



**REPORT ON
REVIEW OF PROPOSED REDEVELOPMENT OF
SEAWARD VILLAGE**

BY

**LIEUTENANT GENERAL (RETIRED) MARK EVANS
AO, DSC**



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Annexes:

- A Deed of Covenant
- B DHA Submission – *Seaward Village Review* dated 15 January 2016
- C DHA *Project Financials Seaward Village Review* dated 15 January 2016 (Commercial-in-Confidence)
- D DHA *Revised Project Financials Seaward Village Review* dated 3 February 2016 (Commercial-in-Confidence)
- E DHA *Seaward Village – 5 Year Refurbishment Feasibility Costing* dated 16 February 2016 (Commercial-in-Confidence)
- F Submissions to the Review

Enclosure:

1. Jones Lang La Salle (ACT) Pty Ltd *Valuation Critique Seaward Village Western Australia as at February 2016* (Commercial-in-Confidence and Confidential to the Department of Defence)

LETTER OF TRANSMISSION**Review of Proposed Redevelopment of Seaward Village**

The Hon Michael McCormack MP
Assistant Minister for Defence
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present my report of the Review I have conducted into the Proposed Redevelopment of Seaward Village.

The Review was conducted in accordance with the Terms of Reference approved by the Assistant Minister for Defence on 26 November 2015.

I ask that you note Annexes C, D and E of the report contain information provided by Defence Housing Australia (DHA) which is commercial-in-confidence. This cost breakdown information is also included in parts of the report. Similarly, Enclosure 1, a Valuation Critique of the DHA costs, conducted by Jones Lang LaSalle (JLL) (ACT) Pty Ltd is commercial-in-confidence and confidential to the Department of Defence. Should you decide to publically release the report, I recommend that Annexes C, D and E and Enclosure 1 not be released and that all information in the report relating to these be redacted.

Submissions to the Review are included separately at Annex F. This information has been collected without express consent being given to the public disclosure of personal information contained in the submissions and should be managed in accordance with *Australian Privacy Principles* under the *Privacy Act 1988*.

May I take this opportunity to acknowledge DHA and Defence for their professional support to me during the conduct of my Review. I also wish to recognise the many people and organisations that provided valuable and informative submissions and representations that assisted me during the Review.



Mark Evans AO DSC
Lieutenant General (Retired)

25th February 2016

Review of Proposed Redevelopment of Seaward Village

TERMS OF REFERENCE

Defence provides housing assistance to support capability by ensuring that ADF members and their families have access to housing that meets or exceeds community standards in reasonable proximity to the member's place of duty. Housing assistance also compensates for the housing detriment that arises from the requirement for ADF members to frequently relocate, by providing a subsidy to reduce the overall cost of house rental to members and to offset differences between high and low cost locations.

The primary form of housing assistance provided to members with dependants is in the form of a Service Residence, formerly known as a Married Quarter, managed by Defence Housing Australia (DHA). If a Service Residence is unavailable, a member may receive Rent Allowance to find accommodation of similar value in the private rental market.

Seaward Village is an estate of 153 Service Residences adjoining Campbell Barracks in the Perth suburb of Swanbourne. The Village houses approximately 25% of the members of the SASR and their families along with a number of families from other Army and Joint units in the Perth area.

Seaward Village is owned by DHA, but subject to a Deed of Covenant that prevents DHA from selling or leasing any of the land to private citizens without the agreement of Defence. Roads and parks within Seaward Village are owned and maintained by local and State authorities.

The residences in Seaward Village were constructed in 1991. Many are now not compliant with Defence standards and would require significant work to bring up to standard. As a result, Defence and DHA have agreed in principle to redevelop the village to provide an increased amount of contemporary housing with a longer lifespan, and to also remediate ageing civil infrastructure within the Village. The current proposal seeks to substantially fund the redevelopment through the sale of not more than 25 per cent of the Village.

The Government has commissioned this Review to evaluate the present proposal for redevelopment and its effectiveness in delivering quality, long-term and sustainable housing for ADF members and their families, and to advise if there are any alternative options that may deliver a similar or superior outcome.

The Review is to assess the existing redevelopment proposal and feasible alternative options regarding the redevelopment of Seaward Village to provide a long-term housing solution for Campbell Barracks and other nearby Defence establishments. Regard should be given to:

- a. The relative merit of a refurbishment program versus redevelopment.

- b. Security – the impact of the proposed development plan on the security of Campbell Barracks and on the personal security of the residents.
- c. Social Impact.
- d. requirement for a covenant to restrict future transactions in the land.

The Review may take submissions from (but not limited to) Defence, DHA, the State Government, the local Council, the SAS Association, Seaward Village residents, the Friends of Allen Park, the neighbouring civilian community and other parties that the Review considers to have a direct and legitimate interest in the redevelopment proposal. The Review may further consult with the same where necessary to clarify matters covered by a submission, or to otherwise progress the Review.

The Review is to provide a written report to the Government no later than 29 February 2016

EXECUTIVE SUMMARY

1. This Review was established to *'evaluate the present proposal for redevelopment and its effectiveness in delivering quality, long term and sustainable housing for ADF members and their families, and to advise if there are any alternative options that may deliver a similar or superior outcome.'*¹

2. Critical to comprehending the current issues associated with Seaward Village (the Village) redevelopment is an understanding of the nature of the terrain surrounding Campbell Barracks at Swanbourne, the unique role and tasks of the Special Air Service Regiment (SASR); the needs of ADF families living in the Village; and the relationship of the unit and families to the local communities.

3. The Village is a small estate of 153 Service Residences (SRs) in Perth that is owned by Defence Housing Australia (DHA). It is immediately adjacent to Campbell Barracks, the operational home of the SASR and is mostly occupied by SASR posted personnel and their families.

4. In 1992, ownership of the land in the Village and 43 houses that existed at the time was transferred from Defence to DHA. These houses do not comply with the minimum standards prescribed in Defence policy and should be upgraded or replaced by 2017. After 1992, an additional 110 houses were constructed in the Village. They are compliant but require upgrading. While they are owned by DHA, a Deed of Covenant (the Covenant) was established in 2001 that prevents DHA from selling or leasing the properties to civilians. This Covenant, which is unique to the Village, places constraints on how DHA manages the Village and precludes the application of the DHA business model, i.e. sale and leaseback.

5. DHA has developed plans to provide modern housing in the Village for ADF members and their families. Under the proposal, the existing homes would be demolished, allowing redevelopment of the land and construction of 165 modern houses, along with new streets, parkland areas and a new Child Care Centre. To fund the project, the Government, Secretary of the Department of Defence and the Chief of the Defence Force (CDF) agreed that DHA could sell 25% of the total site area to the public. The sale of developed housing lots to the private market would partly offset the significant cost of the redevelopment, with the balance of \$25m funded by DHA. There would be no requirement for Defence or Government funding. The project, on current projections, is planned to be complete by 2022.

6. The DHA concept of redevelopment and partial sale of the Village has met with unforeseen and considerable opposition from stakeholders groups and individuals. While it is not unusual for there to be resistance to large projects such as this, generally attitudes soften over time after the benefits of the project become more widely recognised and accepted. This has not been the case in this instance. Resistance has strengthened and the basis for criticism has become more informed. As a result, the Assistant Minister requested a Review of the redevelopment proposal

¹ Terms of Reference



and the general public were invited to make submissions. Other than the DHA submissions, the Review received 84 submissions from groups and individuals who, without exception, opposed the redevelopment proposal. An on-line Petition to the Review: *'Protect Seaward Village and Save Allen Park,'* was endorsed by 575 supporters.

7. During the Review, key issues were evident regarding the redevelopment related to SASR, in particular to its operational capability, morale, security, encroachment and noise, social impact and child care. In addition there is strong opposition to the proposed redevelopment from local Government, communities and interest groups, primarily focused on the merits of the proposal; poor communication of the project; disruption to ADF families; adverse impacts on the local environment and Allen Park; and the increased flow of traffic into Sayer Street and the surrounding neighbourhood.

8. The Review has considered in detail an alternative option of refurbishing the existing housing stock. A refurbishment program could improve amenities and provide additional rooms (such as extended living areas and ensuites); replace old appliances, fixtures and fittings and generally improve the amenity of the houses. The refurbished houses would be high quality with an economic life span of 30 years. The refurbishment would be carried out through a rolling program with a limited number of houses off line at any one time, causing less disruption to families. However, a thorough survey of the properties has not been conducted and this would be necessary to determine the extent of work required for each house before refurbishment could be progressed.

9. The refurbishment option is less complex than redevelopment, allows continued occupation of most of the Village throughout the project and takes less time to complete. While new houses would not be provided and most of the limitations of the current houses would remain, they would meet the Defence minimum standard and be of good quality. DHA has a reputation for providing high quality results from refurbishment programs.

10. It is possible that a number of older houses would be deemed unsuitable for refurbishment and replacement houses would be required. That number would be determined following the survey of the properties.

11. 



12. The cost estimates are based on the inspection of only four houses and the extrapolation of that information and costings across all houses in the Village. This methodology does not take into account the varying standards and state of repair of the total housing stock and precise costs can only be determined after all houses have been inspected.

13. The merits of the redevelopment proposal were considered against the alternative of refurbishment. This confirmed that proceeding with the agreed proposal of redevelopment is feasible. Defence members would have new homes in the Village with the costs and risks shouldered by DHA. To achieve this, the Covenant would be lifted; at least 25% of the Village would be sold to developers; 153 brick homes would be demolished; numerous Defence families would be relocated and 165 SRs would be rebuilt over a period of about six years; followed by construction of about 140 civilian houses in due course. There are a number of risks with this option.

14. If a decision is made to proceed with redevelopment, it is likely that the position of those stakeholders who oppose it will harden and a more active and coordinated campaign against redevelopment is possible. In addition, DHA is at the beginning of a development process and has no guarantee of bringing the project to successful conclusion in its journey through State Lands and Planning Departments and City of Nedlands Council processes. Also, the potential closure of Sayer Street as an egress point to the Village is unresolved.

15. The alternative refurbishment option provides an opportunity to address operational capability, sustainability, and community issues more holistically. This option is feasible. It would retain the integrity of the Village as intended by the Covenant. It would not provide the same modernity and quantity of houses that the rebuild would achieve. The homes would be upgraded to a good condition but would remain essentially 1980/90 brick homes meeting the agreed standard. This limitation is offset by proximity to work and amenities, and a sense of security and community.

16. DHA has not provided a complete and comprehensive picture of the state of housing stock in the Village. Therefore, it is possible that a refurbishment option will cost more than the potential net redevelopment cost predicted. It could also cost less. This option would not produce modern homes, albeit some homes would be replaced. However; a high quality outcome could be achieved with the current stock, which if maintained in a sustainable way, could provide an outcome that is aligned with future intentions for the redevelopment of Campbell Barracks. Refurbishment would certainly reduce much of the friction that has developed progressing the redevelopment option and achieve quick wins. It also has fewer risks in achieving an acceptable outcome for all key stakeholders.

