



## **Notice of Commercial Services Committee Meeting**

A Commercial Services Committee Meeting will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **Tuesday 7 November 2017 commencing at 5.00 pm.**

### **Business**

1. Apologies
2. Declarations of Interest
3. Deputations
4. Committee Reports

A handwritten signature in black ink, appearing to read 'Paul Hickey', with a long horizontal flourish underneath.

Paul Hickey  
**General Manager**

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1. Apologies
  2. Declarations of Interest
  3. Deputations
- 

**1. Apologies**

**2. Declarations of Interest**

**3. Deputations**

#### **4.1 Residential Subdivision - Stage Two, Wollongbar - Update**

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#### **4. Committee Reports**

#### **4.1 Residential Subdivision - Stage Two, Wollongbar - Update**

**Delivery Program**      Commercial Services

**Objective**              To provide an update on the progress of stage two of Council's Wollongbar residential subdivision currently approaching completion.

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#### **Background**

Stage two of Council's Wollongbar Urban Residential Land development was granted development consent on 18 March 2016 by virtue of DA 2015/351 to undertake development of 22 residential lots.

Eighteen residential lots are to be developed on Lot 16 DP 12044621 owned by Council, and four lots are to be developed on the adjoining property owned by the developers of the Avalon Estate (the Brown Family).

A copy of Council's Wollongbar Residential Subdivision Masterplan, identifying stage two, is attached along with the sales plan.

An adjoining owner's deed of agreement between Council and the developers of Avalon Estate (the Brown family) was executed by Council in March 2016.

This document provides for drainage and sewer easements in favour of Council over the Brown's property as well as how the development costs are to be shared for stages two and three of Council's residential estate.

A construction certificate application for stage two was lodged on 30 June 2016 and was approved by Council in December 2016.

In October 2016 tenders were called to undertake civil construction works to create 22 residential lots (including four lots on the Brown's property).

At the Ordinary Meeting 25 January, 2017, Council considered tenders to undertake civil works for stage two and resolved as follows:

- 1. That Council authorises the General Manager to finalise negotiations with Cambra Holdings Pty Ltd T/a Morgans Earthworks for civil construction works for Wollongbar Residential Estate Stage 2.*
- 2. That upon the conclusion of negotiations Council authorises the General Manager to affix the Council seal to the relevant contract documents and execute same.*

3. *That Council approves an increase in the 2016/17 capital expenditure budget for the Wollongbar Residential Estate of \$416,000, funded from the Property Development Reserve. That Council also approves an increase in the forecast sales income for this project in 2017/18 from \$1.8m to \$2.2m based on the current level of pre-sales.*

Morgans commenced civil construction works in March 2017. This report provides an update on the project.

### **Key Issues**

- Status of development works
- Development costs
- Pre-sales to date

### **Information**

Morgans commenced civil construction works in March 2017. Works have progressed well despite prolonged periods of wet weather experienced between March and June. Works are expected to be completed by November 2017.

Morgans has been excellent in terms of quality of work, attention to detail, cost management and liaison with local property owners. With one progress claim remaining, Morgans' total cost is expected to be in line with their tendered price.

The remaining works to be completed include landscaping (which was excluded from Morgans' contract) final survey and works as executed drawings.

Landscaping works will be completed in November. Once the plan of subdivision is signed off by Council it will be forwarded to the Land Property Information (LPI) for registration and issuing of titles.

Sale contracts have now exchanged at asking prices on all eighteen lots in stage two.

Settlement of sale contracts should occur in February or March 2018 following plan registration.

**Legal / Resource / Financial Implications**

Based on the Morgans' tender price for this project, profit estimates were as follows:

**Forecast Costs / Profit – January, 2017**

Estimated gross sale proceeds			\$4,400,000
Less			
	GST	\$400,000	
	Selling Expenses	\$120,000	
			\$520,000
	<b>Sub Total</b>		<b>\$3,880,000</b>
Less			
	Civil construction costs, electrical and telco works costs, and professional fees	\$2,090,000	
	Estimated Section 64 and 94 developer contributions	\$771,000	
	<b>Sub Total</b>		<b>\$2,861,000</b>
<b>Estimated development profit</b>			<b>\$1,019,000</b>

Now that the project is approaching completion, the profit projections have been revised based upon actual costs to date and estimated completion costs, as follows.

**Forecast Costs / Profit – October, 2017**

Estimated gross sale proceeds			\$4,400,000
Less			
	GST	\$400,000	
	Selling Expenses	\$129,000	
			\$529,000
	<b>Sub Total</b>		<b>\$3,871,000</b>
Less			
	Actual costs incurred in 2015/16 financial year	\$195,000	
	Actual costs incurred in 2016/17 financial year	\$851,000	
	Actual costs incurred for the current financial year to 25 October 2017	\$854,000	
		\$1,900,000	
Add	Estimated costs to complete project		
	Morgans' final payment	\$56,000	
	Landscaping	\$106,000	
	Section 64 and 94 developer contributions	\$790,000	
	Final survey and other costs	\$40,000	
		\$992,000	
	<b>Sub Total</b>		<b>\$2,892,000</b>
<b>Estimated development profit</b>			<b>\$979,000</b>

Based upon these figures the project is forecast to return 34% on the funds applied (i.e. \$979,000 divided by \$2,892,000 = 34%).

The development profit figures are always interesting from a Council perspective when it is acknowledged that \$790,000 of the development costs are actually a payment to Council for developer contributions.

## **4.1 Residential Subdivision - Stage Two, Wollongbar - Update**

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These are in fact retained by Council for other infrastructure works (albeit that a small portion of these contributions are forwarded to Rous County Council as they relate to the bulk water supply).

The estimated development profit also currently excludes the contribution from the Brown Family for the development of their four lots as that contribution is still to be determined based on final costs.

