



AGENDA

FOR STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE MEETING TO BE HELD ON

**8 FEBRUARY 2016 AT THE CONCLUSION OF THE SPORT, RECREATION AND
GRANTS COMMITTEE**

IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY

MEMBERS

Cr G Caruso (Chairman)
Mayor G Aldridge
Cr E Gill
Cr D Proleta
Cr S Reardon
Cr G Reynolds (Deputy Chairman)
Cr B Vermeer
Cr J Woodman
Cr R Zahra

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager City Development, Mr T Sutcliffe
Manager Strategic Development Projects, Ms C Milton
Manager Governance, Ms T Norman

APOLOGIES

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Strategic Property Development Sub Committee Meeting held on 11 January 2016.

Presentation of the Minutes of the Confidential Strategic Property Development Sub Committee Meeting held on 11 January 2016.

REPORTS

SPDSC1 Tranche 1 Program Update Report..... 7

OTHER BUSINESS

CONFIDENTIAL ITEMS

SPDSC2 Boardwalk at Greentree - Project Update

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on that grounds that:

1. *Pursuant to Section 90(2) and (3)(b)(i) and (b)(ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and*
 - *information the disclosure of which would, on balance, be contrary to the public interest.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *as the attachments contain sales & marketing information whose public release will prejudice the commercial position of the Council.*

*On that basis the public's interest is best served by not disclosing the **Boardwalk at Greentree - Project Update** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CLOSE



**MINUTES OF STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE
MEETING HELD IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY ON**

11 JANUARY 2016

MEMBERS PRESENT

Cr G Caruso (Chairman)
Mayor G Aldridge
Cr E Gill
Cr D Proleta
Cr S Reardon
Cr G Reynolds (Deputy Chairman)
Cr B Vermeer
Cr J Woodman

OBSERVERS

Cr L Caruso

STAFF

Chief Executive Officer, Mr J Harry
General Manager City Development, Mr T Sutcliffe
Manager Strategic Development Projects, Ms C Milton
Governance Co-ordinator, Ms J Rowett

The meeting commenced at 6.55pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

An apology has been received from Cr R Zahra.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr B Vermeer
Seconded Cr E Gill

The Minutes of the Strategic Property Development Sub Committee Meeting held on 30 November 2015, be taken and read as confirmed.

CARRIED

Moved Cr J Woodman
Seconded Cr B Vermeer

The Minutes of the Confidential Strategic Property Development Sub Committee Meeting held on 30 November 2015, be taken and read as confirmed.

CARRIED

REPORTS

Nil

OTHER BUSINESS

Nil

CONFIDENTIAL ITEMS

SPDSC1 Walpole Road Stage 3 - Medium Density Housing Update

Moved Cr B Vermeer
Seconded Cr S Reardon

1. *Pursuant to Section 90(2) and (3)(b)(i) and (b)(ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and*
 - *information the disclosure of which would, on balance, be contrary to the public interest.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *Non-disclosure of the matter and discussion of this item in confidence would protect information relating to proposed commercial negotiations regarding Walpole Road Stage 3 and enable Council to consider information prior to determining the most appropriate course of action.*

*On that basis the public's interest is best served by not disclosing the **Walpole Road Stage 3 - Medium Density Housing Update** item and discussion at this point in time.*

3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CARRIED

The meeting moved into confidence at 6.57pm.

The meeting moved out of confidence at 7.04pm.

CLOSE

The meeting closed at 7.04pm.

CHAIRMAN.....

DATE.....

ITEM SPDSC1

STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE

DATE 08 February 2016

HEADING Tranche 1 Program Update Report

AUTHOR Chantal Milton, Manager Strategic Development Projects, City Development

CITY PLAN LINKS 1.2 To enhance and create quality urban areas with high amenity and integrated infrastructure

SUMMARY This regular status update report summarises the key performance indicators of project costs, sales revenue and gross margin on costs (excl. land cost) across the program of Tranche 1 projects.

