

ATTACHMENT TO AGENDA ITEM

Ordinary Meeting

20 October 2015

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Victoria Lake Holiday Park



Capital & Maintenance Works – June 2015

MINUTES

FOR THE
GREATER SHEPPARTON CITY COUNCIL

ORDINARY COUNCIL MEETING

HELD ON
TUESDAY 17 FEBRUARY, 2015

RECOMMENDATION

That the Council:

1. review and update the Victoria Lake Master Plan to incorporate the potential for a new Shepparton Art Museum and visitor/tourist accommodation precinct
2. close the Victoria Lake Caravan Park from February 2016 while the Master Plan update is undertaken and feasibility of visitor/tourist accommodation is considered.

Moved by Cr Ryan
Seconded by Cr Oroszvary


That the Council review and update the Victoria Lake Master Plan to incorporate the potential for a new Shepparton Art Museum and visitor/tourist accommodation precinct.

Cr Patterson sought an extension of time for Cr Ryan to speak to the motion.

GRANTED

The motion was put and carried.

In February 2015 the Councillors resolved not to support a recommendation to close the caravan park. A report has now been prepared on the costs required to bring the caravan park up to an acceptable standard.



This presentation will highlight the extensive works required to bring the park up to an acceptable standard

Fire Services



\$ 306,900.00

Essential fire services work is immediately required at the Park

Trees



\$123,860.00
Tree reduction / removal

\$ 72,500.00
Tree offset purchases

\$196,360.00 Total

Roadworks



\$ 484,265.00

The overall assessment of the roads within the park is estimated as a **Condition 8**. Most of the road and drainage assets have failed beyond maintenance levels and now require major works rather than a reseal.

A minimum cost is \$484,265, but if the pavement requires full reconstruction this could blow out to \$800,000.

Minor Maintenance

\$ 89,584.00

Works Department
Minor Maintenance to remove tripping hazards,
top soil, renewal of footpaths, removal of
concrete, removal of old sulage points,
replacement of internal drain



Minor Maintenance



\$ 9,924.40

Contractor

Various minor maintenance such as carpentry works, tiling, office repairs, cabin repairs



Cabin Refurbishment



\$ 39,550.00

Property Department
Minor cabin refurbishment is overdue such as
replacement air-conditioners (5), floor
coverings, antennas (14), curtains, various
furniture etc.



Electrical



\$ 6,631.75

Old power heads to be removed, replacement of lighting in cabins required as parts are no longer available for existing light fittings.



Plumbing



\$ 25,755.00

Repairs to toilets, roof repairs, re-do wastes and sewer from pans, flash fascia, dump point to meet regulations and the AS/NZS 35002.2 standard



Painting



\$ 56,540.00

Essential painting is required on all amenity blocks internal and external.

Painting is required on cabin eaves, handrails, gable ends and base boards



Lighting



\$ 5,000.00



Solar Lights to be installed at the front and rear of the Cabins

Turf & Mulch



\$ 7,682.00

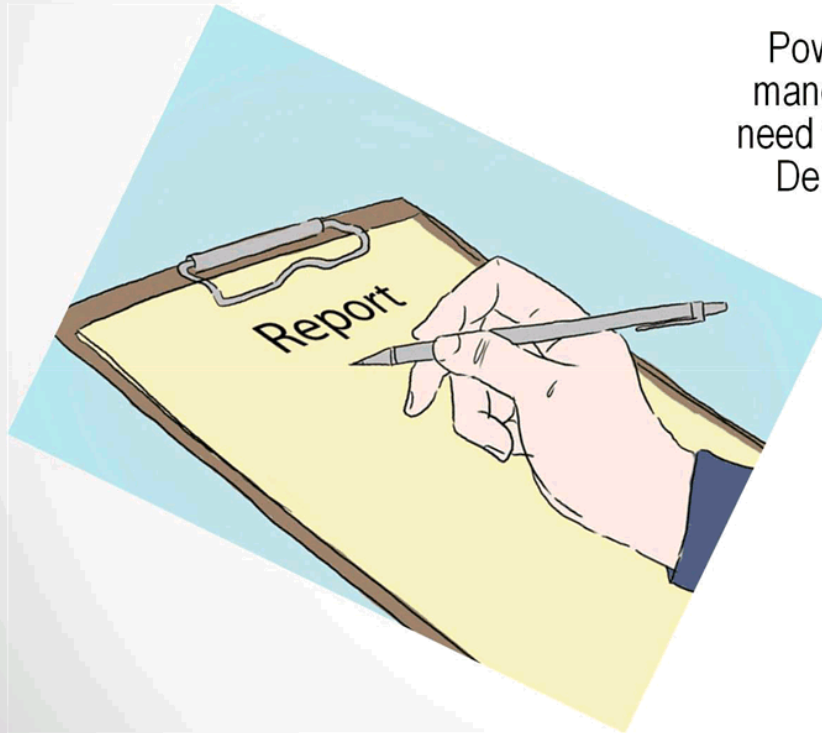
Grassing of new top soil and replenishment of mulch around cabins.