Investigations for the development of stage three have commenced and it is anticipated consultants will be engaged to prepare and lodge a development application in early 2018, although the timing of the stage three works is uncertain due to liquidity issues with the Property Development Reserve as outlined in the last open Council report in this agenda.

The current 2017/18 budget for stage two is \$1,913,000. Based on the expenditure for the year to date (\$854,000) plus the remaining expenditure estimated for this year (\$992,000) the budget required is \$1,846,000. This means the final result should result in a budget saving of approximately \$67,000. No change is recommended to the current budget in case any unforeseen costs are incurred prior to the project being finalised.

### **Consultation**

This report is provided for public information.

### **Options**

This report has been provided for information purposes and no change is recommended to the current budget.

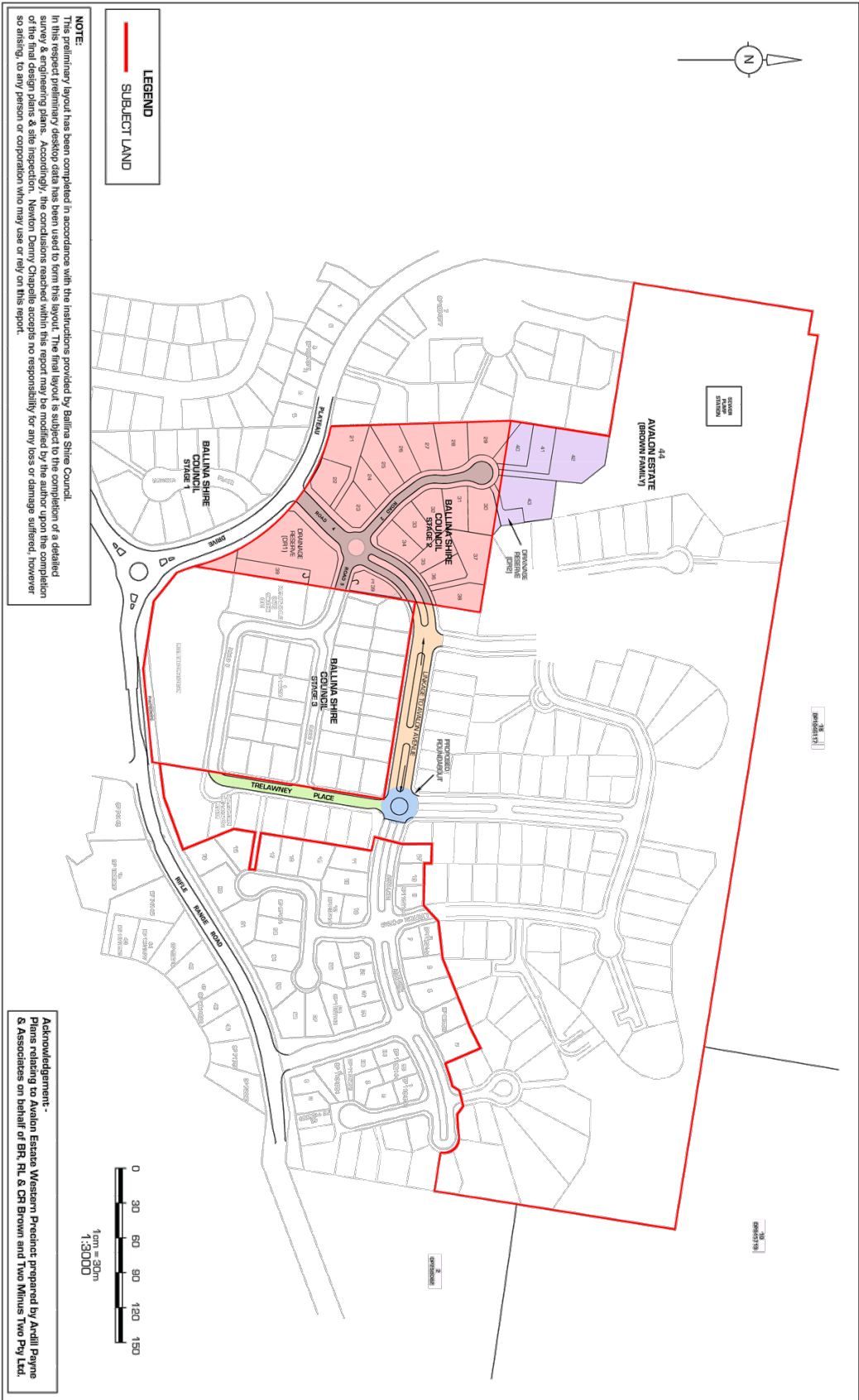
### **RECOMMENDATION**

That Council notes the contents of this report regarding Stage Two of the Council Residential Subdivision for the Wollongbar Urban Expansion Area.

### **Attachment(s)**

1. Wollongbar Residential Subdivision - Master Plan
2. Wollongbar Residential Subdivision - Stage Two - Sales Plan

# 4.1 Residential Subdivision - Stage Two, Wollongbar - Update



NOTE:  
This preliminary layout has been completed in accordance with the instructions provided by Ballina Shire Council. In this respect preliminary design data has been used to form this layout. The final layout is subject to the completion of a detailed survey & engineering plans. Accordingly, the conclusions reached within this report may be modified by the author upon the completion of the final design plans & site inspection. Newton Denny Chapelle accepts no responsibility for any loss or damage suffered, however so arising, to any person or corporation who may use or rely on this report.

