591)	(271,260)	(256,555)	(271,260)	(256,555)	(271,260)	(256,555)	(271,260)	(256,555)	(271,260)	(256,555)	(271,260)	(256,555)	(271,260)	(256,555)	(271,260)	(256,555)		
	<b>Total Expenditures</b>	<b>(22,404,842)</b>	<b>(21,911,643)</b>	<b>(22,056,346)</b>	<b>(22,882,423)</b>	<b>(23,633,906)</b>	<b>(24,343,050)</b>	<b>(25,244,094)</b>	<b>(26,061,864)</b>	<b>(27,298,142)</b>	<b>(28,535,420)</b>	<b>(29,772,698)</b>	<b>(31,009,976)</b>	<b>(32,247,254)</b>	<b>(33,484,532)</b>	<b>(34,721,810)</b>	<b>(35,959,088)</b>	<b>(37,196,366)</b>	<b>(38,433,644)</b>	<b>(39,670,922)</b>		
	Net Result Excluding Rates	(15,048,812)	(14,881,746)	(16,541,382)	(16,949,893)	(17,615,708)	(18,043,955)	(18,785,119)	(19,420,951)	(20,225,616)	(21,030,281)	(21,834,946)	(22,639,611)	(23,444,276)	(24,248,941)	(25,053,606)	(25,858,271)	(26,662,936)	(27,467,601)	(28,272,266)		
	<b>Operating Activities excluded</b>																					
	(Profit)/Loss on Asset Disposals	(1,165,000)	(1,221,645)	0	1,254	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Movement in Deferred Pensioner Rates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Movement in Employee Benefit Provisions	0	34,140	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Depreciation of Assets	5,242,750	5,210,500	5,266,352	5,419,745	5,869,498	6,111,960	6,275,655	6,330,917	6,487,279	6,643,641	6,799,993	6,956,345	7,112,697	7,269,049	7,425,401	7,581,753	7,738,105	7,894,457	8,050,809		
	<b>Net Non-Cash Operating Activities</b>	<b>4,077,750</b>	<b>4,022,995</b>	<b>5,266,352</b>	<b>5,420,999</b>	<b>5,869,498</b>	<b>6,111,960</b>	<b>6,275,655</b>	<b>6,330,917</b>	<b>6,487,279</b>	<b>6,643,641</b>	<b>6,799,993</b>	<b>6,956,345</b>	<b>7,112,697</b>	<b>7,269,049</b>	<b>7,425,401</b>	<b>7,581,753</b>	<b>7,738,105</b>	<b>7,894,457</b>	<b>8,050,809</b>		
	<b>Amount attributable to Operating Activities</b>	<b>(10,971,062)</b>	<b>(10,858,751)</b>	<b>(11,275,031)</b>	<b>(11,528,894)</b>	<b>(11,746,209)</b>	<b>(11,931,995)</b>	<b>(12,509,464)</b>	<b>(13,090,035)</b>	<b>(13,670,606)</b>	<b>(14,251,177)</b>	<b>(14,831,748)</b>	<b>(15,412,319)</b>	<b>(16,002,890)</b>	<b>(16,593,461)</b>	<b>(17,184,032)</b>	<b>(17,774,603)</b>	<b>(18,365,174)</b>	<b>(18,955,745)</b>	<b>(19,546,316)</b>		
	<b>INVESTING ACTIVITIES</b>																					
	Non-operating Grants, Subsidies and Contributions	4,883,282	5,475,890	6,372,366	9,390,383	6,521,130	5,013,874	4,626,609	5,077,498	5,528,387	6,003,276	6,478,165	6,953,054	7,427,943	7,902,832	8,377,721	8,852,610	9,327,500	9,802,389	10,277,278		
	Purchase of Land Held for Resale	(1,148,280)	(921,404)	(5,264,790)	(15,035,545)	(7,038,754)	(3,597,034)	(2,270,549)	(4,746,647)	(9,215,745)	(13,684,843)	(18,153,941)	(22,623,039)	(27,092,137)	(31,561,235)	(36,030,333)	(40,502,431)	(44,974,529)	(49,446,627)	(53,918,725)		
	Purchase of Plant & Equipment	(26,000)	(6,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Purchase of Motor Vehicles	(946,108)	(631,444)	(940,438)	(679,694)	(444,559)	(983,733)	(305,699)	(526,191)	(841,408)	(1,155,217)	(1,469,026)	(1,782,835)	(2,096,644)	(2,410,453)	(2,724,262)	(3,038,071)	(3,351,880)	(3,665,689)	(3,979,498)		
	Purchase of Furniture & Fittings	(475,478)	(426,419)	(112,993)	(54,658)	(120,078)	(388,795)	(90,727)	(111,855)	(197,954)	(286,053)	(374,152)	(462,251)	(550,350)	(638,449)	(726,548)	(814,647)	(902,746)	(990,845)	(1,078,944)		
	Infrastructure Assets	(6,259,722)	(5,982,864)	(6,985,351)	(5,114,951)	(4,395,966)	(3,942,295)	(3,522,768)	(3,103,241)	(2,683,714)	(2,264,187)	(1,844,660)	(1,425,133)	(1,005,606)	(586,079)	(165,552)	(165,552)	(165,552)	(165,552)	(165,552)		
	Advances to Community Groups	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Proceeds for Disposal of Assets	1,323,924	1,341,054	257,969	1,73,716	194,252	346,639	132,542	180,038	264,338	348,128	432,018	515,908	600,798	684,688	768,578	852,468	936,358	1,020,248	1,104,138		
	<b>Amount attributable to Investing Activities</b>	<b>(2,248,382)</b>	<b>(1,151,187)</b>	<b>(6,673,237)</b>	<b>(11,320,749)</b>	<b>(5,283,975)</b>	<b>(3,551,345)</b>	<b>(3,133,592)</b>	<b>(3,919,640)</b>	<b>(4,707,801)</b>	<b>(5,495,962)</b>	<b>(6,284,123)</b>	<b>(7,072,284)</b>	<b>(7,860,445)</b>	<b>(8,648,606)</b>	<b>(9,436,767)</b>	<b>(10,224,928)</b>	<b>(11,013,089)</b>	<b>(11,801,250)</b>	<b>(12,589,411)</b>		
	<b>FINANCING ACTIVITIES</b>																					
	Repayment of Debentures	(279,748)	(279,748)	(250,116)																		

