



ORDINARY MEETING OF COUNCIL

7 FEBRUARY 2018

12.1 ST KILDA MARINA NEW LEASE - PROJECT APPROACH, TIMELINE AND PROBITY PLAN

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1. PURPOSE

- 1.1 To present the St Kilda Marina new lease project approach, associated timeline and probity plan for approval.

2. EXECUTIVE SUMMARY

- 2.1 The expiry of the 50 year 'head' lease for St Kilda Marina on 30 April 2019 presents an opportunity for Council to undertake a planning process which seeks to maximise social, cultural, environmental, financial and economic benefits of the site.
- 2.2 In September 2016, Council resolved to undertake a competitive process to secure a new long term lease arrangement for St Kilda Marina.
- 2.3 A project has been established to procure a new lease arrangement that takes advantage of this opportunity.
- 2.4 This report proposes the project approach for approval by Council. The approach includes a methodology and timeline, and is accompanied by a probity plan that outlines the probity principles and practices underpinning the delivery of the project.
- 2.5 The approved documents will guide delivery of the project and support communication of the key stages of the project with the community and key stakeholders.
- 2.6 The project is currently finalising Stage 1, the detailed project planning phase while also undertaking a series of detailed investigative works as part of Stage 2. The purpose of Stage 2 is to understand the opportunities and constraints for the site and, with this understanding, engage the community and key stakeholders to develop the site vision and objectives that will drive the achievement of various benefits for the site.
- 2.7 The project will require funding in the order of \$1.075M over this and the next three financial years to complete. The significantly evolved project methodology has dictated the need for more project funding for early planning works to cover the extensive investigative works and early community engagement, with an increase from the preliminary forecast of \$150k for 2017/2018 to \$360,000.
- 2.8 An interim or short term lease will be required to cover the period between the expiry of the existing lease and implementation of the new lease arrangement.
- 2.9 A community and stakeholder engagement plan will be presented for approval by Council in March 2018.



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3. RECOMMENDATION

That Council:

- 3.1 Approves the project approach and associated timeline (Attachment 1) which details the methodology that will be followed to plan the future of the St Kilda Marina site and procure and implement a new lease arrangement.
- 3.2 Approves the project budget required to implement the project approach.
- 3.3 Approves the project probity plan (Attachment 3) which details the principles, practices and policy requirements for ensuring probity on the project clarifying how they apply to Councillors, Council officers and others involved in the project.

4. KEY POINTS/ISSUES

Background

- 4.1 42 A - E Marine Parade, Elwood has accommodated the St Kilda Marina since 1969. The Marina occupies approximately 8Ha (80,000 sqm) of foreshore Crown Land for which Council is appointed as the Committee of Management. Existing uses include marine services (boat storage and launch infrastructure, repairs, fuel for boats and sales), restaurants/cafes, service station and car parking.
- 4.2 The 50 year 'head lease' between Council and Australian Marinas (A'Asia) Pty Ltd (Australian Marinas), began on 18 March 1968 and expires on 30 April 2019.
- 4.3 Under the current lease arrangement the income is approximately \$170,000 plus GST per annum. This is gained through a combination of rent and 7 per cent of the income received by the lessee for carparking and boat storage fees.
- 4.4 When the lease was negotiated the rental amount took into account Australian Marinas' capital investment, with only a token rent (\$1,000) required in the first six years during the marina construction phase, and \$10,000 (plus CPI) for every year following. In 1967 the site was bare reclaimed land transformed into a man-made harbour.
- 4.5 The tenant invested an estimated \$2 million over the first six years of the lease to develop the site into Australia's first modern marina with 200 wet pens and 250 boat dry storage. The tenant is responsible for maintaining and undertaking repairs at the site. The 50 year lease in combination with low rent provided the tenant opportunity to recoup their return on this and subsequent investments.
- 4.6 It is estimated that Council could potentially receive in excess of \$500,000 per annum in rent under a new lease agreement after the expiry of the current agreement in 2019. This would be based on no changes to the current Marina site and maintaining existing operations and sub-leases.
- 4.7 The amount of rental income that can be derived from the Marina is only one factor in Council's early planning for the future of the site. The expiry of the lease provides Council with an opportunity to investigate and optimise returns from the site in terms of



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social, economic, environmental and cultural opportunities for the municipality and potentially the State.

