



AGENDA

FOR STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE MEETING TO BE HELD ON

**13 SEPTEMBER 2016 AT THE CONCLUSION OF THE CEO REVIEW
COMMITTEE**

IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY

MEMBERS

Cr G Caruso (Chairman)
Mayor G Aldridge (ex officio)
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

APOLOGIES

An apology has been received from Cr J Woodman.

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Strategic Property Development Sub Committee Meeting held on 14 June 2016.

Presentation of the Minutes of the Confidential Strategic Property Development Sub Committee Meeting held on 14 June 2016.

REPORTS

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OTHER BUSINESS**CONFIDENTIAL ITEMS****SPDSC4 Confidential Presentation - Strategic Land Review Draft Mapping 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*
 - *the presentation contains sensitive information the disclosure of which may prejudice the commercial position of Council.*

*On that basis the public's interest is best served by not disclosing the **Confidential Presentation - Strategic Land Review Draft Mapping 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**

14 JUNE 2016

MEMBERS PRESENT

Cr G Caruso (Chairman)
Cr D Balaza (as proxy for Cr E Gill)
Cr D Proleta
Cr S Reardon
Cr J Woodman
Cr R Zahra

STAFF

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

The meeting commenced at 7:47pm.

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

APOLOGIES

Apologies were received from Mayor G Aldridge, Cr E Gill, Cr G Reynolds and Cr B Vermeer.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr R Zahra
Seconded Cr S Reardon

The Minutes of the Strategic Property Development Sub Committee Meeting held on 08 February 2016, be taken and read as confirmed.

CARRIED

Moved Cr R Zahra
Seconded Cr J Woodman

The Minutes of the Confidential Strategic Property Development Sub Committee Meeting held on 08 February 2016, be taken and read as confirmed.

CARRIED

REPORTS

SPDSC1 Appointment of Deputy Chairman - Strategic Property Development Sub Committee

Moved Cr R Zahra
Seconded Cr D Balaza

1. Cr Graham Reynolds be appointed as Deputy Chairman of the Strategic Property Sub Committee for a term of 12 months commencing 27/06/2016.

CARRIED

SPDSC2 Strategic Land Review Framework

Cr G Caruso declared a perceived conflict of interest on the basis that the report makes reference to a rebate provided by SA Power Networks, his employer, but noted that he has no role in relation to the rebate. Cr G Caruso advised he would remain in the meeting and vote in the best interests of the community.

Moved Cr J Woodman
Seconded Cr R Zahra

1. The current status of the Strategic Land Review Framework, methodology and timing be noted.
2. The methodology for assessment of Council land holdings (as set out in Item SPDSC2, Strategic Property Development Sub-Committee, 15/06/2016) be endorsed.
3. That a further report be presented to the Strategic Property Development Sub-Committee to review and confirm the priority list of projects for next stage feasibility investigations.

CARRIED

*The majority of members present voted IN FAVOUR of the motion
Cr G Caruso voted IN FAVOUR of the motion*

SPDSC3 Tranche 2 - Update Report

Moved Cr R Zahra

Seconded Cr J Woodman

1. The report be received and the update on the project delivery status for Boardwalk at Greentree, Walpole Road Stage 3, Walpole Road Upgrade and balance Tranche 2 projects be noted.
2. The variances between the Tranche 2 revised revenue and cost forecasts from 2015/16 Budget Review 3 outlined in the agenda report, incorporating a correction to the net proceeds figure to \$6,165,779 and a correction to the percentage change figure to 1.87% in Attachment 1 (Item No. SPDSC3, Strategic Property Development Sub Committee, 14/06/2016) be noted.
3. Subject to a further Update Report to the Strategic Property Development Sub Committee in September, budget variances for Tranche 2 be reported to the 2016/17 Budget Review 1.

CARRIED

OTHER BUSINESS

Nil

CONFIDENTIAL ITEMS

SPDSC4 Tranche 1 Program Update Report

Moved Cr R Zahra

Seconded Cr J Woodman

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 **Tranche 1 Program Update Report** 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 7:58 pm.

CLOSE

The meeting moved out of confidence and closed at 8:30pm.

CHAIRMAN.....

DATE.....

ITEM SPDSC1

STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE

DATE 13 September 2016

HEADING Tranche 1 Update Report

AUTHOR Chantal Milton, Manager Strategic Development Projects, City Development

CITY PLAN LINKS 1.4 Have well planned urban growth that stimulates investment and facilitates greater housing and employment choice.

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 is received and the update on the status of the Tranche 1 program be noted.
2. That the variances between the revised revenue and cost forecasts from the 2016/17 Endorsed Budget outlined in this agenda report (Item No. (SPDSC1, Strategic Property Development, 13/09/16 – Attachment 1) be endorsed and recommended to Council as a non-discretionary budget review as part of the 2016/17 1st Quarter Budget Review as follows:

15159 Walpole 1 – Greentree Walk
 Revised project cost: \$6,508,969

19739 Ryans Road – Emerald Green
 Revised project cost: \$5,555,820
 Revised project revenue: \$13,448,216

18802 Diment Road – The Reserve
 Revised project cost: \$7,118,472
 Revised project revenue: \$8,675,568

ATTACHMENTS

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

1. Tranche 1 Program Sales and 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 5 – Completion of Settlements
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 5 – Completion of Settlements

1.2 Council under (Item No. SPDSC4, Strategic Property Development Sub Committee 14/06/14 Confidential) noted a June forecast revenue and cost budget, also noting variances against the approved budget, that, subject to a further update report in September 2016, would be recommended as a non-discretionary bid for 2016/17 Budget Review 1. This report confirms that the revenue and cost forecast is unchanged from the June forecast.

