

Ms Rita Saffioti; Mr John Day; Mr Sean L'Estrange; Mr Bill Johnston; Chairman; Ms Eleni Evangel; Mr Ben Wyatt; Mr Matt Taylor

---

**Metropolitan Redevelopment Authority —**

Ms J.M. Freeman, Chairman.

Mr J.H.D. Day, Minister for Planning.

Mr K. Kinsella, Chief Executive Officer.

Mr S. Henriques, Executive Director, Project Delivery.

Mr M. Reutens, Executive Director, Corporate Services.

[Witnesses introduced.]

**The CHAIRMAN:** The estimates committees are reported by Hansard. The transcript of the hearings will be forwarded electronically to members for correction and the cut-off date for corrections will be indicated on the transcript. The hard copy will be published and distributed to members on the day following the hearing.

If a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 19 June 2015.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It will assist in the committee's examination if questions and answers are kept brief, without unnecessarily omitting material information. It is the intention of the Chair to ensure that as many questions as possible can be asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. If so, the minister must clearly indicate what supplementary information he agrees to provide. I will allocate a reference number if the minister agrees to provide information.

We also ask the minister's cooperation in ensuring that supplementary information is delivered to the committee clerk by Friday, 19 June 2015, so that members may see it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. An example of the required *Hansard* style for the answers has been provided to the minister's advisers.

As a result of the 2015 sitting schedule, the corrected finalised *Hansard* will be available on the week of 29 June 2015.

Are there any questions? The member for West Swan.

**Ms R. SAFFIOTI:** My first question relates to the Elizabeth Quay development at page 330. I will go through each block we are at with land sales and development applications. We understand the government has received the \$64 million for the Chevron block. Can we confirm that?

**Mr J.H.D. DAY:** That is correct.

**Ms R. SAFFIOTI:** Are there any clauses that could see Chevron not proceed with that building?

**Mr J.H.D. DAY:** The usual arrangement with land that is developed and put out to the market by the Metropolitan Redevelopment Authority, including residential lots it has developed in the various areas, is that the purchasers have a certain period in which to commence the development. In the event they do not, the MRA has the ability to re-acquire the land at no more than the original purchase price less costs to the MRA. The purpose of that is to stop people speculating in land and sitting on it in relation to MRA developments. This lot is no different from that.

**Ms R. SAFFIOTI:** I understand that the government's expectation is that the development application will be put forward by Chevron by the end of next year.

**Mr J.H.D. DAY:** I am advised that construction is expected to start by late 2016.

**Ms R. SAFFIOTI:** Has Chevron proceeded with a development application yet?

**Mr J.H.D. DAY:** I understand it is working on it, but I will ask Mr Kinsella to elaborate.

**Mr K. Kinsella:** The application is yet to be lodged with the MRA.

**Mr J.H.D. DAY:** It is developing its plans, and has been for some time.

**Ms R. SAFFIOTI:** This question relates to the Ritz Carlton apartment building. I understand the government has not yet received the \$25 million for that land sale. Is that correct?

**Mr J.H.D. DAY:** That is correct.

**Ms R. SAFFIOTI:** I understand that in relation to that building, the hotel will go ahead only once the apartment buildings have been committed to. Is that correct? Is it a condition of the MRA?

**Mr J.H.D. DAY:** I defer to the CEO.

**Mr K. Kinsella:** It is envisaged that all the towers will be built at the same time. The developers had a list of some 1 500 people who had expressed an interest in purchasing an apartment. They went back to those 1 500 people and have secured circa 300 people to commit. Because we do not have a development application in place, they are not able to sell the apartments, but they have a booking fee from some 300 people, which means that once the DA is completed, they can enter into contracts with the purchasers.

**Ms R. SAFFIOTI:** When is it expected that the apartment building and the hotel will begin construction?

**Mr K. Kinsella:** We anticipate that construction work will commence on site in February–March. The development application is due to be considered by the MRA board in August, and then it will come through to the Minister for Planning for sign-off.

**Ms R. SAFFIOTI:** I am going around the inlet. We have done the Ritz Carlton blocks and looked at the Chevron block. Two blocks—I think 5 and 6—went through an expression-of-interest phase. What is the status of those blocks?

**Mr J.H.D. DAY:** Those two lots are under option to Brookfield. Brookfield needs to make a final decision as to whether it will go ahead, but it has an option over those two lots.

**Ms R. SAFFIOTI:** What is the timing of that decision; when does the minister expect a decision to be made on blocks 5 and 6?

**Mr K. Kinsella:** We expect Brookfield will make a decision by October 2016. We are allowing Brookfield to seek tenants to get those towers away. Two towers are to be built on the podium. We will secure an option fee from Brookfield. At the same time, we have asked Brookfield to engage in an international-based architectural design response so that we get the best design for those buildings. It is taking 10 to 12 months to make that happen.

