



**BUSINESS PLAN FOR A
PROPOSED MAJOR LAND
TRANSACTION
LOT 300 HERON WAY
EXMOUTH**

Prepared by Shire of Exmouth

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1.0 Introduction

This Business Plan has been prepared by Council in regards to a proposal to enter into a major land transaction. Council is proposing to undertake an 11 lot subdivision of Lot 300 Heron Way, Exmouth. The Lot is currently owned by the State of WA, and Council has a developer lease over the parcel of land. Upon completion of the subdivision, all lots created will be sold in freehold tenure.

The following Business Plan has been prepared in accordance with sections 3.58 and 3.59 of the *Local Government Act 1995* and the associated *Local Government (Functions and General) Regulations (1996)*. Its purpose is to provide members of the community with the opportunity to consider this proposal and provide input, prior to Council making any decision. It is a statutory requirement for Local Government to advertise its intent to enter into any major land transaction or any major trading undertaking, through State wide advertising, seeking public submissions. Submissions received during the public consultation period will be considered by Council prior to any decision.

1.1 Background

In 2010 Council initiated an omnibus scheme amendment to rezone a portion of Lot 1112 Nimitz Street from Tourist to Residential R30 and R17.5 and Recreation and Open Space, and reclassifying a portion of Reserve 29086 and 41753 from Recreation and Open Space to Residential R17.5 and Special Rural respectively. The Scheme amendment was approved by the Minister of Planning in 2011 resulting in 11.5 ha of Reserve 41753 being zoned Special Rural.

Reserve 41753 is described as Lot 1388 on Deposited Plan 217594, set aside for the purpose of a "Racecourse" with a Management Order to the Shire of Exmouth, with the power to lease for any term not exceeding 21 years, subject to the consent of the Minister of Lands. Reserve 41753 comprises an approximate total area of 55ha and is zoned Recreation and Open Space and Special Rural in Town Planning Scheme No. 3.

In 2013, the Department of Lands initiated a Crown subdivision of Lot 1388 Reserve 41753 to create two Crown lots, being Lot 300 and Lot 301. Lot 301 is subject to flooding and is not suitable for development and has been set aside as a reserve for natural protection whilst Lot 300 (the subject of this application) has had a developer lease being issued to the Shire of Exmouth for the development of Special Rural Lots.

1.2 Purpose of the Report

The purpose of the Business Plan is:

- To provide the opportunity for the community to provide comment on the Business Plan;
- Outline in detail the proposed development (acquisition, subdivision and sale); and
- Demonstrate compliance with the requirements of the Local Government Act 1995 and other relevant Acts.

1.3 Location

The site is located approximately 4 km south from the Exmouth Town Centre along Murat Road. The site abuts Heron Way to the West and existing rural residential to the south.



Figure 1: Location Plan - Lot 300 Heron Way, Exmouth

2.0 Planning Framework

2.1 Ownership and Description of Landholding

Lot 300, the proposed subdivision area comprises 11.3ha and is formally described as Lot 300 on Deposited Plan 76150, Certificate of Crown Land Title Volume LR3163, and Folio 775.

The Shire of Exmouth has a developer lease on the land with the Minister of Lands for a 10 year term from 1st August 2013 for the purpose of subdivision and production of Special Rural residential lots, construction of services and other works necessary for, or ancillary to that development and subdivision.

2.2 Zoning and Reservation

The subject land is zoned Special Rural under the Town Planning Scheme No. 3. The zoning was approved by the Minister for Planning on 30 November 2012.

