

# ~~CONFIDENTIAL~~

**ITEM 572****UNLEY CENTRAL – CIVIC REDEVELOPMENT**

MOVED Councillor Hewitson  
SECONDED Councillor Hughes

That:

1. The report be received.
2. The following components be included in the new Civic Project:
  - New Council Administration complex (offices and meeting rooms)
  - New Council Civic complex (Council Chamber and associated facilities)
  - New residential development
  - Retention of a possibly reconfigured, but equal sized or larger Village Green
  - Associated (basement) car parking
3. The following components be considered as possible inclusions in the new Civic project:
  - New small scale commercial development to help activate the Oxford Terrace frontage (such as a coffee shop)
  - New Unley Community Centre (to replace the existing Arthur Street facility)
  - Relocated and possibly larger Unley Museum
  - Reconfigured Unley Library
4. Administration prepare a community information campaign to inform the community of the Council decision to redevelop the Civic complex site, and to seek community views on what elements should be incorporated into the development.
5. Administration utilise appropriate expert assistance to help prepare and deliver this information campaign. This campaign is to commence following the completion of the community engagement for the draft Unley Central Precinct DPA.
6. Administration commence the process of engaging appropriately qualified advisers to assist with preparing a marketing campaign, based around an Expressions of Interest document similar to the Sturt Living Project EOI document, to identify an appropriate development 'partner' for the project.

7. A further report be presented to Council before the information campaign commences, outlining the proposed essence of the campaign and recommending a possible Section 41 Committee (or other alternative) governing structure and Terms of Reference for that Committee.

**CARRIED**

ORDER REMOVED 1/2/17.

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## DECISION REPORT

**REPORT TITLE:** UNLEY CENTRAL – CIVIC REDEVELOPMENT  
**ITEM NUMBER:** 572  
**DATE OF MEETING:** 22 AUGUST 2016  
**AUTHOR:** DAVID LITCHFIELD  
**JOB TITLE:** GM ECONOMIC DEVELOPMENT AND PLANNING

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### 1. EXECUTIVE SUMMARY

The purpose of this report is to seek Council endorsement of the proposed methodology for furthering investigations into the possible redevelopment of the Civic complex (the Civic Project) as part of the broader Unley Central Vitalisation project.

The report seeks to gain general agreement from Council:

- as to what elements should comprise a redevelopment of the site
- on an outline strategy for communicating this vision to the broader community
- on a concept for taking the project to the market, and
- that an appropriate governance structure for the Civic Project be the subject of a further report

The report recommends that Council utilise expert assistance to help manage the community consultation process, because a clear community understanding, if not acceptance and in agreement, of what Council's aspirations and vision are for the site will be a crucial element of gaining an appropriate development partner.

It will also be necessary to engage other expert property and legal advisers, and appoint a probity advisor. Appointment of an actual Probity Auditor is also a matter for Council consideration.

### 2. RECOMMENDATION

That:

1. The report be received.
2. The following components be included in the new Civic Project:

- New Council Administration complex (offices and meeting rooms)
  - New Council Civic complex (Council Chamber and associated facilities)
  - New residential development
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## **1. RELEVANT CORE STRATEGIES/POLICIES**

- 1.1 30 Year Plan for Greater Adelaide
- 1.2 Unley Central Precinct Plan
- 1.3 City of Unley 4 Year Plan 2013-2016
- 1.4 City of Unley Community Plan

## **2. DISCUSSION**

### **Background**

The City of Unley has for many years held a longer term vision of revitalising the heart of Unley by generating new activity in the precinct and by providing more opportunity for people to live in the heart. The philosophy of more people creating more retail opportunities, attracting still more people and creating the vibrancy that is hoped for - underpins the Council strategy. The vision has recently been outlined in more detail in the Unley Central Precinct Plan.

Council has astutely managed a property acquisition strategy over the previous five decades that has resulted in Council owning almost the entire city block around the Civic complex, bounded by Unley Road, Edmund Avenue, Trimmer and Oxford Terraces. The only properties not owned by Council in this area are the State Heritage listed properties owned by the Anglican Church; St Augustine's Church and associated buildings. The Church owned manse is not heritage listed.

Consequently, Council owns a redevelopment site of around 10 500 m<sup>2</sup>, although included in that area is the Local Heritage listed former Unley Fire Station, presently utilised as the Unley Museum. The cottages that currently exist on this land arguably add some character to the local street scape, and the backyards of these cottages have been consolidated to create what has become a much utilised and treasured component of Unley life – now called the Village Green. It is anticipated that the Community will have an expectation regarding the retention of a similarly sized Village Green as currently exists, if development occurs around the Village Green.

