



AGENDA

FOR STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE MEETING TO BE HELD ON

**14 JUNE 2017 AT CONCLUSION OF STRATEGIC AND INTERNATIONAL
PARTNERSHIPS SUB COMMITTEE**

IN COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY

MEMBERS

Cr S White (Chairman)
Mayor G Aldridge (ex officio)
Cr G Caruso
Cr E Gill
Cr D Proleta
Cr S Reardon
Cr G Reynolds (Deputy Chairman)
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

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Strategic Property Development Sub Committee Meeting held on 11 April 2017.

Presentation of the Minutes of the Confidential Strategic Property Development Sub Committee Meeting held on 11 April 2017.

REPORTS

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OTHER BUSINESS

CONFIDENTIAL ITEMS

SPDSC4 Fairbanks Drive Reserve Update Report

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*
 - *non-disclosure of this matter would protect Council's commercial position as public disclosure may provide third parties with a commercial advantage*

*On that basis the public's interest is best served by not disclosing the **Fairbanks Drive Reserve 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.*

SPDSC5 Lake Windemere Residential Update Report

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) and (d)(i) and (d)(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; and
 - commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
 - commercial information of a confidential nature (not being a trade secret) 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 this matter would protect Council's commercial position as public disclosure may provide third parties with a commercial advantage.

On that basis the public's interest is best served by not disclosing the **Lake Windemere Residential 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.

CLOSE



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

11 APRIL 2017

MEMBERS PRESENT

Cr S White (Chairman)
Mayor G Aldridge (ex officio)
Cr G Caruso
Cr D Balaza (as Deputy Member for Cr E Gill)
Cr G Reynolds (Deputy Chairman)
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
Strategic Development Project & Design Coordinator, Mr C Watchman
Manager Governance, Ms T Norman

The meeting commenced at 8.37pm

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

APOLOGIES

Apologies were received from Cr D Proleta, Cr E Gill (Cr D Balaza attended as Deputy Member), Cr S Reardon and Cr J Woodman.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Mayor G Aldridge
Seconded Cr G Caruso

The Minutes of the Strategic Property Development Sub Committee Meeting held on 05 December 2016, be taken and read as confirmed.

CARRIED

Moved Cr R Zahra
Seconded Cr G Caruso

The Minutes of the Confidential Strategic Property Development Sub Committee Meeting held on 05 December 2016, be taken and read as confirmed.

CARRIED

REPORTS

SPDSC1 Tranche 1 Status Update Report

Moved Cr R Zahra
Seconded Mayor G Aldridge

1. That the report be received and the update on the status of the Tranche 1 program be noted.

CARRIED

SPDSC2 Update on the Investigation of Alternative School Development Location - Shepherdson Road, Parafield Gardens

Moved Cr R Zahra
Seconded Mayor G Aldridge

1. That the report be noted and that no further action be taken in relation to investigating an alternative location for the school development approved for 92 Shepherdson Road, Parafield Gardens.

CARRIED

SPDSC3 Tranche 2 - Program Update

Moved Mayor G Aldridge
Seconded Cr G Reynolds

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, with a further report and recommendations for next steps in relation to the Lake Windemere, Hoyle Green and Shoalhaven projects to be provided in June 2017.
2. That the variances between the revised Tranche 2 project revenues and the Council Endorsed Budget Review 1 - 2016/17 including carry forward funds, reflecting the multi-year project delivery timeline be endorsed and recommended as a non-discretionary budget review income gain at the 2016/17 Budget Review 3, as follows:

20969 Walpole Road Stage 3 – Boardwalk at Greentree
Authority Rebate Revenue \$270,000
Net Proceeds (excl. Land Cost) - \$6,435,800

CARRIED

OTHER BUSINESS

Nil

CONFIDENTIAL ITEMS

SPDSC4 Strategic Land Review Implementation Plan

Moved Cr R Zahra

Seconded Cr G Reynolds

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

- To protect Council's commercial position retaining the confidentiality of Attachment 2 will ensure that third parties do not receive an advantage that risks Council's commercial position and potential revenue return available from the project pipeline.

*On that basis the public's interest is best served by not disclosing the **Strategic Land Review Implementation Plan** 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 8.41 pm.

The meeting moved out of confidence at 8.52 pm.

CLOSE

The meeting closed at 8.53 pm.

CHAIRMAN.....

DATE.....

ITEM	SPDSC1		
	STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE		
DATE	14 June 2017		
HEADING	Tranche 1 Status Update Report		
PREV REFS	Works and Services Committee	2.6.1	15/05/2017
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. 3.2 Have interesting places where people want to be. 3.4 Be a proud, accessible and welcoming community.		
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.

ATTACHMENTS

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

1. Tranche 1 Program Financial and Sales Metric

1. BACKGROUND

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

Project Name	Current Project Stage
Walpole Road Stage 1, Paralowie - Trading as "Greentree Walk"	Stage 6 – Close Out
Ryans Road, Parafield Gardens – Trading as "Emerald Green"	Stage 3 – Project Delivery
Diment Road, Salisbury North – Trading as "The Reserve"	Stage 4 – Completion of Sales
Walpole Road Stage 2, Parafield Gardens – Trading as "Riverwalk"	Stage 6 – Close Out

