

CONFIDENTIAL REPORT

Filename: REPA4729

FILE REF: 2691 – Residential Development adjacent Aerodrome

DATE: 10th November 2008

TO: Chairperson & Members of Corporate Services & Infrastructure Committee

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

SUBJECT: **Developer Initiated Proposal – Residential Development Adjacent Airport (JLKT Pty Ltd) – Land Contracts, Sale Price and Staged Development**

SUB GOAL 3.1 ECONOMIC GROWTH FOR LONG-TERM BENEFIT

1.0 BACKGROUND

- 1.1 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 Developer Initiated Process. (Following this step, having received no substantial and valid objections, an independent valuation of the land was undertaken.
- 1.2 A valuation has been obtained and a copy of the valuation was considered by Council at its meeting held on the 8th September 2008. Copy attached for Elected Members’ information.
- 1.3 Council at its meeting held on the 8th September 2008 resolved to invite the developer (JLKT Pty Ltd) including any consortium/partners to provide a presentation on the proposed residential development at Port Augusta West adjacent the Airport as well as a presentation on previous relevant developments.
- 1.4 Pat Cheetham and Tony Beamish provided a presentation to Elected Members on Wednesday 5th November 2008.

2.0 DISCUSSION

- 2.1 Council has engaged Stephen Holmes of Connor Holmes Pty Ltd to undertake a Structure Planning process for the area included within DPA 2 Westside. The Structure Planning process will inform Council in regards to the development of all areas included within DPA2, and will, in consultation with BHP Billiton, identify an alternative ‘haul rode’ location, so as not to impact negatively on any future growth of the City in this location.

Investigations will also be undertaken in regards to future requirements of the Lawrie Wallis Aerodrome and this information will be used to determine the outcome of the Structure Planning process and the available land adjacent the Airport that will be able to be developed, if rezoning occurs.

2.2 The Structure Plan and a Master Plan for the development of Council land adjacent the Airport will be submitted in due course to the Minister for Urban Development and Planning with Council's Development Plan Amendment #2 (Westside). The Development Plan Amendment, along with the Structure Plan and Master Plan, will be submitted to the Minister seeking his approval for the rezoning of land captured within this DPA.

2.3 It is important that the advancement of the proposal submitted by JLKT Pty Ltd be undertaken in a co-ordinated and timely manner. To enable this to occur Council will require:

- 1) Preparation of a contract between Council & JLKT Pty Ltd to secure the portion of subject land, as informed by the Structure Planning process, that will be available for development. Note: Development of this land as proposed by JLKT Pty Ltd will only be achievable if Ministerial approval for rezoning of the land from Primary Industry to Residential is granted. The contract is to be prepared by Council's Solicitors.

This contract can be prepared now, to provide security to JLKT Pty Ltd in regards to this proposal, but will be subject to a clause noting development of the site (whether staged or not) and the available area will be determined on the completion of the Structure Plan. Also that the developer will not claim any compensation from Council, should the Structure Plan not support development of this site, or Ministerial approval is not granted for rezoning the land from Primary Industry to Residential.

- 2) Undertaking a sub-division of the land to remove the 'Airport Proper' land from the remainder of Lot 106 as described within Certificate of Title Volume 5725, Folio 169.

The sub-division should be commenced as soon as the Structure Plan has been completed and it is known if development in this location is recommended and the area that is available for development.

- 3) Council's solicitors to prepare a Land Management Agreement to be registered against the Title with regard to the staged development of the land.

The Land Management Agreement should be prepared and registered against the Title prior to the transfer of the ownership of the land.

- 4) Approval for JLKT Pty Ltd to prepare a Master Plan of his proposed development, in consultation with Stephen Holmes, which is to be submitted with the Development Amendment Plan #2 (Westside) and the Structure Plan to the Minister.

JLKT Pty Ltd should prepare the Master Plan immediately, in consultation with Stephen Holmes, to ensure the Master Plan is available to be submitted to the Minister along with the Development Amendment Plan #2 (Westside) and the Structure Plan.

2.4 The development proposal submitted by JLKT Pty Ltd hinges on the outcome of the Structure Planning process and subsequent approval by the Minister for Urban Development and Planning to rezone this land accordingly.

2.5 Valuation

- 2.5.1 A valuation of \$13,200,000 has been provided by Darcy Bruce of Maloney Field Services (refer Appendix A) for an area of 318ha. It should be noted that the location of the 'haul road' has not been taken into account as part of the valuation and therefore the final area may be less than 318ha.

The valuer has taken into account that the developer will need to fund infrastructure from the ground up, in order to be able to market allotments and that the development is likely to take a considerable number of years to complete in its entirety. This is the reasoning behind the variances in square metre rates, and the holding costs (capital outlay and accrued interests, infrastructure costs etc) required to be paid up front at the commencement of the project. The lowest per square metre rate is based on all of the above scenarios and the risk involved.

