

PS03-10/18 Alkimos Eglinton Development Contribution Plan - Annual Review of Costs

File Ref: 23155 – 18/413284
Responsible Officer: Director Planning and Sustainability
Disclosure of Interest: Nil
Attachments: 3

Issue

To consider the annual review of cost estimates for the Alkimos Eglinton Development Contribution Plan in accordance with the provisions of Schedules 14 and 15 of District Planning Scheme No. 2 (DPS No. 2).

Background

Amendment No. 122 to District Planning Scheme No. 2 was gazetted in September 2014, and introduced the Developer Contribution Plan (DCP) provisions into DPS No. 2.

The DCP identifies various community infrastructure and provides estimates on the cost, estimated contributions and the timing for the delivery of infrastructure within Alkimos and Eglinton. The infrastructure costs include planning, design, project management costs, site, servicing, construction costs and land acquisition costs associated with the following infrastructure;

- Surf Life Saving Club
- Public Open Space (Active x2)
- Multipurpose Hard Courts (x2)
- Community Centre (x2)
- Library (x2)
- Indoor Recreation Centres (x2)

In accordance with Schedule 15 of DPS No. 2, the DCP has an operation period of 25 years and during this time period the City is required to review the various elements of the DCP at one and five year intervals as per the following;

Annually

- DCP Cost Estimates.
- DCP Cost Indexation.
- Contributing Land Area.
- Cost per Hectare.

5-yearly

- Community Facility Plan (CFP) Assumptions and Recommendations
- Full DCP Review.

This report is only considering the annual review requirements of the DCP to ensure that the cost contribution amount is correctly set to ensure the collection of sufficient funds to cover the cost of approved infrastructure.

Detail

2018 – Annual Review

The Alkimos Eglinton Development DCP Report's Cost Apportionment Schedule (CAS) has been revised to reflect the latest cost estimates (refer **Attachment 1**).

The following provides the outcomes of each element of the annual review. The Contribution Cost amount is calculated by estimating the total cost of the facilities (including Administration costs) then subtracting any contributions received and interest generated on the scheme accounts. The remaining estimated cost is then apportioned over the remaining net contributing area. The salient figures of the review completed in September 2018, include:

1. Contributions received - \$11,763,494
2. Interest Generated - \$1,184,142
3. Net Contributing Area (NCA) – Reduced from 621.66 hectares to 605.34 hectares (land remaining to be charged based on Agreed Structure Plans).
4. In accordance with Clause 11.3 of Schedule 14 of DPS No. 2 *“The local government is to have such estimated costs independently certified by appropriate qualified persons and must provide such independent certification to an owner when requested to do so”*.

The following costs form part of the review, including construction cost estimates provided by an independent quantity surveyor and valuer.

- All Costs - Estimates shall include the best and latest information available to the local government, until the expenditure on the relevant item of infrastructure or administrative costs has occurred. In this regard, the City engaged Donald Cant Watts and Corke (DCWC) to provide updated information on the facility costs, which has resulted in a reduction in the total cost of the facilities from \$72,367,400 to \$71,243,305 which is generally reflective of more competitive pricing for construction in the current market (refer DCWC Report – **Attachment 2**).
- Land Acquisition – Valuation estimates are required in accordance with Part 12 of Schedule 14 of DPS No. 2. The City engaged Brian Zucal and Associates, which retained the same valuation as 2017 at \$101 per m² (refer **Attachment 3**).

Consultation

In accordance with Clauses 11.5 of Schedule 14;

“11.5 - Where the review of estimated costs recommends those costs be maintained or reduced, pursuant to clauses 11.4(a) or (b), then the local government shall decide to either maintain or reduce the estimated costs and shall notify owners of its decision”.

The estimated costs have (overall) reduced and therefore consultation with affected landowners is not required.

Alkimos Eglinton DCP Technical Advisory Committee Meeting

The Alkimos Eglinton DCP Technical Advisory Committee Meeting 'Terms of Reference' require that the Committee shall meet at least three times a year, or *'as determined by the nominated committee members'*. The last landowner meeting was held on 3 August 2016, however, all committee members have previously confirmed that there is no current need for the committee to meet.

Comment

The purpose of the annual DCP review process is to ensure that sufficient funds continue to be collected from developing landowners to meet the cost of delivering these facilities. Administration has worked with landowner's representatives through the annual DCP review process and whilst formal consultation is not required under Clause 11.5 of Schedule 15, the landowner's representative has indicated their overall acceptance of the cost estimates.

