

Council Owned Vineyard

Originating Officer	Unit Manager Land & Property - Clare Benn
Corporate Manager	Manager City Property - Megan Hayward
General Manager	General Manager City Development - Abby Dickson
Report Reference	GC190423F02

Confidential



Confidential Motion

That pursuant to Section 90(2) and (3)(d) (i)(ii) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Adrian Skull, Abby Dickson, Tony Lines, Vincent Mifsud, Jaimie Thwaites, Victoria Moritz and Megan Hayward, and Craig Clarke, be excluded from the meeting as the Council receives and considers information relating to Council owned vineyards, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information that would on balance be contrary to the public interest.

REPORT OBJECTIVE

To inform Council of the outcome of an 'Approach to Market' seeking interest from specialist viticulturists for a 5 (five) year maintenance and management agreement of Council owned Vineyards including the heritage listed vines located adjacent to Oaklands Road, the vineyards located at Oaklands Estate Reserve and the Living Kurna Cultural Centre (LKCC).

EXECUTIVE SUMMARY

Patritti Wines were the only party to respond to the 'Approach to Market'. Whilst they have previously been managing the heritage listed Council Owned Vineyards adjacent to Oaklands Road, their submission also expressed an interest in the maintenance and management of all of the three Council owned Vineyards on a five (5) year agreement with a further five (5) year option.

RECOMMENDATION

That Council

1. Notes the outcomes from the 'Approach to Market' process undertaken seeking formal offers for a 5 (Five) year maintenance and management Agreement of the Council owned Vineyards
2. Authorises Administration to enter into a maintenance and management agreement of Council owned Vineyards including the heritage listed vines located adjacent to Oaklands Road, the vineyards located at Oaklands Estate Reserve and the Living Kurna Cultural Centre with Patritti Wines for the sum of \$1 per annum

3. Endorses a contract term of 5 years and approves an option to extend the term for a further 5 years (at the tenderers discretion)
4. Notes water supply costs of approximately \$10,000 per annum (based on mains water costs) will be covered under existing water budgets and water construction costs of approximately \$25,000 (including all pipework, valving and backflow prevention) will be off-set by approximately \$7,000 per annum in maintenance savings
5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, *Council Owned Vineyards* and any appendices arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2019.

Liveable:	The Marion Council owned vineyards form part of the City's agricultural heritage and their upkeep and maintenance contributes to the vibrancy of the City
Valuing Nature:	Ensuring the longevity of the Marion Owned vineyards
Risk Management:	To ensure that all Council Owned vineyards are maintained and managed in accordance with best viticulturist practices

DISCUSSION

BACKGROUND

Following Council Report GC190129R03 and Council's endorsement of the process, the 'Approach to Market' was advertised on the SA Tender Website for a period of 3 weeks. In addition to the normal publication of the tender on the SA Tender Website, the tender was also included in the print media advert for Government Tenders in the Advertiser of Tuesday 5 March 2019.

Two winemakers known to be interested in the tender namely Leconsfield/Hamilton and Patritti were directly advised by email.

The McLaren Vale Grape, Wine and Tourism Association was contacted on the advice of the South Australian Wine Industry Association. They included details of the tender in their industry bulletin.

A media release was also issued by the Communications team.

OUTCOME OF THE APPROACH TO MARKET

Whilst Patritti Wines were the only party to respond to the 'Approach to Market', their suitability in undertaking the maintenance and management of the Council Owned Vineyards has been considered and evaluated based on the following criteria:

- Mandatory criteria
- Experience, including accreditation, registration, Licences, Permits
- Methodology, including heritage appreciation, availability, extent of services and program
- Organisation structure, including key personnel, contingency personnel and sub-contractors
- Contribution to Council

A summary of their response in relation to the above criteria is as follows:

MANDATORY CRITERIA

Patritti met all of the mandatory criteria requirements.

EXPERIENCE AND ACCREDITATION

Patritti have demonstrated extensive viticultural experience dating back to the Company's inception in 1926. They currently own and operate two vineyard sites in McLaren Vale - Tatachilla and Blewitt Springs as well as managing the Council Owned 'Heritage' Marion Vineyard, adjacent to Oakland Road.