Demand for blocks (either industrial or residential) will dictate how this land will be developed and the timeframe for the development. It is almost impossible to predict what the demand is going to be, and also the number of other allotments that will come on the market within other sub-divisions, which could impact on the sale of land within this development.

An over supply of allotments, could mean that land prices will fall, which will also impact on the financial sustainability of the project. This is the risk that the developer must consider as part of such a large development.

2.5.2 Sale options:

a) Option 1:

Sell the entire area for \$13,200,000 to JLKT Pty Ltd with all future risk in regards to the development being the developer's responsibility.

The benefits of this option to Council are:

- 1) Council has the revenue from the sale of the land immediately;
- 2) Revenue raised could be used to fund projects;
 - Airport Redevelopment
 - Infrastructure (roads/footpaths)
 - Central Oval Precinct Redevelopment
- 3) Interest earned on the investment;
- 4) Increased Council Rates.

The benefits of this option to the Developer are:

- 1) Development costs are able to be calculated for the entire project, knowing purchase price up front. The development could take considered time to complete, subject to market demands and these risk can then be considered as part of the purchase price.
- 2) Infrastructure planned and developed for the entire site.

b) Option 2:

Sell a portion of the parcel to the developer, with the developer having a call option to purchase the remainder. The sale price would be at \$15.00 per sqm as per the valuation for Stage 1 (area to be determined).

A contract with JLKT Pty Ltd would be required ensuring that the remainder of the land will be sold to him as negotiated over a period of time with future sale prices based on fair market value at the time the option is exercised.

The benefit to Council in regard to this option are:

- 1) Council continues to own the remainder of the land.
- 2) Will receive a greater overall sale price, however this would be over a much longer period.

The downside is however, that Council will only received a smaller capital return in the short term and therefore contributions towards other major projects would be limited. Interest earned from the capital investment would be reduced, as would rate revenue.

2.5.3 Sale Options Summary:

In summarising the above, the ultimate decision is whether Council wants to achieve a large capital gain in the short term, to assist in funding other important community projects; or achieve a greater return from the sale of the land over a longer period of time.

It is acknowledge that in its current form, the land is virtually worthless to Council, and the investment being made by the developer will obviously increase its value overtime. The development undertaken by the developer as part of Stage 1, which will be at their cost, will definitely increase the value of adjoining land (including the current Rural Living area).

Tony Beamish, SAS Global Property Group has also provided some information for Elected Members' consideration in regards to the preferred option for purchasing this land and the basis for this option (refer Appendix B). The project could be jeopardised if Option 2 is approved by Council as outlined within his letter dated 14th November 2008.

2.6 DPA2 (Westside) – Staged Development of Area (refer Appendix C)

Stephen Holmes has provided information (refer Appendix D) in regards to the staged development of the Residential Land (if rezoned) within DPA2 (Westside).

It is acknowledged that a considerable amount of infrastructure will need to be constructed, that will accommodate waste and stormwater management and road networks throughout this area.

It is envisaged that Stage 1 Development of this area (JLKT Pty Ltd) will be the catalyst for developing the necessary infrastructure to facilitate residential growth throughout the entire residential area captured within DPA2 (Westside).

As per Mr Holmes' letter dated 12th November 2008, it is recommended that Council endorse a staged development process for the residential area within DPA2 (Westside) which will be addressed as part of the Structure Planning process.

3.0 BUDGET IMPLICATIONS

3.1 As outlined within Clause 2.5 above.

4.0 RESPONSIBLE OFFICER/S

4.1 Lee Heron, A/Director – Governance, Economic & Cultural Services.

5.0 RECOMMENDATION

Corporate Services & Infrastructure Committee recommends Council:

1. Receives and notes the report (REPA4729) dated 10th November 2008, submitted by the A/Director – Governance, Economic & Cultural Services, concerning **“Developer Initiated Proposal – Residential Development Adjacent Airport (JLKT Pty Ltd) – Land Contracts, Sale Price and Staged Development”**.
2. Approves entering into a Contract (to be prepared by Council's Lawyers) with JLKT Pty Ltd to secure the land adjacent to the Airport, for a Residential/Industrial Development, subject to successful rezoning of the land as part of DPA2 (Westside).
3. Approves selling the land 'in-globo' to JLKT Pty Ltd and sets a sale price of \$13,200,000 for the land.
4. Approves undertaking a sub-division of the land, to exclude the Airport Proper land, as soon as the Structure Planning process has been finalised and the actual available area of land for the development has been determined.
5. Approves the staged development of the residential area (if rezoned) identified within DPA2 (Westside). Guidelines/Policies will be included as part of the Structure Planning process in regards to the staged development of this area.

L HERON



GLOBAL PROPERTY GROUP

Licensee: SAS GLOBAL PROPERTY GROUP PTY LTD
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Mayor Joy Baluch,
Port Augusta Council,
PO Box 1704,
Port Augusta,
SA 5700

14th November 2008

RE: Port Augusta West

Dear Joy,

Firstly thank you very much for giving me the opportunity to meet with you all at the start of the month, I look forward to seeing you soon again when this development becomes further advanced.

