



## 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 16 June 2020 commencing at 4.00 pm.**

### Business

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

Paul Hickey  
**General Manager**

Due to COVID-19 social distancing measures,  
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### **Deputations to Council – Guidelines**

- Deputations by members of the public may be made at Council meetings on matters included in the business paper.
- Deputations are limited to one speaker in the affirmative and one speaker in opposition.
- Deputations, per person, will be limited to a maximum of two items on the agenda.
- Requests to speak must be lodged in writing or by phone with the General Manager by noon on the day preceding the meeting.
- Deputations are given five minutes to address Council.
- Deputations on the same matter will be listed together with the opposition first and the speaker in affirmative second.
- Members of the public are advised that any documents tabled or given to Councillors during the meeting become Council documents and access may be given to members of the public in accordance with the requirements of the Government Information (Public Access) Act 2009.
- The use of powerpoint presentations and overhead projectors is permitted as part of the deputation, provided that the speaker has made prior arrangements with the General Manager's Office at the time of booking their deputation. The setup time for equipment is to be included in the total time of five minutes allocated for the deputation.
- To avoid conflicts of interest, real or perceived, deputations will not be accepted from:
  - Tenderers during a public tender or request for quotation
  - Persons or representatives from organisations seeking financial support from Council that involves an expression of interest
  - Consultants who are engaged by Council on the matter the subject of the deputation.

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

**1. Apologies**

**2. Declarations of Interest**

**3. Deputations**

#### **4.1 Licence Agreement - East Ballina Reservoir, Suvla Street**

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### **4. Committee Reports**

#### **4.1 Licence Agreement - East Ballina Reservoir, Suvla Street**

##### **Delivery Program**

Commercial Services

##### **Objective**

To provide an overview of an application for the renewal of a licence agreement with Axicom for telecommunications infrastructure at the East Ballina Water Reservoir Site, Suvla Street, East Ballina

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##### **Background**

Council has a number of lease/licence agreements with telecommunication providers at the East Ballina Water Reservoir Site, Lot 1 DP 632176, 1A Suvla Street, East Ballina. Axicom Pty Ltd have held a licence agreement with Council for a number of years. The licence agreement was originally issued to Vodafone in 2002, assigned to Crown Castle in 2003 and then Axicom in 2015. The agreement expires 30 June 2020 and the new proposal is for a 5 + 5 + 5 + 5 year lease. Axicom currently has a 14m monopole and equipment shelter within the licence agreement area. Optus currently co-locate on Axicom's tower with an equipment shelter on the opposite side of the tower to Axicom.

##### **Key Issues**

- Licensing of Council operational land

##### **Information**

The current licence agreement is due to expire on 30 June 2020. Council staff have been in negotiation with Axicom for a number of months for a new licence agreement. Details regarding the negotiations including financial information is included in the confidential report attached to this agenda.

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

The land that the infrastructure sits on is Council operational land.

##### **Consultation**

Consultation has been undertaken with Council staff.

##### **Options**

This report provides an overview of the proposed licence.

##### **RECOMMENDATION**

That Council notes the contents of this report regarding the licence agreement with Axicom for the East Ballina Reservoir.

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

1. [Site Plan - Suvla Street, East Ballina](#)



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**Licence Agreement - Axicom - 1A Suvla Street  
East Ballina**

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geographical information system

Projection: GDA94 / MGA zone 56

Date: 5/06/2020

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## 4.2 Leasing Agreement - Ballina Byron Gateway Airport

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### 4.2 Leasing Agreement - Ballina Byron Gateway Airport

#### Delivery Program

Commercial Services

#### Objective

To provide an overview of an application for a new lease for Air T & G at Lot 12 DP 1031440 Southern Cross Drive Ballina (Ballina Byron Gateway Airport Precinct)

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#### Background

Air T & G Pty Ltd have a lease at Lot 12 DP 1031440, Southern Cross Drive, Ballina. This is an area within the Ballina Byron Gateway Airport Precinct. The lease is due to expire on 30 June 2020 and Air T & G P/L have requested a new lease.

#### Key Issues

- Leasing of Council operational land

#### Information

Air T & G P/L have a lease within the Ballina Byron Gateway Airport Precinct. They have been in occupation at the site for approximately 11 years. Air T & G P/L are a local helicopter business providing a range of services including tours, flight training, safety courses, emergency services and aerial photography. The current lease expires on 30 June 2020 and Air T & G have requested a new 10 + 10 year lease. Details regarding the negotiations including financial information is included in the confidential report attached to this agenda.

#### Legal / Resource / Financial Implications

The land that Air T & G occupy is operational land. Air T & G have been a good tenant and bring an element of business to the Airport that is in demand at times.

#### Consultation

Council has been in consultation with Air T & G.

#### Options

This report provides an overview of the proposed lease.

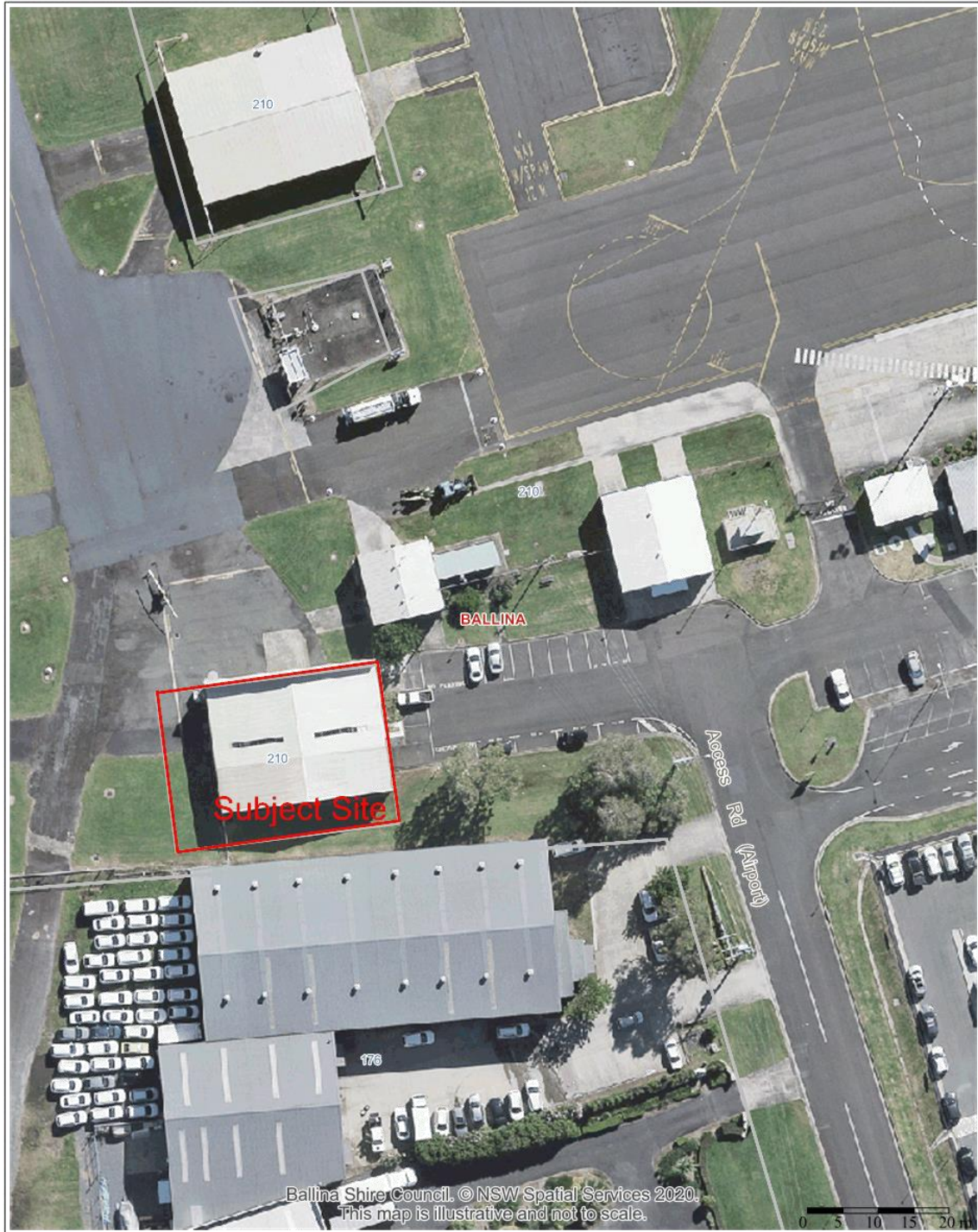
#### RECOMMENDATION

That Council notes the contents of this report regarding the lease agreement with Air T & G at the Ballina Byron Gateway Airport.

#### Attachment(s)

1. [Locality Plan - Air T & G Pty Ltd](#)





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**Locality Plan - Lot 12 DP 1031440 Southern Cross  
Drive Ballina - Air T & G P/L**

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## 4.3 Financial Support Package - Update

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### 4.3 Financial Support Package - Update

#### Delivery Program

Commercial Services

#### Objective

To provide Council with an update on the financial support package adopted at Council's March 2020 Ordinary meeting and other associated matters.

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#### Background

Council adopted a Mayoral Minute at the 26 March 2020 Ordinary meeting for a financial support package due to the economic impacts of the COVID-19 pandemic.

This provided for a range of financial support to residents and the business community in anticipation of the impact of the pandemic on the economy.

This report provides a preliminary overview of that package with the commercial aspects included in a confidential report later in this agenda.

#### Key Issues

- Level of support to local businesses impacted by the COVID-19 pandemic
- Financial impact to the Council and community in providing that support

#### Information

Council adopted a range of financial measures at the 26 March 2020 Ordinary meeting to assist residents/ratepayers and the business community as the impact of the pandemic was becoming apparent.

