CITY of PERTH

# MINUTES

# FINANCE AND BUDGET COMMITTEE

## 10 JULY 2007

**PRESIDING MEMBER'S SIGNATURE**

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**DATE:**----------

# FINANCE AND BUDGET COMMITTEE

# INDEX


| Item | Description | Page |
|---|---|---|
| FB144/07 | DECLARATION OF OPENING | 1 |
| FB145/07 | APOLOGIES | 1 |
| FB146/07 | MEMBERS ON LEAVE OF ABSENCE AND APPLICATIONS FOR LEAVE OF ABSENCE | 1 |
| FB147/07 | CONFIRMATION OF MINUTES | 1 |
| FB148/07 | DISCLOSURE OF MEMBERS' INTERESTS | 2 |
| FB149/07 | FINANCIAL STATEMENTS AND FINANCIAL ACTIVITY STATEMENT - MAY 2007 | 2 |
| FB150/07 | HYBRID VEHICLES AND ELECTRIC VEHICLES | 3 |
| FB151/07 | LEASE OF POINT FRASER RECREATIONAL HIRE FACILITY | 7 |
| FB152/07 | NEW LEASE TO HILLSIDE CHURCH INCORPORATED – 2A PLAIN STREET, EAST PERTH | 11 |
| FB153/07 | REDEVELOPMENT OF THE ROD EVANS SENIOR CITIZENS CENTRE AND ADJOINING LAND | 14 |
| FB154/07 | RENT REVIEW - 1275 HAY STREET (CORNER OUTRAM STREET) WEST PERTH | 22 |
| FB155/07 | CITY OF PERTH ANNUAL PLAN 2007/08 | 24 |
| FB156/07 | GENERAL BUSINESS | 26 |
| FB157/07 | ITEMS FOR CONSIDERATION AT A FUTURE MEETING | 26 |
| FB158/07 | CLOSE OF MEETING | 27 |

Minutes of the meeting of the City of Perth **Finance and Budget Committee** held in Committee Room 1, Ninth Floor, Council House, 27 St George's Terrace, Perth on **Tuesday, 10 July 2007**.

## MEMBERS IN ATTENDANCE

| | | |
|---|---|---|
| Cr Davidson | - | Presiding Member |
| Cr Hardy | - | Arrived at 4.04pm |
| Cr Sutherland | | |

## OFFICERS

| | | |
|---|---|---|
| Mr Edwards | - | Chief Executive Officer |
| Mr Dunne | - | Director Service Units |
| Mr Forster | - | Director Business Units |
| Mr Mianich | - | Director Corporate Services |
| Mr Berry | - | Manager Finance |
| Mr White | - | Chief Accountant |
| Mr Hutchings | - | Manager Property Management |
| Mr Sillence | - | Administrative Services Team Leader |
| Ms Assaad | - | Administrative Services Officer |

## FB144/07 DECLARATION OF OPENING

The Presiding Member declared the meeting open at 4.03pm.

## FB145/07 APOLOGIES

Nil

## FB146/07 MEMBERS ON LEAVE OF ABSENCE AND APPLICATIONS FOR LEAVE OF ABSENCE

Nil

## FB147/07 CONFIRMATION OF MINUTES

***Moved by Cr Sutherland, seconded by Cr Davidson***

***That the minutes of the meeting of the Finance and Budget Committee held on 19 June 2007 be confirmed as a true and correct record.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For:** **Crs Davidson and Sutherland**

**Against:** **Nil**

## FB148/07 DISCLOSURE OF MEMBERS' INTERESTS

Nil

## FB149/07 FINANCIAL STATEMENTS AND FINANCIAL ACTIVITY STATEMENT - MAY 2007

**BACKGROUND:**

| | |
|---|---|
| FILE REFERENCE: | P1014149-24 |
| REPORTING OFFICER: | Ian Berry |
| RESPONSIBLE DIRECTOR: | Robert Mianich, Director Corporate Services |
| DATE: | 28 June 2007 |
| MAP / SCHEDULE: | Schedule 1 - Financial Statements and Financial Activity Statement for the period ended 31 May 2007. |

The Local Government (Financial Management) Regulations 1996 require the City to produce the monthly Financial Statements, including a Financial Activity Statement in rate setting format.

**LEGISLATION / STRATEGIC PLAN / POLICY:**

| | |
|---|---|
| **Legislation** | Local Government Act 1995.<br>Local Government (Financial Management) Regulations 1996. |
| Section: | 34 (3) – Financial Activity Statement.<br>6.4 (2) – Monthly Financial Statements. |

**Strategic Plan**

| | |
|---|---|
| Key Result Area: | Capable and Responsive Organisation. |

**DETAILS:**

Financial Highlights for the month of May include:-

- $6.81 million revenue being $1.12 million above the Revised Budget due to $299,000 extra investment earnings and $328,000 extra fees for building licences. Parking fees were below budget but will comfortably achieve budget in June on a year to date basis. Grants were $558,000 above budget due mainly to the receipt of a Roads to Recovery claim of $460,000.

- Expenditure of $6.99 million represented a $581,000 saving on expenditure forecast in the Revised Budget due mainly to timing of expenditure.

- Funds invested amount to $155.6 million, a decline of $1.1 million on the balance at April. Cash flow is normally heavily negative at this time of the year but spending has been comparatively subdued.

- $19.6 million of capital expenditure has been spent to date leading to significant carry forwards at 30 June.

The Financial Activity Statement is presented together with a schedule that includes the Revised Budget estimates and summary of net current assets supporting the Financial Activity Statement.

**FINANCIAL IMPLICATIONS:**

There are no direct financial implications related to this report.

**COMMENTS:**

This report is presented for approval of the Council.

