

20th September 2020

Devonport City Council
137 Rooke Street
DEVONPORT TAS 7310

Malcolm Gardam
4 Beaumont Drive
MIANDETTA TAS 7310
(Mobile No: 0417 355 813)

ATTENTION: MR. MATTHEW ATKINS – GENERAL MANAGER (MAYOR & COUNCILLORS)

RE: LIVING CITY – GOVERNANCE QUESTIONS ON NOTICE

Dear Sir,

The following are submitted as questions on notice to the Ordinary Meeting of Council scheduled for Monday 28th September 2020.

Living City property loans

Q1. On Page 9 of the 24 August 2020 meeting Agenda the following question and response is recorded:

- c) Will Council please provide the residual loan values for each of the CBD Properties component of the Property Management cost centre at the time of consolidating the loans?

Response

At the time of refinancing its borrowings in 2016 into one facility, Council had eight individual loans with Tascorp, totalling \$21,400,000. These loans had various terms and interest rates. Not all the loans were directly attributable to specific projects and whilst research of previous Council decisions may identify the original purpose of each loan, this is not information which is readily or easily available. A review of the loan documentation executed in 2016 simply identifies the loans as one amount.

I find the above statement interesting when compared to the following advice received from Council on the 10/7/18 and 21/12/18:

As advised by Council 10/7/18.

- Q1.** Noting the Loan Debt Summary table of outstanding loan amounts on Page 22 of the PowerPoint Presentation dated 13/06/18, can council please advise how it is able to provide accurate residual values for the individual loan amounts listed as at 30/06/18, now that all have been consolidated into one loan?

Council Response

When the loans were consolidated the amounts were known. It is as simple as the percentage outstanding at that time continuing to be used as the loans are paid down.

- Q2.** Further to Q1, will council please advise as to the separate revenue streams and amounts from each that have been applied to individually reduce each of the listed Living City loan amounts, totalling an \$899,737 reduction from 30/06/16 to the 30/06/18 for a projected residual value of \$10,446,737 (excluding Stage 1 Living City loan) as identified on page 22 of the PowerPoint presentation dated 13/06/18?

Council Response

The table below outlines the repayments relating to all loans which were consolidated at 30 June 2016.

Purpose	Principal 30 June 2016	% of Debt 30 June 2016	Repayments Applied	% of Debt 30 June 2018	Principal 30 June 2018
Surf Club	2,256,586	11%	157,083	11%	2,099,503
Formby Road & Bluff Plaza	2,673,151	13%	86,030	13%	2,587,121
Bass Strait Maritime Centre	802,733	4%	55,909	4%	746,824
Aquatic Centre	3,428,491	17%	238,676	17%	3,189,815
LIVING CITY	11,346,394	55%	899,657	55%	10,446,737
TOTAL	20,507,356	100.0			19,070,000

As advised by Council on the 21/12/18 as to the separate loan amounts applicable to Living City property purchases was:

Response: The table provided to you on 10 July 2018 in response to your question was incorrect insofar as the break up of the actual loan amount should have read:

Balance 30 June 2016	Purpose
\$1,946,395	Purchase of properties in King Street
\$5,000,000	Purchase of 17 Fenton Way (not 20-26 Best Street)
\$2,000,000	Purchase of 20-26 Best Street (not 17 Fenton Way)
\$2,400,000	Purchase of 20-26 Best Street (not 17 Fenton Way)

Response: The information provided to you on 11 December 2018 was correct; the amount borrowed for the purchase of the Harris Scarfe building was \$4.4M. I can confirm the advice provided that as at 30 November 2018, the value of that loan was \$4M.

Clearly the individual loan amounts transferred to the consolidated loan were known in 2016 and were being tracked as a percentage reduction against the overall principal repayments; as confirmed by the former General Manager. Considering council is able to confirm that the outstanding loan amount for the "CBD Properties" currently stands at \$9,637,353, and the former General Manager advise that "It is as simple as the percentage outstanding at the time continuing to be used as the loans are paid down." and the residual loan amount for 20-26 Best Street was \$4m as at 30/11/18, I repeat the question, will council please confirm the residual loan amount as at 30 June 2020 for each of the Living City property purchases and specifically 17 Fenton Way and 20-26 Best Street?

Q2. On Page 8 of the 24 August meeting Agenda the following question and response is recorded:

Q6 a) Will Council please provide a full list of the properties comprising the CBD Properties component of the "Property Management cost centre"?

Response

The Property Management cost centre in Councils finance system currently includes the following properties:

- 17 Fenton Way
- 21 Oldaker Street
- 6-10 Steele Street
- 62 Stewart Street
- 64 Stewart Street
- 45-47 Stewart Street
- 92 Formby Road

Noting that the property at 20-26 Best Street (former Harris Scarfe site) is missing from the list will Council please advise how that particular loan is now, or has been, accounted for?

- Q3.** With reference to Q2 above (and noting, as previously advised, that projected loan principal repayments are identified in the Long Term Financial Plan but exclude any additional repayments that Council may choose to make if surplus cash is available) and assuming the residual \$4m outstanding loan, previously confirmed as being the loan amount as at the 30 November 2018, has since been paid down in full and not as a percentage reduction of the consolidated loan amount as previously advised, then when was this loan principal repayment(s) specific to 20-26 Best Street approved by Council?

Waterfront Park structure costs

- Q4.** Will Council please advise as to the value of the new waterfront park Elevated Walkway (complete including service lifts) as included on the Head Contractor's Progress Claim form and used for the purpose of progress claims?
- Q5.** Will Council please advise as to the value of the new waterfront park Access Road (Service Road) complete as included on the Head Contractor's Progress Claim form and used for the purpose of progress claims?

Providore Place individual tenancy lease status

- Q6.** Almost nine (9) months after Council took over direct management of the individual Providore Place tenancies; will Council confirm that Southern Wild Distillery, as the only original tenant, now has a signed lease agreement that is a fully commercial arrangement delivering comparable market rents plus rates and outgoings?
- Q7.** Will Council confirm that Pinctada Kitchen has a signed lease agreement that is a fully commercial arrangement delivering comparable market rent plus rates and outgoings?
- Q8.** Will Council confirm that the soon to open Ola Food and Bar has a signed lease agreement that is a fully commercial arrangement delivering comparable market rent plus rates and outgoings?
- Q9.** Is Council either directly or indirectly paying or contributing to the costs of cleaning the external glass surfaces to Providore Place?

Please acknowledge receipt and ensure inclusion in full in the September meeting Agenda.

Yours sincerely,

Malcolm Gardam

CC: Mayor & Councillors