



Management Committee Meeting

AGENDA

**Thursday 21 May 2020, 6:00pm
to be held electronically**

Constituent Members: Cities of Perth, Joondalup, Stirling, Vincent and Wanneroo
Towns of Cambridge and Victoria Park

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TAMALA PARK REGIONAL COUNCIL

Councillors of the Tamala Park Regional Council Management Committee are advised that a meeting will be held electronically on Thursday 21 May 2020 at 6:00pm.

The business papers pertaining to the meeting follow.

Your attendance at the e-meeting is requested.

Yours faithfully

TONY ARIAS

Chief Executive Officer

MEMBERSHIP

OWNER COUNCIL	MEMBER
Town of Cambridge	Cr Andres Timmermanis (CHAIR)
City of Joondalup	Cr John Chester
City of Stirling	Cr Karen Caddy Cr David Lagan Cr Suzanne Migdale Cr Bianca Sandri
City of Wanneroo	Cr Brett Treby

Representatives from the Satterley Property Group will be joining the meeting.

PRELIMINARIES

1. OFFICIAL OPENING

DISCLOSURE OF INTERESTS

2. PUBLIC STATEMENT/QUESTION TIME

3. APOLOGIES AND LEAVE OF ABSENCE

4. PETITIONS

5. CONFIRMATION OF MINUTES

Management Committee Meeting – 12 March 2020

5.1 BUSINESS ARISING FROM MINUTES (NOT COVERED ELSEWHERE IN THE AGENDA)

6. ANNOUNCEMENTS BY CHAIR (WITHOUT DISCUSSION)

7. MATTERS FOR WHICH MEETING MAY BE CLOSED

8.6 Annual Plan FYE 2021 – Confidential

8.7 Mindarie Regional Council Landfill Buffer – Groundwater Monitoring Update - Confidential

8. ADMINISTRATION REPORTS AS PRESENTED 8.1 – 8.7

8.1 BUSINESS REPORT – PERIOD ENDING 14 MAY 2020

Report Information

Reporting Officer: Manager Project Coordination

Recommendation

That the Management Committee RECEIVES the Business Report to 14 May 2020.

Voting Requirements

Simple Majority

Report Purpose

To advise the Management Committee of matters of interest not requiring formal resolutions.

Relevant Documents

Nil

Background

The business of the Council requires adherence to many legislative provisions, policies and procedures that aim at best practice. There are also many activities that do not need to be reported formally to the Council but will be of general interest to Council members and will also be of interest to the public who may, from time to time, refer to Council minutes.

In the context of the above, a Business Report provides the opportunity to advise on activities that have taken place between meetings. The report will sometimes anticipate questions that may arise out of good governance concerns by Council members.

Comment

1. COVID-19 Impacts on TPRC Operations

The following operational measures remain in place in response to Government directives and guidelines associated with minimising community spread of COVID-19:

- The TPRC office is open for business during usual working hours, however staff are continuing to use tele-conferencing technology to hold or participate in meetings.
- Meetings of the TPRC and its Committees are being held remotely by tele-conference, as provided for by the *Local Government (Administration) Amendment Regulations* gazetted on 25 March 2020.
- Drinking fountains and barbeques in Catalina parks remain off and playgrounds and fitness equipment continue to be bound with barrier tape.
- Community events involving group gatherings are suspended.
- The Catalina Sales Office is open on weekends between 2:00pm – 5:00pm and by appointment only at all other times.

2. Civil Construction - Status

The next stage of civil works to be undertaken is Stage 18C – Catalina Central, which was forecast in the FYE 2020 Annual Plan to commence in May 2020.

The Council resolved at its meeting held 16 April 2020 to cease negotiations with the preferred builder tenderer and commence negotiations with the second ranked tenderer (Schlager Group, David Barr Architects and Josh Byrnes and Associates), with an agreement on potential commercial terms to be concluded by 16 June 2020. Discussions with the Schlager Group and partners are ongoing.

The construction of this stage will not commence within the timeframe identified in the FYE 2020 Annual Plan.

3. Landscape Works – Status

No landscape construction works are currently in progress. It is anticipated that the next package of works to be undertaken will be streetscaping associated with the forecast extension of Portofino Promenade and the Foreshore Access Road in early FYE 2021.

4. Housing Construction

The following table provides an overview of the current progress of housing construction to 14 May 2020:

Stage	Total Lots	Under Construction	Completed	Vacant
Stages 1 - 11	529	1	520	8
Stage 12	49	0	49	0
Stage 13	82	0	82	0
Stage 14	73	0	72	1
Stage 15	55	0	53	2
Stage 17A	25	0	23	2
Stage 17B	36	3	10	23
Stage 18A	29	1	28	0
Stage 18B	31	0	23	8
Stage 25 (Display Village)	15	0	15	0
Stage 25	25	8	8	9
Stage 25B	7	0	7	0
Stage 25 (Builders Release)	7	5	1	1
Stage 26	38	0	0	38
Total	1001	17	891	92

5. Catalina Beach Builders Display Village 3 and Sales Office

At its meeting on 16 April 2020, the Council approved revised opening hours for the Sales Office due to COVID-19 restrictions having forced the temporary closure of display homes in the Catalina builders' display village. The Council agreed to the Sales Office being open

only between 2.00pm and 5.00pm on weekends and by appointment-only at all other times on a temporary basis until 30 June 2020, or earlier to coincide with COVID-19 restrictions to display villages being lifted.

Easing of COVID-19 restrictions resulted in the re-opening of the display village at Catalina to the public on the weekend of 2 and 3 May 2020. Satterley advises that traffic to the village is the second highest in Perth, with approximately 35 groups visiting on the first weekend after restrictions were eased. Satterley has been requested to advise of its intentions with opening hours of the Sales Office given that the display village has reopened. Further advice is to be provided at the meeting.