17. The Covenant created a unique model for Defence and DHA to manage. It purposely placed a constraint on DHA that limited its management options for the Village. In essence this was part of doing business with Defence. It was not intended its business model would apply in this instance to provide 'adequate and suitable housing.' This was a cost that had to be borne. Notwithstanding it created a significant tension for DHA in terms of their main function directed in the *DHA Act*

and its requirements to act as a Government Business Enterprise (GBE). This is a significant issue that rests outside the TOR but needs addressing in due course.

18. As a result of the DHA wish to apply its business model, there appears to have been a reluctance to invest in improving the Village to any great extent, indicated by the cessation of a refurbishment program that was under way in 2012. The redevelopment concept was then presented to Defence without a complete analysis of the state of the existing houses and no documentation was provided to confirm a thorough identification of risks. The proposal was certainly attractive in terms of achieving the original aim of new housing for ADF members and families, with the added incentive of costs and risks being borne largely by DHA. It could be argued that, during planning, insufficient weight was placed on non financial factors, such as the geography of the Village, the state of existing houses, connection of the Village to significant operational capability, its position and relationship to communities inside the City of Nedlands, and possible adverse reactions to a redevelopment proposal from key stakeholders.

19. The options of redevelopment and refurbishment are both feasible. However, given the difficulties that have arisen during the redevelopment process this option is arguably beyond the culmination point for success. If it is progressed DHA will almost certainly have to 'reset' and start again with a new process of consultation, collaboration and communication. It will continue to be bedevilled by the issues raised in this report. Fundamentally, the 'hearts and minds' campaign has been lost by DHA. Refurbishment is a more conservative approach and would achieve similar results i.e. a quality, long term and sustainable housing solution but importantly it is also likely to produce a superior overall outcome.

20. On its merits, refurbishment is an option that carries less complexities and less risk. Refurbishment is recommended. The challenge is to ensure that, if refurbishment is selected, the same issues do not arise in another 10 to 15 years. The paper provides three models for consideration as to how refurbishment may be taken forward. A long term approach may be to consider the transfer of Seaward Village from DHA to Defence in due course.

RECOMMENDATIONS

21. Following a thorough review of all available information, the following recommendations are made:

- The redevelopment of Seaward Village should not proceed
- The Covenant should remain in place and the sale of land in Seaward Village should not be considered in the short to mid term
- A refurbishment program for Seaward Village should be initiated as soon as possible, designed to provide high quality refurbished houses and reduce disruption to ADF members and their families
- Consideration should be given to ownership transfer of Seaward Village from DHA to Defence in the long term
- Robust communication strategies should be developed to support the refurbishment program

ACKNOWLEDGEMENT

The Review wishes to acknowledge with thanks the information and assistance provided by the following during the course of the Review:

| | |
|---|--|
| Minister J Bishop | Liberal Member for Curtin |
| Senator D Smith | WA Liberal |
| The Hon A Hastie | Liberal Member for Canning |
| The Hon C Barnett | WA Premier, Member for Cottesloe |
| Mr D Richardson | Secretary Department of Defence |
| MAJGEN F McLachlan | AHQ |
| MAJGEN J Sengelman | SOCAUST |
| Mr S Grzeskowiak | DEPSECEIG |
| Mr P Prior | CFO |
| Mr D Spouse | FAS FS |
| Mr P Hetherington | A/FAS RA |
| Mr P Way | DGDCO |
| Mrs R Ritchie | NC DFA |
| RADM B Wolski | DGWP |
| Ms J Greig | A/FAS PPC&D |
| BRIG N Beutel | DGCF&I |
| COL S Davies | DSOD |
| Mr Martin Moseley | DSA |
| SAS Regiment | CO, XO, members and families |
| The Hon JAL (Sandy) MacDonald | Chairman DHA |
| Ms J Mason | Acting Managing Director, DHA |
| Mr M Brady | DHA Board Member |
| Ms M Dermatossian | COO DHA |
| Mr J Dietz | GM PPG DHA |
| Mr V Gallagher | GM S&I DHA |
| Mr J Wallace | DHA |
| Mr S Imrie | Partner, HWL Ebsworth Lawyers |
| Mr M Shadbolt | Director, Valuations & Advisory, Jones Lang LaSalle (ACT) Pty Ltd |
| WA Department of Lands | |
| WA Department of Planning | |
| City of Nedlands Council Seaward Village Working Group | |
| National Chairman Australian Special Air Services Association | |
| Friends of Allen Park | |
| Friends of Allen Park Bushland Group | |
| Sayer Street Residents | |
| Swanbourne Coastal Alliance Inc Group | |
| All other groups and individuals who made submissions and petitions to the Review | |

REVIEW OF PROPOSED REDEVELOPMENT OF SEAWARD VILLAGE

References:

- A. *Defence Housing Australia Act (1987)* (as amended)
- B. Defence/DHA Joint Working Party Report dated 10 November 2010
- C. *Services Agreement on Housing and Related Matters* dated 2006 (as amended)
- D. DHA Perth Housing Survey Report of September 2015

INTRODUCTION

1. Critical to comprehending the current issues associated with Seaward Village (the Village) redevelopment is an understanding of the nature of the terrain surrounding Campbell Barracks at Swanbourne, the unique role and tasks of the Special Air Service Regiment (SASR); ADF families living in the Village; and the close relationship of the unit and families to the local communities.

2. The Village is a small estate of 153 service residences (SRs) owned by Defence Housing Australia (DHA). It is nestled in a horse-shoe shaped valley in coastal parkland overlooking the Indian Ocean at Swanbourne in Perth, Western Australia (WA). It was developed on and occupies approximately 21 hectares of sandy undulating terrain that is dominated by Melon Hill, a feature that abuts its south-eastern boundary. The Village is bordered to its south by about 18 hectares of parkland, known as Allen Park, and immediately adjacent to its north is Campbell Barracks, that has been the operational home of SASR for nearly 60 years. The Village is accessed by only two roads: Seaward Avenue (primary access) and Sayer Street. While not closed to the public its geography provides a notable degree of security and privacy to its residents. It is mostly occupied by SASR posted personnel and their families.

3. Since 1999, the SASR has been almost continuously on operations. It has proportionally done much of the operational heavy lifting for the ADF and the Government and is still heavily committed in the Middle East. If not actively on operations, over 60% of the unit at any one time is at very short degrees of notice to move. Many deploy on exercises, training and operations at short notice and experience absence from families for extended periods of time. Its operational tempo is significantly higher than most other organisations in Defence.

4. The nature of SASR work is such that it is operationally necessary for many members to live in close proximity to Campbell Barracks. At the time of writing this report approximately [REDACTED] members live at the Village. The remaining houses are occupied by Defence families posted to the metropolitan area of Perth, some with special needs. An increasing number of houses are becoming vacant due to the redevelopment project. At present, [REDACTED] families receive Rent Allowance.

5. Over the years the Village has been described as part of the ‘*Campbell Barracks - Seaward Village Zone*’² that has provided real and intangible benefits operationally, socially and for the broader community. It is regarded as intrinsic to SASR capability, providing: housing close to work, commensurate with high readiness requirements; a sense of security for families; social cohesion and support, particularly in periods of operational commitments and training activities [REDACTED]; and reassurance for deployed soldiers regarding the welfare of their families during their absence.

6. The Village exists within a broader community in Postcode 6010 that includes the suburbs of Nedlands, Mount Claremont, Swanbourne and Cottesloe. By way of example, Mount Claremont is about eight kilometres from the Central Business District, has a median house price of about \$1.4m, the average age is 44 and the crime rate is 465 crimes per 100,000 population against a WA rate of 1,977. Within the Postcode, many of the streets are peaceful and shady and there is a mix of coastal bushland and parks such as Allen Park. There is a strong sense of community and desire to retain the status quo of a relatively idyllic environment. There is keen interest in the protection of the local environment and flora and fauna.

7. A close relationship exists between SASR and their families, and the local communities. The SASR, and Defence more broadly, has developed an excellent reputation in the area over many years. The unit is highly regarded and has been proudly adopted by the local communities around Swanbourne. The SASR contributes to the economy of the area and Defence families living in the Village are seen as important contributors to the social fabric of the broader community. They participate in local sporting and social activities and their children attend the local schools and the Child Care Centres. The community is very protective of SASR and identifies with it.

8. The Village is currently owned by DHA; however, a Deed of Covenant (the Covenant) between Defence and DHA prohibits leasing of the houses to the private sector and the development or sale of the land. The Covenant is particular to the Village ‘...while Defence maintains the Special Air Service Regiment (SASR) or similar special forces unit and continues to use the Special Training Facilities at Swanbourne...’³ The Covenant was put in place to ensure that the Village and nexus with SASR was recognised in the way DHA managed the Village. The arrangement purposely prevents DHA from applying their business model to this housing stock for operational reasons. A copy of the Covenant is at Annex A.

9. The *Defence Housing Australia Act 1987 (DHA Act)* (Reference A) clearly provides direction to DHA regarding its core responsibility. It states (in part):

‘The main function of DHA is to provide adequate and suitable housing for, and housing-related services to:

² Submission 83

³ Deed of Covenant dated 4 June 2001

a. members of the Defence Force and their families;

... in order to meet the operational needs of the Defence Force and the requirements of the Department.'

Regardless of constraints imposed on DHA i.e. the Covenant and its responsibilities as a Government Business Enterprise (GBE), first and foremost is its duty to provide adequate and suitable housing for the ADF, including in Seaward Village.

10. Over the years various options have been discussed between DHA and Defence regarding the management of the Village and in that time the quality of the housing stock has progressively deteriorated. Currently 43 houses do not comply with agreed standards. This includes eight unoccupied due to maintenance requirements. In early 2014, Defence and DHA agreed that the Village should be redeveloped. Despite previous considerations as to why the land should not be sold, it was agreed that DHA would develop a concept proposal to sell about 25% of the Village for construction of up to 140 private houses. The proceeds from this would be utilised for building new SRs, increasing the total number from 153 to 165.

11. The redevelopment proposal met with unforeseen and considerable opposition from many stakeholders that include: the City of Nedlands Council, the Australian Special Air Service Association (ASASA), Friends of Allen Park (FOAP), Friends of Allen Park Bushland Group (FOAPBG), Sayer Street Residents, Swanbourne Coastal Alliance Inc (SCA), a number of the Village residents and the broader WA community. The stakeholders were well coordinated and their messaging was aligned and focused. In addition at least four prominent politicians, State and Federal, openly stated their concerns regarding the proposal. The issue had relatively high levels of reporting in the WA media. The *West Australian* newspaper, local media and other newspapers and state television have shown interest in the story as it developed. They appear supportive of stakeholder arguments opposed to redevelopment, centred around:

- A perceived lack of rigour in planning leading to logic gaps in the proposal
- A perceived lack of consultation, collaboration and communication
- Cynicism and lack of confidence regarding the motives and future strategy of DHA
- Impact on operational capability, SASR personnel and their families
- Selling of 25% of the land at the Village for 140 private homes
- Concern regarding the demolition of a whole Village of relatively modern houses
- Preference for refurbishment rather than redevelopment
- Prolonged construction of SRs and civilian houses
- Increased traffic, particularly in Sayer Street, and its flow on impact to the surrounding suburbs

- Damage to a pristine and delicate coastal environment

12. There is no doubt that within WA, substantial damage has occurred to the reputation and brand of DHA, and to a lesser degree that of Defence, as a result of the perceived weaknesses in the redevelopment concept; and the overall management and strategic communication of the project.