**Cr Hardy entered the meeting at 4.04pm.**

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That the Council approves the Financial Statements and the Financial Activity Statement for the eleven months ended 31 May 2007, as detailed in Schedule 1.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB150/07 HYBRID VEHICLES AND ELECTRIC VEHICLES

**BACKGROUND:**

| | |
|---|---|
| FILE REFERENCE: | P1015041 |
| REPORTING OFFICER: | John Lawn |
| RESPONSIBLE DIRECTOR: | Garry Dunne, Director Service Units |
| DATE: | 21 June 2007 |
| MAP / SCHEDULE: | N/A |

On Tuesday, 30 January 2007 a presentation was made to Elected Members on the issues surrounding climate change and greenhouse emissions. As a result of the presentation Elected Members requested that a report be submitted on the introduction of hybrid vehicles including electric vehicles into the City's fleet.

In March 2003, the City of Perth became the first Local Government in Western Australia to purchase hybrid vehicles. Two Toyota Prius vehicles were used by the City's Parking and Information Officers. At the end of two years they were replaced with two Honda Civic hybrid cars. Currently the City has three Honda Civic Hybrids and one Toyota Prius hybrid.

The City continues monitoring vehicle performance in conjunction with alternative fuels and is playing an active role in the reduction of greenhouse gases as part of the City's environmental commitment for the Cities for Climate Protection Campaign (CCP).

## LEGISLATION / STRATEGIC PLAN / POLICY:

**Strategic Plan**

| | |
|---|---|
| Key Result Area: | Environmentally Responsible City. |
| Strategy: | Green City Strategy. |

**Policy**

| | |
|---|---|
| Policy No and Name: | 8.2 - Environmental Management. |

## DETAILS:

This report provides information on hybrid cars or electric vehicles currently available.

The main technical points of hybrid powered vehicles are:-

- It is a combination of a conventional combustion engine and an electric powered (battery) engine.

- An in-built computer controls the power requirement and allows either the electric or petrol engine to independently propel the vehicle. In some instances both the electric motor and the petrol motor may be required, eg overtaking another vehicle, in which case the computer senses the requirements and both power systems engage.

- The conventional petrol engine charges the main operating battery, therefore no outside power sources are required to recharge the main battery.

- Hybrid vehicles in general, consume less than half the petrol of an equivalent conventional car and emit approximately half the carbon dioxide on a city drive cycle.

The cost of a hybrid vehicle is more expensive than a similar sized combustion engine car. This may change over time with increase demand and further technological improvements.

**The main technical points concerning an electric vehicle are:**

- run on batteries only;
- electric vehicles do not directly consume fossil fuel.

Note: The only commercially marketed electric vehicle is a "Reva". This vehicle has been tested and certified by the Automotive Research Association of India and received the European Economic Community Certificate in December 2003. It is understood that the vehicle is commercially marketed in the United Kingdom.

The Reva is a two door hatchback vehicle with a range of 80 kilometres on full charge, a top speed of 65 kph and a payload of 227 kgs. It can be charged in six hours from a 15 amp power point.

The Reva is not currently certified under Australian Design Rules to enable it to be sold in Australia.

**Whole of Life Cost and Environmental Comparison**

The table below show the "Whole of Life Costs" and "Environmental Comparison" between hybrid and conventional vehicles.

| **Whole of Life Costing Calculator SMALL SEDANS (based over two years lifespan)** | | |
|---|---|---|
| | Toyota Corolla | Toyota Hybrid |
| | | |
| Total Lifecycle Cost $ | $5,318 | $19,487 |
| Cents per Kilometre Cost | $0.13 | $0.49 |
| Dollars per Month Cost | $222 | $812 |

Note: Total Lifecycle costs include purchase costs, resale costs (trade-in), fixed and variable costs.

| **Environmental and Safety Considerations SMALL SEDANS** | | |
|---|---|---|
| | Toyota Corolla | Toyota Hybrid |
| | | |
| $CO^2$ Emissions in tonnes | 7.04 | 4.24 |
| Greenhouse Rating (10 = best) | 7 | 8.5 |
| ANCAP Crash Star rating (5 = best) | 4.0 | 5.0 |

The above calculations are based on historical data and indicate that the hybrid vehicle is more expensive than the conventional combustion engine car. However it should be noted that the hybrid vehicle demonstrates superior emissions control, greenhouse ratings and crash test ratings.

There have been significant developments in fuel technology and these improvements need to be considered when determining the future direction of purchasing fuel efficient cars. The City has been monitoring the car industry's progress and development. The following points are relevant for future discussion and direction:-

- Both petrol and diesel fuel through Government mandates have to meet cleaner emissions guidelines (European Standards) Euro 3 and 4. This coupled with engine refinements means new vehicles will be emitting less emissions whilst delivering better fuel economy. Examples of this are the European built and designed Holden Astra and Peugeot 207 which are both sold with small diesel turbocharged engines giving equal or near equal fuel consumption figures and greenhouse gases as hybrid vehicles.

- By 2008, some dedicated Liquid Petroleum Gas (LPG) vehicles may have direct gas injection systems which should give these vehicles the capacity of matching or nearly matching both power and fuel economy of a similar petrol engine vehicle for a lot less cost for the LPG fuelled vehicles. This is not the case with current LPG fuelled engines which experience approximately 30 percent reduction in power and fuel economy.

- The current resale value (after two years) for vehicles using fuels mentioned above is higher than the hybrid.

**FINANCIAL IMPLICATIONS:**

There are no financial implications associated with this information report.

**COMMENTS:**

The City of Perth was the first local government in Western Australia to purchase hybrid electric cars for its vehicle fleet. The 2003 Toyota Prius vehicles were the only hybrid passenger sedan available in Australia. They were purchased to monitor the economic and environmental benefits as well as to show leadership and a commitment to reducing our greenhouse gas emissions. There has also been a significant shift in the purchasing of smaller size engine vehicles in the last 12 months.

