



# **AGENDA**

**Extraordinary Council Meeting**

**Tuesday, 02 August 2022**

**Philip Stone  
General Manager**

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**1. OPENING MEETING****2. LIVE STREAMING STATEMENT**

Edward River Council wishes to advise members of the public that Council Meetings will be recorded and will be available after each meeting on Council's website [Councils Website](#). All care will be taken to maintain the privacy of those in attendance, however As a visitor in the public gallery, your presence may be recorded. By remaining In the public gallery, it is assumed your consent is given in the event your image is broadcast. This includes any filming by television cameras if attendance is approved by the General Manager or Mayor.

**3. ACKNOWLEDGEMENT OF COUNTRY**

I would like to acknowledge that we are here today on the land of the Wamba Wamba Perrepa Perrepa people. I would also like to acknowledge and pay my respects to past Aboriginal Elders, the present Aboriginal and Torres Strait Islander people who reside within this area, and their future generations.

**4. STATEMENT OF PURPOSE**

I have come here as a Councillor freely and without bias to:

- Represent the views of the community in considering the matters before us today
- To vote in a matter I consider to be in the best interest of the community
- To observe the Code of Conduct and respect the rule of the chair and views of my fellow Councillors.

**5. APOLOGIES AND APPLICATIONS FOR A LEAVE OF ABSENCE BY COUNCILLORS****6. DISCLOSURES OF INTERESTS****7. MAYORAL MINUTE(S)**

## 8. REPORTS TO COUNCIL

### 8.1. EDWARD RIVER VILLAGE DEVELOPMENT

Author: Mark Dalzell, Director Infrastructure

Authoriser: Phil Stone, General Manager

#### RECOMMENDATION

That Council:

1. Proceeds with Stage 1 of the Edward River Village development, including the construction of six two-bedroom units and associated civil infrastructure and electricity/NBN connection,
2. Allocates \$520,000 from Council's Infrastructure Reserve to the Edward River Village development,
3. Includes in the 2022/23 Operational Plan a revenue item of \$2,910,000, being the anticipated revenue obtained from the entry prices for six units as part of Stage 1 of the Edward River Village development, and
4. Includes in the 2022/23 Operational Plan a capital expense item of \$4,430,000, being the estimated expenditure amount for the delivery of Stage 1 dwellings and associated civil infrastructure and electricity/NBN connection works.

#### BACKGROUND

Council has been progressing with the Edward River Village development, a 32 unit retirement village development to be located in Deniliquin. Council has been waiting for the outcome from the tender process relating to the construction of six two-bedroom units in order to proceed further with the development.

Council, at its 19 April 2022 meeting resolved the following regarding the Edward River Village development:

*That Council:*

1. *Notes the views of the ARIC committee as discussed on 7 April 2022,*
2. *Proceeds with Stage 1 of the Edward River Village project, involving the construction of six two-bedroom dwellings and associated infrastructure works, and*
3. *Calls for tenders for the construction of six two-bedroom dwellings by way of open tender in accordance with the Local Government Act.*

Since this meeting the development has been further discussed with Council and Council's Audit Risk and Improvement Committee (ARIC) regarding the development budget and risks regarding the development.

#### ISSUE/DISCUSSION

##### Civil Infrastructure Tender

Council, at its 17 May 2022 meeting, resolved to accept the tender submission from Deni Civil and Construction Pty Ltd for the construction of civil infrastructure works related to Stages 1 and 2 of the development. The contract price for this engagement is \$1,051,275 + GST.

Deni Civil and Construction have advised Council that construction works will be commencing in August 2022 and be completed by March 2023 (30 week contract period).

### Dwelling Construction Tender

Council have advertised for tenders for the construction of six two-bedroom units as part of Stage 1 of the development. Further information regarding this tender is provided in a separate report to Council.