6. Community Events

In line with COVID-19 Government directives, community events involving gatherings of people are suspended for the time being. A series of virtual community events that residents can participate in from home has instead been undertaken. The events have had the objective of maintaining contact with the Catalina community and fostering connections and a sense of togetherness at a time of uncertainty and increased social isolation.

Branded and promoted as ‘Virtually Together’, the program has involved a new initiative being run each week using a mix of social media, email and letterbox deliveries providing a combination of family-based activity at home as well as virtual or arms-length interaction with fellow community members. Activities completed have included an in-home movie night, kindness cards to facilitate support for the vulnerable, ice-cream and coffee truck visits, collective kite flying, Anzac Day commemorations and a Mother’s Day well-wishing video compilation and have been delivered at a low cost.

The program is providing positive branding opportunities and is playing a large role in generating and providing alternative material for content channels such as the website blog, eDM and social media. Feedback from participants has been positive.

7. Local Structure Plan Amendment - Catalina Grove

The Western Australian Planning Commission (WAPC) has requested that the City of Wanneroo modify the LSP amendment documentation in accordance with a Schedule of Modifications in order for the amendment to be finalised. The modifications are minor in nature and reflect updated LSP format requirements of the WAPC. Approval of the LSP amendment is anticipated in early June 2020 and will provide for the lodgement of plans for the first stages of subdivision of Catalina Grove in FYE 2021.

8. Catalina Beach Access Road / Carpark

The applications for Development Approval and a Clearing Permit for the access road and carpark were submitted in December 2019 and January 2020 respectively. The WAPC has now issued the Development Approval.

The Department of Water and Environmental Regulation has requested additional information regarding the Clearing Permit application, including justification for the proposed road alignment and updated flora and fauna survey details. A response to the requests is being prepared by the Project’s environmental consultants. It is anticipated that the required Clearing Permit will be obtained in early June 2020.

9. Catalina Local Centre Site

An application for the development of a local centre at Lot 646 Aviator Boulevard in Catalina Central was considered by the Metro North-West Joint Development Assessment Panel (JDAP) on 6 February 2020. Consideration of the proposed development, comprising a child care centre, café and retail and office tenancies was deferred by the JDAP to allow the applicant to address a range of design elements, including built form, parking, access, waste management, setbacks and landscaping. The developer, OTB Developments, has amended and resubmitted its development plans. Changes include:

- Relocation of the cafe to the corner of Roulettes Parade and Aviator Boulevard;
- Reduction of office space;
- Modified childcare centre layout;
- Additional carparking;
- Removal of the apartment above the retail tenancies fronting Aviator Boulevard;
- Removal of on-street car bays along Aviator Boulevard and the green-link;
- Relocation of the bin store.

The application is scheduled to be presented to the Design Review Panel in late May and expected to be reconsidered by the JDAP in mid-June 2020.

10. Coastal Dual Use Path, Burns Beach – Mindarie

At its meeting in June 2019, the Council resolved to make a contribution of up to \$730,000 to the Cities of Joondalup and Wanneroo towards the construction of the planned Burns Beach-Mindarie Dual Use Path (DUP).

The section of DUP through the coastal conservation reserve to the south of Catalina was completed by the Cities in December 2019.

An amended Clearing Permit has been obtained for the section of the DUP along the western border of Catalina. A tender for the construction of this section of DUP was recently awarded by the City of Joondalup and a start-up meeting on-site is due to be held on 18 May 2020. Construction is to be completed by the end of August 2020.

The timing for completion of the southern portion of the DUP at Peet's Burns Beach Estate is still to be determined.

8.2 PROJECT FINANCIAL REPORT – MARCH 2020

Report Information

Reporting Officer: Chief Executive Officer

Recommendation

That the Management Committee RECEIVES the Project Financial Report (March 2020) submitted by the Satterley Property Group.

Voting Requirements

Simple Majority

Report Purpose

To consider the Project Financial Report for March 2020 submitted by the Satterley Property Group.

Policy Reference

N/A

Local Government Act/Regulation

N/A

Previous Minutes

N/A

Financial/Budget Implications

Review of Project Financial Report for March 2020.

Relevant Documents

Appendix: Letter from Satterley Property Group dated 24 April 2020 with Financial Report

Background

At its meeting of 20 June 2019, the Council approved the Project Budget FYE 2020, submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2020.

The Development Manager's Key Performance Indicators 2020 - Governance, requires the preparation of monthly progress reports.

Comment

The Satterley Property Group has prepared a Financial Report for March 2020 for the Project. The report has been prepared on a cash basis and compares actual expenditure to approved budget expenditure for the period up to 31 March 2020 and is attached at Appendix 8.2.

The Financial Report identifies the following main areas of variance:

1. Settlement revenue was \$6.00M which is \$0.36M behind budget with one less residential settlement for the year to date.
2. Expenditure was \$9.4M under budget, in the following areas:
 - Lot Production \$0.92M;
 - Landscape \$1.7M;
 - Infrastructure \$1.21M;
 - P&L expenditure \$1.44M.
 - Indirect consultants \$0.30M
 - Land Acquisition - \$5.10M deferral of the WAPC land acquisition initial payment from December 2019 to June 2020.

The Satterley Property Group Financial Report provides greater details on the variations.

3. Lot Sales Value was \$6,62M which is \$0.40M favourable to budget due to two more lot sales year to date, partially offset by a lower average selling price per lot due to lot mix.

Satterley Property Group representatives will be in attendance to answer questions on the report.

8.3 SALES AND SETTLEMENT REPORT – PERIOD ENDING 14 MAY 2020

Report Information

Reporting Officer: Manager Project Coordination

Recommendation

That the Management Committee RECEIVES the Sales and Settlement Report to 14 May 2020.

Voting Requirements

Simple Majority

Report Purpose

To advise the Management Committee of the status of sales, settlements and sales releases.

