

AGENDA

Greater Shepparton City Council

COUNCIL MEETING

3:00PM, Tuesday 21 November 2023

Studio 1, Riverlinks Eastbank

COUNCILLORS

Cr Shane Sali (Mayor)

Cr Anthony Brophy (Deputy Mayor)

Cr Seema Abdullah

Cr Dinny Adem

Cr Geoffrey Dobson

Cr Greg James

Cr Ben Ladson

Cr Sam Spinks

Cr Fern Summer

VISION

GREATER SHEPPARTON, GREATER FUTURE

A thriving economy in the foodbowl of Victoria with excellent lifestyles, innovative agriculture a diverse community and abundant opportunities

12.2 GV LINK Land Sale

Author	Senior Strategic Planner
Approved by	Director Sustainable Development
Purpose	For Decision at a Council Meeting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the Local Government Act 2020 officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration

RECOMMENDATION

That the Council;

1. Notes the GV Link – *Economic Valuation Report 3 – Final Report* by Ethos Urban dated 12 October 2023 (including all previous reports referred to therein) which confirms the findings of the *First Interim Report (Assessing Exceptional Circumstances Supporting Private Treaty Land Sales)* dated 23 May 2023, also prepared by Ethos Urban. This earlier report establishes the business case that exceptional circumstances exist justifying private treaty sales at discounted market values of lots within Stage 1, GV Link as an early mover advantage for purchasers prepared to commit to purchase and develop those lots within agreed development timeframes.
2. Acting under section 114 of the *Local Government Act 2020* (Vic) (Act), resolves to commence the required statutory processes to give notice of an intention to sell one or more lots within the proposed Stage 1 of GV Link, being the land generally shown on the plan titled GV Link – Staging Plan (current) as attached and being part of the land contained certificates of title Volume 11071 Folios 690 and 695 and Volume 12022 Folio 891, on the following terms:
 - I. to business operators, manufacturers, producers, or persons of a like nature;
 - II. at a discount to market value, as an early mover advantage; and
 - III. in consideration of commitments from the purchasers to the early development of part of the relevant lot.
3. In accordance with section 114 of the Act and the Greater Shepparton City Council Community Engagement Policy 2021, authorises that a public notice outlining Council's intention to sell lots within Stage 1 GV Link, and calling for submissions, be:
 - I. placed in the Shepparton News (or such other news publication chosen by Council officers); and
 - II. published on Council's website.

4. **Authorises the Chief Executive Officer and/or their nominees to undertake the administrative procedures necessary to carry out Council's functions under section 114 of the Act in relation to this matter.**
5. **Notes that, following the completion of the consultation process, any submissions received in relation to Council's intention to sell land within Stage 1 of GV Link will be considered by Council at a future scheduled Council Meeting.**
6. **Authorises the Chief Executive Officer to sign (on behalf of Council) memorandums of understanding (or such similar documents) with potential purchasers outlining the proposed terms of sale that would be acceptable to each such potential purchaser if Council decides, following compliance with section 114 of the Act, to sell any of the Stage 1 lots by private treaty.**
7. **Notes additional funding of \$100,000 to be provided in the 2023/24 budget to continue scoping and development of the site.**

Executive Summary

The development of land at GV Link has been a long held strategic goal of Council. Historically, whilst there has been varied levels of interest to establish operations on the site, the lack of services and infrastructure including adequacy of access has always been a deterrent to potential investors.

There is now growing interest in the GV Link site primarily attributed to the known lack of alternative available large industrial sites both locally and regionally. From evidence and anecdotally, large plots of land for industry, logistics and manufacturing, with efficient transport connections to major international and interstate freight gateways that are development ready, are hard to find.

It is apparent that GV Link has now reached the critical positive tipping point demonstrated by the growing interest from investors in the site. It is crucial Council capitalise on this interest as any development at GV Link can act as a catalyst to attract more businesses and industries to the site and surrounding region, thereby stimulating economic activity and generating significant employment opportunities.

There have been various assessments and reviews undertaken to ensure the necessary elements and processes are in place to capitalise on investor interest and facilitate the sale of land at GV Link. Given the circumstances, considering Council's Sale and Acquisition of Land Policy (July 2022) sale via private treaty is considered the most appropriate method of sale in this instance.

Whilst the above recommendation is deliberately broad (in order to provide flexibility), the current proposal is to develop and sell Lots 1 – 4 (as shown on the attached plan) as follows:

- sale of Lot 1 to a storage and warehousing operator for development of a new storage and warehouse facility on part of Lot 1;
- sale of Lot 2 to a food and beverage operator for the development of a new warehouse and manufacturing facility on part of Lot 2;
- sale of Lot 3 to distilling group for a development of a facility for the manufacture and warehousing of alcohol related products on part of Lot 3; and
- sale of Lot 4 to a pallet manufacturer for the development of a manufacturing and warehousing/logistics centre on part of Lot 4.

The main purpose of this report is to:

- Provide information for Council to consider selling land at GV Link via the private treaty process in accordance with section 114 of the Local Government Act 2020
- Provide relevant information on the GV Link project (project) so the Councillors have a clear understanding of the background and current status.
- Enable Councillors to make informed decisions regarding the next steps associated with the project, such as considering any submissions because of the section 114 process.
- Provide Councillors with the financial implications and risks associated with the project, i.e., how the net funding for Stage 1 (or expanded Stage 1) will be sourced, such as for any borrowing in subsequent financial years.
- Provide information on the updated marketing strategy.
- Provide Councillors with a status of the grant funding associated with the project.

Report Detail

Background

The Greater Shepparton City Council commenced investigation of the feasibility of developing an intermodal terminal in the region in 1997.

A summarised chronology of items undertaken to process the concept toward the ultimate operation of GV Link is provided below.

GV Link – Chronology

(1997-2002) Initial concept studies and several reports were commissioned to assess feasibility of GV Link along with delegation to seek government support.

(2003-2011) Commencement of the planning/design process, land acquisition, and feasibility.

(2014 to now) Further review, recent activity, and investor interest.

A more detailed chronology is provided as an attachment.

