



Item No: 19.1
 File No: 5.50.1.2
 Date: 15 July 2019
 Attachment: Nil

Meeting: Council

Title: Masterplanning Strategic Sites

Responsible Manager: Chief Executive Officer, Kiki Magro

Author: Chief Executive Officer, Kiki Magro

Key Focus Area: Strategic Community Plan Focus area 2- Sustainable and resilient future

Key Focus Area: Financial Guiding Principle 2 –Invest sustainably in community assets for the future

Type of Report: **Decision Required**

Pursuant to Section 83(5) of the *Local Government Act 1999*, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the *Local Government Act 1999* on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3)(b) of the Act being that if disclosed could reasonably be expected to confer a commercial advantage on a person with whom Council may conduct business with and hence prejudice the commercial position of Council.

Recommendation (Public)

Pursuant to s90(3)(b)

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except the Chief Executive Officer Kiki Magro, Group Manager Asset & Infrastructure Josh Bowen, Group Manager Planning, Environment & Regulatory Services Andreea Caddy, Group Manager Corporate Services Katy Bone, Group Manager Customer Experience Danielle Garvey, Manager Marketing & Communications Sonia DeNicola, Manager Community Development & Engagement Fiona Deckert, Business Analyst (Property & Contracts) Scott Reardon and Council Secretariat Vanessa Davidson be excluded from attendance at the meeting for Agenda Item 'Masterplanning Strategic Sites'.

The Council is satisfied that, pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council may propose to conduct business and would therefore prejudice the commercial position of the Council.

In addition, Council has further considered that the information would on balance be contrary to the public interest because the disclosure of Council's commercial position may severely prejudice Council's ability to negotiate an outcome for the benefit of the Council and the community in this matter.

Recommendation (Confidential)

1. That Council receives and notes the Masterplanning Strategic Sites report prepared by the CEO in response to the confidential Council resolution **CNC309/18-19** (18 March 2019).
2. That Council authorise the CEO to commence a 'select expression of interest' (SEOI) process in line with Council's Procurement Policy and in so doing recognises that only the following organisations will be invited to participate in the process:
 - Resthaven Incorporated
 - Omega Communities
 - Latitude Air
 - Southern Cross Care (SA & NT) Inc.
 - Clayton Church Homes Inc.
3. That Council authorise the CEO to engage a property development expert (consultant) to assist in the drafting of the SEOI documentation.
4. That the CEO provide a further report to Council outlining the outcome of the SEOI process, including further recommendations for Council's consideration.

Recommendation (Confidential)

Pursuant to s.91(7)

That having considered Agenda Item 'Masterplanning Strategic Sites' in confidence under section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report relevant to this Agenda Item be retained in confidence for a period of 4 years or until the matter has been finalised, excepting that Council authorises the release of the minutes to substantive parties to enable enactment of the resolution. Further, pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive Officer the review and power to revoke this Order

And

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the *Local Government Act 1999* and re-admit the public.

Summary

Oryx Property (Property Advisory Consultants) and Ekistics (Planning Consultants) were engaged by Council to provide high level advice on possible options for the redevelopment of the Fuller and Smith Street site. As part of that advice, they were also asked to articulate the processes available to enable development outcomes and highlight potential implications of the various options.

On 16 January 2019, as part of the Elected Member induction, the CEO provided an overview of the work undertaken to date and tabled the consultants preliminary (Draft) findings. Members were advised at that meeting that there would be a further session at which the consultants would be invited to present their findings in greater detail.

On 27 February 2019, representatives from Oryx and Ekistics attended an Informal Gathering (closed to the public) to brief Elected Members on their preliminary (Draft) findings.

Council subsequently received a further report (in confidence) on 18 March 2019 and resolved:

CNC309/18-19

1. *That Council receives and notes the Oryx Property & Ekistics 'confidential – Walkerville Strategic Project – Fuller & Smith Street' report, appearing as Attachment A.*
2. *That Council authorises the Chief Executive Officer to undertake informal confidential market testing with the Retirement Accommodation Industry and indoor recreation providers to identify if there is market interest in developing the entire combined Smith Street and Fuller Street site as an integrated complex and report back to a future Council meeting with interest shown; and*
3. *That Council authorises the Chief Executive Officer to meet with relevant State Government Agencies to confidentially ascertain future economic development plans that may be suitable for the entire combined Smith Street and Fuller Street site and report back to a future Council meeting.*

This report is presented to Council in response to item 2 above and further seeks Council's endorsement to proceed to a select expression of interest process.

