

## 12.8 Proposed Sale of 355-357 Shepperton Road, East Victoria Park

<b>Location</b>	East Victoria Park
<b>Reporting officer</b>	Jon Morellini
<b>Responsible officer</b>	Ben Killigrew
<b>Voting requirement</b>	Absolute majority
<b>Attachments</b>	<ol style="list-style-type: none"> <li>1. Attachment 1 Albany Hwy Development Proposal [<b>12.8.1</b> - 17 pages]</li> <li>2. Attachment 2 Public Submissions [<b>12.8.2</b> - 10 pages]</li> <li>3. Attachment 3 Submission to TVP 20190926 [<b>12.8.3</b> - 9 pages]</li> <li>4. Attachment 4 Woolworths Group Solar Energy Policy [<b>12.8.4</b> - 4 pages]</li> <li>5. Attachment 5 Planning Comments [<b>12.8.5</b> - 3 pages]</li> <li>6. Attachment 6 East Vic Park - Council Sale and Purchase Contract ( Final -... [<b>12.8.6</b> - 51 pages]</li> </ol>

### Recommendation

That Council:

1. Receives the public submissions and notes the Officer's responses as contained at Attachment 2.
2. Approves the contract of sale for 355-357 Shepperton Road as contained at Attachment 6 being lot 30 on Diagram 10509, lot 488 on Plan 2609 and lots 131 and 132 on Deposited Plan 45782 for the value of \$3,821,000 excluding GST.
3. Delegates the Chief Executive Officer and Mayor the authority to execute all necessary documentation under the Town's Common Seal, to effect the sale of 355-357 Shepperton Road, East Victoria Park to Fabcot Pty Ltd.
4. Notes the following obligations to be address in the proposed contract of sale to Fabcot Pty Ltd as part of the delivery of the site:
  - i. installation of rooftop solar photovoltaic cells;
  - ii. entry statement considerations on the corner of Albany Highway and Shepperton Road;
  - iii. consideration of more iconic design principles in accordance with the Town of Victoria Park's relevant planning policies and guidelines at the Contract Date;
  - iv. Allocation of circa 15 car parking bays which are accessible by the public at all times with the remainder of any car parking bays on the Property (number to meet the Town of Victoria Park's minimum car parking ratios) being publicly accessible during business hours, with free parking limited to 90 minutes;
  - v. commitment to a 6 to1 ratio of new tree planting (minimum 100 litre tree size unless otherwise agreed by the Seller acting reasonably) to existing trees in the adjacent area owned by the Buyer and on the Property where possible in the local area and on the Property where possible;

- vi. minimum four-star Green Star rating for the Development; and
  - vii. inclusion of a minimum of 4 electric car charging stations; and
  - viii. the Buyer to maintain its commitments under the publicly advertised Reconciliation Action Plan (RAP) while delivering and operating its business from the Property,
  - ix. A charge and caveat will be lodge following settlement in favour of the Town for the Buyer to achieve their obligations under the contract.
  - x. Access to Car Park – The Buyer acknowledges and agrees with the Seller that rights of access and car parking must be provided and maintained over the Car Park for the use by the general public at all times, 7 days a week 24 hours a day from the date of Settlement until the date of substantial commencement of the Development Works (Access Period) subject to the parties agreeing otherwise both acting reasonably.
5. Delegates the Chief Executive Officer and Mayor the authority to execute all necessary documentation under the Town's Common Seal in accordance with Section 58 and Section 87 of the Land Administration Act 1997, and Regulation 9 of the Land Administration Regulations 1998 to satisfy conditions precedent 2.3 (b).
  6. Approves allocating the amount received for the sale of land, being \$3,821,000 excluding GST, to the Land Asset Optimisation Reserve Fund.

## Purpose

To consider public submissions on the proposed sale of 355-357 Shepperton Road, and to consider whether to proceed with the sale of the land in line with the negotiated contract of sale.

