

13.2 Lathlain Park Redevelopment Project Zone 1 – Business Case

Location	Lathlain
Reporting officer	Strategic Projects Manager
Responsible officer	Chief Operations Officer
Voting requirement	Simple majority
Attachments	<ol style="list-style-type: none"> 1. Attachment 1: Lathlain Zone 1 Business Case 2022 [13.2.1 - 93 pages] 2. CONFIDENTIAL REDACTED - Attachment 2: Business Case Attachment 1 - Town of Vic Park - Perth Football Club Facility Needs Analysis v 1 (003) [13.2.2 - 10 pages] 3. Attachment 3: Business Case Attachment 2 - LPRP 2022-04-14 Engagement Summary Report - Lathlain Park Zone 1 [13.2.3 - 22 pages] 4. CONFIDENTIAL REDACTED - Attachment 4: Business Case Attachment 3 - LPRP 2022-05-18 Lathlain Park - Relocation Strategy Report - Telcos - V 2 [13.2.4 - 31 pages] 5. CONFIDENTIAL REDACTED - Attachment 5: Business Case Attachment 4 - LPRP 2022-04-04 Demolition Project Plan R 0 (003) [13.2.5 - 19 pages] 6. Attachment 6: Business Case Attachment 5 - LPRP 2022-06-06 FINAL DESIGN REPORT [13.2.6 - 58 pages] 7. CONFIDENTIAL REDACTED - Attachment 7: Business Case Attachment 6 - LPRP 2022-07-16 Lathlain Precinct Redevelopment - Updated Cost Estimate [13.2.7 - 31 pages] 8. CONFIDENTIAL REDACTED - Attachment 8: Business Case Attachment 7 - LPRP 2022-05-18 Lifecycle Operation Cost Estimate [13.2.8 - 66 pages] 9. CONFIDENTIAL REDACTED - Attachment 9: Business Case Attachment 8 - LPRP 2022-05-24 Perth Football Club Valuation advice [13.2.9 - 12 pages] 10. CONFIDENTIAL REDACTED - Attachment 10: Business Case Attachment 9 - LPRP 2022-07-01 Waalitj Valuation Updated [13.2.10 - 8 pages] 11. CONFIDENTIAL REDACTED - Attachment 11: Business Case Attachment 10 - Perth Demons Management Review and Financial Model V 1 [13.2.11 - 52 pages] 12. CONFIDENTIAL REDACTED - Attachment 12: Business Case Attachment 11 - Waalitj Foundation Draft Management Review and Financial Model Draft 1 [13.2.12 - 41 pages]

Recommendation

That Council:

1. Notes Attachments 1 to 12 of this report.
2. Endorses "Scenario 1: Staged Delivery" from Attachment 1 as the preferred delivery approach and its addition of building location and delivery staging to the concept briefs as endorsed by Council at August 2021 and February 2022.
3. Approve the Chief Executive Officer to proceed to negotiations with The Perth Football Club to discuss the following:
 - A) establishing confirmed funding
 - B) lease term
 - C) roles and responsibilities for management of the facility

- D) asset obligations; and
- E) agreed model for local community usage.
4. Approve the Chief Executive Officer to commence stage 1 design development (Football Club, Function Centre and Community Space) with the approved consultant team based on concept option 2a.
5. Update Long Term Financial Plan to account for the current funding shortfall in option 2a of \$4,126,000 while additional funding is sourced.
6. Request the Chief Executive Officer to present a report back to Council by December 2022 on the following:
 - a) A progress report on commercial negotiations with the Perth Football Club.
 - b) Update on stage 1 progress.
7. Request the Chief Executive Officer to present a report back to Council by December 2022 that articulates the requirements of concept option 4a.

Purpose

Approval is being sought to progress the Lathlain Park Redevelopment Project Zone 1.