13. In November 2015, as a result of the very negative reaction by stakeholder groups to the proposed redevelopment, the Assistant Minister for Defence, the Hon Darren Chester, requested Lieutenant General Mark Evans AO, DSC to conduct a Review to *'evaluate the proposal for redevelopment in terms of its effectiveness in delivering quality, long term and sustainable housing for ADF members and their families, and to advise if there are any alternative options that may deliver a similar or superior outcome'*. The Terms of Reference (TOR) for the Review are included earlier in this report. The Review has interpreted the TOR as requiring that a recommendation be made for an option over other options.

14. At the commencement of the Review Lieutenant General Evans was provided a small team to assist, consisting of:

- Group Captain Kathleen Powell, an Air Force Reserve officer with extensive experience in inquiries and administration, including postings in personnel management areas that dealt with ADF housing issues
- Mr Alan McClelland, seconded from Estate and Infrastructure Group Department of Defence where he is Director Relocations and Housing, responsible for managing contracts for the delivery of housing, removal and relocation services to Defence. He provided subject matter expertise on those services to the Review
- Captain Edward Scarr, an Army Reserve officer whose expertise rests in research of complex issues

METHODOLOGY

15. The TOR were released on 26 November 2015 following a public announcement and media release by the Assistant Minister. The following timeline and methodology was applied to the conduct of the Review:

- **26 November 2015 – 9 January 2016:**
 - Consultation and Research
 - Widespread advice of the Review and call for submissions by 15 January 2016 through media advertisements on 8 and 12 December 2015
 - Release of a DEFGRAM on 10 December 2015
- **10 - 15 January 2016:**
 - Visit to Perth including two visits to Seaward Village
 - Meetings with key stakeholders

- **16 January 2016 – 9 February 2016:**
 - Consolidation of information
 - Confirmation of key issues with key stakeholders
 - Legal Review
 - Review of DHA costings
- **10 - 24 February 2016:**
 - Review of DHA costing
 - Development of written report
- **25 February 2016:**
 - Presentation of the report to the Assistant Minister

BACKGROUND

16. Over the past 10 years Defence and DHA have engaged in ongoing discussions to consider options for improving the quality of houses in the Village. The options have taken into account the current standard of the houses and the cost to DHA of maintaining the properties.

17. Seaward Village was originally transferred from Defence to DHA ownership in 1992. It currently contains 153 homes, with 43 requiring major upgrade or replacement by 2017 to comply with Defence minimum housing standards. The remaining 110 houses are compliant but require upgrades. The Village is not old by community standards.

18. In June 2001 the Covenant was established prohibiting DHA from leasing or selling properties to civilians while SASR remained at Swanbourne. Over several years, DHA sought removal of this to allow the houses and land to be sold in accordance with its business model, under the sale and leaseback program. On each occasion, Defence re-affirmed the need to retain the Covenant to ensure long-term Defence housing adjacent to Campbell Barracks, [REDACTED]

19. During the period 1992 to 2010, DHA undertook regular maintenance of the properties and carried out minor upgrades to some houses. However, the minor upgrade program was not completed because the Covenant, from a DHA perspective, made it uneconomical to invest in the properties. This has caused a significant variation in the standard of housing in the Village.

20. In November 2010, a Joint Defence and DHA Working Party (JWP) examined a range of housing issues, including rationalisation of the housing ownership arrangements between Defence and DHA and the future ownership of land and houses at the Village. The JWP report (Reference B) reaffirmed the continued importance of the Village in the provision of housing for SASR; identified that the houses were below the standard provided to Defence personnel in other areas; and recommended that DHA upgrade them to a satisfactory standard. It also recommended that if Defence was unable to lift the Covenant, other options for management should be investigated. This was to include an examination of the

feasibility of transferring Defence off-base properties to DHA in exchange for the land in the Village. Defence re-affirmed the need to retain the Covenant.

21. Over the next three years Defence and DHA jointly considered several options that included:

- **A DHA proposal to completely redevelop the Village.** This would provide additional housing for ADF members posted to Campbell and Irwin Barracks. To partially fund the proposal, DHA asked that Defence land at Irwin Barracks be excised and transferred to DHA. However, the land sought by DHA was not surplus to Defence requirements because of the planned disposal of Leeuwin Barracks and the relocation of units to Irwin Barracks.
- **Replacement of 153 existing properties with 242 new houses.** To fund this, DHA proposed that Defence approve the partial lifting of the Covenant to allow 83 of the 242 housing lots to be sold under the sale and leaseback program. At the end of the leaseback period, 159 houses would remain under DHA ownership. This proposal was further developed in late 2013 and became the basis for the final agreement between Defence and DHA.
- **A proposed transfer between Defence and DHA of off-base annuity properties and the Village.** This transfer was consistent with the recommendations of Reference B. During consideration of this proposal, the Department of Finance and Deregulation raised a number of concerns with land transfer/swap in relation to Commonwealth guidelines and policies; and advised it would need to be progressed through Government under the Budget Process Operational Rules. Given the complexity of Government processes and likely substantial delays in implementation, the proposal was not progressed.
- **A DHA proposal to upgrade the properties with Defence contributing to the cost.** The Defence preference was for DHA to fully fund the upgrade. However; to progress the proposal it took into account the restrictions of the Covenant and DHA advice that it was uneconomical to upgrade the houses. If this option was progressed, it was agreed at the working level that the Defence contribution would not exceed 50% of the total estimated cost.

22. On 11 February 2014, the Secretary and Chief of the Defence Force (CDF) met with the Chairman DHA to discuss the DHA proposal for future housing development at the Village. At this time DHA:

- Acknowledged the houses in the Village were *'in a poor state and need to be upgraded or replaced as a matter of urgency.... There is an obligation to have this work completed by 2017, the deadline nominated by Defence in 2006 for all housing stock to meet its minimum standard.'*⁴

⁴ This comment was first raised with Defence in a letter from Chairman DHA to Secretary of Defence dated 23 August 2013.

- Advised Defence ‘with the Covenant in place, DHA is not in a position to make the level of investment required to upgrade Seaward Village without assistance from Defence.’⁵ The ageing condition of the properties and infrastructure made them commercially unviable to repair or upgrade with the Covenant in place.
- Advised that based on 2013/14 estimates, a major upgrade of the 43 non-compliant houses would cost an [REDACTED] per house with a major upgrade for the remaining 110 houses costing [REDACTED]. Further, costly repairs, upgrades or a complete rebuild would be needed in about 10-15 years if the 153 houses were upgraded in 2015.
- Advised that the proposed redevelopment, partially funded by the sell-off of about 25% of the land to the public, was commercially viable and the preferred DHA option. With income from the sell-off, construction of approximately 163 new SRs could be fully funded by DHA.
- Estimated that the net cost of the proposed redevelopment would be about \$25m, which was slightly more than the cost of upgrading the existing houses. However, the advantage of the proposed redevelopment, partially funded by the sale of lots to the public, was that new, larger houses with much reduced maintenance costs would be provided on smaller blocks, ensuring a longer-term solution than the upgrade option.

In view of the foregoing, DHA sought agreement for the lifting of the Covenant to allow it to proceed with full redevelopment of the site and partial sale of the land to fund the redevelopment.

23. On 5 March 2014, the Secretary and CDF co-signed a letter to the DHA Chairman, Mr Volker, agreeing the redevelopment proposal and the preparation of a joint ministerial submission to the Assistant Minister for Defence the Hon Stuart Robert, outlining the way forward.⁶ In the Joint Ministerial Submission dated 27 March 2014, Defence and DHA informed the Assistant Minister for Defence that Defence and DHA mutually agreed the proposed redevelopment and gave in-principle agreement to the partial lifting of the Covenant. A written brief was forwarded to the Assistant Minister outlining the proposal.⁷

24. On 10 November 2014, a joint Defence and DHA Ministerial Submission provided a mutually agreed way forward for the redevelopment, including an updated draft Concept Plan. The key agreed outcomes were:

- Defence would seek approval for the transfer of three blocks of Defence-owned land, adjacent to the Village, under Section 60 of the *DHA Act*
- DHA would construct 165 new three and four bedroom dwellings for Defence families

⁵ Ibid.

⁶ Letter SEC/OUT/2014/66 CDF/OUT/2014 201 dated 5 March 2014

⁷ Ministerial Advice Robert:MA14-000996 dated 27 March 2014

- There was in-principle agreement to the partial lifting of the Covenant on the land to allow redevelopment to occur and the sale of about 25% of the site area
- Civilian lots for sale to the general public would be in an area clearly separated from Campbell Barracks and the Village
- Fencing along the boundary between Defence houses and proposed civilian lots would provide a security barrier should isolation of the Defence area be necessary
- DHA would provide a replacement Child Care Centre, allowing continuity of business to prevent disruption to families
- DHA would continue to allocate existing houses to Defence families up until an agreed time
- The proposal was subject to satisfactory financing and cash flow arrangements

25. On 13 March 2015, the Assistant Minister for Defence wrote to Defence and Army senior officials outlining the key principles that were to guide the redevelopment⁸ as follows:

- About 25% of the land could be sold to fund the redevelopment, and the sale must meet Army's security requirements
- A rolling one-stage development would allow families to stay within the Village
- An increase in the number of available houses, with a range of different property types, would give residents more choice depending on their personal circumstances
- Large backyards would remain a feature
- There would be separate entry roads to the redeveloped Village. One for Defence residents and one for those living in the 25% sold off portion
- Allocation of existing houses to new families would cease at a date mutually agreed by Army and DHA, with remaining families able to stay during the redevelopment, noting they may have to move within the Village precinct
- The Child Care Centre would operate continuously, with the old closing on Friday and the new opening on Monday to ensure minimal disruption
- Newly posted families to SASR would be housed in close proximity to Campbell Barracks (ideally no more than 10km away), with any extra costs for increased rent ceilings approved at public expense

⁸ AMINDEF/OUT/2015/019 dated 13 March 2015

DHA REDEVELOPMENT PROPOSAL

General

26. DHA provided a submission to the Review regarding the redevelopment proposal: *DHA Submission – Seaward Village Review* dated 15 January 2016 (Annex B). Costings for the proposed redevelopment are contained in Annexes C, D and E and are discussed later in this report.

27. DHA owns the properties and manages the Village as part of its Defence housing portfolio and over the period 2016 - 2022 plans to redevelop the site to provide modern homes for ADF members and their families posted to Perth. The redevelopment concept involves the phased demolition of the existing homes, delivering 165 modern homes along with new streets, parkland areas and a new childcare facility.

