



Business Plan Major Land Transaction 273 West Coast Highway, Scarborough

26 November 2025

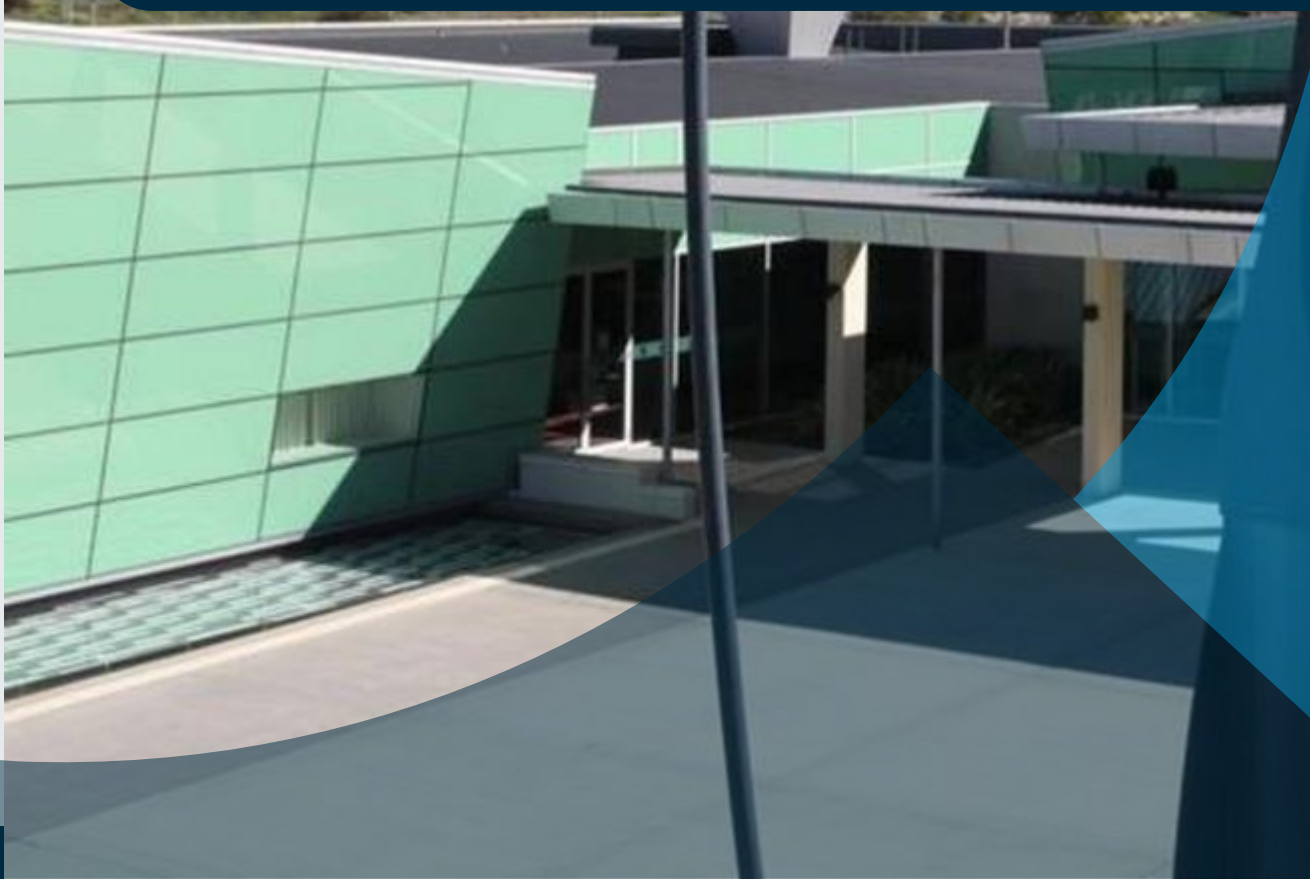


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1. Introduction

The City of Stirling (the City) has a large portfolio of land and property assets, the surplus income from which, is transferred to a reserve that is used to fund the annual budget.

It continues to be a major strategic objective for the City to generate on-going intergenerational income to allow a dividend reinvestment in the City's annual budget. To achieve this, the City intends to acquire and retain a portfolio of properties that provide stable and secure returns. This diversification will contribute to the City's sustainable economic management by generating alternative revenue streams.

The City's Land Asset Action Plan 2023-2028, endorsed by Council on 15th August 2023, provides a framework through which the City can make decisions with respect to the management, development, retention, disposal or acquisition of real property. Real property represents an opportunity to begin to deliver considerable on-going financial return for the City's ratepayers via an ongoing income stream and capital growth.