The Unley Central DPA will clarify the planning policy applicable to the District Centre Zone, which includes the Civic site. The DPA indicates the opportunity that presents to Council.

Council now has a choice to make. Council can continue to try and put its energies into encouraging or facilitating private sector development of major holdings in the precinct. Council has spent time trying to achieve this with the Unley Central car park site, and more recently [REDACTED], but it now appears that proposal is faltering, and further reports will be brought to Council on that topic in the near future. The existing lease to the Unley Community Sports Club (Sturt Football Club) for the Bar Zaar premises has been a significant limiting factor on redevelopment of the car park site (although not the only factor). The expiry of that lease and renewal options at the end of 2021 might provide better opportunity in the medium term.

Another option for Council to consider is to proactively enter the market as a joint venture participant in a redevelopment of a Council owned site. This report outlines a plan to achieve that redevelopment on the existing Civic Centre site.

### **Progressing the Project**

Following informal discussions and feedback after the Elected Member visit to the Lane Cove Council, it is apparent that informing the community of the project at an early stage is an important component of eventually delivering on the Council's ambitions. It is suggested that this component of the project should commence as soon as possible. To ensure there is something to discuss with the community, Council will need to resolve what components of Council and Civic life they want to be incorporated into any redevelopment.

It will also be necessary to allocate dedicated resources to delivering this project. It will be a project in the \$50-\$80 million range, and it will not be possible for existing staff to facilitate and manage this project as part of existing workloads. As part of the impending organisation structure review, it is intended to allocate resources for this project, if endorsed by Council, with no additional cost impacts.

### **The Development Site**

Council will need to finalise its position on what is up for consideration in relation to the development site. The current museum building has a Local heritage listing and therefore should be retained. There have been numerous and differing positions put forward previously by Elected Members about whether any of the cottages should be preserved or not. The Development Plan gives no guidance on this matter, and it is possible to demolish all of the cottages except the museum. This is a matter for Council's consideration as the project progresses. The Town Hall and former Council offices are also Local Heritage Listed. The proposed development site is shown at Attachment 1.

### **Components of the new Complex**

It is proposed that, as an initial goal, Council seek to have the following components incorporated into a redeveloped Civic complex:

- New Council Administration complex (offices and meeting rooms)
- New Council Civic complex (Council Chamber and associated facilities)
- New residential development
- Retention of a possibly reconfigured, but equal sized or larger Village Green
- Associated (basement) car parking

Possible additional components could include:

- New small scale commercial development to help activate the Oxford Terrace frontage (such as coffee shop)

- New Unley Community Centre (to replace the existing Arthur Street facility)
- Relocated/ and possibly larger Unley Museum
- Reconfigured Unley Library

It is an option for Council to take the project to the market with minimum required deliverables, but retaining the opportunity of value adding to the project if the proponent can come up with proposals that incorporate the additional components in a manner that is appropriately financially advantageous for Council and delivers benefits for the Community. The more substantial the Council and Community requirement, the less likely becomes the prospect of achieving the project with no financial contribution from Council.

The proposed new administration complex will effectively be a like for like redevelopment, but incorporate a number of significant improvements over the existing facility. The new complex will engage with the public realm, instead of totally ignoring it. The new complex will also deliver a significantly more user friendly and efficient workspace for staff, whilst reducing environmental impacts by heating and cooling much smaller and more efficient work areas. It will offer improved levels of customer/resident accessibility to Council services and staff by consolidating services in one building that incorporate the latest accessibility requirements in its design.

The proposed civic complex will deliver a Council Chamber that offers much greater flexibility in its use, and hopefully a layout that will greatly enhance the experience of the public gallery attendees at formal meetings.

If Council wishes to investigate a new community centre, this will be a modern facility that better meets the needs of the user clients while also providing some on site car parking capability – a major drawback of the existing facility.

To be genuinely transformational, the new complex will need to deliver in the order of a minimum 100 new dwellings into the Unley Central precinct. Additional residents will help enliven the neighbourhood, improve the patronage and sustainability of existing businesses and traders, and help to encourage further business and service activity in the area. The development may incorporate some small retail, such as a coffee shop/café, to service both residents and the broader community.

Whilst development in the Unley Central area has an ultimate goal of reducing car dependency, it will still be necessary to provide adequate car parking for residents, employees of Council, customers and patrons of the various Council functions, and visitors overall. This will need to be provided in a way that compliments a pedestrian and cycling friendly environment.

Finalising the exact makeup of the new complex will occur after community input and understanding of the likely cost implications. This cannot occur until the project is quite considerably progressed – for example until after the nominating of Joint Venture partners and progressing to detailed design.

## **Engaging with the Community**

When Council has agreed, in broad terms, on the composition of the redeveloped complex, it will be necessary to undertake a comprehensive community engagement process.