Shire of Dardanup  
New Administration and Library  
Development – Financial Analysis  
Review

**PAXON GROUP**

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# 1 Project Background and Scope

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## 1.1 Project Scope

The Shire of Dardanup (the Shire) have engaged Paxon Group (Paxon) to undertake a peer review of the Shire's new Administration and Library Building (the Project) Business Plan and financial projections based on current assumptions. The review is required to assess all projected income and expenditures to validate the assumptions made in generating those estimates, and to ensure all potential income and expenditure items have been appropriately included.

The Shire developed financial projections internally using assumptions derived from consultations with various stakeholders. The assumptions used to derive those projections are detailed in this report at section 3.

This report was developed to transparently present the methodology and assumptions used in developing the financial projections and understand the key risks that may affect the project.

The assumptions were also benchmarked against similar projects to ensure the drivers of the financial projections are reasonable and within expectations. This process was used to determine the materiality of these assumptions for which the Shire may require further clarity and comfort.

## 1.2 Project Overview

The Shire is undertaking the design and construction of a new Community and Library and Administration Building (the Project) within the Eaton Town Centre on a lot to be created through an arrangement with Citygate Properties Pty Ltd (Citygate). Citygate have developed the Eaton Fair Activity Centre Plan and in June 2018 entered into a Heads of Agreement with Council to progress the Project.

In 2017 the Council engaged Bollig Design Pty Ltd (Bollig) to provide a concept design for the Project and produced the "New Administration and Library Building – Concept Plan and Financial Analysis" report in December 2017. The concept is for a three-storey Shire Administration and Library building, incorporating timber construction.

The Concept Plan report has been supplemented by the Council's in-house financial assessment of future income streams and rates growth associated with the expansion of the Eaton Fair Shopping Centre, to form a projected estimate of capital and operating costs, and potential income sources.

This review is required to assess all of the projected income and expenditure items to validate the assumptions made in generating those estimates, and to ensure all potential income and expenditure items have been included. This will include the forecast income generated from commercial lease space within the new building, together with additional rates generated through the expansion of the Eaton Fair Shopping Centre.

## 2 Modelling Methodology

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Paxon, in conjunction with the Shire, have developed a set of financial projections that forecast the income and expenditures in relation to the Project. Once a base set of financial projections were developed, sensitivities were applied to understand the risk from various key assumptions.

A Discounted Value of Projected Future Cash Flow (DCF) model was developed in accordance with modern financial theory. The modelling captures the various cash flow impacts of the sensitivities primarily in terms of revenue, recurrent costs and capital costs. The core outputs of the financial approach include the net present value (NPV) of cash flows under each sensitivity.

The DCF approach is suitable given the changes expected under the options and the uncertainty of outcomes into the future. The methodology provides useful flexibility to model the required variations under each sensitivity and changes in assumptions. It is a well-established financial analysis process that has been applied successfully to comparable decisions and circumstances in the past.

The following methodology was used to develop the financial projections and generate meaningful results for the Shire:

1. Review base modelling provided by the Shire in context with additional information provided (including the report developed by Bollig);
2. Forecast volume projections by Gross Floor Area (GFA) based on the likely development period and commencement dates for the new Development;
3. Forecast commercial lease revenue based on the assumed commercial lease rate and GFA available;
4. Forecast additional council rates revenue based on the assumed Gross Rental Value (GRV) of the current Eaton Fair facility and applying it to the relevant GFA in the land swap arrangement;
5. Develop an operating cost profile by assessing the components of the Shire's operating costs and applying fixed and variable costs;
6. Scale operating costs based on the fixed and variable cost profile to develop forecast operating costs for the Shire;
7. Forecast a debt profile based on the interest rate advised by Western Australian Treasury Corporation (WATC) to repay the debt over the term of the loan;
8. Forecast capital costs based on the cost plans provided and spreading them over an S-Curve to reflect the weighting of those costs over time;
9. Apply sensitivities to understand the impact of adjusting key assumptions; and
10. Present analysis to provide meaningful results for the Shire.

The key assumptions used in the financial modelling are detailed in the following section.

## 3 Key Assumptions

The following section details the key assumptions that were used in the financial analysis. Several of the key assumptions were adjusted in the sensitivities to understand the impact to future cash flows.

### 3.1 Timing

The following table shows the timing used in the financial modelling. The model contemplates a three-year development timeframe and operations of 25 years commencing in financial year 2023. Delays to the timeline are applied in the sensitivities to understand the impact to future and total project cash flows.

**Table 1: Timing Assumptions**

Input	Model Timing	Current Site	New Site
<b>Start date</b>	1-Jul-20	1-Jul-20	1-Jul-23
<b>Duration</b>	28 years	3 years	25 years
<b>End date</b>	30-Jun-49	30-Jun-23	30-Jun-49

### 3.2 Macroeconomics

#### 3.2.1 Indexation

The following table shows the escalation rates used in the financial modelling. CPI was applied to costs and revenues to reduce distortions due to the effect of indexation.

