



Redevelopment of the Former Hopetoun School Precinct: Feasibility Assessment and Business Case

CONFIDENTIAL



May 2023



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EXECUTIVE SUMMARY

Feasibility and Business Case: Multipurpose Venue and Accommodation Enterprise

Overview

The town of Hopetoun in Yarriambiack Shire has a strong and active community with a determination to maintain a township with modern, safe and attractive amenities in support of a healthy rural lifestyle. Development of community enterprises within the former school precinct west of Hopetoun's town centre is considered, by a large proportion of the community, to be a major component in delivering on this determination.

It is expected that successful establishment of enterprises at the former school site will strengthen Hopetoun's economy as well as further enhancing community connectedness and resilience.

The feasibility and business case builds on work undertaken in a masterplan project completed in 2022, which 'reimagined' a wide range of possible futures for the former school site and concluded with an optimistic vision that *"re-invention of the site will bring jobs and economic growth to Hopetoun, it will establish the precinct as the hub for community activity, leadership and training, and create an exciting destination for tourists exploring the Silo Art Trail"*¹.

The Hopetoun Former School Site Advisory Committee determined that the priorities for implementing the masterplan vision would be:

- A Multipurpose Venue and Accommodation Enterprise (for schools, special interest groups, functions and tourists).
- Residential development (land development project for rental housing, and for sale housing).
- Historic attraction/museum/visitor experience.

The feasibilities and business cases presented here are centred on the first two of these priorities, with the third to be addressed as a longer-term objective and integrated within other historic and cultural attraction packages in Hopetoun and the Wimmera Mallee region more broadly. Independent professional museum strategic directions advice was also sought as part of the project and is included as an Appendix to this document.

This executive summary relates to the feasibility and business case for a Multipurpose Venue and Accommodation Enterprise.

Major Findings

Market Assessment

- ❖ This opportunity involves redevelopment of Hopetoun's former primary school complex (the 1978 constructed buildings/campus) to be utilised as a multipurpose venue and accommodation facility. The multi-purpose facility (the 'Centre') will cater for schools (on 'camps', leadership training programs or other retreats), special interest groups, corporate get-togethers and even functions (like weddings, anniversaries, etc) as well as providing accommodation for visitors (tourists and business travellers) and occasionally as a short-term solution for key worker accommodation.

¹ MGS Architects (2022), Hopetoun Former School Site Reimagined

- ❖ The Hopetoun Multipurpose Centre is expected to offer, and derive revenue from, the following market segment components:
 - School Groups: Overnight camps/programs for school students and staff incorporating accommodation, meals, and a range of outdoor activities. There are 128 school camp venues around Victoria but the Wimmera-Mallee region has the least representation both in absolute and relative terms. The peak industry body in this industry sector Australian Camps Association (ACA) reports that the market for school groups is growing and that there is scope for additional viable enterprises.
 - Special Interest Groups: Overnight camps/programs for special interest groups (which could be birdwatchers ('twitchers'), photographers, environmental groups, corporate team building groups, clubs and societies, etc) incorporating accommodation, meals, and programmed outdoor trips and activities.
 - Training Programs: Overnight and day short-course training programs (personal development, corporate briefings, accreditation updates, lifestyle and adult education, etc) incorporating overnight accommodation, meals (also catering meals for single day training), and venue hire (with IT and communications equipment).
 - Functions/Events: Social and special occasion functions and events (including a variety of occasions such as weddings, birthdays, annual general meetings, Christmas parties), largely for a local and district market, with venue hire and catering.
 - Overnight Tourists: Up-market overnight accommodation for tourists to the Wimmera Mallee helping to fill the long-understood gap in the region's range and style of accommodation options.

- ❖ The Hopetoun Centre would offer several competitive strengths in attracting all the identified market segments, namely:
 - No local, or wider regional competition, for customers in the Hopetoun catchment area.
 - A broadacre environment and semi-rural setting of the venue/site.
 - Vast opportunities for touring routes as a rest day activity or as an offsite excursion.
 - Local environment attributes including Lake Lascelles, and impressive night skies and sunrises/sunsets which offer potential for dawn, dusk and night activities.

