



BUSINESS PLAN FOR MAJOR LAND TRANSACTION

LOT 5996, COTTIER DRIVE, SOUTH HEDLAND

PROPOSAL TO ACQUIRE, DEVELOP, AND DISPOSE VIA LEASE AND/OR MANAGEMENT AGREEMENT

March 2024

Submissions close 22 May 2024

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INTRODUCTION

The following Business Plan has been prepared to satisfy the requirements of Section 3.59 of the *Local Government Act 1995* and associated legislation such as Regulation 8A and Regulation 30 of the *Local Government (Functions and General) Regulations 1996* (the Regulations) which apply when a local government authority intends to undertake a Major Land Transaction or Major Trading Undertaking.

The Town of Port Hedland (Town) proposes to acquire Lot 5996, Cottier Drive, South Hedland and undertake a Major Land Transaction to develop the site. The site, once developed, will be managed either by the Town directly or via a third-party through a management services agreement, or disposed via lease to a third-party to manage under agreed terms.

This business plan is designed to allow members of the community the opportunity to consider this proposal and provide comment, prior to Council making any decision. Submissions received during the public consultation period will be presented to Council for consideration prior to any decision.

BACKGROUND

SERVICE WORKER HOUSING

Service worker housing refers to housing that is specifically intended for individuals who work in service industries, such as hotel and restaurant employees, those in retail and related industries, and other low to moderate-income service workers. The housing is typically affordable relevant to the private market and located near the workplaces of those it services – with relevant jobs requiring a physical presence and not able to be undertaken remotely. The purpose of service worker housing is to provide these individuals with stable and accessible housing, which can help them maintain employment and improve their overall well-being whilst also ensuring essential and community services are appropriately staffed.

With average housing costs reaching levels almost double the nation average as of July 2023, residents and businesses in the Town of Port Hedland are struggling to afford basic accommodation for themselves and staff. This issue is further exacerbated for industries external to mining and transport, where wages and accommodation budgets are limited. This trend poses a wealth of challenges for the community as service industries continue to be pushed out of the region, corroding the liveability and economic resilience of the municipality.

Increases in housing costs are making it challenging to deliver accommodation for service workers who are critical to the overall functioning of a community and economy. This issue is prevalent not only in Port Hedland but in several mining and tourist-base towns across Australia.

To address these issues, the Town of Port Hedland has commenced plans to deliver Service Worker Accommodation at a site on Cottier Drive, South Hedland.

LOCATION

Located in the geographical centre of South Hedland, Lot 5996 Cottier Drive, South Hedland is strategically located to accommodate residential housing development. The development provides future residents walking-distance access to the South Hedland commercial centre.

PROPERTY INFORMATION

Lot 5996 Cottier Drive, South Hedland is a vacant parcel of land located in the geographical centre of South Hedland, approximately 900 metres north east of the South Hedland Central Business District. No improvements have been made to the site.

The legal status and general land description of the subject lots and association details are as follows:

Table 1 – Property Information

Description of the land	Address	Tenure	Zoning	Lot area
Lot 5996 on Deposited Plan 219941 Crown Land Certificate of Title Volume 2575 Folio 853	Cottier Drive, South Hedland	Crown Allotment	Urban Development	2.65ha

The land parcel is depicted per Figure 1 and Figure 2.

SERVICES AND ROADS

The site has no connected services. All available town services including electricity, sewerage, garbage collection, mail delivery, internet, telephone, and water are available for connection nearby.

ZONING

Under the Town of Port Hedland Local Planning Scheme No.7, the subject allotment is zoned **Urban Development**.

The objectives of Urban Development zoning are as follows:

- To provide an intention of future land use and a basis for more detailed structure planning in accordance with the provisions of the Scheme.
- To provide a range of residential densities to encourage a variety of residential accommodation.
- To provide for the progressive and planning development of future urban areas for residential purposes and for commercial and other uses normally associated with residential development.

The proposed development can be accommodated in the Urban Development zone.

NATIVE TITLE

The Kariyarra Native Title Determination determined that Native Title does not exist over the subject lots. The Town, as the site developer, will be responsible for undertaking the appropriate Aboriginal heritage studies over the site as required by the *Aboriginal Heritage Act 1972* (as amended) and any other relevant legislation.

CONTAMINATION

According to mapping provided by the Department of Water and Environmental Regulation, the subject site is not listed as a known contaminated site under the *Contaminated Sites Act 2004*.