- 4.8 In an Ordinary Council Meeting dated 13 September 2016 Council:
 - 4.8.1 Approved the selection of a tenant for a long term lease of the St Kilda Marina to be undertaken through a competitive selection process.
 - 4.8.2 Directed officers to develop a leasing process for the site for approval by Council that includes extensive community engagement in the development of the strategic objectives and leasing principles for the site.
 - 4.8.3 Directed officers to develop principles for the selection of a tenant for the St Kilda Marina for approval by Council that include optimising community benefit and providing an appropriate commercial outcome for the site.
 - 4.8.4 Approved in principle the development of a short term lease, if required, to provide certainty to current operators at the site to cover any period between the expiry of the lease and the implementation of a new lease.
- 4.9 Council officers are embarking on a project to secure a new lease arrangement. A multi-disciplinary project team has been established and includes Council officers from asset and property management, place and design, communications and engagement, sustainability and foreshore management. Specialist consultants have been engaged to provide market and legal advice. Further specialist advice will be sought as needed as the project progresses.
- 4.10 Councillors were engaged early in the planning phase of this project to contribute to the development of a project approach that is an effective guide for undertaking project works, can be used to inform the community about the project process and milestones and enables the development and achievement of a clear vision and set of objectives that provide an effective balance of social, environmental, cultural and economic benefits for the site.
- 4.11 Early Councillor involvement in detailed project planning occurred through a site meeting and two facilitated workshops in August 2017.
- 4.12 With input from the Councillors at these workshops, advice from industry experts (legal and commercial property consultants) and the involvement of Victorian Government officers (Department of Environment, Land, Water and Planning); Council officers (the project team) developed a project methodology (the "Project Approach") and accompanying timeline.
- 4.13 Council officers also worked with a probity consultant, CourtHeath Consulting, to develop a detailed probity plan for the project as well as a quick reference summary probity plan.



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Project Approach and Timeline

- 4.14 Attachment 1 is the project approach document which outlines the project stages, key deliverables and activities for each stage, and an indication of the community and stakeholder engagement points as the project evolves. It also provides the indicative dates for completion of each stage (the project timeline).
- 4.15 A flexible approach is being taken to the project, with each stage being reviewed and refined as more or better information becomes available or clarity of direction is achieved.
- 4.16 This means that the project documents will evolve as the project progresses, particularly through the first four stages in preparation for the procurement and transition stages, stages 5 and 6.
- 4.17 While the project approach attached provides the high level summary of the various stages, activities and milestones, the details of the activities for the first two stages currently being implemented is set out for information below.

Stage 1 – Planning for the Project (2017 to early 2018)

- 4.18 The first stage of the project is almost complete. This stage involves detailed planning for the project informed by a number of engagement sessions with Councillors.
 - 4.19 The location, size and value of the site, the range of businesses involved, diversity of users of the site (boat owners, general public etc.), the complex legislative context of this piece of crown land and the fact that it is the end of a 50 year lease, means that significant planning to effectively navigate the unique nature and complexity if this project is required to achieve the best possible outcome.
- 4.20 The outcome of this stage is:
- A project approach (Attachment 1) with an accompanying plan of the St Kilda Marina site (Attachment 2) which is presented for approval by Council.
 - A probity plan, the main document (Attachment 3) and probity plan summary (Attachment 4), which is presented for approval by Council.
 - The finalisation of a detailed project plan for use by the project team to guide the project works.
 - An agreed set of project objectives (refer below).

