

2012

Business Plan
Major Land Transaction
LOTS 555 AND 556 BEADON CREEK ROAD
ONSLOW



Shire of Ashburton

PO Box 567

TOM PRICE WA 6751

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1. EXECUTIVE SUMMARY

This Business Plan has been prepared in accordance with the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*.

A growing demand for accommodation in Onslow has led the Shire of Ashburton to propose the sale of unused land that will be developed to provide accommodation solutions for tourists, contractors and local businesses. The proposed sale of Lots 555 and 556 on Deposited Plan 181876 to the adjoining owner, Beston Parks Land Co Pty Ltd (trading as Discovery Holiday Parks Pty Ltd) would enable them to expand their holiday park in accordance with Local Planning Policy – Beadon Bay Village Concept Plan (currently advertised for public comment).

The intention of this plan is to inform the community of the Shire's proposal and seek comment in relation to this Major Land Transaction as it relates to managing the Shire's assets. It is not the function of this plan to be addressing planning issues that have previously been canvassed in the community. The required planning processes are considered separately.

Onslow is located on the coast of the remote Pilbara Region of Western Australia, some 1386km north of Perth. The town's dominant purpose has been as a residential base and service centre for the workforce employed at the nearby salt production operation, Onslow Salt. Pastoralism, fishing and tourism have also supported the town.

Changes for Onslow commenced with the announcement by the State Government in 2008 to establish the Ashburton North Strategic Industrial Area (ANSIA) 11km southwest of Onslow. The commencement of construction of BHP Billiton Petroleum's Macedon, and Chevron Australia's Wheatstone, at the ANSIA has already impacted on the town and there is a shortage of accommodation for contractors, tourists and long-term tenants.

The accommodation shortage is expected to increase as the resource sector projects ramp up which will increase costs for local services and businesses and impact the long-standing tourist industry which struggles to compete with the higher rates offered by external contractors. As a consequence, it will be even more difficult for project operators and service providers to attract and retain qualified and skilled staff on a live-in basis, whilst the tourism industry will be adversely affected.

The proposed land purchase and development by Discovery Parks is considered crucial to addressing the shortage of accommodation for local and transient contractors, tourist industry and resource sector.

The expected net income from the sale of the land will fund planned and future infrastructure projects across the Shire.

2. BUSINESS PLAN OBJECTIVES

This Business Plan is designed to:

1. Provide the Community and Stakeholders with an overview of the proposal including the financial aspects.
2. Demonstrate Council's ability to manage the transaction
3. Demonstrate Council's compliance with Section 3.59(2) and Section 3.59(3) of the *Local Government Act 1995*.

3. OVERVIEW

3.1 Background

Lot 555 and Lot 556 on Deposited Plan 181876 front the unconstructed road reserve known as Parsley Street adjoining Beadon Creek Road, Onslow. As such, and being within the town boundary, Native Title claims are effectively extinguished.

Lot 555 encompasses an area of 10,851 square metres whilst Lot 556 covers 13,062 square metres. Both lots are zoned 'Tourism' under the Shire of Ashburton Planning Scheme No. 7 and are currently undeveloped. The Shire of Ashburton is registered owner of the subject land which is not required by the Shire for another purpose.

3.2 Details of the Transaction

- Nature of the major land transaction: Sale of land over \$2 million
- Location of land – Lot 555 on Deposited Plan 181876 and comprising all of the land in Certificate of Title Volume 2704 Folio 19; Lot 556 on Deposited Plan 181876 and comprising all of the land in Certificate of Title Volume 2704 Folio 20
- Proposed Purchaser: Beston Parks Land Co Pty Ltd as trustee for Beston Accommodation Parks Trust
- Duration of transaction: Approximately 8 months
- Projected Cost: Total Approximately \$383,000 (including original purchase price)
- Net Return: Approximately \$4,117,000