### Electricity/NBN Connection

The electricity/NBN connection requirements were included in the original infrastructure tender as a Design and Construct component for the works. Council did not receive any submissions relating to this part of the works. Council's project management staff have reviewed the requirements relating to electricity and NBN connection and have engaged a qualified designer to complete documentation for the works and engagement with Essential Energy for all required approvals. Following the completion of this work Council will undertake a Request for Quotation process to engage a contractor to undertake the works.

### Audit Risk and Improvement Committee

Information regarding the Edward River Village development was provided to the 22 July 2022 meeting of the Audit Risk and Improvement Committee (ARIC), mainly regarding the project budget and estimated entry price for residents. Following discussions at ARIC, the committee resolved to hold an extraordinary meeting on Monday, 1 August 2022 and have requested further information regarding the following items:

- Treatment of GST,
- Treatment of Capital Gains,
- Policy on refurbishment of dwellings,
- Treatment of depreciation, and
- Updated budget models.

Council staff will provide a response to these issues and a report will be provided to the ARIC meeting to be held on 1 August 2022. It is noted that members of the ARIC will meet with councillors prior to this Extraordinary Council meeting to discuss the development with Councillors.

### Development Budget Model

As noted above in discussions with ARIC and also with Council, Council staff have have been updating and refining the project budget to provide the most up to date information to Council. Current assumptions for the model includes:

- Dwelling construction pricing is based on tenders received,
- Civil infrastructure pricing is based on contract prices,
- Electricity/NBN connection pricing based on estimates following discussions with the designer,
- Operational costs are estimates based on information from other retirement village developments and local information. It is assumed that, at this point in time, the development will be managed by Council,
- The development will be staged as noted below:
  - Stage 1 - 6 dwellings - to be constructed in 2022/23 (this current year),
  - Stage 2 - 9 dwellings - to be constructed in 2024/25,

- Stage 3 - Community Centre - development timeframe to be determined,
- Stage 4 - 11 dwellings - to be constructed in 2026/27, and
- Stage 5 - 6 dwellings - to be constructed in 2028/29.
- All dwelling will be initially 'sold' in the years as noted above,
- Entry will include a Deferred Management Fee (DMF), payable by the outgoing Resident upon 'sale' of the unit. The DMF is set at 5% per annum for up to seven years, resulting in a maximum DMF of 35%. Based on this, the project model includes turnover or 'sale' of units at the end of this seven year period,
- Capital gains has been allowed for at 2.5% per annum (compounding) and included in the project budget. The draft residential contract allows for capital gains to be shared on a 50:50 basis between the outgoing Resident and Council once refurbishment and other costs have been paid,
- Shortfalls between capital expenditure and development funds are to be funded from Council's existing infrastructure reserves. These will be repaid to to the relevant Council reserve when sufficient funds in the development are available. This essentially means that Council will be investing in the development with a return on this investment expected in seven to eight years once Council receives DMF payments,
- Existing grant funding for the development is \$1M from the Murray Darling Basin Diversification Fund. Council is actively trying to source other grant funding to assist with the delivery of the development, and
- All figures are in 2022/23 dollars.

The current development budget model incorporating the above noted assumptions, is attached to this report. The budget includes a long term financial plan out fifteen years, which allows for the DMF fees to be accrued for all stages based on the noted construction dates.

In summary it shows a negative development cashflow for the first seven years, mainly due to civil infrastructure and electricity/NBN connection works being programmed ahead of the dwelling construction (the first stage of the civil infrastructure works will cover Stages 1 and 2 of the dwelling construction). After this period Council can expect to receive a net income from the development, through DMF and capital gains income. This anticipated income will be sufficient to repay the amounts that are provided from Council's reserves and provide Council with funds into the future for other development opportunities.

#### Calculation of Entry Price

A major part of the budget modelling for this development is the calculation of the initial entry price for residents. Council has indicated that the entry price should be based on ensuring that all capital costs related to the development is covered. In summary the calculation of the entry is based on the following:

- Full price for the dwelling, as there is a choice of dwelling and the different dwellings have different pricing,
- Civil infrastructure and electricity/NBN connection costs are spread evenly across the full development, and
- The existing grant funding is spread across the full development.