Alternative fuel technology is frequently monitored and particular attention paid to industry trials with selected alternative fuelled vehicles with the view to reducing the environmental impact and fuel costs.

After trialling hybrid vehicles over four years it has been concluded that the total life cycle (economic) cost is approximately $14,000 more than a petrol engine vehicle of the same size. Factoring in the greenhouse gas reductions from the hybrid, the City paid close to $5,000 per tonne of carbon dioxide abated which is a considerable high cost compared to the environmental benefit. However, it is expected that with increased demand for these vehicles and improvements in technology made with successive models, the lifecycle costs will reduce and prices will become more competitive.

There are no electric powered vehicles available for road use on the Australian market that meet Australian Design Rules.

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That the report dated 25 May 2007 relating to the introduction of hybrid vehicles including electric vehicles into the City's fleet, be received.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB151/07 LEASE OF POINT FRASER RECREATIONAL HIRE FACILITY

**BACKGROUND:**

| | |
|---|---|
| FILE REFERENCE: | P1000439-2 |
| REPORTING OFFICER: | Vic Fuller |
| RESPONSIBLE DIRECTOR: | Garry Dunne, Director Service Units |
| DATE: | 19 June 2007 |
| MAP / SCHEDULE: | N/A |

At its meeting held on **15 November 2005**, it was resolved:-

*That the Council:-*

1. *does not accept either of the tenders received from Mobus Engineering Pty Ltd trading as About Bike Hire and Scooterama Pty Ltd for a three year lease with a three year option of renewal over the recreation hire facility to be constructed at Point Fraser;*

2. *authorises the Chief Executive Officer to enter into negotiations with both tenderers to reach agreement on rentals that will give the City a reasonable return on its investment;*

3. *notes that a further report will be submitted on the outcome of the negotiations in part 2 above.*

At its meeting held on **26 June 2007**, it was resolved that the Council:-

1. *accepts the lowest tender, being that received from Dalcon Construction Pty Ltd, to complete construction of the recreational hire facility at Point Fraser, at a cost of $341,250 excluding GST;*

2. *notes that the expenditure in part 1 above is to be charged to 2007/08 Capital Works budget item 'Bike Hire Facility – Point Fraser'.*

**LEGISLATION / STRATEGIC PLAN / POLICY:**

| | |
|---|---|
| **Legislation** | Local Government Act 1995. |
| Section: | 3.58 - Disposition of Property. |
| **Strategic Plan** | |
| Key Result Area: | Attractive and Functional City. |
| Strategy: | Outdoor City Strategy. |

**DETAILS:**

Since the lease tender for these premises in late 2005, Scooterama Pty Ltd has decided not to progress a direct tenancy for its small motor scooter hire business at Point Fraser. They have concluded an agency with Mobus Engineering Pty Ltd, the existing bike hire operator, under which Mobus will offer a small stock of Scooterama's motor scooters for hire, but only to be ridden on the streets, not the pedestrian shared paths around the river foreshore.

Accordingly, rental negotiations have been concluded with Mobus to try to improve the outcome from the lease tender, subject to the Council's approval.

Mobus is currently paying a rental of $8,437 per annum, exclusive of GST. Their 2005 tender offered a rental of $8,200 per annum and the Scooterama tender for the balance of the building was $2,300 per annum: a total of $10,500 per annum, exclusive of GST.

Mobus submitted that until the proposed commercial development is in place at Point Fraser, which will bring greater visitor numbers to the area and it will provide public toilets, their business can not afford to pay a commercial rent for the premises.

A 42% increase to $12,000 per annum has been agreed, notwithstanding that it will not provide a commercial return on the City's investment in this facility. That is considered to be acceptable, as this facility has not been planned for its income generating capacity. It is seen as a community support facility, to help to attract visitors and local residents to recreate at Point Fraser.

It is proposed that all other terms and conditions of the lease remain as tendered, as set out in the recommended Council resolution, including the lease term of three years with a three year option of renewal and annual indexation of the rent to the Consumer Price Index.

**FINANCIAL IMPLICATIONS:**

INCOME:

| | | |
|---|---|---|
| ACCOUNT NO: | 131 236 6521 | |
| BUDGET ITEM: | Recreation and Culture - Other Recreation and Sport - Cycleways | |
| BUDGET PAGE NUMBER: | TBC | |
| | **BUDGET ITEM** | **THIS COMPONENT** |
| BUDGETED AMOUNT: | $9,328 | $9,328 |
| AMOUNT RECEIVED TO DATE: | | $ 0 |
| ACTUAL INCOME: | | $9,328 (assumes building completion March 2008) |

All figures quoted in this report are exclusive of GST.

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That under section 3.58 of the Local Government Act 1995, the Council advertises its intention to enter into a lease over the recreational hire facility to be constructed at Point Fraser Reserve, on the following terms and conditions:-***

| | | |
|---|---|---|
| ***1.*** | ***Lessee:*** | ***Mobus Engineering Pty Limited ABN 16 008 837 385 trading as About Bike Hire;*** |
| ***2.*** | ***Premises:*** | ***the recreational hire building to be constructed at the Point Fraser Reserve, having a gross lettable area of approximately 205 square metres;*** |
| ***3.*** | ***Term:*** | ***three years from practical completion of the facility, with an option to renew the lease for a further three years;*** |