**Ms R. SAFFIOTI:** I understand the government is holding back block 4 because it is a prime commercial space and not going to the market yet.

**Mr J.H.D. DAY:** That is correct; it is not being put out to the market yet.

**Ms R. SAFFIOTI:** I understand the government is looking at residential towers for blocks 2 and 3 and some international interest.

**Mr J.H.D. DAY:** It could be residential, commercial or hotel—the whole lot. They are being marketed at the moment. The MRA is undertaking that exercise.

**Mr K. Kinsella:** I and some of my executives have been doing pre-market soundings. We have been visiting overseas destinations and the eastern seaboard, preparing an EOI for those two lots to be released at the end of July, closing in October. We expect we will be able to make an announcement early in 2016 on the outcome of that EOI. We anticipate having a replication of lots 9 and 10, where there will be possibly a hotel, quality apartment buildings and ground-floor activation with food and beverage and some tourist-related retail.

**Ms R. SAFFIOTI:** I refer to the Perth convention centre and some need for it to expand. Are discussions underway on the convention centre and on expanding it over William Street into blocks 2 and 3?

**Mr J.H.D. DAY:** That has been raised as an idea, but I do not think it is very likely to occur. As we have just discussed, lots 2 and 3 are being put out to the market at the moment. Discussions are being held between the operators of the convention centre and the government, through the Department of Planning, about some further commercial development around the convention centre—I think some hotel development and so on. It is still at fairly early stages but that work is being done. It involves the Public Transport Authority, of course, so further discussions are going on about developing a master plan for all of that.

[2.10 pm]

**Mr S.K. L'ESTRANGE:** Minister, I refer to page 330 of the *Budget Statements*, and the reference to the \$12.2 million investment in the Scarborough redevelopment area in the 2015–16 financial year. Can the minister provide an update on this project and advise what changes we can expect to see at one of the state's iconic beaches.

**Mr J.H.D. DAY:** Yes. I am sure we would all agree that Scarborough beach is one of the world-class beaches not only in Western Australia but also in Australia. As has been discussed a lot, the precinct there has been far less than ideal, given the parking arrangements and given some of the antisocial behaviour that has occurred there over the years. There is a big opportunity. The state government has made a significant commitment of \$30 million towards revitalising and improving the quality of the area, in partnership with the City of Stirling, which has allocated \$27.4 million, so there will be \$57.4 million in total available for redevelopment and urban renewal there. The area has been designated as being under the responsibility of the Metropolitan Redevelopment Authority, and a lot of planning work has been undertaken. The draft master plan has been out for comment, and that is nearing finalisation. Some on-the-ground work has been undertaken by the MRA to improve the amenity of the area, free wi-fi has been installed and there is some new public art. The clock tower there has been appropriately lit, and there has also been some funding towards some of the beachfront activities and events in the area during the Summerset Arts Festival. But more particularly the master plan that has been developed will allow for a substantial redevelopment in the area; there will be some relatively high-density, high-level development up to 12 storeys—in fact, that was possible under the City of Stirling's planning scheme amendment 458, if I remember rightly, that was finalised after we came to government in 2008. But it could go higher than 12 storeys, depending on certain criteria being achieved and so on in relation to public benefit. There is a big opportunity there, and the area is starting to improve. I am sure that by the end of this project, over the next three or four years or so, it will be one that is heavily visited. It is heavily visited now of course, but it is a great opportunity for people who are fortunate enough to live in that part of the world and it is a very important tourism destination for Western Australia not only for the state and international tourism, but also for local tourism and for people from around the metropolitan area to visit. It is a significant project, and one of newer projects under the MRA.

**Mr W.J. JOHNSTON:** I refer to page 330 of the *Budget Statements*, and “Works in Progress”, Elizabeth Quay, particularly redevelopment works, and I want to ask some questions about the public realm down there. The minister might remember that I asked some questions on notice regarding these areas down there, and I just wanted to go through and ask a couple of questions: Can the minister confirm that the eastern promenade is going to be only eight metres wide and the western promenade is going to be only eight metres wide? Would that be better described as a footpath? Will there be cafes and pop-ups on that eight-metre wide footpath? Will any of the space be taken up by any of the shade sails or will there be any cover for the boats or anything else in that footpath on either side of the inlet?

