

**STRATEGY AND POLICY REVIEW COMMITTEE**  
**7 APRIL 2008**

**GOVERNANCE AND COMPLIANCE**

<b>A9</b>	<b>PROPOSED TRANSFER OF 121 LIARDET STREET TO PORT PHILLIP HOUSING ASSOCIATION, SALE OF 1&amp; 2/144 NOTT STREET PORT MELBOURNE AND SALE OF 2/63 CARLISLE STREET, ST KILDA</b>
<b>LOCATION/ADDRESS:</b>	<b>121 LIARDET STREET , PORT MELBOURNE (FORMERLY KNOWN AS 3 KYME PLACE , PORT MELBOURNE ) 144 NOTT STREET PORT MELBOURNE 2/63 CARLISLE STREET, ST KILDA</b>
<b>RESPONSIBLE EXECUTIVE DIRECTOR:</b>	<b>SALLY CALDER, EXECUTIVE DIRECTOR ORGANISATION SYSTEMS &amp; SUPPORT</b>
<b>AUTHOR:</b>	<b>DAVID GRAFFEN, PROPERTY COORDINATOR GARY SPIVAK, HOUSING DEVELOPMENT OFFICER</b>
<b>FILE NO.:</b>	<b>3120/003-03</b>
<b>ATTACHMENTS:</b>	<b>1. PLAN OF THE LAND PROPOSED TO BE TRANSFERRED TO PPHA 2. PLAN OF THE LAND SUBJECT TO PROPOSED ROAD DISCONTINUANCE 3. PLAN SHOWING THE FEASIBILITY STUDY COMMUNITY HOUSING PROJECT AS DEVELOPED BY PPHA 4. COPIES OF TITLE (SEARCHES) FOR 121 LIARDET STREET, 144 NOTT STREET PORT MELBOURNE AND 2/63 CARLISLE STREET ST KILDA 5. SURVEY PLAN OF 121 LIARDET STREET PLACE SHOWING EXISTING CONDITIONS</b>

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**1. EXECUTIVE SUMMARY**

- 1.1. Council is the freehold owner of a ground level car park at 121 Liardet Street, Port Melbourne (also previously referred to as 3 Kyme Place for records purposes). It is proposed to transfer the property to the Port Phillip Housing Association (PPHA) to enable a community housing project to be developed using a similar model to the successful "Woodstock" project in Balaclava. It is planned to build a 4 storey rooming house with the majority of the ground floor to be used for public car parking. Council would retain ownership of car parking spaces.
- 1.2. The proposal is subject to PPHA and the Office of Housing agreeing to relinquish all rights in residential properties at 144 Nott Street, Port Melbourne and 2/63 Carlisle Street, St Kilda. Council, as the registered proprietor of these properties, could then sell them to be compensated for the value of land transferred to PPHA.
- 1.3. PPHA has conducted a feasibility study and is applying for funding for the community housing project. The property at 121 Liardet Street represents an excellent opportunity to develop a modern facility containing 27 studio apartments and 4 one bedroom apartments. The residential properties at 144 Nott Street and 2/62 Carlisle Street, contain only 3 residential units and the Carlisle Street unit is in the view of PPHA inefficient to manage for community housing.
- 1.4. This report only recommends that Council commence procedures under the Local Government Act 1989 and to authorise an application for subdivision. It does not recommend the sale or transfer of land. Once the statutory processes are completed, including community consultation and a consideration of any submissions received, Council is then in a position to make any final decisions in this regard.

**2. BACKGROUND AND CONTEXT**

- 2.1. The Liardet Street property which was previously known as 3 Kyme Place was identified as an "income generation project" in 2000. The property was considered to be underutilized as a ground level car park and therefore it was proposed to sell air and subterranean rights for residential development. Following an Expression Of Interest process Council decided in March 2003 to sell rights to the land while retaining the ground level car parking. Protracted negotiations ensued, interrupted by the discovery of soil contamination. In May last year the proposed sale was finally abandoned with Council confirming this action by rescinding the decision to sell the land at a meeting held on 23 July 2007.
- 2.2. This report responds to a resolution made at the meeting held on 23 July 2007, directing officers to prepare a report on options for the future use of 121 Liardet Street, Port Melbourne.

