

<b>SC089 KARLOO-WANDINA PROJECT - AGREEMENTS</b>	
<b>AGENDA REFERENCE:</b>	<b>D-13-09661</b>
<b>AUTHOR:</b>	<b>P Melling, Director of Sustainable Communities / City Planner</b>
<b>EXECUTIVE:</b>	<b>P Melling, Director of Sustainable Communities / City Planner</b>
<b>DATE OF REPORT:</b>	<b>11 February 2013</b>
<b>FILE REFERENCE:</b>	<b>LP/17/0001</b>
<b>APPLICANT / PROPONENT:</b>	<b>City of Greater Geraldton</b>
<b>ATTACHMENTS:</b>	<b>Yes x 2</b>

**SUMMARY:**

Two agreements are submitted to Council for consideration that outline potential arrangements with the Housing Authority (Department of Housing) and MGM Pipelines Pty Ltd (Asia Iron) that facilitate construction of the Karloo-Wandina project along with corresponding milestones to satisfy funding requirements. In addition the MGM Pipeline Agreement gives more certainty to the Company that it has a vital transport option to Geraldton Port. It is recommended to support in principle the agreements and delegate authority to the Chief Executive Officer to negotiate and finalise the respective agreements.

**PROPONENT:**

The proponent is the City of Greater Geraldton.

**BACKGROUND:**

The Karloo-Wandina Project has received funding from both the Commonwealth and State Governments for funding key infrastructure in both suburbs. Allied to the project (for the Commonwealth funding) was the provision of affordable housing lots on which a rebate would be offered via the Housing Authority.

Asia Iron is proposing the use of an iron ore slurry pipeline from their mine site at Extension Hill (east of Perenjori) to Geraldton Port. A preferred pipeline alignment has been selected and opportunity exists for some forward works to be undertaken that will assist the City in its construction program for Verita Road.

Both components of the projects above require agreements to be formulated and signed to ensure that there is a clear understanding between the parties on their responsibilities and obligations.

**Housing Authority Heads of Agreement**

This agreement sets out the framework intended to be utilised to deliver on the provision of key infrastructure and the affordable housing lots linked to the Building Better Regional Cities Funding Agreement. It is important for a project of this scale to have a clear governance methodology coupled to the outcomes required to be delivered within the specified milestones set by the Commonwealth Government.

It is intended to modify the current draft agreement to include the proposed land exchange that could see a portion of Lot 318 owned by the Housing Authority exchanged with a portion of Lot 9 owned by the City. The land exchange will only occur if the respective agencies statutory obligations are met for land disposal/acquisition.

The land exchange is seen as uniting the outcomes for delivery of the overall 400 affordable housing lots over the two land parcels. Initial discussions (and the current draft) proposed that the Housing Authority manage the development of the City's Lot 9 residential component (required to satisfy the Commonwealth Agreement) for a fee. A portion of the Housing's Authority's land is better suited for light industrial type use, and the provision of land for affordable housing is the core business of the Department, see attached Plan No. LP/17/0001: Map 1 as Attachment No. SC089A. (Confidential Attachment).

The City could develop the Lot 9 residential landholding independently of the Authority, but it adds an additional level of complexity into the equation and the City would have to fund subdivisional works, set up a rebate system to satisfy the Commonwealth Agreement attempt to schedule land releases around timeframes for the Authority.

There was no clear path as to what the Housing Authority would do with the balance of their landholding as they are not an industrial land developer. After negotiations centred on getting the best outcome from a design, liveability and practical point of view it is a cleaner option to consider the land swap between the City and the Housing Authority.

#### MGM Pipelines Pty Ltd Agreement

MGM Pipelines Pty Ltd is wholly owned by Extension Hill Pty Ltd (Part of Asia Iron Pty Ltd). MGM Pipelines are proposing the construction of an iron ore slurry pipeline and return water pipeline (that is two pipes) between the mine site at Extension Hill east of Perenjori and Geraldton Port. See Attachment No. SC089B (Confidential Attachment) for the proposed plans.

