



**12.1** **BALACLAVA RETAIL RENEWAL PRECINCT - REALISING THE OBJECTIVES**

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**1. PURPOSE**

- 1.1 To seek approval to commence the processes of negotiating and transacting Council land in the Balaclava Retail Renewal Precinct, to foster renewal of that area.

**2. EXECUTIVE SUMMARY**

- 2.1 Ten years ago Council adopted the *Carlisle Street Activity Centre Structure Plan* ("Structure Plan"), subsequently incorporated into the *Port Phillip Planning Scheme*.
- 2.2 The Structure Plan includes a designated Retail Renewal Precinct, an area envisaged to be redeveloped with a mix of uses including full-line supermarkets, basement carparking, residential and commercial, (the "Precinct").
- 2.3 City of Port Phillip owns several discontinuous parcels of land in the Precinct, (the "Properties").
- 2.4 Redevelopment of the Precinct according to the Structure Plan cannot be fully realised without the Council land.
- 2.5 There is opportunity for Council to transact the Properties, but require that they be developed according to the Structure Plan, including incorporating replacement public carparking.
- 2.6 Officers propose that a transaction process commence to test this opportunity.
- 2.7 A hybrid transaction approach is proposed – including both direct negotiations and open market processes – to ensure that best community value and good practice for the transfer of Council land can be achieved.
- 2.8 Rather than offering all the Properties together, a staged approach is proposed.

**3. RECOMMENDATION**

That Council:

- 3.1 Notes that it owns property within the Balaclava Retail Renewal Precinct, at 39-47 Camden Street, Balaclava; 2-8 Alfred Street, Balaclava; Lot 1 on TP438679C at Alfred Street, Balaclava; and 49-53 Nelson Street, Balaclava, (the "Properties").
- 3.2 Resolves to commence the processes of negotiating and transacting the Properties to foster staged renewal of that area, authorising relevant Officers to:
- 3.2.1 negotiate with adjoining land stakeholders a put option (not an obligation) for Council to sell/transfer the Properties to one or more of them;
- 3.2.2 simultaneously or subsequently offer the Properties to the market through competitive public processes;



- 3.2.3 commence the statutory processes under section 189 of the *Local Government Act 1989* (the “Act”), including providing public notices of its intention to sell/exchange the Properties, seeking submissions from the community on this intention; and
- 3.2.4 undertake the administrative procedures necessary to enable Council to carry out its functions under section 223 of the Act, in order that Council may consider all public submissions prior to making a decision to sell/exchange the Properties;
- 3.3 Notes the intention that the transactions achieve multiple community outcomes, including replacement public car parking, improved pedestrian access and safety, and improved amenity and shopping experience.
- 3.4 Notes that further reports will be presented to Council to report the response to the relevant public notices, and to enable consideration of any submissions.
- 3.5 Notes that the transaction process is anticipated to be staged, with the parcels on Camden Street (abutting Woolworths) being offered at a different time to the other parcels.

#### 4. KEY POINTS/ISSUES

##### The Vision

- 4.1 The City of Port Phillip *Carlisle Activity Centre Structure Plan* sets out Council’s vision and expectations for growth of the area.
- 4.2 It was adopted ten years ago, following extensive public consultation and the formal consideration of written submissions.
- 4.3 Its directions have subsequently been incorporated into the *Port Phillip Planning Scheme*, further entrenching the City’s expectations for future development.
- 4.4 Within the Structure Plan is a designated Retail Renewal Precinct – north of the Carlisle Street strip, incorporating the two supermarket sites and the associated at grade carparks.
- 4.5 The Structure Plan notes the importance of Balaclava’s retail offering meeting changes in consumer demand and preference. It identifies a need within the Precinct to:
  - improve the shopping experience;
  - increase green space;
  - improve pedestrian access and safety; and
  - make the area more vibrant and active.
- 4.6 To help address this need, the Structure Plan envisages physical transformation of the Precinct – to include full-line supermarkets, basement carparking, residential and commercial.

##### Council land

- 4.7 City of Port Phillip owns several discontinuous parcels of land within the Precinct. These parcels are marked as “A”, “B” and “C” in the aerial image on the next page.