2. REPORT

Item SPDSC1

PROGRAM SUMMARY – June 2017

Tranche 1 Summary	Program	Council Endorsed Budget BR1 16/17(1)	Previous Forecast April 2017	Current Forecast June 2017	Percentage Change from Endorsed Budget
Project Cost		\$20,748,275	\$20,748,275	\$20,748,275	0.0%
Sales Revenue		\$35,686,295	\$35,686,295	\$35,686,295	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	0.0%
Net Proceeds on Cost (excl. Land Cost)		\$17,456,364	\$17,456,364	\$17,456,364	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 All remaining lots within Tranche 1 are now on the market, with likely completion of sales, subject to market performance, anticipated by 30 June 2017, with only one allotment remaining to sell.
- 2.2 The final allotment settled in Riverwalk, Whites Road, on 22 March 2017. The project close-out and budget reconciliation is now being completed with a close-out report to be presented to sub-committee in September 2017.
- 2.3 The final allotment settled in Emerald Green, Ryans Road, on 8 May 2017. The project close-out and budget reconciliation is now being completed with a close-out report to be presented to sub-committee following completion of landscaping works related to the Kaurna Heritage site.
- 2.4 The final allotment settled in Greentree Walk, Walpole Road Stage 1, on 29 May 2017. The project close-out and budget reconciliation is now being completed with a close-out report to be presented to sub-committee in September 2017.
- 2.5 The Reserve, Diment Road, is the remaining trading project with one allotment left to sell, and settlement conversion of five allotments. Notably, the apartment site located at Passmore Place, Salisbury North settled on 12 May 2017, with construction to commence in June. This development, to be delivered by Rivergum Homes required, as a condition precedent, the sale of fourteen of the sixteen apartments prior to settlement. The conversion of these sales presents a confidence in affordable housing apartments in this location, which provides opportunities for medium density sites on future projects.

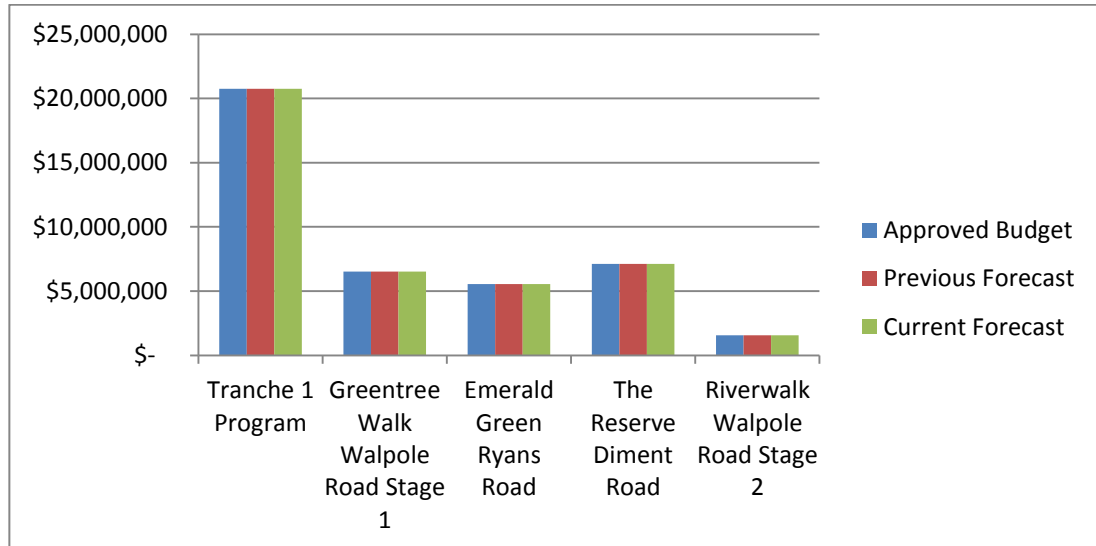
- 2.6 A full reconciliation of Housing Affordability Fund (HAF) Grants delivered on the projects identified a grant that was not paid out at Emerald Green, Ryans Road. Council is obligated to demonstrate the return of the full grant sum to purchasers at settlement. As a result this additional HAF grant, with a value of \$12,000 was transferred from Emerald Green to the Diment Road project, and will be used to convert the sale of the final allotment. The transfer of the HAF revenue and associated costs is reflected in the table provided as Attachment 1, but provide no net change to the overall Tranche 1 program. This movement will be reflected, as part of the reconciliations presented to Council in the formal close-out reports.
- 2.7 Final cost reconciliation will be completed at the completion of sales as open contracts, holding costs and cost of sales (commission and conveyancing fees) and any remaining contract contingency can be closed out and accurate costs can be reconciled. It is forecast that this process should be resolved by September 2017, with final project positions being considered by Council to inform Budget Review 1 2017/18 to formally close out the Tranche 1 projects.
- 2.8 Due to the indigenous discovery, final reserve landscaping associated within the indigenous reserve are still to be completed in Emerald Green, Ryans Road, for Tranche 1 to reach the status of full delivery. Final footpath works commenced in March 2017 and were substantially completed in May 2017, with minor works to lift a SA Power Networks pit still to be completed. It is forecast that the indigenous reserve landscaping will be completed in the spring planting season of 2017. Final landscape drawings have been completed and final engagement with Council's Reconciliation Action Plan Working Group and KNCHA representatives will commence mid-2017, prior to procurement of a landscape contractor.
- 2.9 As part of the project close-out reconciliations, we are currently undertaking a due diligence review of both the budgets and actuals of the Tranche 1 Projects, with a particular emphasis on ensuring that the sales and grant revenue budgets have been formulated in alignment with the GST legislation. We do not expect this to have any consequences to purchasers; rather we are ensuring our internal budgets have been formulated correctly, particularly due to the inherent complexity involved with projects of this nature.
- 2.10 Council's Finance Division continues to work with tax advisors to prepare a formal request for the submission to the Australian Tax Department in relation to the standard GST margin scheme as it applies to the developments, following advice that the concessional rate does not apply. Subject to the outcome of the application there may be a further increase in the net proceeds, resulting in further program upside across all four Tranche 1 projects that will be reported as part of the project close-out reports.

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.

