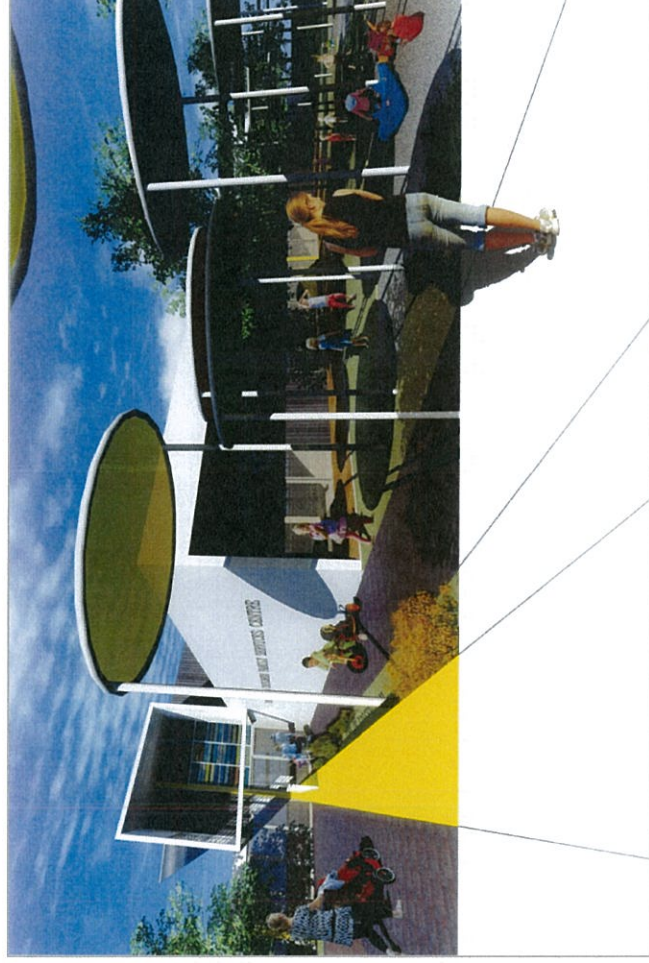


# Bassendean Integrated Child & Family Services Centre

## Feasibility Study – Option 1 & 2

May 2013



MCDONALD JONES ARCHITECTS

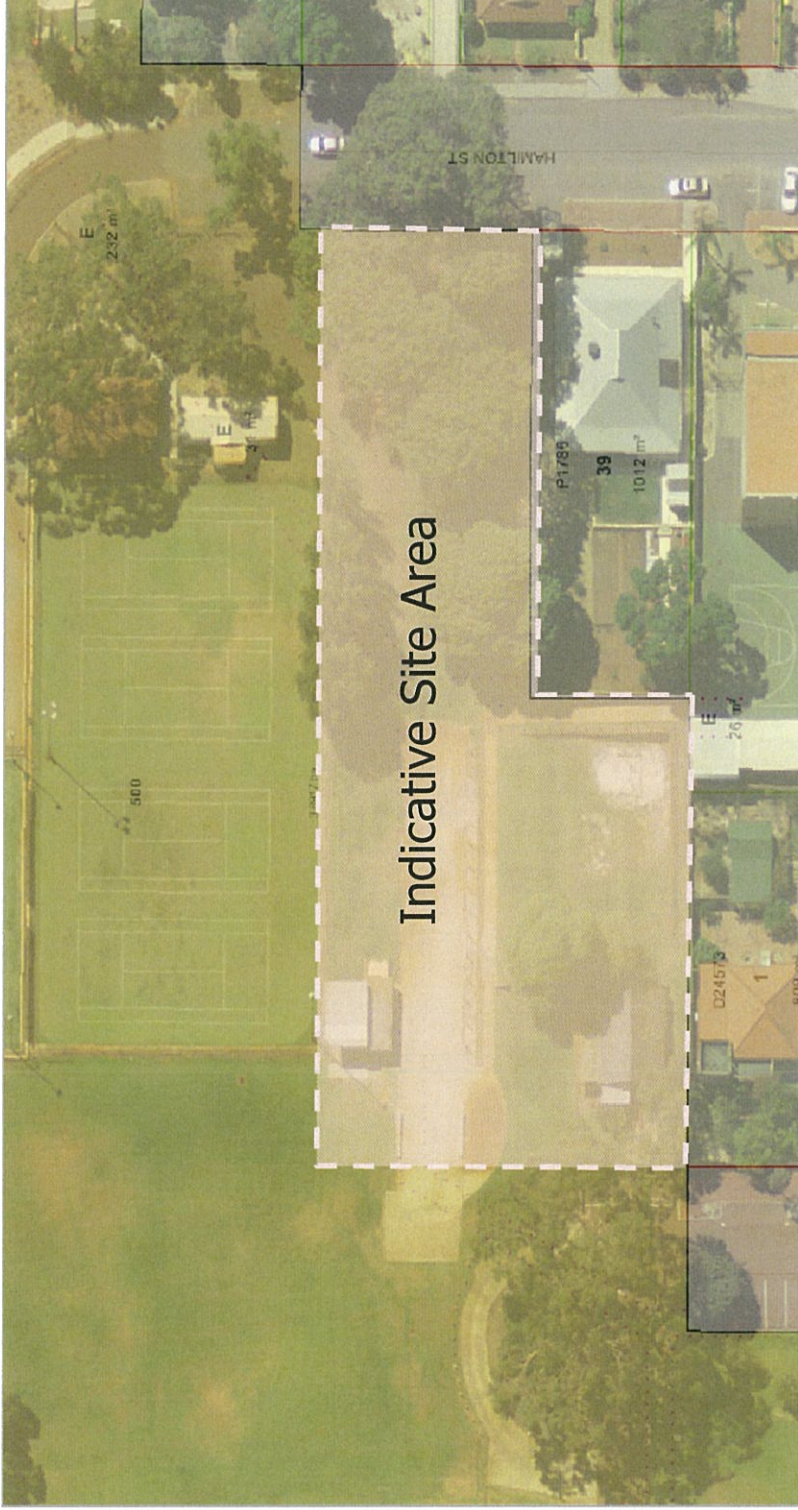
slattery

# Contents

- The Existing & Proposed Site
- Concept Plan
- Construction Estimate
- Programme
- Feasibility Assumptions
- Licensing & Resourcing
- Forecast Operating (WIW & BOSCO)
- Capital & Operating Financials
- Sensitivity
- Summary



