



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 15 July 2014 commencing at 4.00 pm.**

Business

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

A handwritten signature in black ink, appearing to read 'Paul Hickey', is written over a horizontal line.

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 Ballina Byron Gateway Airport - Long Term Tenure Options

4. Committee Reports

4.1 Ballina Byron Gateway Airport - Long Term Tenure Options

Delivery Program Commercial Services

Objective To examine the long-term tenure options for the Ballina Byron Gateway Airport.

Background

The Ballina Byron Gateway Airport (“BBGA”) has experienced sound growth over the past four years. Evidence of this growth is apparent in the increase in passenger numbers (PAX) escalating from 271,615 in 2009/10 to approximately 400,000 in 2013/14. Gross turnover has increased from \$2,376,000 in 2009/10 to \$4,650,000 in 2013/14 (estimated). Over the same period approximately \$12,820,000 has been spent on infrastructure works to assist in catering for this growth.

Since its inception in 1986 the Ballina Airport (as it was then known) has grown from being a local airport to a regional airport. This growth brings with it an increasing need for capital investment. What is becoming apparent is that the BBGA’s need for capital investment is moving beyond the capacity of Council to comfortably raise and manage debt to cater for such growth.

The Councillors and staff who were responsible for the inception and development of Ballina Airport, had a vision for its success and long term growth. These people probably always assumed that at some time in the future options to cater for future growth would have to be considered.

To assist in exploring long term tenure options for the BBGA, Council has consulted with The Airport Group (“TAG”) who have had extensive experience with regional and capital city airports throughout Australia and New Zealand. TAG is currently assisting Council staff on a consultancy basis with the rezoning of the next stage of Southern Cross Industrial Estate to create an enterprise zone adjoining BBGA.

Key Issues

- Long term management options
- Security, tenure and cash flows
- Investment capital
- Improved air services for people of the region
- Ongoing economic benefits to the region including tourism
- An ongoing economic return for Council

Information

Consultants from TAG will provide a presentation at the Commercial Services Meeting schedule for 15 July, 2014, on long-term tenure options available that may be of interest and benefit to Council. Attachment 1 contains a copy of the document to be presented at the Commercial Services meeting. This document includes a summarized CV of the consultants who will be in attendance.

In discussions with Council staff, TAG has advised that in the current investment market there is strong demand from institutional investors to lease Australian infrastructure assets. Typically this class of investor seeks to invest for the longer term and they are well capitalized to facilitate development and growth of leased assets such as airports and sea ports.

The practice of granting long-term leases over airports has numerous precedents as evidenced by the Commonwealth Government entering into lease partnerships with private investors for 22 major and eight regional airports around Australia since 1997.

TAG advises that the performance of these airport lease agreements has proven successful in achieving the Commonwealth's objectives of maintaining a level of control, effective and stable operations, and meeting stipulated planning and development objectives.

TAG also advises that the 2012 Productivity Commission inquiry into the economic regulation of airport services endorsed the Commonwealth's course of action in leasing out its airports around Australia. The Commission expressed the view that the Commonwealth was achieving its objectives of competitive pricing, continued infrastructure investment, and management with an understanding of the public interest.

TAG's presentation identifies five core elements Council should be mindful of when engaging with the private sector over long term tenure options for the BBGA:

1. Retention of some form of control and oversight of airport operations and management.
2. Selection of an investment partner / lessee who understands the responsibility of managing public infrastructure such as a regional airport.
3. The economic return to Council for granting a long-term lease in the form of an upfront premium payment to secure a lease and / or annual lease payments.
4. The capital expenditure program Council may require a lessee to undertake including off site works such as the construction of a link road from North Creek Road to BBGA.
5. Transfer from Council to the lessee, the responsibility for future development of BBGA and operational costs; i.e. transition the BBGA into a commercial management environment.

4.1 Ballina Byron Gateway Airport - Long Term Tenure Options

Council staff are in agreement with TAG that granting a long term lease over BBGA is far more preferable than a sale of the asset.

The option of selling BBGA, would result in Council losing control immediately in return for a one off payment. This would not be in the public interest in terms of maintaining air services and assisting in the growth of the regional economy. Key terms can be written into a long term lease setting performance criteria that a lessee must commit to. Such terms may include, but not be limited to:

- A capital expenditure program for the first ten years of the lease.
- Expenditure reviews every five years.
- Annual independent audited report on expenditures.
- Annual independent audited report on the operational performance of the airport.

Additional controls can include cancellation of the lease if:

- The lessee fails to promote and use the airport as an airport by denying access to air transport; i.e. seeks to collude with other airports for anti-competitive reasons.
- The lessee fails to comply with CASA regulations and directives and loses operating licences.

There are ample precedents with Commonwealth airport leases to enable a lease document to be drafted that strikes a balance to protect Council's interest and provide opportunities for investors.

An added attraction or incentive for investors seeking to lease the BBGA is the land earmarked for the expansion of the Southern Cross Industrial Estate. This portion of land is identified in the site plan contained in Attachment Two, comprising an area of approximately 36.5 hectares that is currently going through a rezoning process. This land could be included in a lease agreement or joint venture agreement with the BBGA whereby the lessee provides capital for the development of the land and both parties share in the development profits on a pre-agreed formula.

Further information on the various long-term tenure options will be provided in TAG's presentation.

Should Council resolve to further investigate the opportunities presented it could pursue a two step process generally outlined as follows:-

1. Through a competitive tendering process, select a consultant to advise Council on the various long term options available and indicative financial returns. Once Council resolves to pursue a particular course of action the consultant would then "package up" a proposal or opportunity that could be put to the open market.

4.1 Ballina Byron Gateway Airport - Long Term Tenure Options

2. Through a competitive tendering process, call for expressions of interest from parties seeking to secure a long-term lease over BBGA. The consultant selected to advise Council in step one outlined above, would run this process on behalf of Council and assist in negotiations to ensure Council achieves the best result possible. This would be somewhat similar to engaging a specialist real estate agent to run a tender to lease or sell a specialized property on behalf of Council.

Legal / Resource / Financial Implications

Legal

The land holdings pertaining to the BBGA are freehold property classified as operational land and as such Council has the authority to lease the holdings should it resolve to do so.

Resource

The ongoing growth of the BBGA will continue to place demand on Council's limited financial and staff resources.

Financial

The options available to Council to be put forward by TAG in their presentation to Councillors at the Commercial Services meeting include the concept of granting a long term lease over the BBGA and its landholdings. This would pass on the responsibility of funding capital projects to a lessee and provide an economic return to Council in the form of an upfront premium (payment) or annual lease payment or a combination of both.

The payment by a lessee of a premium upfront to secure a long term lease may assist Council in paying down the debt currently pertaining to the BBGA.

The outstanding debt on the BBGA for year ending 30 June, 2014 is noted at \$9,160,000 in Attachment Three "Operating Results and Cash Flow Analysis 2002/03 to 2023/24". This debt level is forecast to rise and fall over the next ten years relative to the capital project to be undertaken on the BBGA.