Attached to this report are the calculations for the initial entry price for Stage 1. It is noted that entry prices will be reviewed at each stage to allow for increases in construction costs and the impact of any 'sales' of existing units.

### Development Risks

The main risks for the project include:

- *Reduction in Entry Price for All Dwellings (SM1)*

As noted, the development budget model is based on the assumption that all units will be sold in the noted financial year and at the price that has been calculated. It is in Council's interest that all units are occupied and therefore the risk is that Council will need to lower the entry price from the calculated amount.

Council staff have undertaken a sensitivity analysis of the development budget model based on a reduction of 12% in the entry price for all 32 dwellings. The sensitivity modelling indicates that this level of reduction over the 15 years timeframe would reduce the net result after capital work to zero, thus negating any financial benefit to Council in the long term. The maximum amount required from Council reserves would be \$1.8M, being the loss in income through the reduced entry prices, with the break even point for repayment to Council reserves of 15 years (7 years longer).

This case may be considered as the lowest entry price for the development to remain financially viable.

- *Reduction in Entry Price for Stage 1 Dwelling (6 dwellings) (SM1a)*

The above sensitivity model can be revised to only have the drop in entry price for Stage 1 only, rather than all the units. The loss of approximately \$330,000 of income in Year 1 would result in a net result after 15 year of \$2,280,260, a reduction of \$495,500 or 18%. The maximum amount required from Council reserves would be \$8500,000, being the additional capital funding required in Year 1 with the reduced income from entry prices. The break even point for repayment to Council reserves would be 8 years (1 year longer).

- *Increase in Construction Costs: (SM2)*

Whilst it is noted that the development model includes tender and contract prices for the dwelling construction and civil infrastructure works respectively, there is a likelihood that there will be variations to these and price increases. The current development budget incorporates a contingency for these amounts of approximately 10%.

Council staff have undertaken a sensitivity analysis of the development budget model based on construction costs 10% greater than those included in the current development budget model. This would result in pricing 20% higher than the tender pricing. The additional \$1.6M in capital expenditure will lead to a net result after 15 years of \$579,760, a reduction of \$2,196,000 or 179%. The maximum amount required from Council reserves would be \$2.3M, being the additional capital funding required. The break even point for repayment to Council reserves would be 12 years (4 year longer).

- *Residents staying in Units longer than Seven Years (SM3)*

As included in the development assumptions, the development budget model is based on a turn-over of units every seven years, based on the fact that this is the limit for the 5% annual increase in DMF as income for Council. This essentially means that Council will always receive DMF fees of 5% each year for every unit, payable when the unit turns-over.

Council staff have undertaken a sensitivity analysis based on a turn-over of units every 10 years rather than seven years. This means that there will be three years per tenancy period where Council won't be credited with the 5% DMF increase. This lengthening of the turnover period will lead to a

net result after 15 years of \$1,617,260, a reduction of \$1,158,500 or 42%. The maximum amount required from Council reserves would be \$520,000. The break even point for repayment to Council reserves would be 7 years, same as the base case, as the impact would not be felt till Year 8 of the development.

- *Summary of Sensitivity Modelling*

Attached to this report is a summary of the sensitivity modelling, showing results and comparisons. Based on this information, the biggest impact and therefore the the biggest risk to the development is regarding entry price. A reduction in entry price of 12% will result in the net result over 15 year reducing to zero. Other impacts, such as increased capital costs and long turnover periods, whilst impacting the net result, would not result in the project becoming financially unviable over the 15 year based on the assumptions that have been made.

Conversely, positive impacts will reduce the time for Council to recover its investments from reserves. These positive impacts may include:

- Additional grant funding,
- Higher entry prices being achieved, and
- Development proceeding at a quicker pace than assumed (current model is based on a stage being developed every two years).