***(Cont'd)***

| | | |
|---|---|---|
| ***4.*** | ***Use:*** | ***hire of bicycles, in-line skates, canoes and associated equipment together with incidental retail sales of bicycle parts and accessories, drinks and maps;*** |
| ***5.*** | ***Rental:*** | ***$12,000 per annum, plus GST, payable monthly in advance by instalments of $1,000 per month, plus GST;*** |
| ***6.*** | ***Rent Reviews:*** | ***the rent shall be increased annually by the movement in the Consumer Price Index (All Groups Perth) throughout the lease term;*** |
| ***7.*** | ***Rent Free Period:*** | ***a two week rent free period shall apply from the Commencement Date;*** |
| ***8.*** | ***External Display:*** | ***the Lessee may not display bicycles or any other equipment in the reserve, outside of the leased premises;*** |
| ***9.*** | ***Building Insurance:*** | ***the City shall insure the building for its replacement value, with the Lessee reimbursing the cost of the annual premium;*** |
| ***10.*** | ***Public Liability Insurance:*** | ***the lessee shall take out and hold current for the term of this lease and any extension a policy of insurance for public liability with a reputable insurer for not less than $10 million for any one claim;*** |
| ***11.*** | ***Electrical Supply:*** | ***the Lessee shall arrange their own power supply, which shall be separately metered, and it shall pay for its energy consumption direct to the supplier;*** |
| ***12.*** | ***Assignment:*** | ***the Lessee may not assign the lease without the Lessor's consent;*** |

***(Cont'd)***

| | | |
|---|---|---|
| ***13.*** | ***Maintenance:*** | ***the Lessee shall keep the premises in a clean and tidy condition and shall maintain its equipment and furnishings, but the City shall undertake all building maintenance;*** |
| ***14.*** | ***Parking:*** | ***the Lessee shall be permitted to park one motor vehicle in the overflow car park at the Point Fraser Car Park. Any additional vehicles must take ticketed parking in the public car park. No parking is permitted anywhere else on the reserve;*** |
| ***15.*** | ***Documentation:*** | ***this lease shall be prepared by the City's solicitor at the expense of the Lessee.*** |

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB152/07 NEW LEASE TO HILLSIDE CHURCH INCORPORATED – 2A PLAIN STREET, EAST PERTH

**BACKGROUND:**

| | |
|---|---|
| FILE REFERENCE: | P1019240P |
| REPORTING OFFICER: | Vic Fuller |
| RESPONSIBLE DIRECTOR: | Garry Dunne, Director Service Units |
| DATE: | 15 June 2007 |
| MAP / SCHEDULE: | Map - Office – 2a Plain Street, East Perth |

At its meeting held on **16 November 2004**, the Council resolved to accept the tender from Hillside Church Incorporated, trading as First Choice Employment, for a three year lease of the Council owned offices at 2A Plain Street, East Perth, commencing 1 December 2004, with no option for renewal, at a rental of $12,000 per annum exclusive of GST, indexed to CPI annually.

At its meeting held on **24 April 2007**, the Council resolved to:-

1. advise the Perth and Tattersalls Bowling and Recreation Club that the City has the intention to review the site for the purposes of redevelopment, including ongoing community recreational uses, and notes that future lease extensions will be on an annual lease basis until that review is complete;

2. progress a town planning scheme amendment for the freehold section of the site, to facilitate a mixed use car parking and other community purposes, including recreation facilities, development on the site, subject to approval of a funding allocation in the 2007/08 budget;

3. ensure that all efforts be made to include two or more bowling greens in any community recreational development undertaken by the Council.

Both of these properties occupy portion of the same freehold land, which also houses the City's Plain Street Car Park.

**LEGISLATION / STRATEGIC PLAN / POLICY:**

| | |
|---|---|
| **Legislation** | Local Government Act 1995. |
| Section: | 3.58 - Disposition of Property. |
| | |
| **Strategic Plan** | |
| Key Result Area: | Liveable City. |
| Strategy: | Outdoor City Strategy. |

**DETAILS:**

Hillside Church Incorporated which operates the First Choice Employment service, has requested that the City consider granting them a new lease of the premises at 2A Plain Street, East Perth upon expiry of their current lease, so that they may continue to provide services to disadvantaged job seekers.

Hillside Church Inc. has also requested creation of three car parking bays adjacent to the leased premises for its sole use. Council Officers have investigated the site and determined that these bays could not be created in the area proposed.

However, it is possible for up to three car parking bays to be made available within the car park, on a monthly lease to Hillside Church Inc. for its exclusive use, at a monthly rental of $232 inclusive of GST and the Perth Parking Licence fee. It is proposed that the parking issue be kept separate to the premises lease, and that it be dealt with administratively.

It is expected that any redevelopment at the subject land is at least two years away, after taking into consideration all of the steps involved in this process.

It is therefore proposed that the Council advertise its intention to enter into a new lease with Hillside Church Incorporated for a two year term commencing 1 December 2007, subject to a six month break clause, in case a redevelopment can be progressed quicker than is currently expected.

With indexation, the current rental for this property is $13,090 per annum. This rental is well below its commercial rental value, but that was a conscious decision by the Council when the lease of these premises was tendered.

It is therefore proposed that the rental be rounded up to $13,500 per annum, exclusive of GST, for the first year of the new lease, representing a 3.13% increase over the current figure.

**FINANCIAL IMPLICATIONS:**

INCOME:

| | |
|---|---|
| ACCOUNT NO: | 12417000-6521 |
| BUDGET ITEM: | Recreation and Sport - Other Recreation and Sport - Sports and Playgrounds. |
| BUDGET PAGE NUMBER: | TBC |
| | **BUDGET ITEM** |
| BUDGETED AMOUNT: | $13,319 |
| AMOUNT RECEIVED TO DATE: | $ 0 |
| ACTUAL INCOME: | $13,330 |

All figures quoted in this report are exclusive of GST.