Background

At its meeting held on 18 March 2019, Council received a confidential report outlining the work undertaken to date in relation to the masterplanning of Smith St / Fuller St. In that report, Council was advised that the decision to proceed with masterplanning certain Council owned sites occurred by way of resolution on 15 May 2017 (**CNC436/16-17**).

On 27 February 2019, representatives from Oryx and Ekistics attended an Informal Gathering (closed to the public) to brief Elected Members on their preliminary (Draft) findings.

On 18 March 2019, Council resolved:

CNC309/18-19

1. *That Council receives and notes the Oryx Property & Ekistics 'confidential – Walkerville Strategic Project – Fuller & Smith Street' report, appearing as Attachment A.*
2. *That Council authorises the Chief Executive Officer to undertake informal confidential market testing with the Retirement Accommodation Industry and indoor recreation providers to identify if there is market interest in developing the entire combined Smith Street and Fuller Street site as an integrated complex and report back to a future Council meeting with interest shown; and*
3. *That Council authorises the Chief Executive Officer to meet with relevant State Government Agencies to confidentially ascertain future economic development plans that may be suitable for the entire combined Smith Street and Fuller Street site and report back to a future Council meeting.*

The CEO has subsequently met with the following organisations in response to item 2 above. The Mayor attended those meetings where the Chairman of the organisation was also present.

Table 1

Organisation	Date of meeting	Present	Interest shown
Resthaven Incorporated	22 May 2019	Chairman Mark Potter & CEO Richard Horn.	<ul style="list-style-type: none"> • Tend to purchase land • Aged care industry is being de-regulated – has changed the sector

		Mayor Elizabeth Fricker & CEO Kiki Magro	<ul style="list-style-type: none"> • Moving towards independent living (apartments) • Would require 2 storey development as a minimum • Has definite merit • Happy to present idea / concept to the Property Committee for further consideration • Recognise that land of this size is becoming rare and may need to turn their minds to 'lease' arrangements.
Omega Communities	24 May 2019	CEO Alok Kumar & CEO Kiki Magro	<ul style="list-style-type: none"> • Into the assisted living / independent living space NOT aged care • Deliver high end accommodation • Walkerville suits their model • Average age of residents is 87 yrs. old • See this as an entrepreneurial opportunity • Leasing of land for 42 years is acceptable
Latitude Air	24 May 2019	Managing Director Peter Lang & CEO Kiki Magro	<ul style="list-style-type: none"> • Extremely interested (flew over from Victoria for the meeting) • 42 year lease is of no concern • Currently have facility at Greenacres, lease due expire December 2020 – do not intend to replicate Greenacres facility. • Latitude owns Bounce • See the site on offer as a 'Unicorn' – unique beyond measure – will deliver a premium multi-faceted facility • Location ideal • Planning guidelines acceptable • Size of land ideal – will be the first of its kind in Australia (due to size) • Fabulous opportunity that is rare and special • Envisage a 7,500 sqm facility with at least 100 undercroft car park (Greenacres turns over 200 participants every hour on average for after hours and weekends) • Paying a minimum of \$600k p.a rent is not problematic • Assuming business case stacks up – would be willing to invest \$30m to develop purpose built premium multi-faceted facility

Southern Cross Care Inc.	29 May 2019	Deputy Chairman David Martin & CEO David Moran. Mayor Elizabeth Fricker & CEO Kiki Magro	<ul style="list-style-type: none"> • Generally they own the land, however opportunities to purchase land this size and close to city is becoming increasingly limited • See it as an ideal site for assisted / independent living
Omega Communities	3 June 2019	CEO Kiki Magro invited to site visit at Leabrook Estate – Chairman Jim Hazel introduced himself	<ul style="list-style-type: none"> • Envisage 60-70 apartments with a \$30m outlay (investment) – 2 storey with under croft parking • Suits their business model • Leasing of land for 42 years may appear problematic for some but has potential to deliver return on investment • Pressure on private sector to provide assisted living – government unable to fund – definite growth sector • <i>'this is a very smart move on Council's part'</i>
Clayton Church Homes Inc.	18 June 2019	Chairman Brian Hern & CEO Nino DiSisto. Mayor Elizabeth Fricker & CEO Kiki Magro	<ul style="list-style-type: none"> • Generally they own the land – however, opportunities to purchase land is becoming limited • Very interested in opportunity • See potential for mixed use on site • See natural partnership with schools & oval precinct • <i>'lots of opportunity – suits our business model'</i> • Possible challenge beyond 42 year lease, in terms of asset ownership

It also being noted that to date, there have been no meetings held with relevant State Government Agencies to ascertain future economic development plans, driven in part by other organisation priorities.

