

## 9.1 TAMWORTH GLOBAL GATEWAY PARK BUSINESS PLAN – FILE NO

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**Reference:** Item 8.1 to Ordinary Council 28 July 2020 - Minute No 204/20  
Item 9.9 to Ordinary Council 26 May 2020 - Minute No 114/20  
Item 9.5 to Ordinary Council 28 April 2020 - Minute No 110/20  
Item 12.4 to Ordinary Council 11 February 2020 - Minute No 25/20

**3 ANNEXURES ATTACHED**

### **RECOMMENDATION**

*That in relation to the report “Tamworth Global Gateway Park Business Plan”, Council:*

- (i) adopt Option 3, Develop Stage 1 as the preferred option as described in the Tamworth Global Gateway Park business case;*
- (ii) approve the amount of \$12,800,000 from an external loan to fund the roadworks and provision of services for Goddard Lane (east), the Intermodal Access Road and the Business Park Stage 1 Access Road;*
- (iii) authorise the affixing of the Seal of Council to loan documents and any other documents required for the completion of the loan transaction to re-finance the internal loan that was drawn down in 2016 to purchase the Tamworth Global Gateway Park site;*
- (iv) authorise the affixing of the Seal of Council to the loan documents and any other documents required for the completion of the loan transaction to finance the construction of Stage 1 of the TGGP up to an amount of \$12,800,000 to activate the precinct; and*
- (v) approve the engagement of CBRE and Burke & Smyth as the co-exclusive agents for the Tamworth Global Gateway Park for a period of 12 months.*

### **SUMMARY**

This report discusses the status of the proposed development known as the Tamworth Global Gateway Park (TGGP), formerly known as the Glen Artney Enterprise Area. The TGGP is a 246 hectare parcel of land located between Westdale and the Glen Artney industrial area and is bounded by the Oxley Highway, Goddard Lane, Goonan Street and Marathon Street.

The report also details the process of development of the Business Plan for the project. The Business Plan includes the marketing demand assessment, the marketing strategy, proposed staging of the development, cash flow predictions, the additional funding required to progress the development of the TGGP and the expected timelines for expenditure of those funds to undertake design and construction of the infrastructure.

The Business Plan is presented as part of this report with a recommendation for Council to adopt Option 3, Stage 1, which will allow for the activation of the precinct and provide the necessary Council owned infrastructure to allow the intermodal to commence operation.

Part of the purpose of this report is also to seek a resolution from Council to take out two loans for the TGGP project. The first loan is for \$16 million to re-finance the

internal loan that was drawn down in 2016 to acquire the TGGP land. The second is for a loan up to an amount of \$12.8 million to finance the construction of Stage 1 of TGGP.

An expression of interest was undertaken to engage marketing and sales agencies for the TGGP. This report also seeks resolution from Council to appoint marketing and sales agents for the TGGP for a period of 12 months.

## **COMMENTARY**

### **History of the Tamworth Global Gateway Park**

The history of the Tamworth Global Gateway Park has been well documented in previous Council reports, referenced above.

### **Update in Status of the Rail Line Reactivation Project**

As previously reported, an upper limit cost estimate for the reactivation of the rail line had been prepared and was under review by the Department of Regional NSW. The State Government, through the Deputy Premier, announced additional funding of \$28 million for the project on 2 September 2020. This represents a significant step forward and provides certainty regarding the development of the Intermodal and achieving the targeted intermodal operational date of September 2021. It is expected that there will be considerable interest from other parties in land development within the TGGP now that it has been confirmed that the intermodal will be operational by late 2021. This timeline also requires a commitment from Council to ensure that the infrastructure required for access to and servicing of the Intermodal site is constructed before September 2021.

### **Business Plan**

Council requested the Director Regional Services to prepare the project Business Plan and report back to Council for approval and consideration of budget prior to construction of the various work packages.