2. REPORT

PROGRAM SUMMARY – September 2016

Tranche 1 Program Summary	Council Endorsed Budget 16/17(1)	Previous Forecast June 2016	Current Forecast September 2016	Percentage Change from Endorsed Budget
Project Cost*	\$20,633,819	\$20,748,275	\$20,748,275	0.6%
Sales Revenue	\$35,509,454	\$35,686,295	\$35,686,295	0.5%
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	\$17,456,364	\$17,456,364	0.4%

(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, the costs associated with the return of the HAF Grant including carry forward reflective of the multi- year delivery nature of the residential projects.

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

2.1 All remaining lots within Tranche 1 are now on the market, with likely completion of sales, subject to market performance, anticipated by late 2016. Riverwalk (Whites Road), Emerald Green (Ryans Road) and Greentree Walk (Walpole Road) are fully sold, awaiting final allotment settlements. Within The Reserve (Diment Road) we have a total of eight allotments left to sell as of 29 August 2016.

2.2 The new marketing budgets and incentive funds approved by Council in (Item No. SPDSC4, Strategic Property Development Sub Committee 14/06/2016) has resulted in a significant uplift in enquiry on the Tranche 1 projects and contributed to the sale of the last medium density lot in Emerald Green and four remaining lots in Greentree Walk across July and August 2016. Enquiry has lifted notably at The Reserve, with three allotments sold across this period. Our sales agents are confident this enquiry will continue to lift as we enter the traditional peak spring buying period.

2.3 Specific lot-by-lot strategies to complete sales has been developed in partnership with the relevant sales agents working with key builders. This house and land package strategy has contributed to the lift in enquiry and new contracts at Greentree Walk and The Reserve specifically over the last few months.

2.4 Final cost reconciliation will be completed at the completion of sales as contractor and consultant contracts, holding cost and cost of sales (commission and conveyancing fees)

and any remaining contract contingency can be closed out and accurate costs reconciled. It is forecast that this process should be resolved by December 2016, subject to sales completion and reported for final adjustments prior to closing the projects out and completing our final project update reports to the Federal Government under the Housing Affordability Fund Grant.

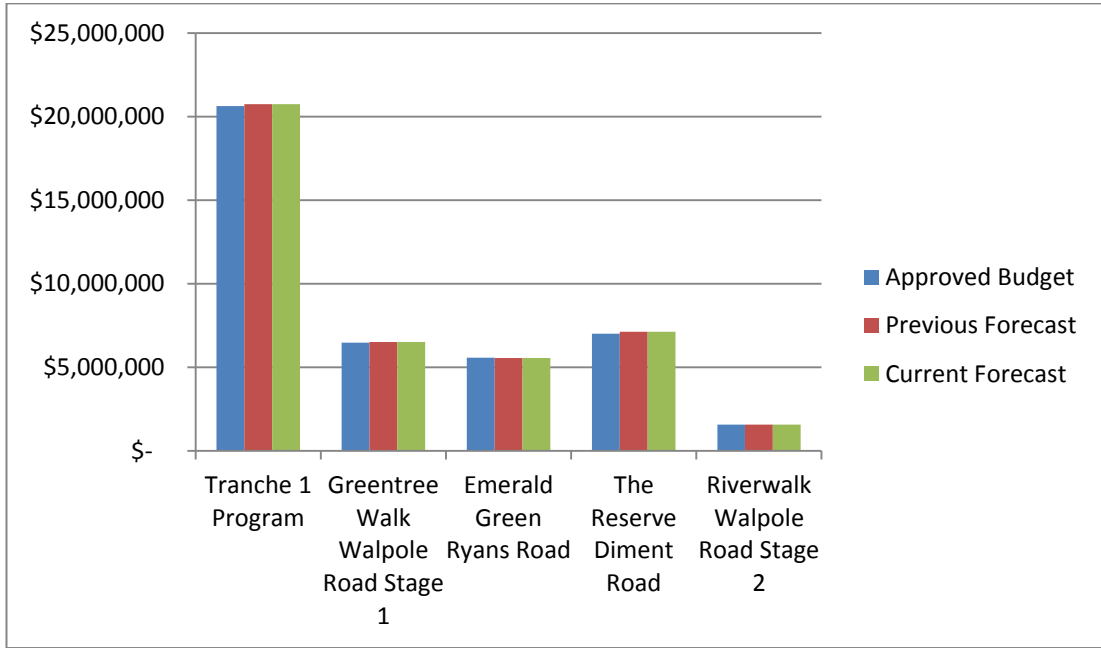
- 2.5 All landscape and civil construction is now complete at Greentree Walk Walpole Road, Riverwalk Whites Road, and The Reserve Diment Road. Due to the indigenous discovery final reserve landscaping associated within the indigenous reserve and final streetscape and footpath installation are still to be completed in Emerald Green Ryans Road for Tranche 1 to reach the status of full delivery, which is forecast to occur in the spring planting season of 2016.
- 2.6 Council's Finance Division is working with tax advisors to prepare a formal request for the submission to the Australian Tax Department for the Tranche 1 Program on the GST Margin Scheme. Subject to the outcome the application this may provide a further increase in the net proceeds, resulting in further program upside across all four Tranche 1 projects.

