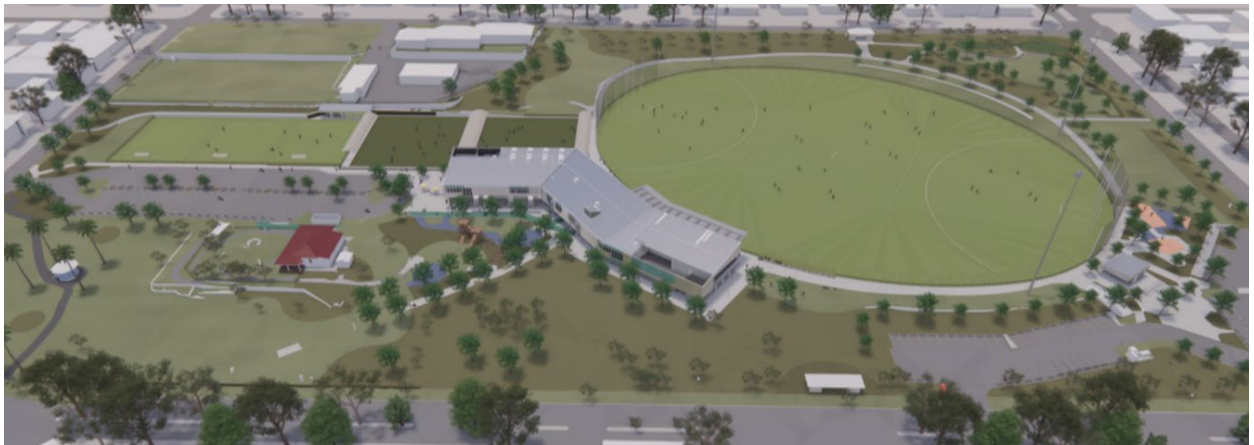


Updated Business Plan (s3.59)
Local Government Act 1995
East Fremantle Oval Precinct Redevelopment



Town of East Fremantle

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Please note that changes have been made to this plan in relation to the construction & borrowing costs and facility management structure (Committee of Council). Once a facility operator has been appointed by Council the financial information relating to the operations of the facility will be updated accordingly.

(November 2022)

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Executive Summary

This Business Plan has been prepared as per the requirements of section 3.59 of *Local Government Act 1995* due to size of undertaking.

The plan is to replace the ageing East Fremantle Oval infrastructure with an Integrated Community Sport and Leisure Facility and associated precinct.

Project summary

- Land vested in the Town of East Fremantle as A Class reserve.
- Broad scope for requirements to include:
 - Walking tracks around the oval.
 - Sports Oval
 - Removal of perimeter fence
 - New playgroup facilities
 - Outdoor ½ hard court.
 - Outdoor adventure playground.
 - Enclosed dog exercise area.
 - Skate Zone.
 - Improved community facilities including the oval tenant facilities as well as other amenities available to hire for the community (e.g. meeting rooms).
- Revised Projected Capital Cost (QS estimate) is **\$32,500,000.**
- Proposed funding as per below:

▪ Town of East Fremantle (Proposed Treasury loan)	\$ 4,800,000
▪ Town of East Fremantle	\$ 2,200,000
▪ External agencies (State Government)	\$25,000,000
▪ External agencies (AFL and others)	<u>\$ 500,000</u>
	<u>\$32,500,000</u>
- Currently a further funding submission has been lodged with Lotterywest for an additional \$970,000
- Based on the detailed Business Plan assumptions, it is anticipated the facility will become cost neutral after year 3 of operation.
- Timetable to build and open the proposed facility is by end of February 2024.

The Business Plan is available from the Town's website www.eastfremantle.wa.gov.au. Alternatively you can request a copy by telephone (08) 9339 9339 or via email admin@eastfremantle.wa.gov.au.