Policy Reference

N/A

Local Government Act/Regulation

Local Government Act 1995: Sect 3.58 – Disposal of Property.

Previous Minutes

N/A

Financial/Budget Implications

Income under this matter will be posted under item I145011 (Income on Lot Sales):

Budget Amount:	\$8,388,739
Received to Date:	\$7,373,258
Balance:	\$1,015,481

Relevant Documents

Appendices:

- Staging Plan
- Sales and Marketing Campaign Progress Report – Satterley Property Group (Satterley)

Background

The Sales and Settlement Report provides the Council with a status update of sales and settlements for the Project.

The Staging Plan provided under Appendix 8.3 identifies the extent of the stage boundaries referenced within the report.

Comment

Table 1 provides a summary of the Catalina Estate Sales and Settlement position for lots released up to 14 May 2020.

Table 1: Summary of Sales and Settlement of Lots – Catalina Estate

Stage/ Release Date	Release Date	Lots Released	Lot Sizes (m ²)	Sold	Stock	Settled
Stages 1 – 15,18A	-	817	174 - 658	817	0	817
Stage 17A	Oct-16	25	300 - 510	23	2	23
Stage 17B (Release 1)	Nov-17	18	300 - 450	16	2	13
Stage 17B (Release 2)	Sep-19	8	245 - 450	6	2	1
Stage 17B (Release 3)	Apr-20	10	300 - 450	0	10	0
Stage 18B	Mar-17	31	200 - 474	29	2	24
Stage 25 (Release 1)	May-17	21	300 - 450	19	2	19
Stage 25 (Display Village)	May-17	15	375 - 497	15	0	15
Stage 25 (Release 2)	Oct-17	7	233 - 299	7	0	7
Stage 25 (Release 3)	Apr-18	6	254 - 255	6	0	6
Stage 25 (Release 4)	Sep-18	5	277 - 450	5	0	4
Stage 26 (Release 1)	Apr-19	8	300 - 486	6	2	5
Stage 26 (Release 2)	Dec-19	8	367 - 481	3	5	2
Stage 26 (Release 3)	Apr-20	8	315 - 539	4	4	0
Total		987	174 - 658	956	31	936

Table 2: Summary of Net Sales for FYE 2020 against Budget – Catalina Estate

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Budget	2	2	2	2	2	2	2	3	2	3	5	4	31
Actual	3	2	3	3	2	1	1	3	3	1	5		27*
Variance	1	0	1	1	0	-1	-1	0	1	-2	0		-4

* Includes five offers that have been received and are currently being held pending advertising and acceptance by the TPRC.

31 sales are forecast for FYE 2020, with 27 sales (including five contracts pending acceptance) achieved to date. The Project has a stock position of 31 lots, 13 in Catalina Beach and 18 in Catalina Central.

Table 3: Summary of Settlements for FYE 2020 against Budget – Catalina Estate

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Budget	2	4	1	2	2	3	2	2	1	3	1	3	26
Actual	1	1	0	3	5	1	2	2	3	3	0		21
Variance	-1	-3	-1	1	3	-2	0	0	2	0	-1		-5

26 settlements are forecast for FYE 2020. 21 settlements have occurred in the financial year to date. The Project currently holds 19 contracts on hand, 13 conditional, one unconditional and five pending acceptance.

Sales Marketing Incentives

At its meeting of 20 February 2020, the Council approved a new sales and marketing campaign for the period 1 April 2020 to 30 June 2020, involving a rebate to be provided at settlement on selected lots, which involves:

- i) \$17,000 discount to all lots that have been released for in excess of two years;
- ii) \$15,000 discount to all lots that have been released for between one and two years;
- iii) \$12,000 discount to all other currently released lots;
- iv) \$10,000 discount to any other lot that may be released in Catalina Estate during the campaign period;
- v) No Builder's Sales Representative referral fee during the campaign period.

The KPIs set for the campaign were 250 leads and 15 sales. As detailed in the progress report contained in Appendix 8.3, 64 leads had been generated as at 30 April 2020. To date, six sales have been achieved in the campaign period.

It should be noted that the KPIs for this campaign were set prior to impacts from COVID-19 on the land sales market being experienced.

At its meeting of 11 May 2020, the Council approved participation in a new campaign recommended by Satterley and to be run in partnership with the ABN Group involving the provision of mortgage assistance to eligible purchasers of lots purchased in Catalina Estate between 12 May 2020 and 30 June 2020 to a maximum of \$4,000/lot. This campaign is running in parallel with the current 'Viva La Catalina' campaign.

Northern Corridor Estates Analysis

Table 4 provides a summary of sales at developments in the northern corridor.

Table 4: Summary of Sales in Northern Corridor (May 2019 to April 2020)

ESTATE	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	12 Month Total Sales
NORTH-WEST METRO													
Alkimos Beach (Alkimos)	8	4	1	7	6	2	7	2	5	1	3	2	48
Alkimos Vista (Alkimos)	3	1	3	1	2	1	1	3	1	1	4	0	21
Allara (Eglinton)	9	4	7	5	2	3	1	-3	1	1	4	1	35
Amberton (Eglinton)	4	4	1	7	7	13	0	5	3	8	1	3	56
Beumaris (Iluka)	0	-1	1	0	1	1	0	0	1	12	0	0	15
Burns Beach (Burns Beach)	8	0	1	1	2	1	1	0	1	3	0	1	19
Catalina (Clarkson-Mindarie)	7	2	3	2	3	3	2	1	1	3	3	1	31
East of the Beach (Eglinton)	2	4	1	6	2	4	-1	1	0	5	2	0	26
Eden Beach (Jindalee)	5	12	1	9	9	10	8	3	6	21	6	0	90
Kinross (Kinross)	2	1	1	1	1	0	1	1	1	2	1	0	12

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Shorehaven (Alkimos)	3	5	3	2	4	4	2	2	4	14	10	8	61
Trinity (Alkimos)	9	4	6	6	3	5	18	8	3	6	5	5	78
TOTAL	60	40	29	47	42	47	40	23	27	77	39	21	492
CATALINA SHARE (%)	11.67%	5.00%	10.34%	4.26%	7.14%	6.38%	5.00%	4.35%	3.70%	3.90%	7.69%	4.76%	6.30%

Note 1: Satterley reporting is based on 'mid-month' sales period.