**Table 2: Escalation Assumptions**

Input	Assumption	Source
<b>CPI</b>	2.57%	Shire assumption
<b>Citygate revenue escalation</b>	4.00%	Shire assumption

#### 3.2.2 Discount Rate

The discount rate applied in the financial modelling was sourced from the Independent Pricing and Regulatory Tribunal (IPART). Every six months, IPART publishes the recommended discount rate for councils to apply if they are using a NPV approach to calculating local infrastructure contributions. IPART specifically relates to NSW, however it is considered a comparable organisation for the Shire's purposes.

As at the end of July 2019, the nominal local government discount rate is 3.7% which is used in the financial modelling. The calculation of the local government discount rate is available in the Weighted Average Cost of Capital (WACC) model spreadsheet, available on the IPART website.

### 3.3 Volume and Gross Floor Area

#### 3.3.1 Volume Assumptions

The following table shows the occupancy rates assumed for commercial leasing areas in the new site. The commercial leasing and office space is assumed to continue at 100% occupancy until the end of the project which indicates the type of long-term tenancy the Shire will attract.

It also shows the ramp up of the additional \$16,100m<sup>2</sup> Citygate development. This indicates a linear development profile for Citygate which has a direct impact to Gross Rental Value (GRV) and therefore the revenue the Shire can derive from it.

**Table 3: Occupancy Assumptions**

Input	Year 1	Year 2	Year 3	Year 4	Year 5+
<b>Commercial lease and office space occupancy</b>	100%	100%	100%	100%	100%
<b>Citygate development ramp up</b>	25%	50%	75%	100%	100%

The impact from the timing of the Citygate development of the additional leasable area was analysed in the sensitivities. Where the Citygate development was delayed, the ramp up profile was delayed by an equivalent time frame.

#### 3.3.2 Gross Floor Area

The following table provides the Gross Floor Area (GFA) inputs for each of the facilities. These are used to determine operating costs and revenues from rates and leasable areas. The total footprint of the Project is 6,069m<sup>2</sup>.

**Table 4: Gross Floor Area Assumptions**

Input	Assumption
<b>Current Site GFA</b>	
Current Citygate Total GFA	32,700m <sup>2</sup>
Current Citygate Leasable GFA	24,492m <sup>2</sup>
Current Admin/Library GFA	1,198m <sup>2</sup>
<b>New Site GFA</b>	
Additional Citygate GFA	16,100m <sup>2</sup>
Admin GFA	3,829m <sup>2</sup>
Commercial areas	356m <sup>2</sup>
Office space	619m <sup>2</sup>
Library GFA	1,265m <sup>2</sup>

### 3.4 Revenue

The following table provides the revenue assumptions used in the financial modelling. Citygate rates revenue is escalated by the Citygate escalation rate of 4.00% and commercial leasing revenue is escalated by CPI of 2.57%.

The impact of the commercial leasing revenue rate is analysed further in the sensitivities.

The comparatively low rate applied to a vacant lot reflects the Gross Rental Value (GRV) associated with that land. The impact of a delay in development is analysed further in the sensitivities, where the rate applied to a vacant lot is applied for the period prior to Citygate development.

**Table 5: Revenue Assumptions**

Input	Assumption	Source / Rationale
Commercial lease revenue	\$300 per m <sup>2</sup>	Strategically located commercial space
Office space revenue	\$200 per m <sup>2</sup>	Lower rate for office space
Citygate revenue – developed lot	\$25 per m <sup>2</sup>	Valuer general
Citygate revenue – vacant lot	\$1.55 per m <sup>2</sup>	Expected vacant lot lease rate

### 3.5 Costs

#### 3.5.1 Recurrent Costs

The following table provides the recurrent cost inputs for 2018/19 used in the financial modelling. The total annual costs in 2018/19 are \$236,445 with 70.14% of the costs remaining fixed. The fixed costs are not scaled when the new facility is developed as they are assumed to not be connected to GFA.

**Table 6: Recurrent Cost Assumptions**

Input	Annual Costs	Fixed Percentage
Salaries & Wages	\$26,780	75.00%
Materials & Contracts - Good & Services	\$45,071	50.00%
Utilities - Electricity	\$52,401	50.00%
Utilities - Water	\$20,183	50.00%
Insurance	\$7,663	50.00%
Overhead Allocation - Plant	\$2,743	100.00%
Overhead Allocation - Public Works	\$67,423	100.00%
Transportable hire costs	\$10,000	100.00%
Current library opex inc. maintenance	\$4,182	70.00%
<b>Total Opex</b>	<b>\$236,445</b>	<b>70.14%*</b>

*\*This represents the weighted average fixed cost percentage*



### 3.5.2 Capital Costs

The following table provides the capital cost assumptions used for the Project in the financial modelling. Capital costs included in the cost plan associated with Bollig Design were excluded as these were assumed to have already been incurred. All capital costs are assumed to be fixed as per the cost plan and therefore are not escalated over the development phase.

**Table 7: Capital Cost Assumptions**

Input	Assumption	Source
New Admin/Library Building	\$15,946,000	Option 1B three storey (6,069m <sup>2</sup> )
Optional Timber Structure	\$300,000	Bollig Design
Reserve Acquisition from State	\$250,000	Bollig Design
Other Works	\$860	Bollig Design
Consultants	\$4,478	Bollig Design
Irrigation Works	\$17,165	Bollig Design
Other Works	\$10,241	Bollig Design
Malatesta Road Paving & Hotmix	\$2,024	Bollig Design
Project Officer	\$150	Bollig Design
<b>Total Capex</b>	<b>\$16,530,918</b>	

In addition to the operating costs involved in operating the current facility, if the Project does not occur the administration and library buildings are expected to require significant capital investment in refurbishment to ensure they are fit for purpose. In 2016, the Shire engaged Bollig to estimate the capital costs involved in refurbishing the facility at \$2,695,000.