Previous Council reports, decisions, and outcomes

Council report dated 16 March 2010 resulted in Council adopting the following resolution:

“That the Council resolves:

- 1. In accordance with Sections 189 and 190 and 223 of the Local Government Act 1989, to give notice of, and invite public submissions in respect of, Council’s intention to sell or lease the New Lots to be created as part of the GV Link project, such New Lots currently forming part of the land contained in certificates of titles volume 11071 folio 144, volume 11071 folio 690 and volume 11071 folio 695.*
- 2. That in accordance with Section 223(3) of the Local Government Act 1989, the Council authorises the Chief Executive Officer, the Director Corporate and Economic Development and the Manager Business Support and Property to carry out the administrative functions necessary to undertake the procedures associated with the notice and submission process under Section 223, as required”.*

The necessary procedures and processes were undertaken and resulted in no land sales/lease contracts being secured. Council report dated 18 May 2010 resulted in the following resolution being adopted:

“That the Council resolves to authorise the sale or lease of New Lots to be created as part of the GV Link project, such New Lots currently forming part of the land contained in certificates of title volume 11071 folio 144, volume 11071 folio 690 and volume 11071 folio 695”.

At the time there were several reasons that land sales at GV Link did not occur including difficulty in securing an anchor tenant, uncertain timing of intermodal terminal and bypass construction, and availability of alternative large industrial lots as well as the lack of services, infrastructure, and roads.

Council report dated 15 April 2014 resulted in Council resolving:

That Council instruct officers to:

1. *Continue advocacy for the Shepparton Bypass*
2. *Abandon further investment in development of the site until investment on the bypass is announced, or an investor is secured*
3. *Report back to Council on next steps associated with the GV Link project if an investor is secured or bypass funding is announced*
4. *Develop a Marketing Strategy for the site*
5. *Make contact with Federal and State Governments and advise them that Council has been unable to meet the requirements of the funding agreements to secure an investor and commence discussions regarding reallocation of the remaining \$2.25M of Federal Government Funds and \$1.5M of State Government Funds previously allocated to GV Link. The funds would be reallocated to Greater Shepparton projects.*

Outcomes of each of the items from Council resolution (15 April 2014) is provided below.

Item 1 - Continue advocacy for the Shepparton Bypass

In 2019 the then Commonwealth Government (Liberals and Nationals) committed \$208 million to deliver Stage 1 of the Goulburn Valley Highway bypass of Shepparton.

Council and local Federal and State members continue to lobby State and Federal Government regarding the construction of the bypass. A strong emphasis of this lobbying is directed to the state government seeking the release of the business case for the project and a funding commitment.

Item 2 - Abandon further investment in development of the site until investment on the bypass is announced or an investor is secured

Council is presently conferring with four interested parties to purchase land at GV Link in Stage 1. Council officers are continuing commercial in confidence discussions with two other parties. As Council owns the land at GV Link, notice of any future sale must be given and a community engagement process undertaken in accordance with section 114 of the *Local Government Act 2020* before Council can resolve whether or not to sell any lots in Stage 1.

Item 3 - Report back to Council on next steps associated with the GV Link project if an investor is secured or bypass funding is announced

Council officers have been approached on an infrequent basis for opportunities to invest at GV Link. The GV Link project, extensively reported to Council in the past, has now reached a stage where individual lots created from the subdivision of the land can be considered for sale or lease or a combination of both, across the GV Link project.

Item 4. Develop a Marketing Strategy for the site

Finalisation of the marketing strategy has largely been dependant on both site interest and broader economic indicators. As such the marketing strategy update had been placed on hold until these indicators have been more favourable. The environment is now more positive, so Council officers are currently working on an update of all GV Link marketing and promotion material.

This will include updates to the existing prospectus and website to ensure information is more current, targeted, and appealing to drive further interest.

Item 5. Make contact with Federal and State Governments

Advise them that Council has been unable to meet the requirements of the funding agreements to secure an investor and commence discussions regarding reallocation of the remaining \$2.25M of Federal Government Funds and \$1.5M of State Government Funds previously allocated to GV Link. The funds would be reallocated to Greater Shepparton projects.

The Federal and State governments were advised of the inability of Council to meet the funding agreement requirements in April 2014. Consequently, officers worked with Commonwealth and State government officers and secured the remaining \$2.75 million (Commonwealth \$2.25m and State \$500,000) funding to have it repurposed and directed to increasing the capacity and efficiency of the Shepparton Alternate Route (SAR) involving;

- upgrading Old Dookie Road in Shepparton to reconstruct and widen the pavement between Shepparton Alternative Route and Drummond Road (\$1.2 million)
- upgrading the roundabout that intersects the Shepparton Alternate Route (Doyles Road) at Old Dookie Road and New Dookie Road (\$1.05 million)
- signalling intersection at Mitchell Street/Old Dookie Road (\$300,000)
- installing a slip lane at the corner of Bypass St and Lockwood Road. (\$200,000)

Council report dated 27 October 2022 resulted in Council resolving:

- *That the Council allocate funding to complete a revised detailed design for GV Link, at 250 Toolamba Road, Mooroopna.*

To further the Council's understanding of the likely development construction costs, and improve feasibility of the project, a review of the original design (copy of original staging plan is provided as an attachment) was undertaken. Spiire was appointed to undertake this review which identified that the development assumptions and standards were somewhat "over designed" for a project of this size and nature, particularly in relation to drainage, flood mitigation and land forming (and including road infrastructure).

The review sought to reduce the potential cost of site works whilst identifying the future development strategy options for the site, including the initial land area ready for development.

Issues and Next Steps

GV Link Staging Plan

Given the amount of land comprising the whole of the GV Link site, it is intended that GV Link is to be constructed and released in stages. The staging plan of the ultimate development layout of GV Link is provided as an attachment.

The project will start with the development of Stage 1 (Lots 1 – 4), which will include approximately 40ha of fully serviced lots. Works to prepare Stage 1 for future tenants include the following enabling infrastructure:

- Site clearing and earthworks.
- Extending core services (water, sewer, power, gas, and telecommunications) from Mooroopna to Simson Road, the northern border of GV Link.
- Construction of the internal road network (Simson Road).
- Drainage and catchment basin works.
- Lot preparation, including fencing and landscaping.
- Provision of early access if required.