#### Conclusion and Recommendations

Based on the information provided in this report, the Edward River Village development is sustainable and has the opportunity to provide an essential service to the community regarding retirement living. Whilst there are risks involved with the development, as there are in any development, these can be managed through the

Council staff recommend the following course of action regarding proceeding with the Edward River Village development:

- Allocate \$520,000 from Council's Infrastructure Reserve to the Edward River Village development. This is the difference between the estimated expenditure for Stage 1 of \$4.43M and income, including entry prices and grant funding, of \$3.91M,
- Include in the 2022/23 Operational Plan a revenue item of \$2,910,000 - being the anticipated revenue obtained from the entry prices for six units as part of Stage 1 of the Edward River Village development. It is noted that the \$1M in grant funding has been included in the 2021/22 Operational Plan and will be carried over into 2022/23,
- Include in the 2022/23 Operational Plan a capital expense item of \$4,430,000 - being the estimated expenditure amount for the delivery of Stage 1 dwellings and associated civil infrastructure and electricity/NBN connection works, and
- Undertake extensive marketing for Stage 1 of the development.

#### **STRATEGIC IMPLICATIONS**

Council has determined that it is strategically important to support and develop retirement living opportunities in the Edward River local government area. This will support the community and provide an opportunity for community members not to leave the area for retirement living.

#### **COMMUNITY STRATEGIC PLAN**



1. A great place to live 1.1 Our community has access to essential services 1.2 Our community is safe, happy and healthy, both physically and mentally 1.3 Our community and public spaces are accessible and inclusive and reflect our history, heritage and culture
3. A valued and enhanced natural environment 3.3 We plan for the future to accommodate and facilitate sustainable growth and development
4. A region with quality and sustainable infrastructure 4.1 Our built environment is managed, maintained and improved
5. A community working together to achieve its potential 5.2 We collaborate and pursue partnerships that achieve great outcomes for our community 5.3 Our local government is efficient, innovative and financially sustainable

**FINANCIAL IMPLICATIONS**

Included in this report is a summary of the development budget model and recommendation that Council allocates \$520,000 from its Infrastructure reserve for construction.

**LEGISLATIVE IMPLICATIONS**

The development will be undertaken in accordance with all relevant legislation and regulations.

**ATTACHMENTS**

**Attachment 1 - Development Budget Model - Base Case**

# EXTRAORDINARY COUNCIL MEETING AGENDA

# TUESDAY, 02 AUGUST 2022

EDWARD RIVER COUNCIL  
Development Budget Model - Full Development Base Case - 15 Year LTPP