Purpose

Proposal to enter into a major land transaction for the redevelopment of the East Fremantle Oval Precinct buildings and surrounding area as an open, inviting, community and recreational space, available to all within the Town.

This Business Plan has been prepared in order to satisfy the requirements of Section 3.59 of the *Local Government Act 1995* in respect to the redevelopment of the East Fremantle Oval Precinct.

The Business Plan outlines:

1. Proposed services and future management arrangements for the precinct;

2. Financial details of the Project;
3. Adherence to the Town's Community Plan; and
4. Information on the Town's ability to manage the project.

This Plan has been based on a detailed Business Plan which contains confidential (commercial) information not for public release.

The community is asked to provide comment on the specific aspects listed above, via a submission process.

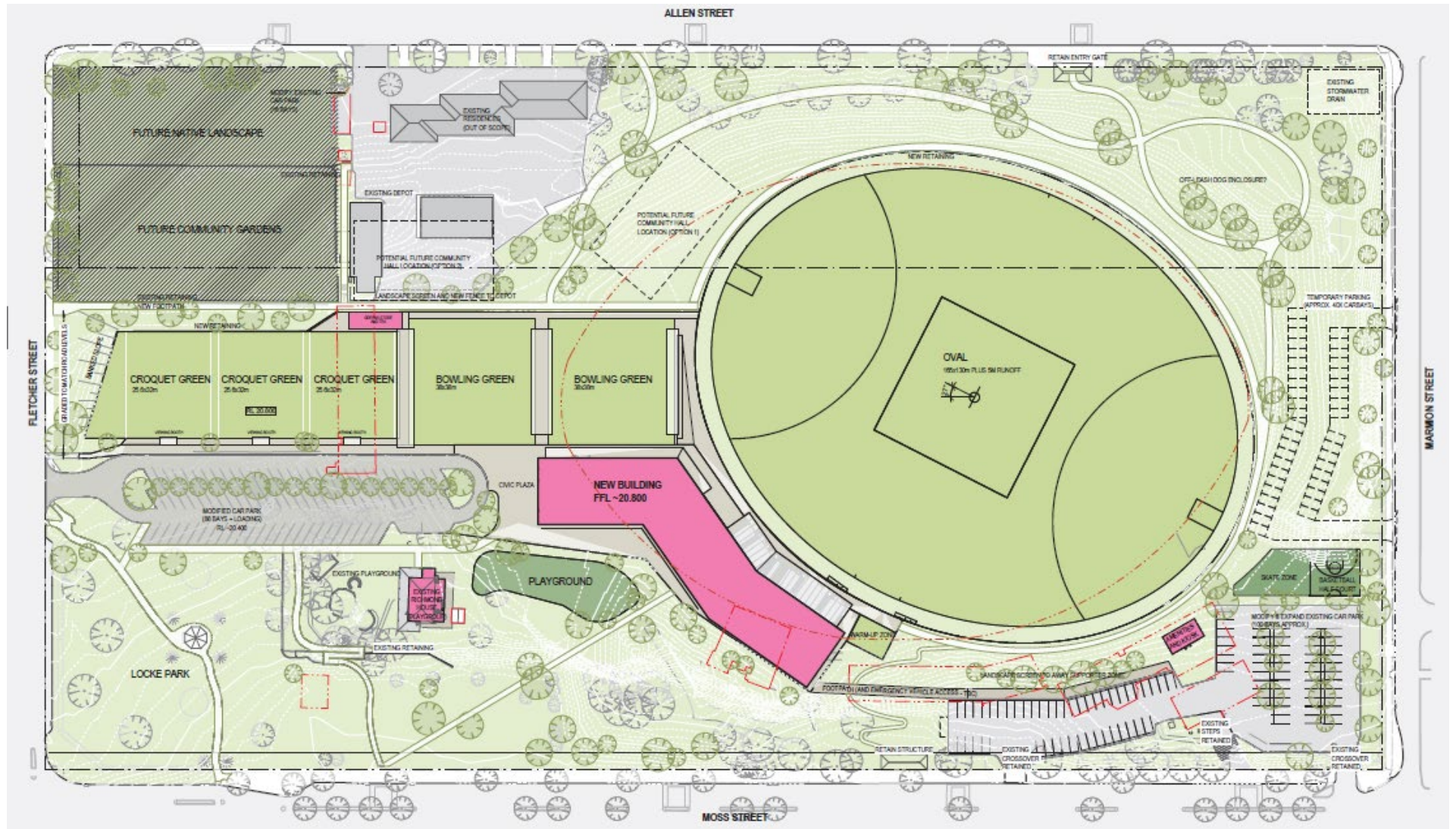
The Project

The redevelopment of the East Fremantle Oval Precinct is being actioned as a priority major project for the Town of East Fremantle to achieve the following objectives:

- To maximise the opportunities for local residents to pursue a healthy and active lifestyle through a range of sporting and leisure pursuits and for personal development for all ages and abilities.
- To provide a venue where local teams can develop excellence by competing at the highest level, in high quality facilities that can be enjoyed equally by local and visiting teams, coaches and spectators.
- To host a place where people can develop and impart skills, and to fulfil their potential in their chosen sport/activity.
- To build social connectedness and cohesion among our community.
- To build a space where East Fremantle residents can gather, share and celebrate occasions/milestones – to share a meal, a coffee, to start conversations and host functions.
- To create opportunities for new businesses and to thrive.

The proposed co-location of the existing sports clubs (Football, Bowls & Croquet) will also provide efficient operating synergies through the creation of a central administration function and result in optimising the use of the shared facilities on site, ultimately assisting with each club's long-term sustainability.

Proposed precinct plan



Note: Ultimately, the Council will decide the final precinct layout, it may be varied subject to final costs and/or the outcomes of any further investigations (ie Traffic impacts)