Given the strong interest in GV Link, additional lots, such as lot 5 and 7 and potentially lot 6 may be added as an expanded Stage 1. However, the lots will not be developed as part of the initial works packages as the focus is on the delivery of Stage 1 (lots 1-4). The concept of expanding Stage 1 beyond lots 1-4 has been foreshadowed in the business case and will enable additional lots and subsequent investment to be realised sooner, rather than being delayed as part of wider Stage 2 considerations.

Proposed Works Program

The works program for Stage 1 is as follows:

- **Works package 0 – Design (WP0)**
WP0 is a design phase covering the delivery of service to the GV Link site. Specific elements include 2.5km of water, sewer and gas services from Mooroopna along Toolamba Road to the northern boundary of the site. Power and communication services will be delivered from their immediate easements along Toolamba Road. A concept design for the roundabout detailed in the below 'Works Package 2' will be developed within WP0, ensuring a viable integration of both designs.
- **Works package 1 – Provision of Services (WP1)**
WP1 will deliver services to Simson Road, the northern boundary of the GV link Regional Employment Precinct.
- **Work package 2 – Road Access Enhancement (WP2)**
WP2 includes the design and delivery of a single lane, 80km/h, B-Double rated roundabout upgrade to the intersection of Toolamba Rd and Simson Rd. An upgrade to Simson Rd will also be delivered. These works will provide the GV Link site with key access and gateway enhancement.
- **Works package 3 – Stage 1 Lot Development (WP3)**
WP3 will deliver 4 serviced lots and associated service infrastructure. Works will include site clearing and earthworks, construction of the internal road network, drainage and catchment basin works and fencing and landscaping of individual lots.

The intention is for Council to provide this enabling infrastructure (utility services) and road and civil infrastructure through a combination of Commonwealth, State and Council funding. Investors will be responsible for providing internal lot infrastructure (e.g., connections to core services, roads, etc.), and construction of facilities, such as warehouses/logistics centres.

In addition to infrastructure costs, given the various changes to legislation and planning provisions since the original planning/subdivision approval, a currency check to update the approval framework for the GV Link site will be required. This will necessitate an update of the previous reports undertaken including (but not limited to) flora and fauna assessments, soil contamination etc. Additional legal expenses will also be required to continue commercial negotiations with the interested parties.

Cost Estimates

To date, Council has invested considerable resources in designing infrastructure to cater for the GV Link project. While construction is yet to occur on site, further investment will be required to drive the current strong marketability of the GV Link site.

Preliminary cost estimates have been completed for each of the Stage 1 work packages above. The following table shows the estimated cost for each works package and sets out the expected income from lot sales and funding (based on the most likely funding model).

Works Packages – Estimated Cost/Expected Revenue

Task	Total Forecast (CAC)
	* CAC Cost at Completion
EXPENSE	
WP0 - Design	\$ 336,667
WP0 - Council Overheads	\$ 1,108,667
WP1 - Delivery of Services to Site	\$ 6,426,000
WP2 - Toolamba Rd Roundabout and Simson Rd Upgrade	\$ 10,667,650
WP3 - Stage 1 Development (Lots 1 to 4)	\$ 7,483,640
Risk - 20% Contingency	\$ 5,204,525
Escalation - 2%	\$ 1,356,333
Total EXPENSE	\$ 32,583,482
REVENUE	
Lot Sales	\$ (10,000,000)
State Funding	\$ (2,000,000)
Local Roads and Community Infrastructure (LRCI)	\$ (1,172,966)
Federal Funding	\$ (8,500,000)
Total REVENUE	\$ (21,672,966)
TOTAL	\$ 10,910,516

More broadly, the complete project costs and income are set out below. This table also includes the most likely funding scenario. There are several assumptions informing the figures which are difficult to predict, i.e., lot take up, lot price, and impact on lot price once Stage 1 is complete etc., and further government funding opportunities. Despite, the unknowns, the project is supported by the business case, both the need to proceed with enabling (utility connections to the site) and road works (irrespective of confirmed lot sales) and the broader economic benefits to region, including addressing lack of industrial land and job creation.

Expected Project Costs, Anticipated Funding, and Income

Works Package	Description	TEC (\$M)	Anticipated Funding (\$M)	Anticipated Land Sales (\$M)	CAC (\$M)
WP0	Project Prelims	7.2	0.0	0.0	7.2
WP1	Provision of Services	6.4	3.2	0.0	3.2
WP2	Prelim Civils	10.7	8.5	0.0	2.2
WP3	Stage 1	7.5	0.0	10.0	(2.5)
WP4	Stage 2	23.5	0.0	19.0	4.5
WP5	Stage 3	24.5	0.0	61.8	(37.2)
WP6	Shepparton Bypass	0.0	0.0	0.0	0.0
WP7	Intermodal	0.0	0.0	0.0	0.0
WPA	Adjustments	20.0	0.0	0.0	20.0
Totals		99.9	11.7	90.8	(2.6)

TEC – Total Estimated Cost

CAC – Cost at Completion

Funding

Funding for some of the infrastructure components of GV Link is principally being pursued through a variety of different funding streams as outlined below.

Regional Rail Revival program

The Australian and Victorian governments funded Regional Rail Revival program included \$10 million for the Shepparton Rail Freight Network Study. As part of this commitment, it was agreed between Victoria and the Commonwealth to allocate some of these funds to develop a freight demand study for the Goulburn Valley region, with the remaining funding to be allocated to targeted infrastructure initiatives. It is understood the potential upgrades identified by this plan significantly exceeded the allocated funding.

Council officers are presently seeking to have the remaining \$8.5million from the Regional Rail Revival program repurposed to early works at GV Link. This involves submitting a specific "Road Project Proposed Report" to the Federal Government for consideration.