**Mr J.H.D. DAY:** The member asked a question about measurements in particular, and I presume he is quoting from the answer I gave to the question on notice we had, so no doubt that is accurate. But it is a very limited view of the whole project the member has really identified there. What we really need is one of the pictures of the whole project to present it more comprehensively, but they are out there in the public arena, they are on the MRA website and it has to be looked at —

**Mr R.F. JOHNSON:** I have it right in front me.

**Mr J.H.D. DAY:** Good! That is one of the diagrams; there are quite a number.

We have to look at the precinct as a whole in relation to what is being provided there, so I think it is pretty simplistic to just isolate one or two particular areas.

**Mr W.J. JOHNSTON:** I am happy to get to those, minister, but I just want to clarify that what are called the eastern promenade and western promenade are just footpaths on each side of the puddle—the inlet.

**Mr J.H.D. DAY:** I think eight metres wide is a bit more than a footpath—in fact, it is a lot more than a footpath —

**Mr W.J. JOHNSTON:** It is less than the width of the chamber here.

**Mr J.H.D. DAY:** Well, that is still a pretty significant area. But in addition to that there are the steps going down into the inlet, which is also part of the public area of course, and then there is the horizontal decking at the bottom of the steps on the edge of the inlet. I do not have the measurements of that width, but that adds to it quite substantially.

**Mr W.J. JOHNSTON:** There will be the potential buildings on the western side of the precinct, then the footpath to what the minister called the steps and the boardwalk, then there is the inlet, then there is the

boardwalk, steps and then the footpath again. All I am getting at is that in respect of the gap between the two sets of buildings on either side of the inlet, there is really no activation space because if we put a cafe or something else in that open space, given that it is only the width of a footpath on either side of the inlet, there really cannot be another activation in those two—what the minister is calling—promenades.

**Mr J.H.D. DAY:** There is a lot of other space for activation as well —

**Mr W.J. JOHNSTON:** Sure, but I am just —

**Mr J.H.D. DAY:** — but I will ask the chief executive officer to add some more information.

**Mr K. Kinsella:** The buildings and most of the cafes will actually be built in the main building, which will have a metre setback from the edge of the promenade, so any alfresco would be from the edge of the building line out into that first eight-metre width. That is on the east and west. On the east side we are actually building a food and beverage outlet that is sitting on the eastern promenade between lots 9 and 10. At some stage there the footpath does become relatively narrow because of the way the food and beverage outlet is constructed. If, for example, we have an activation day, most of the activities are supposed to happen on the landing that is on the north side of the inlet, and there is plenty of room there for activation. In fact, the road has been built so that in the event of major events there, the road can be closed and there is a very low curve that allows pedestrians to move around that area. For major events, the northern landing opens up for that space.

**Mr W.J. JOHNSTON:** I will ask a question about the landing in a moment because Mr Kinsella has introduced that issue, but I just want to finish off my questioning on the eastern promenade and the western promenade. The answer the minister gave me to question on notice 3941 was that the eastern promenade is an irregular shape, but approximately eight metres wide by 170 metres long, and that it totals 4 418 square metres. I am just checking that maths, and I wonder whether the minister would like to confirm that. Eight times 170 equals 1 360 square metres, which is only one-third of the space that has been said in the answer. The western promenade is eight metres by 143 metres, which is 1 144 square metres, but the answer read 4 107 square metres, so it is less than one-third of the area that is in the answer. I just wonder whether the minister could clarify that. Is this the TARDIS? Do we have more space on the inside than we do on the outside for these two promenades?

[2.20 pm]

**Mr K. Kinsella:** I am not able to see the plan and what the member is quoting. From our point of view, we are pretty confident that people will be able to move around those promenades very easily. They have been designed by well-credentialed urban designers. May I suggest that we bring the member back detailed plans that show the square metreage of spaces and provide him with some notes so that he can clearly understand what will happen there. I am not able to do the calculations given how the member has presented the question to me.

**Mr J.H.D. DAY:** We will provide that as supplementary information.

**The CHAIRMAN:** For the purposes of *Hansard*, can the chief executive officer outline what information will be provided?

**Mr K. Kinsella:** We will provide a basic floor plan that shows the square metreage for each of those areas, the length and width of the promenade sizes, the space that the stairs take and the boardwalk to give the member a clear understanding of how large they are.

[*Supplementary Information No B58.*]

**Mr W.J. JOHNSTON:** I will ask one final question because the chief executive officer raised the issue of the landing. In the chief executive officer's answer he explained that most of the public events will take place on the landing, which I understand is shown on the website maps as the William Street landing. Can the minister confirm that it is 20 metres wide by 55 metres long and it is approximately 991 square metres? What is the maximum crowd size that the law would permit in an area of less than 1 000 square metres, which is smaller than most large nightclubs in the world? What will be the maximum crowd number on the major crowd event site at Elizabeth Quay?