MGM Pipelines are in the process of securing agreements with all land managers/land owners (including other Local Governments) along the pipeline route. In the City of Greater Geraldton there are three distinct components to the pipeline route:

- An alignment through the City's rural area, mainly crossing the City's roads as it is predominantly located on private farming properties.
- An alignment proposed along Verita Road and through the City's Lot 9 landholding.
- An alignment from Verita Road through to the Port that is located within State land reserves, (some of which are under the City's management) and within roads managed by the City.

In relation to the three areas identified it is the sections through Verita Road/Lot 9 and then through to the Port that have a number of aspects that form the

bulk of the agreement and proposed attachments thereto. The key components are:

- Early preparation works for the construction of Verita Road by Extension Hill Pty Ltd.
- Once construction of the pipeline starts in full, the proposal is for the pipes in some areas to sit under existing City pathways, which will be removed and then reinstated to improved standards along with weed removal and rehabilitation of the coastal areas through which some of the pathways traverse.

In return the City would support the alignment proposed and the subject of the agreement so that each parties responsibilities and expectations are realised. It is a win/win for both parties given the benign nature of the pipeline versus other iron ore transportation methods. Importantly the pipelines once in place are effectively no different from other community infrastructure e.g. water mains/ sewer pipes etc. that already exists in residential streets.

#### **COMMUNITY CONSULTATION:**

There have been a number of previous planning studies/plans and advertising thereto for the Verita Road alignment and connections thereto. In addition a Community Information evening was held on 04 October 2011 that included plans for Verita Road. There have also been a number of media stories relating to Verita Road, its alignment and ultimate construction.

It is also intended that there will be further community liaison as the construction components of the project are initiated including the pre-construction works to be undertaken by MGM Pipelines Pty Ltd. In addition, within the agreement with MGM Pipelines a community communication plan will need to be put in place that ensures that during construction of the actual pipeline that there is direct contact with the local community to liaise/ advise of the intended works, contact details etc. to ensure concerns are addressed during that period.

#### **COUNCILLOR CONSULTATION:**

Briefings to Councillors have taken place on the overall Karloo-Wandina project and the various sub components. These have occurred during the grant application and approval phases. The intended construction of Verita Road has been the subject of discussions and a policy developed and adopted for Verita Road construction contributions. The City also funded a preliminary design exercise for Verita Road to assist in developing the contributions policy/future budget consideration.

#### **STATUTORY IMPLICATIONS:**

Construction of Verita Road and associated link roads/infrastructure will be undertaken in compliance with Commonwealth, State and Local Laws, policies and approvals. A number of approvals have been sought and will be finalised prior to construction occurring.

#### **POLICY IMPLICATIONS:**

A number of plans/policies relate to the Verita Road project including:

- Verita Road is identified on the W.A. Planning Commission's Greater Geraldton Structure Plan 2011;
- Portion of the Verita Road Reserve is depicted on the City's Local Planning Scheme No.5;
- Council also adopted the Verita Road Contributions Policy at its meeting in June 2011 to assist in determining contributions from abutting land developers towards the roads construction; and
- The Mid West Investment Plan identifies the Karloo-Wandina Project as a flagship project for the City/ Region.

#### **FINANCIAL AND BUDGET IMPLICATIONS:**

The City has received approval for two significant grants for the Karloo-Wandina Project:

- \$14 million from the Mid West Investment Plan (Royalties for Regions);
- \$9 million from Building Better Regional Cities (BBRC); and
- City contribution of \$5 million.

In addition, the Department of Housing is intending to progress the subdivision of at least 400 affordable housing lots that will have rebate incentives to reduce the cost of the lot to lower income households.

The project has the potential to ultimately deliver savings for not only for the broader community via the Department of Housing land holdings but also for other developers in the area. This infrastructure project delivers a new road network and infrastructure provision for the area assisting in maintaining affordability over a sustained period. The broader community will also benefit from better accessibility and connectivity between residential areas and workplaces/business.