Any repurposed funding would be used for specific Stage 1 road construction elements, involving;

- Gateway activation by upgrading the intersection of Toolamba Road and Simson Road to a roundabout.
- Upgrading approximately one kilometre of Simson Road to provide internal access.

Infrastructure Investment Program Strategic Review

In parallel to developing the Road Project Proposed Report Council officers have provided a submission to the Commonwealth's Infrastructure Investment Program Strategic Review that outlines the case to secure repurposed funding of \$8.5million for the road and roundabout construction elements of stage 1.

Local Roads and Community Infrastructure Program (LRCI Program) - Phase 4

A targeted component of this program is to improve rural, regional, and outer urban roads. Council can access approximately \$1.3million of the funding allocation for road construction elements of the development plan. These works need to be completed by 30 June 2025.

Additional Funding

An additional funding source has been identified by Council officers and is being explored namely the Commonwealth Governments Regional Precinct and Partnerships Program.

Regional Precincts and Partnerships Program (rPPP)

Council officers are currently preparing a funding application to the Commonwealth "Regional Precincts and Partnerships Program – Stream 2: Precinct Delivery". The rPPP is an open, non-competitive grants process that will support both the development and delivery of precincts across regional, rural, and remote Australia.

The emphasis will be on the delivery of regional precincts (in this instance a future industrial activity centre and support them to being investment ready).

Stream two of this funding is for delivery of projects as part of a precinct. The funding sought will, if granted, be used to activate Stage 1 of GV Link by extending services from Mooroopna and preparing around 40ha of the site for new businesses including road construction and is in the vicinity of \$30 million with a \$5 million contribution from Council.

However, if Council is successful in obtaining funding of \$25 million under the regional Precincts and Partnerships Program (rPPP) it will mean the following:

- Due to the rPPP funding needing to be spent by 31/03/26, it will need to be used to fund WP1, WP2, WP3 and a portion of WP0
- Other funding sources will need to be utilised to fund WP4
- The total financial outcome of the project will be \$27.6M profit. This profit could be used to fund projects such as:
 - Intermodal design and lot development
 - GV Link portion of Shepp Bypass design and partial construction funding

It should be noted however, that this will be an extremely competitive funding round.

Investor interest

Whilst over time there has been an array of investor interest in GV Link this has resulted in no actual commitment. It is recognised that there are a variety of reasons that can be attributed to this with one of the main factors being the lack of infrastructure, including road access to the site as well as limited services.

These elements need to be accommodated to both incite and maintain current and future investor interest. To this end the exact details and cost of the necessary services and infrastructure for Stage 1 as set out above in the cost estimates section of this report.

As noted in the *GV Link – Economic Evaluation Report 3*, this absence of core services and infrastructure to GV Link has proven to be a significant barrier to private investment. Numerous approaches from parties seeking to purchase and develop land in the GV Link Employment Precinct have not progressed. Approaches from various private sector organisations did not result in any successful transactions with them choosing to set up in alternative regional Victorian locations (e.g., Ballarat West Employment Zone, Logic Wodonga), which provided fully serviced lots within a short time frame.

It is understood that timing was seen as a barrier to pursue/set up at GV Link, given the lack of services and infrastructure, as well as a lack of confidence that the project would be undertaken by Council.

The benefit of pursuing the provision of these service and infrastructure elements at GV Link is in promoting renewed investor interest in land at GV Link. Council is currently negotiating with several separate parties regarding sale of land at GV Link. Preliminary non-binding Memorandums of Understanding (MOUs) for the purchase of land at GV Link are currently being negotiated with interested parties in an endeavour to ascertain the terms upon which prospective purchasers would be willing to purchase lots within Stage 1, if Council were minded to sell and resolved to do so following compliance with section 114 of the *Local Government Act 2020*. The lots of initial interest are those positioned to be more readily developable i.e., Lots 1, 2, 3 and 4 in Stage 1. The *GV Link – Economic Evaluation Report 3* previously referred to establishes that exceptional circumstances exist justifying private treaty sales of these lots.

Local Government Best Practice Guideline for the Sale, Exchange, and Transfer of Land (June 2009)

Whilst this document, published by the former Department of Planning and Community Development, does not have regard to section 114 of the *Local Government Act 2020* and is based upon the corresponding (now repealed) provisions of the *Local Government Act 1989*, this guideline is still regarded as enunciating principles of best practice in relation to the sale of Council land, at least until new guidelines are issued which have regard to the current provisions in the 2020 Act.

This guideline provides, as a general principle, that sales of Council land should be conducted through a public process, (such as public auction, public tender or by registration of expressions of interest) unless circumstances exist that justify an alternative method of sale, such as a sale by private treaty. The *GV Link – Economic Evaluation Report 3* previously referred to establishes that exceptional circumstances apply in this case justifying Council considering the sale of Stage 1 lots by private treaty.

Sale and Acquisition of Land Policy (July 2022)

The process of selling land is governed by section 114 of the *Local Government Act 2020*. Council's *Sale and Acquisition of Land Policy* (July 2022) adds layers of additional considerations for Council and provides guidance to help processes meet best practice and legislative requirements.

Section 1.3.3 sets out the matters Council need to consider prior to the sale of land that is outlined in a property land assessment. The property land assessment is provided as an attachment. In summary, it is deemed that the subject land at GV Link is not required for retention by Council and, therefore, can be set aside for sale.

In determining the method of sale, given the strategic uniqueness of the land, the serious intent of the expressions of interest received and evidence of previous unsuccessful methods of sale, it is considered the most suitable method of sale of land at GV Link warrants proceeding directly to sale by private treaty. The *GV Link – Economic Evaluation Report 3* establishes that exceptional circumstances apply justifying such private treaty sales. It is anticipated that the selling and or letting of the lots will go on for several years as the stages of GV Link are progressively developed.

Accordingly, to enable the sale of land in Stage 1 GV Link to commence, a Council resolution approving the commencement of the statutory process under the provisions of section 114 of the *Local Government Act 2020* is required, as provided in the recommendations of this report.