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That the Council advertises its intention under section 3.58 of the Local Government Act 1995, to enter into a new lease with Hillside Church Inc. on the following terms and conditions:-***

1. ***Premises: 2A Plain Street, East Perth;***

2. ***Term: two years from 1 December 2007 to 30 November 2009;***

3. ***Break Clause: this lease shall be terminable by six months written notice by the City of Perth if the property is required for redevelopment purposes, without giving rise to any claim for compensation by the Lessee;***

4. ***Permitted Use: Office - First Choice Employment;***

***(Cont'd)***

5. ***Rental: $13,500 per annum, exclusive of GST, payable by monthly instalments of $1,125 in advance, plus GST, during the first year of the Term;***

6. ***Rent Review: the rent for the term and any extension thereof shall be increased annually by the movement in the Consumer Price Index (All Groups Perth);***

7. ***Outgoings: the lessee is to pay Council and Water rates, plus land tax on a single ownership basis, as well as all service costs, including energy and telephone. All other outgoings are to be paid by the Lessor;***

8. ***Insurances: the lessee shall hold public liability cover of $10 million for any one claim during the term of this lease, and any extension thereof. It shall also reimburse all premiums for the building insurance taken out by the City of Perth, and an excess of $200 for each claim against the building insurance;***

9. ***Lease Documentation: this lease to be documented in the City's standard lease in letter form.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB153/07 REDEVELOPMENT OF THE ROD EVANS SENIOR CITIZENS CENTRE AND ADJOINING LAND

**BACKGROUND:**

| | |
|---|---|
| FILE REFERENCE: | P1021612 |
| REPORTING OFFICER: | Ken Hutchings |
| RESPONSIBLE DIRECTOR: | Garry Dunne, Director Service Units |
| DATE: | 25 June 2007 |
| MAP / SCHEDULE: | Map - Rod Evans Aerial Site |

The City holds 12,565 square metres of freehold land in two separate titles in Plain Street, East Perth, between Hay and Goderich Streets, opposite the western side of Queens Gardens.

The bulk of this land was purchased in June 1932 for recreation purposes. However, the lot which is predominantly occupied by the Rod Evans Senior Citizens Aged Persons Units was resumed in May 1949 for recreation purposes. It was used as parkland for many years and the previous owners have no repurchase rights under the old Public Works Act.

Over the last 21 years, this land has been progressively developed for purposes other than passive recreation. The first stage of development was the construction of the Archbishop Goody Hostel at the north-eastern corner of the site in 1985 on a 21 year ground lease to Catholic Homes Incorporated, with a 21 year option of renewal. Catholic Homes developed a 42 bed private nursing home on the site with Commonwealth Government funding. Their lease will expire 31 December 2026.

The second stage of development came with construction of the Rod Evans Senior Citizens Centre towards the western end of the Hay Street frontage in 1981. The third and most recent stage came with the construction of 24 aged person's rental accommodation units on the Hay Street frontage, between the Rod Evans Senior Citizens Centre and the Chamber of Commerce and Industry Building. These units were constructed in 1994.

This development was a joint venture between Rod Evans Senior Citizens Centre Inc and the Department of Housing and Works (DHW), with almost all of the funds being contributed by DHW. It is secured by a ground lease from the City which expires on 31 July 2018, with no option of renewal.

At the time that the units were built, the City re-classified the 743 square metre Pocket Park on the Goderich Street frontage of the site to Public Open Space. It is therefore not available for development, leaving a developable area of approximately 11,822 square metres.

On 31 October 2006, an informal meeting was provided to the Elected Members and senior Council Officers by Amaroo Care Services, a not-for-profit Community Housing Developer and Manager, Catholic Homes Inc. (WA) and their architect, Ken Patterson Architects, on the development potential of the City's freehold land at the corner of Hay, Plain and Goderich Streets, East Perth, for a large scale Community Housing project.

This presentation suggested that it would be desirable to include the Senior Citizen's units at 164 Hay Street, the Rod Evans Senior Citizens Centre at 160 Hay Street, the park at the corner of Hay and Plain Streets, and the Archbishop Goody Hostel in the redevelopment, assuming that the existing leases and the funding agreement between Rod Evans Senior Citizens Centre Inc and DHW can be satisfactorily resolved. The inclusion of the pocket park in Goderich Street, behind the Rod Evans accommodation units was also suggested, but it was pointed out that this land is zoned as Public Open Space in the City Planning Scheme No. 2 and that this would be inappropriate.

This group was subsequently advised that the proposal had merit, but it could not be progressed until negotiations with DHW over the redevelopment of Graham Flats in West Perth, and the inclusion of a Town Square on that site were finalised, as the subject land could be required as part of that project. They were also advised that there was no support for the City to negotiate with them on a sole provider basis, but that, at the appropriate time, it would be recommended to the Council that it reviews the options for this redevelopment of this land and then markets the selected solution through an appropriate public process.

On 6 December 2006, a presentation was given by Foundation Housing Inc. to the Board of Rod Evans Senior Citizens Centre Inc., the Elected Members and senior staff of the City of Perth and a representative of DHW on their capability and their desire to undertake the redevelopment of the subject land.

They were also advised that there was no support for the City to negotiate with them on a sole provider basis, but that, at the appropriate time, it would be recommended to the Council that it offers this redevelopment opportunity through a public process.