DELWP Reporting

\$ 15,000.00

Power location on all Crown Land sites is a mandatory requirement and power locations need to be surveyed and a report provided to Department of Environment Land Water & Planning (DELWP).



Total Estimated Cost

\$1,243,192.10

196,360.00	Tree reduction / removal / offsets
9,924.35	Minor Maintenance - Contractor
89,584.00	Minor Maintenance - Works Department
39,550.00	Cabin Maintenance
25,755.00	Plumbing
56,540.00	Painting
6,631.75	Electrical
5,000.00	Lighting
7,682.00	Grass / Mulch
306,900.00	Fire Services
484,265.00	Road Works
15,000.00	DELWP Reporting

Once we have taken care
of the maintenance
currently needed, then we
can start planning the
improvements.....





6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment

Greater Shepparton City Council Discussion Paper

Report to: Ordinary Meeting

Date of meeting: Tuesday, 17 February 2015

From: Infrastructure Directorate

Subject: Victoria Lake Caravan Park Precinct Redevelopment

Disclosures of conflicts of interest in relation to advice provided in this report

Under section 80C of the *Local Government Act 1989* officers and persons engaged under a contract providing advice to Council must disclose any conflicts of interests, including the type and nature of interest.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Council Officers involved in producing this report

Author: Manager Strategic Assets

Proof reader(s): Director Infrastructure

Approved by: Director Infrastructure

Other: Director Communities

Executive Summary

There is a need for Council to consider the immediate and long term future of the Victoria Lake Caravan Park. The caravan park has potential to be a profitable business and a significant attraction to Shepparton, but action is urgently required to ensure the sustainability of the park. The occupancy rates have declined over recent years to 20% of capacity. At the same time occupancy is insufficient to drive investment into the aging park infrastructure, which is in poor condition and very out dated.

Consideration of the short term future is essential as the caravan park management contract expires on 30 June 2015. The completion of the management contract term and with the park operating at break even, or at a small loss, is a trigger for a decision about the future of the caravan park, rather than simply commence the process of recruiting new contract Managers when the park is in financial trouble.

The caravan park condition has led to a number of significant Occupational Health and Safety concerns for staff and visitors alike. Most notably is the absence of adequate fire fighting infrastructure. The Residential Tenancies Regulations 1999 No. 88: requires a caravan park to supply fire fighting facilities in or in relation to the caravan park.

There have been a number of close calls with tree limbs falling on vacant camp sites or very near camp sites. Council will be liable should a tree limb be the cause of a serious accident.



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)

Other serious risks that will be further discussed below include;

- numerous trip hazards that exceed Council's RMP standards throughout the Park from lifting concrete and road potholes.
- very poor night lighting
- no fencing around the park to stop a child walking onto railway tracks or into the Goulburn River.
- poorly designed clothes lines throughout the park that could cause serious head injuries – especially given inadequate night lighting
- broken toilets in amenity blocks and sewerage pipes failing on a regular basis.
- poor security resulting in a spate of break-ins, any of which could have resulted in confrontation between park occupants and criminals.

Council commissioned a feasibility study into the caravan park through the company Urban Enterprises. The study concluded that the caravan park, in its present condition is run down, and cannot cater to the growing family holiday market. The study supports the redevelopment of a premium caravan park, to meet the demands of the family/leisure camping market, but also proposed among the options, a new precinct which included a new Shepparton Art Museum, and permanent 4+ star visitor/tourist accommodation on the existing caravan park and Shell Service Station site.

