



CONFIDENTIAL ORDINARY COUNCIL MEETING

CONFIDENTIAL MATTERS**Staff Reports**

- 18.1 Construction of a retail building and subsequent leases for the land situated at proposed Lot 11 within the Playford City CBD. (Attachment).....5
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Released 26 May 2020

STAFF REPORTS

Released 26 May 2020

18.1 CONSTRUCTION OF A RETAIL BUILDING AND SUBSEQUENT LEASES FOR THE LAND SITUATED AT PROPOSED LOT 11 WITHIN THE PLAYFORD CITY CBD.

Contact Person: Mr James Pollock

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (d) of the Local Government Act 1999, this matter is confidential because the information herein provides commercial terms and conditions for the lease of portion of the proposed retail site and would provide advantage to a third party for negotiations for the remainder of the proposed building.

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

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

18.1 CONSTRUCTION OF A RETAIL BUILDING AND SUBSEQUENT LEASES FOR THE LAND SITUATED AT PROPOSED LOT 11 WITHIN THE PLAYFORD CITY CBD.

Responsible Executive Manager : Mr James Pollock

Report Author : Mr Daniel Turner

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

Attachments : 1. Annexure A - Northern CBD Retail Concept Plan

PURPOSE

For Council to make a determination regarding the funding for construction of the retail premises for proposed Allotment 11 within the Northern CBD and subsequently lease portion of the building to Fasta Pasta for use as a restaurant.

STAFF RECOMMENDATION

Council to endorse the funding of the Playford City CBD retail building for a construction cost of \$0.968million and subsequently enter into a lease for portion of the premises with Fasta Pasta for \$350/sqm (approximately \$84,000 per annum) plus outgoings and associated commercial terms and conditions.

Delegate General Manager Strategic Projects & Assets to negotiate a lease on the remainder of retail building providing the terms and conditions are at a minimum in line with those negotiated with Fasta Pasta.

The net operational impact and capital budget of \$0.968 million will form part of the 2017/18 second budget review.

EXECUTIVE SUMMARY

This report provides the relevant information for Council to make a decision for the proposed retail site located within the Playford City CBD.

Should Council endorse the staff recommendation to construct a retail building and lease the property for restaurant and café use in line with the Playford Smart City vision, a capital budget of \$0.968m will be required to fund the development.

The report also provides information relating to a lease for portion of the building to 'Fasta Pasta' (approximately 240sqm) in which the terms and conditions have been agreed to in principle subject to Council approval. The remaining lease area of approximately 70sqm is proposed for café use in which Council staff are continuing to secure a tenant for.

The financial findings of the Fasta Pasta lease together with a further lease for the second tenancy will initially provide the City of Playford with a positive net operating impact of \$35,000 per annum with further rate revenue expected in future years.

1. BACKGROUND

The repositioning of Elizabeth as the CBD of the north has been one of Council's highest priorities in recent years, with an outcome to significantly improve the wellbeing of residents through increasing services and employment within the locality. Stage 1 of this project has already started with Council delivering infrastructure, services, the Prince George Plaza and streetscapes in preparation for mixed-use development in the area.

One of the key elements for activation of the Playford City CBD is the inclusion of a retail allotment created within the proposed Playford City CBD project concept plan with two separate tenancies being available. (refer Annexure A). The concept plan proposes an architectural style single-story building which would suit the allotment size and shape which was created in a way that any underground services were not compromised.

An agent was then engaged to determine interest from suitable tenants that would be considered to provide a good quality restaurant/café service to the area and likely to be successful.

Negotiations with interested parties are now taking place and in particular with the well-established restaurant chain 'Fasta Pasta'. These negotiations have now progressed to the offer and acceptance stage being conditional upon endorsement from Council.

Council are now required to make a decision to fund the construction of the retail building and to enter into associated leases for the space. In addition, Council endorsement is sought on the proposed the terms and conditions for the Fasta Pasta proposal upon which negotiations will be based for the second tenancy space.

Upon completion it is anticipated that the two tenancies will consist of one restaurant and one café.

