

CONFIDENTIAL REPORT

Filename: REPA4675

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DATE: 1 September 2008

TO: Her Worship the Mayor & Councillors

FROM: A/Director – Governance, Economic & Cultural Services
via MG

SUBJECT: **Developer Initiated Proposal – Residential Development
Adjacent Airport (JLKT Pty Ltd)**

SUB GOAL 3.1 ECONOMIC GROWTH FOR LONG-TERM BENEFIT

1.0 BACKGROUND

- 1.1 Council at its meeting held on the 25th August 2008, resolved that a Special Meeting be held as soon as possible to receive a detailed report relating to the next steps in the Developer Initiated Proposal, involving adequate protections for the Council in the future sale of land adjacent the Airport.
- 1.2 This meeting is also serving the requirements of the developer who quite understandably is seeking a "Heads of Agreement" (conditional agreement as a form of security over the land), in view of his financial commitment to progressing the Developer Initiated Proposal.
- 1.3 Council at its meeting held on the 14th May 2008, resolved that the proposal by JLKT Pty Ltd has merit; and that the proposal be advertised for community consultation purposes as per "Step 3" of the process. (Following this step, having received no substantial and valid objections, an independent valuation of the land was undertaken. In the interim, the Developers have been encouraged to proceed to formulate their detailed Development Application for subsequent referral to the Development Assessment Commission (DAC), as per Steps 7 & 8 of the process).
- 1.4 A valuation has been obtained and a copy of the valuation is attached for Council's consideration.

2.0 DISCUSSION

- 2.1 Given the valuation that has been undertaken, Council should now seriously consider how to move forward from this point.

It is important that the process from here on, protects the Council and the community in terms of the release and sale of the land and making sure of course that the developer undertakes the residential development that is expected of him.
- 2.2 It is important that Council appreciates the commitment and involvement of the developer to this stage of the Developer Initiated Proposal process (Refer copy attached). Council has to date, requested the developer to proceed with a formal development application, including a Social Impact Statement; and through the Mayor's Task Force, has been requested to financially contribute towards DPA 2 (Westside).

In addition, as per Report REPA4673, it would be appropriate for the developer to contribute to the preparation of the Structure Plan that relates specifically to the Airport Land. The developer has agreed to this and has already had preliminary discussions with Stephen Holmes.

- 2.3 Without some formal commitment from Council, the developer is at risk of losing a considerable financial outlay made towards the processes outlined above. These costs at this early stage were not contemplated, and have been brought forward as a result of the requirements by Planning SA to prepare a Structure Plan for DPA2 (Westside). In addition, it should be understood that these costs will escalate even further as the developer finalises the detailed development application that will be required by DAC.
- 2.4 The public consultation process as part of the Developer Initiated Proposal process, as previously reported did not result in any significant objections. The majority of the responses were in favour of the proposal. Business Port Augusta has also supported Council in making sure Port Augusta is well ahead of the imminent growth.
- 2.5 Just to alert Council at this early stage that it will be necessary, subject to the rezoning, to sever the Airport Proper from the proposed residential portion of the land. This cost would be met by the developer.
- 2.6 If this development proceeds, it would be necessary to upgrade the Shirley Street extension. The cost of which could be negotiated with the developer.
- 2.7 This report is recommending a formal agreement between Council and the developer. This agreement would need to be prepared under advisement of Council's Solicitors to enable security to JLKT Pty Ltd over the land, until finalisation of DPA 2, at which time, Council will then enter into a specific Sale and Purchase Contract for the land, with terms and conditions (e.g. staging of development as per the Structure Plan, Land Management Agreement, Development Approval etc).

3.0 BUDGET IMPLICATIONS

The cost of DPA 2 has been covered in another report.

Possibly part of cost of the upgrade of Shirley Street extension (this will be outside the subject land but the developer will be prepared to negotiate on this matter.