REV	DATE	AMENDMENT
A	03/11/15	
B	15/12/15	RDY 07/43
C		
D		
E		

SOURCE PLAN: n/a  
K:\Users\RDY\43\4325 - final\_planning\planning\plans\rdy\plans\road\1442825 - two master plan summary road RDY\1442825 - plan 1 - master plan

**PLAN 1 - MASTER PLAN SUMMARY**  
(Nov. 2015)

**CLIENT:** BALLINA SHIRE COUNCIL

**NEW B.**

**LOCATION:** LOT 16 DP 1808251, 14/07/99 DP 1107238  
SHEPHERD ROAD WOLLONGBAR, NSW

**DATE:** 15/12/15

**SCALE:** 1:3000 @ A3

**NEWTON DENNY CHAPPELLE**  
Surveyors Planners Engineers  
Email: [office@newdennychapelle.com.au](mailto:office@newdennychapelle.com.au)  
1001 Shepherds Rd, Wollongbar NSW 2570

**Acknowledgement -**  
Plans relating to Avalon Estate Western Precinct prepared by Ardiell Payne & Associates on behalf of BR, RL & CR Brown and Two Minus Two Pty Ltd.



issued: 18 October 2017



## wollongbar estate stage 2 - price list

lot no.	site area	price	status
21	856m2	-	Sold
22	1294m2		Sold
23	803m2	-	Sold
24	674m2	-	Sold
25	945m2	-	Sold
26	1037m2	-	Sold
27	1010m2	-	Sold
28	1050m2	-	Sold
29	1050m2	-	Sold
30	995m2	-	Sold
31	765m2	-	Sold
32	756m2	-	Sold
33	780m2	-	Sold
34	751m2	-	Sold
35	730m2	-	Sold
36	635m2	-	Sold
37	1308m2	-	Sold
38	837m2	-	Sold

### Notes

1. Prices are current as at 18 December 2015. Ballina Shire Council reserves the right to amend prices and lot sizes without notice.
2. Deposit of 10.00% of purchase price is payable upon exchange, or as negotiated.
3. All lots are fully serviced.
4. First home buyers grants of \$10,000 and free stamp duty to eligible applicants.

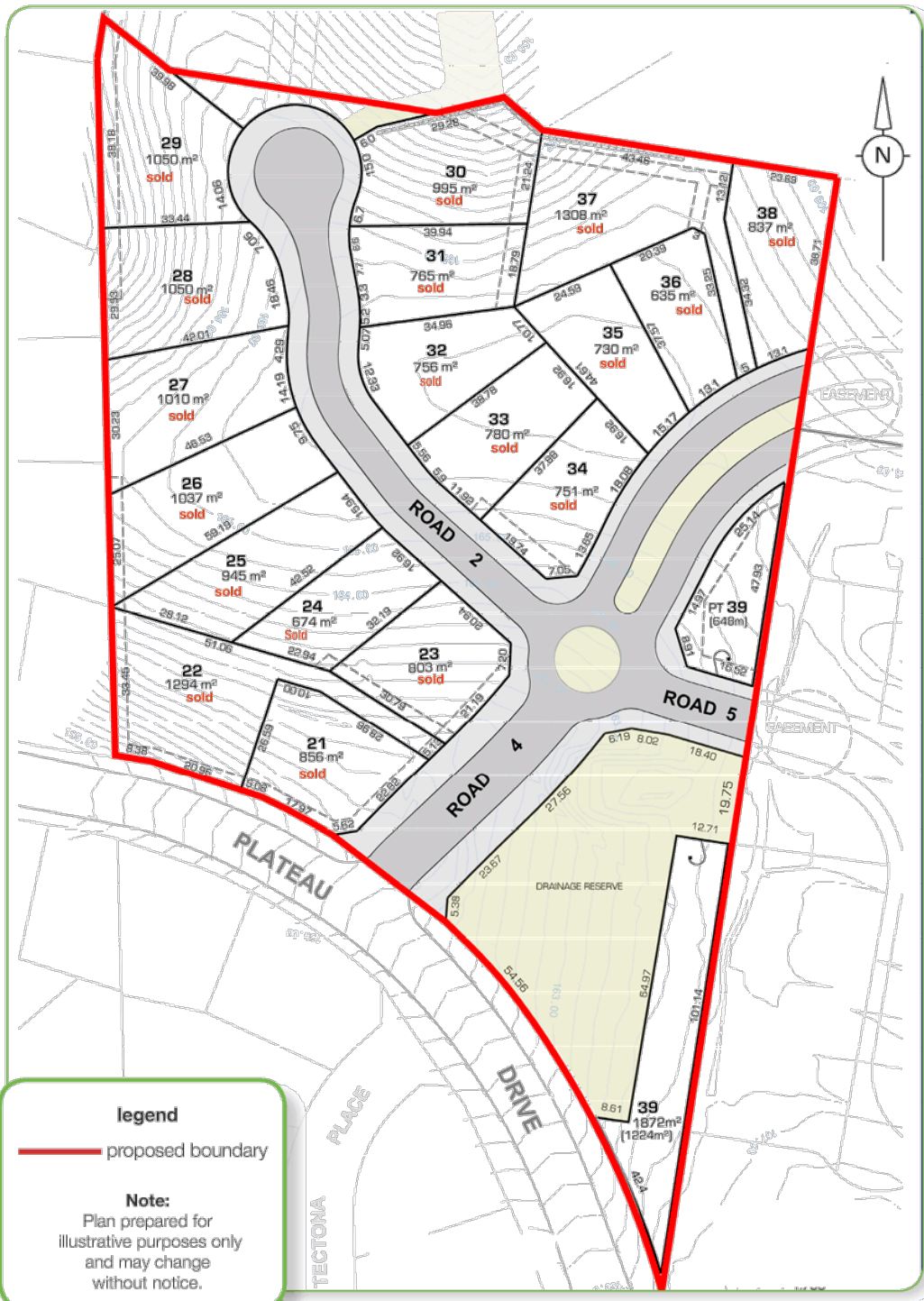
**General enquiries:** commercial services • ballina shire council • 71 tamar street • po box 450  
ballina nsw 2478 t 02 6686 1200 • w [ballina.nsw.gov.au](http://ballina.nsw.gov.au)

**Sales enquiries:** please contact Paul Tsikleas on 02 6686 1200 or any local real estate agent.

sales plan overleaf

wollongbar estate  
stage 2 - lot plan

issued: 18 October 2017



## 4.2 Industrial Subdivision, North Creek Road, Ballina - Update

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### 4.2 Industrial Subdivision, North Creek Road, Ballina - Update

**Delivery Program** Commercial Services

**Objective** To provide an update on the progress of Council's six lot industrial subdivision currently being developed at North Creek Road, Ballina.

