

# NARARA ECOVILLAGE CO-OPERATIVE LTD



## DISCLOSURE STATEMENT

Under Division 2 of Part 2.4 of the  
Co-Operatives National Law

For Issue within the State of New South Wales only

31<sup>st</sup> October 2021

# TABLE OF CONTENTS

<b>1. Primary Activities</b> .....	2
<b>2. Objectives</b> .....	2
<b>3. Operation of the Co-operative</b> .....	2
Carrying on primary activities.....	2
Carrying on other Activities .....	3
<b>4. Contracts with Promoters or Other Parties</b> .....	3
<b>5. Interests of Directors or Members</b> .....	3
Interests of Directors.....	3
Interests of Members .....	4
<b>6. Members Rights and Liabilities</b> .....	4
Active Members and Voting .....	4
Shares .....	4
Finance.....	5
Deceased Members.....	5
Cancellation and Expulsion.....	6
<b>7. Risks</b> .....	6
Bush fire .....	6
Climate Change.....	6
Dam-break and Flooding .....	6
Financial Risks .....	7
Covid-19 Virus and Global Finances.....	7

## 1. PRIMARY ACTIVITIES

The primary activities of the Narara Ecovillage Co-Operative Ltd (Co-operative) are:

- a) to design, develop and establish an ecovillage at Narara with residential housing and commercial facilities;
- b) to operate, lease or license community and commercial facilities at Narara; and
- c) to maintain and renew community and commercial facilities at Narara.

## 2. OBJECTIVES

The objects of the Co-operative are to:

- a) purchase the Property and undertake the Narara Development;
- b) undertake the Narara Development using processes, procedures and technology to establish an ecovillage that promotes and enhances social, environmental and economic sustainability; and
- c) purchase, hire or otherwise acquire, and to work on behalf of its Members or other persons, agricultural implements or machines.

## 3. OPERATION OF THE CO-OPERATIVE

### *CARRYING ON PRIMARY ACTIVITIES*

The Co-operative has sold all Stage One lots including 18 cluster units. The Co-operative is actively seeking new Memberships with an intention to acquire a lot or a share in a lot in stage 2.

The cost to develop stage 2 will be over \$6m. The Co-operative is financing the development through instalments from lot buyers, share capital from new Members and loans from current members.

The stage 2 development project, the cluster development project and the planning proposal project each have a governance circle, a Project Control Group (PCG), whose responsibility is to deliver the project within the agreed parameters and provide regular updates and reports to the Board and Co-operative Members.

### *CARRYING ON OTHER ACTIVITIES*

The Co-operative currently operates the following businesses and operations:

- a) NEV Power is a Network Operator and Energy Retailer offering solutions to Members supplying fossil-fuel-free energy for their homes and supporting the bulk purchase of solar panels and related equipment for their homes. NEV Power has been supported by a grant from ARENA for the development of a 'Smart Grid' which will ensure the Ecovillage will be able to manage all of its energy requirements through onsite energy generation, battery storage and state-of-the-art load management software and control equipment.
- b) NEV Water is a Network Operator and Retailer, which supplies potable water, bushfire water, wastewater collection and over time, recycled water reticulated to each site for toilet flushing and garden purposes. These services will be assessed as they become financially viable and sustainable.
- c) Collective Know-How is a business delivering educational experiences to both Members of the Co-operative and the wider public.
- d) Food Buying Group and Coffee Cart – largely volunteer-run operations - purchasing organic goods in bulk at wholesale prices and providing meals and coffee to residents and visitors. These help Members access affordable organic food with less packaging waste.