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, resulting in a potential saving to Council and increase in net proceeds.*

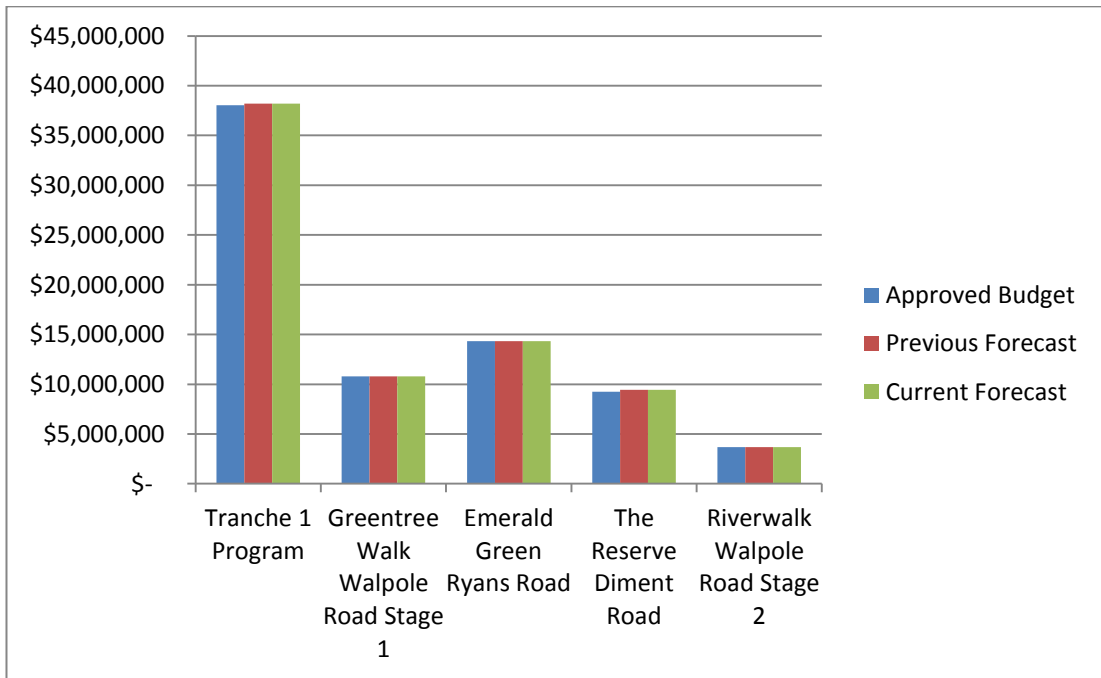
3. COSTS

- 3.1 Construction works associated with relocation of the Telstra pit affecting one of the remaining allotments at Diment Road has been completed following the approval of additional funds and the allotment placed back on the market.
- 3.2 The Diment Road project marketing and website was completely refreshed through the adjusted marketing budget, with a new 'landing page' on the website and new billboard graphics. This has increased enquiry numbers on the project as a result, and is also being supported through Facebook and direct mail out campaigns.
- 3.3 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 from the last update in June 2016.



4. REVENUE

4.1 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. The graph below illustrates the revenue forecast against the approved budget and previous forecast.



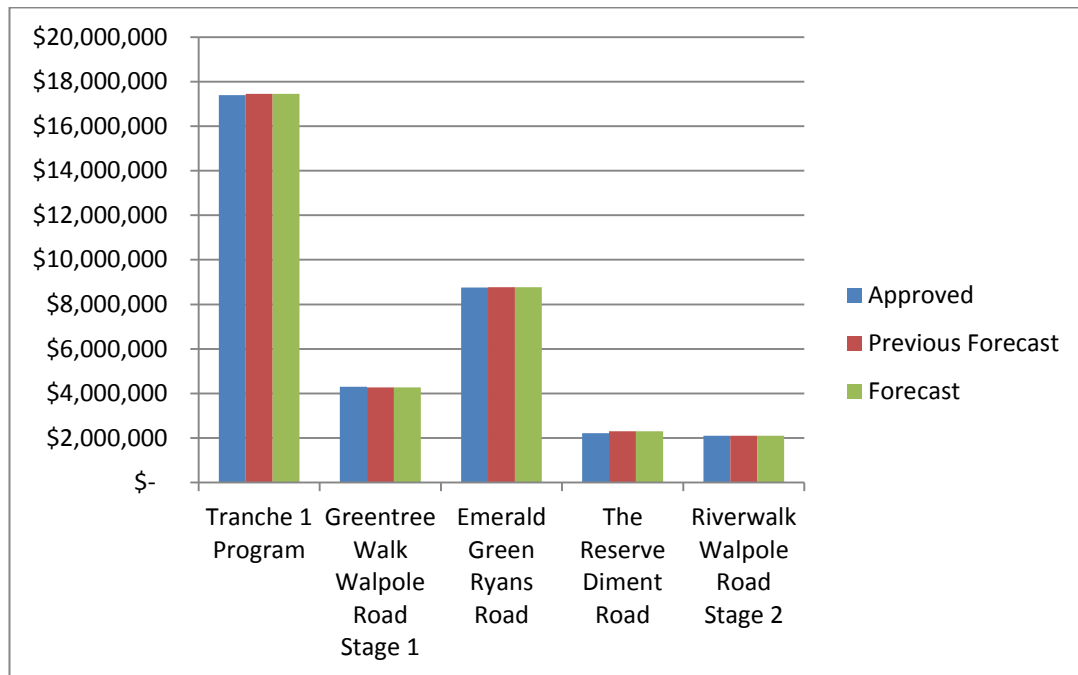
4.2 SA Power Network rebates for Riverwalk (approximately \$30k) and Diment Road (\$115k) are also due as Final Completion is reached, which will result in a revenue increase against these two projects to be reported as part of the final project reconciliation report once sales and settlements are complete.

4.3 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 while securing conversion in a tight market with minimal lots remaining.

5. NET PROCEEDS ON COST (EXCLUDING LAND COST)

5.1 The graph below illustrates that the forecast gross margin for the Tranche 1 program has a slight improvement from previous forecasts, despite the new costs outlined above.



