

**CITY OF MARION
GENERAL COUNCIL MEETING
8 MAY 2018**

CONFIDENTIAL REPORT

Originating Officer: Donna Griffiths, Unit Manager Economic Development

Corporate Manager: Greg Salmon, Manager City Activation

General Manager: Abby Dickson, General Manager City Development

Subject: Commercial Development Proposal

Report Reference: GC080518F01

If the Council so determines, this matter may be considered in confidence under Section 90(2) and (3)(d) of the Local Government Act 1999 on the grounds that it relates to commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage to a third party.



Adrian Skull
Chief Executive Officer

That pursuant to Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of: Adrian Skull, Chief Executive Officer; Abby Dickson, General Manager City Development; Tony Lines, General Manager City Services; Vincent Mifsud, General Manager Corporate Services; Greg Salmon, Manager City Activation; Donna Griffiths, Unit Manager Economic Development; Kate McKenzie, Manager Corporate Governance, Craig Clarke, Unit Manager Communications, Victoria Moritz Governance Officer and Jaimie Thwaites Unit Manager Governance be excluded from leaving the meeting as the Council receives and considers information relating to the Commercial Proposal for recreational facility development, upon the basis it is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or confer a commercial advantage on a third party: and (ii) would, on balance, be contract to public interest.

REPORT OBJECTIVES AND EXECUTIVE SUMMARY

This report has two objectives:

- To inform Council of an unsolicited proposal received from [REDACTED] to investigate building a hotel facility in the City of Marion located within the Marion Cultural Centre site.
- To seek Council's direction on whether it wishes Administration to undertake further investigations into feasibility of a hotel located within the Marion Cultural Centre site and develop a process to approach the market for Councils consideration.

RECOMMENDATIONS

DUE DATES

That Council:

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| 1. Authorises the Chief Executive Officer to proceed with an investigation into the feasibility of a hotel/commercial development located within the Marion Cultural Centre Precinct. | 8 May 2018 |
| 2. Notes a further report will be brought back to Council after further investigations are conducted and a proposed process has been developed for Council's consideration in June 2018. | 12 June 2018 |
| 3. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Commercial proposal for a recreational facility development and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council meeting in December 2018. | December 2018 |

BACKGROUND

In 2015, the City of Marion coordinated the Visitor Economy Working Group. This group consisted of key visitor attractors within the City of Marion including accommodation outlets.

During a strategy session, facilitated by an external consultant, it was identified there was demand for international hotel accommodation within the City of Marion with conference facilities to cater for the over 18 million visitors that we attract each year. Accommodation outlets present also raised concern that they were already at 80% occupancy rate. It is understood the industry approach to 80% occupancy is that they are at capacity.

As a result of this knowledge, as part of the reinvigoration of the Southern Adelaide Economic Development Board, a priority was given to the attraction of a hotel within the inner south. Priority two for the rejuvenated board is to *create a regional approach to the lifestyle and visitor economy* as well as the inclusion of a key project *to attract an international hotel to our City*.

DISCUSSION

The City of Marion learned an 'international hotel investor' was in Adelaide from 8 March 2018 to 21 March 2018. The [REDACTED] is the contact in South Australia.

The City of Marion provided proposed locations for [REDACTED] to visit and consider a four star international standard hotel.

The four locations proposed included:

- Option 1: Diagonal Road.
- Option 2: 416 Morphett Road - This is currently owned by DPTI. This is north of the rail line.
- Option 3: North of the rail line in the new development that will be available once the Oakland's Crossing is constructed.
- Option 4: Tonsley Innovation District.

The investor visited the sites on Tuesday, 13 March 2018. The investor advised that the most feasible site for a new hotel is **287 Diagonal Road (Marion Cultural Centre (MCC) Site)** given the proximity to retail, SAALC, plaza space, public transport and the beach.

The Tonsley site option was deemed not a commercially feasible site for a four star hotel at this time.

The Opportunity

The opportunity presented (at the *most feasible site*) includes:

- A four star international hotel under the [REDACTED] brand with a 5,000 – 10,000 sqm footprint overlooking the MCC plaza
- 11 storey mixed use facility
- \$50 million construction cost
- Retain the functions of café, theatre, library and Art Gallery
- Attraction of a restaurant / bar / microbrewery tenancy for the bottom floor
- Two floors of office space
- 250 four star hotel rooms
- Design carried out by [REDACTED] (their preferred architect)
- One level of under croft parking allowing for 100 cars.

The non-negotiables for a viable commercial investment were noted:

- Minimum 250 rooms
- Ownership of the land
- Mixed-use precinct
- Street frontage

ANALYSIS

The City of Marion is considered to be ideally located to be the home of a four star international hotel. An unsolicited proposal has been made by an international brand to redevelop the MCC site as a four star mixed-use hotel incorporating the existing civic functions on the site. If Council is supportive of a development of this nature then a competitive process must be developed to test the market, and then to work with a prospective developer to realise this outcome.

Should Council be interested in further investigating this proposal within the Marion Cultural Centre Plaza Precinct, further analysis will be undertaken and a more detailed report will be brought back to Council for further consideration. The report will include:

- Suitability of the Marion Cultural Centre Precinct for a hotel and/or complimentary commercial development
- Recommended competitive process for approaching the market with this opportunity and selecting a development partner.
- Non-negotiable requirements set by Council i.e. retainment of some or all of the existing civic functions within site
- Due diligence checks to be undertaken
- Risk assessment
- Development approval processes
- Contributions sought by Council that may include land, long-term lease arrangements, etc.
- Project delivery roles and responsibilities
- Communications Strategy and Community Engagement plan to manage community expectations and communications
- Stakeholder impact

Timeframes and relationship to caretaker period

The following table outlines the key activities and timelines involved should Council endorse to proceed with an investigation into the feasibility of a hotel/commercial development within the MCC precinct:

Should Council endorse to proceed with further investigations, a more detailed process and timeline will be presented at the 5 June 2018 General Council meeting.

Item	Date
Develop process for Expression of Interest.	May 2018
Report to Council recommending an Expression of Interest process and seek approval to proceed	12 June 2018
Engage a Commercial Agent to oversee the process and provide advice	June 2018
Expression of Interest – released to the open market for a six-week period.	Late-June 2018
Expression of Interest process closes	Mid-August 2018
Evaluation of respondents	Late August 2018
<ol style="list-style-type: none"> 1. Present to Council preferred proposal(s) 2. Council enters into exclusivity arrangements with preferred respondents(s) to allow them to fully develop proposal, noting that the project needs to be considered and endorsed by the incoming Council post elections. 	Late August/Early September 2018
Council Elections	November 2018
Finance and Audit Committee and Council considers a section 48 prudential management report to consider proceeding with contract negotiations.	TBD

It should be noted Council will be considering the EOI evaluation very close to the commencement of caretaker period on 18 September 2018. Should Council endorse further consideration of a commercial development occurring within the precinct this will have a significant impact on the existing MCC and there are political and reputational risks associated with this decision within an election year. Council would seek to mitigate these risks through effective stakeholder and community engagement and communications which clearly communicates the economic and social benefits of the development.

The above process allows the incoming Council to fully consider the potential development through a section 48 prudential management report. The proposed exclusivity arrangements entered into with the preferred respondent(s) will have provisions for the incoming Council to cease progressing with the project.

CONCLUSION

Direction is sought from Council on whether it wishes Administration to pursue investigations into this proposal and bring a further report back to Council for consideration.