



FLINDERS SUBDIVISION

Stage 4

BUSINESS PLAN

PURSUANT TO SECTION 3.59 OF THE LOCAL GOVERNMENT ACT

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BACKGROUND

The Shire of Esperance is currently considering the development of a small lot development within the area known as Flinders in Esperance (see Appendix III). Flinders is located adjacent to the coast at Bandy Creek between Ormonde Street, Goldfields Road, Daw Drive and the Bandy Creek Boat Harbour, and comprises approximately one hundred and twenty hectares of land.

Stage 1 (comprising 33 lots) was approved in 2004, Stage 2 (comprising 89 lots plus a 1ha, R40 multi-unit site) was approved in 2007. All lots in Stage 1 have been sold with 26 single residential lots and the 1ha R40 lot from Stage 2 still available for sale.

In 2017 Stage 3 (comprising 45 lots) received sub-division approval, however with a significant slow-down of residential property sales in Esperance over the past 2-3 years, development of this stage hasn't proceeded at this point. With 26 single residential lots still available from Stage 2 there are no plans to progress development of this stage in the short-term unless an upturn in sales volumes occurs.

Aboriginal Heritage has been addressed through consultation with the appropriate local Native Title representative groups during the development of the Outline Development Plan (now referred to as a Structure Plan), and although the land is held in freehold title, areas of aboriginal significance have been identified and recognised in the design principles by provision of public open space areas. Additional engineering, environmental and landscape design studies will be required to progress the development of the site to meet statutory planning conditions such as drainage management plans.

The proposed Stage 4 development comprises of sub-dividing the existing 1ha multi-unit site referred to above into 27 cottage sized lots available for individual sale. There have been several enquiries about the potential availability of lots of this size in Flinders over the past couple of years. 7 lots of a similar size were released as part of the original Stage 2 development, with all of them selling by auction within the first few months of being released.

SUBDIVISION PROPOSAL - THE TRANSACTION

The area of Stage 4 comprises 1 hectare. Residential Lot areas within the subdivision area range from 239.9m² to 324.7m². The sale of the lots will be determined by prevailing local market conditions, with the current plan being to continue to offer the lots to the market through an open tender process each six months with private treaty sales being considered on any unsold lots between each tender process. The opportunity to offer some or all lots by auction is still being maintained and will be utilised should a change of market conditions suggest this option provides the potential for a better return than that being received by Council through the tender process.

PROPERTY DETAILS

The subject site is owned by the Shire of Esperance and is contained within Certificate of Titles Volume 2744 Folio 61, described as Lot 290 Tribune Parade, Bandy Creek. The land is cleared and level as it was created as part of the original Stage 2 development.

COMPLIANCE WITH SECTION 3.59 OF LOCAL GOVERNMENT ACT

Section 3.59(3)(a) – Expected Effect on Provision of Facilities and Services by the Shire of Esperance

The impact of disposal of this land will not create significant demand on the Shire of Esperance for the overall provision of additional facilities and services.

The Structure Plan identifies various additional infrastructure that will be provided as part of the future Flinders subdivision. The only infrastructure required for Stage 4 of the subdivision is internal roads and other essential servicing on the created lots. Council will need to plan the creation of some of the bigger infrastructure requirements in future stages from profits generated from this stage of development.

The result will be that as further development occurs after Stage 4, additional facilities and services will be provided for the community to cater for any increased demand. Members of the community located in adjacent existing residential development will also benefit from these additional facilities and services.

Council is intent on ensuring the highest standard of design and construction within the subdivision area, and will be installing footpaths and underground power in the subdivision.

Section 3.59(3)(b) – Expected Effect on Other Persons Providing Facilities and Services

Infrastructure services and facilities required as a result of the subdivision will be determined during the subdivision approval process, and will be provided as a condition of approval of the subdivision. Most infrastructure services are already in place, and consequently other service providers are unlikely to be affected by development of the lots.

Provision of facilities and services as future development occurs, such as schools and community facilities, will be examined by the relevant Government Agencies as part of the assessment of their requirements for the area, and will be in accordance with any approval granted by the WAPC in relation to the original Structure Plan, which is incorporated within Local Planning Scheme No. 24.

No readily subdividable land located within close proximity to the coast exists within the Esperance Townsite. Consequently, the sale of the land is not considered by Council as being in direct competition with other private land developers. The proposed price range of the lots is expected to be higher than that of the adjacent estates, as is currently the case with those lots being sold within Stage 2.

