

Agenda

Special Meeting

Monday, 8 November 2021

commencing at 9:00am

Council Chambers, 1 Omrah Avenue, Caloundra

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1 DECLARATION OF OPENING

On establishing there is a quorum, the Chair will declare the meeting open.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**3 INFORMING OF CONFLICTS OF INTEREST****3.1 PRESCRIBED CONFLICTS OF INTEREST**

Pursuant to section 150EL of the *Local Government Act 2009* (the Act), a Councillor who has a prescribed conflict of interest in an issue to be considered at a meeting of the local government must –

- (a) immediately inform the meeting of the prescribed conflict of interest including the particulars stated in section 150EL(4) of the Act and
- (b) pursuant to section 150EM(2) of the Act must leave the place at which the meeting is being held, including any area set aside for the public, and stay away from the place while the matter is being discussed and voted on.

3.2 DECLARABLE CONFLICTS OF INTEREST

Pursuant to section 150EQ of the *Local Government Act 2009*, a Councillor who has a declarable conflict of interest in a matter to be considered at a meeting of the local government, must stop participating in the meeting and immediately inform the meeting of the declarable conflict of interest including the particulars stated in section 150EQ(4) of the Act.

If the Councillor with a declarable conflict of interest does not voluntarily decide not to participate in the decision, pursuant to section 150ES(3)(a) of the Act the eligible Councillors must, by resolution, decide

- (a) whether the Councillor may participate in the decision despite the Councillors conflict of interest or
- (b) that the Councillor must not participate in the decision and must leave the place at which the meeting is being held, including any area set aside for the public and stay away while the eligible Councillors discuss and vote on the matter.

The Councillor with the declarable conflict of interest must comply with any conditions the eligible Councillors impose per section 150ES(4) and (5) of the Act.

4 REPORTS DIRECT TO COUNCIL**4.1 SUNSHINE COAST AIRPORT MASTER PLAN - PROPOSED PLANNING REGIME****File No:** D2021/1116084**Author:** Director – Major Projects and Strategic Property
Office of the CEO**Attachments:** Att 1 - Planning Regime for Australia's Largest Airports 21  
Att 2 - SCA Planning Framework Options 23  **PURPOSE**

The purpose of this report is to seek the support of Council for an application to Economic Development Queensland for the Sunshine Coast Airport (SCA) site to be declared by regulation as a Priority Development Area (PDA) under section 37 (1) of the *Economic Development Act 2012*.

Should Council support this proposal, Council's authorisation is also sought for the Chief Executive Officer to inform the Deputy Premier and Minister for State Development, Infrastructure, Local Government and Planning (as the Minister responsible for the *Economic Development Act 2012*) that Council supports the declaration of the SCA site as a PDA.

EXECUTIVE SUMMARY

By their nature and due to the scale of the assets and investment involved, airports operate on long-term planning horizons to ensure they can continue to meet (over time) the needs of the travelling public, airlines, tenants, investors and the communities they support. For this reason, major airport operators generally operate from a platform of an approved master plan, to support the management, operation, and evolution of airport operations well into the future. Clarity and certainty of investment and infrastructure deployment are critical to maintaining serviceability and accessibility of airport operations, as well as providing greater certainty for communities and the businesses that operate from, or rely on, the airport site and services.

In the case of the SCA, an Airport Master Plan was prepared and in October 2019, it was acknowledged by Council that it met the contractual requirements under the terms of the 99-year SCA commercial lease agreement that came into effect on 1 December 2017, between Council and Palisade Investment Partners. Under the terms of the commercial agreement, Council retains ownership of the Airport land but responsibility for the Airport site and infrastructure, its associated operations and for the tenancies and services operating from the site, transferred to SCA Pty Ltd (which is owned by Palisade Investment Partners).

The SCA is also identified in the *Sunshine Coast Regional Economic Development Strategy 2013-2033* (REDS) as a key region-shaping asset, providing direct access for the region to national and global destinations and markets. The SCA is one of the region's most significant economic assets. The REDS also identifies the expanded SCA, with its enhanced international capability, can offer:

- a platform for a diverse aviation and aerospace industry hub of national significance; and
- a new - and direct - international business, food export and tourism gateway within the region, facilitating connectivity with international export markets and greater visitation

opportunities. This is of particular relevance given the Sunshine Coast's role as a Key Delivery Partner in the 2032 Olympic and Paralympic Games.

The roadmap for realising the potential envisaged for the SCA, so that it can be the asset for the Sunshine Coast that Council has always intended it to be, is reflected in the SCA Master Plan. Facilitating the timely planning and delivery of the SCA Master Plan will enable the realisation of key strategic outcomes for the Sunshine Coast including:

- Increasing commercial aviation to further support tourism and business travel
- Investment in the delivery of an expanded aerospace precinct to improve infrastructure to better position the general aviation sector for growth and development
- Promoting and facilitating the region's food and agriculture industry through interstate and international import and export markets.
- Building resilience and diversification in the business to secure new revenue streams, by developing activities that are complementary to the functions of the SCA, but not inconsistent with the operations of an airport.

The *Sunshine Coast Planning Scheme 2014* was put in place prior to the current model of ownership for the SCA being determined and prior to the development of the SCA Master Plan 2040.

The effect of the COVID-19 pandemic on the tourism industry and airport operations has emphasised the importance of SCA Pty Ltd pursuing supplementary revenue streams consistent with its Master Plan and aligned with the commercial partner's investment plans. As indicated above however, for the SCA to achieve the outcomes that have always been envisaged for that asset – and with appropriate certainty - an appropriate land use planning regime needs to apply to the site. The current planning regime (i.e. through the *Sunshine Coast Planning Scheme 2014*) is not a responsive instrument that affords sufficient certainty for the necessary investment in the site to be realised.

Furthermore, a matter of particular relevance and concern to Council in this context is that the ability to undertake its planning and development assessment responsibilities under the *Planning Act 2016* gives rise to a conflict of interest for Council, given its distinct roles in relation to the SCA site, being:

- (a) as a local government established under the *Local Government Act 2009*, with responsibility for the good rule and governance of the local government area
- (b) as the statutory assessment manager under the *Planning Act 2016* for any development application or planning scheme amendment
- (c) as the owner of the SCA land
- (d) Council's ongoing interest in the commercial revenue performance of the SCA. This interest stems from the commercial lease agreement under which Council receives a payment annually from SCA Pty Ltd of 5% of gross revenue from airport operations - so Council has a clear interest in supporting the maximisation of the revenue generated from airport operations.

Legal advice obtained on this matter suggests Council could implement alternative governance and probity arrangements which could address any potential conflict between its position as owner of the SCA and its role as the assessment manager for the development of the SCA land under the *Planning Act 2016*. However, such arrangements would not entirely resolve the ongoing conflict that exists between Council's interest in maximising the commercial performance of the SCA and discharging its planning and development assessment responsibilities. This situation potentially heightens the risk of legal challenge to Council's planning and development assessment decisions relating to the SCA site.

The *Economic Development Act 2012* was established to facilitate economic development and development for community purposes in Queensland. The *Economic Development Act*

2012 provides a mechanism that would afford clearer separation between the respective roles and interests of Council. This could be achieved through the declaration of the SCA site as a PDA.

The potential declaration of the SCA site as a PDA is not inconsistent with the approach which Council has taken since 2013 with the Maroochydore City Centre – an approach that was likewise taken to avoid the potential conflict of interest that exists for Council in maximising the commercial performance of that development which could conflict with the discharge of the planning and development assessment responsibilities. As a PDA, the planning and development assessment approval authorities reside with Economic Development Queensland – not Council.

The *Economic Development Act 2012* offers a number of advantages including:

- it provides for a development framework to be in place quickly via the Interim Land Use Plan (ILUP) which takes effect upon the declaration of the PDA and remains in effect until the overall development scheme for the site is approved
- it affords greater certainty – and sooner - for SCA Pty Ltd and Palisade Investment Partners in relation to the development that can be permitted on the SCA site and a development assessment regime that is more efficient and more commensurate with that in place for other major airports in Australia
- it provides an avenue to address any real or potential conflict between Council's position as SCA landowner and commercial beneficiary of the SCA operations and the regulatory assessment manager role (which would be undertaken by Economic Development Queensland if the SCA site were declared a PDA).

The primary planning instrument that would apply to the SCA site if it were declared a PDA would be the development scheme (once it is approved). There are statutory requirements in place to ensure the draft development scheme is publicly notified and the community has the opportunity to make submissions on the draft scheme, which must be considered before the scheme is finalised (in much the same way as occurs with making a planning scheme or scheme amendment, but with another body being the final approval authority). The public submission period is a minimum of 30 business days for a proposed development scheme.

If a PDA is declared for the SCA site, Council would continue to maintain its role as landowner of the site and would be an advice agency in the context of both the preparation and consideration of the development scheme (and any amendment to the development scheme) and in the context of any development applications made under the approved development scheme. In addition, as landowner Council's consent for any application over the site must be obtained, hence this provides a significant and key lever for Council in the context of any development proposal that may be considered to be incompatible with the Airport objectives and/or the approved development scheme for the site.