3.3 Site Description

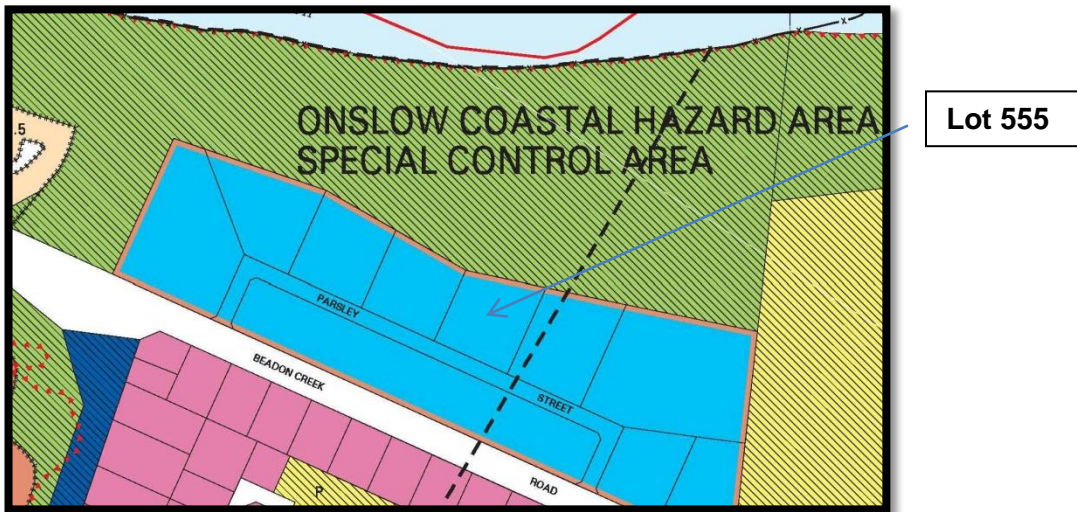
The subject land is along the north side of Beadon Creek Road with frontage to the road reserve of Parsley Street (unconstructed). It adjoins Lot 557 which is owned and operated by Discovery Parks as transient workforce accommodation and caravan park.

The proposed land transaction is comprised of two (2) lots:

- Lot 555 comprises of 1.0851 hectares of unimproved land
- Lot 556 comprises of 1.3062 hectares of unimproved land

Land use surrounding the sites are zoned 'Tourism' however the sites to the west are undeveloped. Services are not connected to the subject sites.

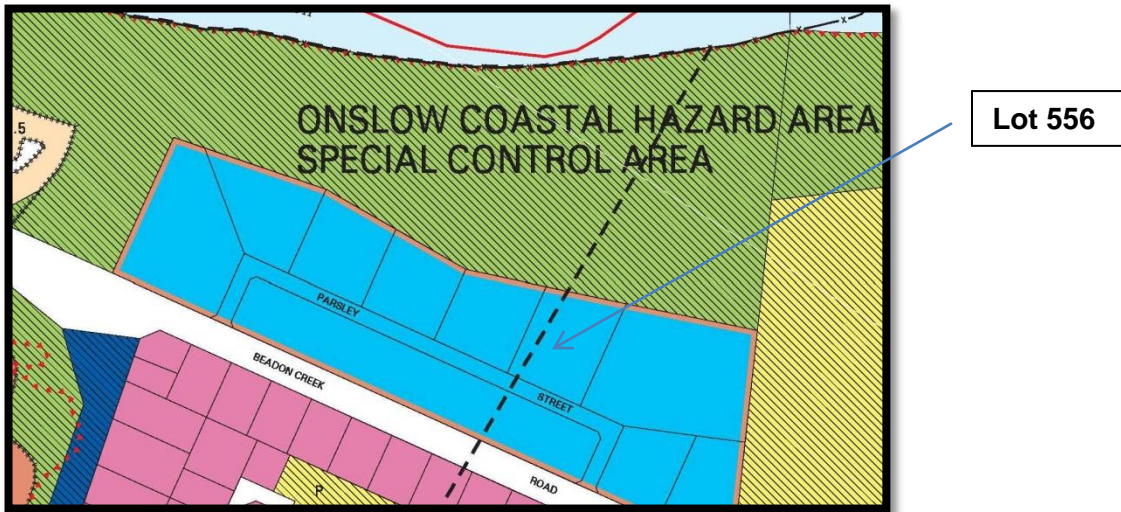
Lot 555
(1.0851 hectares of unimproved land)



NB: The dotted line refers to current Onslow Airport Height Restrictions Area



Lot 556
(1.3062 hectares of unimproved land)



NB: The dotted line refers to current Onslow Airport Height Restrictions Area



3.4 Details of Proposed Disposal

Purchaser: Beston Parks Land Co Pty Ltd as trustee for Beston Accommodation Parks Trust

Consideration: \$4,500,000 GST exclusive

Market Value:

Lot 555 - \$2,150,000 GST exclusive *

Lot 556 - \$2,500,000 GST exclusive *

** As valued by Independent Valuers of Western Australia (IVWA) on 9 February 2012.*

An updated desktop assessment was provided for both properties by IVWA on 10 October 2012, indicating a value range of \$4,300,000 and \$4,700,000 for the sale of both properties.