Land Description

The subject site is a 8.43ha lot bound by Fletcher Street, Allen Street, Marmion Street and Moss Street, with the land held in ownership by the State of Western Australia and vested to the Town of East Fremantle as a Class (A) Reserve.

Further details of the lot include:

- Lot 6229 on D1243 & on P3286

Landgate's Practice Manual (RES -01) defines a reserve as;

A reserve is Crown land that has been set aside for a particular purpose in the public interest. It is a form of tenure of Crown land and is not an interest in land.

Class A reserves afford the greatest degree of protection for reserves of Crown land created under the LAA. The A classification is used solely to protect areas of high conservation or high community value.

Background

The existing key tenants on the site include:

- The East Fremantle Football Club ('EFFC')
- The East Fremantle Bowling Club ('Bowls')
- The East Fremantle Croquet Club ('Croquet')
- The East Fremantle Playgroup and Child Nurse

All tenants are in separate facilities which are all requiring significant upgrades due to varying levels of disrepair. This project presents an opportunity to consolidate these tenants into a single facility as well as look to other community groups which could utilise the facility, and to open the site up for use by the community generally, not just sports.

Other infrastructure on the site includes the Town of East Fremantle's work depot and residential housing owned by the Town. These buildings will remain on site and have been excluded from this project.

The cost of relocating the depot was briefly explored but was considered beyond the budget set for this project. Therefore, further consideration may be given at a future date to the depot's relocation and the demolition of the staff houses.

History of the site

East Fremantle Football Club

The ground was opened in 1906 and underwent a large redevelopment in 1953. It currently serves as the home ground of the East Fremantle Football Club in the West Australian Football League (WAFL).

East Fremantle Bowling Club

The Bowls Club has been based at the Precinct since 1904, with one of the bowling greens still situated in its original location.

East Fremantle Croquet Club

Similar to Bowls, the Croquet Club has been based at the Precinct since 1906. The club is located on the corner of Fletcher and Allen Street and currently has 2.5 croquet greens (area of 2,000m²).