Section 1.3.6 outlines the statutory requirements for the sale of Council land as set out in Section 114 of the *Local Government Act 2020* and aside from public notice and community engagement requirements, requires a valuation of each lot sold, which is not more than 6 months old at the time of sale. The time of sale is the date of execution and exchange of contracts of sale between the parties.

As indicated in the abovementioned policy, “the sale price of Council Land sold by private treaty should not be less than the market value as determined by Council’s valuer, unless a price below market value is supported by Council’s valuer and Council’s Delegate, having regard to prevailing market conditions and any other relevant considerations at the time of sale.”

Valuation

A valuer (Opteon (Goulburn Northeast Vic) Pty Ltd) was engaged to provide a valuation of indicative land parcels situated on the southwest corner of Toolamba Road and Simson Road. The assessment was provided on a ‘rate per square metre’ value for both a parcel of 10 hectares, and a parcel of 25 hectares.

Marketability of the site is considered good particularly as there has been a “significant take up in large greenfield industrial sites in regional centres of Victoria, and supply of such assets is now considered to be at a 20-year low”.

This observation is consistent with the findings of the *Industrial Land Supply and Demand Assessment* undertaken in 2022 and 2023 which also highlighted there was a distinct lack of availability of large industrial lots – see below.

The valuation provided is based on the provision of services to the (boundary of the) site. Any internal service connections to the building would be the developer’s responsibility.

In determining the value an analysis of market evidence of sales of other large industrial sites across regional Victoria and New South Wales was provided. This included sales in the more established LOGIC centre of Barnawartha North reflecting \$25/sqm for an 11.8 Ha site, and \$32/sqm for a smaller site of 3.7 Ha. It was considered that these benchmarks are very comparable to the subject land, after adjustment for specific locational factors.

The valuations also provide support for the current lot prices under negotiation.

Other Regional Intermodals

There have been comparable freight precincts established in regional areas of Wodonga (Logic), Ballarat (Ballarat West Employment Zone) and Albury (Nexus) to support economic growth and the prosperity of these regional locations. All these sites have required considerable upfront infrastructure investment from all levels of government to provide the catalyst for subsequent private sector investment and development.

Common to all sites was the selection of large land holdings abutting rail to enable the further operation of an intermodal terminal. The operation of the rail terminal is an ultimate outcome at GV Link, and the site choice enables this outcome to be future proofed consistent with the evolution of development at both BWEZ, Logic and Nexus.

These freight precincts have been designed and constructed to enhance business productivity, with access from the site to the surrounding transport network design for Heavy Productivity Freight Vehicles. These sites have provided regionally based alternative sites to GV Link.

Solar Farm

A potential advantage of GV Link to other regional freight precincts is the future operation of a solar farm on part of the GV Link site to the east of Toolamba Road.

The then Minister for Planning on the 6 July 2022, issued a planning permit (PA2000932) for Goulburn Valley Community Energy (GVCE) Mooroopna Solar PTY LTD to construct a 21MW solar PV array with a 5MW battery storage system on the land known as 250 Toolamba Road Mooroopna

Council is the landowner of this site and has issued a lease for GVCE to occupy this site for the purpose of building and operating a solar farm for a period of 25 years, with an option by the leaseholder to renew the lease for a further 25 years. The lease period will commence once the project has reached financial close, estimated to be in October 2024.

GVCE Mooroopna solar farm design is progressing towards the 1 March 2024 construction commencement date. The proponents have a preference to connect the entire facility (or part) directly to the adjoining property being GV Link (west), through a privately owned microgrid.

Recent Studies

Several recent studies have been undertaken to both update the economic elements of GV Link and to importantly provide the necessary information to support the latest funding submissions to the Federal government. Below is an overview of the outcomes of these studies;

GV Link Economic Evaluation

This evaluation comprises three reports namely

- Interim Report 1 – Economic Evaluation, Assessing Exceptional circumstances
- Interim Report 2 – Economic Evaluation, Economic Benefits
- Final Report – Economic Evaluation

Interim Report 1 sought to determine whether exceptional economic circumstances exist to pursue land sale at GV Link via private treaty and consider any probity issues. The evaluation considered the previous unsuccessful effort to progress GV Link, the local economic growth, shortage of land industrial lots, loss of funding and recent growing interest in the site. The outcome being that there is considered sufficient exceptional circumstances for Council to consider entering private treaty arrangements with purchasers of initial lots at GV Link.

Interim Report 2 was prepared to assess the economic benefits of stage1 and to support the funding application to repurpose the remaining \$8.5million from the Regional Rail Revival program (Rail Freight Planning). The report concluded that there would be substantial benefits to the local economy if Stage 1 GV Link was successfully developed and operated. These benefits would derive from increases in economic activity and additional employment.

Final Report summarises the above interim reports as well as undertaking an assessment of specific issues concerning the potential development of GV Link. This report stresses that providing the enabling infrastructure including road access improvements to deliver the initial lots in Stage 1 is the number one priority and that without this infrastructure GV Link will not advance.

Overall, in undiscounted terms, the successful development of GV Link Stage 1 would result in cumulative value-added of \$3.19b billion to the Greater Shepparton economy over the 20-year period 2023 to 2042. Most of this economic benefit would be generated by ongoing jobs in the businesses that first become operational in 2027.

The report also concludes that;

From a market point of view, as has been emphasised throughout, the problems associated with the absence of basic services are critical. In our view, enabling infrastructure, including improvements to road access, is the #1 issue to be addressed – without basic services being made available, GV Link simply cannot advance.

Not only is providing services needed from a practical viewpoint, but it would also send a strong signal to the market– Council has commitment to the project and GV Link is open for business.

GV Link Business Case

The expected outcomes and benefits from the delivery of a successful Stage 1 of GV Link outlined in the Business Case include the attraction of future investment, enhancing the competitiveness of the local and regional industry, easing the pressure on industrial land supply as well as long term economic benefits.