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

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- 2.3. There are 3 options for the land:
- Adopt the proposal described in this report
  - Sell the air and subterranean rights as previously proposed on the open market
  - Do nothing, reserving the potential in the land for the future

These options are considered later in this report.

- 2.4. Details of properties associated with the proposal are described below;

121 Liardet Street, Port Melbourne

This property is located at the corner of Liardet Street and Kyme Place about 30 metres to the south of Bay Street. Kyme Place is a laneway abutting the rear of properties which have a frontage to Bay Street. It is a constructed car parking comprising 944 square metres and 33 car parking spaces. The land is comprised in 4 Certificates of Title as follows: Volume 1884 Folio 619, Volume 9254 Folio 602, Volume 8838 Folio 197 and Volume 9254 Folio 603.

1 & 2 / 144 Nott Street, Port Melbourne

The land is described in Certificate of Title, Volume 10168 Folio 898. This property contains a Victorian era terrace house and is located at the south west corner of Liardet Street and Nott Street. The single dwelling property was converted into 2 community housing units with subsidized rents under a 1990 joint venture funding agreement between the former City of Port Melbourne and Director of Housing representing the then Commonwealth Government's Local Government & Community Housing Program. The project was completed in 1991. Council resolved to incorporate this property into the community housing program on 27<sup>th</sup> November 2000. While not yet implemented, the property is leased to eligible tenants in accordance with the funding agreement. The units are in good condition and opposite the Liardet community housing project managed by PPHA.

2 / 63 Carlisle Street, St Kilda

The land is described in Certificate of Title, Volume 9198 Folio 981 as well as an accessory (car park) unit in the parent title – Certificate of Title, Volume 5919 Folio 725. The property is a two bedroom ground level flat in a block of 6, a car parking space on the ground level as well as a share in the common property. This property was purchased in 1990 by the former City of St Kilda for \$113,500 with 90% of the funding being provided by the Director of Housing under a Local Government and Community Housing Program for student housing. Under the funding agreement, the Director of Housing is entitled to its share of the revenue resulting from a sale and also entitled to register a mortgage which it has not done to date. The property is leased for residential use but not specifically for student housing. From PPHA's perspective, managing this single unit for community housing within a block under a body corporate is an inefficient use of resources.

**3. RECOMMENDED OPTION**

- 3.1. It is proposed to transfer 121 Liardet Street to PPHA while retaining title to ground level car parking spaces and then to sell the properties at 144 Nott Street and 2/ 63 Carlisle Street.
- 3.2. The proposal relies on PPHA agreeing that the Nott Street property will not be transferred to it as previously proposed.
- 3.3. The proposal also relies on the Office of Housing agreeing to surrender its entitlement to compensation upon the sale of the Carlisle Street property.
- 3.3.1. As the registered proprietor of all properties comprised in the proposal, Council has a leading role but needs the agreement of PPHA and the Office of Housing because of previous commitments made in relation to the Nott Street and Carlisle Street properties. Agreement is likely because 121 Liardet Street offers an excellent opportunity to develop community housing in a way that the other properties cannot. There have been positive discussions at officer level and PPHA has funded an extensive feasibility study. As joint venture funding is crucial, PPHA is making an application to the Office of Housing.
- 3.3.2. The transfer of 121 Liardet Street to PPHA enables a community housing project to be developed using a similar model as the successful "Woodstock" project in Balaclava. As a result of a feasibility study, it is planned to build a 4 storey rooming house containing 27 studio apartments and 4 one bedroom apartments, with the majority of the ground floor to be retained for public car parking. Council would retain property rights to the 27 ground level car parking spaces.
- 3.3.3. Plans resulting from the feasibility study address many issues including the following;
- Good Urban Design
    - Improving the Liardet streetscape by infilling the frontage with the proposed housing development
    - gradation from the multi storey buildings on Bay Street to the single story residence abutting to the south
    - sympathetic consideration of overlooking and overshadowing effects on the abutting residences

