



Business Plan to enter into a Major Land Transaction

**Cinema Complex
Portion of Lot 4265 (No. 7) James Service Place, Mandurah
Western Australia 6210**

**Business Plan prepared under section 3.59 of the *Local
Government Act 1995***

Introduction

The purpose of this Business Plan is to:

- a) Advise that the City of Mandurah (City) proposes to undertake a Major Land Transaction, for a portion of the property Lot 4265 on Plan 42132 (No. 7) James Service Place, Mandurah (the Cinema Complex), to be disposed of by way of a proposed lease to Reading Cinemas Pty Ltd trading as Reading Cinemas (Reading Cinemas);
- b) Satisfy the requirements of Section 3.58 and Section 3.59 of the *Local Government Act 1995* (the Act) in relation to the proposed Disposal of Land and the proposed Major Land Transaction respectively; and
- c) Further to the above, to provide the opportunity for public comment on the proposed Business Plan.

Background

The City is the owner of freehold land located at Lot 4265 (No. 7) James Service Place, Mandurah. Pursuant to a Heads of Agreement made on 2 May 1996 (varied on 11 September 1996), the City constructed a Cinema Complex on the land and Reading Cinemas (formerly known as Reading Australia Pty Ltd and Reading Entertainment Pty Ltd) agreed to lease, fit-out and operate the Cinema Complex.

The original lease between the City and Reading Cinemas commenced on 15 November 1997 for a term of 20 years. By a Deed of Variation dated 24 April 1998, and with the development of a business case including the consideration of Reading Cinemas carrying out \$1 million of improvements to the Cinema Complex, the City varied the term by an additional five years, with the lease expiring on 14 November 2022.



The City is proposing to enter into a new lease arrangement with Reading Cinemas, whereby the total value of the land transaction is more than the prescribed amount (\$10,000,000) and deemed a 'Major Land Transaction' as defined in regulation 8A of the *Local Government (Functions and General) Regulations 1996 (WA)*.



Section 3.59 (3) of the *Local Government Act 1995* - Matters to be included in a Business Plan

The business plan is to include an overall assessment of the major land transaction and is to include details of —

- a) its expected effect on the provision of facilities and services by the local government;
- b) its expected effect on other persons providing facilities and services in the district;
- c) its expected financial effect on the local government;
- d) its expected effect on matters referred to in the local government's current plan prepared under section 5.56;
- e) the ability of the local government to manage the undertaking or the performance of the transaction; and
- f) any other matter prescribed for the purposes of this subsection.

Assessment of Major Land Transaction

A. Expected effect on the provision of facilities and services by the local government

The proposed transaction will have minimal effect on the provision of facilities and services, as the Site currently operates as a Cinema Complex.

A new Lease will lead to a substantial long-term revenue stream (\$14.6 million over the twenty-year period) for the City whilst delivering activation objectives in accordance with the City of Mandurah Strategic Community Plan.

B. Expected effect on other persons providing facilities and services in the district

The Cinema Complex is an important part of the City's Civic and Cultural Precinct (Precinct), which also includes the Mandurah Performing Arts Centre and surrounding buildings. The City's Civic and Cultural Precinct aims to increase the City's social, economic vibrancy and activating community spaces, providing pedestrian friendly linkages and connections to the surrounding restaurants and businesses.

Due to the proximity to a number of local eateries and businesses within the Precinct, City Centre and Marina, the Cinema Complex provides a unique drawcard for locals.

The Cinema Complex also provides employment opportunities employing a team of 22 people, with 78% being local to the District of Mandurah and 22% from the surrounding suburbs of Singleton and Secret Harbour.

C. Expected financial effect on the City of Mandurah

A new Lease will lead to a substantial long-term revenue stream for the City whilst delivering activation objectives in accordance with the City of Mandurah Strategic Community Plan.

The Lease will generate \$14.6 million over the proposed twenty-year Lease arrangement. The rent will increase in accordance with an agreed formula contained in the lease reflecting CPI or at the nominated anniversary dates, a market review undertaken by an independent Valuer. The fees associated with preparing the Lease will be borne by the Lessee.

A percentage of the rent income received by the City from the Lease will be recommended to Council each year to be transferred to the asset management reserve to fund the required renewal expenditure when components of the asset reach the end of their useful life. It is recommended that the remaining revenue is used as municipal funds and assist funding City services, programs and projects that would ordinarily be funded by rates. The rent income received represents a 1% rate rise that the City would have to impose on the ratepayers for the services that are provided to the community.

