



## **BUSINESS PLAN FOR MAJOR LAND TRANSACTION**

### **NEERABUP INDUSTRIAL AREA – LOT 9100**

### **SUBDIVISION AND SALE PROPOSAL**

The City of Wanneroo acknowledges the Traditional Owners of this land, the Whadjuk people of the Noongar Nation; the Custodians of the lands on which the City is located and where we conduct our business.

We pay our respects to ancestors and Elders, past, present and future.

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## Introduction

The following Business Plan has been prepared in accordance with Section 3.59 of the *Local Government Act 1995* and corresponding Regulations.

It outlines the proposed land development and subdivision of Lot 9100 within the Neerabup Industrial Area ('NIA'), with the subdivisional land to be sold to market for the purpose of industrial use.

## Overview

### 1. Background

#### NEERABUP INDUSTRIAL AREA

The subject of this Business Plan is referred to as Neerabup Industrial Area Lot 9100, located within the NIA, approximately 32 kilometres from the Perth CBD.

The site, held in freehold by the City of Wanneroo ('City'), comprises an area of 16.2705 hectares and is currently undeveloped.

One of the relevant Goals within the City's Strategic Community Plan 2021 - 2031 is "*A vibrant, innovative City with local opportunities for work, business and investment*", within which the identified priorities are:

- **Strong and diverse local economy:** strong economy where local business is valued, supported and promoted and a diverse industry base.
- **Attract and support new and existing businesses:** a City where new and existing business grow and thrive.
- **Plan, develop and activate employment locations:** a wide variety of employment locations, ranging from town centres to large industrial hubs.
- **Develop local jobs and skills:** a range of opportunities for people to work locally and develop their skills.
- **Opportunities for investment:** a distinctive place to invest, attracting development and infrastructure.

A key measure of progress against this strategic goal for the City and its residents is "opportunities for local employment and access to businesses that provide for their daily needs". The development of the NIA (including the development of Lot 9100) is a key priority connected to this strategic goal, with the intent being to maximise the economic benefits of the site for the City's ratepayers and community.

#### SUBDIVISION OF LOT 9100

Western Australian Planning Commission approval for Freehold (Green Title) Subdivision of Lot 9100 was granted on 22 October 2021, being valid for a period of 4 years and subject to 21 conditions.

The approved plan of subdivision provides for 41 lots, ranging in area from 1,500m<sup>2</sup> to 4,700m<sup>2</sup>.

## 2. Site Summary

The particulars of the subject Lot 9100 are summarised below.