2. RELEVANCE TO STRATEGIC PLAN

4: Smart CBD Program

Outcome 4.5 Commercial Growth

The decision will impact on the progress of Council's Northern CBD project as it will determine the approach taken for the future development for proposed Allotment 11 which is marked for retail use.

3. PUBLIC CONSULTATION

Proposed Allotment 11 is situated on freehold land that does not have any community land restrictions and therefore there are no legislative requirements to consult with the community prior to making a decision.

4. DISCUSSION

- 4.1 The construction of the building will come at a Council Cost of approximately \$0.968 million.
- 4.2 Upon completion of the building and a lease commencing, Prince George Plaza will see plaza activation increase significantly.
- 4.3 Should Fasta Pasta be endorsed as the restaurant Tenancy, it would be considered to impact the plaza positively with a wide range of customers and in particular families being drawn to the area.
- 4.4 The site is currently vacant and ready for construction and as such no trees are required to be removed and little impact to environment is considered to occur.
- 4.5 There has already been an offer and in principle acceptance of a lease rental at \$350 per square metre which is considered to be current commercial market rate for a newly established retail tenancy. This will bring an income of approximately \$84,000 per annum.
- 4.6 Fasta Pasta would be required to pay all outgoings including Council rates.
- 4.7 Lease to include an initial eight (8) year term with three options of renewal of five (5) years.
- 4.8 Other main terms and conditions include a rent free period of six months from the first day of trade or no longer than nine months from building completion date, whichever occurs earlier. This is considered to be in line with current market incentive levels and to allow the lessee to initially establish the business.
- 4.9 Rent reviews to be increased at CPI annually.
- 4.10 Fasta Pasta have requested the right to terminate the lease if works to construct a hotel on allotment 1 within Prince George Plaza are not commenced within 24 months of the lease Commencement date or its sales have not exceeded \$100,000 per calendar month (excluding GST) for 3 consecutive months within the first 24 months of the lease term. Whilst this condition was challenged, it was a requirement for the lessee to continue with negotiations as they were looking for a security in the event the hotel or other aspects of the CBD do not establish within a reasonable time period. It has been advised by the agent that the turnover amount is considered a minimum amount they would expect any of their restaurants to achieve.
- 4.11 The agreement is subject to a franchisee being secured prior to 31st December 2017 and subject to approval of Council.
- 4.12 Further negotiations are taking place for the café tenancy which is expected to achieve another \$24,000 to \$28,000 in income per annum for Council plus associated outgoings and equivalent Council rates.
- 4.13 Opportunities to sell the property once fully established could be considered in the future in which Council would be expected to realise a profit.

5. OPTIONS

Recommendation

Council to endorse the funding of the Playford City CBD retail building for a construction cost of \$0.968million and subsequently enter into a lease for portion of the premises with Fasta Pasta for \$350/sqm (approximately \$84,000 per annum) plus outgoings and associated commercial terms and conditions.

Delegate General Manager Strategic Projects & Assets to negotiate a lease on the remainder of retail building providing the terms and conditions are at a minimum in line with those negotiated with Fasta Pasta.

The net operational impact and capital budget of \$0.968 million will form part of the 2017/18 second budget review.

Option 2

Council do not endorse the construction of the Northern CBD retail building and provide direction to staff how to continue with the proposed retail site.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

- Contracts will be required to be entered into via an EOITender process with architects and builders to construct the building as well as agreements to be entered into with the Lessees. Legal advice will require to be sought in this instance to minimise any contractual risk as well as protecting Council interests over the land.
- Council are committed to the Playford City CBD and there is a community expectation to now deliver its vision. Being a relatively small development in comparison to the surrounding CBD projects, this building is likely to be the first completed premises and assist with the activation of Prince George Plaza.
- Reputation of Council in delivering its projects will increase upon the Community seeing development take place on the site.
- The impact to any surrounding business is considered minimal due to it being the only retail site proposed within the Playford City CBD. There should be consideration taken in relation to the Shedley Café however which could be affected upon a future café being negotiated on the second tenancy.
- Appropriate measures will be required to be in place to ensure public safety during the construction of building which is particularly relevant to people entering the civic centre from the southern entrance.
- Should Council retain ownership of the land into the future, ongoing management will be required in line with the lease agreement and as such the appropriate teams will be consulted should the recommendation be endorsed.