Discussion/Issues for Consideration

Table 1 above provides Council with a snapshot of the feedback / interest shown by the retirement living sector and one operator from the indoor recreation sector. Overall the responses have been overwhelmingly positive.

The current lease for INEA YMCA is due to expire on 31 December 2020. Council has resolved not to provide an extension beyond this date and INEA YMCA has been duly notified accordingly (at the time that the current lease was executed 13 August 2018).

The Fuller Street site is currently leased to the City of Prospect on a short term lease, pending the completion of their new civic centre. We expect that they will vacate Fuller Street at or about November 2019.

The following potential issues for Council's further consideration and based on feedback received, (which can be addressed in any SEOI scope of works), are as follows:

- What type of facility is Council looking for?
- Would Council consider a mixed use development – commercial and residential?
- Would Council support undercroft parking?
- Would Council consider segregating a portion of land and setting it aside, pending an organisation acquiring the necessary aged care licences?
- Would Council consider and / or allow the developer to borrow via LGFA?
- Would Council consider rate rebates?
- What partnership arrangements would Council consider?
- Would Council consider developing the site themselves and outsourcing the management of the facility?
- What level of return is Council expecting?

It is further recommended that Administration engage a property development expert to assist in drafting the SEOI scope of work documentation, in order to ensure that the document is written in a style and manner that the sector is used to receiving. The engagement of such an expert will also ensure that Council is receiving the best possible advice in relation to any responses / submissions received.

Options for Consideration

Option 1

1. That Council receives and notes the Masterplanning Strategic Sites report prepared by the CEO in response to the confidential Council resolution **CNC309/18-19** (18 March 2019).
2. That Council authorise the CEO to commence a 'select expression of interest' (SEOI) process in line with Council's Procurement Policy and in so doing recognises that only the following organisations will be invited to participate in the process:
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 - Clayton Church Homes Inc.
3. That Council authorise the CEO to engage a property development expert (consultant) to assist in the drafting of the SEOI documentation.
4. That the CEO provide a further report to Council outlining the outcome of the SEOI process, including further recommendations for Council's consideration.

Option 2

That Council receives and notes the Masterplanning Strategic Sites report prepared by the CEO in response to the confidential Council resolution **CNC309/18-19** (18 March 2019).

Analysis of Options

Option 1 is a response to Council's resolution **CNC309/18-19** (18 March 2019), assuming that Council is still supportive of developing the Smith Street / Fuller St site.

This option further provides Council with a potential (and significant) future revenue source that can be generated towards other significant capital projects in the township (i.e. Walkerville Sports Hub).

Financial Implications

Should Council support option 1, there will be a financial resource outlay in the order of \$5,000 to \$10,000 for the engagement of a property development expert (consultant), depending on the complexity of the SEOI tender documentation. It is also expected that the consultant will assist Administration with the evaluation analysis. These funds can adequately be funded from the CEO's discretionary 'Strategic Initiatives' budget.

Community Implications

Should Council consider developing Smith Street / Fuller Street site, it is expected that the community will be consulted in due course. Further, any development of this site, will provide Council with a potential (and significant) future revenue source that can be generated towards other significant capital projects in the township (i.e. Walkerville Sports Hub).

Governance Implications

Should Council support option 1, Council's Procurement Policy will be adhered to.

Preferred Option & Reasoning

This report and subsequent recommendation is in response to Council resolution **CNC309/18-19**, which in part, authorised the Chief Executive Officer to undertake informal confidential market testing with the Retirement Accommodation Industry and indoor recreation providers to identify if there is market interest in developing the entire combined Smith Street and Fuller Street site as an integrated complex and report back to a future Council meeting with interest shown.

It is evident from the feedback received that both the retirement accommodation industry and indoor recreation provider (albeit only one was contacted) have shown a genuine interest in developing the Smith Street / Fuller Street site. The interest was overwhelming with most of the organisations referring to the proposition as '*unique*', '*exciting*', '*has definite merit*', '*rare and special opportunity*' and one organisation stating that '*this is a very smart move on Councils part*'.

Attachment/s

Nil