Input variables	Variables	Assume 0% DMF							Assume 100% DMF after 7 years (full turnover)							TOTAL
		Year 0 - 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	
		STAGE 1	STAGE 2	STAGE 3	STAGE 4	STAGE 5	STAGE 5	Stage 1 Turnover	Stage 2 Turnover	Stage 3 Turnover	Stage 4 Turnover	Stage 5 Turnover	Stage 5 Turnover	Stage 5 Turnover	Stage 5 Turnover	Stage 5 Turnover
Number of dwellings constructed (0 - 32)		6	0	9	0	11	0	0	0	0	0	0	0	0	0	0
Total number of dwellings		6	0	15	0	15	26	32	32	32	32	32	32	32	32	32
<b>Income</b>																
Annual sales revenue (Average Entry price/dwelling)	\$485,000	\$ 2,910,000	\$ -	\$ 4,365,000	\$ -	\$ 5,335,000	\$ -	\$ 2,910,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Revenue	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Weekly contribution/dwelling	\$130	\$ -	\$ 40,560	\$ 101,400	\$ 101,400	\$ 175,760	\$ 175,760	\$ 216,320	\$ 216,320	\$ 216,320	\$ 216,320	\$ 216,320	\$ 216,320	\$ 216,320	\$ 216,320	\$ 216,320
Deferred Manage Fee (DMF) 35% over 7 years (assume full turnover at 7 years)	5%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018,500	\$ -	\$ 1,527,750	\$ -	\$ 1,867,250	\$ -	\$ 1,018,500	\$ 5,432,000
Capital Gains on turnover of dwelling (2.5% p.a., estimate for 7 years is \$90K)	\$80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480,000	\$ -	\$ 720,000	\$ -	\$ 880,000	\$ -	\$ 480,000	\$ -	\$ 2,560,000
<b>TOTAL INCOME</b>		\$ 3,910,000	\$ 40,560	\$ 4,466,400	\$ 101,400	\$ 5,510,760	\$ 175,760	\$ 3,126,320	\$ 1,714,820	\$ 2,160,000	\$ 2,484,070	\$ 2,160,000	\$ 2,963,570	\$ 2,160,000	\$ 1,714,820	\$ 27,053,760
<b>Expenditure</b>																
<b>Fixed</b>		\$ -	\$ 12,000	\$ 30,000	\$ 30,000	\$ 52,000	\$ 52,000	\$ 64,000	\$ 64,000	\$ 64,000	\$ 64,000	\$ 64,000	\$ 64,000	\$ 64,000	\$ 64,000	\$ 64,000
Advertising/marketing (included in preliminary costs for capital works)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounting and statutory reporting	\$666.67	\$ 4,000	\$ 10,000	\$ 10,000	\$ 17,333	\$ 17,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333
Legal	\$500.00	\$ 3,000	\$ 7,500	\$ 7,500	\$ 13,000	\$ 13,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000
m	\$833.33	\$ 5,000	\$ 12,500	\$ 12,500	\$ 21,667	\$ 21,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667
Residential call alert/smart monitoring (Optional at residents cost)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NBN (at residents cost)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Variable</b>		\$ -	\$ 28,500	\$ 71,250	\$ 71,250	\$ 123,500	\$ 123,500	\$ 152,000	\$ 152,000	\$ 1,142,000	\$ 152,000	\$ 1,362,000	\$ 152,000	\$ 812,000	\$ 152,000	\$ 5,306,000
Staff/management (based on Cooloman budget allow 10% of contribution revenue)	\$667	\$ 4,000	\$ 10,000	\$ 10,000	\$ 17,333	\$ 17,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333	\$ 21,333
Water (Common areas)	\$500	\$ 3,000	\$ 7,500	\$ 7,500	\$ 13,000	\$ 13,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000
Electricity (Common areas)	\$917	\$ 5,500	\$ 13,750	\$ 13,750	\$ 23,833	\$ 23,833	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333	\$ 29,333
Repairs and maintenance - dwellings	\$750	\$ 4,500	\$ 11,250	\$ 11,250	\$ 19,500	\$ 19,500	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Insurance - dwellings @ \$833 each	\$833	\$ 5,000	\$ 12,500	\$ 12,500	\$ 21,667	\$ 21,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667	\$ 26,667
Gardener (Common areas)	\$1,083	\$ 6,500	\$ 16,250	\$ 16,250	\$ 28,167	\$ 28,167	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667	\$ 34,667
Rates (includes water, sewer & waste) - NA at this time		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Building Turnover Costs</b>								\$ 330,000	\$ 495,000	\$ 660,000	\$ 825,000	\$ 990,000	\$ 1,155,000	\$ 1,320,000	\$ 1,485,000	\$ 1,650,000
Dwelling refurbishment (new painting, carpets, blinds. Allowance of \$30,000 per dwelling)	\$30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,000	\$ 270,000	\$ 360,000	\$ 450,000	\$ 540,000	\$ 630,000	\$ 720,000	\$ 810,000	\$ 900,000
Payment to outgoing resident, 50% of Capital Gain less refurbishment costs	\$25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 225,000	\$ 300,000	\$ 375,000	\$ 450,000	\$ 525,000	\$ 600,000	\$ 675,000	\$ 750,000
<b>TOTAL EXPENDITURE</b>		\$ 40,500	\$ 101,250	\$ 101,250	\$ 175,500	\$ 175,500	\$ 216,000	\$ 1,206,000	\$ 216,000	\$ 1,791,000	\$ 216,000	\$ 2,031,000	\$ 216,000	\$ 1,206,000	\$ 216,000	\$ 7,818,000
<b>OPERATING RESULT</b>		\$ 3,910,000	\$ 60	\$ 4,365,150	\$ 150	\$ 5,335,260	\$ 260	\$ 2,910,320	\$ 508,820	\$ 320	\$ 763,070	\$ 320	\$ 932,570	\$ 320	\$ 508,820	\$ 320
<b>Cumulative Operating Result</b>		\$ 3,910,000	\$ 3,910,060	\$ 8,275,210	\$ 8,275,360	\$ 13,610,620	\$ 13,610,880	\$ 16,521,200	\$ 17,030,020	\$ 17,030,340	\$ 17,793,410	\$ 17,793,730	\$ 18,726,300	\$ 18,726,620	\$ 19,235,440	\$ 19,235,760
<b>Key financial assumptions:</b>																
Amounts in today's dollar value, no allowance made for inflation or time value of money.																
<b>Capital Expenditure</b>																
<b>Expenditure:</b>		Per Dwelling	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Dwelling construction costs	\$380,000.00	\$ 2,280,000	\$ 3,420,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000	\$ 4,180,000
Infrastructure - Civil	\$ 1,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Infrastructure - Electricity/NBN	\$ 300,000	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Landscaping and fencing	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Preliminaries/Design/PM	\$ 600,000	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total project capex</b>	\$4,430,000	\$3,720,000	\$5,830,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000	\$2,480,000
<b>NETT RESULT AFTER OPERATING AND CAPITAL COSTS (excluding Depreciation)</b>		-\$520,000	\$60	\$645,150	\$150	-\$494,740	\$260	\$430,320	\$508,820	\$320	\$763,070	\$320	\$932,570	\$320	\$508,820	\$320
<b>Cumulative Nett Result after Operating and Capital Costs (excluding Depreciation)</b>		-\$520,000	-\$519,940	\$125,210	\$125,360	-\$169,380	-\$169,120	\$61,200	\$570,020	\$570,340	\$1,333,410	\$1,333,730	\$2,266,300	\$2,266,620	\$2,775,440	\$2,775,760