- ❖ The Hopetoun Multipurpose Centre would need to attract groups of 45-60 students from 20%-25% of the schools within the Wimmera-Loddon Mallee region to be viable. School Program/Camp Enterprise trends reported by ACA demonstrate that:
 - The market has been growing at 2-3% per annum but only in the government sector.
 - Camp participation from independent schools has been declining since 2010.
 - There is strong growth from family and faith (not necessarily Christian) based market segments.
 - The number of facilities offering rooms with ensuites is increasing, which indicates that the market is both more competitive and more discerning.
 - The average number of enquiries received by residential camps in a 12 month period is 300.

- ❖ Offering non-vocational training programs is an appropriate market segment for the Hopetoun Multipurpose Centre. Through arrangements with regional training providers, or simply by providing the venue, the Centre would offer short-courses and special interest courses of 1-2 days duration (perhaps with pre-reading or pre-online training material).

- ❖ Research by Wimmera Mallee Tourism and the region's local government Councils has found there is an urgency to improve the region's range, spread and quality of accommodation in order to achieve the tourism potential. Camping and caravanning options are relatively well supplied, and initiatives are in train to address self-contained cabin accommodation at a range of sites. The proposed upmarket apartment style accommodation at the Hopetoun Centre will help to fill the region's appeal to missing market segments (especially at the mid to high range). The 10-12 tourist accommodation units at the Hopetoun Centre will have a total occupancy capacity of 7,300 visit nights per annum and the financial viability projections assume that the actual occupancy will be between 20% and 45% of this capacity. This represents just 0.6% to 1.3% of total visit nights to the Shire.
- ❖ A series of four sales and occupancy target scenarios have been set for the Hopetoun Centre's market segments. The targets in all four scenarios have been applied directly to financial viability projections.

Organisation, Capital Redevelopment and Operations

- ❖ Business structure and membership of the entity, or entities, for the Hopetoun Centre enterprises are important considerations. There are already many community organisations which are stakeholders in the Centre's development, and they are all 'stretched' in terms of capabilities and volunteer resources.
- ❖ The three main options for the business structure of the Hopetoun Multipurpose Accommodation, Training and Activities Centre are:
 - An asset of Yarriambiack Shire Council which is leased to a suitable business manager. Shire Council has the legislative scope, power and ability to:
 - Undertake capital improvements and other developments on the former school site.
 - Enter into contracting and leasing arrangements to manage and operate the enterprise activities.
 - Employ new staff, or engage existing staff, to establish the Centre and manage activities until a suitable lease arrangement is in place.
 - A proprietary company, such as Hopetoun Multipurpose Accommodation Centre Pty Ltd, owned by Hopetoun community members, suppliers to the enterprises and other stakeholders in the proposed business enterprise. This structure could only be workable if Yarriambiack Shire Council was prepared to enter into a long-term lease arrangement with the proprietary company, and if the Community believed it had the resources to both:
 - Find volunteers within the community with the appropriate skills and time availability to commit to the management of a demanding and multi-faceted enterprise.
 - Raise grant, philanthropic or investment funds (for which the investors do not expect a return on investment).
 - A company limited by guarantee, which would have not-for-profit objectives consistent with those of many existing Yarriambiack Shire community organisations (such as the various town Progress Associations, Enterprise Rupanyup, Warracknabeal Historic Society, etc). However, like the proprietary company option, this structure could only be workable if Yarriambiack Shire Council was prepared to enter into a long-term lease arrangement with the company limited by guarantee, and if the Community believed it could find volunteers to commit to the management, and to raise grant, philanthropic or investment funds.