The City has identified the key strategic investment property assets that are best suited for ground lease redevelopment proposals and held for long-term lease income generation. One of these assets is 273 West Coast Highway, Scarborough, the subject site of this proposed land transaction.

273 West Coast Highway, Scarborough comprises a vacant, regular-shaped parcel of 2,984m² which is owned in freehold by the City. The site was identified as a high priority within the Land Asset Action Plan 2022-2028 due to being zoned appropriately to achieve highest and best use, suitability for a number of potential uses, and having the ability to realise the long-term strategic objectives of Sustainable Stirling 2022-2032.

A high-level analysis of the opportunities and constraints of the site was undertaken and the preferred option determined was for the City to seek a ground lease opportunity for the property. This option will provide ongoing revenue to the City whilst retaining ownership of the land.

It is considered that the proposed Ground Lease will meet the definition of a "major land transaction" as defined under Section 3.59 of the *Local Government Act 1995* and as such, the City is required to comply with the requirements set out in that provision. This Business Plan has been prepared and public submissions sought in order to comply with the City's obligations for major land transactions.

Any public submissions received in response to this Business Plan will be considered when Council decides whether to proceed with this Major Land Transaction and enter into a long-term ground lease agreement with the preferred proponent as specified in this Business Plan.

2. Sustainable Stirling

Sustainable Stirling 2022-2032, the City's Strategic Community Plan, is a legislative requirement for all local governments in WA and the City's highest level planning document. It sets out a broad but ambitious and achievable vision to be a sustainable City with a local focus, and objectives across five key result areas:

- Our community
- Our economy
- Our built environment
- Our natural environment
- Our leadership.

The City's Land Asset Action Plan 2023-2028 is an informing strategy to the Strategic Community Plan. The Land Asset Action Plan 2023-2028 identified the acquisition and retention of income-producing property assets as a key investment option to achieve income and capital growth.



This Business Plan outlines the intended transaction to implement an investment strategy in property that will deliver an income return. The projected income will provide the City with an opportunity to generate additional revenue to finance activities set out in Sustainable Stirling; as well as activities set out in the City's Corporate Business Plan and annual Service Plans.

3. Proposed Transaction

Ground Lease Proposal

The City undertook a competitive and open Expression of Interest process seeking ground lease proposals from the market for its site at 273 West Coast Highway, Scarborough.

The preferred proponent proposes to enter into a long-term ground lease with the City and develop the site as a hotel. Under a Ground Lease the City retains ownership of the site, however the Lessee will own all the improvements it constructs on the land.

The ground lease agreement was prepared by the City's solicitors. This agreement will have conditions and performance clauses to ensure the Lessee complies with their obligations. Subject to planning approval being obtained by the Lessee in the normal statutory planning process, the development is expected to take up to two years.

The City sought an opinion of value for the subject site which was assessed on an 'as is' basis at \$7,500,000 excluding GST. The standard approach in assessing a market ground rent is to assess a market value of the land and then apply an appropriate rate of return.

To inform negotiations on the commencing rent the City appointed a Licensed Valuer to complete an independent valuation. The valuer assessed the ground lease rent at \$395,000 + GST. The ground lease proposal sets the commencing rent at \$370,000 + GST.

Key Terms for the Proposed Ground Lease

Lessor	City of Stirling
Lessee	Lofte Property No.1 Pty Ltd (ACN 669 992 009)
Land/Premises	273 West Coast Hwy, Scarborough
Title Details	Lot (0) on Diagram 12303, Volume 1587, Folio 545
Land Area	2,984 m ²
Proposed Development Use	Hotel Accommodation with Complimentary Uses
Initial Lease Term	50 years from the effective date
Further Lease Terms	5 x 10 year options
Ground Rent (p.a.)	\$370,0000 plus GST
Rent Reviews	CPI Annually to a maximum of 4%
Market Reviews	Every 10 Years from Lease Commencement

4. Legislative Provisions

Major Land Transaction – Section 3.59

In accordance with Section 3.59 of the Local Government Act 1995, before a local government enters into a major land transaction the local government is to prepare a Business Plan.

The clear purpose of Section 3.59 is to demonstrate that a proposed major transaction will not compromise the ability of the local government to deliver its core functions. The requirements of a Business Plan ensure the impact of the transaction on the City's operations is considered and the City's ability to manage the transaction is assessed prior to proceeding with the transaction.

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 performance of the transaction; and
- f. Any other matter prescribed for the purpose of this subsection.

The *Local Government Act 1995* also requires the local government to:

1. Give Statewide public notice stating that –
 - i. The local government proposes to enter into the major land transaction described in the notice;
 - ii. A copy of the Business Plan may be inspected or obtained at any place specified in the notice; and
 - iii. Submissions about the proposed transaction may be made to the local government before a day to be specified in the notice, being a day that is not less than six (6) weeks after the notice is given; and
2. Make a copy of the Business Plan available for public inspection in accordance with the notice; and
3. Publish a copy of the Business Plan on the local government's official website.

