

# Alkimos Aquatic and Recreation Centre

Business Plan for Major Trading Undertaking

# 1. Introduction and Overview

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 major trading undertaking of the development and operation of the Alkimos Aquatic and Recreation Centre ('AARC').

## Background

The AARC will serve as the City of Wanneroo's ('City') newest community recreation and aquatic facility, focused on servicing the growing needs of the expanding population of the City's Northern Coastal Growth Corridor.

The need for a regional aquatic facility was initially identified in the 2011 Northern Coastal Growth Corridor Community Facilities Plan (updated in 2020), with an initial implementation date of 2042-2046. However, following consultation with the community, it was clear that a facility for the northern coastal growth corridor was required much sooner.

This need was amplified due to the strong population projections in the region, a lack of existing community recreation and sporting amenities within the locality and the expected extension and delivery of new primary and secondary schools in the region.

In February 2020, the business case for the AARC was endorsed by Council and in July 2020, Council endorsed the preferred location. Since then, the concept design for the AARC has been completed, with various levels of funding now committed.

With the final amount of funding confirmed, the project has progressed into the Detailed Design Phase. There is therefore a need to prepare a Section 3.59 Business Plan, allowing the project to be publicly advertised and ensure the project meets the requirements stipulated in the Act.

## Purpose and Objectives

The purpose of this report is to meet the statutory requirements stipulated in *Section 3.59 of the Local Government Act 1995*, which requires a Local Government Authority to prepare a Business Plan as follows.

- (2) *Before it*
- (a) *Commences a major trading undertaking; or*
  - (b) *Enters into a major land transaction; or*
  - (c) *Enters into a land transaction that is preparatory to entry into a major land transaction,*
- a local government is to prepare a business plan.'*

The AARC meets the definition of a 'major trading undertaking' therefore, this report outlines a summary of the project scope as well as the following key statutory requirements:

- (3) *The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —*

- (a) *its expected effect on the provision of facilities and services by the local government; and*
- (b) *its expected effect on other persons providing facilities and services in the district; and*
- (c) *its expected financial effect on the local government; and*
- (d) *its expected effect on matters referred to in the local government's current plan prepared under section 5.56; and*
- (e) *the ability of the local government to manage the undertaking or the performance of the transaction; and*
- (f) *any other matter prescribed for the purposes of this subsection.'*

The Business Plan will answer the six key items for public advertising, allowing the community to comment prior to the project further progressing.

## 2. Site Summary

The AARC will be located within the Alkimos Central Development, north of Romeo Road and adjacent to the future Alkimos METRONET station.

Figure 1 illustrates the general area in which the AARC will be built, with the particulars of the site further detailed below.