## In brief

- At the 20 August 2019 Ordinary Council Meeting it was requested that the Chief Executive Officer presents a further report back to Council by November 2019 to consider any submissions received in response to the local public notice.
- An unsolicited bid for \$3,821,000 excl GST on freehold land owned by the Town of Victoria Park was received from Fabcot Pty Ltd (a wholly owned subsidiary of Woolworths Limited) for 355 – 357 Shepperton Road, East Victoria Park, a Town owned carpark, who propose to build a large shopping centre with Woolworths as an anchor tenant and publicly accessible carpark on the Town owned site and adjoining sites which they control.
- As the land is included in the Land Asset Optimisation Strategy, a Business Case was prepared to determine if further consideration should be given to the Unsolicited Bid.
- A Business Case was provided to Elected Members which undertook analysis of the following options:
  - a. Option 1: Do Nothing
  - b. Option 2: Hypothetical Development (residential and commercial)
  - c. Option 3: Ground Lease
  - d. Option 4: Unsolicited Bid
  - e. Option 5: Open Market Sale
  - f. Option 6: Sale of Woolworths lots to ToVP and ToVP to Fund construction
- The recommended Option was Option 4 being the Unsolicited Bid. The value proposed at \$3,821,000 excl GST was the highest resulting value and represented an appropriate outcome for the Town. The redevelopment proposed also represented an investment in the order of approximately \$30M into

the Town's commercial and retail infrastructure, with approximately 90 jobs to be created during the construction phase and approximately 150 ongoing long-term employment opportunities along with urban renewal, streetscape upgrades, and a more secure and well-lit precinct. The resulting redevelopment will also deliver ongoing circa \$200-250,000 in annual rates revenue to the Town.

- The revenue from the anticipated sale will be allocated to the Town's LAOS Reserve Fund to facilitate and continue to de constrain and de risk other LAOS land holdings and enable investment in future income generating opportunities.
- Two valuations were received one valuing the property at an adopted market value of \$2.5M and the other at \$3.61M excl GST. Both were less than the unsolicited bid. The lower value is likely to represent what the Town might achieve in the open marketplace from a sale. The value of the sale provides a strong commercial outcome for the Town in the current market and is above the valuation of the land.
- The purchaser has provided some very conceptual plans to show their intent to build, this is only a draft and is still required to go through a comprehensive formal Development Application process including consideration by the Town's Design Review Panel, the draft plans have been attached to this report.
- Fabcot Pty Ltd have contractual control of four adjoining properties fronting Albany Hwy which directly adjoins the Town owned properties. The potential purchaser wishes to buy and utilise the Town's landholdings in order to deliver a large commercial and retail complex with Woolworths as the anchor tenant.
- Combining the Town's land with the Fabcot controlled sites would allow the delivery of a more iconic development proposal with greater amenity compared to what currently exists, and what otherwise might be achieved with only the Albany Hwy frontage properties.
- The value provided in the unsolicited bid was also the preferred financial outcome which allowed a better design outcome for the strategic location, delivered jobs, economic stimulus, provided additional rates to the Town, and delivered funds for reinvestment opportunities. There is also a continuation of car parking for the community with an increase in the overall number of available car parking to the community (albeit with a proposed 90 minutes time restriction).
- There are currently circa 80 bays available for public use. Through the proposed conditions of sale the public will continue to have access to these 80 bays until such time as a redevelopment of the site may occur. Further, the proposed conditions of sale will require the landowner to make available for public use all car parking bays within any redevelopment of the site. Based upon the Fabcot draft concept plans attached (see Attachment 1), this anticipates circa 250 car bays for public use. The proposed contract of sale outlines that these circa 250 bays will be available free of charge for 90 minutes. An additional circa 15 bays are to be made accessible to the public at all times. In summary there will be significant increase in the number of free publicly accessible car bays, albeit these bays will be time restricted.
- As requested at the August Ordinary Council Meeting a further report was to be provided for November to include the contract of sale of 355-357 Shepperton Road, East Victoria Park which was to incorporate several recommended conditions. This contract is attached for Councils consideration.
- After the August Council approval, a public submission period was undertaken with 29 submissions received. These have been included as an attachment to this report with the officer's response provided (see Attachment 2).
- A large number of submissions which objected were on the basis on the loss of car parking spaces. In consideration of this the Town has negotiated a caveat on the land to achieve the approximate 250 bays in the proposed secure parking to be free for a limited 90 minutes to the general public. In

addition to these bays a further anticipated 15 bays which sit outside the secure parking will be provided to the Town to manage with the benefit provided by way of an easement.