4.0 RESPONSIBLE OFFICER/S

Lee Heron, A/Director – Governance & Economic Development

5.0 RECOMMENDATION

Council:

1. Receives and notes the report (REPA4674) dated 1 September 2008, submitted by the A/Director – Governance, Economic & Cultural Services, concerning "**Developer Initiated Proposal – Residential Development Adjacent Airport (JLKT Pty Ltd)**"

2. Enters into a conditional "Heads of Agreement" with JLKT Pty Ltd (subject to rezoning of the land to residential), to provide appropriate security to the site as the principal developer (*). Such Agreement to be prepared by Council's Solicitors.
3. Advises JLKT Pty Ltd of the valuation of the 'Airport land'; and that the developer be further encouraged to progress with a detailed development application (as per Council's 'developer initiated proposal' process). Further, that the developer is encouraged to maintain dialogue with Stephen Holmes of Connor Homes Pty Ltd in progressing DPA 2 and associated infrastructure and structure plans.

(*) Note:

This point will be emphasised with Council's Solicitors that JLKT Pty Ltd will be the principal developers. Council needs to be aware that as would be expected with a development of this scale, it is very likely that the developer will be pursuing a 'joint venture' to ensure additional expertise and resources in getting the project over the line. (For information, attached is a recent letter from "SAS Global Property Group" which is a very reputable development business in Western Australia. Members may wish to access this Company's website for further details).

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PORT AUGUSTA CITY COUNCIL

Administrative steps to be undertaken for a development proposal where Council Land is involved (Developer Initiated Proposal/Registrations of Interest).

- Step 1** Request Developer to submit a preliminary development proposal to the City Manager, including: land identification, description of the proposal, timing issues, zoning, land division (if required). The developer should also notify Council at this time of any assistance being sought from Council i.e. rate rebate, in-kind support, or other incentives.
- Administrative procedure:
- Determine ownership of land.
 - Whether a Reservation, Dedication or Trust exists over the parcel of land.
 - Zoning
- Forward a letter to the developer advising him/her of the above information and that a report on the proposal has been referred to Council.
- Step 2** A report to be submitted to Council advising of the developer initiated proposal which will involve the sale of Council Land. **If Council does not support sale of the land, the process will not progress beyond this step, and the Developer will be advised accordingly.**
- If Council consider the proposal has merit and would like to further investigate the proposal a public consultation process will be initiated.
- Step 3** An advertisement will be placed in the Transcontinental 2 weeks running to allow Council to receive any objections or representations from interested parties regarding the proposal being considered. Submissions will be received for a period of 28 days in line with the Public Consultation Policy.
- If, following the public consultation process, Council resolves to proceed with the Developer Initiated Proposal and declares the land surplus to requirements, the following steps will be undertaken:**
- Step 4** An independent market valuation will be sought to enable Council to determine and appropriate sale price for the land and the developer advised of the valuation.
- Step 5** Pursuant to Section 194 of the Local Government Act 1999, undertake a revocation of the status of Community Land process **if required**. Council will address any submissions made during the public consultation process prior to seeking the Minister's approval.
- Step 6** If approval is granted by the Minister for the revocation of the status of Community Land, the Development Application will then be lodged with DAC by the Developer.
- Step 7** If a Community Land Revocation Proposal is not required (i.e. the land does not have a Community Land status) then the Developer will be encouraged to lodge a Development Application.

- Step 8** The Development Assessment Commission will then process the Development Application (which may or may not involve a further public consultation process depending of the category of the development e.g. Category 1 development applications do not require further public consultation, however Category 2 & 3 do). DAC will give Council the opportunity to comment on the Development Application and Council should take into account submissions received during Steps 3 & 4 prior to responding to DAC.
- Step 9** Approval/Refusal of the Development Application will then be made by DAC. If the Development application is not approved, the developer is to be given the opportunity to submit a new application.
- Step 10** Surveying & legal costs, land division (if required), sale & transfer settlement to be contingent on substantial commencement of the development.


GLOBAL PROPERTY GROUP

 Licensee: SAS GLOBAL PROPERTY GROUP PTY LTD
 ABN 14 558 121 101

John Stephens
 CEO
 Port Augusta Council
 PO Box 1704
 Port Augusta
 SA 5700

18TH August 2008

Hello John,

Further to your discussions with Mr Pat Cheetham (Pat) from JLKT Pty Ltd, I would like to introduce myself, my name is Tony Beamish Managing Director of SAS Global Property Group Pty Ltd.