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

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- Traffic and parking
  - establishing 2 new car parking spaces on the Liardet Street frontage where the existing driveway access to the Kyme Place Car Park is no longer required
  - introducing a slip lane into Kyme Place to facilitate two way traffic
  - identifying a small part of Kyme Place (16.54 sq m) which is not required for road purposes. This land is the residual part of a discontinued ROW running across the car park and used or required by vehicles using Kyme Place. This part of the road can be discontinued and added to the car park property to regularize the shape of the land and enable efficient utilization of the replacement car park.
  - identifying a small part of 121 Liardet Street (10.57 sq m) that is not required for the development. Through subdivision this land can be added to the Kyme Place roadway to enable a turning circle for vehicular access to the new development at 200-202 Bay Street. This turning circle was a requirement of permit 629/98/J in 1998. .

**3.4. Criterion for recommendation**

In responding to Council's direction to prepare a report on options for 121 Liardet Street, this report seeks to recommend an option which addresses the following broad objectives.

- Optimising the service potential of the property
- Maximising value for money
- Providing services required by residents
- Contributing to economic growth
- Promoting a balance between development and sustainability
- Using Council property to influence the built form
- Using Council property to influence social equity and cultural vitality

Each of the three options will be assessed against Council's 4 pillars of sustainability which includes a consideration of broad objectives listed above.

**Sustainability assessment**

Social Pillar	<p>The recommended option specifically enables a community housing project which directly relates to the social pillar. It represents a generous contribution to the community housing program.</p> <p>The project is important to PPHA and the general supply of social housing as:</p> <p>(cont.)</p>
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**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

<p>Social Pillar (cont.)</p>	<ul style="list-style-type: none"> <li>• It will be one of the few opportunities to secure new affordable housing in Port Melbourne due to high property values and limited other suitable institutional properties in the area.</li> <li>• The property is ideally located close to the Bay Street shopping centre and relatively close to public transport (light rail) for low income, single persons with low car ownership levels.</li> <li>• The availability of the land for PPHA enables it to provide new community housing in joint venture with the Office of Housing in an affordable manner as the land value makes its 25% contribution to the joint venture cost neutral. This will enhance PPHA's ability to fund other community housing in Port Phillip.</li> <li>• The development model reinforces the value of air space development as a successful model for community housing development (as with Liardet and Woodstock projects).</li> <li>• The proposed project opportunity comes at a useful time when the Office of Housing has made available \$300 million for joint venture projects for housing associations, with these funds rapidly being committed across Victoria.</li> </ul> <p>PPHA's register shows that there is a demand for affordable housing in Port Phillip from 882 persons, of which 42.5% or 375 persons, are singles suitable for the proposed project (excluding older persons who are single). This excludes the public housing waiting list and waiting lists from other local housing agencies. Needs will only increase as housing becomes increasingly unaffordable in Port Phillip.</p> <p>The proposal enables but one small project which could help tackle the housing affordability crisis in Melbourne and Port Phillip. In 2007 purchase of median priced private houses was unaffordable to households with an annual income up to \$100,000 and unit purchase unaffordable for households with an annual income of up to \$54,000, with lack of affordability being about twice as severe for houses and about 1.3 times worse in Port Phillip compared with Metropolitan Melbourne. The proportion of affordable rental dwellings (where households do not pay more than 30% of income on rent) in 2006 in the City of Port Phillip was around 1-2% of rental dwellings. This compares with around one-fifth to one-quarter of dwellings being affordable in Metropolitan Melbourne, with rental housing in Port Phillip becoming less affordable for households with incomes of up to \$59,000 per year.</p> <p>(cont.)</p>
<p>Social Pillar (cont.)</p>	