At its meeting held on **5 June 2007**, it was resolved that the Council:-

1. *notes the findings and recommendations of the study 'Planning for Social and Community Infrastructure in a Changing Perth Landscape', in relation to the future planning and development of the City of Perth;*

2. *updates the report when Australian Bureau of Statistics 2006 Census figures become available;*

3. *facilitates the development of an Implementation Plan and timetable, with the East Perth Redevelopment Authority, Department for Planning and Infrastructure and other partners;*

4. *considers the findings of the report in relation to any decisions regarding City of Perth recreational and community facilities, including existing, proposed and potential facilities.*

This study contained 11 recommendations, two of which impact on this land:-

***Recommendation 1.*** *It is recommended that a mix of flexible, multipurpose buildings and community spaces, using existing and new facilities, be developed in and adjacent to the study area as neighbourhood centres and meeting places.*

***Recommendation 8.*** *It is recommended that East Perth Redevelopment Authority's current targets for affordable and social housing be maintained as a minimum.*

**LEGISLATION / STRATEGIC PLAN / POLICY:**

**Legislation** Local Government Act 1995.
Section: 3.8 – Disposal of Property.

**Strategic Plan**
Key Result Area: Liveable City.
Strategy: Dynamic City Strategy.

**Policy**
Policy No and Name: 15.2 - Protection and Enhancement of Open Space.

The City will aim to:-

- ensure that all public open space within the city is retained;
- prevent intrusion into parks and open space by ensuring that any unavoidable loss is replaced by the equivalent in another location;
- secure new public open space where appropriate;
- protect and maximise public access to parkland;
- ensure that open space is designed, developed and landscaped in accordance with any relevant guidelines adopted by the Council.

**DETAILS:**

Discussions with DHW and the Heritage Council of Western Australia on the Graham Flats/West Perth Town Square are progressing. These discussions are firmly focussed on the partial preservation and redevelopment of Graham Flats, with a section of the land at the corner of Colin and Hay Streets being set aside for development by the City of Perth as a Town Square, on a basis yet to be finalised.

It is apparent that DHW does not consider that it is practical to expect their residents to relocate from Graham Flats to any development on the City's East Perth land in the vicinity of the Rod Evans Centre, notwithstanding that they consider the East Perth land to be an interesting opportunity for a different client group.

In view of this, the Council may now wish to consider the future use of the Rod Evans site and the adjoining land as a separate matter.

**Considerations:**
The Council has already made a conscious decision that the park at the north western corner of Hay and Plain Streets, which is not zoned for recreation use, could be developed for residential purposes, in view of the direct proximity of Queens Gardens and the pocket park in Goderich Street, within 200 metres of this park.

That decision is inferred from the Council resolution at its meeting held on **9 December 2003**, where the following was resolved in part:-

*"That the Council:-*

*2. notes that there is no apparent strategic requirement for preservation of the residentially zoned freehold parkland at the north western corner of Plain and Hay Streets, East Perth;*

*3. gives approval-in-principle for aged person's rental units to be built on the parkland in part 2, subject to:-*

*3.1 the applicant obtaining development approval; and*

*3.3 the applicant finalising its joint venture funding and management arrangements for the development with the Department of Housing and Works".*

There are four other issues which need to be considered in order to identify which sections of the site to redevelop and which market segment is best placed to partner with the City in the redevelopment of this land:-

1. Does the City wish to continue to provide a community meeting place on this land, or should that be part of the proposed redevelopment of the Plain Street Car Park/Perth and Tattersalls Bowling Club site?

2. Does the City wish to accept the advice from both of the Community Housing managers who have made presentations, that the existing aged person's community housing units would not meet the present day design criteria and that they should be included in any redevelopment?

3. Does the City wish to work with Catholic Homes Inc. to secure the redevelopment of the Archbishop Goody Hostel now, or should redevelopment of that section of the land be deferred until the Catholic Homes lease expires on 31 December 2026?

4. Does the City want to sell this land to a commercial developer with appropriate development conditions, or does it want to use this land as a catalyst for a development which is 100% affordable housing, by leasing it for a long term, at little or no rental?

***Community Meeting Place***

The Council has recently resolved to progress investigations into the redevelopment of the Plain Street Ground Level Public Car Park and the adjoining Perth and Tattersalls Bowling Club, which shares the same site. The direction from the Council was to include community facilities and lawn bowling facilities in this project.

It would seem to be sensible to provide new community facilities at one location, given that the Plain Street land and the subject site are only about 300 metres apart.

Further, the Plain Street site is considered to be a preferable location to the existing Rod Evans site for new community facilities to service East Perth and the east end of the city, as:-

- it is zoned Public Open Space under the City Planning Scheme No. 2, where the Rod Evans site does not have this restriction;
- it has an attractive outlook to Lake Vasto and the Swan River;
- it has a public parking station on-site, which is generally not full evenings nor weekends, whereas parking in the vicinity of the Rod Evans Centre is difficult at any time;
- there is also a large public car park under the Hyatt Hotel, opposite the Plain Street site, which is not generally full during the day.

It is therefore proposed that the Council reviews the need to replace the Rod Evans Community Centre, or something like it, on the Hay Street land, but notes that the Hay Street site could not be redeveloped before new East Perth community facilities are completed on the Plain Street Car Park site.

***Existing Rod Evans Aged Person's Rental Units***

It is acknowledged that there are valid access limitations with the existing Rod Evans Aged Person's Rental Units. However, it is difficult to justify their demolition and replacement in any redevelopment of the adjoining land, as:-

- they are only 13 years old and in good repair;
- they fully develop the site and any redevelopment will simply replace the same number of units for this land area, without any discretionary plot ratio bonus;
- DHW has a significant financial investment in these units, protected by a long term agreement with Rod Evans Senior Citizens Centre Inc. The Department is unlikely to voluntarily surrender their interest in this land and they would be an additional party in any redevelopment involving this part of the site;
- there is a waiting list of clients for these units, despite any criticism that they might not represent best design practice.

It is therefore proposed that consideration be given to excluding this section of the site from any redevelopment of the adjoining land.

***Archbishop Goody Hostel***

There appear to be sound reasons to include this part of the site in any redevelopment of the adjoining land:-

- the existing Archbishop Goody Hostel significantly under-develops the section of the site that it occupies, being a single level structure on land zoned R160;

- Catholic Homes Inc. indicated at the briefing mentioned in the background, above, that the building is suffering from design obsolescence and that they would be willing financial participants in a large scale redevelopment of the site which would deliver improved facilities for their clients and better integration with other facilities;

- it may be possible for integrated aged person's care facilities to represent added value in a large scale residential complex, whereas the existing stand-alone hostel appears not to engage the East Perth community.