The Mayoral meeting authorised the following key areas to provide support:

**Table One - Ballina Shire Council – Business Relief Package**

<b>Fees and Charges</b>	<b>Waiver Details</b>
1. Interest on Overdue Rates and Charges	0% to 30 June 2021
2. Community Facility Hire Fees	Full refunds
3. Flat Rock Tent Park	Full refunds
4. Northern Rivers Community Gallery	Three month waiver of fees
5. Commercial Use of Footpaths	Full waiver from 1 April 2020 to 30 June 2021
6. Club Lennox	Full waiver from 1 April 2020 to 30 June 2021
7. Commercial Surf Schools	100% waiver for six months
8. Parking Fines	Education focus to 30 June 2020
9. Health / Public Pool Regs and Inspections	100% waiver from 1 April 2020 to 30 June 2021
10. Market Fees	100% waiver from 1 April 2020 to 30 June 2021
11. Ferry Casual Fees	Casual fee exemption to 30 June 2020
12. Commercial Tenants	Rent relief on a case by case basis
13. Ballina – Byron Gateway Airport Tenants	Rent relief on a case by case basis

As a number of these items required negotiations for rent relief on a case by case basis, the confidential report included later in this agenda provides a summary of the relief provided, to ensure Council is fully informed on the negotiations completed.

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

The Federal Government National Cabinet introduced a “*Mandatory Code of Conduct – SME Commercial Leasing Principles During COVID-19*”.

The NSW State Government included the principles from the Code of Conduct into the “*Retail and Other Commercial Leases (COVID-19) Regulation 2020*” under the Retail Leases Act 1994.

This Regulation will be in place until 24 October 2020.

The Regulation, in conjunction with the Code of Conduct sets out how landlords and tenants are to deal with leasing and rental relief matters during the pandemic period.

The Regulation is available as per the following link:

<https://www.legislation.nsw.gov.au/regulations/2020-175.pdf>

### **Consultation**

Council staff have consulted all affected tenants and negotiated financial packages based on the Regulation and Council’s approved Business Relief Package.

### **Options**

This report provides an overview of the financial support package.

### **RECOMMENDATION**

That Council notes the contents of this report regarding the COVID-19 financial support package.

### **Attachment(s)**

Nil

#### **4.4 Lease Proposal - Specialised Resource Recovery Facility**

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#### **4.4 Lease Proposal - Specialised Resource Recovery Facility**

##### **Delivery Program**

Commercial Services

##### **Objective**

To determine whether Council wishes to further investigate a proposal to lease a section of the waste management site for a specialised resource recovery facility.

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##### **Background**

In late 2019, Council was approached by a local environmental engineering and consultancy company, ENV Solutions (ENV), with a proposal to lease or licence a section of Council's Waste Management Facility (WMF) site to establish and operate a specialised resource recovery operation ("SRFF").

This report examines the merits of this proposal.

##### **Key Issues**

- Commercial viability
- Economic benefit
- Transparency

##### **Information**

The impetus for this proposal stems from ENV identifying significant local and regional demand for a facility that can process and recycle the following range of construction and demolition waste materials in a cost effective and environmentally compliant manner:

- Concrete and C&D Waste
- Soils – VENM, ENM Criteria and General Solid Waste (for processing)
- Acid Sulfate Soils (ASS)
- Asphalt Profilings and Returns and
- Rock and Roadbase

ENV possess skills, expertise and a proven capability to implement innovative processing methods for some of the more difficult material identified above, enabling beneficial reuse as an alternative to landfilling.

Currently, there are limited local or regional facilities that can process these waste materials in a cost effective and environmentally compliant manner, in particular Acid Sulfate Soils (ASS).

This results in a number of undesirable outcomes:

- Material that could potentially be recycled (in particular ASS) ends up being transported to landfills in south east Queensland.

#### **4.4 Lease Proposal - Specialised Resource Recovery Facility**

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- This activity is neither environmentally desirable nor cost effective given the Queensland Government's introduction of the \$75 per tonne waste levy in July 2019.
- There is a risk some waste materials are processed in facilities that do not comply with NSW EPA regulation resulting in risks to human and environmental health.
- There is a risk materials are stored or used in a manner that does not comply with NSW EPA regulation resulting in risks to human and environmental health.
- There is a risk of material being illegally dumped to avoid the cost of disposal or processing in a correct manner.

The objective of the proposal submitted is for Council to grant a licence over a portion of land known as Cell 5 (depicted in Attachment 1) at the WMF to operate a SRRF.

This would provide a service offering an innovative, cost effective solution for the recycling of a suite of construction and demolition waste material.

Council would benefit financially by charging fees for material entering and or exiting the WMF and there will also be opportunities for Council to access the service.

##### Operational model for the proposed licence agreement

The conceptual operational model proposed involves a private operator, such as ENV, being responsible for sourcing the waste material, appropriately processing it within the facility (in accordance with EPA regulation), and finding end use/markets for beneficial reuse of the processed material.

Reuse options could include engineering fill, road base and recycled asphalt.

The material sourced by the operator could come from predefined construction projects (including Council's construction projects) and have testing undertaken to enable classification and understanding of the processing/treatment required and any risk prior to receiving any waste.

The proposed operational model is that the lifecycle of the waste material (i.e. from generation through to reuse) would be planned before it is received at the facility.

This planning process significantly reduces the risk associated with material being contaminated (eg. with asbestos), or not being approved by the NSW EPA for reuse.

##### Area of the WMF to be utilised under the proposed licence agreement

Initially it is proposed to offer an unused unfilled area of the WMF known as Cell 5 for an operator to licence and establish the SRRF for a term of two or three years.

If the operation is successful and more land is required, the facility could be relocated to an unused portion of the WMF site to the south west.

#### **4.4 Lease Proposal - Specialised Resource Recovery Facility**

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Cell 5 was constructed in 2008 to enable landfilling. Since the 2013 shift in Council's waste strategy to transport and dispose of all waste in south east Queensland, this cell not been utilised.

Using the cell for this purpose will assist in the management of stormwater management and undesired vegetation accumulation within the cell.

There is no intention to use the Cell 5 area unless there is a shift in strategic direction and return to landfilling at the WMF.

This scenario is unlikely due to:

- Even considering the Queensland Government's introduction of a \$75 per tonne waste levy in July 2019, the transport strategy remains the most viable option for Council to manage the disposal of its residual waste, primarily as we are accessing very large landfills with significant economies of scale.
- Staff are currently assessing a tender for the contract renewal for the transport and disposal of waste to south east Queensland. The term of this contract is three years with the option of two additional one year extension periods.
- Council is actively participating in the Regional North Coast Waste Infrastructure Investment Project. A key outcome sought from this project is to provide a regional collaboration model for long term waste management infrastructure, with a particular focus on a solution for processing residual waste through an appropriate alternative waste treatment technology other than traditional landfill operations (such as waste to energy).

##### Opportunities and benefits from the proposed licence agreement

The establishment of a SRRF would generate benefits to a range of stakeholders, particularly Council.

A significant benefit to Council would be the establishment of a facility for a cost effective and innovative treatment of construction and demolition wastes generated in the region that may otherwise have ended up in landfill and/or been managed in a non-compliant manner.

Benefits to Council stakeholders include:

##### *Resource Recovery*

- Utilisation of the unused Cell 5 to create an additional revenue source for the LRM budget.
- Source of aggregate, recycle pavement and potentially other product for site maintenance and general fill at the WMF.
- Opportunity to engage with a local company to develop and deliver innovative resource recovery solutions for problematical construction and demolition waste material.
- Potential to process and recycle the solid vacuum excavation material that is currently set to landfill.

#### **4.4 Lease Proposal - Specialised Resource Recovery Facility**

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##### *Engineering Works and Commercial Services*

- The SRRF could provide a cost effective local option to process acid sulfate soils (ASS) generated from construction and demolition works rather than the current practice of transporting to south east Queensland for landfill.

Council has spent over \$320,000 in the 2019/20 year to date with an external contractor to transport and dispose of ASS material to south east Queensland. Additionally, Council's forward capital works program includes a number of construction projects located in ASS risk areas that may generate large volumes of ASS requiring appropriate management. A cost effective local processing option (as opposed to landfilling in south east Queensland), that produces a product that can be used as engineering fill, would provide significant financial and environmental outcomes for Council.

- The SRRF could provide a source of cost competitive recycled aggregate, engineering fill and other products for use in construction works.

The proposed Southern Cross Expansion Precinct has been identified as requiring significant volume of fill material. This site's close proximity to the WMF creates an ideal opportunity for Council to benefit from recycled fill material that could be generated by a SRRF.

- A compliant SRRF could provide a cost effective, environmentally compliant option to appropriately manage construction waste products such as concrete, asphalt profiling, rock and road base.

##### Risks from the proposed licence agreement

There are a number of potential risks that could present with an SRRF operating at the WMF. These include:

- Potential for proposed operations and management of the resource recovery facility to breach requirements of Council's Environmental Protection Licence for the WMF.
- Potential for damage to the Cell 5 leachate liner.
- Potential for adverse impact on general operations of the site.

These potential on-going operational risks can be effectively managed by including the appropriate terms and conditions in a licence agreement to ensure the licensee would be responsible for avoiding adverse outcomes or malpractice.

##### Strategic Alignment

The establishment of the proposed facility directly aligns with Council's strategic waste management objectives to increase recycling and reduce waste to landfill. It also aligns with the NSW State Government's waste avoidance and resource recovery strategy targets of 80% recycling of construction and demolition waste.