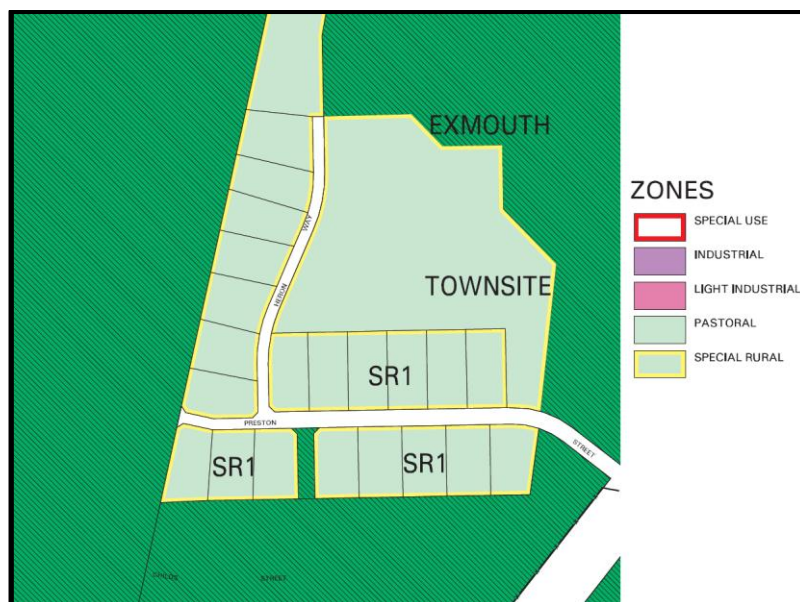


Figure 2: Town Planning Scheme Number 3 Zoning

Clause 5.9.1 of TPS No.3 outlines the objectives of the Special Rural Zone as follows;

- a) *To allow for subdivision to provide for such uses as hobby farms, horse breeding, rural-residential retreats; and*
- b) *To make provision for retention of the rural landscape and amenity in a manner consistent with the orderly and proper planning of such areas.*

The proposed subdivision will provide for such uses as rural-residential retreats catering for a rural lifestyle which is located close to the town of Exmouth. The relationship of the Scheme to the subject site achieves the desired outcomes. Potential land-use conflicts are minimized by co-locating existing compatible uses to enhance the social and cultural interaction between residents and visitors, whilst supporting an expansion of Special Rural enhancing the existing social interaction within the rural landscape.

3.0 Analysis of the Proposal

The subdivision of lot 300 proposes the creation of eleven (11) residential lots and one 20m road reserve, totalling an area of 11.3ha. An analysis of the proposed subdivision has been carried out against the relevant principles of Liveable Neighbourhoods, outlined below.

3.1 Community Design

The proposed subdivision seeks to, where possible, integrate with the adjoining development. Proposed lots 1, 2, 3 and 4 are to be accessed via the existing Heron Way, contributing to the streetscape and urban structure with eventual development. Proposed lots 4-8 back on to existing development, which is considered to be an appropriate land use interface.

The general layout of the subdivision is consistent with that of the wider 'Special Rural' zone south of the Exmouth town centre. The subdivision includes the creation of a road in a west-east direction which has a cul-de-sac at the eastern end, however this is unavoidable (at least in the short term) given the zoning, floodway and use of the adjacent land.

The proposed lot sizes are 1ha, it should be noted that the proposed lot sizes reflect adjacent lots. Proposed lots 1, 8, 9, 10, 11 overlook the remainder of the Reserve minimising the potential for crime and vandalism in the adjacent reserve.

3.2 Movement Network

The subdivision application proposes a cul-de-sac with a 20m road reserve, extending to 24m at the eastern end. The cul-de-sac is consistent with Liveable Neighbourhoods principles of design given the short length of the road, the low traffic volume and parking demand to be generated by the development. The cul-de-sac serves no more than 7 lots and provides a turning circle for a rubbish truck to make a three (3) point turn.

3.3 Lot Layout

The proposed lot layout provides for lots at approximately 1ha, consistent with the lot sizes of the locality. The lots provide for permitted Special Rural development in accordance with the Town Planning Scheme No. 3. Lots 7-10 are arranged in a grid arrangement which is considered to represent the most efficient layout for this part of the subdivision area.