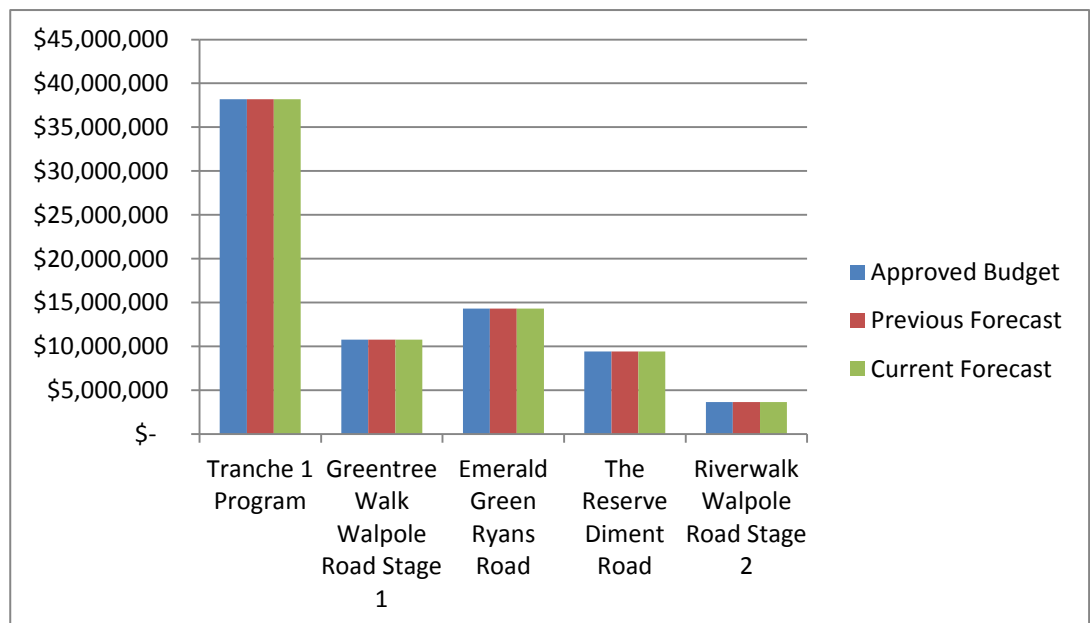
3. COSTS

- 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 since the last update report in September with a final reconciliation to be undertaken at the completion of the projects and settlement on the final allotments.



4 REVENUE

- 4.1 Pricing within The Reserve, Diment Road project will continue to be monitored and adjusted for any contract cancellations, but further revenue uplift on the Tranche 1 projects will not occur as all lots are now on the market and the focus has switched to sales conversion, subject to market conditions.

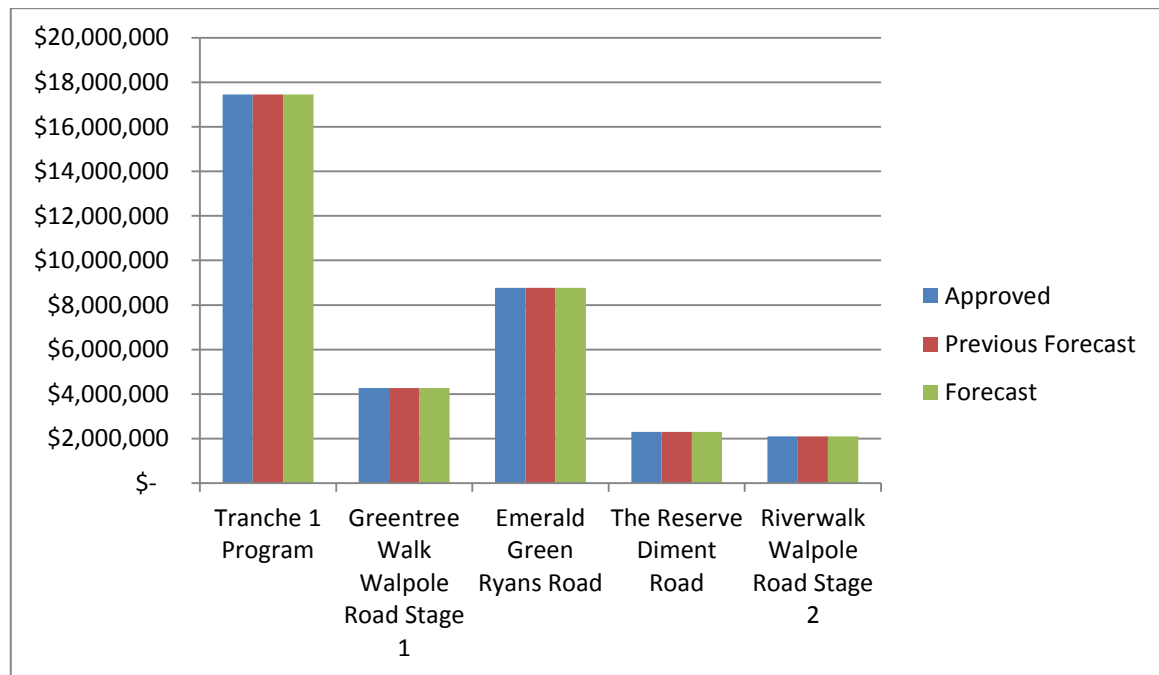


Risk Mitigation:

- 4.2 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)

- 5.1 The graph below illustrates that the forecast gross margin for the Tranche 1 program is reporting no change from the previous forecast in December.



- 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. That may result in further increases in net proceeds across the Tranche 1 program from final payment of SAPN rebates and a positive result on the GST Margin Scheme Applications to be submitted to the Australian Tax Office.

6. WALPOLE ROAD UPGRADE – STATUS UPDATE

- 6.1 In previous Strategic Development Sub-Committee Reports, the Walpole Road Upgrade has been reported as part of the Tranche 2 Program. However, in commencing the project reconciliations it was confirmed that this project was delivered as part of the overall Tranche 1 Program and as a result will be reported as part of the overall program close-out reconciliations.
- 6.2 Civil Construction is complete for the full road reconstruction of Walpole Road between Greentree Boulevard and Melvina Road. Landscaping was deferred from November until the autumn planting season to improve survival rates of planting.
- 6.3 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.

