



CONFIDENTIAL STRATEGIC PLANNING COMMITTEE MEETING

CONFIDENTIAL MATTERS

8.1	Northern CBD Project Stage 1 Prudential Review - Phase 1 Endorsement (Attachment)	3
-----	--	---

8.1 NORTHERN CBD PROJECT STAGE 1 PRUDENTIAL REVIEW - PHASE 1 ENDORSEMENT

Contact Person: Mr James Pollock

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (b) of the Local Government Act 1999, this matter is confidential because information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council.

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER**8.1 NORTHERN CBD PROJECT STAGE 1 PRUDENTIAL REVIEW - PHASE 1 ENDORSEMENT**

See Attachment No: 1. Northern CBD Stage 1 Prudential Report

Why is this matter before the Council or Committee?

Matters which cannot be delegated to a Committee or Staff.

Purpose

For Council to endorse the prudential review of the Northern CBD Project, and to approve commencement of Phase 1 infrastructure, services, Prince George Plaza and streetscapes, creating allotments ready for multi-storey mixed-use development.

STAFF RECOMMENDATION

1. Council receive the Prudential Report (Attachment 1) prepared by BRM Holdich for the Northern CBD Project Stage 1, pursuant to Section 48(2) of the Local Government Act 1999.
2. Council endorse Phase 1 of the project to commence, being the construction of infrastructure, services, Prince George Plaza and streetscapes, creating allotments ready for multi-storey mixed-use development. The impact of which is a commitment of \$2,406,000 (equivalent to \$370,000 operating) in the 2016/2017 budget.

Relevance to Strategic Plan

Strategy 3. Elizabeth, Adelaide's northern CBD
Outcome 3.1 Provision of CBD facilities and services

Relevance to Public Consultation Policy

There is no need for Council to undertake public consultation for this matter.

Background

Repositioning Elizabeth as the CBD of the north will significantly improve the wellbeing of residents in northern Adelaide by increasing services, economic diversity, and housing choice.

The Northern CBD lighthouse project will initiate the transformation of the Elizabeth Regional Centre from a car dominated shopping centre to a contemporary, environmentally sustainable metropolis, providing a full range of services as the CBD of the North. The project is also a catalyst for the Urban Renewal lighthouse project and if successful the increase in land value in the Northern CBD will have a flow on effect in the surrounding suburbs stimulating private investment. Phase 1 of the project will begin this transformation by transforming under used land south of the Civic Centre into a site ready for urban development.

The Playford Community Vision 2043, and 5 year Strategic Plan set the strategic vision for the Northern CBD Project. For the last two years Council staff has worked with experts and the development industry to determine the best way of achieving this vision.

The expression of interest process undertaken in 2014 and other feedback from the industry has shaped our current approach to deliver Phase 1 infrastructure, services, Prince George Plaza and streetscapes, creating allotments ready for multi-storey mixed-use development. Council was successful in its bid for \$2.75m from the Commonwealth Government through the Nation Stronger Regions Fund to provide 50% of the cost of these works.

Section 48 of the Local Government Act 1999 requires that Council has an independent Prudential Review undertaken for projects that are likely to exceed \$4m.

Analysis of Issues

Prudential Review

BRM Holdich has undertaken a Prudential Review (Attachment 1) for the Northern CBD Project Stage 1 in accordance with the Local Government Act 1999. The report covers Council's big ticket items in the project divided into three distinct phases:

Phase 1 – Infrastructure.

Phase 2 – The Grenville Centre redevelopment.

Phase 3 – The multi-deck car park.

The Prudential report is an independent analysis of the project, and looks at the project from a commercial standpoint.

As defined in Section 48(2) of the Local Government Act 1999, the following legislative requirements have been addressed in the Prudential Report (Attachment 1) prepared by BRM Holdich:

- (a) The relationship between the project and relevant strategic management plans;
- (b) the objectives of the Development Plan in the area where the project is to occur;
- (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
- (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
- (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
- (i) the most appropriate mechanisms or arrangements for carrying out the project.

With regard to the above legislative requirements, the findings and conclusions of the Prudential Report are summarised below;

- a) The Northern CBD Project Stage 1 is in line with the Playford Community Vision and the Strategic Plan.
- b) The Northern CBD Project Stage 1 is consistent with the principles of development control for the zones.
- c) The economic activity from the Northern CBD project Stage 1 is expected to generate an increase in economic output of over \$101 million from the investment of \$46 million. The Project will also have an impact of up to 261 jobs through direct, industrial and consumption effects. The Project will not impact on related businesses nor will it hinder competition.
- d) Community consultation for the Northern CBD Project Stage 1 has been undertaken as part of the Playford Strategic and Annual Business Planning processes and as such, the community has had the opportunity to influence the project. The community will be afforded further opportunities to do so during the development assessment process.
- e) Stage 1 of the Northern CBD Project is expected to generate a rates income commencing at approximately \$0.108 million per annum.
- f) Council's Asset Management Plan will need to be updated to reflect the increased value and operating costs of the Grenville Community Centre and multi-deck car park. The increase in recurrent cost is estimated to be \$3.2 million over a 10 year period.
- g) Based on the 2015/16 Long Term Financial Plan, it is expected that Playford will remain within target ranges relating to financial sustainability indicators for the Operating Surplus and the Operating Surplus Ratio.
- h) A high level risk assessment has been undertaken in accordance with the Playford Policy to identify any risks associated with the Northern CBD project. The risk register should be updated progressively as the project is implemented.
- i) Playford has identified and implemented appropriate procurement arrangements for the Northern CBD Project Stage 1 consistent with the Playford Procurement Policy.

Phase 1

After considering advice from consultants, industry experts and the Department of Planning, Transport and Infrastructure (DPTI) Council staff have refined the concept plan to the point that it is now ready to be documented for construction. A consultant has been engaged to undertake this detailed documentation ready for construction.

A decision to endorse Phase 1 will commit Council to approving the Northern CBD budget bid for 2016/2017 for \$2,406,000 (equivalent of \$370,000 operating). These funds are required to match the Commonwealth National Stronger Regions Funding as some of the funds from 2015/2016 were used to purchase land.

It is anticipated that Phase 1 works will commence mid 2016 with an estimated six month construction period.

Phase 2 and 3

Given the level of investment required by Council to meet the full potential of the project, a decision was made to break the project into its three distinct phases and programme over a five year period. 'Phase 2 - Grenville Centre redevelopment' and 'Phase 3 - multi-deck car park' are included in the Prudential Review and in capital expenditure forecasts, however it was considered prudent to give Council the opportunity to consider whether to approve each phase progressively. Future budget bids and resolutions will be sought from Council for these phases.

Options

Option 1

1. Council receive the Prudential Report (Attachment 1) prepared by BRM Holdich for the Northern CBD Project Stage 1, pursuant to Section 48(2) of the Local Government Act 1999.
2. Council endorse Phase 1 of the project to commence, being the construction of infrastructure, services, Prince George Plaza and streetscapes, creating allotments ready for multi-storey mixed-use development. The impact of which is a commitment of \$2,406,000 (equivalent to \$370,000 operating) in the 2016/2017 budget.

Option 2

1. Council does not accept the Prudential Review for the Northern CBD Project.
2. Council does not endorse Phase 1 to commence.

Analysis of Options

Option 1

This option will mean that Council accepts the favourable independent Prudential Review for Council's planned contributions to the Northern CBD Project. It will "green light" Phase 1 of the project being the construction of infrastructure, services, Prince George Plaza and streetscapes, creating allotments ready for multi-storey mixed-use development, to commence.

A future resolution and funding is required from Council to 'green light' Phase 2 Grenville Centre Redevelopment and Phase 3 – Multi-deck car park.

Option 2

This option will mean that Council does not support the current direction of the project and wishes to provide an alternative direction for the project.

Financial Implications

The Prudential Report (Attachment 1) provides a detailed assessment of the financial implications of the project for Council. Most immediately the endorsement of Phase 1 will commit Council to the Northern CBD budget bid for 2016/2017 of \$2,406,000 (equivalent to \$370,000 operating). Future resolutions and budget bids will be required to fund Phase 2 - Grenville Centre redevelopment and Phase 3 – multi-deck car park.

Preferred Options and Justification

Option 1 is the preferred option because it will recognise the independent Prudential Review supporting the overall Northern CBD Project, and it will 'green light' Phase 1 to commence.

City of Playford
Section 48 Prudential Report
Playford CBD Project Stage
One



February 2016





Disclaimer: This document is for the exclusive use of the person named on the front of this document ('**Recipient**'). This document must not be relied upon by any person who is not the Recipient. BRM Holdich does not take responsibility for any loss, damage or injury caused by use, misuse or misinterpretation of the information in this document by any person who is not the Recipient. This document may not be reproduced in whole or in part without permission.

Liability limited by a scheme approved under Professional Standards Legislation.

BRM HOLDICH
BUSINESS RESOURCE MANAGEMENT

Level 8, 420 King William Street, Adelaide SA 5000
Tel 08 8168 8400 Fax: 08 8168 8499

ABN: 79 392 957 230

Table of Contents

EXECUTIVE SUMMARY	I
1. INTRODUCTION	1
1.1 Background.....	1
1.2 Rationale	3
1.3 The Project	3
1.4 Legal Framework and Prudential Issues	3
2. RELATIONSHIP WITH RELEVANT STRATEGIC MANAGEMENT PLANS	6
2.1 Relevant Strategic Management Plans.....	6
2.2 Playford Community Vision	6
2.3 City of Playford Strategic Plan.....	7
2.4 Playford Annual Business Plan and Budget.....	8
2.5 Playford Long Term Financial Plan	8
2.6 Playford Asset Management Plan.....	10
2.7 Regional Objectives.....	12
2.8 South Australian State Objectives.....	12
2.9 National Objectives	13
3. OBJECTIVES OF THE DEVELOPMENT PLAN.....	14
3.1 Development Approval.....	14
3.2 Development Zone.....	14
3.3 Approving Authority.....	15
4. ECONOMIC DEVELOPMENT	17
4.1 Contribution to Economic Development.....	17
4.2 CBD of the North Development Overall Impact	18
4.3 Impact of Infrastructure Works	19
4.4 Impact of Grenville Centre Mixed-Use Development.....	20
4.5 Impact of Playford CBD Project: Stage One	21
4.6 Impact on Business in the Proximity	21
4.7 Fair Competition	22
5. COMMUNITY CONSULTATION.....	23
5.1 Level of consultation	23
5.2 Community Influence and Contribution	24
6. FINANCIAL ASSESSMENT	25
6.1 Revenue Production, Revenue Projections and Potential Financial Risks	25
6.2 Recurrent and Whole of Life Costs, Financial Arrangements	26
6.3 Financial Viability	28
6.4 Reliability of assumptions.....	29
7. PROJECT RISKS AND MITIGATION STRATEGIES	30
7.1 Risk Management	30
7.2 Risk Mitigation	31
8. PROJECT DELIVERY	32
8.1 Overview.....	32
8.2 Construction Works.....	32
8.3 Procurement Implications	32
9. CONCLUSION.....	34
ATTACHMENT ONE: CBD OF THE NORTH	36
ATTACHMENT TWO: PLAYFORD CBD PROJECT: STAGE ONE	38
ATTACHMENT THREE: NORTHERN CBD DEVELOPMENT COSTS – ASSUMPTIONS	39
ATTACHMENT FOUR: LOCAL GOVERNMENT ACT, 1999 – SECTION 48	42

EXECUTIVE SUMMARY

The following report has been prepared in accordance with Section 48 of the Local Government Act which requires a council to consider a report addressing the prudential issues set out in subsection 2 of the Act before engaging in a project where the expected capital cost over the ensuing five years is likely to exceed \$4 million.