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

<p>Economic Pillar</p>	<p>The proposal seeks to more public benefit from an underutilized ground level car park by extracting value from the air space. At the same time inefficient community housing properties can be sold to reallocate the value of the investment into other Council services.</p> <p>121 Liardet Street has been valued between the range of \$2.35m and \$2.85m as an unencumbered site. As the site is known to be affected by soil contamination the cost of remediation discounts the value. Remediation was estimated to cost \$316,000 in May 2006. A high proportion of this cost relates to the disposal of contaminated soil which is known to have substantially increased in the past 2 years. The cost of soil contamination could now be in the vicinity of \$800,000. The residual value of the land (using a mid point of \$2.6m less \$0.8m) is about \$1.8m. As Council is to retain rights to the ground level car park, the value of the land to be transferred is about half the market value ie \$0.9m.</p> <p>The value of the properties at 144 Nott Street and 2 /63 Carlisle Street totals within the range of \$960,000 - \$1.04m. Again, adopting a mid point (\$1.0m), the value of these properties compares favourably from the selling standpoint.</p> <p>The proposal promotes a direct and positive economic development in the area. It also will supply a captive market for the Bay Street retail businesses supplying affordable goods and services.</p>
<p>Environmental Pillar</p>	<p>The plans developed for 121 Liardet Street during the PPHA feasibility study have been conducted by the award winning architects of the Woodstock project and have adopted good urban design principles through consultation with Council planners. The plans would need to be further refined through a planning process before any construction would be permitted.</p> <p>The 121 Liardet Street site is well located for community housing given its close proximity to Bay Street, transport (light rail), shops and services.</p> <p>Soil contamination at the site is to be remediated by PPHA.</p> <p>In addition, PPHA have funded a budget allowance for ESD features that require further investigation in the design development stage. These include rain water collection and recycling for project use, a degree of solar power including external lighting and hot water boosting and double glazing.</p>

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

Cultural Pillar	<p>The cultural mix of many Port Phillip places is changing with a trend to gentrification as property values rise at a high level compared to other suburbs of Melbourne. The proposal will contribute to social diversity and foster conditions that allow a diversity in values beliefs and aspirations such as social tolerance by providing homes for low income residents.</p> <p>Through formal and informal consultation and Port Melbourne residents and traders, amongst others, will be encouraged to participate in decision making.</p>
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**3.5. Policy and legislative implications**

The proposal is consistent with Council's Housing Strategy 2007. Council is considering adopting a Property Strategy in the near future which would have relevance to the matter. The proposal is in accordance with the objectives of Melbourne 2030.

The proposal requires a range of decisions related to legislative and policy matters before it could be implemented. They are outlined below;

- Procedures leading to Council decision on road discontinuance pursuant to the Local Government Act 1989.
- Procedures leading to Council decision on the sale of land pursuant to the Local Government Act 1989.
- Subdivision and planning permits pursuant to the Subdivisions Act 1988 and Planning and Environment Act 1987.
- A successful funding application to be made by PPHA to the Office of Housing.
- Formal agreement by PPHA and Office of Housing to the proposal.

**3.6. Risk implications**

At this stage it is recommended that Council commence the relevant procedures for road discontinuance, sale of land and to authorise subdivision. It may only make a decision following the receipt of any submissions and the consideration of matters raised in support of submissions. The risk of adverse community feedback will be addressed by holding a preliminary consultation process that outlines the various but separate statutory processes to follow in the context of the broader proposal. It is considered that there is no risk in following the statutory procedures.

There is risk that the proposal fails for lack of funding and lack of agreement by both PPHA and the Office of Housing. These conditions are out of Council's control but efforts will be made to keep both organisations informed.

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

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There is a net loss of 4 car parking spaces compared to the existing number. Council officers are working to establish replacement car parking spaces within the vicinity.

Alternative options are still possible if the recommended option fails.

**3.7. Resource implications**

The proposal has positive financial implications by deriving income from the sale of the Nott and Carlisle Streets properties, retaining value in the Liardet Street property and avoiding costs related to soil remediation.

**4. ALTERNATIVE OPTIONS**

**4.1. Alternative 1**

Sell air and subterranean rights to 121 Liardet Street on the open market.

