

CONFIDENTIAL ITEMS 2003 – 16 SEPTEMBER 2014

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
89	23 June 2014 Special	Strategic Land Acquisition Opportunity	<p>1. Pursuant to Section 90(3)(b) Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, General Manager Infrastructure and Projects, General Manager Planning and Development, General Manager Council Services and the Minute Secretary be excluded from attendance at the meeting for Agenda Item 3.2 Strategic Land Acquisition Opportunity.</p> <p>The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:</p> <ul style="list-style-type: none"> - conducting business; - proposing to conduct business; and - would prejudice the commercial position of the Council in that the information to be considered includes information, the disclosure of which could prejudice the Council's commercial negotiations. 	council report inclusive of all attachments, related documents and all minutes be retained in confidence .	<p>the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:</p> <ul style="list-style-type: none"> - conducting business; - proposing to conduct business; and - would prejudice the commercial position of the Council in that the information to be considered includes information, the disclosure of which could prejudice the Council's commercial 	Until a contract has been executed for the sale and purchase of the land which is the subject of this report; or 26 February 2015 whichever is the sooner.	1 Sept 14	26 Feb 15	

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			<p>In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.</p> <p>9. Pursuant to Section 90 (3) (b) & (d) That having considered Agenda Item 3.2 Strategic Land Acquisition Opportunity in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report inclusive of all attachments, related documents and all minutes be</p>		position during negotiations.				

CONFIDENTIAL ITEMS 2003 – 16 SEPTEMBER 2014

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			<p>retained in confidence until:</p> <ul style="list-style-type: none"> • a contract has been executed for the sale and purchase of the land which is the subject of this report; or • 26 February 2015 whichever is the sooner. 						

3.2 **REPORT TITLE:** **CONFIDENTIAL ITEM: STRATEGIC LAND**
 ACQUISITION OPPORTUNITY
 DATE OF MEETING: **23 JUNE 2014**
 FILE NUMBER: **64/005/306**

Moved Councillor Westwood that Council:

1. Pursuant to Section 90(3)(b)

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, General Manager Infrastructure and Projects, General Manager Planning and Development, General Manager Council Services and the Minute Secretary be excluded from attendance at the meeting for Agenda Item 3.2 Strategic Land Acquisition Opportunity.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:

- conducting business;
- proposing to conduct business; and
- would prejudice the commercial position of the Council

in that the information to be considered includes information, the disclosure of which could prejudice the Council's commercial position during negotiations.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.

Seconded Councillor Corbell

CARRIED
SM20140623.08

7.27pm Moved Councillor Corbell that Council:

2. Pursuant to regulation 21 of the Local Government (Procedures at Meetings) Regulations it is recommended that the Presiding Member implement a short term suspension of proceedings to enable informal

discussions to occur given the nature of the matter being considered, during which time no motion can be moved other than a motion to end the period of suspension of normal proceedings and that the motion has the support of at least two thirds of the Council members present at the meeting.

Seconded Councillor Stokes

CARRIED
SM20140623.09

7.45pm Moved Councillor Irvine that:

3. the period of short term suspension of proceedings now end.

Seconded Councillor Bailey

CARRIED
SM20140623.10

Moved Councillor Irvine that Council:

4. Adopt the following recommendations of the Chief Executive Officer (numbered 5 – 9):
5. Note the valuation advice from m3property strategists (attachment 2).
6. Authorise the Mayor and Chief Executive Officer to execute a conditional contract (and any associated documentation required) for the sale and purchase of approximately 8 hectares of the Adelaide Polo Club land on Fidler Lane/Barker Road to include the existing clubrooms building (as shown in attachment 3) for the amount of \$2.5 million payable in a single lump sum with the contract to be open for acceptance by the Adelaide Polo Club executing the contract at any time until the close of business on Monday 4 August 2014 with special conditions that provide for the following:
 - Lease back to the Adelaide Polo Club until the Club relocates to a new location or 30 April 2016 whichever is the sooner with rent payable to Council of \$100 per week from settlement until 1 May 2015 and \$1,000 per month from 1 May 2015 until 30 April 2016; and
 - Upgrading by Council of the approximately 8 hectares of land for active recreation and sport use by the community is to be completed within 12 months of the Adelaide Polo Club providing vacant possession for an amount of a minimum of \$500,000 which may include in kind contributions.
7. In the event that the Adelaide Polo Club indicate to Council that the Club is not prepared to execute the contract referenced immediately above, authorise the Chief Executive Officer to negotiate with the Adelaide Polo Club to seek to secure the approximately 8 hectares of land to include the existing clubrooms building (as shown in attachment 3) for an amount as close as possible to \$2.5 million but not exceeding \$3.0 million to be payable in a single lump sum with a special condition

providing for lease back to the Adelaide Polo Club until the Club relocates to a new location or 30 April 2016 whichever is the sooner with rent payable to Council of \$100 per week from settlement until 1 May 2015 and \$1,000 per month from 1 May 2015 until 30 April 2016 and in the event that the negotiations are successful within these parameters, authorise the Mayor and Chief Executive Officer to execute a conditional contract (and any associated documentation required) on this basis.

8. Receive a further report on the progress of the above as soon as practicable but in any event by no later than 25 August 2014.

Seconded Councillor Bettcher

CARRIED
SM20140623.11

Moved Councillor Westwood that Council:

9. Pursuant to Section 90 (3) (b) & (d)
That having considered Agenda Item 3.2 Strategic Land Acquisition Opportunity in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report inclusive of all attachments, related documents and all minutes be retained in confidence until:

- a contract has been executed by the Council and the Adelaide Polo Club for the sale and purchase of approximately 8 hectares of the Adelaide Polo Club land on Fidler Lane/Barker Road to include the existing clubrooms building (as shown in attachment 3); or
- 26 February 2015 whichever is the sooner.

Seconded Councillor Campbell

CARRIED
SM20140623.12

MEETING DECLARED CLOSED AT 7.55PM

MAYOR

DATE

**3.2 REPORT TITLE: CONFIDENTIAL ITEM: STRATEGIC LAND
ACQUISITION OPPORTUNITY**

DATE OF MEETING: 23 JUNE 2014

FILE NUMBER: 64/005/306

Strategic Plan 2012-2017 Ref:

Urban Growth and Social Infrastructure

Outcome 9 Sport and recreation facilities to meet community need

Purpose:

To seek authority to enable a conditional contract to be executed for the purchase of approximately 8 hectares of land from the Adelaide Polo Club and in the event that the contract is not accepted by the Adelaide Polo Club, to authorise further negotiations within a set upper limit.

Summary – Key Issues:

1. Valuation advice has now been received for two smaller portions of the Adelaide Polo Club site, including and excluding the existing clubrooms.
2. Authority is now sought for the Mayor and CEO to execute a conditional contract to purchase approximately 8 hectares of the Adelaide Polo Club land for community open space.
3. In the event that the contract is not accepted by the Adelaide Polo Club, authority is sought for further negotiations within a set upper limit.

Recommendation:

That Council:

Section 90 (3) (b) Order

1. Pursuant to Section 90(3)(b)
Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, the four General Managers and the Minute Secretary be excluded from attendance at the meeting for Agenda Item 3.2 Strategic Land Acquisition Opportunity.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:

- conducting business;
- proposing to conduct business; and
- would prejudice the commercial position of the Council

in that the information to be considered includes information, the disclosure of which could prejudice the Council's commercial position during negotiations.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.

2. Pursuant to regulation 21 of the Local Government (Procedures at Meetings) Regulations it is recommended that the Presiding Member implement a short term suspension of proceedings to enable informal discussions to occur given the nature of the matter being considered, during which time no motion can be moved other than a motion to end the period of suspension of normal proceedings.