### 3.5.3 S-Curve

The following table shows the S-Curve profile used to spread capital costs over the development phase. The S-Curve reflects the nature of capital costs that are typically higher in the later years.

**Table 8: S-Curve Development Assumptions**

Input	Year 1	Year 2	Year 3
<b>S-Curve Profile</b>	20%	50%	30%
<b>Capital Costs</b>	-\$3,306,184	-\$8,265,459	-\$4,959,275

### 3.6 Financing

#### 3.6.1 Debt

The following table provides the financing assumptions used in the financial modelling. The financing assumptions were primarily sourced from the Western Australia Treasury Corporation (WATC). The loan was modelled to be fully drawn down in year 3.

**Table 9: Financing Assumptions**

Input	Assumption	Source
Loan value	\$6,000,000	Shire of Dardanup
Interest rate	3.72%	WATC
Guarantee fee	0.08%	WATC
Loan term	20 years	WATC

#### 3.6.2 Funding

The following table provides the funding assumptions used in the financial modelling. Additional funding of \$11 million is expected through the land sale and debt funding, while \$5 million is expected from available cash and other sources which is currently held in reserve accounts.

There is also a further \$1 million of other funds that are not part of the specifically allocated funding for this Project. The results show the impact of the future cash flows net of available cash.

**Table 10: Funding Assumptions**

Input	Assumption	Source / Notes
<b>Additional Funding Sources</b>		
Sale of land to Citygate	\$5,000,000	Shire of Dardanup / Citygate – assumed to materialise in year 1
<b>Available Cash</b>		
Funds held in Sale of Land Reserve	\$3,309,741	<ul style="list-style-type: none"> <li>Glen Huon utilised R4R grant</li> <li>Eaton Admin Extensions (14/15) Reserve</li> </ul>
Funds held in Carried Forward Projects	\$1,648,908	<ul style="list-style-type: none"> <li>Eaton Admin/Library Centre Project Loan Funds Reserve</li> <li>New Library Loan Repayments - Eaton/Admin Library Project Reserve</li> <li>Furniture &amp; Equipment 15/16 - Library /Admin Reserve</li> <li>General Admin Furniture &amp; Equipment 15/16 Reserve</li> </ul>
<b>Other funds not part of the specifically allocated funding</b>		

Input	Assumption	Source / Notes
Funds held in Carried Forward Projects	\$131,711	<ul style="list-style-type: none"><li>• Skate Park Design 14/15 Reserve</li><li>• Skate Park Eaton 15/16 Reserve</li></ul>
Funds held in building reserve	\$500,000	Funds held
Income 2015/16	\$142,541	Sale of land reserve
Income 2016/17	\$277,240	<ul style="list-style-type: none"><li>• Building reserve</li><li>• Sale of Land Reserve</li></ul>

Council has reviewed the current Cash Reserve balances as at 30 June 2019 for the Sale of Land Reserve, Carried Forward Projects Reserve and Building Reserve together with the forecast 2019/20 transfers to and from those reserves, and has confirmed that based on the additional funds of \$2,165,000 being received as forecast in 2019/20 from Citygate, then the Cash Reserves remain as projected and will be adequate to fund the project capital expenditure.

## 4 Sensitivity Analysis

Several sensitivities were applied to key assumptions used in the financial projections to understand the risk of these assumptions not materialising to the extent they are expected, or at all. These assumptions can be classified under one of the following categories:

- Upside sensitivities – these assumptions either reduce costs or increase revenue; or
- Downside sensitivities – these assumptions either increase costs or reduce revenue.

A 'Best Case' scenario was modelled that provides the compound impact if all upside sensitivities materialised. Conversely, a 'Worst Case' scenario was modelled to demonstrate the compound impact of all downside sensitivities.

This sensitivity analysis demonstrates the materiality of the impact to cash flows from each assumption and provides a range between the Best Case and the Worst Case.

### 4.1 Status Quo and Base Case

To understand the impact of adjusting key assumptions, a Status Quo and Base Case were modelled. These provide comparative cash flows that are used to determine the materiality of assumptions that were subject to sensitivities.

#### 4.1.1 Status Quo

The Status Quo model forecasts cash flows where the Shire remains in the current facility and the Project does not occur. This scenario assumes the current cost profile of the existing administration and library facility continues for the term of the Project. This provides a comparator to show the net cost impact from moving to the new facility.

In addition to the operating costs involved in operating the current facility, the administration and library buildings are expected to require significant capital investment in refurbishment to ensure they are fit for purpose. As described in section 3.5, in 2016 the Shire engaged Bollig to estimate the capital costs involved in refurbishing the facility at \$2,695,000. These costs are assumed to occur in the first year of the financial modelling as part of the Status Quo option and represent the bare minimum requirements to continue operations at the facility.

#### 4.1.2 Base Case

The Base Case model forecasts cash flows under a base set of assumptions. These assumptions are considered reasonable and represent the expectations of the Shire based on internal and external stakeholder consultations. The base assumptions are provided in section 3, and shown again in the next section.

## 4.2 Upside Sensitivities

The following table shows the assumptions used in the upside sensitivity analysis. The Best Case scenario applies all of the upside sensitivities that were identified.