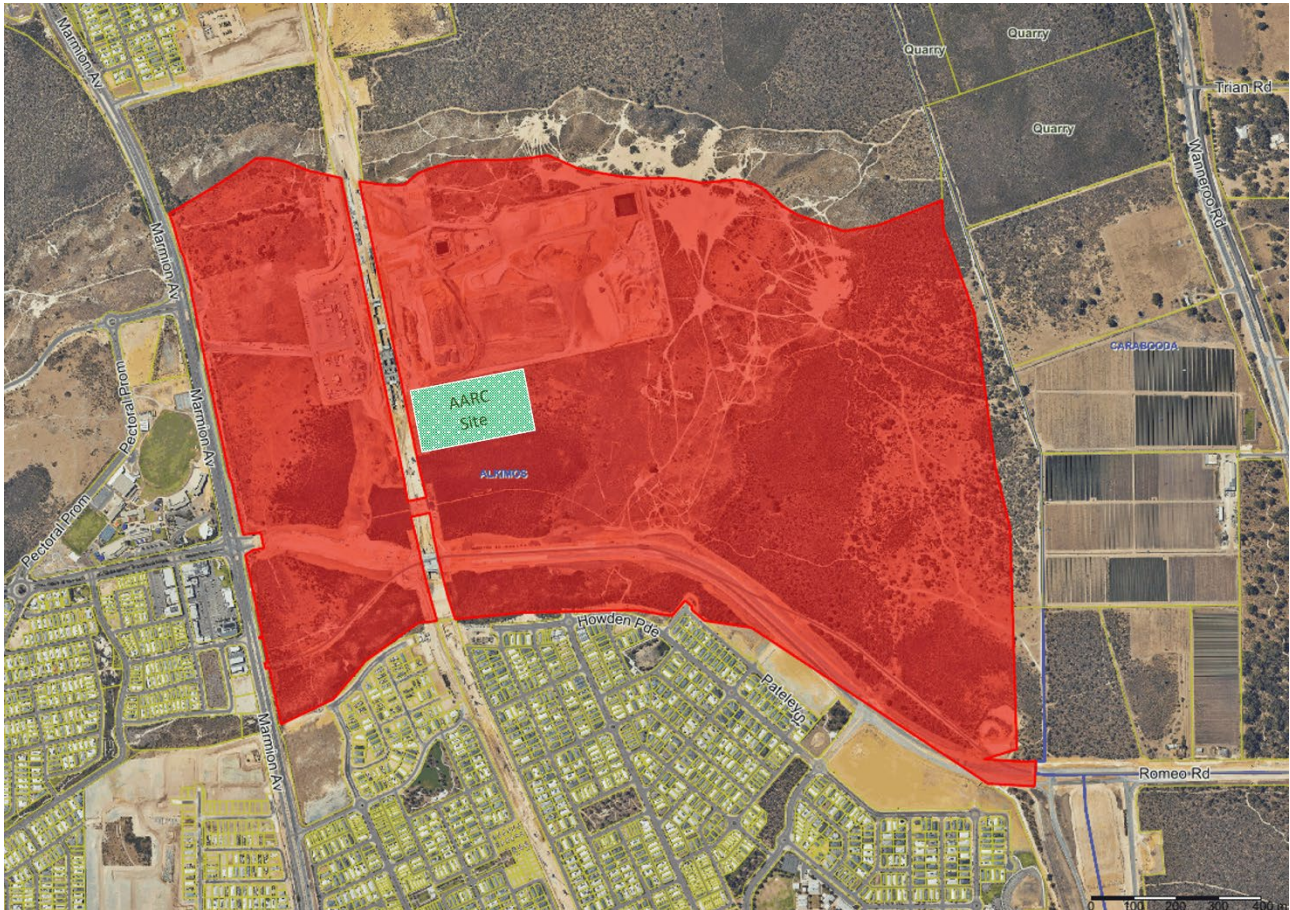


Figure 1: Satellite image of the subject site, with the AARC to be located at the highlighted green area.

Item	Description
<b>Address</b>	2570 Marmion Avenue, Alkimos 6038
<b>Title</b>	2985/162
<b>Survey Plan</b>	P419385
<b>Distance from CBD</b>	48km
<b>Site Area (ha)</b>	197.982
<b>Tenure</b>	Western Australian Land Authority

Note, via consultation with the Department of Planning, Lands and Heritage, the part of the site that will accommodate the AARC will be excised from the main lot, with ownership of the sub lot transferring to the City of Wanneroo. This is expected to occur within the next 12 months.

## Current Status

The AARC will form a central part of the evolving and developing Alkimos Precinct.

The subject site is currently vacant, forming part of the evolving Alkimos Central Development. West of the AARC subject site is St James Anglican School and Marmion Avenue, while directly south is an expanding residential subdivision.

North-west of the site is provision for the soon to be delivered Alkimos METRONET Station, with further residential development to occur north of the site.

## Catchment Overview

The AARC will be located within Alkimos, 44km from the Perth CBD, and will service the expanding Northern Coastal Growth Corridor. The AARC will provide vital aquatic and recreation services to neighbouring localities, including Two Rocks, Yanchep, Eglington, Butler, Jindalee, Quinns Rocks, Ridgewood and Merriwa.

Alkimos is expected to be one of Perth's fastest growing suburbs over the next 20 years, with the 2021 ABS Census recording a population of 13,904 residents, this is expected to grow to 32,321 by 2041<sup>1</sup>. The impact of this population growth is then further intensified via the projections expected to occur throughout the Northern Coastal Growth Corridor, which stretches from Butler through to Two Rocks. It is estimated that this corridor growth will see the population of 20,500, recorded in 2016, to increase to 134,000 people in 2041<sup>2</sup>

To support this growth, Alkimos (along with other surrounding suburbs) are the focus of multiple new residential suburb developments, with Alkimos advertised to buyers as affordable, beach side living in Perth.