Should Council adopt the revised cost contribution amount, it will have immediate effect and will be applied to all future subdivision and development that is required to make contributions in accordance with the Alkimos Eglinton DCP. The adopted costs will remain in place until the next annual review, or until such time as Administration considers it to be necessary to revise the cost estimates for the DCP, as a result of any other factor.

Whilst this report is only considering the annual revised cost estimates, the DCP requires the review of assumptions and recommendations every five years (next review scheduled for 2019/20). Critical to this requirement will be the investigation and formal review of the Northern Growth Corridor - Community Facility Plan (CFP), which will inform any re-prioritisation of infrastructure identified in the DCP Fundamentals and Capital Expenditure Plan.

Statutory Compliance

The annual review of the Alkimos Eglinton Cost Estimates has been completed in accordance with Part 11 of Schedule 14 of DPS No. 2, which will bring the DCP into compliance with its annual review requirements.

Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2017 – 2027:

“3 *Environment (Built)*

3.4 *Activated Places*

3.4.2 *Provide safe spaces, centres and facilities through our infrastructure management and designs for community benefit and recreation”*

Risk Management Considerations

Risk Title	Risk Rating
ST-G09 Long Term Financial Plan	Moderate
Accountability	Action Planning Option
Director Corporate Strategy & Performance	Manage

Risk Title	Risk Rating
ST-S23 Stakeholder Relationships	Moderate
Accountability	Action Planning Option
CEO	Manage

The above risks relating to the issue contained within this report have been identified and considered within the City's Strategic Risk Registers. The annual review of the DCP assists in addressing the impacts of the strategic risk relating to Long Term Financial Planning (LTFP) as it ensures that appropriate budget monitoring, timing and provisions are considered. In addition, the strategic risk relating to Stakeholder Relationships applies as a

key element in the DCP review process is maintaining effective engagement with relevant stakeholders.

Policy Implications

Nil

Financial Implications

The DCP is subject to an annual review process to ensure that the cost contribution amount is correctly set to ensure the collection of sufficient funds to cover the cost of approved infrastructure items over the life of the DCP. The proposed revision of costs for 2018 results in a decrease in the contribution rate from \$9.97 per m² to \$9.91 per m².

Voting Requirements

Simple Majority

Recommendation

That Council APPROVES the Revised Alkimos Eglinton Development Contribution Plan Cost Estimates in accordance with Clause 11.4 of District Planning Scheme No. 2 as defined in Attachment 1, including:

- a) DCP Cost Estimates - \$71,243,305**
- b) DCP Cost Indexation – As reported in the cost estimates**
- c) Contributing Land Area – 605.34 hectares**
- d) Cost per Hectare - \$99,057.36 (or \$9.91 m²)**

Attachments:

- | | | |
|--|-----------|---------|
| 1. Attachment 1 - Facility Cost Apportionment (2018) | 18/415727 | Minuted |
| 2. Attachment 2 - Facility Cost Estimates (Independent Certification) 2018 | 18/415983 | |
| 3. Attachment 3 - Land Valuation Report (2018) - Independent Certification | 18/416029 | |