Facilitating implementation of the SCA Master Plan 2040 with a high degree of certainty is one of the highest economic and community development priorities to advance a number of goals of the REDS. To this end, it is recommended that Council supports the SCA in seeking a declaration of the SCA site as a PDA.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled "Sunshine Coast Airport Master Plan – Proposed Planning Regime"**
- (b) agree to support an application to Economic Development Queensland for the Sunshine Coast Airport site to be declared by regulation as a Priority Development Area under section 37 (1) of the *Economic Development Act 2012***

- (c) subject to (b), authorise the Chief Executive Officer to inform the Deputy Premier and Minister for State Development, Infrastructure, Local Government and Planning of Council's support for the declaration of the Sunshine Coast Airport site as a Priority Development Area and
- (d) note, that Council as landowner, must provide consent to any development application made over the site, which provides a key lever for Council in the context of any development proposal that may be considered to be incompatible with the Airport objectives and/or the approved development scheme for the site.

FINANCE AND RESOURCING

This report does not give rise to any direct financial or other resource implications for Council.

CORPORATE PLAN

Corporate Plan Goal: *Our resilient economy*

Outcome: 3.3 - Investment and growth in high value industries, innovation and entrepreneurship

Operational Activity: 3.3.1 - Work with key stakeholders to identify investment opportunities, undertake marketing activities and support investment projects across the region's high value industries including updating of the Sunshine Coast investment prospectus.

CONSULTATION

Councillor Consultation

An overview of various land use planning frameworks available to progress development of the SCA was provided to Councillors at a workshop on 17 May 2021.

Since that time, further analysis has been undertaken, legal advice sought, and individual briefings held with all Councillors (excluding the Mayor) regarding this proposal.

Internal Consultation

- Chief Executive Officer
- Chief Strategy Officer
- Group Executive, Liveability and Natural Assets
- Group Executive, Customer Engagement and Planning
- Group Executive, Built Infrastructure
- Group Executive, Economic and Community Development
- Manager, Strategic Planning
- Program Director, Urban Growth Projects
- Project Manager, Urban Growth Projects
- Manager Business and Innovation
- General Counsel

External Consultation

Meetings between the Chief Executive Officer, senior Council officers and representatives of SCA have been held to clarify the scope, intent, opportunities and issues associated with progressing the declaration of the SCA site as a PDA under the *Economic Development Act 2012*.

Both SCA officers and Council officers have held informal discussions with representatives at Economic Development Queensland in relation to the proposed declaration.

Community Engagement

There has not been community engagement undertaken in relation to this specific proposal.

However, noting the basis for this proposal is to facilitate the implementation of the SCA Master Plan 2040, the development of that Plan was the subject to a community engagement program undertaken by the SCA in 2019, including a public exhibition period of ten weeks (50 business days) for the draft Master Plan, on which 406 submissions were received.

Should the declaration of the PDA proceed, there is a statutory requirement to develop a proposed Development Scheme for the SCA site. The proposed Development Scheme must be the subject of a minimum 30-business day public notification period prior to its finalisation and approval.

PROPOSAL

Background - Core elements of the SCA Commercial Agreement

On 9 February 2017, Council entered into a long-term commercial agreement with Palisade Investment Partners Limited in respect of the operation and management of the SCA. Prior to Financial Close on 1 December 2017, the SCA site and business had been operated by Council.

The SCA Framework Agreement (SCAFA) is essentially between Council, Palisade Investment Partners and SCA Pty Ltd and provides, *inter alia*, for a 99-year freehold lease of the site and the transfer of the Airport business to SCA Pty Ltd, which is owned by Palisade Investment Partners. From 1 December 2017, on the commencement of the freehold lease, Council ceased to have responsibility for control of the SCA site, operations, tenancies and operating business (noting that access to the site for the purposes of undertaking the Sunshine Coast Airport Expansion Project was enabled through a sub-lease between SCA Pty Ltd and Council).

Council retains ownership of the Airport land and receives an annual lease payment of 5% of gross revenue generated from SCA operations. Council therefore, has an ongoing interest in ensuring the Airport is operated and developed in accordance with the Airport Objectives for the benefit of the Sunshine Coast and in ensuring that the SCA's revenue generating potential – and by extension, the annual lease payment to Council - is maximised.

The Airport Objectives, as outlined within the Airport Master Plan are as follows:

1. maximise the economic benefit to the parties and the Sunshine Coast region in accordance with Good Business Practice
2. maximise revenue opportunities for the Airport in accordance with Good Business Practice and
3. increase the capacity and develop and expand the operations of the Airport, where feasible, through:
 - a. developing the Airport as an inter-modal cargo, passenger and logistics centre for the Sunshine Coast region
 - b. developing associated infrastructure that supports the Airport (including roads, transport systems and other public infrastructure that add value to the Airport)
 - c. expanding domestic and international passenger routes (including through passenger numbers and existing routes and the development of new routes)
 - d. enhancing the user experience of the Airport and
 - e. ensuring that the Airport is maintained and operated in accordance with Good Aviation Industry Practice.

In 2019, in fulfilment of a requirement in the SCAFA, SCA Pty Ltd prepared and delivered to Council a draft Master Plan. On 17 October 2019, Council considered the draft *Sunshine Coast Airport Master Plan 2040* (Master Plan) and acknowledged that it met the contractual requirements of the SCAFA. At that time, Council also noted that as SCA Pty Ltd now holds the necessary licences relating to the operation of the SCA, all decisions on matters relating to operations and safety, including runway operations, will be made by SCA Pty Ltd (OM 19/165).

Under the terms of the SCAFA, any approval or deemed approval of the SCA Master Plan by Council does not constitute an approval under the *Sunshine Coast Planning Scheme 2014* of any proposed development and nor does it constitute any variation, modification or amendment to the Planning Scheme. SCA must still obtain all necessary statutory approvals, such as planning and development approvals, from the relevant authorities as and when required.

Notwithstanding the above, the development objectives expressed in the lease terms establish an ongoing interest for Council in seeing the SCA's commercial returns maximised. This provides a basis for a real conflict for Council in discharging its role as the planning authority deciding any future development applications from SCA Pty Ltd relating to the SCA site.

Planned investment in the implementation of the SCA Master Plan 2040

In January 2021, Council finalised (achieved Practical Completion) of the \$334 million SCA Expansion Project, representing the culmination of in excess of 13 years of planning and delivery for this region shaping project. The SCA Expansion Project is forecast to deliver \$4.1 billion in economic benefit to the region through to 2040, if the full potential of the SCA as an asset can be realised.

The SCA is identified in the *Sunshine Coast Regional Economic Development Strategy 2013-2033* (REDS) as a key region-shaping asset, providing direct access for the region to national and global destinations and markets. Arguably, the SCA is one of the region's most significant economic assets. The REDS also identifies the expanded SCA, with its enhanced international capability, can offer:

- a platform for a diverse aviation and aerospace industry hub of national significance; and
- a new - and direct - international business, food export and tourism gateway within the region, facilitating connectivity with international export markets and greater visitation opportunities. This is of increasing significance given the Sunshine Coast's role as a Key Delivery Partner in the 2032 Olympic and Paralympic Games.

The roadmap for realising the potential envisaged for the SCA so that it can be the asset for the Sunshine Coast that Council has always intended it to be, is reflected in the SCA Master Plan.

Council understands that the SCA Pty Ltd plan to undertake significant investment over the next five years consistent with the intent of the Master Plan, including terminal redevelopment, the development of the Gateway Precinct being the focal point of the Airport and the expansion of the Aerospace Precinct – the home of general aviation and aerospace business on the Sunshine Coast.

Facilitating the timely land use planning and delivery of the SCA Master Plan will enable the realisation of key strategic outcomes for the Sunshine Coast including:

- increasing commercial aviation routes to further support tourism and business travel
- investment in the delivery of an expanded aerospace precinct to improve infrastructure to better position the general aviation sector for growth and development
- promoting and facilitating the growth and performance of the region's food and

agriculture industry through direct interstate and international import and export markets.

- building resilience and diversification in the SCA business to secure new revenue streams, by developing activities that are complementary to the functions of the SCA, but not inconsistent with the operations of an airport.

The SCA is a key contributor to the regional economy, but the effect of the COVID-19 pandemic on the tourism industry and airport operations has emphasised the importance of SCA Pty Ltd being able to pursue additional and alternative revenue streams consistent with its Master Plan and aligned with Palisade Investment Partners' investment plans.

The pandemic has had a significant impact on the Airport operations including a significant drop in passenger numbers, both inbound and outbound, a reduction in retail and food and beverage at the Airport and a reduction in revenue from ancillary facilities being car parking rentals and car parking fees for both long term and short term stays.

Hence, developing diversity of income streams and providing confidence for investment is of critical importance to sustaining the Airport's future. To this end, SCA Pty Ltd has requested Council to advise a preferred planning approach for the SCA site moving forward, in order for investment in the SCA to be advanced with greater certainty so that the objectives of the REDS and the SCA Master Plan can be realised.