Note: The valuations assumed that each lot has constructed road access and is connected to services. As this is not the case the selling price has been reviewed appropriately.

Buyer's Development Proposal:

In accordance with the Local Planning Policy – Beadon Bay Village Concept Plan a draft of which was adopted for advertising purposes by the Council of the Shire of Ashburton at its meeting dated 20 June 2012 (refer to Appendice)

3.5 Associated Costings

The estimated costs to the Shire of Ashburton to proceed with the proposed sale are:

Settlement Fees:	\$ 4,000
Solicitors Fees:	\$ 5,000
Advertisement of Business Plan:	\$ 4,000
Sundry:	\$ 3,000
Initial Purchase Price:	\$360,000
Valuations:	<u>\$ 7,000</u>
Estimated Total Costs:	\$383,000

Expected Income

Proposed Purchase Price:	\$4,500,000 (excl GST)
Less Costs:	\$ 383,000
Expected Nett Income:	<u>\$4,117,000</u>

3.6 Program

The broad program for the proposed land disposal is detailed below:

MILESTONE	TIMEFRAME
Business Plan is approved by Council	17 October 2012
Business Plan is advertised for submissions	22 October 2012
Submissions considered & Business Plan adopted; Offer to Purchase approved	12 December 2012 (Council meeting)
Due Diligence	11 February 2013 (60 days from acceptance)
Development Proposal submitted by Purchaser and Approved by JDAP	14 March 2013 (120 days from acceptance)
Settlement	15 April 2013 (30 days from satisfaction of above conditions)

This program is representative of target dates that may be amended subject to progress of satisfaction of conditions precedent.

4. PROJECTED IMPLICATIONS

It is expected that the purchaser's proposed development will provide much needed accommodation to meet the requirements of the transient workforce, local businesses and tourism industry. A growing resource sector together with the immediate needs of local businesses, make this development a highly desirable prospect. The proposed development on Lots 555 & 556 will provide an additional 240 beds and 56 van sites which will ease the strain on the accommodation lessening the risk that there will not be any for town site works and improvements. A detailed analysis of the implications is provided below –

S.W.O.T. Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Land is currently undeveloped and no plans for this by Shire • High demand for short-term and transient accommodation • Supported by need for town site developments and improvements and local business • The proposed masterplan is a modern design with a long-term legacy which supports economic diversification into the future. • Job creation • Attract long term investment in town • Desirable location 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Conditions of contract will take some time to satisfy • Possibility that some conditions may not be able to be satisfied to buyer's requirement • Demand anecdotal • Land is a Shire asset
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Profit to Shire to enable other projects to be undertaken • Level of development that would not occur outside of these current economic times – great legacy for Onslow's future. • Create local job opportunities through construction and long-term staffing requirements • Support local investment • Attract service providers • Growth in local economy • Improved accommodation standard • Support tourism • Positive effect on Shire's reputation for proactively addressing accommodation shortage in Onslow 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Economic instability • Inability of buyer to develop in accordance with masterplan due to construction cost blow-out • Inability of buyer to develop in accordance with masterplan in timely manner

Action Plans

Objective: *To ensure proposed development is in accordance with Concept Plan*

Mitigating factor	Resources/Actions
Proposed concept plan for development presented to Council in June 2012	Council
Contract reviewed and negotiated by Shire's legal consultants and experts	Haynes Robinson Lawyers Strategic & Economic Development Team
Development of land to be in accordance with masterplan and contract including timelines	Strategic & Economic Development Team Pilbara Joint Development Assessment Panel

Objective: *Ensuring contract/sale is carried out in timely manner*

Mitigating factor	Resources/Actions
Specialised staff to manage contract through its duration	Strategic & Economic Development Team
Support of Shire legal consultants throughout process	Haynes Robinson Lawyers

Objective: Reducing risk of demand for proposed development being affected by economic instability

Mitigating factor	Resources/Actions
Risk will be carried by buyer	Beston Parks Land Co Pty Ltd
Major infrastructure projects in and around Onslow, including resource and community based development, confirmed for next 5 years	Chevron/Wheatstone development Community Development Fund based projects Local investors and developers

Objective: Ensuring the sale of Shire assets does not reduce Shire's financial position

Mitigating factor	Resources/Actions
Land is undeveloped and Shire does not have budget or requirement to develop	Shire of Ashburton 10 Year Community Strategic Plan 2012-2022
Proposed sale is 'highest and best use' of land for community outcome	Advertising process
Proceeds of sale will enable other community projects to be funded	Shire of Ashburton 10 Year Community Strategic Plan 2012-2022 Major Projects Planning
A shortage of available land in Onslow for development requires Shire to reassess its stock of undeveloped land	Strategic & Economic Development Department Land Strategy

5. LOCAL GOVERNMENT ACT 1995 REQUIREMENTS

The process for disposing of an interest in land of a Local Government is detailed under the provisions of the *Local Government Act 1995*. In particular, Section 3.59 addresses Commercial Enterprises by Local Government and requirements for “Major Land Transactions”.