**Mr J.H.D. DAY:** It is not likely that people will be contained to that one location. The expected capacity of the development as a whole public space is about 10 000 to 15 000 people. It is a bit simplistic to focus on just that one specific area.

**Mr W.J. JOHNSTON:** I thought that would be my last question, but I am confused because the answer was that most of the crowd events will take place at the landing. As the minister knows, I have been through each of the areas listed as open space on the website and asked questions about each of them and this is the only large open space on the site —

**Mr J.H.D. DAY:** The landing is actually the area on the northern side.

**Mr W.J. JOHNSTON:** I understand and the CEO drew my attention to that. His answer on the minister's behalf was that that would be the location. He said that the streets had been designed to allow crowds to get to the landing because that is where most of the large crowd functions will be held. An area of 991 square metres is smaller than most large nightclubs in the world.

**Mr J.H.D. DAY:** Did the member say the William Street landing?

**Mr W.J. JOHNSTON:** It is the same place. If there is another area called "the landing", could the minister please tell me where it is? I have been through every single piece of open space on the website and I have asked for those areas and there is nothing called "the landing". On the website it is called the William Street landing. If there is another space that is not on the website, perhaps that could be identified to everybody in Western Australia. One way or another I would really appreciate knowing the maximum crowd number that will be permitted by law on the William Street landing, which is identified as area 08 on the website of the Metropolitan Redevelopment Authority and was the subject of my question on notice 3939 of 20 May 2015.

**Mr J.H.D. DAY:** I am glad that the member has moved from criticising the project as a whole to understanding how this very important city building project will work and how many people will be accommodated. Maybe that is a sign of progress, but I will ask Mr Kinsella —

**Mr W.J. JOHNSTON:** Minister, the point I am making is that there could be more people there if the government had not done the work. The government has actually cut down the size of the crowd that can be accommodated in the location.

**The CHAIRMAN:** Mr Kinsella has the call.

**Mr K. Kinsella:** I think there is some confusion about the William Street landing and the landing that is on the north of the inlet. The William Street landing is the forecourt where the future Indigenous cultural centre will be established. The landing is in front of the three major commercial lots. I have said that we will bring the member a plan of the square metreage and each of those areas will be marked. We will give the member the plans as will be constructed. I do not have in front of me the piece of paper from which the member is quoting, so it is a bit hard to determine, but we can give the member those areas. Let me assure the member that we will be able to bring in a crowd of at least 10 000, maybe 15 000, people depending upon the event and how far they will be spread around the inlet.

**Ms R. SAFFIOTI:** My question relates to the Elizabeth Quay project on page 330. In relation to the disruption currently being experienced by the Barrack Square traders, what involvement and what role has the minister or the MRA had in relation to discussions on compensation and rent relief for the Barrack Square traders?

**Mr J.H.D. DAY:** The MRA has been involved in liaising with and providing advice to the Department of Transport. As the member knows, the Department of Transport is the lessor for most of the sites there and therefore it has had direct responsibility, but there has been a lot of communication between the MRA and the Department of Transport and that is ongoing.

**Ms R. SAFFIOTI:** Has the Minister for Transport sought funding from the MRA budget to deal with the compensation and rent relief issues at Barrack Square?

**Mr J.H.D. DAY:** Yes, the rent relief, which has been provided and is continuing to be provided, will be funded out of this project by the MRA.

**Ms R. SAFFIOTI:** Has the minister met with the traders or have they sought a meeting with the minister in the past year about the disruption from works and its impact on their business?

**Mr J.H.D. DAY:** I have not personally met with them. The Minister for Transport has, as the member knows, as recently as yesterday. They discussed the issue and the MRA was represented at that meeting.

**Ms R. SAFFIOTI:** If the apartments and the Ritz-Carlton go ahead, for example, there will be continued disruption for some traders. Will ongoing compensation and rent relief be provided to these traders? I understand that when the belltower was built, some of those traders had rent relief for two years during its construction. The scale of these buildings and the disruption will probably be more significant. Will the government consider further rent relief and compensation in relation to other building works that will happen around the quay?

**Mr J.H.D. DAY:** The building works in the Barrack Square area adjacent to where the traders are has taken longer than we would have liked, but we expect it to be finished by the end of September. I am not aware of further building works planned in Barrack Square. Once it is completed, the area will be a lot better than it was before—clearly a lot better than it is now—with easy public access. The development will, I believe, ultimately be of benefit to the traders. It is expected that the Elizabeth Quay development will bring in about four million

Ms Rita Saffioti; Mr John Day; Mr Sean L'Estrange; Mr Bill Johnston; Chairman; Ms Eleni Evangel; Mr Ben Wyatt; Mr Matt Taylor

---

individual visits per year to the whole precinct, not just to Barrack Square of course, so it will be a very busy area overall and we expect the traders to benefit from that.

