

CITY OF MOUNT GAMBIER

Meeting to be held at the Council Chamber, Civic Centre, 10 Watson Terrace, Mount Gambier
on Tuesday 16th April, 2013 at 6.00 p.m.

AGENDA

CONSIDERATION FOR EXCLUSION OF PUBLIC

moved that the following Items be received, discussed and considered in confidence by excluding the public pursuant to Section 90 (2) of the Local Government Act 1999, and an order be made that the public (with the exception of other Council Members and Council Officers now present) be excluded from the meeting in order for the items to be considered in confidence as the Council is satisfied that the item is a matter that can be considered in confidence pursuant to the grounds referenced in Section 90 (3) of the said Act:

<u>Item No.</u>	<u>Subject Matter</u>	<u>S90 (3) Grounds</u>
Corporate and Community Services		
7	<u>CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013 - Sale of Council Properties</u>	(b)
	CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL	

seconded

IN CONFIDENCE

7. CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013 - Sale of Council Properties

Goal: Securing Economic Prosperity
Strategic Objective: Support the development of our local economy, our unique local experiences and our capacity to grow visitation to our City.

Cr Smith moved it be recommended:

- (a) Corporate and Community Services Report No. 14/2013 be received;**
- (b) the matter be left lie on the table pending further negotiation with Malseed Real Estate on the sale of 38 and 40 James Street by the Mayor and the Chief Executive Officer;**
- (c) the outcomes of these further negotiations be reported back to Council via the Corporate and Community Services Committee.**

Cr Richardson seconded

Carried

CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL

moved that an order be made pursuant to Section 91 (7) of the Local Government Act 1999 that the documents in relation to the following items, which have been considered by Council on a confidential basis pursuant to Section 90 (3) be kept confidential as follows:

<u>Item No.</u>	<u>Subject Matter</u>	<u>Element To Be Kept Confidential</u>	<u>Duration</u>
Corporate and Community Services			
7	<u>CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013 - Sale of Council Properties</u>	All Details	6 months

seconded

Meeting closed at

LD

CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013

SUBJECT: SALE OF COUNCIL PROPERTIES

REF: AF11/1400

Goal: Securing Economic Prosperity
Strategic Objective: Support the development of our local economy, our unique local experiences and our capacity to grow visitation to our City.

Council considered the sale of Council properties at 38 and 40 James Street, at the Council Meeting of 19th March, 2013, following consideration of a report from the CEO (copy attached).

Council resolved:

- (a) The report be received;*
- (b) The matter lie on the table pending further investigation by the CEO and Mayor.*

Points of discussion on the 19th March, 2013 are summarised and expanded as:

- Council is under no obligation to sell these two particular properties that are the eastern two of five properties (numbers 46 – 38 James Street), that have been purchased over time to present the potential of one land holding and future orderly development from one or more developers.

38 and 40 account for 1,880 square metres of the total land holding of 3,770 square metres.
- There is a significant variation between Council's purchase price \$670,500, the independent valuation \$475,000 and the highest offer to this time as detailed in the offer presented to Council from Malseed Real Estate, received on 3rd April, 2013 (attached).
- Council's current outgoings to maintain 38 and 40 James Street are \$5,070 per annum and while both sites have older style houses, they are currently not rented and the condition of the properties is generally poor. Ultimately the houses will need removing or renovating.
- The opportunity cost of not selling the properties is the potential decrease in loan interest payment and rate income. Based on a sale of \$600,000 and reducing loans by this amount, the annual interest reduction is \$31,500. Value of rates - for a developed site say, at \$1 million valuation, is \$6,351 per annum. Therefore the benefit of selling the two properties at \$600,000 and once the full sale amount is received and rates commence is approximately \$42,000 per annum (current value).
- Malseed Real Estate has noted the potential purchaser may seek to defer the bulk of the purchase price (if a price could be negotiated between the two parties). A suggested "land lease" of \$50,000 year one and two and a "purchase" price of \$500,000 year three has been offered. This would defer the benefits identified above and the legal interests of Council would need to be ensured.
- Discussion with Malseed Real Estate regarding the impact on the potential returns over the total holdings from the sale of the two were inconclusive while noting that attracting one commercial development over 3,770 square metres would be difficult. The improved amenity of the area, should 38 and 40 be redeveloped may impact positively on the other Council held properties, should they be placed on the market in the future.