In addition, the Business Case highlights that a successful Stage 1 GV link has the capacity to generate long term economic benefits, including:

- 80 direct and 70 indirect jobs over the enabling infrastructure construction phase.
- Substantial private investment in building approximately 140,000m² of factories and warehouses supporting approximately 770 direct and 780 indirect jobs.
- \$138m (discounted) added to the economy during the construction phase.
- 720 direct and 540 indirect jobs from 2036 onwards.
- Additional value-added to the economy generated by ongoing employment at Stage 1 GV Link over a 20-year appraisal period of \$1.3b (real \$2023 discounted to PV) or an average of \$78m per annum, once the first site is operational in 2026/27.

Further economic as well as environmental and social implications/impacts are provided later in this report.

Industrial land supply and demand assessment (2022) - highlights that Greater Shepparton is currently experiencing a rapid increase in the actual consumption of industrial land at unprecedented levels. In total, there are only 109 vacant industrial allotments, representing a lot of vacancy rate of just 11%. Both the quantum and vacancy rate relative to metropolitan Melbourne and other major regional Victorian centres is considerably low. Typically, the lot vacancy rate is from 25 to 30%.

The Industrial Land Supply & Demand Assessment undertaken in 2019 also highlighted that the shortage of larger industrial lots particularly between 1 and 5 hectares within the City of Greater Shepparton is an ongoing issue. The research in this assessment showed that of the last 114 industrial lots created in the municipality since 2004, only six have been larger than a hectare in area.

The GV Link site will significantly contribute to the supply of industrial land for the region with many lots proposed to be greater than 5,000sqm. By creating large lots for large-scale businesses, the site will facilitate expansion of existing industries that are constrained in existing locations, creating investment opportunities and boost job creation.

Industrial land supply and demand assessment (2023)

A recent review of Industrial land prepared by Spatial Economics (2023) indicates that with the eventual development of the GV Link Freight and Logistics Centre there will be less pressure for other precincts in Shepparton to provide land for logistic (or logistic related manufacturing). This means there will be less demand for larger lots in the other precincts, and it is likely that they will be subdivided for smaller uses.

However, the GV Link site requires significant up front infrastructure investment to enable the site for freight and logistic development.

It is clear that there are limited vacant industrial lot stocks across Greater Shepparton, both in terms of smaller and larger allotments.

The lack of larger allotments is an issue for potential large industrial land users to locate/expand in Shepparton and as a land supply source for potential subdivisions.

In total, there is between 5 to 7 years supply of zoned industrial land across Greater Shepparton and an additional 6 to 7.5 years supply of land identified for future industrial zoning/development.

The estimation of 5 to 7 years supply of zoned industrial land masks the current deficiency of zoned industrial land across Greater Shepparton.

In total, there are only 104 vacant industrial allotments, representing a lot vacancy rate of just 10%. Both the quantum and vacancy rate relative to metropolitan Melbourne and other major regional Victorian centres is considerably low. Typically, the lot vacancy rate is from 25 to 30%.

Furthermore, there are significant deficiencies in the lot size composition. Since 2009, 30% (35 lots) of all industrial land consumption was on lots sized greater than 0.5 hectares. Currently there are only 27 vacant lots sized over 0.5 hectares. In addition, there are only 3 lots sized greater than 5 hectares, and one over 10 hectares. This provides limited choice for potential large industrial land users and limited stock for further subdivision to smaller allotments.

Spatial Economics considers there are currently insufficient zoned broad hectare land stocks to meet the requirements in the medium to longer term. Greater Shepparton is currently experiencing a sustained increase in the consumption of industrial land.

Benefit Cost Assessment – this assessment anticipated to yield a negative return however the focus was only on the road user benefit component undertaken as part of the application to repurpose the Regional Rail Revival program (Rail Freight Planning) funding. It does not include an assessment of other benefits and costs such as economic, environment and social.

Despite this assessment presenting a negative BCR initially, the consideration of a broader range of benefits when evaluating infrastructure projects is needed as the positive outcomes, are often intangible and/or long-term. GV Link provides a solid foundation for future growth and development. It has the attributes particularly the industrial lot sizes suitable for large industrial operations and those wishing to consolidate their operational activities at one location. Investor interest and activity at the site will stimulate economic growth, and employment leading to increased revenue generation ensuring a promising trajectory for the region's economic progress.

Council Plan/Key Strategic Activity

- a) Greater Shepparton City Council Plan 2021-2025
 - Theme - Vibrant and Diverse Economy
 - 3.5 Encourage and facilitate investment and expansion.
 - Theme - Infrastructure and Technology
 - 4.5 Support the development of GV Link.

Risk Management

A business case has been completed which reviews the project and provides guidance on the implementation. The business case has examined barriers to activation of GV Link and the implications for not moving forward with the project. Cash flow analysis and future delivery pathways were also examined. The options highlight advantages and potential risks.

Importantly, the report concluded that the commercial feasibility of Stage 1 is less important than the economic benefits that would accrue.

And ... "Achievable land sale prices, in particular, will be highly sensitive to prices offered by competing industrial and logistics centres." And "In any event, irrespective of whether early land sales can be transacted, Council must demonstrate tangible progress towards activating GV Link. This demonstration, of progress, which includes detailed design, costed work programs, legal expenses, and funding applications, will, with a high probability, require Council to commit some of its own funds."

Future investment beyond Stage 1 (or expanded stage 1) will be subject to further review and explore future delivery pathways as mentioned above.

Further, the report concludes that;

Providing enabling infrastructure to GV link, including road access improvements, is the #1 priority and should be progressed as soon as possible, despite Council facing some financial risk.

It should be noted that progressing Stage 1 (or expanded Stage 1) or early enabling works forming part of Stage 1 (i.e., service extensions to the site boundary from Mooroopna) may require consideration of how the Council contribution to the project will be sourced, such as borrowing. This is because the project may create financial obligations not contemplated by the 23/24 budget or 4-year financial plan. Any commencement of early works in the 23/24 budget year will need to consider if section 95 1(b) and 1(c) of the *Local Government Act 2020* may apply. Further advice is being sought on this issue.

Consideration must also be given to Council's borrowing capacity (including funds to service repayments) at the time, which is limited. Council must also have sufficient liquidity to cover the loan repayments as they fall due at the time. This liability may result in Council not being able to pursue (or having to defer) other strategic priorities that would require borrowings at a similar time. Council is, from a financial sustainability perspective, is monitored against a couple of different audited risk indicators.