6.1.2 Financial Implications

Long-term = impacts extending beyond one year, primarily implications on achievement of the LTFP and associated financial sustainability ratios

	Current Year 2017/18 \$'000	Ongoing \$'000
Operating Revenue		139
Operating Expenditure		104
Net Operating Impact		35
Capital – Investing Revenue		
Capital Expenditure	968	
Total Borrowings (Capital Investment)	968	

- Capital Expenditure Assumptions:-

- The project cost of \$0.968 million budget also includes such as overheads, design fees, finance costs.

- Operating Revenue Assumptions:-

- Fasta Pasta lease \$84,000 p.a. based on \$350 per m2 lease of 240m2.
- Estimated overheads \$21,600 p.a.
- 2nd Lease estimate \$24,500 p.a. based on \$350 per m2 lease of 70m2, plus \$9,000 in overheads.
- Overhead estimates includes Council rates payable.

- Operating Expenditure Assumptions:- \$104,000

- Maintenance, Depreciation and Borrowing Costs.

The net favourable operational impact of \$35,000 per annum needs to be viewed as part of holistic feasibility for the entire CBD ongoing operational costs. Other sites within the CBD, will generate land sales and future rate revenue. For example estimated future rate revenue is expected to grow from \$43,000 p.a. (2018/19) to \$768,000 p.a. in 2020/21.

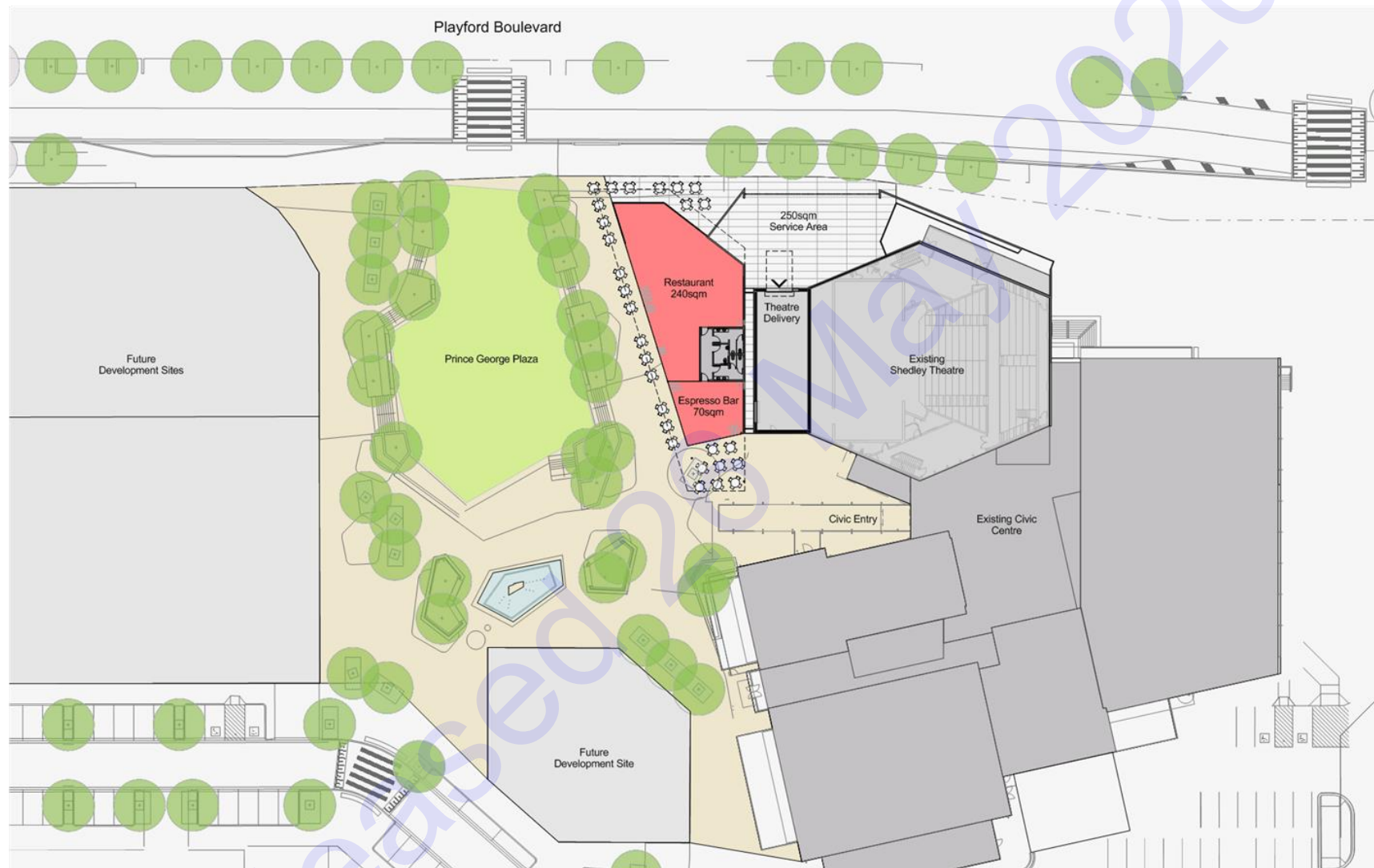
6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