INTERACTION WITH NEIGHBOURING DEVELOPMENTS

The site has a 325-metre frontage to Cottier Drive. South-east of the subject site is vacant crown land. South-west of the site are single residential dwellings. The estate is intended to be accessible from both Cottier Drive and Lovell Place. Master planning for the site and detail design is a responsibility of the successful proponent of the design and construct tender.

Figure 1 – Lot 5996 in context to the South Hedland Urban Area



Figure 2 – Lot 5996 in context to Cottier Drive



DESCRIPTION OF THE PROPOSED TRANSACTION

The Town proposes to:

1. acquire Lot 5996, Cottier Drive, South Hedland
2. develop dwellings for service workers
3. manage or dispose the asset by either:
 - i) the Town contracts a third-party to manage the facility (outsourced management)
 - ii) the Town disposes of the asset to a third-party to manage and operate the facility under agreed terms.

This Major Land Transaction Business Plan relates to the development, and management or disposal phase of the project.

The costs related to the acquisition of the lot are not anticipated to surpass the threshold which would constitute a major land transaction or major trading undertaking.

APPROACH TO ACQUIRING TENURE

The Town has written to the Minister for Planning; Lands; Housing; Homelessness to acquire the Crown allotment from the Western Australia Government, acting through DevelopmentWA.

The Western Australia Government has consented in-principle to selling the land to the Town. Settlement is expected to occur before December 2024.

A contract of sale to purchase the land is currently being negotiated. The Town has agreed in-principle to various conditions imposed by the State in exchange for a reduction in market freehold value for the land.

APPROACH TO DEVELOPMENT

In September 2023, the Town undertook an expression of interest process to determine capacity and interest of commercial developers.

The Town released a restricted Request for Proposal in March 2024 for the design, construct and/or option to operate the facility.

The Request for Proposal will close in April 2024.

The scope of works broadly comprise of, but are not limited to, the following:

- Geotechnical Investigations;
- Design of the Key Worker Housing development for approval;
- Consultation with the third-party reviewer during the design and construction process;
- Preparation of all safety and quality control documentation;
- Seek all approvals not limited to development application, building permit, and, subdivision approvals from utility providers;
- Staged construction of the development as approved by the Principal;
- Facilitate inspections by the Council and their representatives at specified hold points;
- Testing and Commissioning;
- As built data and drawings as requested by the Principal; and
- Assistance in establishing maintenance agreements and service provider agreements for ongoing operational requirement.

It is the Town's intention to develop the site as a superlot development with connections to be built to a specification that enables strata subdivision at a future date (e.g. 20-years post development).

APPROACH TO ONGOING MANAGEMENT

Broadly, there are two approaches to ongoing operation of the facility.

1. The Town contracts a third-party to manage the facility (outsourced management)
2. The Town disposes of the asset (via lease) to a third-party to manage and operate the facility under agreed terms.

The Request for Proposal provides the opportunity for shortlisted proponents to propose an operational model, which will be considered by the Town as part of the proposal evaluation process.

TOWN CONTRACTS A THIRD-PARTY TO MANAGE THE FACILITY (OUTSOURCE)

The Town may decide to enter into a management agreement with a property management provider (real estate agent) to manage the day to day operations of the facility. The contract would be overseen by the Town's property management business unit. The property management company would be required to manage the leasing of individual dwellings, tenant management, property maintenance, collection of rental payments and other property management functions in order to meet the needs of the tenants.

The Town would operate a public tender process to engage a suitably qualified property management provider.

The advantage of this arrangement is that the Town would maintain control of the facility. The disadvantage is that it would require an increase in staffing to manage the contract with the property management provider.

TOWN DISPOSES OF THE ASSET VIA LEASE TO A THIRD-PARTY TO MANAGE AND OPERATE THE FACILITY UNDER AGREED TERMS

The Town may decide to lease the facility in its entirety to a third-party to manage and operate the facility under agreed terms. The third-party would be required to manage the licensing of individual dwellings, tenant management, property maintenance, collection of rental payments and other property management functions in order to meet the needs of the facilities tenants.

The Town would operate a public procurement process to lease the facility to a suitably qualified provider.

The advantage of this arrangement is that this arrangement would likely not require increase staff resourcing as the lessee would be required all aspects of the operation and management. The disadvantage is that the Town would lose a degree of control over the facility.