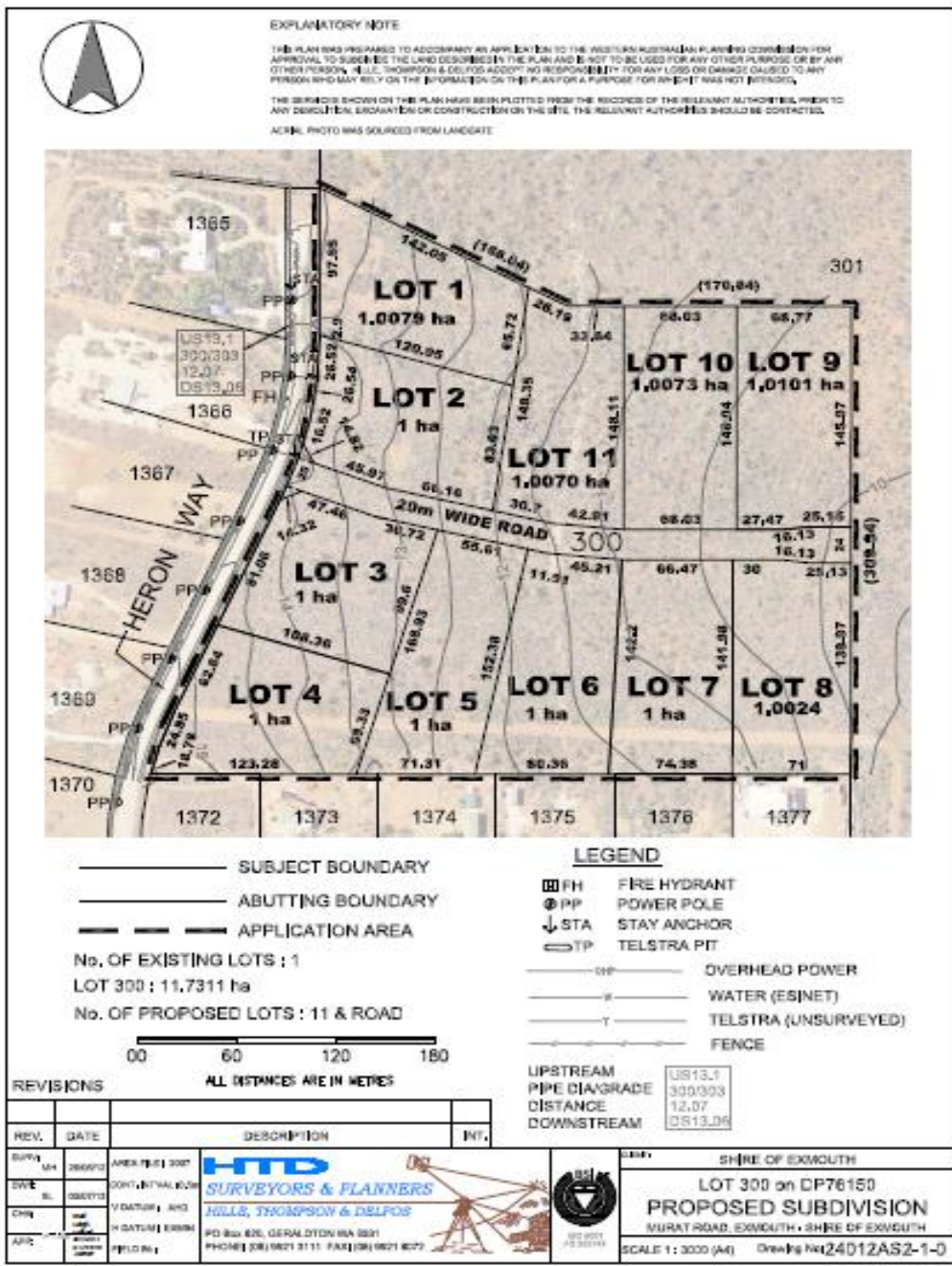


Figure 3: Subdivision Layout Plan

4.0 Infrastructure and Servicing

This section documents the locations of existing major services infrastructure pertinent to the redevelopment of the subject landholdings, or which needs to be considered due to the proposed works. A detailed report was prepared by JDSI Consulting Engineers (refer to **Appendix 1**). Below is a summary of the major issues covered by the report.

4.1 Power

Horizon Power is responsible for the network management, operation, maintenance and retailing of electricity in Exmouth. Horizon Power is also responsible for the planning of generation and distribution of development in the Exmouth power network.

Existing overhead and underground power already exists in the surrounding area. Connections will be made to existing infrastructure. As advised by Horizon Power any additional electrical service will be at the full cost to the developer. The proposed northern lot will require an extension of underground services from the existing overhead power assets in Heron Way for a distance of approximately 410 metres along the proposed subdivision road.

4.2 Water

Water Corporation has advised a supply of water is available for this development proposal. Any cost incurred in upgrading or relocating existing services will be the responsibility of the developer. To provide water services a connection to the 200AC water main would be made.