# The Proposed Site



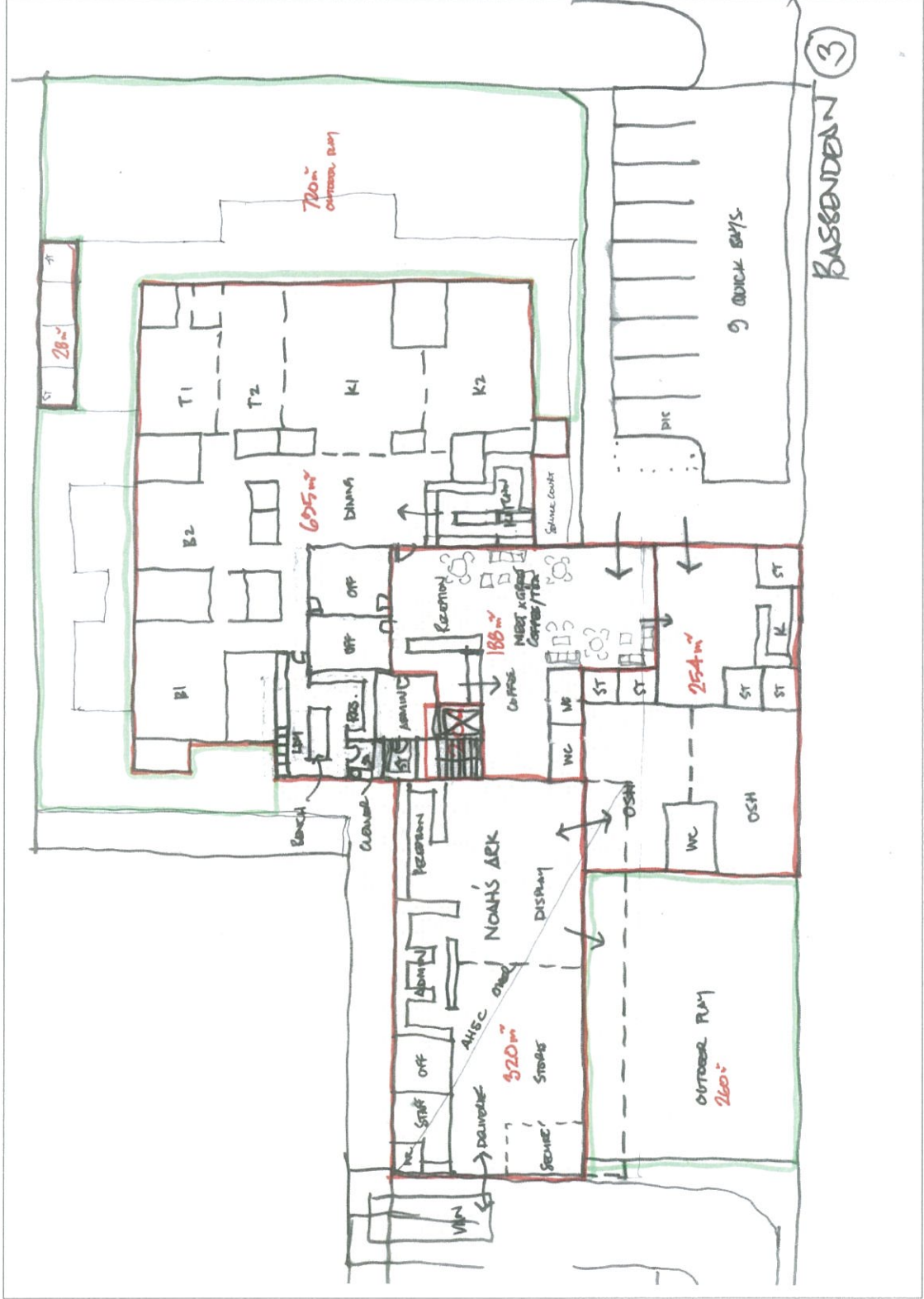
**Approx. Area:** 3,500 m<sup>2</sup>

**Ownership:** Reserve