



Shire of Denmark



BUSINESS PLAN

Purchase of Reserve 27101 Corner of South Coast Highway and the Denmark Mt Barker Rd

8 December, 2010

Summary

This Plan has been prepared to provide information and advice to Council on the potential benefits or otherwise of acquiring Reserve 27101.

The proposal is to purchase approximately 6.046 hectares of land, comprising the entire area of Reserve 27101, which is located on the corner of South Coast Highway and the Denmark-Mt Barker Rd.

The land is currently divided into three portions, which are currently leased as per the following;

Lot	Lessee	Term	Area	Annual Rental	Purpose
1	Avalon Enterprises	30/06/2016	3,420m ²	\$12,600	Cartage/Freight business
2	Denmark Earthmoving	30/06/2016	8,100m ²	\$18,000	Earthmoving business
3	Vacant				

Council has previously considered the purchase of this property for \$450,000 from State Land Services in October 2008 and resolved as follows;

(Resolution No. 181008)

“That Council not proceed with the purchase but advise the Department for Planning & Infrastructure that a change of use for Reserve 27101 for Cemetery purposes (as per adjoining Reserve 11655) would be sought at the expiry of the present leases (2016).”

Given the site has been designated as “commercial” in preliminary discussions (subject to final Council endorsement and Western Australian Planning Commission approval) regarding the proposed new Local Planning Strategy, it was considered timely to review the earlier decision, assuming it is Council’s intention to not develop as a Cemetery as per Resolution 181008.

Background

Approximately 35% of the lot is covered by natural vegetation and has around 2.2 ha either currently leased (through to 2016) or being offered for lease (3 year term). The remaining cleared area of approximately 1.5 ha accommodates usable cattle pens and 2 vehicle access ways from the Denmark/Mt Barker Road.

Reserve 27101 was originally leased to Council by the Department for Planning and Infrastructure for a period of 21 years (expiring 2016). Council pays a lease rental and from \$1,000pa in 1995, the annual lease payments (reviewed each 3 years) have risen to the current amount of \$22,000pa with the next rental review due in January 2010.

In return, Council receives from its sub lessees \$30,600pa, with a potential of a further \$17,000pa should the pig pen area now being offered, be subsequently leased.

Based on valuation, revenue or earnings from the site would equate to \$47,600pa which represents 9.69% of the capital purchase costs, with potential for further revenue growth.

The property is considered to be of strategic importance as it has the potential to serve as an entry statement to the town and make an important first impression on visitors.

No fixed timing for any acquisition has not yet been determined and will be subject to further negotiation with State Land Services.

It is estimated that if Council agreed to the acquisition of the land, settlement would take approximately three to six months.

Project Budget and Financing Costs

The major costs for the acquisition of the site are estimated as follows;

1. Land Purchase		
• Purchase Cost	\$475,000	(based on 5% increase since previous valuation in 2008)
• Settlement Fee	\$2,000	
• Survey Cost	\$4,000	
• Contingency	\$10,000	
TOTAL	\$491,000	

As there are no specific funds set aside for the purchase of this land, Reserve, Loans or some other source of funding would need to be identified to finance the purchase.

Generally grant funds are not available for the purchase of land.

The Shire of Denmark Land and Buildings Reserve has a current balance of \$1,040,580.20 (as at 31 October 2010) although these funds have been earmarked for future use to develop the McIntosh Rd Industrial Estate (including relocation of the Shire Depot) and the possible acquisition of the Peaceful Bay Leasehold properties (as per Resolution 191008).

A saving in the annual lease fee paid to State Land services (currently \$22,000 per annum) will arise if Council does acquire the Reserve and this saving could be used to finance a loan of approximately \$250,000 over a twenty year period.

If the vacant site was to be leased a further \$17,000 could be available to service any loan. This amount would equate to a further loan principal of \$175,000 leaving a shortfall of \$66,000 to finance the principal.

The balance of funds that would be required to purchase the land (\$290,000 or \$66,000 if the vacant lot is leased) could be funded from a variety sources including;

1. Subdividing the site and selling land to finance shortfall.
By acquiring the lot, Council could subdivide the land and sell sufficient title/s to raise the funding shortfall.
2. Borrowing additional funds.
A loan could be undertaken for the shortfall in funding. Council currently has surplus capacity to raise additional loans if so needed.
3. Transferring from Land and Buildings Reserve
Transferring the shortfall from the Reserve would save interest payments. It would be possible to in effect borrow these funds from the Reserve and repay on a similar basis to a loan from a third party.

The proposed commercial zoning of the land would also attract a higher rate of rental income, which depending on future lease arrangements may allow Council the opportunity to expedite loan repayments or fund other works and services.