28. To assist in funding the project, the Government, Secretary of the Department of Defence and CDF agreed that DHA could sell a portion of the total site area to the public. The sale of developed housing lots to the private market would partly offset the significant cost of the redevelopment, with the balance to be funded by DHA. A major consideration in this course of action was that the development would be totally funded by DHA, with no call on Defence or Government funding.

29. The proposal to redevelop the Village that was presented to key decision makers focused on the end state and the bottom line. There is no evidence that alternatives to redevelopment were fully explored or presented, nor were the risks to this course of action identified or exposed. Surprisingly, a complete survey of the housing stock in the Village was not conducted prior to the development of the proposal. The underpinnings to the proposal, on the evidence presented, do not appear comprehensive.

Proposed Redevelopment Concept

30. DHA proposed the construction of up to 145 detached houses and 20 townhouses (165 total), providing a mix of double and single storey, three and four bedroom homes, to take advantage of modern sustainability features. DHA would maximise the number of homes built to the 'Silver' level of the *'Liveable Housing Guidelines.'*⁹ This allows easier access for occupants with disabilities or injuries and is 'fitted for but not with' bathroom features that enable easy modification. This feature is not in existing houses but is being included in the majority of new DHA houses across Australia.

31. The redevelopment project was designed to improve the housing standard for ADF families in the Village by bringing the quality and size of homes into line with contemporary standards and quality that DHA provides elsewhere. DHA would

⁹ http://liveablehousingaustralia.org.au/library/help/Liveable_Housing_Design_Guidelines_Web1.pdf

also undertake significant works to improve the parks and recreation areas within the site.

32. As part of the redevelopment concept, approximately 141 new lots would be created in addition to 165 houses for ADF families. These would be sold on the private market and construction would be the responsibility of the buyer. The purchasers would be bound by design guidelines to ensure all future development on this land would be in keeping with the local ambiance while maintaining the privacy of the Defence community.

33. WA Planning Commission guidelines require the site to have two access points for emergency access and evacuation. Seaward Avenue and Sayer Street would continue to be the access points. After consultation with stakeholders, DHA redesigned the layout to maximise the number of vehicles using Seaward Avenue, thus reducing the impact on Sayer Street. Other access options were considered unfeasible due to a range of factors.

34. Further redevelopment concept plans have been developed by DHA after consultation with Defence, Army and other stakeholders. DHA has also been working to bring the concept to fruition by collaborating with the WA State Government and the City of Nedlands Council. A detailed plan has still to be provided for approval by Defence and Army.

Undertakings to Seaward Village Residents

35. In accordance with Ministerial guidance, DHA provided an undertaking that ADF members and their families who reside in the Village when construction commenced would have two options:

- Remain during the construction period, with a possible move within the Village during this time
- Move out of the Village and occupy a suitable house within a reasonable distance of the base, with the option of returning at the completion of the redevelopment

Breakdown of redeveloped Seaward Village Areas

36. The following tables outline the percentage of the total areas dedicated for each proposed use:

| Existing | | |
|--------------------------------|-----------|-------|
| Land Use | Area (m2) | % |
| Public Open Space (POS) | 27,838 | 15.48 |
| Road reserves | 45,953 | 25.54 |
| Residential | 103,184 | 57.37 |
| Child Care | 2,897 | 1.61 |
| Commonwealth (inc. Melon Hill) | 32,353 | N/A |
| Total (less Commonwealth land) | 179872 | 100 |

| Concept | | |
|-------------------------------|-----------|-------|
| Land Use | Area (m2) | % |
| DHA Lots | 71,809 | 35.89 |
| Civilian | 51,250 | 25.6 |
| Childcare | 2,134 | 1.06 |
| POS | 26,147 | 13.06 |
| Commonwealth/Melon Hill | 12,092 | N/A |
| Public Access Way & Emergency | 931 | 0.47 |
| Roads | 47,862 | 23.92 |
| Total | 200133 | 100 |

Land Use Observations

37. The following observations are provided on this information:

- In the redevelopment, Commonwealth land (including Melon Hill) reduces from 32,353 to 12,092 m2 and the difference (20,262 m2) is included in the figure for the land to be sold to the public
- 41.6% of the residential land is being made available for civilian lots. The calculation to determine 'about 25% of the land' for sale has used all land in the Village (including roads, the Child Care Centre, etc) as its basis. This calculation has been a contentious issue for many stakeholders

- There has been a 30% reduction in the land allocated for DHA owned housing even though there are 12 additional properties
- There has been a reduction in the amount of land provided for the POS and the Child Care Centre

Proposed Program

38. The proposal for redevelopment is a multi-year, phased project, with anticipated timeframes as follows:

| Date | Activity |
|------------------|--|
| Mid 2016 | Construction of new Child Care Centre begins (including demolition of a small number of homes) |
| Early – mid 2017 | Existing Child Care Centre closes. New Centre complete and operational |
| Early – mid 2017 | Phased demolition and construction of new homes begins |
| Late 2019 | First new Defence homes complete Phased construction of new homes continues |
| 2019 – 2023 | Sale of 141 lots to the public |
| 2022 | Redevelopment of all 165 DHA homes complete |

DHA has ceased work on the redevelopment option; therefore, it is unlikely that this timeline will be achieved.

Advantages

39. The proposed redevelopment, partially funded by a sell-off of lots to the public, has the advantage that new, quality, larger houses with reduced maintenance costs would provide a long term housing solution for ADF members and their families. Other key benefits envisaged by DHA were:

- Existing drainage infrastructure would be removed and replaced with underground storm water storage
- The new houses would be purpose built for the environment and increase asset value for DHA
- A long term housing solution would be delivered at a lower overall cost, at no additional cost to Defence other than an increased rental cost

Disadvantages

40. The following disadvantages of the redevelopment proposal were identified in submissions to the Review:

- The sale of about 25% of the Village and of significant ‘Defence’ Land, primarily bushland, for property development, with adverse impacts on local flora and fauna
- Potential impact on SASR operational activities and training
- A reduction in security for families

- Disruption to ADF families, including the potential need for them to move, with consequences for spouse employment and children having to change schools
- The duration of the project beyond six years
- Smaller gardens for the SRs; a reduction in the amount of public open space and parkland in the Village and destruction of three memorial parks named after deceased SASR soldiers: Baines, Harris and Jones
- Increased traffic flow, particularly in Sayer Street

Approval Process Risks

41. Agreement by Defence, DHA and the Federal Government is not an assurance that the proposed redevelopment will proceed. It remains subject to WA statutory planning approval processes. The project cannot proceed until the WA Government transfers state owned land to DHA. While DHA has applied for this land transfer, the application is currently not being progressed by the Department of Lands because of opposition to the project. The City of Nedlands Council, which has formed a Seaward Village Working Group that clearly opposes the redevelopment, will also be involved.

42. The Review notes that DHA is seeking to establish a broader planning framework via an Improvement Plan/Improvement Scheme process administered by the WA Planning Commission. This scheme is reserved for significant and complex projects and the proposed redevelopment has been accepted by the WA Planning Commission as such, due to the unique nature of the site, including:

- Urban design layout driven by Defence security requirements
- Complex zoning and land ownership issues
- The proposed road and open space relocation processes
- Requirement for timely management of the approval process

KEY ISSUES ARISING FROM REDEVELOPMENT

Stakeholder Engagement

43. The Seaward Village Review was broadly publicised to ensure that those who wished to express a view had the opportunity to do so. Advertisements were placed in *The Australian* and *West Australian* newspapers on 8 and 12 December 2015. The advertisement was also sent to WA local community newspapers. Within Defence, a DEFGRAM was distributed on 10 December 2015. The general public and Defence members were invited to make submissions by 15 January 2016.

44. In accordance with the TOR, consultation took place with Defence, DHA, the State Government, the local Council, the ASASA, Seaward Village residents, the FOAP, FOAPBG, the neighbouring civilian community and other parties that had a direct and legitimate interest in the redevelopment proposal. Any additional

stakeholders identified by Defence, DHA and the Assistant Minister's office were contacted, many of whom made a submission to the Review.

45. As noted earlier, the concept of redevelopment and partial sale of the Village was opposed by numerous stakeholder groups and individuals. While it is not unusual for there to be resistance to large projects such as this, generally attitudes soften over time after the benefits of the project become more widely recognised and accepted. This has not been the case in this instance. Resistance has strengthened and the basis for criticism has become more informed.

46. A visit to Perth was conducted during the week 11 - 15 January 2016, as part of the information gathering process and for the purpose of seeing the Village and hearing the views of residents, ADF members and other interest groups and individuals. Consultation with relevant WA Government Departments and the City of Nedlands Council Seaward Village Working Group was also arranged.

47. There was some cynicism about the timing and short duration of the Review, over Christmas and New Year during a stand down leave period for the SASR and when many in the community were said to be on holidays. Despite this, SASR and various interest groups managed to arrange meetings to inform the Review process. While ADF members and their families and most community members saw the visit in a positive light, SCA and City of Nedlands Council questioned the impartiality of the Review. Notwithstanding, all key stakeholders provided submissions within the advised timeframe.

48. The program for the visit included the following:

- A DHA liaison day: inspection of the Village and examples of other DHA housing in the area, and discussions about the proposed redevelopment
- Inspection of a range of houses in the Village
- Meeting with Minister Julie Bishop and the Hon Andrew Hastie
- Meeting with Senator Dean Smith
- Discussions with ADF members and their families at the Village (approx 50 attendees)
- Meetings with the Commissioner, WA Planning Commission and his staff and WA Department of Lands staff
- Meeting with the National Chairman, ASASA
- Tour of Melon Hill with SCA representatives and community members (approx 30 attendees)
- Tour of Sayer Street and meeting with Sayer Street residents (approx 15 attendees)
- Meeting with the City of Nedlands Council Seaward Village Working Group

- Meeting at Allen Park Tennis Club, arranged by FOAP, attended by various community interest groups (approx 100 attendees)

Submissions to the Review

49. In addition to the DHA submissions previously mentioned, the Review received 84 submissions from groups and individuals. Six of the 84 made a supplementary submission. Without exception, they all opposed the redevelopment proposal. The submissions are included separately at Annex F.¹⁰

50. In particular, the Review received submissions from:

- The Hon Colin Barnett, WA Premier and local member for Cottesloe:
 - Indicating support for SAS families, who favour a less disruptive refurbishment program and hold concerns about the impact on security if there was a mix of civilian and Defence homes in the Village
 - Acknowledging the scope for some higher density housing (apartments and town houses) for Defence couples without children and single members
 - Conveying the concerns of local residents and environmental groups over the loss of local bush land and increased traffic, and
 - Noting the Nedlands Council motion to close Sayer Street
- A retired former SASR commanding officer (CO) and Commander SF, who expressed concern about the impact on security (both to Campbell Barracks and ADF families in the Village). He believes greater consideration should be given to the potential for increased security threat to families and the barracks. He also envisaged further limitations to essential training arising from noise complaints from civilians who purchase the proposed new housing
- A retired former SASR CO who opposed the plan on security and social impact grounds, stressing the importance of the support mechanisms available to families by virtue of them residing in the Village. In his experience, housing in the Village was a significant retention factor for SASR
- The City of Nedlands Council that believes ‘... *most of the community opposition to the proposed redevelopment would evaporate if the sale of private lots was removed from the proposal.*’¹¹ The Council:
 - Objects to the DHA redevelopment plan
 - Considers a ‘*normal*’ process should have been followed, involving a Scheme Amendment to the Town Planning Scheme followed by a Development Application
 - Requests formal input by the City in the decision making process