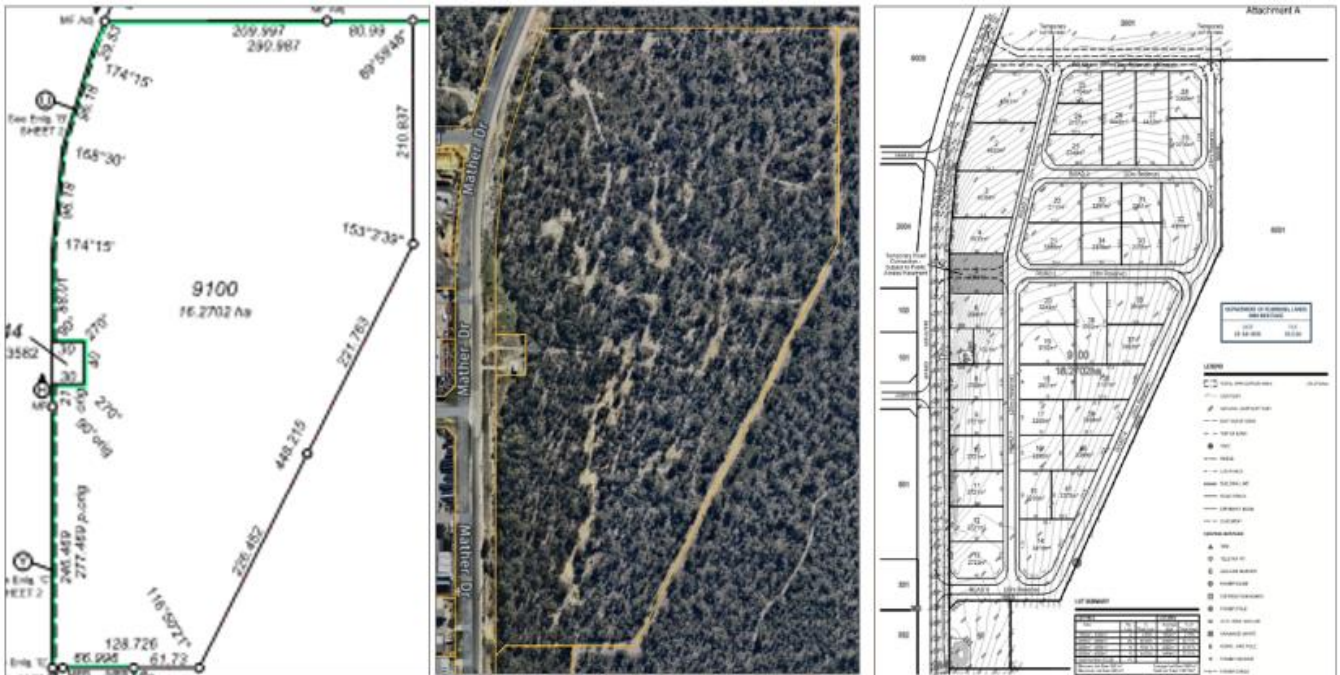


Figure 1: Lot 9100 illustrated on the site plan (left), current status (centre) and approved subdivision plan (right)

Item	Description
<b>Lot Details</b>	Lot 9100 on Deposited Plan 411322, comprised in Certificate of Title Volume 2938 Folio 771
<b>Address</b>	Mather Drive, Neerabup
<b>Distance from CBD</b>	32 Kilometres
<b>Site Area</b>	16.27 Hectares
<b>Tenure</b>	Freehold to the City of Wanneroo
<b>Zoning</b>	“Industrial Development” under the City of Wanneroo’s District Planning Scheme No. 2 (DPS 2)
<b>Planning</b>	Approved subdivision plan for 41 lots

### 3. Current Status

A number of technical and market investigations have previously been undertaken for the subject site, including the following:

- Order of Magnitude Business Case (Stage 2) (2016)
- Neerabup Industrial Area Discussion Paper (2019)
- Market Rental Valuation – Proposed Ground Lease (2020)
- Neerabup Market Sounding Valuation (2022)

In addition, preliminary engineering and opinion of probable cost have been completed in line with the approved plan of subdivision.

Most recently, a financial analysis and multi-criteria analysis was completed in June 2022 to assess various development and delivery options for Lot 9100, and to identify a preferred development and delivery option based on financial return and alignment to the City's strategic objectives for the site and the broader NIA.

The multi-criteria analysis compared the development and delivery options against four primary objectives being Delivery Requirements (complexity); Strategic Objectives (alignment to Strategic Community Plan); Financial; and Market (expected demand for product mix).

The following development and delivery options were analysed:

- develop lots and sell;
- develop lots and lease as ground leases;
- develop lots and sell some lots and lease other lots as ground leases;
- develop lots and sell most lots but also retain 5 lots and develop the improvements on those 5 lots and then lease those 5 lots; and
- sell the englobo (entire) development site.

The preferred development and delivery option recommended was *Option 1 (Develop and Sell)*, whereby the City develops the site into subdivided lots, and then sell the lots to market. This was recommended as the preferred development and delivery option as it:

- Provides the best financial return to the City;
- Ranks highest in the Multi Criteria Analysis; and
- Is the lowest risk in terms of being a standard subdivision and freehold sale of land.

Additional valuation advice indicates that the option to sell the englobo development site should remain as a possible option subject to detailed costings and market conditions just prior to tender document preparation.