The creation of a CBD of the North is the overarching project to establish Elizabeth as South Australia's second CBD. This is to be initiated through the Playford CBD Project: Stage One which has three Phases. Phase One involves the creation of the land sub-division into allotments and the development of the infrastructure to support the CBD; Phase Two is the construction of a new Grenville Community Centre, 987m² of commercial space and 60 community housing apartments; and Phase Three is the construction of a multi-deck carpark, to be undertaken by Council and the private sector. This Stage has an estimated overall cost to Playford of \$14.748 million and is estimated to involve a total investment by the public and private sectors of \$46.168 million.

The CBD of the North along with a number of other projects are seen as pivotal in enhancing the profile and vibrancy of the City of Playford, attracting greater commercial investment, expanding the range of services and facilities available within the City and enhancing job opportunities for the northern Adelaide community.

Relationship with Strategic Management Plans

The Playford CBD Project: Stage One is consistent with the Playford Community Vision 2043 and the Strategic Plan, it is specifically identified as a Lighthouse Project for Strategy 3 within the Strategic Plan. The Playford CBD Project: Stage One would also assist to advance a number of the state priorities and targets. The support of the Commonwealth Government has been tangible in the form of a \$2.752 million grant received under the National Stronger Regions Fund.

The Annual Business Plan and Budget 2015/16 has made provision for the concept Design works for the Playford CBD Project: Stage One and to undertake the identified infrastructure upgrades, this provision is sufficient to meet the matching requirements of the Commonwealth grant. However, the overall Project is reliant upon securing external investment and additional grant funding before it proceeds beyond the creation of the infrastructure, once this has occurred the Long Term Financial Plan may require amendment to ensure any change in the operating cost base of Council is fully provided for.

The asset value of the existing Grenville Community Centre and the projected future maintenance costs are included in the Playford Asset Management Plan - Council Owned Buildings. These provisions will need to be increased by \$3.219 million to reflect the increase in costs for the new Grenville Community Centre, once the Playford CBD Project: Stage One is funded to be undertaken. Furthermore, a number of Asset Management Plans will need to be updated to reflect the total investment including Phases One and Three.

Objectives of the Development Plan

The Playford CBD Project: Stage One is located in the Regional Centre Zone. The form of development is generally consistent with the objectives, identified land use and principles of development control for the Zones.

Development should be referred to the Development Assessment Commission for approval under the Playford Development Plan.

Contribution to Economic Development

The Playford CBD Project: Stage One is the foundation of a vibrant CBD of the North, it is expected to provide a positive contribution to economic development in the local area through the associated construction activity, the increase in capacity for the region through the provision of high quality office and retail space which is currently considered to be lacking; and potential on-going employment opportunities arising from the increase in capacity for white collar and retail positions in the development.

The economic activity from the construction phase of the Playford CBD Project: Stage One is forecast to have a positive economic impact in the region, generating an increase in economic output of over \$101.657 million from the estimated total investment of \$46.168 million. The Project is estimated to have an impact of up to 261 jobs through direct, industrial and consumption effects.

The Project will not impact on related businesses in the area nor will it hinder competition.

The CBD of the North Project, in total, is expected to have a much greater economic impact with the estimated \$130.0 million in construction activity forecast to have a total effect on output of \$287.607 million and to underpin 743 jobs.

Community Consultation

Consultation on the Playford CBD Project: Stage One has been undertaken within the consultation for the CBD of the North Project as part of the Playford Strategic and Annual Business planning processes. The community is therefore considered to have been provided with the opportunity to influence the Playford CBD Project: Stage One and will be afforded further opportunities to do so during the development assessment process. The decision to lodge an application for grant funding under the National Stronger Regions Fund is not an activity that requires community consultation under the Playford Public Consultation Policy.

Financial Issues

Project revenue is expected to come from Commonwealth government grants; Council rates raised on the developed precinct and land sales.

Playford has secured \$2.752 million from the National Stronger Regions Fund.

Subject to the final form of development from the Playford CBD Project: Stage One, including the amount of community housing involved, rates income is expected to increase by over \$0.108 million per annum, with further increases likely as land which is sold by Council is developed. A portion of this increase in rate revenue will be applied to Commercial Rating Strategy reductions. It should be noted that if there is any community housing as part of the development the projected rates income will decrease due to the application of concessionary rates.

Phase One of Stage One is forecast to have a positive whole of life impact on the likely and best case scenarios due predominantly to the sale of land, which also acts as a catalyst for future development.

Phases Two and Three are also forecast to have a positive impact on a whole of life basis on the likely and best case scenarios provided the allotments are developed and additional rates revenue is generated.

Council has the power to determine whether to proceed with these Phases or not at a later date. However, it is acknowledged that these Phases are collectively a catalyst for a much greater level of economic activity in the region through the CBD of the North Project.

Financial assumptions are consistent with existing costs, the LTFP, the Commercial Rating Strategy and Council's accounting policies and are considered reliable. The exception relates to the assumptions on the timing and amount of revenue generated from land sales (currently estimated at \$8.768 million) which do not have the same level of certainty.

Risk Issues

Playford have prepared a risk assessment for the Playford CBD Project: Stage One using the Playford Risk Assessment template. A total of 76 risks were identified and assessed, for the infrastructure component of the Project and the Grenville Centre Redevelopment.

A risk owner has been assigned to each risk and mitigation strategies have been identified and documented for all of the risks.

Playford should ensure that the mitigation strategies identified for the risks associated with the Playford CBD Project: Stage One are implemented and that these are progressively updated as the Project is implemented.

The Project Manager should review and update the project risk register at least monthly and provide a status report to the Playford Executive at least quarterly.

Project Delivery

The infrastructure works are expected to be delivered through an Open Tender process which, given the value of the works involved, is consistent with the Playford Procurement Policy.

The delivery mechanism for the works involved in the Grenville Centre mixed-use development, which forms part of the Playford CBD Project: Stage One, has yet to be determined. It is likely that these will be delivered through third party investment either through a government agency or a developer.

If the works are to be delivered by a third party, Playford should ensure it receives 'value for money' from the process and any agreements for the development are entered into consistent with the provisions of the Playford Procurement Policy.

City of Playford
Playford CBD Project Stage One – Section 48 Report



1. INTRODUCTION

1.1 Background

- 1.1.1 The South Australian Government 30 Year Plan for Greater Adelaide designates Elizabeth as Adelaide's northern CBD and a Regional Activity Centre.
- 1.1.2 The City of Playford (Playford) has committed to ensuring that Elizabeth will secure its place as the CBD of the North: the place to go for retail, arts and entertainment, commerce, government and social services, sport, health, education and training. This concept was endorsed by Council on 27 August 2013.
- 1.1.3 The proposed development of a northern CBD is intended to provide tertiary level commercial, retail, recreation, social and health services and facilities. This development will assist to enhance the image and reputation of Playford by capitalising on the growth and renewal to make the City an attractive and happy place to live, work and play.
- 1.1.4 The concept designs include high density, multi-storey buildings incorporating hotels, convention and major events facilities, serviced and residential apartments, office space and people friendly streets.
- 1.1.5 This development will assist to transform the Elizabeth Regional Centre from that which is predominantly single use and car dominated, into a mixed use, vibrant, transit oriented development.
- 1.1.6 The total investment associated with the transformation of a northern CBD has been estimated at \$130 million, comprised as follows.
 - 1.1.6.1 The indicative construction cost has been estimated at over \$124 million, excluding land and utility services.
 - 1.1.6.2 Playford expects to spend \$5.505 million over the next 12 months on upgrading Playford Boulevard, building a new service road, providing services to the 12 mixed use allotments and constructing the new public plaza which form part of the overall land parcel.
 - 1.1.6.3 The northern CBD development consists of 12 allotments, with a total area of over 21,500m², as shown in Attachment One.
- 1.1.7 Given the scale of the overall project, development is expected to occur over a number of years with the development of Stage One to occur in three Phases as shown in Attachment Two. The indicative development and staging follows.
- 1.1.8 Phase One: Civil and Infrastructure
 - 1.1.8.1 To ensure that private investment can be attracted to the northern CBD, Playford will need to invest in the delivery of the underpinning essential infrastructure and services to the site. This includes the creation of new roads and improved streetscapes, enhanced civic places and the acquisition of land from the Shopping Centre.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 1.1.8.2 The allowances and assumptions for site preparation, stormwater, sewer, water, recycled water, roadworks, electrical, NBN, Engineers fees, environmental assessment, SA Water augmentation, Surveyors fees and sundries as provided by FMG Engineering are shown in Attachment Three.
- 1.1.9 Phase Two: Grenville Centre Development
 - 1.1.9.1 Allotment 3 is a mixed use development consisting of the proposed 1,240m² Grenville Community Centre on the ground floor with four levels of 60 apartments above.
- 1.1.10 Phase Three: Multi-deck carpark
 - 1.1.10.1 Allotment 4 is planned as a four storey multi-deck car-park with provision for 261 spaces to minimise at grade car parking and to free up land for development. The car park will provide a free service for the adjacent shopping centre and the proposed development.
- 1.1.11 Future Stages
 - 1.1.11.1 Phases Two and Three of Stage One are expected to act as a catalyst for the development of the remaining allotments to be undertaken by the private sector.
 - 1.1.11.2 Allotment 1 is planned as a four to four and half star rated five storey hotel, providing much needed quality short-term accommodation for the area.
 - 1.1.11.3 Allotment 2 is planned to be developed as retail commercial premises on the ground floor with five levels of apartment above, for a total floor space of 1,093m².
 - 1.1.11.4 The development of Allotments 5, 6, 7 and 8 is planned to be predominantly as apartment housing and office developments with a main street retail fronting Playford Boulevard.
 - 1.1.11.5 The development of Allotments 9 and 10 is expected to be some years off but would most likely be developed as mixed use i.e. a combination of retail, office and apartments.
 - 1.1.11.6 Allotment 11 has 1,028m² of space which could be developed for commercial or community / civic / government purposes.
 - 1.1.11.7 Allotment 12 is planned to be developed as a three storey building, with 800m² of single storey retail space and 2,000m² of office space on each of the upper two storeys, again this is to be developed to a standard suitable for government tenants. The balance of the site is to be used for publically accessible car parking.

City of Playford
Playford CBD Project Stage One – Section 48 Report



1.2 Rationale

1.2.1 The Playford Community Vision 2043 is:

“Playford is the City of Opportunity, supporting the community’s hopes and aspirations to be vibrant, thriving and sustainable. It provides an enviable lifestyle that is connected, healthy, happy, ambitious and proud, where each individual can take advantage of the many opportunities offered, making the City prosperous, liveable and happy.”

1.2.2 The Playford Strategic Plan articulates that the long term vision of the Council area rests in its ongoing revitalisation and growth and for the northern region to become a dynamic and exciting location in which to live and invest.

1.2.3 Creating a CBD of the North at Elizabeth would be transformational in terms of the vibrancy derived from the undoubted and demonstrable economic activity that will be generated from the construction and employment activity associated with the proposed development. It is however the potential for economic diversity through increased employment opportunities and greater retail activity that will be created from the infrastructure that is to be developed that will be the lasting legacy.

1.2.4 The Playford CBD development would assist Playford to advance the aspirations contained in the Community Vision.

1.3 The Project

1.3.1 Stage One of the development of a northern CBD is planned to occur in three phases each of which provides a hold point for Council to determine whether to proceed or otherwise with the future phases.

1.3.2 Overall Stage One involves the creation of the land sub-division into allotments, the development of the infrastructure to support the CBD and the construction of the Grenville Centre mixed-use development.