A forecast ten year capital expenditure program has been prepared by the Airport Manager and is contained in Attachment Four. This forecast allocates expenditure by Council to be approximately \$21,200,000. Please note that Council has not resolved to support this program, it is more of a "wish list" of projects that the Airport Manager considers necessary for the continued growth of BBGA.

This forecast excludes the proposal to construct a link road from North Creek Road to BBGA. This road would also provide a linkage to Boeing Avenue and open up the next stage of Southern Cross Industrial Estate assuming the land is zoned appropriately. The estimated cost of these road works is in the order of \$5,000,000.

Consultation

Council staff have consulted with TAG.

Options

1. Council can resolve to note the contents of this report and proceed no further with this proposal.

This option is not recommended as it fails to recognize the ongoing issues Council will have in raising capital to invest in infrastructure necessary for BBGA to grow and service the air transport needs of the NSW North Coast. It is becoming apparent that the BBGA's need for capital investment is stretching the capacity of Council to comfortably raise and manage debt to cater for such growth.

2. Council can resolve to explore the opportunities and financial returns that may be available in offering a long term lease to the investment market.

In resolving to pursue this course of action, Council can resolve to run a competitive tendering process to select a consultant to advise Council on the various long term tenure options available and indicative financial returns.

Following on from this process, Council could then resolve to pursue a particular course of action recommended by the consultant who would then "package up" a proposal or opportunity that could be put to the open market.

The final step would be a competitive tendering process calling for expressions of interest from parties seeking to secure a long-term lease over BBGA. The consultant selected to advise Council as outlined above, would run this process for Council and assist in negotiations to ensure Council achieved the best result possible. This would be somewhat similar to engaging a specialist real estate agent to run a tender to lease or sell a specialized property on behalf of Council.

This option is recommended as it provides Council with the opportunity to explore the opportunities that may exist in the market to deliver Council a return and relieve it from the ongoing responsibility of raising capital to grow and maintain the BBGA.

Also this option allows Council to stop the process at any time. The first step will be to examine the response to Council's call for tenders for the initial valuation. It is possible for proponents to package their proposals to Council whereby the majority of any fees will only be paid upon entering a future lease. Therefore it is uncertain what this initial stage will actually cost. This being the case the preferred option is to call tenders for this service and then allow Council to assess the response to those tenders to determine whether or not this process progresses to the next stage.

RECOMMENDATION

That Council authorises the General Manager to run a competitive tendering process to select a consultant to advise Council on the various long term tenure options available and indicative financial returns for the Ballina Byron Gateway Airport.

Attachment(s)

1. The Airport Group Presentation
2. Ballina Byron Gateway Airport Site Plan
3. Ballina Byron Gateway Airport Operating Results & Cash Flow Analysis 2002/03 to 2023/24
4. Forecast Capital Expenditure Program

Ballina Byron Gateway Airport

Private Sector Partnership

July 2014



Disclaimer

This document has not been approved by or registered with any approving authority.

Any financial product advice that The Airport Group provides in this document is general advice only and does not take into account your objectives, financial situation or needs.

Before acting on such general advice, you should therefore consider the appropriateness of the advice to your situation.

The Airport Group recommends that you obtain financial, legal and taxation advice before making any financial investment or disinvestment decision.

Contents

- Summary
- Private Australian Infrastructure Leasing Market
- Commonwealth Airports Leases
- Private Sector Partnership
- The Airport Group: An Integrated Advisory Solution

Summary

Summary

Highlights

- There is an unprecedented demand from Institutional investors to lease Australian infrastructure assets. They invest for the long term and are well funded to facilitate development and growth of the leased assets.
- The Commonwealth government experience entering into lease partnerships with private sector investors for 22 major and 8 regional Airports since 1997 has been overwhelmingly positive.
- Performance of these Airports leases has proven to be successful in achieving the Commonwealth's objectives of maintaining supervision, effective and stable operations and meeting stipulated planning and development.
- The Productivity Commission inquiry into the economic regulation of Airport Services (2012) endorsed the process undertaken by the Federal Government citing the objectives of competitive pricing, continued infrastructure investment and management with an understanding of public interest continues to be achieved.

Summary

Objectives

- Five core requirements for Council in any engagement with the private sector:
 - Retain control through oversight over the Airport operations and development.
 - Select an investor Partner that recognises the responsibility of managing public infrastructure.
 - Receive a mix of significant upfront receipts and a regular long term income stream from those investors to fund priority public projects and services.
 - Facilitate development of the link road and land adjoining the Airport without further investment by Council.
 - Move responsibility for future development and operational costs of the Airport to the Partner – transition the Airport into a commercial management environment.

Private Australian Infrastructure Leasing Market

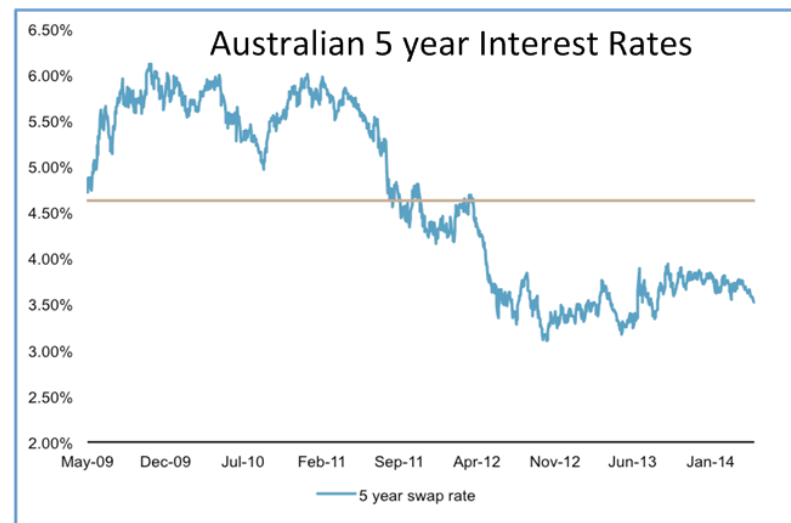
Private Australian Infrastructure Leasing Market

Summary

- There has been an unprecedented demand for Australian infrastructure leases from domestic and international investors.
- Lower interest rates, strong investor and lender appetite are resulting in increased prices paid for infrastructure leases to all time highs.
- Compared with other areas of the infrastructure sector (roads, rail, seaports), there has been a scarcity of Airport leases offered in recent years:
 - There is significant pent-up demand for Australian Airports from domestic and international investors.
- Commonwealth government policy combined with the above demand has created the most opportune environment for regional councils to lease existing infrastructure assets and seek commitments from the private sector to fund infrastructure development and facilitate regional growth.