28/07/2022

## Attachment 2 - Calculation of Entry Price

**EDWARD RIVER VILLAGE DEVELOPMENT**  
Calculation for Unit Entry Price based on Estimated Capital Expenditure

	STAGE 1	STAGE 2	STAGE 4	STAGE 5	TOTAL
<b>ESTIMATED CAPITAL EXPENDITURE</b>					
Dwellings	6	9	11	6	32
Cost per dwelling (including contingency)	\$380,000	\$380,000	\$380,000	\$380,000	
<b>Sub-total: Dwellings</b>	<b>\$2,280,000</b>	<b>\$3,420,000</b>	<b>\$4,180,000</b>	<b>\$2,280,000</b>	<b>\$12,160,000</b>
Civil Infrastructure (including contingency)	\$1,200,000		\$1,200,000		\$2,400,000
Electricity/NBN	\$300,000	\$200,000	\$300,000	\$100,000	\$900,000
Landscaping	\$50,000		\$50,000		\$100,000
Preliminaries/Design/PM	\$600,000	\$100,000	\$100,000	\$100,000	\$900,000
<b>Sub-total: Infrastructure</b>	<b>\$2,150,000</b>	<b>\$300,000</b>	<b>\$1,650,000</b>	<b>\$200,000</b>	<b>\$4,300,000</b>
<b>TOTAL CAPITAL COST</b>	<b>\$4,430,000</b>	<b>\$3,720,000</b>	<b>\$5,830,000</b>	<b>\$2,480,000</b>	<b>\$16,460,000</b>
<b>GRANT FUNDING</b>					
Murray Darling Basin Diversification Fund	\$1,000,000				
To allocate the existing grant funding across all dwellings, the grant funding will contribute towards the overall infrastructure costs for the development. The full amount of the grant funding will be received following the completion of construction of six units.					
<b>CALCULATION OF ENTRY PRICE FOR ALL 32 UNITS</b>					
	<b>CAPITAL EXPENDITURE</b>	<b>LESS GRANT FUNDING</b>	<b>CAPITAL COST TO BE RECOVERED</b>	<b>DWELLINGS</b>	<b>COST PER DWELLING</b>
Dwellings	\$12,160,000		\$12,160,000	32	\$380,000
Infrastructure	\$4,300,000	-\$1,000,000	\$3,300,000	32	\$103,125
<b>TOTAL</b>	<b>\$16,460,000</b>	<b>-\$1,000,000</b>	<b>\$15,460,000</b>		<b>\$483,125</b>
Based on this information the proposed entry price for Stage 1 is \$485,000.					