Note 2: Satterley has expressed caution that these sales results are indicative only based on information obtained in the marketplace and supplied on a voluntary basis.

Table 5 provides a summary of available stock in the northern corridor. Catalina Beach is higher in price to competing estates for 375m² and 450m² lots. Catalina Central is also higher in price to competing estates for 375m² and 450m², with the exception of Kinross.

Table 5: Summary of Price of Available Lots in Northern Corridor Estates

Estate	225sqm Price (\$)	300sqm Price (\$)	375sqm Price (\$)	450sqm Price (\$)	500sqm + Price (\$)	Total Dwellings	Stock
Allara	133,000	155,000	179,000-190,000	216,000	n/a	3,405	33
Alkimos Beach	150,000	230,000	225,000-262,000	285,000-305,000	n/a	2,413	20
Amberton	N/A	190,000	211,000-228,000	264,000-283,000	289,000-325,000	2,500	31
Burns Beach	N/A	N/A	N/A	N/A	460,000 – 755,000	1,580	7
Catalina Central	N/A	N/A	274,000	304,000 - 329,000	N/A	2,480	18
Catalina Beach	N/A	N/A	350,500-358,000	398,000-408,000	N/A		13
Eden Beach	172,000	240,000	265,000	N/A	305,000-350,000	1,100	29
Kinross	N/A	N/A	295,000	332,500	347,500-355,000	67	4
Shorehaven	169,000-280,000	205,000	249,000	285,000	N/A	2,800	24
Trinity	138,000	185,000	182,000 - 215,000	248,000	269,000	2,500	19

Lot Releases

No further lot releases are forecast in FYE 2020.

Sales Contracts – CEO Delegation

In accordance with Council's delegation of 18 April 2019, the CEO has exercised the following delegated authority:

Date	Lot No.	Original Price	Reduced Price	Difference \$	Difference %
28 April 2020	897	\$278,000	\$270,000	\$8,000 ¹	0
28 April 2020	940	\$279,000	\$271,000	\$8,000 ¹	0
28 April 2020	992	\$271,000	\$262,000	\$8,000	2.96%
4 May 2020	2002	\$345,500	\$338,500	\$7,000	2.03%
11 May 2020	2006	\$348,500	\$343,500	\$5,000	1.43%
11 May 2020	2010	\$351,000	\$346,000	\$5,000	1.42%

Note 1 – the contract variation included the cancellation of an \$8,000 settlement rebate. This change was agreed to enable the purchaser to meet finance lending criteria and results in no difference to the net sale price.

8.4 PROJECT BUDGET FYE 2021

Report Information

Reporting Officer: Manager Planning Coordination

Recommendation

That the Management Committee recommends that Council:

- 1. APPROVES the Project Budget FYE 2021 (May 2020), submitted by the Satterley Property Group, as the basis of financial planning for the TPRC Budget FYE 2021.**
- 2. RECEIVES the Project Forecast FYE 2022 (May 2020), submitted by the Satterley Property Group.**

Voting Requirements

Simple Majority

Report Purpose

To review the Project Budget FYE 2021 (May 2020) prepared by the Satterley Property Group (Satterley).

Policy Reference

N/A

Previous Minutes

- Council Meeting – 20 June 2019 (Item 9.6 - Project Budget FYE 2020)
- Council Meeting – 16 August 2018 (Item 9.6 - Project Budget FYE 2019)

Financial/Budget Implications

Input to TPRC Budget FYE 2021.

Relevant Documents

Appendix: Satterley Project Budget FYE 2021 (May 2020)

Background

At its meeting of 20 June 2019, the Council approved the Project Budget FYE 2020 (May 2019), submitted by Satterley for use as the basis of financial planning for the TPRC Budget FYE 2020.

The preparation of an annual Project Budget was a requirement of the Development Manager's KPIs. In February 2020, the Council endorsed revised Development Manager's KPIs, which did not include a formal requirement for the preparation of an annual Project Budget by Satterley.

Comment

Satterley has prepared the Project Budget FYE 2021 (May 2020), attached in Appendix 8.4, for the Council's consideration.

The Project Budget FYE 2021 gives consideration to the following:

- Market Conditions;
- Review of Forecast FYE 2020 outcomes;
- Operations for FYE 2021;
- Options for Provision of Major Infrastructure;
- Key Risks;
- Forecast FYE 2022;
- Project Forecast (2018) and review of Project Scenarios (2020);
- Key Assumptions;
- Civil Construction Triggers;
- Cash Requirement, Capital Return and Profit Distribution.

Market Conditions

Satterley considers that the Western Australian housing market was, prior to the impacts of COVID-19 becoming evident, indicating signs of recovery with positive changes to population growth, unemployment and stock levels. However, since the outbreak of COVID-19, increased caution and decreased confidence has been observed in active buyers in the market.

Satterley recommends that in FYE 2021, the Council should reduce lot prices, invest in infrastructure to improve the appeal of Catalina and promote it as a safe location to invest in order to increase buyer confidence and continue the Project's momentum.