- 6.4 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 and will be reported as part of the balance Tranche 1 reconciliations.
- 6.5 As reported to Works and Services (Item No. 2.6.1 Works and Services Committee 15/05/2017), \$25k was approved as a non-discretionary transfer from the Walpole Upgrade Budget of unrequired contingency to a new Reserve Upgrade Program minor project to improve the overall amenity and assets delivered at Passmore Place Reserve to improve connecting paths, and provide irrigation and minor landscape works as a result of resident requests.
- 6.6 Works required to Greentree Boulevard as a detour during the construction of the Kings/Bolivar/Port Wakefield Roads intersection upgrade by DPTI are still to be re-instated; this work is at DPTI's cost with a decision made to defer completion until adjacent private subdivision works are complete.
- 6.7 The project has reached Final Completion for civil works on 9 November 2016 and final security to the contractor has been released. A SAPN rebate of \$5,159 is also due at Final Completion in November that will be returned as additional revenue returned through the project budget close-out in mid-2017.

7. CONCLUSION

- 7.1 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: 06.06.17

Project Financial Sales Metrics

Attachment 1 - Tranche 1 Sales & Cost Metrics

Program Summary	Council Approved Budget 2016/17 Budget Review 1 (3)	Previous Forecast April 2017	Current Forecast June 2017	Percentage Change
Project Cost	\$20,748,275	\$20,748,275	\$20,748,275	0.0%
Sales Revenue	\$35,686,295	\$35,686,295	\$35,686,295	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)	\$17,456,364	\$17,456,364	\$17,456,364	0.0%

Greentree Walk - Walpole Rd Stage 1	Council Approved Budget 2016/17 Budget Review 1 (3)	Previous Forecast Apr-17	Current Forecast Jun-17	Percentage Change
Project Cost	\$6,508,969	\$6,508,969	\$6,508,969	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)	\$4,273,290	\$4,273,290	\$4,273,290	0.0%

Emerald Green - Ryans Rd	Council Approved Budget 2016/17 Budget Review 1 (3)	Previous Forecast Apr-17	Current Forecast Jun-17	Percentage Change
Project Cost	\$5,555,820	\$5,555,820	\$5,543,820	-0.2%
Sales Revenue	\$13,448,216	\$13,448,216	\$13,448,216	0.0%
Commonwealth HAF Grant Revenue	\$768,000	\$768,000	\$756,000	0.0%
Rebate Revenue	\$104,960	\$104,960	\$104,960	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$8,765,356	\$8,765,356	\$8,765,356	0.0%

The Reserve - Diment Rd	Council Approved Budget 2016/17 Budget Review 1 (3)	Previous Forecast Apr-17	Current Forecast Jun-17	Percentage Change
Project Cost	\$7,118,472	\$7,118,472	\$7,130,472	0.2%
Sales Revenue	\$8,675,568	\$8,675,568	\$8,675,568	0.0%
Commonwealth HAF Grant Revenue	\$752,000	\$752,000	\$764,000	1.6%
Rebates Revenue	\$0	\$0	\$0	0.0%
Net Proceeds on Cost (excl. Land Cost)	\$2,309,096	\$2,309,096	\$2,309,096	0.0%

Riverwalk - Walpole Rd Stage 2	Council Approved Budget 2016/17 Budget Review 1 (3)	Previous Forecast Apr-17	Current Forecast Jun-17	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

ITEM	SPDSC2
	STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE
DATE	14 June 2017
HEADING	Tranche 2 - Boardwalk at Greentree Project Update
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 summarises the current status of the first Tranche 2 Strategic Development Projects to reach construction delivery and sales on Boardwalk at Greentree (Walpole Road Stage 3).

RECOMMENDATION

1. That the report be received and the update on the project delivery status for Boardwalk at Greentree, Walpole Road Stage 3 be noted.

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. This report provides an update on the first of these projects to reach construction delivery and sales, Boardwalk at Greentree (Walpole Road Stage 3)
- 1.2 The current status of Boardwalk at Greentree is:

Project Name	Scope of Project	Project Status
Walpole Rd Stage 3, Paralowie (Boardwalk at Greentree)	Project civil construction complete and landscape construction substantially advanced, sales commenced and first project settlements occurred in late August 2016.	Stage 4 – Project Sales

2. REPORT

- 2.1 Since the last update report in April 2017, progress has continued at Boardwalk at Greentree with 59% of the project sold and over 30% of the homes under construction as of 30 May 2017. The project's first resident moved into their new home in early March 2017.

- 2.2 Since settlements commenced on the project in late August 2016, as of 24 May 2017, the project had achieved 55 settlements with a net value of \$7.66 million being received as of 30 May 2017.
- 2.3 The status of revenue and costs for the whole of life project for Boardwalk at Greentree is summarised in the attached table.

Boardwalk at Greentree Project Summary	Council Endorsed Budget BR3 16/17(1)	Current Forecast June 2017	Percentage Change from Endorsed Budget
Project Cost	\$9,627,357	\$9,627,357	0.0%
Sales Revenue	\$15,083,136	\$15,083,136	0.0%
Commonwealth HAF Grant Revenue	\$710,000	\$710,000	0.0%
Rebates Revenue	\$270,020	\$270,020	
Net Proceeds on Cost (excl. Land Cost & MOSS Payback)	\$6,435,800	\$6,435,800	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, 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. COSTS

3.1 Civil Construction

- 3.1.1 Civil construction is complete with Practical Completion received on 21 September 2016, with the project now in a 12 month defect liability period. A reconciliation of the contingency budgets is currently being completed with savings expected to be returned to Council as part of a future budget review, as the civil construction contingency was not fully expended.