## Details of Proposal

### 1. Summary of Proposed Major Trading Undertaking

This Business Plan has been prepared to comply with the provisions of the *Local Government Act 1995* (WA), with respect to the following major land transaction being the development and subdivision of Lot 9100 into approximately 41 individual lots, to then be sold to market by the City.

Western Australian Planning Commission approval for Freehold (Green Title) Subdivision of Lot 9100 was granted on 22 October 2021, being valid for a period of 4 years and subject to 21 conditions.

The approved plan comprises 41 lots, as detailed in the table below:

Lot No.	Area (m <sup>2</sup> )	Lot No.	Area (m <sup>2</sup> )
1	4,661	22	2,711
2	4,620	23	2,349
3	4,239	24	2,137
4	2,913	25	1,784
5	3,061	26	4,449
6	2,696	27	4,452
7	1,521	28	2,068
8	2,785	29	2,076
9	2,721	30	2,251
10	2,721	31	2,251
11	2,721	32	4,365
12	2,721	33	2,376
13	2,723	34	2,376
14	3,415	35	3,702
15	2,200	36	3,832
16	2,200	37	2,663
17	2,200	38	3,107
18	2,801	39	2,898
19	3,152	40	2,089
20	3,249	41	2,375
21	3,388		

The proposed lots will be provided with standard services including water, sewer, power and communications (NBN). In addition, roads will include stormwater drainage infrastructure and block paved intersections, with retaining provided to the majority of the lot boundaries. This is in line with the concept design drawings and opinion of probable cost prepared by Wave International on behalf of the City.

## 2. Opportunities and Risks

The key opportunity presented is to commence subdivision works on one of the City's key strategic landholdings, which will assist with triggering and supporting further economic development and investment within the NIA, creating new local businesses, generating employment and attracting people to the area.

The development and sale of the subdivided lots at a time when market conditions have been favourable and experienced considerable growth over the past 12 to 18 months will also allow the City to maximise its return on investment and reinvest the revenue generated into other key strategic projects or initiatives.

A strategic risk review completed identified the following key risks:

- Uncertain market conditions;
- Cost escalation;
- Tight contractor market;
- Increased cost of finance; and
- Supply chain delays.

Appropriate mitigation strategies have been developed for the risks identified above and a detailed risk assessment will be undertaken upon formal commencement of the project.

## 3. Delivery Structure

Upon completion of a procurement process (Request for Tender), a preferred contractor will be endorsed by the City and appointed for the proposed subdivision / civil works. The works may be completed in stages and the Request for Tender may be for all of the works or for a stage.

It is expected that the likely delivery structure to be adopted will be:

- The lead contractor will be contracted to deliver the works and manage all day-to-day responsibilities of the site works (e.g. materials / equipment procurement, sub-contractor appointments, staffing, administration, works on site, etc.) in exchange for payment of a fixed price, as agreed in the contract; and
- The City, via an internal project manager and other external technical consultants (e.g. civil engineer), is responsible for managing the lead contractor and overseeing that delivery of the works are in accordance with the agreed scope and conditions of subdivision.

The specific objectives and formal scope delivery requirements of the contractor will be determined once the design of the works have been completed.

## 4. Financials

### CAPITAL COST

A valuation recently obtained by the City for the Lot 9100 englobo development site confirms that the \$9m value used in the financial analysis is within the range of values determined, albeit at the lower end of the range. Note that in order to establish and assess the additional income that would be generated to the City through the effort and investment in developing the land, the current land value is treated as a cost. This provides a more realistic evaluation of whether it is worth the effort and risk to subdivide and develop the land versus sell as is.

The capital cost of the proposed subdivision works is \$8,079,691 (ex. GST) however, additional allowances currently included comprise:

- Construction contingency of 20%;
- Development Contribution Scheme contribution at \$15/m<sup>2</sup>;
- Consultant fees at 10% of construction costs; and
- Sales and marketing costs.