Section 3.59(3)(c) – Expected Financial Effect

There is currently no allocation for the planning of Stage 4 of the Flinders subdivision. The cost of gaining sub-division approval is expected to be under \$10,000, with a budget amendment to be requested when the business plan is brought back to Council following the advertising period. The request will be for a transfer from the Land Development and Purchase Reserve Account to cover the expenditure.

Preliminary cost estimates have been prepared for developing this stage, totalling approximately \$800,000. It is anticipated that the majority of these works will be

carried out in-house; funding will be from borrowings that will be repaid through the sale of lots from within Flinders.

The Project Budget Summary/Cash Flow Projection included within Appendix IV details the revenue and expenditure expected from the proposed Stage 4. The Project Budget Summary/Cash Flow Projection is based on selling six blocks in the first year following development, with two blocks a year being sold from then on. This is based around existing sales history in Flinders Stage 2, which has slowed markedly in the past 3 years with only 3 lots being sold in 2015/16 and 1 lot sold in 2016/17. Additionally, one lot has been sold this financial year. The higher sales volumes have been estimated based on the smaller lot size and anecdotal evidence that there is currently an unmet demand for properties of this type. Obviously changes in market conditions will impact negatively or positively depending on actual sales results.

As detailed in Appendix IV, total development costs for Stage 4 are estimated to be just over \$800,000, with an average sale price of \$130,000 for total revenue of \$3.5M. This price is similar to the prices achieved on the cottage lots sold in Flinders when Stage 2 was first released, but is seen as being realistic due to the slowing of market conditions recently and following discussions with local industry representatives.

For cash flow purposes, the budget allows for full finance construction development to be funded through short term borrowings. Interest rates on borrowings have been calculated at 4%, consistent with Long Term Financial plan estimates. Repayment of these borrowings will be extinguished with revenue generated from land sales as detailed in Appendix 4. With sales still proceeding within Flinders Stage 2, these borrowings may be reduced in the event that Stage 2 sales have resulted in additional funds being available within the Land Development Reserve, with these reserve funds being used before any borrowings are entered into. Additionally, any sales within Flinders Stage 2 after the commencement of the development of Stage 4 will also be utilised to reduce the debts incurred in developing Flinders, which is consistent with the development of the previous stages of Flinders.

It is expected that a surplus of over \$2.5M will be achieved from this stage, with the intention that these funds will assist in funding future development stages, some of which will be significantly more expensive due to the provision of items including public open space and major roads. The surplus calculation doesn't take the existing sunk costs of the original development of Stage 2 into consideration.

Section 3.59(3)(d) – Expected Effect on Matters Referred to in Plan Prepared Under S5.56

The Shire of Esperance Long Term Financial Plan 2017/18 – 2026/27 identifies the future subdivision of Flinders as part of the proposed capital works program. This is in line with the Shire of Esperance Strategic Community Plan 2012 – 2022, which has as one of its strategies

'Effectively manage Shire operations and resources to create a resilient and financially stable Shire'.

This strategy is backed by the following actions within the Shire of Esperance Corporate Business Plan 2016/17 – 2019/20

'Coordinate opportunities for Shire of Esperance freehold and managed properties'

Section 3.59(3)(e) - Ability of LGA to Manage Undertaking and Performance of the Transaction

The Shire of Esperance employs staff with appropriate qualifications and experience to manage the project and transaction. The Shire has undertaken similar projects in the past and will supplement in-house expertise with external professional services where necessary.

It is intended that, due to the modest size of this development, the majority of the works will be undertaken in-house. Where works are unable to be undertaken within current resources or a saving is available by engaging external contractors the Councils procurement processes will govern the method behind the engagement of external contractors.

The land will be disposed of in accordance with the provisions of the Local Government Act 1995. It is expected that lots will be sold predominantly through private treaty, with a small number of sales via tender, which is in line with recent experience in Flinders.

Section 3.59(3)(f) - Other Matters

All subdivision and development will be in accordance with the Shire of Esperance Local Planning Scheme No 24.

At this point in time it is intended to undertake a full review of the remaining area of Flinders to ensure that future development takes the recent changes to the State Coastal Management Policy into account and continues to meet the community's needs with regards to appropriately designed and sized residential land releases.