¹⁰ The information at Annex F has been collected without express consent being given to the public disclosure of personal information and it should be managed in accordance with Australian Privacy Principles under the *Privacy Act 1988*

¹¹ Submission 25

- Seaward Village residents who are concerned about poor DHA communication, reduction in the size of back yards and the possibility of two storey houses. They support the refurbishment option and have concerns about the social impact of redeveloping the Village
- The Chairman of the ASASA, who believes DHA profit is the foremost consideration in the proposal and that redevelopment will impact adversely on security, operational and training requirements for SASR.
- Former ADF members who believe the Covenant must remain, security is an issue with the proposed plan and refurbishment is a better option
- The SCA was critical of the timing of the Review, said insufficient time would be given to submissions and that DHA would have a disproportionate input and influence. The lack of impartiality of the Review was also questioned. SCA believes the redevelopment will impose a completely unacceptable impact on the bushland and amenity of the Allen Park precinct
- The FOAPBG has worked for 17 years on restoration of the Park (named after a Gallipoli veteran, John Allen), which is extensively used by the community. They believe the proposal for demolition of houses in the Village is unacceptable and note refurbishment allows retention of streetscapes and topography. They also expressed concern that the three parks within the village named after deceased soldiers would be destroyed
- Two Architects, one of whom sought a meeting to present a new concept for the redevelopment and another who was critical of urban design aspects of the DHA plan and proposed an alternative plan
- A Practising Valuer, who questioned the redevelopment when refurbishment was a cheaper and better option
- A suitably qualified person who focused on traffic issues and impacts, also citing other proposed developments in the area, the cumulative effect of which would have an adverse impact

51. The remainder of submissions came from local residents and community groups. The issues raised are summarised below:

- **In relation to DHA:**
 - the business model appeared to have taken priority over other important factors
 - the plan was ill conceived and poorly developed
 - the cost benefit of the proposed redevelopment was questioned and seen as unnecessary and wasteful
 - the Child Care Centre had recently been upgraded and a new Centre was now proposed
 - there has been poor strategic communication and a lack of consultation and sensitivity

- **In relation to Seaward Village houses:**
 - the need for improvement in the houses was acknowledged
 - the need for quality, long term sustainable housing was agreed
 - the rationale for demolishing the Village was questioned
 - a complete survey of the existing houses was considered necessary
- **ADF members and their families in Seaward Village:**
 - will face considerable disruption if required to vacate houses during the redevelopment
 - are concerned about the future of the Village and this has impacted adversely on morale
 - have concerns about security and also fear the loss of the Village as a respite location and supportive environment for families during deployment
 - distrust DHA and fear they will not be able to return to the Village if they vacate for a lengthy period
 - the current level of maintenance of the homes is poor and some believe DHA has allowed the houses to degrade by doing minimal maintenance
 - DHA is receiving full rent for the houses and therefore should continue to maintain them
- **Community concerns**
 - empathy with SASR regarding family disruption
 - security issues
 - impact on local schools if the Village is unoccupied for a number of years
 - impact on parkland on Melon Hill, Allen Park and surrounds
 - loss of Memorial Parks in Seaward Village
 - traffic problems, Sayer Street in particular
 - environmental matters, impact on pristine areas and the habitat for the Carnaby's Black Cockatoos

Petition

52. In addition to individual submissions, an online Petition: '*Protect Seaward Village and Save Allen Park,*' arranged by FOAP, was endorsed by 575 supporters. Overall, the views expressed in the Petition reflect concerns for the security and welfare of Defence families, environmental concerns, planning issues and loss of local amenity.

Summary

53. In summary, numerous important issues have been raised by various stakeholders that have potential to impact on the successful outcome of this project to varying degrees. They range from the existing Covenant; the merits of redevelopment; linkage to SASR capability, i.e. security, encroachment and noise, and social issues; through to the environment, traffic, and strategic communication. As noted earlier,

other than submissions from DHA, no submissions were received in support of the proposed redevelopment.

The Covenant

54. In 1992, Defence (acting for the Commonwealth) transferred to DHA its interest in land at the Village. In 2001, Defence and DHA entered into an unregistered Deed of Covenant in which DHA undertook:

‘... that while Defence maintains the Special Air Service Regiment (“SASR”) or some similar special forces unit and continues to use the Special Training Facilities at Swanbourne, DHA will not:

1.1 lease any house in the estate into the private sector without the consent of the Minister for Defence; or

1.2 deal with or encumber or sell any of the houses or undeveloped parts of the land into the private sector.’

55. Since its introduction, the Covenant has been an effective method of ensuring property in the Village is retained for the exclusive use of housing ADF members and their families, as originally intended. However, as the redevelopment proposal has been agreed and requires that DHA sell about 25% of the land on the private market, a variation or replacement of the Covenant is now required.

56. In order to achieve this, Defence and DHA must mutually agree to either vary the terms of the current Covenant or terminate it and establish a new one. The second course of action is preferred as the Covenant can be updated and expanded to include undeveloped Defence land being transferred to DHA at no cost. It could also include arrangements for the Child Care Centre.

57. Defence has confirmed that a new Covenant would be established on the properties retained in DHA ownership for use by ADF members and their families. This would place similar restrictions on the sale and leasing of properties as the current version.

58. DHA has agreed to establish a restriction on the Title of the land it sells to civilians to ensure the Security Principles advised to DHA by Defence are implemented. Defence has sought specific details of the measures being proposed by DHA to ensure its requirements are being met.¹²

¹² Director Relocations and Housing email to COO DHA dated 1 February 2016

The Nexus with SASR

General

59. Fundamental to the proposal for redevelopment should have been consideration of the interconnectedness of the Village to Campbell Barracks that creates a 'Campbell Barracks – Seaward Village Zone'.¹³

60. Since its raising, the home base for SASR has been Campbell Barracks. The Village was initially developed as 'on base' housing to accommodate their families. Over time the housing policy has evolved and the SRs within the Village have been made available to non-SASR personnel, principally to those who work at Irwin Barracks in Karrakatta with priority given to families with special needs. Notwithstanding, the linkage of the Village to SASR operational capability has been affirmed on numerous occasions. During the Review key issues regarding the redevelopment and SASR operational capability, including morale, security, encroachment and noise, social impact and child care were examined.

Operational Capability

61. SASR is a high profile unit in the Defence Order of Battle. It has gained a tremendous reputation internationally, domestically and within Defence for its professionalism and effectiveness as a SF unit. It is likely that future national security challenges are to be characterised by continuous and increasingly non-linear threats below the threshold of accepted military operations. SASR, along with a number of other agencies beyond Defence, is likely to be at the forefront of activities that will counter such threats. The current high tempo of the unit is, if anything, more likely to increase rather than decrease.

62. Reinforcing the importance of the SF capability has been the decision by Government to enhance Campbell Barracks facilities to a capital cost of \$223.6m. This will provide SASR with functional and flexible purpose built facilities and improved infrastructure; enabling SASR to maintain and develop its operational capability efficiently and effectively. The decision reinforces the strategic and operational importance of the base into the future.

63. Notwithstanding the broader utility of the Village to the Defence Community in WA, SASR tenants are the priority and its close proximity to Campbell Barracks creates an obvious nexus with the SF capability. It provides the SASR with homes for the core of its members with dependants that are close to its workplace and amenities; and privacy and security in a peaceful and quiet environment that is affordable in an expensive housing market. The importance of the contribution to capability was identified in Reference B:

'SASR is arguably the most operationally active unit in the ADF and a high percentage of its members are deployed at any one time. Housing at Seaward Village is an important part of the support provided to the families of SASR members.'

¹³ Submission 83

The redevelopment of the Village has proven to be a distraction to members of a unit experiencing a very high operational tempo, largely due to the angst it has caused amongst their families.

Security

64. Nearly 30% of the submissions received raised the issue of diminished security as a result of the redevelopment, either relating to operational capability at Campbell Barracks and/or residents of the Village.

65. During the period May - July 2015 the Defence Security and Vetting Service (DS&VS) facilitated a Security Risk Assessment for Campbell Barracks. This portion of the security review was sought to assist Army consideration of the DHA proposal for redevelopment. Observations made by DS&VS were:

'The Village reflects similarities to a gated community, and although the public can access the roads the lack of through traffic limits the frequency of non-resident traffic resulting in a greater prospect of residents identifying activity that is out of the ordinary or unusual ... the existing layout and community has fostered a strong perception of safety and security to those in the community and those who enter the community. The current arrangements personify many of the principles of Crime Prevention Through Environmental Design (CPTED).'

66. Discussions with residents and families confirmed a strong sense of security with the current Village configuration. Families on the whole perceived that they were safe. Deployed personnel take comfort that their families are in the Village community. In their view, the redevelopment diminishes this sense of security.

67. The point of contact for the DS&VS review agreed that given the encroachment of civilian housing upon the Village there would be a diminution to the perceived level of security by residents of the Village. However, the risk assessment concluded the actual residual security risks for both Campbell Barracks and the Village, as a result of redevelopment, did not exceed risk tolerance levels for Defence Establishments across Australia. This security review was subsequently endorsed by Army.

68. At the request of Army, DS&VS developed a series of recommended security design principles. These design principles were based on accepted CPTED theory for the redevelopment. Army approved the principles and sought assurance from DHA that they would be applied in totality to the planning and execution of the redevelopment. DHA has subsequently stated they do not anticipate any impediments to the full application of the security design principles and sought permission to proceed with the redevelopment work as previously agreed. Army recently sought further information from DHA to allow the redevelopment plans to be fully considered and approved. Although security concerns regarding the proposed redevelopment have been raised by current tenants, they should not, of themselves, prevent the project from going ahead if the redevelopment complies with the design

principles and Army requirements. Notwithstanding, there will be an impact on security as a result of the redevelopment.

Encroachment and Noise

69. ██████████ SASR is likely to remain in Swanbourne for many years to come. Its current location does not provide it with the benefits of residing within a larger secure military base as is the case with SF units of other nations, in terms of providing a buffer from civilian communities when conducting operational activities. However, its geographic position currently provides some characteristics of this necessary buffer: to the north of the Barracks is the beach coastal reserve of City Beach, further enhanced by the close training area and field ranges; to the east is Bold Park and the Cottesloe Golf Club, combined with the eastern berm along the two lane West Coast Highway; to the west the Indian Ocean with a fence line along the complete length of the barracks; and to the South is Seaward Village, currently occupied exclusively by ADF personnel and their families.

