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PortAugusta
CITY COUNCIL

REPORT FOR:	Strategic Management Committee		
MEETING DATE:	15 August 2016		
REPORT FROM:	Chief Executive Officer & Director – City and Cultural Services		
REPORT TITLE:	Revised Offer for Old Netball Land, Railway Parade, Port Augusta		
FILE NAME:	F15/321	RECORD NO:	AR16/30905

COMMUNITY VISION & STRATEGIC PLAN OUTCOMES

1 We Thrive

- 1.1 Identify and support new opportunities for our city to change and grow through bold and innovative projects including alternative energy and infrastructure.
- 1.2 Continue to promote Port Augusta as a great location to live, learn, work and visit.
- 1.3 Develop partnerships to attract investors in business proposals and new developments that contribute to a diversified and robust economy.

PURPOSE

The purpose of this report is to provide Elected Members with updated information on a revised offer for the purchase of a portion of the Old Netball Land, Railway Parade, Port Augusta from the Seventh Day Adventist Church.

RECOMMENDATION

Strategic Management Committee recommends Council:

1. Declines the offers from the Seventh Day Adventist Church and removes the land from the market.
2. Includes the Hall as option for use for community programs on an interim and limited tenure basis.

BACKGROUND

Council at its meeting held on 25/5/15 resolve:

1. Approves commencing with the process outlined within Option1, as detailed within report (AR15/283), as follows:
Option 1
 - 1.1 A maximum sale price be sought, via an open market sale process, for the land described within CT5700/862, CT5467/396, CT5823/693 and a selective tender Expression of Interest process is undertaken to engage a qualified Property Consultant/Real Estate Agent to facilitate the sale process. The selected Property/Real Estate Agent to provide Council with advice as to their recommended sale process based on market projections.
2. Supports notification being issued to the Port Augusta Netball Association giving three months notice for the termination of the lease, as per the lease agreement and issues a licence to occupy the site until the end of the current netball season, which will be withdrawn once the property is sold.

Council at its meeting held on 22/2/16 resolved:

1. Commissions an artistic impression of a potential development on the Old Netball Courts Site for promotional purposes; and that funding be allocated from within the 2015/2016 Budget.
2. Upon receipt of the conceptual plans, details are put to Council for future options.

Council at its meeting held on 23/5/16 resolved:

1. Approves the artistic impression for the Old Netball Land prepared by Studio Nine Architects.
2. Notes that Jones Lang LaSalle will undertake a further sale promotion process with offers to be submitted by 1 July 2016.
3. Notes the agreement with Jones Lang LaSalle will terminate on 2 July 2016 if the sale promotion process is unsuccessful, and a further report will be submitted to Council to ascertain future sale options.

Council at its meeting held on 25/7/16 resolved:

Authorises the Chief Executive Officer to negotiate with the Seventh-day Adventist Church in relation to their proposed land usage, area required and revised offer.

DISCUSSION

Following the Council resolution of 25 July 2016, the CEO and Director – City and Cultural Services sought advice through the agent, Mr Jed Harley of Jones, Lang LaSalle, as to whether the Seventh Day Adventist Church would:

- 1) revise upwards their original offer in respect to the potential purchase of the entire site and to provide details as to their plans for the balance of the land (larger portion of the netball courts area); and/or
- 2) Inviting a revised offer by their describing the area required for their intended use and a revised purchase offer.

The Seventh Day Adventist Church has subsequently submitted two proposals and one revised offer. Both proposals identifying a reduce area, as outlined within Appendix A & Appendix B.

The revised proposed offer for the division described in Appendix A is \$250,000.

A revised proposed offer for Appendix B has not been received.

There was no increase in the offer for entire site.

The revised offer (Appendix A) includes the purchase of the Hall, two netball courts, car-parking and the other land captured within this area.

Options

Option 1 – Accepts Original Offer

The original offer submitted to Council was for the Seventh Day Adventist Church to purchase the entire area of the Old Netball Courts, Railway Parade, Port Augusta for a price of \$585,000 plus GST. Although the Church had indicated that their intention was to use the hall for a new Church, and the immediate area for car-parking and some youth type activities, they have not identified a use or intention to develop the balance of the land.

Noting the sale of the land to the Seventh Day Adventist Church will not generate future rate income.

Option 2 - Revised Offer #2 (Appendix A) - Accept Offer

In accepting this offer Council would achieve revenue of \$250,000 minus cost which as per Council policy would be utilised to reduce Councils debt.