## **4. CONTRACTS WITH PROMOTERS OR OTHER PARTIES**

Note 13 of the Annual Accounts summarises the liabilities of the Co-operative. The amounts shown take account of the following commitments (and others):

- a) In 2019 and 2020, new loans were received to allow other loans to be repaid in line with the loan agreement terms. Interest rates are currently being reviewed, both for short term loans and for long term loans which have been offered as either unsecured or as secured loans through the Narara Loan Security Trust, which holds a mortgage over Lots 49 and 50.
- b) The Narara Loan Security Trust has set a cap on secured loans of \$5.3m. and loans have reached \$3.68m at 20 October 2021. All new loans are unsecured. Anyone who wishes to be able to access their loan prior to the end of stage 2, including for lot instalments, cannot be offered a secured loan.
- c) The Co-operative has a contract with the Central Coast Council to connect to their sewer system. A final payment of \$145,000 is due to be paid in the year that Council needs to amplify its sewer mains to 225mm for 275m.

The Co-operative has signed a contract with P. King and S. Wilson for them to rent, and upgrade facilities in the "West Wing" of the Administration Building at their costs. They will then operate the wing as an accommodation business until they have recovered their costs, at which point the upgraded asset will be returned to the Co-operative.

## **5. INTERESTS OF DIRECTORS OR MEMBERS**

### *INTERESTS OF DIRECTORS*

The interests of Directors are shown in the Annual Accounts.

Copies of the latest annual report and consolidated rules of the Co-operative are available for inspection at the registered office at 33 Gugandi Road, Narara, NSW 2250.

## *INTERESTS OF MEMBERS*

A group of early Members who invested significant amounts of capital into the project at the very beginning, may be entitled to receive a discount of 10% on the price of one lot. If paid, the cash benefit of this discount would be received by these Members no earlier than at the end of stage 2.

The founding Member and ex-Director, Lyndall Parris, spent many years researching ecovillages and many more years bringing the Co-operative to life. Lyndall will receive a Lot in Stage 2 by way of compensation for these efforts.

Many of the Ecovillage Project contractors have agreed to defer part of their contract payments to future years, to help with project cash-flow.

## **6. MEMBERS RIGHTS AND LIABILITIES**

Members agree to observe, perform or abide by the provisions of:

- a) the Co-operative's Rules (Rules) applicable to that person;
- b) the Co-operatives National Law in force and as amended from time to time; and
- c) the NSW Co-operatives Regulation (Regulation) in force and as amended from time to time.

The Co-operative can enter into a contract with a Member requiring the Member to have specified dealings with the Co-operative for a fixed period.

A Member is not, as a Member of the Co-operative, under any personal liability to a creditor of the Co-operative.

### *ACTIVE MEMBERS AND VOTING*

Co-operatives National Law (NSW) requires that Co-operative Members carry out duties specified in the Active Membership clause.

Our Co-operative Rules require Memberships to:

- a) provide confirmation in writing of the Membership's intention to acquire a lot on the Property, or be a Landowner of a lot on the Property; and
- b) undertake a minimum of 52 hours of volunteer work per year

An Active Membership has one vote. There is no personal right attached to the number of shares held.

### *SHARES*

Members are required to hold shares in the Co-operative. For new Members joining the Co-operative, the current minimum shareholding is 30,000 shares and the current maximum shareholding is 20% of the nominal value of issued Share Capital of the Co-operative, except in accordance with section 289 of the Act.

Shares are allocated at the discretion of the Board and decisions of the Board are final.

There is one class of share, all ranking equally, with a nominal value of \$1 each.

A Share is not to be issued at a discount.

Shares may be issued by the Board as partly paid at a minimum payment of ten cents (10c) for each one-dollar (\$1.00) Share.

### Rights

Membership of the Co-operative gives Members access to all parts of the 64ha site (excluding land which has been sold to members and is held privately), a natural environment, clean air, a biodiverse forest, the village, the community buildings and gardens, the dam and its lake, and a rich community life.

Shareholders have the right to:

- a) Join a lively community committed to a more sustainable lifestyle,
- b) Purchase and develop a lot, and
- c) Participate in Co-operative decisions.

For more detailed information on the operation of the Co-operative please visit this website link:

<https://wiki.nararaecovillage.com/display/FAQ/FAQs+-+Frequently+Asked+Questions>

### Liabilities

The Board may issue a call on a Member to pay up the remaining balance of any partly paid Share by providing the Member with 28 days-notice in writing.