Additionally, as noted in this report, the Council's contribution is also provided/off set through land sales and future rate revenue from the site. There are risks that failure to achieve lot sales for Stage 1 (or expanded Stage 1) results in pressure on Council's financial sustainability.

However, as noted earlier in this report, following the completion of Stage 1 (or as expanded) a review needs to be undertaken on delivery pathways and land revaluation process to determine the commencement of further stages.

Risks	Likelihood	Consequence	Rating	Mitigation Action
Negative Public Perspective	Possible	Moderate	Medium	Media Release regarding the benefits of the project.
Investor not secured	Possible	Moderate	Medium	Develop and implement a GV Link Marketing Strategy and update prospectus
Repurposed Federal funding not realised	Possible	Moderate	Medium	Identify other funding streams including the Commonwealths Regional Precincts and Partnerships Program
Project does not proceed	Possible	High	High	Abandon project Potential sell all GV Link site
Future land sales are not realised at projected sale price	Possible	Moderate	Medium	Review valuations post construction of stage 1 (or expanded) and review delivery options/market analysis etc

Policy Considerations

GV Link is underpinned by a body of sound policy and has been reserved, zoned, and acquired to facilitate the development. As outlined below the project aligns with various key objectives and/or actions of relevant government strategies. More details of the alignment are provided as an attachment.

Local Government

Shepparton & Mooroopna 2050: Regional City Growth Plan
 Greater Shepparton Economic Development Tourism and Major Events Strategy (2017-2021)
 Greater Shepparton Freight and Land Use Plan 2013
 Greater Shepparton Planning Scheme

Regional

Hume Strategy – Regional Growth Plan
 Hume Region – Planning for Freight
 Northern Victoria Regional Transport Strategy
 Freight Directions in the Hume (RDA)
 Goulburn Valley – Invest in Victorian agriculture and food
 Regional Cities Victoria

State Government

Victorian Freight Plan – Delivering the Goods
 Moving More with Less (2021)
 Victoria Infrastructure Strategy 2021-2051
 Plan Melbourne 2017-2050

Federal Government

National Freight and Supply Chain Strategy

Financial Implications

Summary of cost estimates

An overview of the cost estimates to carry out initial delivery of services, complete the overall development of Stage 1, and potential anticipated revenues and external funding sources, is set out under the “Cost Estimates”, “Funding”, and “Additional Funding” sections above.

Further comments

The ability to secure sales or other leasing or commercial arrangements in respect of the Lots 1-4, Stage 1 may enable the Council to achieve some financial return, offsetting a portion of the costs of the GV Link project and confirming the securing of Victorian and Australian government funding.

Current strategic financial protections anticipate spreading stage 1 construction costs across three years. This is dependent upon sale of the first lots to be released and will be undertaken once a sale occurs. Future stage developments will occur once further lots are sold, and demand warrants the construction and further sales. As expenditure is dependent upon sales, and future Council approval, the timing of expenditure is an estimate and actual timing may vary considerably.

At the 27 October 2022 OCM, the Council resolved to complete the detailed design with an anticipated cost of \$500,000. As of 30 September 2023, \$106,384 was spent in the 22/23 Financial year, and YTD, a further \$81,870 has been spent. Tenders have now closed and are being assessed for the remaining design contract, but it is expected that to finalise the design, the full \$500k will be expended.

Additional funding may be required if tenders are greater than the predicted budget. Project manager costs are also being partly funded by this budget allocation.

In addition to the design budget (capital expenditure), there has also been other expenses incurred by the project (operation expenditure). This expenditure primarily relates to the need for further project scoping and development, i.e., flood hydraulic modelling, consultancy relating to the business case preparation, funding applications, preparation of a BCR (Benefit Cost ratio) and legal expenses incurred in relation to negotiations with investors.

The 22/23 expenditure was \$144,056 and as of 30 September 2023, the year-to-date expenditure is \$73,894. It is anticipated that further funding will be required for legal costs as negotiations continue, valuations, and importantly, review of some of the technical reports relating to the planning permit application.

The reports referred to were previously prepared for the planning application. These reports need to be both reviewed for currency and updated to reflect changes in legislation. At this time, the costs incurred have been accommodated within the existing operating budget process.

A cost summary is provided below.

GV Link - Summary of Expenditure Incurred and Budget Required - 2022/23 and 2023/24

	2022/23 Actuals	2023/24 Actuals	Commitments	Further Costs	TOTAL
Capital					
Project Management*	75,349	36,075	23,576		135,000
Utility Design	31,035	45,795	84,330		161,160
Design Estimate	-	-	-	203,840	203,840
Sub Total Capital	106,384	81,870	107,906	203,840	500,000
Operating					
Project Management*	75,349	36,075	23,576		135,000
Legal	29,123	20,459	1,025	50,000	100,607
Land Valuation	8,000	2,000	-	10,000	20,000
Flood Modelling	8,700	-	-		8,700
Business Case Preparati	22,885	15,360	31,255		69,500
Sub Total Operating	144,056	73,894	55,857	60,000	333,807
TOTAL	250,440	155,764	163,763	263,840	833,807

Financial implications of sales and development proceeds

If Council commits to the sales of the lots within Stage 1, there is presently an estimated spend of up to \$32.6 million to fully develop Stage 1 (subject to construction tender responses), part of which is aimed to be, but which is not guaranteed to be, funded by State and/or Commonwealth funding and sales revenue, but there may still be a shortfall to be funded by Council.

It would be open to Council to limiting its initial works commitment to the delivery of a services package described as WP1 *Delivery of Services to Site*, with a total estimated spend of up to \$7.5 million. Any such works are not allowed for in the current budget and would have minimal impact upon the current financial year, given that any such works (if any) undertaken in this financial year would be limited (likely to be in the range of \$500K-\$1M worth of works).

Implications for Council's forward budgeting in successive financial years would need to be considered at the appropriate time.