It is always challenging to engage on a 'concept' such as this when there is no actual design to show. It may be possible to develop some suitable "block" diagrams to demonstrate mass and scale, and the impacts of shading, but development of concept designs that may never be delivered is not proposed at this time. Block diagrams tend to over-emphasise the mass of a proposed development.

An experienced community engagement specialist would be utilised to design the detailed engagement strategy and manage the implementation of that strategy. The intent of the engagement will be to inform the community. Council needs to be prepared to say up front to the community a statement along the following lines:

*"The civic complex site is going to be redeveloped into a mixed use facility providing new Administration, Civic and other Council functions, as well as extensive residential use. Council is interested in any comment you have as to how this redevelopment can be enhanced."*

The precise nature of the message will be determined as part of the development of the engagement strategy.

By the time this engagement commences, Council will have finalised the consultation draft of the Unley Central DPA, and consultation on that document will have been completed. This document will provide further clarity to the community about what is possible for this location.

## **Marketing the Project**

Elected Members have been previously provided with a copy of the City of Adelaide (ACC) Expression of Interest (EOI) document for the Sturt Living Project. The success of that project suggests that this EOI is a good model to use for taking the Civic Project to the market.

That EOI Document was compiled following a fairly extensive process of due diligence and analysis by the ACC project team, and a similar process would be followed at Unley. Appropriate external expertise would be engaged to assist with the process.

Once the document is released to the market, it may be necessary to undertake our own 'direct marketing' campaign, with a targeted program of meetings or small invitee events promoting the merits of the project. Those Members who have read this document may recall that the "Financial Proposal" section was quite small, inviting proponents to outline their financial proposal for the project.



Council can be similarly prescriptive in the document produced for the Civic Project. In the project introduction, Council would outline what it hoped to achieve from the project in terms of new facilities, provide a high level proposed ownership and management model for the site that addresses the realistic needs of all the proposed new owners, and invite imaginative proposals to deliver on these outcomes.

Although the preferred developer for the Unley Central car park site has not sought to achieve any benefit from the Council ownership, there are significant financial benefits that can accrue to a project if Council is involved as a participant and retains ownership of the land in the longer term. The precise nature of proposed contractual arrangements will evolve during the discussions with a preferred developer, as they did for the car park site.

### **Proposed Governance Arrangements**

While it is not necessary to settle on the governance arrangements at this meeting, it is a matter that Council will need to address in the near future. From an operational and administrative perspective, the external advisory model adopted for the Unley Central car park site worked effectively and efficiently and a similar arrangement would be proposed. That group included a probity advisor, (but not a probity auditor), and specialist property, development and legal advisers. Involvement from a Council officer perspective would possibly be increased.

From a Council and Elected Member perspective, there is likely to be a requirement for an Elected Member management group, possibly in the form of a Section 41 Committee specifically dedicated to the Civic Project. To work most effectively, this Committee will need to have delegation from Council to make 'routine' decisions in relation to the project, with major decisions, such as determination of the preferred developer, to remain the remit of Council. Actually defining what those 'routine' decisions may be in the Terms of Reference of that Committee or other structure will be an important matter, but with appropriate legal assistance should be achievable. The structure will need to be sufficiently robust to seamlessly deal with possible changes to the composition of Council at future elections.

More information regarding possible Governance arrangements will be provided in a future report.

### **Eventual Ownership and Management Arrangements of the New Development**

It is envisaged that Council will retain ownership of the Administration, Civic and Community components of the new development. However, unless Council accepts that the overall ownership of the site will no longer remain exclusively with Council, the project is unlikely to be commercially viable. While there is a theoretical possibility that an ownership structure could be developed where purchasers of the properties would only purchase a fixed term "right to occupy",

as they do in retirement villages, the commercial reality of such a structure would remain doubtful.

Consequently, Council would need to accept that, although a future Council will remain a significant player in the decision as to what happens to the building when it eventually reaches the end of its useful life, Council will not be the ultimate decision maker. The lifespan of multi storey, reinforced concrete developments of this nature is still an evolving issue. However, they will not last for hundreds of years, and so this 'end of life' question will definitely have to be addressed by the new Community Corporation ( the body corporate structure that will be responsible for management of the building) at some time in the future.

### **3. ANALYSIS OF OPTIONS**

Option 1 – The following components be included in the new Civic Project:

- New Council Administration complex (offices and meeting rooms)
- New Council Civic complex (Council Chamber and associated facilities)
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The following components be considered as possible inclusions in the new Civic project:

- New small scale commercial development to help activate the Oxford Terrace frontage (such as a coffee shop)
- New Unley Community Centre (to replace the existing Arthur Street facility)
- Relocated and possibly larger Unley Museum
- New and reconfigured Unley Library

Administration prepare a community information campaign to inform the community of the Council decision to redevelop the Civic complex site, and to seek community views on what elements should be incorporated into the development.