**4.1.1. Sustainability assessment**

Social Equity Pillar	This option does not address housing affordability. There is no contribution by Council to the Port Phillip Housing Trust.
Economic Viability Pillar	This option contains risks and therefore is likely to result in a poorer financial outcome. A developer would need to factor the following elements into a residential project: the uncertainty of costs related to soil remediation, the cost of basement car parking, the unattractive proposition of public car parking remaining at ground level. For this reason Council's return could be calculated at the bottom of the valuation range. The value of the land (\$2.35m) less soil contamination costs (\$0.8m) leaves the total value at \$1.55m. Reduced by half for selling only air and subterranean rights, Council's return could be estimated to be \$775,000 which is less the return from the recommended option.
Environmental Responsibility Pillar	This option does not contain any more or less elements of environmental responsibility compared to the recommended option as Council remains in a position to influence the form of development.
Cultural Vitality Pillar	There are less elements of cultural vitality associated with this option.

**4.1.2. Policy and legislative implications**

The local government act procedures for the sale of land also apply to this option.

**4.1.3. Risk implications**

The method of sale is crucial. Because of the developer risks associated with a project at 121 Liardet Street it may not be an attractive proposition in the market place. It may not sell at auction or private sale.

From Council's standpoint as a vendor, an Expressions of Interest or Tender process is likely to leverage the best financial outcome and the best outcome in terms of the proposed development. However this option has been attempted and several years ensued before a proposal was abandoned.

**4.1.4. Resource implications**

There are no special resourcing issues associated with this option.

**4.2. Alternative 2**

4.2.1. Do nothing, reserving the potential in the land for the future.

**4.2.2. Sustainability assessment**

Social Equity Pillar	This option does not address housing affordability. There is no contribution by Council to the community housing program. It defers a decision on community housing which may not be a viable option in the future.
Economic Viability Pillar	121 Liardet Street would continue to be considered as underutilised. There would be no positive financial return to Council, nor economic development for the area for an indefinite period. At some stage Council could be required to allocate funds for soil remediation which are likely to increase over time.
Environmental Responsibility Pillar	This option is less environmental responsible as it does not tackle the soil contamination issue.
Cultural Vitality Pillar	There are least elements of cultural vitality associated with this option.

**4.2.3. Policy and legislative implications**

The legislative implications associated with this option relate to soil remediation under the Environmental Protection Act 1970, now that the contamination is known.

**4.2.4. Risk implications**

Risk associated with this option relates to soil contamination.

**4.2.5. Resource implications**

There are no special resourcing issues associated with this option.

**5. PARTICIPATION AND ENGAGEMENT**

**5.1. Internal**

5.1.1. The people who have been engaged with in relation to this issue are:

David Graffen - Property Coordinator

Gary Spivak – Housing Development Officer

Cathy Henderson – Manager Governance & Community Relations

Toula Kotsabouikis – Property Advisor

Stefan Mitrik – Coordinator Traffic and Parking Management

Janine Laver – Senior Urban Planner

Maria Tomasetig, Sub-Division Officer

Senior Executive Team

Janet Bolitho – Ward Councillor

Councillors by briefing

**5.2. External**

5.2.1. The external people and organisations who have been engaged with in relation to this issue are:

PPHA – CEO Karen Barnett

Office of Housing

Mallesons Stephen Jaques solicitors (title search, advice on relevance of s 191 (d) of the Local Government Act in relation to s 189 of the Act.

5.2.2. PPHA are making an application for funding for development of 121 Liardet Street subject to Council approval. At this stage, the recommended option is supported at officer level within PPHA and the Office of Housing.

5.2.3. Council officers have been engaged with PPHA and its architects during its feasibility study.

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

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**6. IMPLEMENTATION**

- 6.1. The recommendations of this report can be implemented by publishing the appropriate notices and making application for subdivision.
- 6.2. Before the recommendations are implemented it is proposed that the community is informed of the proposal and steps in the various statutory processes at an informal, preliminary community information/consultation .
- 6.3. A decision by Council following the informal community consultation and the community consultation that is mandatory under the Local Government Act will also be subject to PPHA obtaining funding and written agreement by PPHA and the Office of Housing in regard to the properties at Nott Street and Carlisle Street.
- 6.4. The proposal also relies on a positive planning outcome.
- 6.5. A coordinated approach to the statutory processes managed by Council officers and project processes managed by PPHA is required.