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#### **Background**

For many years Council retained land on North Creek Road, Ballina that acted as a buffer between North Creek Road and the Southern Cross Industrial Estate. This land had not been identified for development as part of Council's Southern Cross land holdings, primarily as it was thought that it had to be retained as a buffer.

Following enquiries by Councillors it was eventually determined that this land could potentially be developed and in October 2015 Council resolved to lodge a development application to create six serviced industrial lots.

The subject land and lot formation is outlined in the first attachment to this report (i.e. refer to lots on North Creek Road).

At the November 2015 Commercial Services Committee meeting, Council recommended to place the six lots on the market for sale off the plan at set prices. A sales plan for the project is included in the second attachment. This was endorsed at the November 2015 Ordinary Council meeting.

A construction certificate application was approved by Council on 27 March 2017.

Tenders were called to undertake civil construction works to create the six industrial lots and at the 27 April 2017 Ordinary meeting Council resolved as follows:

*"That Council authorises the General Manager to accept the tender from Civil Logic Pty Ltd for civil construction works for North Creek Road industrial subdivision, subject to satisfactory negotiations for additional works relating to the berm, as per the information outlined in this report."*

The additional works relating to the earth berm are discussed later in this report.

Following lengthy negotiations, agreement was reached with Civil Logic who commenced civil construction works in August 2017.

To date Lots 1, 2, 3 and 4 have been pre-sold for a total of \$1,242,000 + GST. Lots 5 and 6 will be put to public auction once civil works have been substantially completed and it is hoped to achieve in excess of \$1,400,000 + GST for these two lots.

There have been significant difficulties in developing this land and the status and cost of works to date are the subject of this report.

### Key Issues

- Bulk excavation costs
- Site filling
- Project viability

### Information

Developing low lying sites in and around Ballina presents difficulties due to poor soils, the high water table and the substantial fill levels needed. This has been particularly so with this site. The adverse site conditions have resulted in significant cost escalation in the project summarised as follows:

### Removal of Acoustic Earth Berm

A number of years ago a large earth berm had been constructed on the subject site to serve as an acoustic barrier to comply with the development consent conditions for Council's ARC industrial building, and to reduce the impact of noise transmission from that building on residences along North Creek Road.

The material used to create the earth berm came from the Harvey Norman Site that Council was developing at the time. This reduced the cost of developing that site as the material did not have to be hauled to a remote location. Also, at that time, development of this site was not envisaged.

It was anticipated that the material in the earth berm had broken down and consolidated to a point where it was suitable for use as fill. Unfortunately, testing proved otherwise and approximately 10,410 cubic metres has been hauled from the site and stockpiled at Council's No. 2 Depot at a cost of \$10 per cubic metre.

Council will eventually use this material, which is suitable as topsoil, on civil engineering and other projects.

This material has an economic value that will benefit future infrastructure projects, however it has added over \$100,000 to the cost of this development.

### Subsoil Conditions

Filling sites, such as the subject site, require excavation of topsoil to a depth where material is considered stable enough to take fill material.

Initial estimates suggested that the subject site may have to be excavated to a depth of 100mm to 200mm to remove unsuitable material however excavations have had to go down to 400mm or deeper in sections.

The amount of additional material to be excavated is estimated to be 4,410 cubic metres.

This issue has a twofold effect; additional material has to be excavated and hauled off-site and additional fill material has to be imported.

## 4.2 Industrial Subdivision, North Creek Road, Ballina - Update

The Council Waste Management Centre took some of the excess material and the balance was hauled off-site and stockpiled at Council's No. 2 Depot at a cost of \$10 per cubic metre.

### Compensatory Planting

The initial estimate for these works was \$10,000 to \$15,000 however this cost has escalated to \$40,000.

On a positive note savings have been made in other areas. Fill material has been sourced from the Wollongbar Residential Estate and hauled to the subject site. This material has to be removed to allow development of the residential site to proceed. Good quality fill material was also sourced from the Avalon Estate at a cost of \$5 per cubic metre.

These site issues resulting in cost escalations will impinge upon the projected profit estimate for the subject development. Council is in a more fortunate position than most other developers as it has multiple land holdings that can be managed to offset certain costs over time; e.g. moving material from site to site to use for future projects.

The issues relating to subsoil conditions and site filling encountered with this project are also present on the large sites in Boeing Avenue that Council is proposing to develop as serviced industrial lots.

Given the large volumes of fill required, consideration needs to be given in the engineering design of these sites to reduce the amount of bulk excavation and filling required.

### Legal / Resource / Financial Implications

A feasibility report for the project was included in the Commercial Services Report of 15 October 2015.

This had an allowance of \$622,500 (excl GST) for the development costs; including electricity, landscaping, and professional fees and \$322,500 for Council contributions.

The forecast development profit was estimated to be \$1,230,000 as shown in the following table.