RECOMMENDATION

1. That the report be received and the update on the status of the Tranche 1 program be noted.
2. That funding for an extension of term of the Project Delivery Coordinator role from the Strategic Development Projects budget be considered through a second quarter 2015/16 Budget Review.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Program Sales & Financial Metrics

1. BACKGROUND

1.1 Council is undertaking residential subdivision development across a number of projects under Tranche 1.

Project Name	Current Project Stage
Walpole Road Stage 1 - Trading as "Greentree Walk"	Stage 4 – Completion of Sales
Ryans Road – Trading as "Emerald Green"	Stage 3 – Project Delivery
Diment Road – Trading as "The Reserve"	Stage 4 – Completion of Sales
Walpole Road Stage 2 – Trading as "Riverwalk"	Stage 4 – Completion of Sales

2. REPORT

PROGRAM SUMMARY – February 2015

Tranche 1 Program Summary	Council Endorsed Budget BR1 15/16(1)	Previous Forecast November 2015	Current Forecast February 2016	Percentage Change from Endorsed Budget

Project Cost*		\$20,633,819	\$20,633,819	\$20,633,819	0.0%
Sales Revenue		\$35,509,455	\$35,509,455	\$35,509,455	0.0%
Commonwealth Grant Revenue	HAF	\$2,310,000	\$2,310,000	\$2,310,000	0.0%
Rebates Revenue		\$208,344	\$208,344	\$208,344	
Net Proceeds on Cost (excl. Land Cost)		\$17,393,979	\$17,393,979	\$17,393,979	0.0%

(1) Council Endorsed Budget – includes land sales revenue, project costs to produce assets some of which we will retain ownership (footpaths, drainage) plus sales/marketing and holding costs and, as of Budget Review 3 14/15, the costs associated with the return of the HAF Grant.

(2) In respect to endorsed gross project revenue, this is a total project revenue not representing revenue for any one financial year.

2.1 Forecast program cost has remained unchanged since September 2015 as a result of the maturity of the projects. Final cost reconciliation will be completed at the completion of sales as open contracts and any remaining contingency can be closed out and accurate costs can be reconciled. It is forecast that this process should be resolved by April 2016 and will be reported prior to the end of the financial year, for any final adjustments required to close the projects out.

2.2 Tranche 1 Program milestones achieved across 2015 were notable including:

- 80 Land Settlements;
- \$10,748,672 Net Sales Revenue returned to Council;
- 46 new resident welcome kits delivered;
- Average of nine allotment sales per month;
- Construction fully complete on Riverwalk, Greentree Walk, The Reserve & Walpole Road Upgrade;
- Winner of the UDIA State Award for Local Community Development for the Reserve development, Diment Road;
- 128 new homes occupied built by 18 different building companies;
- Top three builders active in our projects were Hickinbotham (75), Rivergum Homes (45) and Simonds Homes (20);
- 570 new enquiries to our sales agents;
- Project completion community celebration hosted by the Mayor at Diment Road;
- 69 Housing Affordability Grants paid out at settlement to a value of \$773,000; and
- Indigenous Discovery and Site Registration process completed with the Department of State Development in relation to Emerald Green at Ryans Road.

2.3 The Strategic Property Development Program has been nominated to be submitted for a Local Government Professionals Australia (LGPA) award under the Innovative Management Initiatives Metropolitan Councils category. The award submission will focus on the success stories and learnings from the Tranche 1 program and was submitted on the 28 January 2016. The announcement of the

winners will occur at the 2016 LGPA Gala Awards Dinner to be held Friday 15 April 2016.

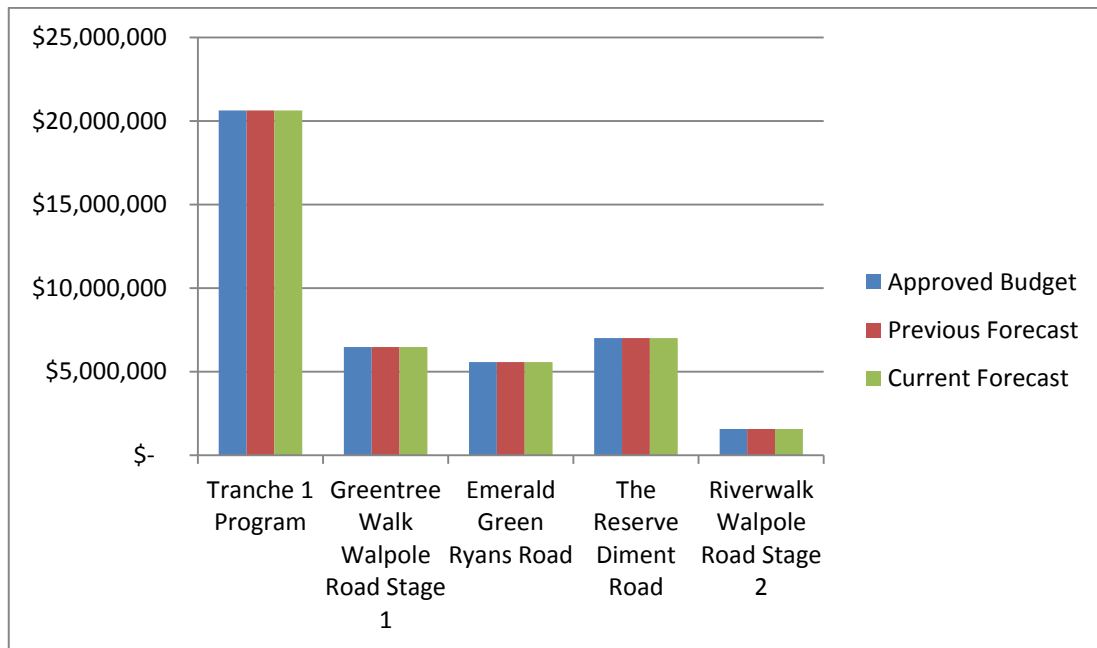
- 2.4 All landscape and civil construction is now completed at Greentree Walk Walpole Road, Riverwalk Whites Road, and The Reserve Diment Road. Due to the indigenous discovery final reserve landscaping associated within the indigenous reserve and final streetscape and footpath installation are still to be completed in Emerald Green Ryans Road for Tranche 1 to reach the status of full delivery which is forecast to occur in the first six months of 2016.
- 2.5 All remaining lots within Tranche 1 are now on the market, with likely completion of sales, subject to market performance, anticipated by early 2016. Notably in January 2016, the final allotment at Riverwalk was contracted. If all contracts proceed to settlement the project is now officially sold out. Across the other three projects we have a total of 19 allotments left to sell, the majority of which are at Diment Road (12 in total).
- 2.6 Preliminary advice was received from our tax advisors in respect to the GST margin scheme. A formal request is being prepared for submission to the Australian Tax Department, likely to be submitted in February 2016. Application of the margin scheme in determining GST may provide a further increase in the net proceeds, resulting in further program upside.