### Legal / Resource / Financial Implications

#### *Legal*

The WMF is classified as operational land and Council may lease or licence part of the property. It is proposed to offer for licence the portion of land identified, as leasing would involve a subdivision to create a leasehold lot, easements for access etc.

To assist with transparency it is proposed to conduct an expression of interest (EOI) process to select a suitably qualified and experienced operator to licence a portion of the WMF to establish and operate a SRRF.

This means ENV would need to express an interest, along with any other prospective licensee.

#### *Resources*

Council's role would be that of a landlord, and would not be responsible or involved with sourcing waste or operating the SRRF. All vehicles entering and exiting the WMF would pass over the existing weighbridge to account for the flow of material into and out of the facility.

Current operations and processes of the WMF would continue largely as per usual with only minor impacts to site operation. The WMF would continue to operate as per usual for our existing customers.

As such, there would only be a modest increase in demand on operational resource and associated costs to Council associated with implementing and facilitating the proposed licence agreement.

The minor on-going operational impacts anticipated include:

- Additional truck movements through the weighbridge and on-site at the WMF
- Increased internal road maintenance due to additional heavy vehicle movements
- A modest increase in administration to manage the weighbridge waste flow data reporting requirements in accordance with NSW EPA legislative requirements and also general administrative duties associated with management of the licence agreement
- General contractor management associated with managing the on-going administration of the licence.

The additional demand on operational resources would be managed within current staff resource levels.

#### *Financial*

The proposed financial model for this operation would involve a payment to Council for each tonne of waste material received via the weighbridge to the SRRF, along with a base license fee, with those figures determined through the EOI process.



#### **4.4 Lease Proposal - Specialised Resource Recovery Facility**

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The tonnage facilitates a scalable model where the more material received as the facility increases production, the greater the increase in revenue for both parties. Income derived by Council from licence fees would cover any additional operational costs and add to the LRM revenue stream.

In preliminary discussions, ENV have estimated material flows have the potential to be in the vicinity of 50,000 tonnes per annum. It is possible these volumes would increase as industry awareness of the proposed SRRF gains traction. As noted earlier, there are also advantages for Council's capital works program to be able to access this service.

#### **Consultation**

A public expression of interest process is recommended. This is not mandatory however it ensures that any interested party has an opportunity to submit a proposal to Council.

#### **Options**

1. Council calls for expressions of interest from suitably qualified and experienced operators to licence a portion of land at the WMF known as Cell 5 to establish and operate SRRF.

This option is recommended as the establishment of a compliant and privately operated SRRF at the WMF would generate significant benefits to Council in providing a cost effective, environmentally responsible option to manage construction waste products such as acid sulfate soils, concrete asphalt profiling, rock and road base.

2. Council resolves not to call for expressions of interest from suitably qualified and experienced operators to licence a portion of land at the WMF known as Cell 5 to establish and operate SRRF.

This option is not recommended as the project is an opportunity to establish a compliant and privately operated SRRF at the WMF that could generate significant benefits to Council in providing a cost effective, environmentally responsible option to manage constructions waste products such as acid sulfate soils, concrete, asphalt profiling, rock and road base. This would be a far better outcome than simply looking to dispose of such material as untreated landfill.

3. The other option available is for Council to operate the SRRF.

Our engineering works construction staff have discussed this occasionally for many years due to the direct financial benefits it can bring in dollar savings to Council projects through the reuse of materials.

On balance this option has not been recommended primarily as the role of the licensee will be to proactively seek commercial markets for this service. Typically, it is easier for private operators, rather than council employees, to negotiate commercial arrangements with potential suppliers. The various legislative constraints limit the day-to-day opportunities to negotiate commercial opportunities for council employees, whereas the entrepreneurial background and direct financial interest helps to provide a strong incentive for a private operator.

### RECOMMENDATIONS

1. That Council authorises the General Manager to call for expressions of interest from suitably qualified operators to licence a portion of land at the Waste Management Facility, referred to as Cell 5, to operate a Specialised Resource Recovery Facility based on the terms and conditions outlined in this report.
2. The evaluation of the outcomes from that expression of interest process are to be submitted back to Council to determine whether the proposal is to proceed.

### Attachment(s)

- 1 [↓](#). Ballina Waste Management Facility - Landfill Cell 5



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**Ballina Waste Management Centre - Landfill Cell**

**5**

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#### **4.5 Wollongbar Urban Expansion Area - Stage Three Development**

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#### **4.5 Wollongbar Urban Expansion Area - Stage Three Development**

##### **Delivery Program**

Commercial Services

##### **Objective**

To determine if Council wishes to proceed with development of the third and final stage of its residential estate at Wollongbar.

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##### **Background**

Council's Wollongbar Urban Expansion Area (WUEA) Residential Estate Stage Three ("Stage Three") development comprises thirty residential lots and one large lot, originally set aside for childcare purposes.

Stage Three received development consent on 6 September 2019 (DA 2019/753) and a construction certificate for the proposed works was lodged earlier this year.

A lot layout plan is included as Attachment 1.

Given the current balance of the Property Development Reserve, development of Stage Three will require 100% debt funding, if it is to proceed.

In the early stages of the COVID-19 pandemic, a high degree of uncertainty confronted many businesses and projects.

As a result of this uncertainty, the Commercial Services Committee at the meeting held 8 April, 2020, recommended as follows:-

- 1. That the Wollongbar Urban Expansion Area – Stage Three development, be placed on hold for a period of three to six months, due to the current economic climate, with a budget of \$120,000 for 2019/20, for actual and anticipated costs, to be funded from the Property Development Reserve.*

This recommendation was adopted at the 23 April Ordinary meeting.

In addition to this, at the 28 May Ordinary meeting, Council granted consent to DA 2020/23 for the development of the Wollongbar District Park as follows:

*That Development Application 2020/23 for the establishment of the Wollongbar District Park, involving the construction of public amenities and facilities and the construction of a skate park within approved Lot 32 (as approved via DA 2018/753) at Lot 6 DP 1161720 and Lots 39 & 45 DP 1242246, being No. 93 Rifle Range Road and No. 55 Avalon Avenue, Wollongbar be APPROVED subject to application of conditions referred to within this report and standard planning, building, environmental health and engineering conditions.*

A concept layout plan for the proposed park is included as Attachment 2.

The purpose of this report is to provide an update on the feasibility of developing Stage Three as well as highlighting the economies of scale in developing both projects concurrently.

## 4.5 Wollongbar Urban Expansion Area - Stage Three Development

### Key Issues

- Loan funds required for development of Stage Three
- Viability of project
- Benefits of completing District Park and Stage Three together

### Information

Both the construction of the District Park and the Stage Three development require a significant amount of earthmoving and infrastructure works and the calling of tenders for similar works in each projects should generate economies of scale.

It should also be beneficial for the sale of the residential lots to have the District Park completed in close proximity, and the skate park completed will also ensure transparency for people purchasing the lots.

To assist in determining whether to proceed with Stage Three, the feasibility assessment and development cashflows included in the report to the Commercial Services Committee on 8 April, 2020 have been updated.

Only minor changes have been made as development cost estimates remain largely unchanged. Expected selling prices for the lots remain the same however the selling period has extended to two years.

A key assumption in assessing the viability of this project is that it is 100% debt funded with peak borrowing estimated to be in the order of \$4.5m.

The feasibility assessment and development cash flows are included as Attachment 3, and summarized below in Table One.

**Table One –Stage Three – Review (\$)**

Item	Initial Estimate Pre COVID-19	Post COVID-19 (Lot Prices Discounted 10%)	Post COVID-19 (Lot Prices Discounted 10%) Less Childcare Site
Net Sale Proceeds	9,328,000	8,391,000	7,294,000
Less Development Costs	4,510,000	4,510,000	4,467,000
Less Interest on Funding	141,000	116,000	125,000
<b>Return on Total Development Costs</b>	<b>(101%) 4,677,000</b>	<b>(81%) 3,765,000</b>	<b>(59%) 2,702,000</b>
<b>Return on Funds Applied</b>	<b>(43%) 2,811,000</b>	<b>(33%) 2,087,000</b>	<b>(21%) 1,243,000</b>

Key points from Attachment 3 and Table One are:

- Estimated 10% reduction in sales results Post Covid-19
- If Council decides to retain the proposed childcare site, the net return reduces from \$4.677m or \$3.765m to \$2.702m
- The childcare site has a value, originally estimated at \$1.4m, less any decrease in value due to current market conditions
- As per the cash flow summaries in Attachment 3, Council has maximum loan financing debt of approximately \$4.5m in quarter four 2020/21
- Assumed sales for this analysis are based on two financial years from July 2021 to June 2023.
- Sales equate to just above one lot sold per month, for that two year period

#### 4.5 Wollongbar Urban Expansion Area - Stage Three Development

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Based on this evaluation, the development remains viable and consistent with Council's Property Investment and Development Policy.

The policy requires a high risk development to return from 5% to 10% above the bank bill swap rate (BBSW) and a medium risk development to return 2% to 5% above the BBSW. The latest BBSW figure range from 0.08% to 0.17%.

The major concern with this development is the debt required to finance the project, recognizing that the proposed Ballina – Byron Gateway Airport runway widening project, and other Council projects such as the Lennox Head Village renewal, also have significant borrowings.

The greatest uncertainty with this project is the long term affects COVID-19 may have on the local residential property market.

April 2020 was a time of great uncertainty for the property market with agents reporting virtually no enquiry from prospective buyers.

Recent enquiries with agents reflect a change in buyer sentiment as business in general edges toward a return to normality.

Looking forward, the strength of the residential property market will be dependent upon job security and the availability of funding for purchasers. There is a general sentiment that attractive regional and coastal places to live, such as the Ballina Shire, will show resilience in the property market.