3.2 Landscape Construction

- 3.2.1 The landscape contractor commenced in April 2016 with the landscaping crews following behind the civil program through a coordinated program of works. The majority of landscape works were completed in the first week of October, with Practical Completion reached on 6 October 2016.
- 3.2.2 Landscape within Boardwalk at Greentree included the construction of an irrigated picnic reserve adjacent the wetlands, new play space, boardwalk and trail crossings in addition to the subdivision streetscape.
- 3.2.3 The main boardwalk platform and approach ramps were installed in April 2017, prior to the winter rains. The boardwalk platform remains behind site safety fencing with final balustrading and deck fixings to be completed in early June.

4. SALES/MARKETING

- 4.1 Sales at Boardwalk at Greentree have continued to be solid, but as expected sales are starting to slow in comparison to the project launch with the completion of sales of the conventional larger allotments, and the project transitioning to a focus on built form product such as Jewel Living, Town Cottages and Park front Townhouses. In total 72 allotments have been contracted on the project as of 29 May 2017.
- 4.2 Strategic Development Projects staff are working closely with two builder partners to bring the Park Front Townhouses sites to market at a price point that will be accepted in the Paralowie market. Preliminary designs have been completed, and a delivery strategy is currently being resolved prior to launch.
- 4.3 The main project marketing campaign continues to have a stronger digital focus than that used on the Tranche 1 projects. The campaign focused around authenticity using local contractors and buyers to sell the project which has resonated well with our buyer profile. Digital content within the last two months has focused on touching base with buyers who were subject to the buyer videos to share their experience of building as they move into their homes, following their full journey from enquiry through to home ownership. This content is being used to populate Facebook, YouTube and other social media channels.
- 4.4 An additional marketing budget is likely to be required for Boardwalk due to the extension of sales into 2017, however these funds can be reallocated from unused project contingency against other contracts with no additional funds required to be allocated to the project with no forecast change over the life of the project there is also the potential for revenue uplift through re-pricing.
- 4.5 The bulk of marketing activity has been pulled back with a targeted spend linked to specific product listings now required, as the balance of lots remaining on the project will be predominantly sold through builder packages with the majority of traditional allotments already sold. Ongoing negotiation between Connekt Urban Projects and the builder market are occurring to identify product solutions that will meet the buyer profile.
- 4.6 Rivergum Homes – Affordable Housing Builder Agreement (Jewel Living)
 - 4.6.1 The Affordable Housing products, Jewel Living was released to market in June 2016 with the starting price point \$229,990 house and land, and have been well received in the market.
 - 4.6.2 The first two stages are predominantly sold and Rivergum commenced construction on Stage 1 in late November and Stage 2 in late December. All but two allotments are now sold within the two stages under construction. For construction efficiency and so as not to delay construction for purchasers of lots already settled, an addendum to the Development Deed was negotiated to allow Rivergum to commence construction on site prior to sale of the balance of the allotments, under terms typical of standard license to occupy arrangement.
 - 4.6.3 The commencement of construction at Jewel Living lifted enquiry with 22 of the 30 housing products contracted and strong holds likely to convert in June. It is anticipated that construction on Stage 3 is likely to commence in early July 2017.

- 4.6.4 A walkthrough tour of the Jewel Living Affordable Housing product was organised for sub-committee members prior to the June 2017 sub-committee meeting and prior to the handover to the owners of the first stage.

5. REVISED PROJECT FORECAST

- 5.1 Pricing of remaining land at Boardwalk at Greentree will continue to be monitored and adjusted for any new land placed to market, and contract cancellations to secure further revenue uplift, subject to market conditions.
- 5.2 Council's Finance Department continue to work with Tax Advisors in respect to securing further improvement to revenue as a result of a standard GST Margin Scheme claim to the Australian Tax Office, given the advice received that the concessional margin scheme cannot be applied to the Strategic Development Projects as reported in the Tranche Update report. Current forecasts for this project continue to assume a full GST payment on land sales as a conservative position. A revised valuation to enable calculation of the GST Margin Scheme is expected to be completed at the end of November, to value the land as of date of acquisition by Council (1 July 2000), after which a formal approach will be made to the Australian Tax Office.
- 5.3 Formal agreement has been reached with the Minister for Planning in respect to the MOSS payback for this project of \$1.08 million, for the balance payback figure of \$529k to be used to partially fund the Mawson Lakes Pedestrian and Cycle access project. These costs will be funded out of the net proceeds of the Walpole Stage 3 project.

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: 06.06.17

ITEM	SPDSC3		
	STRATEGIC PROPERTY DEVELOPMENT SUB COMMITTEE		
DATE	14 June 2017		
PREV REFS	Strategic Property Development Sub Committee	SPDSC1	14/05/2014
	Corporate Administration Committee	Item 5.6.3	17 July 2006
	Strategic Property Development Sub Committee	SPDSC 1	10/04/2014
HEADING	Balance Tranche 2 - Status 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 summarises the current status of the balance of the Tranche 2 Strategic Development Projects including Hoyle Green at Para Hills and the Shoalhaven Project located within the residential zone at Mawson Lakes. Updates are provided on the status of Business Case reviews and the report presents next steps and an anticipated timeframe for completion of a final Business Case report to Council for a decision to proceed to delivery.		
RECOMMENDATION	<ol style="list-style-type: none"> 1. That the report be received and the update on the project delivery status for Hoyle Green and Shoalhaven Tranche 2 projects be noted, with a further report and recommendations for next steps in relation to the Hoyle Green and Shoalhaven projects to be provided in September 2017. 		
ATTACHMENTS	<p>This document should be read in conjunction with the following attachments:</p> <ol style="list-style-type: none"> 1. Attachment 1: Hoyle Green Character Analysis 2. Attachment 2: Hoyle Green Approved Feasability Layout 3. Attachment 3: Shoalhaven Mawson Lakes - Locality and Plan 		

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.
- 1.2 Tranche 2 includes Boardwalk at Greentree, status update provided (Item No. SPDSC3, Strategic Property Development Sub-Committee, 14/06/2017) and Lake Windemere status report provided (Item No. SPDSC3, Strategic Property Development Sub-Committee, 14/06/2017).
- 1.3 This report provides an update on the balance two Tranche 2 projects.