SAS Property Group:

The SAS Property Group is a business that has circa \$1.0bn of end value land and real estate under its control. At present, the group has twelve (12) land subdivision projects, including three (3) projects that have a significant design and construct element to them, and three (3) that have significant potential to develop and effectively market home and land packages to first home buyers.

The structure of the SAS Syndicates is that each development is established under its own single purpose entity, and investors are invited to participate through an equity investment into that vehicle. The offers are predominantly made to clients of the SAS Group, which operates under the Australian Financial Securities Licence ("AFSL") (Number 222303). Such offers are made either pursuant to personal advice pursuant under a tailored Statement of Advice ("SOA"), or in the case of our large base of sophisticated clients, on a non advice basis. Shown alongside, is a summary of the SAS Global Property Groups projects:

The financial strength of

Partnering the SAS group is able to provide financial support, both internally and via our extensive client base. It is the joint intent to co-develop the opportunity as a JV, with the respective parties bringing:

Project	Equity Raised	Type
High Wycombe	4,500,000	Subdivision - 1st home owners plus commercial
Yangebup	5,500,000	Commercial subdivision
Seville Grove	6,500,000	Subdivision - 1st home owners
Furissdale	1,000,000	Residential subdivision
Mandurah	11,000,000	Residential and high rise subdivision
Baldivis	25,000,000	Residential subdivision
Canning Vale	2,900,000	Commercial property - Leased
Coogee	13,000,000	Residential high rise development
Mosman Park	43,000,000	Residential high rise development
Forrestdale I	22,000,000	Commercial and Industrial Subdivision
Forrestdale II	6,000,000	Commercial and Industrial Subdivision
Narre Warren	10,000,000	Commercial Subdivision
	150,400,000	

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WEBSITE: www.sas.com.au EMAIL: property@sas.com.au

- SAS:
 - Capital to easily facilitate construction via:
 - Equity:
 - Internal and
 - Syndicated amongst a select group of client
 - Borrowings via established and respected banks that we have worked with for a combined 60 plus years.
 - Networks to ensure for the sale / lease of the resultant property through its mining connections
 - Marketing and promotion skills
 - Packaging the resultant end product to clients as a pre sale process if required.

SAS have been discussing the active involvement in the development of the housing estate on the west side of Port Augusta adjacent to the Airport under a joint venture agreement with JLKT Pty Ltd and or nominee. (The nominee will be JLKT Port Augusta Pty Ltd which will be incorporated for the purpose of this dealing)

Through our Adelaide, based contacts, SAS Global Property Group Pty Ltd have been actively discussing the development with Pat. It should be noted that throughout all discussions with Pat he has made it extremely clear that the land is *not for sale* and Pat has indicated that to ensure the development is delivered in a timely commercial fashion only a joint venture would be possible given his commitment to you.

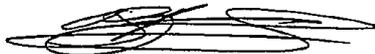
Throughout all discussions with Pat it has become evident that he has a clear focus on achieving the best possible outcome for the community of Port Augusta to which we support 100%.

As you are aware, I recently flew to Adelaide and flew by Helicopter to Port Augusta to meet with you and Pat but unfortunately, you were unavailable. Together Pat and I spent the afternoon flying over the proposed development and during the afternoon, Pat gave me a clear overview of the development occurring in the Upper Spencer Gulf Region.

Pat has indicated that he has proposed to the Council that they enter into a formal contract agreement with conditions. We recognise this is outside the steps of the developer initiated proposal, we don't believe there has been a development of this size undertaken in the City of Port Augusta therefore with respect we see the need to make this minor amendment to the process given the level of commitment involved.

We look forward to your reply and I remain

Yours truly



Anthony Beamish
 Managing Director
 SAS Global Property Group Pty Ltd
 7-9 Ventnor Ave
 West Perth