After allowing for these items, the revised total cost is in the order of \$12.8 Million (ex. GST).

An updated cost estimate will need to be prepared once further design works have been progressed and in line with market conditions at that time (e.g. pre tender estimate). A revised valuation of the englobo Lot 9100 will also be obtained just prior to tender preparation to check the viability of sub-division and sale versus sale as an englobo lot.

## FUNDING

The City has advised that a level of internal funding (from reserves) is expected to be available for the development of Lot 9100 however the exact quantum is yet to be determined.

As such, it is anticipated that the development (design, approvals and subdivision works) will either be fully funded by the City, or alternatively partially funded by the City and the balance funded through a loan from the Western Australian Treasury Corporation ('WATC').

The extent of funding required will also depend upon the staging of the works.

## FEASIBILITY

A development feasibility has been prepared for the proposed delivery option (City develop the subdivided lots and sell to market).

Revenue and expenditure assumptions were developed based on market sounding undertaken, including benchmarking of sales / leasing evidence, research undertaken and agent consultation.

Given a final funding strategy is yet to be determined, two funding scenarios have been analysed, summarised below:

- Option 1: Single stage and fully funded via equity from the City (Reserves); and
- Option 2: Single stage and fully funded via a WATC Loan.

The financial performance of the two options, assuming land value is treated as a cost is summarised below:

	Option 1 – Full Equity via City	Option 2 – Full Loan via WATC
<b>Total Revenue</b>	\$26,471,683	\$26,471,683
<b>Total Costs</b>	\$12,797,099	\$13,291,561
<b>Land Value</b>	\$9,000,000	\$9,000,000
Gross Development Profit	\$4,674,584	\$4,180,122
Development Margin	21.45%	18.75%



The financial analysis indicates that after all expenses are paid, the City can achieve a development margin of between 18.75% and 21.45%. This result indicates that is worthwhile subdividing the land, noting that the land value will also be realised at the time of sale as income to the City.

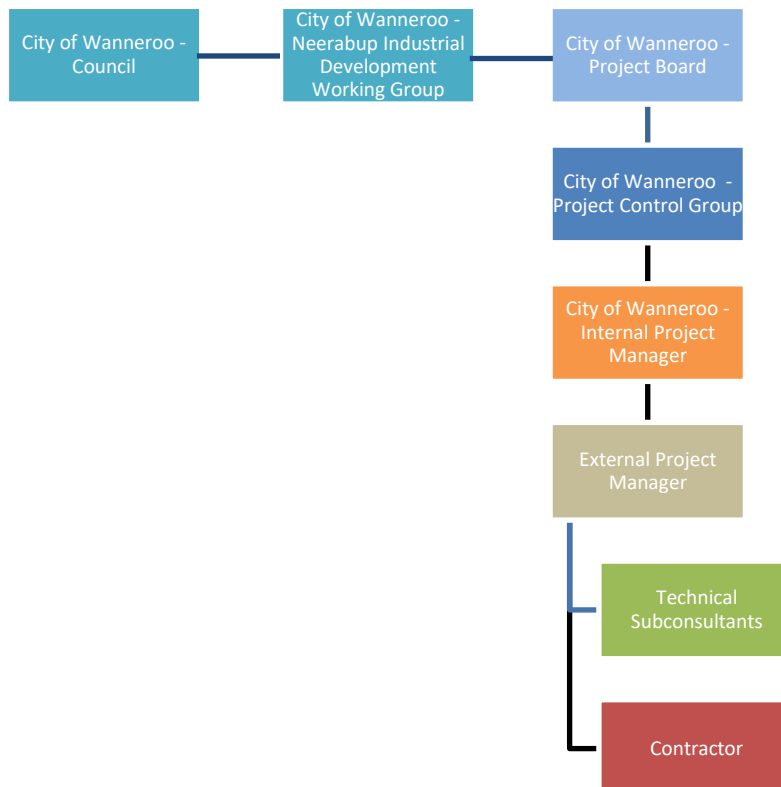
## 5. Contractor Procurement and Governance (Delivery)

### PROCUREMENT PROCESS

A procurement process for a suitably experienced and qualified contractor to undertake the subdivision works will need to be undertaken. This is anticipated to be in the form of a Request for Tender ('RFT'), whereby an RFT document is released to the open market, with respondents asked to provide a submission including experience, capability and organisational structure, financial capability and cost schedule, together with details of Occupational, Health and Safety systems and programme / methodology of how the works will be undertaken.