The proposed subdivision of the subject site creates a requirement for a water connection from the Heron Way reservation to the west. This will require the following infrastructure: - 100mm-diameter water main from the intersection of Heron Way and the proposed subdivision road for a distance of 410 metres along the southern boundary of the proposed subdivision road. Street fire hydrants will be installed in accordance with the relevant Australian Standards and DFES requirements.

4.3 Waste-Water

Water Corporation of WA (WCWA) is responsible for the operation of existing wastewater services in the Exmouth area. Wastewater will be managed by the use of individual Department of Health approved on-site waste water treatment and disposal/reuse systems.

4.3 Telecommunication

Connection will be made to existing telecommunication infrastructure where appropriate.

4.5 Fencing

No fencing is proposed for the subdivision. However as a condition of the subdivision, all fencing within the floodplain at the rear of the lots is of a type that allows for the free flow of floodwaters (ie, post and rail) as advised by DoW.

5.0 Statutory Requirements

5.1 Creation of a Business Plan

In accordance with Section 3.59(2) and Section 3.59(3) of the *Local Government Act 1995*, before it commences a major trading undertaking, enters into a major land transaction, or enters into a land transaction that is preparatory to entry into a major land transaction, a Local Government is to prepare a Business Plan. The Business Plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of the undertaking.

5.2 Disposal of Property

Following receipt of submissions during the consultation period, section 30(2a)(c) of the *Local Government (Functions and General) Regulations 1996*, exempts section 3.58 of the *Local Government Act 1995* from application providing certain conditions are met.

In relation to the conditions, section 30(2a)(c) states that if the property is disposed of within 6 months after it has been the subject of State wide public notice, and if the business plan referred to in that notice described the property concerned and gave details of the proposed disposition including:

- The names of all other parties concerned;
- The consideration to be received by the Local Government for the disposition; and
- The market value of the disposition as ascertained by a valuation carried out not more than 12 months before the proposed disposition, then the disposition is exempt from section 3.58 of the Local Government Act.

The conditions outlined above are included within this Business Plan as required.

Following receipt of submissions during the consultation period, section 30(2a)(c) of the *Local Government (Functions and General) Regulations 1996*, exempts section 3.58 of the *Local Government Act 1995* from application providing certain conditions are met.

5.3 Planning and Development Act

Subdivision approval was granted by the West Australian Planning Commission (WAPC) which is valid for a period of four years until 20 February 2018. WAPC must endorse clearance of all conditions prior to granting its final approval. Shire Officers are working towards clearing all subdivision conditions.

5.4 Land Administration Act

The land ownership issue is yet to be resolved. The Shire has a developers lease over lot 300 but does not have ownership of the land. Once the land has been acquired by the Shire and the subdivision conditions have been cleared, new titles can be created for all 11 lots for individual purchase in freehold.

Further the road will be created as a dedicated road under the Land Administration Act and will require naming in accordance with Landgate requirements.

6.0 Statutory Issues to be addressed by the Business Case

The Local Government Act indicates those matters that Council should concern themselves about in relation to services and facilities.

This section answers the questions raised.

1. *Do the services and facilities integrate and coordinate with those provided by Governments or public bodies?*

The proposed subdivision will be subject to approval from the Western Australian Planning Commission. The subdivision plan has been prepared in order to achieve the objectives of the Special Rural Residential Zone and to coordinate with adjoining properties.

2. *Do the services and facilities duplicate to an inappropriate extent, with those provided by Governments, anybody or person, whether public or private?*

The project will not duplicate the services and facilities currently provided by Government or any person. It will actually create more opportunities, alternative lifestyle and Landuses to the Exmouth community.

3. *How can the Council itself be satisfied that the services and facilities are managed efficiently and effectively?*

The subdivision will be managed by qualified professional staff of the Shire. The Shire intends to engage a project manager to provide assistance in coordinating the project.

Shire of Exmouth Services

- Engineering Services - Road Design, Maintenance
- Planning and Building Services – Planning Services, Building Services
- Corporate Services – Purchasing, Contracts and Tenders

4. *What is the expected effect of the proposals on the provision of services and facilities provided by the Shire?*

The proposal will create an attractive residential environment that will ensure acceptable levels of safety, privacy and amenities provided and will not have a strain on the facilities currently provided by Council.