The three vineyard sites produce the grapes for their premium range of wines, with the latest vintages being highly accredited - scoring 96, 96, 95 and 96 points out of 100 by a renowned Australian wine critic.

They have advised that they have specialist viticultural experience in the restoration of the old vines.

METHODOLOGY

Patritti have provided Council with a full annual management and maintenance plan for all sites (See *Appendix 1*) and are confident that following initial investment they will be in a position to produce wine making grapes from all three vineyards and positively market the vineyards to consumers and their historic significance to Council, Patritti and the local area.

Patritti hope to be in a position to produce non-alcoholic juice from the LKCC vines as early as 2020, a fortified wine product in 2024-25 and possibly a white table wine in the future. It is anticipated that the first wine to be produced from the released from the Oaklands Wetlands vineyard will be in 2024-25

ORGANISATIONAL STRUCTURE

Patritti currently employ a team of six winemaking and viticultural staff who have a combined 95+ years of viticultural experience.

Sub-contractors are used for pruning, harvesting, netting, post installation and irrigation infrastructure under the direct instruction of the Vineyard Maintenance & Project Manager.

CONTRIBUTION TO COUNCIL

Patritti are committing to invest approximately \$97,300 (ex GST) over the life of the agreement.

Refer the summary table in Appendix 3

OTHER CONSIDERATIONS

CONDITION OF THE VINES

During the "Approach to Market" process, correspondence was received from Richard Hamilton, Leconfield & Richard Hamilton Wines – See *Appendix 2*

This correspondence advised that they were concerned at the condition of the vines and that considerable investment was required and advised that it was impossible for them to submit a tender and requested an independent review of the Vineyards.

After due consideration, Administration were of the opinion that the 'approach to market' was asking for independent viticulturists to provide a submission for the maintenance and management of the vines and in

doing this they would have to consider the current condition of the vines and the associated investment.

They were invited to submit a submission.

It is worth noting that Patritti also commented on the condition of the vines advising that The Oaklands Wetlands Reserve and LKCC sites are in varying stages of disrepair and will require significant investment to return the vineyards to a standard where vines produce grapes suitable for wine production.

They further advised that the required rejuvenation work can only be completed to its full extent if access to water is made available at each site with the installation of a suitable irrigation system.

Administration accepts that the installation of irrigation at each of these sites requires considerable investment and will look to assist Patritti with connections to the water supply source and in the on-going irrigation of the vines in order to preserve the longevity and heritage aspect of these aged vines.

LKCC VINES

Patritti will work to provide a commercial brand specific to this vineyard, with a connection to the site's traditional Kaurna owners. This could be transferable to the traditional owners in the event of the land being returned to their custodianship. Furthermore, Patritti have offered to work with other groups to educate them in the on-going maintenance and management of the vineyard and associated commercial activities.

CONTRACT MANAGEMENT

Patritti have provided details of their proposed investment, annual maintenance program and vine rejuvenation works.

The contract will require Patritti to provide an annual report to Council of all activities undertaken, including the vine rejuvenation works and condition of the vines.

Should Administration have any concerns with non-performance of the contract by the contractor, there is a dispute resolution process contained within the contract with the parties ultimately having the right to terminate the agreement should remedy not be possible.

LENGTH OF CONTRACT

Patritti have advised that given the current condition of the Oaklands Wetlands Reserve and LKCC vineyards and the significant initial investment required in order to achieve a harvest suitable for wine production in 2024-25 – that a contract of 5 years is simply not long enough to be a commercially viable proposition. They have asked that Council consider a 5 year agreement with a further 5 year option.

TIMING

Following Council's endorsement, Administration will look to finalise a new Maintenance and Management Agreement with Patritti as soon as possible

Attachment

#	Attachment	Type
1	Appendix 1	PDF File
2	Letter Richard Hamilton March 2019	PDF File
3	Patritti Investment	PDF File