**Table 11: Upside Sensitivities**

Sensitivity	Base Assumption	Adjustment	Adjusted Assumption	Application
<b>Building achieves operational efficiencies</b>	\$246,000 relevant annual costs incurred in 2018/19 at new facility	50% of relevant costs	\$123,000 relevant annual costs incurred in 2018/19 at new facility	This represents the lower operating costs due to the more efficient and better rated new facility. The reduction in costs was endorsed by the previous consultants, Bollig. It was modelled by reducing the following costs by 50%: <ul style="list-style-type: none"> <li>• Materials &amp; Contracts – Goods and Services;</li> <li>• Utilities – Electricity; and</li> <li>• Utilities – Water</li> </ul>
<b>Commercial rent is higher than anticipated</b>	\$300 per m <sup>2</sup>	Rental rate is 50% higher than base rate	\$400 per m <sup>2</sup>	This reflects that the assumed commercial lease rate is a conservative assumption. It was modelled by changing expected rental rate for the commercial areas of \$300 per m <sup>2</sup> is \$400 per m <sup>2</sup> .
<b>More office space is developed and available for leasing</b>	619m <sup>2</sup> of available office space developed	Office space GFA is doubled	1,238m <sup>2</sup> of available office space developed	This reflects that, although 619m <sup>2</sup> is considered in the plans, the Shire has the potential to utilise the development for more office space to service greater demand. This was modelled as double the Base Case office space which attracts the office space rate of \$200 per m <sup>2</sup> . The GFA for the commercial space remains the same (356m <sup>2</sup> ), while the administration and library buildings GFA is scaled down proportionately, although this does not impact capital costs.

### 4.3 Downside Sensitivities

The following table shows the assumptions used in the downside sensitivity analysis. The Worst Case scenario applies all of the downside sensitivities that were identified.

**Table 12: Upside Sensitivities**

Sensitivity	Base Assumption	Adjustment	Adjusted Assumption	Application
<b>Commercial space is vacant for the first three years</b>	Commercial space is 100% occupied when operations commence	0% occupancy	Commercial space is vacant for the first three years	This would materialise if the Shire is unable to find a tenant for the commercial space. It was modelled by removing revenue associated with commercial leasing for the first three years.
<b>Additional Citygate land is delayed</b>	Rates revenue from Citygate materialises in Year 1 of operations	Citygate development delayed by 5 years	Rates revenue from Citygate uses vacant rate up to Year 6 and base rate thereafter	This would materialise if there is a delay in developing the additional GFA Citygate receive in the land swap. If this occurs, the Shire will receive a rate commensurate with vacant land of approximately \$25,000 per annum compared to the base rate of \$400,000 per annum. This was modelled by applying the vacant land rate for 5 years and the base rate thereafter, such that the base rate applies from financial year 2028 onwards.
<b>Development delayed by 1 year</b>	Operations commence in financial year 2024	Development delayed by 1 year	Operations commence in financial year 2025	This would materialise if there is a delay in developing the Shire facilities. In this event, forecasts revenue is delayed. This was modelled by adjusting the model timing such that construction and operations are both delayed by a year.

## 5 Summary of Results and Findings

The following section shows the results from the sensitivity analysis. The results are presented based on the following:

- Net cash flow from scenario – this provides the net cash flow from the Scenario accounting for all operating and capital costs and revenues;
- Net cash flow from Status Quo – this provides the net cash flows under the Status Quo scenario where the Project does not occur;
- Variance to the Base Case – this provides the variance in net cash flow from the Scenario to the Base Case.

The Status Quo scenario has a net cost of \$12.70 million and the Base Case has a net cost of \$13.86 million.

The full 10-year cash flows under each sensitivity is provided in Appendix A.

### 5.1 Status Quo and Base Case Results

The Status Quo represents the cash flows expected if the development does not occur. The Base Case provides cash flow projections under the development based on the base assumptions described in section 4.

The following table shows the cash flows under the Status Quo and the Base Case for the first five years of the financial modelling. It also provides the cash flows in the 10<sup>th</sup> year of projections, financial year 2030, to normalise the forecasts for the effects of ramp up.

**Table 13: Status Quo and Base Case Cash Flows (\$000)**

\$000	FY21	FY22	FY23	FY24	FY25	FY30
<b>Status Quo Costs</b>						
Opex	-\$236	-\$243	-\$249	-\$255	-\$262	-\$297
Refurbishment costs	-\$2,695	-	-	-	-	-
<b>Net cash flow – Status Quo</b>	<b>-\$2,931</b>	<b>-\$243</b>	<b>-\$249</b>	<b>-\$255</b>	<b>-\$262</b>	<b>-\$297</b>
<b>Base Case</b>						
Revenue	-	-	-	\$361	\$489	\$859
Opex	-\$236	-\$243	-\$249	-\$668	-\$685	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$607
<b>Net cash flow – Base Case</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$966</b>	<b>-\$847</b>	<b>-\$526</b>
<b>Variance</b>	<b>\$4,389</b>	<b>-\$8,265</b>	<b>\$1,041</b>	<b>-\$710</b>	<b>-\$585</b>	<b>-\$229</b>

The above table shows that in the first year of operations (being year 5 of the model, as years 1-4 involve development activities) under the Base Case it will cost the Shire \$659,000 to service the drawn down debt and an additional \$313,000 to fund the operations of the Project. Under the Status Quo, it would cost the Shire \$262,000. Therefore, the net cost impact under the Base Case is \$710,000 compared to the Status Quo in the first year of operations. Once the Project achieves steady state operations in year 10, the net cost impact is considerably less at \$229,000. Once debt has been fully repaid in financial year 2045, EBITDA, or operating profit, is forecast to be approximately \$310,000 based on the input assumptions. Compared to the EBITDA under the status quo of negative \$435,000 this indicates a net benefit to the Shire of approximately \$745,000.

The following table shows the Status Quo and Base Case results in terms of total project cash flows and NPV over the 25-year term modelled. These results are used for comparison purposes in this section.