At this point in time the following actions have helped inform the Business Plan:

- Council's Economic Development team have researched how other industrial parks have been staged and marketed, and sought professional advice from industry experts in relation to the most effective methods of marketing land sales, including the identification of critical elements in the design to meet current and emerging developer needs. The team has also prepared an overarching document on the strategic advantages of TGGP and Tamworth, as a place to invest;
- a Marketing and Development specialist has been retained by Council staff to provide specialist advice in relation to the marketing of the project and to assist in the preparation of the Business Plan;
- as part of this work, a marketing demand study has been finalised to inform the Business Plan. A copy of the Industrial Demand Assessment is **ATTACHED**, refer **ANNEXURE 1**; and
- an expression of interest (EOI) has been prepared and advertised with a view to engaging a marketing and sales agent specialising in the industrial sector. The EOI required that the agent be either a locally based agent partnering with an agent with a national presence or vice versa, to ensure that Council gets the benefit of national exposure and local understanding, liaison and presence.

### **Summary of Industrial Demand Assessment Study**

The Demand Assessment Study was prepared by consultants Urbis on the basis of census data from 2011 and 2016. The forecast for the next five years was undertaken using the following sources:

- 2019 employment data by industry in the Tamworth Local Government Area (LGA), from the National Institute of Economic and Industry Research (NIEIR); and
- projected growth rates (2019-2024) by industry for the New England and North West SA4, based on Department of Education, Skills and Employment (DESE) projections.

Council also has access to similar data prepared and analysed by Id.profile. Comparison of the data suggests that the Urbis analysis is conservative. For the nature of this investigation, a conservative approach is considered warranted.

Based on the study, Urbis forecast the following increase in job numbers within the LGA during the 2019-2024 period:

- 753 additional office based jobs; and
- 115 additional industrial based jobs.

Adopting benchmark employment densities, this forecast for the same period equates to:

- 15,060 m<sup>2</sup> of office floor space; and
- 14,836 m<sup>2</sup> of industrial floor space.

Urbis also undertook a Competitive Positioning Assessment of the TGGP land against other potential competitors and found that 'the subject site rates highly against all demand drivers, and is a highly attractive location for industrial tenants. Its access to regional transport infrastructure, particularly the rail network through the IMT (intermodal terminal), and availability of large undeveloped sites makes it suitable for larger, more sophisticated, regionally serving industrial tenants.'

The Urbis report also includes a land value assessment for both industrial and business park land with the results reproduced in the following table.

*Table 1*

<b>Analysed Rates (\$/m<sup>2</sup>)</b>				
<b>Land Type</b>	<b>Lot Size m<sup>2</sup></b>			
	0-499 m <sup>2</sup>	500-1999 m <sup>2</sup>	2000-4999 m <sup>2</sup>	5000+ m <sup>2</sup>
Industrial Land	\$170-\$190	\$150-\$170	\$150-\$170	\$120-\$150
Business Park Land	\$190-\$210	\$170-\$190	\$170-\$190	\$150-\$170

The final area that Urbis investigated was the impact of the intermodal terminal on TGGP. Comparison was made to existing intermodals and the planned intermodal for Parkes. It was found that:

- land surrounding intermodal facilities generally experiences an increase in value, with increases in selling price of 9% readily achievable; and
- in the case of Parkes, investment from major freight and logistics operators occurring before the Intermodal was operational.

The anticipated demand figures provided in the Urbis report have been based on census data and do not include the impact of the intermodal. Consequently, the demand data is considered to be conservative. Despite this, the data still indicates reasonable levels of growth in both markets relevant to the TGGP.

### **Option Development**

Council has been positioning itself in recent years for strategy based growth and development for the city of Tamworth, consistent with NSW Government

development plans and based on the strategic drivers identified in Council's Economic Development Strategy (Tamworth Tomorrow 2016-2021). Council has recently adopted Blueprint 100, an ambitious strategy aimed to deliver significant growth for Tamworth City over the coming decades. TGGP is identified as the Western Growth Corridor in Blueprint 100.

With 246 hectares of land available, there are a large number of options available to Council as the next step in the development of TGGP.

The options to launch the TGGP to market have been considered with the primary objective of activating commercial and industrial development in the city and maximising future development potential for the site; whilst taking into account capital expenditure and potential sales revenue.