5.2 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 as project contingency budgets can be closed out. This reconciliation will also include presentation of the outcomes of the GST Margin Scheme claim to the Australian Tax Office.

5. CONCLUSION

5.1 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.

5.2 This report outlines a strategy focused on closing out the Tranche 1 projects which subject to ongoing strength of enquiry generated by the adjusted project marketing budgets is on track for completion by the end of 2016.

CO-ORDINATION

Officer: EXECUTIVE GROUP
 Date: 06.09.16

SPDSC1 Tranche 1 Program Sales and Financial Metrics

Project Financial Sales Metrics

Attachment 1 - Tranche 1 Sales & Cost Metrics

Program Summary	Council Approved Budget 16/17 (3)	Previous Forecast June 2016	Current Forecast September 2016	Percentage Change
Project Cost	\$20,633,819	\$20,748,275	\$20,748,275	0.6%
Sales Revenue	\$35,509,454	\$35,686,295	\$35,686,295	0.5%
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	\$17,456,364	\$17,456,364	0.4%

Greentree Walk - Walpole Rd Stage 1	Council Approved Budget 16/17 (3)	Previous Forecast Jun-16	Current Forecast Sep-16	Percentage Change
Project Cost	\$6,475,653	\$6,508,969	\$6,508,969	0.5%
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	\$4,273,290	\$4,273,290	-0.8%

Emerald Green - Ryans Rd	Council Approved Budget 16/17 (3)	Previous Forecast Jun-16	Current Forecast Sep-16	Percentage Change
Project Cost	\$5,574,379	\$5,555,820	\$5,555,820	-0.3%
Sales Revenue	\$13,460,773	\$13,448,216	\$13,448,216	-0.1%
Commonwealth HAF Grant Revenue	\$768,000	\$768,000	\$768,000	0.0%
Rebate Revenue	\$104,960	\$104,960	\$104,960	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$8,759,354	\$8,765,356	\$8,765,356	0.1%

The Reserve - Diment Rd	Council Approved Budget 16/17 (3)	Previous Forecast Jun-16	Current Forecast Sep-16	Percentage Change
Project Cost	\$7,018,773	\$7,118,472	\$7,118,472	1.4%
Sales Revenue	\$8,486,170	\$8,675,568	\$8,675,568	2.2%
Commonwealth HAF Grant Revenue	\$752,000	\$752,000	\$752,000	0.0%
Rebates Revenue	\$0	\$0	\$0	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$2,219,397	\$2,309,096	\$2,309,096	4.0%

Riverwalk - Walpole Rd Stage 2	Council Approved Budget 16/17 (3)	Previous Forecast Jun-16	Current Forecast Sep-16	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	\$0	\$0	\$0	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$2,108,622	\$2,108,622	\$2,108,622	0.0%

Assumptions:

1. GST on Revenue assumed at 1/11 (not applying the Margin Scheme) until final decision is made
2. HAF Grant rebated in full to purchase, presented as revenue and project cost net nil affect to proceeds as a result of BR3 14/15
3. Council Approved Budget 16/17 assumes carry forward reflecting the multi-year nature of these projects

ITEM	SPDSC2		
	STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE		
DATE	13 September 2016		
PREV REFS	SPDSC	SPDSC2	14/06/2016
HEADING	Strategic Land Review Implementation Plan Update		
AUTHOR	Clint Watchman, Strategic Development Project & Design Coordinator, City Development		
CITY PLAN LINKS	<p>1.4 Have well planned urban growth that stimulates investment and facilitates greater housing and employment choice.</p> <p>3.4 Be a proud, accessible and welcoming community.</p> <p>4.4 Embed long term thinking, planning and innovation across the organisation.</p>		
SUMMARY	<p>The Strategic Land Review aims to understand the quantity of Council land holdings that may not be required for open space, community, stormwater or other uses and may have capacity for further investigation for redevelopment as a development project to achieve Council's strategic goals, through reducing loan borrowings and providing capacity to fund strategic projects.</p> <p>This report provides an update on the current status of the strategic land review seeking to identify potential projects into one of seven identified project types and early prioritisation investigations.</p> <p>The Strategic Land Review project is intended to be an internal document only and not presented for formal community feedback. The Strategic Land Review will not make decisions on future projects; it will instead assist to identify and prioritise land that may meet criteria warranting further investigation. Any identified potential project remains hypothetical until feasibility work is completed, community engagement undertaken and is subject to future decisions of Council.</p> <p>Staff will provide a summary confidential presentation to members on the early outcomes from the prioritisation investigation of three sample unit areas across the City and present examples of the information that has being collated for discussion as part of the meeting to assist in members understanding of the scope, content and likely presentation of information that will be adopted in the final City Wide Project Delivery Implementation Plan.</p>		

RECOMMENDATION

1. The current status of the Strategic Land Review Implementation Plan, methodology and timing be noted.
2. That a further report be presented to the Strategic Property Development Sub-Committee to review and confirm the priority list of projects for next stage feasibility investigations.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 Council's Growth Action Plan was first prepared in 2008/2009, and identifies key sites with potential for new subdivision and infill opportunities and outlines the actions required to achieve the desired development outcomes at a strategic level. The Growth Action Plan under review will be the high level Strategic Action Plan and the Strategic Land Review is an implementation plan that sits under this strategy.
- 1.2 To ensure an ongoing pipeline of future projects to continue to build on the Strategic Development Project agenda and contribute towards Council's strategic directions set out in the City Plan 2030, including achieving future funding capacity to deliver major strategic projects for the community, a more detailed review of Council land holdings is required. This will be outlined as part of the Strategic Land Review to be completed across 2016.
- 1.3 The Strategic Land Review project seeks to provide Council with a sound evidence-based approach to project identification to support quality decision making on future use of Council land holdings, providing transparency in decision making around the strategic land agenda and selection of projects.
- 1.4 The Strategic Land Review is not seeking to make decisions on Council land disposal/retention or confirm future development projects. It is seeking to identify, categorise and prioritise investigation parcels that may, subject to detailed investigations, project feasibilities, community engagement and future decisions of Council, be suitable for a potential future property development project or for divestment.
- 1.5 A proposed methodology and timeframe for delivery of the project was noted through Item No. SPDSC2, Strategic Property Development Sub-Committee, 15/06/16. A report of status against this approved methodology is the subject of this update report.