#### Forecast Costs / Profit – October, 2015

Estimated gross sale proceeds			\$2,255,000
Less selling costs			\$80,000
	<b>Sub Total</b>		<b>\$2,175,000</b>
Less			
	Estimated development costs including professional fees and contingencies (as per Civiltech estimates)	\$622,500	
	Estimated Section 64 and 94 developer contributions	\$322,500	
	<b>Sub Total</b>		<b>\$945,000</b>
<b>Estimated development profit</b>			<b>\$1,230,000</b>

## 4.2 Industrial Subdivision, North Creek Road, Ballina - Update

Based on the tender price for the civil construction costs, the updated Council development contributions and increased contingency allowance, this development budget was revised to \$1,447,000 in the report to the 27 April 2017 Ordinary Council meeting, where the tender was accepted.

That budget was as per the following table, which includes increased sales revenue.

### Forecast Costs / Profit – April, 2017

Estimated gross sale proceeds		\$2,647,000
Less selling costs		\$91,000
<b>Sub Total</b>		<b>\$2,556,000</b>
Less		
Estimated development costs including professional fees and contingencies (as per Civil Logic tender price and other costs)	\$1,101,000	
Estimated Section 64 and 94 developer contributions	\$346,000	
<b>Sub Total</b>		<b>\$1,447,000</b>
<b>Estimated development profit</b>		<b>\$1,109,000</b>

Based upon costs incurred to date and the estimates to complete the project, a revised budget has now been prepared and summarised in the next table.

### Forecast Costs / Profit – October 2017

Estimated gross sale proceeds		\$2,698,000
Less selling costs		\$93,000
<b>Sub Total</b>		<b>\$2,605,000</b>
Less		
Actual costs incurred previous financial year	\$84,300	
Actual costs incurred for the current financial year to 19 October 2017	\$392,000	
<b>Sub Total</b>	\$476,300	
Add estimated cost to complete project including	\$1,043,000	
	\$1,519,300	
Council developer contributions	\$346,000	
<b>Sub Total</b>		<b>\$1,865,300</b>
<b>Revised forecast development profit</b>		<b>\$739,700</b>

Contracts have been exchanged on four of the six proposed lots:

Estimated Sales Revenues	Amount (\$) (excl GST)
Sales to date (Lots 1,2 3 & 4 under contract)	1,242,000
Lots 5 and 6 – estimated sale prices	1,456,000
<b>Total</b>	<b>\$2,698,000</b>

## 4.2 Industrial Subdivision, North Creek Road, Ballina - Update

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Based upon the revised costings the financial performance for this project is forecast as follows:

Item	Amount (\$)
Projected revenue	2,698,000
Less selling expenses	93,000
<b>Sub Total</b>	<b>2,605,000</b>
Less development costs	1,865,300
<b>Forecast development profit</b>	<b>\$739,700</b>

Whilst development costs have increased it is anticipated the sale prices for Lots 5 and 6 will eclipse initial estimates due to the lack of supply for serviced industrial lots.

Based upon the updated revenue and development cost figures the project is forecast to return 40% on funds applied (\$739,700 divided by \$1,865,300).

In respect to budgets, Council allocated a development budget of \$1,020,000 in the 2016/17 financial year.

The actual expenditure for 2016/17 was \$84,300 resulting in the remaining budget of \$935,700 being carried forward to the 2017/18 financial year.

The tender report to the 27 April Ordinary meeting highlighted that in recommending acceptance of Civil Logic's tender price, the development costs would increase to \$1,447,000 (increase of \$502,000 from the original proposal) however no expenditure budget adjustment was approved as part of that report.

The total development cost for this project is now estimated at \$1,865,300, an increase of \$418,300 from the April 2017 figure of \$1,447,000.

This increase of \$418,300 in costs is due to additional bulk excavation, additional site filling and compensatory planting.

On the positive side the forecast net sales revenue is now \$2,605,000. The revenue figure in the current budget is \$2,500,000 which means we can increase our forecast income by \$105,000.

This represents an overall net movement of \$740,300 (being an increase in development costs of \$845,300 from the original budget allocation of \$1,020,000 less an increase in the current revenue budget of \$105,000).

This net funding is required to be transferred from the Property Development Reserve to balance the funding required for the project.

### Consultation

This report is provided for public information.

### Options

This update report has been provided for information purposes and to also approve a change to the current budget.

The changes required to the budget are:

Item	Current Estimate	Revised Estimate	Net Change
Sales Revenue	2,500,000	2,605,000	105,000
Increase in Transfer to Property Development Reserve	(2,500,000)	(2,605,000)	(105,000)
Development Costs	(935,700)	(1,781,000)	(845,300)
Increase in Transfer from Property Development Reserve	935,700	1,781,000	845,300

Even though the forecast profit of \$739,700 is \$490,300 less than the original forecast of \$1,230,000 it still represents a sound return on a parcel of land that was originally thought to have no development potential and value.

This type of development does also highlight the difficulties that occur in developing in certain areas in Ballina.

The movements in the Property Development Reserve are also important in respect to the future funding available for the provision of community infrastructure.

The impacts of this are outlined in detail in the report on Community Infrastructure funding in the Facilities Committee agenda and the final report in this agenda, which provides the latest information available on the forecast cash flows for the Property Development Reserve.

The final issue that Councillors may wish to express a view on is in respect to the proposed Lot 7 as per the attached sales plan.

That lot is not actually for sale as it has a sewer pumping station located on the land.

The pumping station was originally constructed on the property when the land effectively had no value and there was no payment or lease of the land to the General Fund from the Sewer Fund as the owner of the asset.

As the land is still a General Fund asset and now has some commercial value it is reasonable for the Sewer Fund to acquire the land, or if not, a lease should be paid for the occupation of the land.

Based on the current rate of \$250/m<sup>2</sup> achieved for the sales of Lots 1, 2, 3 and 4 the 990m<sup>2</sup> pump station site would be worth \$250,000 + GST.