vested to the Town of Bassendean.

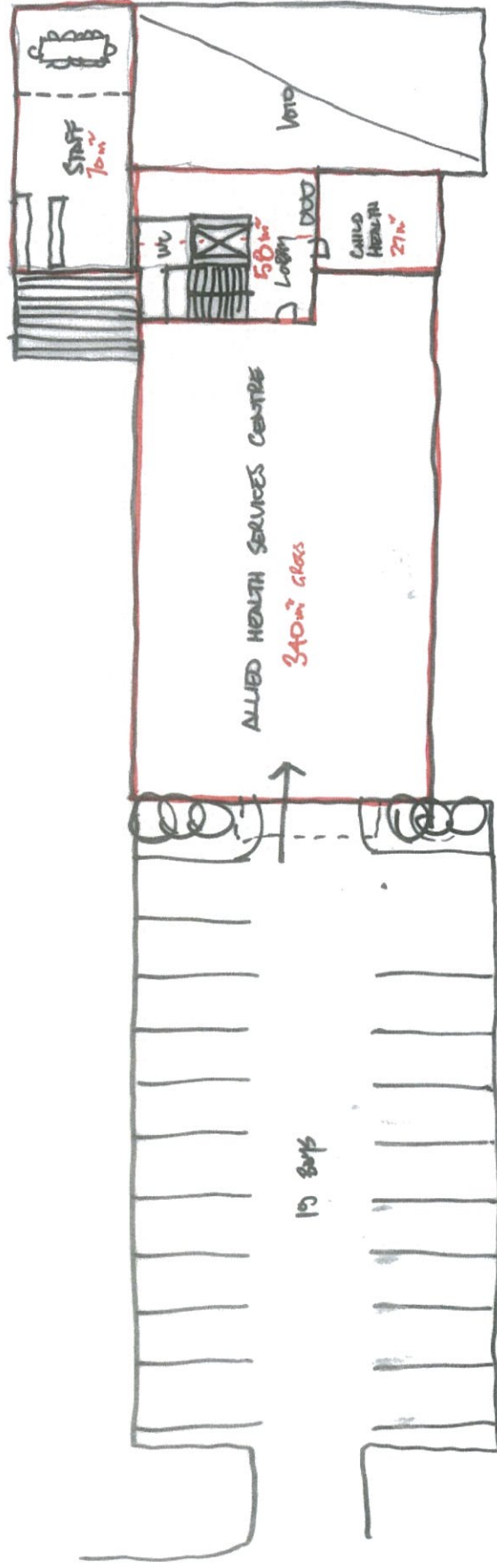
**Encumbrances:** Nil confirmed.