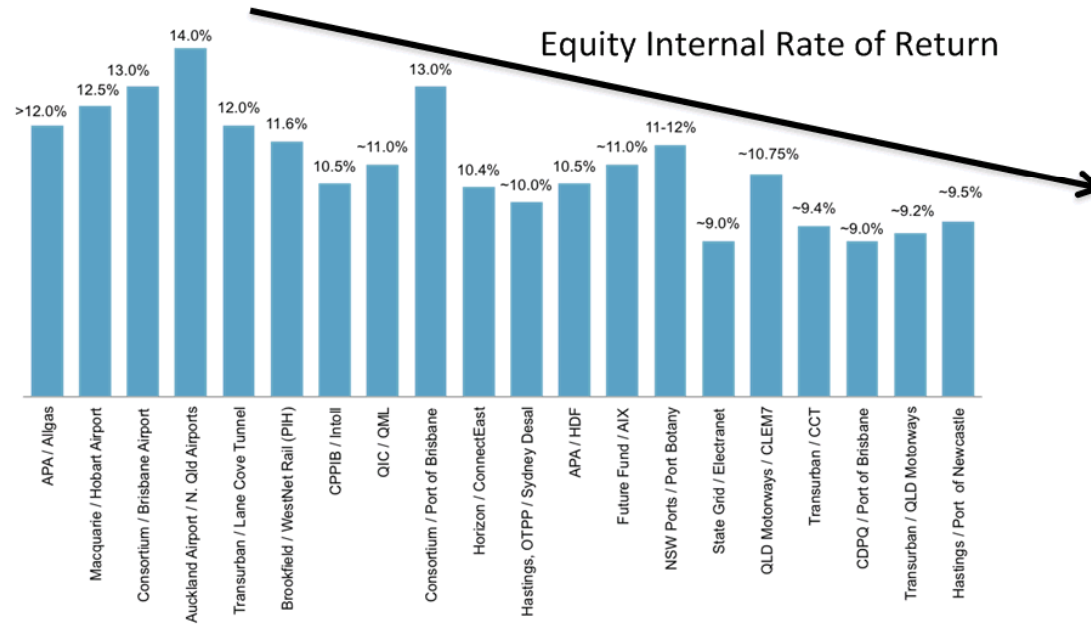
Private Australian Infrastructure Leasing Market

- Australia has a mature and highly sought after private infrastructure market with a growing appetite from institutional and corporate equity investors.
- Investors have access to attractively priced debt finance.



Private Australian Infrastructure Leasing Market

- Returns on capital demanded by investors in infrastructure are dropping to historical lows.



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Private Australian Infrastructure Leased Assets

Australian Infrastructure Lease Transactions in the last 12 months			
<i>Government infrastructure</i>	<i>Buyer(s)</i>	<i>Price</i>	<i>EBITDA multiple</i>
QML (roads)	Transurban, Australian Super, ADIA	\$7.1 billion (100%)	29
Port of Brisbane	CDPQ	\$1.4 billion (26.7%)	28
Port of Newcastle	Hastings, China Merchants	\$1.75 billion (100%)	27
Port of Botany	IFM, QSuper, ADIA	\$5.1 billion (100%)	25

Private Australian Infrastructure Leased Major Airports

Australian Airport Lease Transactions since 2007			
Airport(s)	Buyer(s)	Year	EBITDA multiple
Sydney	Map	2007	20.2
NT Airports	Hastings	2007	12.4
Perth	Hastings	2007	14.9
Melbourne	Hastings	2007	15.9
Brisbane	Existing Shareholders	2008	17.3
Mackay	JPM, Hastings, Perron	2008	26.9
Cairns	JPM, Hastings, Perron	2008	14.7
Mackay, Cairns	Auckland Airport	2010	18.8
Melbourne	Aust. Infra. Fund	2010	14.9
Sydney	Map	2011	19.3
AIX*	Future Fund	2012	14.4

**Includes shares in the following Airports: Perth, Melbourne, Launceston, Gold Coast, Townsville, Mt Isa, Darwin, Alice Springs, Tennant Creek, HOCHTIEF Airports.*

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Private Australian Infrastructure Leased Regional Airports

Privately Leased Regional Airports			
Airport	Private 'Owner'/operator	PAX/Mvmts*	Year Leased
Avalon	Linfox	5,400*	1997
Mackay	JP Morgan Infra, Hastings, Perron Investments, SunSuper, Electricity Super, BUSS Super, Suncorp	917,238	2008
Alice Springs	IFM (Australian Super Funds), Palisades (Australian Super funds)	681,295	1998
Parafield	UniSuper, Statewide Super, Colonial (Australian super funds), IFM (Australian super funds), Perron	212,862*	1998
Mt Isa	Queensland Airports Ltd	173,813	1998
Essendon	Linfox, Becton	50,000*	2001
Moorabbin	Goodman Group	274,082*	1998
Jandakot	Hastings, Future Fund, Australian Super, CBA Super, SunSuper, Electricity Super, BUU Super, Suncorp.	275,506*	1997
Bankstown	Mirvac, Colonial First State, Australian Super	250,000*	2003

*Aircraft movements

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Commonwealth Airport Leases

Commonwealth Airport Leases

- The Commonwealth has entered into long term leases (mostly 50 years with an option of an additional 49 years) for 22 of its Airports and rejected an outright sale.
- Almost all of these leases have been operating for over a decade and most for more than 15 years.

Commonwealth Airports	Lease from (year)	Term of lease (years)
Brisbane, Melbourne, Perth, Essendon	1997	50/49
Adelaide, Parafield, Canberra, Launceston, Gold Coast, Darwin, Tennant Creek, Hobart, Townsville, Mt Isa, Archerfield, Moorabbin, Jandakot, Alice Springs, Cairns	1998	50/49
Sydney	2002	50/49
Bankstown, Camden	2003	99

An established set of lease terms can be applied readily to regional Airports.

Commonwealth Airport Leases

Key Terms

- All relevant assets, contractual rights and obligations, and employees are transferred to the lessee.
- Mechanisms are built in to protect the Commonwealth and ensure the lessee behaves in a way which is consistent with the Commonwealth's objectives.
- A range of requirements are stipulated relating to: use of the Airport, access for air transport, insurance, environment, compliance with relevant licences, maintenance of the site, community consultation, and development of the Airport.
- The leases put extensive and strict insurance obligations on the lessee that covers loss and damage to structures, plant and equipment, Airport property, consequential loss of revenue, and legal liability of claims by third parties.

Commonwealth Airport Leases

Key Terms (contd)

- The lessee must meet the Airport development commitments which include requirements that the lessee commit to:
 - a detailed capex budget for the first 10 years of the lease;
 - expenditure reviews every 5 years;
 - annual audited reports that lay out expenditures incurred over the prior year; and
 - annual report verifying that the lessee is compliant with the terms of the lease.
- These leases can be cancelled if the lessee:
 - fails to use the Airport as an Airport by denying access to air transport; or
 - loses the necessary licencing requirements, including an aerodrome licence.
- The lessee is required to cover the Commonwealth's asset management cost, including for administrative oversight.