[2.30 pm]

**Ms R. SAFFIOTI:** The ferry will not be going to Barrack Square, though, will it? It will be going to the inlet. Therefore, there will be an impact on the number of people walking past many of these cafes.

**Mr J.H.D. DAY:** The Transperth ferries from South Perth will be operating from within the inlet; that is correct.

**Ms R. SAFFIOTI:** That will have a negative impact on the traders.

**Mr J.H.D. DAY:** If just that in itself, I guess it would, but we have to consider the overall increase in the area.

**Ms R. SAFFIOTI:** I refer to some of the cafes—I will not talk about the pop-ups or the temporary ones quite yet—and some of the eateries being planned, particularly that kiosk building on the eastern side of the inlet. Will the operators be given rent concessions initially in relation to operating from that kiosk?

**Mr J.H.D. DAY:** I ask Mr Kinsella to comment on that.

**Mr K. Kinsella:** Each of the lease agreements have a standard commercial lease agreement by which we give people an opportunity to establish their business, and in some cases we will make a contribution towards the fit-out of the buildings within normal commercial tenancy arrangements for start-up businesses in new developments.

**Ms R. SAFFIOTI:** I will put the fit-out assistance aside for the moment. How long are the rental benefits that will apply to the new tenants of these buildings?

**Mr J.H.D. DAY:** It is still under negotiation, I am advised.

**Mr K. Kinsella:** In principle, it will probably be a maximum of two years and most of those commercial arrangements are done as a sort of turnover tax, so there is a sharing of revenue. As they increase their revenue, we get a percentage of their revenue. They have yet to be finalised. We are still in negotiations on the exact detail.

**Ms R. SAFFIOTI:** In relation to the Barrack Square properties, is it envisaged that the Metropolitan Redevelopment Authority will become a landlord for all properties in this precinct or would the Department of Transport continue its role of being landlord to the existing cafes?

**Mr K. Kinsella:** We are still negotiating with the Department of Transport regarding that matter. The details of that go to just what sort of involvement we would have if we took over being landlord of those particular restaurants and cafes. We are also talking about the seaborne side of things—the jetties and how they will be managed. It is quite a detailed conversation we are having, given the complexity around the ongoing services required to maintain the jetties. At this stage, we have an open mind about it, because the traders would like to deal with a one-stop shop within government. Transport is happy to allow us to take over that one-stop shop. It is just a matter of whether we can get to a reasonable arrangement that suits the traders as well as the Department of Transport.

**Ms E. EVANGEL:** If I could just draw the minister's attention to another major city project—the Perth Cultural Centre. I refer to page 330 of budget paper No 2 and the fourth dot point under the "Asset Investment Program" that refers to the \$2.9 million allocated to investment in the Perth Cultural Centre area. Could the minister please outline how this money will be spent and how it will benefit the city?

**Mr J.H.D. DAY:** The Perth Cultural Centre has been one of the greatest success stories of the last few years and shows what can be done with a very significant public precinct when it is activated and made safer than was the case previously. It is well recognised that prior to our coming into government, the cultural centre area was regarded as unsafe in hours of darkness and not a very desirable area at all. That was pretty unfortunate given the Art Gallery of Western Australia, the Western Australian Museum, the State Library, now the State Theatre Centre, the Perth Institute of Contemporary Arts and so on are all located around there. A lot of work was put in to make the area safer, to improve the lighting and the amenity, and to put in place seating and the big LED screen with a whole range of different presentations on it. In more recent times, some of the activation that has been put in place includes the Night Noodle Markets that ran for 12 days a couple of months ago. That attracted more than 110 000 visitors. I attended on one Saturday night. It was very busy. Over 1 250 performances occur there a year. The related area on the eastern side of William Street and the heritage buildings that the MRA owns and has restored are now leased out and have been well activated as well. That is very much part of the success story. Future spending in the next financial year of \$2.9 million was referred to, and that will go towards further upgrading works in William Street and also investigating and remedial works in the public realm, including the development of a master plan. There will be \$300 000 for planning costs, including land assembly.

I will mention one other development that is very welcome—namely, the new boutique hotel recently completed and opened. That is just adjacent to the cultural centre near the State Library. It is called the Alex Hotel and is very much a welcome addition to the area.

**Mr B.S. WYATT:** I refer to page 63 of the *Economic and Fiscal Outlook*, table 8, “Net Debt of the Total Public Sector at 30 June”. The breakdown under the heading “Less proceeds from sale of non-financial assets” for the Metropolitan Redevelopment Authority is \$1 million for 2015, \$7.6 million for 2016, negative \$9.1 million for 2017 and \$5.6 million for 2018. Can the minister give us a breakdown of what is driving those figures?