5. *What is the expected effect of the proposal on other persons providing services and facilities in the Shire?*

The proposal will complement other residential development undertaken by the private sector within the Shire as it will assist to satisfy the under supplied predicted residential land supply in the medium term. LandCorp is currently undertaking a 399 lot residential subdivision with lots sizes ranging from 300-700m², whilst this subdivision will create lots with an average area of 10000m².

6. *What is the expected financial effect on the Shire?*

As part of the Shire's due diligence responsibilities, detailed project feasibility assessment and cost/benefit analysis has been undertaken. A consultant engineer

prepared cost estimates for development costs as the basis for the cash flow modelling (*Refer Appendix 1*). A summary budget estimate arising from the cash flow assessment is attached (*Refer Attachment 2*). The project will have a positive overall cash flow for Council.

7. *What is the expected effect of the proposal in relation to the Strategic Community Plan?*

The Shire of Exmouth Strategic Community Plan 2011-2021 (Strategic Community Plan) and the Shire of Exmouth Corporate Business Plan 2012-2016 (Corporate Business Plan) details the programs and services Council will need to undertake over a five year period to achieve the objectives and strategies outlined in the Strategic Community Plan.

The Strategic Community Plan identifies the following related outcomes and response:

Outcome 3.8 There is a diverse range of residential land options available.

3.8.1 Advocate for State Government to release more land.

3.8.2 Council to investigate opportunities to acquire Crown land for development.

The project will help achieve the above outcomes as set in the Shire of Exmouth Strategic Community Plan 2011-2021 (Strategic Community Plan) sets out the vision, aspirations and objectives of the Community and the Shire of Exmouth Corporate Business Plan 2012-2016 (Corporate Business Plan).

8. *Has the Shire the ability to manage the service and facilities?*

The Shire has qualified and experienced staff with the ability to manage the proposed subdivision. Key persons to the success of the project include:

- Chief Executive Officer;
- Executive Manager Engineering Services;
- Executive Manager Town Planning; and
- Executive Manager Corporate Services.

The Shire will contract independent consultants with high level expertise to conduct other aspects of the project where the skills are not found in house.

7.0 Financial Analysis

7.1 Value of Land

The current market value of the unimproved land for Lot 300 is \$900,000 (inc GST).

The proposed release lot prices have been determined by an independent valuer. The information provided by the valuer has provided the Council an estimated total end value of the development, and an anticipated individual selling price for each proposed lot. These figures have been used in the financial analysis of the development.

A brief summary of the valuation report:

- Completed by a certified practising valuer;
- Direct comparison to market evidence approach was utilised;
- Ascertained current market conditions;
- The relatively high cost to build a new home, starting at \$400,000 and ranging upwards is putting pressure on land values and making it more difficult to sell higher priced land for fear that over capitalisation in a residential development may not be substantiated by the resultant open market value;
- Soil profile in the area is hard making it difficult for trenching for electricity and water;
- There is no sales data of vacant 1 hectare parcels;
- Considering all available evidence and market conditions the average market price valuation per lot is \$380,000.

7.2 Development Costs

Engineers were requested by the Shire to provide indicative cost estimates based on the original subdivision proposal for 11 lots. The cost estimate of \$1 300 000 for 11 lots which includes Shire of Exmouth management fees and 10% project contingency.

The estimated development costs are summarised as follows.

- Clearing and disposal
- Earthworks
- Water
- Roadwork's
- Drainage
- Power
- Telecommunication's

The above cost estimates do not include an amount for project management, selling fees, professional consultant fees and statutory fees.

The cash flow analysis indicates that the proposed subdivision will generate an estimated income of \$1,113,251 million. The sales price per lot is initially estimated at \$380,000. A comparison of the revenue generated with all the costs associated with the proposed subdivision will see the Shire generate a positive financial return, as detailed in **appendix 2**.