Assumptions:

- GST on revenue has been determined at the full rate pending resolution of the application of the margin scheme based on the advice received from our taxation advisors.
- The margin scheme application if accepted would reduce the payment of GST on the taxable component of the sale to 1/11th of the margin considerate of the value of the land prior to development rather than 1/11th of the total sale price, resulting in a potential saving to Council and increase in net proceeds.

3. COSTS

- 3.1 The graph below illustrates the cost forecast to complete development against the current approved budget and previous forecast. Note that the costs exclude land value. There has been no change in program cost forecasts.

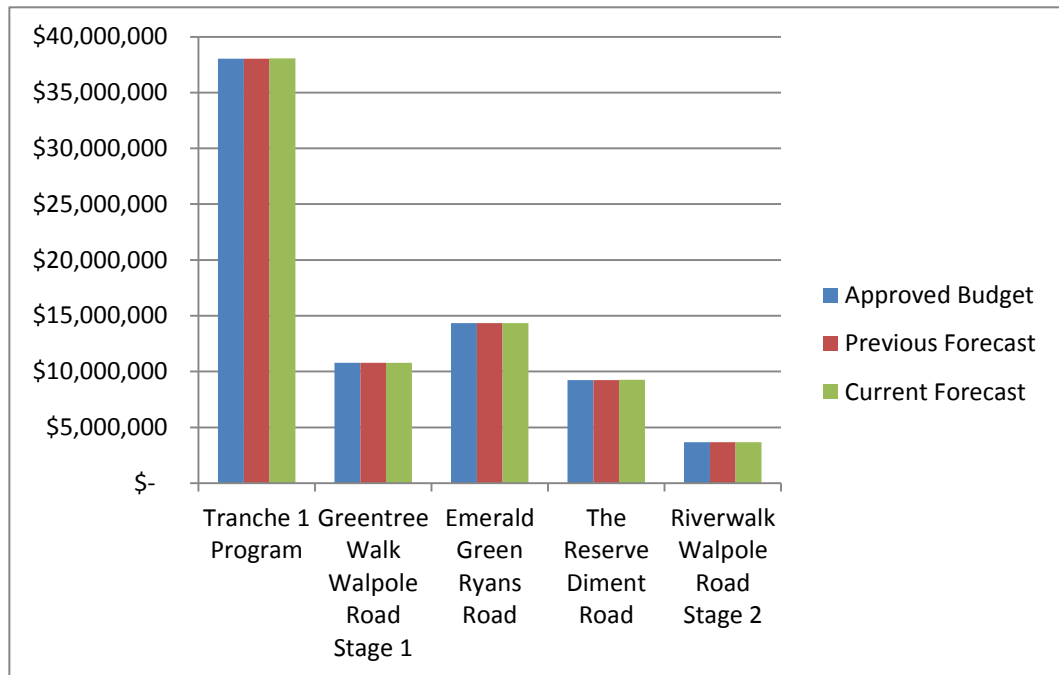


- 3.2 A request was received from the Department of Social Services in respect to expired bank guarantees requiring re-establishment to meet Council’s obligations under both the Walpole Road, Paralowie and Salisbury Infill Housing Affordability Fund Grant. Following the decision of the Strategic Property Development Sub-Committee in November, the bank guarantees were reestablished and provided to Canberra in mid-January 2016.
- 3.3 Landscape design is being undertaken by Council’s landscape team in consultation with representatives from the Kaurna Nations Cultural Heritage Association and Council’s Reconciliation Action Plan Working Group. The budget for base landscaping, with Council responsible for paying for 31% of the costs as per the shared costs agreement with the developer of the adjacent site, remains within the Emerald Green Ryans Road costs still to be committed. It is anticipated that a tender for landscape works should be complete in March 2016 to meet the autumn planting period.