- ❖ The most appropriate legal structure for the Hopetoun Multipurpose Centre is to be an asset of Yarriambiack Shire Council which is established as a facility by Council and then leased to a suitable manager/management organisation. In fact, structuring the Hopetoun Multipurpose Centre as an asset of Yarriambiack Shire Council is likely to be the only realistic way to attract funds to enable the establishment of the enterprise and to ensure that ongoing management and operational arrangements are put in place.
- ❖ There are 9 existing multipurpose accommodation and venue enterprises within the Grampians Wimmera Mallee mega region. These businesses target school camps, visitors, events and special interest groups. Seven of the businesses are located in the Grampians region, one in the Wimmera and one in the Mallee. The accommodation types and the indoor and outdoor facilities offered at these businesses give a strong indication of the fitout and equipment requirements needed at the proposed Hopetoun Centre.
- ❖ To be competitive, the Hopetoun Multipurpose Centre must have customer focused operational staff and either in-house or contracted activity providers and, possibly, trainers/educators. However, it will be important to ensure there are staff to oversee business enterprise activities (such as marketing, finance, personnel and asset management). Skilled staff or contractors are required for:
 - Enterprise management and operations.
 - Catering
 - Activity leaders for tours and programmed activities.
 - Cleaning and gardening.
 - Vehicle operations.
 - Property and equipment maintenance.
- ❖ Projection scenarios indicate that the enterprise could support 2.3 to 6.2 full time equivalent staff and contractors in the first year of operations, rising to 4.4 to 9.1 full time equivalent staff and contractors by year five.
- ❖ To meet potential clients and user groups, a redevelopment design has been prepared. The design provides for:
 - 60-80 beds in an upmarket dormitory or upscale hostel style format (with a suitable number of bathroom and toilet arrangements)
 - 10-12 apartment style units, each with an ensuite.
 - A commercial scale kitchen.
 - A meeting/training/functions room (which will house IT equipment), a dining room, and some smaller meeting rooms.
- ❖ Estimated capital redevelopment costs are \$4.360 million: \$3.924 million for building redevelopment for accommodation and functions, \$435,000 for indoor and outdoor furnishings and information technology, and \$100,000 for additional landscaping.

Financial Feasibility

- ❖ Profit and loss and cash financial projections, over a time horizon of 5 years, were prepared to examine the potential viability of the proposed Hopetoun Multipurpose Centre as a distinct enterprise and the circumstances under which they could be viable. Four scenarios have been presented.

- ❖ Scenario 1 (Low Version) does not produce a viable outlook for the enterprise. If the level of sales and occupancy offered in this scenario is achieved, the venture would not be sustainable. It would require a cash injection of around \$180,000 over the first five years in addition to the capital investment, and the outlook beyond Year 5 indicates that continuing subsidies of \$25,000 to \$50,000 per annum would be needed to keep the enterprise operating. Further, the profit and loss projections reveal ongoing losses and an inability for the venture to fund capital equipment replacements.
- ❖ Scenario 2 (Medium Version) does not produce a viable return for the enterprise, although it would be approaching a breakeven level of operations beyond Year 5. This scenario does produce cash positive results. A cumulative cash surplus of more than \$100,000 is estimated by year five which could help to fund around 25% of capital equipment and furnishing upgrades or replacements.
- ❖ Scenario 3 (Breakeven Version) produces a small profitable result by Year 5 and would generate a cumulative cash surplus of more than \$200,000 by year five which could help to fund almost 50% of capital equipment and furnishing upgrades or replacements.
- ❖ Scenario 4 (High Version) produces profitable outcomes from Year 3 onwards, but the sales and occupancy rates are predicated on very ambitious targets. Under this scenario, a cumulative cash surplus of almost \$300,000 is estimated by Year 5 which should fund the majority of timely capital equipment and furnishing upgrades or replacements.
- ❖ None of the projection scenarios indicate that the enterprise could support loan financing involving the servicing of interest payments or repayment of capital. Therefore, the proposed Hopetoun Multipurpose Centre is a high-risk capital venture, with potential to achieve viability only if there is:
 - Capital investment from grants, Council and community contributions, or philanthropic donations, and probably all three.
 - Ongoing operational commitment from Yarriambiack Shire Council.
 - Achievement of operational results at least at the assessed 'medium level' of potential demand.
- ❖ Full implementation of this enterprise initiative would bring economic and social benefits to the Hopetoun community. It would:
 - Provide a direct economic stimulus from the investment of \$4.360 million and the associated construction phase employment.
 - Generate 4.4 to 9.1 direct and ancillary ongoing full time equivalent jobs.
 - Provide an estimated annual direct and indirect regional economic contribution of \$645,000 to \$1,400,000.
 - Increase tourism and short-term visitation to the town by 4,960 to 11,200 additional visit nights per annum.