**General:** Slopping site and may require additional land to the northern boundary (tennis courts).

# Option 1 Concept Plan – Lower Level



# Option 1 Concept Plan – Upper Level



Source: MacDonald Jones Architects

# Option 1 - Construction Estimate



Item	Area (m <sup>2</sup> )	(\$)
<b>Building Works:</b>		
Allied Health & Upper Level Carparking	525	1,774,729
Day Care	1,476	4,221,212
External Services	2,001	963,227
<b>Total Building Works</b>		<b>6,959,168</b>
Design Contingency (5%)		347,958
Construction Contingency (5%)		365,356
Escalation – 12 months (3%)		230,174
Professional Fees (10%)		790,266
Authority Fees & Charges		100,000
<b>Total Project Cost (ex GST)</b>		<b>8,792,922</b>
F.E.C.A.	2,001	

Note:

- Estimate source: Slattery Cost Consultants.
- **Excludes** Loose Furniture & Equipment, fit-out to commercial areas, art allowances, tenancy incentives, land, finance, legal, letting costs, dewatering and outdoor play equipment.
- GST excluded.

# Feasibility Programme



Planning / Approvals:	12 months
Construction Period:	18 months
Occupation / Operating Period:	10 Year Assessment



# Option 1

## Revenue / Capital Income Assumptions



- Commercial Rent (Allied Health) – \$320/sqm incl. car bays.
- Nominal commencing rent for NOAH’s Ark lease – estimated at \$35,000 p.a. (discount to their existing lease of \$47,000 p.a. – incentivised).
- All rental escalated at 3.0% p.a.
- Sale of the existing site – estimated at \$1M post completion as advised by the Town (conservative value). No separate allowance for demolition or site works prior to sale (net sale value assumed). Estimated settlement date is 6 months post completion of the facility.
- Child care fees are structured based on forecast operating costs for the Financial Year i.e. cost neutral scenario. The feasibility assumes there is a 4 month “letting up” period to full occupancy – 80% of full operating costs applied during this period.

# Option 1

## Capital Expenditure Assumptions

- Nil land assembly costs.
- Agent letting fees for the commercial tenant – 10% of the annual rental and outgoings.
- Marketing allowance of \$3,000 for letting of commercial space.
- Legal / settlement costs of \$5,000.
- Depreciation / maintenance reserve of 2.0% p.a. based on a building life of 40 years (straight line method).
- Finance rate – 4.77% p.a. as provided by WA Treasury.
- Loan terms of 20 years with bi-annual payments.
- Assumed full drawdown of loan at commencement of the design and planning phase – surplus loan funds during planning and construction earn interest at 4.0% p.a.
- Loan cumulative balance excludes finance and holding costs i.e. paid from operating reserves.