The AARC will be vital in ensuring that the expanding development of Alkimos transforms into a true place to live, being able to provide vital community services and support the people living in the locality, noting that the closest aquatic facilities (Arena Joondalup and Wanneroo Aquamotion) are located more than 20 minutes south of Alkimos.

---

<sup>1</sup> Forecast ID: City of Wanneroo - Alkimos

<sup>2</sup> City of Wanneroo: Northern Coastal Growth Corridor Aquatic and Recreation Facility: Summary Business Case

## 3. Details of Proposal

### History

Development of an aquatic and recreation facility to service the Northern Coastal Growth Corridor has been a longstanding objective for the City, with discussions first had in 2011. In 2020, a business case was completed which defined the need and demand for an aquatic facility in this region in the short to medium term, along with determination of a preferred location, an initial project scope and financial feasibility.

Since this time, the project has progressed through the design phases (currently in detailed design), along with undertaking numerous rounds of community consultation as well as successful applications for State and Federal Government funding, with the \$78 Million budget required currently confirmed.

Throughout the entire process, the project has been well supported by the community who recognise the need for community and sporting services to meet the growing requirements of the expanding northern communities, recognising the vital service that recreation and aquatic amenities provide to the public.

Following completion of the S3.59 Business Plan (this document), the project will continue through the design phases and planning applications, prior to going out to considering tender for the appointment of both a contractor and operator in 2024, with construction estimated to commence by 2025.

### Project Scope

The AARC will be Perth's newest and most northern aquatic and recreation centre, with the following key amenities included within its scope:

- Aquatic Amenities including:
  - Eight lane, indoor 25m pool
  - Indoor water play space
  - Warm water programme pool
  - Eight lane, outdoor 50m pool
  - Spa / Sauna
- Four indoor hardcourts with spectator seating
- Healthclub with programme rooms and personal training space
- Creche with outdoor play
- Function Room
- Community meeting rooms
- Retail space
- Café
- Office / administration area
- Changerooms, toilets and amenities
- Storage

## Design Status

The project is currently within the detailed design phase, with the preferred architect appointed in early 2023 to continue on from the previous concept design; and lead the design and documentation process through to practical completion.

Figure 2 reflects the most recent design completed for the AARC, noting the below design is subject to change as the project progresses.