**Mr J.H.D. DAY:** Generally speaking, the reason for changes in what has previously been published on MRA land sales is a change in timing of when land is expected to be made available. Sometimes it is earlier than was previously expected; sometimes it is later than previously expected—so adjustments need to be made. I think it might explain the reason for these variations.

**Ms R. SAFFIOTI:** Could the breakdown of what is driving those numbers be provided by way of supplementary information?

**Mr J.H.D. DAY:** We can do that. That related to the small details of the net-debt-impacts indicator for the MRA, indicated on page 63 of budget paper No 3. They are not huge amounts, but it would be an explanation of course.

[*Supplementary Information No B59.*]

**Ms R. SAFFIOTI:** My question relates to the Elizabeth Quay project outlined on page 330 of the *Budget Statements*. I refer to the signatures on the tiles issue from last financial year. I now understand that the Rotary Club got some money out of Lotterywest to develop the new project for scanning those signatures on a new piece of artwork. Did the MRA ask Rotary to apply for Lotterywest funding to get that project underway?

[2.40 pm]

**Mr J.H.D. DAY:** The Perth Rotary Club was involved in the original signatures project back in 1999 or 2000, and therefore it was considered appropriate that it play some role in the recent iteration of the signatures, and it was very willing and keen to be involved, as I understand it. I am advised that Lotterywest approached the Metropolitan Redevelopment Authority and the Perth Rotary Club to see whether there would be interest.

**Ms R. SAFFIOTI:** So Lotterywest approached the MRA saying it wanted to give it money? Lotterywest is very generous!

**Mr J.H.D. DAY:** That is not covering the whole of the cost.

**The CHAIRMAN:** Minister, nods do not work with *Hansard*!

**Mr K. Kinsella:** Given the controversy around the project, Lotterywest came forward and decided it wanted to be part of the solution. In total, the project was circa \$450 000 to put it back, and Lotterywest indicated that it was willing to put forward \$150 000, and that was to come through in partnership with the Rotary Club. It was a way of trying to maintain long-term community involvement in the project, I suppose.

**The CHAIRMAN:** I will exercise my prerogative from the Chair and ask: was the first tile project funded by Lotterywest or directly through development of the project?

**Mr K. Kinsella:** It was well before my time; I am not really sure what the funding arrangements were back in 2000. I think the then Office of Youth Affairs was keenly involved, but I am not sure whether Lotterywest was involved in the funding scenario the first time around.

**Mr M.H. TAYLOR:** I refer to page 330 of budget paper No 2 and the line item “Subiaco Redevelopment Area”. Can the minister please advise us of the status of the development and the nature of the investment?

**Mr J.H.D. DAY:** The Subiaco area redevelopment has been underway now for more than 20 years. It is well advanced and is close to completion of the original area. It is considered to be one of the best transit-oriented developments in Australia. Anyone who has been to Subiaco and what was previously railway and industrial land prior to this redevelopment and has seen what is there in the vicinity of what is now the underground Subiaco station—the vitality and the residential and commercial developments—will have seen how successful it has been. More recently, there was the China Green residential development. I recall that there was quite a bit of contention not long after we came into government about what should happen at that site in respect of the height and nature of the development. It is not yet completed, but I think what has been developed there is working out well. Three of the lots sold will be developed through a quite innovative model that uses funds from institutional investors to provide residential properties as long-term rental accommodation for at least five years following construction. It is being developed by the Sentinel Real Estate Corporation from North America, which

Ms Rita Saffioti; Mr John Day; Mr Sean L'Estrange; Mr Bill Johnston; Chairman; Ms Eleni Evangel; Mr Ben Wyatt; Mr Matt Taylor

---

undertakes that sort of project. It will retain ownership of the apartments, and it will be a high-quality construction, I am sure, from what I have seen. The apartments will be rented out on a long-term lease basis. As I understand it, that is quite a new model for Perth.

The project as a whole in the Subiaco redevelopment area will provide about 2 000 new homes for 3 600 people and about 287 000 square metres of new office and retail space for about 6 800 new workers. I think that shows what can be achieved with higher density developments when they are well planned and well delivered. The issue of having larger residential densities in well planned, well delivered ways within about a 10-kilometre radius of the Perth CBD is something that we need to address further, of course. That is a good example of what can be done.

**Mr B.S. WYATT:** I refer to page 330 of budget paper No 2 and the line item “Riverside Redevelopment Works”, with an estimated total cost of \$133 609 000 and a 2015–16 budget estimate of \$27 025 000 for the continuation of the redevelopment works and commencement of public domain works for the Waterbank precinct. Looking across the forward estimates, there is obviously a bit of spending to go to complete that project. What is the expected time frame for the sale of any of the Riverside project?