Previous Consultation

The Town has undertaken an extensive consultation process regarding this project.

Redevelopment of the East Fremantle Precinct has been a priority of the Town for decades, and unfortunately there have been a number of prior unsuccessful attempts that failed due to a lack of community support for the redevelopment models put forward.

Previous investigations and reports published include:

- Masterplan: East Fremantle Oval Precinct (2008)
- East Fremantle Oval Redevelopment: Stakeholder Communication and Consultation Plan (2013).
- East Fremantle Oval Precinct Redevelopment: Opportunities and Constraints Report (2013)
- East Fremantle Oval Recreation Precinct: Community Reference Group (2014)
- Recreation and Community Facilities Plan (2016)
- East Fremantle Oval Precinct Revitalisation: Shape Our Future (2018) – Vision Plan.
- East Fremantle Oval Precinct – Investment Logic Mapping (ILM) Workshop Report (2019)

A Revitalisation Plan (Design Charrette) was developed in 2018, which undertook an extensive community engagement process to develop an initial concept for a consolidated community and sporting building. The key outcomes which were established from the community engagement included:

- The precinct should be revitalised into a community and sporting space that is open to all, with or without WAFL games played at the Oval.
- Preference to retain the entire precinct as an A Class Reserve.
- Affordable and equitable revitalisation with multiple funding options.
- Improve physical and visual accessibility into the precinct.
- Create shared facilities that meet the needs of clubs and community.
- Maximise use of existing areas, and better utilise underused spaces.
- Strong agreement that sale of portions of the land (for residential/commercial multi-story development) to fund the project should not be considered.

While the ILM Workshop Report (2019) built upon these key outcomes, it identified the four key problem statements currently restricting the precinct including:

1. Lack of multi-purpose facilities in the Town available for community groups and members.
2. An overprovision and deteriorating condition of the existing infrastructure at the Oval.
3. The Precinct has poor amenity, presenting as uninviting and largely inaccessible for passive recreational use.
4. The Precinct is underutilised for passive recreation and does not meet the needs of the community.

A community reference group was formed to assist with the delivery of the ILM process. The Group consisted of one member from each sports club and 4 community members, plus Town staff.

Since this time Paatsch Group were engaged by the Town of East Fremantle (Feb 2020) to deliver a business plan and concept masterplan regarding the redevelopment of the East Fremantle Oval Precinct, this work was completed in June 2020.

In September 2020, Peter Hunt Architects were engaged to further refine the concept plans and project costings (QS figures), which involved a number of opportunities for community feedback through the various workshop/presentations and invitations for written submissions.

The Community Reference Group was also reformed to again provide assistance with this process.

On 9th June 2022 two community information sessions were held (4pm to 5 pm & 6:30 to 7:30pm) to provide a project update, including full details of the revised project budget \$32.5 million.

Overall, the consultation results indicate the community is supportive of the East Fremantle Oval Precinct Redevelopment Project. A full summary of the consultation undertaken can be found on the Town's website.

Compliance to s3.59 Local Government Act 1995

As per the requirements set out under Section 3.59 of the *Local Government Act 1995* this Business Plan for a major land transaction has been prepared for the redevelopment of the East Fremantle Oval Precinct.

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

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

The Act sets out the Town's requirements to advertise the business plan as outlined below (as per s3.59(4):

(4) The local government is to —

a) give Statewide public notice stating that —

i. the local government proposes to commence the major trading undertaking or enter into the major land transaction described in the notice or into a land transaction that is preparatory to that major land transaction; and

ii. a copy of the business plan may be inspected or obtained at any place specified in the notice; and

iii. submissions about the proposed undertaking or transaction may be made to the local government before a day to be specified in the notice, being a day that is not less than 6 weeks after the notice is given;

AND

b) make a copy of the business plan available for public inspection in accordance with the notice.

c) publish a copy of the business plan on the local government's official website

(5) After the advertising period has closed, Council will be required to consider any submissions made and may then decide, with absolute majority required, to proceed with the ongoing undertakings and transactions proposed. Any future undertakings and transactions will be required to not significantly differ from what was proposed in the advertised Business Plan.