Zoning

The land is zoned “Reserve” in accordance with the Shire of Denmark Town Planning Scheme No3.

Planning Implications

The land is proposed to be denoted as “Commercial” (bulky goods) in the draft Local Planning Strategy (LPS).

Once the Local Planning Strategy has been adopted by Council, a Scheme Amendment Request (SAR) can be prepared by Council and initiated via Council Resolution. This request will then be forwarded to the Western Australian Planning Commission (WAPC) for endorsement. Feedback received from WAPC representatives in regards to the proposed rezoning of the site in the Local Planning Strategy has been encouraging to date, with no obstacles or issues identified at this point in time.

If the WAPC was to refuse the reclassification of the site at LPS stage, maximising the economic return to Council from the land via a commercial zoning will be difficult. That said, even if the existing industrial use was to continue, the purchase represents a sound investment, particularly so if a tenant can be secured for the vacant site.

The land would have future subdivision potential, whether zoned industrial or commercial, which would have the potential of increasing the financial viability of the site and allow Council to sell all or part of the land if so desired. This Business Plan does not address future subdivision of the site as Council’s intention at this point is not to subdivide, although this option will always exist for a future Council and will need to be the subject of a further Business Plan.

Prior to any development proceeding, it would be important for Council to consider the remnant vegetation on site, determine what is important and establish any vegetation buffers around the leasehold sites. The protection of the vegetation could be addressed at the SAR stage of the proposal with a Flora and Fauna Survey undertaken at this time.

Comment

It is the view of the Chief Executive Officer and Director of Finance and Administration that the preferred long term use of the land is the critical factor for Council in determining whether to purchase the land.

If the land remains zoned Reserve (whether that be for a Cemetery of some other civic/recreational use) there is no advantage to acquiring the land and would only utilise funds that can be used for some other purpose.

If this was the case, Council should also instruct staff to remove the reference in the Draft LPS to the site being Commercial.

If the land is to continue with the current commercial uses and is reflected as such in future planning documents, there would be significant advantage to acquiring the land and controlling future development at the site and to generate a small stream of revenue for the future, once all debts have been retired.

The location of the site has many advantages from a commercial perspective, not the least of which is the high traffic movements on South Coast Highway and the potentially highly visible nature of the site.

It is pertinent to note that at the end of the current lease arrangement with State Land Services, Council will have no formal interest in the land and SLS will be entitled to “resume” the land for their own purposes, which could include selling or leasing the property to private concerns, releasing the site or vesting in the Shire of Denmark as a Reserve for a specified purpose.

Conclusion

That the freehold acquisition of Reserve 27101 represents a sound investment for the Shire of Denmark and Council should consider further the purchase of the property from State Land Service, utilising loan funds.

ENVIRONMENTAL IMPACT FORM

All operational activities that may have the potential to cause a significant adverse impact on environmental or heritage values on Shire managed lands are required to complete the following form.

SECTION A: PROJECT DETAILS

File No: A3123

(To be completed by Supervising Officer wishing to undertake operational works)

Supervising Officer Name	Garry Bird
Supervising Officer Title	Director of Finance and Administration
Date	6 th December 2010

Project Name/Type	Proposed acquisition of Reserve 27101 by the Shire for commercial use
Intended date of proposed project works	2011 – acquisition within next 3 to 6 months
Project Detail	Proposed acquisition of Reserve 27101 by the Shire for potential commercial use as per draft LPS – potential native vegetation clearing within reserve

Project Location (description)	Reserve 27101 – corner of South Coast Highway and Denmark-Mt Barker Rd
Is the project to be undertaken on Shire managed lands?	No If No, what is the land tenure? DPI - unvested Has permission been obtained from land owner? Yes/No
Map provided	Yes and Business Plan (December 2010)

Supervising Officer signature Garry Bird Date 06 / 12 / 2010

SECTION B: ENVIRONMENTAL IMPACT CHECKLIST (refer to over page) Y.Caruso Date 07 / 12 / 2010

Outstanding issues	<ul style="list-style-type: none"> • Remnant native vegetation – business plan states 35% of Reserve is uncleared native vegetation. Aerial orthophotos depicts at least 3.7ha which is approximately 61% of Reserve as uncleared land. • Corridor linkages - location of remnant vegetation within the landscape currently allows for faunal movement through corridor linkages. Strategic retention of vegetation to allow for corridor linkage would need to be considered. • Dieback – unknown • Invasive weed species – African Lovegrass (<i>Eragrostis curvula</i>) • Visual amenity – commercial use activities within high profile site
Recommendations to the Supervising Officer	<ul style="list-style-type: none"> • Discrepancy as to percentage of reserve that is uncleared with existing remnant native vegetation should be ground-truthed • Should acquisition proceed and purpose change to commercial use, native vegetation clearing will most likely result – on site field assessment required to verify areas of high conservation value for retention • Clearing permits would be required for any native vegetation