2. CONSULTATION / COMMUNICATION

2.1 External

- 2.1.1 The Strategic Land Review project is intended to be an internal document only and not presented for formal community feedback. The Strategic Land Review will not make decisions on future projects; it will instead

assist to identify and prioritise land that may meet criteria warranting further investigation. Any identified potential project remains hypothetical until feasibility work is completed, community engagement undertaken and is subject to future decisions of Council.

- 2.1.2 A priority project list identified for investigation as a result of the Strategic Land Review will be presented through the Strategic Property Development Sub-committee, seeking a decision to proceed to more detailed feasibility and investigations involving community feedback via an approved community engagement strategy.

2.2 Internal

- 2.2.1 The Strategic Land Review project has required the involvement and input from staff from the following divisions of Council:

- Property & Buildings, City Infrastructure;
- Technical Services, City Infrastructure;
- Parks & Landscape, City Infrastructure;
- Community Planning & Vitality, Community Development;
- Economic Development & Urban Policy, City Development; and
- Information Services, Business Excellence.

- 2.2.2 The staff Council Land Coordination Group has been regularly briefed on the project and used to test methodology, validate findings and identify data sources available to assist in the process.

- 2.2.3 Elected Members were provided with a briefing on the Strategic Land Review project purpose and methodology at Informal Strategy on 30 May 2016 and a subsequent presentation will be provided by staff to the Sub-committee in support of this update report.

3. STRATEGIC LAND REVIEW STATUS UPDATE

The Strategic Land Review methodology was established to guide the project and outlines four key steps as set out below, including update on current status of work:

3.1 Step 1 – GIS Mapping Analysis (Completed June 2016)

- 3.1.1 The goal of step 1 was to produce a City-wide land analysis map using existing GIS spatial data already available to Council to highlight Council-owned land parcels that could be further investigated for alternative use following removal of all sites with known site constraints relating to stormwater, slope and other set criteria. This mapping exercise refined the Council owned parcels for investigation from 1127 individual parcels down to 432 sub-parcels.

3.2 Step 2 Update - Creation of strategic land review parcel database split into seven project categories (completed September 2016)

- 3.2.1 The second step of the project grouped together the sub-parcels and categorised them into one of seven categories based on scale, location, related infrastructure or strategic projects, and potential form of

residential development that may be possible on the site. This exercise was undertaken through use of aerial mapping/photography resources.

- 3.2.2 This refinement exercise was undertaken via a desktop analysis at a planning unit scale for detailed investigation and readability within the final report. This planning unit scale is consistent with the approach Council adopts for asset management and open space maintenance and will assist in seamless integration of information across a range of departments.
- 3.2.3 The final implementation plan will also outline a methodology and timing for future update of the baseline mapping and review of the prioritisation lists as new strategic information becomes available such as a new City Plan, new funding grant opportunities or a new initiative introduced by State Government.
- 3.2.4 The outcomes of this sub-parcel categorisation is summarised in the table below:

Category No.	Category Description	Number of Investigation Parcels
A	Integrated Housing Site	31
B	Small Land Division	94
C	Small Development Project	42
D	Neighbourhood Development Projects	12
E	Integrated Recreation/ Infrastructure Upgrade & Residential Project	6
F	Non-Residential Project Investigation	6
G	Major Activity Centre Locations	1
	Total	192

3.3 Step 3 Update – Prioritisation of projects to identify short list (50% Complete)

- 3.3.1 The 192 parcels remaining after Step 2 does not represent parcels that can immediately be selected for detailed feasibility, as further testing of the earlier GIS-derived assumptions is required that will be completed as part of Step 3. As a result the total number of parcels for investigation is expected to further refine.
- 3.3.2 Staff will provide an overview presentation of the work completed to date for three indicative planning units, to assist Council understanding of the project methodology, assumptions and outcomes, and will include the findings from the validation steps outlined below:
- A site visit to each of the remaining investigation parcels, to identify any constraints not picked up in the GIS and desktop analysis. To facilitate a balanced capturing of information as part of each site visit a site analysis table was used with a list of common site opportunities and constraints. Every parcel was assessed against these identical criteria with consistent staff members involved in the review process.

- As part of the site visit, observation commentary and photos were recorded from each site visit for use in the final report and capture on Council's GIS database as a record of assumptions made in the refinement of parcels for investigation.
- Production of a map providing a 250m minimum pedestrian access catchment to an area of open space was produced to fill a gap of existing information within Council's existing open space *Game Plan*.
- Open space benchmark analysis, by each individual planning unit considering both current and project residential growth forecasts to produce an open space excess or deficiency score. This exercise has identified some planning units where open space is under supplied that will be captured for further investigation through Council's future open space *Game Plan* review. Other units have been confirmed as having open space that notionally exceeds both benchmarks and pedestrian catchment analysis, confirming parcels in this unit as appropriate for ongoing investigation.