Council's Manager – Commercial services has suggested a value of \$190,000 + GST for the acquisition based on services already connected to the lot.

This proposal remains a point of contention with the Civil Services Group who do not believe they should pay for the land.



## 4.2 Industrial Subdivision, North Creek Road, Ballina - Update

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From a financial perspective it is considered appropriate to have the Sewer Fund acquire the land and Council may wish to authorise the General Manager to proceed with that transfer based on a valuation that can be independently justified.

### RECOMMENDATIONS

1. That Council notes the contents of this report regarding the Council Industrial Subdivision for North Creek Road, Ballina.
2. That Council approves the following adjustments to the 2017/18 budget for this project:

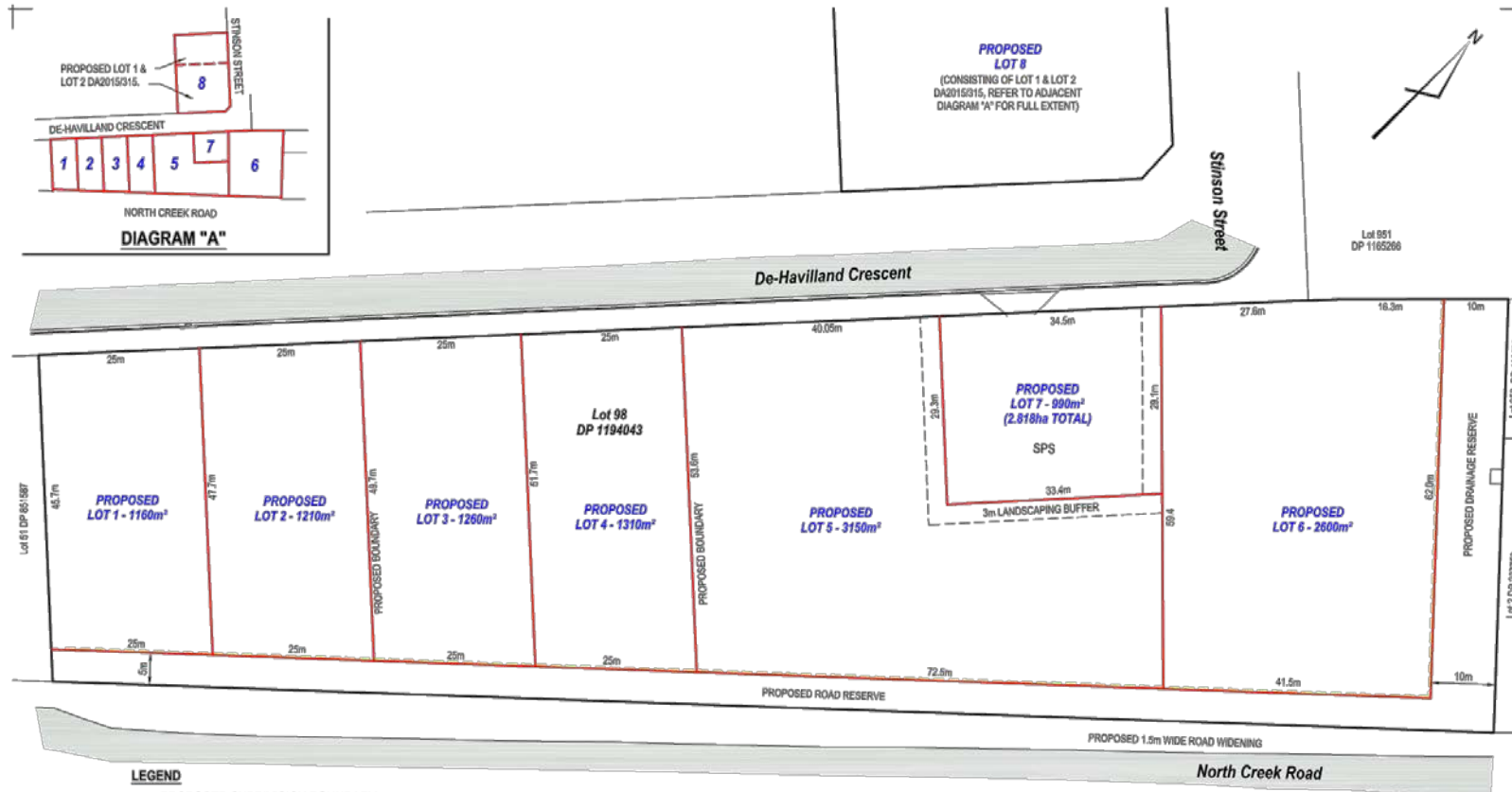
Item	Current Estimate	Revised Estimate	Net Change
Sales Revenue	2,500,000	2,605,000	105,000
Increase in Transfer to Property Development Reserve	(2,500,000)	(2,605,000)	(105,000)
Development Costs	(935,700)	(1,781,000)	(845,300)
Increase in Transfer from Property Development Reserve	935,700	1,781,000	845,300

### Attachment(s)

1. Aerial Plan
2. North Creek Road Industrial Subdivision - Sales Plan



		<p><b>BSC Land For Sale</b>  <b>Southern Cross Industrial Estate, Ballina</b></p>	
<p><small>DISCLAIMER: © Land &amp; Property Information 2016. Although all care is taken in the preparation of this plan, Ballina Shire Council accepts no responsibility for any misprints, errors, omissions or inaccuracies. The information contained within this plan is for pictorial representation only. Do not scale. Accurate measurements should be undertaken by survey.</small></p>		<p>Printed 17/05/2016</p>	



**LEGEND**

— PROPOSED SUBDIVISION BOUNDARY  
 - - - - - PROPOSED NOISE WALL (TBC)

\* PROPOSED ROAD WIDENING & DRAINAGE RESERVE AREA HAS BEEN REMOVED FROM LOT AREAS.  
 \*\* LOT F INCLUDES RESIDUE ALLOTMENT ON THE CORNER OF BOEING AVE AND CESSNA CRESCENT.