This report does recommend the short term closure of the caravan park in order to halt revenue loss to Council and to consider how to address the numerous OHS risks which seriously expose Council to legal action. The intention will be to consider the redevelopment the caravan park, which might incorporate a new SAM and premium accommodation facility to support future tourism growth in Shepparton. A separate report is being prepared regarding a new SAM development in this precinct.

RECOMMENDATION

That the Council:

1. review and update the Victoria Lake Master Plan to incorporate the potential for a new Shepparton Art Museum and visitor/tourist accommodation precinct
2. close the Victoria Lake Caravan Park from February 2016 while the Master Plan update is undertaken and feasibility of visitor/tourist accommodation is considered.

Background

In 1998 the caravan park was leased by Greater Shepparton Council to a private operator who ran the facility for approximately 15 years. The lease conditions included maintenance of the park at a minimum 3 star rating. While some additional cabins were built in the park in this time, and some minor sewerage works undertaken, Council took back the park in 2013 in a very poor condition such that the caravan park no longer has a star rating.

Council installed a new manager under contract arrangements for the period from June 2013 to June 2015. With declining occupancy rates, down to just 20% of capacity (26% if we include annual sites) this has meant over the last two years the caravan park has struggled to cover operating costs. The caravan park is actually tracking toward a \$53,000 loss for 14/15.



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)

A site inspection of the park in November revealed a significant number of serious maintenance requirements and potential health and safety risks associated with the aging infrastructure, and unless addressed, maintenance will only continue to increase, and the risk of an accident to a resident is a very real prospect.



Various trip hazards and poorly designed clothes line which pose significant OHS issues to visitors



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)



One of the poorly kept annual sites.



The first abluion block built 1968/69 is now rundown and out-dated for a family park amenity block.



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)

Attached to this report is a snap shot of the 13/14 budget showing the caravan park made \$60,000 in 13/14 and the 14/15 budget showing a predicted loss. A noticeable difference is the cost of the feasibility study mentioned in this report. If the cost of the report is excluded we still predict a small loss of \$2,612. Operating costs such as maintenance and utilities are rising as more infrastructure fails. There are also material costs to supply cabins with kitchenware, towels and linen, the supply of three amenity blocks and the camp kitchen. These margins are far too narrow to call this a sustainable business.

A summary of occupancy rates from January 2014 to November 2014 has been included as an attachment to this report to demonstrate how few overnight stays the park is attracting.

Capital expenses have been left out of the budget snap shot in order to focus on operating costs. The 13/14 figure does not include \$10,000 spent on capital improvements. Also Council currently has a requirement to spend \$225,000 on installing fire hydrants throughout the facility.

In conjunction with concerns about the financial sustainability of the park, and failing infrastructure, there are now several serious OHS issues which cannot continue to be left unaddressed.

On 29 October 2009, Council was issued a written notice from the Country Fire Authority (CFA) pursuant to the Residential Tenancies (Caravan Parks and Moveable Dwellings Registration and Standards) Regulations 1999. In this letter the CFA noted specifically that hose reel coverage in the Park is inadequate and does not comply with the Regulation. In their letter they require Council to provide hose reel coverage to the entire Park to reach every building or camping area. Recognising the significant cost implications the CFA provided Council four years to become compliant. This period has now past. Council has allocated \$120,000 in this year's budget, but with final design a specifications completed, the project will cost in excess of \$225,000. It will take the caravan park years to pay off the cost of the fire hydrant installation which also means the park still cannot generate enough revenue to cover the cost of upgrades to amenity blocks and other facilities.

In 2014 the park attracted international news when two British back packers narrowly avoided a potentially deadly accident when a large tree limb fell on their camp site just after they had packed up. Reports of deadly accidents involving falling tree limbs are reported every year so we are aware this is a real risk. Poorly maintained and dead trees in the caravan park pose a serious risk to visitors and a very real legal risk to Council.

Other risk mentioned in the Executive summary include numerous trip hazards, aged and broken infrastructure, poor lighting, poorly designed and positioned cloths lines; all are likely to contribute to risks of injury to occupants of the park unless addressed. The scale of poor concrete, roads and lighting alone would be in the hundreds of thousands of dollars, and still this does not cover updates to aging amenity blocks.