Review of FYE 2020 Forecast Outcomes

Satterley has forecast outcomes for FYE 2020 and detailed variances to the approved Project Budget FYE 2020, having regard to the sales/settlement and expenditure information to 31 March 2020 and forecasts for the remainder of FYE 2020. The review forecasts a cashflow before distributions for the current year of \$1.5M, which is \$8.9M higher than forecast in the Project Budget FYE 2020. Areas of variance include:

- Settlements reduced from 26 lots to 21 lots, due to anticipated contract fall-overs as a result of COVID-19. Gross income is expected to be \$1.7M lower than budgeted;
- Development costs to be \$10.4M lower than budgeted due to deferral of WAPC land acquisition (\$5.1M), the timing of infrastructure items including the coastal dual use path, Connolly Drive roundabout and the Portofino Promenade extension/foreshore access road (\$2.7M) and landscaping work (\$1.5M) and lower lot production (\$0.4M) and construction contingency through deferred works (\$0.6M).

In undertaking this review, Satterley has forecast no additional sales and eight fall-overs in the final quarter, resulting in 13 net sales for the year. It should be noted that 21 net sales had been achieved as at 31 March 2020 and on target to achieve the FYE 2020 budget of 31 sales. Satterley acknowledges that actual sales achieved since 31 March 2020 have outperformed the forecast and fall-overs have not to date eventuated to the extent anticipated.

Distributions to member Councils for FYE 2020 remained unchanged at \$3.0M.

Budget for FYE 2021

The Project Budget FYE 2021 makes provision for the following key activities:

- Sales/Settlements
 - 78 sales;
 - Titles: 53 lots (Stage 18C – 36 lots, Stage 16A – 17 lots);
 - 60 settlements;
 - Gross income of \$13.7M.
- WAPC Land Acquisition (\$10.2M) – the Project Budget FYE 2021 assumes the acquisition of the Western Australian Planning Commission (WAPC) land will be made through a single payment in May 2021. Payment was originally intended to be staged over FYE 2020 and 2021. The land is located within Catalina Grove, adjacent to Mitchell Freeway. The agreement to purchase is consistent with the Negotiated Planning Solution (2004) approved by the WAPC and the member Councils.
- Civil Construction (\$5.6M)
 - Stage 16A (Catalina Central);
 - Stage 18C (Catalina Central).
- Infrastructure (\$4.9M)
 - Portofino Promenade extension - \$0.8M;
 - Beach Access Road/services - \$1.3M;
 - Burns Beach – Mindarie DUP - \$0.8M;
 - Connolly Drive Roundabout - \$2.0M.
- Landscape Construction (\$3.5M)
 - Portofino Promenade extension/Foreshore access road (\$1.5M);
 - Stage 16/Green Link (\$0.3M);
 - Stage 18C (\$0.3M);
 - Stage 11 (balance of completed Aviator playground costs) (\$0.4M);
 - Bore Iron Filter/Contingency (\$0.4M).
- Marketing - \$0.4M
 - Continued Catalina branding;
 - Advertising for estate campaigns.
- Planning
 - Catalina Beach - refining concepts, addressing the foreshore interface and potential development of a commercial/community node, optimal lot mix and typologies and opportunities for retention of native vegetation.
 - Catalina Grove – development strategy and first phase of subdivision approval.

Major Infrastructure Considerations

Satterley has considered options for the provision of various major infrastructure items as part of the preparation of the Project Budget FYE 2021. It has concluded that the Project Budget FYE 2021 should make provision for the following items:

- Foreshore Connection, Extension of Portofino Promenade and associated Streetscapes – Catalina Beach (\$3.56M). Satterley considers that this is a vital connection to increase the appeal of the Beach precinct. It will also provide a broader community benefit by providing access to a safe swimming beach.

- Connolly Drive/Aviator Boulevard Roundabout – Catalina Central/Grove (\$1.98M). Satterley recommends this item to improve access to Catalina Central, comply with City of Wanneroo requirements and provide access to the first phase of development of Catalina Grove planned for FYE 2022.
- Catalina Grove Earthworks Phase 1 (\$0.74M in FYE 2021, \$2.94M in total) – Satterley advises that commencement of development of the new precinct is imperative to ensure lot supply given that stock is running low in Catalina Central.
- Catalina Central Green Link Extension (\$0.28m FYE 2021). Satterley recommends constructing a section of the Green Link along Aviator Boulevard to improve presentation and appeal for lots to be developed adjacent in FYE 2021 and complete the pedestrian/cyclist access link between Connolly Drive and Marmion Avenue.

Items that were considered, but not recommended by Satterley for inclusion in the Project Budget FYE 2021 include:

- Longreach Promenade Connection – Catalina Beach (\$0.81M) – deferred due to timing of design and lack of immediate necessity.
- Foreshore Park – Catalina Beach (\$4.24M) – deferred due to timing of design, cost and lack of immediate necessity.
- Clarkson Train Station Bus Connection – Catalina Grove (\$3.3M) – deferred due to timing of design and cost.
- Playing Fields – Catalina Central (\$1.45M) – deferred pending resolution of issues associated with landfill buffer issues.

Review of FYE 2021 against the Project Forecast 2018

Satterley has reviewed the Project Budget FYE 2021 against the Project Forecast 2018 and has identified a cashflow before distributions of (\$15.0M), compared to \$21.2M cashflow in the Project Forecast. The main areas of variance from the Project Forecast include:

- Annual sales for FYE 2021 have reduced from 150 to 78 lots after a continued downturn and the anticipated impacts of COVID-19 since the Project Forecast 2018.
- Forecast settlements in FYE 2021 have reduced from 138 to 60 lots due to reduced sales rates in FYE 2020 and FYE 2021. Lot income is (\$23.1M) lower than the Project Forecast.
- Special site income has decreased by (\$3.9M), as the Project Forecast had budgeted for the first Catalina Grove group housing site settlement to occur in FYE 2021, which will not occur in this timeframe.
- The \$10.2M WAPC land acquisition is now budgeted for May 2021, compared to an FYE 2018 acquisition in the 2018 Project Forecast.
- Infrastructure costs of \$4.9M are budgeted for in FYE 2021, compared to a net refund of (\$2.6M) in the Project Forecast. By contrast, the Project Forecast had assumed that the works now proposed for FYE 2021 would be completed in FYE 2020. The anticipated \$2.6M refund assumed that the Catalina Grove pump station would be built in FYE 2021, which will not occur in this timeframe.
- Lot production costs in total for FYE 2021 are \$6.5M lower than the Project Forecast due to the lower sales forecast and in-turn title volumes required.
- As a result of increasing budgeted maintenance costs to \$60,000 per month, administration costs are \$0.3M higher than the Project Forecast (\$35,000 per month). Satterley considers that spending the allocated maintenance budget will be crucial to enhancing estate presentation and improving sales volumes.