The City has developed a project budget and the project is identified in the current budget. As detailed design/ tenders progress, it is expected that there will be refinements made to budget expenditure and work undertaken by MGM Pipelines will significantly assist the project in meeting its expenditure targets.

#### **STRATEGIC & REGIONAL OUTCOMES:**

##### **Strategic Community Plan Outcomes:**

Goal 1:	Opportunities for Lifestyle
Outcome 1.3:	Outcome 1.3: A safe, secure and supportive community.
Strategy 1.3.4:	Advocate improvements in housing affordability and access to appropriate housing
Goal 4:	Opportunities for Sustainability

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Outcome: 4.2	Improved transport and accessibility
Strategy 4.2.2	Improve our network of urban, rural and regional roads, cycleways, trails and paths

**Regional Outcomes:**

A project that will provide a significant transformation in the development of Geraldton through the provision of substantially improved road networks and connectivity linking the City's largest suburban areas (Tarcoola, Mount Tarcoola and Wandina) directly to the principal employment centre of the Webberton Light Industrial Area, key community facilities, links to the Geraldton Airport and City Centre and, into the future, directly linking with the expanding Narngulu Industrial and Logistics Area. The development of Verita Road and the connecting roads will also substantially improve road safety and traffic efficiency in the southern suburbs of Geraldton by removing substantial through traffic from existing residential areas and reduce existing and potential intersection conflicts on the Brand Highway as traffic levels continue to increase.

The flow on benefits to the local community in terms of the benefits to the local community in terms of jobs created both in the development and associated housing industry brings in further investment for 10+ years. Each new dwelling brings with it the need for a whole series of trades and services that flow into the broader community. Hundreds of both construction and ongoing jobs will be created, through the development phases of the project to servicing the ongoing needs of the community that ultimately lives in the area.

**ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:****Economic:**

The flow on benefits to the local community in terms of jobs created both in the development and housing industry brings in further investment for 10+ years. Each new dwelling brings with it the need for a whole series of trades and services that flow in to the broader community. With the stage 1 project alone 400 homes would be accommodated, at an average cost of \$200,000 means a private sector investment of a minimum of \$80 million. By the time the ultimate 1200 lots are developed over \$240 million of investment would have been expended just building homes alone.

**Social:**

With the provision of the proposed road connections and a crossing of the transport corridor the development opportunities for this landholding will be greatly enhanced, enabling staging to be considered at alternative locations, a greater level of amenity for the home buyer and future residents in terms of better access to work, recreation and shopping along with the opportunity for improved public transport links across the suburbs and to the Geraldton City Centre and recreation facilities.

**Environmental:**

There will need to be clearance of vegetation along some sections of the proposed roads and these will be the subject to the Department of Environments clearing requirements. As an offset the City has identified approximately 30ha of land within in Lot 9 that will be protected and rehabilitated for the community.

**Cultural & Heritage:**

There are no known heritage or indigenous impacts identified as part of the research undertaken to date, there is a no indigenous heritage site to the west of the proposed overbridge but this located within the Housing Authority's Structure Plan area and will be protected accordingly.

**RELEVANT PRECEDENTS:**

There are no relevant precedents.

**DELEGATED AUTHORITY:**

There is no delegated authority.

**VOTING REQUIREMENTS:**

Absolute Majority is required for the delegation. Simple Majority is required to support the intent and outcomes of the proposed legal agreements.

**OPTIONS:****Option 1:**

As per Executive Recommendation in this report.

**Option 2:****Part A**

That Council by Simple Majority pursuant to Section 3.18 of the Local Government Act 1995 that Council by Simple Majority RESOLVES to:

1. REFUSES to endorse the draft legal agreement between the City and Housing Authority (including the proposed land exchange); and
2. MAKES the determination based on the following reason:
  - a. To be determined by Council.

