



City of **Perth**

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# Urgent Business Reports

Ordinary Council Meeting

26 March 2024

Notice of Meeting

To the Lord Mayor and Councillors

The next Ordinary Council Meeting will be held on Tuesday, 26 March 2024 in the Council Chamber, Level 9, 27 St Georges Terrace, Perth commencing at 5:00pm.

**Michelle Reynolds**

Chief Executive Officer

25 March 2024

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## 20. Urgent Business

### 20.1 City of Perth Draft Business Plan - East Perth Primary School

Responsible Officer	Steve Holden – General Manager Commercial Services
Voting Requirements	Simple Majority
Attachments	Attachment 20.1A – City of Perth Proposed Draft Business Plan - East Perth Primary School <a href="#">↓</a> Attachment 20.1B – Summary – Chevron Hilton Hotel Agreement Act 1960 (CHHA Act) <a href="#">↓</a>

## Purpose

To present the draft Business Plan for a Major Land Transaction, being the transfer of approx. 1.6 hectares of freehold land owned by the City of Perth to the State Government to facilitate the proposed development of the East Perth (Inner - City) Primary School.

## Recommendation

That Council:

1. RECEIVES the draft Business Plan prepared in response to the State Government request for the City of Perth to, amongst other things, transfer approximately 1.6 hectares of land owned in freehold by the City of Perth, referred to in the Business Plan as Parcels B & C, to the State Government to facilitate the development of the proposed East Perth (Inner City) Primary School as **Attachment A**.
2. DECLINES TO ENTER into a major land transaction under Section 3.59(3) of the *Local Government Act 1995* in respect of the land referred to in item 1 above on the terms and conditions currently proposed by the State Government.
3. DOES NOT PROCEED to advertise for public comment the draft Business Plan in accordance with Section 3.59(4) of the *Local Government Act 1995*.
4. AUTHORISES the CEO to continue engaging with the State Government to negotiate satisfactory terms for the Major Land Transaction, with such terms to ensure that Objective 3 of the Guiding Principles set out on pages 12 and 13 of the Business Plan are met.
5. NOTE that any revised terms will be submitted to the Council for consideration.

## Background

1. The City of Perth (the City) owns approximately 2.6ha of land held in freehold title on Nelson Crescent, East Perth. The City developed the land as an open-air car park for 871 bays and referred to it as the Queens Garden Car Park No. 4A (QGCP).
2. Due to the surrounding road configuration the total land area is comprised in 3 parcels that for identification purposes have been labelled:

Parcel A 10,091sqm

Parcel B 8,367sqm

Parcel C 7,544sqm



3. The *Chevron Hilton Hotel Agreement Act 1960* (CHHA Act) required the City purchase the land from private owners and established a carpark in accordance with Clause 35 of the CHHA Act. The carpark has been in operation for over 50 years.
4. On 19 April 2023, the State Government (State) announced plans to build a new public primary school in East Perth by 2028, which would cater for a maximum of 800 students on full completion.
5. The site selected by the State is part of the QGCP, has an area of approximately 1.6ha and is further described as Parcels B & C.

## Proposal

6. The State has proposed that, to facilitate the delivery of the Inner- City Primary School, the City should transfer its freehold interest in Parcels B & C free of cost.
7. In return the State proposes to “unlock” the development potential and associated value of the remaining land owned by the City (Parcel A), which the State has estimated to be valued at \$27 million. This would be done through the repeal of the CHHA Act and the termination of the underlying Agreement, which requires the provision of public car parking on the land.



## Business Plan Assessment

8. In accordance with section 3.59 of the *Local Government Act 1995*, an assessment of the proposal has been undertaken by ACIL Allen on behalf of the City. A summary against each of the six criteria established by the Act is provided in the table below, with a more detailed examination of the State's proposal and its implications for the City presented in the draft Business Plan:

Criteria	Summary Findings
<p>Its expected effect on the provision of facilities and services by the local government.</p> <p>Section 3.59 (3)(a) of the <i>Local Government Act 1995</i></p>	<p>The proposed Major Land Transaction reduces the City's capacity to provide parking services within its boundaries through the removal of 1.6ha of the Queen's Gardens Carpark.</p> <p>The land transfer would remove the majority of the future development potential of the site through the transfer of freehold title to the State Government for the development of a public primary school.</p> <p>The transaction would also result in a financial cost of \$29.9 million to the City over 30 years, negatively impacting its financial capacity to provide facilities and services to the community. The City would be required to address the impacts in its Long Term Financial Plan.</p>
<p>Its expected effect on other persons providing facilities and services in the district</p> <p>Section 3.59 (3)(b) of the <i>Local Government Act 1995</i></p>	<p>Trinity College is the only school within the City's boundaries that provides private primary education for Years 4 to 6.</p> <p>Other entities directly impacted would include the WACA, Gloucester Park, Main Roads and small businesses operating in the east end of the City that use the carparking facility. Commuters also use the carpark to travel to the Perth CBD via the CAT bus system.</p> <p>Other operators of carparking services may realise a benefit through the reduction in the overall supply of car bays in close proximity to the Perth CBD.</p>
<p>Its expected financial effect on the local government.</p> <p>Section 3.59 (3)(c) of the <i>Local Government Act 1995</i></p>	<p>When compared to the financial return to the City as a carpark, the State's offer would represent a financial cost to the City of \$29.9 million over a 30 year period.</p>

	When compared to the potential “highest and best use” of the site the total potential financial cost of the State’s proposal is \$104.6 million over 30 years.
<p>It expected effect on matters referred to in the local government’s current plan prepared under Section 5.56.</p> <p>Section 3.59 (3)(d) of the <i>Local Government Act 1995</i></p>	<p>The delivery of a public primary school in East Perth is considered a priority initiative within the City of Perth’s Local Planning Strategy.</p> <p>The proposal however, would constrain the City’s ability to reach its 2036 population target of 55,000 residents as defined in the Strategic Community Plan 2022-2032. This significant site has been earmarked by both the City and the State Government as a mixed use residential/ commercial precinct as evidenced by the Hillside Design Guidelines (DevelopmentWA, 2011), within the Riverside Project Area.</p> <p>The City’s ability to realise its population growth target in the East Perth precinct may be impacted as there are few large scale development sites remaining.</p>
<p>The ability of the local government to manage the undertaking or the performance of the transaction.</p> <p>Section 3.59 (3)(e) of the <i>Local Government Act 1995</i></p>	<p>The draft Business Plan has been prepared based on a hypothetical scenario, with no heads of agreement or memorandum of understanding offered by the State. Notwithstanding, the draft Business Plan has been prepared assuming key terms of the proposal which have been conveyed to the City in formal correspondence would in time be formalised in such an agreement.</p> <p>The Major Land Transaction cannot be formally put for consideration and endorsement until such a document is presented to the City by the State.</p> <p>Once a document of this nature is established the City has the capacity and capabilities to manage the disposal of the land contemplated by the proposal.</p>
<p>Any other matter prescribed for the purposes of this subsection.</p> <p>Section 3.59 (3)(f) of the <i>Local Government Act 1995</i></p>	<p>The City should decline the proposed Major Land Transaction under the current terms offered. The City is not responsible for providing schools infrastructure, and must take a broader perspective when considering the use of scarce land within its boundaries.</p>

	Appropriate compensation must incorporate the current and future use of the land to the City and its ratepayers, the opportunity cost of curtailing the future development potential of the land, and the value provided to the State Government in assisting it meet its statutory requirements to provide school education.
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## Consultation

9. Stakeholder engagement has been limited to State Government Ministers and officers, Elected Members, City of Perth employees and the City's nominated consultants.

## Decision Implications

10. The draft Business Plan has been informed by the terms and conditions proposed by the State in formal correspondence. Such plans are usually submitted for endorsement when the terms are acceptable and accompanied by a deed or other formal arrangement agreed by the City.
11. Subject to Council endorsement of the recommendations, it is the City's intention to continue negotiating with the State to, amongst other issues, agree acceptable compensation for the land be it by a monetary amount or land exchange, and the repeal of the CHHA.
12. If Council **does not** support the recommendation:
  - a. The draft Business Plan will require further development and be re-submitted.
  - b. Should Council determine that the Business Plan be advertised, it will be released for a period of six weeks following which all submissions will be collated and provided to Council for final consideration, as required under the *Local Government Act 1995*.

## Strategic, Legislative and Policy Implications

Strategy	
Strategic Pillar (Objective)	Liveable
Related Documents (Issue Specific Strategies and Plans):	A community that is safe, socially cohesive, inclusive and activated

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 3.59 of the <i>Local Government Act 1995</i>.</p> <p>States a local government is to prepare a Business Plan before it enters into a major land transaction.</p> <p><i>Regulation 10 of the Local Government Act (Functions and General Regulations 1996)</i>.</p> <p>Defines content required for the preparation of Business Plan for a Major land transaction.</p>

Authority of Council/CEO:	The decision of Section 3.59 has not been delegated.
Policy:	Nil.

## Financial Implications

13. Refer attached “Proposed East Perth Primary School Business Plan”, Section 4 Financial and Operational Analysis.

## Further Information

14. Nil.

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# Proposed East Perth Primary School Business Plan

Assessment against Section 3.59 of the  
*Local Government Act 1995*

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The content of this Business Plan report is strictly confidential, provided on a Working Copy Basis, and cannot be shared digitally with anyone outside the addressee of the email conveying the document.

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Our purpose is to help clients make informed decisions about complex economic and public policy issues.

Our vision is to be Australia's most trusted economics, policy and strategy advisory firm. We are committed and passionate about providing rigorous independent advice that contributes to a better world.

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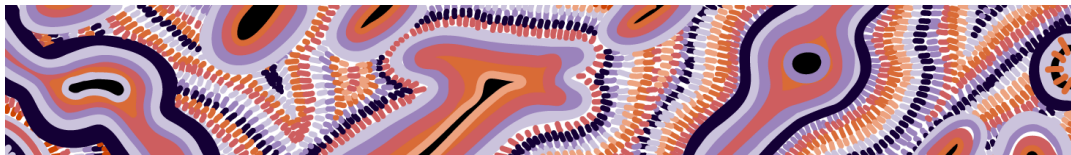
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Goomup, by Jarri McGuire



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### List of acronyms

\$m	Million Australian Dollars
%	Per cent
ha	Hectares
m <sup>2</sup>	Square metre
BCR	Benefit Cost Ratio
CBA	Cost Benefit Analysis
CBD	Central Business District
CHHA Act	<i>The Chevron-Hilton Hotel Agreement Act 1960</i>
CPI	Consumer Price Index
CPP	City of Perth Parking
EPPS	East Perth Primary School
EPRA	East Perth Redevelopment Authority
GRV	Gross Rental; Value
JLL	Jones Lang LaSalle
LGA	Local Government Authority
LIA	Local Intake Area
LTFP	Long Term Financial Plan
MLT	Major Land Transaction
PRP	Preston Rowe Patterson
Section 3.59	Section 3.59 of the <i>Local Government Act 1995</i>
The City	The City of Perth (as an organisation)
The city	The Perth city (as a city of Western Australia)
WA	Western Australia
WACA Ground	The Western Australian Cricket Association Ground
WAPC	Western Australian Planning Commission

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# Proposed East Perth Primary School Business Plan

Assessment against s3.59 of  
the *Local Government Act 1995*

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## Request for submissions

In April 2023, the State Government announced plans to build a new inner city primary school in East Perth by 2028 to take enrolment pressures off nearby primary schools and meet the forecasted population growth in central Perth. At the same time, the State announced that its preferred site for the school was City of Perth freehold owned land at 42 – 62 Nelson Crescent East Perth, currently used as an open air, 871 bay car park referred to as the Queens Gardens Car Park. The site is currently subject to the *Chevron-Hilton Hotel Agreement Act 1960* (CHHA Act) which requires the provision of a car park on the site.

The State Government has proposed that the City transfer two thirds of the freehold land to the State for the construction of the primary school, with the City retaining one third of land (for ease of use, these are referred to as parcels A, B and C). The State has proposed that, in consideration for the City transferring two of the parcels (Parcel B and C), the development potential and associated value of the third parcel (Parcel A) will be “unlocked” by the repeal of the CHHA Act and the termination, by consent, of the underlying Agreement.

**Figure ES 1** Proposed East Perth Primary School development site (schematic), 42 - 62 Nelson Crescent East Perth



Source: WA Government

As the City of Perth operates in accordance with the requirements of the *Local Government Act 1995* and the associated Regulations, the State's proposal constitutes a Major Land Transaction under sub-section 3.59 of the *Local Government Act 1995*. The City of Perth is therefore required to complete a business plan to assess the merits of the transaction as proposed by the State.

Under s3.59, a business plan is to include an overall assessment of a major trading undertaking and is to include details of:

- its expected effect on the provision of facilities and services by the local government;

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

It is important to note, this Business Plan has been prepared based on a hypothetical scenario, with no heads of agreement or memorandum of understanding offered by the State Government for review and response by the City. Notwithstanding, this Business Plan has been prepared assuming key terms of the proposal which have been conveyed to the City in formal correspondence would in time be formalised in such an agreement.

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## Assessment of the Proposed East Perth Primary School

*In accordance with Section 3.59 of the Local Government Act 1995, an assessment of the proposed East Perth Primary School has been undertaken. A summary of the assessment against each of the six criteria established by the Act is provided below. Supporting information and analysis used to inform this summary assessment is provided in Part II of this document.*

### **Expected effect on the provision of facilities and services by the local government**

The proposed Major Land Transaction would have direct and indirect impacts on the City of Perth's provision of facilities and services.

If progressed, the proposed Major Land Transaction would reduce the capacity of the City of Perth to provide parking services within its boundaries through the removal of the Queens Gardens Car Park from the City's parking business portfolio.