Should Council decide not to endorse the recommendation and instead directs staff not to proceed, there would be no legal/contractual requirements. The decision would have a negative impact from a reputational standpoint however and activation of Prince George Plaza will be delayed until a decision was made how to proceed with the proposed site.

6.2.2 Financial Implications

No financial implications.

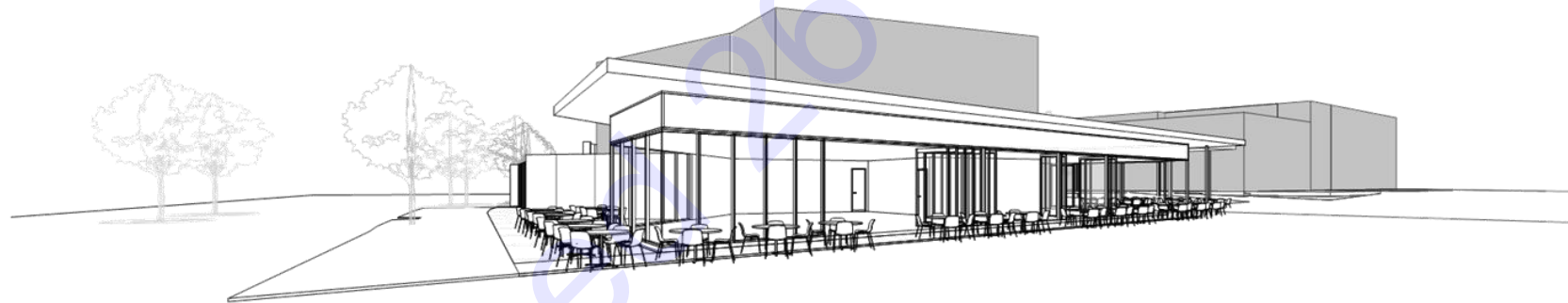
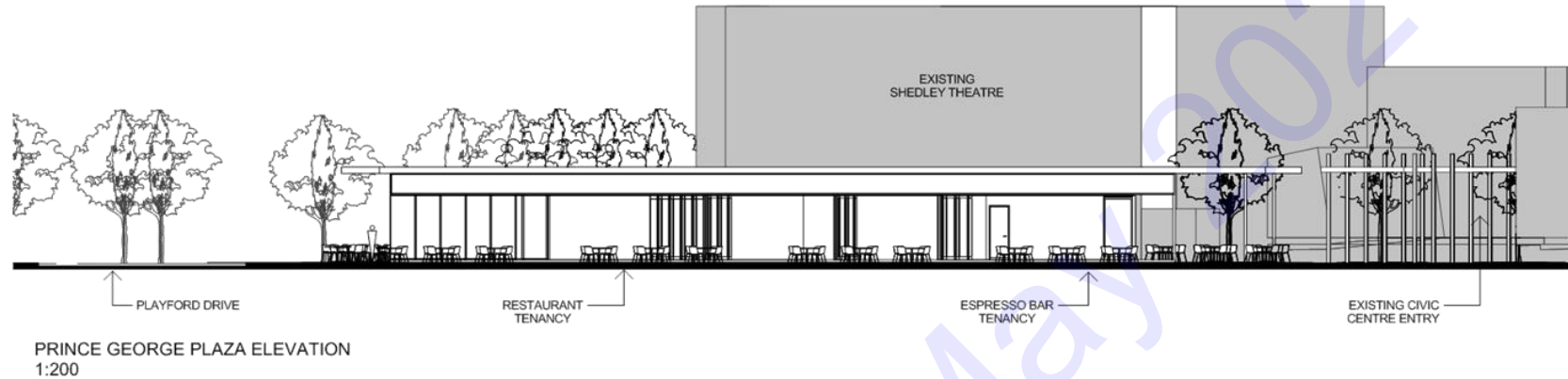
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**1485 Prince George Plaza
Site Plan**