In order to achieve the primary objective of activation, it is considered essential that the TGGP development aligns with the Intermodal timeline, firstly to meet Council's commitments to the Intermodal project and secondly to fully capitalise on the market benefits that the Intermodal facility will deliver. To further enhance the activation, simplified development approval mechanisms for developers will be established to streamline the development process which should attract developers to commit to the TGGP.

Three broad options have been considered for the next step in the development of TGGP.

**Option 1 – Selling the site**

Council has the option of selling the park in its entirety or large parcels of land for private development, now or in the future.

**Option 2 – Council develop the whole site**

The second option is for TRC to retain ownership of the TGGP in its entirety and develop it progressively, in stages over the life of the project.

**Option 3 – Develop Stage 1 and leave future staging options open**

The third option consists of the Stage 1 release, which includes three specific packages of infrastructure development, targeting different markets. These are:

- Goddard Lane Roadworks: Opens up all of the land fronting the eastern side of Goddard Lane;
- Intermodal Access Roads: Provides access and services for the Intermodal site and opens up land adjoining the Intermodal facility; and
- Business Park Roads: Opens up the Business Park site.

Under this option Council would still retain approximately 80% of the TGGP land, which again could be developed in stages by Council or sold in parcels to other developers to the maximise activation of the precinct.

**Option Analysis**

To assist with the analysis of the various options, cost estimates were prepared for proposed staging of the development. The cost estimates are **ATTACHED**, refer **ANNEXURE 2**. For the purpose of the cost estimates, the following assumptions were made:

- selling prices for Industrial land and Business Park land were \$90 and \$130, respectively per square metre, GST exclusive. These prices are well less than analysed rates presented in the Urbis report **ATTACHED**, refer **ANNEXURE 1**, and also less than recent rates achieved within the city;

- costs associated with selling the land (commission, marketing and legal costs) was assumed to be 10% of the selling price which is also considered conservative;
- cost estimates for Stage 1 civil works were based on preliminary designs at various stages of design development. Cost estimates included all civil works for roads, drainage, water, sewer, power, street lighting, gas and communications; and
- cost estimates for subsequent Stages were based on indicative rates developed for Stage 1 works and included allowance for civil works for roads, drainage, water, sewer, power, street lighting, gas and communications.

### **Option 1 – Selling the Site**

Option 1 for the project was developed on the basis that Council may consider putting the entire parcel of land on the market for sale.

The current valuation for the sale of the park is \$25.5 million, which would mean Council would likely break-even, based on current cost to date. However it is thought land of this size would have a very limited market and the length of time to achieve a sale could negatively impact on Council financially. The NSW Government has also invested over \$20 million in the TGGP and associated infrastructure for the purpose of activation and job creation. This does not include the recently announced funding for the Intermodal.

This approach would not achieve the primary objective of activating the TGGP; it would also impact on Council's relationship with the NSW Government and could result in legal proceedings from Qube, due to loss of time and financial investment to date. This option would also prevent council from having any control of the development which comes with considerable risks, including the timely development of the land, activation of the intermodal and the future quality of tenancies for the park. In addition, due to the size of the land and its' positioning at a significant entrance to the city, development control is of high importance to ensure maximum benefit to the city, residents and regional networks.

This option was not considered further.

### **Option 2 – Council develop the whole site**

Under this option, Council would retain ownership of the TGGP in its entirety and develop it in stages over the life of the project. This is estimated to cost approximately \$105 million (includes cost to date, excludes holding costs) based on current development costs **ATTACHED**, refer **ANNEXURE 2**. However the total profit is estimated to be in the range of \$50 million (based on current figures, sale rates and costs).

This option is not the recommended for the following reasons:

- Energising and maximising business activation of the precinct is the primary goal of TGGP. It is accepted that to maximise activation within the precinct will require involvement of other business development entities partnering with Council or purchasing land within TGGP for development;
- Additional human and financial resources will be required within Council for the duration of the development. This will limit the resources being applied to more conventional Council functions and projects; and
- Council retaining the land for staged development will see it in opposition to private land developers. This could discourage private developers from investing in the city having a detrimental effect on achieving the development rates required within Blueprint 100.