The land transfer would remove the future development potential of a majority of the land subject to the Major Land Transaction, through transfer of freehold title to the State Government for the development of a public primary school.

On an indirect basis, ACIL Allen's estimates that the Major Land Transaction would result in a financial cost of \$29.0 million to the City over 30 years. This in turn could be expected to negatively impact on the City's financial capacity to provide facilities and services to the community, as the City would be required to take action to address the impacts on its Long Term Financial Plan.

Further details are provided in **Section 2.1, Section 4 and Section 5.**

### **Expected effect on other persons providing facilities and services in the district**

There is one existing primary school within the City of Perth's boundaries: Trinity College, which provides private school education and related services for students in Year 4 to Year 6. Other schools within the City's boundaries include Mercedes College and St George Anglican Grammar School, which are both Year 7 to Year 12 secondary schools.

There are a range of other primary schools, public and private, in the areas surrounding the City of Perth.

Beyond the development of the East Perth Primary School, the closure of the Queens Gardens Car Park may adversely impact on ratepayers (residents and businesses) within the East Perth precinct through the removal of a substantial number of car parking bays. Commuters also use the Car Park and travel to the Perth CBD via the CAT bus system. Entities who would be expected to be directly impacted include the WACA, Gloucester Park / West Australian Trotting Association, Main Roads



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WA, and small businesses operating in the east end of the city. The closure of the Car Park may also impact the activation of the Perth Girls School new civic precinct site.

Other operators of car parking services within the City of Perth's boundaries may realise a benefit through a reduction in the overall supply of car bays within proximity to the Perth CBD. All things being equal this would result in higher prices and therefore improved financial returns for these operators.

Further details are provided in **Section 2 and Section 1.1**.

### **Expected financial effect on the local government**

In undertaking its due diligence, the City must ensure that the State's proposal is financially responsible. Early in the due diligence process, an objective was set to ensure there was no net cost, or loss of value, incurred by the City's ratepayers as a result of delivering the inner city primary school development.

Overall, ACIL Allen found that the State's proposal would result in a financial cost to the City of Perth and its ratepayers. When compared to the Status Quo scenario (whereby the site is maintained as an operating car park), the State's proposal would represent a financial cost of \$29.0 million to the City. This cost is based on conservative projections of the value of future net cash flow to the City from the Queens Gardens Car Park, which is partially offset by the value of land transactions and future developments associated with the State's proposal.

However, when the State's proposal is compared to the potential "highest and best use" of the site, the total potential financial cost of the State's proposal to the City at \$104.6 million over 30 years.

Further details are provided in **Section 4**.

### **Expected effect on matters referred to in the local government's current plan prepared under section 5.56 of the Local Government Act 1995**

From a strategic perspective, the City must ensure that the State's proposal is consistent with its broader strategic goals such as those presented in the City of Perth's Strategic Community Plan 2022 – 2032 (the document prepared by Local Government Authorities to comply with section 5.56 of the *Local Government Act 1995*).

The delivery of a public primary school in East Perth is considered a priority initiative within the City of Perth's Local Planning Strategy (2023), which is an enabling but subservient document relative to the City's Strategic Community Plan 2022 – 2032.

Overall, the proposed Major Land Transaction would constrain the City's ability to reach its 2036 population target of 55,000 residents, as defined in the Strategic Community Plan 2022 – 2032. This is because the development of the Queens Gardens Car Park site as a mixed use residential/commercial precinct has been long foreshadowed by both the City of Perth and the State Government itself, as evidenced by the Hillside Design Guidelines (DevelopmentWA, 2011). Without this site, achieving the required population growth target in the East Perth neighbourhood will be increasingly difficult as there are few large scale development sites remaining following:

- the medium or high density potential of the Riverside project lands which were previously expected to deliver a significant amount of residential growth are now unlikely
- the WACA Ground Improvement Project, which retains the use of the grounds and surrounding areas for sporting and community use.

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Even though the City would retain Parcel A as part of the transaction, there are additional concerns that the development potential of this site would also be significantly constrained if a potential high rise development is seen to be in conflict with Operational Planning Policy 2.4 (WAPC, 2022).

Further details are provided in **Section 3**.

**Ability of the local government to manage the undertaking or the performance of the transaction**

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As it stands, the City is unable to proceed with the Major Land Transaction as it has yet to be presented with a formal offer through a heads of agreement or memorandum of understanding. The Major Land Transaction cannot be formally put for consideration and endorsement until such a document is presented to the City by the State, as the party proposing the transaction.

Once a document of this nature is established, the City has the internal capacity and capabilities to manage the disposal of land contemplated by the proposed Major Land Transaction. Where internal capability does not exist, the City would be expected to retain external advisors (such as legal representatives) to progress the proposed Major Land Transaction.

Further details are provided in **Section 1.1, Section 1.3, and Section 1.3**.

**Any other matter prescribed for the purposes of this subsection**

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There are a range of additional matters discussed throughout the body of this document.

In particular, **Section 5** provides a summary of the broader perspectives the City may consider when assessing the State's proposal in the context of competing objectives and priorities.

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## Supporting Evidence



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# State Government Proposal to the City of Perth

# 1

*This section presents an overview of the State Government's proposal to build a new inner city public primary school at East Perth, and the City of Perth's approach to considering the proposal.*

## 1.1 Assessing the State Government's Proposal

To inform the City of Perth's due diligence, ACIL Allen was engaged to provide an independent, objective and evidence-based assessment of the State Government's proposal. This has resulted in the development of this Business Plan for a Major Trading Undertaking, and the supporting evidence contained in the remainder of this document. To support the works the City has obtained various advices, including legal and valuation advice, which is summarised as relevant in the document.

To consider all aspects of the proposal made by the State in its totality to inform the City's position, three core objectives were developed and agreed upon by the City of Perth's administration team which have ultimately guided the development of this Business Plan. These are presented in **Table 1.1**.

**Table 1.1** Business Plan – Guiding Objectives

Objective	Description
<b>Objective 1</b> – A public primary school is built in the east end of the City of Perth	Subject to a detailed business case, the City of Perth supports in-principle a primary school in East Perth as it aligns with the recommendations within its Local Planning Strategy 2023, which identifies the need for a new public primary school to support the growing residential community.
<b>Objective 2</b> – The City of Perth should maintain optionality and flexibility to meet its overall population target of 55,000 residents by 2036.	As the availability of land in the East Perth neighbourhood suitable for new residential development is limited, identifying and realising strategic land for growth in the number of dwellings in East Perth will be critical in meeting its long-term residential population objectives.
<b>Objective 3</b> – Any major land transaction associated with the public primary school results in no net cost, or loss of value to the City's ratepayers	The City of Perth has a responsibility to manage its operations in a responsible, transparent and sustainable manner for the benefit of its residents, ratepayers and stakeholders, consistent with its Long Term Financial Plan.

*Source: City of Perth*

The establishment of these objectives has not only guided the due diligence process, but also provides the critical evidence base from which the City can address the requirements of a business plan, as defined under sub-section 3.59 of the *Local Government Act 1995*. This provision requires a local government to develop a business plan before it commences a major trading undertaking or

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

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

The City of Perth administration's response to each of these six criteria has been presented in the Part I of this report. Part II of this report is dedicated to providing the factual evidence base from which the City can assess the State's proposal and address the six criteria that form the basis of the section 3.59 Business Plan.

Accordingly, this report has been structured into the following Parts and Sections:

**Part I (previous part)** provides the City of Perth administration's assessment of the State's proposal against each of the six criteria established by the Act, reflecting the supporting information and analysis provided in Part II of this document.

**Part II** provides the supporting evidence to inform the City's due diligence and complete a business plan for public comment.

- **Section 1 (this section) – State Government Proposal to the City of Perth:** provides the details of the State's proposal to the City of Perth of 11 May 2023, and a summary of the correspondence between the State and the City since that time.
- **Section 2 – Overview of the Queens Gardens site:** provides detail about the Queens Gardens Car Park as the initially preferred site for the State Government's proposal, including the history of the site, its current use, and the key legal and planning considerations relevant to the site.
- **Section 3 – Strategic Planning Considerations:** provides context on the 'need' for an inner city primary school to be located in East Perth, and the strategic considerations in relation to the choice of the site's location.
- **Section 4 – Financial and Operational Analysis:** assesses the proposal (and other development scenarios) in real cash flow and monetised social impact terms from the City of Perth's perspective.
- **Section 5 – Economic and Social Considerations:** presents the key economic and social considerations in relation to the proposal, including a discussion about the methodology used to assess the proposal from an economic and social perspective.

## 1.2 The Proposal

On 19 April 2023, the State Government announced plans to build a new inner city primary school to meet the forecasted population growth in central Perth. In making this announcement, the Minister for Education, the Hon Dr Tony Buti, announced that it would be progressing technical studies on the State's preferred site for the new primary school, the Queens Gardens Car Park (or 'the site') on Nelson Crescent in East Perth, to finalise its business case.

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The decision to build an inner city primary school – a decision of the State Government – is based on the forecast population growth in the City of Perth, and the need to ease the enrolment pressure on nearby Highgate Primary School.

Following this announcement, the Minister formally wrote to the City of Perth on 11 May 2023, as the freehold owner of the Queens Gardens Car Park site, requesting the City transfer Parcels B and C on the site, with Parcel A to be retained by the City (**Figure 1.1**).

**Figure 1.1** Proposed East Perth Primary School development site (schematic)



Source: WA Government

In the letter, the Minister advised that in return for the City transferring freehold interest in Parcel B and C, the State would “unlock the development potential and associated value of the balance portion of land held by the City [Parcel A], through the repeal of the Chevron-Hilton Hotel Agreement Act 1960” (CHHA Act).

**Further details on the CHHA Act and its interpretation are presented in Section 1.3 below.**

To deliver on this arrangement, the Minister’s letter advised that the State would seek the “City’s written consent to terminate the underlying Chevron-Hilton Agreement”. As it stands, the State Government’s view is that the Agreement restricts the use of the site as a car park only. The Minister has stated previously that terminating the underlying Agreement “may create an estimated \$27 million for the City and its ratepayers”.

**Further details on the financial considerations relating to the State’s proposal is presented in Section 4 of this report.**

The letter concludes by noting that the Department of Education and Department of Planning, Lands and Heritage would be meeting with City representatives to discuss the details of the State’s proposal in more detail.

The next section provides a summary of the subsequent meetings and correspondence between the State and the City of Perth.

### **1.3 Subsequent Correspondence between the State and the City of Perth**

At the 1 June 2023 meeting, the City requested information regarding the Department of Education’s site options assessment and final business case from which the Queens Gardens Car Park was selected as the preferred location for the inner city primary school. In this meeting (and subsequent meetings and correspondence), the Department advised that this process was considered to be Cabinet in Confidence, and therefore not able to be shared with the City.



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The Department did, however, agree to share their site selection criteria with the City, which outlined the selection criteria used to identify the site of the Queens Gardens Car Park as the “initially preferred site”. These criteria are detailed in **Table 1.2** below.

**Table 1.2** Inner City Primary School – Site selection criteria

Selection criteria	Definition
Location	<ul style="list-style-type: none"> <li>— Site located within proposed Local Intake Area (LIA) to provide enrolment required relief to Highgate Primary School.</li> <li>— Proximity of the site to the majority of where the demographic demand has been identified.</li> </ul>
Land area to meet operational and curriculum requirements	<ul style="list-style-type: none"> <li>— Preferred minimum 1.6 Ha.<sup>1</sup></li> <li>— Land area to consider parking, drop off and open space requirements.</li> <li>— Sufficient area to deliver buildings required for up to 800 students - fewer than 6 storeys.</li> <li>— Sufficient area for outdoor play and physical education activities for up to 800 students.</li> <li>— Early childhood facilities on ground floor with access to secure outdoor space.</li> <li>— Sufficient site size for a junior AFL Oval or rectangular field and 2-3 hardcourts.</li> <li>— Consider additional available open public space in close proximity to the proposed development site.</li> </ul>
Transport/Access	<ul style="list-style-type: none"> <li>— Ease of access to the site from public transport, pedestrian and cycleway infrastructure</li> <li>— Suitably located within the proposed LIA to maximise walkability to school</li> <li>— Allows for optimised design for safe drop off and pick up.</li> <li>— Ability to access site from road transport infrastructure.</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>— Adaptability and resilience to climate change.</li> <li>— Ability to support sustainable transport options.</li> <li>— Orientation.</li> </ul>
Cultural and Community Responsiveness	<ul style="list-style-type: none"> <li>— Fosters a sense of place and belonging.</li> <li>— Opportunities for shared spaces that connect school with local community.</li> <li>— Considers the potential for future changes in volume and nature of residential dwellings within the Local Government Structure Plan.</li> <li>— Compatible land uses and non-conflicting land uses.</li> </ul>

Source: Department of Education (WA)

On 17 August 2023, the Lord Mayor responded to the Minister’s 11 May 2023 letter. In this letter, the Lord Mayor reiterated the City’s in-principle support for an inner city primary school, and also outlined that it had commenced its own due diligence investigations and analysis to support the preparation of a business plan to Elected Members before the end of the 2023-24 financial year. To assist the City in its due diligence, the Lord Mayor requested additional analysis from the Department of Education that informed the site selection process.

**Further details on the strategic planning considerations in relation to the State’s proposal is presented in Section 3 of this report.**

<sup>1</sup> This differs from the minimum preferred land area under the State Government’s Operational Policy 2.4 – Planning for School Sites (WAPC, 2022). Under this policy the State’s preference is for primary school sites to be on a minimum of four hectares. It is noted a site of this size within the Perth inner city may not be available.

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In the Minister's response received on 14 September 2023, the Minister advised that the City did not require information on the sites investigated for a primary school on the basis that the "State Government is responsible for schools and has completed its business case work on the site selection", requesting instead that the City "should now proceed with its business plan and Major Land Transaction without delay".