Current Planning Context

State Planning Policy (SPP)

The SPP 2017 recognises the SCA as a "strategic airport" and states that:

"The strategic airports and aviation facilities, to which the SPP applies, are essential elements of the national and state air transport network and the national defence system. Ensuring development does not impact on the safe and efficient operation of these facilities will support continued growth of the state's economy, regional communities and national defence".

In relation to strategic airports, the SPP 2017 also states that:

"Development complements the role of a strategic airport as an economic, freight and logistics hub, and enhances the economic opportunities that are available in proximity to a strategic airport."

Shaping SEQ – the South East Queensland Regional Plan

Shaping SEQ identifies the SCA as 'enabling infrastructure' in the Northern Gateway Regional Economic Cluster. This underscores the pivotal role of the SCA in supporting economic development on the Sunshine Coast now and into the future and its broader contribution to the accessibility, liveability and prosperity of south east Queensland.

Sunshine Coast Planning Scheme 2014

Consistent with the intent of *Shaping SEQ*, the Strategic Framework in the *Sunshine Coast Planning Scheme 2014* recognises the importance of economically leveraging the benefits of businesses, technology and industrial uses being in proximity to the SCA to not only support the operation of the SCA, but to also provide convenient access to regional, national and international markets.

Section 3.4 (Economic Development) of the Strategic Framework in the *Sunshine Coast Planning Scheme 2014* acknowledges the SCA as a 'specialist activity centre' as follows:

'The Sunshine Coast Airport is a specialist activity centre providing an expanded range of aviation, aerospace, business, tourism and employment opportunities which promote the region, attract investment and support tourism on the Sunshine Coast'.

The SCA is zoned Community Facilities, with an "Air Services" annotation. Notwithstanding that zoning, many of the proposed land uses in the SCA Master Plan 2040 require further

development approvals from Council, which would require assessment against the current planning scheme provisions. It should be noted that a significant number of proposed uses in the Gateway Precinct identified in the SCA Master Plan (including food and beverage production facilities, freight and logistics facilities, retail space greater than 300m², service centre and tourism related activities) would be impact assessable development under the planning scheme.

Comparison with other major Airports

The *Airports Act 1996* establishes the regulatory arrangements which apply to major airports formerly owned and operated on behalf of the Commonwealth by the Federal Airports Corporation, such as the Brisbane and Gold Coast airports (but not SCA). The *Airports Act 1996* and associated Regulations (*Airports (Building Control) Regulations 1996* and *Airports (Environment Protection) Regulations 1997*) set down the Commonwealth Government's regulatory framework for the planning of those airports.

Under the *Airports Act 1996*, State legislation and regulatory provisions in relation to land use planning and building activities do not apply. The *Airports Act 1996* requires a master plan to be prepared for each airport, which identifies the land use and development objectives for the site. A master plan is required to consider the development of the airport over a 20-year horizon and is to be reviewed at least once every five years. The master plan is to be supplemented by development guidelines that provide further information in relation to the planning objectives for the respective airports.

The process for approvals under the *Airports Act 1996* is relatively straight forward and provides these airports with a significant degree of autonomy in managing development of their sites, consistent with the applicable master plan's intent.

Unlike the master plans applying to airports operating under the *Airports Act 1996*, the SCA Master Plan has no statutory effect and development of the SCA is regulated through the *Sunshine Coast Planning Scheme 2014* under the *Planning Act 2016*. Moreover, the SCA Master Plan does not purport to be the type of detailed land use plan supported by appropriate technical studies that would provide a suitable basis for the content of a planning scheme.

Of the 15 top-ranked airports in Australia, the SCA is the only one where development is regulated under a local government planning scheme (see **Attachment 1**).

Inadequacies of the current planning regime

The *Sunshine Coast Planning Scheme 2014* was put in place prior to the current model of ownership for the SCA being determined and prior to the development of the SCA Master Plan 2040. For the SCA to achieve the outcomes that have always been envisaged for that asset – and with a reasonable level of certainty associated with the scale of intended investment - an appropriate land use planning regime needs to apply to the site.

It is the view of SCA Pty Ltd (and one which is supported by Council officers) that the current planning regime (i.e. through the *Sunshine Coast Planning Scheme 2014*):

- is a significant impediment to future SCA development and will be difficult and time consuming to modify and respond to the needs of a contemporary airport; and
- is not a responsive instrument that affords sufficient certainty for the necessary investment in the site to be realised.

Specifically, in terms of SCA Pty Ltd's proposed Gateway Precinct development (which is part of the first phase of implementation of the SCA Master Plan 2040), dealing with this development under the *Sunshine Coast Planning Scheme 2014* offers little certainty that all requisite approvals would be in place in a timely manner to facilitate investment and enable construction in the near future. In this context, under the current regime, Council and the region's ratepayers could also be exposed to the cost and time impacts of submitter appeals that would:

- Frustrate the timely delivery of the freight and logistics facility, potentially delaying development of the site for some years while any third-party appeals are resolved
- Unnecessarily delay and potentially inhibit the realisation of important economic benefits for the region associated with the proposed circular advanced food and beverage manufacturing hub to be co-located with the freight and logistics facility, which would capitalise on and add value to the region's strong and growing agribusiness industry and facilitate its associated export growth potential and
- Result in significant and (unnecessary) financial implications for Council in terms of participation in any appeal processes (planning and/or judicial review, with the latter being a potential scenario given Council's ongoing conflict – see further details below).

Council officers considered a number of planning options to progress the implementation of the SCA Master Plan (see **Attachment 2** – SCA Planning Options) and concluded the various options available under the *Planning Act 2016* have limitations in terms of certainty and timeliness and do not provide a sufficiently streamlined framework to facilitate the proposed investment in the SCA site and the implementation of the SCA Master Plan.

Conflict between Council's commercial interests and planning responsibilities

In addition to the inadequacies of both the current planning regime and the options available under the *Planning Act 2016* (the majority of which would see Council retain authority for planning and development assessment decisions in relation to the SCA site), a matter of particular relevance and concern is that in discharging its planning and development assessment responsibilities under the *Planning Act 2016*, there exists for Council a real conflict of interest.

The conflict emanates from Council's distinct roles in relation to the SCA site, being:

- (a) as a local government established under the *Local Government Act 2009*, with statutory responsibility for the good rule and governance of the local government area
- (b) as the statutory assessment manager under the *Planning Act 2016* for any development application or planning scheme amendment
- (c) as the owner of the SCA land and
- (d) Council's commercial interest in maximising the operations of the SCA. This stems from the commercial lease agreement under which Council receives a payment annually from SCA Pty Ltd of 5% of gross revenue from airport operations, so Council therefore has a clear commercial interest in supporting the maximisation of the revenue generated from airport operations.

Legal advice obtained on this matter suggests Council could implement alternative governance and probity arrangements which could address any potential conflict between its position as owner of the SCA and its role as the assessment manager for the development of the SCA land under the *Planning Act 2016*. However, such arrangements would not entirely resolve the ongoing conflict that exists between Council's interest in maximising the commercial performance of the SCA and discharging its planning and development assessment responsibilities.

Proposed Way Forward

For the reasons set out in this report, it is considered a more appropriate way forward would be for Council to support the declaration of the SCA site as a PDA under section 37(1) of the *Economic Development Act 2012*.

The *Economic Development Act 2012* was established to facilitate economic development and development for community purposes in Queensland. The *Economic Development Act 2012* provides a mechanism that would afford clearer separation between the respective roles and interests of Council, through the declaration of the SCA site as a PDA. As a PDA,

the planning and development assessment approval authorities would reside with Economic Development Queensland – not Council.

The potential declaration of the SCA site as a PDA is not inconsistent with the approach which Council has taken since 2013 with the Maroochydore City Centre. This approach was similarly taken to avoid the potential conflict of interest that exists for Council in maximising the commercial performance of that development which could conflict with the discharge of the planning and development assessment responsibilities.

Establishing a PDA for the SCA site under the *Economic Development Act 2012* offers a number of advantages including:

- it provides for a development framework to be in place quickly via the Interim Land Use Plan (ILUP) which takes effect upon the declaration of the PDA. The ILUP is generally in place for up to 12 months after the declaration of a PDA, until the overall plan for the site (i.e. the development scheme) is approved by the Minister for Economic Development Queensland
- it affords greater certainty – and sooner - for SCA Pty Ltd and Palisade Investment Partners in relation to the development that can be permitted on the SCA site and provides a development assessment regime that is more efficient and more commensurate with what is in place for other major airports in Australia, noting there are no third-party appeals rights in respect to development approvals issued under the *Economic Development Act 2012*.
- importantly, it provides an avenue to address any real or potential conflict between Council's position as landowner and commercial beneficiary of the SCA operations and the regulatory assessment manager role (which would be undertaken by Economic Development Queensland).

By having the State discharge the review, approval and oversight functions afforded under the *Economic Development Act 2012* in relation to the plan making and development assessment functions for the SCA site, Council will avoid any suggestion that SCA related planning decisions were influenced by either Council's commercial or community interests. It would also potentially mitigate the prospect of such decisions being subject to legal challenge – which may likely be the case if Council retained responsibility for such decisions.