In regards to Lot 31, the proposed childcare centre site, Council resolved as follows at the 26 March, 2020 Ordinary meeting:

- 1. That Council include a review of the Ballina Shire Community Facilities Strategy 2008, and the Open Space and Community Facilities Contributions Plan 2016 as actions in the 2020/21 Operational Plan.*
- 2. That proposed Lot 31, in the approved subdivision (DA 2018/753), not be sold, until adoption of the documents referenced in point one confirms whether or not the site is required for Council owned community facilities at Wollongbar.*

That decision is acknowledged however as this is the Commercial Services Committee, with a focus on commercial returns, it is important to acknowledge that the forgoing of \$1m in development profit (i.e. \$2.702m as compared to \$3.765m) is a significant loss of income with Council still having many other projects that require additional funding, or alternatively the additional income can help to reduce future loan borrowings.

Over the past two years there has been sound enquiry from private operators seeking to purchase and develop Lot 31 as a childcare centre. If Council were to sell Lot 31 to a private operator steps could be taken to ensure it is used for such purposes by designating it appropriately.

This could still be a good outcome for Council and the community as a childcare centre is effectively a community facility and this facility will be well located next to the District Park, and additional funds will help Council's overall financial position.

## **4.5 Wollongbar Urban Expansion Area - Stage Three Development**

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No decision on this is needed today as it will take 12 months to prepare the land for sale and during this period the review of the Ballina Shire Community Facilities Strategy 2008, and the Open Space and Community Facilities Contributions Plan 2016 should be completed to fully inform the final decision on this parcel of land.

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

In respect to resource implications the development of the Wollongbar District Park is contingent upon elements of Stage Three being developed including bulk earthworks, road access, parking, water, sewer and electricity.

A remedial action plan (RAP) has been progressed over the past six months that encapsulates land pertaining to Stage Three and the District Park. Completion of the RAP could be completed more economically if bulk earthworks are undertaken concurrently by one contractor. Gravel material could be used in road construction, excavated soil could be used in landscaping the Park. The RAP is being managed by a consultant environmental scientist to ensure any contaminated material is dealt with in the appropriate manner.

Another reason to consider proceeding with Stage Three is that construction of Pembroke Close (refer to Attachment 1) is to be funded on a 50/50 basis with the developers of Avalon Estate, the Brown family. In 2016 Council entered into a Deed of Agreement with the Brown family to jointly fund part of Council's Stage 2 estate, complete construction of Avalon Avenue and jointly fund construction of Pembroke Close (reported to 17 November 2015 Commercial Services Committee meeting).

In May 2020, the Brown family served notice on Council that it wishes to proceed with development of its ten lots in Pembroke Close including the jointly funded road.

Council's contribution to the construction of Pembroke Close is estimated to be \$170,000. Under the terms of the Deed, either party may take responsibility for construction of Pembroke Close.

The land pertaining to Stage Three and the proposed District Park is classified as operational land under the NSW Local Government Act and as such can be developed and sold for commercial purposes. Upon completion of works to develop the District Park that land will be classified for community use.

To undertake development of Stage Three, Council will need to secure funding for a \$5 million loan facility. This would cover the estimated total debt of \$4.5 million in quarter four of 2020/21 plus any unforeseen costs.

To reduce Council's exposure to debt, developer contributions totaling \$1.3m could be paid as and when lots are sold.

Similar arrangements have been undertaken with other developments in the past such as Ferngrove following the global financial crisis.

### **Consultation**

There has been significant consultation with staff across the organization in respect to the delivery of the District Park and Stage Three.

## 4.5 Wollongbar Urban Expansion Area - Stage Three Development

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### Options

1. Council resolves to proceed with Wollongbar Residential Estate Stage Three by calling for tenders to undertake development works and funded by securing a \$5 million loan facility.

This option is recommended if Council wishes to proceed with development of the proposed Wollongbar District Park. Development of this proposed Park is contingent upon bulk earthworks, road access and services being undertaken in the course of developing Stage Three.

2. Council resolves to not proceed with Wollongbar Residential Estate Stage Three.

This option is not recommended if Council wishes to proceed with development of the proposed Wollongbar District Park. Development of the proposed park is contingent upon services being delivered by Stage Three and Council is also under an obligation to contribute 50% of the construction cost of Pembroke Close.

### RECOMMENDATIONS

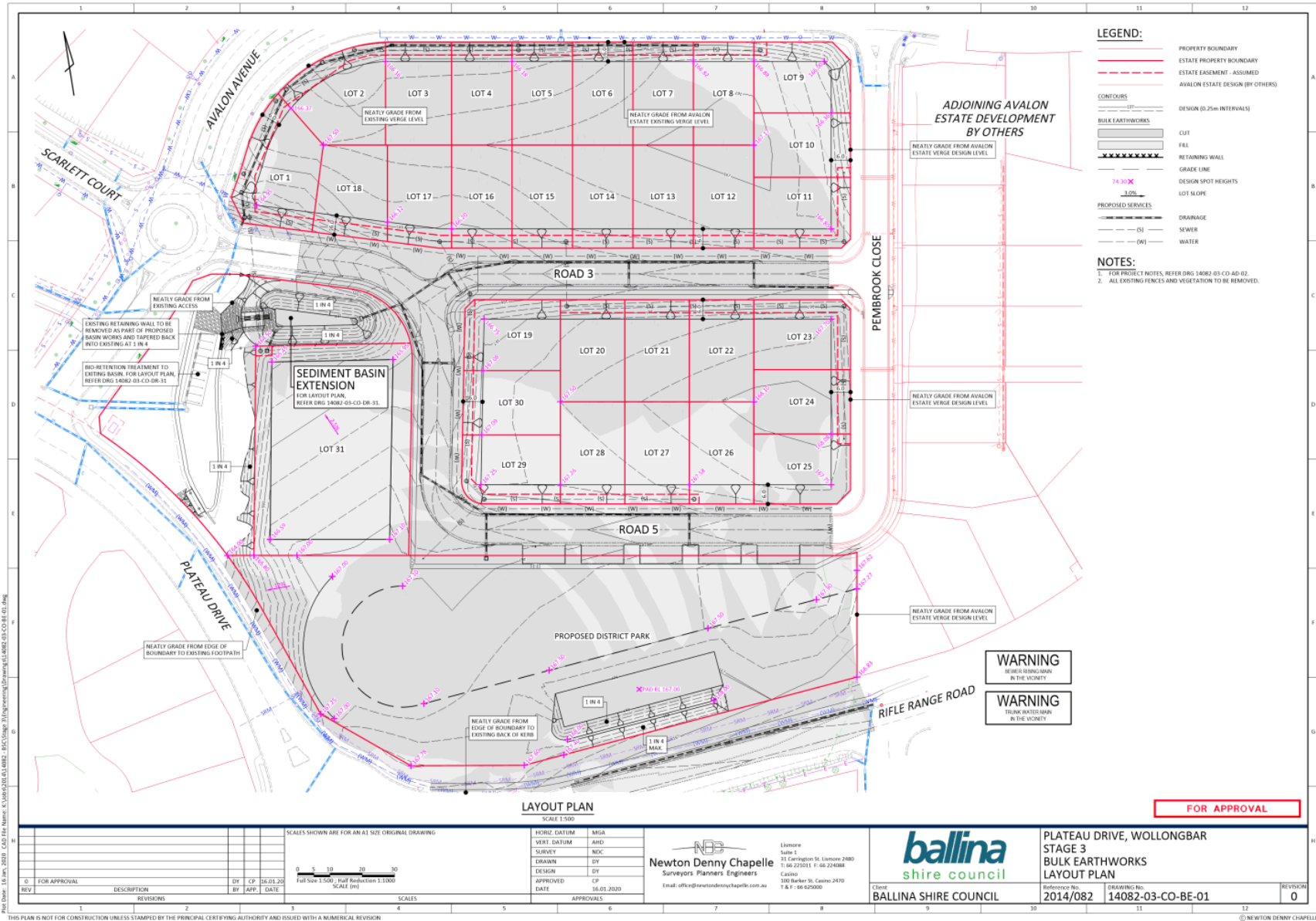
1. That Council resolves to proceed with Wollongbar Residential Estate Stage Three by calling tenders to undertake the development works.
2. That Council authorises the General Manager to secure a \$5 million loan facility to fund development of Wollongbar Residential Estate Stage Three, and execute all appropriate loan documentation based on the forecast cash flows, as per Attachment 3 to this report.
3. That Council include the forecast cash flows, as per Attachment 3, in the adopted 2020/21 to 2023/24 Delivery Program and Operational Plan and Long Term Financial Plan.