- Budgeted contingency costs are \$0.5M higher than the Project Forecast at \$1.3M due to the higher development costs, driven by the budgeted WAPC land acquisition of \$10.2M in May 2021.

Satterley has prepared an updated Project Forecast based on its assessment of three modelled lot sales scenarios. This is the subject of a report in Item 8.5 of this Agenda.

Key Risks for Achieving FYE 2021 Budget

Satterley has identified the following items as key risks to achieving the Project Budget FYE 2021 outcomes:

- Prolonged downturn from the effects of COVID-19. This could impact the Project in various forms:
 - Increased fall-over rates of contracts on hand through job losses.
 - Reduced borrowing capacity of purchasers from tightened lending criteria and lower incomes.
 - Reduced interstate and overseas migration, impacting overall market demand.
 - Higher rates of unemployment, particularly some of the target market sections such as first home buyers.
- Planning risk:
 - Catalina Grove needed in FYE 2022 to maintain stock levels.
 - Potential changes to buffer zone impacting on Catalina Central (although mitigated by deferred stage 16B).

The majority of the risks identified would be considered typical for a project such as Catalina, which is heavily influenced by market conditions. These risks will continue to be managed by project supervision and management, monthly financial review and reporting, application of construction triggers and monitoring market and economic conditions. The specific project risks are actively being managed to minimise potential exposure to the TPRC and to achieve budget predictions.

The Project Budget FYE 2021 assumes the WAPC land acquisition payment will be made in May 2021. Adjustments to timing and price could impact the actual cashflow position, with a flow on effect to forecast distributions. This will be monitored through FYE 2021 and if required recommendations made to Council as part of the Mid-Year Budget Review in December 2020.

Forecast FYE 2022

Satterley has prepared a Cashflow for FYE 2022 for financial planning purposes and information. It is not intended to be endorsed by the Council at this time.

The following table shows the variance between the Cashflow FYE 2022 (2018) and the current Forecast FYE 2022 (2020) for Income, Development Costs, Cashflow and Distributions.

Annual Cashflow	Cashflow FYE 2022 Project Forecast (2018)	FYE 2022 Forecast (2020)	Variance
Gross Income	\$48.98M	\$18.68M	(\$30.3M)
Development Costs	\$24.30M	\$18.20M	\$6.1M
Cashflow	\$24.67M	\$0.40M	(\$24.27M)
Distributions	\$24.0M	\$3.0M	(\$21.0M)

The major variances result from the following:

- Gross Income reduced due to 78 fewer settlements and a \$7.5M reduction in special sites income through deferred settlements (most notably the retail site in Catalina Grove), partially offset by \$3.8M deferred direct selling costs;
- Development Costs reduced due to deferred civil and landscape construction.

These estimates should only be considered as a general guide for the Forecast FYE 2022 and do not account for a review of the assumptions underlying the cashflow as part of the preparation of the updated 2020 Project Forecast. The budget for FYE 2022 will be reviewed in light of the Western Australian economy and the residential land market at that time.

2020 Project Forecast (Scenarios)

Satterley has compared the 2018 and 2020 Project Forecasts, which indicates an overall net cash profit of \$256.3M (a \$84.2M reduction between forecasts).

The 2020 Project Forecast (Scenarios) is the subject of a report in Item 8.5 of this Agenda.

Key Project Assumptions

Satterley considers that achieving the sales rates set out in the Project Budget FYE 2021 will be heavily reliant on the implementation of revised lot pricing. Price change assumptions are as follows:

Current Approved Pricing (approved Dec-19 Mid-Year Review):

Standard Price	12.5m x 30m 375m ²	15m x 30m 450m ²
Central	275,000	310,000
Beach	355,000	400,000

Revised Pricing (to achieve eight sales per month over the long-term – in line with Scenario 2 presented as part of the 2020 Project Forecast):

Standard Price	12.5m x 30m 375m ²	15m x 30m 450m ²
Central	235,000	265,000
Beach	325,000	349,000

Equivalent reduction of ~14% Central/Grove, ~9% Beach from previous approved (Dec-19)

At this stage Satterley has not provided detailed market evidence to substantiate the lot pricing recommendations. It has indicated that further information will be provided prior to the meeting.

Satterley has modelled alternative scenarios to achieve greater sales and believe that any price reductions from the above will have a limited effect on sales and will only reduce project returns.

Other key assumptions made in the preparation of the Project Budget FYE 2021 include:

- Deferral of any lot price or cost escalations until after FYE 2021 as a result of anticipated stagnant prices and construction rates due to COVID-19.
- WAPC land acquisition \$10.2M in May 2021.
- Timing of construction of civil stages, as detailed earlier in Annual Plan FYE 2020.
- High quality estate presentation will be key to achieving the sales rates in each scenario. As such, maintenance budgets have been set at \$60,000 per month.
- All IRR calculations assume a notional land payment based on historical valuation estimate of \$77.4M at commencement of the Project, consistent with IRR methodology for other residential development projects. A Project IRR calculation at the actual \$1.8M land purchase for the proposed FYE 2021 Budget is 205%.