# Option 1 - Child Care Licensing



## Wind in the Willows (Current License – Up to 55 Children)

Age Group	Current Places	Proposed (Start Up)	Build Up Plan	End Plan
0-2	16	24	24	24
2-3 years	15	30	40	40
3-5 years	24	20	26	26
<b>Total</b>	<b>55</b>	<b>74</b>	<b>90</b>	<b>90</b>

## Bassendean OSC (Current License – Up to 35 Children)

Age Group	Current Places	Proposed (Start Up)	Build Up Plan	End Plan
After School Care	30	30	30	30
Before School Care	0	0	0	30

- The feasibility assumes a 4 month period between the 'proposed start-up' and 'end plan' scenario.

Source: Jill Cameron

# Option 1 - Resourcing Requirements



Resourcing	FTE (Existing)	Hrs Per Week / FTE	FTE (Proposed)	Hrs Per Week / FTE	% Change FTE
<b>Wind in the Willows</b>					
Manager of Children's Services	1	38	1	38	
Asst Manager of Chn's Services	1	37.5	1	37.5	
Cleaner	1	12.5	1	25	
Admin Officer	1	-	1	37.5	
Food Prep / Cook	1	30	2	30	
Snr Educator (Teacher)	1	37.5	3	37.5	
Snr Educator (Senior Officer)	2	37.5	1	37.5	
Snr Educator / <b>Certified Officer</b>	7	19.5	13	37.5	
Educator	1	37.5	-	-	
<b>Senior Educator (float)</b>	1	37.5	2	37.5	
<b>Total FTE</b>	<b>17</b>	<b>287.5</b>	<b>25</b>	<b>318</b>	<b>47%</b>
<b>Bassendean OSHC</b>					
Playleader	1	16	1	30	
Snr Playleader	1	22.5	1	35	
Snr Playleader (Senior Officer)	1	25	1	37.5	
<b>Total FTE</b>	<b>3</b>	<b>63.5</b>	<b>3</b>	<b>102.5</b>	<b>0%</b>

- Items in red relate to the proposed resourcing scenario only.
- No increase in no. of staff required for BOSC however no. of hours per week will increase due to introduction of before school care.
- Source: Jill Cameron

# WIW - Estimated Operating Costs



Item	Current FY11/12	Proposed On Completion	% Change / Assumption
Salaries & Wages	657,785	1,221,597	Per Previous
Travelling & Mileage	0	0	-
Leave Accruals	20,968	41,937	100%
Superannuation	62,070	109,944	9% of Salaries
Conferences & Training	5,600	11,200	100%
Medical & Police Clearances	1,890	3,780	100%
Fringe Benefits Tax	3,579	7,157	100%
Workers Compensation Insurance	8,344	16,688	100%
Recruitment & Wellbeing	2,292	4,584	100%
Contract Services	19,274	25,057	30%
Electricity	0	0	-
Telephone	3,131	4,696	50%
(Profit)/Loss On Sale	13,406	13,406	-
Stationery	1,309	2,619	100%
Subscriptions	5,148	6,177	20%
Advertising	0	2,000	Nominal
Equipment Maintenance	23,562	47,124	100%
Insurance	0	0	-
Consumables	5,831	11,662	100%
Food Supplies	28,827	57,654	100%
Laundry Expenses	5,445	10,891	100%
Excursions	1,015	1,218	20%
Other Minor Expenses	3,667	5,500	50%
Vehicle - Operating Expenses	18,656	22,387	20%
Fund Raiser	0	0	-
Abc Recovery	61,865	68,052	10%
<b>Total</b>	<b>\$953,666</b>	<b>\$1,695,330</b>	<b>78%</b>

• Assumptions developed in conjunction with Jill Cameron and the Town of Bassendean.