3.3.3 The balance of outstanding work to complete step 3 of the Strategic Land Review following presentation of this update report will take the remaining investigation parcels, and prepare a planning unit wide recommendation of those parcels within each area that are most development ready and could be considered for prioritisation for detailed investigation.

3.3.4 Once each planning unit priority parcels are identified these will be mapped and consideration given to the level that each priority parcels aligns or could contribute to Council's broader strategic agenda, locations and timing where delivery could align to known capital or renewal projects, and a general consideration of market readiness and likely competitors. This will result in production of a prioritised list for testing through a Peer Review process, and refinement of a priority list of investigation parcels recommended for feasibility investigations in either a short term (1-3 year timeline) or medium term (3-10 year timeline) for testing with Council.

3.4 Step 4 – Development of the City-wide Development Project Delivery Program (November 2016 – January 2017)

3.4.1 The final outcome of this project will be a point-in-time prioritisation list, using the data currently available and prioritisation based on current residential market demand and Council's and State Government's strategic agenda. A summary of the investigation information will be collated as a reference for decisions and assumptions made to refine the project investigation list.

3.4.2 The document will set out a total land area for investigation across the City, potential yield, potential returns based on standard industry metrics, and timing trigger analysis for the projects that will support incorporation of a more qualified set of numbers into the Long Term Financial Plan modelling for the 2017/18 Budget Process.

3.4.3 Residential development on Council-owned land is significantly more challenging to achieve community acceptance compared to other Council

projects such as reserve upgrade or flood prevention works, which are generally welcomed and/or considered necessary by the wider community. This makes clear identification of the form and timing of community engagement for each project, clear articulation of the rationale behind individual projects, and investigation of opportunities to align with broader open space upgrade projects, particularly important, and is a key consideration that will be outlined in the City-wide Development Project Delivery Program.

- 3.4.4 The final program will also outline a methodology and timing for future update of the baseline mapping and review of the prioritisation lists as new strategic information becomes available such as a new City Plan, new funding grant opportunities or a new initiative introduced by State Government.

4. CONCLUSION / NEXT STEPS

- 4.1 This report and supporting presentation of three indicative planning unit outcomes is intended to provide an update on the work completed to date on the Strategic Land Review through completion of step 2 and work completed to date as part of step 3 against the approved methodology. The next update report will present a draft prioritisation list for testing prior to finalisation of the City-wide Development Project Delivery Program by the end of 2016.

CO-ORDINATION

Officer: EXECUTIVE GROUP

Date: 06.09.16

ITEM	SPDSC3 STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE
DATE	13 September 2016
HEADING	Tranche 2 - Update Report
AUTHOR	Chantal Milton, Manager Strategic Development Projects, City Development
CITY PLAN LINKS	1.4 Have well planned urban growth that stimulates investment and facilitates greater housing and employment choice.
SUMMARY	This report presents the current status of the Tranche 2 Strategic Development Projects project including construction delivery and sales on Boardwalk at Greentree (Walpole Road Stage 3) and the Walpole Road Upgrade project. Updates are provided on status of Business Case reviews on balance of projects.

RECOMMENDATION

1. That the report be received and the update on the project delivery status for Boardwalk at Greentree - Walpole Road Stage 3, Walpole Road Upgrade and balance Tranche 2 projects be noted.
2. That the variances between the revised revenue from the Council endorsed budget 16/17 including carry forward funds reflecting the multi-year project delivery timeline outlined in the agenda report be endorsed and recommended to Council as a non-discretionary budget review as part of the 2016/17 Budget Review 1, as follows:

20968 Walpole Road Stage 3 – Boardwalk at Greentree
 Revised project revenue: \$15,083,136

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

1.1 Council is undertaking a number of residential subdivision opportunities identified as Tranche 2, scheduled to follow on from the Tranche 1 program currently in the stage of final sales delivery. The Tranche 2 projects and status are:

Project Name	Scope of Project	Project Status
Walpole Rd Stage 3 (Boardwalk at Greentree)	Project civil construction complete and landscape construction substantially advanced, sales commenced and first project settlements occurred in late August 2016, one month ahead of schedule.	Stage 3 – Project Delivery

Hoyle Green	Residential development within surplus reserve. Stage 1 Feasibility complete. <i>Priority Level 3 Anticipated Business Case to be presented December 2016</i>	Stage 2 Business Case
Lake Windemere	Residential development along north-eastern edge of reserve (including former community centre site). Stage 1 Feasibility complete. <i>Priority Level 2 Anticipated Business Case to be presented October 2016</i>	Stage 2 Business Case
Shoalhaven South Stage 1	Residential development within surplus land. Stage 1 Feasibility complete. <i>Priority Level 3 Anticipated Business Case to be presented December 2016</i>	Stage 2 Business Case
Walpole Rd Infrastructure Upgrade	Upgrade between Walpole Road Stage 1 (Greentree Walk) project and Walpole Road Stage 3, also servicing future private development projects fronting Walpole Road.	Stage 4 - Project Complete in 12 month defects liability period.

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 Internal consultation has occurred and will continue across the refinement of the Tranche 2 business cases and through detailed design and delivery with the Executive Group and relevant divisions of Council involved to review and test the input and feedback from engaged external consultants.
- 2.1.2 Elected Members will continue to be advised of the status of the projects through reports to the Sub-Committee and at the time of public consultation on individual projects Elected Members will be advised and Ward Councillors provided with a briefing.