In later correspondence from the Lord Mayor to the Minister for Education on 19 October 2023, the City reiterated that it would be completing its due diligence of the State's proposal in order to inform a business plan as required under sub-section 3.59 of the *Local Government Act 1995*. In this correspondence, the City reaffirmed its support for the development of an inner city primary school.

In a 21 November 2023 response, the Minister for Education attached a Cost Benefit Analysis that the Department of Education had completed on the State's proposal, to assist the City in its due diligence. The Minister noted in his letter that this information would be sufficient for the City to complete its due diligence and therefore a business plan, with a request that the City inform the State as to whether or not it wishes to proceed with the transaction by 22 March 2024.

Further clarification on the State's position was provided by the Minister in his letter to the Lord Mayor on 12 February 2024. This included revised estimates of the net impact of the State's proposal to the City of Perth, and the State's advice with respect to its interpretation of the CHHA Act. The Minister also confirmed that the State's proposal remained as stated in his initial correspondence from 11 May 2023.

Accordingly, the key elements of the State's proposal are summarised in **Box 1.1** below.

**Box 1.1** State Government Proposal – Key Elements

The State Government's proposal was detailed in the Minister for Education's letter to the Lord Mayor of the City of Perth on 11 May 2023. The following particulars are relevant considerations in the development of this Business Plan:

- City of Perth transfer freehold title and interest in Parcel B and Parcel C of the Queens Gardens Car Park site to the State, for nil consideration
- City of Perth to retain freehold title and interest in Parcel A
- The State will repeal the *Chevron-Hilton Agreement Act 1960*, and the associated underlying agreement, to clarify the development options of the site
- The State will build, own and operate the public primary school on an amalgamated site comprising Parcel B and Parcel C.

#### 1.4 Interpretation of the *Chevron-Hilton Hotel Agreement Act 1960*

The State Government has proposed that the City transfer two thirds of the freehold land to the State for the construction of the primary school, with the City retaining one third of the land. The State has proposed that, in consideration for the City transferring two of the parcels, the development potential and associated value of the third parcel will be "unlocked" by the repeal of the CHHA Act and the termination, by consent, of the underlying Agreement.

The State's proposal appears to be based on their view that the site currently has limited development potential on the basis that the use of the site is constrained by the continuing obligation in clause 35 of the CHHA Act to provide public car parking on the site.

This is the foundation of the State's position that in "unlocking" the site through the repeal of the CHHA Act, the City can realise the inherent value in the remaining site (Parcel A). However, the City's position is that the premise of the State's proposal is flawed in that clause 35, while imposing

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a continuing obligation on the City to “provide a parking area for motor and other vehicles on the lands”, does not otherwise confine the use of the site exclusively for the provision of a car parking area or limit its use to an “at grade” parking area. As long as the obligation in clause 35 is met by the provision of a parking area, it is the City’s position that the site may otherwise be developed and value realised.

The means by which a parking area can be provided may change over time. Whereas the existing car park has used “at grade” parking across the whole of the site, the applicable planning framework (including the Hillside Design Guidelines (DevelopmentWA, 2011)) contemplate redevelopment with parking being provided over a smaller proportion of the site by a “sleeved” parking area that makes use of multi-storey parking through the basement and podium levels of new buildings.

While the CHHA Act is in force, it is not open to the City to sell the freehold of the Site to a third party. However, it may be possible to generate substantial revenue from the development of the site by granting a long term lease to a third party or entering into a joint venture or similar arrangement which still allowed for the City to continue to provide a ‘parking area’.

Furthermore, while the planning framework that applies to the site is not of immediate or direct assistance in the interpretation of clause 35, it does demonstrate two relevant matters.

- First, there is no other planning or land use impediment to the redevelopment of the site, provided that the obligation under clause 35 to provide a ‘parking area’ is observed.
- Second, the means by which a ‘parking area’ can be provided may change over time. Whereas the existing car park has used “at grade” parking across the whole of the site, the Planning Scheme and the Hillside Design Guidelines (DevelopmentWA, 2011) contemplate redevelopment with parking being provided over a smaller proportion of the site by a ‘sleeved’ parking area that makes use of multi-storey parking through the basement and podium levels of new buildings.

### 1.5 Obligations under the Local Government Act 1995

The State’s proposal to the City constitutes a Major Land Transaction under section 3.59(3) of the *Local Government Act 1995*. This requires the preparation of a business plan that incorporates details of various matters, including:

- the effect of the ‘Major Land Transaction’ on the provision of facilities and services by the local government; and
- the expected financial effect on the City.

If the City is minded to proceed with a Major Land Transaction, the City is required to consult with ratepayers and take into consideration any representations made before making a final decision.

While the City’s residents will benefit from a public primary school, as a matter of ‘good governance’ the City must satisfy itself in relation to the terms on which the land – one of the largest undeveloped sites in single ownership in the city – is to be transferred to the State, having regard to the matters covered in the business plan.

The City is ultimately accountable to its ratepayers for the prudent use of the City’s assets and finances and must comply with its statutory duties under the *Local Government Act 1995*.

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## Overview of the Queens Gardens Site

# 2

*This section provides an overview of the Queens Gardens Car Park site including its history, its current use, and the key legal and planning considerations relevant to the site.*

### 2.1 History and Current Use

The history associated with the Queens Gardens Car Park traces back to the establishment of the *Chevron Hilton Hotel Agreement Act 1960* (CHHA Act) which requires the provision of a public car park on the site. At the time the CHHA Act was established, the City of Perth agreed to establish a public car park on the Nelson Crescent land as part of the agreements encompassed in the Act. These agreements were made ahead of the 1962 British Empire and Commonwealth Games to allow for the development of the Chevron Hilton Hotel (which never eventuated) in the Perth CBD and to facilitate multiple property transfers. Specifically, the *Chevron-Hilton Hotel Agreement Act 1960* contains an agreement between the WA State Government and the City of Perth (amongst others), with clause 35 of the Agreement provides:

*'In relation to the lands described in Schedule "H" hereto being lands adjacent to Nelson Crescent in the City of Perth and shown coloured grey on the said Plan CD 632 the Council undertakes with the State that the Council will provide a parking area for motor and other vehicles on the lands and will acquire by private treaty or compulsorily such lands as it may be necessary to acquire for this purpose.'*

At the time, the City complied with its obligation under clause 35 of the Agreement and acquired the land described in Schedule H to the Agreement. The City owns the site comprising 42 – 62 Nelson Crescent ('the site') as freehold with:

- most of the land (comprising a total of about 26,000m<sup>2</sup>) purchased by the City by private treaty in the 1960s and 1970s; and
- some portions of land (comprising of approximately 2,800m<sup>2</sup>) were compulsorily acquired by the City.

Since this time, the site has been continuously used as a car park, with 871 public car parking allocations currently provided on the site. The site comprises three bituminised "at-grade" car parking lots or parcels.

The land occupied by the Car Park forms part of the Central Perth Redevelopment Scheme area (administered by DevelopmentWA) and is subject to the Hillside Design Guidelines (2011), which are intended to guide development for the Hillside Precinct in East Perth. The Guidelines were adopted under the provisions of the then East Perth Redevelopment Authority (EPRA, now DevelopmentWA) Redevelopment Scheme, with any development proposed for Hillside requiring the development approval of DevelopmentWA.

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While the Hillside Precinct continues to be used as a public car park, it has long been considered a major undeveloped land holding that provides “a unique opportunity to consolidate the rich urban growth potential of Riverside”.

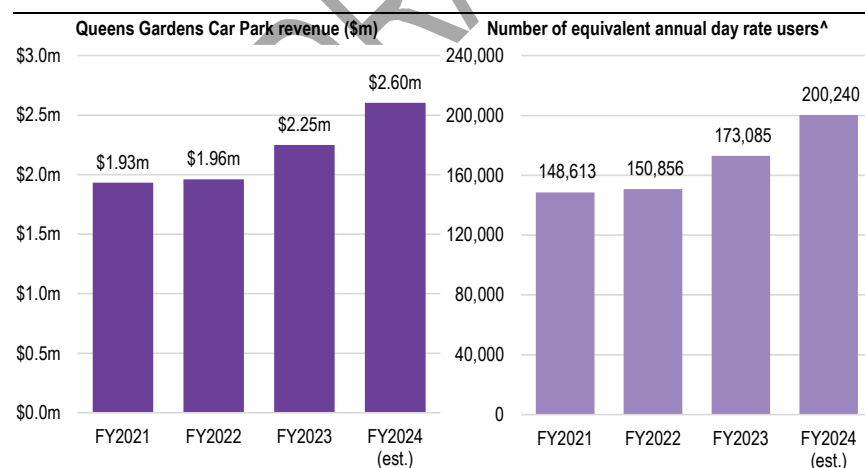
*“The role of Hillside within the greater Riverside context is to provide a significant residential population that will contribute to activating the eastern end of the city. Development in Hillside will provide a strong urban ‘frame’ to the Queen’s Gardens setting.”<sup>2</sup>*

**Further details on the strategic planning considerations associated with the Queens Gardens Car Park site is presented later in this section.**

Today, the Queens Gardens Car Park is one of few large car parking assets owned by the City of Perth on a freehold basis (i.e. owned outright) making it one of the few properties with no risk of resumption or closure and end of lease. Many of the City of Perth’s car parks are operated under Management Orders or Long-Term Leases which exposes them to potential revocation or closure in the future.

The Queens Gardens Car Park generates important revenues for the City of Perth, reflecting the high degree of utilisation by commuters to the city every day. Reflecting the increased activity in the city over the past few years, and a rebound in activity following the early years of the COVID-19 Pandemic, the number of users of the Queens Gardens Car Park has increased from 148,613 users in 2021 to a forecast 200,240 users in 2024 – an increase of over 34.7% in three years.

**Figure 2.1** Queens Gardens Car Park revenue and equivalent annual day rate users<sup>A</sup>, FY2021 to FY2024 (est.)



<sup>A</sup> The equivalent number of day rate users based on \$13.00 per day.  
Source: ACIL Allen; City of Perth

The Queens Gardens Car Park currently plays an important role in catering to the daily parking needs of patrons, visitors, and commuters to the Perth CBD. Some of these benefits include:

- Convenience for patrons: the Car Park is strategically located at the east end of the city, providing convenience for daily commuters and visitors, and ensures a safe and easily accessible place for vehicle parking;
- Accessibility to businesses: for businesses in the city, the Car Park enhances accessibility for customers which supports economic activity across the city. The Car Park also provides a

<sup>2</sup> Hillside Design Guidelines (DevelopmentWA, 2011) page 7.

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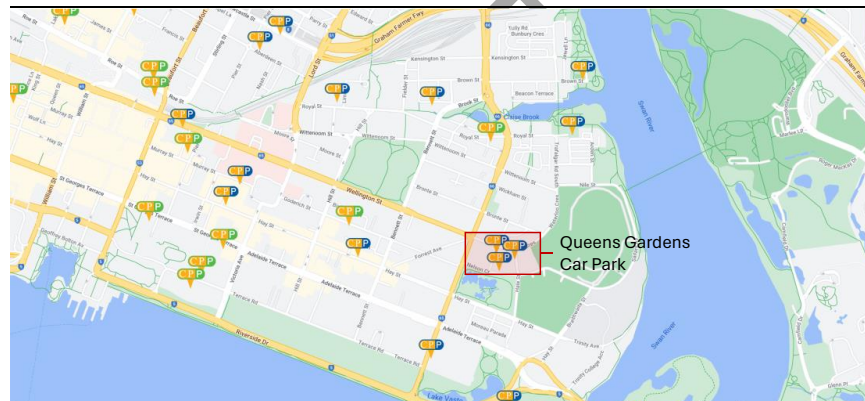
parking location for visitors to Queens Gardens, the WACA Ground, Optus Stadium, and other nearby attractions or events; and

- Public transport support: the Car Park complements the city's public transportation system by providing a convenient place for commuters to park before using buses or other modes of transit to navigate the city.

Reinforcing this, the nearest CPP car parks include the Plain Street car park (156 car bays) to the south, Hay Street East car park (27 car bays) to the east, and Regal Place car park (293 car bays) to the north, however, these car parks are significantly smaller than the Queens Gardens Car Park (871 car bays) (**Figure 2.2**).

The location of the Queens Gardens Car Park is also proximal to key public transport routes that transport people to and from the Perth CBD. This includes the Claisebrook Station to Perth Modern route (Yellow CAT route) which travels along Wellington Street, and the Circular Service from Matagarup Bridge (Red CAT route) which travels along Murray Street and Hay Street.<sup>3</sup>

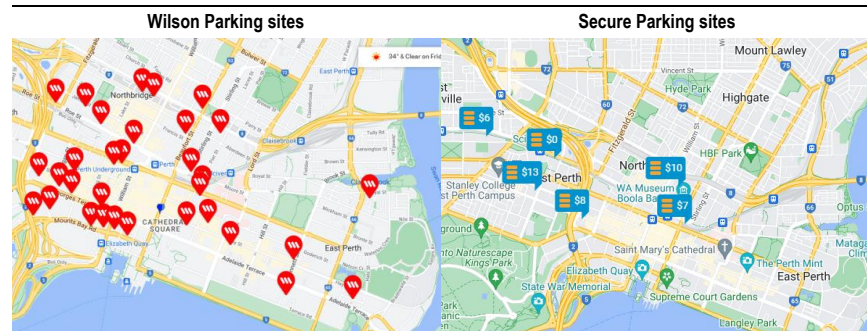
**Figure 2.2** Proximity of Queens Gardens Car Park to other car parks in the Perth CBD



Source: ACIL Allen; <https://www.cityofperthparking.com.au/>

Similar to the concentration of City of Perth Parking sites around the CBD, other parking providers such as Wilson Parking and Secure Parking offer a limited selection of car parks in the eastern end of the city outside of three Wilson Parking sites on Bennett Street (2) and Moreau Parade (1) (**Figure 2.3**).