EXECUTIVE SUMMARY

Feasibility and Business Case: Hopetoun School Site Residential Development

Overview

Shortages of housing for rent and sale have been widely acknowledged as the greatest barrier to filling job vacancies, attracting skilled workers and achieving population growth in small towns across the Yarriambiack Shire. Housing shortages were evident well before the COVID pandemic but have been exacerbated by it. They occur at a time when the region has major economic development opportunities (in renewable energies, mineral sands mining, value added agriculture and tourism) which will diversify the existing industry base for the first time in decades.

Yarriambiack Shire is conscious of the housing crisis currently impacting its towns and has committed to intervening in order to help in addressing the problem, within budgetary and statutory constraints.

Hopetoun is Yarriambiack Shire's third largest town with a 2021 resident population of 694 persons², the median age of residents was 56 years compared with a Victorian median of 38 years. After several decades of slow population decline, Hopetoun's population continued to fall between 2016 and 2021, at an average annual rate of 1.3% per annum. Other towns in Yarriambiack recorded population increases (including Brim, Murtoa and Rupanyup) and there is an expectation that Hopetoun's population will begin to stabilise in the next 10-15 years if housing limitations can be overcome.

The feasibilities and business cases presented in this document are centred on a multipurpose venue and accommodation enterprise (for schools, special interest groups, functions and tourists) and residential development (land development project for rental housing, and for sale housing).

This executive summary relates to the feasibility and business case for residential development. The full associated feasibility and business case reports on the potential viability and enterprise arrangements for utilising part of the former Hopetoun school site as a residential development project.

Major Findings

- ❖ Similar to other Yarriambiack Shire towns, Hopetoun has insufficient affordable housing, and this is limiting the town in taking advantage of job, population retention, and population growth opportunities.
- ❖ As a residential location, Hopetoun offers appealing features. The town has a diverse central activities area with an IGA supermarket, butcher, bakery, two cafés, community hotel (with restaurant/bistro), newsagent (incorporating fishing/camping, garden products, and toys retailing), post office, pharmacy, bank branch, fuel and vehicle servicing, specialty stores (shoes, drapery, opp shop) and a range of business and personal services (accountancy, hairdressing, police). Lake Lascelles is a recreational and environmental feature of the town, just adjacent to the town centre. Hopetoun accommodates a range of sporting and recreation venues and facilities. Hopetoun Campus of Rural Northwest Health provides urgent care, acute care, residential aged care and home and community-based health services. There is a state P-12 School (ie combined primary and secondary) in Hopetoun and a private Primary School (St Josephs).

² State Suburb (or SSC) 2021 population

- ❖ The majority of Hopetoun dwellings are occupied by 1 or 2 people (76.6%). Conversely, only 23.9% of the occupied dwelling stock has 1 or 2 bedrooms (ie 76.1% have 3 or more bedrooms).
- ❖ The current Hopetoun housing situation indicates:
 - There is current unmet, pent-up demand.
 - Existing housing stock is often the wrong mix for an ageing population, not conducive to either attracting new residents or retaining existing older people, and in many cases, vacant dwellings are not even available to the market.
 - The town cannot attract housing developers due to historic and perceived poor capital growth and low returns on investment.
- ❖ Rental housing in Hopetoun is in short supply impacting on the ability to house staff for businesses, public sector agencies and community organisations. The proportion of private sector rental housing in Hopetoun is low by any measure. The rental housing stock is only 15.2% of all dwellings and just 40.4% of these (or 19 dwellings) are rented through property managers (estate agents).
- ❖ Recent building approvals statistics reveal that the average value (or cost of construction) for a new house in Yarriambiack Shire over the past three years has been in the range \$326,000 to \$445,000 (excluding land purchase).
- ❖ Although residential land and housing development is not a traditional role of local government in Victoria, the shortages of both rental and for sale housing give a strong motive for Council to intervene. Therefore, it could be possible for the Hopetoun former school site residential development component to be directly managed by Council. Assuming the proposed residential development in Hopetoun (for which Council already owns the land) will be a combination of affordable houses for sale and rent, the options for ongoing management of the residential developments under Council would be:
 - Council to take complete responsibility for design, construction and ongoing property management.
 - Council to appoint a (volunteer) Asset Committee of Council, as it has in Woomelang and Murtoa, to oversee the construction and property management functions.
 - Council to take responsibility for design and construct but outsource the property management function to either a commercial real estate organisation or a registered housing organisation (such as Haven HomeSafe).