**Mr J.H.D. DAY:** The Waterbank project in particular?

**Mr B.S. WYATT:** Any part of it.

**Mr J.H.D. DAY:** A lot of the land in that area is owned by different individual owners from the private sector.

**Mr B.S. WYATT:** Including the part that the state is working on?

**Mr J.H.D. DAY:** That is the Waterbank area specifically; there is an agreement with Lend Lease Group for the development of the site. A lot of the initial works are obviously being done by the MRA, but Lend Lease will undertake a lot of the other public precinct works and the buildings it is going to develop there, which will be largely but not entirely residential. I will ask Kieran to elaborate.

**Mr K. Kinsella:** We are in the final throes of completing conditions precedent for the agreement we have with Lend Lease. There are a few conditions precedent that have to be met by us and Lend Lease; I think in total there are about nine conditions that have to be met. We hope that they will be met in early July, and from there —

**Mr B.S. WYATT:** As in next month?

**Mr K. Kinsella:** Yes. From there we expect that we will receive a development application from Lend Lease for the first tower to be built on the site. We are in the final throes of approving the design of the public realm, which will be built by the project. The way the project operates is that basically the state is exchanging land for the works that the corporation will carry out to create the public realm. We will get our payment once it has been developed and the land parcels come to us. There is a schedule of revenues that will flow to the state. In a sense, we have created a subdivision and work will be done to create the roads, the public space and the private development lots. As each lot is developed there are a series of payments that flow back to the state for that project.

**Mr B.S. WYATT:** The agreement with Lend Lease is for Lend Lease to develop the site; has Lend Lease made any payments to the state for that right?

**Mr K. Kinsella:** It has not made a payment as yet; there is an early payment once it gets going. There are conditions under the contract as to how much space it needs to create as part of stage 1 of the project.

**Mr B.S. WYATT:** Is that the public realm space?

**Mr K. Kinsella:** It will fund the public realm and be reimbursed by a contra on the land detail. For example, if Lend Lease is spending \$50 million to create the public realm, the state will pass it \$50 million worth of land. Does the member get that concept?

[2.50 pm]

**Mr B.S. WYATT:** I do, and I am sorry my questions are a bit vague. I am not entirely across the detail of the planning. It was said the payments would come to the state as residential lots are developed, is that right?

**Mr K. Kinsella:** Yes.

**Mr B.S. WYATT:** What is the size of those payments? Are they linked to the value of the sales of the apartments or whatever is being built there?

**Mr S. Henriques:** They are all to be linked to the end revenues that will come in through the residential apartments. Going back to the initial question that talked to the wider Riverside project, the member asked about revenues in general; it is a mix. One such example was the Waterbank project with Lend Lease. The other ones



Ms Rita Saffioti; Mr John Day; Mr Sean L'Estrange; Mr Bill Johnston; Chairman; Ms Eleni Evangel; Mr Ben Wyatt; Mr Matt Taylor

---

are a bit simpler, such as the Fraser Suites, for instance, which were recently completed and were a straightforward land sale.

**Mr B.S. WYATT:** Ignore the previous question. I am just interested in the Waterbank project.

**Mr S. Henriques:** For that project the member is exactly right; it is the second scenario, whereby we will get a percentage of the end revenues as they come in.

**Mr B.S. WYATT:** I am trying to understand the incentives for Lendlease. It has the right to develop the site and is required to do the public realm, and if that cost, for example, is \$50 million, it is effectively given \$50 million worth of land.

**Mr J.H.D. DAY:** Yes.

**Mr B.S. WYATT:** Then, on that land I assume Lendlease can develop what it wants, subject to approvals, and on the other land the state has what sounds like a profit-sharing arrangement or something. Have I got that right?

**Mr S. Henriques:** Not quite. It is more a case that on the public domain side of the project, which we are asking Lendlease to construct on our behalf, there is no developable land on that piece—that is literally the equation of that piece. That is the first part. For the majority, which is that stage 1, we have got to the contract to commit to the early delivery of the public domain, which is the piece we are most interested in. Then the revenue-sharing component comes in with the developable lots, so when the apartment towers and the like come out, the revenue mechanism kicks in. I am not sure whether that answers the question or not.

**Mr B.S. WYATT:** I think it does. What is the revenue share between the state government and Lendlease?

**Mr J.H.D. DAY:** We need to think about whether the information should be made public or not. At some stage it certainly should be, but whether it is commercial-in-confidence at this stage, I am not quite sure.

**Mr B.S. WYATT:** The arrangement has been done, has it not? I mean, the contract with Lendlease has been executed et cetera?