{Note: A motion to suspend proceedings must have the support of at least two thirds of the Council members present at the meeting.}

3. That the period of short term suspension of proceedings now end.

As Project Sponsor, the Chief Executive Officer is recommending (pursuant to regulation 21 of the Local Government (Procedures at Meetings) Regulations that Council amend and add to the previous Council resolutions relating to this matter (see attachment 1) by resolving as follows:

That Council:

4. Adopt the following recommendations of the Chief Executive Officer (numbered 5 – 9):
5. Note the valuation advice from m3property strategists (attachment 2).
6. Authorise the Mayor and Chief Executive Officer to execute a conditional contract (and any associated documentation required) for the sale and purchase of approximately 8 hectares of the Adelaide

Polo Club land on Fidler Lane/Barker Road to include the existing clubrooms building (as shown in attachment 3) for the amount of \$2.5 million payable in a single lump sum with the contract to be open for acceptance by the Adelaide Polo Club executing the contract at any time until the close of business on Monday 4 August 2014 with special conditions that provide for the following:

- Lease back to the Adelaide Polo Club until the Club relocates to a new location or 30 April 2016 whichever is the sooner with rent payable to Council of \$100 per week from settlement until 1 May 2015 and \$1,000 per month from 1 May 2015 until 30 April 2016; and
 - Upgrading by Council of the approximately 8 hectares of land for active recreation and sport use by the community is to be completed within 12 months of the Adelaide Polo Club providing vacant possession for an amount of a minimum of \$500,000 which may include in kind contributions.
7. In the event that the Adelaide Polo Club indicate to Council that the Club is not prepared to execute the contract referenced immediately above, authorise the Chief Executive Officer to negotiate with the Adelaide Polo Club to seek to secure the approximately 8 hectares of land to include the existing clubrooms building (as shown in attachment 3) for an amount as close as possible to \$2.5 million but not exceeding \$3.0 million to be payable in a single lump sum with a special condition providing for lease back to the Adelaide Polo Club until the Club relocates to a new location or 30 April 2016 whichever is the sooner with rent payable to Council of \$100 per week from settlement until 1 May 2015 and \$1,000 per month from 1 May 2015 until 30 April 2016 and in the event that the negotiations are successful within these parameters, authorise the Mayor and Chief Executive Officer to execute a conditional contract (and any associated documentation required) on this basis.
8. Receive a further report on the progress of the above as soon as practicable but in any event by no later than 25 August 2014.

{Note: The previous resolution was no later than 26 July 2014}

Section 91(7) Order

9. Pursuant to Section 90 (3) (b) & (d.)
That having considered Agenda Item 3.2 Strategic Land Acquisition Opportunity in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report inclusive of all attachments, related documents and all minutes be retained in confidence until:

- a contract has been executed by the Council and the Adelaide Polo Club for the sale and purchase of approximately 8 hectares of the Adelaide Polo Club land on Fidler Lane/Barker Road to include the existing clubrooms building (as shown in attachment 3);
- or 26 February 2015 whichever is the sooner.

Background:

1. Council has previously considered agenda items regarding the Adelaide Polo Club (APC) land most recently at a Special Meeting of Council held on 26 May 2014 which is the subject of a Council confidentiality order.
2. Previous resolutions of Council are included as attachment 1.
3. Since the Council meeting on 26 May 2014 valuation advice has been received from m3property strategists (attachment 2).
4. The advice includes two amounts being an area of 7.43 hectares (excludes the existing Polo Clubrooms) valuation of \$1.5 million and an area of 8.08 hectares including the existing Polo Clubrooms valuation of \$1.8 million.
5. In December 2013 Council received a grant of \$1 million from the State Government to contribute to the purchase of approximately 7.5 hectares of the APC land for community open space (excluded the clubrooms).
6. Under the Deed for the grant, Council is required to have purchased the land by 31 December 2014 "or such other date as is mutually agreed in writing".

Discussion:

1. In accordance with the Council resolution of 26 May 2014 adding 15% to the \$1.8 million valuation (8.08 hectares) = \$2,070,000.
2. The previous offer from Council of \$9.6 million for the entire APC land (33.6 hectares – attachment 4) if applied pro rata to the 8.08 hectares (being 24% of the entire APC land) would equate to \$2,309,000.
3. Ultimately the two parties (APC and Council) have to reach agreement to conclude a land sale and purchase.

4. The APC representatives have previously indicated that the APC's position is to sell the entire site (33.6 hectares) not a portion of the site. There is a need to find out if that position remains (which could well be the case) through submitting an executed conditional contract to the APC.
5. The APC could quite legitimately say that as Council is now seeking a smaller parcel of land (which if sold would split the remaining APC land) the price would need to be above the simple pro rata amount of \$2,309,000.
6. In addition, the clear preference of the APC to sell the entire land parcel not a portion would indicate that any further offer from Council would need to be attractive to gain consideration by the APC.
7. The above recommendations reflect two scenarios to achieve the Council's objective to secure land for community open space purposes as confirmed by the Council resolution on 26 May 2014.
8. Firstly a conditional contract (executed by Council) is put to the APC immediately for the purchase of the 8.08 hectares (including the existing clubrooms) for \$2.5 million with a lease back of the land to the APC and the Council is obligated to spend at least a further \$500,000 to upgrade the land for community recreation and sport use within 12 months of the APC relocating and providing vacant possession.
9. The obligation on Council to upgrade the 8.08 hectares within 12 months should enhance the value of the balance of the APC land and hence be of appeal and benefit to the APC.
10. In the event that the APC does not accept this offer and execute the contract for \$2.5 million, the second scenario is for the CEO to then negotiate with the APC for the purchase of the 8.08 hectares (including the existing clubrooms) for an amount as close as possible to \$2.5 million but not exceeding \$3.0 million with a lease back of the land to the APC but no obligation on the Council as to when the land is upgraded by Council and to what extent cost wise.
11. As development occurs within the Ministerial DPA area, Council will over time receive revenue (less any in-kind contributions from developers agreed to by Council) of around \$14.2 million (current day dollars) from the Community, Recreation and Sport (CRS) separate rate. The acquisition and upgrading of portion of the APC land is one of the purposes for which revenue from the CRS separate rate can be applied.

12. If the APC chooses to sell the entire site (33.6 hectares) to a developer, the developer could meet the minimum open space requirement of 12.5% without this including any of the land sought by Council and hence this land could be developed rather than be made available for community open space.
13. The availability and cost of possible alternative sites is a further consideration. A key factor being that the polo fields is flat land and already has a turf playing surface. To find an alternative site (other than the two sites already identified in the Council's Master Plan for recreation and sport facilities being on Springs Road and on Bollen Road) that is reasonably flat would be challenging with the subsequent cost of earthworks to establish flat areas for sporting use needing to also be factored in.
14. Likewise is the value of the clubrooms. The valuation advice is that from the perspective of the highest and best use of the land being residential, the clubrooms do not add any value, the additional land (0.5 hectares) however does which explains the difference of \$300,000 in the two valuation amounts.
15. As per the previous resolution of Council on 15 April 2013 if Council is successful in acquiring the approximately 8.0 hectares of land, only the Clubrooms parcel of land of around 0.5 hectares would be excluded from classification as community land pursuant to the Local Government Act 1999 the balance of 7.5 hectares would be classified as community land.
16. This makes good sense from a community perspective in that the Clubrooms and the associated 0.5 hectares of land (if purchased by Council) can be available for sale at some future time if Council determines that this is desirable. A good example of the need for such flexibility is that the Council's Master Plan proposes a new school adjacent to the polo fields consistent with the objective to achieve joint use of recreation and sport provisions i.e. shared cost and use with the school having priority and outside of school use the broader community uses the facilities.