## BOSC - Estimated Operating Costs

Item	Current FY11/12	Proposed On Completion	% Change / Assumption
Salaries & Wages	92,845	132,207	Per Previous
Travelling & Mileage	0	0	-
Long Service Leave	0	0	-
Superannuation	8,057	11,899	9% of Salaries
Conferences & Training	136	273	100%
Workers Compensation Insurance	1,938	3,875	100%
Recruitment & Wellbeing	855	1,710	100%
Telephone	263	525	100%
(Profit)/Loss On Sale	49	49	-
Subscriptions	909	1,091	20%
Advertising	0	0	-
Equipment Maintenance	983	1,966	100%
Minor Equipment	0	0	-
Consumables	1,726	3,451	100%
Food Supplies	6,763	13,526	100%
Excursions	3,294	3,953	20%
Activities	0	0	-
Transport Costs	26,397	31,677	20%
Other Minor Expenses	2,135	3,736	75%
Building Operating	21,874	27,343	25%
Abc Recovery	42,256	46,482	10%
<b>Total</b>	<b>\$210,480</b>	<b>\$283,762</b>	<b>35%</b>

• Assumptions developed in conjunction with Jill Cameron and the Town of Bassendean.

# Option 1 Capital & Operating Financials



Expenditure	Development	Operational			
		Yr 1	Yr 2	Yr 5	Yr 10
<b>Development Cost:</b>					
Land Costs	-				
Construction	7,167,943				
Professional Fees	790,266				
Agent Fees, Marketing & Legal	22,280				
Holding & Maintenance Costs	-	N/A	N/A	N/A	N/A
Finance Costs	591,569				
Project & Design Contingency	734,714				
Development Costs	100,000				
<b>Total Development Costs</b>	<b>9,406,772</b>				
<b>Operating Income (p.a.)</b>					
Commercial Tenant		108,800	112,064	122,455	141,959
Noah's Ark		35,000	36,050	39,393	45,667
WTW – Fees & Grants		1,525,797	1,746,190	1,908,109	2,212,022
BOSC – Fees & Grants		255,386	292,275	319,376	370,245
<b>Total Income (p.a.)</b>		<b>1,924,983</b>	<b>2,186,579</b>	<b>2,389,334</b>	<b>2,769,893</b>
<b>Operating Costs (p.a.)</b>					
Holding & Maintenance Costs	N/A	197,566	197,566	197,566	197,566
Finance Costs		308,278	269,210	269,210	269,210
WTW – All Operating Costs		1,525,797	1,746,190	1,908,109	2,212,022
BOSC – All Operating Costs		255,386	292,275	319,376	370,245
<b>Total Operating Costs (p.a.)</b>		<b>2,287,028</b>	<b>2,505,241</b>	<b>2,694,262</b>	<b>3,049,042</b>
<b>Net Operating Profit (NOP) p.a.</b>		<b>-362,045</b>	<b>-318,662</b>	<b>-304,928</b>	<b>-279,150</b>
<b>Loan Facility Requirement</b>	<b>4,407,601</b>	<b>3,407,601</b>	<b>3,407,601</b>	<b>3,407,601</b>	<b>3,407,601</b>
<b>Facility NOP (Excl. Finance)</b>		<b>-53,766</b>	<b>-49,452</b>	<b>-35,718</b>	<b>-9,940</b>

