

Hunter Development Corporation

AGENDA: OPEN BOARD MEETING – 7 NOVEMBER 2008

HDC BOARD ROOM – level 5, PricewaterhouseCoopers Building, 26 Honeysuckle Drive

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Investment prospects sound despite slow pace

Hunter Development Corporation Chairman Paul Broad today said that despite a clearly difficult credit market the private sector was still showing great interest in Newcastle as a place to invest.

“Newcastle is obviously not immune from the effects of the current global financial environment, but there is still a healthy level of investor interest in the significant projects on the drawing board,” Mr Broad said.

Mr Broad said Newcastle was seeing the impact of the global credit crisis in that negotiations with proponents on large development projects had been moving slowly with some proponents citing difficulties with raising funds.

“This is having the effect of pushing the expected delivery times on a number of projects further out, but there is still clearly an appetite for the Newcastle market.

“In addition to continuing to monitor the market and commission market research, the Corporation will adjust its land release strategy to suit current and expected market conditions.

“We are still in a strong position to deliver exciting new projects in Newcastle and the region,” Mr Broad said.

540 Hunter Street Newcastle

Despite the constrained market, the Corporation has sold a site in Hunter Street West to a joint venture looking to develop a commercial office building. (See next Open Session agenda item for details.)

Lot 230 Honeysuckle Drive Newcastle

The Corporation is actively negotiating with several proponents with a view to delivering a new commercial office/mixed-use development on the site (next to new HQo building).

Hunter Development Corporation General Manager Craig Norman said “although negotiations regarding this site have been quite protracted, again in large measure due to the global financial environment, we’re still comfortable about the level of interest in the site from leading developers”.

Lot 22 Honeysuckle Drive Newcastle

The commercial/mixed use land release is at Lot 22 Honeysuckle Drive, Newcastle (near Wickham Railway Station).

The preferred proponent withdrew from negotiations citing the current credit environment. However, Mr Norman said the Corporation has fielded inquiries from a number of interested parties and was in discussion with another proponent to deliver a quality commercial/mixed use building at Lot 22.

“Lot 22 is an important site with great access to both the harbour and Wickham Station so the level of interest is not surprising,” Mr Norman said.

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New commercial development slated for Hunter Street West

The Hunter Development Corporation today announced it had sold a site in Hunter Street West to be developed into an office building.

The 2,147 square metre site, at 540 Hunter Street Newcastle West, was purchased by a joint-venture between Hunter Land and Lawler Partners.

Hunter Development Corporation Chairman Paul Broad said it was pleasing that the sale had been made despite the tight market conditions.

“Should this proposed development proceed, it will be another important step in the process of revitalising Newcastle and Hunter Street in particular,” Mr Broad said.

“This sort of development on Hunter Street attracts a professional workforce to the area and assists with re-activating the area to discourage vandalism and anti-social behaviour.”

Hunter Development Corporation General Manager Craig Norman said the consortium planned to construct a six storey commercial office building and had confirmed professional services firm Lawler Partners was interested in locating its Newcastle headquarters in the new building.

Owned by the Hunter Development Corporation, it is the last site in the Hunter Street Precinct to be released by the Corporation as part of the Honeysuckle urban renewal project.

Mr Norman said the developments completed to date in Hunter Street West by the Corporation included:

- The \$16 million Cove Apartments – 60 units;
- The \$22.5 million Ibis Hotel;
- The \$8 million Riverwalk development – 3000m² commercial space;
- The \$18 million 670 Hunter Street – 5000m² office space - including the Newcastle Community Health Centre;
- Hunter Street Park

Zoned 3(c) city centre, the lot is within walking distance of the city’s major facilities.

Last year the Hunter Development Corporation called for proposals in conjunction with the Centre for Affordable Housing for residential/mixed use development of the site, aiming to secure a number of affordable housing units as part of the development.

However the proposals received didn't adequately address the selection criteria, including an important component of delivering affordable housing units. The Corporation will now look to deliver affordable housing units on other sites.

As part of the Honeysuckle urban renewal project, the Corporation aims to have delivered 187 affordable housing units to Newcastle by 2012 and has already delivered 170 units.

540 Hunter Street Newcastle

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BHP Billiton Hunter River Remediation project

The Hunter Development Corporation today said it had insisted on rigorous conditions when discussing a proposed agreement with BHP Billiton (BHPB) for the placement of treated Hunter River sediment in a secure cell on Kooragang Island.

HDC and the Department of Environment and Climate Change (DECC) require the sediments to be treated to a high standard before being placed in the secure cell. BHPB has committed to cleaning up the river and effectively treating and emplacing the contaminated sediments using proven technologies and practices.

Hunter Development Corporation Chairman Paul Broad said it was important that careful environmental monitoring be undertaken to ensure that the HRRP did not result in further contamination at the Kooragang Island waste emplacement facility where the cell is to be constructed. HDC is a landowner on Kooragang Island.

BHPB is responsible for removing contaminated river sediment that resulted from its former activities at the Newcastle Steelworks site from the south arm of the Hunter River in a project that is critical for the further development of this waterway.

With the former Kooragang Island Waste Emplacement Facility (KIWEF) site nominated as the disposal site, a period of 15 years was independently confirmed as being an appropriate warranty period for an emplacement cell.

Hunter Development Corporation General Manager Craig Norman said a range of landowner protection mechanisms had been developed for the cell which had been agreed in principle with BHPB.

Mr Norman said that under the proposed agreement important conditions had been established to protect the environmental performance of the cell and the value of the land to preserve its suitability to future industrial use:

- The cell is to be engineered to a high environmental standard;
- The potential for the site to sustain light industrial development is to be preserved.
- Each major phase of the cell design, construction and monitoring will have qualified independent verification so that the landowner will have high levels of assurance that can also be passed on to future developers;
- BHPB will take full responsibility for the cell construction site and all of their activities until the cell is handed over to the State, including all responsibilities to regulatory authorities;
- The cell will only be accepted by the State when it has demonstrated long term evidence that it performs properly and has passed its period of highest risk (15 years);
- BHPB indemnities under the 2002 Environmental Deed that presently exist to cover contamination (by BHPB) of land next to the cell will continue to apply;

- All costs for maintenance, monitoring, reporting, and dealing with any leachate that may be collected from inside the cell will be covered by BHPB for a 100 year time horizon; and
- BHPB is required to fund the cost of installing a full external groundwater extraction system to cater for the unlikely scenario of wholesale failure of the cell (after handover).

Mr Norman said the Corporation had retained a highly regarded expert - Dr Ian Swane – to verify the environmental safeguards required for the appropriate treatment and placement of the contaminated sediment.

“We will also ensure a high level of interaction with the Department of Environment and Climate Change (DECC) landfill experts,” Mr Norman said.

DECC has a regulatory role in assessing all engineering detail of the cell and its environmental protection measures. BHPB must hold its own DECC licence for the site to cover construction and management of the cell until handover, and undertake all statutory reporting to all consent authorities.

BHPB will be obliged to regularly collect groundwater samples and report to the Department of Environment and Climate Change.

Verification from a Site Auditor that the cell is continuing to meet the requirements will be a condition of handover of the cell to the state in 15 years.