ALKIMOS EGLINTON DCP - FACILITY COST APPORTIONMENT (2018)						
Infrastructure Item	Annual Review 2017 (\$)	Inc/Exp LTD 2017	Annual Review Updated Cost 2018 (\$)	Updated Developable Area (ha)	Cost per Hectare	% Change
ALKIMOS EGLINTON DCP						
Surf Life Saving Club, Alkimos South Coastal Village	\$ 5,001,300		\$ 4,898,258	605.34	\$ 8,091.75	-2%
Public Open Space (Active), Alkimos Parks and Recreation Reserve	\$ 6,989,200		\$ 6,847,821	605.34	\$ 11,312.36	-2%
Multipurpose Hard Courts, Alkimos Parks and Recreation Reserve	\$ 3,009,600		\$ 2,948,454	605.34	\$ 4,870.74	-2%
Library, Alkimos Secondary Centre	\$ 7,485,600		\$ 7,350,975	605.34	\$ 12,143.55	-2%
Community Centre, Alkimos Secondary Centre	\$ 5,730,400		\$ 5,629,681	605.34	\$ 9,300.03	-2%
Indoor Recreation Centre, Alkimos Secondary Centre	\$ 10,135,300		\$ 9,888,607	605.34	\$ 16,335.63	-2%
Public Open Space (Active), Eglinton District Centre	\$ 6,989,200		\$ 6,847,821	605.34	\$ 11,312.36	-2%
Multipurpose Hard Courts, Eglinton District Centre	\$ 3,009,600		\$ 2,948,454	605.34	\$ 4,870.74	-2%
Indoor Recreation Centre, Eglinton District Centre	\$ 10,801,200		\$ 10,902,578	605.34	\$ 18,010.67	1%
Community Centre, Eglinton District Centre	\$ 5,730,400		\$ 5,629,681	605.34	\$ 9,300.03	-2%
Library, Eglinton District Centre	\$ 7,485,600		\$ 7,350,975	605.34	\$ 12,143.55	-2%
Estimated Facility Cost	\$ 72,367,400		\$ 71,243,305			
<i>Shortfall in contributions to be made up by interest (remaining)</i>	-\$ 2,448,830	\$ 1,184,142	-\$ 1,264,688	605.34	-\$ 2,089.22	
<i>Collected contributions plus interest</i>	-\$ 5,422,834	\$ 11,763,494.41	-\$ 11,763,494	605.34	-\$ 19,432.88	
Funding Accounted (Deducted from Cost)	-\$ 7,871,664	\$ 12,947,637	-\$ 13,028,182		\$ 96,169.33	
Confirmed Administration Costs (Preparation of DCP, Cost estimates)	\$ 47,501	-\$ 47,501	-\$ 0	605.34	-\$ 0.00	
Confirmed Administration Costs (Alkimos Eglinton Specific)	\$ 20,000	-\$ 20,000	\$ -	605.34	\$ -	
Estimated Administration Costs (Administer the DCP) (\$76.500 p.a. x 25 years)	\$ 1,912,500	-\$ 164,259.29	\$ 1,748,241	605.34	\$ 2,888.03	
Sub Total Administrative Costs	\$ 1,980,001	-\$ 231,760	\$ 1,748,241		\$ 2,888.03	
TOTAL	\$ 66,475,737	\$ 12,715,877	\$ 59,963,363.74		\$ 99,057.36	

**DONALD
CANT
WATTS
CORKE**

Cost Plan Summary

Facilities Located in Alkimos Eglinton

Ref	Facility	GFA (m2)	Rate (\$/m2)	Total (\$)	Comments
	<i>Eglinton District Centre</i>				
1	Library District	1,547	4,752	7,350,975	Land cost Included
2	Community Centre District	1,449	3,885	5,629,681	Land cost Included
3a	Public Open Space District Pavilion	1,005	2,480	2,492,837	Land cost Excluded
3b	Public Open Space District Oval			4,354,984	Land cost Excluded
4	Indoor Recreation Centre District	3,116	3,499	10,902,578	Land cost Included
5	Multipurpose Hard Courts District			2,948,454	Land cost Excluded
	<i>Alkimos</i>				
6	Multipurpose Hard Courts Regional			2,948,454	Land cost Excluded
7	Indoor Recreation Centre Secondary Centre	3,116	3,173	9,888,607	Land cost Included
8	Surf Life Saving Club	1,166	4,289	4,898,258	Land cost Excluded
9a	Public Open Space District Pavilion	1,005	2,532	2,492,837	Land cost Excluded
9b	Public Open Space District Oval			4,354,984	Land cost Excluded
10	Community Secondary Centre	1,449	3,885	5,629,681	Land cost Included
11	Library Secondary Centre	1,547	4,752	7,350,975	Land cost Included

The cost plan summary and detailed indicative cost plans for each facility type are included in [attachment 1](#)

BRIAN ZUCAL & ASSOCIATES

VALUATION AND PROPERTY CONSULTANTS
(ESTABLISHED 1974)

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29 July 2018

Mr Phil Bland
Land Acquisitions Officer
Leasing and Land
City of Wanneroo
23 Dundee Road
Wanneroo WA 6065

Dear Mr Bland

VALUATION REPORT COMMUNITY SITES - ALKIMOS AND EGLINTON, WESTERN AUSTRALIA

As requested in your email instructions of 17 July 2018, we provide an update herewith to our initial valuation report dated 23 February 2016 relevant to the above properties.

