

**18 CONFIDENTIAL ITEMS****18.6 ZERELLA FRESH REQUEST FOR COUNCIL ASSISTANCE**

166

**RECOMMENDATION**

That:

1. Pursuant to Section 90(2) & (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Chief Executive Officer, Manager Major Project Delivery, Manager Corporate Services, Manager Infrastructure Services, Manager Property and Development Services, Coordinator Executive Services, Coordinator Organisational Development and the Minute Secretary be excluded from attendance at the meeting held on Wednesday 21 April 2021 for Agenda Item 18.6 Zerella Fresh Request for Council Assistance;
2. The Council is satisfied that pursuant to section 90 (3) (d)(i) of the Local Government Act 1999, the information to be received, discussed or considered in relation to the Agenda Item 18.6 Zerella Fresh Request for Council Assistance is:  
  
commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.
3. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed by the need to discuss this Agenda Item 18.6 in confidence.

MOVED COUNCILLOR MICK SPARNON

SECONDED COUNCILLOR TREVOR HANCOCK

That:

1. Pursuant to Section 90(2) & (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Chief Executive Officer, Manager Major Project Delivery, Manager Corporate Services, Manager Infrastructure Services, Manager Property and Development Services, Coordinator Executive Services, Coordinator Organisational Development and the Minute Secretary be excluded from attendance at the meeting held on Wednesday 21 April 2021 for Agenda Item 18.6 Zerella Fresh Request for Council Assistance;
2. The Council is satisfied that pursuant to section 90 (3) (d)(i) of the Local Government Act 1999, the information to be received, discussed or considered in relation to the Agenda Item 18.6 Zerella Fresh Request for Council Assistance is:  
  
commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.
3. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed by the need to discuss this Agenda Item 18.6 in confidence.

CARRIED.

**18.6 ZERELLA FRESH REQUEST FOR COUNCIL ASSISTANCE**

**Responsible officer:** Jason Taylor, Chief Executive Officer

**Attachments:** 1. Zerella Fresh Letter 13 April 2021

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in Section 90(2) & (3) of the <i>Local Government Act 1999</i> .
<b>Sub-clause and Reason:</b>	(d)(i) - commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

**Executive Summary**

Council has received a formal request for assistance from Zerella Fresh. Zerella Fresh is making a significant investment into the Southern Mallee District through the development of a new Parilla Potato Facility and associated housing development to attract and house workers.

This report enables Council to consider providing a range of assistance to Zerella Fresh to secure this long term investment, secure quality of development and balance development in the district.

**The Mayor with approval of two-thirds of the members present suspended the meeting procedures pursuant to regulation 20(1) of the Local Government (Procedures at Meetings) Regulations 2013, for a period of 10 minutes to facilitate informal discussion in relation to Zerella Fresh request for Council assistance at 9.56pm**

**Meeting procedures resumed at 10.16pm**

<p><b>RECOMMENDATION 4</b></p> <p>That Council provides a rate rebate for the property upon which the new Zerella Potato Packing Facility is being constructed (which equates to the difference between the current rate and the new rate that would apply once the new facility is completed and valued) for a period of two years.</p>
<p><b>MOVED COUNCILLOR TREVOR HANCOCK</b>  <b>SECONDED COUNCILLOR MICK SPARNON</b></p> <p><b>That Council provides a rate rebate for the property upon which the new Zerella Potato Packing Facility is being constructed (which equates to the difference between the current rate and the new rate that would apply once the new facility is completed and valued) for a period of two years.</b></p> <p><b>CARRIED.</b></p>

**RECOMMENDATION 3**

That Council:

1. uses its ability to provide rate rebates as a mechanism to encourage Zerella and its nominees to develop an even spread of dwellings in both Pinnaroo and Lameroo and that the rate rebate is effectively a reward for securing balanced and proper development in both towns that supports Zerella and existing businesses and the community in each town;
2. provides a 100% rate rebate for every new dwelling built by Zerella or its nominees in Pinnaroo or Lameroo during the 2020/21 and 2021/22 financial years, subject to that dwelling being matched by another dwelling in the other town, for a period of two years.
3. does not provide any level of rate rebate for any new dwelling built by Zerella or its nominees in Pinnaroo or Lameroo that is not matched by a dwelling in the other town.