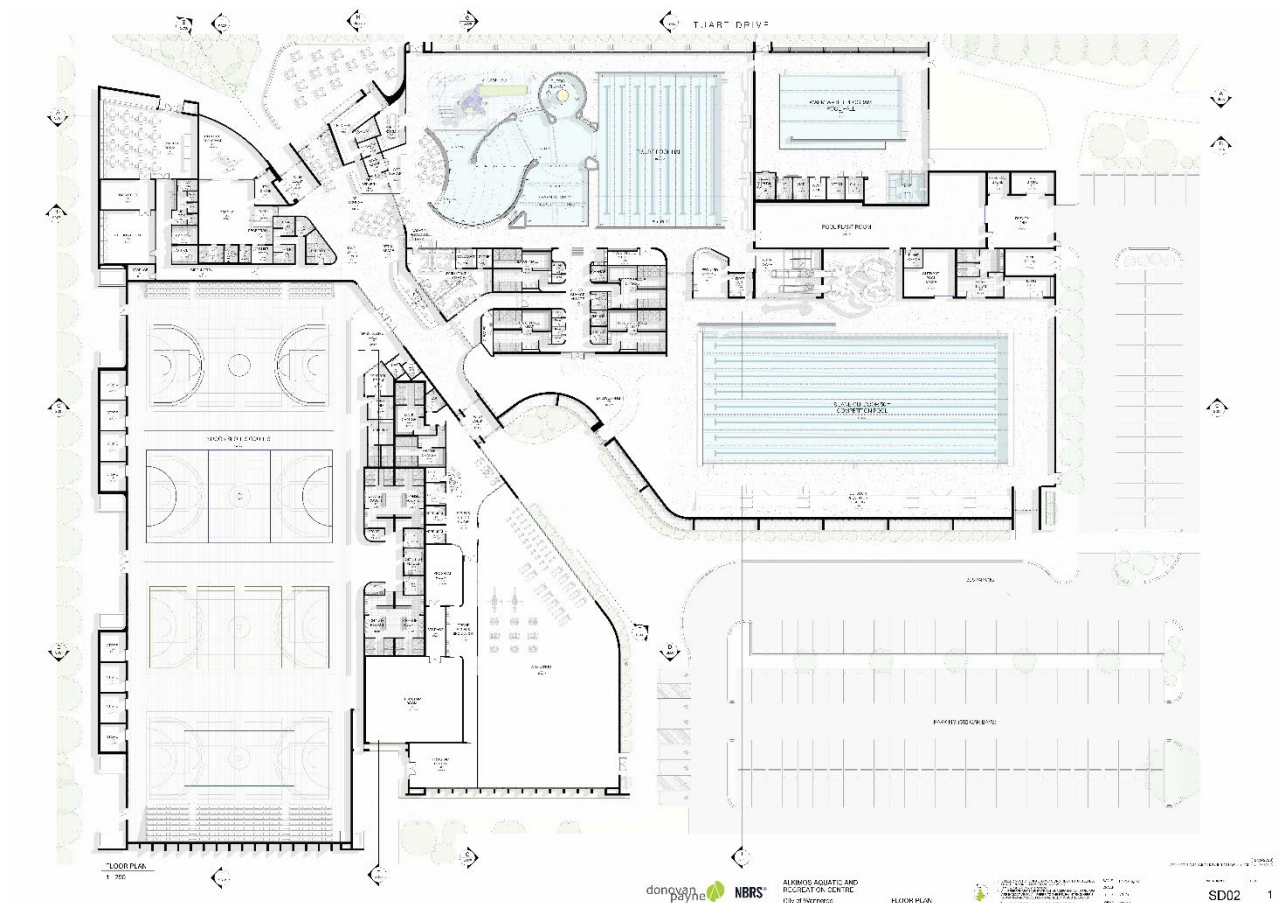


Figure 2: Concept design of the AARC.

## Project Benefits

The AARC will serve as a true community asset, providing vital services to the community and delivering health, social and economic benefits to the wider locality.

The business case completed in 2020 undertook a social and economic analysis to quantify the benefits that would be generated by the AARC. The key benefits to be generated include:

- Improved access to aquatic and recreational facilities for participants that are currently travelling to existing facilities (e.g. 20 plus minute drive between Alkimos and the nearest aquatic facilities, Arena Joondalup and Wanneroo Aquamotion).
- Additional participation in aquatic and other sport / recreation activities by residents who want to participate but do not currently participate due to prohibitively high barriers to participation (e.g. time / distance required to travel to the nearest facility).
- Improved physical and mental health benefits for participants and the community.
- Increased productivity of participants and the community.

- New volunteering opportunities for members of the community.
- Greater likelihood of drowning prevention.
- Improved social cohesion and activities between community members.
- Opportunity for elite sporting development through the provision of proper facilities.
- Greater incentive for private sector investment by property developers to invest and build within the region.

These benefits were then quantified via a net present value analysis, with the quantum of benefits to be generated in the order of \$163 Million over a 20-year period, or as represented below in Figure 3.