## Background

1. Since 2013 the Town's freehold property assets have been captured in the Land Asset Optimisation Strategy. This strategy was received and approved by Council with recommendation that any proposal in respect to Council owned or controlled property will be considered by Council on a case by case basis, with reference to the Land Asset Optimisation Strategy, Council Strategic Community Plan and Long Term Financial Plan.
2. The Land Asset Optimisation Strategy is a priority project for the Town of Victoria Park that will aim to deliver revenue diversification opportunities whilst enabling redevelopment proposals and act as a catalyst for regeneration or redevelopment of the Town's land assets.
3. 355-357 Shepperton Road, East Victoria Park was listed in the Land Asset Optimisation Strategy with the recommendation to 1) Meter this car park in the short term, and 2) Consider the redevelopment of portion of this property into the future for commercial use. This recommendation was derived by a Property Team comprised a multi-disciplinary representation of the Council's operations area and provided the means by which all operation areas of the Town could be considered with respect to each property under discussion.
4. The Land Asset Optimisation Strategy's strategic intent is to diversify income streams for the Town so that there is less reliance on rates for the Town.
5. The subject property located at 355-357 Shepperton Road is currently an unmetered car park. This car park currently has 80 car bays and services the immediate business surrounds mainly for customers. Within the area of a walkable distance there is adequate all-day parking in excess of this car parking facility. The adjoining properties which are currently subject to an acquisition process by Fabcot are also the main users of the carpark. At night the car park is not well utilised.
6. There are five trees within the Town owned land and several trees within the Shepperton Road road reserve, the trees will need to be removed or relocated during the delivery of the anticipated development, a condition of contract has been negotiated to mitigate this tree loss.
7. A draft development proposal has been received and is attached to this report. The draft development proposal has been discussed internally and consideration has been given to the location of the site and the potential of the development to be an entry statement for the Town
8. With the inclusion of the Town owned land it will allow a more considered development outcome with greater flexibility and will be able to give a more considered focus on a pedestrian orientated design rather than just a hard-commercial frontage.
9. The current planning scheme permits up to five storeys. Based upon the concept plans provided, there are concerns that the Shepperton Road elevation appears to be "back of house". Also given this is an important gateway to the Town any development should aim to address both Albany Hwy and Shepperton Road. These design considerations and others will form part of the statutory Development Application process and will include the Town's Design Review Panel input. With Initial viewing of the plans it appears that plot ratio and setback to Shepperton Road are matters likely to require discretion, however these are initial comments not based upon a comprehensive assessment of the concept plans.
10. The St James end of the Albany Hwy retail/commercial strip is slowly going through a regeneration. The area has long suffered from limited private investment and a redevelopment as per that proposed is likely to be a catalyst for further investment and revitalisation in this part of Albany Highway.

11. The proposed design (and its compliance with the Town’s planning framework) will be dealt with separately by the Town’s Urban Planning team via the normal assessment process.
12. The proposed development concept is premised not only on the purchase of the subject lots owned by the Town, but also the closure of a portion of dedicated road (known as ROW 54). To satisfy Conditions Precedent 2.3 (b) the Town will advertise the closure and amalgamation of the subject portion of dedicated road for 35 days and write to the adjoining landowners and service providers asking for input. After all submissions are considered an application will be lodged with the Department of Planning, Lands and Heritage requesting to close and amalgamate the subject portion of dedicated road. Should approval be granted the subject portion becomes unallocated Crown land which is then ceded to the Town freehold and amalgamated into the adjoining car park.
13. The development opportunity represents the following ongoing benefits in addition to financial:
  - a. A direct investment of approximately \$30M into the Town’s commercial and retail infrastructure;
  - b. Circa 90 jobs to be created during the construction phase;
  - c. Circa 150 ongoing long-term employment opportunities;
  - d. Streetscape and urban renewal in a portion of Town which needs investment;
  - e. A more secure and well-lit facility to help reduce crime;
  - f. Resulting redevelopment to deliver ongoing circa \$200-250,000 in annual rates revenue;
  - g. A commitment to public use of the parking developed;
  - h. Four electric car charging stations;
  - i. Reconciliation Action Plan commitments

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL03 - Well thought out and managed projects that are delivered successfully.	The Land Asset Optimisation Strategy aims to deliver well thought out projects and ultimately deliver them successfully.
CL06 - Finances are managed appropriately, sustainably and transparently for the benefit of the community.	Managing finances appropriately requires an objective approach with good financial judgment. The Land Asset Optimisation Strategy develops a Business Case approach to each land holding develops and compares multiple scenarios.
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	With a Business Case provided exploring multiple option the unsolicited bid achieves several critical outcomes, all option where presented for consideration allowing Council to undertake accountability and objective decision making.