OPERATIONAL MODEL TO BE DETERMINED

The chosen operational model will be determined at a later date. The option for the Town to dispose of the property via lease has been included in this business plan for the purposes of satisfying s3.59 of the *Local Government Act 1995*.

ASSET LIFECYCLE MANAGEMENT

The Town has investigated two options of asset divestment, should the Town wish to do so at any time in the future. The two options investigated were:

1. Disposal (via sale) of the asset in its entirety
2. Strata subdivision and disposal (via sale) of individual dwellings

It is the Town's intention to develop the site such that it can be strata subdivided at a future date. Strata subdivision will allow the Town to dispose of individual dwellings via sale once the development reaches end of useful life, providing greater asset liquidity for the Town.

A separate Major Land Transaction Business Plan will be required if/when the Town chooses to dispose of the asset via sale.

LOCAL GOVERNMENT ACT COMPLIANCE

Before undertaking a Major Trading Undertaking, the Town of Port Hedland under Section 3.59 of the *Local Government Act 1995* is to prepare a business plan.

The business plan is required to include an overall assessment of the major land transaction and is to include details of:

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

This business plan complies with these requirements.

EXPECTED EFFECT ON THE PROVISION OF FACILITIES AND SERVICES PROVIDED BY THE LOCAL GOVERNMENT

STRATEGIC PLANNING AND INVESTMENT

The Town and State Government have invested significantly in strategic planning for the district/region to realise community, economic, built form and environmental outcomes. The proposal is congruent with related strategic planning objectives for land use and development.

The Town's Local Planning Strategy, Local Planning Scheme, and Place Plan for the South Hedland Town Centre and peripheral zones reinforces or identifies:

- South Hedland as the primary activity centre for the Town of Port Hedland;
- Requirements for a modern and high design standard of built infrastructure;
- Improved visual amenity and gateways to the Town Centre;
- Hamilton Road as a peripheral connector zone for investment to grow the liveliness of the Town Centre;
- A shortfall in commercial space in South Hedland and reliance on retail space to fill this void;
- A concerted effort required to support diversification of the local economy; and
- Renewed focus on development of residential land within 400 metre proximate distance of the CBD.

The planning framework, sport and recreation facility masterplans, Economic Development and Tourism Strategy, childcare strategies (Hedland Collective and the Town of Port Hedland) and an Arts and Culture Strategy, collectively support population and economic growth, with a focus on:

- Upgrades/new development to expand quality, capacity and capability of sporting and recreation facilities (including for regional level competitions) and new purpose built,

aggregated arts and culture facilities to support population growth and an arts and culture economy;

- Leveraging business and leisure visitor experience and spend; and
- Cross sectoral planning and investment in childcare infrastructure and workforce development to meet a critical shortfall in placements, and to increase workforce participation.

This proposal is aligned with the Town's and the broader community's priorities related to addressing the shortfall of childcare workers and other services critical to the functionality of a vibrant, liveable town.

The State Government and Town have invested heavily (\$24.5 million) in South Hedland in the development of a new main street, landscape treatments (including on Hamilton Road), creation of a recognisable Town Centre, installation of artworks and major city centre subdivision works. In addition to this, a \$2.2 million funding partnership at the Commons on Hamilton Road, will improve streetscape medians, shade, usability and attractiveness of the South Hedland entrance on Hamilton Road.

The development has significant potential within the parameters of Urban Development zoning to further realise strategic planning objectives and leverage investment for economic development, jobs growth and improved liveability in South Hedland.

PLANNING PROCESSES

The development will be required to seek planning approval under the Town's Local Planning Framework.

The Town, as the Responsible Authority, will process the application as per the planning scheme. Under *Local Planning Policy LPP/14 Design Review Panel*, developers of grouped and multiple dwelling development with twelve or more dwellings are required to present those designs for review to the Town's independent Design Review. The Design Review Panel comprises a panel of experts across urban design, landscape architecture, architecture, civil engineering and/or hydrology and sustainability and provides expert design and technical advice to Town Officers to assist in the formulation of recommendations on an application for development approval. The objective is to improve design quality of proposals and built form outcomes for the Town of Port Hedland.

The Town will publicly advertise the application for a period not less than 14 days as well as progressing referrals to relevant internal and external departments and agencies.