Project Objectives

- 4.21 The following project objectives have been developed from a list of key themes determined from the facilitated Councillor workshops.
 - 4.21.1 Develop a sustainable long term vision for the site that defines the:
 - The extent to which the site remains a Marina, determined through Marina market research and viability studies

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- Types of uses and functions through detailed options determination and assessment, with options derived from robust investigation
- Area and scale of development permitted including building footprint, heights, open space/public realm elements
- Social and cultural benefits to be achieved, including level of community access and other community amenities and features
- Environmental sustainability, design sensitivity and resilience outcomes to be achieved that enhance the value of the foreshore and marine environment
- Economic benefits to be achieved for the St Kilda Marina and the municipality

4.21.2 Deliver Council's vision and objectives for the site by:

- Identifying the optimum operating model for the site through detailed options determination and feasibility studies, with options derived from robust investigation
- Developing a leasing process to reflect the vision and objectives
- Undertaking a competitive procurement process to award a new long term lease or leases

4.21.3 Implement a process that has a high level of public and government partner understanding and confidence by:

- Designing an engagement plan that offers genuine opportunities for community feedback to shape the outcome for the site
- Developing a tailored approach to project governance and probity that supports Councils needs to communicate while maintaining ethical practice and values of fairness and transparency
- Involving Victorian Government Agencies throughout the process, recognising the State will approve the lease arrangement.

Stage 2 – Identifying the Site Vision and Objectives (2017 to mid-2018)

- #### 4.21.4 Stage 2 of the project is well underway. The project team is seeking specialist advice from several consultants which will be developed into an opportunities and constraints paper. This paper will identify the key environmental, economic and financial, redevelopment, operational and social opportunities and constraints for the site.
- #### 4.21.5 Specialist consultants have been engaged to assist Council officers in this stage. The key areas of focus include:
- Existing state analysis to understand existing site functions and conditions, what is working and what could be improved or changed. This includes a number of site assessments including traffic counts, pedestrian and bike counts, user intercept surveys, topographic and hydrographic surveys, a heritage assessment, asset mapping and existing conditions assessments.



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- A comparative waterfront developments analysis. This will include a study of various marina and non-marina waterfront developments - the composition, features and urban context, highlighting what works and what doesn't around the world, identifying innovations and interesting outcomes that might be of relevance or possible for the benefit of the St Kilda Marina.
- Marina market research and viability study. The objective of this study is to develop an understanding of the regional marina market (viability, size, etc.) and the context (role, function, user base) of the St Kilda Marina within the regional network of marinas. This work will test current and future viability of the marina to confirm the continued need for a marina as part of any future redevelopment of the site and possible upgrades, expansion or changes required to ensure financial viability.
- Environmental studies including a coastal hazard and vulnerability assessment, and biodiversity study to better assess both the constraints and opportunities presented by the natural conditions.
- Legislative assessments undertaken by both DELWP and the project's legal consultant to better understand the legal context, its implications on the project and the opportunity for change to suit project outcomes.

- 4.22 Two workshops with Councillors are planned for February 2018 to present the consultant reports and seek Councillor input on the development of the draft opportunities and constraints paper.
- 4.23 A Council Report will be presented in March 2018 and will seek endorsement of the draft opportunities and constraints paper and the community engagement plan for the project. The community engagement plan will set out who, when and how Council will work and engage with to plan and deliver the project.
- 4.24 It is intended that the information in the opportunities and constraints paper will guide the first phase of community and stakeholder engagement, planned to begin in April/May 2018. It will also be presented for discussion and input from Victorian Government partners.
- 4.25 Following the close of engagement, the opportunities and constraints paper and community and stakeholder feedback from will inform a clear Council vision and objectives for the site linked to social, cultural, financial, economic and environmental benefits.

Interim Lease Arrangement

- 4.26 The timeline indicates that a new lease arrangement will not be in place in time for the expiry of the current lease. Council officers are currently reviewing options and conditions for an interim lease solution to cover the period between lease expiry (30 April 2019) and the implementation of the new lease arrangement (expected sometime from May 2020).