We advise that we inspected the subject localities on 23 July 2018 and we further advise that the localities remain as previously described in our updated valuation report dated 6 March 2017. We note that whilst there is ongoing estate subdivisions, selling prices and selling rates remain relatively subdued. In this regard, there is no indication that such factors will improve in the short to medium term.

Property details remain as indicated in our valuation reports as aforementioned. For the purposes of this update, we have not repeated our comments.

There are limited sales of englobo lots in the subject localities and accordingly it has been necessary to look at a variety of sales as follows:

Sales Evidence

101 Santorini Promenade, Alkimos

Sale Price: \$9,790,000 (GST inclusive)
Sale Date: 18 August 2017
Land Area: 90,001 m²
Zoning: "Public Use"
Improvements: Vacant land.
Comments: Purchased by Ministry for Education for high school and "Trinity Open Space". Services adjoin but the land was in an unsiteworked as at date of sale.
Analysis: \$100.00/m² rounded (nett of GST)

Valuation Update
Community Lots - Alkimos & Eglinton, Western Australia

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City of Wanneroo IM 06-08-2018

Brian Zucal and Associates

23 Portside Promenade, 25K Portside Promenade, 56 Scotthorn Drive and 58 Scotthorn Drive, Alkimos,

Sale Price: \$13,410,000
 Sale Date: 15 June 2017
 Land Area: 23 and 25 Portside Promenade adjoin with a total area of 128,738 square metres.
 56 and 58 Scotthorn Drive adjoin with a total area of 36,133 square metres.
 The total area of the land is 164,871 square metres and it should be noted that the two parcels described above do not adjoin but are well separated.
 Zoning: 23 Parkside Promenade is zoned "Urban Development" whilst the remaining sites are zoned "Parks and Recreation".
 Improvements: Vacant land.
 Comments: Undulating parcels of land purchased by WAPC
 Analysis: \$81.30/m² overall average

9 Headingley Crescent, Butler

Sale Price: \$1,386,000 (GST inclusive)
 Sale Date: 3 April 2017
 Land Area: 4,436 m²
 Zoning: Business
 Improvements: Vacant Land.
 Comments: A well located serviced lot which is considerably smaller than the subject realty.
 Analysis: \$284/m² nett of GST

Previous sales utilised in our 6 March 2017 update are still considered relevant and are summarised as herunder.

Lot 300 on Plan 402063, Pipidinny Road, Eglinton

Sale Price: \$5,750,000
 Sale Date: 1 November 2016
 Land Area: 57,991 m²
 Zoning: Urban Development
 Improvements: Vacant land.
 Comments: Situated in the general locality of the proposed Eglinton community site and comprising undulating land vegetated in coastal scrub.
 The sale land is a rectangular shaped lineal piece of land purchased by WAPC for railway purposes. It is of a similar nature to the subject land.
 Analysis: \$99.15/m²

Brian Zucal and Associates

1369 Wanneroo Road, Wanneroo

Sale Price: \$7,150,000
Sale Date: 14 March 2016
Land Area: 32,916 m²
Zoning: Urban Development
Improvements: Vacant land.
Comments: Purchased by Bowra and O'Dea Pty Ltd. Accordingly the land may have a special use for their purpose.

An irregularly shaped lot with easements situated on the western side of Wanneroo Road adjoining commercial development on the south western corner of the intersection of Burns Beach Road and Wanneroo Road.

The site is below road level and may require substantial site works. The site has essential services available for connection on redevelopment and has display potential to Wanneroo Road.
Analysis: \$217.22/m²

Assuming the cost to provide services to the land is in the vicinity of \$100.00 per square metre, indicates a land value of \$117.00 per square metre for the subject realty before any deferral pending redevelopment is factored in.

245 Butler Boulevard, Butler

Sale Price: \$1,592,100 nett of GST
Sale Date: 16 January 2017
Land Area: 5,307 m²
Zoning: Commercial
Improvements: Vacant Land.
Comments: A well located commercial site in central Butler, not far removed from the rail station.
Analysis: \$300/m² nett of GST

Discount for magnitude applies on comparison with the subject realty which we believe is in the order of 20 per cent. Servicing costs are likely to be in the vicinity of \$100 per square metre indicating a gross land value, excluding services, of \$140.00 per square metre.

The sale land is ripe for redevelopment whereas the subject land is possibly 5 years away from redevelopment which if deferred for this period at 6.0 per cent indicates a rounded land value of \$105.00 per square metre.