- 3.4 The majority of remaining costs to be expended relate to cost of sale and holding costs for allotments with final costs only confirmed following allotment settlement. As such, a final cost forecast will be submitted at conclusion of sales.
- 3.5 The resourcing of the strategic property development business unit is capitalised and split across the Tranche 1 and 2 program reflective of the hours spent on each individual project. Due to the future pipeline of projects in Tranche 2 and the balance of work remaining on Tranche 1 and original contract terms coming to an end for the Project Delivery Coordinator Role we are needing to provide an extension to this role. As the role is funded from within the existing Strategic Development projects there is no additional expenditure requirements, however Council approval is required to continue this resource until December 2018, at a cost per annum of \$109k.

4 REVENUE

- 4.1 Forecast gross revenues both from sales and HAF grant and SA Power Network rebate funds are projected to be slightly above approved revenues for the Tranche

1 program (not reflected in the following graph but to be reported in the reconciliation report scheduled for May 2016).



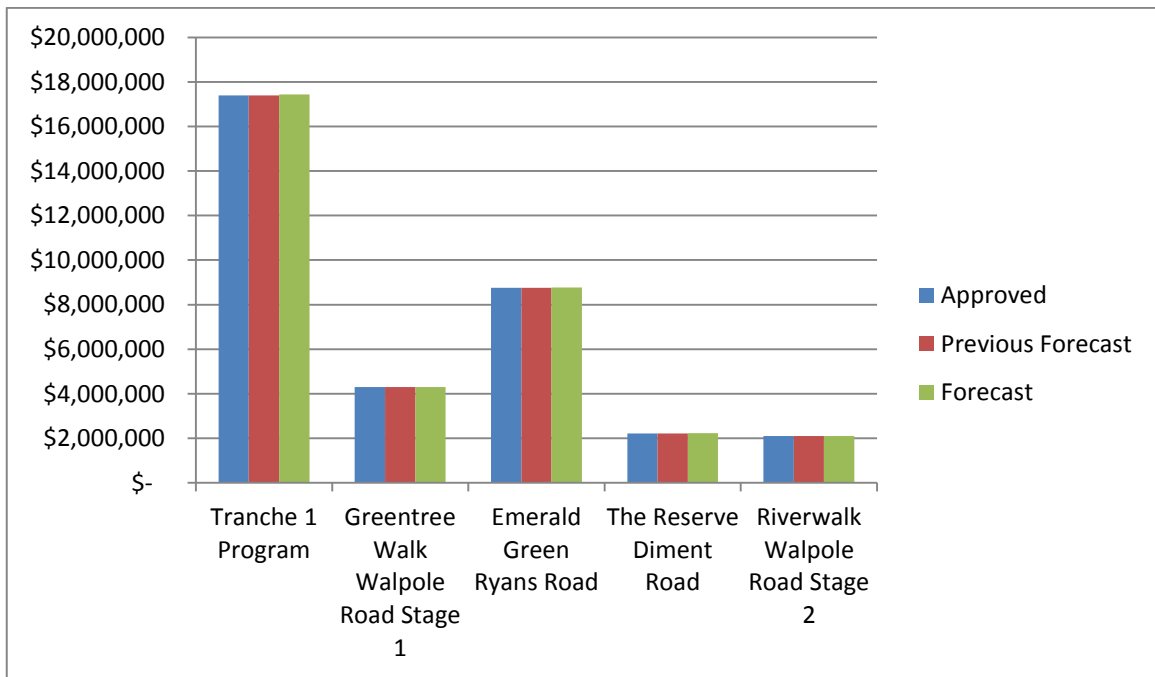
- 4.2 A verbal update on sales and settlements across the Tranche 1 Program will be provided upon request at the sub-committee meeting due to agenda report timelines impacting upon the currency of information.
- 4.3 Pricing within all Tranche 1 projects will continue to be monitored and adjusted for any contract cancellations, but revenue uplift on the Tranche 1 projects is likely to have peaked as all lots are now on the market and the focus has switched to sales conversion, subject to market conditions.