70. A high level of training activity occurs within Campbell Barracks throughout the year determined by the training cycle and operational imperatives of the unit. The characteristics of the unit require continuous 24 hour operational and mobility training that includes significant helicopter operations. The range complexes are significant and sophisticated and constant use of all types of munitions and explosives by day and night are necessary for the unit to maintain its operational edge. This creates a noisy environment that can affect neighbouring areas.

71. In order to provide noise management controls for on base ranges and to minimise disruption to surrounding areas, a self imposed curfew period currently exists and has done so for around 20 years. This means that in accordance with Unit Range Standing Orders, live firing (without weapon suppressors) and use of explosives can occur between 0600 - 2100 hours. Live firing and training that might generate excess noise can be granted by the CO outside of these timings in exceptional circumstances. Notices to the public are raised as required, giving warnings about excessive noise associated with training.

72. Service families who reside in close proximity to operational bases are accustomed to the impacts of operational noise and activity. Future encroachment of civilian housing into the buffer zone of the Village will inevitably create pressure for SASR to curtail or adjust operational and training activities; and potentially will require Defence to manage compensation claims under the *Defence Force Regulations 1952*. This issue is of concern.

Social Impact in SASR

73. Broader social impacts are discussed elsewhere in this report; however, there have been social impacts particular to the Village residents. The redevelopment proposal has created significant worry and anxiety for families, for a number of reasons evident in the report and in the submissions received. These were reinforced during the visit to Perth. ADF members and their spouses advised they were satisfied with the existing accommodation and surrounds while acknowledging the need for the houses to be refurbished. They sought to avoid the significant disruption that the

redevelopment option would cause. This concern has overflowed to create disquiet. Some spouses said that issues surrounding redevelopment are likely to have an impact on whether their partners remain in the ADF. A SASR soldier advised that the redevelopment had impacted on the wellbeing of his family and this may cause him to separate from the Army. (His own reaction to redevelopment centred on potential risks to training.) It is clear that the issue has had an effect on unit morale.

74. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Child Care

75. The Defence Child Care program is managed by the Defence Community Organisation (DCO) and provides services and support to ADF families. The Sunny Child Care Centre, located on Seaward Ave, Swanbourne is one of the Centres in the Defence program. It has a licensed capacity for 47 children per day.

76. In mid April 2015 representatives of DHA met with the DCO staff to discuss a concept for rehousing the Child Care Centre as part of the redevelopment. On completion, the children would transfer to the new centre and the old centre would be demolished. The redevelopment would meet the current level of licensing.

77. There is no evidence that the existing Child Care centre is unsuitable. Therefore, if the proposed redevelopment does not proceed, there is no need to replace the Centre. Similarly, child care issues do not prevent the redevelopment.

¹⁴ Submission 82

Summary

78. All military organisations will ultimately carry out the direction of their commanders and this is the case with SASR regarding the proposed redevelopment. Irrespective of this, and despite the fact that a DHA Perth Housing Survey Report of September 2015 (Reference D) reported *'that of 61 respondents in SV (sic), 59% supported a redevelopment to some degree, 20% were against it to some degree and 21% were neutral or had no opinion,'* redevelopment has caused disquiet. There is no doubt that the current decision to rebuild and sell some of the land at the Village has created considerable concern and distraction amongst members of the unit and their families that does not appear to be reflected in the Survey. One submission addressed the issue of the Survey:

'The fundamental flaws of the survey are that:

- 1. It never disclosed that the redevelopment would result in a land sale of approximately 50% of the current housing area. This is a serious omission at best or a dishonest and manipulative tactic at worst;*
- 2. It never offered any other option, such as renovating homes. This is, again, a significant omission; and*
- 3. The survey was long, lacked clarity, and was cleverly written to give DHA the results they wanted, rather than to provide them with an accurate representation of members' opinions.^{15,}*

79. During the visit to Perth at a meeting with approximately 50 Village residents on 13 January 2016, there was a unanimous indication that a refurbishment option was preferred. It was clear from discussions with soldiers and their families that the redevelopment had become more than just an irritant, that it had impacted on morale and was likely to affect retention in the unit.

80. [REDACTED]

[REDACTED]

¹⁵ Submission 22A

¹⁶ Submission 71

[REDACTED]

81. The redevelopment proposal brings with it a number of complexities that do not appear to have been given due consideration. Whatever concept for improving the Village is selected there remains a clear nexus between the Village and the SF capability. Significant weight should be placed on maintaining the integrity of a high end operational capability through consideration of the needs of Defence personnel engaged in continuous and dangerous activities, and those of their families, at a time of very high operational tempo for that particular unit.

Broader Community Issues

82. People in the local community surrounding the Village enjoy a quiet coastal lifestyle and are happy with their existing relationship with Defence and Campbell Barracks. They are opposed to the redevelopment proposal. Sentiments expressed by community stakeholders are similar those of the Village residents. They consistently mentioned their satisfaction with the existing relationship with SASR and the Village residents. There is strong local opposition to the proposed redevelopment that is primarily focused on the disruption to ADF families, adverse impacts on the local environment and Allen Park and the increased flow of traffic into Sayer Street and the surrounding neighborhood. Various elements of the broader community place different emphasis on each issue but they appear interconnected, well informed and coherent.

Environment

83. Of the submissions received, 25% cited environmental issues as a reason for their opposition to the redevelopment proposal. In addition, 575 people signed an on-line Petition to save Seaward Village and Allen Park. The FOAPBG submission provided background in relation to the historical significance of this park *'for Recreation...and Natural Gardens and a Lookout...for the people...for all time.'*¹⁷ Since the creation of the Park, much grant money and community effort has been expended in preserving and improving the area which is now a valued community recreation facility.

84. Another submission described Allen Park as the *'hub'* of the area, *'a total of approximately 18 hectares consisting of eight hectares of recreational space and eight hectares of bushland reserve. It is often described as the "lungs of Swanbourne." The tree canopy of peppermints and rare, aged tuart trees among coastal bushland supports wildlife, flocks of owls and the endangered Carnaby's Black Cockatoo as well as providing highly valued "mental space for humans."* Many local residents support the following view expressed in this submission: *'the redevelopment proposal has made poorly researched assumptions about the availability of community land which, if used, will have a long lasting and detrimental effect on the whole Allen Park Precinct.'*¹⁸

¹⁷ Submission 18

¹⁸ Submission 8

85. It should be noted that the DHA proposal does not intend to reduce the size of Allen Park and some residents have made the assumption that Defence owned land adjacent to the Village is part of Allen Park. Informed stakeholders understood the difference and proposed that this Defence land, including Melon Hill, should be incorporated into Allen Park.

86. DHA commissioned an environmental study of the Village area, with a Flora and Fauna Survey completed in late 2015. The study did not identify any issues that would prevent the redevelopment from proceeding. DHA advise that a detailed assessment of the environmental requirements will be made by relevant authorities as part of the planning process and they will comply with all State and Federal Environmental legislation. DHA has undertaken a detailed Bushfire Risk Assessment and the site is classified as a bushfire prone area, hence the importance of the two access/egress points in the existing Village and for any redevelopment. On the available advice, there is no long term environmental reason to prevent the progression of this option.

Traffic

87. The WA Planning Department Bush Fire Management Guidelines require that any Seaward Village redevelopment have two separate access routes for emergency access and evacuation. At present, access to the Village is gained primarily through Seaward Avenue, with Sayer Street providing secondary access. The redevelopment proposal would see no change to this existing access network although there will be an increase in the flow of traffic on Sayer Street.

88. DHA-commissioned independent modelling indicates that, under the current proposal, traffic along Sayer Street will increase from 230 to 724 vehicles per day. In the morning peak hour, it is anticipated that 60 vehicles would use Sayer Street (equating to approximately one vehicle per minute). This is below the design limit of this street which planning guidelines advise could cope with 3,000 vehicles per day. DHA has investigated other access roads. These include:

- A public access road through Campbell Barracks, an option not supported by Defence. Because it runs parallel to Seaward Avenue it does not provide a viable alternative route
- A road south through Allen Park, connecting to Odern Crescent. Initial advice to DHA is that this would not be supported by the City of Nedlands Council

While residents have a contra view, DHA advice is that the existing road network has the design capacity to accommodate the projected traffic volume increase and the issue of traffic on Sayer Street would not, of itself, prevent the redevelopment from going ahead as planned.

89. The residents of Sayer Street and the City of Nedlands Council object to the ongoing use of Sayer Street as a point of access/egress to the Village and say they intend to close and remove the portion of Sayer Street that traverses the existing A-Class reserve. They propose a track with '*knock down bollards*' that would be

available for emergency use only. Several submissions addressed this point. One stated: [the DHA] ‘...*planning path is to use an existing road, Sayer Street as the primary ingress and egress for the proposed development. Part of the route that runs from Seaward Village into Sayer Street is an A Class Reserve which DHA is proposing to breach.*’ This would ‘*cause much public antagonism in the future, because of the environmental damage and loss of habitat to endangered species along with a very detrimental traffic impact on the local civilian community. That antagonism will most likely, albeit incorrectly, be directed towards the Department of Defence and Campbell Barracks instead of towards DHA...*’¹⁹

90. DHA advice is that Sayer Street is the most appropriate secondary access route, both for Seaward Village residents and the wider Swanbourne community. That Sayer Street crosses an A-Class reserve, a fact cited by the City of Nedlands Council, does not provide a basis for its closure and non-use as an access/egress route. Public roads through A-Class reserves are not uncommon in WA, the most notable examples being roads that run through Kings Park and John Forrest National Park.

91. The closure of Sayer Street not only represents a significant risk to the viability of the current proposal, it also represents an increased risk to the safety of residents in the Village irrespective of the option finally chosen. A replacement access/egress point would need to be identified before Sayer Street is closed. The WA Department of Lands advises that providing a track with ‘*knock down bollards*’ is not an adequate solution. The Minister for Lands in the WA Government is the delegate for resolving this matter. As such it is beyond the scope of this Review.

Risks

92. A decision to proceed with the current proposal has the following identified risks:

- The proposal has floundered in its execution, possibly due to poor coordination and communication and a perceived lack of collaboration at the outset. This has polarised attitudes in the community. Continuing with redevelopment will likely trigger a very active anti-redevelopment campaign that will further damage the reputation of Defence and DHA.
- The proposed redevelopment remains subject to the relevant WA statutory planning approvals and transfer of State-owned land. The WA Premier, in his capacity as the State local member, has expressed his opposition to the current proposal.²⁰ Currently, the processing of issues has stalled and the required approval may not be given.
- It will have a deleterious impact on the morale of members and families that has potential to impinge on retention and operational capability.
- Encroachment on capability – noise from the training on Campbell Barracks will predictably be an irritant to owners of the private blocks which, over time, may corrode the ability of SASR to conduct required

¹⁹ Submission 8

²⁰ Submission 10

training. This has already occurred with the imposition of a 0600 - 2100 hours noise curfew on range practices.

- Sayer Street is currently used as the second entry/exit point to the Village. Local resistance may prevent this from remaining, in which case an alternative would need to be found. No viable alternatives have been identified to date.