Community Engagement:

Informing only	Not applicable
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Policy:

Not applicable for land acquisition.

Budget:

1. In essence under both scenarios the Council budget would need to be \$3 million comprising \$1 million from the State Government grant (already received) with the balance of \$2 million to be funded by Council. Subject to the timing of settlement (see below) and other factors this may be able to be wholly but at least partly funded from cash rather than via a loan.
2. The draft 2014/15 Annual Business Plan contained provision for \$9.2 million to enable purchase of the entire APC land (this figure assumed that a deposit would be paid in 2013/14).
3. It is proposed to be amend the draft 2014/15 Annual Business Plan to include provision for \$3 million for the "Acquisition of land for a community recreation and sporting hub". This will be considered at the Council meeting to be held on 7 July 2014.

Statutory/Legal:

1. The above recommendations would not trigger the requirement for a prudential report.
2. Settlement of the 8.08 hectares would not be possible until a legal parcel is created via a development application for either a boundary alteration or the creation of a new allotment.

Staff Resource Requirements:

1. The recommendations can be implemented within existing staff resources.
2. Specialist external advice is procured as required e.g. legal for the preparation of a contract for the sale and purchase of land and if successful conveyancing services to enable transfer of the land.

Environmental:

It is intended that irrigation of the proposed recreation and sport playing fields would be achieved via the use of Council's recycled water supply.

Social:

The proposal to secure the approximately 8 hectares of land for community open space will assist in meeting the identified social needs (for recreation, sport and community facilities) of the future population in Mount Barker, Littlehampton and Nairne, and the broader District.

Risk Assessment:

1. Risk of the loss of the State Government grant of \$1 million.
2. SA Power Networks (SAPN) is still yet to advise of the location for the required new 66kv power lines. To this point in time SAPN has not indicated any change to the preference for option 3 (supported by Council resolution) which would not directly impact the APC land.
3. The approximately 8.0 hectares of land sought by Council would only be directly impacted by option 4 (parallel to the ElectraNet corridor).

Asset Management:

Council would assume responsibility for the management of any land purchased except where there is a lease back to the APC or other arrangement entered into e.g. shared maintenance of facilities with a school.

Conclusion:

Adoption of the recommendations will enable:

- a conditional contract to be executed for the purchase of approximately 8 hectares of land from the Adelaide Polo Club; and
- further negotiations within a set upper limit in the event that the contract is not accepted by the Adelaide Polo Club.

Key Contact

Brian Clancey
General Manager Infrastructure & Projects

Sponsor of Project

Andrew Stuart
Chief Executive

Attachments

1. Previous Council meeting resolutions
2. Valuation advice from m3propertystrategists
3. Plan showing area of land of approximately 8 hectares
4. Aerial of entire APC land

3. CONFIDENTIAL REPORTS

**3.1 REPORT TITLE: CONFIDENTIAL ITEM: STRATEGIC LAND
ACQUISITION OPPORTUNITY
DATE OF MEETING: 26 MAY 2014
FILE NUMBER: 64/005/306**

Moved Councillor Irvine that Council:

Section 90 (3) (b) Order

1. Pursuant to Section 90(3)(b)
Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, the four General Managers and the Minute Secretary be excluded from attendance at the meeting for Agenda Item 3.1 Strategic Land Acquisition Opportunity.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:

- conducting business;
- proposing to conduct business; and
- would prejudice the commercial position of the Council

in that the information to be considered includes information, the disclosure of which could prejudice the Council's commercial position during negotiations.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.

Seconded Councillor Bettcher

CARRIED
SM20140526.01

5.48pm Moved Councillor Westwood that Council:

2. Pursuant to regulation 21 of the Local Government (Procedures at Meetings) Regulations it is recommended that the Presiding Member implement a short term suspension of proceedings to enable informal discussions to occur given the nature of the matter being considered, during which time no motion can be moved other than a motion to end the period of suspension of normal proceedings, and that the motion has the support of at least two thirds of the Council members present at the meeting.

Seconded Councillor Corbell

CARRIED
SM20140526.02

6.42pm Moved Councillor Westwood that Council:

3. That the period of short term suspension of proceedings now end.

Seconded Councillor Stokes

CARRIED
SM20140526.03

Moved Councillor Campbell that Council:

4. Adopt the following recommendations of the Chief Executive Officer to amend and add to the previous Council resolutions relating to this matter (see attachment 1).
5. Note:
 - 5.1 the letter received from the Adelaide Polo Club dated 9 May 2014;
 - 5.2 the Council letter in response to the Adelaide Polo Club dated 19 May 2014;
 - 5.3 that a contract for the sale and purchase of the Adelaide Polo Club site (being lots 103 and 106 Fidler Lane) has not been executed by Council and the Adelaide Polo Club; and
 - 5.4 that SA Power Networks is yet to advise of the location for the required new 66kv power lines so it is not yet known if that infrastructure would have a direct impact on the Adelaide Polo Club site.
6. Confirm that the Council's objective remains to secure an area of the Adelaide Polo Club site of approximately 7.5 hectares for community open space whilst minimising the risk and financial exposure to Council to the extent that is reasonably achievable.

Seconded Councillor Stokes

CARRIED
SM20140526.04

Councillor Hamilton called for a DIVISION

The Mayor declared the vote set aside.

Councillors voting in the affirmative: Councillors Westwood, Stokes, Campbell, Heath, Corbell, Bettcher, Grosser and Irvine.

Councillors voting in the negative: Councillor Hamilton

The Mayor declared Motion SM20140526.04 CARRIED

Moved Councillor Westwood that Council:

7. Authorise the Chief Executive Officer to continue to pursue this objective, including via further negotiations with the Adelaide Polo Club with the preferred option being option 1 and if this option is not achievable to then pursue options 2-4 inclusive and in that order as set out in attachment 8.

Seconded Councillor Bettcher

CARRIED
SM20140526.05

Councillor Hamilton called for a DIVISION

The Mayor declared the vote set aside.

Councillors voting in the affirmative: Councillors Westwood, Stokes, Campbell, Heath, Corbell, Bettcher, Grosser and Irvine.

Councillors voting in the negative: Councillor Hamilton

The Mayor declared Motion SM20140526.05 CARRIED

Moved Councillor Westwood that Council:

8. Authorise the Chief Executive Officer and Mayor to execute a conditional contract and any associated documentation (noting that this authority is sufficient to support the application of the Council common seal) for the purchase of portion of the Adelaide Polo Club site for the purposes of community open space being approximately 7.5 hectares (approximately 25% of the total site) and for an amount that does not exceed the independent valuation advice (currently awaited) by more than 15% with the purchase price to be payable as a lump sum at settlement.

Seconded Councillor Campbell

CARRIED
SM20140526.06

Councillor Hamilton called for a DIVISION

The Mayor declared the vote set aside.

Councillors voting in the affirmative: Councillors Westwood, Stokes, Campbell, Heath, Corbell, Bettcher, Grosser and Irvine.

Councillors voting in the negative: Councillor Hamilton

The Mayor declared Motion SM20140526.06 CARRIED

Moved Councillor Heath that Council:

9. Acknowledge that the pursuit of the Council's objective may involve the Council ultimately determining to enter into a commercial arrangement with either the Adelaide Polo Club and/or a private sector developer.
10. Acknowledge that the Adelaide Polo Club is free to act as it sees fit in regards to the disposal of its site.
11. Receive a further report on the progress of the above as soon as practicable but in any event by no later than 26 July 2014 inclusive of a proposed process to pursue Council's objective that would satisfy all legislative and probity requirements.