MUNICIPAL SERVICES

The Town of Port Hedland plans for the growth of suburbs across its jurisdiction. The proposed subdivision is not expected to significantly impact waste services, environmental health or other municipal services provided by the Town. The successful tenderer will be required to prepare a range of technical reports to minimise impact on the Town's roads, infrastructure services and residents.

EXPECTED EFFECT ON OTHER PERSONS PROVIDING FACILITIES AND SERVICES IN PORT HEDLAND

There is a nominal deficit of 1,030 in residential labour across industries external to the major local industries of mining and transport (excluding agriculture, forestry, and fishing).

It is estimated the delivery of the Cottier Drive development will enable the arrival of 100 additional service workers, thereby reducing this deficit by 10%. This will contribute to the development of an economy that is better insulated from the business cycles of mining and transport.

IMPACT ON EXISTING FACILITIES

The Town of Port Hedland has one existing service worker housing complex – Osprey Village. Osprey Village was completed by the Western Australia Government in 2014 and consists of 293 dwellings for key workers.

Key workers are defined by the Department of Communities as a person ‘employed in an occupation that services the community, not solely the resources sector’.

As at the time of publishing rental prices at Osprey were \$380 per week or 25% of income to ensure the housing remains affordable.

It is understood the waitlist at Osprey Village is approximately 60+ people with an estimated wait time of at least 6-8 months.

This development is not expected to impact Osprey Village as it is operating at full occupancy and has a substantial waitlist.

IMPACT ON RENTAL PRICES

The increase in supply of dwellings is expected to lead to a 2.5% reduction in rental prices in the municipality.

MODERATION OF BUSINESS COSTS

The delivery of the Cottier Drive project has the potential to reduce service worker labour cost growth over the next 5 years. This is expected to provide local business with circa \$16.6 million worth of labour cost saving over the assessment period. The moderation of business costs is expected to reduce the cost of goods and services, thus assist with the cost of living across Port Hedland.

ENHANCED TALENT ATTRACTION AND RETENTION

Rents in Port Hedland are approximately \$270 higher than the Northern WA average and almost double the national average of \$575. Closing the gap in housing costs between the Town of Port Hedland and national average will provide local businesses with more confidence to invest and expand with a greater availability of local labour.

INCREASED INVESTOR CERTAINTY

The delivery of the project has the potential to boost business confidence to an appropriate level necessary to enable the expansion of key sectors including Childcare, Health and Community Services, and not-for-profit sector.

SERVICES

Electricity, internet, telephone, and water are in close proximity to the subject site and can be connected to the site through the development process.

EXPECTED FINANCIAL EFFECT ON THE LOCAL GOVERNMENT

FINANCIAL ANALYSIS

The development has been included in the Town’s Long-Term Financial Planning. Should the development cost differ from what has been included in the Town’s Long-Term Financial Plan, the Town of Port Hedland Council will be required to update the Long-Term Financial Plan to reflect this difference.

Financially modelling has been undertaken on the scenarios detailed in Table 2.

Table 2 – Financial analysis

Scenario	Town equity	External equity	Yield	Strategy
1 - Base	75%	25%	76 houses	Hold and sell after 25 years
2 - Addition	62.5%	37.5%	79 houses	Hold and sell after 25 years
3 - Subdivision	50%	50%	76 houses	Hold and sell after 10 years

All three scenarios, from a pure financial analysis, provided financial returns well below rates considered to be commercially feasible – with internal rate of returns ranging from 1.27%, 1.31% and -0.99% for the three scenarios respectively.

The development is not intended to be a profitable undertaking. The development is intended to address market failure within the Town of Port Hedland in relation to housing affordability, thus the returns of the project should include the social and broader economic benefits generated for the Port Hedland community, in addition to the financial returns for the Town.

NOTE – The internal rate of return will change depending on the final cost of the development, which will be known following the award of the tender, however, is not expected to significantly differ from figures above.

FINANCIAL IMPACT ON MANAGEMENT MODEL

The Town’s decision on how to manage the facility on an ongoing basis may have differing impacts on the level of revenue generated by the development on a year-by-year basis, which may impact the rate of return on the development.

The Town’s existing maintenance contracts would also need to be reviewed in line with the asset management of the properties.

These costs will be determined as part of the management model evaluation and will be considered by Council at a later date.

BENEFIT-COST ANALYSIS

The benefit-cost analysis of the development is detailed in Table 3.