**Figure 2.3** Location of Wilson Parking and Secure Parking car park sites



Source: Secure Parking; Wilson Parking

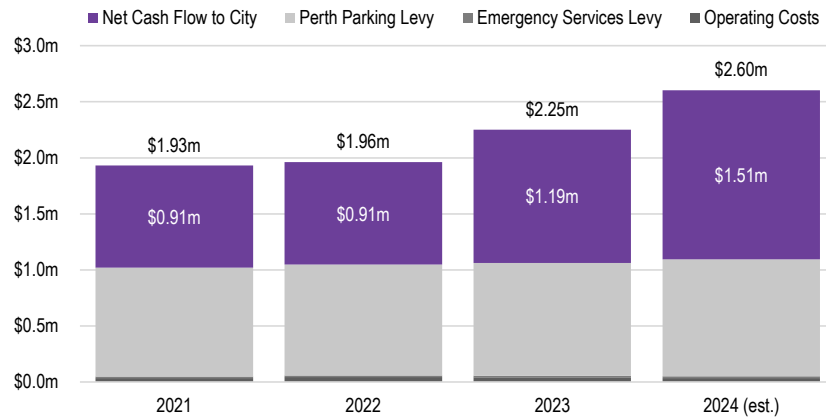
<sup>3</sup> Transperth. Perth CAT Service Frequency



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This service provided by the Queens Gardens Car Park to visitors to the city also delivers an important source of revenue to the City of Perth, ensuring that it has the capacity to keep rates paid lower than they otherwise would be in the absence of this source of revenue. It is estimated that in 2024, the Queens Gardens Car Park will generate \$2.60 million in revenue, which will in turn deliver \$1.5 million in net cash flow for the City of Perth through operating profit, rates and internal rent (Figure 2.4).

**Figure 2.4** Queens Gardens Car Park cash flow, FY2021 to FY2024 (est.), \$ million



Note: 2024 is an estimate from the City of Perth.  
Source: ACIL Allen; City of Perth Parking

Further details on the financial considerations associated with the Queens Gardens Car Park site is presented in Section 4.

### Finding 1 History and Current Use

The establishment of the Queens Gardens Car Park can be traced back to the establishment of the CHHA Act and the corresponding agreement between the State and the City that it establish a public car park on the site. Since that time, the Queens Gardens Car Park has served as a valuable asset to the City in terms of the income that it generated, and for commuters into the Perth CBD.

## 2.2 Planning Considerations



Beyond the current use of the site as an income generating asset for the City, there are broader planning considerations that the City must consider in relation to the Queens Gardens Car Park site and the 'Hillside Precinct' which is the long held planning reference to the Nelson Crescent site.

The land occupied by the Queens Gardens Car Park is zoned under the Central Perth Redevelopment Scheme area administered by DevelopmentWA, and is therefore subject to the Hillside Design Guidelines (DevelopmentWA, 2011). It is important to note that the Central Perth Redevelopment Scheme

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gives statutory weight to the Hillside Design Guidelines (2011) to guide the redevelopment of the site as a key residential area with public parking sleeved by a mix of land uses.

The Hillside Design Guidelines (2011) were developed to guide the development of the Hillside Precinct in East Perth, aimed at delivering high density within a primarily residential hub. The Guidelines aim to establish a safe, high quality public realm for both residents and visitors to enjoy, and has views over Queen's Gardens, the Waterloo Crescent ridgeline, WACA Ground, and Swan River.

The Hillside Design Guidelines (2011) refer to the Riverside Project Area (now known as the Riverside redevelopment project, based off the 2008 Riverside Masterplan) detailing how it will form an impressive eastern entry point into the Perth CBD, with a vision to:

*"Create a bustling, vibrant community with a range of entertainment, commercial and residential developments".<sup>4</sup>*

The Hillside Precinct was said to form an important component of the Project, supporting residential development and capitalising on its access to public transport, and proximity to the CBD and other developments. The Guidelines also detail specific elements of the Hillside Precinct and the unique opportunity to consolidate the urban growth potential of Riverside, adding to the residential population of the City of Perth.

*"The role of Hillside within the greater Riverside context is to provide a significant residential population that will contribute to activating the eastern end of the city. Development in Hillside will provide a strong urban 'frame' to the Queen's Gardens setting."*

The redevelopment of the Hillside Precinct is based on a number of key design elements to support a large residential population. Additional elements include a landmark residential tower at the north-west corner of the site, high quality streetscapes, up to 900 public parking bays integrated within the urban built form, a retail element on the ground level, and the retention of the existing north-south connections and creation of new east-west connections at the site.

**Further details on the importance of the development potential of the Queens Gardens Car Park in supporting the City's strategic goal to increase the resident population in the city is discussed further in Section 3.**

A summary of the Hillside Design Guidelines (DevelopmentWA, 2011) development objectives and performance criteria are presented in **Table 2.1**.

**Table 2.1** Hillside Design Guidelines (2011) development objectives and performance criteria

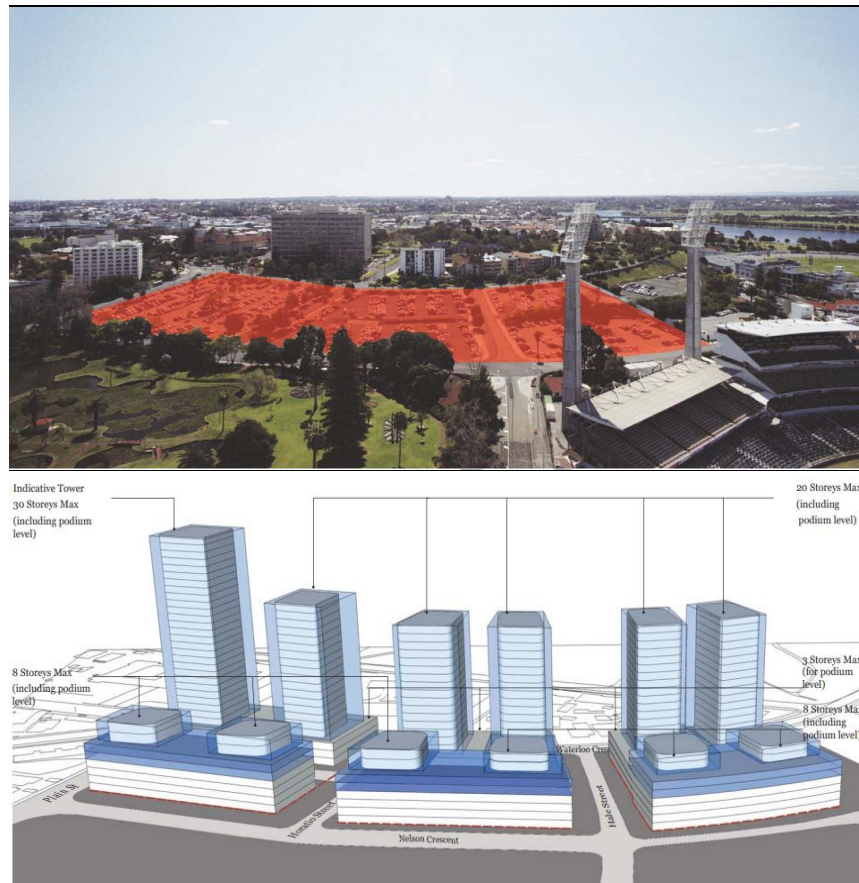
Criteria	Description
Plot ratio	4:1
Build	Staggered / modulated built form comprising 6 x Towers up to 30 storeys (max)
Street environment	3m podium height (min) to create a human scaled street environment
Parking	On-site and public car parking requirements
Ground level	Retail elements along ground levels
Connections	Retention of existing north - south connections and creation of new east - west connections

*Source: Hillside Design Guidelines (DevelopmentWA, 2011)*

An aerial view of the Hillside site, and a proposed building envelope looking north are presented in **Figure 2.5**.

<sup>4</sup> Hillside Design Guidelines (DevelopmentWA, 2011)

**Figure 2.5** Hillside Design Guidelines (2011), Building Envelope Looking North



Source: Hillside Design Guidelines (DevelopmentWA, 2011)

Although the Hillside Design Guidelines (DevelopmentWA, 2011) were adopted in 2011, the guidelines remain as the primary development guidelines for the site and must therefore be a central consideration in the City's assessment of the State's proposal. The Guidelines are given statutory weight from under the Central Perth Redevelopment Scheme to guide the redevelopment of the precinct as a key residential area.

**Finding 2** Development potential of the Queens Gardens Car Park in supporting population growth in the city

The Hillside Design Guidelines (DevelopmentWA, 2011) highlight the important role that the Queens Gardens Car Park will play in supporting a significant residential population in the eastern end of the city. The Hillside Design Guidelines (2011) are also given statutory weight from under the Central Perth Redevelopment Scheme to guide the redevelopment of the precinct as a key residential area.

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## Strategic Planning Considerations

# 3

*This section presents context on the 'need' for an inner city primary school to be located in East Perth, and the strategic considerations in relation to the choice of the location of the site.*

The strategic justification is crucial for understanding how well (or poorly) the development aligns with the City of Perth's long-term strategic objectives, and its resource allocation. It provides a rationale for undertaking the development, linking it to the overall strategy and success of the city.

In undertaking the strategic justification and market assessment, ACIL Allen considered the City of Perth's Strategic Community Plan 2022-2032, the City of Perth's Long Term Financial Plan, the City of Perth's Local Planning Strategy, the City of Perth's response to the Inquiry into the City of Perth, and Positively Progressive's review of the City of Perth's property portfolio.

### 3.1 Establishing the need for a primary school

The WA Department of Education is responsible for delivering public schools and for overseeing and managing the public education system. The Department has the responsibility of building new schools and developing state-of-the-art facilities for children as the state's population grows, and currently administers more than 800 public schools across Western Australia.<sup>5</sup>

The State's proposal to build a new public primary school in East Perth would be the first new public school in Perth's CBD in more than 100 years. The need for a public primary school in the Perth City reflects the shared desire from both the State and the City to address the growing needs of families across Northbridge, Perth and East Perth areas. However, the State's proposal has also come in response to enrolment pressures at the Highgate Primary School and surrounding primary schools. This point was made clear by the Minister for Education in his 19 April 2023 media statement where he announced the State Government's commitment to build a new inner-city primary school at the Queens Gardens Car Park:

*"The Department of Education will work to address enrolment pressure at Highgate Primary School during the interim period while the new school is being built. The new school will service families living in Northbridge, Perth and East Perth, providing modern facilities to support teaching and learning."*<sup>6</sup>

While the City of Perth was not able to access the Business Case that underpinned the State's proposal to develop a new primary school at the Queens Gardens Car Park site, the City's own analysis and strategic planning documents support the case for a primary school to be established within the City's boundaries.

Analysis conducted by the City of Perth has highlighted a shortage of public primary schools to serve its growing population. The City's analysis has found that there are likely to be more than the

<sup>5</sup> Department of Education. Available online at: <https://www.education.wa.edu.au/our-roles>

<sup>6</sup> WA Government. 2023. Inner-city families to benefit from new primary school

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400 residents (the threshold for a primary school) aged between 5 and 11 years of age living in the City, amongst a cohort of over 1,100 residents aged between 0 and 11 years of age (**Table 3.1**). The forecast growth in the resident population in the East Perth neighbourhood is also likely to result in a more pressing situation over the next decade.

**Table 3.1** Resident infrastructure thresholds for primary and secondary schools against the current situation (as at 2021 Census)

	Threshold	Current situation	Position
Primary school (public)	400+ residents aged 5 to 11 (2026)	683 residents aged 0 to 4 462 residents aged 5 to 11	Threshold exceeded
Secondary school	1,000 residents aged 12 to 17 (2036)	328 residents aged 12 to 17	Threshold not exceeded

*Note: The figures presented in the 'current situation' reflect residents in Claisebrook, East Perth, Central Perth and Northbridge only.  
Source: Australian Bureau of Statistics, Census of Population and Housing 2021 as cited by .id (informed decisions); City of Perth analysis.*

These thresholds are used by the Department of Education when determining the provision of the public primary and secondary school network in metropolitan Perth. However, as the business case or supporting material has not been provided by the State to the City, this cannot be confirmed.

The Highgate Primary School is the only public primary school within the local intake area capturing Northbridge, Claisebrook, Perth and East Perth, while Bob Hawke College is the only secondary public school within the intake area extending across East Perth, Subiaco and Leederville.

There is one private primary school within the boundaries of the City of Perth: Trinity College in East Perth. Trinity College provides education to boys in Year 4 to Year 6. There are also a number of private secondary education providers within the City's boundaries, including Trinity College, Mercedes College (Year 7 to 12, for girls), and St Georges Anglican Grammar School (Year 7 to Year 12 co-education).

The need for a public primary school has been specifically identified by the City in its Local Planning Strategy (2023). The Strategy complements other City strategies and aligns with the strategic goals detailed in the City of Perth's Strategic Community Plan. The Strategy was also endorsed by the Western Australian Planning Commission in May 2023.<sup>7</sup>

Importantly, the Local Planning Strategy (2023) also details an ambitious target for East Perth in terms of its expected contribution to the city's residential population and housing supply. To the extent that the State Government's Hillside Design Guidelines (DevelopmentWA, 2011) highlight the important role that the Queens Gardens Car Park will play in supporting a significant residential population in the eastern end of the city, and are also given statutory weight from under the Central Perth Redevelopment Scheme to guide the redevelopment of the precinct as a key residential area, this is an important strategic consideration for the City in its assessment of the State's proposal. These broader strategic considerations are explored further in the next section.