Seconded Councillor Westwood

CARRIED
SM20140526.07

Councillor Hamilton called for a DIVISION

The Mayor declared the vote set aside.

Councillors voting in the affirmative: Councillors Westwood, Stokes, Campbell, Heath, Corbell, Bettcher, Grosser and Irvine.

Councillors voting in the negative: Councillor Hamilton

The Mayor declared Motion SM20140526.07 CARRIED

Section 91(7) Order

Moved Councillor Westwood that:

12. Extend the current confidentiality order for Agenda Item 17.1 Land Acquisition Opportunity considered at the Council meeting on 7 April 2014 until:
 - 12.1 a contract has been executed by the Council and the Adelaide Polo Club for the sale and purchase of some or all of the Adelaide Polo Club land on Fidler Lane and Council has resolved to proceed to settle the contract; or
 - 12.2 26 February 2015 whichever is the sooner.

13. Pursuant to Section 90 (3) (b)

That having considered Agenda Item 3.1 Strategic Land Acquisition Opportunity in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report inclusive of all attachments, related documents and all minutes be retained in confidence until:

13.1 a contract has been executed by the Council and the Adelaide Polo Club for the sale and purchase of some or all of the Adelaide Polo Club land on Fidler Lane and Council has resolved to proceed to settle the contract; or

13.2 26 February 2015 whichever is the sooner.

Seconded Councillor Heath

CARRIED
SM20140526.08

Councillor Hamilton called for a DIVISION

The Mayor declared the vote set aside.

Councillors voting in the affirmative: Councillors Westwood, Stokes, Campbell, Heath, Corbell, Bettcher, Grosser and Irvine.

Councillors voting in the negative: Councillor Hamilton

The Mayor declared Motion SM20140526.08 CARRIED

MEETING DECLARED CLOSED AT 7.11PM

MAYOR

DATE

17.1 **REPORT TITLE:** **CONFIDENTIAL ITEM: LAND ACQUISITION**
 OPPORTUNITY
 DATE OF MEETING: **7 APRIL 2014**
 FILE NUMBER: **64/005/306**

Section 90 (3) (b) Order

- The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is:

- conducting business; and
- proposing to conduct business; and
- would prejudice the commercial position of the Council

in that the information to be considered includes detailed financial information, the disclosure of which could prejudice the Council's commercial position during negotiations.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.

2. Retain the information presented on 15 April 2013 in confidence for a period as determined in (4) below.
3. Note that a decision to proceed to settlement with the purchase of the polo grounds is to be determined and is to occur at a future

council meeting once all of the necessary information including an independent prudential report has been assembled and considered.

Seconded Councillor Irvine

CARRIED
OM20140407.12

8.54pm Councillor Hamilton entered the chamber and took her chair.

Moved Councillor Westwood

Section 91(7) Order

4. Pursuant to Section 90 (3) (b) & (d)

Having considered Agenda Item 17.1 Land Acquisition Opportunity in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that this council report, and that of 15 April 2013 and related documents and all minutes be retained in confidence until:

- (i) a contract has been executed by the Council and the Adelaide Polo Club for the sale and purchase of the Polo Grounds site on Barker Road and Council has resolved to proceed to settle the contract; or
- (ii) 15 August 2014 whichever is the sooner.

Seconded Councillor Heath

CARRIED
OM20140407.13

MEETING DECLARED CLOSED AT 8.56PM

MAYOR

DATE

82 **CONFIDENTIAL REPORTS**

82.1 **REPORT TITLE:** **CONFIDENTIAL ITEM: LAND ACQUISITION
OPPORTUNITY**
DATE OF MEETING: **15 APRIL 2013**
FILE NUMBER: **64/005/286**

Moved Councillor Bailey that Council:

Section 90 (3) (b) Order

1. **Pursuant to Section 90(3)(b)**

Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the Chief Executive Officer, General Manager Council Services, General Manager Corporate Services, General Manager Infrastructure & Projects and the Acting Executive Assistant to the Mayor and Chief Executive Officer be excluded from attendance at the meeting for the Agenda Item titled Land Acquisition Opportunity.

The Council is satisfied that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person/organisation with whom the Council is:

- conducting business; and
- would prejudice the commercial position of the Council

in that the information to be considered includes financial information, the disclosure of which could prejudice the Council's commercial position during negotiations.

In addition the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in continued non-disclosure of this information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.

Seconded Councillor Irvine and CARRIED.

Moved Councillor Campbell that Council:

2. Authorise the making of a formal offer to the Adelaide Polo Club for the purchase of the land on Barker Road (as shown as Polo Grounds in attachment 1) on the basis set out in attachment 10.
3. In the event that the formal offer from Council is not accepted by the Adelaide Polo Club, authorise the Chief Executive Officer to negotiate with the Adelaide Polo Club to seek to secure the land shown as Polo Grounds in attachment 1 on terms and conditions as close a basis as possible to the content of the formal offer in attachment 10 but in any event for an amount that does not exceed \$10,080,000 being the total offer of \$9,600,000 plus 5%.
4. In the event that the Council offer is accepted or following negotiation under delegated authority by the Chief Executive Officer agreement is reached, authorise the Mayor and Chief Executive Officer to execute a conditional contract for the purchase and sale of the land shown as Polo Grounds in attachment 1 and associated documentation required including authority to apply the Council common seal.
5. Determine that in the event that Council is successful in purchasing the land shown as Polo Grounds in attachment 1 the land shown within the red border line in attachment 11 shall be classified as community land whereas the balance of the Polo Grounds land purchased will be excluded from classification as community land pursuant to the Local Government Act 1999.
6. Note that pursuant to the Local Government Act 1999 a prudential report is required to be prepared and considered at a Council meeting before a Council meeting resolution to proceed to settlement of the land shown as Polo Grounds in attachment 1 can occur.
7. Endorse the application to the State Government for grant funding to contribute to the purchase of portion of the polo grounds site and the development of open space facilities on same (attachment 8).

Seconded Councillor Grosser and CARRIED.

Moved Councillor Westwood

Section 91(7) Order

Pursuant to Section 90 (3) (b) & (d)

8. That having considered the Agenda Item titled Land Acquisition Opportunity in confidence under 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the council report, attachments 1 - 11 inclusive and all minutes be retained in confidence until six months after a contract has been executed by the Council and the Adelaide Polo Club for the sale and purchase of the land shown as Polo Grounds in attachment 1 or 15 April 2014 whichever is the sooner.

Seconded Councillor Campbell and CARRIED.

MEETING DECLARED CLOSED AT 10.19 PM

MAYOR

DATE



Our Ref: 1446248

10 June 2014

PRIVATE & CONFIDENTIAL

Mr David Morton
Manager - Projects
District Council of Mount Barker
6 Dutton Road
Mount Barker SA 5251

Dear Mr Morton

**Re PROPERTY VALUATION ADDENDUM
PORTION OF ALLOTMENTS 103 & 106 BARKER ROAD, MOUNT BARKER, SA**

We have been instructed by Mr David Morton on behalf of the District Council of Mount Barker to assess the Market Value of portion of Allotments 103 & 106 Barker Road, Mount Barker, SA (subject property), for possible acquisition purposes.

Further, we have been advised there are two (2) proposals more particularly described as follows:

- Option 1 - portion of the property comprising a 7.43 hectare parcel located towards the middle of the site and includes two polo sports fields.
- Option 2 - portion of the property comprising Option 1 land plus an additional 0.65 hectares that includes the existing clubhouse improvements.