MOVED COUNCILLOR MICK SPARNON  
SECONDED COUNCILLOR PAUL IRELAND

That Council:

1. uses its ability to provide rate rebates as a mechanism to encourage Zerella and its nominees to develop an even spread of dwellings in both Pinnaroo and Lameroo and that the rate rebate is effectively a reward for securing balanced and proper development in both towns that supports Zerella and existing businesses and the community in each town;
2. provides a 100% rate rebate for every new dwelling built by Zerella or its nominees in Pinnaroo or Lameroo during the 2020/21 and 2021/22 financial years, subject to that dwelling being matched by another dwelling in the other town, for a period of two years.
3. does not provide any level of rate rebate for any new dwelling built by Zerella or its nominees in Pinnaroo or Lameroo that is not matched by a dwelling in the other town.

CARRIED.

**RECOMMENDATION 2**

That Council constructs Harvey Street, Lameroo and Pinnaroo Avenue, Pinnaroo to quality rubble based roads with a spray seal finish to provide access to the 22 proposed new dwellings at its own cost, subject to works only being undertaken if, and once, all 22 dwellings are developed by Zerella in the subject locations.

MOVED COUNCILLOR TREVOR HANCOCK  
SECONDED COUNCILLOR MICK SPARNON

**That Council constructs Harvey Street, Lameroo and Pinnaroo Avenue, Pinnaroo to quality rubble based roads with a spray seal finish to provide access to the 22 proposed new dwellings at its own cost, subject to works only being undertaken if, and once, all 22 dwellings are developed by Zerella in the subject locations.**

CARRIED.

#### RECOMMENDATION 1

That Council waives the Community Wastewater Management System connection fee of \$3,000 per connection for all new dwellings built by Zerella or its nominees during the 2021/22 financial year.

MOVED COUNCILLOR TREVOR HANCOCK  
SECONDED COUNCILLOR NEVILLE PFEIFFER

**That Council waives the Community Wastewater Management System connection fee of \$3,000 per connection for all new dwellings built by Zerella or its nominees during the 2021/22 financial year.**

CARRIED.

#### Background

Zerella Fresh wrote to Council on 13 April 2021 requesting a range of financial assistance. Zerella Fresh is making a significant investment into the Southern Mallee District through the development of the new Parilla Potato Facility and associated housing development to attract and house workers.

#### Context

Council has the ability to support economic development in the district. Such support would normally be expected of councils that want to secure significant economic development that will have enduring positive economic and social impacts.

#### Policy and statutory implications

Council under Section 166 of the Local Government Act 1999 can offer with or without an application a relief to rates as follows;

- (a) the rebate is desirable for the purpose of securing the proper development of the area (or part of the area)
- (b) the rebate is desirable for the purpose of assisting or supporting a business in its area.

The Southern Mallee District Council Strategic Plan 2021-2025, includes a number of the strategies relevant to this item. In particular, under *Goal 2: Diverse and prosperous economy* priorities 2.12 and 2.15

- Collaborate with local business groups to attract economic development.
- Encourage and support the establishment of innovative and sustainable businesses.

**Issues**

Zerella Fresh’s letter of 13 April 2021 proposes four points for potential Council assistance. These items of assistance and Council’s administrative response to each item is shown in the table below:

Zerella Fresh Request for Council Assistance – Summary Table		
Assistance item	Request	Council officer response
Wastewater (sewerage) Connection Fee	<i>“Council to maintain the current zero cost connection fee for new houses built by Zerella or its nominees during the 2021/22 financial year.”</i>	<p>This request is supported in full.</p> <p><b>It is recommended that Council waive the Community Wastewater Management System connection fee of \$3,000 per connection for all new dwellings built by Zerella or its nominees during the 2021/22 financial year.</b></p> <p>This is a new fee proposed to commence in 2021/22. Council could waive this fee as a token of good will and because it will start receiving annual CWMS charges for each new dwelling.</p> <p>This recommendation would result in Zerella achieving a saving (based on 20 new dwellings being constructed in 2021/22) of approximately \$60,000.</p>
Roads	<p><i>“We have been provided with an estimated cost of k\$80 to upgrade Harvey Street (Lameroo) and Pinnaroo Ave (Pinnaroo) to quality rubble roads plus an additional k\$40-60 for spray sealing. These works are a prerequisite to building 12 and 10 houses at these sites respectively.</i></p> <p><i>We ask that Council contributes \$100% of the cost of these works”</i></p>	<p>This request is supported in full.</p> <p><b>It is recommended that Council construct Harvey Street, Lameroo and Pinnaroo Avenue, Pinnaroo to quality rubble based roads with a spray seal finish to provide access to the 22 proposed new dwellings at its own cost, subject to works only being undertaken if, and once, all 22 dwellings are developed in the subject locations.</b></p> <p>Council’s Infrastructure Services team has provided estimated costs for the subject road construction. It is considered appropriate to construct quality rubble based roads with a spray seal finish in the subject locations to provide access to the 22 new dwellings. Council can justify covering the total cost of this construction given it will be Council’s asset and will provide broad community benefit to the new residents, some existing residents and will have flow on broad community benefit.</p> <p>This recommendation would result in Zerella achieving a saving of up to approximately \$140,000.</p>
Council rates houses	<i>“In recognition of the major investment that Zerella and its nominees are making to the Lameroo/Pinnaroo region that will result in a once in a generation change, we</i>	<p>This request is supported in part.</p> <p><b>It is recommended that Council uses its ability to provide rate rebates as a mechanism to encourage Zerella and its nominees to develop an even spread of dwellings in both Pinnaroo and Lameroo and that the rate rebate is effectively a reward for securing balanced and proper development in both towns that supports Zerella and existing businesses and the community in each town.</b></p> <p><b>It is recommended that Council provides a 100% rate rebate for every new</b></p>

	<p><i>ask that the Council only imposes council rates on an unimproved basis for new houses built by Zerella or its nominees during the 2020/21 and 2021/22 financial years for a period of 5 years."</i></p>	<p><b>dwelling built by Zerella or its nominees in Pinnaroo or Lameroo during the 2020/21 and 2021/22 financial years, subject to that dwelling being matched by another dwelling in the other town, for a period of two years.</b></p> <p><b>It is recommended that Council does not provide any level of rate rebate for any new dwelling built by Zerella or its nominees in Pinnaroo or Lameroo that is not matched by a dwelling in the other town.</b></p> <p>These recommendations would result in Zerella achieving a 100% rate relief on at least 20 dwellings (being the 10 proposed for construction in Pinnaroo Avenue and 10 of the dwellings (either proposed for construction or already constructed) in Lameroo.</p> <p>Any further matched dwelling construction would result in further rate rebates.</p> <p>It is considered unnecessary to provide the rate rebate to attract the development as Zerella is already committed to housing development. However, the rate rebate can appropriately be used to ensure equity of development in the district. Achieving dwelling development in both Lameroo and Pinnaroo will have broad and lasting benefit to businesses and community and sporting groups in both towns. Council can reasonably justify the use of public money for such an outcome.</p> <p>Council administration has actively and consistently encouraged Zerella to spread the benefit of the Potato Packing Facility and associated housing in discussions over the last year.</p> <p>This set of recommendations would result in Zerella achieving approximately \$72,000 in rate relief over a two year period for 20 dwellings.</p> <p>If the request from Zerella was supported in full and they developed 40 dwellings the rate relief over two years (difference between vacant land rate and developed dwelling) would equate to approximately \$48,000 per annum or \$240,000 over five years. But with no incentive to provide a spread of development in the district. It would be harder for Council to justify the use of a significant amount of public money in such an un-targeted way and in a way that is unrelated to the achievement of a particular positive outcome.</p>
<p>Council rates – Parilla Potato Facility</p>	<p><i>"We also ask that the rateable value of the property upon which our new potato packing facility is built not be increased for the same period of 5 years"</i></p>	<p>This request is supported in part.</p> <p><b>It is recommended that Council provides a rate rebate for the property upon which the new Zerella Potato Packing Facility is being constructed (which equates to the difference between the current rate and the new rate that would apply once the new facility is completed and valued) for a period of two years.</b></p> <p>The current annual rates for the subject property is approximately \$12,000 per annum. If the subject property increases to \$30m in value the approximate annual rates will be \$178,000 per annum. Even if the property increases to a lesser value the difference in annual rates on each property will be significant and in the order of at least \$100,000 per annum.</p> <p>This recommendation would result in Zerella achieving approximately \$200,000 - \$300,000 in rate relief over a two year period.</p> <p>Such rate relief is considered appropriate to support such a significant development in our district. A five year period of rate relieve would be a significant loss of income for Council to bear. Such an arrangement would also run well into the next term of Council. That term of Council could actually consider further rate relief itself rather than being bound by a decision of this term of Council.</p>



**Alternate options**

Council could determine to provide different assistance or to not provide any assistance. Council should be clear on what assistance it is providing as it is expected that the public will want to understand Council's ultimate decision and the justification for it.