16.08.17 scale 1 : 500 @ A3 SK01 E

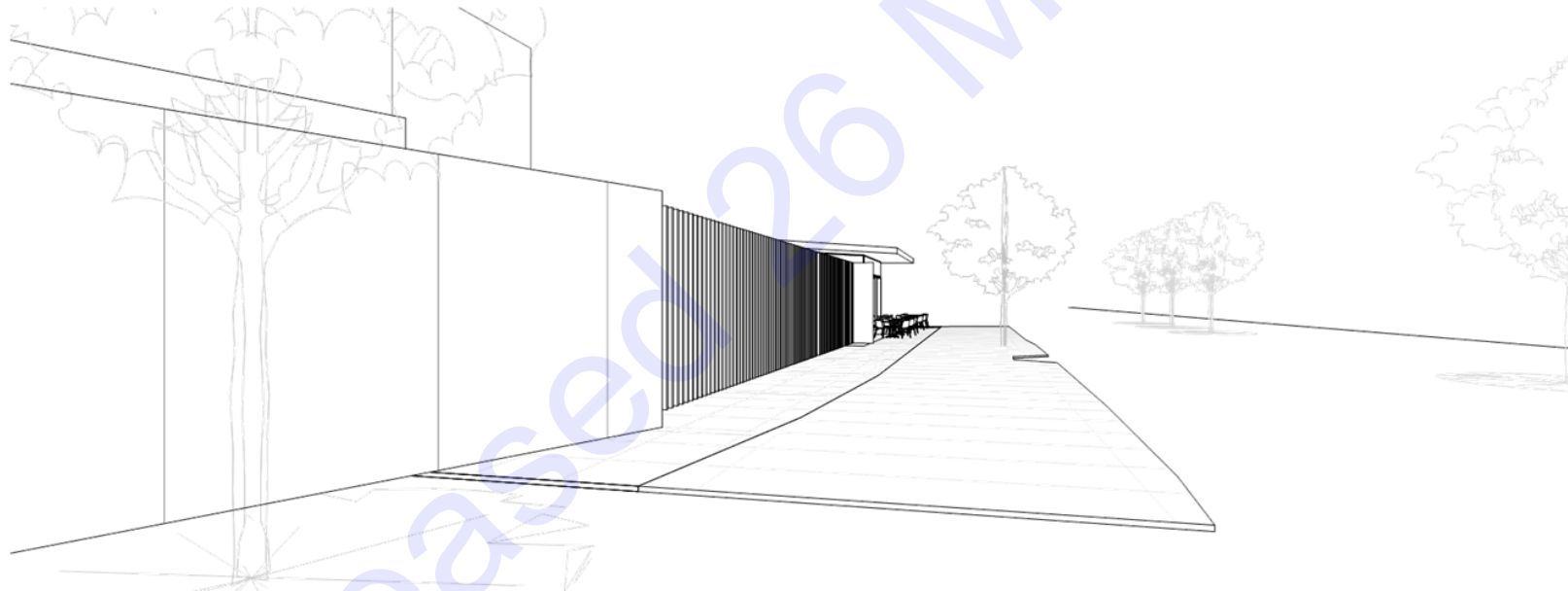
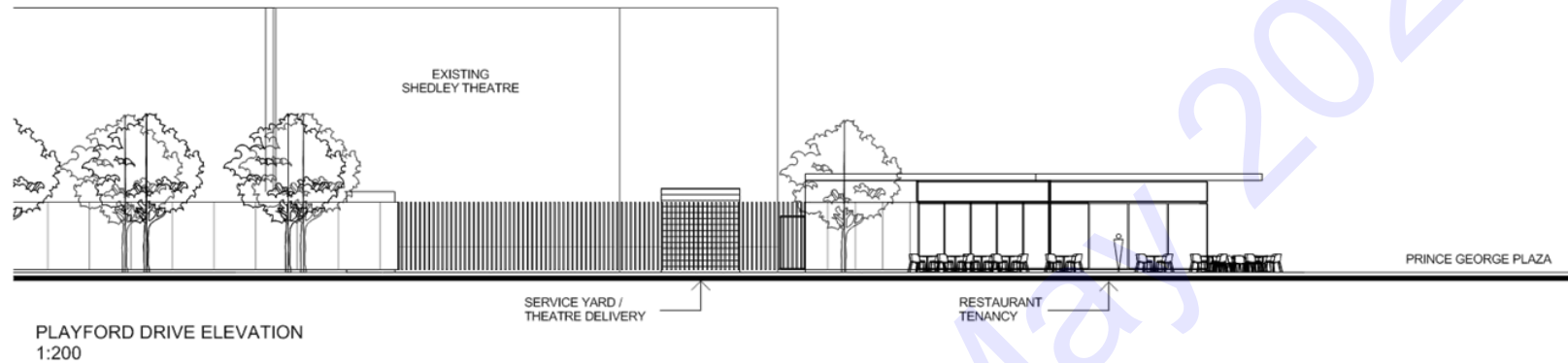