Shares shall not be quoted for sale or purchase at any stock exchange.

A Share may not be sold or transferred except:

- a) with the consent of the Board and to a person who is qualified to be admitted to Membership of the Co-operative under Rule 3.1; or
- b) as otherwise provided by the Rules or by the Act.

A Member shall be liable to the Co-operative for the amount, if any, unpaid on the Shares held by that Member, together with any charges, including entry and periodic fees, payable by the Member to the Co-operative as required by the Rules.

In the event of a winding up, any surplus after the payment of all debts and return of capital shall be distributed among Members in proportion to Members' shareholdings.

Our Development Consents require that native flora and fauna are protected, and particularly species endemic to the region. This requires careful planning and combined effort to control pests and weeds, and all Members are responsible for and need to assist in these efforts.

## *FINANCE*

### Rights

The initial shareholding of 30,000 shares (\$30,000) gives Members the right to share in the community value and assets of the Co-operative.

If Members acquire an additional 20,000 shares (for \$20,000), this places them in a priority queue for selecting a Stage 2 Lot.

### Liabilities

Each year the Board determines whether the Membership pay a contribution to cover the costs of operating the Co-operative. Currently the annual contribution is approximately \$200 per month for each Membership. For more information refer to the question dealing with fees in the sub-section above.

Lot owners also pay:

- a) a levy to the Community Association for the upkeep of common property (currently around \$750 per year);
- b) Annual Bushfire Levy: \$120 per adult will be charged in January 2022, however a full rebate is available for 6 hours of service to Bushfire Hazard Reduction Events;
- c) Council rates;
- d) Council stormwater levy;
- e) Water charges from NEV Water for potable water, recycled water and sewage (NEV Water supply charges are currently about \$250 a quarter); and
- f) Electricity charges from NEV Power or another energy retailer. More details on electricity can be found at: <https://nararaecovillage.com/nev-power/customer-information>.

### Fee Structure Changes

A change in the fee structure has been proposed and discussed at length. Whilst member consent hasn't as yet been achieved, it is expected that we will transition to a fee structure which doesn't treat single memberships the same as memberships with 4 adults. Should this amendment be agreed to, it will result in savings for single-person households, little change for two-adult households (with or without children) and higher fees for multiple-adult households. This change is being proposed in the interests of equity of contributions to run and operate the Ecovillage.

## *DECEASED MEMBERS*

On the death of a Member:

- a) the Member's Share in the Co-operative cannot be transferred to a person other than an administrator or executor except with the consent of the Board of the Co-operative
- b) the Member's estate is subject to the same liability as the Member would have been until the Member's personal representative or some other person is registered in the Member's place.

### *CANCELLATION AND EXPULSION*

A Membership may be cancelled if the whereabouts of the Membership are unknown, or if the Membership is inactive.

A Member may be expelled by Special Resolution. The Co-operative will repay the paid-up capital of cancelled or expelled Memberships, at the time of cancellation of the shares.

## **7. RISKS**

### *BUSH FIRE*

Our Development Consents require an Asset Protection Zone (APZ) adjacent to the forested land. Effectively this is a setback limiting development in APZ areas of Stage 1 and Stage 2. It requires a perimeter road for bush fire-fighting access. Another on-going condition of our development consent requires an Inner Protection Zone (IPZ) for the whole of the Stage 1 and 2 areas be maintained with similar fuel load provisions applicable to an APZ.

### *CLIMATE CHANGE*

The effects of human-induced climate change have been considered with decisions taken during master planning and in the Stage 1 and 2 design, which:

- a) oriented the lots for good house solar design principles,
- b) re-purposed existing roads and buildings where possible, and
- c) followed the natural contours to minimise the disturbance of earthworks.

The Co-operative created its own building standards so that homes are designed to be Climate-change-ready by:

- a) lowering the amount of embodied energy of homes,
- b) having sufficient solar panels on each house to supply its energy during the year,
- c) improving the capacity for homes to withstand projected changes in temperatures, and
- d) combating more frequent extreme events.