Table 3 – Benefit-cost analysis

	Financial Ratio	Benefit-Cost	Total benefits (excluding retained wages)	Total benefits
Benefit-Cost Ratio	0.579		1.594	2.977

The financial cost-benefit analysis compares the financial benefits to the financial costs. A benefit cost ratio of 1 indicates a net present value of investment inflows will equal investment outflows.

NOTE – The benefit-cost ratio will change depending on the final cost of the development and chosen management model, which will be known following the award of the tender, however, is not expected to significantly differ from figures above.

RATES INCOME

No rates income is expected to be generated by this land transaction as it will remain a Town of Port Hedland owned facility.

EXPECTED EFFECT ON THE MATTERS REFERRED TO IN THE LOCAL GOVERNMENT'S CURRENT PLAN PREPARED UNDER SECTION 5.56

Section 5.56 of the *Local Government Act 1995* requires a local government to plan for the future of its district.

STRATEGIC COMMUNITY PLAN 2022 - 2032

The Strategic Community Plan 2022 – 2032 outlines the future direction of the Town of Port Hedland. It focuses on building generational prosperity, economic and environmental sustainability and community through partnership, civic leadership and collective action over a ten-year period. It reflects trends occurring within our community, the local context, outlines our community aspirations and the activities required to achieve our goals by 2032.

The Plan covers four themes:

- **Our Community** – We honour our people and our cultural heritage – ensuring wellbeing, diversity, creativity and strong civic engagement and dialogue.
- **Our Economy** – We build prosperity for all – enabling sustained and diversified economic and employment growth.
- **Our Built and Natural Environment** – We treasure and protect our natural environment and provide sustainable and resilient infrastructure and built form.
- **Our Leadership** – United in our actions to connect, listen, support and advocate, thereby leveraging the potential of our people, places and resources.

The proposal is in alignment with the Town's Strategic Community Plan 2022 – 2032, particularly:

- Outcome 1.2 – An inclusive and involved community
- Outcome 2.3 – An enabling, attractive business environment
- Outcome 2.5 – Improved infrastructure development

ECONOMIC DEVELOPMENT AND TOURISM STRATEGY 2021

The Economic Development and Tourism Strategy 2021 provides the framework for the Town to lead an integrated and collaborative approach to economic development and diversification.

The Town of Port Hedland has a number of key roles including:

- Leadership
- Facilitation
- Statutory approvals
- Advocacy
- Project development and execution
- Partnerships.

This proposal is in alignment with the objectives outlined in the Economic Development and Tourism Strategy 2021, particularly:

- Task 2.1.2 – Promote opportunity for housing investment.

ABILITY OF THE LOCAL GOVERNMENT TO MANAGE THE UNDERTAKING OR THE PERFORMANCE OF THE TRANSACTION

The development is subject to the Town of Port Hedland Council:

- endorsing this Major Land Transaction Business Plan
- allocating the appropriate funds to the Town's operational budget

- awarding the design and construct tender.

The Town has requisite experience in strategic and statutory planning, managing finances, projects, place planning, a housing portfolio, precinct development and connectivity, that extends beyond the proposal's size and complexity.

The Town's Infrastructure Projects, Commercial Leasing, Town Planning, and Business and Economic Development units have managed land acquisition and development projects for staff housing; structure plans, major residential, and commercial development, in addition to having undertaken high value site masterplans and assessed complex and significant development applications.

The Town manages 61 residential houses for Town of Port Hedland staff and 10 houses for general practitioners. In addition, the Town manages a number of long-term lease agreements over sites including the Port Hedland International Airport and Cooke Point Caravan Park.

ANY OTHER MATTER

The Town is not aware of any other matters that are relevant to the proposed transaction.

PUBLIC CONSULTATION

The Business Plan is open for public submissions for a period of at least six (6) weeks under Section 3.59 of the *Local Government Act 1995*.

A copy of the Business Plan can be accessed through the Town of Port Hedland website at www.porthedland.wa.gov.au with hard copies available at the Town of Port Hedland Administration Office and Town operated libraries.

Submissions must be in writing and addressed to:

Chief Executive Officer
Town of Port Hedland
PO Box 41
PORT HEDLAND WA 6721

Alternatively, submissions may be emailed to council@porthedland.wa.gov.au

Submissions may be made to the Town before **Wednesday 22 May 2024**.