Corporate and Community Services Report No. 14/2013 cont'd...

- A sale less than the purchase price may be justified if there is an uplift in the amenity of James Street area (one rationale for Council's initial purchase) and the purchase – sale price "gap" is rapidly (perhaps over several years) made up by reducing Council's loan interest costs.

While an offer has been received there are a number of conditions attached to the sale that require further negotiation should Council wish to proceed with the sale.

RECOMMENDATION

- (a) Corporate and Community Services Report No. 14/2013 be received;
- (b) Council in principle accepts the offer as presented by Malseed Real Estate for the sale of 38 and 40 James Street and authorise the Mayor and Chief Executive Officer to negotiate the conditions of sale within the parameters as specified in the letter of offer being:

Purchase Price - \$500,000
Deposit – 10% (\$50,000)
Date – 01/07/2013
Settlement – 24 months 01/07/2015

Conditions:

1. Must have phase 3 power
2. Access available upon payment of deposit
3. Permission to demolish/salvage the 2 current building immediately
4. Must have up to date asbestos registers for both buildings
5. Approval to build dental surgery as purposed
6. Approval to utilise site with the same offset from the front

Land Lease

\$50,000/year – 2 years
Tenant pays utility costs – power, water and gas
Landlord pays – rates and taxes
Share conveyance costs

Total Consideration \$600,000 + GST is applicable

Mark McSHANE
CHIEF EXECUTIVE OFFICER

2nd April, 2013
LD

(Refer Item of Corporate and Community Services Minutes)

MINUTES OF THE MEETING OF THE CITY OF MOUNT GAMBIER HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT GAMBIER ON TUESDAY, 16th APRIL, 2013 AT 6.00 P.M.

CONSIDERATION FOR EXCLUSION OF PUBLIC

Cr Smith moved that the following Items be received, discussed and considered in confidence by excluding the public pursuant to Section 90 (2) of the Local Government Act 1999, and an order be made that the public (with the exception of other Council Members and Council Officers now present) be excluded from the meeting in order for the items to be considered in confidence as the Council is satisfied that the item is a matter that can be considered in confidence pursuant to the grounds referenced in Section 90 (3) of the said Act:

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Corporate and Community Services		
7	<u>CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013 - Sale of Council Properties</u>	(b)
	CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL	

Cr Von Stanke seconded

Carried

IN CONFIDENCE

7. CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013 - Sale of Council Properties

Goal: Securing Economic Prosperity
Strategic Objective: Support the development of our local economy, our unique local experiences and our capacity to grow visitation to our City.

Cr Smith moved it be recommended:

- (a) Corporate and Community Services Report No. 14/2013 be received;
- (b) the matter be left lie on the table pending further negotiation with Malseed Real Estate on the sale of 38 and 40 James Street by the Mayor and the Chief Executive Officer;
- (c) the outcomes of these further negotiations be reported back to Council via the Corporate and Community Services Committee.

Cr Richardson seconded Carried

Cr Maher moved the recommendation of the Corporate and Community Services Committee as contained in item 7 be adopted.

Cr Smith seconded Carried

CONSIDERATION FOR KEEPING MATTERS CONFIDENTIAL

Cr Smith moved that an order be made pursuant to Section 91 (7) of the Local Government Act 1999 that the documents in relation to the following items, which have been considered by Council on a confidential basis pursuant to Section 90 (3) be kept confidential as follows:

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Corporate and Community Services			
7	<u>CORPORATE AND COMMUNITY SERVICES REPORT NO. 14/2013 - Sale of Council Properties</u>	All Details	6 months

Cr Harfield seconded Carried