Commonwealth Airport Leases

Structure

- Lease investors are typically consortiums of three or more institutions bound together by a shareholder agreement.
- The investors form a Board to oversee the management of the Airport. Representation on the Board and other governance rights are determined by the relative size of equity commitment.
- The capital structure for a lease is typically 60% equity, 40% debt based on the value of the lease at inception.
- Debt is usually underwritten and arranged by major banks and has tenor of 3 to 5 years.
- The investors who provide equity are typically Australian superannuation and pensions funds that invest in the lease in a spirit of partnership with the Commonwealth.

Private Sector Partnership

Private Sector Partnership

Ballina Shire Council Objectives

- Core objectives may include:
 - To facilitate passenger and related services growth, the development of the link road and the land adjoining the Airport and the civil works investment that is required;
 - Retain supervisory controls over the Airport operations and development;
 - Shift future development and operational costs away from Council into a commercial environment while ensuring there is adequate funding, over the long term, for these purposes;
 - Realise a mix of significant upfront receipts and long term income streams to improve Council's current financial position and/or release capital for redeployment for other uses; and
 - A Partner that recognises the responsibility of managing public infrastructure.
- Other objectives may include:
 - Increase the commercial focus in operating the Airport;
 - Transfer Airport risks to a suitable private sector operator;
 - Ensure property development is consistent with control mechanisms (LEP and Airport Master Plan) without recourse and additional cost to Council;
 - Seek participation in broader regional economic development initiatives; and
 - Separate Airport management from Council / community.

A single-minded focus on Airport development and growth with dedicated financial resource will further advance the improvement of infrastructure, increase passenger numbers and enhance safety and the environment.

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Private Sector Partnership

Structure

- There are a range of options for engagement with the private sector.
- However, the option that best meets the core objectives is a long term operating lease with an appropriate Partner for all or part of the Airport and adjacent property as demonstrated by the path taken by the Commonwealth government.
- The optimal lease is likely be for 50 years, including a wide range of requirements and obligations for development and operations while ensuring an appropriate balance between autonomy and Council control, covering all of the Airport facilities.

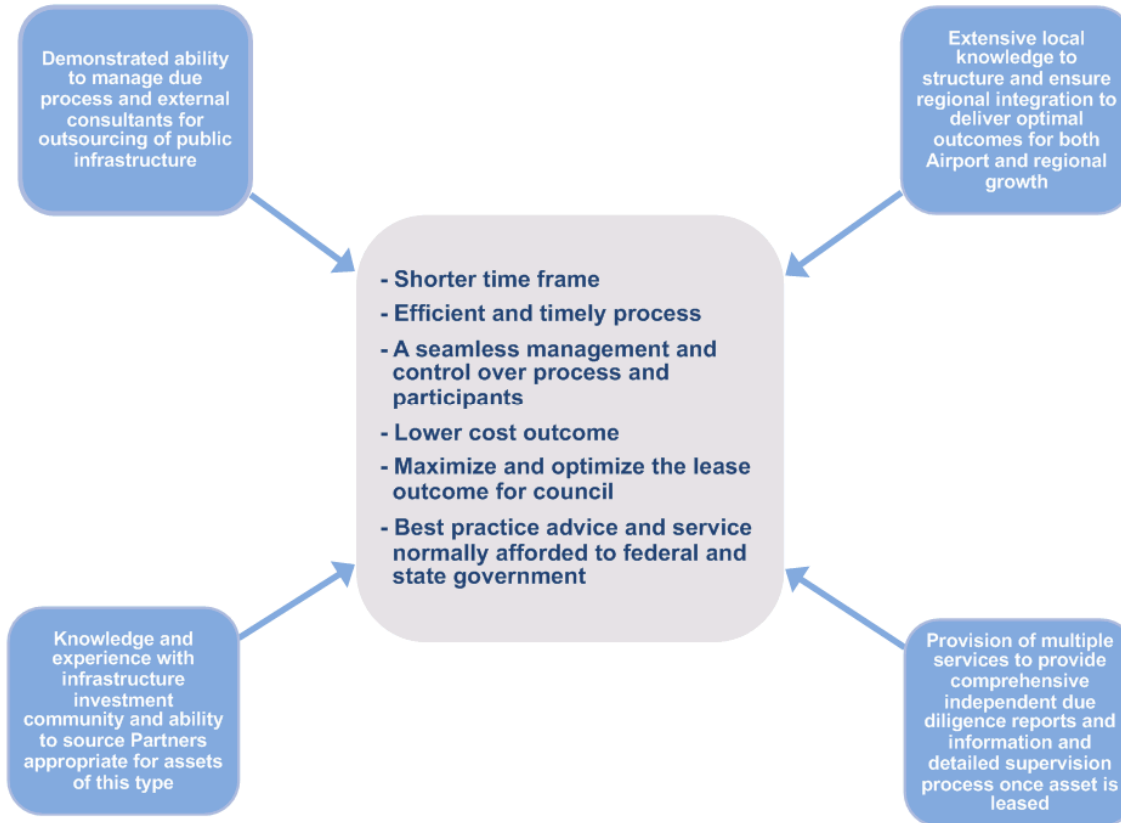
The Airport Group: An Integrated Advisory Solution

The Airport Group

The Airport Group combines specialist expertise that offer an integrated service unmatched in the Australian Airport advisory market.



Why The Airport Group?



The Airport Group: Financial Advisory & Asset Management

The Airport Group has been involved on both sides of infrastructure leasing including and ongoing management.

- Tendering
- Due Diligence
- Negotiation
- Structuring
- Government Liaison
- Acquisition
- Managing



The Airport Group: Strategic & Operational Advisory

Queensland	Australian Capital Territory	New South Wales	Other
Brisbane Gold Coast Sunshine Coast Archerfield Bedourie Blackwater Boulia Bundaberg Chinchilla Clermont Cloncurry Cunnamulla Dysart Emerald Gayndah Gladstone Great Keppel Island Hughenden Julia Creek Kingaroy Longreach Miles Monto Moranbah Palm Island Proserpine Quilpie Roma St George Taroom Thangool Thargomindah Toowoomba Wellcamp	Canberra Western Australia Perth Port Hedland Boogeeda Busselton Paraburdoo Gingin (RAAF) Pearce (RAAF) Tasmania Hobart Launceston Burnie Devonport Flinders Island Northern Territory Darwin Alice Springs Ayers Rock Tennant Creek	Sydney Bankstown Ballina Ballina Byron Gateway Forbes Moree Murwillumbah Port Macquarie Taree Salt Ash (RAAF) Young Newcastle Victoria Melbourne Essendon Corryong Latrobe Valley Moorabbin Mt Hotham West Sale Ballarat South Australia Adelaide Parafield Whyalla International Port Moresby (PNG) Schiphol Real Estate (NL) United Arab Emirates (UAE)	<ul style="list-style-type: none"> • Qantas Airways Ltd – all major domestic and international Airports (terminal, aerobridge and aircraft parking bay design and construction) • Heathrow, UK (terminal 5) • Sharjah, UAE (Airport Facilities assessment) • Dubai, UAE (aeronautical Assessment) • Ardmore, NZ (aeronautical Assessment) Authorities <ul style="list-style-type: none"> • Airservices Australia • Civil Aviation Authority, UAE • Civil Aviation Safety Authority • Department of Infrastructure and Transport • Airways New Zealand