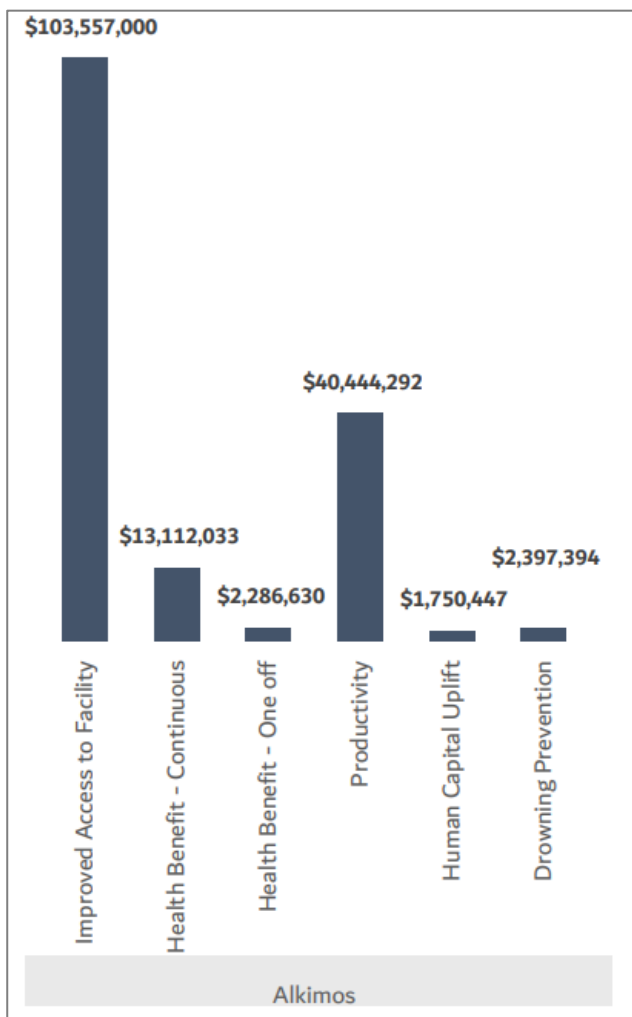




Figure 3: Summary of the net present value analysis, quantifying the benefits the AARC will generate, as per the 2020 Business Case.

## Governance Structure

A preferred governance structure for the facility is still to be determined, with an open tender process likely to be undertaken in the short term.

However, the two options that will be considered, noting the benefits and constraints of each, have been documented below:



Governance Method	Benefits	Constraints
 <p><b>Direct</b></p> <p><i>The City maintain direct control of the asset and assume management responsibilities</i></p>	<ul style="list-style-type: none"> <li>• Experience in managing similar assets (e.g., Aquamotion)</li> <li>• City maintains direct control.</li> <li>• The City have the experience and processes already set up to undertake</li> </ul>	<ul style="list-style-type: none"> <li>• Greater responsibility imposed on the City.</li> <li>• Additional resources required to be hired and managed by the City to facilitate.</li> <li>• City takes greater risk if the asset fails</li> </ul>
 <p><b>Independent</b></p> <p><i>The City appoint an external operator to manage the asset and day to day operations.</i></p>	<ul style="list-style-type: none"> <li>• Experienced operator whose sole purpose and business objective is managing similar assets.</li> <li>• Existing accounts / administrative systems in place which can be leveraged.</li> <li>• Opportunity to share existing staff base.</li> </ul>	<ul style="list-style-type: none"> <li>• Greater financial implications to the City, possibly requiring to pay the operator a fee.</li> <li>• The asset is required to achieve a higher revenue return to meet the operators hurdle rate.</li> <li>• Loss of operational management control by the City.</li> </ul>

A tender process for the consideration of the appointment of an operator is likely to be undertaken, noting that the City may determine to manage the facility themselves (i.e. direct model).

This approach will ensure the City is still able to receive feedback from the market in terms of what an operator will or will not be willing to agree to, as well as ensuring the City can still keep the option open to manage the asset itself.

## 4. Financials

### Capital Cost

The project budget for the AARC is \$78 Million (excl. GST).

### Financial Modelling

The City has led detailed financial modelling to determine the overall feasibility of the AARC. The table below summarises the cumulative key performance financial metrics anticipated for the AARC, based on a 40-year operating period.

	Cummulative \$	Year 40
<b>Operating Revenue</b>		<b>431,718</b>
<b>Operating Expenses</b>		<b>434,180</b>
<b>Operating profit/loss</b>		<b>-2,462</b>

Notes:

- *The figures above are in\$'000 and exclude GST.*
- *The figures above are earnings before interest, taxes, depreciation, and amortization (EBITDA).*
- *The financial model assumes the AARC is directly managed by the City.*
- *There is no external finance assumed within the model.*

Based on the financial analysis, it is estimated that the AARC will operate at a gross loss over the projected forty (40) years of its operations. However, over the lifespan of the facility, the financial impact of the AARC is considered minimal at the gross profit level.