7.4 Risk Analysis

It is important that the Shire of Exmouth recognises that the development of land is a risk activity subject to unpredictable outcomes. The Plan identifies the following risks and actions which have been taken to reduce the risk in relation to the development:

Risk	Action to Mitigate
Cost Overruns and Delays	Project Plan and Project Management
Site Risk	Geotechnical studies were completed as part of application for subdivision
Market Risk	An expression of interest will be widely advertised to ascertain the demand
Finance Risk	Project Plan and Project Management Obtain multiple quotes for any work
Approval risk	All approvals were obtained

8.0 Consultation

8.1 Target Clientele

It is anticipated that the following groups will be attracted to the subdivision:

- Local residents;
- Prospective residents.

8.2 Promotions and Advertising

The lots will be advertised through the use of one or more of the following:

- Signage;
- Brochures;
- Newspapers;
- Council's Publications;
- Council's Website;
- Real Estate Agents.

8.3 Public Consultation Process

Section 3.59 of the Local Government Act 1995 requires that the Local Government advertise its intent to enter into any Major Land Transaction or any Major Trading Undertaking, and through State-wide advertising, seeking public submissions upon this intent.

Submissions received during the six week public consultation phase are required to be considered by Council, prior to any decision on this matter being made. All public submissions will be provided in a consolidated report presented to Council during an Ordinary Council Meeting in 2014 where they will be formally considered.

8.4 How to Make Public Submissions

Members of the public are invited to provide feedback to Council on this proposal by close of business on Monday 8 September 2014. All public submissions must be in writing and addressed to:

The Chief Executive Officer
Mr Bill Price
Shire of Exmouth
RE: Proposed Subdivision of Lot 300 Heron Way, Exmouth
P.O. Box 21
Exmouth WA 6707

Submissions may also be received via email:
ceo@exmouth.wa.gov.au

Appendices Technical Reports

Appendix 1 Infrastructure Servicing Report

Lot 300 Heron Way, Exmouth



Client: Shire of Exmouth
 Date: 27/06/2014
 Revision: A
 Description: Order of Magnitude OPC
 Job Number: JDS14765

LOTS	11
Assumed Stages	1

1.0 Internal Construction Works		Stage 1
1.01	Mobilisation	\$ 68,000.00
1.02	Management	\$ 79,000.00
1.03	Earthworks	\$ 153,000.00
1.04	Retaining Walls	\$ -
1.05	Sewer Reticulation	\$ -
1.06	Stormwater Drainage	\$ 12,000.00
1.07	Roadworks	\$ 266,000.00
1.08	Water Reticulation	\$ 80,000.00
1.09	Electrical Reticulation	\$ 200,000.00
1.10	Communications	\$ 33,000.00
Sub-Total Internal Construction Contract		\$ 891,000.00
20% Contingency		\$ 178,200.00
Total Civil Construction		\$1,069,200.00
2 Landscaping		\$ -
3 Fees & Charges		
Water Corporation		
3.01	Water Corporation Standard Headworks Contributions	\$ 44,341.00
3.02	Water Planning Fee	\$ 3,000.00
Horizon Power		
3.03	Horizon Power Fee & Connection Charges	\$ 165,000.00
Local Authority Fees		
3.04	Supervision Fees 1.5%	\$ 5,317.50
3.05	Maintenance Bond 5%	\$ 13,900.00
Total Fees & Charges		\$ 231,558.50
4 Total Budget Estimate		\$1,300,758.50
4.01	Rates are based on current market contract rates of similar locality, but will need to be proved at time of tender	
4.02	The effect of GST has NOT been included in these costings.	
4.03	Costs are based on the Surveyor's Plan as approved with WAPC No. 149124 (Lot 300 on DP76150) dated 25/11/13. Detail design needs to be completed for a detailed budget estimate.	
4.04	Assume development completed in 1 stages	
4.05	Water Corp headworks for water and sewer reticulation to 1 SRE per lot only.	
4.06	Water Corp headworks applied at current rates.	
4.07	Underground Power is estimated on a per lot basis, final prices will be determined upon detail design.	
4.08	Assumed 6kVA per lot for electrical demand.	
4.09	Costs are based on the geotechnical investigation being acceptable. No allowance for treatment of difficult soil condition during development (e.g. limestone rubble, clay/peat material). This is to be confirmed upon a detailed geotechnical investigation.	
4.10	Allowance has been made for excavation in rock. However, full extent of rock shall be confirmed upon a detailed geotechnical investigation.	
4.11	Allowance has been made for a 3m wide firebreak around lot boundaries not fronting road reserve.	
4.12	Allowance has been made for clearing of a 40mx40m building pad for each lots.	
4.13	Allowance has been made for removal of topsoil and cut material from site.	
4.14	Allowance has been made for 2 table drains (3m wide x 0.25m deep with 1:6 batters) along proposed road.	
4.15	No Allowance for feature treatments for road pavement (i.e. coloured asphalt or feature brick paving)	
4.16	No allowance for treatment of Acid Sulphate Soil (ASS) and dewatering management. This is to be confirmed by client environmental consultant.	
4.17	No allowance for professional fees.	
4.18	No allowance for earthworks to lots (ie. regrading to allow for flat building pad and flat lots, overexcavation for rock)	
4.19	No allowance has been made for sewer reticulation. Assume lots to be individually served via septic tanks (by others).	
4.20	No allowance has been made for stormwater retention basins. Assume all stormwater will be diverted via table drains along the proposed road and overflow via the valley.	
4.21	No allowance for landscaping has been made. This cost to be provided by project landscaper.	
4.22	Remediation works subject to detailed Environmental and Geotechnical site investigations.	
4.23	Telstra Communication cost is based on a per lot basis.	
4.24	Assume 6m wide crowned road through proposed 20m wide road reserve. No allowance has been made to upgrade existing Heron	
4.25	Assume roadwork comprises of 225mm limestone subbase, 150mm crush rock basecourse and 30mm AC10 pavement seal with	
Cost per \$ 118,250.77		