A range of factors are considered by Economic Development Queensland when deciding if a PDA is declared, including:

- Will the outcome support economic growth?
- Is there a need for accelerated development?
- Is the development intended for a special purpose?
- Will it unlock under-utilised and surplus government owned land?
- Will it drive development for community purposes?

It is considered the case for the declaration of a PDA for the SCA site would satisfy each of these considerations.

It is important to note the primary planning instrument that would apply to the SCA site if it were declared a PDA would be the development scheme (once it is approved). There are statutory requirements in place to ensure the draft development scheme is publicly notified and the community has the opportunity to make submissions on the draft scheme, which must be considered before the scheme is finalised (in much the same way as occurs with making a planning scheme or scheme amendment, but with another body being the final approval authority). The public submission period is a minimum of 30 business days for a proposed development scheme.

Informal discussions with representatives of Economic Development Queensland have indicated the State is prepared to consider a request for the SCA site to be declared a PDA.

Economic Development Queensland's PDA guidelines indicate the State will only declare a PDA on the basis of a request initiated, or supported, by the relevant local government.

If a PDA is declared for the SCA site, Council would continue to maintain its role as landowner of the site and would be an advice agency in the context of both the preparation and consideration of the development scheme (and any amendment to the development scheme) and in the context of any development applications made under the approved development scheme. As landowner, Council's consent for any application over the site must be obtained, hence this provides a significant and key lever for Council in the context of any development proposal that may be considered to be incompatible with the Airport objectives and/or the approved development scheme for the site.

Legal

Legal advice was sought from Corrs Chambers Westgarth in relation to the conflict identified in this report.

Policy

As indicated above, the SCA is identified in the REDS as a key region-shaping asset, providing direct access for the region to national and global destinations and markets and is one of the region's most significant economic assets.

Advancing the development of the SCA is consistent with Council's policy as outlined in Section 3.4 (Economic Development) of the Strategic Framework in the Sunshine Coast Planning Scheme 2014 acknowledging the SCA as a 'specialist activity centre'.

'The Sunshine Coast Airport is a specialist activity centre providing an expanded range of aviation, aerospace, business, tourism and employment opportunities which promote the region, attract investment and support tourism on the Sunshine Coast'.

Risk

The key risk that needs to be considered in the context of this report is the potential implications of not providing a planning regime for the SCA site that affords greater certainty and confidence to SCA Pty Ltd. It is understood Palisade Investment Partners will be reluctant to make significant investment commitments to the SCA if there is not a responsive and efficient planning regime in place and one where the efficacy of the decision-maker's decisions are not regularly at risk of legal challenge.

As indicated above, Council could implement internal governance and probity arrangements in an endeavour to address any potential conflict between its position as owner of the SCA and its role as the assessment manager for the development of the SCA land under the *Planning Act 2016*. However, this does not entirely resolve the ongoing conflict that exists between Council's interest in maximising the commercial performance of the Airport and discharging its planning and development assessment responsibilities.

The *Economic Development Act 2012* provides a mechanism – through the declaration of a PDA for the SCA site - that would largely remove the potential for that conflict to arise.

There is a lower level of planning, legal and financial risk for Council associated with the proposed use of the *Economic Development Act 2012* compared to continuing to manage the planning and development assessment responsibilities under than the *Planning Act 2016*, principally because of the streamlined processes and the avoidance of potential third party appeals.

While the *Economic Development Act 2012* requires that, in planning for and developing land in a PDA, Economic Development Queensland must consult with the relevant local government, there is no obligation to adhere to the advice of the local government or make decisions which accord with the wishes of the local government. That said, the risk of development taking place on the SCA site that is not consistent with Council's views and expectations can be managed to a large extent by Council in the context of whether or not it provides landowner's consent to the proposed development application.

The rights of the community to participate in the planning and development assessment process are more limited under the *Economic Development Act 2012* compared to planning and development assessment undertaken under the *Planning Act 2016*. That's said, the community does have the opportunity to participate in the development of the development scheme for the SCA site, as well as having the opportunity to respond to development applications through the public notification periods.

Previous Council Resolution

Ordinary Meeting 22 July 2021 (OM21/71)

That Council receive and note the report titled "Sunshine Coast Airport Expansion Project Update".

Ordinary Meeting 25 February 2021 (OM21/13)

That Council receive and note the report titled "Sunshine Coast Airport Expansion Project - Project Update to 31 December 2020".

Ordinary Meeting 20 August 2020 (OM20/87)

That Council receive and note the report titled "Sunshine Coast Airport Expansion Project (SCAEP) Update".

Special Meeting 20 February 2020 (SM20/3)

That Council receive and note the report titled "Sunshine Coast Airport - Agreement Performance Update".

Ordinary Meeting 17 October 2019 (OM19/165)

That Council:

- (a) *receive and note the report titled "Sunshine Coast Airport Draft Master Plan 2040 - Contract Compliance - SCA Framework Agreement"*
- (b) *acknowledge the Sunshine Coast Airport Draft Master Plan 2040 meets the contractual requirements outlined in the SCA Framework Agreement*
- (c) *note that as Sunshine Coast Airport Pty Ltd hold the necessary licences relating to operation of the airport, all decisions on matters relating to operations and safety, including runway operations, will be made by Sunshine Coast Airport Pty Ltd*
- (d) *note that the draft Master Plan does not provide any approvals or authorities for matters contained within the Sunshine Coast Airport Draft Master Plan 2040 and that development associated with any component of the Sunshine Coast Airport Draft Master Plan 2040 will require Sunshine Coast Airport Pty Ltd to obtain the necessary statutory approvals and permits and*
- (e) *direct the Chief Executive Officer to advise the Sunshine Coast Airport Pty Ltd accordingly.*

Special Meeting 22 August 2019 (SM19/17)

That Council approve the directions proposed in the confidential session in relation to the Sunshine Coast Airport – Agreement performance update.

Special Meeting 28 February 2019 (SM19/6)

That Council approve the directions proposed in the confidential session in relation to the Sunshine Coast Airport – Agreement performance update.

Ordinary Meeting 16 August 2018 (OM18/143)

That Council note the discussions held in the confidential session in relation to the Sunshine Coast Airport – Agreement performance update.

Ordinary Meeting 22 February 2018 (OM18/30)

That Council note the discussions held in the confidential session in relation to the Sunshine Coast Airport – Transaction Completion update.

Ordinary Meeting 25 January 2017 (OM17/3)

That Council authorise the Chief Executive Officer to progress the implementation of the funding strategy for the Sunshine Coast Airport Expansion Project as discussed in confidential session.

Ordinary Meeting 8 December 2016 (OM16/216)

That Council authorise the Chief Executive Officer to progress the implementation of the funding strategy for the Sunshine Coast Airport Expansion Project as discussed in confidential session.

Related Documentation

- Sunshine Coast Airport Master Plan 2040
- *Economic Development Act 2012*

Critical Dates

Once a PDA is declared, a proponent generally has 12 months in which to prepare a Development Scheme.

Implementation

If Council decides to support the proposals in this report, the Chief Executive Officer will advise the Chief Executive Officer of the SCA of Council's support for a request to be made to the Minister for Economic Development Queensland for the SCA site to be declared as a PDA under section 37(1) of the *Economic Development Act 2012*.

ATTACHMENT 1

Planning Regime for Australia's Largest Airports

Rank (total)	Airport (Regional)	Location (Domestic)	State/Territory	Legislation
1	Sydney Airport	Sydney	New South Wales	Commonwealth/Federal Airport
2	Melbourne Airport	Melbourne	Victoria	Commonwealth/Federal Airport
3	Brisbane Airport	Brisbane	Queensland	Commonwealth/Federal Airport
4	Perth Airport	Perth	Western Australia	Commonwealth/Federal Airport
5	Adelaide Airport	Adelaide	South Australia	Commonwealth/Federal Airport
6	Gold Coast Airport	Gold Coast	Queensland	Commonwealth/Federal Airport
7	Cairns Airport	Cairns	Queensland	Airport with own planning framework established under <i>Airport Assets (Restructuring and Disposal) Act 2008</i> (Qld)
8	Canberra Airport	Canberra	Australian Capital Territory	Commonwealth/Federal Airport
9	Hobart Airport	Hobart	Tasmania	Commonwealth/Federal Airport
10	Darwin International Airport	Darwin	Northern Territory	Commonwealth/Federal Airport
11	Townsville Airport	Townsville	Queensland	Commonwealth/Federal Airport
12	Launceston Airport	Launceston	Tasmania	Commonwealth/Federal Airport
13	Williamtown Airport	Newcastle	New South Wales	Defence Airport
14	Mackay Airport	Mackay	Queensland	Airport with own planning framework established under <i>Airport Assets (Restructuring and Disposal) Act 2008</i> (Qld)
15	Sunshine Coast Airport	Sunshine Coast	Queensland	Local Planning Scheme

Source: <https://www.worldlistmania.com/30-major-airports-in-australia/>

Sunshine Coast Airport- Planning Options

Council officers have assessed the following potential planning approvals processes in terms of progressing development of the SCA in line with its endorsed Master Plan 2040 but note that each of these options require further detailed land use planning to occur in support of any request:

1. Temporary Local Planning Instrument
2. Planning Scheme Amendment
3. Infrastructure Designation
4. Variation request under the Planning Scheme
5. Priority Development Area (PDA) pursuant to the *Economic Development Act 2012*.