### GOVERNANCE STRUCTURE

The below governance structure indicates how the subdivision works for Lot 9100 will be managed on a day-to-day basis. There will be a requirement for a clear reporting structure between each entity.



## 6. Programme

An indicative implementation programme has been prepared to outline potential delivery timeframes, noting proposed dates will be subject to change, dependent upon Council decisions throughout the schedule, progression of the design and authority approvals and successful procurement of a contractor.

An indicative milestone schedule is provided below:

Task	Commencement	Completion	Status
<b>Council Approval to Proceed</b>	2015	October 2022	Business Plan Advertising
<b>Design Consultant Procurement</b>	January 2020	September 2020	Completed
<b>Approved Detailed Design &amp; Costing</b>	January 2022	March 2023	On Track
<b>Utility Providers Design Approval</b>	April 2023	June 2023	Anticipated
<b>Obtain Updated Valuation Advice (Council decision point)</b>	June 2023	June 2023	Anticipated
<b>Prepare Construction Tender</b>	July 2023	September 2023	Anticipated
<b>Construction Tender</b>	October 2023	November 2023	Anticipated
<b>Tender Evaluation</b>	December 2023	February 2024	Anticipated
<b>Award Tender (Council decision point)</b>	March 2024	March 2024	Anticipated
<b>Issue Contract</b>	April 2024	April 2024	Anticipated
<b>Construction</b>	May 2024	February 2025	Anticipated
<b>Titles</b>	March 2025	April 2025	Anticipated
<b>Settlements</b>	June 2025		Anticipated

An updated valuation will be obtained in June 2023. Following receipt of valuation advice, Council can consider either going to market for an expression of interest to purchase Lot 9100 englobo or proceed to tender for subdivision. Should Council decide to proceed with progressing a tender, an additional decision point is included above as to whether the City awards the tender or again considers sale of the englobo development site.

## 7. STAGING SCENARIOS

To allow flexibility during delivery, manage total costs at any one time and respond to market conditions appropriately, the following staging scenarios for Option 1 (full equity via the City) have been considered.

No of Lots:	Scenario #1: Single Stage Delivery	Scenario #2: Two Stage Delivery	Scenario #3: Three Stage Delivery
Stage 1 Release	41	22	14
Stage 2 Release	-	19	12
Stage 3 Release	-	-	15
<b>Total No. of Lots</b>	<b>41</b>	<b>41</b>	<b>41</b>

Assuming a 12-month gap from the completion of works for Stage 1 and the commencement of works for Stage 2 (and a further 12 month gap between Stages 2 and 3), the anticipated financial performance of the three staging scenarios has been compared below.

	Scenario 1 – Single Stage Delivery	Scenario 2 – Two Stage Delivery	Scenario 3 – Three Stage Delivery
<b>Total Revenue</b>	\$26,471,683	\$27,265,833	\$28,083,808
<b>Development Costs</b>	\$12,797,099	\$13,538,460	\$14,389,074
<b>Land value (cost)</b>	\$9,000,000	\$9,000,000	\$9,000,000
<b>TOTAL COSTS</b>	\$21,797,099	\$22,538,460	\$23,389,074
Gross Development Profit	\$4,674,584	\$4,727,373	\$4,694,734
Development Margin	21.45%	20.97%	20.07%

It is qualified that if the works are to be staged across two or three stages, the construction costs will increase due to the duplication of works required (e.g. multiple tender periods, mobilisation / demobilisation of the site multiple times) therefore, the return on investment via splitting the works into separable stages will be marginally less than if the works are completed in a single stage. In addition, revenue is assumed to increase marginally for a staged development as sales would occur over a longer time period. However, the staging scenarios considered still deliver a gross development profit margin of between 20.07% and 21.45%.