1.3.3 The estimated cost of the sub-division, the infrastructure and the Grenville Centre mixed-use development is \$14.748 million (net of grant funding). Collectively, these works are referred to as the Playford CBD Project: Stage One and are shown at Attachment Two.

1.4 Legal Framework and Prudential Issues

1.4.1 The City of Playford has adopted a Prudential Management Policy that seeks to outline Council’s approach towards prudential management and to meet the requirements of the Act.

1.4.2 The Policy articulates that Playford undertakes prudential management for major capital projects to ensure that it acts with due care, diligence and foresight, identifies and manages risk associated with projects, makes informed decisions and is accountable for the use of public resources. Further, that prudential management commences prior to making a decision to proceed with a major project and continues on throughout the life of the project.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 1.4.3 This report has been prepared in accordance with Section 48 of the Local Government Act 1999 (Act), this section is reproduced in full as Attachment Four. The Playford CBD Project: Stage One meets certain criteria specified in Section 48 (1) (b) (ii) that require Council to consider a report addressing the prudential issues set out in subsection 2, namely that the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million.
- 1.4.4 The prudential issues identified in Section 48 are:
- (a) *the relationship between the project and relevant strategic management plans;*
 - (b) *the objectives of the Development Plan in the area where the project is to occur;*
 - (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*
 - (d) *the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*
 - (e) *if the project is intended to produce revenue, revenue projections and potential financial risks;*
 - (f) *the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
 - (g) *the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*
 - (h) *any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*
 - (i) *the most appropriate mechanisms or arrangements for carrying out the project."*
- 1.4.5 The Prudential Management Policy requires the report to contain information on the following:
- 1.4.5.1 The reliability of calculated revenues or costs;
 - 1.4.5.2 Any assumptions made;
 - 1.4.5.3 A sensitivity analyses on a best case, worst case and most likely outcome assuming the parameters used;
 - 1.4.5.4 The impact on the Council's long term financial position; and

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 1.4.5.5 The proposed frequency of ongoing prudential reporting to Council through the life of the project.
- 1.4.6 BRM Holdich has been engaged by the City of Playford to prepare a report to satisfy the requirements of Section 48 and the Prudential Management Policy.

2. RELATIONSHIP WITH RELEVANT STRATEGIC MANAGEMENT PLANS

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

(a) *the relationship between the project and relevant strategic management plans;*

2.1 Relevant Strategic Management Plans

2.1.1 Section 122 of the Act requires a council to develop and adopt strategic management plans; these are required to incorporate the extent to which a council's objectives are related to regional, State and national objectives.

2.1.2 For the purposes of this report the relationship between the Project and the following plans is considered relevant.

2.1.2.1 City of Playford

- Playford Community Vision 2043;
- Strategic Plan;
- Strategic Plan Delivery Program 2015/16 - 2018/19 inclusive of Annual Business Plan and Budget 2015/2016;
- Long Term Financial Plan 2015/16 - 2024/25; and
- Asset Management Plans 2015/16.

2.1.2.2 Regional

- No relevant regional plan.

2.1.2.3 South Australian State Government

- South Australian Strategic Plan; and
- 30 Year Plan for Greater Adelaide.

2.1.2.4 Commonwealth Government

- National Stronger Regions.

2.2 Playford Community Vision

2.2.1 The Playford Community Vision 2043 is an articulation of the community's collective values and vision for how Playford will look and feel in 30 years.

2.2.2 The Vision is aspirational in nature and has been developed in reference to key State Government and Council strategic policies and plans; it established key themes of prosperity, liveability and happiness as the means of achieving the vision of Playford being the City of Opportunity.



City of Playford

Playford CBD Project Stage One – Section 48 Report

- 2.2.3 The Playford CBD Project: Stage One will enhance the liveability of Playford and add to the economic vibrancy of the area, increasing local employment opportunities consistent with the aspirations for prosperity and liveability.
- 2.2.4 The Playford CBD Project: Stage One initiates the commencement of the development of Adelaide's Northern CBD and is considered to be closely aligned to the Community Vision 2043.

2.3 City of Playford Strategic Plan

- 2.3.1 The Playford Strategic Plan articulates the Council's priorities over a five year period; it is framed around the following five strategies.

- Strategy 1 - Our foundations – services, city presentation and community pride.
- Strategy 2 - Securing Playford's future and building value.
- Strategy 3 - Elizabeth, Adelaide's Northern CBD.
- Strategy 4 - Securing Playford's position in the global economy.
- Strategy 5 - Building our capabilities.

- 2.3.2 For each strategy within the Strategic Plan there is an explanation of how it is planned to achieve a defined outcome, what this outcome is to be, why this is an area of focus and what are the key projects that will help deliver the strategy (termed Lighthouse Projects). Further, the Council Plan identifies Council's role in delivering the strategy over the five year planning period, what the tangible results the community will see and how the community will feel about these results.

- 2.3.3 Strategy 3 Elizabeth, Adelaide's Northern CBD Playford directly relates to the Playford CBD development, it articulates that:

"Playford will further develop the Elizabeth Regional Centre as the major retail, commercial, education, social services, arts and entertainment centre for the region. This development will integrate with and underpin adjacent urban renewal, a Regional Sports Precinct, the Lyell McEwin Health Precinct, and a regional Education and Training Precinct with expanded tertiary facilities linked into developing manufacturing industries and the Defence Precinct".

- 2.3.4 The tangible benefits for the community have been identified in the Strategic Plan as:

The community will see...

1. A vibrant CBD with new and expanded facilities.
2. An increased number of office workers and residents living, working and playing in the CBD.
3. New sporting facilities.

City of Playford
Playford CBD Project Stage One – Section 48 Report



The community will experience...

4. A sense of connection to the CBD with all their needs being met in one place.
5. A feeling of pride in the status of Elizabeth as the CBD of the North.
6. An increased sense of health and wellbeing.

2.3.5 The Playford CBD Project: Stage One is an integral part of the Playford Strategic Plan.

2.4 Playford Annual Business Plan and Budget

2.4.1 The Playford Annual Business Plan and Budget for 2015/16 is included within the Strategic Plan Delivery Program 2015/16-2018/19 document.

2.4.2 This document builds on the Community Vision 2043 and Strategic Plan and articulates what Council needs to do in the next four years to make progress against the stated aspirations of prosperity, liveability and happiness.

2.4.3 The CBD of the North is prominent in the document and was ranked as the second highest priority by Council, behind only the Lyell McEwin Health Precinct, of all of the Lighthouse Projects.

2.4.4 The implementation of Stage One of the CBD of the North is an identified activity within this document.

2.4.5 The document recognises that Council's existing recurrent resources, together with forecast developer contributions and rates to be received from new developments will be sufficient to ensure progress against some of the Strategic Plan's Lighthouse Projects (e.g. New Urban Developments, Structure Planning). It also recognises the success of Council's Strategic Plan Delivery Program depends on the engagement and input by all of Playford's stakeholders, encompassing the Commonwealth and State Governments, business and industry and the community.

2.4.6 There is a provision of \$3.242 million within the Annual Business Plan and Budget specifically for the Detailed Design and Construction works for Stage One of the CBD of the North and the matching funding for the successful Round 1 grant from the Commonwealth Government National Stronger Regions Fund.

2.5 Playford Long Term Financial Plan

2.5.1 The Playford Long Term Financial Plan (LTFP) focuses on ensuring Council can deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner.

2.5.2 The LTFP covers the period 2015/16 to 2024/25 and is updated annually to incorporate changes in external factors such as government policy decisions, global economic pressures and internal factors.

2.5.3 The LTFP includes major developments and community services that link to the delivery of the objectives within the Strategic Plan.



City of Playford
Playford CBD Project Stage One – Section 48 Report

- 2.5.4 The LTFP provides for capital expenditure on new and enhanced assets of \$96 million over the 10 year period including \$3.242 million for the Northern CBD in 2015/2016.
- 2.5.5 The LTFP does not provide the total funding required for Council to undertake the Playford CBD Project: Stage One.
- 2.5.6 After the 2015/16 LTFP was completed Playford received \$2.752 million in Commonwealth Government grant funds from the National Stronger Regions Fund to be applied to the infrastructure and landscaping for the Playford CBD Project: Stage One. Playford has committed to matching these funds and has provision to do so within the current Annual Business Plan and Budget.
- 2.5.7 Playford has forecast capital expenditure of \$14.748 million (net of grant funding) for Stage One to 2019/20 as shown in Table One.

Table One: Short term initiative bids (Current)

Phase	Project	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
One	Shopping Centre Land Purchase	2,500,000					2,500,000
	Civil and Infrastructure	742,000	1,506,000				2,248,000
	Prince George Plaza		500,000				500,000
Two	Grenville Centre		400,000	3,000,000	3,400,000		6,800,000
Three	Multideck Carpark					2,700,000	2,700,000
		3,242,000	2,406,000	3,000,000	3,400,000	2,700,000	14,748,000

- 2.5.8 These forecasts are nominal budget allocations which are subject to the normal approval processes of Council. Once Council has resolved to budget for these allocations or not, the LTFP will require amendment accordingly.
- 2.5.9 The Stage One, Phase One works are estimated to have the following Operating Cost impacts over the 10 year period from 2017/18 onwards.

Item	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Depreciation	106,300	106,300	106,300	106,300	106,300	106,300	106,300	106,300	106,300	106,300
Outgoings ¹	111,500	114,845	118,290	121,839	125,494	129,259	133,137	137,131	141,245	145,482
Total	217,800	221,145	224,590	228,139	231,794	235,559	239,437	243,431	247,545	251,782

¹ Outgoings include CPI at 3%

- 2.5.10 The current operating impact of the Grenville Centre is reflected within the Playford LTFP. The proposed Phase Two redevelopment of the Grenville Centre is forecast to increase the Playford operating costs (excluding borrowing costs) as shown below, this increased impact ought to be reflected in the next revision of the LTFP.

City of Playford
Playford CBD Project Stage One – Section 48 Report



Item	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Net increase	298,557	303,344	308,274	313,352	318,583	323,970	329,519	335,235	341,122	347,186

- 2.5.11 Once Council has determined whether to proceed with the Project, or not the LTFP Operating Cost provisions will require amendment accordingly.
- 2.5.12 The increase in operating costs (net of borrowings) would have no impact on Council financial ratios as presented in the LTFP 2015/16 to 2024/25.
- 2.5.13 The balance of the funding required for the Playford CBD Project: Stage One is to be derived from land sales and from third party involvement in the development. Table Two shows the Allotments and their potential sales values as valued by Liquid Pacific.

Table Two: Potential Land Sales

Allotment	Size m ²	Value \$ per m ²	Value \$	Plan to sell	Forecast sales \$
1	440	400	176,000	Yes	176,000
2	941	450	423,450	Yes	423,450
3	828	400	331,200	Partly	100,000
4	1,558	400	623,200	Yes	623,200
5	1,760	550	968,000	Yes	968,000
6	1,370	525	719,250	Yes	719,250
7	2,025	575	1,164,375	Yes	1,164,375
8	1,575	575	905,625	Partly	200,000
9	1,339	600	803,400	Maybe	803,400
10	1,537	600	922,200	Maybe	922,200
11	1,028	450	462,600	No	-
12	7,114	375	2,667,750	Yes	2,667,750
Total	21,515		10,167,050		8,767,625

- 2.5.14 Once Council has resolved whether to sell the Allotments as proposed in Table Two or not, the LTFP will require amendment accordingly.

2.6 Playford Asset Management Plan

- 2.6.1 Playford owns and is responsible for the management, operation and maintenance of a diverse asset portfolio that provides services and facilities to the community. Asset Management Plans have been developed to ensure that Council continues to provide effective and comprehensive management of its asset portfolios.