This valuation advice forms an abridged version of our full report and in this instance have only provided detailed discussion and comments on those issues which have changed since our previous date of valuation. We note that this advice should be read in conjunction with our previous report (dated 16 October 2013) and is subject to the discussion, comments and qualifications contained therein.

We have adopted the date of inspection being 3 June 2014 as the date of valuation.

We confirm that neither the Valuer nor m3property, the firm, have a pecuniary interest that would conflict with a proper valuation of the properties.

m3property (SA)
ABN 84 158 239 377
Level 6/76 Waymouth Street
Adelaide SA 5000
Telephone 08 8212 1755
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Allotments 103 & 106 Barker Road, Mount Barker, SA

We understand that a concise 'letter style' report form is adequate for your purposes and have pleasure in providing our report as follows:

Basis of Valuation

This valuation has been prepared in accordance with the definition of Market Value adopted by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) as set out below:

"Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

General Description

The subject property is currently used as a Polo Club facility and comprises a large parcel of 'residentially' zoned land of 33.58 hectares situated within an attractive, semi-rural setting, having two (2) road frontages, the principal one of which is a large road frontage to Barker Road. The land is of undulating terrain, rising in parts and generally well cleared with two grassed polo sports fields located towards the middle of the site. Building improvements include a modern clubhouse, older stone dwelling and sheds.

There is a substantial high voltage electrical transmission line which bisects the south-western portion of the site, being supported by open web steel truss pylons, with two (2) of these pylons established on the subject property.

The property is situated within the township of Mount Barker, on the southern fringe of residential development some 25 kilometres south-east of the Adelaide GPO.

Sales Evidence

Residential Allotment Sales

In determining individual values for the subject allotments (as if complete), we have had regard to prevailing market values whilst mindful of the likely target market and the characteristics offered by the subject property.

To this end, we have had regard to sales evidence of a variety of allotments of varying sizes within adjoining residential estates. Noting the variety of allotment product that could be offered within the subject estate, we have had regard to sales of varying allotment sizes with a sample of relevant evidence detailed overleaf.



Allotments 103 & 106 Barker Road, Mount Barker, SA

Address	Sale Price	Sale Date	Site Area (m ²)	\$ Rate / m ²
Less than 400m²				
71 Bluestone Drive	\$125,000	April 2014	323	\$387
40 Bluestone Drive	\$125,000	Jan 2014	283	\$438
67 Bluestone Drive	\$125,000	Dec 2013	323	\$387
26 Bradford Street	\$154,950	Dec 2013	400	\$387
Lt 3 Hampden Road	\$150,000	Nov 2013	388	\$386
Less than 600m²				
7 Siding Court	\$198,950	April 2014	560	\$355
12 Siding Court	\$200,750	April 2014	560	\$358
74 Bluestone Drive	\$178,950	Jan 2014	600	\$298
17 Saunders Close	\$169,500	Jan 2014	509	\$335
12 Bentham Court	\$185,000	Dec 2013	600	\$308
88 Bluestone Drive	\$188,500	Nov 2013	600	\$314
29 Douglas Drive	\$190,000	Nov 2013	600	\$317
Above 600m²				
127 Bluestone Drive	\$186,750	Jan 2014	652	\$286
39 Sims Road	\$197,000	Dec 2013	733	\$269
43 Silhouette Street	\$225,750	Dec 2013	658	\$343
11 Hallmark Court	\$220,000	Nov 2013	978	\$225
49 Hurling Drive	\$255,000	Nov 2013	1,212	\$210
37 Sims Road	\$197,000	Oct 2013	733	\$269

Residential Development Land Sales

We are not aware of any major development site sales which are directly comparable to the subject property.

We have, however, considered a range of sales of englobo land parcels throughout the broader regional and Adelaide metropolitan area. There are numerous differences in locational aspects, views, topography and site configuration between the sales and the subject land and as a result, the comparability of the sales to the subject varies quite significantly.

Nonetheless, a sample of such transactions comprising 'residential' zoned land within the outer metropolitan and fringe metropolitan localities over an extended time frame are summarised as follows:

Broad Acre Sales	Sale Price	Sale Date	Descrip	Site Area (ha)	Price (\$/m ²)	Comments
164 Flaxley Road, Mount Barker	\$7,900,000	12.13	Character dwelling with shedding	36.10 ha	\$21.93	An undulating rural living parcel with side road frontage to Newingham Road. Attractive gum studded property albeit with high voltage power lines. No development approval lodged.



Allotments 103 & 106 Barker Road, Mount Barker, SA

Broad Acre Sales	Sale Price	Sale Date	Descrip	Site Area (ha)	Price (\$/m ²)	Comments
Lot 901 and Lot 845 St Andrews Blvd, Normanville	\$2,050,000	11.13	Land	13.89 ha	\$14.76	Two (2) non-contiguous irregular shaped parcels of vacant land offering long term residential development potential. Located within Lady Bay Golf Course with an 'over supply' of vacant allotments.
Lot 101 Sims Rd, Mount Barker	\$11,500,000	06.13	Land	52.66	\$21.83	Undulating parcel, zoned Residential. Sale was subject to an option agreement, with the price set in 2008.
Lots 11 & 202 Williamstown Road, Sandy Creek	\$1,700,000	11.12	One Dwelling to be retained	4.065 ha	\$41.82	A rural living holding with approval to develop 24 lifestyle allotments, to be known as 'Sandy Creek Estate'. Zoned Township.
Lot 69 Hawthorn Rd, Mount Barker	\$4,500,000	11.12	Land	12.70 ha	\$35.43	An undulating parcel, with natural open space requirements, zoned Residential. Sold to Southern Cross Homes for use as an aged care facility.
97 Eckerman Avenue, Gawler South	\$1,360,000	10.12	1984 Dwelling	4.023 ha	\$33.81	A rural living allotment recently rezoned to Residential with an application with adjoining land for a land division. Options to purchase over 2 adjoining parcels for \$3.1m creating a total land area of 12.44 ha to create 135 allotments. Total sale equate to \$35.90/m ²
38 Krieg Road, Gawler Belt	\$2,800,000	07.12	1970 Dwelling & cropping land	31.17 ha	\$8.98	Rectangular shaped parcel located between Roseworthy and Gawler Belt. Zoned Primary Industry although in '30 Year Plan'. Purchased by land developer.
Lot 21 Womma Road, Penfield	\$2,875,000	07.12	Land	7.60 ha	\$36.39	A level, regular shaped residential development site, sold by mortgagee. Zoned Residential.
Lot 742 Chardonnay Drive, Nuriootpa	\$1,100,000	04.12	Vines	5.93 ha	\$18.54	An irregular shaped parcel improved with mature vines purchased with Development Approval for a 60 Lots land division, zoned Residential.
Lot 379 Gawler Rd, Two Wells	\$1,000,000	12.11	Land	3.62 ha	\$27.61	Irregular shaped corner site, fringe township location, zoned Residential with approval for 55 allotments.
26-32 Old Sturt Highway, Nuriootpa	\$456,000	10.11	5H G Land	3.08 ha	\$14.81	A fringe residential site zoned Residential/8, with 17 larger 'township' allotments to be created.



Allotments 103 & 106 Barker Road, Mount Barker, SA

As detailed in the previous above, sales evidence within the fringe and other near metropolitan locations reveals that there has been limited sales activity with regard to broad hectare englobo parcels. Sales that have occurred indicate that sale prices vary considerably although generally range from \$9.00 - \$42 per square metre of site area.

The reduced sales volumes are considered to reflect the prevailing (subdued) economic climate and lack of appetite for such sites. Nonetheless, the sales collectively are considered to provide an indication of market values and trends.