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1485 Prince George Plaza
Plaza Elevation & Perspective

16.08.17 scale 1 : 200 @ A3 SK02 D



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1485 Prince George Plaza
Playford Drive Elevation & Perspective
16.08.17 scale 1 : 200 @ A3 SK03 D

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 18.1 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 18.1 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999, the Council orders that the following aspects of Item 18.1 be kept confidential in accordance with Council reasons to deal with this item in confidence pursuant to Section 90 (3) (d) of the Local Government Act 1999:

- Report for Item 18.1
- Attachment(s) for Item 18.1
- Discussion for Item 18.1
- Decision for Item 18.1

This order shall operate until substantial completion of the site occurs and unconditional leases are executed for the building, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.

Pursuant to Section 91(9)(c) of the Local Government Act 1999, the Council delegates to the Chief Executive Officer the power to revoke this order at any time, and the Chief Executive Officer must advise the Council of the revocation of this order as soon as possible after such revocation has occurred.

18.2 GIGCITY CONNECTIONS

Contact Person: Mr Sam Green

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 it is considered that the information could provide a commercial advantage on a person with whom the Council is conducting, or proposing to conduct, business,

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

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

18.2 GIGCITY CONNECTIONS

Responsible Executive Manager : Mr Sam Green

Report Author : Mr Dermot Cussen

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

PURPOSE

To gain support from Council to a new GigCity Stage 2 precinct site in Edinburgh North and at the Northern Sound System.

STAFF RECOMMENDATION

That Council supports the applications to Gig City Stage 2 for the Northern Sound System and Advanced Additive Metal Manufacturing precincts.

EXECUTIVE SUMMARY

In October 2017, the University of Adelaide received a State Government grant of \$1.4 million to support the establishment of the Additive Manufacturing Applied Research Network (AMARN).

AMARN is a 3D metal printing initiative, involving the Stretton Centre, the University of Adelaide, CSIRO'S Lab 22 and Australian Advanced Materials Manufacturing Pty Ltd (AAMM).

AAMM will initially operate three, 3D metal printers from leased space at Century in Edinburgh North. The facility is understood to be will be the only metal additive manufacturing facility in Australia that's currently available to companies on a commercial basis.

