

9.3 Saleyards Lane Subdivision Stage 2

REPORT BY THE CHIEF FINANCIAL OFFICER
TO 04 AUGUST 2021 ORDINARY MEETING
GOV400087, P23795, P23796

RECOMMENDATION

That Council:

1. receive the report by the Chief Financial Officer on the Saleyards Lane Subdivision Stage 2;
2. approve the development of 25 lots as detailed in the attached concept plan for the Stage 2 subdivision of Saleyards Lane;
3. amend the Budget for 2021/22 to allocate:
 - 3.1 Stage 2 construction budget of \$2,500,000 to be funded from the Land Development Reserve;
 - 3.2 Land sales of \$1,000,000, to be transferred to the Land Development Reserve;
4. amend the Budget for 2022/23 to allocate:
 - 4.1 Land sales of \$2,400,000, to be transferred to the Land Development Reserve;
5. authorise the General Manager to obtain independent valuations for the 25 lots detailed in the attached concept plans as soon as appropriate to do so; and
6. request a further report be brought back to Council to authorise any process for sale and set the sale proceed budgets.

Executive summary

The purpose of this report is to seek a resolution from Council to construct the 22 residential land allotments in Stage 2 of the Saleyards Lane Subdivision project (the Project).

The Saleyards Lane Subdivision project received development consent for a 51 lot residential subdivision in May 2014. The development includes 51 residential lots ranging in size from 600m² to 1,053m². Stage 1 saw the completion of the first 26 residential land allotments. A review of the profitability of Stage 1 is included in this report.

Disclosure of Interest

Nil

Detailed report

The Development Application for the 51 allotment subdivision of the Council owned land in Saleyards Lane Mudgee was approved by Council on 7 May 2014 (DA0248/2017, Minute 162/14).

The Project consists of two main stages and is aimed at providing additional vacant residential land in the Mid-Western Region to support housing choice and affordability.

Stage 1 of the Project comprised 26 allotments and is now complete. A review of the profit of that project is attached to this report.

From the 51 lots, 3 were utilised for the construction of the Gowrie Childcare Centre. This leaves 22 residential lots in the Stage 2 plan.

PROJECT SITE

The Project site is shown below, and is located at Saleyards Lane, Mudgee.



The concept plan for Stage 2 is provided below, the green boxed lots are now Lot 30 DP1267151, used instead for the Gowrie Childcare Centre.

The remaining lots and new portion of road which will extend from Marskell Circuit, off Croake Way, are detailed in the plan. The plan includes the development of 4 x battle axe blocks, as per the approved subdivision.



THE PROJECT RATIONALE

The Project will provide the following benefits:

1. increase the supply of vacant residential land, which is ready to be built on and within close proximity to the Mudgee town centre. The project will ensure that all of the required infrastructure is in place to release lots to the market. This will help support the provision of an affordable housing supply;
2. Increase Council's own source revenue, which provides opportunities to invest in additional property projects as required, or alternate projects as decided by Council.

There has been a lot of interest in the continuation of this subdivision, and interested parties have been contacting Council to query about availability of additional blocks within this subdivision. Sales are currently anticipated to occur quickly, similar to the outcome of Stage 1.

PROJECT TIMING

The project is investment ready. The project works schedule indicates a proposed start date for Stage 2 as September 2021 with completion anticipated by February 2022.

Community Plan implications

Theme	Good Governance
Goal	An effective and efficient organisation
Strategy	Prudently manage risks association with all Council activities

Strategic implications

Council Strategies

Not Applicable

Council Policies

Land Acquisition and Disposal Policy

Legislation

The cost of this project is below the thresholds for preparation of a Capital Expenditure Review under section 26A of the Local Government Act. A business case has been outlined in the financial implications section of this report.

Financial implications

PROJECT COSTS

A detailed break up of the estimated costs of this project is attached as a confidential attachment to this report. The detail provides for \$2.5 million project costs, summarised below:

Works	Estimated cost (\$'s)
Fees and Contributions	502,500
Civil Works	1,200,000
Electrical Works	139,500
Survey & Design	105,500
Water & Sewer	504,500
Contingency	48,000
Total Estimated Cost	2,500,000

ESTIMATED LAND VALUE

The estimated value of land remaining for development is currently \$877,000. About 2/3s of this block will be used for saleable lot, and the remaining land held by Council. This value has been included in the profit analysis.

PROJECT FUNDING

It is proposed to use the Land Development Reserve (the Reserve) which has seen material transfers into the Reserve realised by the sales of the Stage 1 Saleyards subdivision works.

The estimated closing balance of the Reserve at 30 June 2021 is \$1.68 million. There are anticipated transfers to the Reserve of \$1.8 million, as all contracts for Stage 1 have now been exchanged and deposits outstanding for settlement of these contracts are due to be received in the next month or so. Therefore, the estimated closing balance for 30 June 2022, is currently \$3.48 million which is sufficient to fund the Project.

PROFIT ANALYSIS

The anticipated profit margin for this project is detailed in the confidential attachment, and is estimated at about \$488,000.

This results in a return on investment of about 16%.