## 5. Procurement & Programme

### Procurement

A procurement workshop was undertaken in late 2022 to determine the preferred procurement methodology for the project. The various procurement options considered include:

- Traditional Approach (i.e. design completion to 100%)
- Design and Construct
- Early Contractor Involvement
- Managing Contractor

The workshop endorsed a 'Traditional' procurement approach on the basis of:

- The City maintains full control of the design
- Allows for a full market tender process at each phase to check pricing (ie design and construction)
- Strong control of the cost estimate prior and post tender
- Design is fully resolved / documented prior to tender
- Flexible options to have single or multiple contractors on site simultaneously
- Tender prices do not need to allow for design and design related risks

The project architect and further consultant team have therefore been appointed on the basis of a Traditional Approach, completing the design to 100%.

### Programme

The estimated opening date for the AARC is September 2026, noting this date will be subject to change as the project progresses.

## 6. Opportunities and Risks

The key opportunity presented is delivery of a new recreation and aquatic facility to service a growing community and meet the needs of residents within the Northern Coastal Growth Corridor. The facility will provide new aquatic and sporting amenity, delivering improved health benefits and reducing barriers of entry such as travel time and cost to the closest comparable facilities (Arena Joondalup or Wanneroo Aquamotion), meaning more people can have access to quality community amenities.

The use of the facility by the community will then deliver improved social benefits, providing a place of cohesiveness and coming together, while the facility will improve the liveability of the area, encouraging more people to locate and build their life in Alkimos.

The immediate key risks recognised over the short term include:

- Ensuring the project can continue to align to the \$78 Million budget in a market which has experienced recent construction cost escalation and unforeseen market trends
- Managing the final stages of the land acquisition process, to have the subject site transferred from the State to the City
- Ensuring the final operator to be appointed (either the City or Independent) has the experience, capability and resources to commit to the operation and successful management of the facility

Each of these key risks are being managed by the team, with appropriate mitigation strategies developed for each.

## 7. 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 trading undertaking, 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 trading undertaking and is to include details of:

- '(3) *The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —*
- (a) *its expected effect on the provision of facilities and services by the local government; and*
  - (b) *its expected effect on other persons providing facilities and services in the district; and*
  - (c) *its expected financial effect on the local government; and*
  - (d) *its expected effect on matters referred to in the local government's current plan prepared under section 5.56; and*
  - (e) *the ability of the local government to manage the undertaking or the performance of the transaction; and*
  - (f) *any other matter prescribed for the purposes 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 City will lead direct management of the delivery of the AARC, with the asset forming part of the Communities and Place Delivery team. The scope and scale of the facility is comparable to other projects successfully delivered by the City, with the required internal resourcing already undertaken to ensure the City has the capability to successfully deliver the works.

Upon completion and operation, the AARC will have an impact on the City's provision of facilities and services as it will be one of the largest aquatic and recreational assets to be brought into their portfolio, including the additional new services that the AARC will deliver, which will be coordinated by the City (subject to the final governance model determined).

From an asset perspective, the City will be required to ensure that appropriate resources within the 'asset management team' are made available and appropriately trained in order for the AARC to form part of the existing portfolio. At a minimum, responsibilities of staff overseeing the AARC would need to include maintenance and asset repairs, commercial / contract manager, human resources, accounts and communications.

If the preferred governance model is then for the City to manage the asset directly, the City will be responsible for hiring and training all staff to operate the AARC, as each employee will be a direct City of Wanneroo employee. This will require additional provision of services to be delivered by the City which directly relate to the AARC, including facility management, all facility level staff (e.g. aquatics, health club, hardcourts, creche, retail etc.), events and marketing, administration, cleaning and commercial contracts. If, however an external operator manages the facility, many of these services and responsibilities will be delegated to them, and the City will remain at arm's length, however will retain powers such as setting of fees and charges and minimum product offerings.

It is provisioned for an operator tender process to commence in the short term, to determine if the City will directly manage the facility or whether an external operator will manage the facility. This timing will leave two years from opening to ensure that when the preferred option is determined, there is suitable time allowed for recruitment, on boarding and training of all staff to ensure the City is well resourced and equipped to deliver the required services when the facility opens.

It is also noted that the City currently directly manage the Wanneroo Aquamotion facility therefore, they are already experienced and equipped to directly manage similar types of facilities.

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

Given the scale of the facility and different amenities, the impact on surrounding facilities and services varies.