A major land transaction means the acquisition, disposal or development of land where the value of the transaction is more than the amount prescribed by Regulation. In the case of the City of Stirling, that amount is defined in the *Local Government (Functions and General) Regulations 1996* as the lesser of-

- i. \$10,000,000; or
- ii. 10% of the operating expenditure incurred by the City from its municipal fund in the last completed financial year.

In the case of the City the relevant threshold is \$10,000,000. The revenue from the proposed ground rent is \$18,500,000 over the initial 50 year term, before rent review adjustments and exceeds the threshold value.

Absolute Majority – Section 3.59 (5)

Once Council has considered any public submissions, it may then resolve to proceed with the major land transaction. In accordance with Section 3.59(5) of the Local Government Act the voting requirement for this decision is required to be by absolute majority.

5. Business Plan Assessment

A Business Plan prepared under Section 3.59 of the LGA is required to address the points listed below:

What is the expected financial effect on the City?

The major land transaction is not expected to have any impact on the normal operating and capital costs but the proposed long term lease income is expected to contribute to the City's alternate revenue streams derived from its' investment properties.

The expected lease income over the initial 50-year lease term will be \$18,500,000 before rent review adjustments. Costs associated with the preparation of the ground lease agreement are included within the City's existing operational budget. The site will be provided to the Lessee by the City on an "As-Is" basis under the proposed ground lease agreement.

Additional Rates revenue for the City would also be generated if the ground lease proposal were approved by Council. Hotels are rated as commercial properties by the City and the 2025/26 Rate in the Dollar for this property class is \$0.059943. The actual rates charged will depend on a valuation of the hotel which will be provided by Landgate.

What is the expected effect of the proposal on the provision of facilities and services by the City?

There are no direct effects upon existing services and facilities. If a decision is made to proceed with the ground lease proposal, the direct and indirect returns will enhance the City's ability to undertake other projects for the benefit of the community.

Investment properties are principally freehold properties, held for long-term rental yields and not occupied by the City. The proceeds from the annual commencing ground lease at \$370,000 per annum plus GST, will provide the City with an additional long term revenue stream which will enhance the City's ability to deliver facilities and services.

What is the expected effect on other persons providing facilities and services in the district?

There are no direct effects expected on other persons providing facilities and services in the district. It is expected that when the site is redeveloped under the ground lease, it will deliver tourism and economic benefits enhancing the amenity and activation within the precinct. This is expected to have a direct positive impact for the community and businesses.

What is the expected effect on matters referred to in the local governments' current plan prepared under section 5.59

The proposed ground lease is aligned to the objectives under the City's Strategic Community Plan. The projected income returns will provide the City with additional revenue to contribute to finance activities set out in the Strategic Community Plan. The proposed transaction is consistent with the objectives of the City's Corporate Business Plan 2024-2028 which include to strive for operational efficiency, effectiveness and continuous improvement.

The long-term ground lease is a preferred investment option within the Land Asset Action Plan 2023-2028 which is also an informing strategy to the Strategic Community Plan. The City will continue to provide responsible financial and asset management managing the City's commercial property portfolio to produce a sustainable income stream for resident ratepayers.

Has the City the ability to manage the undertaking or the performance of the transaction?

The City has qualified and experienced staff with the ability to manage the proposed transaction. This will be enhanced by the engagement of external agents such as professional property agents, valuers, lawyers and consultants as required.

6. Submissions

Section 3.59 of the Local Government Act 1995 requires the City to give state-wide Public Notice of the proposed Major Land Transaction inviting public submissions. A Notice as specified under Section 3.59(4) of the Local Government Act 1995 was placed in the State and Local Newspapers, on the City's website and community information media. The Notice and Business Plan will also be available to view by the public at the City's Administration Building located at 25 Cedric Street, Stirling WA during the extended seven-week public notice period from Wednesday 26th November 2025 to Thursday 15th January 2026.

As such, the community is invited to make submissions on this Business Plan.

Please send any submission in writing to the City's Chief Executive Officer via the following methods:

Mail: PO Box 1533, Osborne Park WA 6916

Email: propertyservices@stirling.wa.gov.au

Website: www.stirling.wa.gov.au/businessplan

In Person: 25 Cedric Street, Stirling WA 6021

Submissions must be received by **4.00pm on Thursday 15th January 2026.**

Once the submission period is closed Council will consider the Major Land Transaction proposed within this Business Plan and will make a decision whether to proceed or not.