<sup>7</sup> WA Government. 2023. City of Perth Local Planning Strategy. [Endorsed by the Western Australian Planning Commission 30 May 2023](#)

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**Finding 3** The need for a public primary school in the Perth City is valid, and supported

The need for a public primary school in the Perth City reflects the shared desire from both the State and the City to address the growing needs of families across Northbridge, Claisebrook, Perth and East Perth areas. The City of Perth's recently released Local Planning Strategy (2023) identifies the need for a public primary and secondary school (and a community centre) to meet the City's aspirational residential population targets.

While the State's proposal to develop a public primary school at the City of Perth's Queens Gardens Car Park is intended to address this need, it will constrain the ability for the City to realise its long term population targets, given that this site has long been earmarked – by the City and the State – as a primary opportunity for major residential development.

### 3.2 Broader strategic considerations for the City of Perth



The City of Perth's Local Planning Strategy (2023) is the key guiding document that identifies short (0-5 year), medium (5-10 years) and long term (10-15 years) planning and development priorities for the city.

The Local Planning Strategy aligns closely with the City's overarching Strategic Community Plan 2022-2032, which articulates the long-term vision, aspirations, and objectives of the

community over the next decade.

The pillars of the City of Perth's Strategic Community Plan position the city to be liveable ('Our community is safe, socially cohesive, inclusive and activated'), sustainable ('We have a healthy environment where nature, social and economic systems are in balance') and prosperous ('We are a successful, flourishing and thriving city'). Further details on the Strategic Community Plan are presented in **Box 3.1** below.

The Local Planning Strategy identifies the key issues and opportunities for the city. Community infrastructure is identified as a key focus area in the Local Planning Strategy to provide "opportunities for a range of social and recreational activities and lays the foundation for a strong and connected community". To meet the City's aspirational residential population targets, the Strategy identifies the need for a public primary and secondary school, and a community centre. The City assesses this infrastructure as the "most likely to be required by 2036" (**Table 3.2**).

**Table 3.2** Local Planning Strategy 2023 – Community Infrastructure Needs

	Responsibility	Threshold	Estimated timeframe
Primary School (Public)	State Government	400+ City of Perth residents aged 5-11 years old	2026
Secondary School (Public)	State Government	1000+ City of Perth residents aged 12-17 years old	2036
Community Centres	City of Perth	5,000 City of Perth residents without local access to a community centre	2020 - ongoing

Source: ACIL Allen recreated from City of Perth. Local Planning Strategy 2023



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In the context of the State's preferred location for the public primary school, the Local Planning Strategy details an ambitious target for East Perth in terms of its expected contribution to the city's residential population and housing supply, evident in the vision for East Perth.

**Box 3.1** City of Perth Strategic Community Plan, 2022-2032



The City of Perth's Strategic Community Plan (2022-2032) "articulates the long-term vision, aspirations, and objectives of the community" over the next decade.

The Plan has three strategic pillars of 'liveable, sustainable and prosperous which are supported by strategic goals to together reflect the community's aspirations 'to create a well planned, designed, and managed city' (under sustainable), and 'an inclusive community with distinctive and thriving neighbourhoods' (under

liveable).

Although the Perth City has a relatively small residential population (30,466 people estimated in 2022), it is experiencing rapid growth which is expected to continue over the decades to come following the announcement of the \$1.7 billion Perth City Deal. Like the Local Planning Strategy, the Strategic Community Plan commits to a target residential population of 55,000 residents by 2036.

To meet the needs of residents, businesses and visitors, the Strategic Community Plan identifies the need to implement positive changes to meet emerging and future needs. This includes **meeting the demand for inner-city living and housing, and to stem resident migration out of the city which has been observed through younger families moving to suburban areas**, however, challenges lie ahead in relation to being able to support a growing number of residents with necessary services, program, amenity and infrastructure.

Strategic Goal S1 of the Plan 'A well-planned, designed and managed city' speaks to this challenge, and has an objective to achieve sustainable urban development and population growth, and an increasing residential population that is supported by easy access to community infrastructure, amenities and services. A target measure of success under Strategic Goal 1 is to support 27,277 occupied private dwellings by 2036.

From a strategic perspective, the City of Perth must ensure that the State's proposal is consistent with its broader strategic goals and is also one of the five matters that must be reflected in a s.3.59 Business Plan, namely, its expected effect on matters referred to in the local government's current **Strategic Community Plan which has a residential population target of 55,000 residents by 2036**.

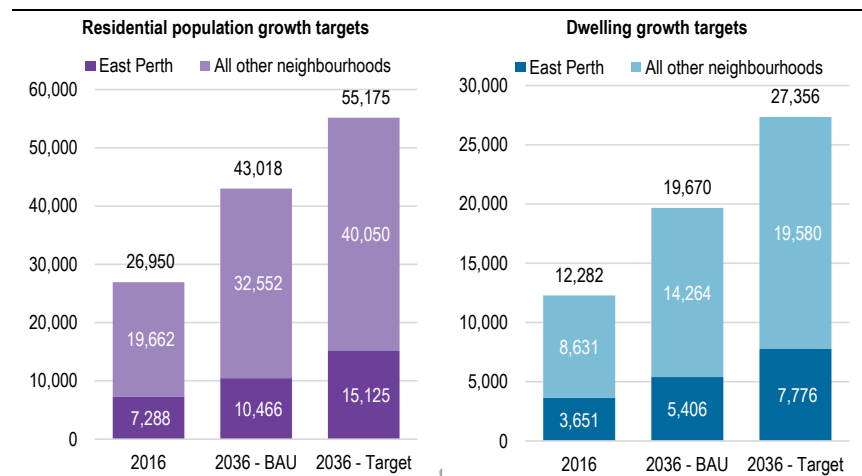
Source: ACIL Allen; City of Perth Strategic Community Plan, 2022-2032

*"East Perth is situated on the doorstep of the Swan River. It is the eastern gateway to Central Perth. East Perth is a vibrant neighbourhood with a bustling neighbourhood centre, community facilities and beautiful parks. East Perth offers diverse housing options and is well placed to accommodate a larger resident population."<sup>8</sup>*

**Figure 3.1** presents the business as usual and target residential and dwelling targets for the Perth City and its neighbourhoods. To achieve the population targets for the city, East Perth is expected to support 15,125 residents (and 7,776 dwellings) by 2036, representing around 28% of total residents in the city. In order to achieve this target, a compounded annual growth rate of 3.7% in the residential population growth is required between 2016 and 2036.

<sup>8</sup> City of Perth Local Planning Strategy Part One May 2023.

**Figure 3.1** Population and Dwelling Growth by Neighbourhood, City of Perth Local Planning Strategy



Note: Dwelling numbers refer to occupied dwellings only (Source: Forecast.id, 2021). BAU stands for business as usual. The mid point (as presented in the Local Planning Strategy) of the population and dwelling growth target is presented in this figure.  
Source: ACIL Allen analysis; City of Perth Local Planning Strategy Part One May 2023.

The Strategy identifies seven planning directions and actions for East Perth to meet its vision. Three of these are presented in **Table 3.3** relating to East Perth's residential community, its neighbourhood centre, and the provision of public schools.

**Table 3.3** East Perth – Planning Directions and Actions

Issue/Opportunity	Planning Direction	Timeframe
<b>Residential Community</b> Enhance the vibrancy of the neighbourhood with additional residents.	Create a thriving residential community.	Short term
<b>Neighbourhood Centre</b> The neighbourhood centre needs to be strengthened and enhanced.	Create a vibrant neighbourhood centre, providing for the daily and weekly needs of residents, workers and visitors with life during the day, night and on weekends.	Short term
<b>Public Schools</b> There is a need to provide for the increasing residential population.	Provide a new public primary school and a new public secondary school to support the growing residential community.	Short term

Source: City of Perth Local Planning Strategy Part One May 2023

These issues/opportunities are both aligned and in conflict with the State's proposal to develop a primary school at the Queens Gardens Car Park. From a population growth perspective (Residential Community and Neighbourhood Centre issues/opportunities), the Riverside redevelopment precinct is identified as a critical project that will be required to accommodate a majority of the growth of residents in the East Perth neighbourhood.

However, the key challenge in this regard is that much of the land within the East Perth neighbourhood is either occupied, constrained, or complex to develop due to its proximity to the WACA Ground, Gloucester Park, Trinity College, and Waterbank. This will therefore require the



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Riverside Urban Renewal Area, and more specifically the Hillside site (see EP6 in **Figure 3.2** below), to provide the primary opportunity for major residential development to be realised.

The Chemistry Centre site has a valid development approval, and is expected to accommodate some residential development (~226 dwellings<sup>9</sup>) once developed. Gloucester Park is subject to some private sector interest in residential / mixed use development, while there is no provision for residential development on the WACA site, nor the Waterbank site after State / private sector ceased development activities due to geotechnical issues in 2024.<sup>10</sup>

**Finding 4** Broader strategic considerations for the City in relation to the State's proposal

To meet the City's aspirational residential population targets, its Local Planning Strategy (2023) identifies the need for a public primary and secondary school, and a community centre, as important enabling social infrastructure investments. However, the Strategy doesn't point to a need for this infrastructure in the short term, but rather in the medium to longer term, with an expectation that these investments will be required by 2036.

In the context of the State's preferred location for the public primary school at Queens Gardens Car Park, the Local Planning Strategy (2023) details an ambitious target for East Perth in terms of its expected contribution to the city's residential population and housing supply, with an additional 4,125 dwelling units required to support an additional 7,837 new residents in East Perth by 2036 (from 2016 levels).

With much of the land within the East Perth neighbourhood either occupied, constrained, or complex to develop, the Riverside Urban Renewal Area, and more specifically Hillside will be required to provide the primary opportunity for major residential development to be realised.

<sup>9</sup> In 2015, WA Planning Minister John Day detailed plans of a \$160 million redevelopment of the old Chemical Laboratory site in East Perth. 226 apartments were said to be planned for the 5,335sqm site.

<sup>10</sup> Tyrrell, C. 2024. Business News: Waterbank 'not suitable for development'. Playing fields will be created on the site once mooted for a \$1 billion apartment project, following the state government's determination that the land was not suitable for development.

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**Figure 3.2** City of Perth Local Planning Strategy – East Perth Neighbourhood Map



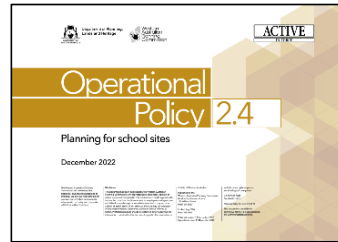
Note: EP2: Neighbourhood Centre; EP4 Swan River// Derbarl Yerrigan; EP6 Riverside Precinct Urban Precinct. Source: City of Perth Local Planning Strategy Part 1 2023

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### 3.3 Location considerations for the proposed primary school

Beyond the broader strategic considerations associated with the State's proposal to build a primary school at the Queens Gardens Car Park, there are additional considerations with respect to the choice of location, beyond the direct financial impacts on the City itself.

#### 3.3.1 Planning requirements for School Sites



When delivering new public schools, the WA Government must consider the Operational Policy 2.4 Planning for School Sites (WAPC, 2022) which outlines the "general locational criteria, configuration requirements and design standards for the provision of school sites, and provides clarity on the methodology and application of developer contributions for public primary schools" across Western Australia.

As the Policy guides the strategic planning for government and non-government school sites in existing and proposed urban areas, the proposal to build a new public primary school in East Perth must therefore consider Policy 2.4, and the general requirements for school sites to meet the existing and future community needs.

The key criteria and guidelines in Operational Policy 2.4 Planning for School Sites (WAPC, 2022) that are pertinent the consideration of the State's proposal, and the implications for the City of Perth, is presented in **Table 3.4** below.

**Table 3.4** Operational Policy 2.4 Planning for School Sites (WAPC, 2022) – Relevant Criteria and the City of Perth's Assessment of the Site

Criteria	Description	City of Perth assessment against the Queens Gardens Car Park site selection
3.3.2 Locational requirements of schools	Minimum of 4 hectares for a primary school.	The Site comprises a number of individual lots with a total land area of approximately 2.6ha.
3.3.4 Locational requirements of schools	On advice from the Education and Planning agencies, a variation to the standard school land size may be desirable in some instances. E.g. <ul style="list-style-type: none"> <li>ci) a reduction in the size of government primary school sites may be considered when co-located with adjoining public open space incorporating sport or recreational facilities.</li> </ul>	A reduction in the size of the Site may be considered as it is co-located with adjoining public open space and the WACA ground.
3.3.4 Locational requirements of schools	School sites should be regular in shape and rectangular. The length of the site should not exceed twice the width. Acute boundary angles with the consequent unusable spaces are not acceptable.	The site is generally regular in shape and rectangular (Parcels 2-3).