**CivilTech**  
 Consulting Engineers

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 Lismore NSW 2480  
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**PROPOSED SALES PLAN**  
 FOR SUBDIVISION OF LOT 98 DP 1194043  
 54 NORTH CREEK ROAD  
 for BALLINA SHIRE COUNCIL

**FIGURE 3**

SCALE:	1 : 1500 at A3
LGA:	Ballina
LOCALITY:	Ballina
DESIGNED:	-
DRAWN:	WF
APPROVED:	AZ
DATE:	15.02.2016
COGO:	19965 (CAS)
Dwg. No.	14144-SK11B

#### **4.3 Industrial Land - Economic Development Proposal**

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#### **4.3 Industrial Land - Economic Development Proposal**

**Delivery Program** Commercial Services

**Objective** To provide an overview of a proposal for Council to sell or lease industrial land at the Southern Cross Industrial Estate below market value to deliver an iconic development for the Estate.

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#### **Background**

Council has been holding going discussions with an external party in respect to the possible transfer of land to that party, for a figure below market value, on the basis that they will deliver an iconic development at the Southern Cross Industrial Estate.

This development would then add significant value to this Estate and to Council's remaining land holdings in that Estate, as well as to Ballina. Arguably this benefit offsets the possible discount provided in respect to the sale of the land.

This report provides an overview of the confidential report, which is included later in this agenda. The confidential report outlines the details of the negotiations that are occurring and the release of that information may adversely impact those negotiations, which is the reason for the later report being confidential.

#### **Key Issues**

- Merit and risk
- Financial planning

#### **Information**

The details of the proposal are outlined in the confidential report.

#### **Legal / Resource / Financial Implications**

In considering the confidential report it is important to understand the movements in the Property Development Reserve, which funds Council's property development activities.

Council has two main property reserves being the:

1. Property Development Reserve (PDR) – This reserve is the banker for Council's commercial property development activities; and the
2. Community Infrastructure Reserve (CIR) – This reserve receives revenue from commercial property rentals and dividends from the Property Development Reserve, with the funds held in the reserve then financing community infrastructure projects.

### 4.3 Industrial Land - Economic Development Proposal

The latest forecast movements for the PDR are as follows.

**Table One – Property Development Reserve Movements**

Item	2016/17 Actual	2017/18 Estimated	2018/19 Estimated	2019/20 Estimated	2020/21 Estimated
<b>Opening Balance</b>	<b>3,220,000</b>	<b>2,982,700</b>	<b>1,948,500</b>	<b>(180,700)</b>	<b>51,700</b>
<b>Add: Cash Inflows</b>					
Interest Accrued	54,700	14,000	49,000	0	1,000
Rental - Norfolk Homes	146,200	150,400	153,400	156,500	159,600
Rental - ARC (50%)	124,500	127,200	129,700	132,300	135,000
Sale - Alstonville Tennis Courts Site	0	1,300,000	0	0	0
Sale - 9 North Creek Road	203,200	0	0	0	0
Sales - 54 North Creek Road	0	2,605,000	0	0	0
Sales - Russellton (Standard Lots)	0	90,000	0	0	0
Sales - Southern Cross (Large Lots)	0	0	0	0	1,350,000
Sales - Southern Cross (Standard Lots)	766,600	0	0	0	1,325,000
Sales - WUEA (Standard Lots)	387,500	3,990,000	0	3,500,000	0
<b>Sub Total</b>	<b>1,682,700</b>	<b>8,276,600</b>	<b>332,100</b>	<b>3,788,800</b>	<b>2,970,600</b>
<b>Less: Cash Outflows</b>					
Operating Expenses and Holding Costs	236,300	302,500	276,100	282,200	288,800
Community Infrastructure Dividend	0	0	0	0	0
Airport Boulevard Road Dividend	0	4,000,000	0	0	0
Ballina Surf Club Café	0	100,000	0	0	0
North Creek Road (54) - Development	134,000	1,781,000	0	0	0
Russellton - Land Development	60,700	539,300	0	0	0
Shelly Beach Café	33,000	47,000	0	0	0
Southern Cross - Land Development	0	100,000	0	2,900,000	0
Southern Cross – Masterplan	0	170,200	0	0	0
Wigmore Arcade – Roof	370,500	0	0	0	0
Wollongbar Urban Expansion	851,000	1,913,000	1,820,000	0	2,240,000
Dividend – General Fund	234,500	357,800	365,200	374,200	389,200
<b>Sub Total Outflows</b>	<b>1,920,000</b>	<b>9,310,800</b>	<b>2,461,300</b>	<b>3,556,400</b>	<b>2,918,000</b>
<b>Closing Balance</b>	<b>2,982,700</b>	<b>1,948,500</b>	<b>(180,700)</b>	<b>51,700</b>	<b>104,300</b>
Less Airport Overdraft	(497,200)	0	0	0	0
<b>Revised Closing Balance</b>	<b>2,485,500</b>	<b>1,948,500</b>	<b>(180,700)</b>	<b>51,700</b>	<b>104,300</b>

A key issue with this reserve is ensuring that the estimated revenue figures for the current financial year (i.e. 2017/18) are achieved otherwise any expenditures planned may not be able to proceed as the funds will not actually be available.

Based on the latest information in respect to exchanged contracts all the 2017/18 revenue estimates remain achievable with a high degree of certainty.

In respect to the expenditure (or cash outflows) a number of items have been deferred to reflect the updated cash flows.

Even though the Airport Boulevard will not be constructed this financial year (likely to be constructed during 2018/19 as there is still no planning consent) the dividend for that work is still included in the cash flow as those funds will be transferred this year to another internal reserve set aside for that project.