**Table 14: Status Quo and Base Case Results (\$M)**

	Total Project Cash Flows	NPV
<b>Status Quo</b>	-\$12.70	-\$8.60
<b>Base Case</b>	-\$13.54	-\$11.79

## 5.2 Upside Sensitivity Results

The following table shows the net cash flows for the project from the upside sensitivities in terms of total project cash flows and NPV. Each sensitivity is compared to the total project cash flows and NPV of the Base Case which are -\$13.54 million and -\$11.79 million respectively.

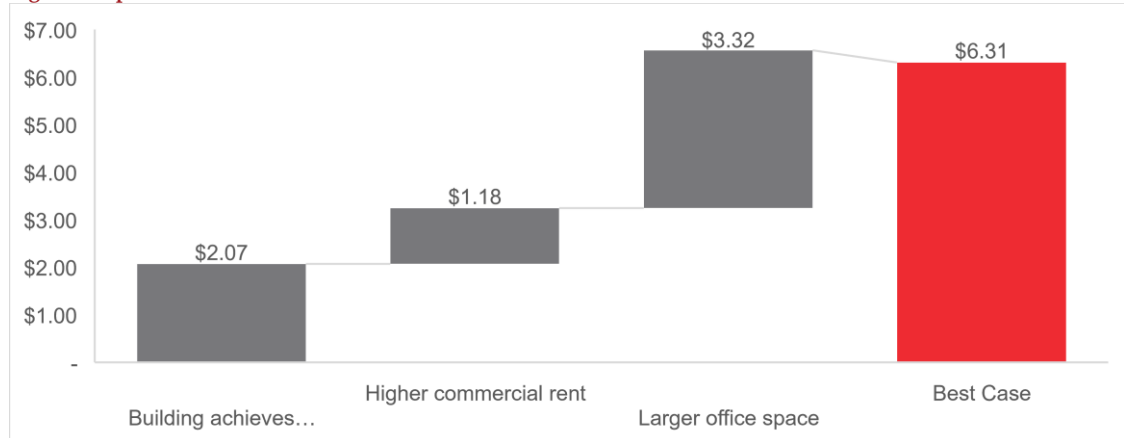
**Table 15: Upside Sensitivities (\$M)**

Sensitivity (\$M)	Project Costs – Net Cash Flow from Scenario	Project Costs – Variance to Base Case	NPV – Net Cash Flow from Scenario	NPV – Variance to Base Case
Building achieves efficiencies	-\$9.85	\$3.69	-\$9.72	\$2.07
Higher commercial rent	-\$11.45	\$2.09	-\$10.61	\$1.18
Larger office space	-\$7.63	\$5.91	-\$8.47	\$3.32
<b>Best Case</b>	<b>-\$2.29</b>	<b>\$11.25</b>	<b>-\$5.48</b>	<b>\$6.31</b>

The variance to the base case is shown again in the below figure. There is a slight variation between the cumulative variance to the Base Case and the components due to the interdependent nature of project delays and commercial vacancies.



**Figure 1: Upside Sensitivities – NPV Variance to the Base Case (\$M)**



### 5.3 Downside Sensitivity Results

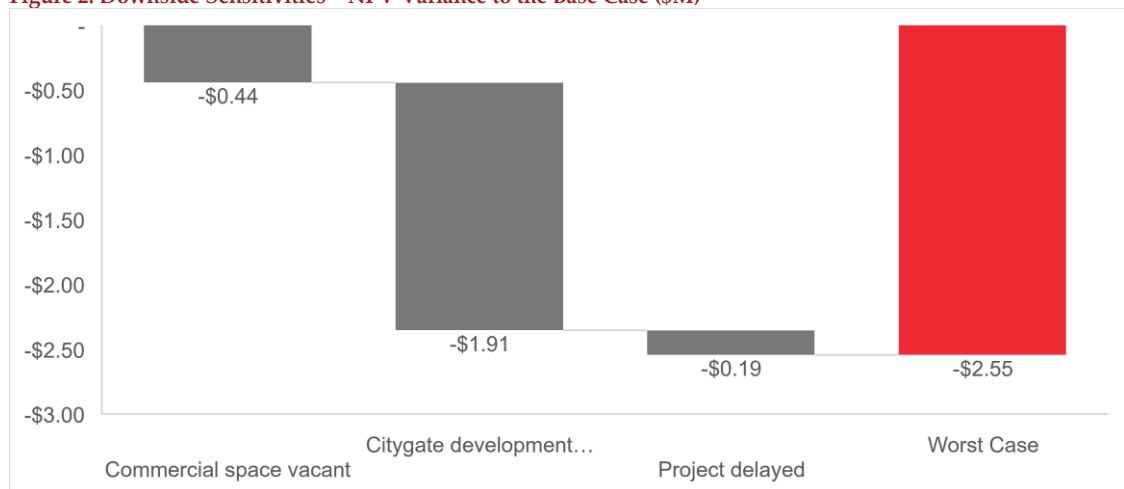
The following table shows the net cash flows for the project from the downside sensitivities.

**Table 16: Summary of Downside Sensitivities (\$M)**

Sensitivity (\$M)	Project Costs – Net Cash Flow from Scenario	Project Costs – Variance to Base Case	NPV – Net Cash Flow from Scenario	NPV – Variance to Base Case
Commercial space vacant	-\$14.05	-\$0.50	-\$12.23	-\$0.44
Citygate development delayed	-\$15.98	-\$2.43	-\$13.70	-\$1.91
Project delayed	-\$13.86	-\$0.31	-\$11.98	-\$0.19
<b>Worst Case</b>	<b>-\$16.91</b>	<b>-\$3.36</b>	<b>-\$14.33</b>	<b>-\$2.55</b>

The variance to the base case is shown again in the below figure.