Risk Mitigation:

- 4.11 Staff along with the appointed project marketing and sales consultants hold weekly sales meetings and are responsible for the monthly review and proactive management of market sales prices, sale price increments per stage, and method of selling land in order to optimise income and sales rates.

5. NET PROCEEDS ON COST (EXCLUDING LAND COST)

- 4.4 The graph below illustrates that the forecast gross margin for the Tranche 1 program remain steady from previous forecasts.



4.5 Full project reconciliations will be completed as part of the project close-out at which point all contingencies and cost at point of sale assumptions can be resolved. That may result in further increases in net proceeds across the Tranche 1 program. This will be reported back through Budget Reviews in 15/16, subject to sales rates to bring the projects to completion.

4.6 Grant Thornton Accountants has been appointed to complete Council’s applications to be able to apply the GST Margin Scheme to the projects. It is anticipated net revenue will increase as a result of a reduction of GST payable by Council upon the sale of land. If this eventuates it will result in a direct increase to the “bottom line” of the projects not factored into the above results.

6. CONCLUSION

6.1 The nature of Strategic Development Projects means that projects extend over multiple financial years including both expenditure and income with forecasting updated regularly to respond to actual project costs and market conditions.

CO-ORDINATION

Officer: EXECUTIVE GROUP

Date: 02.02.16

Tranche 1 Program Summary	Council Endorsed Budget BR1 15/16(1)	Previous Forecast November 2015	Current Forecast February 2016	Percentage Change from Endorsed Budget
Project Cost*	\$20,633,819	\$20,633,819	\$20,633,819	0.0%
Sales Revenue	\$35,509,455	\$35,509,455	\$35,509,454	0.0%
Commonwealth HAF Grant Revenue	\$2,310,000	\$2,310,000	\$2,310,000	0.0%
Rebates Revenue	\$208,344	\$208,344	\$208,344	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$17,393,979	\$17,393,979	\$17,393,979	0.0%

Greentree Walk - Walpole Rd Stage 1	Council Endorsed Budget BR1 15/16	Previous Forecast November 2015	Current Forecast February 2016	Percentage Change
Project Cost*	\$6,475,653	\$6,475,653	\$6,475,653	0.0%
Sales Revenue	\$10,008,875	\$10,008,875	\$10,008,875	0.0%
Commonwealth HAF Grant Revenue	\$670,000	\$670,000	\$670,000	0.0%
Rebates Revenue	\$103,384	\$103,384	\$103,384	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$4,306,606	\$4,306,606	\$4,306,606	0.0%

Emerald Green - Ryans Rd	Council Endorsed Budget BR1 15/16	Previous Forecast November 2015	Current Forecast February 2016	Percentage Change
Project Cost*	\$5,574,379	\$5,574,379	\$5,574,379	0.0%
Sales Revenue	\$13,460,773	\$13,460,773	\$13,460,773	0.0%
Commonwealth HAF Grant Revenue	\$768,000	\$768,000	\$768,000	0.0%
Rebates Revenue	\$104,960	\$104,960	\$104,960	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$8,759,354	\$8,759,354	\$8,759,354	0.0%

The Reserve - Diment Rd	Council Endorsed Budget BR1 15/16	Previous Forecast November 2015	Current Forecast February 2016	Percentage Change
Project Cost*	\$7,018,773	\$7,018,773	\$7,018,773	0.0%
Sales Revenue	\$8,486,170	\$8,486,170	\$8,486,170	0.0%
Commonwealth HAF Grant Revenue	\$752,000	\$752,000	\$752,000	0.0%
Rebates Revenue				
Net Proceeds on Cost (excl. Land Cost)	\$2,219,397	\$2,219,397	\$2,219,397	0.0%

Riverwalk - Walpole Rd Stage 2	Council Endorsed Budget BR1 15/16	Previous Forecast November 2015	Current Forecast February 2016	Percentage Change
Project Cost*	\$1,565,014	\$1,565,014	\$1,565,014	0.0%
Sales Revenue	\$3,553,636	\$3,553,636	\$3,553,636	0.0%
Commonwealth HAF Grant Revenue	\$120,000	\$120,000	\$120,000	0.0%
Rebates Revenue				
Net Proceeds on Cost (excl. Land Cost)	\$2,108,622	\$2,108,622	\$2,108,622	0.0%

*Project Cost includes payment of HAF rebate to purchaser at point of settlement