The expected effect on the provision of facilities and services by the Town - 3.59(3)(a)

The Town currently does not own or provide a community facility/building that is available for general community use. This proposal will provide a purpose-built multi-purpose community building, associated facilities, and parkland. Therefore, increasing the provision of community facilities and services available within the Town.

In addition to housing the existing sports clubs, the proposal will also provide;

- Walking tracks around the oval.
- New playgroup facilities
- Outdoor ½ hard court.
- Outdoor adventure playground.
- Enclosed dog exercise area.
- Skate Zone.
- Improved community facilities including the oval tenant facilities as well as other amenities available to hire for the community (e.g. meeting rooms).

Committee of Council (Facility Management Committee)

As a result of further investigations in relation to the possibility of establishing a trust to oversee the facility management, it has been determined that it would be more appropriate that a committee of Council be formed pursuant to section 5.9(2)(c) of the *Local Government Act*.

It is proposed that the Committee consists of the following personnel:

- One (1) Chairperson (independent)
- One (1) Operator representative (non-voting member)
- Two (2) Town of East Fremantle employees or elected members
- One (1) member from East Fremantle Football Club (EFFC)
- One (1) member from East Fremantle Bowls Club (EFBC)
- One (1) member from East Fremantle Croquet Club (EFCC)
- One (1) local resident

It has been recommended that the Committee adheres to the following guidelines:

- The Chairperson is to be an independent Committee representative (like the local resident) however, will have had previous experience either acting in the role of a Chairperson on similar Committee (s) or in governance/management of community facilities and can therefore provide valuable insight into overall governance and management. It is recognised that a small stipend may be required to be paid to the Chairperson for their services (subject to facility finances).
- The professional manager (or representative of the appointed managing entity) will be a nonvoting member (ex-officio) and has responsibility to facilitate the operation of the Committee.

Roles and responsibilities of the Committee and its Members would include:

Strategic Planning: Advising and supporting the paid professional management, clubs and recreational participants on the future direction of the redeveloped East Fremantle Oval Precinct.

Management of Financial Resources: Determining the allocation of resources within their authority. Securing additional resources through commercial sponsorship opportunities or other sources.

Enhancing the public image: Of the site and its activities.

Management of Staff: Professional staff associated with the precinct.

A committee has not yet been established.