	<p>clearing outside exempt activities</p> <ul style="list-style-type: none"> • Corridor linkages - strategic retention of vegetation within reserve to allow for corridor linkage would need to be considered. • All operational works to be undertaken in dry soil conditions, and all machinery to be clean on entry and exit so as not to spread potential dieback infestation. Any infill or earthworks materials to be dieback uninfested. • All operational works be aware not to spread seed from machine works off site or into adjacent native vegetation when undertaking clearing works • Commercial ventures enstated would need to give consideration to high profile location of site
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SECTION C: ENVIRONMENTAL IMPACT ASSESSMENT

(To be completed by Director)

Has the Environmental Checklist been completed?	Yes Checklist attached? Yes
Authority to proceed with works?	Yes/No Subject to compliance with the outstanding issues and corresponding recommendations.

Director Name _____ Duncan Ross _____

Director signature _____

Date ____/____/____

SECTION B: ENVIRONMENTAL IMPACT CHECKLIST

All operational activities that may have the potential to cause significant adverse impact on environmental or heritage values on Shire managed lands are required to complete the following checklist:

Supervising Officer Name: Garry Bird – Director of Finance and Administration **Project Name/Type:** Reserve 27101 - acquisition of reserve

NO.	ITEM	DETAIL	YES/NO	COMMENTS
1	ESA	Does the site contain a designated Environmentally Sensitive Area (ESA)?	No	
2	Native vegetation	Does the proposed operational activity involve clearing any existing native vegetation? (Is a clearing permit required?)	Yes Yes	Should acquisition proceed and purpose change to commercial use, native vegetation clearing will most likely result – on site field assessment required to verify areas of high conservation value for retention
3	Remnant vegetation	Does the site contain any remnant native vegetation?	Yes	Yarri Melaleuca shrubland and sumpland, Marri Jarrah Forest in very good condition
4	Vegetation complex	Does the area contain vegetation complexes with less than 30% formally reserved as representative across the landscape?	No	Fernley (F) not under-represented at 55% formally reserved across landscape
5	Riparian zone	Does the proposed operational site contain any riparian zones?	No	
	Granite outcrops, caves, sand dunes	Does the proposed operational activity impact upon any granite outcrops, caves or sand dune systems?	No	
6	Waterway	Does the proposed operational activity impact upon any adjacent waterway? (eg. water quality, drainage, sedimentation, stream-flow, eutrophication, acidification)	No	
7	Acid Sulphate Soils	Does the activity create exposure of potential acid sulphate soils?	No	
8	TEC	Does the site contain a known threatened ecological community (TEC)?	No	
9	Threatened flora	Does the proposed operational activity impact upon known population(s) of threatened (declared rare flora (DRF) and/or priority) flora?	No	
10	Endemic flora	Does the activity impact upon known population(s) of endemic flora?	No	
11	Threatened fauna	Does the site contain known threatened fauna population(s)?	No	
12	Fauna habitat	Does the activity impact upon significant fauna habitat?	No	
13	Wildlife corridors	Does the proposed activity impact upon corridor linkages?	Yes	Location in landscape currently allows for faunal movement through corridor linkage.
14	Dieback	Is the activity occurring within a known dieback infested area?	-	Unknown
15	Hygiene management	Is the activity occurring during wet soil conditions? (Are appropriate hygiene management protocols being adhered to? (Please refer to TPS Policy No. 1 Dieback Disease Management)	-	All operational works to be undertaken in dry soil conditions, and all machinery to be clean on entry and exit so as not to spread potential dieback infestation. Any infill or earthworks materials to be dieback uninfested.
16	Invasive Weeds	Does the activity have the potential to spread invasive weeds?	Yes	African Lovegrass (<i>Eragrostis curvula</i>)
17	Indigenous heritage	Does the site contain a known Aboriginal heritage value?	No	

18	European heritage	Does the site contain a known European heritage value ? (Please refer to the Municipal Heritage Inventory (MHI))	No	
19	Tracks and Trails	Does the activity impact upon a recreational amenity, track or trail?	No	
20	Visual amenity	Does the activity impact upon the visual amenity of the site?	Yes	Commercial ventures enstated would need to give consideration to high profile location of site

Should you have answered 'yes' to any of the above questions please provide recommendations to ensure that the activity can proceed without compromising these identified environmental or heritage values. Assistance can be obtained from Shire NRM staff where required.

NB Supporting data on each value can be obtained through the Shire GIS database.