With the increase in the development costs for the 54 North Creek Road development, as per the earlier report in this agenda, what is now apparent is that Council has significant cash flow limitations for its property development activities for the next few years.

This has resulted in the deferral of many of the major property development projects in Table One.

### 4.3 Industrial Land - Economic Development Proposal

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The revised movements highlight that Council is not in a position to undertake both the next stage of the WUEA residential development and the Southern Cross Industrial Land in 2018/19 without the reserve going into overdraft and on that basis the Southern Cross works (\$2.9m) have been deferred to 2019/20.

The problem with these projects is that they have significant cash outlays for the next stages (WUEA - \$1,820,000, Southern Cross - \$3m) with sales then coming in future years. Sale proceeds from a development are generally included in the following year(s).

WUEA is considered the less riskier project, as well as the lower cash outlay, and on that basis it has been included in 2018/19 as there are real difficulties facing Council in developing Southern Cross, particularly relating to the fill requirements.

Even with this revised cash flow the PDR is forecast to be overdrawn by 30 June 2019.

This is acceptable on the assumption that no cash contribution from the Brown family for the stage two WUEA residential development has been included in the cash flow and that contribution will help to ensure the PDR remains positive (refer to earlier report in this agenda on the Wollongbar Residential subdivision for further details).

What this revised cash flow means is that there is unlikely to be additional industrial land on the market (besides the balance of the North Creek Road development) until at least 2020/21.

With Council owning the majority of the undeveloped industrial land in the Ballina Shire this could have some negative impacts on local business development and the local economy.

The \$4m dividend for Airport Boulevard is the primary reason for the reserve becoming overdrawn as this expenditure (or dividend) provides no immediate return in sales revenue, although it does help to open up the next stages of the Southern Cross Industrial Estate.

Traditionally Council would have constructed this road on a staged basis to manage the cash flows however Council specifically resolved to seek grant funding for Airport Boulevard knowing full well it would create funding difficulties for our property development activities.

Council subsequently secured a \$3m Federal Government grant for Airport Boulevard, which has an estimated total cost of \$7m. There are also concerns that the total cost of Airport Boulevard could increase due to the difficulties in constructing infrastructure in this location.

### **4.3 Industrial Land - Economic Development Proposal**

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A grant application is in the process of being submitted to the State Government's Growing Local Economies funding program for \$2m for Airport Boulevard. If that \$2m is secured we can reduce our \$4m dividend from the PDR to \$2m, assuming there is no change to the total budget for Airport Boulevard.

This would then allow Council to review the timing of projects for the WUEA and Southern Cross Industrial Land developments and possibility still undertake both in 2018/19.

The importance of the cash flows for the PDR need to be considered in respect to the contents of the confidential report, especially if Council is not going to receive any immediate sales revenue from a land development activity.

In reviewing the cash flows for the PDR it has also been necessary to delete a number of future dividends from this reserve for community infrastructure works. This impacts on the delivery of our community infrastructure which is examined in the Facilities Committee agenda.

Attachment one to this report is the last reported cash flows for the PDR (31 March 2017) and attachment two is the updated cash flows (31 October 2017) as per this report for the ten year period of our Long Term Financial Plan.

As per the comparison between those cash flows, the community infrastructure future dividends have been significantly reduced.

The comparison also highlights the deferrals for the key property development activities (i.e. WUEA, Southern Cross Industrial Estate and Russellton Industrial Estate).

Based on these revised cash flows it will also be a number of years before Council can develop land at the Russellton Estate.

#### **Consultation**

There have been on-going discussions with an external party in respect to the economic development proposal. There have also been internal discussions in respect to the forecast movements for the PDR.

#### **Options**

The primary purpose of this report is to provide an open Council overview of the confidential report. The first recommendation is for noting this report on that basis.

The other important element of this report is the latest review of the cash flows for the PDR.

The second and third recommendations to this report seek adoption of the revised cash flows and acknowledgment that the timing of major residential and industrial land developments will need to be deferred unless additional grant funds are obtained for Airport Boulevard.

#### **RECOMMENDATIONS**

1. That Council notes the contents of this report which provides an introduction to the confidential report on an economic development proposal.
2. That Council endorses the inclusion of the revised cash flows for the Property Development Reserve in our Long Term Financial Plan as per Table One and attachment two of this report
3. That Council notes that the revised cash flows for the Property Development Reserve result in there being no scheduled land releases for the Southern Cross Industrial Estate until 2020/21.

#### **Attachment(s)**

1. Cash Flow - Property Development Reserve - 31 March 2017
2. Cash Flow - Property Development Reserve - 31 October 2017







5. Confidential Session

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**5. Confidential Session**

In accordance with Section 9 (2A) of the Local Government Act 1993, the General Manager is of the opinion that the matters included in the Confidential Business Paper, and detailed below are likely to be considered when the meeting is closed to the public.

Section 10A(4) of the Local Government Act, 1993 provides that members of the public are allowed to make representations to or at a meeting, before any part of the meeting is closed to the public, as to whether that part of the meeting should be closed.

A brief summary of each of the reports recommended for consideration in confidential session follows:

**5.1 Industrial Land - Economic Development Proposal**

Refer to Item 4.3 of this agenda.

**RECOMMENDATION**

That Council moves into committee of the whole with the meeting closed to the public, to consider the following items in accordance with Section 10A (2) of the Local Government Act 1993.

**5.1 Industrial Land - Economic Development Proposal**

**Reason for Confidentiality**

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the Local Government Act 1993. which permits the meeting to be closed to the public for business relating to the following:-

- c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest as Council is holding commercial negotiations and the release of the information contained in this report may adversely impact on those negotiations from Council's perspective.