Project Name	Scope of Project	Project Status
Hoyle Green, Para Hills	Residential development within surplus reserve. Stage 1 Feasibility complete.	Stage 2 Business Case
Shoalhaven South Stage 1	Residential development within surplus land. Stage 1 Feasibility complete.	Stage 2 Business Case

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 Internal consultation has occurred with the Executive Group and relevant divisions of Council that will continue throughout the refinement of the Tranche 2 business cases into detailed design and delivery, 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.

3. REPORT

- 3.1 There are two balance 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 prior to proceeding to delivery.
- 3.2 A preliminary residential feasibility for both projects was presented to the Strategic Property Development Sub-Committee on 13 May 2014. On the basis of this feasibility, Council endorsed the project to proceed to a business case to fully test the project assumptions relating to costs and revenue and inform a final decision of Council to proceed to delivery.

- 3.3 The purpose of the Business Cases is to review in detail all original assumptions, project documentation and forecasts as a critical risk mitigation step prior to proceeding determining the project delivery methodology. The Business Cases also consider any changes to the market and competitors that could impact on revenue return to Council.
- 3.4 The originally-anticipated timing of project delivery has extended due to the priority and resources allocated to the delivery of Tranche 1 projects and the need to time and flow development projects having regard to local market conditions. Accordingly the delivery funds originally allocated to the Hoyle Green and Shoalhaven projects were returned in Budget Review 3 2017 pending the approval of the detailed Business Case, which would identify more accurately the funds required for project delivery.

4. HOYLE GREEN – STATUS UPDATE

4.1 Project Background

- 4.1.1 The Hoyle Green, Para Hills Project is proposed to develop the entire area of the Hoyle Green Reserve, located off O’Grady Drive, for residential use. The site is in an established residential area, with commercial /church properties bordering the site on three sides, with balance of the adjacent area containing low density existing residential homes.
- 4.1.2 In July 2006, Council authorised staff to undertake two projects at Hoyle Green in response to safety and security concerns raised by the community in respect to the reserve:
- Close the walkway that links the current Hoyle Green Reserve to Kesters Road due to safety and security concerns. Following consultation the closure did not proceed further as adjoining owners were not interested in purchasing the land. The resolution of this matter remains an outstanding Council resolution.
 - Proceed with demolition of an existing Guides hall deemed surplus to requirement, in poor condition and an attraction to vandals. The guides hall was demolished by the end of 2006.
- 4.1.3 In 2008, Council resolved that the entire area of the Hoyle Green reserve be declared surplus to Council's requirements and completed a process to revoke the community land classification. Consultation on the project consisted of letters posted to 106 surrounding property owners with three submissions received. The consultation focused on the provision of housing in the broadest definition with no focus on particular dwelling types, eg traditional single dwellings, affordable or retirement housing.

- 4.1.4 In April 2008, Council endorsed staff to seek Request for Proposals from potential partners for the retirement housing as part of an agenda to contribute towards affordable housing project. One site identified as a potential location was Hoyle Green. The EOI closed in October 2009, however despite advanced negotiations with one party an agreement could not be reached over land value and the sale did not proceed.
- 4.1.5 In May 2014 an updated high level feasibility for a residential project to be delivered under Council's strategic development program was reported to SPDSC, with a decision made to proceed to development of a Business Case prior to committing to delivery.
- 4.1.6 In June 2015, SPDSC resolved that, subject to the Hoyle Green residential project proceeding, the proposed public road to be created in the development should be named in recognition of Cr. Irving. A \$2500 budget was to be allocated within the project feasibility numbers for a dedication ceremony to be held at project launch.
- 4.2 Project Document Review
- 4.2.1 The starting point for each Business Case is a complete review for accuracy and completeness of all previous documentation produced. Several gaps in information have been identified on the Hoyle Green Project to date, mostly around project sales expectations and technical investigations.
- A stormwater solution needs to be resolved for the project, including confirmation of any requirement for on-site stormwater detention and/or the capacity of the downstream drainage system to accept the additional run-off. An on-site detention requirement could impact on the lot yield and return for the project. Stormwater investigations are currently underway involving Council's Technical Services Division.
 - The walkway to the north of the site was determined to be surplus to requirements in 2008 but due to a lack of interest from the adjoining owners the disposal through a land sale did not proceed. The retention or closure of this walkway needs to be resolved to inform the final land division layout as the high level feasibility plan assumed closure, with the walkway blocked by a proposed allotment within the subdivision.
 - The Hoyle Green site contains between 20-30 non regulated trees and five regulated trees. An arborist report in respect to both the health and retention value of the trees is required, to inform both the final lot layout and any future Land Division Application to the Development Assessment Commission. The majority of non-regulated trees will need to be removed to allow the earthworks and servicing of the site to proceed, as the trees are located primarily around the perimeter of the site.

- The site is bounded by commercial premises and is located in a market segment that has not been the subject of Strategic Property Projects to date. Accordingly current pricing and market advice is critical to advise on the allotment mix, sales rates, revenue returns and delivery strategy to mitigate risks. A character analysis, provided as Attachment 1, and site inspection with Connekt Urban Projects has been undertaken to brief a new market report, anticipated for completion at the end of June 2017. However early indications are that the revenue projections within the original high level feasibility undertaken in 2014 will not be achieved.