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Probity Plan

- 4.27 Attachment 2 provides a probity plan for the project and, for quick reference includes a probity plan summary document. The plan covers the probity principles and practices for the project generally and specifically for the procurement phase. The plan has been developed with Council's needs in mind and is underpinned by the principles of fairness, equity and ethical practice.
- 4.28 The plan is intended to support Council in achieving the highest standards of probity while providing for accountability and transparency for appropriate communication of information to the public.
- 4.29 The Probity Plan will also evolve as the project progresses through the initial planning for procurement stages, stages 1 to 4.
- 4.30 Attachment 3 provides a probity plan summary for quick reference as needed by those involved in the project.

Community and Stakeholder Engagement Plan

- 4.31 The community and stakeholder engagement plan will be presented for approval in a Council Report in March 2018. In line with the project objectives, the community engagement plan will align with the stages in the project approach and will offer genuine opportunities for community feedback to shape the outcome for the future of St Kilda Marina.
- 4.32 The community and stakeholder engagement plan will:
 - clearly outline the objectives and scope of engagement
 - describe the type and process of engagement proposed for each phase
 - identify the community members and stakeholders to be invited to participate in the engagement
 - describe how the community and stakeholder engagement process will influence Council decision making for the project.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 Key stakeholders and community members, including the general Port Phillip community and others with a specific interest in the site (including the current lease holder), will be invited to participate at the key stages of the project. The community engagement plan will be presented to Council for endorsement in March 2018.
- 5.2 The community will also be kept informed throughout the project through updates in the CEO Report, the latest project information available on Council's project web page and through updates in Divercity magazine.
- 5.3 The Victorian Government is a key stakeholder in this project. Not only is the site crown land but it has regional significance. Council officers meet regularly with Victorian Government representatives from DELWP to discuss project progress and specific issues that arise.



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- 5.4 A Government Partners Reference Group is currently being set up to include DELWP, Parks Victoria, and other key stakeholders.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 An interim or short term lease will be required to cover the period between the expiry of the existing lease and implementation of the new lease arrangement.
- 6.2 Legislation pertaining to or potentially pertaining to the site is currently be reviewed by Council officers and State Government with input from legal advisors to determine the constraints and opportunities with respect to key considerations such as site uses and development, site boundaries, crown land administration, lease durations and State Government approval processes. Key pieces of legislation include but are not limited to the St Kilda Land Act 1965, Crown Land Reserves Act 1978, Coastal Management Act 1995, Planning and Environment Act 1987, Retail Leases Act 2003.

7. FINANCIAL IMPACT

- 7.1 The project will require funding in the order of \$1.075M over this and the next three financial years to complete.
- 7.2 As part of the detailed planning phase for this project, including intensive Councillor workshops, the project methodology has evolved. The impact has been an increase in the project budget, and particularly with the addition of a stage of works focusing on comprehensive investigative works and early community engagement. This stage precedes the site options determination and iterative analysis phase. The works involve undertaking extensive existing site analyses, marina market research and comparative waterfront analysis with the outcome being an opportunities and constraints report that will be used to engage the community early in the project. The forecast cashflow is as follows:

Financial Year	2017/18	2018/2019	2019/2020	2020/2021	Total
TOTAL OPEX	\$360,000	\$460,000	\$180,000	\$75,000	\$1,075,000

- 7.3 The costs are broken down as shown in the table below:

Financial Year	2017/18	2018/2019	2019/2020	2020/2021	Total
Consultant costs (site investigations and surveys, urban design, market research, probity)	\$265,000	\$255,000	\$111,000	\$30,000	\$661,000
Legal costs (legislation and contract advice)	\$35,000	\$55,000	\$50,000	\$35,000	\$175,000



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Community and Stakeholder Engagement	\$60,000	\$150,000	\$20,000	\$10,000	\$240,000
TOTAL OPEX	\$360,000	\$460,000	\$180,000	\$75,000	\$1,075,000

- 7.4 This forecast is based on a number of factors, and considers the experience and financial requirements to procure a new lease for The Palais Theatre. The costs for The Palais Theatre new lease are in the order of \$784k. This returned a lease value of \$60M, with a lease duration of 30 years. The St Kilda Marina new lease is also anticipated to be a long term lease returning a significant value to the municipality. It is a unique and complex site requiring wide-ranging urban design considerations and presents many operational possibilities. The site is also of state significance and generates significant community interest. As such the project requires additional and specialised resources to provide the context that will facilitate the most suitable strategic direction for the new lease arrangement.
- 7.5 The variance from what was reported in the Council budget for 2017/18 is +\$210,000.