It is therefore suggested that this section of the site should be included in any redevelopment of the adjoining Rod Evans site and the park next to it, with the requirement that any intending purchaser or developer undertakes their own negotiations with Catholic Homes Inc. on their financial and other involvements in the project.

***Ground Lease Versus Outright Sale***

No valuation has been obtained for the land recommended for redevelopment in this report, but allowing for the impact of the Catholic Homes lease, Council Officers estimate it to have a present market value of approximately $10 million.

Careful thought is required before considering leasing a land parcel with a value this large, for community housing or any other form of affordable housing scheme. The reality is that, while the lease may only be for 50 years, it would be difficult to retake possession and the most likely outcome is that a ratepayer asset is forever quarantined.

Further, it is considered to be a better planning outcome for any development to meet the East Perth Redevelopment Authority's current target of 10% to 15% of all new dwellings being set aside for affordable and social housing, as recommended in the study *'Planning for Social and Community Infrastructure in a Changing Perth Landscape'*, rather than a concentration of this accommodation type in one large development.

This diversity can be achieved through sale of the land to a commercial developer with a condition in the sale contract, requiring a percentage of the units to be priced below a figure which is considered to be the upper range of affordable inner-city housing.

A decision is required on which of these development options to pursue:-

1. outright sale of this land with a series of appropriate development conditions; or

2. a long term ground lease for community housing or some other form of affordable housing.

**FINANCIAL IMPLICATIONS:**

There are no financial implications related to this report.

**COMMENTS:**

It is proposed that the Finance and Budget Committee provides direction on each of the four issues discussed in this report, as well as any other related matter:-

1. Community Meeting Place.
2. Existing Rod Evans Aged Person's Rental Units.
3. Archbishop Goody Hostel.
4. Ground Lease Versus Outright Sale.

Once positions are established on each of these items, a further report will be submitted on the options open to the Council to achieve its preferred outcomes in each of these areas and the likely timelines involved.

It was therefore recommended that the Finance and Budget Committee provides direction on the issues discussed in the report dated 25 June 2007 regarding the City's land in the vicinity of the Rod Evans Community Centre, and makes a recommendation to the Council.

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That the Finance and Budget Committee:-***

***1. receives the report dated 25 June 2007 regarding the redevelopment of the Rod Evans Senior Citizens Centre and adjoining land;***

***2. provides direction on the sale of the site minus the sale of the units and requests the administration to prepare a report detailing how this sale can be progressed.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB154/07 RENT REVIEW - 1275 HAY STREET (CORNER OUTRAM STREET) WEST PERTH

### BACKGROUND:

| | |
|---|---|
| FILE REFERENCE: | P1020296 |
| REPORTING OFFICER: | Vic Fuller |
| RESPONSIBLE DIRECTOR: | Garry Dunne, Director Service Units |
| DATE: | 20 June 2007 |
| MAP / SCHEDULE: | Map - 1275 Hay Street, West Perth |

Colonnade Reserve number 41633 (Perth Lot 1017) was vested in the City of Perth on 15 March 1991 in order to facilitate the construction of first floor offices over a colonnade at ground level within the ANZ Bank premises at the south eastern corner of Hay Street and Outram Street, West Perth.

The colonnade was vested for municipal purposes, with the power to lease the land for a period not exceeding 21 years. It has a surface area of 69m$^2$, representing a standard colonnade depth of 3.66 metres across the Hay Street frontage of the Bank.

The City entered into a 21 year lease with ANZ Properties (Australia) Ltd over air rights above the reserve, as well as the land at surface level, on which columns supporting the first floor are located. The lease commenced on 12 April 1991 and will expire on 11 April 2012.

Rent reviews are scheduled every two years to a formula which is geared to the land value, in respect of the air rights, whereas the area occupied by the columns attracts an annual rental which is fixed at $200 per annum for the full term of the lease.

At the Council meeting held on **15 March 2005**, it was resolved:-

*"That the Council agrees to leave the rental payable by ANZ Properties (Australia) Ltd unaltered at $2,684 per annum plus GST for the rent review period 12 April 2005 to 11 April 2007 in respect of the colonnade reserve at 1275 Hay Street, West Perth".*

### LEGISLATION / STRATEGIC PLAN / POLICY:

Rent reviews are essentially determined by reference to the covenants of the individual lease.

### DETAILS:

The lease provides for rent reviews of the airspace to be calculated by a formula which provides for an 8% return on the value of the air rights which is nominated at 25% of the adjoining site value, expressed as a rate per square metre.

The present airspace rental was calculated on a land value of $1,800/m$^2$.

Landgate Valuation Services (previously known as the Valuer General's Office) has provided verbal advice to confirm the view held by Council Officers that there has been significant movement in land values in this part of West Perth since the rental value was last assessed in 2005, and that it would be appropriate to adopt a land value of $4,000/ $m^2$ on this occasion.

Based on that rate, a new rental of $5,720 per annum is proposed for the rent review period 12 April 2007 to 11 April 2009. The new rental was calculated as follows:-

| | | |
|---|---|---|
| Airspace<br>($4,000/m² x 25% ) x 69m² x 8% | = | $5,520 |
| Column rental<br>(fixed for full term of term of the lease) | = | $ 200 |
| Total | | $5,720 |

**FINANCIAL IMPLICATIONS:**

INCOME:

| | | |
|---|---|---|
| ACCOUNT NO: | 12420000 6521 | |
| BUDGET ITEM: | Streets, Roads, Bridges, Depots – Crossovers. | |
| BUDGET PAGE NUMBER: | TBC | |
| | **BUDGET ITEM** | **THIS COMPONENT** |
| BUDGETED AMOUNT: | | $5,520 |
| AMOUNT RECEIVED TO DATE: | | $ 0 |
| ACTUAL INCOME: | | $5,720 |

All figures quoted in this report are exclusive of GST.