Whether the works will be staged or not will be determined closer to the estimated commencement period, subject to how the City wants to proceed and market conditions at the time, noting that sale of the land as a single englobo lot remains an option if the future determined value is such that development by the City becomes less attractive.

## 8. MARKET CONDITIONS AND MARKET DEMAND

While it is anticipated that the subdivision will comprise 41 lots, some proposed lots may be amalgamated or reconfigured to meet market demand in general and the requirements of particular buyers and tenants in particular. So the number of lots in the final plan or plans of subdivision registered at Landgate may differ from the number of proposed lots and areas described above. Changes in this regard (if any) are not anticipated to be significant.

There may also be occasions where interested buyers / tenants do not have the financial capacity to buy a lot or operate under a business mode that prefers leasing to purchasing. In such a scenario the City may consider building a development on a lot for a buyer / tenant and leasing the build form development to that tenant. The City could then look to either hold the development longer term or sell the built form development shortly after the lease starts. This is not the City's intended overall approach, but there may be circumstances (e.g. commercial return or an attractive tenant) where the City wishes to adopt this course of action. Changes in this regard (if any) are not anticipated to be significant.

The sale contract for subdivided lots between the City and individual lot buyers will be developed in due course. The development timelines and development obligations (if any) that may be imposed on individual buyers will be considered. It is possible that the standard sale contract with individual buyers will give the City a right to buy back a lot if the buyer fails to comply with the prescribed development timelines and development obligations.

As noted throughout the Business Plan, market conditions in terms of englobo land value as well as construction costs will need to be reviewed closer to the tender preparation stage and in this regard the option to sell the englobo development site remains a possible scenario up until any decision to award a tender.

## Local Government Act Compliance

The relevant legislation is as follows:

- *Local Government Act 1995, Section 3.59(3); and*
- *Local Government (Functions and General) Regulations 1996, Regulation 10.*

In accordance with the Local Government Act 1995 Section 3.59(2), before it commences a major land transaction, a Local Government is to prepare a Business Plan.

In accordance with Section 3.59(3), the Business Plan is to include an overall assessment of the major land transaction and is to include details of:

- A. its expected effect on the provision of facilities and services by the local government;
- B. its expected effect on other persons providing facilities and services in the district;
- C. its expected financial effect on the local government;
- D. its expected effect on the local governments planning for the future;
- E. the ability of the local government to manage the undertaking; and
- F. any other matter prescribed for the purpose of this subsection.

The above legislative requirements have been addressed in the below subsections.

### **A. Expected Effect on the Provision of Facilities and Services by the Local Government**

The development of Lot 9100 will allow the City to capitalise on its current landholding as well as achieve the strategic objectives set out in the City's Strategic Community Plan 2021 – 2031 including:

- Strong and diverse local economy: strong economy where local business is valued, supported and promoted and a diverse industry base.
- Attract and support new and existing businesses: a City where new and existing business grow and thrive.
- Plan, develop and activate employment locations: a wide variety of employment locations, ranging from town centres to large industrial hubs.
- Develop local jobs and skills: a range of opportunities for people to work locally and develop their skills.
- Opportunities for investment: a distinctive place to invest, attracting development and infrastructure.

The proposed subdivision works will have a minimal effect on the provision of facilities and services by the Local Government, requiring the monitoring and management of appointed consultants and contractors. This is considered business as usual for the City given the range and scale of capital works projects that the City commissions, manages and monitors on a regular basis.