4.3 Design Review

- 4.3.1 A part of any business case is to test from an urban design and subdivision layout perspective if alternate design solutions could deliver improved allotment numbers and subsequently better commercial returns to Council. With the speed at which housing innovation and trends change, it is important that the subdivision layout is contemporary and best meets market demand.
- 4.3.2 The original layout proposed as part of the initial feasibility presented in 2014 recommended a cul-de-sac bordered by large traditional housing allotments. A range of alternate design layouts have been tested but no significant improvements to lot numbers can be delivered due to the unusual boundaries surrounding the project.
- 4.3.3 While within walking distance of the Paddocks recreation area, the immediate locality of Hoyle Green does not provide direct or easy access to open space and local amenities such as shops. For this reason, this project is not recommended for medium density housing. Traditional detached housing, consistent with the general housing density in and character of the immediate surrounding locality is most appropriate, with allotments providing large private backyards supporting the overall livability and amenity in this location.
- 4.3.4 Council's Affordable Housing Policy and original concept note identified a requirement for this project to deliver 15% affordable housing, under the Renewal SA gazette price points. It should be noted that this provision is over and above a statutory requirement, which is not triggered on a land division of this size. The original layout does not include allotment sizes or prices that would deliver this commitment to affordable housing. Subsequently, an alternate smaller lot product would be required to be incorporated into the design to deliver the affordable housing commitment, most likely located fronting O'Grady Drive
- 4.3.5 Within the same basic road alignment, it is possible to increase the number of double garage fronted homes and allotments that can meet the affordable housing threshold by fine tuning the allotment frontages to deliver improved market acceptance and revenue return. This updated plan will also be priced by Connekt Urban Projects as a comparison to the original layout as part of their return market study. The original and adjusted layouts proposed for pricing as part of the market study are provided for information as Attachment 2.

4.4 Next steps

- 4.4.1 Connekt Urban Projects are preparing the updated market analysis report and new pricing and market feedback will be provided to Council by the end of June to inform the finalisation of the Business Case and an associated report containing recommendations on a preferred design and delivery model for the project.
- 4.4.2 Concurrent with securing the market feedback, an independent land valuation is in the process of being secured. This valuation will be used to compare the potential returns from the proposed development model against the land value if sold as an englobo development site into the open market.
- 4.4.3 Given the length of shared boundary with the adjacent Church owner and the need to determine the future of the walkway that did not proceed to formal closure in 2006, the Strategic Development Projects team will seek to engage with the Church administration to understand any existing issues/concerns, level of awareness of Council's plans for the redevelopment of this reserve, future Church development intent and any views on the future walkway that runs adjacent to the boundary.
- 4.4.4 The former Guides Hall located on the site was demolished in 2008 and there are two bitumen tennis courts remaining on site. A previous environmental report on the property completed as part of the EOI process reported a low possibility of environmental issues but this report is not of a standard that would meet the requirements for a future planning application for residential suitability. Further environmental investigations need to be completed to confirm suitability. However this work will not commence until the commercial return and likely feasibility of the project is confirmed or otherwise by the market analysis report.

5. **SHOALHAVEN – STATUS UPDATE**

5.1 Project Background

- 5.1.1 The Shoalhaven, Mawson Lakes Project is proposed to convert a small area immediately south of the established Mawson Lakes project delivered by Delfin Lend Lease into ten residential housing allotments, within the area currently contained within the residential zone.
- 5.1.2 A land division approval was granted over the ten allotment layout on 25 November 2011. Requests have been made to the Development Assessment Commission across the last three years to extend the development approval issued until Council could make a decision to proceed with the development. A copy of the plan of division and locality map is provided as Attachment 3.

5.2 Project Document Review

- 5.2.1 The starting point for each Business Case is a complete review of all previous documentation produced for accuracy and completeness. Several gaps in information have been identified on the Shoalhaven project to date, mostly around technical requirements to achieve the conditions imposed by the Development Assessment Commission on the land division approval relating to flood and acoustic protection levels for any proposed housing.
- 5.2.2 The technical requirements for appropriate acoustic treatment are being reviewed against contemporary standards and to understand the cost impost on any private dwellings to provide acoustic treatments to address the rail noise, given that an increased build cost will have a concurrent negative impact upon the sale price of the allotments. Work completed to date has confirmed that it is not possible to extend the existing acoustic mounding further into the wetlands to avoid higher acoustic requirements, and therefore costs, for future dwellings.
- 5.2.3 A market appraisal for the potential value of the allotments was last completed in March 2014 to inform the initial feasibility endorsed by Council in April 2014. There appears to have been a shift in the Mawson Lakes housing market since 2014 that could impact on the allotment pricing and level of buyer interest. As is typical in the years immediately following completion of a large greenfield development project there can be a relatively high turnover of housing stock, as the large quantum of buyers who all bought at the same time seek to sell either a principle place of residence or an investment property to realise profit.
- 5.2.4 It has been identified that there is currently a significant volume of Terrace Housing stock available in Mawson Lakes. Much of this stock is located in premium central locations around the Mawson Lakes Town Centre. Due to the relatively small lot size, the land value of a terrace home forms only a minor component of the total construction cost. There is concern that potential purchasers in Council's Shoalhaven project may in the current market be able to buy an existing terrace home for equal or less than they could buy and build within the Shoalhaven project with established homes arguably in a better location.

5.3 Next steps

- 5.3.1 This market risk needs to be thoroughly reviewed in respect to market depth to inform timing and delivery model for this project into the market to maximise returns to Council. An updated market appraisal report has been requested which is due for delivery to Council in late June 2017, to inform next steps on the project, including timing of delivery of the project.
- 5.3.2 Concurrent with securing the market feedback, an updated independent valuation is in the process of being secured. This valuation will be used to compare the potential returns from the proposed development model against the land value if sold as an englobo development site into the open market.

6. CONCLUSION / PROPOSAL

- 6.1 This report seeks to provide an update on the status of investigations informing the Business Case reviews on the balance of the Tranche 2 projects and the report presents next steps.
- 6.2 It is anticipated that following return of the market feedback at the end of June that a further update report will be provided to Council confirming recommendations on a delivery model and options for delivery.