Economic	
Strategic outcome	Intended public value outcome or impact
EC01 - A desirable place for commerce and tourism that supports equity, diverse local employment and entrepreneurship.	The anticipated development from the sale of the Town's landholding will generate local employment opportunities in the order of 150 ongoing jobs and stimulate business creation opportunities.
EC02 - A clean, safe and accessible place to visit.	Redevelopment of the Town and adjoining land holdings will upgrade the existing streetscape and provide a cleaner place to visit, the additional increase in pedestrians and tenancies will potentially build out criminal occurrences with additional passive surveillance.

Environment	
Strategic outcome	Intended public value outcome or impact
EN01 - Land use planning that puts people first in urban design, allows for different housing options for people with different housing need and enhances the Town's character.	The inclusion of the Town's landholding will potentially achieve an overall design outcome that opens up Albany Hwy for a more considered pedestrian lead design opportunity, this will allow a design with greater focus on place planning and place activation.

## Engagement

Internal engagement	
Stakeholder	Comments
Elected Members	Information was original provided via the EM Portal when the Unsolicited Bid was received. A further presentation at Concept Forum was delivered by the Town's Property Development Manager regarding the economic, design, financial and planning impact of the Unsolicited Bid this presentation included examples from the attached draft development proposal. A further report with a Business Case was provided in August to the Ordinary Council Meeting.
Place Planning	<p><b><u>Planning Comments – 355 – 357 Shepperton Road – Potential Sale.</u></b></p> <p>The Town is currently undertaking a substantial program of strategic planning reform, including:</p> <ul style="list-style-type: none"> <li>• Preparation of Local Planning Strategy (estimated completion end of 2020);</li> <li>• Preparation of a new Local Planning Scheme (estimated completion end of 2022); and</li> <li>• Progressing a strategic framework for development in Albany Highway centres</li> </ul>



(estimated completion June 2021).

These projects will have substantial bearing on the future development pattern of the Town and its activity centres.

The proposal raises two key issues from a strategic planning perspective, being:

1. Should the Town be disposing of the public carpark; and
2. Is the development concept presented by the prospective buyer appropriate for this site?

*Issue 1: Should the Town be disposing of the public carpark?*

- The subject carpark is included within "Hotspot Area 2" of the Town's Parking Management Plan. The Parking Management Plan states that one of the management solutions for this area is "All day free parking in specific areas. [including] All of Shepperton Road carpark".
- This management solution implies firstly that any development on the site should maintain the existing provision of car parking, and secondly that the Town should retain enough control of the carpark to ensure its continued availability for free, all day parking.
- The IMNS actions for parking including ongoing monitoring and review of the Parking Management Plan; examining the potential for parking caps in activity centres; adoption of reduced parking ratio requirements within the Local Planning Scheme; and examining potential for the Town to manage car parking on private land. It is possible that the outcomes of these actions might support removal or reduction of public car parking on the subject site. However, this cannot be confirmed until the actions have been completed and a strategic position agreed upon. This is reinforced by Policy/Position P6 of the IMNS, which provides that the Town should "Ensure decisions about future off-street public parking supply are informed by data, and support alternative modes as a priority".
- We understand that the parking team has reported anecdotally that the general area has a substantial amount of parking available and the subject site is often underutilised. This suggests that parking in the area is perhaps in need of review. Again, until this work is completed it is difficult to confidently form the view that the subject carpark is surplus to requirements.
- Additionally, the Town must consider whether the site might be required for a different civic use. Note that the Draft Public Open Space Strategy does not flag a need for additional public open space in this precinct. Further work on the review of the draft Social Infrastructure Plan and draft Local Planning Strategy is required before it can be definitively said that there is no land requirement in the area for civic purposes, although it is unlikely.

*Issue 2: Is the development concept presented by the prospective buyer appropriate for this site?*

- The subject site is zoned "Urban" under the Metropolitan Region Scheme and "District Centre" under the TPS1. In the "District Centre" zone, uses including "Fast Food Outlet", "Liquor Store – Small", "Lunch Bar", "Office", "Consulting Rooms", "Restaurant/Café" and "Shop" are permitted uses, and a wide range of other

commercial uses are designated discretionary. There is no outright basic land use or zoning requirement prohibiting redevelopment of the site for a supermarket although any future Development Application that might be received will be assessed in accordance with the Planning Framework at that time.