Civil Construction Triggers

The SPG has recommended the use of construction triggers for the Project Budget FYE 2021. The recommended triggers require a closing titled stock position of 32 lots for Catalina Central and 20 lots for Catalina Beach, prior to the commitment to the next stage of civil construction. The difference in the triggers represent different sales rates for the two precincts. The triggers are consistent with those adopted for FYE 2020.

Conclusion

Satterley has indicated that the outbreak of COVID-19 has brought increased caution and decreased confidence in active buyers observed in the market and recommends that in FYE 2021, the Council should reduce lot prices, invest in infrastructure to improve the appeal of Catalina and promote the Estate as a safe location to invest in order to increase buyer confidence and continue the Project's momentum.

Given the anticipated annual cashflow, development expenditure will need to be managed to minimise potential impacts and exposure to the Council, including the use of Sales Triggers to manage Council's risk, whilst providing a reasonable stock position for market demand.

In principle, the Project Budget FYE 2021 is supported, however further evidence that qualifies the significant lot price reductions recommended by Satterley should be provided to support future budget considerations as part of the Project Budget FYE 2021 Mid-Year Review in December 2020.

8.5 PROJECT FORECAST 2020

Report Information

Reporting Officer: Manager Project Coordination

Recommendation

That the Management Committee recommends that Council:

- 1. RECEIVES the Project Forecast Scenarios (2020), submitted by the Satterley Property Group.**
- 2. AUTHORISES the Chief Executive Officer to engage an independent consultant with the relevant experience to review the Project Forecast 2020 and to undertake a benchmarking exercise on key project elements and provide advice and recommendations to Council.**

Voting Requirements

Simple Majority

Report Purpose

To consider the Project Forecast Scenarios (2020), prepared by the Satterley Property Group (Satterley).

Policy Reference

N/A

Local Government Act/Regulation

N/A

Previous Minutes

- Council Meeting - 21 June 2018 (Item 9.10 – Review of Project Forecast 2017)
- Council Meeting - 11 December 2014 (Item 9.8 - Project Forecast 2012-2029)
- Council Meeting - 18 August 2011 (Item 9.7 - Project Cashflow)

Financial/Budget Implications

Input to TPRC project and financial planning.

Relevant Documents

Appendix: Satterley Project Forecast Scenarios (2020) - correspondence dated 7 May 2020

Background

The Project Forecast is intended as a general guide to the long term cashflow direction of the Project and to provide the basis of project and financial planning and the forecasted project profit and distributions for the TPRC and member local governments.

At its meeting of 21 June 2018, the Council approved the Project Forecast 2018, submitted by Satterley as the basis of project and financial planning.

The preparation of a Project Forecast was a requirement of the Development Manager's KPIs, which required Satterley to review the Project Forecast every three years. Satterley prepared Project Forecasts in 2014 and 2017, as per the KPI requirements. In February 2020, the Council endorsed revised Development Manager's KPIs, which did not include a formal requirement for the preparation of a Project Forecast by Satterley.

Comment

Satterley has prepared three long-term Project Forecast Scenarios (dated 7 May 2020), attached at Appendix 8.5.

The purpose of the scenarios is to assist Council in determining the strategic direction of the Catalina Project, particularly in relation to the key elements of lot sales rates and pricing. It is also intended to provide the basis of project and financial planning.

The variables in the three scenarios relate to lot sales volumes and pricing structure:

- Scenario 1 – five lot sales/month
- Scenario 2 – eight lot sales/month
- Scenario 3 – ten lot sales/month

Satterley advises that revised lot pricing is key to achievement of the sales rates set out in each scenario. Pricing under each scenario is set as follows:

	Precinct	12.5m x 30m – 375m²	15m x 30m – 450m²	% reduction (Dec 2019)
Current (Dec 2019)	Central/Grove	\$275,000	\$310,000	n/a
	Beach	\$355,000	\$400,000	n/a
Scenario 1	Central/Grove	\$245,000	\$275,000	11%
	Beach	\$335,000	\$359,000	6%
Scenario 2	Central/Grove	\$235,000	\$265,000	14%
	Beach	\$325,000	\$265,000	9%
Scenario 3	Central/Grove	\$220,000	\$248,000	20%
	Beach	\$284,000	\$320,000	20%

Satterley has summarised the analysis of the three scenarios in the following table, comparing outcomes against its 2018 Project Forecast.

CATALINA Scenario Outcome Matrix				
Metric	2018 Project Forecast 10-16 sales per month	Scenario 1: 5 sales per month Pricing 1	Scenario 2: 8 sales per month Pricing 2	Scenario 3: 10 sales per month Pricing 3
Gross income:	\$681.8m	\$700.1m	\$614.5m	\$565.2m
Development costs:	\$341.3m	\$396.6m	\$358.2m	\$346.6m
Project Cashflow:	\$340.5m	\$303.4m	\$256.3m	\$218.6m
Profit per lot:	\$136,800	\$121,136	\$102,309	\$87,252
Capital IRR:	16.4%	8.3%	9.1%	8.6%
Project IRR:	18.4%	12.4%	13.6%	13.3%
Final settlement:	Aug-28	Oct-47	Aug-37	Mar-34
NPV @ 6%:	n/a	\$67.1m	\$74.3m	\$61.3m
Cashflow after TPRC administration costs:	n/a	\$277.5m	\$240.0m	\$206.1m
NPV @ 6% after TPRC administration costs:	n/a	\$55.9m	\$65.2m	\$53.5m

Note - The 2018 Project Forecast used in the analysis did not account for TPRC administration costs, which have been taken into account in each of the three Scenarios.

In evaluating the three Scenarios, Satterley considers that:

- Scenario 1 will take too long, evidenced by lower Internal Rate of Return (IRR) and Net Present Value (NPV), despite higher cashflow achieved through forecast income escalation.
- Scenario 2 has the highest IRR and NPV, but lower profit than Scenario 1.
- Scenario 3 requires a large price reduction to achieve sales and this erodes project profit and results in lower IRR and NPV.