2.2 External

- 2.2.1 As endorsed by Strategic Property Development Sub-Committee on 13 May 2014, the Tranche 2 Business Case community consultation strategy will be specific to each individual project. A detailed engagement plan will be prepared for each project as part of the business case for approval.
- 2.2.2 At Boardwalk at Greentree a community newsletter was distributed in late February, prior to commencement of civil construction advising of temporary path closures, the proposed landscape upgrades and new trail network connections. Regular communication with immediately affected residents is occurring during construction. A project completion newsletter when landscape trails are open will be distributed to the surrounding community including an invitation for residents to attend a project completion celebration event planned to be held in September.

3. REPORT

BOARDWALK AT GREENTREE – STATUS UPDATE

- 3.1 Boardwalk at Greentree has progressed significantly since the last update report, with completion of civil construction, landscape construction substantially complete, and a third of the project sold with settlements commencing from 29 August 2016.
- 3.2 The status of revenue and costs for the whole of life project for Boardwalk at Greentree are summarised in the attached table.

Boardwalk at Greentree Project Summary	Council Endorsed Budget 16/17 (with carry forward funds reflecting the multi-year delivery project format)	Current Forecast September 2016	Percentage Change from Endorsed Budget
Project Cost*	\$9,627,357	\$9,627,357	0.0%
Sales Revenue	\$14,969,973	\$15,083,136	0.8%
Commonwealth HAF Grant Revenue	\$710,000	\$710,000	0.0%
Rebates Revenue	-	-	0.0%
Net Proceeds on Cost (excl. Land Cost & MOSS Payback)	\$6,052,616	\$6,165,780	1.87%

(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, 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.*

3.3 Civil Construction

- 3.3.1 Civil construction is progressing on-budget and on-program. Despite delays with weather during June/July the civil construction reached Practical Completion in late August. Approximately one month of extension of time delays were experienced as a result of the wet weather but this was factored into the original program as a time contingency and construction completion was achieved to facilitate booked settlements in September, with some buyers settling early from the last week in August.
- 3.3.2 The main complication during construction was the commencement of the Kings Road upgrade by DPTI, blocking construction access for our contractor from Kings Road. An alternate detour route provided by DPTI was negotiated which has required haulage of material through Greentree Walk, with this road having to be placed under speed restrictions with temporary changes to traffic control devices required at the corner of Walpole Road and Greentree Boulevard. The costs associated with this work have been passed directly onto DPTI who will also be responsible for rectification works to this intersection.

3.4 Landscape Construction

- 3.4.1 The landscape contractor commenced construction in April 2016 with the landscaping crews following behind the civil program through a coordinated program of works.
- 3.4.2 Landscape within Boardwalk at Greentree, includes the construction of an irrigated picnic reserve adjacent the wetlands, new play space, boardwalk and trail crossings in addition to the subdivision streetscape. Landscape should be complete by the end of September.
- 3.4.3 The boardwalk and creek crossing piers were installed prior to the winter rains commencing with the main boardwalk platform to be manufactured off site. The boardwalk will be the last component of landscape to be installed through a separate scope of works once the water level in the wetlands drops in spring.
- 3.4.4 Due to the number of entrance points onto the 1km looped trail and difficulty in identifying a clear start point the original concept of an exercise distance marker track was reconsidered and alternate proposal to convert the trail into a family walking trail starting at the playground was adopted.
- 3.4.5 The family walking trail has a duck as the main figure and a community competition was held through the project's Facebook page in June to name the duck. A local resident came up with the name *Lowie*, the Paralowie Duck. 'Lowie's Loop' childrens' trail will be launched as part of the project completion event, and a complementary colouring-in book is being developed with Community Development staff to encourage exploration of the trail and the environment that surrounds it. This book will be offered to surrounding schools and through the library and community centres.
- 3.5 Sales/Marketing
- 3.5.1 Sales at Boardwalk at Greentree have continued to be solid, with an average of eight sales a month. This is a strong result considerate of the sales occurring across the middle of winter, a traditionally slow selling period, and while the site could not be accessed by the public (being secured behind construction fencing). In total 42 allotments have been sold/contracted on the project as of 29 August, and strong holds exist over another 12 allotments.
- 3.5.2 Bank valuations on the adopted land pricing, which is setting a new benchmark price per m² for land value within Paralowie, have been accepted by the lending institutions, assisted by the construction team facilitating access to the site during completion of construction.
- 3.5.3 Defence Housing Australia (DHA) has committed to four park-front allotments at Boardwalk. Paralowie is not normally a target suburb for DHA investment given the distance from the train line; however the quality of the overall project and location on the Green Trail Network and Little Para River convinced them to invest in this project. This is the first time that DHA have invested in a Council residential project and this initial investment may open up potential opportunities for the future tranches of Strategic Development Projects.

- 3.5.4 With the first project settlements and practical completion occurring on 29 August, the balance of remaining allotments to be sold in the project that are not part of a committed house & land package will be repriced marking the completion of construction and reflecting the maturity of the project to secure an increased revenue to Council. The extent of further revenue as a result of this repricing will be reported in December once pricing is confirmed.
- 3.5.5 The project marketing campaign continues to have a stronger digital focus to that used on the Tranche 1 projects. This decision reflects the increased maturity of the Salisbury Living brand with a Facebook following in excess of 1800 followers, with advertising campaigns through this medium reaching an average of 30,000. A collection of project videos filmed using project contractors, designers and purchasers were filmed for use on Facebook and website. This campaign focused around authenticity using local workers and buyers to sell the project which has resonated well with our buyer profile.
- 3.5.6 House & Land Packages including single and double fronted town cottages have been packaged with Rossdale Homes, one of the results that came out of the Builder Expression of Interest process, and were released to the market in August. The balance of lots remaining on the project will be predominantly sold through builder packages with most 'traditional' allotments already sold.
- 3.5.7 The project has been submitted by Connekt Urban Projects into the Innovative Marketing Category for the Urban Development Institute Awards. The community focused local marketing plan that has been a feature of this project is considered to be an innovative approach compared to many competing projects. The project has been short listed and the award ceremony will be held in early November.
- 3.6 Rivergum Homes – Affordable Housing Builder Agreement
- 3.6.1 The Affordable Housing products, 'Jewel Living' was released to market in June with the starting price point \$229,990 house & land, and have to date been well received in the market. The first stage is predominantly sold and Rivergum have committed on the strength of sales to commence construction of Stage 1 in September. Sales have commenced for Stage 2 and enquiry remains solid.
- 3.7 Revised Project Forecast
- 3.7.1 The project net revenue forecast uplift reported in June from the original estimate adopted in the Business Case, equating to \$113k, will be reported as a non-discretionary budget review item as part of Budget Review 1 16/17. This revenue uplift was a result of increased land value achieved through the design of the Jewel Living affordable housing, and minor repricing of other allotments leading up to launch.
- 3.7.2 Further revenue uplift is likely as a result of the repricing strategy at completion of construction that will be reported in December as part of the next update report.