- The Town's Activity Centres Strategy states that the "East Victoria Park Gateway Shopping Area", in which the subject site is located, should be "consolidated into a 'gateway' shopping node serving regional and local populations". This is a statement echoed from the TPS1 Precinct Plan for Albany Highway. A supermarket could be contemplated within this broad statement. Further, many of the broad statements around mixed use relate to Albany Highway and not the centre edges.
- It is also noted that there is an existing Aldi supermarket and Bunnings store in the St James centre, which have a substantial impact on the centre's function, parking arrangements and character. A second supermarket would not generally be inconsistent, although the format of the supermarket within a shopping centre does present a shift in dynamic.
- Notwithstanding the above, the strategic vision for the area as an activity centre is still somewhat unresolved. The Activity Centres Strategy does not support preparation of an Activity Centre Structure Plan in keeping with State Planning Policy 4.2, however, it does recommend that "*the Town build on and enhance the points of difference between the Albany Highway Secondary Centre and the expanding super regional centres*". Alongside this is the need for the Town to accommodate its infill housing targets and strengthen local character of the centre through its place planning approach. Further, the Town is currently preparing a draft Local Planning Strategy and anticipating a review of the IMNS. These documents may adopt a different strategic approach to earlier planning documents as the Town and greater Perth metropolitan area respond to rapidly changing economic conditions, population, sustainability goals and housing and lifestyle choices.
- In the context of the before mentioned changing conditions it is important to consider the future of the Town's mid-sized centres and high streets. Car based retail models with large amounts of parking (such as that proposed by the prospective purchaser) are based on attracting customers at a district/regional scale, which may put the centre in direct competition with similar centres in the area (including those in the Town). Centres that accommodate a large local population through dense development; place a high priority on accessibility (all necessary goods and services within close proximity of the residential population) and lower priority on mobility (highly efficient vehicle movement with lots of parking) are likely to be more resilient in the future because they have a captive local market and are less reliant on a regional customer base (self-sufficiency). The Town's endorsed Activity Centre Strategy makes this point in its commentary on the emergence of competing 'super regional centres' and a need for the Town to 'build on and enhance the points of difference between the Albany Highway Secondary Centre (which includes the St James Town Centre) and the expanding super regional centres'. This is a consideration amongst others in any decision regarding the Town's land and the bid from the prospective purchaser.

In conclusion, Place and Urban Planning does not have a firm view on either the disposal of the carpark or introduction of supermarket / small shopping centre at this time, beyond the



	<p>action in the Parking Management Plan for the subject carpark to be retained. Further resolution of the strategic planning framework (as identified above) and a review of the Parking Management Plan would ideally have taken place before determining the disposal of the site although it is acknowledged that bids such as these do not always present at the ideal time from a strategic planning perspective. We ask that the above comments be taken as a consideration amongst others in the decision-making process.</p>
Urban Planning	<p>Urban Planning note the comments from the Place Planning team. Based upon a preliminary review of the concept plans that have been provided, the comments below are made, with these matters and others to be further considered as part of any future development application for the site:</p> <ol style="list-style-type: none"> <li>1. The use of the land for retail purposes including a Shop(s), is a permitted use of the land under the District Centre zoning.</li> <li>2. The Scheme permits a building height of up to five storeys.</li> <li>3. The concept plans depict a lack of activation and design treatment to the Shepperton Road elevation which reads as "back of house". This is an important gateway into the Town and any development will need to address both Albany Highway and Shepperton Road.</li> <li>4. Planting of trees and/or vegetation and sustainable building design is strongly encouraged.</li> <li>5. Relocated and modified vehicle access to Shepperton Road will need to be the subject of review by Main Roads WA.</li> <li>6. The applicant will need to demonstrate that sufficient on-site car parking exists to accommodate customers and staff of the development, as well as the general public.</li> <li>7. The applicant should refer to relevant Scheme and Local Planning Policy (LPP) requirements that apply to the land, including the design guidelines under LPP15.</li> <li>8. The plot ratio and setback to Shepperton Road are matters likely to require discretion.</li> <li>9. The applicant is requested to engage with the Town's Design Review Panel at an early stage of design.</li> </ol>
Parking	<p>Provided feedback and input for the development of the report where required and has been incorporated into the body of the report.</p>
Finance	<p>Provided feedback and input for the development of the report where required and has been incorporated into the body of the report.</p>
C-Suite	<p>Provided feedback and input for the development of the report where required and has been incorporated into the body of the report.</p>