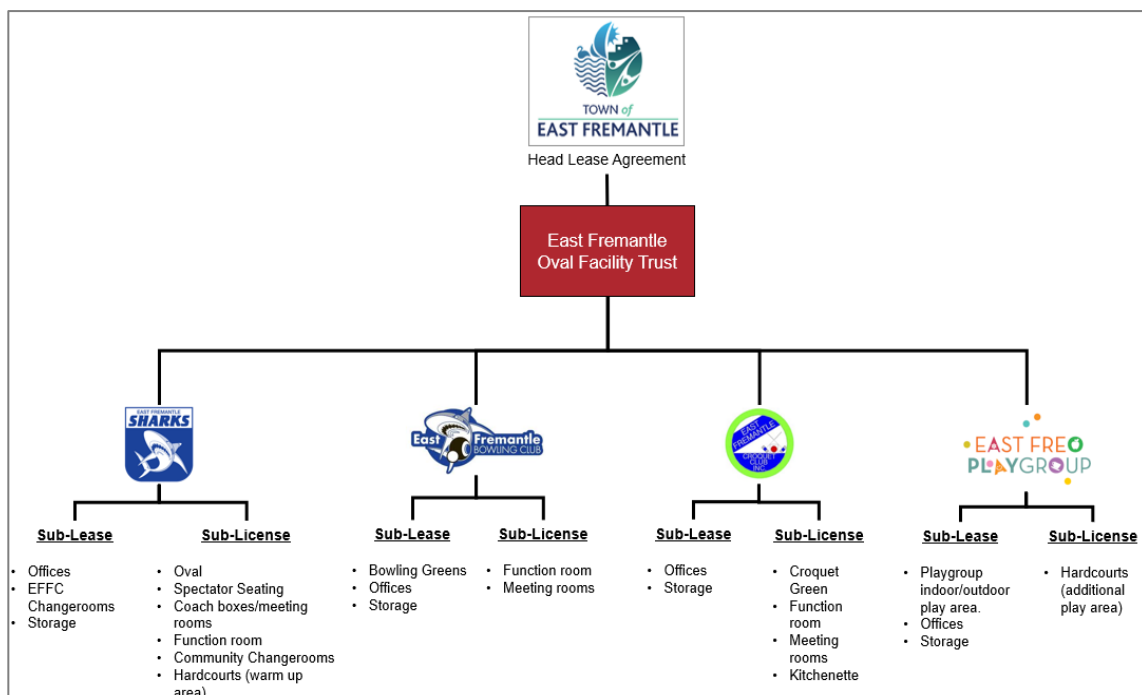
Facility Management

It is proposed the facility’s operations will be outsourced to an experienced and professional facilities management organisation under a fee for service arrangement. It is anticipated that the cost of the management arrangement will be offset by the facilities proposed commercial leases and commercial activities.

The proposed management agent (facility manager) would be an organisation whose sole responsibility is to manage the day-to-day responsibilities of the facility and the precinct overall and ensure that the facility is driving traffic to the area and is performing adequately.

It is further proposed that with the appointment of an external management entity, the establishment of a lease agreement will be developed, outlining the terms of the lease and annual lease payments. Based on the market engagement undertaken, the following has been recommended:

- A 10 year lease agreement (5 X 5 year leases) with extension options in order to successfully attract an external management agency.
- Appropriate key performance indicators would be included in the lease agreement to ensure high levels of facility maintenance and upkeep, protection of interests of the tenant clubs and community service obligations.



Ultimately, the final operational management structure will be determined by the Council subject to further investigation of the model proposed above.

The expected effect on other persons providing facilities and services in the district - 3.59(3)(b)

It is not anticipated that the proposed facilities and services will have any significant adverse impact on other persons who provide services and facilities within the Town other than potentially the existing EF Oval commercial tenants.

As the existing EF Oval commercial tenants' current facilities will be demolished to enable the project to occur, the existing commercial tenants may be affected if they are not successful in securing a lease agreement in the new facility. All commercial tenancy appointments in the redeveloped facility will be the subject of a competitive tender process.

The expected financial effect on the Town - 3.59(3)(c)

The Town currently expends on average around \$120,000 pa on maintenance costs for the current facility and surrounds. These costs will no longer be incurred under this proposal, as the facility operator will be directly responsible for such costs.

Financial Details

Since the adoption of the original Business Plan there has been significant cost escalation in the construction market, which has resulted in additional project costs. Whilst the size of the building has been reduced, the project scope (precinct functionality) has remained the same, except for the deletion of the general hall space and a reduction in some landscaping.

Based on the current detailed design drawings, the following capital cost estimates have been updated by DCWC. Note, all costs exclude GST.

Estimated Project Cost

Item	Budget	Cost Plan*
Construction	\$ 26,478,327	\$ 26,478,327
Headworks	\$296,500	\$296,500
Design Contingency	\$ 287,110	\$ 756,153
Contract Contingency	\$ 1,298,063	\$ 1,298,063
Professional fees	\$ 2,900,000	\$ 2,900,000
FF&E	\$ 1,000,000	\$ 1,000,000
Public Art	\$ 240,000	\$ 240,000
Escalation	\$0	\$ 0
EFFC Allowance	\$0	\$ 195,000
TOTAL	\$32,500,000	\$33,164,043

Currently a further funding submission has been lodged with Lotterywest for an additional \$970,000

The overall estimated project value (and associated fees) will be subject to the final design and specifications being completed.