As there would be a reduction in the area to be sold, Council would be required to undertake a sub-division of the land, and it is estimated that this cost would be in the vicinity of \$7,000.

This offer would enable Council to dispose of the balance of the land, as a whole or individually, once the sub-division has occurred and could be achieved when the market improves. This option improves Council's ability to achieve rate revenue over the newly created allotments.

Option 3 – Reject Offer and Hold Land until Market Improves

The offer of \$250,000 for the Hall which is in very good condition, including the additional land, does not appear to represent good value for money. There is also an additional opportunity cost in that should Council require a Hall facility in the future it would not be able to achieve an equivalent for \$250,000.

The low level of offer(s) may be due to the market being quite depressed at this point in time and therefore Council is not currently in a position to achieve a reasonable community return for the sale of land.

In declining the offer and holding the land it is considered that Council could achieve:

- 1) an improved value for the land when the market improves; and
- 2) greater flexibility/opportunity of attracting either aged accommodation development on the larger site or individual residential allotments if sub-divided.
- 3) The ability to maintain the site and prevent potential neglect.

Option 4 – Decline the Offer(s) and Use the Hall Facilities for Community Purposes

As this hall is in very good condition, it lends itself to be used for other community programs, on an interim basis, until Council determines to place the property back on the market.

Utilising this facility may relieve the immediate pressure on Council to fund renovations to the Hancock Stadium in the short-term.

Council could revisit the sale of the Old Netball Land at any time and provide direction to staff as to a further disposal process.

CONFIDENTIALITY PROVISIONS

The Council is satisfied that, pursuant to Section 90(3)(b) of the Act, the information to be received, discussed and considered in relation to this Agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage of a person with whom the Council is proposing to conduct business, and the information would prejudice the commercial position of the Council, in that the Council is currently engaged in a land sale process with a party and is in the process of negotiating an offer on a parcel of Council land.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's position in relation to the offer may severely prejudice Council's ability to be able to negotiate an acceptable offer for this parcel of land.

Pursuant to Section 91(7)

That having considered Agenda Item (Offer to purchase Council Land) in confidence under Section 90(2) and 90(3)(b) of the *Local Government Act 1999*, the Council pursuant to Section 91(7) of that Act orders that the details of the offer and related Council reports and all minutes be retained in confidence until negotiations have been completed.

RISK MANAGEMENT

1: Financial/Budget

Council resolved on 15/12/2014 to borrow \$850,000 by way of a cash advance debenture (Debenture No 235) for the purpose of providing funds for the Central Oval Redevelopment – Stage 2 Netball Courts.

As at 30 June 2016, the balance of CAD 235 is \$801,197 with approximately \$32,050 interest payable per annum (at 4% pa interest rate) with a repayment date of 15 January 2025.

1) Offer \$585,000

If \$585,000 was paid off of Debenture 235 that would leave a CAD balance of \$216,197.00 resulting in an annual interest repayment of \$8,647.88 (based on a 4% pa interest rate), being an annual savings of \$23,400 per annum in interest payments.

2) Offer \$250,000

If \$250,000 was paid off on Debenture 235 that would leave a CAD balance of \$551,197.00 resulting in an annual interest repayment of \$22,047.88 (based on a 4% pa interest rate), being an annual savings of \$10,000 per annum in interest payments.

3) Retain Land and remove from the market

If the land is retained by Council and removed from the market the annual interest rate on the current CAD balance of Debenture 235 is \$32,050.

As per the contractual agreement Council has paid \$10,878 for the advertising and marketing campaign. The agent has been successful in achieving an offer for the land, and therefore they have fulfilled their contractual provisions and Council will be responsible for paying them the balance of their contracted fee which is \$27,500 whether the offer is accepted or not.

If Council resolved to accept the revised offer of \$250,000, then costs would be incurred by Council in relation to the sub-division requirements, which are estimated at \$7,000, however this could increase substantially depending on whether any electricity supply upgrades are required, which would be identified as part of a sub-division process.

2: Legal/Policy

Section 36 of the *Local Government Act 1999* provides that Council has the legal capacity of a natural person and may enter into any kind of contract or arrangement.

3: Environment/Planning

Not applicable.

4: Community

4.1 General

Not applicable.

4.2 Aboriginal Community Consultation

Not applicable.

John Banks

Lee Heron

27/7/2016

Appendix A



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Appendix B