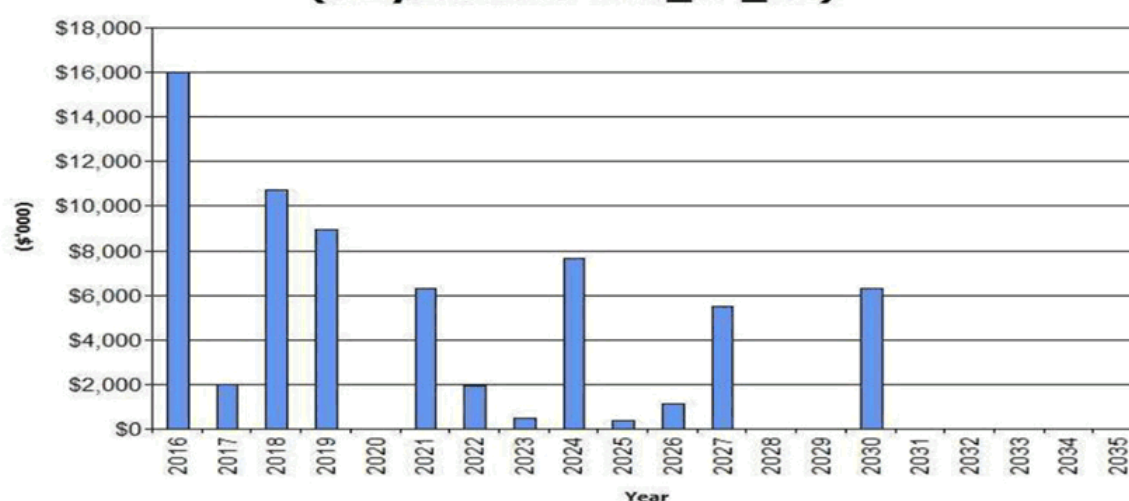
City of Playford
Playford CBD Project Stage One – Section 48 Report



- 2.6.2 The Playford Asset Management Plans Summary All Infrastructure 2015/16 projects outlays on operations, maintenance, renewal and upgrade of existing assets of \$453.665 million over the 10 year planning period.
- 2.6.3 Figure Six, below, is an extract from the Playford Asset Management Plan, it identifies the Planned upgrade / new asset expenditures. All costs are shown in 2013/2014 dollar values, these costs are indexed in the LTFP.

Figure 6. Planned Capital Upgrade / New Asset Expenditure

**Playford CC - Projected Capital Upgrade/New Expenditure
 (Playford All 2016_S1_V1)**



- 2.6.4 The Playford CBD Project: Stage One is not reflected in the Playford Asset Management Plan. This is consistent with the current conceptual status of the Project within the Playford approval processes.
- 2.6.5 The Asset Management Plan - Council Owned Buildings has provisions of \$2.719 million for the depreciation and outgoings related to the existing Grenville Community Centre asset over the next 10 years.
- 2.6.6 The new Grenville Centre is projected to have \$3.209 million in depreciation and outgoings costs over the same period, the Asset Management Plan - Council Owned Buildings will need to be amended to reflect the \$0.491 million net increase in costs for the new Grenville Community Centre.
- 2.6.7 The Asset Management Plan - Council Owned Buildings will also need to be amended to reflect the partial ownership of the multi-deck car park created as part of the Playford CBD Project: Stage One. The depreciation and out-goings for this asset have been projected at \$6.473 million over the life of the Project.
- 2.6.8 Further, the infrastructure works created as part of the Playford CBD Project: Stage One will need to be incorporated within the relevant Asset Management Plan when the works are completed.

City of Playford
Playford CBD Project Stage One – Section 48 Report



2.7 Regional Objectives

No regional objectives have been identified.

2.8 South Australian State Objectives

2.8.1 The State Government's broad vision for sustainable land use and the built development of the state is outlined in the Planning Strategy. The relevant volume of the Planning Strategy for this Development Plan is The 30-Year Plan for Greater Adelaide (February 2010).

2.8.2 The 30 Year Plan has three key objectives all of which appear relevant to the Playford CBD Project: Stage One, these are:

- Maintain and improve liveability;
- Increase competitiveness; and
- Drive sustainability and resilience to climate change.

2.8.3 The State Strategic Plan is also a relevant consideration. The State Strategic Plan is built on six pillars and identifies a number of targets. Table Three identifies that three of these pillars and a number of goals and targets are supported or advanced through the Playford CBD Project: Stage One.

Table Three: The Playford CBD Project: Stage One Alignment with the State Strategic Plan

Relevant State Pillar	State Goals and Targets Advanced
Our Community	<p>Goal: We are committed to our towns and cities being well designed, generating great experiences and a sense of belonging.</p> <p>Target 1 Urban Spaces</p> <p>Goal: New developments are people friendly, with open spaces and parks connected by public transport and bikeways.</p> <p>Target 56 Strategic infrastructure</p> <p>Goal: We have a sense of place, identity, belonging and purpose.</p> <p>Target 23 Social Participation</p> <p>Goal: Governments demonstrate strong leadership working with and for the community.</p> <p>Target 32: Customer and client satisfaction with government services</p>
Our Environment	<p>Goal: We reduce our greenhouse gas emissions.</p> <p>Target 61: Energy efficiency – government buildings</p>
Our Prosperity	<p>Goal: We develop and maintain a sustainable mix of industries across the state</p> <p>Target 4: Tourism Industry</p>

City of Playford
Playford CBD Project Stage One – Section 48 Report



2.9 National Objectives

2.9.1 The National Stronger Regions Fund (NSRF) is a Commonwealth Government programme which aims to promote economic development in Australia's regions. The Commonwealth Government is providing \$1 billion over five years, commencing in 2015-16, to fund priority infrastructure in local communities.

2.9.2 The desired outcomes of the programme are:

- improved level of economic activity in regions;
- increased productivity in the regions;
- increased employment and a more skilled workforce in regions;
- increased capacity and improved capability of regions to deliver major projects, and to secure and manage investment funding;
- improved partnerships between local, state and territory governments, the private sector and community groups; and
- more stable and viable communities, where people choose to live.

2.9.3 Given that Playford has already received funding under the NSRF the Playford CBD Project: Stage One is considered to be closely related to national objectives.

3. OBJECTIVES OF THE DEVELOPMENT PLAN

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

(b) *the objectives of the Development Plan in the area where the project is to occur;*

3.1 Development Approval

3.1.1 Development in Playford is governed by the Development Plan - Playford Council, pursuant to Section 33 of the Development Act 1993 and the associated Development Regulations 2008.

3.1.2 The Development Plan outlines what sort of developments and land use are and are not envisaged for particular zones and various objectives, principles and policies further controlling and affecting the design and other aspects of proposed developments. As such, the Development Plan covers matters including zoning issues, building appearance and neighbourhood character, land division, building siting and setbacks and environmental guidelines.

3.1.3 The Development Plan is structured into Sections, as follows.

- General, containing general policy that applies across the council area and relates to a range of social, environmental, and economic development issues. These issues establish the development standards that apply to all forms of development and provide a yardstick against which the suitability of development proposals is measured.
- Zones, these provisions give greater certainty and direction about where certain forms of development should be located and identifies generally envisaged forms of development. The objectives and design requirements for development in the particular area are also expressed.
- Tables that list the conditions which are applicable to complying development, numeric values for setbacks from road boundaries and car parking rates for certain types of development. Conditions for complying development are grouped into their respective tables.
- Mapping, showing the broad distribution of land uses and movement patterns throughout the council area.

3.1.4 The current version of the Development Plan is dated as consolidated on 20 March 2014.

3.1.5 The CBD of the North Project will be undertaken in various stages over a 5 to 10 year timeframe, the relevant version of the Development Plan will need to be considered at the time the various stages are developed.

3.2 Development Zone

3.2.1 The CBD of the North Project is located in the Regional Centre Zone.

City of Playford
Playford CBD Project Stage One – Section 48 Report



3.2.2 The Regional Centre Zone has eight objectives, each of which is of relevance for the CBD of the North Project and the Playford CBD Project: Stage One. The objectives of the Development Zone are as follows.

- 1 A centre representing the primary focus for business and commercial services for the region, outside the central business district of Adelaide, providing a full range of shopping, administrative, cultural, community, entertainment, education, religious and recreational facilities, and public and private office development.
- 2 A regional centre that is the primary focus of employment and economic activity in the northern region of Adelaide.
- 3 A readily identifiable centre that displays a high level of urban design qualities related to the height, size, and disposition of buildings to complement public and private spaces.
- 4 A centre providing a focus for public transport interchanges and networks.
- 5 Development of a visually and functionally cohesive and integrated regional centre.
- 6 Development within the zone that implements the elements of environmental sustainability, sense of place, attractiveness and design creativity.
- 7 Urban open spaces within the zone which provide a formal landscaped setting, incorporating water sensitive design within the centre.
- 8 A zone developed in accordance with Concept Plan Maps Play/12 - Playford Regional Centre and Play/13 - Playford Regional Centre Philip Highway Built Form.

3.2.3 A Ministerial Development Plan Amendment covering Allotments 11 and 12 is currently underway which will ensure that the proposed developments for those allotments are complying Land Uses.

3.2.4 The envisaged Land Uses are consistent with the development planned under the Playford CBD Project: Stage One.

3.2.5 It should be noted that Development which is listed as non-complying is generally considered to be inappropriate.

3.3 Approving Authority

3.3.1 Pursuant to the Development Act 1993, a Council can make decisions on certain kinds of applications where the Council is the applicant as outlined in Schedule 10 (2) of the Development Regulations 2008.

3.3.2 However, there are certain classes of development undertaken by a council (including any case where the council is not to undertake all of the relevant development itself) which are to be referred for decision to the Development Assessment Commission, these include land division where 4 or more additional

*City of Playford**Playford CBD Project Stage One – Section 48 Report*

allotments are created (Schedule 10 2(d)), and development that involves the construction of a residential flat building (Schedule 10 2(c)),

- 3.3.3 Therefore the Development Assessment Commission would be the relevant authority for both of the foreseeable development approvals required by Council to undertake Stage 1.
- 3.3.4 There is also provision under Schedule 10 to refer development valued at over \$3 million and of economic State significance to the State Coordinator-General for assessment. Council will seek the advice of the Stage Government to determine the best approval process.

4. ECONOMIC DEVELOPMENT

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*

4.1 Contribution to Economic Development

- 4.1.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.
- 4.1.2 The contribution to economic development of the local area from the Playford CBD Project: Stage One will primarily come from the following sources:
- 4.1.2.1 Construction activity;
- 4.1.2.2 The increase in capacity for the region through the provision of high quality office and retail space which is considered to be lacking; and
- 4.1.2.3 Potential on-going employment opportunities arising from the increase in capacity for white collar and retail positions in the development.
- 4.1.3 For modelling purposes, the development investment has been estimated at over \$124 million, excluding land and utility services, plus \$3.907 million in providing services to the allotments and a further \$1.598 million for streetscape works over the life of the development.
- 4.1.4 There are economic and employment multiplier benefits to the broader economy from the economic activity that will be generated during the construction phase of the CBD of the North development.
- 4.1.4.1 The economic impact assessment undertaken to identify the potential jobs and incomes that may be associated with the CBD of the North development is based on a measure of the value added and employment associated with the investment. This is consistent with the predominant measure of national economic activity, Gross Domestic Product.
- 4.1.4.2 The expenditures associated with this development will have direct economic effects, indirect effects of related purchases in the broader economy and induced effects of spending on goods and services by the employees of the companies providing goods and services to the CBD of the North development.
- 4.1.5 These multiplier effects have been analysed by the City of Onkaparinga (whose economic characteristics are very similar to City of Playford) using Input-Output methodology, a common tool for measuring secondary and tertiary economic effects.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 4.1.6 There are different economic multipliers for different types of economic activity. To illustrate this, the impact of the infrastructure works and the construction works for the Grenville Centre mixed used development are shown separately.
- 4.1.7 Based on the relevant economic multipliers the impact of the expenditure associated with the CBD of the North development has been estimated to have the following impact.