External engagement	
Stakeholders	<i>Whole of Town community</i>
Period of engagement	The period of the Local Public Notice was two (2) weeks.
Level of engagement	1. Consult
Methods of engagement	<ul style="list-style-type: none"> <li>• Your Thoughts Page</li> <li>• Online and hardcopy submission</li> <li>• FAQs</li> </ul>
Advertising	<ul style="list-style-type: none"> <li>• Public Notice in the West Australian</li> <li>• Public Notice exhibited to the public on the notice board at the Town's office, Library and Town's website</li> <li>• Your Thoughts eNewsletter</li> </ul>
Submission summary	29 Submissions were received, of which 25 objected, and 4 supported the proposal. Of the 25 objections, 14 were concerned in regard to loss of car parking spaces.
Key findings	<p>Overall the submissions have been considered and responses provided in an attachment to this report (see submissions attachment). FAQs and Your thoughts information were provided, this aimed to inform ratepayers that there will be in fact an increase in parking, surrounding businesses were mainly concerned for their customers.</p> <p>There are currently circa 80 bays available for public use. Through the proposed conditions of sale the public will continue to have access to these 80 bays until such time as a redevelopment of the site may occur. Further, the proposed conditions of sale will require the landowner to make available for public use all car parking bays within any redevelopment of the site. Based upon the Fabcot draft concept plans attached, this anticipates circa 250 car bays for public use. The proposed contract of sale outlines that these circa 250 bays will be available free of charge for 90 minutes. An additional circa 15 bays are to made accessible to the public at all times. In summary there will be significant increase in the number of free publicly accessible car bays, albeit these bays will be time restricted.</p> <p>A Business Case exploring multiple options was provided to Councillors for their consideration. This allows internal process of integrity with the Officers allowing clear financial objective decision making to be undertaken, this aligns with strategic civic leadership outcomes in the Strategic Community Plan. Commercial in confidence is sometimes required if on the release of that information the</p>

Town would be placed in a commercial disadvantage that could impact financially an outcome for the ratepayers. The Town then undertook a Public Notice period to allow for submissions and any alternative offers to be presented back to Councillors for their consideration. A Your Thoughts page was created provided background information, FAQs and information on the Land Asset Optimisation Strategy.

Strategic planning issues were considered with comments provided in the report from Urban Planning and Place Planning. Sustainability evaluation was considered during the first Council endorsed report with the contract being negotiated on this basis resulting in the inclusion of a number of sustainable outcomes such as the inclusion of photovoltaics, a minimum of 4 electric car charging stations and a minimum 4 star Green Star rating being contractually required. The value of the sale provided a strong commercial outcome for the Town in this current market and is above the valuation of the land.

The consideration from the sale will go to the Land Asset Optimisation reserve fund. The Land Asset Optimisation Strategy strategic intent is to provide alternative revenue sources and ultimately reduce the Town's reliance on rates.

The LAOS reserve fund is for the intent of generating further revenue generating opportunities to continue to build the Town's economic resistance.

## Legal compliance

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

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

[Section 1.7 of the Local Government Act 1995](#)

[Section 58 of the Land Administration Act 1997](#)

[Section 87 of the Land Administration Act 1997](#)

Legal advice has been received on the process of dealing with unsolicited bids and on the requirements of a Major Land Transaction under the Local Government Act 1995. In summary the value of the Unsolicited Bid does not constitute a Major Land Transaction. The Town is acting in accordance with legal advice received.

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Reputational</b> Negative public perception towards the Town may result if the sale goes ahead.	Moderate	Possible	Moderate	FAQs were developed and a Your Thoughts page set up to provide information, this was over and above the statutory process. This allowed a submission period of two weeks will all submission

				provided for Councilors to make an informed decision. There have also been contract conditions negotiated to achieve a greater outcome for the Town than just transactional.
<b>Compliance</b> Negative public perception towards the process the Town has undertaken.	Major	Unlikely	Moderate	Legal advice has been received and followed and the Town is undertaking the process in accordance with the <i>Local Government Act 1995</i> .
<b>Environment</b> Loss of trees on the Town owned Car Park.	Minor	Likely	High	Specific environmental conditions of contract have been negotiated including the use of PVs and an expected ratio (6:1) of tree loss to new trees required.
<b>Service Interruption</b> Loss of car parking for the community	Minor	Likely	Moderate	Contract negotiations have been included for the car park to remain open until construction is commenced. The expected development also results in nearly three times the number of free bays albeit with a 90-minute time restriction. The Town is undertaking contractual controls to continue this obligation.