### Attachment(s)

- 1↓. [Wollongbar Residential Estate - Stage Three - Layout Plan](#)
- 2↓. [Wollongbar District Park - Concept Plan](#)
- 3↓. [Wollongbar Residential Estate - Stage Three - Feasibility Summary and Cash Flows](#)

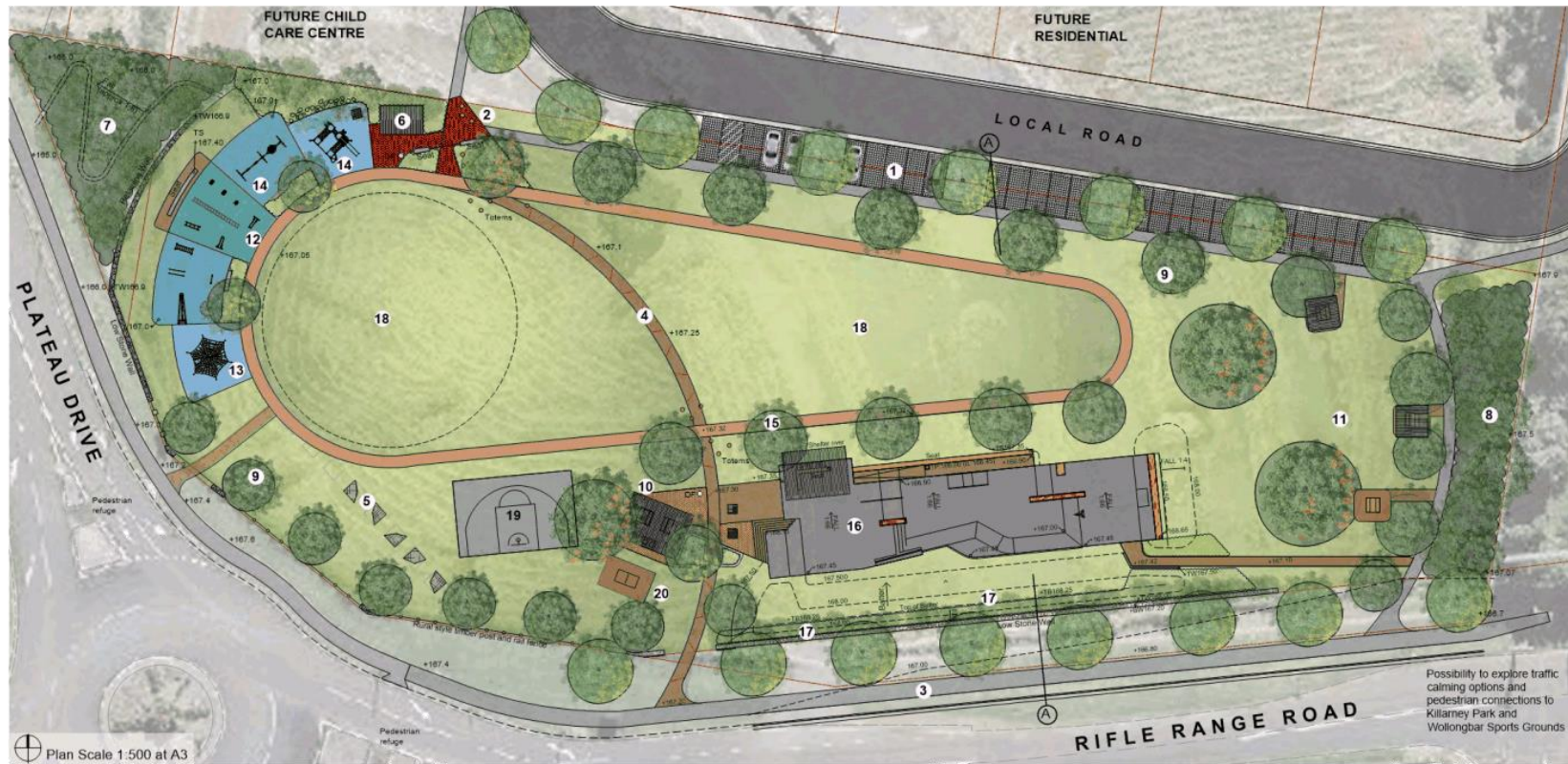


# 4.5 Wollongbar Urban Expansion Area - Stage Three Development



## 4.5 Wollongbar Urban Expansion Area - Stage Three Development

WOLLONGBAR DISTRICT PARKLAND: FUN AND FITNESS FOR ALL  
CHALLENGING \_ LEARNING \_ CONNECTING : EMPOWERING BODIES \_ MAKING MEMORIES



### GENERAL FEATURES

1. Car parking - 24 spaces (22 + 2 accessible)
2. Main parkland entrance - Recycled brick paving, seating, gardens and artwork
3. Main street footpath (2m wide)
4. Park interpretative footpath (1.5m wide) with pavement etchings providing historical information about the drive-in theatre or other related themes (solar navigational smart-lighting at night)
5. Site of former drive-in theatre screen. New collaborative art interpretative pillars (drive-in theatre theme)
6. Toilet Building - one male, one female and one unisex accessible toilet

### RAINFOREST MINI-ARBORETUM

7. Area 1- Subtropical rainforest species with a narrow walking trail and species information signage
8. Area 2 - Subtropical rainforest species with information signage along the pathway edge
9. Street and park trees including species tags

### PICNIC

10. Central BBQ (2 DDA BBQ cooking plates plus bench) and picnic tables
11. Informal picnic area with table settings (2 with shelters) and large shade trees

### GROUP FITNESS AREA

12. Fitness equipment (street workout and cross training) suitable for teenagers, adults and seniors
13. Climbing net (children and adults)
14. Juniors playground activity fort with slide and swing area (ages 3+)
15. Multi-purpose circuit pathway (250m long) with distance markers

### SKATE AND RIDE

16. Small skate park facility suitable for skate boards, scooters and park bikes with shaded seating area at western end (day use only with low level solar smart-security lighting at night) (Skatepark design by Enlocus)
17. Acoustic and observation mound.

### MULTI-FUNCTIONAL OPEN SPACE

18. Multi-functional open space for general use (painting, outdoor learning, ball games etc)
19. Multi-court (15m x 10m) with basketball ring and backboard
20. Outdoor table tennis on hardstand (6.25m x 4.5m)

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Document Revision C. Date 10 January 2020

CONCEPT DESIGN PLAN

04 of 08

Wollongbar Urban Expansion Area - Stage Three - Feasibility							
Item	Assumption	Item	Amount (\$)	Totals (\$)	COVID-19 (-10%)	Excluding Childcare Centre	
Forecast Sales	31	Lots	10,665,000		9,599,000	8,348,000	
Less : Commission and Marketing	3.00%		320,000		288,000	250,000	
Less: Legals	\$1,500	Per Lot	47,000		47,000	45,000	
Less: GST	10.00%		970,000		873,000	759,000	
<b>Net Proceeds</b>				<b>9,328,000</b>		<b>8,391,000</b>	<b>7,294,000</b>
<b>Less : Development Costs</b>							
Construction - 2019/20 to date			130,000		130,000	130,000	
Balance Earthworks, Civil, Services			2,015,000		2,015,000	2,015,000	
50% Contribution to Pembroke Close			170,000		170,000	170,000	
Electrical and Communications	\$10,000	Per Lot	310,000		310,000	310,000	
Landscaping	\$5,000	Per Lot	155,000		155,000	155,000	
Contingency on Construction Balance	10%		265,000		265,000	265,000	
<b>Total Construction Costs</b>			<b>3,045,000</b>		<b>3,045,000</b>	<b>3,045,000</b>	
Consultants			120,000		120,000	120,000	
Council Contributions	\$43,000	Per Lot	1,333,000		1,333,000	1,290,000	
Council Rates and Charges			12,000		12,000	12,000	
<b>Total Development Costs</b>	<b>145,000</b>	<b>Per Lot</b>		<b>4,510,000</b>		<b>4,510,000</b>	<b>4,467,000</b>
<b>Result exc Interest and Land Value</b>			<b>107%</b>	<b>4,818,000</b>	<b>86%</b>	<b>3,881,000</b>	<b>63%</b>
Less: Interest on Borrowings				141,000		116,000	125,000
<b>Return on Total Development Costs</b>			<b>101%</b>	<b>4,677,000</b>	<b>81%</b>	<b>3,765,000</b>	<b>59%</b>
Less: Land Value (% of Sales Ex GST)	20.00%			1,865,600		1,678,000	1,459,000
<b>Return on Funds Applied</b>			<b>43%</b>	<b>2,811,400</b>	<b>33%</b>	<b>2,087,000</b>	<b>21%</b>

Wollongbar Urban Expansion Area - Stage Three - Lot Yield				
Description	Lot Reference	Area Square Metres (#)	Sq Metre (\$ (Incl GST)	Price Per Lot (\$ (Incl GST)
Corner entrance lot	1	820	378	310,000
Corner lot	2	781	423	330,000
Adjacent to road	3	656	480	315,000
Adjacent to road	4	600	500	300,000
Adjacent to road	5	600	500	300,000
Adjacent to road	6	600	500	300,000
Adjacent to road	7	600	500	300,000
Adjacent to road	8	600	500	300,000
Corner lot	9	644	481	310,000
Adjacent road-2 lots behind	10	600	500	300,000
Corner lot	11	656	480	315,000
Adjacent to road	12	600	500	300,000
Adjacent to road	13	600	500	300,000
Adjacent to road	14	600	500	300,000
Adjacent to road	15	600	500	300,000
Adjacent to road	16	600	500	300,000
Adjacent to road	17	621	499	310,000
Adjacent to road	18	618	502	310,000
Corner lot opposite childcare	19	651	484	315,000
Adjacent to road	20	634	489	310,000
Adjacent to road	21	634	489	310,000
Adjacent to road	22	634	489	310,000
Corner lot	23	647	487	315,000
Adjacent road-2 lots behind	24	600	500	300,000
Corner lot opposite park	25	642	491	315,000
Opposite park	26	634	505	320,000
Opposite park	27	634	505	320,000
Opposite park	28	634	505	320,000
Corner lot opposite childcare	29	645	496	320,000
Opp childcare-2 lots behind	30	601	532	320,000
<b>Sub Total</b>		<b>18,986</b>	<b>489</b>	<b>9,275,000</b>
Childcare Centre Lot	31	3,270	425	1,390,000
<b>Totals</b>		<b>22,256</b>	<b>479</b>	<b>10,665,000</b>
Average excluding lot 31	30	633	489	309,000