4.2 CBD of the North Development Overall Impact

- 4.2.1 Total output from the CBD of the North development, including all direct, industrial and consumption effects is estimated to increase by up to \$287.607 million. This represents a Type 2 Output multiplier of 2.212 and is comprised of the following.
 - 4.2.1.1 The total value of the construction investment of \$130.000 million.
 - 4.2.1.2 A rise of \$120.060 million in the demand for intermediate goods and services from a direct increase in output from the construction investment, including the flow on effects as demand for local goods and services increases.
 - 4.2.1.3 The consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$37.548 million.
- 4.2.2 Based on the CBD of the North development estimated capital expenditure the construction output should result in an increase of up to 743 jobs from a Type 2 employment multiplier of 4.371, as detailed below.
 - 4.2.2.1 The direct effect is estimated to create up to 170 jobs.
 - 4.2.2.2 The indirect or flow on effect is estimated to result in the gain of a further 403 jobs.
 - 4.2.2.3 The consumption effect is estimated to boost employment by 170 jobs.
- 4.2.3 The estimated impact on wages and salaries is by up to \$50.602 million, representing a Type 2 multiplier of 3.422, the components are detailed below.
 - 4.2.3.1 The increase from the direct effect is estimated at \$14.786 million.
 - 4.2.3.2 The indirect or flow on effect is estimated at \$26.749 million, which represents a Type 1 Wages and Salaries multiplier of 2.809.
 - 4.2.3.3 The consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$9.067 million.
- 4.2.4 The impact on value added is estimated to increase by up to \$100.347 million, this represents a Type 2 Value-added multiplier of 3.101 and is comprised of the following.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 4.2.4.1 A direct impact of \$32.357 million.
- 4.2.4.2 An indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$47.218 million, this represents a Type 1 Value-added multiplier of 2.459.
- 4.2.4.3 A consumption effect of \$20.771 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

4.3 Impact of Infrastructure Works

- 4.3.1 Total output from the infrastructure works, including all direct, industrial and consumption effects is estimated to increase by up to \$11.696 million. This represents a Type 2 Output multiplier of 2.125 and is comprised of the following.
 - 4.3.1.1 The value of the initial works, of \$5.505 million.
 - 4.3.1.2 A rise of \$4.347 million in the demand for intermediate goods and services from a direct increase in output from the construction investment, including the flow on effects as demand for local goods and services increases. This represents a Type 1 Output multiplier of 1.790.
 - 4.3.1.3 The consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$1.843 million.
- 4.3.2 Based on the cost of the infrastructure works the employment impact is estimated to be up to 29 jobs from a Type 2 employment multiplier of 4.833, as detailed below.
 - 4.3.2.1 The direct effect is estimated to create up to 6 jobs.
 - 4.3.2.2 The indirect or flow on effect is estimated to result in the gain of a further 15 jobs.
 - 4.3.2.3 The consumption effect is estimated to boost employment by 8 jobs.
- 4.3.3 The estimated impact on wages and salaries from a direct increase in output of \$5.505 million is estimated to be up to \$2.484 million, representing a Type 2 multiplier of 2.330, the components of this impact are detailed below.
 - 4.3.3.1 The increase from the direct effect is estimated at \$1.066 million.
 - 4.3.3.2 The indirect or flow on effect is estimated at \$0.973 million, which represents a Type 1 Wages and Salaries multiplier of 1.912.
 - 4.3.3.3 The consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$0.445 million.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 4.3.4 The impact on value added from a direct increase in output of \$5.505 million is estimated to be up to \$4.699 million, this represents a Type 2 Value-added multiplier of 2.375 and is comprised of the following.

- 4.3.4.1 A direct impact of \$1.978 million.
- 4.3.4.2 An indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$1.701 million, this represents a Type 1 Value-added multiplier of 1.860.
- 4.3.4.3 A consumption effect of \$1.020 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

4.4 Impact of Grenville Centre Mixed-Use Development

- 4.4.1 Total output from the identified Grenville Centre mixed-use development construction works, including all direct, industrial and consumption effects is estimated to increase by up to \$89.961 million. This represents a Type 2 Output multiplier of 2.212 and is comprised of the following.

- 4.4.1.1 The value of the initial works, of \$40.663 million.
- 4.4.1.2 A rise of \$37.554 million in the demand for intermediate goods and services from a direct increase in output from the construction investment, including the flow on effects as demand for local goods and services increases. This represents a Type 1 Output multiplier of 3.371.
- 4.4.1.3 The consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$11.745 million.

- 4.4.2 Based on the Grenville Centre mixed-use development works cost, the employment impact is estimated to be up to 232 jobs from a Type 2 employment multiplier of 4.371, as detailed below.

- 4.4.2.1 The direct effect is estimated to create up to 53 jobs.
- 4.4.2.2 The indirect or flow on effect is estimated to result in the gain of a further 126 jobs.
- 4.4.2.3 The consumption effect is estimated to boost employment by 53 jobs.

- 4.4.3 The estimated impact on wages and salaries from a direct increase in output of \$40.663 million is estimated to be up to \$15.830 million, representing a Type 2 multiplier of 3.422, the components of this impact are detailed below.

- 4.4.3.1 The increase from the direct effect is estimated at \$4.620 million.
- 4.4.3.2 The indirect or flow on effect is estimated at \$8.370 million, which represents a Type 1 Wages and Salaries multiplier of 2.809.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 4.4.3.3 The consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$2.840 million.
- 4.4.4 The impact on value added from a direct increase in output of \$40.663 million is estimated to be up to \$31.390 million, this represents a Type 2 Value-added multiplier of 3.101 and is comprised of the following.
- 4.4.4.1 A direct impact of \$10.120 million.
- 4.4.4.2 An indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$14.770 million, this represents a Type 1 Value-added multiplier of 2.459.
- 4.4.4.3 A consumption effect of \$6.500 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

4.5 Impact of Playford CBD Project: Stage One

- 4.5.1 The total combined economic impact of the Playford CBD Project: Stage One is summarised in Table Four.

Table Four: Playford CBD Project: Stage One Economic and Employment Benefits

Impact	Direct	Indirect	Consumption	Total
Output (\$M)	46.168	41.901	13.588	101.657
Employment (Jobs)	59	141	61	261
Wages and salaries (\$M)	5.691	9.340	3.281	18.312
Value-added (\$M)	12.099	16.470	7.517	36.086

- 4.5.2 Apart from the economic activity that will be generated from the construction and employment associated with the Playford CBD Project: Stage One, the Project will provide the underpinning infrastructure to assist in the diversification of the local economy providing increased employment opportunities and greater retail activity that will be created from the infrastructure that is to be developed.

4.6 Impact on Business in the Proximity

- 4.6.1 The Playford CBD Project: Stage One is the first stage in the development of a CBD of the North.
- 4.6.2 The assets to be created are likely to provide additional custom and trade for a wide range of businesses in the vicinity of the Project and are therefore considered likely to have a positive impact on business in the proximity.



City of Playford
Playford CBD Project Stage One – Section 48 Report

4.7 Fair Competition

- 4.7.1 The Playford CBD Project: Stage One involves the construction of a five storey hotel, the Grenville Community Centre, community housing and aged care apartments and a multi-storey car park.
- 4.7.2 If Playford was to be the operator of these assets (other than the Community Centre) then it would need to assess at the time whether their operations of the facilities constituted a "significant business activity" in accordance with the Clause 7 Statement of the Competition Principles Agreement and the Government Business Enterprises (Competition) Act 1996 which provides the framework for implementing National Competition Policy by local government entities in South Australia.
- 4.7.3 If Playford was the operator of these assets and they were considered to constitute a significant business activity deemed to be significant within the definitions of Clause 7 then Playford would need to give consideration to whether competitive neutrality principles will need to be applied to their operations.
- 4.7.4 Competitive neutrality is about ensuring that the significant business activities of publicly owned entities compete fairly in the market.
- 4.7.5 The application of competitive neutrality principles is about transparent cost identification and pricing in a way which removes or neutralises the net cost advantages arising from public ownership when compared to private sector operators, these principles do not apply to those activities which are non-business, or non-profit activities.
- 4.7.6 When the assets are constructed and if Playford determines to operate them it must assess whether the operations of the facilities constitute a significant business activity and if so whether the competitive neutrality principles should be applied.

5. COMMUNITY CONSULTATION

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (d) *the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

5.1 Level of consultation

- 5.1.1 Playford has a Public Consultation Policy adopted 10 December, 2013 to ensure a planned and consistent approach to public engagement (consultation).
- 5.1.2 The Playford CBD Project: Stage One forms part of the CBD of the North project which has been the subject of extensive public consultation through the process of adopting the Playford Strategic Plan. Further consultation occurred through the process of adopting the Annual Business Plan and Budget for 2015/16 which included the design works for Stage One of the northern CBD Project (the Playford CBD Project: Stage One) as a new capital item.
- 5.1.3 The decision to lodge an application for grant funding under the National Stronger Regions Fund is not an activity that requires community consultation under the Playford Public Consultation Policy.
- 5.1.4 The Public Consultation Policy requires Practice Managers of projects to adopt a risk based approach to determining the level of consultation to be undertaken.
- 5.1.5 The Practice Manager for the Playford CBD Project: Stage One will need to assess the consultation required in accordance with this Policy as either low or high risk and then implement consultation in accordance with the Policy.
- 5.1.6 The Policy identifies the following steps are to be undertaken for low risk consultation:
- As a minimum, Council will publish a notice in newspapers circulating the local area, describing the matter for which public consultation is required, and inviting interested persons to make submissions to the Council within a period being at least (21) days from the date of the notice;
 - Place details of all consultations on the Playford website;
 - Have information available for view at customer service points; and
 - Council will consider any submissions received as part of its decision-making process and will also have regard to any relevant legislation.
- 5.1.7 Once the Playford CBD Project: Stage One has received the appropriate internal approvals a Communications Plan should be developed which identifies stakeholders, classifies them according to their role and level of engagement and

City of Playford
Playford CBD Project Stage One – Section 48 Report



identifies what forms of communication will be used for the different types of stakeholders.

5.1.8 The communication methods to be detailed in the Communications Plan which accord with the Playford Community Engagement Policy include:

- Stakeholder Workshops;
- Information session with adjoining residents and tenants prior to commencement of the Development Application public notification process;
- Council Reports; and
- Public notification as part of the proposed Development Application process.

5.1.9 Other appropriate communication methods which may be required, are:

- Agendas and Minutes of Project Control Group Meetings;
- Door knocking of adjoining residents;
- Media communications e.g. Playford Alive Newsletter;
- Monthly Project Management reports;
- Public Display Boards;
- Site tours; and
- Website.

5.2 Community Influence and Contribution

5.2.1 To date, the community has been afforded the opportunity to contribute and influence the CBD of the North Project through the consultation for the Strategic Plan and the Annual Business Plan and Budget.

5.2.2 The development application process for the construction of the assets will provide further consultation opportunities for the community to influence or contribute to the Playford CBD Project: Stage One.