**Figure 2: Downside Sensitivities – NPV Variance to the Base Case (\$M)**



### 5.4 Summary of Total Project Costs

The following table shows the results from the financial modelling and sensitivity analysis. All results are total project costs are presented in millions.

**Table 17: Summary of Sensitivity Analysis (\$M)**

Sensitivity (\$M)	Project Costs – Net Cash Flow from Scenario	Project Costs – Variance to Base Case	NPV – Net Cash Flow from Scenario	NPV – Variance to Base Case
<b>Upside Scenarios</b>				
Building achieves efficiencies	-\$9.85	\$3.69	-\$9.72	\$2.07
Higher commercial rent	-\$11.45	\$2.09	-\$10.61	\$1.18
Double the office space	-\$7.63	\$5.91	-\$8.47	\$3.32
<b>Best Case</b>	<b>-\$2.29</b>	<b>\$11.25</b>	<b>-\$5.48</b>	<b>\$6.31</b>
<b>Downside Scenarios</b>				
Commercial space vacant	-\$14.05	-\$0.50	-\$12.23	-\$0.44
Citygate development delayed	-\$15.98	-\$2.43	-\$13.70	-\$1.91
Project delayed	-\$13.86	-\$0.31	-\$11.98	-\$0.19
<b>Worst Case</b>	<b>-\$16.91</b>	<b>-\$3.36</b>	<b>-\$14.33</b>	<b>-\$2.55</b>

## 5.5 Summary of Findings

Based on the financial modelling, the new facility is expected to have increased capital and operating costs but will also generate revenue through commercial leasing and additional rates revenue. The sensitivity analysis discovered the materiality of the key assumptions underlying the financial forecasts to indicate which assumptions the Shire may require greater clarity on.

The following findings can be derived from the sensitivity analysis:

- In terms of net cash flow to the project, the Best Case scenario achieves a \$11.25 million benefit compared to the Base Case and \$10.40 million benefit compared to the Status Quo;
- In terms of net cash flow to the project, under the Worst Case scenario the Project would require an additional \$3.36 million compared to the Base Case and \$4.21 million compared to the Status Quo;
- In NPV terms, compared to the Base Case the Project is expected to achieve a \$6.31 million benefit in the Best Case scenario and require a further \$2.55 million in the Worst Case scenario;
- The project is similarly sensitive to achieving operational efficiencies in the new facility and negotiating advantageous lease terms for the commercial leasing space; and
- The project is more sensitive to the timing of the Citygate development due to the impact on rates compared to the downside impact of vacant commercial space or delayed construction.

As a result of the financial analysis, it is recommended that greater clarity is established with regard to the following key assumptions:

- The commercial lease rate that is likely to be applied;
- The likely GFA used for office space;
- The basis for reducing operating costs at the new facility; and
- The likelihood that the Citygate development will be delayed.

Further clarity around these assumptions will provide comfort to the Shire and other stakeholders about the financial projections and feasibility of the Project.

## Appendix A: Cash Flow Projections

The following tables show the cash flow projections under each sensitivity for the first ten years of the project. More detail about what is include in each sensitivity is provided in section 4.

### Status Quo – Cash Flows

Table 18: Status Quo – Cash Flows (\$000)

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	-	-	-	-	-	-	-
Opex	-\$236	-\$243	-\$249	-\$255	-\$262	-\$268	-\$275	-\$282	-\$290	-\$297
Capex	-\$2,695	-	-	-	-	-	-	-	-	-
Funding	-	-	-	-	-	-	-	-	-	-
Debt payments	-	-	-	-	-	-	-	-	-	-
Net cash flow	-\$2,931	-\$243	-\$249	-\$255	-\$262	-\$268	-\$275	-\$282	-\$290	-\$297

**Base Case – Cash Flows****Table 19: Base Case – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$361	\$489	\$627	\$775	\$802	\$830	\$859
Opex	-\$236	-\$243	-\$249	-\$668	-\$685	-\$703	-\$721	-\$740	-\$759	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$966</b>	<b>-\$847</b>	<b>-\$719</b>	<b>-\$581</b>	<b>-\$563</b>	<b>-\$545</b>	<b>-\$526</b>

**Building Achieves Efficiencies – Cash Flows****Table 20: Building Achieves Efficiencies – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$361	\$489	\$627	\$775	\$802	\$830	\$859
Opex	-\$236	-\$243	-\$249	-\$567	-\$581	-\$596	-\$612	-\$627	-\$644	-\$660
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$864</b>	<b>-\$743</b>	<b>-\$612</b>	<b>-\$471</b>	<b>-\$451</b>	<b>-\$430</b>	<b>-\$408</b>

**Higher Commercial Rent – Cash Flows****Table 21: Higher Commercial Rent – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$419	\$548	\$687	\$837	\$866	\$895	\$926
Opex	-\$236	-\$243	-\$249	-\$668	-\$685	-\$703	-\$721	-\$740	-\$759	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$908</b>	<b>-\$788</b>	<b>-\$658</b>	<b>-\$518</b>	<b>-\$499</b>	<b>-\$479</b>	<b>-\$459</b>

**Larger Office Space – Cash Flows****Table 22: Best Case – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$495	\$626	\$767	\$919	\$950	\$982	\$1,015
Opex	-\$236	-\$243	-\$249	-\$639	-\$656	-\$672	-\$690	-\$707	-\$726	-\$744
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$803</b>	<b>-\$680</b>	<b>-\$548</b>	<b>-\$405</b>	<b>-\$383</b>	<b>-\$360</b>	<b>-\$336</b>