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation. Resulting income to be received from the contract of sale will be allocated to the Land Asset Optimisation Reserve Fund.
<b>Future budget impact</b>	Nil

## Analysis

14. The land tenure details of the individual lots are as follows:

Street No	Lot No	Plan/Diagram	Area	C/T
355	488	P2609	853.00	2001/177
357	30	D10509	635.00	2001/175
	131	P45782	419.00	2229/747
	132	P45782	178.00	2229/747
			2,085.00	

15. The development opportunity represents an investment in the order of \$30M of commercial and retail infrastructure with circa 90 jobs to be created during the construction phase and circa 150 ongoing long-term employment opportunities, urban renewal, streetscape upgrades, a more secure and well-lit facility to help build out crime, the resulting redevelopment will also delivering ongoing circa \$200-250k in annual rates revenue.

16. A Business Case was developed and provided to Elected Members for consideration this business case explored the following options:

- a. Option 1: Do Nothing.
- b. Option 2: Hypothetical Development.
- c. Option 3: Ground Lease.
- d. Option 4: Unsolicited Bid.
- e. Option 5: Open Market Sale.
- f. Option 6: Sale of Woolworths lots to ToVP and ToVP to Fund construction

17. The following methodology was applied to the Options to be considered by Council.

**b. Option 2:**

Hypothetical Development - The hypothetical development scenario involved undertaking a discounted cash flow for a proposed development. This approach is suitable for preliminary feasibility studies where detailed building design plans, and detailed construction costs have not been established with any certainty. The net cash flow for the project (revenue less costs) was discounted at an appropriate discount rate and the resulting net present value helped determine if the project was a loss maker and if not the subsequent maximum bid price for the land. The hypothetical development yield analysed accounted for 27 x 2 bed apartments and 2,081 sqm of commercial and retail space.

**c. Option 3:**

Ground Lease - The analysis involved a potential ground lease, and a combination of fixed percentage increases or CPI increases. This is a hard outcome to achieve given the lots would need to be amalgamated. In order to continue the ground lease and own the underlying land the Town may need to acquire all lots, this became a very capital intense option.

**d. Option 4:**

Unsolicited Bid - Under the letter of intent offered by Woolworths there was a fixed lump sum consideration. As Fabcot are an adjoining owner their interest in 355-357 Shepperton Road has a 'special value', this commonly results in a premium being paid above market value. The valuations provided to the Town of Victoria provided comment that "there is evidence in the market where adjoining owners have demonstrated a willingness to pay over and above market values." The value of the unsolicited bid is \$3,821,000 excl GST which is higher than both valuations and demonstrates good value in comparison to all other options analysed. This was the recommended option.

**e. Option 5:**

Open Market Sale - This option was another one to consider however the risk is that the most active buyer in the market being Fabcot knowing that they would likely be the most interested and willing buyer won't have much competition and would be able to control the sales process, this could give them the strategic decision to go lower than what they have already offered given our lower valuation indicate a much lower potential value, other than a special value being applied to the subject project the value that may be achieved in this option could be considerably less than what has been offered in the Unsolicited Bid.

**f. Option 6:**

Sale of Woolworths lots to the Town with the Town to fund construction - This option involved the sale of Woolworths controlled lots to the Town to allow the Town to amalgamate with the car park lots. Woolworths could then facilitate a Development Management Agreement whereby Woolworths would deliver the new development on behalf of the Town who would fund the construction. The acquisition cost for the Woolworths controlled lots would be in the order of \$10M and the potential construction cost in the order of \$22.7M excluding consultant costs, rates and taxes, internal costs and leasing costs. The order of magnitude of such a development is at this stage considered too capital intensive and carry too much risk for the Town.

