

Central Market Arcade Redevelopment

ITEM 15.1 09/02/2021
Council

Council Member
Councillor Martin

2015/00903
Public

Contact Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

QUESTION ON NOTICE

Councillor Martin will ask the following Question on Notice:

'The Administration advised Council on January 28th that approximately 260 car parks, profits from which accrue to the Central Market, would be lost during construction of the new Central Market Arcade and towers above the site. Could the Administration advise:

1. What is the anticipated lost income and over what period?
2. Will such income be reimbursed by Council to the Central Market Authority?
3. Is this amount to be included in the total costs to Council for the project?
4. What, if any, will be impact on Council's long-term Financial Plan?
5. What measures are proposed to assist visitors to the Central Market with parking during the redevelopment?'

REPLY

1. The loss of 260 car parks could potentially impact revenue at the Central Market in a range between \$0.4m up to \$1.0m annually, depending on budget assumptions. The construction period is estimated to be in the range of 24 – 30 months.
2. The Adelaide Central Market Authority (ACMA) is a subsidiary of Council, Council can determine to either recognise the budgeted position or to subsidise loss of revenue.
3. The potential revenue impact will be reflected in the ACMA budget as submitted as part of the 21/22 Business Plan & Budget process.
4. The potential impact will vary depending on a wide range of factors and mitigation strategies implemented. Administration proposes to support the Central Market traders and visitors with additional paid car parks to be made available within Grote Street carpark, Current Bus Station and the vacant lot (Old Bus Station).
5. It is anticipated that these additional parks and other operational strategies will offset most, if not all the potential impacts within the overall budget, therefore it is not anticipated that there would be any required changes at present to the Long-Term Financial Plan.

6. To support visitors to the Central Market during the redevelopment it is proposed Administration will provide additional spaces at alternative sites close to the Market. Modelling has been undertaken on the adjacent Grote Street site and we can achieve 120 spaces (open-air car park) and additional 90 spaces within Grote UPark bus concourse. In addition, the precinct has over 3,700 on and off-street parking bays to support Central Market and the surrounding precinct.

Staff time in receiving and preparing this reply	To prepare this reply in response to the question on notice took approximately 4.5 hours.
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- END OF REPORT -

88 O'Connell Street Development Return

ITEM 15.2 09/02/2021
Council

Council Member
Councillor Martin

2018/02324
Public

Contact Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

QUESTION ON NOTICE

Councillor Martin will ask the following Question on Notice:

'Noting that the Prudential Report prepared for the 88 O'Connell Street development advises that C & G will, on completion of the project in some years, pay to the City of Adelaide \$300, 000 less than the book value of \$25.8 million dollars, could the Administration advise why the payment of the lesser amount was considered appropriate?'

REPLY

1. The Land is carried in the City of Adelaide (CoA) Balance Sheet at a value of \$25.8 million.
2. CoA recognised the sale of the Land on signing the Land Facilitation Agreement (LFA) on the 16 December 2020 as per a decision of Council on 8 December 2020.
3. The contracted sale proceeds of \$25.5 million are less than the carrying value of the asset, this will result in a reduction of \$0.300 million being brought to account within the 2020/21 period.
4. To inform CoA in their deliberations regarding the original purchase of the Land, independent valuation was obtained.
5. The Land is valued in Council's Financial Statements at an amount higher than the most recent (current) valuation of the Land undertaken to assist Council in its deliberation and decision making.
6. In addition to the \$25.5 million received through the LFA, Council has already received a \$10 million funding grant from the State Government in support of the transaction, reflecting a total return on the acquisition of land of \$35.5 million.
7. It is estimated that the completed scheme will generate \$0.541 million per annum in additional revenue (in perpetuity) from Council Rates and will have a positive impact on Council's financial position.
8. In addition, the economic benefits of the scheme were assessed based on the future potential built form and focussed on quantifying the future potential economic activity on the site. It was estimated that the scheme would attract annually a turnover of \$53.8 million and create employment numbers in the region of 571 (employees).
9. The level of household expenditure from the scheme is estimated to generate turnover for local businesses of approximately \$10 million per annum within the City of Adelaide.