The AMARN initiative includes the establishment of a plastics 3D printing facility at the Stretton Centre. New designs/ prototypes are usually printed in plastic prior to the more expensive metal printing process.

In November 2017, the City of Playford, with the support of the Stretton Centre, lodged an application to include the Century site, in Edinburgh North, as a new GigCity Stage 2 precinct. Council also submitted an application to connect the Northern Sound System to the Gig City network.

These applications were lodged in recognition that AAMM and the future of the NSS will require fast broadband connections in order to deliver on their long terms strategic goals. Particularly given that the AAMM site has the potential to develop as a high value, advanced manufacturing precinct, primarily focused on supporting advanced manufacturing innovation related activities in the areas of defence, medical, dental, resources and water.

GigCity Stage 2 guidelines stated that co-funding would be considered as part of the merit criteria. The cost of GigCity into the Century site is estimated to be \$150,000. Therefore, Playford's application included a co-contribution of \$50,000, of which AAMM would contribute \$10,000 with the City of Playford providing the balance, subject to Council approval.

Connection of the NSS is expected to be in the order of \$25,000 which is proposed to be funded through \$15,000 from the Northern Economic Plan office and the remaining \$10,000 from Council.

Century is supporting the establishment of AAMM through providing favourable leasing arrangements. It has also committed to supporting Stretton's efforts in attracting additional players into the site.

This project will raise the profile of Playford's efforts to facilitate high value, advance manufacturing and job creation in to the region in the post Holden era and add to our reputation as a leader in Smart Cities technology.

The new 3D metal printing facility is anticipated to play a significant national role in supporting applied 3D metal printing research that will support and enable Australian companies to disrupt and bring new capabilities and products to market that would otherwise be difficult to achieve through traditional subtractive and or casting methods.

SABRNet which provides the GigCity broadband infrastructure has advised that the Century site has been short listed to be a GigCity precinct. A formal announcement on which GigCity Stage 2 applications have been successful is anticipated in the coming weeks.

1. BACKGROUND

In October 2017, the University of Adelaide received a State Government grant of \$1.4 million to support the establishment of the Additive Manufacturing Applied Research Network (AMARN).

AMARN is a 3D metal printing initiative, involving the Stretton Centre, the University of Adelaide, CSIRO'S Lab 22 and Australian Advanced Materials Manufacturing Pty Ltd (AAMM).

AAMM will initially operate three, 3D metal printers from leased space at Century in Edinburgh North. The facility is understood to be will be the only metal additive manufacturing facility in Australia that's currently available to companies on a commercial basis.

The AMARN initiative includes the establishment of a plastics 3D printing facility at the Stretton Centre. New designs / prototypes are usually printed in plastic prior to the more expensive metal printing process.

3D printing is the fastest-growing sector of manufacturing globally, due to the many benefits it offers companies in terms of new product development, time to market, reduced waste and product cost.

The new 3D metal printing facility is anticipated to play a significant national role in supporting applied 3D metal printing research that will support and enable Australian companies to disrupt and bring new capabilities and products to market that would otherwise be difficult to achieve through traditional manufacturing methods.

GigCity provides ultra-fast internet that is 100 times faster than the national average. The Stretton Centre is one of 13 GigCity precincts which were connected during the roll out of GigCity Stage 1.

Century, a local medium sized employer, develops and delivers manufacturing and related service solutions into a diversified customer base including defence, the resources sector and municipality/ industrial water and waste water solutions. AAMM will also leverage its resources to complement its capabilities.

There is additional space in the building, which will house the 3D Metal printers, to attract and support the establishment of companies with synergies and complementary activities to AAMM and or Century's capabilities and route to market opportunities.

Being a new GigCity precinct site is significantly important to achieving the vision that the site could facilitate for Playford, local jobs and the region.

2. RELEVANCE TO STRATEGIC PLAN

3: Smart Jobs & Education Program

Outcome 3.1 Growth and diversification of local jobs matched with relevant education and training

This decision will impact on the Smart Jobs & Education Program as the activation of the Century site as an innovative, high value advanced manufacturing precinct aligns with Stretton's core objective of exploring and enabling local job creation.