1. Temporary Local Planning Instrument

To be responsive to changing and emergent planning issues, a local government may prepare a temporary instrument which deals with a specific, often localised issue. A Temporary Local Planning Instrument (TLPI) is a statutory instrument created under the provisions of the *Planning Act 2016*. It may suspend or otherwise affect the operation of another planning instrument (i.e. Sunshine Coast Planning Scheme 2014) for a period of up to two years from its effective date.

Generally, a TLPI is an interim response that:

- is put in place quickly to set out planning and development assessment policies to protect all or part of a local government area from adverse impacts in urgent circumstances and prevails over the Planning Scheme to the extent of any inconsistency
- enables shaping of longer term planning provisions while it is in effect (an amendment to the Planning Scheme follows a statutory process that typically take at least 18 to 24 months).

A temporary local planning instrument (TLPI) may be used to bring into effect urgent provisions for a local area before the planning scheme can be amended where there is a risk of serious environmental harm, or where it gives rise to adverse cultural, economic or social conditions, and where the delay in bringing in such provisions would increase the risk.

In the case of the SCA, it would need to be demonstrated that there is significant economic risk that would warrant the making of the TLPI.

This option presents issues for Council in terms of real and perceived conflicts of interest given that the Council is owner of the Airport with a profit share arrangement and also has the plan making responsibility for the instrument change. The Minister would need to be satisfied that there exists an emergent circumstance that gives rise to an economic risk to the region. In mitigating such risk, the Council (as landowner) is also a beneficiary.

2. Planning scheme amendment

An amendment to the planning scheme may be initiated to better align the land use planning consistent with the SCA Master Plan 2040. An amendment to the Planning Scheme follows a statutory process that typically takes at least 18 to 24 months. On 28 January 2021, Council resolved to prepare a new planning scheme for the Sunshine Coast that is expected to be completed by 2024. Council would need to decide to proceed with a planning scheme amendment for the SCA ahead of the new planning scheme preparation.

This option presents issues for SCA in terms of its timeframes given it could take more than two years for the amendment to be made. This option also presents issues for Council in terms of real and perceived conflicts of interest given that the Council is owner of the Airport with a profit share arrangement also having the plan making responsibility for the scheme change.

3. Infrastructure Designation

An Infrastructure Designation (ID) provides for the development of essential infrastructure and services to be exempt from both State and local planning instruments, with the exception of building work.

The designation can be initiated by the Minister or the Local Government and is subject to the statutory process outlined in the Minister's Guidelines and Rules. No further planning approvals are required for the scope of works approved in the ID and once a decision has been made, there are no third party appeal rights.

The specific types of infrastructure that are able to be designated are detailed in the Planning Regulation 2017. In the case of the SCA, the designation can only apply to transport infrastructure (i.e. airport runway and apron) and does not apply to non-transport related uses. Therefore, it is considered that an Infrastructure Designation is not a suitable option in facilitating the overall land use planning objectives of the airport.

4. Variation request

A Variation Request can be made under the *Planning Act 2016* and is similar to the provision that existed under the *Sustainable Planning Act 2009* to provide a Preliminary Approval Overriding the Planning Scheme.

The approval of a Variation Request becomes a "Local Categorising Instrument" that specifies the relevant levels of assessment for different development types, as well as the assessment benchmarks that apply to development. These are typically site specific and may call up standards and codes from the Planning Scheme and may specify other requirements.

This process does not change the zoning of the land. Instead it provides the opportunity for a development approval (DA) to sit over the top of the land having a similar effect to a change of zoning by allowing development not allowed for by the underlying zone.

In considering a Variation Request, the assessment manager must consider (to the extent the matter is relevant to that particular request) the common material, the regional plan, the State Planning Policy, and any temporary State planning policy.

Public notification is necessary for DAs that require impact assessment or that include a variation request.

This option presents issues for the SCA in terms of certainty and timing given the typically lengthy nature of the process for a Variation Request, in particular the public notification requirements.

This option presents issues for Council in terms of a conflict of interest as the owner of the Airport, the beneficiary of the profit share arrangement and its plan making responsibilities. Even if Council was to outsource the assessment of the Variation request and approval, there still remains a perceived conflict.

5. Priority Development Area

A Priority Development Area (PDA) applies to land identified for development to deliver significant benefits to the community. The Minister for Economic Development Queensland (MEDQ) may declare a PDA under the *Economic Development Act 2012*. There are currently two PDAs operating in the Sunshine Coast Local Government area - the Maroochydore City Centre PDA and the Caloundra South PDA.

A range of factors are considered when deciding if a PDA is declared, including:

- Will the outcome support economic growth?
- Is there a need for accelerated development?
- Is the development intended for a special purpose?

- Will it unlock under-utilised and surplus government owned land?
- Will it drive development for community purposes?

It is considered the SCA meets the purposes of the Act in terms of facilitating economic growth and community purposes in the State. It will enable the creation of more than 900 additional local jobs, an extra \$220 million in economic benefit and new opportunities for Sunshine Coast businesses and industries.

Under the Economic Development Act 2012 there are two types of development instruments - an Interim Land Use Plan (ILUP) and a development scheme.

An ILUP is in place generally up to 12 months after the declaration of a PDA, until the overarching plan for the area (the development scheme) is approved by the MEDQ. The ILUP takes effect upon declaration, immediately enabling planning and development processes to proceed.

A development scheme is the regulatory document that assists with planning, promoting, coordinating and controlling land development in a PDA. Public notification of proposed development schemes and amendments is required. The submission period is a minimum of 30 business days for a proposed development scheme and 15 business days for an amendment.

The MEDQ must consider all submissions made about the development scheme or amendment that are received during the submission period.

There are no third party appeals rights in respect to development approvals issued pursuant to the Economic Development Act.

It is considered the declaration of a PDA offers a number of advantages for the SCA in that it:

- provides for a development framework to be in place quickly via the ILUP which takes effect upon the declaration of the PDA
- involves no third party appeals in respect to development approvals
- addresses any perceived or potential conflict between Council's position as SC Airport landowner, its regulatory assessment manager role and potentially the Airport's role as developer of its land.

Informal discussions with Economic Development Queensland (EDQ) have indicated that the State is prepared to consider a request for the Airport land to be declared as a PDA. EDQ's PDA guidelines indicate that the State will only declare a PDA on the basis of a request initiated or supported by Council.

The two PDAs on the Sunshine Coast operate somewhat differently, as follows:

- In the Maroochydore City Centre PDA, Council is the sponsor and provides significant support to the development / administration of the development scheme in conjunction with EDQ
- In the Caloundra South PDA, the landowner (Stockland) is the sponsor and produced the development scheme with EDQ and Council acted as an advice agency only. (PDA).

The latter type of arrangement is considered to be the most appropriate option for the SCA – SCA would be the sponsor of a PDA request, EDQ and SCA would prepare any development scheme and Council would act as an advice agency to EDQ. This is because:

- it most effectively addresses Council's conflict of interest issue and separates its role as the owner from its responsibilities as the planning authority
- maximises certainty for SCA about planning outcomes

- allows SCA to control plan making and application processes in accordance with their Master Plan (akin to Airports under the Act)
- requires SCA to address key planning issues and be involved in consultation processes in conjunction with EDQ, which would take on the role of the statutory planning authority.

FIGURE1. POSSIBLE LAND USE PLANNING OPTIONS

Considerations	POSSIBLE OPTIONS					
	TLPI	Planning Scheme Amendment	Infrastructure Designation (Ministerial or Local)		Variation Request	PDA
Timing	Approx. 3-6 months Depends on urgency	18-24 months	3-6 months		18-24 months	6 months (PDA Declaration/ILUP)
Certainty	Minister must be satisfied of exceptional circumstances and economic risk	provides certainty upon adoption	Only applies to transport infrastructure (i.e. airport runway) doesn't apply to development that is not transport related infrastructure.		Third party appeal rights for impact assessable application	No Third party appeal rights
Transparency/ Conflict of Interest	Conflict for Council as land custodian with profit share arrangement also being planning authority	Conflict for Council as land custodian with profit share arrangement also being planning authority	None if under a Ministerial designation	Conflict if under a Local Govt designation	Conflict for Council as land custodian with profit share arrangement also being planning authority	EDQ is planning authority for plan making and development assessment.

4.2 SUNSHINE COAST COUNCIL WORKPLACES PROGRAM

File No: D2021/1440888
Authors: Project Director (Sunshine Coast City Hall and Workplaces)
Business Performance Group
Chief Financial Officer
Business Performance Group

PURPOSE

This report provides an update to Council on the Sunshine Coast Council Workplaces Program and seeks Council's approval to amend the Sunshine Coast City Hall project budget.