6. FINANCIAL ASSESSMENT

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;*
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*

6.1 Revenue Production, Revenue Projections and Potential Financial Risks

6.1.1 Project revenue is expected to come from the following sources:

- 6.1.1.1 Commonwealth government grants;
- 6.1.1.2 Council Rates from the developed precinct; and
- 6.1.1.3 Land sales.

6.1.2 Playford has already secured \$2.752 million in funding from the Commonwealth Government under the National Stronger Regions Fund. This successful Round One application will provide funding to support Council in delivering the underpinning infrastructure for the CBD of the North in order to leverage private investment in the Project.

6.1.3 The CBD of the North Project will result in a new source of Council rates from the developed properties this is to be derived from the following sources.

- 6.1.3.1 The residential rates generated are estimated to commence at \$378,385 per annum.
- 6.1.3.2 The increase in commercial rates is estimated at \$486,405 per annum, of which 75% (\$364,804) is to be applied to Commercial Rating Strategy reductions for a 10 year period providing a net increase of \$121,601 per annum.

6.1.4 The total increase in rates to be generated from the Playford CBD Project: Stage One is projected to be \$52,874 per annum, derived from the following sources.

- 6.1.4.1 The residential rates generated are estimated to commence at \$34,331 per annum.
- 6.1.4.2 The commercial rates are estimated to commence at \$74,172 per annum, of which 75% (\$55,629) is to be applied to Commercial Rating Strategy reductions providing a net increase of \$18,543 per annum.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 6.1.4.3 It should be noted that if there is any community housing as part of the development the projected rates income will decrease due to the application of concessionary rates.
- 6.1.5 The sale of various Allotments of land is expected to generate \$8.768 million in revenue to fund the Project, as previously shown in Table Two. Although this is based on a valuation by Liquid Pacific the revenue has also been modelled at \$7.920 million and \$4.821 million.
- 6.1.6 The potential financial risks associated with the Playford CBD Project: Stage One include:
- Failure to meet the requirements of the Commonwealth government contract for the National Stronger Regions Fund.
 - Higher capital expenditure during the construction phase, resulting in an increase in depreciation and interest costs beyond those contained in the Project forecasts.
 - Land sales do not achieve their sales targets.
 - On-going operating and maintenance costs are higher than forecast.
 - Playford not allocating sufficient funding for the Project in the Annual Business Plan and Budget or in the LTFP.

Appropriate mitigation strategies have been identified or are in place for these risks.

6.2 Recurrent and Whole of Life Costs, Financial Arrangements

- 6.2.1 The recurrent costs associated with the Project are outgoings and depreciation. For Phase One, outgoings are estimated to commence at \$0.112 million and are subject to indexation. Depreciation is forecast to be \$0.106 million per annum.
- 6.2.2 The Phase Two recurrent costs are outgoings and depreciation above the current level of expenditure on the Grenville Centre. The net increase in outgoings is estimated at \$0.160 million, these are subject to indexation. The net increase in depreciation is forecast to be \$0.139 million per annum.
- 6.2.3 Phase Three out-goings are estimated to commence at \$0.060 million, and are subject to indexation. Depreciation is forecast to be \$0.081 million.
- 6.2.4 Whole of life costs have been prepared on the following assumptions.
- 6.2.4.1 The Playford contribution net of land sales is debt funded. For the first 10 years this has been calculated on an interest only basis for the following 20 years this has been calculated on a principal and interest basis.
- 6.2.4.2 The interest rate used is 4.85%, with a best case scenario of 4.5% and a worst case scenario of 6.3%.
- 6.2.4.3 Land sales occur over an eight year period, commencing in two years.

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 6.2.4.4 Depreciation on Phase One assets is estimated at \$106,300 per annum. Depreciation has been calculated on Phase Two and Three assets at 3% on the asset value. Asset values have not been revalued.
- 6.2.4.5 The useful life of all assets has therefore been estimated at 33 years.
- 6.2.4.6 Outgoings on Phase One assets are estimated at \$111,500, on Phase Two assets they are calculated at 5% of capital value; and on Phase Three assets at \$60,000. The original estimate has been reduced to 95% in the best case scenario and increased to 115% in the worst case scenario.
- 6.2.4.7 As various allotments are sold, rates revenue has been calculated on the vacant land. Rates revenue is indexed to CPI.
- 6.2.4.8 Revenue from commercial rates is reduced by 75% for 10 years consistent with the Commercial Rating Strategy.
- 6.2.4.9 Rates revenue is forecast on the developed value of all allotments from Year 11 onwards for the whole of life estimates prepared for Phases One, Two and Three on the assumption that Phases Two and Three are the catalyst for future development.
- 6.2.4.10 CPI is held constant at 3%.
- 6.2.4.11 No revenue from Development Application fees is included.
- 6.2.5 Assuming a 33 year life cycle on the asset the whole of life cost estimates for Phase One are shown in Table Five on the basis of a best case, worst case and most likely outcome.

Table Five: Whole of Life Cost estimate for Phase One

Item	Likely (m)	Best Case (m)	Worst Case (m)
Revenue			
Grant income	\$2.752	\$2.752	\$2.752
Land Sales	\$7.921	\$8.768	\$4.821
Rates – vacant land	\$0.738	\$0.817	\$0.449
Total Revenues	\$11.411	\$12.337	\$8.022
Costs			
Depreciation	\$3.508	\$3.508	\$3.508
Outgoings	\$6.141	\$5.834	\$7.062
Financing	\$0.964	\$0.834	\$2.149
Total Costs	\$10.613	\$10.176	\$12.719
Whole of Life Cost	\$0.798	\$2.161	\$(4.697)

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 6.2.6 Assuming a 33 year life cycle on the asset the whole of life cost estimates for Phases One, Two and Three are shown in Table Six on the basis of a best case, worst case and mostly likely outcome.

Table Six: Whole of Life Cost estimates for Phases One, Two and Three

Item	Likely (m)	Best Case (m)	Worst Case (m)
Revenue			
Grant income	\$2.752	\$2.752	\$2.752
Land Sales	\$7.921	\$8.768	\$4.821
Rates – vacant land	\$0.738	\$0.817	\$0.449
Rates – developed allotments	\$29.675	\$29.675	\$29.675
Total Revenues	\$41.086	\$42.012	\$37.697
Costs			
Depreciation	\$10.768	\$10.768	\$10.768
Outgoings	\$18.234	\$17.322	\$20.969
Financing	\$7.988	\$6.752	\$13.878
Total Costs	\$36.990	\$34.842	\$45.615
Whole of Life Cost	\$4.096	\$7.170	\$(7.918)

- 6.2.7 The Outgoings and Depreciation reflect the increase in the cost to Playford after deducting the existing financial commitments to the Grenville Centre.
- 6.2.8 The final financial arrangements for the funding of the Playford CBD Project: Stage One have yet to be determined.
- 6.2.9 The source of funding for the Playford CBD Project: Stage One may impact the sustainability ratios in the Playford LTFP, these will need to be reviewed once funding is approved.

6.3 Financial Viability

- 6.3.1 The following extract from the LTFP lists the financial indicators that Council uses in assessing financial sustainability as per the 2015-16 LTFP.

Long Term Financial Plan 2015/16	Current 2014/15	Year 1 2015/16	Year 2 2016/17	Year 3 2017/18	Year 4 2018/19	Year 5 2019/20	5 Year Average	10 Year Average
	%	%	%	%	%	%	%	%
Operating Result Ratio (0-5%)	1.5%	2.0%	3.0%	2.2%	3.0%	4.0%	2.8%	4.1%
Gross Debt Ratio (10-30%)	27.3%	32.0%	28.4%	27.9%	28.2%	27.7%	28.8%	27.7%
Interest Coverage Ratio (0-10%)	5.6%	5.3%	6.1%	6.7%	6.4%	6.9%	6.3%	6.5%
Asset Sustainability Ratio (90-110%)	80.7%	88.4%	92.9%	94.3%	101.6%	102.9%	96.0%	100.0%
Cash Flow From Operations Ratio (90-110%)	90.7%	99.9%	116.5%	107.9%	126.6%	134.0%	117.0%	141.0%
Net Financial Liabilities Ratio (0-150%)	115.1%	132.9%	121.6%	119.6%	118.7%	112.9%	121.1%	115.1%

City of Playford
Playford CBD Project Stage One – Section 48 Report



- 6.3.2 In addition to the above indicators, Council anticipates borrowings to increase by \$29.5 million over the next 10 years and a \$722 million increase in the levels of property, plant and equipment in the balance sheet over the same period.
- 6.3.3 The source of funding could affect Playford's ability to remain within the key financial sustainability indicators target ranges for the Operating Surplus and Operating Surplus Ratio it has established within the Long Term Financial Plan. However, the remainder of the financial sustainability ratios are unlikely to be materially affected. Based on the 2015/16 LTFP, it is likely that all other things being equal, Playford would remain within the target ranges.
- 6.3.4 Phase One of the Project is considered to be commercially viable based on the likely and best case whole of life costs estimates given the positive impact it is forecast to have on the Playford financial position. Phases Two and Three are also generally favourable on all but the worst case analysis.
- 6.3.5 It should also be recognised that the Project is a catalyst for economic activity in the region and should be viewed in that context.

6.4 Reliability of assumptions

- 6.4.1 The Commonwealth grant has been secured and the revenue assumption is certain.
- 6.4.2 The rate revenue assumptions are consistent with the LTFP and the Commercial Rating Strategy and are therefore considered to be reliable.
- 6.4.3 The land sale assumptions are based on a valuation prepared by Liquid Pacific under instruction from Playford, it provides a reasonable basis for the purposes of estimating potential revenue.
- 6.4.4 The timing of land sales is unknown and is difficult to estimate with any degree of certainty. Deferring any income for two years provides a reasonable amount of time to commence the marketing process associated with the sale of the land.
- 6.4.5 The financing costs are based on prevailing interest rates which are able to be fixed for 20 years.
- 6.4.6 Depreciation is based on 3% per annum, which is consistent with the LTFP and is therefore considered to be reliable.
- 6.4.7 The outgoings are based on current costs and reasonable estimates and are considered to be reliable.
- 6.4.8 The financial model has assumed a worst case scenario with cost increases of 115% of the most likely estimate and a best case scenario with costs reduced to 95% of the most likely estimate.

7. PROJECT RISKS AND MITIGATION STRATEGIES

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (h) *any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*

7.1 Risk Management

- 7.1.1 This report assesses the risk management actions taken or being considered by Playford for the Playford CBD Project: Stage One. It is not the purpose of the report to prepare a comprehensive risk management plan, however a level of assessment has been undertaken on the identified risks and the mitigations that have been developed.
- 7.1.2 Playford adopts an integrated and proactive approach to Risk Management, based on current Australian Standards and industry best practice. This approach integrates the management of risk and opportunity into the organisation's governance, strategic planning, reporting and policy development functions as well as its values and culture as outlined in the Risk Management Policy adopted on 22 May 2012.
- 7.1.3 The Playford approach to the management of risk for major capital projects is also outlined in the Prudential Management Policy adopted on 22 May 2012. The Playford CBD Project: Stage One meets the criteria in the Policy defining a major project.
- 7.1.4 In accordance with this Policy, Prudential Management commences prior to making a decision to proceed with a major project and then continues throughout the life of the project.
- 7.1.5 The Playford Project Manager has prepared a risk assessment for the Playford CBD Project: Stage One using the Playford Risk Assessment template. This risk assessment has been conducted in two parts, the first relates to the infrastructure component of the Project and the second part relates to the Grenville Centre Redevelopment.
- 7.1.6 A total of 76 risks were identified and assessed.
- 7.1.7 The risks identified were categorised under the following headings: Political; Financial; Contractual and Legal; Reputation Management; Employee Welfare and Public Safety; Business Continuity and Service Delivery; and Environmental Factors.
- 7.1.8 A risk owner has been assigned to each risk and mitigation strategies have been identified and documented for all of the risks.
- 7.1.9 The risk rating for each category of risk is shown in Table Seven.

