

16.2 Unsolicited Proposal - 262 Sturt Road, Marion

Report Reference	GC211123F16.2
Originating Officer	General Manager City Development – Ilia Houridis
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

CONFIDENTIAL MOTION

That pursuant to Section 90(2) and (3)(d)(i) and (ii) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Office of the Chief Executive, Manager City Activation, Chief Financial Officer, Communications Advisor, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to Unsolicited Proposal – 262 Sturt Road, Marion, upon the basis that the Council 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 relates to a proposal from a third party.

REPORT OBJECTIVE

The purpose of this report is to seek Council direction on the unsolicited proposal for the Marion Arena proposal at 262 Sturt Road, Marion.

EXECUTIVE SUMMARY

On 26 October 2021 (GC211026F16.4) Council resolved to enter into a period of exclusivity with the proponents for the Marion Arena Unsolicited Proposal and for specific terms for Administration to take forward in negotiations with Cruachan Investments and the Pelligra Group (the Consortium). Council's resolution is provided as Attachment 1.

Administration and the Consortium have progressed negotiations with terms against the conditions sought by Council having been reached.

To aid timely progress of this proposal, Administration is bringing this report to confirm these terms with Council before proceeding with finalisation of a formal contract.

RECOMMENDATION

That Council:

1. **Note the outcomes of negotiations with the proponent group and their acceptance of all terms proposed by Council in its resolution of GC211026F16.4, which include:**
 - a. **No capital or operating investment from the City of Marion;**
 - b. **A 42 year lease term;**
 - c. **An annual rent of [REDACTED];**
 - d. **Annual rates of \$15,000;**
 - e. **A discount in line with the attached schedule for City of Marion residents on**

services provided by the facility;

- f. A put option at the expiration of the 42 year lease term requiring the City of Marion to purchase the building from the Consortium for an amount agreed to by both parties in the put option agreement.
2. Endorse Administration to finalise a formal contract in line with the above negotiated terms.
3. Endorse the Chief Executive Officer, in consultation with the Mayor to execute the final contract.
4. Note that Administration will bring a future report detailing the final negotiated contractual arrangements and the next steps with regard to development of the site and engagement with the community on the Unsolicited Proposal outcome.
5. Notes that this process remains confidential and non-binding on Council in line with its Unsolicited Bids Proposal policy until a final contract is executed by both parties.
6. In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Unsolicited Proposal – 262 Sturt Road, Marion, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d)(i) and (ii) 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 2021.

BACKGROUND

Cruachan Investments and the Pelligra Group have put forward an Unsolicited Proposal for the development of the Marion Arena, a sporting and recreational hub that would deliver:

- An international standard ice rink (single sheet)
- 350-450 spectator capacity
- Pro shop
- Sport Climbing – international competition rock climbing walls
- Recreational rock climbing and bouldering
- Themed rock climbing walls for children
- Children's play café
- Kiosk/restaurant

On 13 July 2021 (SGC210713F12.02) Council endorsed Administration to progress discussions with the Consortium, including clarifications of a number of key requirements.

DISCUSSION

On 26 October at General Council meeting (GC211026F16.4) Council endorsed progress of negotiations of the Unsolicited Proposal for the Marion Arena.

Administration subsequently set a meeting with the Proponent group and was represented by the General Manager City Development and the Chief Financial Officer and the proponent group was represented by Mr Steve Wren, Pelligra Group and Mr Stephen Campbell, Cruachan investments.

The first meeting took place on Friday 5 November 2021, where Administration put forward contractual conditions for the Proponent group to consider, which sought their response to:

- Calculation and payment of rent,
- Calculation and payment of rates,

- City of Marion resident discount of 10% on the services provided by the facility.

The discussions also sought to confirm previously supported positions relating to:

- No capital or operating investment from the City of Marion,
- 42 year lease term,
- A put option at the expiration of the 42 year lease term requiring the City of Marion to purchase the building from the Consortium for an amount agreed to by both parties in the put option agreement.

The above terms differed from the earlier proposal provided by the Proponent group to Council as part of the GC211026F16.4 report, in which the Proponent group sought peppercorn rent and rate relief.

Outcome

The Proponent group has responded to the 5 November meeting with the following terms:

- Lease Value and terms
 - A ground lease with a rate set at [REDACTED] per annum.
- Rates
 - Reduction in rates to a maximum of \$15,000 per annum. The equivalent rate reduction will be invested into junior sports programs for local schools as previously advised.
- Discounts for City of Marion Residents
 - Agreed based on the attached schedule.
 - Total cost of discounts is estimated at \$55,000-80,000 per annum.
- Other
 - The terms relating to capital and operating investment from Council, lease term and the put option remain agreed terms.