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Criteria	Description	City of Perth assessment against the Queens Gardens Car Park site selection
<b>3.4.1</b> Physical site requirements, servicing and access	<p>The area to be occupied by buildings should generally be level to minimise site works and construction costs, and provide connection between buildings and any adjoining play areas.</p> <p>The selected land for school sites should have sufficient developable area and be unencumbered to the following extent:</p> <ul style="list-style-type: none"> <li>be level, although gently sloping sites may be acceptable</li> <li>not have extreme topographical features involving extensive on-site earthworks, excessive retaining and/ or importation of fill</li> <li>not require significant clearing of native vegetation and/or need any State or Australian Government environmental approvals.</li> </ul>	<p>The site has a significant slope which does not meet the State's established criteria.</p> <p>The site doesn't have any topographical features nor native vegetation.</p> <p>The site doesn't require significant clearing of native vegetation.</p>
<b>3.4.8</b> Physical site requirements, servicing and access	<p>Primary school sites should:</p> <ul style="list-style-type: none"> <li>be located centrally to the neighbourhood it is intended to serve</li> <li>have a minimum of three road frontages and be located on at least one local distributor road</li> <li>be serviced by safe, convenient and well-designed bike and pedestrian networks, optimising integrated/ multimodal transport connections.</li> </ul>	<p>The site is not located centrally to where it is intended to serve as it has a low residential base near Riverside.</p> <p>The site currently has three road frontages.</p> <p>Placement of the primary school on parcels B and C will likely require upgrades to the pedestrian and cycle network. Safe crossing points over Plain Street will need to be considered given Plain Street is a District Distributor Road under the Western Australian Road Hierarchy.</p>
<b>3.6.1</b> Relationship to nearby land uses	<p>Common boundaries of school sites with residential uses should be avoided whenever possible. There are a number of activities conducted on school sites which can adversely affect the amenity of residential properties, particularly where they are located very close to a school site.</p> <p>To avoid potential conflict with residential properties, it is preferable that school sites are surrounded by a combination of roads, public open space or other compatible community, cultural recreation and sporting facilities.</p>	<p>The site does not share a common boundary with a residential use, and is surrounded by roads, and some sporting facilities (e.g. an internal sporting field is in the proposal, and is adjacent to the WACA Ground).</p> <p>Parcel A is separated from Parcel B by a road.</p> <p>The establishment of a primary school on parcels B and C may encumber the development potential of Parcel A.</p>

Source: City of Perth; Operational Policy 2.4 Planning for School Sites (WAPC, 2022)

In relation to the Queens Gardens Car Park site, criteria 3.6.1 in Operational Policy 2.4 has implications for the City of Perth to the extent that Parcel A could become encumbered or restricted in its development potential. This criteria states that residential development abutting a school site is not generally considered to be a compatible land use and specifically "common boundaries of school sites with residential uses should be avoided wherever possible".

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**Reflecting this development risk is an important consideration for the City of Perth, and is discussed in more detail in the next section of this report, where the financial implications associated with the State's proposal on the City of Perth is assessed.**

**Finding 5** Application of the State Government's Policy for School Planning

The State Government's proposal to the City of Perth does not meet all of the criteria 3.3.2 associated with its own school planning policy, Operational Policy 2.4 (WAPC, 2022). In particular, the criteria that a site for a new school be greater than 4 hectares in size, is not met as the Queens Gardens Car Park site is 2.6 hectares.

From the City of Perth's perspective, the State's may also limit the development potential of the remaining site (Parcel A) if the transaction were to occur. In particular, criteria 3.6.1 states that "boundaries of school sites with residential uses should be avoided whenever possible".

**3.3.2 Development Assessment of the Queens Gardens Car Park site**

As part of the City of Perth's 2021 Property Portfolio Review, an independent development assessment was undertaken on the Queens Gardens Car Park site to understand its strategic potential and the potential highest and best use for the land.

The Assessment found that because the site was subject to the Central Perth Redevelopment Scheme, it is able to facilitate a range of land uses including residential, commercial, retail, and office development (and a combination of each). However, statutory weight is given to the Hillside Design Guidelines (DevelopmentWA, 2011) to guide the redevelopment of the precinct.

In delivering the independent development assessment, options were prioritised, with a mixed use option considered to be the top priority for this Site. The "public purpose" option, which related to the site being used only for community purposes such as education and public health, ranked lowest of all these options (**Table 3.5**). This ranking reflected the opportunity cost associated with its use as a public purpose relative to its potential of a mixed-use high-rise development, and any potential to intensify, rejuvenate and reactivate East Perth.

**Table 3.5** Development Options – Development Assessment

Option	Description	Rank
Mixed-Use	To enable a flexible mix of residential, commercial, retail and office uses	1
Office/ Residential	To enable a flexible mix of residential and office uses, including car parks	2
Office/ Commercial	To enable a flexible mix of commercial and office uses, including car parks	3
Residential	To enable only enable a range of residential housing	4
Public Purpose	To enable only community uses, educational, public health purposes	5

Source: Positively Progressive, Development Assessment: 42 - 62 Nelson Crescent East Perth

The recommended option from the Assessment is that the site be targeted to deliver a mixed-use development "to enable a flexible mix of residential, commercial, retail and office uses". This option is said to optimise the site that can accommodate a diverse and flexible combination of residential commercial, retail and office uses, whilst aligning with the Hillside Design Guidelines (DevelopmentWA, 2011) vision to intensify, consolidate, rejuvenate and activate East Perth.

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**Finding 6** Development Assessment of Queens Gardens Car Park

The City of Perth undertook an independent development assessment of the Queens Gardens Car Park site in 2021 as part of its broader property portfolio review. This assessment recommended a mixed-use development as the highest and best use of the site. Such a development would help to enable a flexible mix of residential, commercial, retail and office uses to optimise the site, whilst aligning with the Hillside Design Guidelines (DevelopmentWA, 2011).

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## Financial and Operational Analysis

# 4

*This section of the Business Plan provides an overview of the expected operations of the site under each development scenario. This includes the presentation of summary financial modelling conducted by ACIL Allen using inputs from various work completed to date (including site valuations) which has informed the preparation of this Business Plan.*

### 4.1 Financial impacts on the City from the Proposal

The land subject to the proposed Major Land Transaction holds substantial financial value to the City of Perth today. There is further intrinsic value associated with its potential to host future residential, commercial and/ or mixed use development. Consideration of the financial impacts of the proposed Major Land Transaction is a central requirement of both the City's due diligence as well as its statutory requirements under s3.59 of the *Local Government Act 1995*.

In delivering the Business Plan, there are three key fact bases relevant to the City's consideration of the terms of the Major Land Transaction proposed by the State. These include:

1. The current and future financial value to the City of Perth of the Queens Gardens Car Park as a City of Perth operated car park;
2. The estimated valuation of the three parcels of land that make up the Queens Gardens Car Park; and
3. The potential of the site as it pertains to future residential and other development, and the associated financial impacts on the City of Perth.

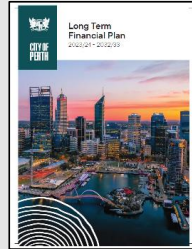
To assess these impacts, ACIL Allen has developed a long run cash flow projection utilising the City's Long Term Financial Planning framework. This framework is described in the City's 2023-24 Long Term Financial Plan,<sup>11</sup> (**Box 4.1**) and is operationalised regularly by the City through Council Agendas when considering the financial impact of decisions made by the City's executive and Council.

The due diligence the City has undertaken with respect to the State's proposal also reflects the degree of rigour that is being applied to financial matters impacting on the City.

One of the key themes arising from the Inquiry was in relation to financial management and planning. The Inquiry found that more needed to be done to ensure the proper management of the City's finances, with a significant focus of the recommendations directed at ensuring good financial management and planning.

<sup>11</sup> City of Perth. 2023. *Long Term Financial Plan: 2022-23 to 2031-32*. Accessed online at <http://www.cityofperth.wa.gov.au/>

**Box 4.1** The City of Perth's Long Term Financial Plan



The City of Perth's 10 Year Long Term Financial Plan (LTFP) is a high level strategic document that assists in aligning the City of Perth's community aspirations, strategic intent and organisational capacity. It guides its approach to delivering infrastructure and services to the community in a responsible and affordable way.

The plan demonstrates the City's commitment to managing its operations in a responsible and sustainable manner.

The 10 Year LTFP supports this objective by projecting our financial position over a 10 year time horizon using a series of realistic, conservative financial assumptions. This financial modelling provides the City with reliable, robust

information to assess our capacity to maintain overall financial sustainability into the long term and, most importantly, to ensure that we have in place the necessary funding arrangements to support proposed capital replacement programs and new capital projects.

The LTFP has incorporated reforms to the City's operations which has seen a reduction in the levels of operating expenditure of an estimated \$100 million over the decade. These reforms have reduced the pressure on the City in increasing rates and revenues from other sources to meet the costs of providing the range of services to the city's residents. This focus on prudent financial management of the City's finances, headlined by the control of its operating expenditure, is a key objective of the City.

The forecast net margin over the 10-year period highlights the focus on prudent financial management, but this margin is sensitive to changes in revenue and expenditure.

Like the Strategic Community Plan, the LTFP will be a key consideration for the City of Perth in assessing the State Government's proposal in delivering the East Perth Primary School development.

Source: ACIL Allen; City of Perth Long Term Financial Plan

The Inquiry recommendations, and the City's response to these recommendations is an important frame of reference when considering the State's Proposal. The lessons from the Inquiry and its findings and recommendations, is that it is critical the City of Perth ensure good governance practices, procurement, and financial management in making decisions that impact on the City of Perth's ratepayers.

Financial impact has been defined as changes to the net cash flow (all things being equal) of the City of Perth over a 30 year period under various scenarios associated with the Major Land Transaction. ACIL Allen's analysis and results are also presented for 10 years which is in line with the City of Perth's Long Term Financial Plan horizon.

There are also implications on the City of Perth's balance sheet associated with the Major Land Transaction. This is due to the current book value of the Queens Gardens Car Park as well as the goodwill value associated with its operations. This is discussed in this section.

**Finding 7** Financial management and planning at the City of Perth

The City of Perth's commitment to good governance and sound financial management following the Inquiry into the City of Perth, reinforces the need to undertake an objective, transparent and evidence-based assessment of the State's proposal to ensure decisions are made that are in the best interests of its ratepayers.



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## 4.2 Assessing the financial impacts on the City

ACIL Allen's approach to modelling the financial impacts of the proposed Major Land Transaction on the City of Perth is described in this section.

### 4.2.1 Assessment scenarios

In determining the financial impact on the City of Perth from the Proposal, ACIL Allen developed three scenarios, intended to represent a perspective on the City's financial outcomes under realistic transaction outcomes. The three scenarios are presented in **Figure 4.1**.

The scenarios are:

- Status Quo scenario, where the Major Land Transaction does not proceed, and the City retains the Queens Gardens Car Park in its entirety as an at-grade car park.
- the "EPPS Case" whereby the Major Land Transaction proceeds as described earlier in this document. This results in Parcel B and C of the Queens Gardens Car Park being transferred to the State for no financial return. In this scenario the City also realises the financial value of Parcel A through freehold sale. In this scenario, the land occupying the new primary school is non rateable due to it being 'public purpose'.
- a Maximum Development Case which assumes the closure of the Queens Gardens Car Park, the realisation of value associated with the land for development purposes, and the development of the land in line with a reasonable estimate of site massing based on the Hillside Design Guidelines (DevelopmentWA, 2011).

**Figure 4.1** Financial impacts on the City from the Proposal – Assessment scenarios

Queens Gardens Carpark site			
Scenario	Parcel A	Parcel B	Parcel C
Status Quo scenario	i) The Major Land Transaction does not take place. ii) The Queens Gardens Carpark continues to operate as today, providing cash flow for the City of Perth and its ratepayers.		
East Perth Primary School (EPPS) Case	The City sells Parcel A (for a lower price than the Maximum), realising the sales price.	i) The City of Perth transfers Parcels B & C to the State Government for nil consideration. ii) This land is also non-rateable due to it being public purpose.	
Maximum Development Case	i) The City of Perth progressively closes the Queens Gardens Carpark, reducing parking cash flow. ii) The City sells the land underlying the Queens Gardens Carpark, realising the sales price. iii) The City generates additional rates revenue from apartments and retail premises following development.		

Source: ACIL Allen

### 4.2.2 Impact channels

ACIL Allen's analysis considers four channels of financial impact under each scenario. **Table 4.1** presents a description of each impact channel and how each may be impacted under different scenarios.

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**Table 4.1** Financial impacts on the City from the State's proposal – **Impact channels**

Impact	Description	Status Quo scenario	EPPS Case	Maximum Development Case
<b>Land value realisation</b>	The cash value of land realised in the scenario. This is based on the valuation reports prepared by PRP, and the relevant valuation scenario.	There is no impact as there are no land transactions.	The City realises value from the sale of Parcel A.	The City realises value from all three Parcels of land.
<b>CPP net cash flow</b>	The projected future net cash flow generated by the Queens Gardens Car Park for the City of Perth. This is based on conservative treatment of future cash flow being held constant in real terms (i.e. an inflation adjustment only), with the persistence of the cash flow dependent on the scenario.	The City continues to generate free cash flow from the Queens Gardens Car Park in line with recent trends.	The City continues to operate the Queens Gardens Car Park for two years, after which there is no value as the land has been repurposed.	The City continues to operate the Queens Gardens Car Park for 2-4 years as sites are prepared for development, after which there is no value as the land has been repurposed.
<b>Rates revenue</b>	The projected future rates revenue potential of the developments associated with each scenario. This is calculated using the City's existing average residential tower GRV per unit, multiplied by the number of dwelling units expected to be built in each scenario.	There is no impact associated with rates revenue in the Status Quo scenario.	There is value realised through the development of Parcel A, in line with the inputs and assumptions described below. There is no value associated with Parcels B & C as public purpose land is non-rateable.	There is value realised through the development of all three parcels, in line with the inputs and assumptions described below.

Source: ACIL Allen

It is acknowledged there may be additional ratepayer-related servicing costs in both the EPPS Case and Maximum Development Case, on account of the growth in activity and use of the City's services (for example: street lighting, waste management, access to the City of Perth Library). However these are deemed immaterial to the assessment, and would be expected to be addressed through Council rates or direct fees and charges.

It is also important to note the Hillside Design Guidelines (DevelopmentWA, 2011) contemplate the retention of a public car park as part of the development of one of the sites. For clarity and conservatism this has been assumed away in the Maximum Development Case, as it would add back a revenue stream for the City of Perth and conflate impact channels.