City of Playford
Playford CBD Project Stage One – Section 48 Report



Table Seven: Risk Assessment Category Summary

Risk Level	Political	Financial	Legal	Reputation	Employee Welfare & Public Safety	Business Continuity	Environmental
Extreme							
High	2	15	4	2	4	5	
Medium	8	10		4		2	
Low	6	2	2	4		2	4
Total	16	27	6	10	4	9	4

- 7.1.10 The development of the risk assessment is an important step to ensure the CBD of the North Project is managed effectively, we suggest that a high level risk assessment be prepared for the Project as a whole and that this is progressively updated as the Project evolves.
- 7.1.11 The Prudential Management Policy requires Council to 'adopt, monitor and review an internal project management framework with associated standards and processes for project management to ensure that all projects (including those that are not major by definition) are managed effectively, undertaken with care, diligence and foresight, identifies and manages risk and is accountable for the use of Council resources'.
- 7.1.12 To date, the approach to risk management appears to have been consistent with the objectives of the Playford Policies.

7.2 Risk Mitigation

- 7.2.1 Playford should ensure that the mitigation strategies identified for the risks associated with the Playford CBD Project: Stage One are implemented and that these are progressively updated as the Project is implemented.
- 7.2.2 To support the risk management process the establishment and maintenance of a risk register should be given a high priority.
- 7.2.3 The Project Manager should review and update this register at least monthly and provide a status report to the Playford Executive at least quarterly.
- 7.2.4 Consistent with good project management practice, risk management should be a standing agenda item at any Project management meetings during the construction phase of the Project.
- 7.2.5 Reporting protocols should also be established for the Project to ensure the Chief Executive Officer or his delegate and, where appropriate, Council are apprised of areas of risk.
- 7.2.6 Council has the power to determine whether to proceed with Phases Two and Three or not, at a later date. Playford should re-assess the Project risk at that time.

City of Playford
Playford CBD Project Stage One – Section 48 Report



8. PROJECT DELIVERY

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (i) *the most appropriate mechanisms or arrangements for carrying out the project.*

8.1 Overview

8.1.1 Due to the high order costs of the Playford CBD Project: Stage One it is intended that there will be a staged implementation approach to the total development.

8.1.2 Playford should ensure that the project delivery method chosen enables the Project to be delivered without compromising overall project objectives.

8.2 Construction Works

8.2.1 There are several options available for carrying out the civil works or construction phase of the Playford CBD Project: Stage One, each of which has different advantages and disadvantages depending on the circumstances of a particular project.

8.2.2 For the Playford CBD Project: Stage One infrastructure works the most relevant appear to be:

- Construct only;
- Design and Construct; and
- Managing Contractor or Early Contractor Involvement.

8.2.3 The Playford Project Manager has advised that a competitive environment would be sought for the infrastructure works through an Open Tender process which, given the value of the works involved, is consistent with the Playford Procurement Policy.

8.2.4 The delivery mechanism for the works involved in the Grenville Centre mixed-use development, which forms part of the Playford CBD Project: Stage One, has yet to be determined. It is likely that these will be delivered through third party investment either through a government agency or a developer.

8.2.5 If the works are to be delivered by a third party, Playford should ensure it receives 'value for money' from the process and any agreements for the development are entered into consistent with the provisions of the Playford Procurement Policy.

8.3 Procurement Implications

8.3.1 The Playford Procurement Policy (adopted 22 June 2009) applies to all procurement processes and activities undertaken by Council, including ordering, purchasing, tendering and contracting.

8.3.2 The objectives of this Procurement Policy are to document Council's commitment to:

City of Playford
Playford CBD Project Stage One – Section 48 Report



- developing and maintaining an open, honest and accountable organisation; and
 - ensuring that its procurement activities provide best Value for Money, and meet the needs of the community.
- 8.3.3 In the Playford context 'Value for Money' means achieving the desired outcome at the best possible price (taking into account sourcing, quality, delivery, price, risk and whole life costs).
- 8.3.4 The Procurement Policy identifies that Council will select an approach to market method best suited to the particular requirement. In doing so it will have regard to, but not be obligated to adhere to, the following guidelines:
- 8.3.4.1 For purchases less than \$10,000 Council will make the procurement decision with regard to the Procurement Principles.
- 8.3.4.2 For purchases where the estimated gross value of the expenditure is greater than \$10,000 but less than \$100,000 quotations will usually be obtained.
- 8.3.4.3 For purchases where the estimated gross value of expenditure exceeds \$100,000, Council's usual practice will be to call for tenders for the supply of goods, the provision of services or the carrying out of works.
- 8.3.4.4 Council reserves the right to undertake public or selected tenders, requests for expressions of interest and requests for registration of interest whenever considered appropriate by the Council.
- 8.3.5 Playford has advised that processes consistent with the Procurement Policy were applied to the following procurements relating to the Playford CBD Project: Stage One:
- Architectural Schematics (existing panel arrangements).
 - Surveying (existing panel arrangements).
 - Urban Design (existing panel arrangements).
 - Preparation of the Estimation of the capital costs (under \$10,000).
 - Land valuations(under \$10,000).
 - Preparation of the Section 48 report (under \$10,000).

9. CONCLUSION

- 9.1 This report has been prepared to meet the requirements of Section 48 of the Local Government Act and to provide Council with a comprehensive understanding of the prudential issues relating to the Playford CBD Project: Stage One which is part of the CBD of the North Lighthouse Project.
- 9.2 The Playford CBD Project: Stage One is consistent with the Playford Community Vision 2043 and the Strategic Plan, it is specifically identified as a Lighthouse Project for Strategy 3 within the Strategic Plan. The Playford CBD Project: Stage One would also assist to advance a number of the state and national priorities and targets.
- 9.3 The Playford CBD Project: Stage One is located in the Regional Centre Zone. The form of development is generally consistent with the objectives, identified land use and principles of development control for the Zones. Development should be referred to the Development Assessment Commission for approval under the Playford Development Plan.
- 9.4 The Playford CBD Project: Stage One is the foundation of a vibrant CBD of the North, it is expected to provide a positive contribution to economic development in the local area through the associated construction activity, the increase in capacity in the provision of high quality office and retail space; and potential on-going employment opportunities arising from the increase in capacity for white collar and retail positions in the development.
- 9.5 The economic activity from the construction phase of the Playford CBD Project: Stage One is forecast to have a positive economic impact in the region, generating an increase in economic output of over \$101.657 million from the investment of \$46.168 million. The Project is estimated to have an impact of up to 261 jobs through direct, industrial and consumption effects.
- 9.6 The Project will not impact on related businesses in the area nor will it hinder competition.
- 9.7 Consultation on the Playford CBD Project: Stage One has been undertaken within the consultation for the CBD of the North Project as part of the Playford Strategic and Annual Business planning processes. The community is therefore considered to have been provided with the opportunity to influence the Playford CBD Project: Stage One and will be afforded further opportunities to do so during the development assessment process.
- 9.8 The Playford Asset Management Plan - Council Owned Buildings will need to be updated to reflect the increased value and operating costs for the Grenville Community Centre and the multi-deck car-park, once the Playford CBD Project: Stage One is funded to be undertaken. This increase in recurrent cost is estimated at \$3.219 million over a 10 year period. Furthermore, a number of Asset Management Plans will need to be updated to reflect the investment made in the infrastructure which supports the development.
- 9.9 Capital and future operating costs are not provided for within the Playford Long Term Financial Plan for the CBD of the North as a whole. The LTFP will need to be updated to reflect the increase in recurrent costs if the Project is approved to be undertaken.
- 9.10 The Playford CBD Project: Stage One is forecast to generate rates income commencing at approximately \$0.108 million per annum, of this \$0.056 million is to be applied to the Commercial Rating Strategy reduction providing a net increase of \$0.053 per annum.

*City of Playford**Playford CBD Project Stage One – Section 48 Report*

- 9.11 The funding for the Playford CBD Project: Stage One has not yet been approved. The source of funding could affect Playford's ability to remain within the key financial sustainability indicators target ranges for the Operating Surplus and Operating Surplus Ratio it has established within the Long Term Financial Plan. However, the remainder of the financial sustainability ratios are unlikely to be materially affected. Based on the 2015/16 LTFP it is likely that all other things being equal Playford would remain within the target ranges.
- 9.12 The financial assumptions underpinning the Project are consistent with existing costs, the LTFP, the Commercial Rating Strategy and Council's accounting policies and are considered reliable. The exception relates to the assumptions on the timing and amount of revenue generated from land sales, these are uncertain.
- 9.13 Work has been carried out to identify the risks associated with the Playford CBD Project: Stage One through a high level risk assessment prepared in accordance with the Playford Policy. The Project risks should be progressively updated through a risk register as the project is implemented.
- 9.14 Playford has identified and implemented appropriate procurement arrangements for the delivery of the Playford CBD Project: Stage One to date, consistent with the Playford Procurement Policy. Playford has also identified appropriate arrangements of the delivery of the infrastructure component of the Project consistent with the Procurement Policy.