10. The targeted commercial terms provide for full cost recovery while concurrently achieving many of the non-financial outcomes for the project, such as addressing 30 years of inactivity, diversity of land use mix, activation, precinct economic stimulus and public accessible parking.

Staff time in receiving and preparing this reply	To prepare this reply in response to the question on notice took approximately 4 hours.
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Adelaide Central Market Foundational Documents

ITEM 15.3 09/02/2021
Council

Council Member
Councillor Martin

2015/00903
Public

Contact Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

QUESTION ON NOTICE

Councillor Martin will ask the following Question on Notice:

'At its meeting on January 28th, Council endorsed Item 17.9, Motion on Notice – Adelaide Central Market Foundational Documents. In the absence of any advice from the Administration accompanying the January motion, could it now advise what will be the impacts to the Council's Long Term Financial Plan if the Principles, and especially those at paragraph 3, are formally adopted?'

REPLY

1. In response to the decision of Council on 28 January 2020, consideration will need to be given to the following items contained within Item 3 of the Motion on Notice (MoN), namely *"One Market" and "Asset Management Plan"*.
2. *"One Market"* if established would see the business operations of the Central Market Arcade being integrated into the operations of Adelaide Central Market.
3. Whilst this change within the Charter would be beneficial in terms of management and marketing, the Prudential Report for the Central Market Arcade Redevelopment clearly indicates the importance of the revenue generated from the Arcade and how this is utilised to offset the capital and operating cost of the 'Returnable Works' overtime.
4. Retail lease revenue for the Central Market Arcade has been estimated to be \$6.57 million per annum, which is the average of the range provided by Council's commercial advisor, JLL with a range of between \$6.04 million and \$7.09 million per annum and has been recognised as returning to Council.
5. *"Asset Management Plan"* as presented within the MoN indicates that Council will be solely responsible for the funding of capital works on capital infrastructure which is otherwise under the management of the Authority. The current Charter does not envisage this and states under clauses 1.8.2 and 1.8.3.
 - 5.1. The Authority must establish a Capital Enhancement Fund and must pay into the Capital Enhancement Fund all surplus funds accumulated by the Authority, and any such surplus funds accumulated in the Capital Enhancement Fund must be expended by the Authority for the purposes of capital enhancement as approved by the Council in accordance with clause 4.5.2.
 - 5.2. For the purpose of complying with its obligations under clause 1.8.1.14 the Authority must create a Capital Renewal Fund to provide for the cost of undertaking capital expenditure in relation to the maintenance and upkeep of existing improvements and infrastructure in the Market.

6. While the endorsed change could be viewed as adding an additional cost burden to Council, if these costs are in the LTFP adopted by the Authority, then they should already be reflected in the Council's LTFP.
7. Similarly, as the Authority is required to operate under the Charter in a financially sustainable manner these costs would be offset by the forecast revenue generated by the Authority which should therefore offset any additional cost to Council for future Capital Expenditure.
8. A workshop is scheduled to be held with Council Members on 16 February 2021 which will outline the process and next steps relating to any required amendments to the Charter, Head Lease and Community Land Management Plan. A subsequent report will be prepared and presented to Council for its consideration in April 2021.

Staff time in receiving and preparing this reply	To prepare this reply in response to the question on notice took approximately 5 hours.
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Central Market Arcade Redevelopment Costs

ITEM 15.4 09/02/2021
Council

Council Member
Councillor Martin

2015/00903
Public

Contact Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

QUESTION ON NOTICE

Councillor Martin will ask the following Question on Notice:

'Could the Administration advise how much of the construction costs, including provision for contingency, associated with the Returnable Works it is anticipated will need to be borrowed, what, if any, the interest costs are over the term/s of the loan/s and will they be incorporated in the costs of the project?'