Financial Impacts of the Proposal

The proponent will be investing \$20-\$25 million to deliver the proposed infrastructure and will be subject to all relevant approvals for development.

As a result of the response from the Proponent group, the total combined rates and lease payments equate to [REDACTED] per annum, with an estimated benefit to residents who frequent the venue calculated at up to [REDACTED] per annum.

Across the term of the lease, this equates to \$3.36 million on revenue to Council and up to \$3.36 million in discount benefit to residents.

Period of Exclusivity

The City of Marion Unsolicited Proposal Policy provides for Council at its absolute discretion to enter into a period of exclusive negotiation with a proponent, where Council decides circumstances are beneficial to deal exclusively with one party in relation to a particular proposal that has been submitted.

With respect to Council's General Rights under the policy, Council may:

- At any stage of the process if it assesses that a proposal does not meet the criteria to be considered or considered further, make an approach to the market in respect of the subject matter of the proposal and end consideration of the proposal and withdraw from any negotiation with the proponent in relation to it;
- Amend, vary or revoke and replace this policy at any time;
- Accept or reject any unsolicited proposal;
- Subject to any period of exclusivity, negotiate with any person in relation to the subject matter of an unsolicited proposal;
- Accept all or part of an unsolicited proposal;
- Discontinue negotiations with any proponent; and
- Include any proponents name in council reports and, subject to any period of exclusivity and any agreement with a proponent to the contrary, make them public.

Other considerations for the proposal

Community Land:

Given this proposal has been agreed to occur under a 42 year lease, the community land status of this site remains, with no requirement to progress any form of land revocation.

Next Steps

In the event that the above proposal is acceptable to Council, Administration will progress finalisation of a formal contract between the two parties.

To aid timely progress of the proposal, it is further proposed that the Chief Executive write to the Proponent group confirming the terms and to progress formalisation of a contract. The Council would still reserve the right to terminate this negotiation in line with its Unsolicited Proposal Policy until a formal contract is executed by both parties.

The process would remain confidential, however it should be noted that the above correspondence would be used to confirm progress with the State Government to aid progress of funding discussion for the capital delivery of the project by the Proponent Group.

A future report to Council will be prepared to address community engagement on this proposal and the impacts to existing users along with the broader development proposals at the 262 Sturt Road site.

ATTACHMENTS

1. Council Resolution GC211026F16 4 [**16.2.1** - 1 page]
2. Confidential Unsolicited Proposal City of Marion Discounts [**16.2.2** - 1 page]

Council Resolution GC211026F16.4

That Council:

1. Endorse Council entering into a Period of Exclusivity with the proponent to formalize contractual arrangements with regard to the proposal.
2. Endorse the following criteria for the contractual arrangements:
 - a. No capital or operating investment from the City of Marion;
 - b. A 42 year lease term with rent based on the discount and obligations set out in the leasing and licensing policy
 - c. No obligation to pay rates in accordance with other recreation facilities owned by Council
 - d. A put option at the expiration of the 42 year lease term requiring the City of Marion to purchase the building from the Consortium for an amount agreed to by both parties in the put option agreement.
 - e. (preferred) City of Marion residents to receive 10% discount on the services provided by the facility.
3. Note Administration will bring a future report detailing the final negotiated contractual arrangements to formalise the agreement with the proponent.
4. Notes that this process is non-binding on Council in line with its Unsolicited Bids Proposal policy.
5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Unsolicited Proposal – 262 Sturt Road, Marion, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d)(i) and (ii) 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 2021.

Activities	Description	CoM Residents Discounts
Skating packages		
Bronze	5 skate sessions pass	10 percent
Silver	10 skate sessions pass	10 percent
Gold	15 skate sessions pass	7.5 percent
Diamond	20 skate sessions pass	5 percent
Platinum	Unlimited skate sessions yearly membership	5 percent
Platinum Plus	Unlimited skate and climbing sessions yearly membership	5 percent
Climbing packages		
Bronze	5 climbing sessions pass	10 percent
Silver	10 climbing sessions pass	10 percent
Gold	15 climbing sessions pass	7.5 percent
Diamond	20 climbing sessions pass	5 percent
Platinum	Unlimited climbing sessions yearly membership	5 percent
Platinum Plus	Unlimited skate and climbing sessions yearly membership	5 percent
Morning Skate Programs		
Parent Skate	Parent program for skating mid-morning with pre school aged children.	10 percent
Fit Skate	Fitness program	10 percent
Coffee Skate	Casual recreation activity after school drop off	10 percent
Skate School		
Learn to skate	Beginner to advanced skating classes	10 percent
Hockey school	Graduated hockey school classes	10 percent
Climbing School		
Bouldering	Beginner to advanced classes	10 percent
Sport Climbing	Beginner to advanced classes	10 percent
Speed Climbing	Beginner to advanced classes	10 percent