The new road will transfer to Council, and will result in a small increase to infrastructure renewal burdens.

Budget Year	Operating Performance Ratio	Own Source Revenue	Building & Infrastructure Renewal
2021/22	✓	✓	-
Future Years	✓	✓	✗

Associated Risks

Currently, the budget includes sale of the 22 allotments over 2 financial years. It is possible that not all allotments will sell within the anticipated time-frame.

A valuation of the allotments is still required to be carried out, there is a risk that the allotments will not be valued at their anticipated sale price, however the market is currently quite favourable with high demand on these blocks, and estimates have been conservative, therefore risk of over estimating sales prices is deemed low.

LEONIE JOHNSON
CHIEF FINANCIAL OFFICER

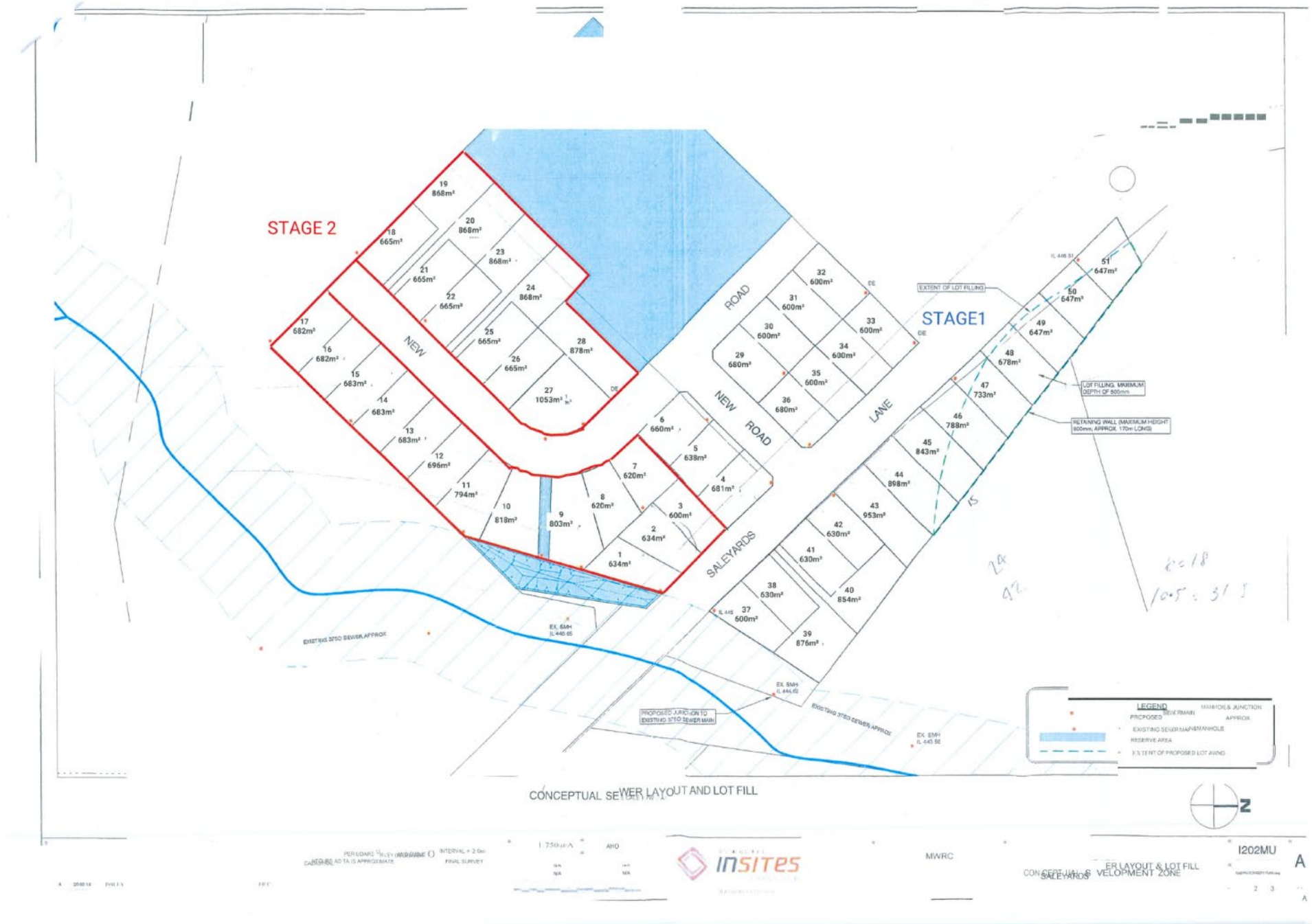
22 July 2021

Attachments:

1. Concept Plan Stage 2.
2. Detailed budget estimates. (Confidential - separately attached)
3. Estimated profit margin Stage 2. (Confidential - separately attached)
4. Stage 1 profit summary (late attachment).

APPROVED FOR SUBMISSION:

BRAD CAM
GENERAL MANAGER



Placeholder for Attachment 4
Saleyards Lane Subdivision Stage 2
Stage 1 profit summary (late attachment)
0 Pages