The sales information quoted has been obtained from a number of sources including published sales information provided by the Land Services Group of Department for Planning, Transport and Infrastructure (DPTI) and RP Data Ltd. Whilst we understand the information to be reliable, we are unable to guarantee the accuracy. Where the information has been available to us, we have made appropriate adjustments for GST but the recorded sale prices may include all, a part of, or no GST depending on the circumstances and tax liability of the parties to each transaction.

Valuation Rationale

In considering a value for the land proposed to be acquired (described as Option 1 and 2) by the Mount Barker Council we consider the relevant methodology is to establish the value of the property both **before** and **after** the proposed acquisition. The difference in the two values assessed would then represent the amount applicable to the land owner for any loss in potential value for the land in question.

We note that the proposed land to be acquired under Option 1 and 2 comprises a large portion of the recreation reserve area located towards the middle of the site in the Connor Holmes proposed subdivision plan. There is a requirement to provide 12.5 percent of land proposed for residential development as open space, however we have been advised that Council would likely accept 50 percent of the Electranet easement land as open space, so this would potentially mitigate a requirement to provide additional land as open space, as a result of the loss of Option 1 or 2 land.

In our assessment of value we have adopted the same valuation methodology as detailed in our previous valuation report and we refer you to the discussion and comment contained therein, especially in regard to infrastructure considerations under Section 6.1.

We have adopted the 'residual' value approach, which requires the consideration of a hypothetical development and involves estimating the potential gross realisation from the sale of residential allotments to be created and then deducting all costs associated with such a development including sale commissions, marketing fees, construction costs and interest as well as providing for a profit and risk allowance. We have considered the residual value approach in order to reflect adequate consideration of the potential cost implications of the infrastructure requirements to facilitate development.

We have also had regard to the existing ElectraNet easement albeit subject to its proposed widening to 100 metres, but have ignored the proposed SAPN 10 metre and 26 metre easement options as we understand they are yet to be confirmed.



Allotments 103 & 106 Barker Road, Mount Barker, SA

As a check method, we have also considered the value of the property on a 'direct comparison' basis with sales evidence of residential development sites.

Residual Land Value

In considering the residual valuation approach we have adopted the following general assumptions within the Hill PDA Estate Master Cash Flow Model and noted as follows:

Commencement:	Date of first period: November 2013
Cash flow rest period:	Quarterly
GST:	We have adopted the full GST rate in our modelling Development costs have also been grossed up by the GST rate
Financing:	100% debt financing 8.5% per annum interest rate charge
Performance Hurdle Returns:	25% developer margin 20% discount rate (target)
Sale Rate:	5 allotments per month

The key assumptions and inputs are discussed in more detail as follows:

Gross Realisation

In undertaking our feasibility analysis we have firstly considered the potential yield or number of allotments that may be produced from a subdivision development of the property.

We have been provided with concept plans drafted by Connor Holmes and Alexander Symonds. These concepts indicate a potential yield of 305 and 346 allotments respectively and reflect the proposed increase in width of the existing ElectraNet easement to 100 metres but does not have regard to the proposed SAPN easements.

We note the Alexander Symonds plan provides for relatively small allotments generally in the size of 300 - 400 square metres. We note that typically, the existing recent subdivisions provide for larger allotments of between 450 - 550 square metres and consider that there may be some market resistance to smaller allotments. In this instance we consider that the Connor Holmes plan provides a more marketable development.

We note that the Connor Holmes plan provides for an allotment yield of 9.1 allotments per hectare, which appears low when compared to more typical residential developments that are achieving yields of around 10 - 15 allotments per hectare. The subject land however has large areas of land affected by the transmission line easement and wet land area, which reduces the developable land significantly. The allotment sizes in the Connor Holmes plan range from 270 - 3,350 square metres with some of those allotments above 1,000 square metres comprising potential medium density sites.

For the single dwelling sites we have adopted allotment prices ranging from \$129,000 - \$234,000 depending on the size, site configuration and location characteristics. Since our previous valuation we have increased prices for some of the larger allotments above 500 square metres in line with more recent market evidence.



Allotments 103 & 106 Barker Road, Mount Barker, SA

In regard to the larger parcels we have valued these on a rate per square metre of site area generally between \$200 - \$300 per square metre. For those allotments which abut the ElectraNet easement we have discounted prices by between 5% - 12% depending on the location of the allotment.

Option 1 – Acquire 7.43 hectares

We note that the proposed land to be acquired comprises portion of the proposed wetland area and housing allotments as detailed on the Connor Holmes plan. The loss of this land would therefore have a lower impact in terms of affecting the potential reduction in the gross realisation from sales of allotments from the development due to the wetland component.

We have estimated that the acquisition of the land under Option 1 would reduce the number of allotments that could be subdivided from 305 down to 240.

Option 2 – Acquire 8.08 hectares

We note that under this option an additional 0.65 hectares is to be acquired that would comprise land for the existing club house facility. We have estimated an additional 8 allotments would be affected which would reduce the potential number of allotments to 232.

In regard to the existing clubroom building improvements on the property, we consider that the 'highest and best' use of the land would be for residential development which would be much greater than the value of the land based on its existing use for recreational and clubroom purposes. We have therefore not ascribed any added value for these improvements.

Cost of Sales

We have allowed for Agents selling fees of 2.75% for the residential allotments (of Gross Realisation). Marketing costs of approximately 3.50% of sales have also been included.

Profit and Risk

In determining a development margin (profit and risk) a developer would expect for the project we have taken into account the size and nature of the development, time frame of construction and gross realisation calculation.

The determination of development margins (profit and risk factors) is a difficult process, especially in the course of providing an objective evaluation of a proposed development. Influences on such rates of return are many and varied, with the pertinent factors summarised as follows:

- The nature of the proposed development including amongst others, the specific market segment the end-product is targeting, demand and supply trends in that market and the size and scale of the development.
- Degree of confidence in the end-user market which encompasses the pricing of the end-product to meet the market, the timing of on-selling individual lots on completion and the costs associated with the project.
- The likelihood of potential problems during construction with issues including and not limited to industrial disputation, adverse weather conditions and unforeseen cost blowouts.
- Rates of return currently available on less risky, alternative investments.



Allotments 103 & 106 Barker Road, Mount Barker, SA

- The timing of the development, particularly in relation to development margins, which are not annual returns but represent overall returns over the whole period.
- The inclusion of adequate contingencies in the development costs which form part of the evaluation.
- The reasonableness of input assumptions made in respect to issues such as pricing, sales rates, cost of funds and timing of costs and revenues.
- The specific financial position and return criteria of the developer. Depending on factors such as the cost structure of the developer, its taxation position, its capacity to negotiate building contracts effectively and its on-site management style which should ensure an efficient development process, the requisite rates of return can vary accordingly.

Selling & Development Period

We note that there is a substantial supply of developable residential zoned land in the DPA area and that the largest residential development in Mount Barker, Bluestone is located adjacent to the Property. The developers of Bluestone currently have a further 650 allotments approved/under application representing some 7 - 11 years supply based on current allotment sales rates alone.

We also note the recent application to subdivide the land on the western side of Barker Road, opposite the subject property.

Given the substantial competition in the area, we have again assumed a long term selling average of five (5) allotments per month for the subject development, as adopted in our previous report, given the population growth of the district, but tempered by the large potential supply of developable land in the DPA area.

We have allowed the following development and selling periods together with a lagged period to allow for planning / preliminaries etc, which has been used to calculate the interest expense on the project.