As you are aware, there is a lot of time and money involved in the setup of any development and the planning work that goes into this is vast and complicated.

I have had contact with Mr Cheetham and my other consultants have been advised that the Port Augusta Council is considering a staged sale as an option.

With this in mind there are a few points I would like to bring to your attention so you understand why this must be the whole land as agreed in our meeting with you all earlier in the month and not a fragmented sale.

1. The initial design required for the services including but not limited to sewerage treatment, waste water treatment, storm water treatment and retaining basins, electricity layout including substations and switching equipment, environmental approvals, community facilities, industrial and commercial areas, public open space requirements, public utilities and geotechnical reports all must be completed from an overall perspective not individual sub lot perspective. If the Council takes a fragmented sale position then a fragmented process will be embarked upon taking more time than is available and with an overall worse result for the Port Augusta Council and its community residents.
2. All the costs for the above need to be accounted in to the overall scheme and development process.
3. The simplicity for the Council to deal with one owner is a far more simple process as versus a combination of different owners and the complexity that leads to multiple owners with multiple agendas.
4. The financial stability and capability of the developer to carry out the Project.
5. The sales of the project to be staged in an orderly fashion.

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APPENDIX B

Our company is interested in the overall development not in small parcels of land. For the above reasons we would be forced to reconsider our position in relation to being part of the Port Augusta west development should a staged sale be forced on us.

Again, I thank you for your time and look forward to making this project a great success for all involved and the future of Port Augusta.

Kind regards



Anthony Beamish
Managing Director
SAS Global Property Group Pty Ltd

APPENDIX C

Indicative map of area affected by Port Augusta West Structure Plan and Development Plan Amendment (DPA 2).





Ref No: 2794-008

12 November 2008

Mr Lee Heron
 A/Director - Governance, Economic & Cultural Services
 Port Augusta City Council
 PO Box 1704
 PORT AUGUSTA SA 6700

Dear Lee

PORT AUGUSTA WEST – REZONING LAND

Further to our recent discussions pertaining to Council's approach to rezoning land at Port Augusta West, we confirm that it may be appropriate to consider the introduction of a staged approach to the development of the proposed Residential Zone so as to ensure:

- (1) key infrastructure is in place before small scale development occurs which cannot deliver headworks infrastructure in its own right
- (2) the immediate prospective residential land supply created by the rezoning is not so overwhelming in scale as to discourage the State Government or Minister from proceeding with the rezoning

There is broad acceptance of this as an approach, with the use of staging to create a focus or sequence of development quite common within the Development Plan and the Metropolitan Development Program. For example:

- Land development at Ailinga is staged to specifically restrict development on Stage 2 lands until a specific threshold of development has been passed on Stage 1 lands
- The Metropolitan Development Program sequences the development of land into Stages 1, 2 and 3, with the intention of matching infrastructure investment to those stages

It is noted that the draft Master Plan for Port Augusta (Planning SA, August 2008) identifies headworks infrastructure staging as a key element of growth. Moreover, it states "Continual monitoring of population growth rates, demographics, temporary residents and visitor numbers, consumption of land, and market trends will be critical over coming years to continue to inform the provision of appropriately zoned land, additional housing and services, and the staging of infrastructure provision."

This is a clear acknowledgement on the part of the State Government that land supply, demand and infrastructure are linked and that staging of development opportunities is an appropriate response to the progressive delivery of infrastructure capacity within Port Augusta West, or indeed, any part of the City.

Our approach to staging might involve the following:

- (1) Create a single Residential Zone over the whole Port Augusta West area but designate specific areas as Stage 1 or Stage 2 on the Structure Plan

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- (2) Introduce policies that do not permit development of Stage 2 land until:
- (a) key infrastructure has been established to serve the wider area, for example:
 - a waste water treatment plant
 - a waste water recycling system involving treatment, storage and reticulation system
 - a stormwater network, incorporating wetlands, storage and reticulation system
 - provision of sealed road access to Addison Road and / or Caroola Road
 - Shirley Street upgrade
 - (b) not less than 30% of lands designated as Stage 1 have been developed for housing
- (3) Development required to occur in accordance with the Structure Plan which provides for connectivity of the road network, open space system and stormwater system, pedestrian and cycle movement system and the location of key community services and facilities.

An alternative to (2)(b) might be to be more specific about the pieces of infrastructure that are required to be in place before development in Stage 2 can commence. Such an approach avoids the need to specify a time or calculate an amount of development that needs to occur before Stage 2 can commence.

We can be more specific about the infrastructure triggers once Wayne Phillips and Associates provide us with their input into the Infrastructure Plan. Hopefully, we will have a preliminary position in about 2 weeks.

Yours sincerely

CONNOR HOLMES PTY LTD



STEPHEN HOLMES
Director