



CITY OF
TEA TREE GULLY
Naturally Better

City of Tea Tree Gully Evidence to the Inquiry into Cost Shifting onto Local Government

October 9, 2002

Aim of our evidence

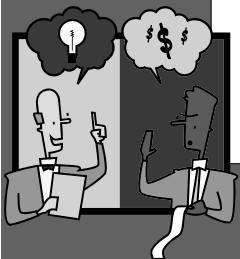
- To highlight ‘one’ aspect of Council’s submission – the Golden Grove Residential ‘Development cost shift’.
- Explain how State Government land development ‘joint venturing’ results in a ‘cost shift’ to LG.
- Illustrate the size and impact of the ‘shift’

Golden Grove background/history

- What is Golden Grove? = award winning residential development that provided for 30,000 people over an 18-year period - included a district centre, smaller centres, schools and limited sporting facilities. Project is nearing completion and now constitutes 30% of the City of Tea Tree Gully population
- Golden Grove Indenture (Ratification) Act 1984 - State. A joint venture development between the State & Developer (Delfin), subject to planning rules under the Indenture Act. Council **not** a party to the Joint Venture and normal Local Govt. and Planning processes curtailed by the Indenture Act

Impact of State Government 'Land Development' Joint Venturing

- Submission 'highlight' = State Government 'joint venturing' land development. Motive? = range of planning objectives, but indirectly enabled the State to earn development entrepreneurial profits (resulting in burdening the local authority with significant costs), at the expense of the local authority's involvement in normal planning controls.
- Golden Grove Joint venture legacy = a large 'cost' shift as a result of a concatenation of events = mainly costs incurred by the Council during the development (including Cobbler Creek dam), Community pressure to maintain the 'marketing' standard of the development & pressure to raise the integrated standard of the entire City.



Legacies for Tea Tree Gully

- Illegal or inappropriate plantings – 4,500 trees to be replaced for approx. \$500k + loss of amenity
- Irrigation system faults – progressive replacement for \$3.2m (over 10 years)
- Incomplete footpath network - \$550k
- Incomplete screening reserves - \$250k

- Water consumption of 600,000 kilolitres per annum (compared to rest of city = 350,000) – unsustainable rate of 9,375 kilolitres per hectare compared to 3,333 - \$400k pa



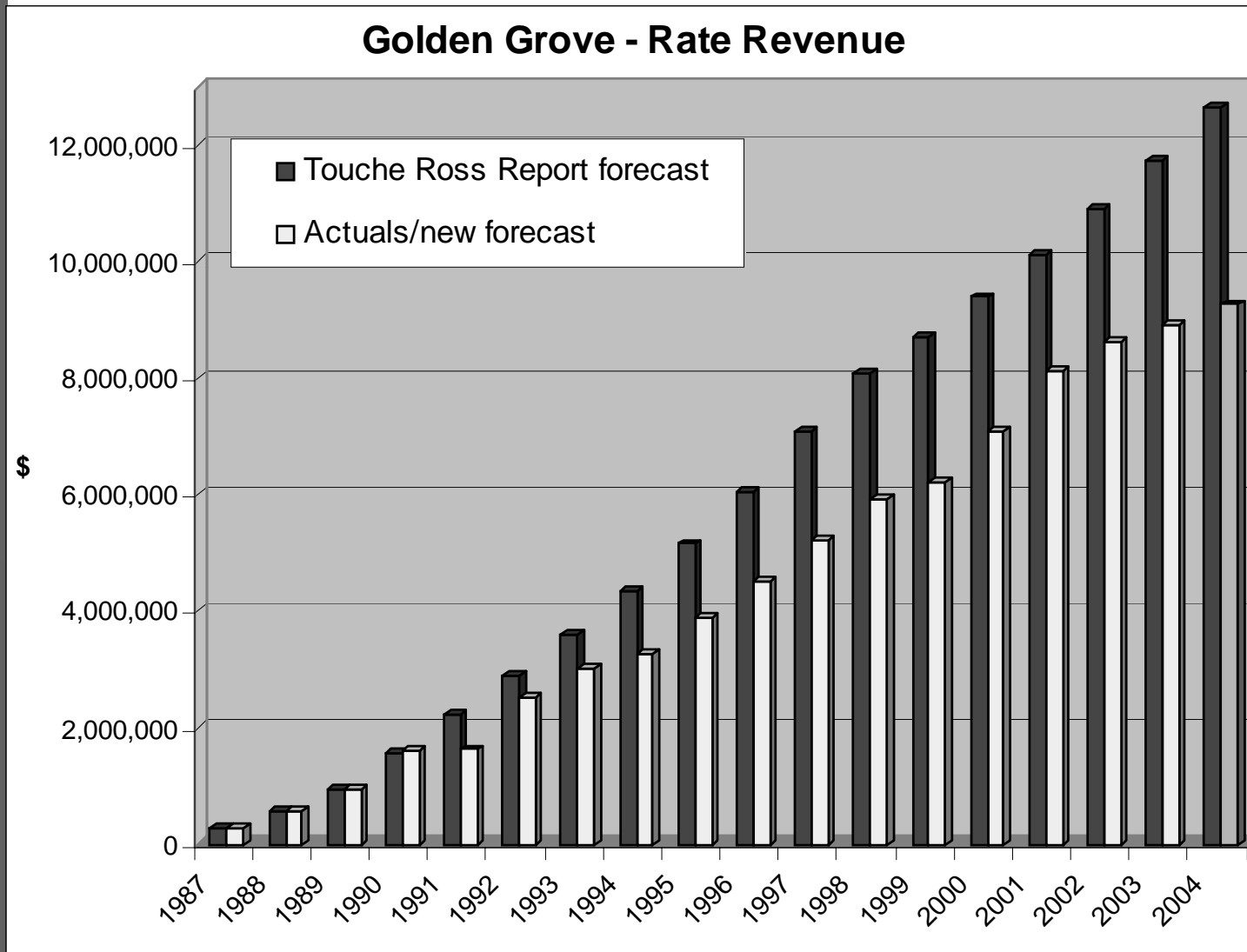
Financial impact – ultimate ‘cost shift’?