In 2014/15 financial year the caravan park had become such a regular target for break-ins that we had to install motion sensor cameras in all areas with coin operated facilities. The break-ins have damaged machines beyond repair, and the patching of buildings has left them looking even worse for wear.



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)

A slide show showing a whole series of maintenance problems is available to give Councillors a good understanding of how tired the caravan park has become and demonstrate there will be inevitable rising maintenance costs.

The Urban Enterprise study put a strong case for a caravan park to continue at the existing site, but only foresees success in the business if the park is redeveloped to accommodate the needs of the family and leisure camping market. The Caravan Park locality was identified in the feasibility study as one of the caravan parks greatest strengths. Its proximity to the CBD, Aquamoves, the lake, the river and walking/cycling tracks means there would be a lot on offer to those who choose to stay at the park. The study also noted that the park is rundown, lacking very basic facilities and amenities, and because of this will not attract the family/leisure clientele.

The Urban Enterprise study provides options for redeveloping the Park. All options required the caravan park to be improved to four star rating (premium camping). The options included:

- a premium caravan park and reinstatement of park land
- premium caravan park with new permanent 4 plus star accommodation
- premium caravan park with new Shepparton Arts Museum and 4 plus star accommodation, and;
- premium caravan park with new SAM, 4plus star accommodation and Tourism Hub

Discussion Points

The Urban Enterprise Feasibility Study recommends the continued operation of a premium caravan park at the existing site.

If a redevelopment was to include a new SAM and 4 plus star permanent accommodation at the existing precinct, this would shrink the current footprint of the caravan park.

Currently there are 192 accommodation sites made up of cabins, camping sites, annual sites and caravan sites. Of these 192 sites the park is attracting an occupancy rate of just 20% and 26% including annuals. A basic financial analysis will demonstrate that if the occupancy rate can be pushed upward of 30% the caravan park is just profitable, less capital requirements.

There is currently a Business Case being put to Council to consider a new Shepparton Arts Museum and permanent accommodation on the existing Caravan Park/Shell Service Station footprint.

It is a very real possibility that combining the two future projects of a premium caravan park and a new SAM precinct would be successful. The Urban Enterprise Study definitely supports this as one of the options.

Should the caravan park be reduced from 192 sites to 96 premium sites, the caravan park business should be viable, given it would be profitable at 30% occupancy as it currently stands. As a premium facility we would require occupancy rates to regularly exceed 50% and average closer to 75% per annum, which is a significant increase from current occupancy rates over the 192 sites, so on a smaller footprint, occupancy rates of a premium facility should be greater than they are with the existing rundown facility.



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)

With the management contract currently about to expire over the Victoria Lake Caravan Park, and the park currently running at a small loss, it is recommended that the park, in its current form discontinue in order to save rate payer money. In fact, if the park were to continue trading it will need to spend the \$225,000 on fire hydrant installation immediately, which the park cannot afford. The intention would be to take the time the Park is closed to evaluate the options around redevelopment of a premium caravan park. Design of the new Precinct incorporating a new SAM would need to become one project in order to appropriately develop infrastructure to accommodate demands on the new precinct. This could take several years, however a caravan park redevelopment could be completed prior to the completion of the new SAM.

The SAM would draw more tourists and holiday makers to Shepparton with its cultural and education focus, with families able to capitalise on leisure and recreational opportunities in the area, these being Aquamoves, the lake, the river, walking/cycling tracks and the CBD which offers cinema's, cafes and ten pin bowling. Families and holiday makers would be inclined to stay at the premium caravan park, while a more art focused group would utilise either the 4 plus star permanent accommodation facility or be just as comfortable in the premium caravan park.

A permanent high end accommodation facility is required in Shepparton as there is very little accommodation options in this category available. Both the SAM Business Case and Urban Enterprise study draw on reports emphasising the lack of premium quality accommodation in Shepparton. Both studies have recommended the development of high end accommodation as part of the SAM redevelopment to ensure Shepparton can offer something for all visitors to our city.