Section 3.59(4) - Submissions

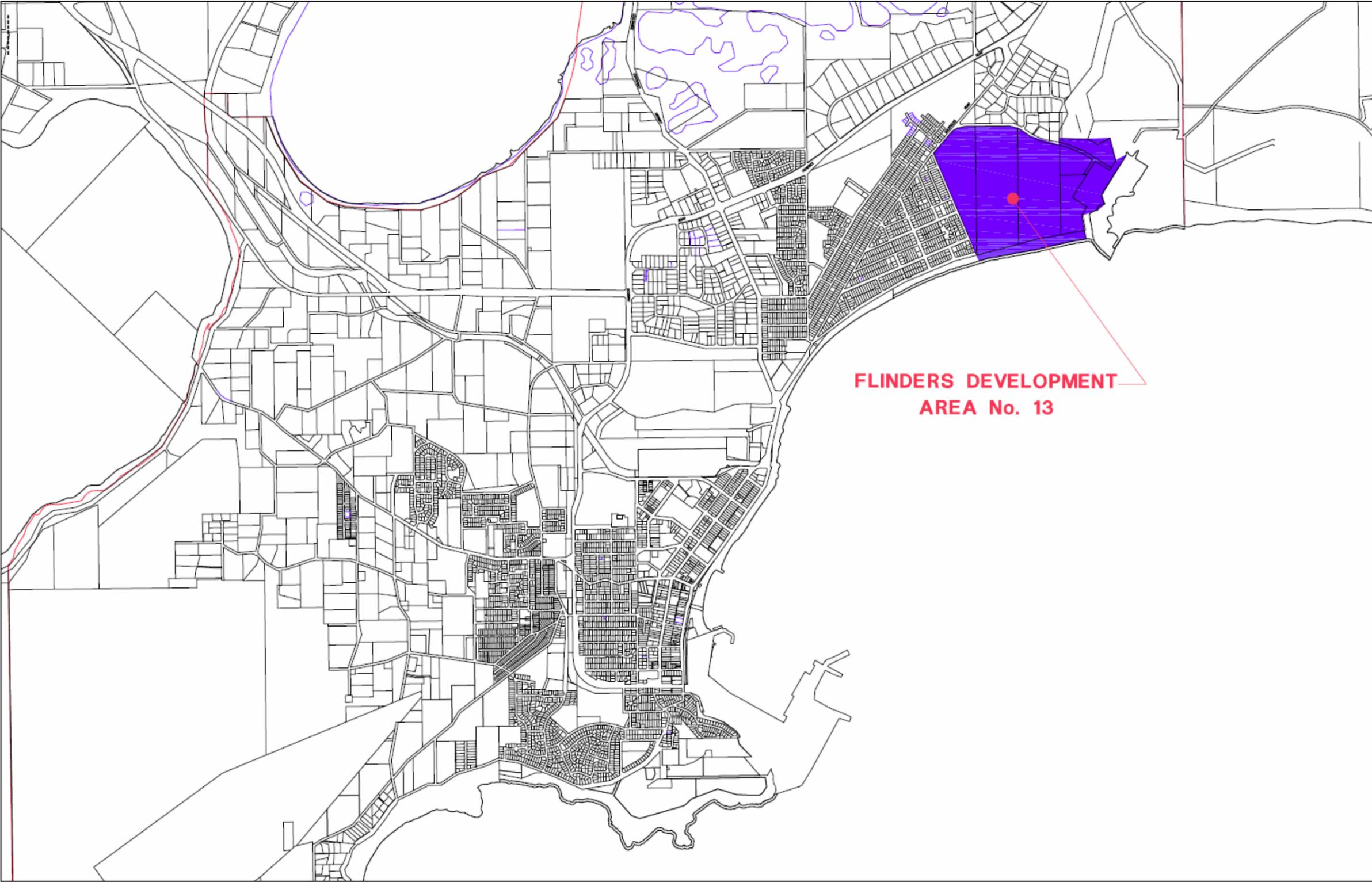
The Local Government Act provides that the Business Plan must be advertised and that submissions may be made to the Council regarding the transaction set out in the business plan. Submissions relating to this business plan may be lodged with Council prior to the end of business on the 8th December 2017.