## **B. Expected Effect on Other Persons Providing Facilities and Services in the District**

The proposed works will facilitate and support the development of the Neerabup Industrial Area, allowing for continual private investment, the creation of employment, diversification of the local economy and business attraction. There may be an impact on the competitiveness of the older buildings in the NIA, however, any impact would be offset by likely uplift in land values due to a new development occurring adjacent to the older area. This may trigger some redevelopment of the older area.

DevelopmentWA are the land developers of the adjoining industrial estate, Meridian Park, with pre-sale of their Stage 7 lots having recently commenced. DevelopmentWA are also the landowners of the Australian Automation and Robotics Precinct situated to the north of Meridian Park, comprising a 51 hectare site, with future expansion potential, used for testing, research and development and training in autonomous, remote operations and robotic systems and equipment.

It is anticipated that the development of Lot 9100 as an industrial precinct and the sale of the subdivided lots will compete with Meridian Park through increasing supply of lots and providing more choice to purchasers and tenants.

However, the benefits generated from the increased competition would include triggering the improvement of wider infrastructure and services within the precinct, fast tracking the ongoing development of the NIA, creating a greater consolidation of businesses and services within the area, attracting quality employment to the vicinity, providing greater choice to consumers in the market and working collaboratively to develop a vibrant, attractive and modern industrial area.

## **C. Expected Financial Effect on the Local Government**

A valuation recently obtained by the City for Lot 9100 indicates that the value attributed to the land of \$9 million is within the range of values determined and this land value will also be realised as income to the City at the time of sale. In addition, the 41 lots when developed will generate additional future rates income to the City on an annual basis.

The estimated cost for the City to deliver the works is in the order of \$12.8 million, which includes all infrastructure works, plus contingencies, as well as sales and marketing fees incurred. How this cost is funded is still to be determined however is expected to be via internal reserves or a loan from WATC (or a combination of both).

Based on the sales assumptions adopted, it is anticipated the project will deliver the City a net development profit of \$4.18 million to \$4.67 million (depending on financing approach). This profit, as well as the realised land value of \$9 million will then be available to the City to be reinvested into other key projects or initiatives requiring funding.

If the project is undertaken on a staged basis, the total costs to the City of any one stage will be significantly less than the anticipated total cost of \$12.8 million and the City can decide when to progress each stage.

The feasibility of the project is also examined in Part 4 “Financials” and Part 7 “Staging Scenarios”.

## **D. Expected Effect on the Local Governments Planning for the Future**

The City's Strategic Community Plan 2021 – 2031 nominates various goals and objectives for the future of the City. The relevant goal for this scope of works is to deliver “A vibrant, innovative City with local opportunities for work, business and investment”.

The proposed works have the opportunity to serve as the catalyst for the continued growth of NIA, attracting investment, employees and economic development to the area, increasing local skills and introducing new business to the City of Wanneroo. The delivery of this project is a key milestone in

achieving the Strategic Community Plan goals and objectives and will have a long-term positive impact on the City's community and economy.

**E. Ability of the Local Government to Manage the Undertaking or Performance of the Trading**

The City will obtain professional support through the appointment of technical consultants and an external (or internal) project manager to coordinate and manage the design and delivery process, together with a suitably experienced and resourced contractor.

It is assumed the City would work with the project manager to coordinate the works, noting that the proposed development is considered relatively low risk, with the City having experience in the delivery of projects of a larger scale and with a greater level of complexity.

**F. Any Other Matter Prescribed for the Purpose of this Subsection**

Nothing is prescribed that is relevant.

The Business Plan for the major land transaction for "Subdivision and Sale of Lot 9100" will be publicly advertised, as required under the Local Government Act 1995.

## Public Consultation and Advertising

Following the public advertising period (Section 3.59(4)), the City will consider all submissions and may decide (by absolute majority) to proceed with the major land transaction as proposed or so that it is not significantly different from what was proposed as described in this Business Plan in accordance with the provisions of the Local Government Act 1995, Section 3.59.

The advertising period will be **forty-two (42) days**.