Appendix 2 Proposed Costings

SPECIAL RURAL SUBDIVISION - HERON WAY EXMOUTH

	Year 1 - 2013/2014	Year 2 - 2014/2015	Year 3 - 2015/2016	Year 4 - 2016/2017	Totals
Income					
Transfer from Reserve	0	30,000	0	0	30,000
Sale of Lots (4 lots in Y2 and 4 lots Y3 and 3 lots Y4)	0	1,390,083	1,390,083	1,042,561	3,822,727
TOTAL INCOME	0	1,420,083	1,390,083	1,042,561	3,852,727
Expenses					
Preparation and Advertising of Business Case	0	(14,636)	0	0	(14,636)
Project Construction*	0	(1,182,000)	0	0	(1,182,000)
Selling, Settlement and Advertising	0	(18,181)	0	0	(18,181)
Transfer to Reserve	0	0	(30,000)	0	(30,000)
Firebreaks	0	(12,636)	0	0	(12,636)
Land Cost	0	(297,521)	(297,521)	(223,140)	(818,182)
Civil Construction Costs					
Civil Engineering Cost (Drawing)*	0	(63,636)	0	0	(63,636)
Electrical and Telstra (Design)	0	(18,181)	0	0	(18,181)
Land Survey Cost (including Crown Sub Division)	0	(36,363)	0	0	(36,363)
Urban Water Management Strategy*	0	(27,272)	0	0	(27,272)
Valuation Cost*	0	(9,090)	0	0	(9,090)
Local Water Management Strategy*	0	(12,636)	0	0	(12,636)
Headworks	0	(18,181)	0	0	(18,181)
Flood Modelling*	(9,090)	0	0	0	(9,090)
Flora and Fauna Study*	(7,272)	0	0	0	(7,272)
Geotechnical Survey*	(9,090)	0	0	0	(9,090)
Other Consultants (GIS, Land Rent etc)*	0	(14,636)	0	0	(14,636)
Clearance and Registering Title	0	(4,545)	0	0	(4,545)
Statutory Fees (includes application and clearance fees)	(18,181)	0	0	0	(18,181)
WAPC Subdivision (Statutory Fee)	(4,545)	0	0	0	(4,545)
Town Planning costs including scheme amendment	(36,363)	0	0	0	(36,363)
*Administration Overheads 15%	(3,817)	(196,390)	0	0	(22,907)
Project Contingency 10%	0	(174,553)	0	0	(174,553)
TOTAL EXPENSES	(88,358)	(2,100,457)	(327,521)	(223,140)	(2,739,476)
TOTAL PROFIT	(88,358)	(680,374)	1,062,562	819,421	1,113,251