CO-ORDINATION

Officer: EXECUTIVE GROUP

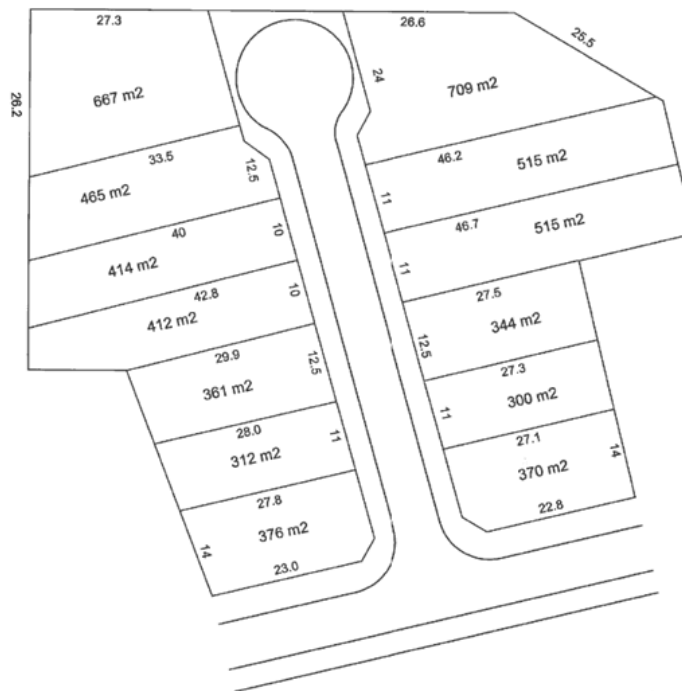
Date: 06.06.17



25/05/2017

HOYLE GREEN - Character Analysis

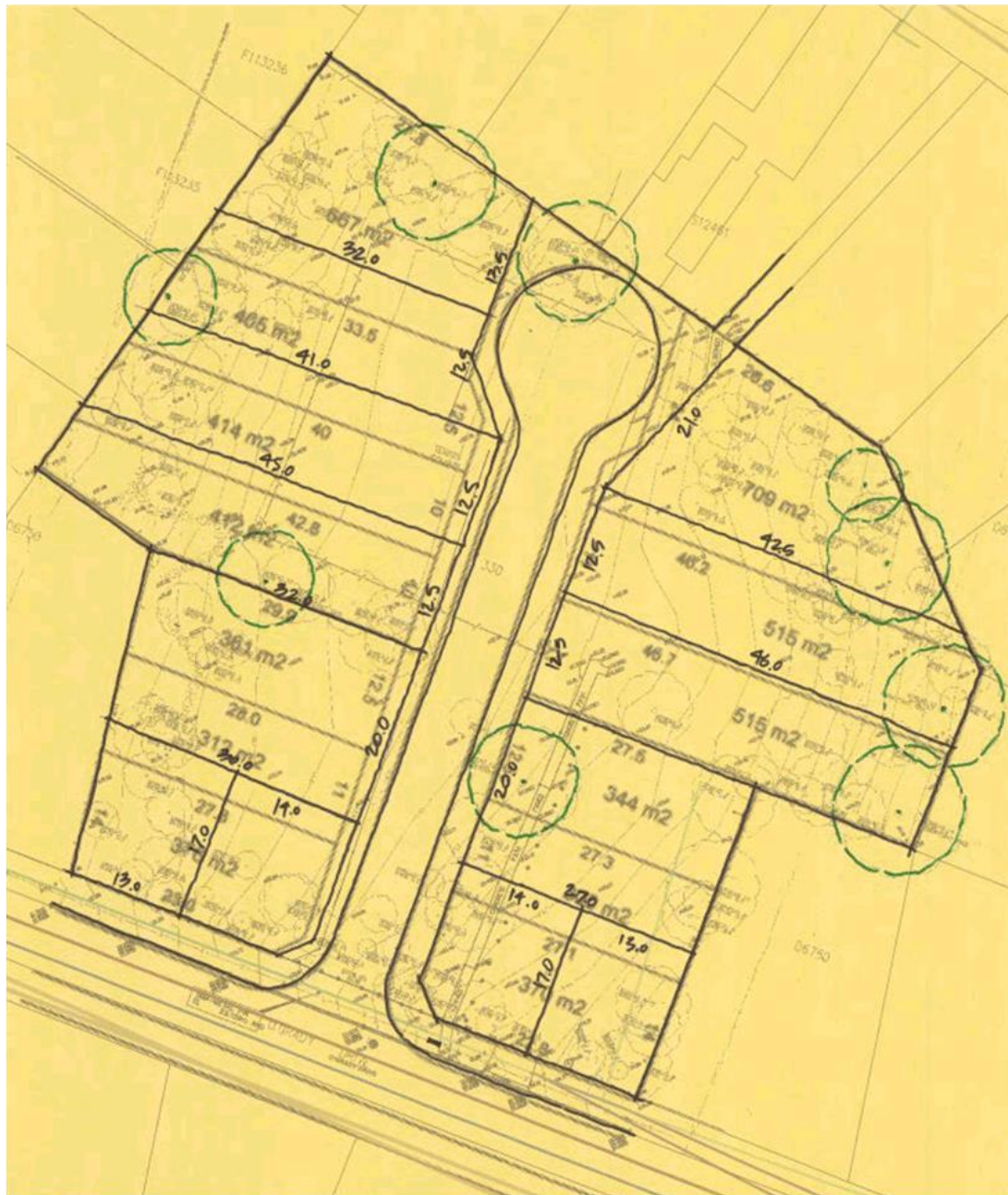
Annexure 2_ Proposed Plan of Division



HOYLE GREEN

NO. OF LOTS: 13
 LOT AREA: 5760m²
 ROAD AREA: 1335m²

Annexure 2 – Hoyle Green Residential Feasibility Concept Plan



Concept Note

Shoalhaven South

Annexure 1_ Location



Annexure 2_ Approved Plan of Division

Date Prepared – 10th April 2014

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Concept Note

Shoalhaven South



Date Prepared – 10th April 2014

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