**Mr J.H.D. DAY:** That is correct.

**Mr B.S. WYATT:** I assume there is no tender on that land at the moment.

**Mr J.H.D. DAY:** We will provide that information by way of supplementary information. Mr Kinsella will comment before we pursue that.

**Mr K. Kinsella:** It is based on the yield. The design guidelines allow for X amount of apartments to be built and we get a percentage of the revenue. We work on revenue yield rather than profit sharing as such, because it is much easier for us to be able to attract revenues because that occurred on sales through Landgate, so we are able to audit that very clearly. With profit sharing in a business, things can be allocated anywhere, so we can protect the state's position there.

**Mr B.S. WYATT:** What is the arrangement on the yield?

**Mr K. Kinsella:** As the project rolls out, depending on how successful it is, because it is an iconic location, the yields may increase and as our yields increase, our proportion of the revenue share continues to escalate as the yield escalates. The actual calculation might have to be provided on notice, because I do not have it off the top of my head. I am sure we can share that with the member.

**Mr B.S. WYATT:** I am happy to take it by way of supplementary information.

**Mr J.H.D. DAY:** We will provide information about the expected return to the Metropolitan Redevelopment Authority from Lendlease over the life of the project as we understand it at the moment, subject to any commercial considerations that need to be taken into account.

**Mr B.S. WYATT:** Can I follow up on that? This answer may need to be also supplied as supplementary information, but while we are on the topic, is the yield arrangement with Lendlease done on the total project or is it done on an arrangement per apartment?

**Mr J.H.D. DAY:** We will clarify that in the same supplementary information.

*[Supplementary Information No B60.]*

**Ms R. SAFFIOTI:** I have a further question. This project has been going on for a long time as I recall, probably about 20 years. It has been a long, long time. Is one of the reasons there was a restructuring of this project to this type of alliance contract—or whatever we call this type of deal—that the state is a bit cash-strapped, so it was a way to develop the land with the state not having to pour any more money into getting that land ready? This structure of the deal has happened quite recently in the life of the project, has it not?

**Extract from *Hansard***

[ASSEMBLY ESTIMATES COMMITTEE B — Thursday, 11 June 2015]

p549c-558a

Ms Rita Saffioti; Mr John Day; Mr Sean L'Estrange; Mr Bill Johnston; Chairman; Ms Eleni Evangel; Mr Ben Wyatt; Mr Matt Taylor

---

**Mr J.H.D. DAY:** As the member can see from the figures in the budget papers, the state has put in quite a bit of funding upfront to enable the project to happen. As the member said, it goes back quite a number of years and it is considered to be a desirable thing for the city. There has not been any change I am aware of in relation to the approach financially as a result of the recent budgetary pressures or anything like that. This is the approach that was intended from a long way back.

**Ms R. SAFFIOTI:** When is the first apartment building for Waterbank expected to go up?

**Mr K. Kinsella:** We hope for the development application to be lodged within the next month and then there is hope to go to market in October to start pre-sales for the development. We expect construction to start in March or April 2016.

**Ms R. SAFFIOTI:** What is the total number of apartments expected to be built in the Waterbank precinct?

**Mr J.H.D. DAY:** I am advised between 650 and 1 000 apartments—of that order. I also point out that in the Riverside area generally other developments are occurring; the Frasers development has been referred to.

**Ms R. SAFFIOTI:** The ChemCentre; yes, we know them all.

**Mr J.H.D. DAY:** Exactly, the ChemCentre has been sold to Diploma Properties and I understand it is working on the development application and will hopefully start building in the next year or thereabouts. That will provide a bit more than 200 apartments.

**Ms R. SAFFIOTI:** Can I ask more of a philosophical question about developer contributions and what is happening in relation to development contribution plans being applied to new homes in the outer suburbs? I will take Elizabeth Quay as an example, where apartment buildings are being built. Is there a fairness issue that new home buyers in the new suburbs are paying \$30 000 to \$40 000 per block for developer contributions, yet people buying luxury apartments around, let us say, the Elizabeth Quay inlet are not paying for some of the new infrastructure or improved infrastructure that will service those apartments?

**Mr J.H.D. DAY:** Effectively, they have to make a contribution through the company they are buying their apartments from, that company having paid the state for the land that has been developed. That has been through a competitive tender process, an expression of interest process, a selection process and so on, so we endeavour to get the best possible financial return for the state, but also good design outcomes and so on. That has been taken into account. Effectively, they are doing it that way.

**Ms R. SAFFIOTI:** Sure, but that could equally be said for new homes being built on crown land that was purchased by a developer previously. Minister, can we carry this conversation on in the next planning discussion?

**The CHAIRMAN:** This completes the examination of the Metropolitan Redevelopment Authority.

[3.00 pm]