### **Option 3 – Develop Stage 1 (leaving future staging options open)**

This is the preferred and recommended option which includes the release 15.69 ha of land on Goddard Lane, 10.76 ha adjacent to the intermodal terminal and 3.95 ha at the entry to the business park off the Oxley Highway. Based on the estimates prepared and **ATTACHED**, refer **ANNEXURE 2**, the development of this option would cost \$14,803,940, of which there is a Federal Government contribution of \$2,202,291 for the construction of the Intermodal Access Roads. The resulting cost to Council for the Stage 1 works is \$12,601,649.

This is the preferred option as it is the only option which will achieve the primary objective of activating the TGGP and maximising the potential activation of the precinct by allowing other developers to be part of driving industrial development in the city.

Sales from the stage one development have the potential of totalling \$28.9 million. Furthermore this option would result in a direct addition of 340 jobs and over 760 jobs in total through consumption impacts; boosting economic activity as well as driving further investment in the park.

Therefore, it is proposed to launch the TGGP to the market with a Stage 1 development. The Stage 1 development would include the land release and servicing of: 15.69 ha on Goddard Lane, 10.76 ha adjacent to the intermodal facility and 3.95 ha at the Oxley Highway entrance to the Business Park.

A copy of the Business Plan is **ATTACHED**, refer **ANNEXURE 3**.

#### **Update in Overall Funding for Development of the TGGP**

As previously reported, significant funding has been provided in relation to the development of the TGGP. With the most recent announcement from the State Government in relation to the rail line reactivation, the overall figures demonstrate that there is great confidence in the funding partners for the potential of TGGP.

Assuming that Council approves the commitment of \$12.8 million for the construction of Stage 1, the current contributions from various funding partners in relation to the TGGP development are presented in the following table.

*Table 2*

<b>Project Component</b>	<b>Funding Contributor</b>	<b>TOTAL</b>
TRC Costs Committed to date – including land acquisition, fees for rezoning, loan repayments, holding costs, contributions to grant funding and design and study costs for Stage 1.	TRC	\$24.435 million
Federal Government funding for Country Road Roundabout and Intermodal Access Roads	Federal Government	\$6.734 million
Growing Local Economies Funding for Country Road Roundabout, Trunk Stormwater and Jewry Street Extension	State Government	\$20.2459 million
State Government funding for reactivation of rail line out to the Intermodal including level crossings	State Government	\$35.4 million
Development Costs to Design and Construct Intermodal Terminal Facility	Qube Logistics	\$5.0 million
Design and Construction Costs for Stage 1 of TGGP Development	TRC	\$12.602 million
<b>TOTAL</b>		<b>\$104.417 million</b>

Based on the figures above, the Council contribution represents 35% of the total funds committed to the TGGP project to date from all funding contributors.

## **Council Funding for the Project**

Part of the purpose of this report is to seek a resolution from Council to take out two loans for the TGGP project. The Revenue Policy for 2020-2021 under the section External Borrowings outlines Council's intention to borrow funds for this project. A Capital Expenditure Review will be undertaken once Council has formalised its intentions regarding the TGGP site.

### **Loan 1**

In March 2016, Tamworth Regional Council obtained approval from the Office Local Government (OLG) to facilitate an internal loan for \$16 million to acquire the site known as the TGGP. Due to unforeseen delays with the development of the Intermodal no land sales within the precinct have taken place and as such, no principal repayments have been made off the initial loan.

Regardless of what option Council endorses with regards to the TGGP site, it needs to be able to refinance this loan in March 2021, unless in the interim sufficient quantities of land have been sold prior to that date to settle the loan.

A recommendation of this report is that Council authorise the refinancing of the loan to acquire the TGGP and authorise staff to make application initially to the OLG to seek approval for another internal five year loan. If this loan application should fail then Council would need to approach other financial institutions to borrow funds to refinance this loan. The intention is to take out a ten year interest only loan that allows sporadic payments of principal. As part of the negotiation process Council may have to agree to make principal and interest repayments.