This analysis provides a guide to value only as we are of the view that the underlying value of the prospective subject lots is "Residential R40".

103 Booderee Road, Yanchep

Sale Price: \$1,050,000 nett of GST
Sale Date: 9 April 2016

Brian Zucal and Associates

Land Area: 4,833 m²
 Zoning: Residential
 Improvements: Vacant Land.
 Comments: The site has potential for a small lot subdivision (270 square metres plus).
 Analysis: \$217.26/m² nett of GST
 The subject site is considerably larger and discount for magnitude is appropriate - say 20 per cent indicating a value for the subject realty of \$174.00 per square metre less servicing costs of say \$80.00 per square metre, indicating a land value for the subject realty of \$94.00 per square metre.

Conclusions

As previously instructed, our valuations are to be based on the assumption that the subject sites are notional englobo parcels of land with no services, site works, or roadways. The sites are each required for a library, community centre and indoor recreation centre, for both localities. The sites are not clearly defined at this stage as the land where the uses are proposed are currently undeveloped.

The above comparative evidence suggests a value for the subject realty of around \$100 per square metre.

We have also considered a hypothetical subdivisional analysis as a check approach to valuation, adopting a land area in total of 31,000 square metres for each locality.

Our HSA is accordingly as follows:

Hypothetical Subdivisional Analysis

Developable Area: 80% of 31,000 m² = 24,800 m²
 Number of Lots, say 400 m² (average) = 62

Gross Realisation (including GST)

62 lots @ \$200,000/lot =	\$12,400,000
Less GST @ 10%:	<u>\$1,127,273</u>
	\$11,272,727
Less Sales & Legal Fees @ 4% of Gross Realisation:	<u>\$496,000</u>
	\$10,776,727
Less Profit & Risk @ 15%:	<u>\$1,405,660</u>
	\$9,371,067

Brian Zucal and Associates

Less Estimated Costs of Subdivision (nett of GST)

(a) Development Costs - 62 lots @ say \$70,000/lot:	\$4,340,000
(b) Project Management @ 1% of Gross Realisation:	\$124,000
(c) Interim Rates & Taxes, say:	<u>\$50,000</u>
	\$4,514,000
(d) Interest on Development Costs - say 6 months @ 7%:	<u>\$157,990</u>
	<u>\$4,671,990</u>
Gross Land Value:	\$4,699,077
Less Interest on Englobo Land Purchase, say 12 months @ 7%; net value:	\$4,391,660
Less Acquisition Costs @ 5%; net value:	\$4,182,534
Less Scheme Contribution Costs - 31,000 m ² @ say \$11.11/m ² :	<u>\$344,410</u>
Land Value:	\$3,838,124
Defer 3 years @ 7% pending improvement in market conditions:	\$3,133,052
Land Value (rounded) nett of GST:	\$101.00/m²

We comment that the HSA approach above is very much a check approach to valuation as this approach would normally require appropriate subdivided lot plans to be prepared and costed. We have not done this and lot provisions as well as costings are very much an approximation.

Considering both approaches to valuation, we maintain our previous value of \$101.00 per square metre as indicated in some detail in our initial valuation report of 23 February 2016.

Our valuations are accordingly as follows:

Valuation Calculations

<u>Alkimos Community Site(s)</u>	
31,000 m ² @ \$101.00/m ² :	\$3,130,000
<u>Eglinton Community Site(s)</u>	
31,000 m ² @ \$101.00/m ² :	\$3,130,000

We comment that we see no difference in values for a Community Site in Alkimos and that of a Community Site in Eglinton.

Brian Zucal and Associates

VALUATIONS

In accordance with our valuation approach indicated above, we assess values of the subject Community sites to be as follows:

ALKIMOS COMMUNITY SITE(S)

THREE MILLION, ONE HUNDRED AND THIRTY THOUSAND DOLLARS (\$3,130,000)

EGLINTON COMMUNITY SITE(S)

THREE MILLION, ONE HUNDRED AND THIRTY THOUSAND DOLLARS (\$3,130,000)

Our adopted valuations are exclusive of GST.

Should you have any queries in this matter, please do not hesitate to contact the undersigned.

Yours sincerely



**B.E. ZUCAL AAPI
CERTIFIED PRACTISING VALUER
LICENSED VALUER NO. 100
FOR THE STATE OF WESTERN AUSTRALIA**