**COMMENTS:**

This proposed new rental has not been referred to the Bank due to this matter being processed well after the rent review date together with confidence that the Bank's property section will be well aware of recent land sales in West Perth.

It is proposed that the Council adopts the new rental set out above, as the Bank has access to a dispute resolution process in the lease, if it does not accept the City's assessment of the current land value.

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That the Council increases the rental payable by ANZ Properties (Australia) Ltd in respect of the colonnade reserve at 1275 Hay Street, West Perth to $5,720 per annum, (excluding GST), for the rent review period 12 April 2007 to 11 April 2009.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB155/07 CITY OF PERTH ANNUAL PLAN 2007/08

**BACKGROUND:**

| | |
|---|---|
| FILE REFERENCE: | P1018234-1 |
| REPORTING OFFICER: | Steven Grewal |
| RESPONSIBLE DIRECTOR: | Frank Edwards, Chief Executive Officer |
| DATE: | 6 July 2007 |
| MAP / SCHEDULE: | Schedule 2 – City of Perth Annual Plan 2007/08 |

**This item was distributed to Elected Members as a late report by the Chief Executive Officer on Friday, 6 July 2007.**

The Council at its meeting held on **6 June 2006** adopted the City's Annual Plan 2006/07 and resolved to receive six-monthly reports on the achievement of the actions listed in the Plan. The Council considered the first six-monthly report at its meeting held on **12 December 2006**. The next report will be presented to the Council in August 2007.

The Finance and Budget Committee at its meeting held on 19 June 2007 resolved to defer the adoption of the Annual Plan 2007/08 to allow the administration to further refine the document. The amendments to the Annual Plan are highlighted in Schedule 2.

**LEGISLATION / STRATEGIC PLAN / POLICY:**

| | |
|---|---|
| **Legislation** | Section 5.56 of the Local Government Act 1995;<br>Section 19C and 19D of the Local Government (Administration) Regulations 1996. |
| **Strategic Plan** | |
| Key Result Area: | City Leadership.<br>Capable and Responsive Organisation. |
| Strategy: | Leading City Strategy.<br>Capable and Responsive Organisation. |
| **Policy** | |
| Policy No and Name: | 9.1 - Budget Policies.<br>1.2 - Community Consultation. |

**DETAILS:**

The City of Perth Annual Plan 2007/08 is an ongoing plan which is updated yearly. The actions fall into nine Strategies identified as being critical to achieving the goals of the City's Strategic Plan.

The 2007/08 Plan is focussed on major projects and initiatives of the City with a reduction in action items from 144 to 98, of which 26 actions (27%) relate to capital works projects in the City's Annual Budget. The remaining actions relate to operational initiatives endorsed by the Council.

The description of each action item in the plan has been expanded to improve its use as a means of communicating the City's activities to the public. The Annual Plan is available to the public on the City's website and is also advertised after adoption by the Council.

**FINANCIAL IMPLICATIONS:**

Graphic design and printing costs of approximately $5,000 will be incurred for production of a summary version of the Annual Plan.

**COMMENTS:**

The City's Annual Plan provides a process for identifying key actions to be undertaken to achieve the City's strategic objectives. Progress against the plan is reported to the Council six-monthly.

***Moved by Cr Sutherland, seconded by Cr Hardy***

***That the Council adopts the City of Perth Annual Plan 2007/08 as detailed in Schedule 2.***

***The motion was put and carried***

**The votes were recorded as follows:-**

**For: Crs Davidson, Hardy and Sutherland**

**Against: Nil**

## FB156/07 GENERAL BUSINESS

### 1. Audit Issues

The Director Corporate Services advised that the interim audit by the City's Auditors commenced last week which included discussion on management issues identified as a result of last year's audit.

### 2. Annual Report

The Chief Executive Officer sought confirmation from the Committee that the 2006/07 Annual Report should consist of a forward by the current Lord Mayor and not a new Lord Mayor to be elected in October. The Committee agreed with this action.

### 3. Fees for Parking Permits

Cr Sutherland queried the reason behind the City charging a fee for its residential parking permits when other local governments do not charge a fee. The Chief Executive Officer advised that it was appropriate to charge a fee for a specific service available only to certain residents rather than absorbing the cost across the broader community.

### 4. Murray Street Mall Loading Dock

Cr Sutherland queried why the City is charging a fee to use the Murray Street Mall loading dock. The CEO advised that no such fee is charged by the City, however additional costs may be incurred as a result of a business' courier service.

### 5. Australian Government Productivity Commission

The Chief Executive Officer advised that the Federal Government has commissioned a study on local government revenue raising capacity. It was advised that a round table discussion will be held in August and it was agreed that Cr Davidson and the Director Corporate Services should attend.

### 6. Proposed Sale - 789 Wellington Street, West Perth

The Chief Executive Officer advised that an Expression of Interest exists for the sale of 789 Wellington Street, West Perth, and whether the Committee agreed to the City lodging a Letter of Intent for its purchase. The Committee agreed that a Letter of Intent be lodged and that the development potential and purchase be further considered as part of an appropriate business plan.

## FB157/07 ITEMS FOR CONSIDERATION AT A FUTURE MEETING

### Outstanding Issues

- Redevelopment of the Rod Evans Senior Citizens Centre and Adjoining Land.

## FB158/07 CLOSE OF MEETING

There being no further business the Presiding Member declared the meeting closed at 5.15pm.