Administration utilise appropriate expert assistance to help prepare and deliver this information campaign. This campaign to commence following the completion of the community engagement for the draft Unley Central Precinct DPA.

Administration commence the process of engaging appropriately qualified advisers to assist with preparing a marketing campaign, based around an Expressions of Interest document similar to the Sturt Living Project EOI document, to identify an appropriate development 'partner' for the project.

A further report be presented to Council before the information campaign commences, outlining the proposed essence of the campaign and recommending a possible Section 41 Committee (or other alternative) governing structure and Terms of Reference for that Committee.

#### Advantages of this option

If Council wants to pursue redevelopment of the Civic complex, this is the recommended option. The redevelopment of the Civic Site is potentially a \$50 million to \$80 million project, and the strategy outlined offers a coherent and defensible way of developing and marketing the project to the development community, whilst at the same time establishing processes to inform, and keep informed, the wider community. It provides for an appropriate governance structure to be established, while endeavouring to ensure that Council only makes factually based and fully informed decisions.

#### Disadvantages of this option

There are no perceived disadvantages of this option. If Council commits to the redevelopment of the Civic complex, then this is considered to be an appropriate overarching methodology to pursue.

Council will lose ultimate control of the land, but that is considered to be inevitable, and is a disadvantage of the whole project, not just this option. This issue may however generate some adverse feedback.

#### Option 2 – Council direct Administration to pursue options where Council retains ultimate control of the land

To undertake comprehensive investigations of this nature, where essentially the answer is already known, will have the effect of delaying the outcome, without being likely in any way to enhance the viability of the project.

As an example, there have been straight commercial projects in South Australia undertaken on the basis of ground leases of 50 years duration. However, a major project of this nature is likely to need a ground lease of at least 100-150 years to be viable, and even then, it is an untested market in South Australia.

#### Option 3 – Not proceed with a redevelopment of the Civic site

This would ensure that the current Council (and therefore community owned) land that hosts the Civic complex would stay in Council hands. This option does not address the issue of the aging of the Civic complex, or contribute in any way to the vitalisation of the Precinct.

#### **4. RECOMMENDED OPTION**

Option 1 is the recommended option, if the Elected body wishes to pursue a redevelopment of the Civic complex.

#### **5. POLICY IMPLICATIONS**

##### **5.1 Financial/budget**

- Funds allocated in the budget for the 16/17 year, plus a small expected carry forward from the previous year, will be sufficient to get the project underway. There may be a requirement for additional budget allocations in future years as the project progresses.

##### **5.2 Legislative/Risk Management**

- The project will trigger the requirement for a s48 Prudential Report.
- The project will be a significant commercial project and as such carry normal commercial risks. Normal commercial risk management practices will be used to manage these risks.
- The specialist advisers engaged to assist with the project will include appropriately experienced legal advisers.

##### **5.3 Staffing/Work Plans**

- If Council endorse the investigation of a redevelopment of the Civic site, this will require dedicated resources to progress the project in a timely manner. This can be achieved within existing resources by changing the current organisation structure. Additional funding is not required for staff. Additional funds will be required, and have been allowed in the Long Term Financial Plan, for the engagement of external expert support.

##### **5.4 Environmental/Social/Economic**

- The project, if eventually developed commensurate with expectations, will see a substantial new complex developed which will be a significant change to the existing built form.
- The new complex will incorporate appropriate sustainability and environmental initiatives.
- Proceeding with the redevelopment of the Civic site will create some dissent in the community. There will definitely be people opposed to the project.
- Constructing a new development that is compliant with all the relevant Australian Standards will enhance the experience of using Community facilities for all residents, but particularly those with mobility or other physical restrictions.
- The addition of a further 100 dwellings in the Unley Central Precinct will have positive benefits for the local economy.

## 5.5 Stakeholder Engagement

- There will be a **High Level** of Interest from the Community in this project, but the engagement, whilst being open to ideas about how to enhance the development, will also need to emphasise that the decision to redevelop the site is not open for further discussion. The type of feedback to be sought is in relation to how the development can be enhanced in a way that is financially viable.
- As outlined earlier in the report, undertaking this engagement as early as possible is recommended, and the assistance of community engagement specialists is proposed.

## 6. REPORT CONSULTATION

- Manager Finance
- Executive Management Team

## 7. ATTACHMENTS

Plan of Development Site

## 8. REPORT AUTHORISERS

<u>Name</u>	<u>Title</u>
Peter Tsokas	Chief Executive Officer

## POTENTIAL REDEVELOPMENT SITE – CIVIC COMPLEX