Wollongbar Urban Expansion Area - Stage Three - Cash Flow (COVID-19 including Childcare Centre)																	
Year	2019/20	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2022/23	Totals
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales (net of GST, comms, legals)	0	0	0	0	0	0	0	0	1,049,000	1,049,000	1,049,000	1,049,000	1,049,000	1,049,000	1,049,000	1,046,000	8,389,000
<b>Development Costs</b>																	
Completed		51,000	51,000	28,000													130,000
Civil Works						672,000	672,000	671,000									2,015,000
50% Contribution to Pembroke Close								170,000									170,000
Electrical and Telecommunications						155,000	155,000										310,000
Landscaping								155,000									155,000
Civil Works Contingency	0	0	0	0	0	83,000	83,000	99,000	0	0	0	0	0	0	0	0	265,000
Consultants					30,000	30,000	30,000	30,000									120,000
Council Contributions								1,333,000									1,333,000
Council Rates and Charges					1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
<b>Cash Outflows</b>	0	51,000	51,000	28,000	31,000	941,000	941,000	2,459,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	4,510,000
<b>Net Quarterly Cash Movement</b>	0	(51,000)	(51,000)	(28,000)	(31,000)	(941,000)	(941,000)	(2,459,000)	1,048,000	1,048,000	1,048,000	1,048,000	1,048,000	1,048,000	1,048,000	1,045,000	3,879,000
Interest Paid on Loan at 3%	0	0	0	1,000	1,000	1,000	8,000	15,000	34,000	26,000	18,000	10,000	2,000	0	0	0	116,000
<b>Net Cash Movement after Interest</b>	0	(51,000)	(51,000)	(29,000)	(32,000)	(942,000)	(949,000)	(2,474,000)	1,014,000	1,022,000	1,030,000	1,038,000	1,046,000	1,048,000	1,048,000	1,045,000	3,763,000
<b>Funded by:</b>																	
Loan Balance / Surplus Funds	0	(51,000)	(102,000)	(130,000)	(161,000)	(1,102,000)	(2,043,000)	(4,502,000)	(3,454,000)	(2,406,000)	(1,358,000)	(310,000)	738,000	1,786,000	2,834,000	3,879,000	3,879,000
Property Dev Reserve (Interest)	0	0	0	(1,000)	(2,000)	(3,000)	(11,000)	(26,000)	(60,000)	(86,000)	(104,000)	(114,000)	(116,000)	(116,000)	(116,000)	(116,000)	(116,000)

Wollongbar Urban Expansion Area - Stage Three - Cash Flow (COVID-19 excluding Childcare Centre)																	
Year	2019/20	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2022/23	Totals
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales (net of GST, comms, legals)	0	0	0	0	0	0	0	0	912,000	912,000	912,000	912,000	912,000	912,000	912,000	915,000	7,299,000
<b>Development Costs</b>																	
Completed		51,000	51,000	28,000													130,000
Civil Works				0		672,000	672,000	671,000									2,015,000
50% Contribution to Pembroke Close								170,000									170,000
Electrical and Telecommunications						155,000	155,000										310,000
Landscaping								155,000									155,000
Civil Works Contingency	0	0	0	0	0	83,000	83,000	99,000	0	0	0	0	0	0	0	0	265,000
Consultants					30,000	30,000	30,000	30,000									120,000
Council Contributions								1,290,000									1,290,000
Council Rates and Charges					1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
<b>Cash Outflows</b>	0	51,000	51,000	28,000	31,000	941,000	941,000	2,416,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	4,467,000
<b>Net Quarterly Cash Movement</b>	0	(51,000)	(51,000)	(28,000)	(31,000)	(941,000)	(941,000)	(2,416,000)	911,000	911,000	911,000	911,000	911,000	911,000	911,000	914,000	2,832,000
Interest Paid on Loan at 3%	0	0	0	1,000	1,000	1,000	8,000	15,000	33,000	27,000	20,000	13,000	6,000	0	0	0	125,000
<b>Net Cash Movement after Interest</b>	0	(51,000)	(51,000)	(29,000)	(32,000)	(942,000)	(949,000)	(2,431,000)	878,000	884,000	891,000	898,000	905,000	911,000	911,000	914,000	2,707,000
<b>Funded by:</b>																	
Loan Balance / Surplus Funds	0	(51,000)	(102,000)	(130,000)	(161,000)	(1,102,000)	(2,043,000)	(4,459,000)	(3,548,000)	(2,637,000)	(1,726,000)	(815,000)	96,000	1,007,000	1,918,000	2,832,000	2,832,000
Property Dev Reserve (Interest)	0	0	0	(1,000)	(2,000)	(3,000)	(11,000)	(26,000)	(59,000)	(86,000)	(106,000)	(119,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)

#### **4.6 Ballina-Byron Gateway Airport - Long Term Financial Plan**

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#### **4.6 Ballina-Byron Gateway Airport - Long Term Financial Plan**

##### **Delivery Program**

Commercial Services

##### **Objective**

To review the long term financial plan for the Ballina - Byron Gateway Airport following the announcement of \$10million in Federal Government grant funding for the runway widening project.

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##### **Background**

Council was informed in 2019 that the current major jet airline carriers serving Ballina Byron Gateway Airport ("the Airport") were placing orders to upgrade their respective fleets.

The impact to Airport operations with the gradual changeover to larger size aircraft is a requirement to widen and strengthen the runway to accommodate larger aircraft.

The size of the existing runway inhibits the sustainability and growth of the Airport as it will restrict the size of aircraft that can land and takeoff.

Council recognized the need to include the runway widening in the 2019/20 Long Term Financial Plan (LTFP) to support continued growth of the Airport and to deal with airline fleet upgrades.

The adopted LTFP 2019/20 made provision for the runway upgrade project based on 50% grant funding and 50% loan funding with an estimated total cost of \$30m.

Council applied for grant funding through the Building Better Regions Fund (BBRF) in December 2019 to support this project. At the time of preparing the grant application Airport technical staff estimated the construction costs would be approximately \$23.5m.

Council operations were significantly impacted in March 2020 by COVID-19 with the Airport experiencing a reduction from about 45 flights per week down to two flights per week. This resulted in a significant adverse impact on the Airport's revenue and operations.

A report was prepared for the April 2020 Commercial Services Committee meeting to inform Council of the potential impact on operating results due to the impacts of COVID-19 on the airline industry.

That report noted that Council was no longer in a position to finance the forecast capital expenditure program in the LTFP.

The currently exhibited draft LTFP identifies that the total \$30m for the runway upgrade project (which includes estimated project management and contingency costs) would be pushed back to 2021/22 and 2022/23.

In addition, funding for the project would need to be 100% grant funded.

On 4 June 2020 Council was notified that it was successful in receiving \$10m in Federal Government BBRF grant funding for the upgrade of the Airport runway. The \$10m is the maximum allowed under the BBRF program.

This report highlights the funding shortfall in completing the runway upgrade and options that could be pursued in securing additional funding.

### Key Issues

- Sustainability and growth of the Airport is reliant on the upgrade of the runway to meet requirements for larger aircraft to land and takeoff
- The \$10m Federal Government grant is insufficient to meet the total cost upgrading the runway
- Council needs to make a determination on the scope of the runway upgrade works and funding options
- Overall financial risk of the project

### Information

On 4 June 2020 a formal announcement was made that Council was successful in obtaining \$10m in Federal Government grant funding through the BBRF Infrastructure Projects Stream Round 4 application process.

The project scope and key activities outlined in the grant submission were as follows:

- **Runway widening** - to increase the classification from Code 3C (1,900 metres in length and 30 metres wide) to Code 4C runway (2,140 metres in length and 45 metres wide). Widening of the runway strip and approach surface from the existing Code 3C to Code 4C requires some excavation of Cork Hill in order to meet the clearance requirements.
- **Runway overlay** – a new runway overlay covering the width and length of the runway. The additional overlay depth is designed to strengthen the runway, allowing it to handle the increased weight of future, larger and heavier aircraft. These works would include removal and replacement of the existing ground lighting (AGL).
- **Runway End Safety Areas (RESAs)** – With the upgrade to the current runway to Code 4C, compliance with the current standards requires a RESA of 90m minimum length and 90m width (being twice the width of the runway). The RESA would be required to be constructed at the time of the widening and overlay works.
- **Aeronautical Ground Lighting** – During the construction of the runway widening, runway edge lighting will have to be removed and replaced. The existing halogen bulb lighting will be replaced with new LED technology lights.

The runway upgrade works are needed to assist in the recovery of the Airport business and cater for passenger growth.

#### **4.6 Ballina-Byron Gateway Airport - Long Term Financial Plan**

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Failure to undertake these works will significantly limit the Airport's capacity to deal with larger aircraft.

The major jet airline fleets are upgrading to heavier, wider body aircraft with larger wingspans than those of the current A320s and 737s. To accommodate these larger aircraft, the Airport's air-side infrastructure, in particular, the runway requires widening by 15 metres to 45 metres and strengthening with an additional 200mm of overlay.

The Airport currently operates under a concession that enables the runway to service the current type of aircraft landing there. This concession enables the airport to operate without a runway end safety area ("RESA").

Under the current Manual of Standards (MOS) Part 139, any upgrade works to accommodate larger aircraft will require a RESA at the end of the runway to minimize damage to an aircraft undershooting or overrunning the runway.

Fortunately the verbal advice recently received from the Civil Aviation Safety Authority (CASA) is that strengthening and widening of the existing runway will not require the RESA. Therefore the BBRF grant agreement will need to be amended to focus only on strengthening and widening.

The estimate for strengthening and widening, plus ancillary works such as lighting, is \$26m which includes a 10% contingency on top of the \$23.5m included in the grant application. The RESA and associated works is estimated at \$10m.

The LTFP has been reviewed based on the \$10m grant announcement and a copy is included as Attachments 1 to 4.