In brief

- Concept designs have been completed based on the Option 2 – 4 concept design briefs endorsed by Council at the February 2022 OCM.
- A business case has been finalised based on the four concept options and numerous specialist reports. The business case and specialist reports are attached to be received by Council.
- The business case recommends integrating the Waalitj Foundation Community Centre feature in Option 4 as the preferred option as it provides the Town with a strong cost benefit to the development considering the aligned community outcomes and commercial drivers.
- The business case also recommends a staged approach to the delivery (scenario 1). This approach ensures that stage 1 (football club and function centre) can progress to design development, therefore not elongating the program for delivery of this stage and reducing the risk of jeopardising committed federal and state funding.
- While the business case explores management models and provides recommendations, negotiation with key stakeholders is required to form a head of agreement confirming funding, lease term, roles and responsibilities for management of the facility, asset obligations and agreed model for local community usage. This requires Council endorsement of a preferred concept option and approval from Council to enter negotiations.
- The report contains several attachments that are confidential as they contain information that is commercial in confidence related to stakeholder organisations.

Background

2. At the OCM in August 2021, Council passed Council Resolution 192/2021. Which included:
 - (b) That elected members endorse the development of four high-level concept design options for Lathlain Park Zone 1, being:

- Option 1: Low Intervention
- Option 2: Low Intervention plus future proof
- Option 3: Medium Intervention
- Option 4: High Intervention.

- (c) *That Elected members endorse the schedule, floor plan and budget for Option 1 as presented at the August 2021 OCM.*
 - (d) *Requests the Chief Executive Officer to present back to Council the project briefs to inform the development of Concept Design Options 2, 3 and 4.*
 - (e) *Requesting the Chief Executive Officer to continue to explore third-party interest for being involved in the Lathlain Park Zone 1 facility.*
 - (f) *Requests the Mayor and Chief Executive Officer to advocate for additional funding to deliver Concept Design Options 2, 3 and 4; and*
 - (g) *Requests the Chief Executive Officer to present a report back to Council by April 2022 to consider:*
 - (i) *The four Concept Design Options for the Lathlain Park Zone 1 Facility*
 - (ii) *Funding options to deliver each of the four concept Design Options for the Lathlain Park Zone 1 Facility.*
 - (iii) *Outcomes of third-party interest for involvement in the Lathlain Park Zone 1 Facility*
 - (iv) *The recommended management model for the Lathlain Park Zone 1 Facility.*
3. The endorsed Option 1 delivers several multipurpose community spaces, including a larger function space, a grandstand, three change rooms, and football operations space.
 4. On 16 October 2021, an Expression of Interest was released in response to the August 2021 OCM Council resolution to explore third-party interest and to advocate further funding.
 5. The EOI submission deadline was 8 November 2021.
 6. The Town received two submissions, with the elected members endorsing the officer's recommendation to shortlist the Wirrpanda Foundation (now known as Waalitj Foundation) to the next stage of negotiations.
 7. This successful submission outlined its vision which included the delivery of:
 - (b) An Arts Hub and Gallery
 - (c) A Youth Hub
 - (d) Training Facilities and flexible office space
 - (e) Catering Facilities
 8. This submission proposed a significant financial contribution from the Wirrpanda Foundation and the Banjima Charitable Trust. Additionally, it nominated other avenues to advocate for further funding commitments.
 9. Since the EOI submission, the Banjima Charitable Trust has withdrawn from the process. Negotiations and concept design work have continued with the Waalitj Foundation alone.
 10. In February 2022 Council endorsed three project briefs for the Lathlain Park Redevelopment Precinct Zone 1 to progress to the concept design phase. This was in addition to the "option 1" project brief that had already been endorsed. It was incorporating Waalitj Foundation's input in response to their successful Expression of interest submission.
 11. In February 2022 Council endorsed the project to be split into two stages, ensuring the delivery of stage 1 is consistent with the endorsed Federal Funding Agreement and is aligned with the August 2021 Council endorsed Option 1 Brief.
 12. The concept designs have been completed and inform the business case associated with this report. Community engagement occurred in the development of the concepts. However, the public engagement events on site were cancelled due to Covid19 restrictions.
 13. Funding Agreements have been fully executed between the Town with the State Government (June 2021) and the Federal Government (December 2021). The Federal Funding Agreement, in particular, has strict timeframes for delivery and strict delivery outcomes, as the funding was made available primarily to fund the redevelopment of the Perth Football Club.