EXECUTIVE SUMMARY

The Sunshine Coast Council Workplaces Program is a wholistic approach to planning for and managing Council's 37 workplace locations across the region. These cover the three core administration centres of Caloundra, Maroochydore and Nambour, along with Council depots and satellite service locations such as libraries, showgrounds and venues.

A key element of the Program is ensuring Council – our services, our people and our assets – are best placed to deliver the service outcomes that support the shared interests and expectations of:

- **Our Community / region** - delivering projects and services responsive to the needs of our community and which also build confidence, generate jobs and encourage investment in our region and provide improved, accessible facilities for our residents.
- **Our organisation** – optimising the use of land and buildings better to enhance the sustainability of our assets, repurpose under-utilised spaces, reduce operating and renewal costs, reduce our environmental footprint, consolidate current leased office spaces and improve the quality and value of our workplace assets which are owned by our community.
- **Our people** – bringing all our workplaces and workspaces up to a modern standard following more than a decade of under-investment, to better support our ability to service our community.

Forward planning is occurring and work progressing for the three core administration centres, depots and satellite service locations; their respective status and future intentions are outlined within the report, noting that each is at a differing stage of project maturity. The work being done is of particular importance in the context of Council serving a rapidly growing region, necessitating investment in these assets to support the community and workforce expectations for decades to come.

The most significant project in the program currently is the construction of the Sunshine Coast City Hall within the Maroochydore City Centre. The base building phase is now largely complete, and the construction of the fitout phase has commenced. Given the impacts of volatile market conditions and a range of project planning imperatives (including project contingency provisions and additional scope elements), the Project Team has undertaken a comprehensive review of the project budget and identified that additional funding is required to ensure the successful delivery of the project.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled “Sunshine Coast Council Workplaces Program”
- (b) endorse a \$20 million capital budget adjustment for the Sunshine Coast City Hall project, inclusion in the 2022/23 Capital Works Program and
- (c) request the Chief Executive Officer to progress an assessment of the preferred uses of Levels 8 and 9 at Sunshine Coast City Hall and provide recommendations to Council at the December 2021 Ordinary Meeting.

FINANCE AND RESOURCING**The SCC Workplaces Program**

The Program encompasses 37 Council-owned buildings used to deliver services to the community. Operations, maintenance and development of Council’s corporate buildings is currently managed through annual operating budgets and renewals and rebuilds via allocations within the longer-term capital works program.

Consolidating Council’s administration buildings reduces future operating expenditure and negates the need to renew leases on existing or tenanted buildings, while maintaining endorsed service levels and delivering long term sustainable benefits for the organisation and the community.

Since 2018, Council’s investment in renewals and upgrades of its core administration centres has been in the order of 30% under recommended asset sustainability ratios. As such, the office-based component of the SCC Workplaces Program is purposely designed to address a long period of under-investment in this asset class. As an employer it is considered necessary to provide an acceptable and contemporary workplace environment for the largest proportion of Council staff. This is in the interests of better servicing the needs and expectations of our community as the region continues on its trajectory with the second fastest growth rate in Queensland.

Proposed Sunshine Coast City Hall Project Budget Revision

The Project Team has undertaken a review and identified that an amendment to the total project budget is required to ensure the successful delivery of the project, having regard to escalating construction costs, project contingency provisions, additional scope elements and base building amendments required to accommodate fitout. All elements providing the impetus for the budget adjustment required have been independently reviewed and validated by an external specialist consultancy.

1. Escalation in construction costs

The construction industry is facing unprecedented materials and labour supply challenges. Demand-driven price increases as high as 15% - 20% are being experienced nationally and indeed across the world. This reality is widely evidenced by professional associations, with the Construction Skills Queensland Building Costs Q4 Building Costs Briefing observation that “escalation is more of a ‘known’ rather than a shock and still on the rise”.

The impacts of delays to the program, delays in supply of material, challenges of attraction and retention of skilled tradespeople have resulted in a cost increase of \$3.5 million. Program delays resulted from a pause on fitout to review cost estimates and market pricing as soon as these were obtained seeking opportunities for price and scope reductions and value management, and then seeking additional budget before continuing with the fitout works.

2. Increased project contingency

As the project reaches the highest exposure periods in delivery of both the base building and fitout, and in consideration of the current construction industry volatility, it is recommended to increase the project contingency from \$3 million to \$7.8 million to ensure appropriate financial risk mitigation through to project completion. This better aligns with best practice industry standards, based on advice that projects are asking for a minimum of 10% in the current climate. Any undrawn contingency funds will revert to the capital works program.

3. Additional scope not included in original budgets

In order for work to commence on the City Hall project to begin to provide a major economic and employment stimulus in the early stages of the COVID-19 pandemic and to play an important role in the early activation of the Maroochydore City Centre, decisions on the uses of Levels 8 and 9 of the building were deferred. As a result, no provision was made in the original budget for fitout of Levels 8 and 9, as it had not initially been proposed to be used by Sunshine Coast Council. It is now at the point where a decision on the preferred use of Levels 8 and 9 is required.

Should Council determine to retain the use these floors for community and council purposes, it has been estimated funding of up to \$4.7 million is required for their fitout. Committing to Level 8 and 9 during the fitout construction of all other levels will provide the most advantageous outcomes to Council in terms of price and securing trades. It is important to note that the inclusion of this additional budget provision does not obligate Council to proceed with the occupation of Levels 8 and/or 9. It would however, provide budget availability for a future decision by Council on the preferred use of Levels 8 and 9.

Further, no provision was made in the original budget for Furniture, Fixtures or Equipment (FFE). \$2.5 million for this purpose is proposed in this budget revision. A line item was introduced into the budget in 2020, however it was indicative only. An adequate budget confirmation is now required to go to tender to receive market pricing on what will be required to provide appropriate floor coverings, fittings, furniture and amenities.

The base building tender was issued to market in 2019 without having a fitout design established. The intent was to establish construction activity within the Maroochydore CBD at the earliest opportunity, consistent with the intent of the City Hall project being a catalyst for other investment within the central business district. McNab Developments (Qld) Pty Ltd was awarded the contract to deliver the base building works, constructing a standard commercial office layout for services and ceilings. It was understood that modifications would be required to accommodate the subsequent fitout once designed. No separate budget provision was made in the original budget for base build modifications to be undertaken, however, as the fitout budget was estimated by the project Quantity Surveyor to be adequate to facilitate delivery of the fitout including base build modifications.

In July 2021, as the fitout design progressed to detailed design, including redesigned base building services, repricing of the fitout was undertaken by the project Quantity Surveyor. The considerable shift in cost was attributed to:

1. Escalation (as reported above).
2. The greater accuracy of pricing that comes from availability of details, estimating costs from detailed designs rather than concept designs.
3. The works required to modify the base building, better understood and measured through the detailed designs being available.

It is noted that the fitout design specifications have not been changed from concept design in February 2021 to date. With the fitout contract now let, Council will work with the construction contractor to value manage the fitout specifications for cost efficiencies wherever possible.

The Design and Construction Fitout for Levels 3-7 for the Sunshine Coast City Hall has recently been awarded to McNab.

The below table highlights the various forecast changes to the total project cost.

Sunshine Coast City Hall (Proposed)	ORIGINAL Budget Estimate (08/2018) \$ million	FITOUT CONCEPT DESIGN Estimate (02/2021) \$ million	CURRENT Forecast Project Budget (09/2021) \$ million
Authority Fees & Charges	\$3.5	\$1.5	\$1.5
Consultant Costs	\$4.5	\$4.7	\$4.7
Construction Costs (Base Build)	\$52	\$59.6	\$59.6
Sub-total	\$60	\$65.9	\$65.9
Furniture, Fixtures, Equipment	-	\$1.4	\$2.5
Contingency	\$5	\$3	\$7.8
Sub-total	\$65	\$70.3	\$76.2
Construction Costs (Fitout)	\$15	\$11.3	\$19.1
Levels 8 – 9 (Fitout)	-	-	\$4.7
Total Project Budget	\$80.0	\$81.5	\$100.0

Funding the Proposed Sunshine Coast City Hall Project Budget Revision

Meeting the additional financial requirements for City Hall can be achieved through rescheduling projects within the key administration centres under the Sunshine Coast Council Workplaces Program. It will not require an adjustment to the forward Capital Works Program for other Council assets (i.e. community facilities, roads, stormwater etc.) to accommodate the funding requirement for the City Hall project. This revised scheduling reduces the immediate impact on the core cash balance and defers the reduced cash impact for several years. This approach guarantees there will be no reduction to Council services or to other future capital projects. No additional loans are proposed.