The Operating Result forecast in Attachment 1 highlights that for 2020/21 revenue is forecast at \$2.8m compared to an actual of \$6.9m in 2018/19 (page one of the attachment).

The assumption then is for revenues to increase to \$5.2m in 2021/22 and then return to pre COVID-19 figures in 2022/23. Whether this actually eventuates is still very uncertain.

Page two of Attachment 1 provides the forecast operating result, with a significant deficit forecast for 2020/21 of \$1.9m inclusive of depreciation. A deficit is also forecast for 2021/22 prior to returning to an operating surplus in 2022/23.

What this means is that the Airport has very little in the way of funds set aside, or available from future operating surpluses, to help fund the runway widening.

Attachment 2 provides the Capital Movements with the Capital Expenditure program now focused entirely on the runway widening, and lengthening (the RESA), along with the car parking improvements that have already been planned for 2020/21.

For the runway widening \$26m is included for 2020/21 and 2021/22 and then \$10m is included for the runway lengthening (RESA) in 2022/23 and 2023/24.

## **4.6 Ballina-Byron Gateway Airport - Long Term Financial Plan**

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It is assumed that Council will secure 50% grant funding for the runway lengthening.

This forecast results in Council having to secure loans totaling \$23m during the next four financial years; i.e. 2020/21 \$2m for car park and \$1m for widening, 2021/22 \$15m for widening, 2022/23 \$2.5m for lengthening and 2023/24 \$2.5m for lengthening.

This creates a significant risk for Council as the loans will need to be financed even if the revenues do not eventuate, with annual loan interest and principal repayments reaching \$2.1m in 2022/23.

Attachment 2 also highlights that even with these loan borrowings the Airport Reserve balance is significantly overdrawn for 2021/22 and 2022/23, which means that the overdraft will be offset against Council's remaining internal reserves.

In summary there is an enormous financial risk facing Council with the runway widening and lengthening projects, however the works must be completed if the Airport is to continue to provide jet services in the medium to longer term.

The other major risk is all the relevant planning approvals are still not in place. An extended timeframe to obtain those approvals, assuming they can be secured, could potentially place the \$10m BBRF monies at risk, as there is an assumption that this project can proceed relatively quickly.

Preliminary discussions with Council's Planning and Environmental Health Division suggest that extensive investigation works may be required for any works over and above runway widening and strengthening.

This is why \$10m (\$5m each year) has been set aside for the runway lengthening for the RESA in 2022/23 and 2023/24 as it may take that period of time to obtain planning approval.

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

Attachments 3 and 4 highlight the changes in the Airport financial ratios through the proposed works program.

Attachment 4 demonstrates the extremely high level the Debt Ratio reaches in the period from 2019/20 to 2023/24, while the financial performance of the Airport returns to pre COVID-19 levels, assuming that it does return.

This forward financial plan represents one of the highest levels of financial risk that Council has had to deal with, as there are no guarantees that the forecast revenues will return to 2018/19 levels, and the entire Airline industry could be in a state of flux for a number of years.

The options to reduce risk include:

- Eliminate the risk and not do the works – This would ultimately mean the loss of jet services to Ballina as the airlines transfer to new aircraft.



## 4.6 Ballina-Byron Gateway Airport - Long Term Financial Plan

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- Secure additional grant funds – It would be great if this risk was shared between all three levels of government and one of the recommendations is to seek grant funding from the State Government.
- Corporatize or lease part or all of the airport – Council conducted a review into this option during 2015 and 2016 and due to a number of reasons (i.e. the then financial position of the Airport, lack of consensus amongst council), Council resolved not to proceed.

The current financial position of the Airport is the exact reason why that initial investigation was undertaken.

The financial risk and capital investment required to operate the Airport, is starting to become beyond the financial capacity of Council, therefore additional investors are needed to help ensure the long term sustainability of the Airport.

From a regional perspective, Coffs Harbour City Council is well advanced in a long-term lease of their airport, with a decision expected on that by the end of this calendar year.

As per the following quote from the Coffs Harbour City Council website numerous other airports have been successfully leased.

*Council's Director Business Services, Andrew Beswick, said the lease model – which has successfully been adopted by more than 24 capital city and regional airports across Australia – would foster positive change and a new phase of growth for Coffs Harbour Airport and the entire community.*

*"A long-term lease arrangement will bring new skills and operating experience to Coffs Harbour Airport that will help grow visitor numbers and potentially fast track development of the enterprise park and progress international and freight opportunities," he said.*

The problem facing the Ballina – Byron Gateway Airport is that it is a regional airport, third busiest RPT in NSW (pre COVID-19) being funded and operated by one council.

Alternate funding options such as leasing should be considered as an option to limiting Council's exposure to debt. The recommendations for this report include a further update on leasing once Coffs Harbour City Council has finalised their process.

### **Consultation**

Preliminary consultation has commenced with the current major airlines servicing the Airport.

### **Options**

In summary the options are to either accept the \$10m in Federal Government grant funding and proceed with the runway widening project or not accept the funds and acknowledge that, over time, jet aircraft services will permanently reduce.

The Airport is a major economic driver for this region and the preferred option is to proceed. The long term financial plan attached identifies that the project is achievable, albeit that the plan is based on a number of assumptions that may or may not eventuate.

The recommendations support accepting the \$10m and proceeding with the runway strengthening and widening project, as per the attached Long Term Financial Plan, as Council can deliver on this plan, albeit that on-going efforts must be made to reduce the forecast loan debt by reducing the costs of works where possible, and pursuing all avenues for additional funding, especially grant opportunities.

### RECOMMENDATIONS

1. That Council confirms its acceptance of the Federal Government Building Better Regions fund grant of \$10m for the runway widening project.
2. That Council include in the adopted 2020/21 to 2023/2 Delivery Program and Operational Plan the updated Long Term Financial Plan for the Ballina – Byron Gateway Airport as per Attachments 1 and 2 to this project.
3. That Council notes the high level of loan debt included in the Long Term Financial Plan for the Ballina – Byron Gateway Airport and associated financial risk with that level of borrowing, due to the current and potential variability of airline revenues.
4. That Council authorises the Mayor to approach the State Government to seek additional grant funding for the runway widening and strengthening project, and the Runway End Safety Area (RESA) project, to help reduce the financial risk facing Council.
5. That Council receive a further report on the option of potentially leasing, part or all of the Ballina – Byron Gateway Airport, once Coffs Harbour City Council has finalised their leasing process for the Coffs Harbour Airport.

### Attachment(s)

- 1 [↓](#). Operating Revenues and Operating Expenses
- 2 [↓](#). Capital Movements
- 3 [↓](#). Analysis
- 4 [↓](#). Loan Debt





Ballina Byron Gateway Airport - Capital Movements (June 2020 Revision)																									
Asset Description	Airport - Capital Expenditure Summary												Funding Sources 2020/21			Funding Sources 2021/22			Funding Sources 2022/23			Funding Sources 2023/24			
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Grants	Loans	Reserves	Grants	Loans	Reserves	Grants	Loans	Reserves	Grants	Loans	Reserves	
<b>Ballina Airport</b>																									
Apron Overlay and Concrete Pads	147,300	20,000				400,000	500,000								0			0			0				0
Baggage Area															0			0			0				0
Car Parking, Solar, Boulevard		50,000	2,000,000											2,000,000											
Crown Land and Revetment Wall						100,000																			
CAGRO Facility		15,000					300,000																		
Checked Baggage Screening																									
Drainage																									
Passenger Screening			405,000										405,000												
PALC, Lighting Controls and ALER	50,800	320,000																							
Runway Approach Lighting																									
Runway Friction and Groove Testing																									
Runway Widening and Strengthening			2,000,000	24,000,000									1,000,000	1,000,000		9,000,000	15,000,000								
Runway End Safety Area (RESA)					5,000,000	5,000,000																			
Terminal Expansion - Stage Two	4,925,700	1,050,000																							
Terminal Expansion - Stage Three																									
Miscellaneous Infrastructure	164,000	50,000																							
Vehicle		30,600																							
<b>Total</b>	<b>5,287,800</b>	<b>1,535,600</b>	<b>4,405,000</b>	<b>24,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>500,000</b>	<b>800,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,405,000</b>	<b>3,000,000</b>	<b>0</b>	<b>9,000,000</b>	<b>15,000,000</b>	<b>0</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>0</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>0</b>	