14. As a part of the development of the Lathlain Park Management Plan, an extensive community engagement body of work was completed to inform this guiding document for the management and delivery of infrastructure at Lathlain Park. This engagement assisted in defining preliminary principles for Zone 1 regarding community uses, the built form, the public realm and landscaping elements. These Principles are included below:

(b) Community Uses

- (i) Opportunities for the provision of multipurpose/shared spaces that can accommodate community events, activities and programs are encouraged.
- (ii) Ensure public access is designed to accommodate a range of users and incorporates universal access design principles.
- (iii) Ensure the connection between development and the streetscape in terms of pedestrian access, views and vistas of the existing stadium are enhanced.
- (iv) Integration of servicing infrastructure within landscaped and/or public art for the area is encouraged.

(c) Built Form

- (i) Facilitate the interpretation of the heritage values of Lathlain Park
- (ii) New development shall be designed to orientate around the oval and articulated to ensure building bulk is minimised when viewed from the street
- (iii) Provide for the shared use of facilities where possible
- (iv) Enhanced public and spectator amenities to Oval 1.

(d) Public Realm & Landscaping

- (i) Landscaping shall ensure the retention of existing mature trees where possible
- (ii) Landscaping treatments to be of a high quality (incorporating hard and soft landscaping elements) and incorporate water-wise principles / native plant species Landscaping elements (e.g. public art) themed on cultural heritage are encouraged
- (iii) Reciprocal (Perth FC/public) use of formal car parking.

15. Additionally, the elected members at the August 2021 OCM endorsed the set Vision and Aspirations for Zone 1 Redevelopment. These are:

(b) VISION: Lathlain Park Zone 1 is revitalised as a contemporary, multipurpose centre. A dynamic place, that caters for the diverse needs of its community for generations to come.

(c) ASPIRATIONS:

- (i) *A sympathetic, but unique neighbour.* A development that actively engages with its surroundings, having careful consideration for its interface with existing built form and landscape character.
- (ii) *Flexible and ready for the future.* A highly functional and multipurpose centre that supports a diverse range of activities and events for use by its community, which includes both the Perth Football Club and local Town of Victoria Park residents.
- (iii) *A place for everyone.* High-quality architectural and landscape outcome promoting access, safety and participation from all members of the community, irrespective of age, gender, culture or ability.
- (iv) *A place that tells local stories.* A development that integrates into its community through art and culture celebrating the important role and heritage of Lathlain Park.
- (v) *A place that stands the test of time.* A venue that optimises building performance and limits maintenance costs through climate responsive design and use of appropriate building materials.

16. In 2021, the Town commissioned a review of the existing Social Infrastructure Strategy. Following extensive community engagement, the updated strategy was endorsed by Council in April 2022.

17. Within the Social Infrastructure Strategy, an entire chapter is dedicated to the Lathlain Centre Neighbourhood Hub, of which this redevelopment comprises a large component.

18. Of note were two of the opportunities that have been recommended to investigate further. These included:
- (b) Community support spaces, particularly office/administration and consultation room spaces suitable for leasing to individual groups or businesses;
 - (c) A community meeting space suitable for a large group activity, which may be provided through the on-site function centre.
19. In addition, one of the key priorities offered for the Lathlain Neighbourhood Hub was:
- (b) Efficient and diverse community meeting and community support offerings within the Lathlain local centre.
20. Finally, a key recommendation from the strategy with regards to the Lathlain Neighbourhood Hub suggests:
- (b) Work with the West Coast Eagles, Perth Football Club and other stakeholders to improve community access to facilities at Mineral Resources Park/Lathlain Park.
21. Amongst the key deliverables identified for the Town in the Social Infrastructure Strategy, it was suggested that the Town has a need for local-scaled arts spaces catering to early-career artists, hobbyists, and locally based creatives, as well as providing activities activity spaces for the local community.