**7. COMMUNICATION**

- 7.1. Council is considering a proposal to align its property portfolio which includes a contribution to the community housing program by the transfer of property rights to Port Phillip Housing Authority and the sale of two redundant properties.
- 7.2. The proposal enables Council to maximise the use of an underutilised ground level car park while maximizing a return on the property investment.
- 7.3. At the same time, the Port Phillip Housing Association will have an opportunity to develop new affordable housing project comprising 31 units under the Port Phillip Housing Trust that was established to protect Council contributions following the restructure of the Port Phillip Housing Program.
- 7.4. The proposal comes at a time when housing affordability is at crisis levels, particularly within Port Phillip and is consistent with the City of Port Phillip Housing Strategy 2007-17
- 7.5. The messages above will be related to interested parties and the local community through consultation prior public notices appearing under the required statutory procedures.

**STRATEGY AND POLICY REVIEW COMMITTEE  
GOVERNANCE AND COMPLIANCE  
7 APRIL 2008**

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**8. RECOMMENDATION**

8.1. That the Strategy and Policy Review Committee recommend that Council resolves:

That it intends to reconfigure the boundary of the property generally known as 121 Liardet Street, , Port Melbourne comprising four Certificates of Title as follows: Volume 1884 Folio 619, Volume 9254 Folio 602, Volume 8838 Folio 197 and Volume 9254 Folio 603

8.1.1. by adding a small portion (16.54 square metres) through the discontinuance of part of the road known as Kyme Place that is not currently used or required for vehicle access and to remove a small portion (10.57 square metres) by subdivision and assign the status of "road" to that portion and to transfer the land defined by the reconfigured property to the Port Phillip Housing Association but retaining proprietary rights to 27 car spaces at ground level and therefore directs as follows:

- that the statutory procedures under Section 189 and of the Local Government Act 1989 (the Act) be commenced and notice is published in local newspapers inviting interested persons to make a submission under Section 223 of the Act for sale (transfer) of the land shown on the attached plan, to the Port Phillip Housing Association Ltd. save for proprietary rights to a 27 space, ground level car parking which will be retained by Council,
- the statutory procedures under Section 206 and Schedule 10 Clause 3 of the Act be commenced and notice is published in local newspapers inviting interested persons to make a submission under Sections 207A (a) and 223 of the Act for discontinuance of the road shown on the attached plan and for sale (transfer) of the land shown on the attached plan, to the Port Phillip Housing Association Ltd., save for proprietary rights to ground level car parking which will be retained by Council, and
- that officers are authorised make application for subdivision to create the property title for transfer to the Port Phillip Housing Association as described above.

8.1.2. that the statutory procedures under Section 189 and of the Local Government Act 1989 (the Act) be commenced and notice is published in local newspapers inviting interested persons to make a submission under Section 223 of the Act for sale of the land described as 1 and 2/ 144 Nott Street, Port Melbourne, more particularly described in Certificate of Title, Volume 10168 Folio 898, and

8.1.3. that the statutory procedures under Section 189 and of the Local Government Act 1989 (the Act) be commenced and notice is published in local newspapers inviting interested persons to make a submission under Section 223 of the Act for sale of the land described as 2/ 63 Carlisle Street, St Kilda, more particularly described in Certificate of Title, Volume 9198 Folio 981.

**STRATEGY AND POLICY REVIEW COMMITTEE**  
**GOVERNANCE AND COMPLIANCE**  
**7 APRIL 2008**

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- 8.1.4. that Council resolves to appoint its Strategy and Policy Review Committee to hear and consider any submissions made under Section 223 related to the statutory procedures in 8.1.1, 8.1.2 and 8.1.3 above at its meeting to be held on 2<sup>nd</sup> June 2008.

And notes that decisions to be made in regard to the procedures commenced pursuant to the resolutions above are subject to the Office of Housing surrendering entitlements in regard to proceeds from the sale of 2/63 Carlisle Street, St Kilda, and Port Phillip Housing Association agreeing that the previous commitment by Council to transfer the property at 1&2, 144 Nott Street, Port Melbourne has lapsed.