Council's current tight budgetary position and the limited outlook for State or Commonwealth Government support make all three of these options unlikely prospects for implementation in the short or medium term.
- ❖ Structuring the development as a Wimmera Housing Innovations (WHIP) Special Purpose Vehicle is the most tenable current option for the Hopetoun community and for Yarriambiack Shire Council. It involves more complexity to put in place than 'Council as developer', however if implemented in Hopetoun, it would:
 - Open additional avenues for funding/investment (through community, business and individual shareholders).
 - Involve Yarriambiack Shire Council as a key participant.
 - Potentially offer access to some grant programs.

- Be a longer-term structure for further housing developments (such as spot purchase and renovation of existing houses in town, and land acquisition and development in new locations). That is, it would not be confined to the former school site.
- ❖ Cost estimates for the development of 10 residential allotments with 2 and 3 bedroom modular detached houses constructed are:
 - Subdivision costs \$ 320,450
 - Building costs (including fitout and landscaping) \$3,576,000
- ❖ Four housing developments were assessed for feasibility in this document.
 - Scenario 1 Construction of three dwellings to be rented. This is indicative of a staged development.
 - Scenario 2 Construction of ten dwellings all to be rented.
 - Scenario 3 Construction of ten dwellings: Four to be sold and seven rented.
 - Scenario 4 Construction of two dwellings every two years, with five to be sold and five rented.
- ❖ The financial projections for the project indicate:
 - Scenario 1 (3 dwellings developed and rented) would achieve a breakeven cash result over the 10 years projection horizon assuming:
 - Equity contributions of \$700,000 are obtained.
 - Loan funds of \$373,000 are used (over 20 years at 5% interest).
 - Grant funds for infrastructure are received.
 - Dwellings are rented for a total of \$300 each per week (increasing at 3% per annum).
 - The dwellings are expected to have a market value of about \$310,000 each on average on completion (land and buildings). At an average capital gain of 4%, this will yield a capital value of \$459,000 after 10 years.
 - Scenario 2 (10 dwellings for rent) would produce a cash flow positive result throughout the 10 years period, assuming:
 - Equity contributions of around \$2,400,000 are obtained.
 - Loan funds of \$1,200,000 are used (over 20 years at 5% interest).
 - Grant funds for infrastructure are received.
 - Dwellings are rented for a total of \$300 each per week (increasing at 3% per annum).
 - The dwellings are expected to have a market value of about \$310,000 each on completion (land and buildings). At an average capital gain of 4%, this will yield a capital value of \$459,000 after 10 years.
 - Scenario 3 (4 dwellings for sale and 6 for rent) would require an additional injection of \$42,000 in the first year before becoming quite profitable, assuming:
 - Equity contributions of around \$2,400,000 are obtained.
 - Loan funds of \$1,200,000 are used but repaid by the end of year 4.
 - Grant funds for infrastructure are received.
 - Dwellings are rented for a total of \$300 each per week (increasing at 3% per annum).
 - The dwellings are expected to have a market value of about \$310,000 each on completion (land and buildings). At an average capital gain of 4%, this will yield a capital value of \$459,000 after 10 years, although in this scenario 4

dwellings are sold at \$310,000 each early in the project (which is less than cost) and the remaining 6 are rented.

- Scenario 4 (2 dwellings developed every two years – 1 for sale and 1 for rent) would be cash positive from the sale of the first house (expected in Year 2) enabling capital returns to investors of at least \$1,700,000 by the end of the 10 years projection period, assuming:
 - Equity contributions of around \$1,200,000 plus 3% per annum inflation are obtained every second year.
 - No loan funds are used.
 - Grant funds for infrastructure are received.
 - Those dwellings which are rented receive \$300 each per week (increasing at 3% per annum).
 - The dwellings are expected to have a market value of about \$310,000 each on completion (land and buildings). In this scenario the first dwelling is sold at \$310,000 and subsequent dwellings at 4.5% capital gain each. Alternatively, the proceeds from each sale could be used to reduce the investment for the next two dwellings.