Strategic alignment

Environment	
Community priority	Intended public value outcome or impact
EN5 - Providing facilities that are well-built and well-maintained.	The project will deliver a sustainable built-form outcome ensuring a sustainable business model for the Perth Football Club and the Town for the benefit of the community.

Civic Leadership	
Community priority	Intended public value outcome or impact
CL3 - Accountability and good governance.	The project will be delivered in an open manner that engages partner organisations to derive mutual benefits with the needs of the community at the forefront.

Economic	
Community priority	Intended public value outcome or impact
EC1 - Facilitating a strong local economy.	This project will deliver increased activity and visitation to the Town along with improved capacity and financial viability of the Perth Football Club, other leasees and users of the facilities.

Social	
Community priority	Intended public value outcome or impact
S3 - Facilitating an inclusive community that celebrates diversity.	The project has the opportunity to provide facilities for a diverse range of community members. It also has the potential to expand First Nations focused services in the Town that are well

	beyond the Town's capacity to deliver. The project also facilitates the Perth Football Club's ability to develop women's teams.
S4 - Improving access to arts, history, culture and education.	The project will deliver a range of community outcomes with the potential to provide significant arts and cultural opportunities within concept option 4.

Engagement

Internal engagement	
Stakeholder	Comments
Property and leasing	This service area was engaged during the formation of the business case.
Place Planning	This service area was engaged during the formation of the business case.

External engagement	
Stakeholders	Local Community / residents / landowners
Period of engagement	March 2021 – Making Space for Culture Survey August – September 2020 – vision and aspirations workshops March 2022 – Online community survey (open day engagement sessions cancelled due to covid restrictions)
Level of engagement	3. Involve
Methods of engagement	Online surveys Workshops
Advertising	Town website and Social Media
Submission summary	66 Submissions received in the March 2022 survey
Key findings	<ul style="list-style-type: none"> • 69% of respondents are interested in using Function Rooms at LPZ1 • 44% of respondents are interested in using Meeting Rooms at LPZ1 • 38% of respondents are interested in using Classroom/Workshop Space at LPZ1 • 33% of respondents are interested in using Exhibition Space at LPZ1 • 25% of respondents are interested in using the Business hub/Co-working space at LPZ1

- 17% of respondents are interested in using the Medical Consulting Rooms at LPZ1.
- Respondents noted a preference for using the majority of spaces above on a monthly or yearly basis.

Other engagement

Stakeholder	Comments
Perth Football Club	Extensive engagement has occurred with the Perth Football Club in the development of the concept designs and the business case
Waalitj Foundation	Detailed engagement has occurred with the Waalitj Foundation in the development of the concept designs and the business case.

Legal compliance

Not applicable.

Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	Not endorsing an option from the business case will restrict the ability to progress the project and put at risk the confirmed and potential funding.	Moderate	Unlikely	Low	Low	TREAT risk by endorsing the progress of the portion that is linked to the federal funding.
Environmental	Not applicable.				Not applicable.	
Health and safety	Not applicable.				Not applicable.	
Infrastructure/ ICT systems/ utilities	Not applicable.				Not applicable.	
Legislative compliance	Option 4 could have legal implications	Moderate	Possible	Moderate	Low	TREAT risk by conducting a legal review of option 4

						and following recommendations
Reputation	Negative public perception if not endorsed and cause project delays.	Moderate	Unlikely	Low	Low	TREAT risk by endorsing a business case option.
Service delivery	Not applicable.				Medium	

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	<p>Future budget impact will be known with progression of design, the negotiation of funding contributions and development of management models.</p> <p>A funding shortfall for each option is recognised due to construction cost escalations and this report requests an update to the long-term financial plan to allow commencement of the project while additional funding is pursued.</p>