Satterley recommends adoption of Scenario 2 (eight sales per month), as the basis for approval of the 2020 Project Forecast. It has taken into account that this scenario has the highest NPV, achieved by striking a balance between cashflow profitability and speed of returns.

Satterley also advises that the outcomes set out in Scenario 2 are reliant on the following assumptions:

- Approval and adoption of the modelled pricing (equivalent to reduction of 14% Central/Grove, 9% Beach).
- Spend of the Marketing budget of \$400,000 for FYE 2021 and 2.25% of lot income for the remainder of the Project.
- Maintenance spend in line with budget of \$60,000 per month to keep a high level of estate presentation.

The Scenario 2 forecast predicts a Project profit of \$256.3M, which is \$84.2M less than the 2018 Project Forecast. Satterley acknowledges that the following factors contribute to this variation in profit:

- 2017 sales rates were set at 17 per month. Project duration is increased by nine years by resetting sales to eight per month.
- In addition to the reduction in base selling prices, the reduction in revenue is attributable to the deferral and reduction of income escalation. The compounding effect of three years

escalation deferral and the rate decreasing from 4% to 3% is approximately \$40M. This is somewhat offset by extended project duration.

- The deferral of cost escalation has a lower impact than income escalation because of a lower rate and lower base price. The escalation changes account for approximately \$4M in cost savings, which is offset by increased project duration. The project duration also results in higher holding and administration costs such as rates and taxes, audit and maintenance.

Satterley modelled the impacts on COVID-19 under the three scenarios and found that while there are negative impacts on the Project's cashflow in the short term, the difference between the final project profit position in each scenario is negligible.

There is no formal requirement for the Council to adopt a Project Forecast, however it is considered necessary for the purposes of project and financial planning and for use by the member local governments in undertaking their own financial planning.

It is recognised that the latest Project Forecast Scenarios all indicate a significant erosion of the Project's previously modelled end-profit position.

The following table shows changes to the Project's position between the 2014, 2018 and 2020 Project Forecasts.

Project Forecast Comparisons			
Item	2014 Project Forecast	2018 Project Forecast	2020 Project Forecast (based on Scenario 2)
Settled Lots	2,448	2,489	2,505
Residential Area	803,357m ²	786,761m ²	818,942 m ²
Special Sites Area	105,653m ²	110,832m ²	74,290m ²
Gross Income			
Income – Lots	817.8M	724.7M	667.1M
Income – Special Sites & Other	34.6M	40.7M	27.7M
Direct Selling Expenses	88.1M	83.6M	80.3M
Total Gross Income	764.3M	681.7M	614.5M
Development Costs			
Land	11.4M	10.2M	10.2M
Indirect Consultants	7.9M	9.1M	10.6M
Landscape	37.6M	52.9M	55.0M
Infrastructure Costs	24.4M	22.1M	21.2M
Infrastructure Refunds	(4.7M)	(6.3M)	(6.3M)
Special Sites Development	6.2M	4.9M	4.9M
Lot Production	242.5M	213.1M	211.1M
Administration	14.5M	12.7M	25.0M
Marketing	8.4M	8.6M	12.3M
Community Development	2.7M	2.2M	2.8M
Finance / Bonds	-	-	-
Contingency	16.5M	11.5M	11.5M
Total Development Costs	367.5M	341.2M	358.2M
Project Profit	396.9M	340.4M	256.3M

Conclusion

The key objective of the Economic pillar of the 2019-2029 Strategic Community Plan, adopted by the Council at its February 2020 meeting, is to maximise return for member Councils whilst delivering environmental, social and economic objectives.

The Project Forecast is a general guide to the long term cashflow direction of the Project due to the inherent uncertainties associated with forecasting over the lengthy timeframe of the Project's lifecycle. However, there is a reasonable expectation that the Project Forecast can be used by the TPRC as the basis of project and financial planning and that the forecasted project profit and distributions can be relied upon by the member local governments.

It should represent a conservative approach to major assumptions such as lot yield, sales rates, development costs and escalation.

There is a substantial difference between the approved Project Forecast 2018 and the current Project Forecast 2020, prepared by Satterley. The forecast reduction in project profit and distributions is substantial. It is recognised that market conditions have deteriorated since 2018, however, it is unclear whether such a significant negative variation to forecast project profit and distributions can be attributed to market conditions and could have been addressed in 2018.

It is noted that in 2017 the Council engaged the services of an independent consultant to review the Project Cashflow 2018 and further undertake a benchmarking exercise on key project elements, including:

- Key project assumptions;
- Sale prices and rates;
- Lot production costs;
- Direct selling costs;
- Development costs;
- Landscaping costs;
- Sales incentive packages;
- Lot production, sales and marketing;
- Contingency rates; and
- Sales and cost escalation rates.

The independent consultant review of the Project Forecast assisted the Council in determining the validity of the key project elements and provided a higher degree of confidence to determine the Project Forecast. Given the substantial difference in predicted profit it may be prudent to undertake an independent assessment of Satterley assumptions.

It is recommended that given the significance of the variance in projected profit and member distributions that Council undertake an independent assessment of the Project Forecast 2020 and underlying assumptions.

8.6 ANNUAL PLAN FYE 2021 - **CONFIDENTIAL**

CONFIDENTIAL

8.7 MINDARIE REGIONAL COUNCIL LANDFILL BUFFER – GROUNDWATER MONITORING UPDATE - **CONFIDENTIAL**

CONFIDENTIAL

9. ELECTED MEMBERS MOTIONS OF WHICH NOTICE HAS BEEN GIVEN
10. QUESTIONS BY ELECTED MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN
11. URGENT BUSINESS APPROVED BY THE CHAIR
12. MATTERS BEHIND CLOSED DOORS
13. GENERAL BUSINESS
14. FORMAL CLOSURE OF MEETING

APPENDICES