- Airport Management Advisory
- Commercial Advisory and Transaction Management
- Airport Master Planning
- Airspace and Instrument Flight Procedure Design
- Airfield Compliance
- Engineering Design and Construction Management
- Airfield Design and Planning

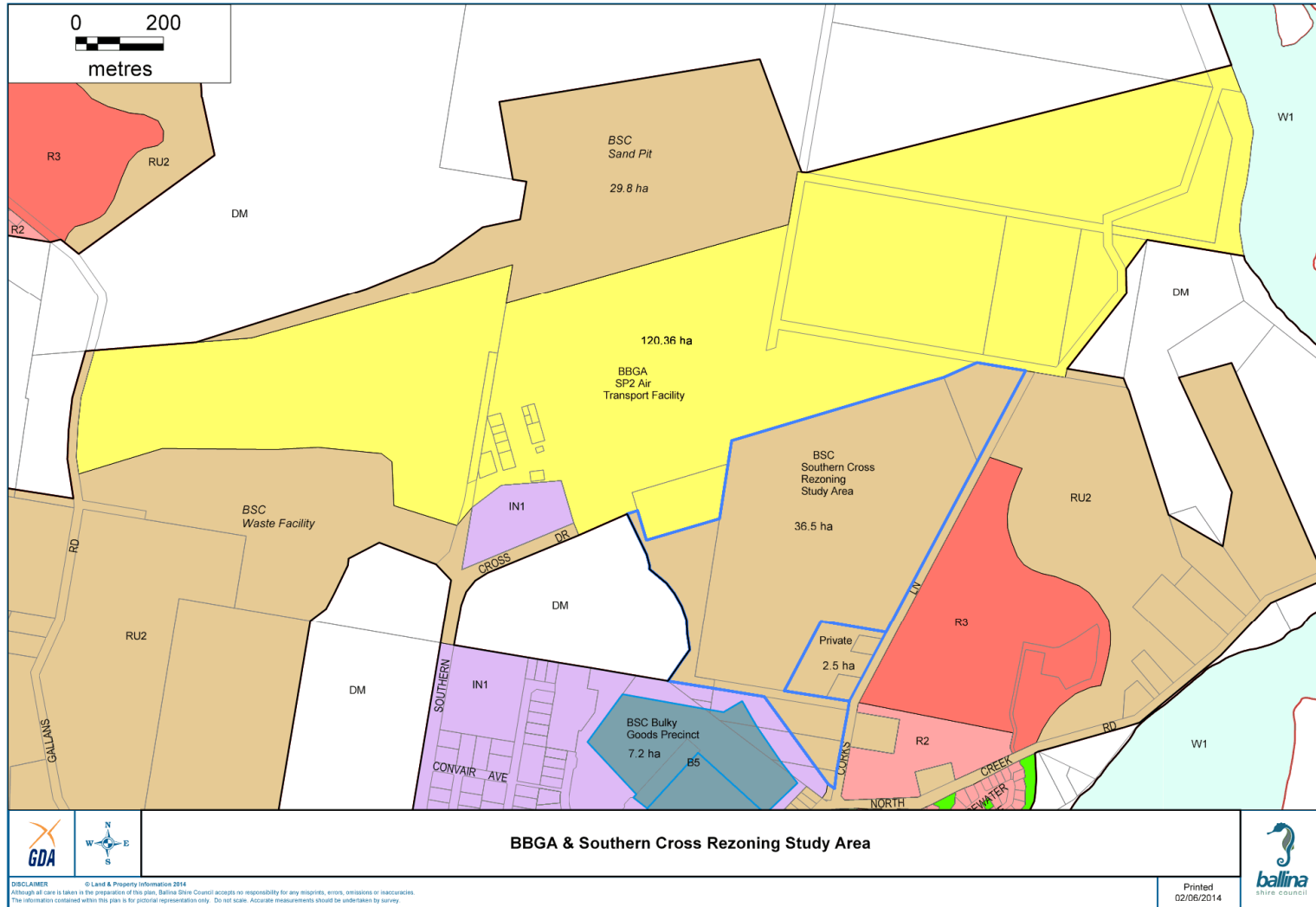


Contact Details

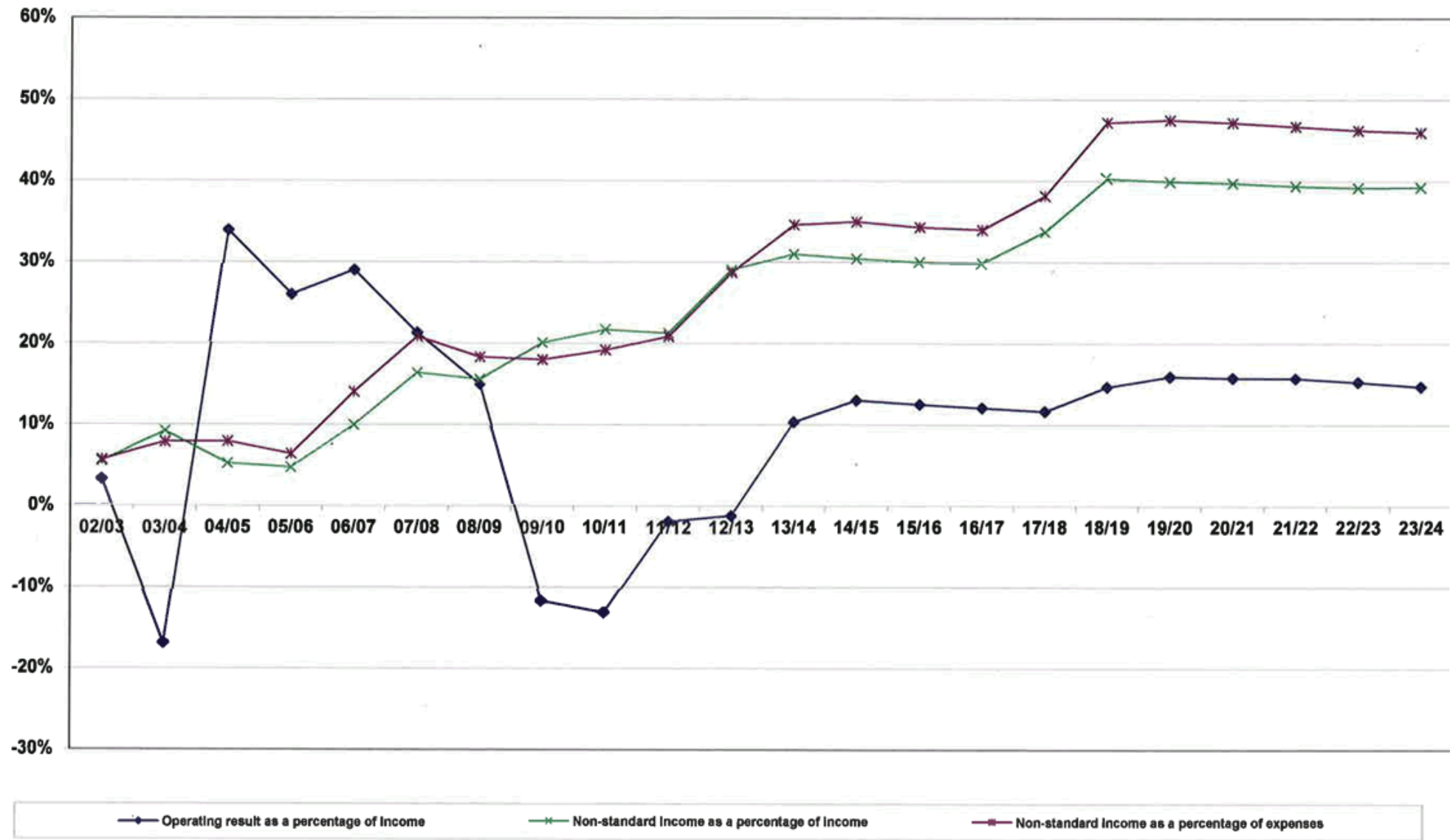
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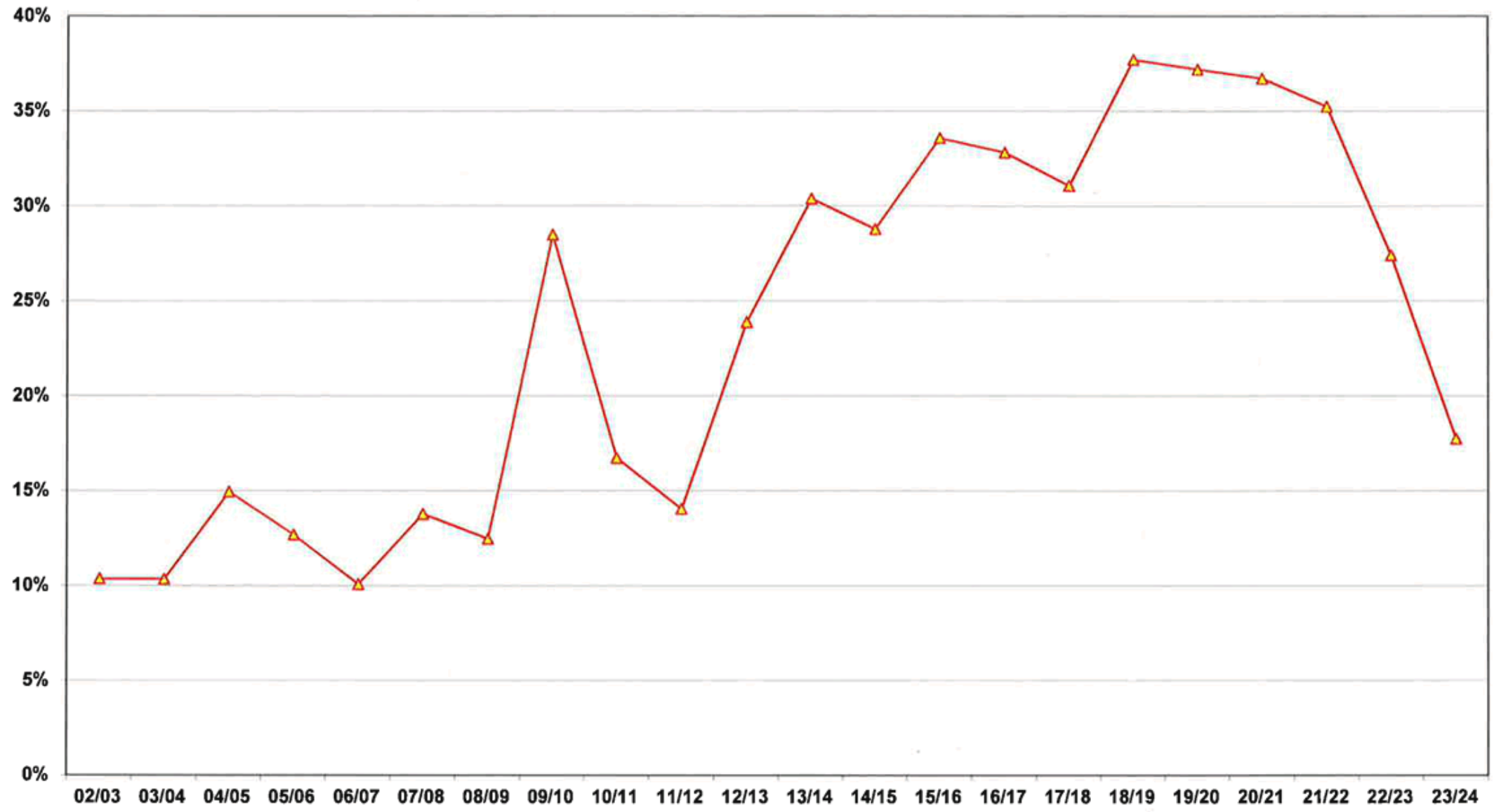
4.1 Ballina Byron Gateway Airport - Long Term Tenure Options



Ballina Byron Gateway Airport - Operating Income and Expense Analysis - 2002/03 to 2023/24



Ballina Byron Gateway Airport - Debt Ratio - 2002/03 to 2023/24



Airport - Capital Expenditure Summary											
Asset Description	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Ballina Airport											
Apron Extension		90,000				250,000	500,000				
Car Park / Entrance Road					5,500,000						
Car Park / Shade Structures (Loan Funded)		725,000									
Non Directional Beacon			1,000,000								
Drainage Works / Retaining Wall	9,000				1,000,000						
Electronic Gate											
Fence to Airside	60,000	60,000									
Fire Fighting Infrastructure (contribution etc)		20,000,000									
Hardstand	214,500										
Land Acquisition											
Landside Terminal Awning											
Lease Area - Stage One	6,500			1,700,000		2,000,000			1,500,000		
Long Term Car Park (Secure and Covered)								2,000,000			
Miscellaneous Infrastructure			200,000	206,000	212,200	218,600	225,200	232,000	239,000	246,200	253,600
Obstacle Tower Lennox Head	100,000										
Overlay to Rental Car Park		130,000									
PAPI / PAALC			250,000						250,000		
Pedestrian Crossing											
Runway Lighting					500,000		400,000	100,000			
Runway Upgrade / Grooving	4,511,000		300,000								
Storage Containers	8,000	20,000									
Storage Shed	90,000										
Terminal Renovation (Loan Funded)		60,000		4,000,000			4,500,000				
Toilets to Departure Lounge											
Apron Overlay (Bays 2 and 3)				2,000,000							
Air Traffic Control Tower						10,000,000					
Total	4,999,000	21,085,000	1,750,000	7,906,000	7,212,200	12,468,600	5,625,200	2,332,000	1,989,000	246,200	253,600