SCC Workplaces (Current)	Actuals to June 2021 (\$ million)	2021/22 (\$ million)	2022/23 (\$ million)	2023/24 (\$ million)	2024/25 (\$ million)	Total (\$ million)
Sunshine Coast City Hall	\$21.3	\$55.8	\$2.9	-	-	\$80.0
Sunshine Coast City Hall Levels 8 and 9	-	-	-	-	-	-
Caloundra Centre Activation (Library) Project	\$0.5	\$1.3	\$23.5	\$3.4	-	\$28.7
Nambour Administration Precinct	-	\$0.5	\$0.5	\$12.5	-	\$13.5
Total	\$21.8	\$57.6	\$26.9	\$15.9	-	\$122.2

Table 1: SCC Workplaces Current Financial Program

SCC Workplaces (Proposed)	Actuals to June 2021 (\$ million)	2021/22 (\$ million)	2022/23 (\$ million)	2023/24 (\$ million)	2024/25 (\$ million)	Total (\$ million)
Sunshine Coast City Hall	\$21.3	\$55.8	\$18.2	-	-	\$95.3
Sunshine Coast City Hall Levels 8 and 9	-	-	\$4.7	-	-	\$4.7
Caloundra Centre Activation (Library) Project	\$0.5	\$1.3	\$10.0	\$16.9	-	\$28.7
Nambour Administration Precinct	-	\$0.5	\$0.5	\$6.5	\$6.0	\$13.5
Total	\$21.8	\$57.6	\$33.4	\$23.4	\$6.0	\$142.2
Cash Adjustment	-	-	\$6.5	\$7.6	\$6.0	\$20.0

Table 2: SCC Workplaces Revised Financial Program

The program delays resulted in a revised practical completion date for City Hall of October 2022, with occupation now planned to commence from November 2022. This revised program schedule aligns with the revised project timings for the Caloundra Centre Activation project.

CORPORATE PLAN

Corporate Plan Goal:	<i>Our outstanding organisation</i>
Outcome:	5.3 - Embrace a safe and collaborative workplace culture that attracts and retains high performing and engaged people.
Operational Activity:	5.3.1 - Progress people and culture strategic initiatives including workforce planning, leadership development, performance management and capability development programs that support the delivery of the Council's vision.

CONSULTATION

Councillor Consultation

Councillor Workshops relevant to this report were held on 16 September 2021 and 21 October 2021.

Internal Consultation

This report has been written in conjunction with advice from:

- Group Executive Business Performance
- Executive Leadership Team Members
- Chief Financial Officer
- Project Director – Sunshine Coast Council Workplaces and Sunshine Coast City Hall
- Sunshine Coast City Hall Operational Working Group
- Project Officer

External Consultation

Advice has been provided by McLeanYeoh Consultancy (Garry McLean) to inform the Sunshine Coast City Hall sections of this report.

Community Engagement

No community engagement has been undertaken in relation to the content of this report; however, the project continues to deliver the structured engagement initiatives of the *Sunshine Coast City Hall Community Engagement Strategy* endorsed by Council.

PROPOSAL

The Sunshine Coast Council Workplaces Program is a wholistic approach to planning for and managing Council's 37 workplace locations across the region.

The corporate accommodation portfolio spans 37 worksites across the region, from administration buildings to depots, community and cultural venues to libraries. In addition to the new building in Maroochydore, investment is required to provide modern, well maintained workplace standards across our 37 sites, with most buildings constructed between the 1970's and 1990's and limited investment since original construction. A recent review of these sites highlights there is a need for refurbishment, consolidation, disposal and repurposing of ageing and under-utilised assets.

The works required on these sites are intended to be programmed and funded over a 10-year period, to better manage disruptions and balance benefits to the community, to the organisation and to Council's workforce.

In terms of Council's three primary administration buildings, the projects extend beyond consideration of Council's workplaces in isolation. In each of these locations the intent is to leverage existing Council assets to create great community places and contribute to the growth of local economies.

In essence, this sees a broader focus on:

- **Maroochydore City Centre** as the principal regional activity centre (Central Business District) in our growing Sunshine Coast region.
- **Caloundra Centre Activation Project** as a community and creative hub comprising The Events Centre, district library, new and expanded town square and new regional art gallery.
- **Nambour Administration Precinct** as it redefines itself as a key service centre with a significantly upgraded precinct potentially including a new modern library, community meeting spaces, heritage and Arts Hub and music precinct – reinforcing the contribution that Nambour makes to the development of the arts, culture and entertainment in the region.

The Sunshine Coast Council Workplaces Program seeks to achieve a range of benefits at three levels:

- **For our community / region:**
 - Generating benefits and opportunities directly connected to three of our key Regional Strategies – Community, Regional Economic Development and Environment and Liveability.
 - Providing improved, accessible facilities and support our staff to deliver excellent service to our community.
 - Delivering projects to build confidence, generate jobs and encourage investment throughout our region.

- **For our organisation:**
 - Optimising use of assets better, to provide long-term financial benefits and repurpose under-utilised spaces
 - Discontinue current leased office spaces to provide better community and economic outcomes.
 - Improving our workplace assets so we deliver more responsive and accessible services to our ever-growing community in the most effective ways.
 - Creating workplaces that support our commitment to sustainability and support our connection with community.
- **For our people:**
 - Providing modern workplaces.
 - Providing workspaces and resources that support/facilitate contemporary work practices and technology following more than a decade of under-investment in Council's office-based accommodation.
 - Locating customers, services and stakeholders closer together to improve service delivery and agility.
 - Establishing workplace environments that support a culture of teamwork, sustainability, flexibility, innovation, unity, wellbeing and a progressive mindset.
 - Providing equity, diversity, access and inclusion across all our workplaces and workspaces.

An update on each of the three administration centres, depots and satellite service locations follows:

Caloundra Centre Activation Project

Part of a master plan for the greater Caloundra CBD, the existing Caloundra Administration Building is planned to become a significant community asset for the region and support Caloundra's role as the region's second city.

Creating a modern district library on Levels 1 and 2, with community meeting spaces and corporate workspace accommodation, the refurbishment plays an important role in activating the site (together with The Events Centre, a new regional gallery and an expanded and redesigned town square) as the creative and community hub for the region in line with the vision of the Caloundra Master Plan 2017.

Timing: The project is currently in the detailed design development phase, with construction unlikely to commence until early 2023. Construction at this site cannot commence until the Sunshine Coast City Hall is completed and occupied.

Budget: The investment in refurbishing the Caloundra Administration Building is currently budgeted at approximately \$25 million.

Workplace planning: Approximately 120 Council employees will be based at this site post refurbishment works, working from the library spaces to deliver Library and Customer Services, or located on Level 3 where corporate workspace accommodation will be provided. Temporary accommodation will be provided within central Caloundra for some staff during the construction period.

Nambour Administration Precinct

In Nambour, Council is working alongside the local community to establish plans for the future of its CBD, highlighting the importance of the evolving and growing population of the Nambour township in the social and economic fabric of the region.

In the early stages of planning, the Eddie De Vere building is proposed to be refurbished and repurposed to accommodate a combination of library facilities and workspace for Council's "design and delivery" functions. The Fred Murray building and current Library Building will also be considered for repurposing long term.

Timing: The project is currently in the planning phase, with due diligence and concept designing planned to conclude in the first half of 2023. Detailed design development and tender documentation will follow, with construction planned to commence in 2024.

Budget: The investment in refurbishing the Nambour Administration Precinct is currently budgeted at \$13.5 million, subject to the planning stage being finalised. This budget was established in 2017/18 with a focus on the Eddie De Vere building; however, planning for the Nambour Administration Precinct may identify a requirement to refurbish and reposition all three buildings within the precinct. Costs will be reviewed at design milestones and continue to be reported as planning and design develops. Budget allocation will be required to deliver each of the buildings for the overall precinct upgrade benefits to be recognised.

Workplace planning: More than 200 Council employees will be based in Nambour Administration Precinct during and post refurbishment works. At this stage it is intended that employees will be based in the Eddie De Vere building until construction commences, at which time, temporary relocations will be facilitated within the Fred Murray and the Nambour Library Buildings.

Sunshine Coast City Hall (Maroochydhore Administration Building)

Located in the Maroochydhore City Centre, Council's new building plays an instrumental role in activating the City Centre to create the envisioned thriving business district, the heart of our region for civic, commercial and business activity.

The construction of City Hall within the Maroochydhore City Centre (MCC) has been a catalyst for other investment within the central business district. As an early mover, Council's decision to build and occupy a commercial building provided confidence to the market and encouraged other investment in the site. Proponents such as Evans and Long and Habitat have previously made public statements reiterating that Council's investment has been a catalyst for their projects within the Maroochydhore City Centre. This was also a significant factor in securing the Maroochydhore City Centre Development Agreement in November 2020 with Walker Corporation, which provides a significant financial benefit to our community through the reduction of Council funding requirements for civic and public realm infrastructure relating to the remainder of the MCC site. Leading the way in contemporary sustainable building and fitout design, the City Hall building sets the tone for a world class city centre development and exemplifies expectations to city centre investors – which is already being seen with designs for buildings that have been released since the original design for City Hall was promulgated.

Timing: The project is currently in the construction phase, practical completion due in October 2022 and occupation anticipated to commence from November 2022.

Budget: In 2018 an overall project budget of \$60 million for base build and \$20 million for fit-out was established, based on delivery of a standard commercial building, through a base build contract to be followed by design and delivery of fitout and resultant furniture, fittings and equipment for levels Ground to 7. No provision was made for the fit-out of Levels 8 and 9 – these areas were never in scope, with their use to be determined at a later point. A range of project and market factors over subsequent years have necessitated a review of the project budget, to ensure its successful delivery. Details of the funding requirement are provided under Financing and Resources.