Period Analysis	Development & Selling Period
Construction Period	5 years from month 27
Selling Period	5 years from month 30

Development costs 'as is'

We adopted the estimated development costs for a hypothetical development as detailed in our previous report with the exception of those amended rates for the Transport Levy, SA Water Augmentation, Sewer Levy and Recreation Levy as advised by the Mount Barker Council. The cost item for allotment construction has been increased by \$2,000 per allotment to cover potential additional costs to engineer the existing sports field area that has been filled, to make it suitable for residential development.



Allotments 103 & 106 Barker Road, Mount Barker, SA

These cost estimates are noted overleaf as follows:

Item	Quantity	Rate (GST Exc)	Amount Ex GST
Allotment construction	305	\$42,000	\$12,810,000
Transport Levy	25	\$51,890	\$1,297,250
Connector Road	1	\$2,000,000	\$2,000,000
SAPN Augmentation	305	\$1,500	\$457,500
Wetland/Detention Basin	1	\$500,000	\$500,000
SA Water Augmentation	305	\$6,300	\$1,921,500
Sewer Levy	305	\$6,500	\$1,982,500
Entry Statement	1	\$400,000	\$400,000
Recreation, Sport & Community Levy	305	\$1,420	\$433,100
Total			\$21,801,850

NB The above cost estimates are based on the 'as is' valuation approach with a development of 305 allotments. For Option 1 and 2 scenarios we have made adjustments to the relevant cost amounts based on the reduced number of estimated allotments and that the engineered fill allowance would not be required.

We would caution that we have not been provided with formal costings for the subdivision development. There may also be variations in the cost of other services including electricity augmentation.

In addition, a formal subdivision plan has not yet been considered or approved by Council. Accordingly, there may be additional requirements on the development which may impact on the total cost of the project. We have estimated some of the above development costs for valuation purposes only.

Goods & Services Tax

Our valuation herein comprises the gross realisation which is quoted inclusive of GST. All development costs include GST in order to allow for the calculation of input credits.

Before and After Valuation

Based on the above assumptions and a profit and risk factor of 25% our financial modelling determines the following value levels.

Before & After Valuation Scenario	Value Determined
Before acquisition valuation	\$9,200,000
Option 1 – Value after acquisition of 7.43 hectares	\$7,700,000
Option 2 – Value after acquisition of 8.08 hectares	\$7,400,000

Direct Comparison Approach 'As Is'

We have also considered the value of the property on a 'direct comparison' approach by comparing it to sales evidence of englobo parcels of land which have development potential for residential subdivision.



Allotments 103 & 106 Barker Road, Mount Barker, SA

A perusal of the 'broad acre' sales evidence noted previously indicates that land holdings suitable for short term residential development have more recently achieved quantum sale prices at price levels ranging broadly from between \$456,000 and \$11,500,000 which equate to price levels ranging from between \$9 - \$42 per square metre of site area, albeit with the major proportion occurring within the \$15 - \$40 per square metre price range.

The most recent sale of note since our previous report within the Mount Barker environs is the property at 164 Flaxley Road, Mount Barker sold in December 2013 and has secondary frontage to Newenham Road. The property is of similar proportions to the subject at 36.10 hectares and whilst it is located in an attractive rural setting on the periphery of the Mount Baker township, it is bisected by high voltage power lines and a watercourse. It is zoned Residential Neighbourhood but is likely to be more of a longer term development proposition than the subject given its location. The sale price of \$7,900,000 reflected a rate \$22 per square metre of site area and is considered to be inferior to that of the subject land given the likely timing of development.

As noted in our previous report, after consideration of the sales evidence, we determined a value level of between \$25 - \$30 per square metre of site area which deduced a potential value range (rounded) of between **\$8,400,000 - \$10,000,000**. The 'before' acquisition value of \$8,800,000 is within this range and therefore considered reasonable.

Value Determined for Loss of Land

By deduction the value of the land to be acquired under the two proposed options is noted as follows:

Option	Value Determined
Option 1 – Acquisition of 7.43 hectares	\$1,500,000
Option 2 – Acquisition of 8.08 hectares	\$1,800,000

A copy of our Estate Master calculations are attached to this letter.

Finally, and in accordance with our normal practice, we confirm that this letter is confidential to the District Council of Mount Barker for financial reporting purposes only. No responsibility is accepted to any third party and neither the whole of the letter or any part or reference thereto, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.


Yours sincerely
m3property (SA)

Simon Hickin B App Sc (Val) FAPI
Certified Practising Valuer/Director

Liability limited by a scheme approved under Professional Standards Legislation

Email: simon.hickin@m3property.com.au

Enclosure

EstateMaster  DEVELOPMENT FEASIBILITY		1	4	5	TOTAL				
		Polo Club	After Loss of Centre Land	After Loss of Centre Land & Club House					
Summary of Stages and Consolidated Project		Existing ElectraNet easement only	As Is Existing Easements	As Is Existing Easements					
Polo Club		305, Allotments	240, Allotments	232, Allotments					
		335,880, SqM	261,580, SqM	255,080, SqM					
Estate Master Licensed to: M3 Property		Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review					
REVENUE									
Gross Sales Revenue		58,172,040	46,798,080	45,238,144	150,208,264				
Less Selling Costs		(5,279,113)	(4,246,926)	(4,105,362)	(13,631,400)				
Less Purchasers Costs		-	-	-	-				
NET SALES REVENUE		52,892,927	42,551,154	41,132,782	136,576,864				
Gross Rental Income		-	-	-	-				
Less Outgoings & Vacancies		-	-	-	-				
Less Letting Fees		-	-	-	-				
Less Incentives (Rent Free and Fit Out Costs)		-	-	-	-				
Less Other Leasing Costs		-	-	-	-				
NET RENTAL INCOME		-	-	-	-				
Interest Received		-	-	-	-				
Other Income		-	-	-	-				
TOTAL REVENUE (before GST paid)		52,892,927	42,551,154	41,132,782	136,576,864				
Less GST paid on all Revenue		(5,288,367)	(4,254,371)	(4,112,559)	(13,655,297)				
TOTAL REVENUE (after GST paid)		47,604,560	38,296,783	37,020,224	122,921,567				
COSTS									
Land Purchase Cost		10,165,786	8,511,536	8,122,654	26,799,976				
Land Acquisition Costs		756,264	632,195	603,029	1,991,488				
Construction (inc. Construct. Contingency)		23,591,635	19,019,855	18,539,759	61,151,249				
Professional Fees		2,239,624	1,801,726	1,741,669	5,783,018				
Statutory Fees		-	-	-	-				
Miscellaneous Costs 1		-	-	-	-				
Miscellaneous Costs 2		-	-	-	-				
Miscellaneous Costs 3		-	-	-	-				
Project Contingency (Reserve)		-	-	-	-				
Land Holding Costs		1,067,500	744,000	719,200	2,530,700				
Pre-Sale Commissions		-	-	-	-				
Finance Charges (inc. Line Fees)		25,000	25,000	25,000	75,000				
Interest Expense		3,558,974	2,615,070	2,489,835	8,663,879				
TOTAL COSTS (before GST reclaimed)		41,404,782	33,349,383	32,241,146	106,995,310				
Less GST reclaimed		(3,415,952)	(2,788,934)	(2,700,209)	(8,905,095)				
Plus Corporate Tax		-	-	-	-				
TOTAL COSTS (after GST reclaimed)		37,988,830	30,560,449	29,540,937	98,090,215				
PERFORMANCE INDICATORS									
¹ Gross Development Profit		9,615,730	7,736,335	7,479,287	24,831,352				
² Net Developer's Profit after Profit Share		9,615,730	7,736,335	7,479,287	24,831,352				
³ Development Margin (Profit/Risk Margin)		25.00%	25.00%	25.00%	25.00%				
Target Development Margin		25.00%	25.00%	25.00%					
⁴ Residual Land Value (Target Margin)		9,241,623	7,737,760	7,384,231	24,363,614				
⁵ Breakeven Date for Cumulative Cash Flow		Aug-2019	Jun-2019	Jun-2019	Aug-2019				
Discount Rate (Target IRR)		20.07%	21.91%	22.06%					
Net Present Value	@ Start of Stage	-	-	-					
Date of Commencement		Nov-13	Jun-14	Jun-14					
Holding Discount Rate	10.00%								
⁷ NPV at Start of Consolidated Cash Flow		-	-	-	-				
⁸ Benefit Cost Ratio		1,000	1,000	1,000					
⁹ Project Internal Rate of Return (IRR)		20.07%	21.91%	22.06%	21.17%				
¹⁰ Residual Land Value (NPV)	@ Start of Stage	9,241,623	7,737,760	7,384,231	24,363,614				
Peak Debt Exposure		12,997,772	10,953,227	10,468,397	21,421,624				
Date of Peak Debt Exposure		Feb-2016	Sep-2016	Sep-2016	Jun-2019				
¹¹ Breakeven Date for Project Overdraft		Aug-2019	Jun-2019	Jun-2019					
Total Equity Contribution		-	-	-	-				
Peak Equity Exposure		-	-	-	-				
Date of Peak Equity Exposure		N.A.	N.A.	N.A.	Jan-1900				
¹² IRR on Equity		N.A.	N.A.	N.A.	#NUM!				
Weighted Average Cost of Capital (WACC)		8.50%	8.50%	8.50%					
YIELD ANALYSIS		Qty	Area	Qty	Area	Qty	Area	Qty	Area
SALES			SqM		SqM		SqM		SqM
Residential Allotments		305	0	240	0	232	0	777	0
TOTAL		305	0	240	0	232	0	777	0
TENANCIES			SqM		SqM		SqM		SqM
TOTAL			0		0		0		0
Footnotes (based on current Preferences):									
1. Development Profit: is total revenue less total cost including interest paid and received									
2. Developer's Net Profit after distribution of profit share.									
3. Development Margin: is profit divided by total costs (exc selling & leasing costs)									
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.									
5. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).									
6. Net Present Value: is the project's cash flow stream discounted to present value. It excludes all financing costs, interest and corp tax.									
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.									
8. Benefit:Cost Ratio: is the ratio of discounted incomes to discounted costs and excludes all financing costs, interest and corp tax.									
9. Internal Rate of Return: is the discount rate where the NPV above equals Zero.									
10. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.									
11. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.									
12. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.									