### **Loan 2**

Should Council agree to the recommendation of this report and adopt Option 3 it is recommended that the construction of Stage 1 be funded by a ten year loan and that Council endorse borrowings of up to a maximum of \$12.8 million. Finance staff will investigate loan options including a facility which would allow funds to be drawn down as required and also facilitate spasmodic principal repayments which would be funded from land sales.

## **Marketing and Sales Consideration**

In June 2020, Council called an Expressions of Interest (EOI) for Marketing and Sales Agencies for the Tamworth Global Gateway Park. EOIs closed on 1 July 2020. Three EOIs were received, with two being non compliant. One of the non-compliant agents was a local Tamworth real estate agent. TRC staff met with both local agents who had submitted EOIs to discuss in more detail their marketing and sales approach to the TGGP. The results of the meetings, with the current alignment to the nominated national agents, did not ignite confidence in the appointment of any EOI applicant under their current application.

During this period Qube Logistics, a partner in the intermodal freight facility, identified a national agent they had been working with, who have extensive intermodal experience. CBRE were asked to submit a late EOI. The CBRE proposal was of much higher standard than any other expressions of interest received and their knowledge of regional markets was superior to the other national agents. In addition, they have vast experience working with clients associated with intermodal facilities.

The only local agent who submitted a compliant expression of interest was Burke & Smyth. Burke & Smyth were linked to Colliers International as part of their EOI process, however through ongoing discussions they have agreed to partner with CBRE.

At the Councillor workshop on 27 August 2020, the Councillors present were agreeable to Council appointing CBRE as the national selling agent for the TGGP, conditional that they are aligned to a local agent. This has now been facilitated and the recommendation is to formally appoint CBRE and Burke & Smyth as the agents for TGGP.

CBRE have submitted a fee estimate to undertake a marketing campaign to commence in October 2020. The current estimate for this package is \$28,812 (ex GST) and will be funded from the Stage 1 loan if approved by Council.

**(a) Policy Implications**

Nil

**(b) Financial Implications**

The following table provides an estimate of the anticipated return from the development and sale of the TGGP. Selling prices have been estimated from comparable sites in the region.

Delayed sales or increased costs will have a negative impact on the estimated profit for the Stage 1 development. Council needs to consider potential delays against the long term economic growth of the region.

The main focus for Council should be the elimination of loans, in order to do this Council needs to be open to offers to acquire parcels of land not within the confines of Stage 1. Currently the loan for acquisition is costing Council \$280,000 per annum.

Due to the sporadic nature of this project and the financial implications for General Fund, Council will be provided with a financial update every quarter in line with the quarterly budget reviews.

**Preferred Option Stage 1 Profit Estimate**

Anticipated Sales Income Stage 1	<u>28,940,000.00</u>
Pro Rata Share Holding Costs to 30/6/25	48,971.92
Pro Rata Share Interest Expense to 30/6/25	603,062.22
Goddard Lane Development Costs	6,916,973.00
Intermodal Access Development Costs	3,583,980.00
Business Park Initial	2,100,697.00
Additional Loan Contingency	198,350.00
Pro Rata Share Acquisition costs	1,978,099.18
Selling Costs Stage 1	<u>2,894,000.00</u>
Total Anticipated Expenditure	<u>18,324,133.33</u>
Stage 1 Estimated Profit	<u><u>10,615,866.67</u></u>

Assumptions:

All Stage 1 sold by 30 June 2025.

Loan for the development will be targeted for repayment within five years, with interest only payments being made on the loan to acquire the land.

**(c) Legal Implications**

The loan contracts and associated documents require the Seal of Council to be affixed.

The Local Government (General) Regulation 2005 Clause 400(4) requires that the Seal of Council must not be affixed to a document unless the document relates to the business of Council and the Council has resolved (by resolution specifically referring to the document) that the Seal be so affixed.

**(d) Community Consultation**

The Intermodal Project Control Group are coordinating media releases with Council's Communications team as the Intermodal project progresses.

**(e) Delivery Program Objective/Strategy**

A Prosperous Region – P11 Support and facilitate economic development and employment opportunities.