**Financial implications**

The total package of assistance described above relating to the Council officer's recommendations equates to an expense or lost fee or rate income to Council of approximately \$472,000 to \$572,000 over two years. The Zerella set of requests if supported would equate to approximately \$940,000 to \$1,19m of expense or lost income over five years.

**Work Health and Safety and Risk implications**

This matter raises no new work health and safety or risk implications. There would be some reputational risk to Council in not working collaboratively with Zerella Fresh. Conversely there would be reputational risk to Council in being too generous in the assistance to Zerella Fresh.

**Consultation**

Senior staff of Zerella Fresh have met with senior Council staff and some elected members prior to the commencement of development on the Parilla Potato Facility and during development as required.

CONFIDENTIAL



Johns Road, Virginia SA 5120  
PO Box 41 Virginia SA 5120  
Phone: 08 8380 9096 Fax: 08 8380 9249

---

13<sup>th</sup> April 2021

Mr Jason Taylor  
Chief Executive Officer  
Southern Mallee Council

Dear Jason,

I am pleased to advise that our new Parilla Potato Facility remains on track to be commissioned in June 2021. This is despite the many challenges that we have encountered including supplier and shipping delays caused by Covid. As a result, we will have 40 new workers and their families relocating to the Mallee region over the coming months. This will include additional children of childcare and school age.

To meet the housing needs of these families, we will be building more than 20 new houses in Lameroo and Pinnaroo. We are aware that the cost of purchasing and bringing services to these sites will be significant. We ask the Council to assist in the following 3 ways. Please note that our total investment in the new facility and housing is approximately \$50 million.

1. Wastewater (sewage) Connection Fee

Council to maintain the current zero cost connection fee for new houses built by Zerella or its nominees during the 2021/22 financial year.

2. Roads

We have been provided with an estimated cost of k\$80 to upgrade Harvey Street (Lameroo) and Pinnaroo Ave (Pinnaroo) to quality rubble roads plus an additional k\$40-60 for spray sealing. These works are a prerequisite to building 12 and 10 houses at these sites respectively.

We ask that the Council contributes 100% of the cost of these works.

3. Council Rates

In recognition of the major investment that Zerella and its nominees are making to the Lameroo/Pinnaroo region that will result in once in a generation change, we ask that the Council only imposes council rates on an unimproved basis for new houses built by Zerella or its nominees during the 2020/21 and 2021/22 financial years for a period of 5 years.

We also ask that the rateable value of the property upon which our new potato packing facility is built not be increased for the same period of 5 years.





Johns Road, Virginia SA 5120  
PO Box 41 Virginia SA 5120  
Phone: 08 8380 9096 Fax: 08 8380 9249

---

We appreciate your support of this major investment.

Regards

A handwritten signature in blue ink, appearing to be "Mark Pye", written over a light blue grid background.

Mark Pye  
Director

CONFIDENTIAL

**18 CONFIDENTIAL ITEMS****18.6 ZERELLA FRESH REQUEST FOR COUNCIL ASSISTANCE****RECOMMENDATION**

That having considered agenda Item 18.6 in confidence under section 90 (2) and (3) (d)(i) of the Local Government Act 1999, the Council pursuant to section 91 (7) of the Act orders that the documents considered by the Council, including the officer's report and all minutes be retained in confidence except Council resolutions relating to recommendations 1, 3 and 4. This order is to be reviewed at or before the ordinary Council meeting to be held in January 2022, as to if this order is to continue in operation.

MOVED COUNCILLOR REBECCA BOSELEY  
SECONDED COUNCILLOR MICK SPARNON

**That having considered agenda Item 18.6 in confidence under section 90 (2) and (3) (d)(i) of the Local Government Act 1999, the Council pursuant to section 91 (7) of the Act orders that the documents considered by the Council, including the officer's report and all minutes be retained in confidence, except Council resolutions relating to recommendations 1, 3 and 4. This order is to be reviewed at or before the ordinary Council meeting to be held in January 2022, as to if this order is to continue in operation.**

CARRIED.