# Option 1 - Summary

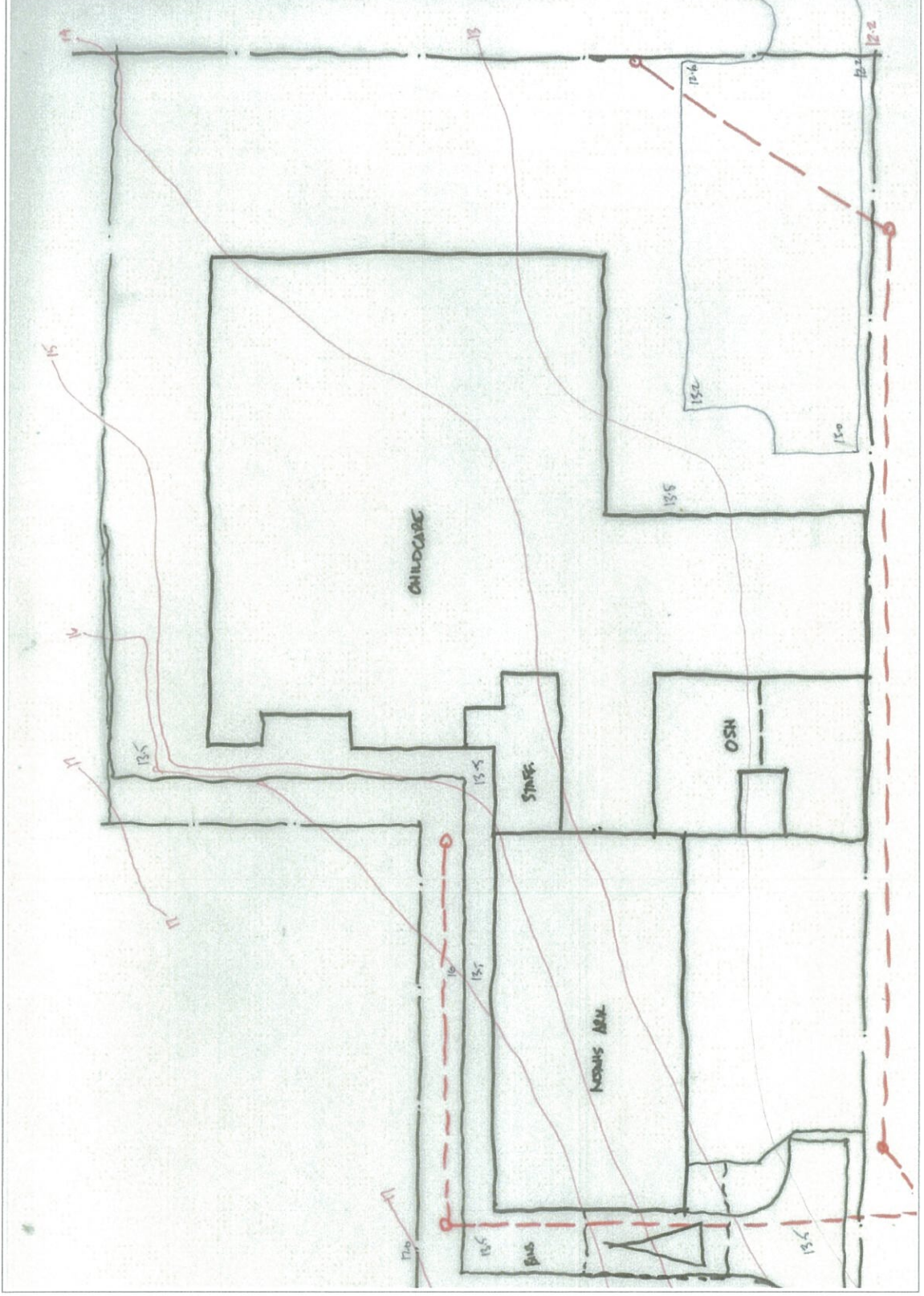
- Estimated initial annual operating shortfall of \$360,000 (including depreciation and finance) – reducing to \$276,000 by 2025 (Year 10 of operating).
- Excluding finance, the Net Operating Profit is reduced to approximately **-\$10,000 p.a.** due to the on-going commercial rent escalation (and increases to NOAH's Ark rent).
- Peak loan facility of \$4.407M post completion – reduced to \$3.407M after sale of the existing site.
- Capital estimate in the order of \$8.80 million (ex GST), including professional fees, contingencies and escalation (12 months) – excludes finance.
- Ability to deliver a cost neutral asset in the medium to long term is highly dependent on the equity contributed e.g. loan requirements.
- Funds from the sale of the existing site are critical to the long term loan servicing requirements of the development.