As defined under the *Local Government Act*, a Major Land Transaction means:

“A land transaction other than an exempt land transaction if the total value of:-

- (a) the consideration under the transaction; and*
- (b) anything done by the local government for achieving the purpose of the transaction,*

is more, or is worth more, than the amount prescribed for the purposes of this definition”.

Current regulations prescribe a major land transaction in regional areas as having a minimum value of \$2 million.

Before entering into a Major Land Transaction, the Shire is required to prepare a Business Plan which is to include:-

- An overall assessment of the transaction;
- Its expected effect on the provision of services and facilities by the Shire;
- Its expected effect on other persons providing services and facilities in the district;
- Its expected financial effect on the Shire;
- Its expected effect on the Shire’s Plan for the Future;
- The ability of the Shire to manage the performance of the transaction;
- Details of joint venture transactions.

Section 3.58 addresses requirements for Disposing of Property, however in accordance with the Local Government (Function and General) Regulations 1996, Part 6 – Miscellaneous; Section 30 (2a):

A disposition of property is an exempt disposition if the property is disposed of within 6 months after it has been —

(a) put out to the highest bidder at public auction, in accordance with section 3.58(2)(a) of the Act, but either no bid is made or any bid made does not reach a reserve price fixed by the local government; or

(b) the subject of a public tender process called by the local government, in accordance with section 3.58(2)(b) of the Act, but either no tender is received or any tender received is unacceptable; or

(c) the subject of Statewide public notice under section 3.59(4) of the Act, and if the business plan referred to in that notice described the property concerned and gave details of the proposed disposition including —

(i) the names of all other parties concerned; and

(ii) the consideration to be received by the local government for the disposition; and

(iii) the market value of the disposition as ascertained by a valuation carried out not more than

12 months before the proposed disposition.

In accordance with the requirements of Section 3.59 of the Act and the relevant Regulations, these details have been provided in the Business Plan.

5.1 Expected Effect on the Provision of Facilities and Services by the Local Government

It is considered that the disposal of land as proposed in the Business Plan will not create significant impact on the provision of facilities and services by the Shire of Ashburton. The Shire has no planned uses for the land, and the proposed development by the purchaser does not create an impost on the services currently provided such as rubbish collection, etc.

The net proceeds of the sale will have a positive effect on the ability of the local government to provide facilities and services. Sale proceeds will significantly enhance the Shire's ability to deliver infrastructure projects identified in the 2012 – 2022 Community Strategic Plan by enabling Council to leverage more funding than previously identified.

5.2 Effect on Other Persons Providing Facilities and Services in the District

The purchaser's proposed development on the subject lots will create an additional 240 accommodation rooms and 56 caravan sites. This is in addition to the proposed development and expansion of their adjoining lot which operates as 'Discovery Parks – Onslow'. The proposal will address the shortage of accommodation available for contractors and local businesses which is already creating a bottle-neck in the delivery of infrastructure and local projects.

5.3 **Financial Effect on Council**

The land forms part of the Shire's investment portfolio and is currently undeveloped. The expected net profit is \$4,484,000.00. This is a positive effect.

The land is a complex site to develop requiring significant capital investment to meet State planning policy requirements and coastal setbacks. It is unlikely that Council would be able to lease or otherwise use the land given these considerations.

5.4 **Effect on Matters Referred to in the Local Government's Forward Plan**

The Local Government Act requires details to be provided in relation to the major land transaction and its expected effect on matters referred to in the Shire's plan for the future of its district. The Shire has adopted its Community Strategic Plan in relation to this requirement.

The proposed sale and development of the land in Onslow is consistent with several references in the Strategic Plan concerning:-

- **Economic Prosperity**
- **Vibrant and Active Communities**
- **Distinctive and Well Serviced Places**

A key theme throughout the Community Strategic Plan is the emphasis placed on quality infrastructure and amenity in the towns and communities. The net proceeds from this major land transaction will contribute to the economic independence of the Shire and enable the Shire to further negotiate and leverage significant funds to facilitate the delivery of the Community Strategic Plan.