- Touche Ross Report – 1989: Forecast that the net present value of cash flows for the next 15 years would be ‘positive’ \$60m on the City of Tea Tree Gully’s finances.

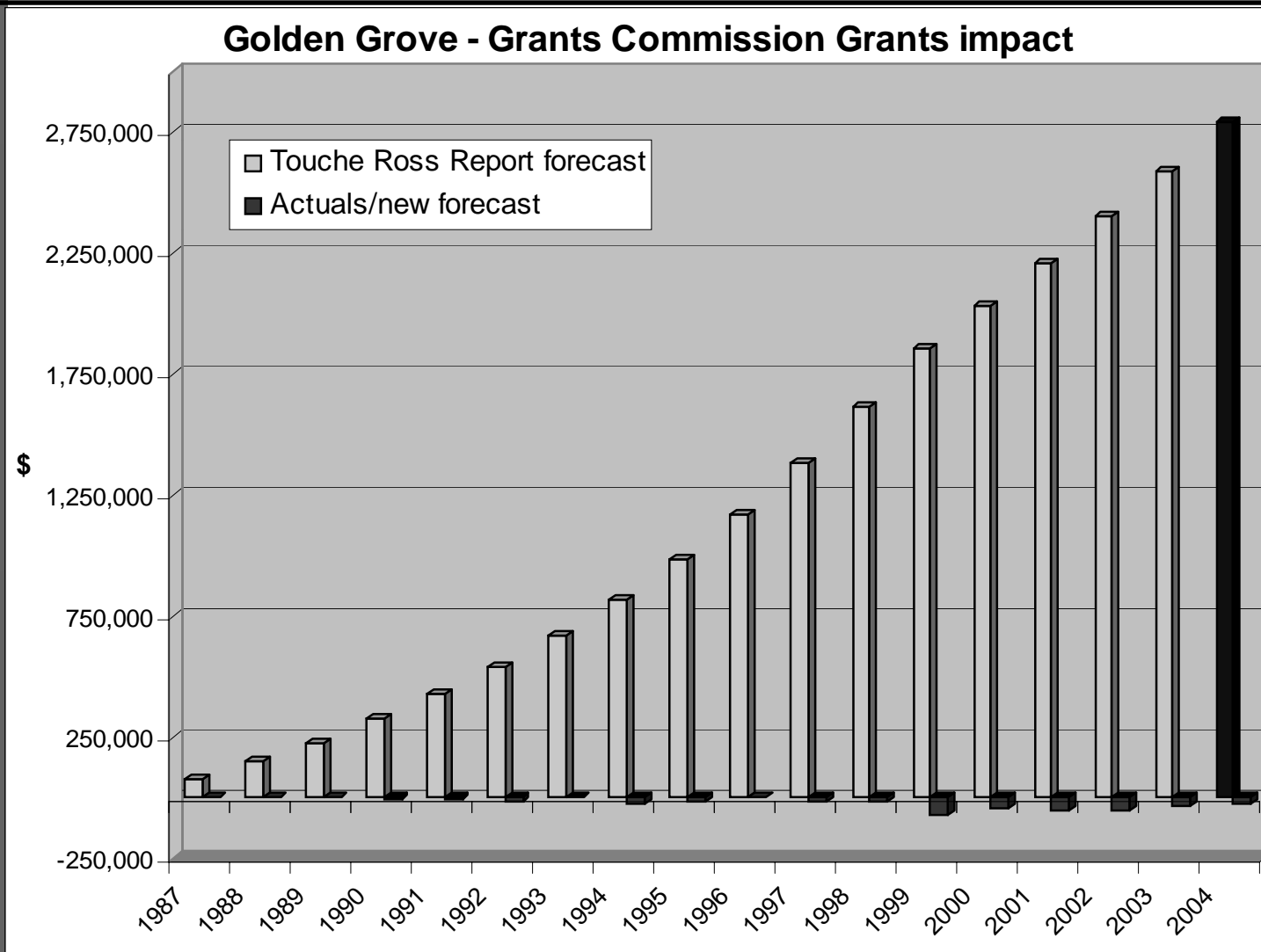


- Historic analysis and revised forecasts in 2002 indicates a net present value of ‘negative’ \$30m of the City’s finances (excludes future legacies)