Attachment 3 to Item 3.2

Development No. /
DC of Mount Barker

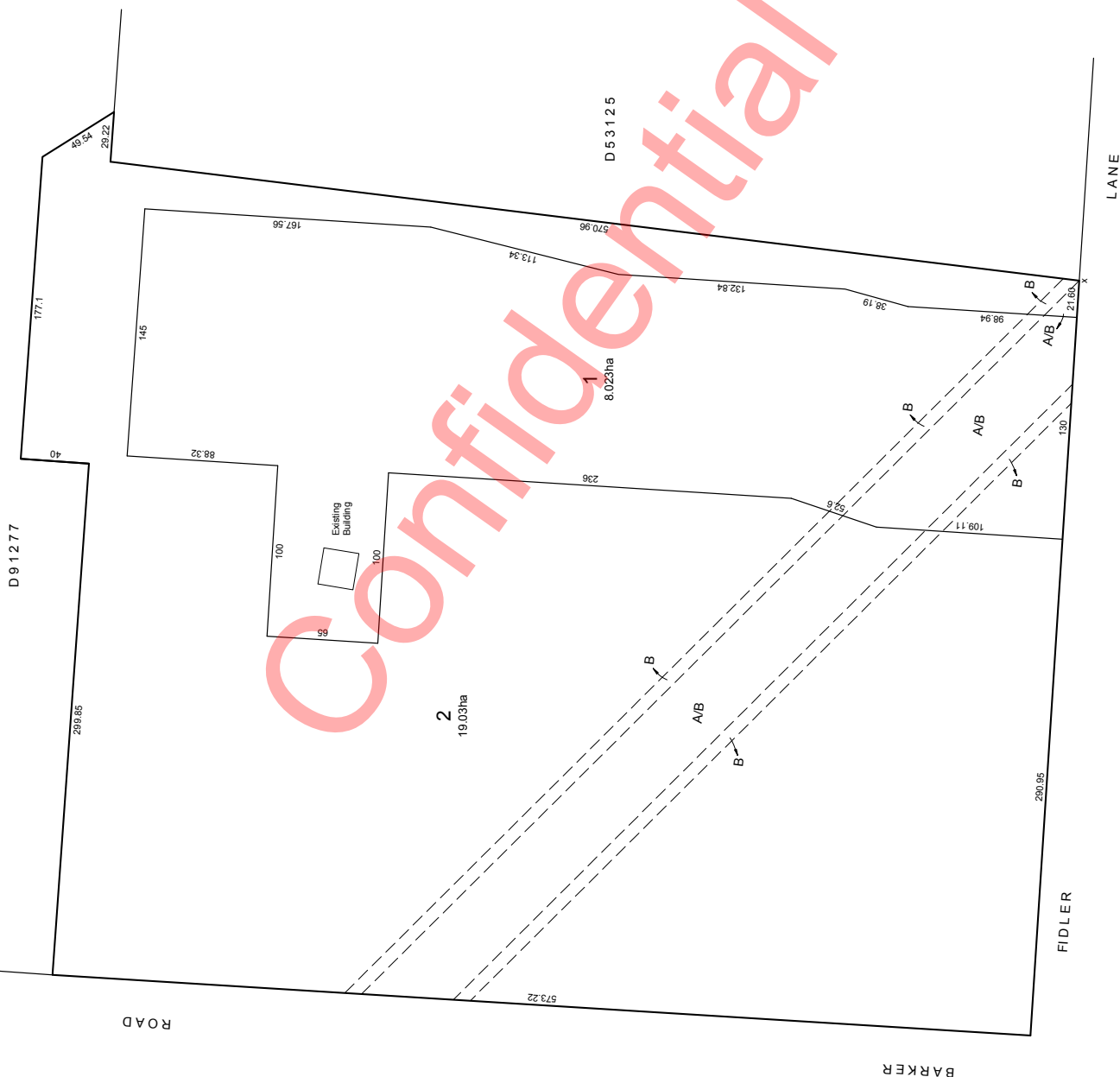
Proposed Plan of Division
Allotments 103 and 106 in DP S3125
in the area named
MOUNT BARKER
CST 5807/441, 5807/443



EASEMENTS
A Existing Electranet
B Existing Electranet

Dimensions and areas are subject to survey.

S ALEXANDER & SYMONDS PTY. LTD. Original Sheet Size B2	
REF: A056512.0000	LICENSED SURVEYOR
DWG NO.: A056512PROP2(B)	
REVISION: B	
RHF: 16/06/2014	
Alexander & Symonds Pty Ltd 100 Kent Town Road, Kent Town, South Australia 5067 PO Box 1000 Kent Town, SA 5071 DA 259 ABN 53007 753 986 T (08) 8130 1666 F (08) 8130 0099 W alexanderandsymonds.com.au E alexander@alexanderandsymonds.com.au + Property + Land Development + + Construction + Mining + + Spatial Information Management +	



**District Council of Mount Barker
Adelaide Polo Club Grounds**



Map Zoom: 1.284 km
Map Scale: 1:3,317
Created on: Monday, 24 March 2014 By: advanced

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