# Revised Design – Option 2

Single Level with no commercial tenant

# Concept Plan Revised (Option 2)





# Option 2 - Variations

The following are the key variations within the Option 2 design and operating model:

- The commercial allied health tenancy is excluded.
- Estimated Total Project Costs developed by Slattery has been revised from \$8,792,922 to \$6,498,561 (excluding GST).
- Before and after school care has been removed from the function of the facility on the basis that it will not be feasible. The space currently allocated is proposed to be utilised for activities/programs for primary school age children by private providers (fee paying). A revised resourcing structure is also included.
- An operating margin of 2.5% has been applied to the child care operating financials to allow for an operating reserve (which WIW is currently achieving) and additional revenue received through the external program hire.
- Financing assumptions have been revised from 50% equity to 70% equity contribution to by the Town. Equates to a similar contribution – approximately \$4.4M.
- The impacts on the initial loan requirements equates to a reduction from approximately \$4.4M (50%) to \$1.95M (30%). Note this loan balance also reduces by approximately \$1M following sale of the existing site.

## Option 2 Capital & Operating Financials (Revised)



Expenditure	Development			Operational				
	Yr 1	Yr 2	Yr 5	Yr 10	Yr 1	Yr 2	Yr 5	Yr 10
<b>Development Cost:</b>								
Acquisition / Sunk Costs	-							
Construction Costs	5,275,660							
Professional Fees	581,642							
Marketing & Leasing	2,000							
Holding & Maintenance Costs	-							
Finance Costs	266,111							
Contingency	540,755							
Development Costs	100,000							
<b>Total Development Costs</b>	<b>6,766,168</b>							
<b>Operating Income:</b>								
Commercial Tenant								
Noah's Ark	35,000	36,050	39,393	45,667				
WTW - Fees & Grants	1,563,942	1,789,845	1,955,812	2,267,322				
BOSC - Fees & Grants	-	-	-	-				
<b>Total Income p.a.</b>	<b>1,598,942</b>	<b>1,825,895</b>	<b>1,995,205</b>	<b>2,312,989</b>				
<b>Operating Costs:</b>								
Holding & Maintenance Costs	116,328	116,328	116,328	116,328				
Finance Costs	116,227	77,159	77,159	77,159				
WTW - All Operating Costs	1,525,797	1,746,190	1,908,109	2,212,022				
BOSC - All Operating Costs	-	-	-	-				
<b>Total Operating Costs</b>	<b>1,758,353</b>	<b>1,939,677</b>	<b>2,101,596</b>	<b>2,405,508</b>				
<b>Facility Net Operating Profit (NOP)</b>	<b>-159,410</b>	<b>-113,782</b>	<b>-106,391</b>	<b>-92,519</b>				
<b>Loan Facility Requirement</b>	<b>949,417</b>	<b>949,417</b>	<b>949,417</b>	<b>949,417</b>				
<b>Facility NOP (Excl. Finance)</b>	<b>-43,183</b>	<b>-36,624</b>	<b>-29,233</b>	<b>-15,361</b>				

# Option 1 vs Option 2 Financials

Item	Option 1	Option 2	Variance
Total Development Costs	\$9,406,772	\$6,766,168	-\$2,640,604
Facility Net Operating Profit p.a.:			
Yr 1	-\$362,045	-\$159,410	\$202,635
Yr 5	-\$304,928	-\$106,391	\$198,537
Yr 10	-\$279,150	-\$92,519	\$186,631
Loan Facility Requirement (Post Asset Sale):	\$3,407,601	\$949,417	-\$2,458,184
Facility Net Operating Profit (Excl. Finance):			
Yr 1	-\$53,766	-\$43,183	\$10,583
Yr 5	-\$35,718	-\$29,233	\$6,485
Yr 10	-\$9,940	-\$15,361	-\$5,421

- Option 2 represents a significant reduction in capital requirements (approx 28%).
- The revised design (and cost) reduces annual financing requirements – key impact to NOP.
- Equity contribution by the Town remains similar across both options (approx. \$4.4M) however the loan facility, post asset sale, is reduced.
- Excluding finance costs, the long term viability of the facility is improved under Option 1 due to the commercial rental revenue.