Overall Progressive total \$4,999,000 \$26,084,000 \$27,834,000 \$35,740,000 \$42,952,200 \$55,420,800 \$61,046,000 \$63,378,000 \$65,367,000 \$65,613,200 \$65,866,800

												TOTAL	
Funded by	Airservices Australia		20,000,000	1,000,000			10,000,000					\$31,000,000	
	Progressive total	0	20,000,000	21,000,000	21,000,000	21,000,000	31,000,000	31,000,000	31,000,000	31,000,000	31,000,000		
	Airlines				4,000,000			4,500,000				\$8,500,000	
	Progressive total	0	0	0	4,000,000	4,000,000	4,000,000	8,500,000	8,500,000	8,500,000	8,500,000		
	Ballina Shire Council	4,999,000	1,085,000	750,000	2,206,000	7,212,200	468,600	1,125,200	2,332,000	489,000	246,200	253,600	\$21,166,800
	Progressive total	4,999,000	6,084,000	6,834,000	9,040,000	16,252,200	16,720,800	17,846,000	20,178,000	20,667,000	20,913,200	21,166,800	
	Other				1,700,000		2,000,000		1,500,000				\$5,200,000
	Progressive total	0	0	0	1,700,000	1,700,000	3,700,000	3,700,000	3,700,000	5,200,000	5,200,000	5,200,000	

Passenger Numbers	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	400,000	440,000	480,000	520,000	560,000	600,000

4.2 Classification of Community Land to Operational

4.2 Classification of Community Land to Operational

Delivery Program Commercial Services

Objective To determine if Council wishes to reclassify a number of parcels of Community Land to Operational Land

Background

The *Local Government Act 1993* (LGA) requires that all public land in Council ownership must be classified as either Operational Land or Community Land. Council may deal with Operational Land without any restrictions under the LGA. Such land is generally held and used in connection with Council's administrative operations, utilities (water and sewer) and/or commercial activities.

Community Land consists typically of open space owned by Council for which there is a range of restrictions under the LGA to ensure that these valuable community assets are retained and managed for the benefit of the community. The LGA prohibits the sale of Community Land and imposes restrictions on its development and use.

Council staff have identified a number of parcels of land that are currently classified as Community Land that are considered unsuitable under this classification and propose to reclassify them to operational.

The parcels of land that have been identified for the purposes of this report include water reservoirs, sewer pump stations and two parcels of land that adjoin child care centres; one in East Ballina and one in West Ballina. The child care centre lands are currently held under lease by Goodstart Early Learning Ltd and the Catholic Church respectively.

Council's Commercial Services staff have discussed the proposed reclassification with the Manager of Water and Wastewater as well as a representative of the Lessee of the West Ballina child care centre.

The parcels of land are:

- Lot 1 DP 598548, Pine Avenue, East Ballina
- Lot 2 DP 598548, Pine Avenue, East Ballina
- Lot 1 DP 632176, Suvla Street, East Ballina
- Lot 47 DP 240657, Basalt Court, Lennox Head
- Lot 1 DP 604567, Regatta Avenue, Ballina
- Lot 2 DP 604567, Regatta Avenue, Ballina
- Lot 1 DP 856703, North Creek Road, Lennox Head
- Lot 43 DP 1168665, Seamist Place, Lennox Head
- Lot 104 DP 871675, Links Avenue, East Ballina
- Lot 1 DP 850774, Westland Drive, West Ballina

The report that follows outlines details of the land recommended for reclassification. Locality maps are attached for each parcel of land.

4.2 Classification of Community Land to Operational

Key Issues

- Suitability of land classification

Information

The following information is supplied for each lot proposed to be reclassified:

Description	Comment
Lot 1 DP 598548 Pine Avenue, East Ballina	This land is currently occupied by a water reservoir. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for water infrastructure
Lot 2 DP 598548 Pine Avenue, East Ballina	This land is currently occupied by a water reservoir. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for water infrastructure
Lot 1 DP 632176, Suvla Street, East Ballina	This land is currently occupied by a water reservoir. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for water infrastructure
Lot 47 DP 240657 Basalt Court, Lennox Head	This land is currently occupied by a water reservoir. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for water infrastructure
Lot 1 DP 604567 Regatta Avenue, Ballina	This land is currently occupied by a sewer pump station. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for sewer infrastructure.
Lot 2 DP 604567 Regatta Avenue, Ballina	This land is currently occupied by a sewer pump station. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for sewer infrastructure.
Lot 1 DP 856703 North Creek Road, Lennox Head	This land is currently occupied by a sewer pump station. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for sewer infrastructure.
Lot 43 DP 1168665 Seamist Place, Lennox Head	This land is currently occupied by a sewer pump station. The proposed reclassification will provide Council with flexibility in the management and maintenance of the land for sewer infrastructure.

4.2 Classification of Community Land to Operational

Lot 104 DP 871675 Links Avenue, East Ballina	<p>This land is currently occupied by a child care centre. There is a 20 year lease over the land due to expire 31 March 2017. This area is part of open space reserve adjoining Prospect Lake. The area has been fenced off with the Lessee having exclusive use of the site over the period of the Lease.</p> <p>The proposed reclassification will provide Council with flexibility in resale or lease of the site, if it chooses.</p>
Lot 1 DP 850774 Westland Drive, West Ballina	<p>This land is currently occupied by a child care centre. There is a 20 year lease over the land due to expire 31 March 2017. This area is part of open space reserve backing onto the industrial properties in Barlows Road. The area has been fenced off with the Lessee having exclusive use of the site over the period of the Lease.</p> <p>The proposed reclassification will provide Council with flexibility in resale or lease of the site, if it chooses.</p>

When the Local Government Act was introduced in 1993 all Council land was automatically classified as community unless otherwise classified. This blanket approach had shortcomings as circumstances and land uses change and evolve over time.

Consequently, reclassifying the parcels of land identified above to operational would provide Council with greater flexibility in dealing with the uses to such parcels are currently put and provide scope for the sale of land that has no strategic benefit to Council and the community. The sale of surplus community land would also reduce Council's ongoing financial liability to maintain such land if not held under lease to a third party.

Legal / Resource / Financial Implications

The reclassification of the lands will require the expenditure of funds to prepare a planning proposal, exhibit such and hold a public hearing. These funds will be obtained from both Commercial Services and Water and Wastewater Sections within Council.

In regards to the child care centre lands, the reclassification will enable Council to realise the value of those parcels of land through sales, should it resolve to do so at a later time. In regards to the water reservoir and sewer pump station sites, reclassification would allow more flexibility in the management of these sites.

Consultation

Council's Commercial Services Staff have consulted with Council's Water and Wastewater section as well as a representative of the Lessee of the West Ballina child care centre.

4.2 Classification of Community Land to Operational

Options

1. Council resolves to commence the process for the reclassification of all parcels of land identified in this report from Community Land to Operational Land.