Environmentally Sustainable Design

The development of this facility will have a strong focus on providing an opportunity to deliver a range of sustainable environmental initiatives to the precinct. The Town will engage a specialist consultant as part of the Detailed Design phase to ensure the Town maximises the opportunities to include the latest ESD initiatives with the objective to reduce overall environmental impact and operating costs for the facility.

Some of these initiatives that will be considered include:

- Solar panels for power consumption
- Building orientation to reduce the requirement for air conditioning
- Building Management System (BMS) with direct digital controllers (DDC) to control air conditioning and ventilation equipment

Funding Model

Funding source	
Town of East Fremantle (Proposed Treasury loan)	\$4,800,000
Town of East Fremantle	\$2,200,000
External agencies (State Government*)	\$25,000,000
External agencies (Federal Government, AFL and others)	\$500,000
Total Funding	\$32,500,000

Currently a further funding submission has been lodged with Lotterywest for an additional \$970,000

Proposed WA Treasury Corporation Loan

It has been proposed that the Town will part fund the construction of the facility via a WA Treasury Corporation Loan for an amount up to \$5 million (Indicative WA Treasury quote received 11/01/21).

Loan amount	\$4,800,000
Loan Term	20 years
Fixed Interest rate	5.52%

Total Annual repayments (P & I) \$399,413

The proposed loan repayments will be incorporated into the Town's Strategic Resource Plan (*Long Term Financial Plan - 10 years*)

In the event the facility is able to generate a profit, any dividend provided to the Town will be used to offset the Treasury loan repayments mentioned above. The detailed business plan identified that this could occur as early as in year 3, and under this scenario repayments would be fully funded by year 10.

Operating Costs

Given the proposed operating model, the facility will operate independently of the Town, and therefore the Town will not be directly responsible for any operating costs.

Based on facilities research undertaken for this project and the findings of a market sounding process, it is proposed that the following commercial tenancies will be integrated within the development:

- Health club.
- Allied health tenants.
- Café and function space.

The purpose of introducing these spaces is to provide financial support for the ongoing operating costs of the facility and the surrounding precinct.

Based on the detailed Business Plan assumptions, it is not anticipated the facility will become cost neutral until after year 3 of operation. Therefore, operating expenditure contingency plans will need to be put in place by the Trust.

The estimated loss (Revenue – expenses) in Year (1) one, inclusive is approximately **\$300,792**. This loss is forecast in part on the basis that the new commercial facilities will take some time to grow to their optimum financial performance and standard commercial rental incentives are likely to need to be offered to commercial tenants to assist in business establishment.

Some start-up operational funding will also likely be required in the year prior to opening (marketing/advertising and human resources) to ensure the facility is ready to go. The Town and clubs will be required to contribute to a start-up fund in Year 1 to assist with the predicted operating revenue shortfall (inclusive of any pre-opening funding).

The start-up contribution for the Town may be equal to the existing expenditure that would ordinarily be expended each year maintaining the precinct and surrounds (Approx \$120,000 pa) which will not be required to be expended during construction of the facility, or once the facility is constructed and operating at its optimum.

The detailed business plan estimates prepared by Paatsch Group anticipate the facility will cover all operating costs by year 2. In the event this does not occur the Town may be required to provide further financial assistance in addition to the loan repayments.

In the **worst-case scenario**, the Town could be required to cover the following additional costs if no revenue at all was derived from the facility’s commercial tenants and activities.

Item	Annual expenses
AFL Ground Maintenance	\$ -
Maintenance	\$ 17,326.00
Gardening	\$ 61,200.00
Security	\$ 25,500.00
Utilities	\$ 169,031.00
Total forecast expenses	\$ 273,057.00

Therefore, the total annual contribution could be \$273,057 plus the annual loan repayments of \$301,870, providing a combined total of \$574,927.