- 4.8 The land is used as two at grade carparks.
- 4.9 The Structure Plan (at page 96) identifies that the existing carparks are “an under-utilised land resource” and “offer greatest scope for new development within the activity centre”.
- 4.10 The Structure Plan anticipates significant retail renewal and growth, and this potential can be “unlocked” through Council making the subject land parcels available for development.

#### **Realising the vision**

- 4.11 As noted on the project webpage (<http://www.portphillip.vic.gov.au/carlisle-st-carparks-strategy.htm>), City of Port Phillip recently considered how its land parcels “A”, “B” and “C” could be used to foster development of the Precinct in accordance with the Structure Plan.
- 4.12 This included an assessment of technical and commercial feasibility, and of strategic options.
- 4.13 At Council Briefing of 11 September 2019 a potential transaction approach was outlined, including its strategic rationale and potential to meet the project objectives.
- 4.14 The approach involves transacting the Council land parcels, for development obligations and financial consideration. Development obligations would include for instance, an obligation to provide replacement public carparking.
- 4.15 Though such requirements will strongly temper the financial value of the land, they support community value.



**Objectives**

- 4.16 Council has a pre-identified bundle of objectives for a potential transaction, (“Objectives”). These are noted in the table over the page.
- 4.17 They were developed during 2015 - 2016, principally Council Briefing of 6 September 2016.
- 4.18 At the Councillor Briefing of 12 September 2018 they were re-presented, and endorsed as still being appropriate, and noted again at the Councillor Briefing of 11 September 2019.

Sustainability dimension	Objective
Environmental	Provide car parking for the additional development on the site that generally meets future demand, considering sustainable car parking and traffic objectives.
	New public space of minimum 250m <sup>2</sup> around the two existing mature trees on Nelson Street.
Social	Public toilets close to each supermarket.
	Upgrades and contributions to the public realm, improved pedestrian links within the site, and high quality design outcomes.
	Replace existing 206 public car parking spaces [approximately 114 spaces on Council land and 94 spaces on private land] with new public basement.
	Creation of new activated laneway at the rear of Carlisle Street existing retail shops (that will allow existing shops to trade front and rear).
	Support the concentration and diversity of retail activity in the Centre and maintain core retailing at the street frontage including redevelopment of at least one (and preferably both) of the existing supermarket anchors.
	Increase the residential density on the site by consolidating land holdings were possible.
Economic	Increase employment opportunities.
	Increase capture of the overall retail expenditure pool in the surrounding catchment.
	Consideration to Council from the sale of Council land.
Financial	Consideration to Council from the sale of Council land.

- 4.19 The Objectives are broadly consistent with the *Carlisle Street Activity Centre Structure Plan*, adopted by Council in 2009 following extensive public consultation.
- 4.20 They are also reinforced and augmented by the *Carlisle Street Supermarket Precinct Design Guidelines*, adopted by Council in 2011. The Guidelines require that new development within the Retail Renewal precinct achieves (overall): two full line supermarkets; and adequate mix of speciality and commercial use; and vertical layering, with carparking largely underground, supermarket/retail at ground level, and residential/commercial/office above.



### **Engaging the market**

- 4.21 Combining City of Port Phillip's land with neighbouring parcels is far more likely to achieve a cohesive, coherent design outcome than could be achieved with fragmented ownership. In this sense a sale of a subject site to an abutting land owner is superior to a sale to a third party, and arguably justifies a direct negotiation. Direct negotiation with owners of neighbouring sites also creates the potential for "land swaps" to achieve better Council outcomes.
- 4.22 It can also achieve a superior financial outcome for the City, in that a key component of the land's value is in its potential to be aggregated with neighbouring parcels – and thereby achieve greater development versatility, site efficiency, and economy of scale. This is confirmed by financial modelling of hypothetical development scenarios.
- 4.23 It is likely that the best overall outcomes to Council could be reached by direct negotiations with neighbouring land stakeholders, but not certain – at least where land swaps are not involved. Simply, there are potentially other buyers.
- 4.24 A hybrid transaction approach is therefore proposed, involving:
- (a) direct negotiations with the neighbouring land stakeholders; then/simultaneously
  - (b) public tender.
- 4.25 Direct negotiations would be limited in intended outcome, aiming to achieve a put option to Council a on land sale/swap – giving Council a contractual right, but not an obligation, to sell/exchange the asset at a specified price, by a predetermined date, to a counterparty.
- 4.26 On the conclusion of a public tender Council would decide whether to accept the best tender bid, or exercise its put option.
- 4.27 This allows for potential value to be identified and potentially captured through direct negotiation, but also opens the land opportunity to the broader market.