The individual inputs and assumptions underpinning the financial modelling and scenarios described above are summarised below.

**Valuation advice**

ACIL Allen engaged licenced valuer Preston Rowe Paterson ('PRP') to undertake a series of initial land valuation works to support the development of the business case. Valuation reports from PRP Valuers were received on 7 November 2023.

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To date, three valuation reports have been provided by PRP (**Table 4.2**), including:

1. An “unconstrained” valuation across the full holding, with parcels sold in the A, B and C configuration as per the assessment framework. This assumes ‘Highest and Best Use’ as per Development WA’s Hillside Design Guidelines (DevelopmentWA, 2011).
2. A valuation of a combined parcels B & C at market valuation rates, under standard valuation principles and assuming the potential that a single site is acquired by a single buyer for development.
3. A valuation of Parcel A with a development constraint imposed that only permits ~50% of the maximum land use intensity due to co-location of the site with a Public Purpose.

A summary of relevant<sup>12</sup> valuation outcomes from the City’s perspective are provided in **Table 4.2**. The top line values in each row reflect the mid-point valuation, while the bottom line values represent the valuation range provided by PRP.

**Table 4.2** Queens Gardens Car Park site valuation advice and scenarios, as at November 2023

Scenario	Parcel A		Parcel B		Parcel C		Total
“Unconstrained” Valuation of All Sites	\$22.5m		\$18.7m		\$17.0m		<b>\$58.2 million</b>
	\$21.0m	\$24.1m	\$17.4m	\$19.9m	\$15.9m	\$18.1m	
Parcel A Retained at Highest and Best Use, Parcel B & C Transferred for nil for EPPS	\$22.5m		\$0.0m		\$0.0m		<b>\$22.5 million</b>
	\$21.0m	\$24.1m	\$0.0m	\$0.0m	\$0.0m	\$0.0m	
Parcel A Constrained by Parcel B & C for EPPS, Parcel B & C Transferred for nil for EPPS	\$18.0m		\$0.0m		\$0.0m		<b>\$18.0 million</b>
	\$17.0m	\$19.0m	\$0.0m	\$0m	\$0.0m	\$0.0m	

*Note: The top line values in each row reflect the mid-point valuation, while the bottom line values represent the valuation range provided by PRP.*  
*Source: ACIL Allen, from Preston Rowe Paterson*

PRP’s valuation reports suggests the State Government’s proposal could sterilise the value of the land as a development site by an estimated \$4.5 million<sup>13</sup> through conversion of Parcel B & C to a public primary school, regardless of what happened at Parcel A. This is because of the impacts and implications of Operational Policy 2.4 – Planning for School Sites (WAPC, 2022), which states residential development is not a compatible adjacent land use for primary school sites.

The optimum strategy according to the valuation reports is for each site to be marketed, sold and ultimately developed separately. If enacted, this strategy could realise a value of \$58.2 million (with a top range value of \$62.1 million) for the City, compared to a worst case scenario (no value for Parcel B and Parcel C, and a constrained value for Parcel A) of \$18.0 million.

<sup>12</sup> The valuation advice received by ACIL Allen provided a range of valuation outcomes, one of which reflected the potential for a buy-side “discount” being sought on a very large site due to development complexity, time, and risk. The valuation outcome of the combined lot scenario is \$30.5 million, which the City is not considering in the context of the State Government’s current proposal.

<sup>13</sup> The valuation advice received by ACIL Allen contained advice that suggested there were a number of risks associated with the development of Parcel A alongside a public purpose on Parcel B and Parcel C. This is based on the risk associated with the application of Operational Policy 2.4 *Planning for School Sites* which states residential land use is not an acceptable land use adjacent to school sites.

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Valuation is a subjective exercise. For example, media reports suggest the Department of Education's own independent valuation found that a combined value of \$41.9 million for Parcel B and Parcel C was a reasonable estimate.<sup>14</sup> The actual value of the land is a function of the timing of the transaction, the willingness of the seller, and the pool of potential buyers.

**Finding 8** Valuation outcomes of the Queens Gardens Car Park

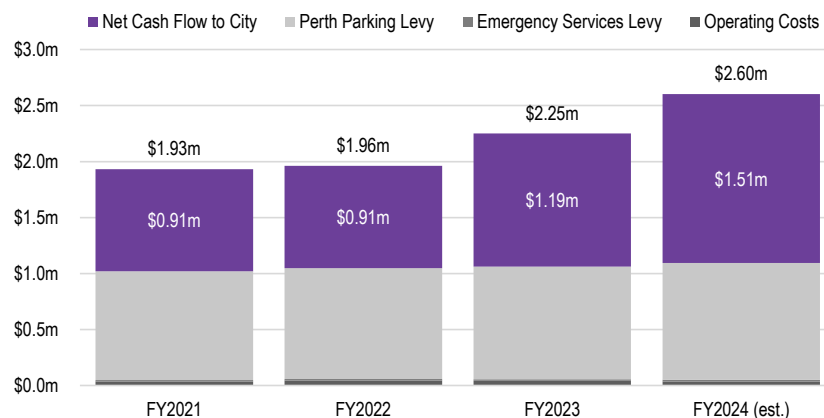
Independent valuation of the land underlying the Queens Gardens Car Park undertaken to inform this Business Plan suggests that the optimum strategy for the City of Perth is to market, sell and ultimately develop each parcel of land within the site separately. If enacted, this strategy could realise a value of \$58.2 million for the City (with a top range value of \$62.1 million), compared to a worst case scenario under the State's proposal which would see no value being realised for Parcel B and Parcel C, and a constrained value for Parcel A of \$18.0 million.

**Queens Gardens Car Park**

The 871 bay Queens Gardens Car Park is an important source of financial capacity for the City of Perth, generating ~1% of the City's annual operating budget (in net cash flow terms). As stated, the City owns the land underlying the Queens Gardens Car Park on a freehold basis, while a number of other car parks operated by the City are on land held under lease or management order (meaning they are potentially vulnerable to changes to tenure status).

The Car Park is expected to generate \$1.5 million of cash flow for ratepayers in 2023-24, through operating profit, plus internal rates and an internal rent (which flow to the City). The absence of this property, and car park, would result in a loss in financial resources available to the City and its ratepayers. This in turn would result in an increase in general rates, or place a greater reliance on other sources of revenue, or require a reduction in expenditure for the City to meet its approved Long Term Financial Plan.

**Figure 4.2** Queens Gardens Car Park cash flow, FY2021 to FY2024 (est.), \$ million



Source: ACIL Allen; City of Perth Parking

<sup>14</sup> Murray, P. 2024. *There are 40 million reasons State Government's bid for land from City of Perth is outrageous* (14 March 2024). Accessed online at <http://www.thewest.com.au/>

**Finding 9** Financial importance of Queens Gardens Car Park to the City of Perth

The Queens Gardens Car Park is a substantial source of free cash flow for the City of Perth and its ratepayers, generating some \$1.51 million in 2023-24. The absence of the cash flow generated by the Queens Gardens Car Park would result in the City needing to increase its required rates yield (i.e. increase rates), find alternative revenue sources, or reduce expenditure, to meet the outcomes of its Long Term Financial Plan.

**Rates revenue**

Rates revenue reflects the quantification of the financial returns to the City of Perth flowing from the progressive development of residential, commercial and other rateable properties within the City's boundaries. In the case of the financial modelling for the Major Land Transaction, the future rates revenue is based on conservative estimates of the future residential/ mixed use development of the Queens Gardens Car Park under each scenario.

ACIL Allen worked with the City of Perth's Planning unit to undertake a "massing study", based on its interpretation of the Hillside Design Guidelines (DevelopmentWA, 2011). The Guidelines permit development based on maximum tower heights, floorplates and plot ratios. These can in turn be converted into estimates of the number of dwelling units which could be developed on each site.

The City's conservative estimates of the maximum development potential of each site under the Hillside Design Guidelines (DevelopmentWA, 2011) are:

- Parcel A: 500 dwelling units
- Parcel B: 400 dwelling units
- Parcel C: 400 dwelling units.

In the EPPS Case, with the constraint applied to Parcel A, the development potential is halved to 250 dwelling units.

ACIL Allen obtained deidentified property GRV figures for a range of existing residential and mixed use towers in the surrounding precinct to monetise the physical units' potential rates value. A median GRV of \$21,760 per dwelling unit was used, and a Rate in the Dollar value of 0.05900 (based on the City's residential RID in 2023-24) determined the estimated rates value in each scenario. A similar process was undertaken for the commercial tenancy permitted under the Hillside Design Guidelines (DevelopmentWA, 2011) which yields a notional value.

The timing of the realisation of this rates revenue impact is scenario dependent. In the EPPS Case it is assumed rates revenue is realised from 2028 onwards on a development at Parcel A, with the accelerated timeline based on progressing a development concurrently with the school site. In the Maximum Development Case rates revenue is realised progressively 2030 to 2032 in line with advice from PRP regarding the potential availability of developers for such large developments.

**Additional modelling assumptions**

The following modelling assumptions were used by ACIL Allen in the modelling of each scenario.

**Table 4.3** Additional modelling assumptions

Item	Assumption	Basis
Modelling period	30 years, 2024-2053	ACIL Allen
CPI	2.50%	RBA CPI target of 2-3%
Discount rate	7.00%	WA Treasury

Source: ACIL Allen

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### 4.3 Modelling results

The outcomes of the financial modelling (from the City of Perth / ratepayer perspective) are presented in this section.

#### 4.3.1 Summary financial analysis

The summary financial analysis presented in this section brings together the cash flows described above and translates these into the values which are relevant to the City's decision making.

The first is presentation of the results in **nominal dollars**, which account for the impact of inflation. This is because the City generates revenue, incurs expenditure, and accounts for the value of its assets in the units of currency which are applicable in the given year of the long term financial plan. Real values are inflated by the projected Perth CPI at 2.5% per annum, which yields nominal values.

A nominal adjustment will be reflected in the land sales values, as it is assumed land sales will occur at a point in the future. This is due to the current status of other residential developments in the broader Riverside precinct, and the time required to prepare the sites for sale.

The second is presentation of the results in **present value terms**, or as an NPV. This takes into account the uncertainty of future cash flows, and that there are alternative uses of scarce funding resources which must beat a "hurdle rate" or rate of return. For this assessment a standard discount rate of 7% (nominal terms) is used.

Overall, ACIL Allen's financial analysis suggests there is a long term financial cost to the City in progressing with the Major Land Transaction. This is based on the loss of net cash flow from the operations of the Queens Gardens Car Park as defined in the Status Quo scenario, which is only partially offset by the financial associated with the sale of Parcel A and the ongoing rates revenue associated with development.

As highlighted below, ACIL Allen's modelling shows the EPPS Case results in the City generating \$66.3 million over 30 years (in nominal dollars) in the Status Quo scenario, compared to \$37.3 million in the EPPS Case. This implies a real financial cost of the proposal of \$29.0 million.

However, progressing with the Major Land Transaction as proposed by the State results in the loss of future upside value, as the construction and operation of the primary school on Parcel B and Parcel C results in both a likely constrained development on Parcel A and no development on Parcel B and Parcel C. While more akin to an opportunity cost, the Maximum Development Case represents a conservative and realistic future scenario for the use of the land underlying the Queens Gardens Car Park. The future upside of these full scale developments are worth \$141.9 million to the City over 30 years, some \$75.6 million more than the Status Quo scenario and \$104.6 million more than the EPPS Case.

In present value terms (7% discount rate), the Status Quo scenario is worth \$45.3 million to the City of Perth over 30 years, compared to \$31.0 million in the EPPS Case. This takes into account the time value of money, and the uncertainty associated with future cash flows from the perspective of CPP net cash flow and future rates revenue. Both scenarios remain substantially lower than the Maximum Development Case, which is valued at \$108.9 million in present value terms.

The cases are summarised in **Table 4.4**, in nominal and present value (7% discount rate) terms.

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**Table 4.4** Total financial value by scenario, \$ million

	Status Quo scenario	EPPS Case	Maximum Development Case
<b>Nominal</b>			
Land sale value	\$0.0m	\$18.9m	\$65.2m
CPP net cash flow	\$66.3m	\$3.1m	\$6.3m
Future rates	\$0.0m	\$15.3m	\$70.4m
<b>Total financial value</b>	<b>\$66.3m</b>	<b>\$37.3m</b>	<b>\$141.9m</b>
Cost compared to best option	\$75.6m	\$104.6m	\$0.0m
<b>Real (7.0%)</b>			
Land sale value	\$0.0m	\$18.0m	\$58.2m
CPP net cash flow	\$45.3m	\$3.0m	\$6.0m
Future rates	\$0.0m	\$10.0m	\$44.7m
<b>Total financial value</b>	<b>\$45.3m</b>	<b>\$31.0m</b>	<b>\$108.9m</b>
Cost compared to best option	\$63.67	\$77.93	\$0.00

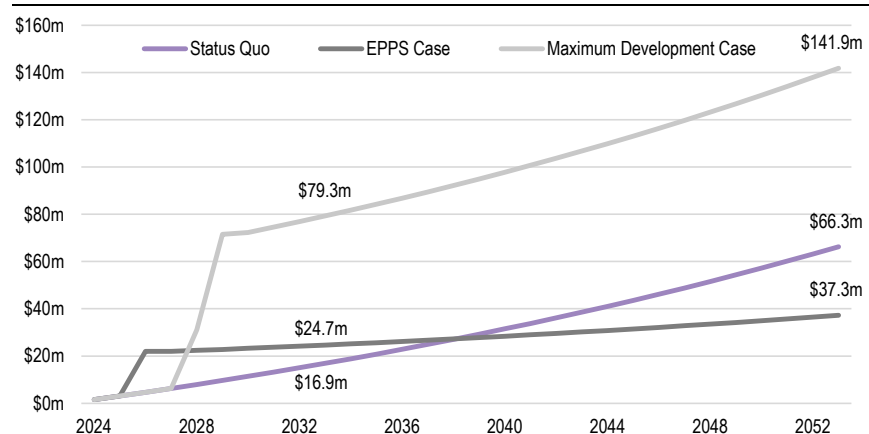
Source: ACIL Allen

**Long Term Financial Plan horizon**

Over the time horizon of the Long Term Financial Plan, financial modelling suggests the City can expect to generate \$16.9 million from the Queens Gardens Car Park in the Status Quo scenario. The EPPS Case results in an additional \$7.8 million of cash flow to the City, on account of the land sale value associated with Parcel A. However, as the chart indicates (and the longer term financial modelling presented suggests), the gap between Status Quo scenario and the EPPS Case closes over time.