This option is recommended as it is the first step in providing Council with the flexibility needed to more efficiently and adequately deal with these parcels of land and the uses to which they are currently being put.

2. Council resolves not to commence the process for the reclassification of all parcels of land identified in this report from Community Land to Operational Land.

This option is not recommended as it fails to provide Council with the flexibility needed to deal with these parcels of land and the uses to which they are currently being put.

The first option is recommended as it allows public comment on the proposal.

RECOMMENDATION

That Council commence the process for the reclassification of the land referred to below from Community Land to Operational Land for the purpose of the *Local Government Act, 1993*.

- Lot 1 DP 598548, Pine Avenue, East Ballina
- Lot 2 DP 598548, Pine Avenue, East Ballina
- Lot 1 DP 632176, Suvla Street, East Ballina
- Lot 47 DP 240657, Basalt Court, Lennox Head
- Lot 1 DP 604567, Regatta Avenue, Ballina
- Lot 2 DP 604567, Regatta Avenue, Ballina
- Lot 1 DP 856703, North Creek Road, Lennox Head
- Lot 43 DP 1168665, Seamist Place, Lennox Head
- Lot 104 DP 871675, Links Avenue, East Ballina
- Lot 1 DP 850774, Westland Drive, West Ballina

Attachment(s)

1. Lot 1 DP 598548 Pine Avenue, East Ballina (Water Reservoir)
2. Lot 2 DP 598548 Pine Avenue East Ballina (Water Reservoir)
3. Lot 1 DP 632176 Suvla Street East Ballina (Water Reservoir)
4. Lot 47 DP 240657 Basalt Court Lennox Head (Water Reservoir)
5. Lot 1 DP 604567 Regatta Avenue Ballina (Sewer Pump Station)
6. Lot 2 DP 604567 Regatta Avenue Ballina (Sewer Pump Station)
7. Lot 1 DP 856703 North Creek Road Lennox Head (Sewer Pump Station)
8. Lot 43 DP 1168665 Seamist Place Lennox Head (Sewer Pump Station)
9. Lot 104 DP871675 Links Avenue East Ballina (rear of child care centre)
10. Lot 1 DP 850774 Westland Drive West Ballina (rear of child care centre)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 1 DP 598548 Pine Avenue East Ballina (Water Reservoir)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 2 DP 598548 Pine Avenue East Ballina (Water Reservoir)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 47 DP 240657 Basalt Court Lennox Head (Water Reservoir)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 1 DP 604567 Regatta Avenue Ballina (Sewer Pump Station)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 2 DP 604567 Regatta Avenue Ballina (Sewer Pump Station)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 1 DP 856703 North Creek Road Lennox Head (Sewer Pump Station)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 43 DP 1168665 Seamist Place Lennox Head (Sewer Pump Station)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 104 DP 871675 Links Avenue East Ballina (rear of child care centre)

4.2 Classification of Community Land to Operational



Locality Plan - Lot 1 DP 850774 Westland Drive West Ballina (rear of child care centre)

4.3 Land Sale - Cessna Crescent, Southern Cross Industrial Estate

4.3 Land Sale - Cessna Crescent, Southern Cross Industrial Estate

Delivery Program Commercial Services

Objective To provide an overview of the proposed land sale.

Background

Council owns a 1,100m² vacant site on Cessna Crescent in the Southern Cross Industrial Estate, described as Lot 92 DP 1161854.

Council has negotiated a sale of the property with a local party who have previously acquired land on the industrial estate.

Key Issues

- Sale price

Information

The subject property, Lot 92 DP 1161854, is one of seven lots that were put to public auction on 20 May, 2010. These lots being Lots, 87, 88, 89, 90, 91, 92 and 93 (see plan **attached**). Two of these lots have sold since auction. Details of these sales and two more recent sales are noted as follows:

Lot / DP	Price (excl. GST)	Area	Date of Sale	Purchaser	\$/m ²
93/1161854 Cessna Cres.	\$290,000	1,100 m ²	11/6/2010	Croft ANORS	\$264/m ²
89/1161854 Cessna Cres.	\$424,000	1,663m ²	22/12/2010	Nasmyth P/L	\$254/m ²
95/1184435 Cessna Cres.	\$533,150	2,269m ²	4/10/2012	Nasmyth P/L	\$235/m ²
97/1194043 Stinson St.	\$570,058	2,429m ²	2/8/2012	Nasmyth P/L	\$235/m ²

The asking prices for the five remaining Cessna Crescent lots (including the subject property, Lot 92) have not changed since they were set by Council in 2010, and are noted on the plan attached. The plan attached also includes all remaining Council available for sale on the Southern Cross Industrial Estate shaded in blue.

For comparative purposes the sale of the Council site on Tamarind Drive / Endeavour Close to NSW Fire and Rescue in 2014, was sold at an imputed price of \$1,200,000 (ex. GST) reflecting \$257/m² on the proviso that Council acquired 60 Crane Street (Fire Station).

The asking price for Lot 92 is \$290,000 (ex. GST) reflecting \$264/m². The final price negotiated is considered fair and reasonable in the current market.

4.3 Land Sale - Cessna Crescent, Southern Cross Industrial Estate

Details of the proposed sale price are listed in the confidential report later in this agenda. There have been no other serious offers on this site.

The enquiry rate for lots on Cessna Crescent has been slow due to the state of the economy in recent years and the fact Cessna Crescent is a no through road which deters some potential purchasers. Cessna Crescent was designed and has approval to link up with Piper Drive however these works cannot be undertaken until Norfolk Homes vacate the site they currently lease until 31 December, 2015. The current rental for Norfolk Homes is \$142,000 p.a. (ex. GST).

Legal / Resource / Financial Implications

The subject land is classified as operational land pursuant to the Local Government Act 1993. There is no impediment to the sale of the land as proposed.

Consultation

The land has been on the open market.

Options

The purpose of this report is to provide an overview of the proposed land sale. Details of the land sale are outlined in the confidential report elsewhere in this agenda.

Therefore this report is for noting purposes only.

RECOMMENDATION

That Council notes the contents of this report in respect to the proposed sale of land at Cessna Crescent in the Southern Cross Industrial Estate, described as Lot 92 DP 1161854.

Attachment(s)

1. Locality Plan

4.3 Land Sale - Cessna Crescent, Southern Cross Industrial Estate



Industrial Land Supply
Southern Cross Industrial Estate, Ballina



DISCLAIMER © Land & Property Information 2014
 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.

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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 Land Sale Price - Cessna Crescent, Southern Cross Industrial Estate

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 Land Sale Price - Cessna Crescent, Southern Cross Industrial Estate

Reason for Confidentiality

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

- d) commercial information of a confidential nature that would, if disclosed:
 - (i) prejudice the commercial position of the person who supplied it, or
 - (ii) confer a commercial advantage on a competitor of the council, or
 - (iii) reveal a trade secret

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 in the process of negotiating a sale for the property in question.