City of Playford
 Playford CBD Project Stage One – Section 48 Report

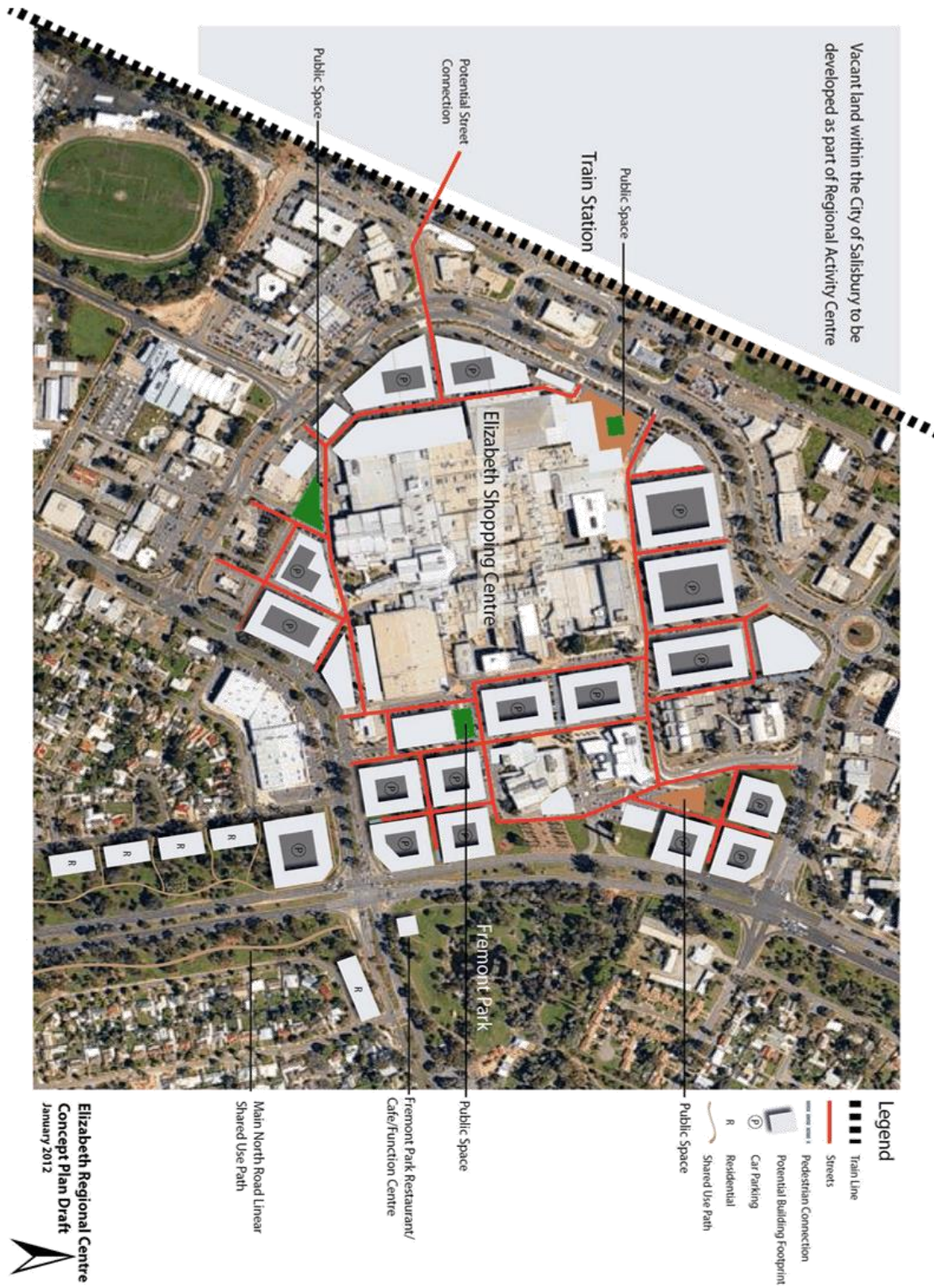


ATTACHMENT ONE: CBD OF THE NORTH





City of Playford
Playford CBD Project Stage One – Section 48 Report



Elizabeth Regional Centre
Concept Plan Draft
January 2012



ATTACHMENT TWO: PLAYFORD CBD PROJECT: STAGE ONE



PROJECT SUMMARY			
COMMERCIAL:	987m ²	40 parks	
GRENVILLE CENTRE:	1240m ²	60 apartments	
RESIDENTIAL:		150 parks	
COMMUNITY PARKING:		250 parks	
TOTAL PARKING SPACES REQUIRED:		261 parks	
PROJECT GENERATED PARKS:		261 parks	

matteo pennino hoare
mph
architecture
strategic facility planning
interior design

ABN 10 759 678 449
5 Victor Avenue Adelaide South Australia 5000
Telephone 08 8418 1600
www.mpharchitects.com.au

CITY OF PLAYFORD CIVIC CENTRE
CARPARK / MIXED USE CONCEPT - OPTION 7
15 July 2015 scale varies @ A3 job no 1410 \$K09

ATTACHMENT THREE: NORTHERN CBD DEVELOPMENT COSTS – ASSUMPTIONS

The following is an opinion of the Probable Development Costs – Assumptions provided to the City of Playford by FMG Engineering.

- Scope of investigation is between Main North Road, Philip Hwy, Playford Boulevard and Prince Charles Street and also includes an allotment to the south of Philip Hwy (does not include new allotments to the north).
- Total number of mixed use allotments created is 12 and there will be 4 reserves.
- Floor area to be created is understood to be in the order of 63,000 m² (including ~400 apartments).
- We have not allowed for any staging of works, temporary works/access for vehicles/pedestrians, or works external to the site. Which may include reconfiguration and reconstruction of the existing carpark to the east of the site, access points to the carparks to the west, traffic signals to Playford Blvd/Philip Hwy etc.
- Due to significant unknowns from lack of survey or information from service authorities, we have applied a contingency of 15% to the Construction Contract Value, Professional Fees and Authority Payments.
- Estimate is based on current rates and authority charges. If the project is delayed rise and fall will need to be considered.
- Excluded from this estimate are; Development of the allotments (inc. buildings, internal roads, internal drainage etc.), supply/reticulation of gas, parks/landscaping/recreational facilities/open space requirements, site remediation and demolition.

Site clearing / Earthworks

- All demolition and remediation of the site is excluded.
- Strip topsoil on entire site excl. existing roads, carpark and buildings to 100mm.
- Site is relatively flat with slight grade to the west. Allowance of 100mm fill over entire site as an estimate of imported fill ~3,000m³, to ensure lots have free drainage to newly created internal roads.
- Cut to fill based on road pavement box out volume

Stormwater

- Stormwater detention is expected to be required (quantities not assessed) and we have assumed this will be managed by individual allotments (not included in estimate).
- Existing underground drainage in Playford Boulevard and Philip Hwy. No information on levels or capacity available. Assumed sufficiently deep to enable gravity connection and sufficient capacity provided each allotment has onsite detention.
- Allowed for allotment connections comprising a JB/GIP with restricted (orifice) outflow.
- Anticipate some form of WSUD will be required in the reserve areas (allowance of \$20k)
- Anticipate some form of gross pollutant treatment required (allowance of \$40k).

Sewer

- Existing infrastructure in Playford Boulevard and in Philip Hwy (to the west of the site).
- Review of SA Water field book information indicated that the depth to invert of both systems is greater than 3.5m. Therefore it should be feasible to extend these drains to the new allotments.
- However, capacity of the existing drains is likely to be an issue. We have assumed new internal drains to be diameter 150mm but 225mm may be required. Connection to the trunk drain to the north, or upgrades to existing drains may be required. This cost could be significant; a nominal allowance for headworks of \$30k has been included.

City of Playford
Playford CBD Project Stage One – Section 48 Report



Water

- Existing infrastructure in Playford Boulevard, Philip Hwy, Main North Road and West of Prince Charles Street (in easement).
- Mains most likely to be connected to are 100mm and 150mm diameter, therefore a capacity assessment will be required by SA Water. We expect some upgrades to existing and or augmentation may be required, and have made a nominal allowance of \$25k
- Allotment to south of Philip Hwy will be connected by SA Water, as the main is existing and live.
- Per m rate of water main includes allowance for stop valves and fire plugs
- No allowance for fire services

Recycled Water

- Not sure if required
- Have allowed the same cost as for potable water

Roadworks

- Existing road to the south and east of the Civic Centre will be fully reconstructed to suit the new alignment and Council standards
- Selected roads to be paved with interlocking concrete block pavers (no honed or polished treatments).
- Allowed for verge to be 100% paved (even though a small percentage will be street trees and garden beds) with interlocking concrete block pavers (no honed or polished treatments).

Electrical

- Could be 1 T/F per two lots. Therefore allow for 7 T/F's at \$50k each (\$350,000).
- Cabling and conduit allowed \$180/m for ~700m (\$126,000). Likely SAPN would not allow direct buried cable, therefore every cable is in conduit plus spares.
- Jointing pits allowed \$40,000.
- Street lights allowed for 30 at \$3.5k each (\$105,000).
- Augmentation. Assumed load of 5,000 kVa based typically on 8kVa per dwelling (the per dwelling load may be able to be reduced by negotiation with SAPN). First 90kVa is free and augmentation applies at ~\$154 per kVa thereafter. (4,910 kVa @ \$154/kVa = \$760,000). Note SAPN are likely to consider this development as a 'special case' and as such the above augmentation approach may not be applicable (formal application required).

NBN

- Cost of pit and pipe included in CST

Engineers Fees

- Design fee 5% of total construction, plus superintendence fee of 3% of total construction cost.
- Traffic assessment allowance of \$20k included.
- No allowance for landscape design.

City of Playford
Playford CBD Project Stage One – Section 48 Report



Environmental assessment

- Environmental site history (desktop study ~ \$6k).
- Preliminary intrusive investigation comprising ~35 BH's to 2m bgl, and testing a broad suite of analysis. Allowance \$28k.
- Installation of three groundwater monitoring well with one round of monitoring (\$13k allowance).
- Note environmental testing costs are difficult to estimate without knowing any site history. The above is likely to be the minimum amount of testing required, and assumes no contamination of concern is encountered. Assumes no Auditor involvement.

SA Water Augmentation

- Sewer augmentation applies to Northern Suburbs at \$2,903 per commercial allotment. If 11 allotment are being created (12 total but 1 existing) the augmentation will be ~\$32,000.
- No water augmentation currently applies.

Surveyors Fees

- Nominal allowance of \$25k for detailed site survey etc.
- Surveyor fees for land division and titles etc. not estimated / included (Fyfe engaged already).

Sundries

- Street tree allowance
- No allowance for fencing
- Relocate existing optic fibre? Transformers etc.? Estimate of \$50k (guess)

Disclaimer

The cost estimates provided herein have been prepared in good faith and as a general guide only. These cost estimates rely on expressions of opinion based on only the portion of the market in which FMG Engineering operates. Assumptions made, while reasonable, may not be correct. FMG Engineering's cost estimates are based on previous experience with similar contracted work and FMG Engineering accepts no responsibility for any losses incurred by clients who proceed on the basis of a cost estimate provided by us.

No liability from this statement, negligence or otherwise is assumed by FMG Engineering, its subsidiaries, agents or employees for the contents of the cost estimate. Under no circumstances will FMG Engineering have any responsibility to any third party who may come into possession of this cost estimate. Before proceeding with any contract, a full current market costing should be sought from a licensed quantity surveyor or similarly qualified professional.

ATTACHMENT FOUR: LOCAL GOVERNMENT ACT, 1999 – SECTION 48

Section 48 – Prudential requirements for certain activities

- (1) A council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
 - (a) engages in a commercial project (including through a subsidiary or participation in a joint venture, trust, partnership or other similar body) where the expected recurrent or capital expenditure of the project exceeds an amount set by the council for the purposes of this section; or
 - (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
 - (i) where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000.
- (2) The following are prudential issues for the purposes of subsection (1):
 - (a) the relationship between the project and relevant strategic management plans;
 - (b) the objectives of the Development Plan in the area where the project is to occur;
 - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
 - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
 - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
 - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
 - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;

City of Playford
Playford CBD Project Stage One – Section 48 Report



- (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
 - (i) the most appropriate mechanisms or arrangements for carrying out the project.
- (3) A report is not required under subsection (1) in relation to—
 - (a) road construction or maintenance; or
 - (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
 - (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
 - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
 - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
 - (d) if that person is a partner of the relevant person; or

City of Playford
Playford CBD Project Stage One – Section 48 Report



- (e) if that person is the employer or an employee of the relevant person; or
 - (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
 - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
 - (a) by virtue only of the fact that the person—
 - (i) is a ratepayer, elector or resident in the area of the council; or
 - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
 - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—

employee of a council includes a person working for the council on a temporary basis;

non-profit association means a body (whether corporate or unincorporate)—

 - (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
 - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 8.1 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 8.1 is to be kept confidential.

STAFF RECOMMENDATION

That pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999 the Council orders that the following aspects of Item 8.1 be kept confidential:

- Report for Item 8.1 until September 2016.
- Attachment(s) for Item 8.1 until September 2016.
- Discussion for Item 8.1 until September 2016.
- Decision for Item 8.1 until September 2016.

OptionsOption 1

That pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999 the Council orders that the following aspects of Item 8.1 be kept confidential:

- Report for Item 8.1 until September 2016.
- Attachment(s) for Item 8.1 until September 2016.
- Discussion for Item 8.1 until September 2016.
- Decision for Item 8.1 until September 2016.

Option 2

The Council/Committee determines a different timeframe for any “in confidence” aspects of agenda item 8.1 to remain in confidence.

Analysis of OptionsOption 1

This item is excluded from the public on the basis that it relates to Section 90 (3) (b) of the Local Government Act 1999.

It will be appropriate to release the report and attachments in six months (September 2016). By this time Council would have approached the market with the first land release, therefore there is no longer any need to keep the commercial land values in confidence.

Option 2

The Council may determine that certain or all aspects of agenda item 8.1 remain in confidence.