Options for Consideration

Do Nothing

The age and deterioration of the caravan park infrastructure and amenities has contributed to the decline of occupancy at the facility and has seen family groups find alternative accommodation, or simply reduce the time they stay in Shepparton. The park itself has nothing to offer families other than a camp site. The close proximity to the CBD and Lake is probably the parks saving grace. The location of the park is also its greatest asset and provides reason to redevelop the caravan park with a high guarantee of producing a successful business. However, to do nothing will not save declining revenues, and will most likely lead to a law suit against Council as someone will get hurt from the many OHS issues including:

- fire risk
- many serious trip hazards
- very poor night lighting
- railway line and river unfenced to stop children
- trees not adequately maintained with risk of falling limbs
- poorly designed and positioned cloths line likely to cause head injuries.

Close the Caravan Park with the intention to explore future accommodation options on this site

The caravan park is ideally situated to the CBD, the lake, Aquamoves and the river where there is an abundance of recreational and leisure opportunities. There is very good evidence to indicate an improved, premium caravan park would be attractive to holiday makers and boost occupancy so long as it could cater for the current family market demands.



6. INFRASTRUCTURE DIRECTORATE

6.1 Victoria Lake Caravan Park Precinct Redevelopment (continued)

People want a full and enjoyable experience when camping and this includes enjoying quality facilities and amenities of the accommodation facility. The Urban Enterprise Feasibility Study strongly supports an improved premium caravan park in this current location will be a success.

Support the establishment of a new SAM within the Victoria Park Lake precinct, alongside 4+ star accommodation and Premium Caravan Park.

A new SAM built within this precinct could potentially put Shepparton on the tourist destination map. There is a strong business case to support the economic benefits to Shepparton from the development of a state of the art facility in this precinct which would be a major draw card for the region, and potentially stimulate the Shepparton economy. Placed within close proximity to 4+ star permanent accommodation and a premium caravan park would provide quality options for couples or families to enjoy multiple night stays in Shepparton in order to enjoy the SAM as well as boost visitations to other Shepparton attractions.

Conclusion

The caravan park as is, is not making Council any money, and is likely to start costing Council money from here on unless some major investment into aging infrastructure is made. The management contract expires in June 2015. These two issues are significant enough to bring this matter to Councillor attention with a recommendation the caravan park is closed, and time is taken to consider the future use of the site, which could include a redeveloped 4 star caravan park and new SAM. There is no real risk to Council in closing the caravan park in the short term. If the future preferred option is to redevelop the caravan park then this would be best done if the park was closed while work proceeded.

Attachments

1. Urban Enterprises - Executive Summary
2. Caravan Park 2013/2014 and 2014/2015 Budget
3. Victoria Lake Caravan Park Occupancy Rates Jan 14 - Nov 14
4. Victoria Lake Caravan Park CFA protection report

VICTORIA LAKE CARAVAN PARK MASTERPLAN

DRAFT REPORT

CITY OF GREATER SHEPPARTON

NOVEMBER 2014

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EXECUTIVE SUMMARY

PROJECT BACKGROUND

Urban Enterprise has been appointed to undertake a Feasibility Study and Masterplan for the Victoria Lake Caravan Park and broader precinct incorporating the current café and Shell service station sites which are located on land leased from Council along the Goulburn Valley Highway.

This paper provides the outcomes of stage one which is to understand the broader demand, tourism context and physical constraints for the precinct and to identify broader concept options for the precinct moving forward.

CARAVAN PARK

The caravan park is in need of major refurbishment and repairs, however the extent of these will be dictated partly by the broader Masterplan for the precinct and determining the future market and role for the caravan park.

This paper has identified that the land occupied by the caravan park is heavily constrained by flooding risk and any major development of this site would not be supported by the catchment management authority. This is significant as it allows only two options for consideration of the caravan park area: either keep and improve the caravan park or remove the caravan park.

The caravan park, whilst in need of refurbishment is significant as it is the closest located caravan park to Shepparton's CBD, it has a unique parkland setting and there is significant infrastructure imbedded in the site including cabins, services, amenity blocks, roads and sewer. It is highly recommended that the caravan park remain as this opportunity cannot be easily replicated due to cost and difficulty in re-obtaining approval in low lying locations along the Goulburn River corridor.