8. ENVIRONMENTAL IMPACT

- 8.1 The site vision and objectives will identify environmental sustainability, design sensitivity and resilience outcomes to be achieved that enhance the value of the foreshore and marine environment
- 8.2 As part of the strategic planning process for the site (Stages 2 and 3 of the Project Approach), the environmental attributes and sensitivities will be identified and factored into the options determination and iterative analysis process. Given the size and position of the site, important considerations include climate change and storm surge, biodiversity, and general coastal hazard and vulnerability and associated management planning.

9. COMMUNITY IMPACT

Social and Cultural Impacts

- 9.1 The site vision and objectives will identify broad social and cultural benefits that the project will seek to achieve in order to provide a facility that benefits the broader community.
- 9.2 As part of the strategic planning process for the site (Stages 2 and 3 of the Project Approach), opportunities for adding cultural and social value to the site, including level of community access and other community amenities and features, will be identified and factored into the options determination and iterative analysis process.
- 9.3 Key stakeholders and community members, including the general Port Phillip community and others with a specific interest in the site (including the current lease holder), will be invited to participate at the key stages of the project



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Economic Impacts

- 9.4 The project is putting in place measures to accommodate the current tenants (head tenant and sub-tenants) to cover the lag between and uncertainty associated with the implementation of the new lease and existing lease expiry.
- 9.5 The site vision and objectives will identify broad economic benefits for the municipality and region that will exceed the existing, particularly given that the existing rental income was determined near 50 years ago and does not reflect current market value, and existing amenities and operations do not maximise the true opportunities inherent in the site.
- 9.6 As part of the strategic planning process for the site (Stages 2 and 3 of the Project Approach), the economic opportunities will be assessed and the options determination and iterative options analysis process will balance these against social, cultural and environmental benefits.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 This report contains information that aligns with Strategic Direction 4, "We are growing and keeping our character". It supports the delivery of the Council Plan key outcome, "a city of diverse and distinctive neighbourhoods and places". The St Kilda Marina Lease is a specific priority in the Council Plan.
- 10.2 St Kilda Marina is a key strategic site within Council's property portfolio and presents a significant opportunity in terms of social, environmental, economic and cultural possibilities for the St Kilda foreshore, the municipality and the State.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 End February 2018 - Councillor workshops to review outcomes of investigative reports and provide input into the Site Vision and Objectives
- 11.1.2 March 2018 – Finalise opportunities and constraints Paper
- 11.1.3 April to May 2018 – Engage the community and key stakeholders
- 11.1.4 June 2018 – Establish the site Vision and objectives
- 11.1.5 June 2018 – Agree the approach to and conditions of the short term lease

11.2 COMMUNICATION

- 11.2.1 A project web page has been established on Council's website and will be regularly updated with the latest information.



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- 11.2.2 A community engagement plan will be presented to Council for endorsement in March 2018.
- 11.2.3 Subject to endorsement of the community engagement plan, in April to May 2018 the community and key stakeholders will be invited to provide feedback during phase one engagement. This engagement will be guided by the content of the opportunities and constraints paper and feedback received will inform the site vision and project objectives.

12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

TRIM FILE NO: 20/15/63

ATTACHMENTS
1. Attachment 1 St Kilda Marina New Lease Project Appraoch
2. Attachment 2 St Kilda Marina Site Map
3. Attachment 3 Probit Plan
4. Attachment 4 Probit Plan Summary