Best-case scenario the facility operates better than expected, and fully funds its operations, sinking fund provisions and the Town’s annual loan repayments, therefore, removing any reliance on the Town for future financial contribution/support.

Expected financial contribution from the Town for the first 10 years

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Profit	-\$300,792	\$328,435	\$95,978	\$117,258	\$139,564
Contribution by others	\$180,792	0	0	0	0
Finance Repayment	-\$307,947	-\$307,947	-\$307,947	-\$307,947	-\$307,947
Total forecast payments by TOEF	-\$427,947	\$20,488	-\$211,969	-\$190,689	-\$168,383

	Year 6	Year 7	Year 8	Year 9	Year 10
Net Profit	\$182,793	\$208,047	\$234,480	\$281,651	\$330,877
Finance Repayment	-\$307,947	-\$307,947	-\$307,947	-\$310,351	-\$307,947
Total forecast payments by TOEF	-\$125,154	-\$99,900	-\$73,467	-\$28,700	\$22,930

Note:

Excluding Year (1), the business plan assumes the Town will only need to contribute to the portion of the loan repayments that have not been offset by net profits (as shown in the above table). Beyond Year (1), no contribution will be required to subsidise the operating costs.

In Year (1), the Town may be required to subsidise the operating loss to an estimated amount of \$120,000 (this amount is equal to current average annual facility maintenance costs, that will no longer apply once the facility is constructed).

In Year (3), the allocation (\$270,080) to the Asset Maintenance sinking fund commences, resulting in the large reduction to the net profit in Year 3.

Asset Maintenance

The detailed business plan proposes that a sinking fund be established in Year 3, and an allocation of \$270,080 be transferred annually to a reserve account to be held for the future asset maintenance requirements of the facility and surrounds.

The expected effect on matters referred to in the local government’s current plan prepared under section 5.56 (Strategic Community Plan) - 3.59(3)(d)

Strategic Community Plan - Priority Area 1 (Social)

The East Fremantle Oval Precinct Redevelopment Project has been identified as a key priority by the community and council.

The achievement of this project will deliver on key Town priorities as expressed in our Strategic Community Plan under Priority Area 1 (Social) - **“A socially connected, inclusive and safe community”**

Objective 1.2 - Inviting open spaces, meeting places and recreational facilities.

Strategies

1.2.2 Provision of adequate recreational, sporting and social facilities.

1.2.3 Activate inviting open spaces that foster social connection.

This project will enhance the liveability of the Town and the quality of life of its people, reaffirming their connection to place. It will improve the desirability of the Town as a destination and location of choice, and will have flow-on positive effects that will factor into decision making for those persons choosing East Fremantle as the place in which they choose to live, raise a family, invest, operate a business, visit, work, retire, play and recreate.

As well as the project’s strong alignment to the Town’s strategic priorities, a community perception survey was also undertaken in 2018, and it identified seven priority areas that the community would like the Town to focus on. The third highest ranked priority was:

“For the Town to take action with the East Fremantle Oval Precinct”

The Town's ability to manage the undertaking or the performance of the transaction - 3.59(3)(e)

The Town has contracted the necessary expertise and resources to assist it in the delivery and management of the project. The following professional services (consultants) have been engaged;

- Project Manager
- Architect & Full design team
- Quantity Surveyor
- Legal Advisors

Other matters - 3.59 (3)(f)

The Town is not aware of any other matters that are relevant to the proposed transaction in relation to the requirements of section 3.59 of the *Local Government Act 1995*.

Business Plan Access

The Business Plan is available from the Town's website www.eastfremantle.wa.gov.au. Alternatively you can request a copy by telephone (08) 9339 9339 or via email admin@eastfremantle.wa.gov.au.

A hard copy of the Business Plan is available from the Town's Administration Centre at 135 Canning Highway, East Fremantle, WA, 6158.