18. The recommended Option was Option 4 being the acceptance of the Unsolicited Bid. With the consideration of the alternative Options analysed the value proposed at \$3,821,000 excl GST was the highest value outcome for the Town and carried minimal risk. The revenue from the anticipated sale will be contributed to the Town's LAOS Reserve Fund to facilitate and continue to de constrain and de risk other LAOS land holdings and allow potential income generating investments and opportunities.
19. With the anticipation of income producing investments to be acquired or part taken in by the Town, the potential revenue generated by the endorsement of Option 4 will contribute significantly to achieving those investment objectives for the future economic resilience for the Town. This strategy is to ultimately reduce the Town's reliance on rates.
20. Overall Option 4 represents a strong "triple bottom line" investment from a 'value for money' perspective, results in a more holistic pedestrian focus design, helps to regenerate the St James end of Albany Hwy, provides an entry statement for the Town and generates immediate and ongoing job opportunities for the local community.
21. The contract provided has been negotiated to achieve further strategic outcomes for the Town, including photovoltaic cell installation, focus on an iconic design with entry statement opportunities, electric charge charging stations, achievement of a minimum four star Green Star rating for the development, commitment to negate and remedy by a factor of six any tree loss, and for the development to incorporate Reconciliation Action Plan outcomes for this site's redevelopment. The contract also places a caveat on the land to deliver a parking solution for the Town to account for the loss of the existing bays.



22. The Town has also reserved the right to buy back the land at the purchase price less administrative costs should the developer fail to progress; this inhibits the ability for the developer to speculate on the property.

## Relevant documents

Not applicable.

### COUNCIL RESOLUTION (244/2019):

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Vicki Potter

That Council:

1. Receives the public submissions and notes the Officer's responses as contained at Attachment 2.
2. Approves the contract of sale for 355-357 Shepperton Road as contained at Attachment 6 being lot 30 on Diagram 10509, lot 488 on Plan 2609 and lots 131 and 132 on Deposited Plan 45782 for the value of \$3,821,000 excluding GST.
3. Delegates the Chief Executive Officer and Mayor the authority to execute all necessary documentation under the Town's Common Seal, to effect the sale of 355-357 Shepperton Road, East Victoria Park to Fabcot Pty Ltd.
4. Notes the following obligations to be address in the proposed contract of sale to Fabcot Pty Ltd as part of the delivery of the site:
  - i. installation of rooftop solar photovoltaic cells;
  - ii. entry statement considerations on the corner of Albany Highway and Shepperton Road;
  - iii. consideration of more iconic design principles in accordance with the Town of Victoria Park's relevant planning policies and guidelines at the Contract Date;
  - iv. Allocation of circa 15 car parking bays which are accessible by the public at all times with the remainder of any car parking bays on the Property (number to meet the Town of Victoria Park's minimum car parking ratios) being publicly accessible during business hours, with free parking limited to 90 minutes;
  - v. commitment to a 6 to1 ratio of new tree planting (minimum 100 litre tree size unless otherwise agreed by the Seller acting reasonably) to existing trees in the adjacent area owned by the Buyer and on the Property where possible in the local area and on the Property where possible;
  - vi. minimum four-star Green Star rating for the Development; and
  - vii. inclusion of a minimum of 4 electric car charging stations; and
  - viii. the Buyer to maintain its commitments under the publicly advertised Reconciliation Action Plan (RAP) while delivering and operating its business from the Property,
  - ix. A charge and caveat will be lodge following settlement in favour of the Town for the Buyer to achieve their obligations under the contract.
  - x. Access to Car Park – The Buyer acknowledges and agrees with the Seller that rights of access and car parking must be provided and maintained over the Car Park for the use by the general public at all times, 7 days a week 24 hours a day from the date of Settlement until the date of substantial commencement of the Development Works (Access Period) subject to the parties agreeing otherwise both acting reasonably.
5. Delegates the Chief Executive Officer and Mayor the authority to execute all necessary documentation under the Town's Common Seal in accordance with Section 58 and Section 87 of the Land Administration Act 1997, and Regulation 9 of the Land Administration Regulations 1998 to satisfy conditions precedent 2.3 (b).

6. Approves allocating the amount received for the sale of land, being \$3,821,000 excluding GST, to the Land Asset Optimisation Reserve Fund.

**CARRIED BY ABSOLUTE MAJORITY (6 - 0)**

**For:** Mayor Karen Vernon, Cr Jesvin Karimi, Cr Bronwyn Ife, Cr Vicki Potter, Cr Claire Anderson, Cr Brian Oliver

**Against:** nil