A FEASIBLE ALTERNATIVE - REFURBISHMENT

93. The TOR required that feasible alternatives to redevelopment be explored. Essentially three options were identified based on achieving distinct outcomes; they are: redevelop, refurbish or disposal. The disposal option (disposing of the Village from DHA housing stock and selling the land), has been considered and determined to be inconsistent with the strategic decision to redevelop Campbell Barracks. Other than the agreed proposal of redevelopment, the only other identified feasible alternative is refurbishment. A refurbishment process looks to renovate or improve existing buildings through an upgrade program. The program can add additional amenities and rooms to the building; replace old appliances, fixtures and fittings and generally improve the house. In circumstances like the Village the refurbishment is done through a rolling program with a limited number of houses off line at any one time, causing less disruption to families. In this case, one obvious difference between the redevelopment and refurbishment models is the manner in which they are funded. Funding options are discussed later in this report.

94. In this section of the report, the term '*refurbishment*' is used to indicate work to enhance the quality of the existing property although it is not a contractual term prescribed in the *Services Agreement on Housing and Related Matters* (the *Services Agreement*)²¹. In that document, the term '*upgrade*' is used. In this report '*refurbishment*' and '*upgrade*' have a common meaning that allows for the inclusion of new or improved amenities.

95. The Services Agreement contains the following definitions:

- **Upgrade** means either a Major or Minor Upgrade
- **Major Upgrade** means, in relation to a SR, a major improvement in quality, amenity or standard, including the addition of a significant amenity (such as an extra bedroom or ensuite) or when a SR requires mid-life upgrade due to being aged or run down
- **Minor Upgrade** means, in relation to a SR, a minor improvement in quality or standard, such as a new bathroom fit-out or new kitchen fit-out
- In the Services Agreement, there is a clear distinction between an upgrade and repair and maintenance

²¹ The Services Agreement is the Defence arms length commercial arrangement with DHA that is the basis for the delivery of housing to meet Defence needs. Its contract terms prescribe housing standards, service levels and performance requirements. It also sets the basis for payments by Defence to DHA for housing

- **Maintenance** means to keep in good condition through renewal or repair of decay, defective or worn-out parts for premises and the fixture and fittings (excluding the tenants' fixtures and fittings) and does not extend to expenditure of a capital nature

Often, failure to pay attention to repair and maintenance can generate the requirement for refurbishment.

Refurbishing DHA Houses

96. The DHA business model generally involves replacing leased houses on the Rent Bill²² before they require Minor or Major Upgrades. It relies on construction, sale and leaseback of houses and the direct leasing of properties. Under Department of Finance GBE guidelines, a principal objective is that any activity should add to shareholder value. Although in keeping with its responsibilities under the *DHA Act* and the Services Agreement, refurbishing leased housing stock rarely provides a commercial return.

97. When houses are retained in DHA ownership (i.e. DHA-owned houses) because they are strategically located to meet Defence requirements or have been purchased for a specific purpose, refurbishment occurs when required but not normally in significant numbers or as large projects. The replacement of older houses with new houses on a new site is the preferred option. This is consistent with the DHA business model and permitted by the Services Agreement. Generally, DHA does not demolish houses to replace them on the same site unless there are opportunities to redevelop more than one property and increase the yield by providing additional houses (i.e. demolish three properties to provide seven new homes).

98. The most recent large project to refurbish DHA-owned houses occurred in 2006 when DHA carried out a Major Upgrade of 150 houses at Wattle Grove (adjacent to Holsworthy Barracks). This project went very well and Defence identified no significant issues.

99. In recent years, projects to improve the standard of Defence-owned houses on bases and in remote areas have generally involved the upgrading of houses rather than replacement. This strategy was selected as substantial improvements can be achieved at reduced costs per house and with more reasonable options for tenant management in remote areas or on bases. These projects have occurred at Larrakeyah, RAAF Tindal, *HMAS Cerberus* and Puckapunyal. In most instances, the cost of a Major Upgrade is less than half the cost of constructing new houses and the refurbished houses delivered to Defence by DHA are consistently of a high standard.

100. However, in a few instances (e.g. RAAF Darwin and Canungra), the cost of refurbishing older houses was similar to providing new houses. In those instances, Defence chose to have new houses constructed.

²² The Rent Bill is the monthly invoice through which all payments related to SRs are made. There is a formal process for including houses on the Rent Bill

Suitability of Seaward Village Housing for Refurbishment

101. In 2011, DHA advised that 43 houses did not comply with the 2007 Defence policy minimum standard and would be classified as transitional stock and require substantial renovation, primarily by the inclusion of an ensuite, or demolition and reconstruction by 2017. The remaining 110 were compliant but many required a mid-life upgrade, while 33 had been recently upgraded and needed minor refurbishment. In 2012, DHA advised that the cost of upgrading the properties at the Village was estimated at [REDACTED]. During discussions on the possibility of transferring ownership of the Village to Defence, it was agreed that few, if any, of the houses would need to be demolished and replaced. [REDACTED]

102. During the visit to Perth, the first impression on driving through the Village is of an attractive and well-established suburban area. The housing area is quiet, relatively isolated, well maintained, and obviously well regarded by the inhabitants. There is substantial tree coverage throughout public areas and on most properties which enhances the attractiveness of the Village. The houses are older than normal DHA houses; and, in particular, the living areas are smaller than what is now normal in modern houses. However, overall the houses appear to be of sound standard, consistent with those in the surrounding areas. The size of the housing allotments is much larger than DHA provides elsewhere. The overall appearance of the Village was adversely affected by vacant houses with gardens in need of care.

103. Of the houses inspected, three were in good condition. One was occupied and required no additional work. Two had been vacated in recent months and required standard post-vacation maintenance, such as repainting of walls and ceilings before being reoccupied. Three other houses were in obvious need of attention and required an upgrade such as refurbishing kitchens and bathrooms, new floor coverings, curtains and fittings. Another house was older, did not comply with current Defence minimum standards and required the addition of an ensuite. This was in poorer condition than the remainder and required a major upgrade. The roof leaked and there was damage to the ceilings and walls. A large retaining wall on the downhill side of the property was collapsing and needed repair.

104. One criticism of the redevelopment option raised by stakeholders is the waste of resources associated with the demolition of 153 twenty-year old houses when most could be retained for many years. They argue that the suburb of Swanbourne comprises houses that are a similar age and standard. The claim that all houses in the Village are poor quality and not up to Defence standards was not substantiated during the visit to the site. Most of the houses had not reached their economic life span.

105. It was apparent that the condition of some of the houses has deteriorated over time, with some requiring significant work to upgrade to a suitable standard. This decline is most apparent in the 43 houses constructed before 1991. An assessment is now required to determine whether some need to be replaced. From the information made available during the visit, most of the houses are suitable for upgrading.

106. DHA advised that, since the decision to redevelop the village was agreed, tenants have received the same level of routine maintenance provided to ADF families around Australia. Current maintenance is directed at meeting the needs of the tenants of occupied houses and maintaining the condition of the houses. However, this view is not shared by tenants and the standard of maintenance was a consistently strong criticism of DHA raised by tenants. Maintenance of unoccupied houses has been limited to security and grounds maintenance. As agreed between Defence and DHA, no new allocation of the Village housing has occurred since July 2015.

107. [REDACTED] The estimated cost of the refurbishment option is not the result of an examination of each property and a thorough survey of each house should be conducted immediately to determine more precise costs. The fact that this survey was not completed before the redevelopment of the Village was proposed suggests that some of the information previously provided to decision makers was incomplete.

108. DHA has advised that its estimated cost is robust and includes contingency allocations (15%) to cater for unexpected issues that could occur. Accordingly, this estimate could be considered a maximum figure for the refurbishment program. However, if houses need to be replaced because it is uneconomical to upgrade them, the cost of the new houses should be identified separately.

109. Once a thorough assessment is done of each property and a firm quote becomes available, the financial risks with an upgrade program are low. Unlike the rebuild option, the final net cost is not dependent on fluctuations in the volatile Perth property market.

110. As part of the current redevelopment, DHA is addressing several issues associated with the Village infrastructure, particularly the management of storm water. It is noted that DHA has not conducted any detailed analysis on drainage infrastructure. If this is a critical issue, it would also need to be addressed as part of the refurbishment program and project costs may need to be adjusted. However, information provided to the Review suggests that current storm water management arrangements are adequate for the existing houses as the inundation of lower park areas has a negligible impact because of the sandy soil in the Village.

Evaluation of the Refurbishment Option

Advantages

111. The refurbishment option has the following advantages:

- **Cost.** [REDACTED]
[REDACTED] The cost could be spread over a period of up to five years and would provide a continuing rent stream for at least 100 houses throughout the project
- **Best use of current assets.** Most of the houses are about 20 years old and their condition does not warrant demolition and replacement
- **Time.** The project would be quick to plan and implement. Work could commence shortly after the first tranche of houses has been assessed and while later tranches are being surveyed. There are about 40 houses currently vacant (as at 6 January 2016) and these could be used for the first round of upgrades, for delivery in late 2016
- **Disruption to Tenants.** This option minimises the level of disruption to ADF tenants. While tenants would need to change houses as the project progressed, the level of inconvenience and complaint would be manageable because families would be moving to better quality home in the same area
- **Retains the ADF Village.** Most stakeholders want to retain the Village as an ADF enclave.
- **Limits encroachment on Campbell Barracks.** No civilian families would be located in the valley that is affected by noise from Campbell Barracks
- **Limiting the footprint of the Village.** The concerns of non-ADF interest groups, such as the FOAP, would be alleviated as the footprint of the Village would remain unchanged with no additional impact on the surrounding environment
- **High quality of upgraded housing.** DHA has a strong track record of providing high quality results from upgrading programs

Disadvantages

112. The upgrade option has the following disadvantages:

- [REDACTED]
- **Reversal of a decision.** This would be a reversal of a decision agreed by Government and the senior leadership of Defence and DHA
- **Resources committed.** Resources have been committed to progress the agreed redevelopment of the Village. Should the refurbishment option be adopted most of the investment to date would be lost

²³ Enclosure 1

- **Precedent.** Reversal of the redevelopment decision due, in part, to community pressure may establish a precedent, though the Village is a unique case

113. In summary, the refurbishment of Seaward Village provides a sensible way forward that makes best use of existing housing. If this option is chosen, there are three available models for funding the project.

[REDACTED]

[REDACTED]

Basis for Costs - Refurbishment Option

142. To calculate a cost of refurbishment a generic scope of works has been derived. However, as noted earlier in this report, the exact work required on each property cannot be determined without conducting inspections of each house. The cost estimate is based on the scope of works included in Annex D.

143. The scope of works ensures all 153 houses would comply with the Defence minimum standards on completion of the program. An examination of each property is required before a more accurate cost can be determined. In this estimate no allowances have been made for any external infrastructure or open space works.

144. The estimate is based on an examination of four houses and extrapolated across all 153 houses. Noting there have been more than four houses vacant in the Village for a considerable time, a more extensive survey could have been completed.