### **Staged transactions & development**

- 4.28 As identified at Council Briefings of 12 September 2018 and 11 September 2019, the redevelopment of the Precinct is of a magnitude and complexity that lends itself to being staged.
- 4.29 Land stakeholders in the Precinct also appear to be at varying levels of readiness for re-development.
- 4.30 It is therefore planned that the potential transactions of the Council land be separated in timing – with Parcel "A" offered separately from Parcels "B" and "C".

## **5. CONSULTATION AND STAKEHOLDERS**

- 5.1 Any Expression of Interest process undertaken for the transaction is to be publicly advertised and conducted in accordance with Council's Procurement Policy.
- 5.2 Additionally, prior to determining whether to entering into a contract for the sale/ exchange of the subject land, Council is required to notify the public of its intention to sell/exchange, and to hear and consider and submissions made in response to that notice.



## 6. LEGAL AND RISK IMPLICATIONS

- 6.1 Property development of complex, mixed use sites is outside the core business of Council. Council is not geared, nor have the risk tolerance, to undertake such ventures. The recommended approach therefore does not rely on Council assuming a role as developer or development partner. However, it provides for Council to define the parameters of development on land it sells, contractually through its role as vendor, and through its role as Planning Authority.
- 6.2 To sell or exchange the subject land Council must comply with section 189 of the *Local Government Act 1989 (Vic)*. Under this section Council is required to give prior public notice of its intention to sell, and hear any submissions under section 223 of the Act prior to determining whether to sell.
- 6.3 Under the *Local Government Best Practice Guidelines for the Sale, Exchange and Transfer of Land* it is a general principle that sales be conducted through a public process. This does not preclude a direct, off-market transaction where it is compellingly in the best interest of the community.

## 7. FINANCIAL IMPACT

- 7.1 The transaction process is budgeted expenditure.
- 7.2 The potential transactions are intended to provide multiple community benefits, including a financial benefit.

## 8. ENVIRONMENTAL IMPACT

- 8.1 The transaction Objectives are multi-dimensional and include elements of environmental sustainability, namely sustainable car parking and retention of two mature trees.
- 8.2 The Carlisle Street Structure Plan is augmented by City of Port Phillip's *Carlisle Street Supermarket Precinct Design Guidelines*, adopted in 2011, prescribes standards/features of new development.

## 9. COMMUNITY IMPACT

- 9.1 The Objectives include significant improvements to the public realm.
- 9.2 The potential development of the Precinct will contribute directly to the liveability of Balaclava.

## 10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The recommendation of this report directly advances *Council Plan*, particularly:
  - Direction 4 ("We are growing and keeping our character"), specifically the outcome "a liveable, higher density City"; and
  - Direction 6 ("Our commitment to you").
- 10.2 The recommendation supports the potential development of the Precinct in accordance with Council's Structure Plan.



## ORDINARY MEETING OF COUNCIL 20 NOVEMBER 2019

### 11. IMPLEMENTATION STRATEGY

#### 11.1 TIMELINE

11.1.1 Concluding a potential transaction is estimated to take 18 months.

11.1.2 This allows for direct negotiations, public expression of interest, proposal assessment, documentation of a potential transaction, and statutory processes.

11.1.3 Timeframes are partly dependent on other parties and their preparedness.

#### 11.2 COMMUNICATION

11.2.1 Key messages:-

- Council is committed to boosting the amenity of the Carlisle Street Activity Centre.
- This includes encouraging investment and redevelopment of its Retail Renewal precinct – to improve the shopping experience, the vibrancy, accessibility and greenness of this area.

### 12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

**TRIM FILE NO:** 20/01/307

**ATTACHMENTS** Nil