There would be benefits to completing the WP1 *Delivery of Services to Site* even if future development of GV Link did not progress, given the services would increase the saleability and marketability of GV Link.

Legal/Statutory Implications

The recommendations of this report comply with the legislative requirements of the *Local Government Act 2020*.

In particular, the method of sale is in accordance with the requirements of Section 114 of the *Local Government Act 2020* and supported by Council's Sale and Acquisition of Land Policy (July 2022) and the *Local Government Best Practice Guideline for the Sale, Exchange, and Transfer of Land* (June 2009).

Following completion of the statutory process, Council needs to consider any submissions received and a report will be considered outlining the proposed recommendations for the next steps.

Environmental/Sustainability Impacts

The activation of GV Link will;

- Provide the simulates for the take up of the industrial lots at GV Link enabling the amalgamation of business operations to one site rather than operators having to drive from warehouse to warehouse across Shepparton/Mooroopna.
- Provide the opportunity to concentrate industry close to the significant irrigated areas of Northern Victoria being the area where much of the agriculture and manufacturing product is generated thereby improving freight efficiency and reduce transportation distances and cost.
- Lead to better traffic management, reduced congestion, and improved fuel efficiency thereby leading to a decline in greenhouse gas emissions and a lower environmental impact.
- Drive the potential for the industrial lots within GV Link to explore direct connection to the approved GV Community Energy (Akua) 21 MW solar farm thereby reducing energy costs for industry.
- Stimulate the exploration of developing aspects of GV Link as a green energy precinct
- Strengthen sustainability of the transport and manufacturing network in the Goulburn Valley.

Social Implications

The activation of GV Link will;

- Consolidate industrial activity in a large industrial area that will not detrimentally impact the amenity of Shepparton and Mooroopna residents.
- Facilitate significant job creation by providing access to job opportunities that will invariably build stronger communities.
- Benefit the local community that is particularly vulnerable to the impacts of significant flood events. The development of GV Link will include drainage infrastructure that will provide much needed relief to local residents, reducing the impacts from serious flood events.
- Potentially encourage some freight mode shift into the future which will help reduce road congestion caused by freight vehicles thereby enhancing road safety.

Economic Impacts

The activation of GV Link will

- Build investor confidence in the GV Link industrial site and importantly the prosperity of the Goulburn Valley region.
- Be advantageous to support an increase in regional freight services to meet the needs of a growing population, promote employment opportunities and support business growth and investment.
- Lower capital and operating costs on road maintenance and reduce infrastructure maintenance.
- Position the region for substantial economic growth and prosperity by attracting investment, that supports overall development not just for Shepparton but also for Mooroopna, Tatura, and surrounding municipalities
- Leverage off strategic location, excellent infrastructure, access to labour markets and cheaper property costs.
- Affirmatively respond to the growing freight task and urban population growth in the Goulburn Valley region.

Consultation

Internal consultation with the GV Link Board, relevant departments including Planning, Investment Attraction, Major Projects, and Finance has occurred to develop this report. Officers believe appropriate consultation has occurred and is ready for consideration.

Level of public participation	Promises to the public/stakeholders	Examples of techniques to use
Inform	Continue to inform and provide updates on project	Social media, traditional media avenues and engage the community
Consult	Potential investors	Meetings
Involve	Federal and State Government	Regular Reporting

The GV Link project overall, has been subject to extensive consultation, through the planning process and by reference to various stakeholder groups including Australian and Victorian government agencies and industry groups and experts.

Officers believe that appropriate consultation has occurred, and the matter is now ready for Council consideration.

Section 114 of the *Local Government Act 2020* requires Council, before selling or exchanging land, to publish notice of its intention to sell the land, undertake a community engagement process in accordance with its community engagement policy and obtain a recent valuation. This report recommends that Council begin this process and further consider this item after the completion of the consultation process.

Strategic Links

Greater Shepparton 2050 Strategy

- Plan 2 (Growth Framework Plan) and Plan 3 (Industrial Growth Area) identify GV Link as a key site.
- Strategy 1.1 highlights GV Link as a site where the expansion of the freight and industrial sector will be a key action.

Conclusion

The economic growth within the region particularly within the agricultural and food manufacturing sectors has seen the freight task in the region continue to significantly increase. Locationally the GV Link site presents the opportunity to maximise upon the capacity of the existing major transport corridors which is a distinct advantage not available to other regions in Victoria.

GV Link offers large unencumbered industrial lots with plans in place to develop an onsite intermodal that would support the consolidation of freight handling, freight modal interchange and distribution from the Goulburn Valley as well as the irrigation area and extensive cropping areas of Northern Victoria and Southern Riverina.

Current timing with respect to leveraging funding and the opportunity to potentially capitalise on the operation of the solar farm provides both positive operational and economic circumstance that should be taken advantage of to drive the future prosperity of the Greater Shepparton and the broader Goulburn Valley region.

The sale of land and development of industrial operations at GV Link is a long held strategic aim of Council. Investor interest in the site is presently at an all-time high. This is attributed to the current lack of large industrial sites in the region and the clear commitment to having the lots serviced and development ready.

Council officers have been working to clearly identify the costings and infrastructure and service components of Stage one to ensure potential investors are well informed to path the way to committing to land purchases.

The most appropriate method of sale of land at GV Link is sale via private treaty given the strategic uniqueness of the land, the serious nature of the expressions of interest received and evidence of previous unsuccessful public methods of sale. This is supported by the Business Case previously referred to, which establishes that exceptional circumstances exist in relation to Stage 1, GV Link justifying the sale of Lots 1-4 by private treaty. The process and procedures to undertake this process are set out in section 114 of the *Local Government Act 2020*.

Attachments

1. Strategic Alignment [12.2.1 - 10 pages]
2. Chronology [12.2.2 - 2 pages]
3. Property Land Assessment [12.2.3 - 3 pages]
4. Staging Plan (current) [12.2.4 - 1 page]
5. Staging Plan (original) [12.2.5 - 1 page]
6. Economic Evaluation Report - November 2023 [12.2.6 - 60 pages]
7. Business Case - 08 November 2023 [12.2.7 - 27 pages]