- 3.7.3 As with any sales-driven project an increase in land value comes with an associated increase in sales commission. However no further costs need to be allocated to cover this uplift in revenue as the project has achieved savings within other budgets that will be able to cover this additional expenditure.
- 3.7.4 An SA Power Network rebate payable at final completion of the project has been confirmed that will have a value of \$270,020. This rebate is not currently within the net proceeds forecast and will be reported as revenue uplift when the funds are received in September 2017 at Final Completion. This rebate offsets the costs paid upfront for delivery of electrical infrastructure as part of the project budgets. Reporting the rebate revenue as part of the project close-out once the funds are officially received is consistent with the approach adopted on the Tranche 1 projects and will result in further improvement in net result uplift.
- 3.7.5 Further improvement to revenue remains a possibility as a result of a standard Margin Scheme claim to the Australian Tax Office. Deloitte have been engaged to review the Margin Scheme for Boardwalk. Current forecasts for this project continue to assume a full GST payment on land sales as a conservative position until the margin scheme is officially adopted anticipated by the end of 2016.

3.8 MOSS payback

- 3.8.1 As previously reported in (Item No. SPDSC3, Strategic Property Development Sub Committee 14/06/2016) a MOSS payback amount of \$1.06 million has been identified using an independent valuations and calculations in respect to the percentage of contribution State Government made to the original land purchase at Walpole Road. This payback figure is considerate of the proposal that \$558k of the landscape works being delivered at Boardwalk serve a broader purpose as part of the Green Trail Network. The works provide a key nodal point of interest to the trail and connects the Paralowie community to the Little Para River, meeting many of the original funding grant objectives.
- 3.8.2 Meetings were held with DPTI, including an update meeting on 18 August 2016 seeking feedback on the MOSS Payback proposal. Advice received is that Council should expect formal advice from State Government within the next month, following consideration of the valuation which has been referred to the Valuer General Department.
- 3.8.3 Should this payback position be accepted by DPTI, it would leave a payback figure of \$529k, representing a requirement for Council to deliver an open space project with an equivalent value of \$1.06 million. This is proposed to be utilised for Council's contributory funding to the Mawson Lakes Pedestrian & Cycle access project, funding for which was included within the 16/17 Annual Plan.

4. **WALPOLE ROAD UPGRADE – STATUS UPDATE**

- 4.1 Civil construction of the full reconstruction of Walpole Road through to Melvina Road is complete. Landscaping was deferred from November until the autumn

planting season to improve survival rates of planting and were subsequently completed in April, including the planting of new street trees down the northern side of the road and feature landscaping around the new entrance to Boardwalk at Greentree. Mulch was installed to the verges on the southern side of the road, however no further planting was included on the southern side due to the upcoming construction works that will occur as part of the private subdivisions, as planting would have likely been destroyed (noting that due to the overhead powerlines no street trees can be planted on this side of the road).

- 4.2 The only outstanding expenditure on the Walpole Road Upgrade will be the 12 months maintenance program for landscaping and completion of a project close-out report. Project cost reconciliation is currently being completed and it is expected that there will be some expenditure savings against the project which has come in under the allocated contingencies. A SAPN rebate of \$5159 is also due at Final Completion in November that will be returned as additional revenue recognised through the project budget close-out.

5. BALANCE TRANCHE 2 – STATUS UPDATE

- 5.1 There are three other projects within the identified Tranche 2 project list that have had community land revocations completed and are waiting on the completion of the project Business Case to confirm the required delivery approach, project budget and revenue forecasts. The three projects are of a smaller scale than Boardwalk at Greentree and include Lake Windemere, Hoyle Green & Shoalhaven.
- 5.2 Work has commenced on the Business Cases, to test the original feasibilities. Lake Windemere is the most advanced with summary investigations and independent consultant review of original assumptions being finalized, including the civil costing and review of the approved “Option 5”
- 5.3 From a project continuity perspective, the timing for launch of the Lake Windemere project should flow from the completion of sales at The Reserve at Salisbury North (a Tranche 1 project). This is anticipated based on current sales rates to be sold out by the end of 2016, with eight allotments remaining as of 29 August 2016. Other private developments have recently being released in this area and the impact/timing of their release on our delivery approach to maximise revenue will be considered as part of the Business Case to inform Council decision on timing.
- 5.4 The remaining two projects, Hoyle Green and Shoalhaven are relatively small in size but complex in delivery. The required budgets to complete the Business Cases have been allocated, and these will be progressed by the end of the year, once the resource commitment currently focused towards delivery of Boardwalk at Greentree and feasibilities of Salisbury Oval can be refocused.

CO-ORDINATION

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