REPLY

1. The Central Market Arcade Redevelopment construction costs allocated to Council are contracted at \$27.74m with a contingency of \$1.39m (if required) as authorised by Council on 28 November 2019.
2. These proceeds will be brought to account progressively to part fund the Returnable Works. This is anticipated to occur in FY21/22 at \$14.9m and in FY22/23 at \$14.2m (inclusive of contingency).
3. As part of the approval process on 28 November 2019, Council was presented with a Prudential Report which provided a number of financial scenarios linked to borrowing and the sell down of underperforming building assets.
4. The Prudential Report incorporated a selection of short-term asset sales identified through the Strategic Property Review, the sale of which would realise the capital expenditure requirements associated with the Central Market Arcade Redevelopment.
5. Council considered and approved the Strategic Property Review on 14 April 2020 and received a subsequent Strategic Property Action Plan report on 15 December 2020 detailing and recommending the sale of a number of underperforming assets.
6. We have now commenced that process and the proceeds of sale will be allocated to the Future Fund established for the purpose of funding income generating assets such as the Central Market Arcade Redevelopment.
7. Should these proceeds not be realised during the term of construction, either in part or in full, borrowing will be enacted to fund the project, with the future sale of underperforming assets offset against the draw down.
8. The current rate of interest is 1.35% and would equate to circa \$200k of annual interest payments in 2021/22 and approximately \$400k annual in 2022/23, depending on when payments are required, and will be recognised within the Long-Term Financial Plan.
9. The Prudential Report notes the end market value (saleable value) of Council's Returnable Works is \$72m resulting in a \$64.88m increase in the City of Adelaide's saleable property assets (above the current \$7.12m building value).

Staff time in receiving and preparing this reply	To prepare this reply in response to the question on notice took approximately 4.5 hours.
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88 O'Connell Public Realm

ITEM 15.5 09/02/2021
Council

Council Member
Councillor Martin

2018/02324
Public

Contact Officer:
Clare Mockler, Deputy CEO &
Director City Shaping

QUESTION ON NOTICE

Councillor Martin will ask the following Question on Notice:

'The Prudential report into the development of the 88 O'Connell Street site refers to the creation of "the Community Corporation" under which "responsibility for future repair, maintenance or replacement (of public realm elements) will lie.

Could the Administration advise:

1. What are those public realm assets?
2. What accountability and transparency principles and practices will apply to the Community Corporation?
3. What mechanism/s will Council adopts if (at page 24 6.2.2.4) the Community Corporation does not fulfil its obligations?'

REPLY

1. The appointment of Commercial & General (C&G) as the developer and the design concept was approved by Council on 8 December 2020 which included areas of public open space and areas of publicly accessible space.
2. In the design concept an area at ground level (corner of O'Connell Street and Tynte Street) has been allocated as public open space to be vested to Council, and in addition, a roof terrace will be accessible to the public. The detailed design of the open space is in progress.
3. The Land Facilitation Agreement (contract executed by the City of Adelaide and C&G on 16 December 2020) addresses matters pertaining to the future division of the land. The contract stipulates that the Developer acknowledges and agrees that the required open space and public accessible spaces is to be created, described and must be incorporated into any Community Scheme Documents.
4. The Community Corporation is formed on the deposit of the plan of division and their functions are outlined within the *Community Titles Act 1996 (SA)*. These functions include the administration and maintenance of the common property, the enforcement of by-laws and the management of development contracts.
5. The land division created will recognise the new commercial and residential community titles. The conditions that the Community Corporation will operate under will explicitly express and take into account the appropriate measures such as accountability, associated principles and ongoing practices.
6. Matters contained within the Land Facilitation Agreement are under contract and should there be a breach there are various mechanisms in place to seek restitution.

Staff time in receiving and preparing this reply	To prepare this reply in response to the question on notice took approximately 4 hours.
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