**Best Case – Cash Flows**

**Table 23: Best Case – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$553	\$685	\$828	\$981	\$1,013	\$1,047	\$1,082
Opex	-\$236	-\$243	-\$249	-\$550	-\$564	-\$579	-\$594	-\$609	-\$625	-\$641
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$656</b>	<b>-\$530</b>	<b>-\$393</b>	<b>-\$247</b>	<b>-\$221</b>	<b>-\$194</b>	<b>-\$166</b>

**Vacant Commercial Space – Cash Flows**

**Table 24: Vacant Commercial Space – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$112	\$234	\$627	\$775	\$802	\$830	\$859
Opex	-\$236	-\$243	-\$249	-\$668	-\$685	-\$703	-\$721	-\$740	-\$759	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$1,214</b>	<b>-\$1,102</b>	<b>-\$719</b>	<b>-\$581</b>	<b>-\$563</b>	<b>-\$545</b>	<b>-\$526</b>

**Citygate Development Delayed – Cash Flows**

Table 25: Citygate Development Delayed – Cash Flows (\$000)

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	\$277	\$284	\$292	\$300	\$308	\$419	\$574
Opex	-\$236	-\$243	-\$249	-\$668	-\$685	-\$703	-\$721	-\$740	-\$759	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	\$6,000	-	-	-	-	-	-	-
Debt payments	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616	-\$607
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>\$792</b>	<b>-\$1,050</b>	<b>-\$1,052</b>	<b>-\$1,053</b>	<b>-\$1,055</b>	<b>-\$1,057</b>	<b>-\$955</b>	<b>-\$810</b>

Project Delayed – Cash Flows

Table 26: Project Delayed – Cash Flows (\$000)

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	-	\$372	\$505	\$648	\$802	\$830	\$859
Opex	-\$236	-\$243	-\$249	-\$255	-\$685	-\$703	-\$721	-\$740	-\$759	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	-	\$6,000	-	-	-	-	-	-
Debt payments	-	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>-\$5,208</b>	<b>\$5,745</b>	<b>-\$972</b>	<b>-\$849</b>	<b>-\$716</b>	<b>-\$572</b>	<b>-\$554</b>	<b>-\$535</b>



**Worst Case – Cash Flows**

**Table 27: Worst Case – Cash Flows (\$000)**

Item	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	-	-	-	-	\$29	\$30	\$300	\$308	\$317	\$432
Opex	-\$236	-\$243	-\$249	-\$255	-\$685	-\$703	-\$721	-\$740	-\$759	-\$778
Capex	-\$3,306	-\$8,265	-\$4,959	-	-	-	-	-	-	-
Funding	\$5,000	-	-	\$6,000	-	-	-	-	-	-
Debt payments	-	-	-	-	-\$659	-\$651	-\$643	-\$634	-\$625	-\$616
<b>Net cash flow</b>	<b>\$1,457</b>	<b>-\$8,508</b>	<b>-\$5,208</b>	<b>\$5,745</b>	<b>-\$1,315</b>	<b>-\$1,323</b>	<b>-\$1,064</b>	<b>-\$1,065</b>	<b>-\$1,067</b>	<b>-\$962</b>

## Appendix B: Expansion Case

An additional Expansion Case was developed to understand a further scenario of re-development of the Shire premises. This scenario contemplated the financial impact to the Shire from expanding the current premises.

The following key assumptions were used in the financial modelling:

- Additional temporary office accommodation of \$150,000 over the construction period.
- A total capital cost of \$11,090,000 including the temporary office accommodation, constructed over a 2-year period.
- A loan of \$6,000,000 over a loan term of 20 years with interest payments based on an interest rate of 3.72%.
- Resulting GFA based on the expanded premises changed to 3,159m<sup>2</sup>

The following table shows the cash flows under the Expansion Case for the first five years of the financial modelling. It also provides the cash flows in the 10<sup>th</sup> year of projections, financial year 2030, to normalise the forecasts for the effects of ramp up.

**Table 28: Expansion Case Cash Flows (\$000)**

\$000	FY21	FY22	FY23	FY24	FY25	FY30
Revenue	-	-	\$223	\$342	\$471	\$706
Opex	-\$236	-\$243	-\$523	-\$536	-\$550	-\$624
Capex	-\$4,436	-\$6,654	-	-	-	-
Funding	-	\$6,000	-	-	-	-
Debt payments	-	-	-\$659	-\$651	-\$643	-\$597
<b>Net cash flow</b>	<b>-\$4,672</b>	<b>-\$897</b>	<b>-\$959</b>	<b>-\$844</b>	<b>-\$721</b>	<b>-\$515</b>

The following table shows the Status Quo, Base Case and Expansion Case results in terms of total project cash flows and NPV over the 25-year term modelled. These results are used for comparison purposes in this section.

**Table 29: Status Quo and Base Case Results (\$M)**

	Total Project Cash Flows	NPV
<b>Status Quo</b>	-\$12.70	-\$8.60
<b>Base Case</b>	-\$13.54	-\$11.79
<b>Expansion Case</b>	-\$12.78	-\$11.55

In terms of net cash flow to the project, the Expansion Case is forecast to achieve a \$0.76 million benefit compared to the Base Case but be \$0.08 million worse compared to the Status Quo. In terms of NPV, the Expansion Case is forecast to achieve a comparable \$0.24 million benefit compared to the Base Case. This is primarily due to the additional revenue attracted under the Base Case from the additional commercial

and office space. These sources of revenue drive EBITDA under the Base Case in later years.

This financial analysis does not account for other qualitative factors such as achieving outcomes for the Shire. Therefore, in interpreting the results of the Expansion Case, it should be noted that simply comparing the total cash flow to the project or NPV is not necessarily capturing all relevant factors. Indeed, if the Base Case project would achieve better outcomes for the Shire, the relatively comparable NPV outcomes suggest that would be a preferable option.

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