Both of these cases are in stark contrast to the Maximum Development Case, which generates a positive cash flow of \$79.3 million over the Long Term Financial Plan horizon. This is a benefit of \$62.4 million over the Status Quo scenario. This view is summarised below (Figure 4.3).

**Figure 4.3** Summary Financial Analysis (30 year), by scenario, cumulative nominal dollars



Source: ACIL Allen

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**Finding 10** The State's proposal has significant financial implications for the City of Perth

ACIL Allen found that the State's proposal would have significant financial implications for the City of Perth. When compared to the Status Quo scenario (whereby the site is maintained as an operating car park), the State's proposal would represent a financial cost of \$29.0 million to the City. However, when the State's proposal is compared to the potential "highest and best use" of the site, the total potential financial cost of the State's proposal to the City at \$104.6 million over 30 years.

This in turn will impact on the City's financial capacity to provide facilities and services to the community, to the extent that it will lose a profitable asset from its car parking business.

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#### 4.4 Other financial implications

There are other financial considerations related to the proposed Major Land Transaction. These are described below.

##### Balance Sheet implications

The real financial costs and benefits of the proposal are explored in the previous section. Alongside this, the City has advised ACIL Allen there are non-cash impacts expected in the event the City proceeds with the Major Land Transaction, or indeed with any transaction based on the valuation outcomes for the land underlying the Queens Gardens Car Park.

As part of its standard statutory review cycle in 2020, the City of Perth engaged Jones Lang LaSalle (JLL) to undertake an asset revaluation as per statutory requirements. The land and assets associated with the Queens Gardens Car Park currently carry a value of \$80.15 million on the City's Balance Sheet.

In the event the assets – in part or in full – are disposed of for a value of less than this (including on a pro-rata basis), the City would be required to recognise a loss of value on its income statement. The loss of value would also result in a reduction in the net asset position of the City, which in turn reduces its flexibility to manage future fluctuations in cash flow or investment requirements.

For example, should the City proceed with the EPPS Case as defined in this section – being the transfer of freehold title in Parcel B and Parcel C, and revaluation or sale of Parcel A for up to \$19 million – the City must recognise a loss on the disposal of the asset of \$61.2 million on its income statement. This would in turn flow through to the City's performance against its Long Term Financial Plan targets, the requirements of various financial ratios within its annual report, and reporting through the Local Government

While there are no direct, cash-based impacts or implications of this, the realisation of a loss of this magnitude would require careful explanation to City ratepayers, and could impact on the City's longer term financial performance due to implications for the City's Balance Sheet. Realising future development value, the City's position with respect to the *Chevron-Hilton Hotel Agreement Act 1960* is while the Act does not constrain the capacity of the City to develop the sites as it sees fit, it cannot dispose of the freehold title to the sites so long as the Act remains in place.

Therefore, in order to realise any value associated with future development at the sites while remaining compliant with the Act, the City would be required to consider alternative means of making the sites available for development. Some examples of this could be:

- A long term lease over land, which could include terms that confer freehold title subject to change in legislation
- A City-led development, or
- A joint venture arrangement where the City retains freehold title

A "build-to-rent" centric development may be an attractive pathway in this context, as the City could retain its freehold title over the land under models which could also be attractive to property developers.

These are somewhat novel approaches to development in Western Australia (for all sectors), and would require careful consideration by the City, elected members and ratepayers prior to decisions being made.

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**Finding 11** Balance Sheet implications of the State's proposal

The land and assets associated with the Queens Gardens Car Park currently carry a value of \$80.15 million on the City's Balance Sheet. In the event the assets – in part or in full – are disposed of for a value of less than this (including on a pro-rata basis), the City would be required to recognise a loss of value on its income statement. The loss of value would also result in a reduction in the net asset position of the City, which in turn reduces its flexibility to manage future fluctuations in cash flow or investment requirements.

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## Broader Considerations

# 5

*This section presents the key economic and social considerations in relation to the proposed East Perth Primary School development. In this section, the appropriateness of assessing the proposal from a Cost Benefit Analysis perspective is considered.*

### **5.1 Assessing the reasonableness of the proposed Major Land Transaction**

ACIL Allen has been engaged to provide independent advice to support the City and its ratepayers make an informed decision with respect to the proposed Major Land Transaction.

Development of school infrastructure and the operation of school sites is a State Government responsibility. In this way, planning and managing the development of precincts is the domain of Local Government. The City of Perth has a responsibility to its ratepayers to ensure it maximises socioeconomic outcomes across the spectrum. One domain is provision of social infrastructure, but that is not the only domain.

As stated throughout this Business Plan, the City of Perth welcomes the delivery of an inner city primary school within its boundaries. Delivery of a public primary school within the Perth City, and the East Perth area specifically, is identified as priority initiative in the City's Local Planning Strategy (2023).

The needs of primary school aged children within the City of Perth boundaries are currently met by a range of sites, both within the City's boundaries and outside of the City's boundaries; both public and private. Under legislation, the State Government is responsible for ensuring all school-aged children have a place at a public primary school if they need one. There is no unmet need for primary school education which justifies delivery of a public primary school at any cost.

The primary school education needs of City of Perth resident families are currently being met through a number of schools which exist within and outside of the boundaries of the Council area. It is unreasonable for the City to be asked to make available its scarce freehold land to provide a space for a public school in lieu of fair and reasonable compensation. This compensation must incorporate:

- the current and future value of the land to the City and its ratepayers,
- the opportunity cost of curtailing the future development potential of the land, and
- the value provided to the State Government in assisting it meet its statutory requirements to provide school education.

**Finding 12** The State's proposal is unreasonable

The City of Perth should decline the proposed Major Land Transaction under the current terms proposed by the State Government. The City is not responsible for providing schools infrastructure, and must take a broader perspective when considering the use of scarce land within its boundaries. Appropriate compensation must incorporate the current and future value of the land to the City and its ratepayers, the opportunity cost of curtailing the future development potential of the land, and the value provided to the State Government in assisting it meets its own statutory requirements.

## 5.2 Considering socioeconomic impacts

It is acknowledged there are some social benefits associated with provision of a school site versus alternative uses for scarce land resources. These may include:

- Provision of green spaces (school ovals, parks, gardens), where the alternative use case for the land does not contain these spaces
- Creation of a "hub" or "node" of social interaction within the context of a school catchment area, where the alternative use case for the land does not provide the same level of regular interaction a school creates
- Access to services ancillary to the school itself, such as allied health services, to the extent these are not provided – or provided in the same manner – in an alternative use case for the land.

In line with the above, provision of a school site on a parcel of land in lieu of alternative uses may also create social disbenefits. These may include:

- Lower population density within the CBD, by replacing intensive land use alternatives (such as residential or mixed use developments) with low intensity land use (parks, gardens, low rise or at-grade buildings)
- Opportunity cost in the provision of services (specifically in the case of the Queens Gardens Car Park site, car parking services for the major events and city workers) by restricting or eliminating the potential for land to be used for alternative purposes
- Constraints and impacts on adjacent land uses, including on existing residential populations within East Perth, Gloucester Park, the WACA Ground, and Queens Gardens itself.

These benefits and costs are all hard to observe, attribute and quantify. Regardless, given the primary benefit of the provision of a school site is school education, and the primary costs are the provision and operation of school infrastructure, the socioeconomic benefits and costs are second order matters.

However, **many, if not all, of the socioeconomic benefits associated with delivery of an inner city primary school are applicable no matter where the school is located within the City's boundaries**, or indeed outside of the City's boundaries. It is therefore incumbent on a Cost Benefit Analysis in the context of the State's proposal to be based on the alternative uses of land where the inner city primary school could be located, rather than attributing all of the benefits of a school to the delivery of the school on a particular site.

All of the above underpins the need for the selection of a school site to be based on a rigorous appraisal of available sites which considers the counterfactual use case. This takes on additional significance in the context of an inner city development, as land is scarce and the alternative use cases are wider ranging and larger than in a typical greenfield development scenario.

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**Finding 13** Broader considerations in relation to the State's proposal

The selection of a school site must be based on a rigorous appraisal of available sites which considers the counterfactual use case. This takes on additional significance in the context of an inner city development, as land is scarce and the alternative use cases are wider ranging and larger than in a typical greenfield development scenario.

### 5.3 Ocean Reef Marina Case Study

A recent Major Land Transaction<sup>15</sup> involving the State Government and a Local Government Authority is the Ocean Reef Marina project in the City of Joondalup. The Major Land Transaction associated with this development involved the City of Joondalup transferring freehold interest in approximately 11.8 hectares of land to the State for no consideration as part of the development. It has been said this provides a precedent to the proposed Major Land Transaction considered in this Business Plan.

However, there are a range of differences which make it an inappropriate comparison. This includes:

- The Ocean Reef Marina project is a City of Joondalup-led project, with the City approaching the State for its involvement and endorsement rather than the other way around in the case of the proposed Major Land Transaction
- The two parcels of land subject to the transaction, while described as “prime waterfront land”, were held on the City of Joondalup’s balance sheet for \$1 each. This is because they were zoned “Bush Forever” and have no development value.
- The non-Bush Forever land surrounding the Ocean Reef Marina project was already being used for a public purpose, being a boat ramp and boating club – core functions of the new Marina.
- While the State did not provide financial compensation to the City of Joondalup for its landholding, the State provided freehold interest in some land which included a public car park as part of the Marina development.
- The Ocean Reef Marina project was approximately 18 years in the making from initial concept through to execution, allowing for appropriate strategic planning and decision-making.

This matter is raised to illustrate that the use of the interaction between the State Government and City of Joondalup with respect to the Ocean Reef Marina is not an appropriate case study to consider the merits of the State’s proposal to the City of Perth.

<sup>15</sup> City of Joondalup. 2021. Major Land Transaction – Disposal of Lot 1029 and Lot 1032, Ocean Reef. Accessed online at: <https://www.joondalup.wa.gov.au/wp-content/uploads/2021/03/11018-Ocean-Reef-Marina-Lot-Disposal-FAQ.pdf>

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## Attachment B. Summary – Chevron Hilton Hotel Agreement Act 1960 (CHHA Act)

### Background

1. In the late 1950s the State, recognising the need for first class hotel accommodation within the City engaged in negotiations with Chevron Hilton Hotels (CHH) who proposed the development of a 23 level Hotel building and city airline terminal on the corner of St Georges Tce and Victoria Ave.
2. The Hotel development would help to provide much needed facilities for the Commonwealth (then Empire) Games in 1962.
3. At the time the City had proposed a Town Planning Scheme (TPS) for the area bounded by St Georges Tce, Victoria Ave, Terrace Rd and its continuance through the existing Supreme Court Gardens to join up with The Esplanade at Barrack St.
4. The CHHA Act came into force on 28 October 1960. It approved and ratified the agreement made between the State of Western Australia, the City of Perth, Chevron Hilton Hotels Limited and the State Government Insurance Office.

### Major Provisions of the CHHA Act

5. The City was required to purchase the Christian Brothers Boys School (CBC) on the corner of St Georges Tce/ Victoria Ave and after excising an area for street widening, sell the balance to the CHH.
6. To provide the Christian Brothers with a new site (Trinity College), the State made available 5.66ha of vacant land adjoining the WACA. The City completed the reclamation of the site, paid for the connection of services and then transferred the land to the Christian Brothers.
7. The City was also required to:
  - a. Surrender to the State for education purposes 2.2ha of land adjoining the South Kensington School;
  - b. Transfer to the State for water supply purposes 16.6ha of land known as Mt Kenneth that was part of the Endowment Lands in City Beach. (No consideration was paid as this site was to be exchanged for the Supreme Court site with the difference payable); and
  - c. Provide a car park on the site north of Queens Gardens (currently No 4A car park).
8. The State agreed that the new TPS was desirable and would result in:
  - a. The widening of the southern side of St Georges Tce;
  - b. A ceremonial avenue from Barrack St to Victoria Ave, the construction of which would require the City to acquire the Supreme Court site and demolish part of the building;
  - c. The designation of a number of land uses, including the site for the “Consolidated Law Courts” and the site for the Chevron Hilton Hotel; and
  - d. Additional smaller parcels of land from Government House to be acquired by the City for road access and widening.
9. The Chevron Hilton Hotel project did not proceed and the City was given approval to sell the former CBC school site to the Commonwealth Government for construction of the Taxation Office, now the Buxton Hotel.
10. The adjoining site, held by SGIO, was converted to a Reserve and a Management Order given to the City to construct, in partnership with the State, the Perth Concert Hall.
11. The proposed TPS also did not eventuate and future additions to the Supreme Court buildings meant the ceremonial avenue could not be built as access was closed to Barrack St.

12. With the land exchange no longer possible, the City did not receive any compensation for the 16.6ha of City Beach land that had already been provided to the State.
13. In summary, the City complied with its obligations under the CHHA however did not receive the benefits that were originally intended. Over the years requests for amendment or repeal of the Act were made but did not eventuate.