Submissions should be addressed to:

The Chief Executive Officer
Shire of Esperance
PO Box 507
ESPERANCE 6450

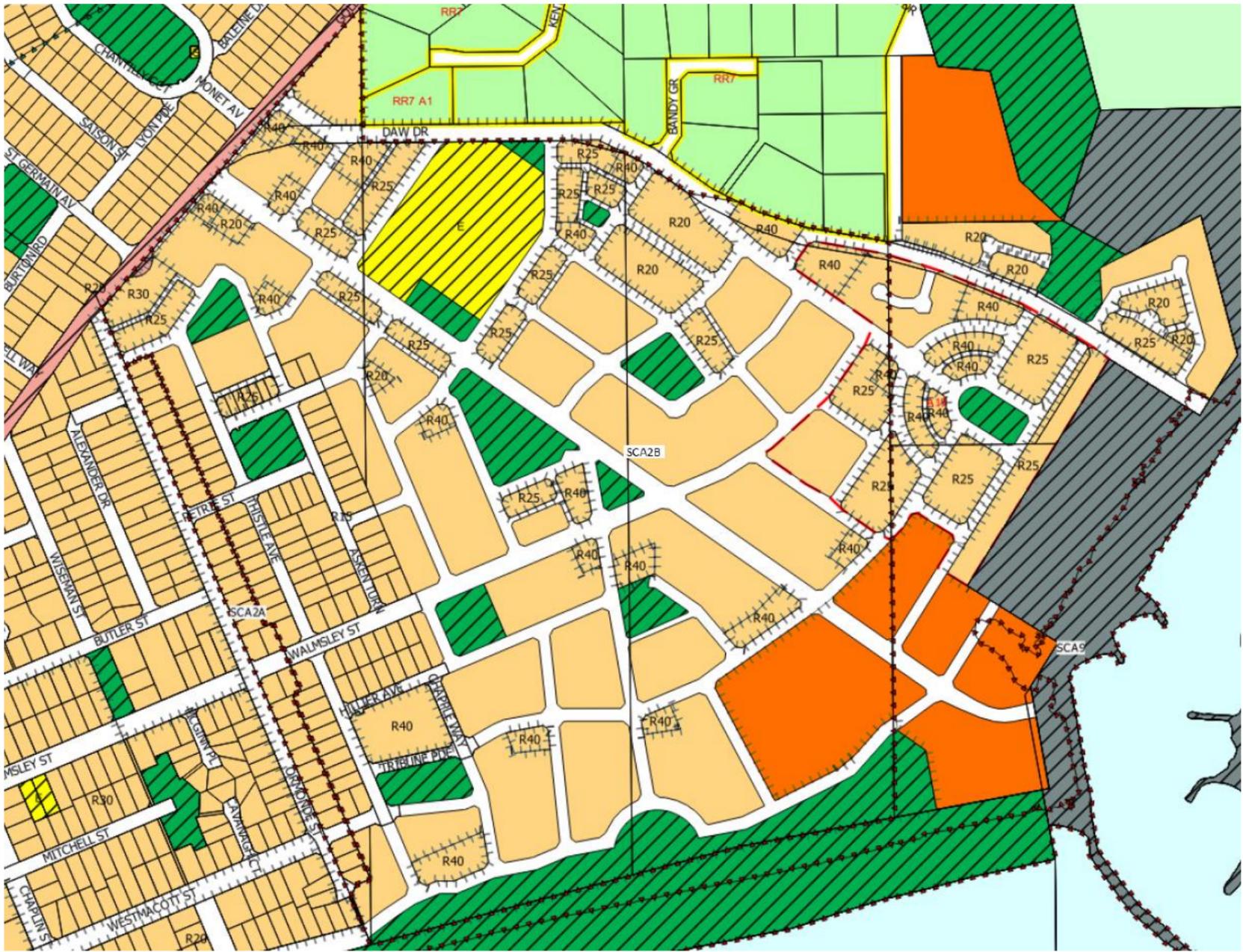
APPENDIX I

Location Plan

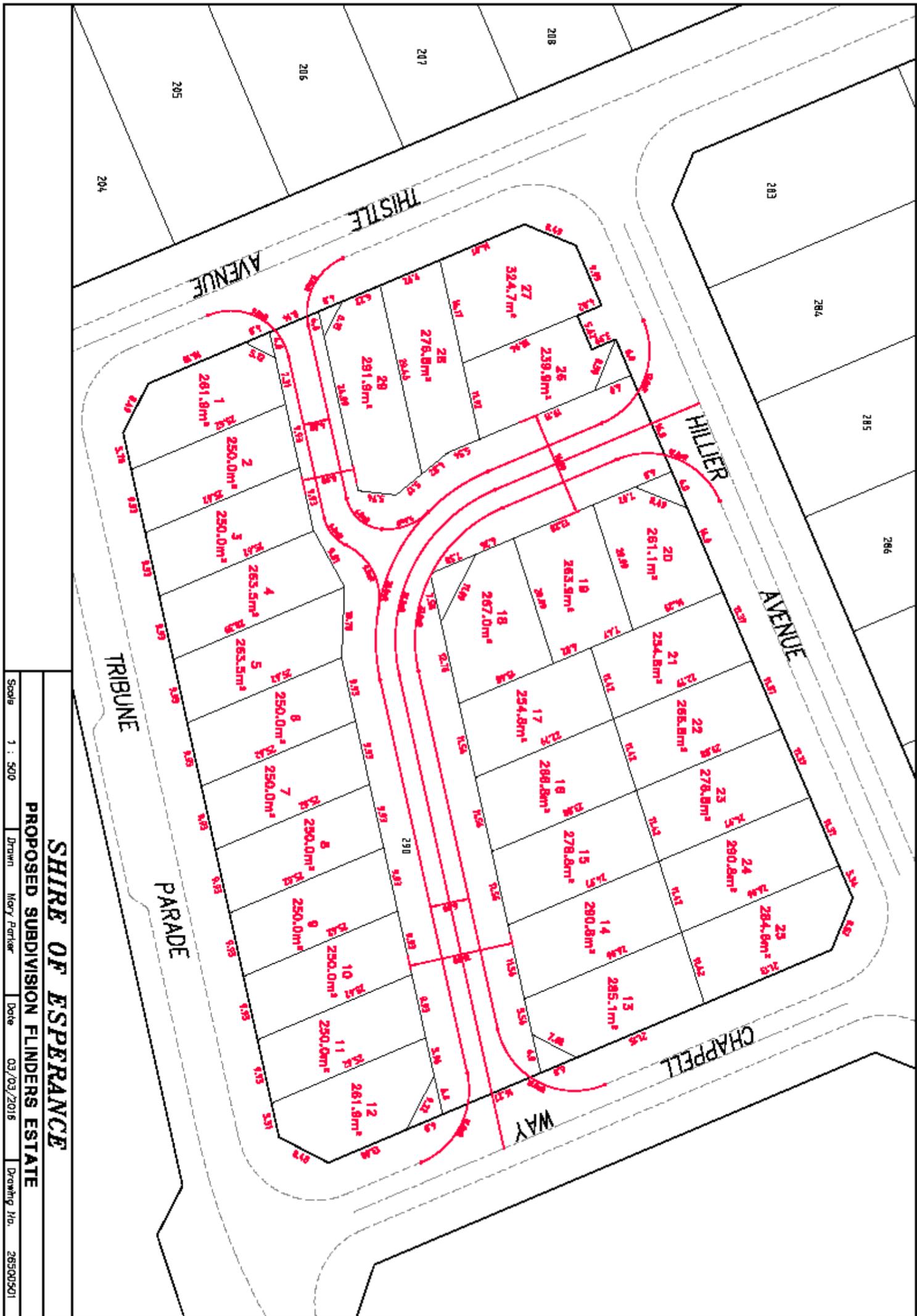


APPENDIX II

Zoning Map from Local Planning Scheme No. 24



Subdivision Plan - Proposed Stage 3



APPENDIX IV

Business Plan Financials:

Project Budget Summary/Cashflow Projections

Project Budget Summary/ Cash Flow Projections

	2016-17	2017-18	2018-19	2019-20	2021-22
	Net \$	Net \$	Net \$	Net \$	Net \$
Flinders Stage 3.0					
Development Costs					
Construct (27 lots)		800,000	0	0	0
Planning & Design	10,000	0	0	0	0
Administration Allocated	5,000	5,000	0	0	0
Sales Costs					
Marketing	0	20,000	2,000	2,000	2,000
Selling Costs	0	30,000	10,000	10,000	10,000
Admin Allocated	0	15,000	15,000	15,000	15,000
Finance Costs					
Interest @ 4%	0	34,520	6061	0	0
Gross Revenue					
Gross Revenue	0	780,000	260,000	260,000	260,000
Borrowings as at end of year	0	124,520	0	0	0
Transfer to Reserve	-	-	102,4169	233,000	233,000