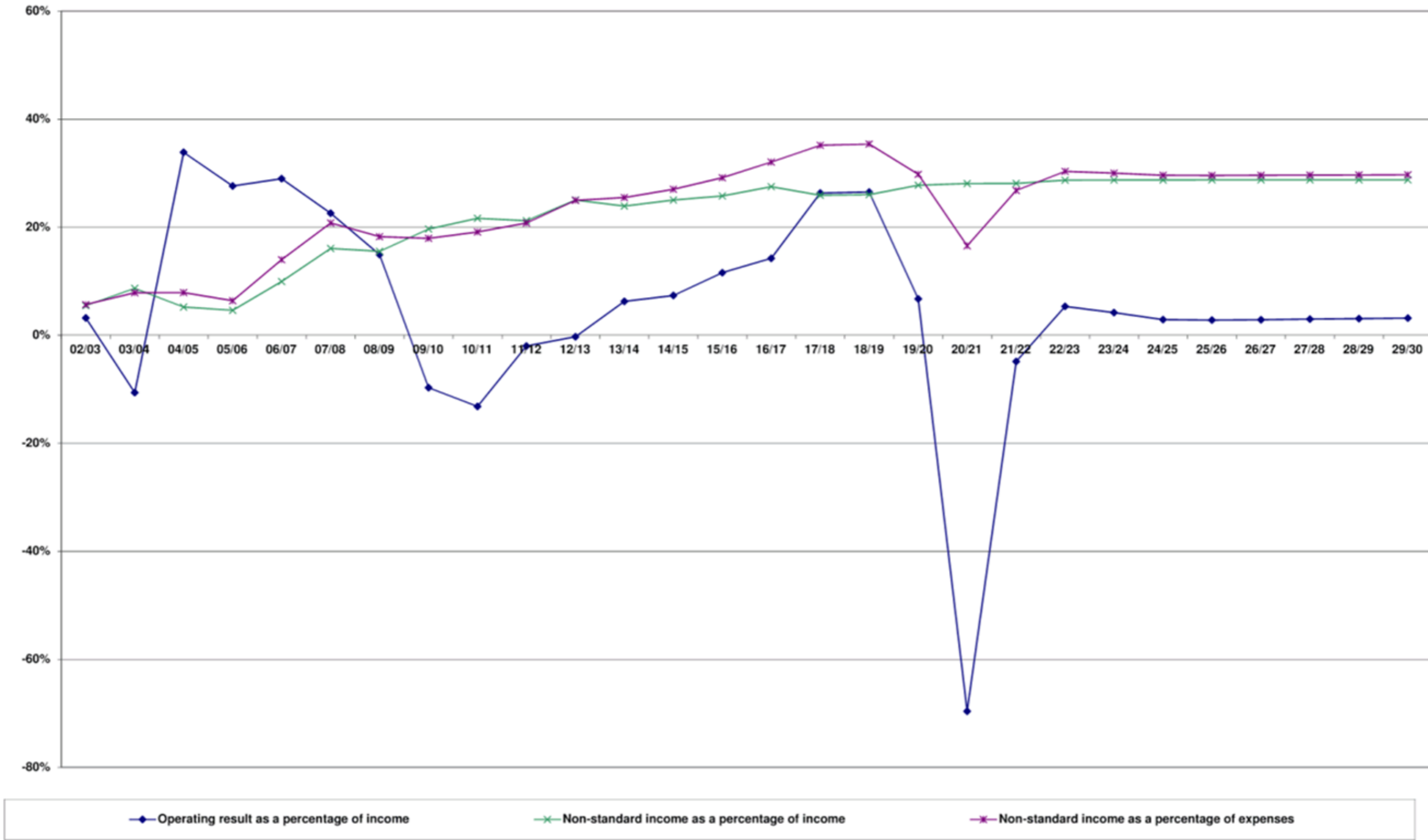
Source of Capital Funding	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Capital Grants and Contributions	3,232,400	818,500	1,405,000	9,000,000	2,500,000	2,500,000	0	0	0	0	0	0
Loan Borrowings	0	2,400,000	3,000,000	15,000,000	2,500,000	2,500,000	0	0	0	0	0	0
Reserves	2,055,400	(1,682,900)	0	0	0	0	500,000	800,000	0	0	0	0
<b>Total</b>	<b>5,287,800</b>	<b>1,535,600</b>	<b>4,405,000</b>	<b>24,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>500,000</b>	<b>800,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

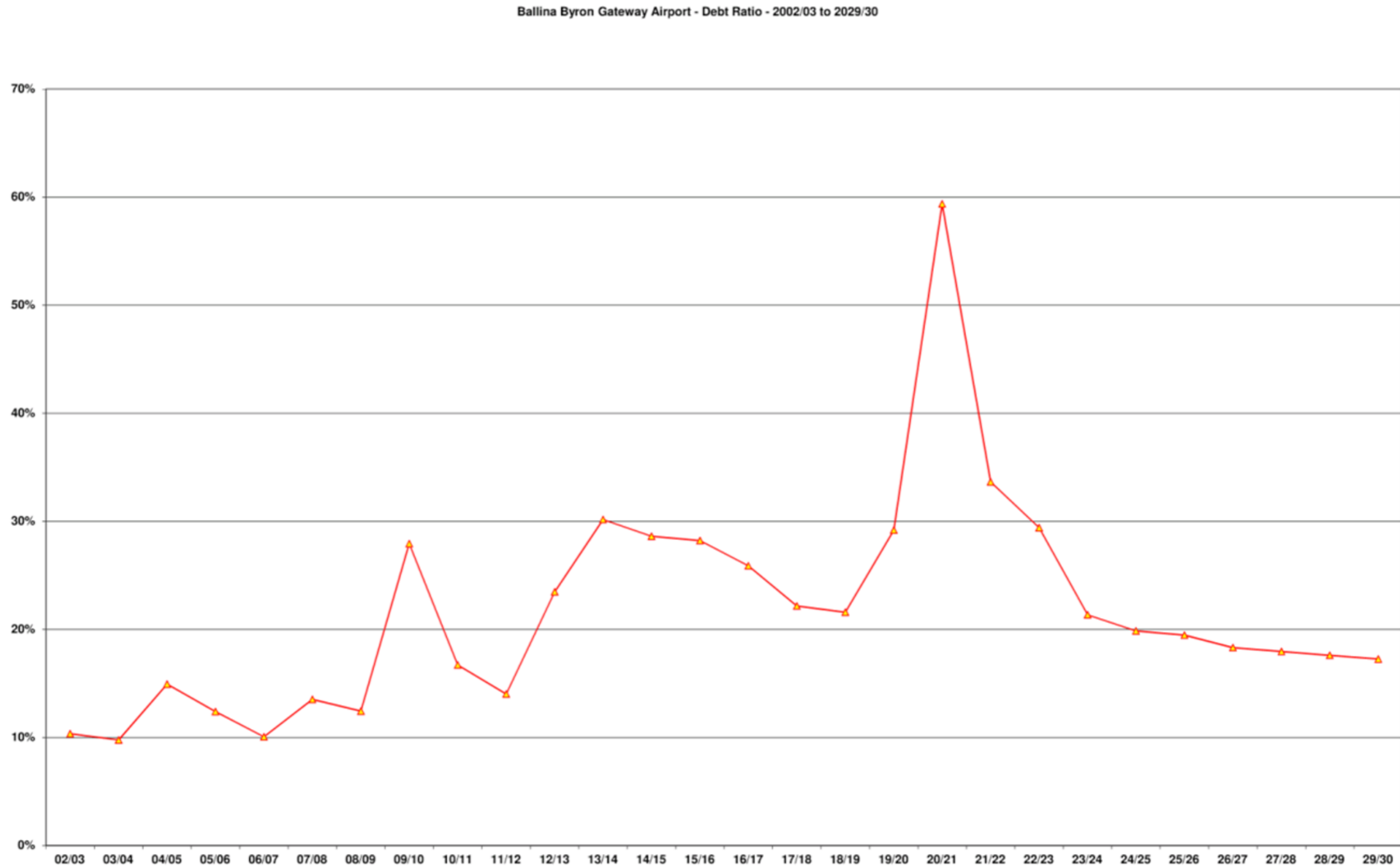
Airport Reserve Balances	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Opening Balance	1,149,700	423,800	2,067,400	(237,300)	(870,300)	(629,800)	184,000	609,400	767,700	1,818,800	2,903,400	4,021,600
Movement	(725,900)	1,643,600	(2,304,700)	(633,000)	240,500	813,800	425,400	158,300	1,051,100	1,084,600	1,118,200	1,152,400
<b>Closing Balance</b>	<b>423,800</b>	<b>2,067,400</b>	<b>(237,300)</b>	<b>(870,300)</b>	<b>(629,800)</b>	<b>184,000</b>	<b>609,400</b>	<b>767,700</b>	<b>1,818,800</b>	<b>2,903,400</b>	<b>4,021,600</b>	<b>5,174,000</b>

Loan Summary	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Loan Principal Repaid P.A.	1,188,700	1,308,000	1,410,000	1,498,700	1,535,800	972,500	859,200	867,700	832,000	854,000	877,000	899,000
Loan Interest Paid P.A.	309,700	294,800	250,900	268,100	570,200	585,900	620,000	611,000	587,000	565,000	542,000	520,000
<b>Total Principal and Interest P.A.</b>	<b>1,498,400</b>	<b>1,602,800</b>	<b>1,660,900</b>	<b>1,766,800</b>	<b>2,106,000</b>	<b>1,558,400</b>	<b>1,479,200</b>	<b>1,478,700</b>	<b>1,419,000</b>	<b>1,419,000</b>	<b>1,419,000</b>	<b>1,419,000</b>
Principal Outstanding - 30 June	5,181,200	6,273,200	7,863,200	21,364,500	22,328,700	23,856,200	22,997,000	22,129,300	21,297,300	20,443,300	19,566,300	18,667,300

Infrastructure Assets	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Written Down Value	45,213	45,848	49,203	72,082	75,687	79,206	78,137	77,324	75,662	73,958	72,211	70,420

Ballina Byron Gateway Airport - Operating Revenues and Expenses Analysis - 2002/03 to 2029/30





**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 Licence Agreement - East Ballina Reservoir (Commercial Terms)**

Refer to Item 4.1 of this agenda.

**5.2 Leasing Agreement - Ballina Byron Gateway Airport (Commercial Terms)**

Refer to Item 4.2 of this agenda.

**5.3 Financial Support Package - Rent Relief**

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 Licence Agreement - East Ballina Reservoir (Commercial Terms)**

**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 due to the ongoing commercial negotiations and the release of any information could prejudice those negotiations.



**5.2 Leasing Agreement - Ballina Byron Gateway Airport (Commercial Terms)**

**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 due to the ongoing commercial negotiations and the release of any information could prejudice those negotiations.

**5.3 Financial Support Package - Rent Relief**

**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 due to the ongoing commercial negotiations and the release of any information could prejudice those negotiations.