The Board and Management has taken steps to improve the Ecovillage's resilience to the broad impacts of climate change including, but not limited to:

- a) Food security - the Co-operative
  - is increasing its food-growing capacity, and
  - has developed a Food Co-operative business, which buys in bulk to reduce prices, recycle storage containers and reduce commercial packaging for Members.
- b) Reliable access to water - the Co-operative is using town water for drinking supply and aspires to use dam water for toilets and garden purposes. In the future we may have an option to be more self-sufficient by using water held in our 43ML dam, as we continue to investigate cost-effective water treatment options.
- c) Reliable access to electricity - the Co-operative continues to build the smart grid to manage our production, storage, distribution, use and export of clean, renewable solar photovoltaic energy. Centralised bulk battery storage helps manage our renewable generation and provides residents with power when the wider community may experience outages.
- d) Investigating alternative access routes in case flooding hinders access.

### *DAM-BREAK AND FLOODING*

The dam on the Property was built in 1985 as a source of water for irrigation on the Gosford Horticultural Institute research site. The dam consists of a 9-metre-high earth-filled embankment and is approximately 100 metres long and 3.1 metres wide. The storage capacity at full supply is estimated at 43.3ML.

Professional advisors have supported the Co-operative with a Dam Safety Monitoring & Surveillance Report and a Dam Safety Emergency Action Plan. Regular dam surveillance and maintenance is undertaken. The dam is in good order and the risk of dam-break or flooding is assessed as low.

On the basis of the Co-operative's good management, the NSW Dam Safety Committee (DSC) de-prescribed the Narara Horticultural Dam in July 2014. This removed any requirements for reporting to the DSC and showed their confidence in the Co-operative's ability to continue to manage the dam safely and responsibly.

### *FINANCIAL RISKS*

Financial risk is monitored and considered by the Board and the Legal and Finance Committee on a regular basis.

The key risk relates to cash-flow due to the unique means of financing this development. To date, the project has avoided bank finance entirely and managed to purchase a property at \$5m, complete an \$8m civil works contract to develop Stage 1 as well as pay for the various associated costs without any financial distress. The Board anticipates an ongoing capacity to maintain this exceptional achievement and, whilst this risk is real and regularly reviewed, it is not considered to be high.

The Co-operative has now completed the development of 18 home and land packages of medium-density housing, called the Clusters. A number of building defects are being actively managed.

The successful completion of stage 2 development and sales are dependent on several factors:

- a) the cost of the development
- b) the affordability of the lots,
- c) the ability for prospective Members to obtain finance to purchase a lot and build their home.

The risk of a Stage 2 development cost blow-out is currently viewed as being low due to:

- a) Narara properties currently maintaining or increasing their value.
- b) the development of in-house expertise in assessing and estimating project costs, and
- c) the established reputation of the Co-operative due to no defaults nor delays on any payments during the Stage 1 development work.

The Co-operative's focus is on delivering some more affordable options in Stage 2, with various strategies in place to assist those with difficulties buying into this unique project.

### *COVID-19 VIRUS AND GLOBAL FINANCES.*

The Legal and Finance Committee and the Board have reviewed and continue to consider the risks of another Global Financial Crisis and of the COVID-19 virus impact on the development.

In 2020, the Co-operative sold a neighbouring property to improve its cash position for developing Stage 2, and is strengthening its project management and cost control processes.

While some impacts of COVID-19 are still evolving, there are signs that the Ecovillage is being valued more highly due to its strong community support and resilient attributes. These signs have come from additional recent inquiries from prospective Members and from Member feedback.

This risk will continue to be reviewed, but at the moment it is assessed as manageable given:

- a) the strong support of Members,
- b) the popularity of the sold-out Stage 1 and interest in Stage 2,
- c) the continued oversight of the Legal and Finance Committee,
- d) the careful management of the Board, and
- e) the absence of bank finance.