5.5 **Ability of the Shire to Manage the Major Land Transaction**

The Shire of Ashburton has sufficient, experienced personnel to successfully complete the transaction. The Strategic & Economic Department successfully manages land subdivisions, including marketing and sale, and has a wealth of experience in this area. The Shire has also obtained legal advice regarding the proposed contract to ensure its validity and community benefit.

5.6 Joint Venture Transactions

A joint venture as defined in Regulation 10 of the Local Government (Functions and General) Regulations, is a trading undertaking or land transaction that is to be jointly carried on or entered into.

The Shire is undertaking the land transaction and is not jointly carrying on the transaction with any other person or entity.

6. PUBLIC CONSULTATION AND ADVERTISING

6.1 Public Consultation Process

In accordance with the *Local Government Act 1995*, the Shire is required to:

- Give Statewide notice stating that:-
 - the Shire proposes to enter into a major land transaction as described in the notice;
 - a copy of the Business Plan may be inspected or obtained by the public at a specified place in the notice;
 - submissions about the proposed transaction may be made to the Shire before a day specified in the notice, being a day that is not less than 6 weeks after the notice is given;
- A notice is also to be published and exhibited as if it were a local public notice

After the last day for submissions, the Shire is to consider all submissions made and may decide (Absolute Majority required) to proceed with the undertaking or transaction as proposed or so that it is not significantly different from what was proposed.

6.2 Advertising

In accordance with section 3.59(4)(a) of the *Local Government Act 1995*, the Shire is required to give Statewide and local public notice of this Business Plan. Notice will be provided as follows from Saturday, 20 October 2012:

- West Australian Newspaper 2 x advertisements during submission period
- Pilbara News 2 x advertisements during submission period
- Notices will be placed on the notice boards at various Shire facilities in Tom Price, Paraburdo, Panawonnica and Onslow
- A notice will also be published on the Shire's website, www.ashburton.wa.gov.au, together with a copy of the Business Plan made available for viewing;

- A copy of the Business Plan will be available for inspection at the Tom Price Shire Office, Paraburdoo Library and Onslow Shire Office.

After the last day for submissions, Council will consider all submissions received prior to deciding to proceed with this proposed land transaction that is the subject of this Business Plan.

6.3 Submissions

Submissions will be received from the public for a period of six weeks. All submissions must be received at the office of the Shire by 4:30pm Monday, 3 December 2012 and addressed to:-

Mr Jeff Breen
Chief Executive Officer
Shire of Ashburton
PO Box 567
TOM PRICE WA 6751

Submissions should be clearly marked "Submission for Business Plan – Major Land Transaction Lot 555 & Lot 556 Beadon Creek Road, Onslow".

All enquiries concerning this Business Plan should be directed to the Shire's Economic & Land Development Manager, Anika Serer, on (08) 9188 4444

Further information is available on the Shire's website at www.ashburton.wa.gov.au.

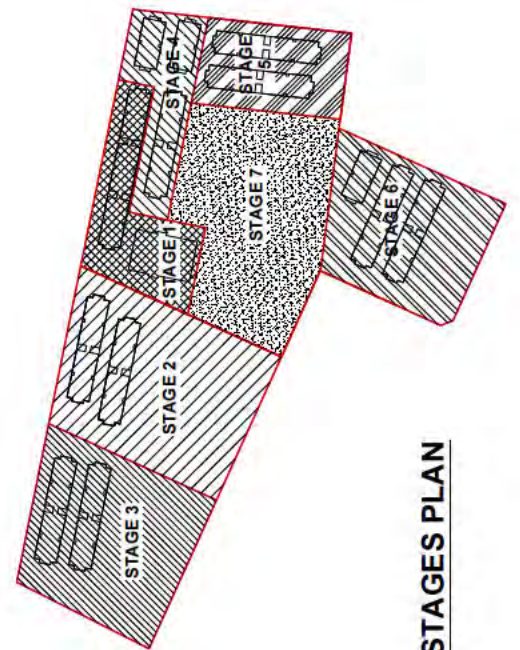
7. APPENDICES

Appendix A – Beadon Bay Village Concept Plan (extract)



MASTER PLAN
SCALE 1:750

PROPOSED ACCOMMODATION	
BEDROOM UNITS	880
VAN SITES	56
DRIVE THRU SITES	12
CABINS	7
CARPARKS	126



STAGES PLAN