145. DHA maintains considerable information on each property, such as repair and maintenance records, annual inspection reports and post vacation inspection reports. This information, combined with the knowledge of regionally based Property Consultants, could have been used to provide a more comprehensive picture of the refurbishment requirements and costs. While a detailed analysis is still required before works commence, an accurate estimate should have been included in the business case provided to the Minister, Secretary for Defence and CDF in 2014.

146. The latest advice from DHA indicates that the project to refurbish the current housing stock would [REDACTED]. However, in the absence of a comprehensive survey, the level of confidence in this figure is low.

147. The actual costs would be subject to the outcome of a tender process and based on the detailed inspection and assessment. The DHA estimate is based on current (January 2016) prices and subject to fluctuation and current market conditions at the time of tendering for the work. A refurbishment program would be spread over a number of years and this could impact costs with an escalation factored in the tendered price. The length of the program would also spread costs over the period. A contingency allowance of 15% has been included to allow for uncertainty and risk.

148. It is possible that several houses could be deemed unsuitable for refurbishment and replacement houses will be required. The number of houses to be rebuilt would be determined following the survey.

[REDACTED]

RELATIVE MERITS

151. Central to this issue has been an imperative to improve housing for ADF members and their families in the Village. In consideration of the relative merits, cognisance has been given to the fact that the redevelopment of the Village was agreed by Defence and DHA. The two options of redevelopment and refurbishment have been described above. The relative merits are outlined below.

Redevelopment

152. This Review has confirmed that proceeding with the agreed proposal of redevelopment, is feasible. The end state will be that Defence personnel will be provided with new homes in the Village with the costs and risks shouldered by DHA. However, the achievement of this end state requires the lifting of the Covenant; the sale of at least 25% of the Village to developers; demolition of 153 brick homes; the relocation and disruption of numerous Defence families; and the rebuild of 165 SRs over a period of about six years, plus further construction of about 140 civilian homes beyond that time.

153. During the process of redevelopment, even if a decision is made to proceed, it is likely that the position of those stakeholders who are opposed to the proposal will harden and there is the possibility of a more active and coordinated campaign against redevelopment, focused on the numerous identified issues. The opposition is unlikely to go away in the short to medium term. Any action other than stopping redevelopment is unlikely to assuage the protagonists of their stance regarding: disruption to SASR operations and families; views on the false economy of the project; and impacts on the broader community including traffic and environmental issues. In addition, DHA is at the beginning of a process and has no guarantee of bringing the project to successful conclusion in its journey through State Lands and Planning Departments and Nedlands City Council processes. Also, the potential closure of Sayer Street as an egress point to the Village is unresolved.

154. If the redevelopment option is progressed, DHA will almost certainly have to 'reset' and start again with a new process of consultation, collaboration and communication. DHA will recommence the project from a low base in terms of its reputation and trust. In essence it has lost the 'hearts and minds' campaign.

Refurbishment

155. The alternative refurbishment option would focus beyond the bottom line and address operational capability, sustainability, and community issues more holistically. This option is feasible. It would retain the integrity of the Village as intended by the Covenant. It would not provide the same modernity and quantity of houses that the redevelopment would achieve. The homes would be upgraded to a good condition but would remain essentially 1980/90 brick homes – sound homes nonetheless and meeting the agreed standard. Deficiencies in modernity would be offset by proximity to work and amenities, and a sense of security and community.

156. [REDACTED]

[REDACTED] This option is far less complex. Its attraction lies in part in its simplicity. It can be quick to initiate and quick wins can be achieved at a number of levels. It provides the opportunity for DHA to rebuild its brand and many of the stakeholder concerns would dissipate.

Table - Comparison of Key Elements

157. The table below represents a comparison of key elements of both options:

| | ISSUE | REDEVELOPMENT | REFURBISHMENT |
|---|--|--|--|
| 1 | Agreed option | Redevelopment has the agreement of Defence and DHA | Not considered a feasible option when redevelopment proposed by DHA |
| 2 | Precedent | Not applicable | The selection of this option may establish an argument of precedent for future similar projects |
| 3 | [REDACTED] | [REDACTED] | [REDACTED] |
| | [REDACTED] | [REDACTED] | [REDACTED] |
| | Land ownership | Sale of at least 25% of land on the open market | No land sale. The integrity of the Village is maintained. There is an option of transferring the land to Defence ownership |
| 6 | Operational Capability | Impacts on layered security provided by the Campbell Barracks-Seaward Village zone Encroachment of civilian housing into the noise buffer zone with potential effects to operational training | No encroachment of civilian housing No change to security profile Noise buffer zone intact No impact on operational training regime |
| 7 | Impact on morale of ADF members and families | Disruption and uncertainty for ADF member families. Adverse impact on morale | Concerns redressed. Some disruption but easily manageable |
| 8 | Demolition of Properties | Demolition of Estate of 153 houses of which most are current occupied | Replacement of some houses may be required |
| 9 | State of housing | New homes | Refurbished homes that meet the agreed standards |

[REDACTED]

| | ISSUE | REDEVELOPMENT | REFURBISHMENT |
|----|----------------------------------|---|---|
| 10 | Number of houses | Increase of 12 homes | No planned increase |
| 11 | Overall stakeholder satisfaction | Concerns of stakeholders not addressed. Anti-redevelop campaign continues | Most stakeholders have achieved their desired outcome, less Sayer Street residents |
| 12 | Additional community concerns | Community concerns regarding traffic and environment will need continual management | Except for the issue of the closure of Sayer Street most other issues would be resolved |
| 13 | Timeframe comparison | Six year project that is phased. Construction of civilian homes will go beyond that period | Refurbishment could be completed over a five year period as a rolling program |
| 14 | Planning approval processes | No guarantee that proceeding with this option will result in a successful conclusion due to the requirement to negotiate with WA Planning and Land Departments and opposition from the City of Nedlands Council | No significant planning processes are required |
| 15 | Housing availability | The Village will provide limited accommodation during the redevelopment | Most houses would remain available, indeed some currently vacant houses could be reoccupied |
| 16 | Income flow | Rental income ceases for the majority of homes during demolition | Income flow from rent is maintained during refurbishment |
| 17 | DHA brand | Seriously impacted in WA | Opportunity to rebuild brand and reputation |

Summary

158. The redevelopment project has struggled largely because its merit has been unable to be sold to key stakeholders. There appear to be logic gaps in the reasons for the redevelopment and the conclusion has been drawn, rightly or wrongly, that the DHA business model has been the driver in this initiative; rather than the need to improve the homes for ADF families in the Village in a more comprehensive way.

159. Refurbishment, while probably more expensive in dollar terms, will not impact on operational capability, it will utilise extant housing and allay the fears and address the concerns of Village residents, the broader community and other key stakeholders. It would achieve a satisfactory accommodation outcome that would alleviate disruption to a unit and families exposed to a high operational tempo. Its merit lies in part in its simplicity and its minimisation of risk.

CONCLUSION

160. The story of Seaward Village and the redevelopment proposal is underpinned by the need to provide quality, long term and sustainable housing for ADF members.

161. The history of the Village has been punctuated by milestones of affirmation of the importance of its relationship to SASR capability and the desire to retain it as an ADF housing precinct albeit owned by DHA. The establishment of the Covenant in 2001, agreed by Defence and DHA, was a direct result of this intent.

162. The Covenant created a unique model for Defence and DHA to manage. It purposely placed a constraint on DHA that limited its management options. In essence this was part of doing business with Defence. It was not intended that they could apply their business model in this instance to provide 'adequate and suitable housing.' Notwithstanding, it created a significant tension for DHA in terms of its main function directed in the *DHA Act* and its requirement to act as a GBE. This is a significant issue that rests outside the TOR but needs addressing in due course.

163. The plan for redevelopment of the Village appears to have been driven by a desire to apply the DHA business model. There appears to have been a reluctance to invest in improving the Village to any great extent indicated by the cessation of a refurbishment program that was under way in 2012. Certainly, a detailed and complete analysis of the state of the housing prior to the proposal being presented to Defence is not apparent, nor has any documentation been provided to confirm a thorough identification of risks. The proposal for redevelopment was attractive in terms of achieving the original aim of better housing for ADF members and families. The added attraction for Defence was the costs and risks would be borne largely by DHA.

164. It could be argued that insufficient weight or consideration was placed in the original planning done by DHA on non financial factors, such as the geography of the Village, a complete understanding of the current state of the housing stock, connection of the Village to significant operational capability, its position and relationship to communities inside the City of Nedlands, or possible reactions to a redevelopment proposal from key stakeholders.

165. This Review has considered the merits of the redevelopment proposal against the alternative of refurbishment. There is merit in the aspiration of producing more and newer houses in the Village for ADF personnel through redevelopment. However, since agreement to the redevelopment proposal was gained its progress has been marred by significant opposition from many stakeholders, in part due to poorly coordinated communication of intent. This opposition has become increasingly coordinated, effectively leveraging off support, at the political level, from local Government and the local media. Key issues have centred around the motivations of DHA, the efficacy of the project, the sale of land for private ownership, demolition of 153 homes, disruption to SASR operations, e.g. diminution of security, and

encroachment into the noise buffer zone; disruption to ADF families; environmental and traffic issues; and the perceptions of poor consultation, collaboration, coordination and communication. Along the way the reputation of DHA has been damaged, as has that of Defence, to a lesser degree.

166.

In addition, the refurbishment option will not produce new modern houses but it can provide high quality houses that can be maintained in a sustainable way. This option would alleviate much of the friction that has developed and quick wins would be achieved. Overall, there are fewer risks in this option achieving an acceptable outcome.

167. The TOR requested this Review to *'evaluate the present proposal for redevelopment and its effectiveness in delivering quality, long term and sustainable housing for ADF members and their families, and to advise if there are any alternative options that may deliver a similar or superior outcome.'* As indicated earlier, the options of redevelopment and refurbishment are both feasible. However, given the difficulties that have arisen during the redevelopment process this option is arguably beyond the culmination point for success. It is considered that it will continue to be bedevilled by the issues raised in this report. Fundamentally, the 'hearts and minds' campaign has been lost. Refurbishment is a more conservative approach that would achieve similar housing results i.e. a quality, long term and sustainable housing solution, although not modern homes. Importantly, refurbishment would produce a superior overall outcome.

168. On its merits refurbishment is an option that carries less complexities and less risk. Refurbishment is recommended. The paper provides three models for consideration as to how refurbishment may be taken forward. A long term solution to the issues that have brought DHA to this point would be the consideration of ownership transfer of Seaward Village from DHA to Defence. Whichever option is selected, it is important that it is acted upon expeditiously.

RECOMMENDATIONS

169. Following a thorough review of all available information, the following recommendations are made for consideration:

- The redevelopment of Seaward Village should not proceed
- The Covenant should remain in place and the sale of land in Seaward Village should not be considered in the short to mid term
- A refurbishment program for Seaward Village should be initiated as soon as possible, designed to provide high quality refurbished houses and reduce disruption to ADF members and their families
- Consideration should be given to ownership transfer of Seaward Village from DHA to Defence in the long term
- Robust communication strategies should be developed to support the refurbishment program