From an aquatic and hardcourt perspective, the impact will be none to low, noting that there are no surrounding competitors and the only potential impact will be to attendance at Wanneroo Aquamotion, which is another community facility managed by the City, and Arena Joondalup

For the health club, the impact will be low to medium on surrounding gyms, noting that the health club in the AARC would be considered a competitor by other businesses. However, the AARC health club is different to its surrounding competitors due to its significant scale (i.e. greater than 1,000m<sup>2</sup> in floor area) which does not compare to the service offered by existing health / gym facilities, which either offer a smaller gym space or cater to a more boutique fitness offering (e.g. cross training, Pilates, circuit fitness etc.) with a select target market. Therefore, given the health club service offered is substantially different to existing health clubs in the catchment, impact to surrounding businesses is considered low to medium.

The AARC will offer some food and beverage and retail amenities however, this will be directly complementary to the aquatic and sports function component (i.e. they are not a standalone café

or retail store). Therefore, the expected impact on surrounding food and beverage and retail businesses is considered low.

Overall, the AARC is either providing completely new services to the catchment (e.g. aquatics and hardcourts) or offering services at a scale that is not comparable to what is currently offered in the market. Therefore, the overall impact to existing services and facilities within the district is considered low.

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

From a capital perspective, the City has committed approximately \$25.18 Million in funding from its reserves to the project, with all other funding for the project provided by external parties. The amount to be contributed by the City has been approved by Council for the project and therefore, has been allocated to future budgets. Given the allocation is being appropriately allowed for and managed, the impact to the City is considered minimal.

Regarding operations of the facility, as noted under Section 4, it is estimated that the AARC will operate at a gross loss over the projected forty (40) years of its operations. However, over the lifespan of the facility, the financial impact of the AARC is considered minimal at the gross profit level.

It is also noted that the current funding model assumes no external finance therefore, this has assisted with minimising any long term negative financial impacts to the City.

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

Delivery of the AARC will have a strong positive impact on the City's future planning for the area. The AARC has been a longstanding objective for the City and will assist the City with achieving their other strategic objectives, as nominated in the following key documents and their relevant strategic objectives.

#### **2021 – 2031 Strategic Community Plan**

- An inclusive and accessible City with places and spaces that embrace all:
  - Value public places and spaces.
  - Facilities and activities for all.
  - Bring people together.
- A City that celebrates rich cultural histories, where people can visit and enjoy unique experiences:
  - Tourism opportunities and visitor experiences.
- A vibrant, innovative City with local opportunities for work, business and investment:
  - Plan, develop and activate employment locations.
  - Develop local jobs and skills.
- A future focused City that advocates, engages and partners to progress the priorities of the community:
  - Advocate in line with community priorities.
  - Build local partnerships and work together with others.
  - Understand our stakeholders and their needs.

- Community Recreation Programs and Facilities:
  - Plan and provide innovative models for quality community facilities and programs to enable opportunities for healthy and active lifestyles.
- Place Management:
  - Develop unique places by connecting with the community to help shape our local plans and service delivery.
- Community Development:
  - Work with the community and stakeholders to foster connectedness and capacity across all ages, diverse cultures and abilities to enhance quality of life.
- Economic Development:
  - Focus on local, regional and strategically significant infrastructure and economic development initiatives, which enable local economic growth and employment opportunities.

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

The City has had success in delivering similar, large infrastructure projects, having already undertaken the required internal resourcing to ensure that qualified and experienced personnel are appointed to the team to lead delivery of the works.

In terms of operation, if the City directly manages the facility, they have demonstrated success in managing similar assets, such as the Wanneroo Aquamotion. Therefore, there is confidence the City would be able to successfully manage the AARC, given the similarities in scope as well as having an existing foundation of knowledge and efficiencies that could be leveraged.

If the AARC was to be managed by an external operator, the City have demonstrated success in managing an external operator appointment process, having recently undertaken the process for the Wanneroo Aquamotion (which resulted in the City being appointed as the preferred operator), as well as for Carramar and Marangaroo Golf Courses (which were awarded to external operators).

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

The Business Plan for the Major Trading Undertaking for “management and delivery of the Alkimos Aquatic and Recreation Centre” will be publicly advertised, as required under the Local Government Act 1995.



## 8. Public Consultation & 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 Trading Undertaking 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**.