Financial impact 1 – Rates shortfall

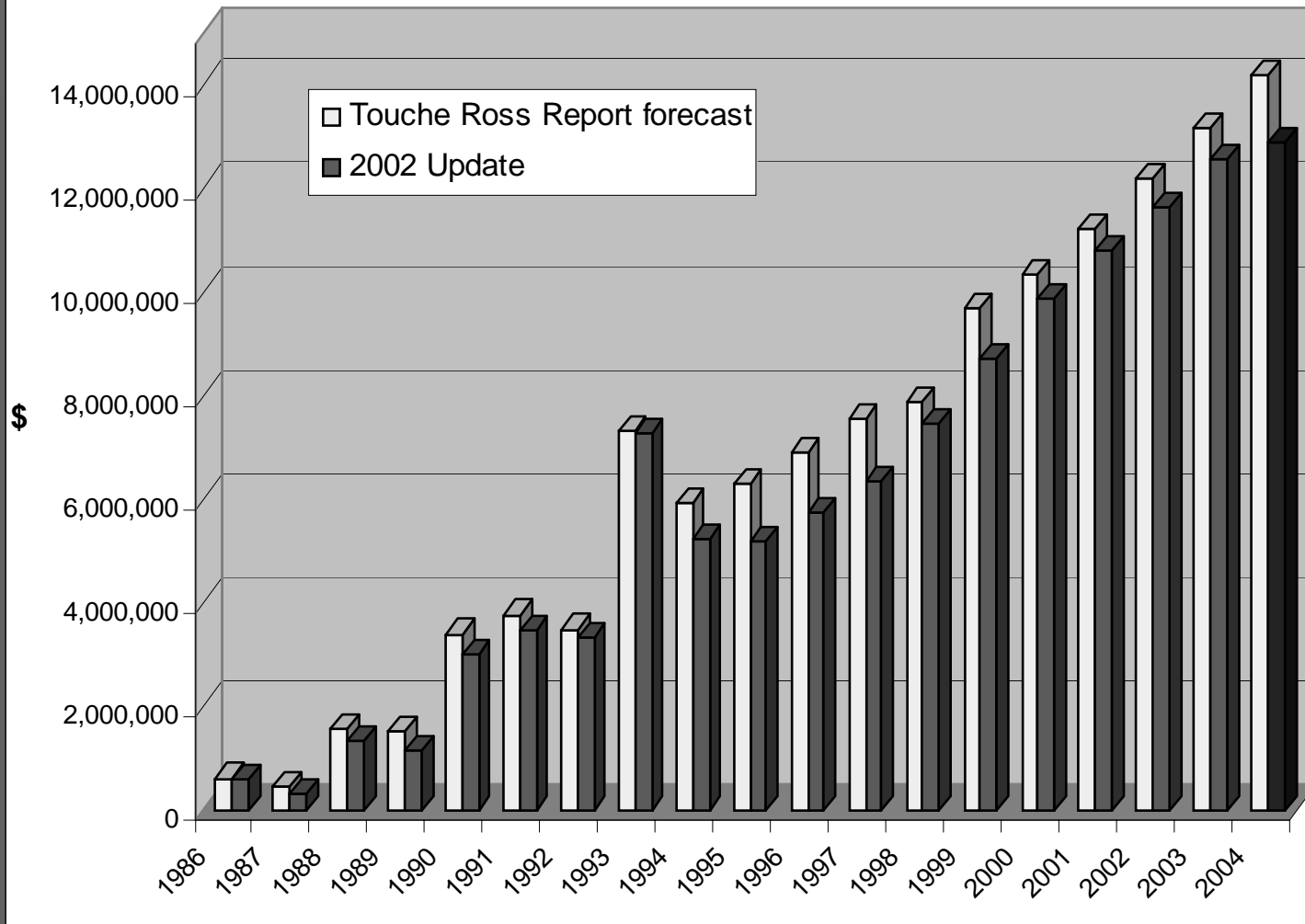


Financial impact 2 – Grants shortfall

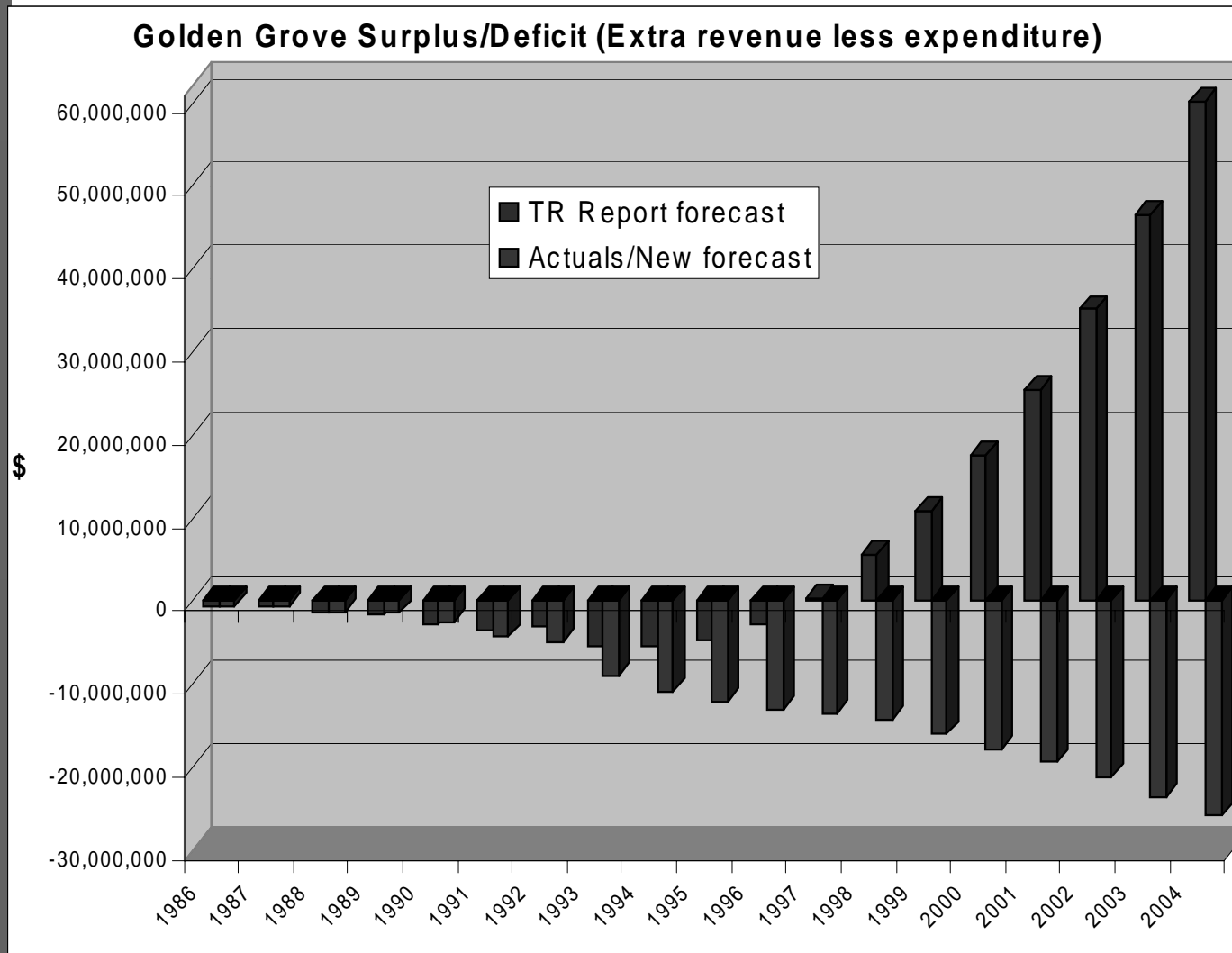


Financial impact 3 – Expenditure

Golden Grove - Expenditure Comparison (excl. interest)



Financial impact 4 – Overall result



Conclusion – a ‘cost shift’?
What ‘profits’ has the Joint Venture
earned?

Why does the City of Tea Tree Gully now
need to have one of the highest rating
levels in Adelaide?