The City is responsible for major structural building maintenance including roof repairs, roof safety system and the City has included the HVAC air-conditioning replacement to occur within the next two years. This has been included in the City's Long Term Financial Plan.

Reading Cinemas is responsible for all routine preventative maintenance, repairs and replacement, including fair wear and tear. Reading Cinemas has also proposed that renovation works would be undertaken including the installation of reclining seating within a number of auditoriums, and other minor repairs works including the replacement of existing signage and internal finishes within the complex.

D. Expected effect on matters referred to in the City's current plan prepared under Section 5.56:

The City must take into account the requirements of the City's future planning of the City. These requirements are as follows:

Planning for the future - Section 5.56 *Local Government Act 1995*

- 1) A local government is to plan for the future of the district.
- 2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.

The City of Mandurah has the following plans for the future of the district that have been prepared in accordance with regulations made about planning for the future of the district:

Strategic Community Plan 2020 -2040

This proposal directly aligns to the following Strategic Community Plan 2020 -2040 objectives:

Economic:

- Promote and foster business investment aimed at stimulating economic growth.
- Facilitate and advocate for sustainable local job creation and industry diversification.
- Leverage partnerships with key stakeholders to achieve improved economic outcomes with due consideration to environmental impacts.

Social:

- Provide a range of social, recreational and cultural experiences for our residents and visitors to enjoy and take pride in.

Corporate Business Plan 2020-2024

The Corporate Business Plan guides the City in achieving the objectives listed in the Strategic Community Plan.

E. The ability of the local government to manage the undertaking or the performance of the transaction.

The City has a sufficiently qualified and experienced Property Services Team who will be managing this transaction. The disposal of property will be conducted in accordance with Section 3.58 and Section 3.59 of the Act and relevant regulations, without oversight from Governance Services to ensure compliance obligations are met.

F. Other matters prescribed for the purpose of this subsection

The Cinema Complex is an important community asset, with there being no other cinema complex offered to City of Mandurah residents, with the nearest cinema complex being located in Rockingham.

Disposal of Land – Lease Proposal

To satisfy regulation 30(2a) of the *Local Government (Functions and General) Regulations 1996 (WA)*, the City advises the following proposed disposal of land via lease as follows:

Lessor	City of Mandurah of PO Box 210, Mandurah WA 6210
Lessee	Reading Cinemas Pty Ltd trading as Reading Cinemas ABN: 97 073 808 643 ACN: 073 808 643 of 98 York St, South Melbourne Victoria 3205
Premise	Portion of Lot 4265 on Plan 42132, (No. 7) James Service Place, Mandurah
Certificate of Title	Volume 2210 Folio 282
Proposed Use	Cinema Complex
Initial Term	10 years
Further Term	10 years
Proposed Lease Commencement Date	15 December 2022
Proposed Rent Commencement Date	15 December 2022
Lease Rent (per annum)	\$730,000 per annum (ex GST)
Market Rent Value (as per the valuation carried out on 29 July 2022)	\$730,000 per annum (ex GST)
Rent Review	The rent will increase in accordance with an agreed formula contained in the lease reflecting CPI or at the nominated anniversary dates, a market review undertaken by an independent Valuer.
Obligations on termination	The proposed Lessee must restore the premises and make good to the satisfaction of the City. The City shall have the first option to purchase the proposed Lessee’s operating equipment at a price agreed between both parties.

Comments on Business Plan

This Business Plan is open for submissions for a period of six (6) weeks as required under section 3.59 of the *Local Government Act 1995 (WA)*.

The Business Plan can be inspected at the Administration Centre of the City of Mandurah located at 3 Peel Street Mandurah, between the hours of 8:30am - 4:30pm Monday to Friday, and at all local libraries and the Mandurah Aquatic and Recreation Centre.

A copy of the Business Plan will also be available on the City of Mandurah website www.mandurah.wa.gov.au, which will be publicised through social media posts and local newspapers.

Submissions on the Business Plan are to be made in writing and to be received no later than six (6) weeks from the date of advertising.

Submissions can be emailed to governance@mandurah.wa.gov.au or by post addressed to:
Chief Executive Officer
Major Land Transaction – Cinema Complex
PO Box 210
Mandurah WA 6210