**Part B**

That Council by Simple Majority pursuant to Section 318 of the Local Government Act 1995 that Council by Simple Majority RESOLVES to:

1. REFUSE to endorse the draft legal agreement between the City and MGM Pipelines Pty Ltd for the slurry pipeline and return water pipe from the City's boundary through to Geraldton Port including pre-construction activities for Verita Road/Ackland Street extension.
2. MAKES the determination based on the following reason:
  - a. To be determined by Council.

**Option 3:**

That Council by Simple Majority pursuant to Section 3:18 of the Local Government Act 1995 RESOLVES to:

1. DEFERS consideration of entering into legal agreements with the Department of Housing/ MGM Pipelines Pty Ltd; and
2. MAKES the determination based on the following reason:
  - a. To be determined by Council.

**CONCLUSION:**

The two legal agreements will add more certainty to the Karloo-Wandina Project and will assist with the City achieving the requirements of the respective grants within the envisaged timelines.

The agreement with the Department of Housing is a critical component of the project and will ensure that the Commonwealth objectives for affordable housing are met and the required rebates are provided to purchasers.

The agreement with MGM Pipelines Pty Ltd will have a number of benefits for both the City and the community, it will:

- reduce earthworks costs for Verita Road/portion of the Ackland-Abraham Street link,
- Renew City pathway infrastructure and assist in removing weeds and rehabilitation of coastal areas.
- Assists in giving certainty to MGM Pipelines that it has a pipeline route from the mine to the Port, especially the section through to the Port where options are very limited.

**EXECUTIVE RECOMMENDATION:****PART A:**

That Council by Simple Majority pursuant to Section 3.18 of the Local Government Act 1995 RESOLVES to:

1. ENDORSES the draft legal agreement between the City and Housing Authority (including the proposed land exchange); and
2. GIVES notice of its intent pursuant to Section 3.58 of the Local Government Act 1995 to facilitate a land exchange with the Housing Authority in accordance with the attached plan (Plan No. LP/17/0001: Map 1) that is a portion of Lot 318 Scott Road and portion of Lot 9 Verita Road.

**PART B**

That Council by Absolute Majority pursuant to Section 5:42 of the Local Government Act 1995 RESOLVES to:

1. DELEGATE authority to the Chief Executive Officer to finalise and execute the legal agreement between the City of Greater Geraldton and the Housing Authority.

**PART C:**

That Council by Simple Majority pursuant to Section 318 of the Local Government Act 1995 RESOLVES to:

1. **ENDORSE** the draft legal agreement between the City and MGM Pipelines Pty Ltd for the slurry pipeline and return water pipe from the City's boundary through to Geraldton Port including pre-construction activities for Verita Road/Ackland Street extension. The agreement to include a community communication plan for the actual pipeline construction works (when they occur in the future) that involves community liaison and contact points for addressing any community concerns associated with the pipeline construction activity.

**PART D**

That Council by Simple Majority pursuant to Section 5:42 of the Local Government Act 1995 RESOLVES to:

1. **DELEGATE** authority to the Chief Executive Officer to finalise and execute the legal agreement between the City of Greater Geraldton and MGM Pipelines Pty Ltd.

**COUNCIL DECISION**

**MOVED CR RAMAGE, SECONDED CR GABELISH**

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1. DELEGATE authority to the Chief Executive Officer to finalise and execute the legal agreement between the City of Greater Geraldton and MGM Pipelines Pty Ltd.

**CARRIED BY ABSOLUTE MAJORITY 14/0**

5:50:26 PM

Mayor Carpenter	YES
Cr. Fiorenza	YES
Cr. Ramage	YES
Cr. Ashplant	YES
Cr. Brick	YES
Cr. Clune	YES
Cr. Middleton	YES
Cr. Messina	YES
Cr. Thomas	YES
Cr. Bennett	YES
Cr. Hall	YES
Cr. Mcllwaine	YES
Cr. Van Styn	N/V
Cr. Gabelish	YES
Cr. deTrafford	YES