Workplace planning: The building will accommodate more than 700 Council employees.

Sunshine Coast City Hall (Maroochydhore Administration Building) Levels 8 and 9

No provision was made in the original budget estimate for furniture, fixtures or equipment for City Hall Levels 8 and 9. These areas were not in scope, with their use to be determined at a later point. Council officers are currently assessing options and comparative costs and benefits associated with either entering commercial leasing of one or both levels, or alternatively allocating Level 9 for civic and community purposes, and Level 8 for organisation purposes.

A cost of \$4.7 million has been estimated for furniture, fixtures and equipment should Council determine to maintain Levels 8 and 9 for community and organisation purposes. If Council subsequently decides to proceed to lease these spaces to other parties, then the majority of this budget allocation would remain in Council's Capital Works Program.

Commercial lease returns have been estimated in the order of \$500,000-\$750,000 per annum, noting Council would be required to expend on base level fitout for lease purposes.

Both options - commercial vs community and council - are subject to further analysis, deliberation and consideration, the outcomes of which will be reported back to Council for consideration.

Depots and satellite service locations

In addition to the administration buildings in Caloundra, Maroochydore and Nambour, Council has 34 workplaces across 30 sites, accommodating around 430 employees.

These include depots, showgrounds, Sunshine Coast Stadium and Caloundra Indoor Stadium, Venue 114, resource recovery centres, libraries, cemeteries and scenic/natural reserves, to name a few.

Two key initiatives are underway as part of the Sunshine Coast Council Workplaces program commitment to modernise locations. Firstly, an audit process has commenced to assess the functionality and condition of the various locations. The audit will inform the development of both a 1-5 year and a 5-10 year workplace upgrade program, noting the need to prioritise works that deliver on base level standards.

The program will aim to ensure that all staff have access to a workplace that reflects the workplace principles that apply equally to all Council's workplace locations. The workplace upgrade program will be presented to Council for consideration through budget and capital works processes. It is planned for the work undertaken by Property Management to be tabled at the February 2022 budget workshop with Councillors, as part of 10-year capital work program discussions.

The second initiative is a review of the current Depot Strategy, acknowledging the important part location and standard of our depots plays in assisting our crews manage service demand and growth across the region.

Legal

External specialist legal services have advised on fitout scope transfer and major contract/s, primarily consisting of all Consultancy Deeds and Design and Construction Contracts for base building and fitout.

All procurement for the project is led by an appointed Procurement Specialist from within Council, with the support of appropriate legal advice.

Policy

The Sunshine Coast City Hall project complies with Council's Procurement Policy and arrangements for capital projects of this nature.

Risk

A Risk Assessment and Management Plan forms part of the Project Plan and is continually reviewed.

The high-level risks of the Sunshine Coast Council Workplaces Program are:

1. Delayed delivery – any project delays have flow on cost and operational impacts. For City Hall, a delay will impact the ability to commence other workplaces projects and will require lease extensions for Maroochy on First and Horton Parade. In Caloundra, adjoining buildings such as The Events Centre will need to adjust blackout days based

- on neighbouring construction noise and will experience critical booking impacts if timing is not clear.
2. Cost increases – Program costs will be managed through extending the delivery timeframe of the program of work rather than increasing debt/borrowings.
 3. Disruption – the projects within the Sunshine Coast Council Workplaces Program are proposed to be delivered over a 10-year period. This is a considerable length of time for significant work packages, impacting Council employees. This has the most notable impact on the internal service providers, such as People and Culture, Digital and Information Services, Property and Procurement who will continue to deliver business as usual functions simultaneously.
 4. Change Management – the Program results in significant change for the organisation and all staff. Dedicated resourcing and change management specialists are recommended to manage the process.
 5. Project non-completion – insufficient funding to complete capital projects to requisite standards carries significant financial and reputational damage
 6. Project Delays – delays in decision making and implementation of agreed plans have potential to result in cost penalties and impositions.
 7. Failure to plan for growth – capacity for growth needs to be factored into all new builds and rebuilds
 8. Wellbeing, health and safety – failure to attend to priority workplace issues may compromise the wellbeing of staff.
 9. Finances – monitoring of Council’s long-term financial sustainability will continue during and post the Sunshine Coast Council Workplaces Program.
 10. Reputation – the proposed budget amendment may generate community debate.

Previous Council Resolutions

During the pre-feasibility, feasibility, concept design and detailed design phases of the project, the Sunshine Coast City Hall project reported to many Council Ordinary and Special Meetings, with reporting frequency determined by the stage of the project. Upon progressing McNab as the preferred tenderer for the building in December 2019, a Project Control Group was established which continues to monitor the project delivery.

Ordinary Meeting 12 December 2019 (OM19/195)

That Council:

- (a) *receive and note the report titled “Sunshine Coast City Hall - Project Update”*
- (b) *endorse Respondent C as identified in Confidential Appendix A (Tender Evaluation and Governance Report) as the preferred supplier for the Design and Construction Contract for the Sunshine Coast City Hall*
- (c) *authorise the Chief Executive Officer to finalise the terms and conditions of the contract with Respondent C, and once finalised award the contract to the preferred respondent under delegation and*
- (d) *authorise the Mayor and/or the Chief Executive Officer to make public the name of Respondent C and the contract value at the conclusion of the Ordinary Meeting of 12 December 2019.*

Ordinary Meeting 14 November 2019 (OM19/178)

That Council receive and note the report titled “Sunshine Coast City Hall Building - Project Update”.

Ordinary Meeting 17 October 2019 (OM19/163)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 19 September 2019 (OM19/149)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 22 August 2019 (OM19/128)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 25 July 2019 (OM19/114)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 20 June 2019 (OM19/97)

That Council

- (a) receive and note the report titled "Sunshine Coast City Hall Building - Project Update"*
- (b) endorse the design variations as contained in this report for incorporation in the Development Application for submission to Economic Development Queensland and*
- (c) delegate authority to the Chief Executive Officer to make changes to the design variations as required for the Development Application.*

Ordinary Meeting 23 May 2019 (OM19/85)

That Council note the discussions held in confidential session in relation to Sunshine Coast City Hall Project Update.

Ordinary Meeting 30 April 2019 (OM19/56)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 28 March 2019 (OM19/41)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 28 February 2019 (OM19/25)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 31 January 2019 (OM19/13)

That Council receive and note the report titled "Sunshine Coast City Hall Building - Project Update".

Ordinary Meeting 6 December 2018 (OM18/199)

That Council:

- (a) receive and note the report titled "Sunshine Coast City Hall Building - High Level Project Plan" and*
- (b) endorse the proposed arrangements for the engagement of the Principal Architect, the project high level milestones, the development of the Base Building Brief and the project governance structure to facilitate progression of the Sunshine Coast City Hall project.*

Ordinary Meeting 11 October 2018 (OM18/173)

That Council:

- (a) *receive and note the report titled "Sunshine Coast City Hall Building - High Level Project Plan" and*
- (b) *endorse the Sunshine Coast City Hall Building - High-Level Project Plan (Appendix A).*

Special Meeting 10 September 2018 (SM18/14)

That Council:

- (a) *note the discussions held in confidential session in relation to City Hall*
- (b) *authorise the Chief Executive Officer to make public Attachment 1 to a report considered by Council on 14 September 2017, namely the Staff Relocation Impact Assessment prepared for Sunshine Coast Council by Lucid Economics dated August 2017, excluding appendices B and C on the basis that these appendices may disclose matters that relate to the commercial proprietary interests of Lucid Economics and*
- (c) *request for the Chief Executive Officer to offer for Lucid Economics to present to the Nambour and Caloundra Chambers.*

Ordinary Meeting 12 October 2017 (OM17/202)

That Council note the discussions held in confidential session in relation to The Smart Move project update.

Ordinary Meeting 14 September 2017 (OM17/181)

That Council resolves because of the specialised nature of the services that are sought from Woods Bagot it would be impractical or disadvantageous to invite quotes or tenders in relation to The Smart Move Project.

Special Meeting 17 August 2017 (SM17/42)

That Council note the discussions held in confidential session in relation to the Smart Move project update.

Special Meeting 23 February 2017 (SM17/4)

That Council receive and note the report titled "New Council Chambers/Budget Monitoring and Financial Risk status report".

Ordinary Meeting, 15 September 2016 (OM16/176)

That Council note the discussions held in confidential session in relation to the Sunshine Coast Council Presence in Maroochydore Central Business District.

Related Documentation

There is no documentation related to this report.

Critical Dates

Practical completion for City Hall, inclusive of fitout, is October 2022 (weather and site conditions permitting), with occupation anticipated from November 2022.

Implementation

Should the recommendation be accepted by Council, it is noted that the Chief Executive Officer will:

- Provide quarterly progress reports to Council at Ordinary Meetings
- Progress Council assessment and determination of uses for Level 8 and 9.

5 NEXT MEETING

Nil

6 MEETING CLOSURE