Analysis

22. Option 1 baseline schedule, floor plan and budget were endorsed by Council at the August 2021 OCM and have informed the current concept design for Option 1.
23. The additional project briefs for the Lathlain Park Redevelopment Precinct Zone 1, endorsed in February 2022, have informed the development of concept designs for options 2, 3 and 4.
24. The four concept options can be summarised as:
 - (b) Option 1: Low Intervention. Is the baseline model which delivers the Perth FC infrastructure, including a Grandstand as well as community accessible function space.
 - (c) Option 2: Low Intervention plus future proof. It includes all elements of Option 1 plus creating provision for an additional community space with fit-out delivered at a later stage.
 - (d) Option 3: Medium Intervention. Includes all elements of Option 1 plus catering for the known funding as specified in the Waalitj/Banjima EOI submission.
 - (e) Option 4: High Intervention. Includes all of the elements from Option 1 plus provides provision for the aspirational desired outcomes as set out in the Waalitj EOI and elected member endorsed brief.
25. Option 3 was deemed uneconomical to develop as it did not provide additional community or Waalitj outcomes. Option 1, 2 and 4 concepts were developed and informed the Business Case.
26. As the project team encountered constraints through the design process and considered project delivery requirements, it was deemed appropriate to explore two scenarios:
 - (a) Scenario 1: proposes the development of the new PFC facility adjacent to the existing facility and timing demolition of the existing facility to after the new facility is constructed.

- (b) Scenario 2: The new facility to be located where the existing facility is located, meaning the demolition of the existing facility will occur as the first phase of the development.
27. It is acknowledged that building location (via a site plan) and delivery staging (via a staging plan) have not previously been endorsed by Council in the endorsement of Option 1 schedule, floorplan, and budget (August 2021 OCM) or the option 2, 3 and 4 design briefs (February 2022 OCM). Therefore, an addition to previous resolutions is included at point 3 of the recommendation recommending endorsement of Scenario 1.
28. Scenario 1 advantages and disadvantages are described on page 34 of the business case. It is recommended due to the following advantages:
- (a) Allowing the PFC to continue operations from the existing building while construction occurs.
 - (b) Continuation of the telecommunications leases until the leases expire.
 - (c) Provision of an adequate development site to the south of the future PFC facility for potential Town development of community facilities such as that proposed in Option 4.
29. Two telecommunication leases are in place on the roof of the existing grandstand building, one with Telstra, which expires 30 June 2024 and the second with Vodafone, which expires 30 June 2025. Under scenario 1, it is possible to conduct the demolition of the existing grandstand after 30 June 2025 and meet federal funding requirements for project completion by September 2025. An agreed relocation solution between the Town and the telecommunication companies before this date would provide the benefit of continuation of the services to the local community.
30. It has been confirmed that if scenario 1 were pursued, the federal funding agreement contributing \$4 million to the project would only require a variation to the funding milestones by modifying the "demolition of existing grandstand building stage" to the final project milestone. This would not constitute a change to the scope of the project as defined in the agreement or jeopardise the agreement.
31. Option 4 is the recommended concept option in the business case based on its ability to meet the Vision and Aspirations of the project as endorsed at the August 2021 OCM while ensuring the continuation of the project progress on the Perth Football Club portion.
32. In the business case option 1 and 2 are not the recommended options as they are considered to provide less benefit to the broader community, a lower achievement of the Vision and Aspirations of the project, reduced progression of the Strategic Community Plan and Social Infrastructure Strategy and will be more difficult to achieve as they lack the financial benefits of option 4 as described below and in the business case.
33. Delays to the Perth Football club portion of the project risk the timelines required for the Federal funding agreement not being met. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts has confirmed that the project completion date must be before September 2025. Section 16 of the business case provides a project timeline to guide the overall project with practical completion of the new facility in quarter two of 2025/26, which is in the proximity of the funding agreement's required completion date, presenting a project risk.
34. Following the design development stage both stage 1: Perth Football Club and Stage 2: Waalitj Community Facility will require Council endorsement of the Development Application. The Perth Football Club portion is expected to occur in early 2023.
35. Due to recent construction industry escalation, the costs for Option 1 are estimated beyond the secured funding of \$14,200,000 and are currently estimated at \$17,212,000 (scenario 2 delivery approach).
36. Option 4 has the potential to provide cost efficiencies as described in the Cost Estimate Summary section on page 88 of the business case. For example, the current cost estimate of Option 4A is

\$34,702,000 of which the PFC scope portion is \$14,953,091. This can be compared to the previously stated estimate of \$17,212,000 for the PFC scope as a stand-alone facility under option 1.

