

# CONFIDENTIAL



REPORT FOR:	<b>Strategic Management Committee</b>		
MEETING DATE:	18 July 2016		
REPORT FROM:	Director – City & Cultural Services		
REPORT TITLE:	<b>Offer to Purchase Council Land – Old Netball Courts, Railway Parade, Port Augusta</b>		
FILE NAME:	F15/321	RECORD NO:	AR16/27411

## COMMUNITY VISION & STRATEGIC PLAN OUTCOMES

### **1 We Thrive**

- 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.

### **6 We Achieve**

- 6.3 We aim to provide good governance practices and compliance with all legislative requirements in delivery of services.
- 6.5 We use and manage our financial resources in the best interests of our community, and to ensure financial sustainability and organisational efficiency now and into the future.

## **PURPOSE**

The purpose of this report is to provide Elected Members with details of an offer made by the Seventh-day Adventist Church and to obtain a decision on whether the offer is acceptable or perhaps it would be appropriate for further negotiations to take place.

## **RECOMMENDATION**

### **Strategic Management Committee recommends Council:**

- 1. Rejects the offer made by the Seventh-day Adventist Church and holds the land until the market improves.
- 2. Council to determine the sale process will be undertaken when the market improves.

## **BACKGROUND**

Council at its meeting held on 25 May 2015 resolved to:

- 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the lease agreement and issues a licence to occupy the site until the end of the current netball season, which will be withdrawn once the property is sold.*

Jones Lang LaSalle were the successful company engaged by Council, via an Expression of Interest process to undertake the sale process for the Netball Land. In late 2015, Jed Harley from Jones Lang LaSalle prepared marketing information for the sale campaign and this was approved and the information was forwarded to their mailing list of over 3,000 individuals, including aged care service providers, plus general advertising processes.

This resulted in a couple of enquiries however these did not eventuate into an offer.

Council at its meeting held on 22 February 2016 resolved:

1. *Commission 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 May 2016 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.*

### **DISCUSSION**

The Seventh-day Adventist Church in South Australia has made an offer for the purchase of the Old Netball Courts land, which is made up of 17 allotments in 3 Titles, CT5700/862, CT5467/396 and CT5823/693, for \$585,000 exclusive of GST with the following conditions:

- a) Finance being provided by Higher Church bodies (discussion are already underway in this regard).
- b) That approvals be given by all appropriate church committees (this has already commenced).
- c) That appropriate Council approvals be given for future intended use.
- d) That Port Augusta SDA Church vote to sell their current church property with all proceeds going to the development of the Railway Parade property.

The Church has advised that they require around 5 weeks to obtain their National and Overseas Church hierarchy's approval and funding for this project.

Council engaged Herron Todd White in early 2015 to prepare an independent valuation on this land, to enable Council to make an informed decision on a sale price for this land. The valuation provided in February 2015 for this site was \$500,000.

Council has promoted that aged accommodation would be a great outcome for the future development of this site, however with placing this land on the open market, control on the type of development that will occur in the future, is lost.

The offer made by the Seventh-day Adventist Church is acceptable based on the value provided by Herron Todd White in February 2015. It should be noted that pursuant to Section 162 of the *Local Government Act 1999* the rates on land containing a church or other building used for public worship (and any grounds), or land solely used for religious purposes, will be rebated at 100 per cent.

The *Local Government Act 1999* also provides pursuant to Section 166 that Council may grant a rebate of rates or service charges where the land is being used to provide accommodation for the aged or disabled. If the land was developed for aged accommodation purposes, then Council may at some time have to consider an application to provide a discretionary rate rebate and determine, what if any, that rate rebate would be. Obviously it would depend on the type of aged accommodation that was provided as to whether Section 166 would apply, however it is considered that a lifestyle village development, as per the artistic impression, would not attract the provisions of Section 166.

It is noted that the Seventh-day Adventist Church, as a condition to the purchase of the netball land, would be looking to sell their property located on 3 Fern Street, Port Augusta which if sold to an entity that does not attract a rate rebate, then some rates would be achieved against this site in the future.

The issue that now needs to be decided upon, is whether to accept the offer of \$585,000 subject to the conditions outlined, or whether it is in Council's and the community's best interest to hold onto the land indefinitely, in the hope of attracting a development that would provide a long term financial gain through the payment of rate revenue in addition to the sale price.

As outlined under financial/budget section below, there are short term benefits for accepting the offer, which will allow Council to retire some of its debt, however that short term gain, means that there is no long term benefit, as a 100 per cent rate rebate may be attributed to the entire area of this land.

The Rates Manager has advised that it may be possible to have a separate valuation created specifically for the intended place of worship including car-parking, as that part of the land would be exempt from Rates, with the balance then attracting rates. Council would need to seek the Valuer-General's co-operation to provide a separate assessment for the area of worship and car-parking only. If however the Church develop the balance of the land for other religious type activities, this option may not be possible.

It is considered that Council has four options available:

- 1) Accepts the \$585k and pay off the debt
- 2) Reject the offer and keep trying for a better outcome (current contract expires with Jones Lang LaSalle following the decision on this offer)
- 3) Reject the offer and consider advertising the land in smaller parcels rather than one large parcel.
- 4) Rejects the offer and holds the land until the market improves.

In respect of options 2, 3 and 4 above the current market in Port Augusta is quite depressed at the moment, and achieving a further offer or offers in the near future is likely to be unsuccessful.

### **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 26 July 2016.

### **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) with a repayment date of 15 January 2025.

If an amount of \$585,000 is received through the sale of the netball land, the balance (less selling costs) could be paid against CAD 235 leaving a balance of approximately \$239,197. This would reduce the interest payable on this CAD by approximately \$22,600 per annum (based on 4% pa interest).

Based on the annual interest savings made over the term of the loan, being \$9,450 per annum, a saving of \$85,050 would be made.

As stated previously, land used for a place of public worship (and any grounds) would be subject to a 100% rate rebate, whereas if the land was used for residential purposes and charged at the minimum rate per property based on the concept plan of 28 allotments, Council may receive ongoing rate revenue of \$35,616.

As outlined above the savings made over the nine years would be recouped within two-three years, if the property was developed to its full potential, and attracted the level of rates that would be applicable to a residential type development.

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.

## **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.

**Lee Heron**  
**05/05/2016**