The Precinct will also be a key player in delivering on the Innovative Manufacturing Cooperative Research Centre's objective of helping Australian companies increase their global relevance.

The new 3D metal printing facility will play a significant national role in supporting applied 3D metal printing research that will support and enable Australian companies to disrupt and bring new capabilities and products to market that would otherwise be difficult to achieve through traditional subtractive and or casting methods.

3. PUBLIC CONSULTATION

There is no requirement to consult with the public on this matter.

4. DISCUSSION

- 4.1 Being part of GigCity will support the development of the site as an advanced manufacturing precinct and support the attraction of companies with complementary activities /markets into the site and or Playford.
- 4.2 It will also highlight Playford's efforts to facilitate high value, advance manufacturing and job creation in to the region in the post Holden era and will unlock the ability of NSS to provide training in bandwidth heavy creative industries such as music and gaming.
- 4.3 The new 3D metal printing facility at the site is anticipated to play a significant national role in supporting applied 3D metal printing research that will support and enable Australian companies to disrupt and bring new capabilities and products to market that would otherwise be difficult to achieve through traditional subtractive and or casting methods.
- 4.4 The proposed GigCity connection will also support the establishment of a plastics 3D printing facility at the Stretton Centre. 3D printing is the fastest-growing sector of manufacturing globally, due to the many benefits it offers companies in terms of new product development, time to market, reduced waste and product cost.
- 4.5 The new 3D metal printing facility will play a significant national role in supporting applied 3D metal printing research that will support and enable Australian companies to disrupt and bring new capabilities and products to market that would otherwise be difficult to achieve through traditional subtractive and or casting methods.
- 4.6 The successful activation of the proposed advanced manufacturing innovation site is anticipated to have a positive social outcome due to increased local economic and job creation activities at the site.
- 4.7 Being a new GigCity precinct site is significantly important to achieving the vision of what the site could facilitate for Playford, local jobs and the region.
- 4.8 Designation of the Northern Sound System as a Gig City precinct will allow the site to offer new services and open new opportunities which rely on high speed, high bandwidth internet.

5. OPTIONS

Recommendation

That Council supports the applications to Gig City Stage 2 for the Northern Sound System and Advanced Additive Metal Manufacturing precincts.

Option 2

That Council does not support the applications to Gig City Stage 2 for the Northern Sound System and Advanced Additive Metal Manufacturing precincts.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

Should Council decide to support the two applications and the applications are successful in gaining support from the State Government the designation as Gig City precincts will provide high speed, high bandwidth internet access to the sites. This form of internet access is critical to the future development of the AAMM precinct and the NSS to allow large files to be transferred, streamed and developed in real time. Support for the two applications will ensure the long term sustainability of these precincts.

6.1.2 Financial Implications

The proposed recommendation will seek to contribute \$50,000 as a once off contribution to the Gig City project. There will be no ongoing capital or operational costs.

	Current Year 2017/18 \$'000	Future Years 2018/19 \$'000	Ongoing 2019/20 \$'000
Operating Revenue	0	0	0
Operating Expenditure	50	0	0
Net Operating Impact			
Capital – Investing Revenue	0	0	0
Capital Expenditure	0	0	0
Total Borrowings (Capital Investment)			

The operational impact will be funded via economic development initiatives existing budget.

Given this is a once off contribution no ongoing operational impact will exist in future budgets.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

If the State Government formally announces the two precincts as a new GigCity precincts, and should Playford withdraw its GigCity Stage 2 applications, it may impact negatively on Playford's reputation and other future projects involving SABRENet/ GigCity.

6.2.2 Financial Implications

If Council does not support the two applications and avoids the \$50,000 in expenditure, these funds could be utilised for other projects or debt retirement.

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 18.2 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 18.2 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999, the Council orders that the following aspects of Item 18.2 be kept confidential in accordance with Council's reasons to deal with this item in confidence pursuant to Section 90 (3) (b) of the Local Government Act 1999:

- Report for Item 18.2
- Attachment(s) for Item 18.2
- Discussion for Item 18.2

This order shall operate until three (3) months after the announcement of the GigCity Recipients, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.