37. All options have a current shortfall compared to committed funding, as demonstrated in the table below:

Options	Committed Funding	Cost Estimate	Current Shortfall
Option 1A	\$14.2m	\$17.992m	\$3,792,000
Option 1B	\$14.2m	\$17.212m	\$3,012,000
Option 2A	\$14.2m	\$18.376m	\$4,176,000
Option 2B	\$14.2m	\$17.597m	\$3,397,000
Option 4A	\$32.2m	\$34.702m	\$2,502,000
Option 4B	\$32.2m	\$32.539m	\$339,000

38. Options 4A and 4B not only have the lowest shortfall but have the most opportunity for value management and increased funding sources. Option 4B contains extra escalation accounting for a two-year lag between the PFC facility construction program (Stage 1) and the Waalitj Foundation Community Hub construction program (Stage 2).
39. Options 1 and 2 have greater funding shortfalls and little opportunity for value management given the highly prescriptive AFL requirements and the federal funding agreement requirement that the facility is over 3400m² (the current Option 1 design is 3442 m²).
40. Waalitj foundation is satisfied with the business case's stated \$18 million assumption of project contribution; however, this funding will need to be negotiated and secured before entering any official agreements. This is an action item in the business case and can be pursued following endorsement of a concept option.
41. In the business case, each option has a recommended management model. Each management model will require negotiations based on the recommendations, which can commence following the endorsement of a preferred concept design option.
42. Option 4 in the business case recommends the establishment of an overarching Strategic Management Body to oversee the full precinct operations. This is proposed to incorporate ongoing reporting and review powers and a dispute resolution process to enable current and future occupiers to maintain governance over their individual facilities and collectively manage recognised shared areas.
43. The business case also recommends that a heads of agreement should be entered into between all key parties to establish confirmed funding, lease terms, confirm roles and responsibilities for the management of the facility, asset obligations, and agree on a performance management solution to offset the lease charge which recognises the subsidised use of the facility by local community groups. This document can act as the starting point in the negotiations.
44. A key next step recommended by the business case is progressing the PFC facility to detailed design.
45. The business case also contains the following additional action items that are to be pursued:
- (a) Further Community Engagement: Pending endorsement of a preferred concept design, complete a further community engagement session either via workshop or drop-in session to help refine the design (of the community spaces).

- (b) Telecommunication Negotiation: Upon endorsement of the preferred Concept Design Option, confirm the preferred approach with the assistance of the Property and Leasing team based on the proposed options.
 - (c) Sustainability Approach: Confirm the proposed Sustainability Approach with Elected Members upon the endorsement of a preferred concept design option.
 - (d) Demolition Project Plan: Confirm the demolition project plan and approach upon Elected Member endorsement of the preferred concept design option.
 - (e) Management Model: Subject to the endorsement of the preferred concept design option, the Town will need to commence negotiations based on the recommendations of the business case, depending on which option has been endorsed.
 - (f) Lifecycle costs: Upon endorsement of the preferred concept design option, a breakdown of responsibility of costs will need to be agreed to and included in the leasing documentation.
 - (g) Funding: Confirm funding from the Waalitj Foundation before entering into official agreements.
46. This item was presented at a concept forum on September 27, 2022. During the concept forum legal requirements of option 4 were raised. This report recommends commencing a legal review of the option and the outcomes of the review be presented to Council prior to requesting full endorsement of an option.
47. Negotiations with Waalitj foundation can proceed with the view of presenting a comprehensive commercial offer to Council for consideration.

Relevant documents

Not applicable.