## **Attachment 3 - Summary of Sensitivity Modelling**

EDWARD RIVER VILLAGE DEVELOPMENT  
Summary of Sensitivity Modelling

CRITERIA	BASE CASE	SM1	SM1a	SM2	SM3
	Base case model	Entry Price reduced to \$430K.	Entry Price reduced to \$430K for Stage 1 only.	Construction prices increased by 10%.	Turnover period increased to 10 years.
<b>Inputs</b>					
Entry Price per Dwelling	\$485,000	\$430,000 (-12%)	\$430,000 (-12%, Stage 1 only)	\$485,000	\$485,000
Total Construction Price	\$16,460,000	\$16,460,000	\$16,460,000	\$18,106,000 (+10%)	\$16,460,000
Dwelling Turnover Period	7 years	7 years	7 years	7 years	10 years (+3 years)
DMF Amount	5% per year for maximum 7 years	5% per year for maximum 7 years	5% per year for maximum 7 years	5% per year for maximum 7 years	5% per year for maximum 7 years
<b>Results after Year 15</b>					
Total Income	\$27,053,760	\$24,357,760 (-10%)	\$26,558,260 (-2%)	\$27,053,760 (-)	\$26,855,260 (-1%)
Total Operating Expenditure	\$7,818,000	\$7,818,000 (-)	\$7,818,000 (-)	\$7,818,000 (-)	\$8,778,000 (+12%)
Net Operating Result before Capital	\$19,235,760	\$16,539,760 (-14%)	\$18,740,260 (-3%)	\$19,235,760 (-)	\$18,077,260 (-6%)
Total Capital Expense	\$16,460,000	\$16,460,000 (-)	\$16,460,000 (-)	\$18,106,000 (+10%)	\$16,460,000 (-)
Net Result after Capital	\$2,775,760	\$79,760 (-97%)	\$2,280,260 (-18%)	\$579,760 (-79%)	\$1,617,260 (-42%)
Maximum Council Investment	\$520,000	\$1,799,380	\$850,000	\$2,317,380	\$520,000
Development Break Even Point	Year 7	Year 15 (+ 7 years)	Year 8 (+ 1 year)	Year 12 (+ 5 years)	Year 7 (-)

## **9. REPORTS OF COMMITTEES**

## **10. NOTICES OF MOTIONS**

## **11. QUESTIONS WITH NOTICE**

## **12. CONFIDENTIAL MATTERS UNDEFINED**

### **12.1. C2021/08 EDWARD RIVER VILLAGE - DWELLING CONSTRUCTION - STAGE 1**

Author: Mark Dalzell, Director Infrastructure

Authoriser: Phil Stone, General Manager

The Council is satisfied that, pursuant to Section 10A(2) of the Local Government Act 1993, the information to be received, discussed or considered in relation to this agenda item is:

d(i) commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.