The Caravan Park has opportunity to better meet market need. The quality and presentation of the cabins, amenity blocks and reception all require consideration to meet market expectation. In addition the caravan park is not catering well to family groups, deterred by the presentation of the facilities, lack of family amenities and lack of fencing and security on the site. The family

market and group markets are key markets to Shepparton and provide a key opportunity to grow occupancy to the caravan park.

Improvements to the caravan park need to focus on how to better attract the family market and improve the overall amenity and facility offer. This includes providing larger group and family market appropriate cabins, providing central games rooms and facilities, improving camp kitchens and central meeting points, instatement of playgrounds and equipment hire.

DEMAND FOR USES

Analysis of accommodation supply and demand highlight that the accommodation stock in Shepparton is quite homogenous with 3 star or equivalent motel standard accommodation contributing to the majority of supply. There are also limited caravan parks targeting the holiday leisure market in Shepparton. This is confirmed by the National Visitor Survey data which shows that family groups are underrepresented in the caravan park accommodation market. The data highlights opportunity to develop the Caravan Park market to meet the family market better and that there is a major gap in quality branded hotel accommodation in Shepparton when compared with other regional centres in Victoria. The demand for high quality hotel accommodation in Shepparton will be strengthened with the development of a new Shepparton Art Museum.

PRECINCT OPPORTUNITIES

A component of this report is to investigate opportunities for the broader precinct to strengthen the role of the site for the tourism industry. There is opportunity to explore uses for the current Shell service station site, café and car park where the lease will expire in 2018.

This report investigates the opportunity for high quality accommodation, relocation of the Shepparton Art Museum and Visitor Information Centre within the precinct in various options.

These uses may be accommodated in the precinct and will strengthen the major gateway to Shepparton. They will also take advantage of the views over the lake and provide synergies with the tourism role of the lake and surrounding precinct. A well designed precinct will be complementary to the lake use and will allow for opportunities such as dining, water based activities, art exhibitions and cycling.

MASTERPLAN

A Masterplan has been developed by Tract Landscape Architects and Urban Designers that takes into account the findings of this report, including the preference for a stand-alone SAM to be incorporated into the wider precinct. The Masterplan has been designed to allow the redevelopment and revitalisation of the Caravan Park, whilst maintaining opportunity for the future incorporation of a new Shepparton Art Museum, quality hotel accommodation and Visitor Information Centre.

An extensive number of projects have been identified that will revitalise the Caravan Park, attract additional visitation and increase revenue for the Caravan Park. Of these projects, six priority projects were identified which are considered critical for the future sustainability of the Caravan Park. These projects were identified in order to focus initial investment and to undertake financial feasibility. These projects are as follows:

1. Establish planting and fencing along the rail corridor to create a visual and security buffer.
2. Establish a new Caravan Park reception building and 'East' amenities block with small playground. New reception centre could also include consideration of a bicycle hire facility for Caravan Park visitors. This work could be undertaken without impacting on the current reception building, allowing operations to largely continue uninterrupted.
3. Renovate 'west' amenities block and new annex, featuring indoor/outdoor kitchen, BBQs, picnic tables etc.
4. Renovate cabin accommodation along Victoria Lake frontage, create secured yards for each cabin, improve interface to road with tree and shrub planting between parking bays
5. New premium cabin accommodation. It is recommended that implementation of cabin accommodation is staged. New cabins along the Victoria Lake frontage should be the priority, followed by elevated cabins with views over Victoria Lake and finally new elevated cabins along Tom Collins Drive / Goulburn River frontage.
6. New playground with formal equipment and informal elements (boulders, logs, steppers, etc.).

These priority projects are estimated to cost \$1,375,000.

FINANCIAL FEASIBILITY

A financial feasibility assessment has been undertaken based on undertaking priority projects. The financial feasibility revealed that there is scope to increase annual revenue through increased occupancy, room rate increases and additional cabin accommodation. Taking these factors into account, it is estimated that additional annual revenue of \$211,615 is possible with the proposed investment.

A discounted cash flow analysis reveals that initial investment of \$1,375,000 will generate a payback period of 10.7 years.

This is an important consideration for any future leasing of the Caravan Park. If the works were to be delivered by a tenant, an appropriate lease period will be required for the tenant to make a return on the investment.

