

AGENDA - ORDINARY MEETING OF COUNCIL – 18 OCTOBER 2017



8.7	PROPOSED SALE OF RESIDENTIAL PROPERTY
WARD:	GATEWAY
GENERAL MANAGER:	CHRIS CARROLL, ORGANISATIONAL PERFORMANCE
PREPARED BY:	MATTHEW LANGHORN, SENIOR PROPERTY ADVISOR
TRIM FILE NO:	PF17/304351
ATTACHMENTS:	I. Attachment - Annexure I - 122 Nott - For Council Report 18 October

PURPOSE

To seek Council approval to commence the statutory process to sell 122 Nott Street, Port Melbourne – a residential property not required for Council service needs and of low strategic value.

I. RECOMMENDATION

That Council:

- 1.1 Resolves that the statutory procedures under the Local Government Act 1989 be commenced to sell 122 Nott Street, Port Melbourne.
- 1.2 Resolves to hear and consider any submissions received pursuant to Section 223 of the Local Government Act 1989 at a Council to meeting to be held 6 December 2017.

2. BACKGROUND

- 2.1 Due to changing operational needs through rapid growth and urbanisation, Council will need to acquire or dispose of existing property to ensure delivery of services across the municipality into the future. Property prices are currently at high levels due to low interest rates, population growth and urbanisation within the Inner Melbourne area.
- 2.2 Funding from disposal of surplus property puts Council in a position to be opportunistic when alternative viable options of acquisition present themselves in the marketplace. It also provides a funding source for property development which takes pressure off rates and other income sources.
- 2.3 The sale of surplus property to support property acquisition and development is a key part of Council's financial strategy. A target of \$1,000,000 was set in the budget for 2017/2018.



- 2.4 It is important to utilise assets where required to generate cash flow in the current climate where revenue opportunities are limited. The residential property market is favourable to vendors and Port Melbourne is a desirable location for property investors and occupiers.
- 2.5 122 Nott Street, Port Melbourne has been identified by officers as a property ideal to dispose.
- 2.6 Key considerations included:
- Reason for the initial acquisition or vesting in Council.
 - Current and potential future uses of the site.
 - Potential value to be realised from the sale of the property.
 - Market conditions and opportunity.
 - Ongoing management resources required from Council.
- 2.6 The subject property was advertised in 2016 with an objection being heard from the incumbent tenant at the time who had been a long term occupant at the property. In light of the objection Council decided to postpone sale of this property. This tenant has since vacated the property in June 2017.

3. KEY INFORMATION

- 3.1 The property is proposed for sale in 2017/18: The property is surplus to Council requirements for service provision and has a low strategic value.
- 3.2 The property is a single fronted, single storey, Victorian terrace with 2 bedrooms (see attachment “annexure 1”).
- 3.3 The residential rental property houses a private tenant. The tenancy will become month to month after 31 December 2017. The tenant will remain in occupation throughout the sales campaign which is potentially attractive to an investor for holding income.
- 3.4 A number of properties on Nott Street were purchased (prior to 1999) to provide car parking. Demolition of the terraces is not possible due to their heritage listing in 1999. 118-130 Nott Street is included on the Heritage Register as H1830. To carry out works to the building fabric a permit is required from Heritage Victoria.
- 3.5 Consultation under sections 189 and 223 of the Local Government Act 1989 is planned and the property would be proposed to be sold at auction to ensure transparency in process and secure the best sale price.
- 3.6 Comparable sales evidence to benchmark the proposed disposal:
May 2016 - 134 Nott Street, Port Melbourne (Council) \$950,000
30/12/16 - 130 Nott Street, Port Melbourne (Council) \$985,000
18/3/17 – 189 Station Street, Port Melbourne \$1,155,000
29/6/17 – 85 Raglan Street, Port Melbourne \$1,030,000
8/3/17 - 488 Williamstown Road, Port Melbourne \$1,050,000



FURTHER SUPPORTING INFORMATION

4. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 4.1 Direction 6 “Our commitment to you” – financial sustainability through effective asset management.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 The property is currently tenanted and proposed to be sold with a monthly tenant as buyers may seek short term holding income. However there is flexibility to provide the tenant 60 day notice if required allowing the agent and potential purchasers unrestricted access to the properties.
The current tenant is not aware that Council are considering sale of this property, however is understanding the tenure is short term and rental is discounted accordingly. If Council resolves to commence proceedings the incumbent tenant will be notified immediately prior to public notice being advertised.
- 5.2 The tenant will be notified that a Public Notice will be issued under the Local Government Act 1989, as well as the formal notification under the Residential Tenancies Act 1997 if Council agrees to sell the properties in a subsequent resolution.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 The property will be sold at auction which satisfies the State Government’s *Local Government Best Practice Guideline for the Sale, Exchange and Transfer of Land 2009*.
- 6.2 The property sale proposed is subject to the provisions of the following legislation:
- Local Government Act 1989 Section 189 and 223 regarding the requirement for a Notice of Intention to Sell inviting submissions from interested persons and the consideration of any submissions received.
 - Residential Tenancies Act 1997 applies to the current tenancy and Section 259 directs that a notice to vacate be provided to tenants not less than 60 days from the date it is issued.
- 6.2 The current tenant will be notified of the Public Notice and provided with the opportunity to make a submission and be heard under Section 223 of the Local Government Act 1989.
- 6.3 A notice to vacate under the Residential Tenancies Act 1997 is only issued if Council proceeds to a sale and the purchaser requires vacant possession.
- 6.4 The proposal to sell has regard to the present residential property market conditions. The property market may be affected by unforeseen economic events and therefore, the market position is not certain at this time.

**7. SUSTAINABILITY – Triple Bottom Line****7.1 ENVIRONMENTAL IMPLICATIONS**

- 7.1.1 The property is protected by a heritage overlay mitigating the risk of inappropriate development from incoming purchaser.

7.2 SOCIAL & CULTURAL IMPLICATIONS

- 7.2.1 The property is not used for a Council operation or social housing and is considered suitable for this use.

- 7.2.2 There is a commitment from Council to the “in our backyard” strategy identifying land holdings to support development of high density social housing. Due to restrictive sizing and zoning the property proposed for sale, it does not meet the criteria to support higher density social housing development.

7.3 ECONOMIC IMPLICATIONS

- 7.3.1 Current market conditions suggest the present and near future is the most suitable time for Council to benefit from the sale of the asset. Interest rates are forecast to rise in the future that may lead to some softening in the market.

7.4 FINANCIAL IMPLICATIONS

- 7.4.1 Selling fees are to be determined on agreement with the selling agent. The amount payable include marketing expenses and commission based on the sale price.

- 7.4.2 Legal fees for contract preparation are estimated to be around \$1,500.

- 7.4.3 Retention of the asset will require a substantial capital investment to bring the property to a contemporary standard. The current condition of the property does not meet market requirements to generate a satisfactory income from an asset of such a high value.

- 7.4.4 As a freehold property there are rates, taxes and insurance payable by Council estimated at approximately \$3,500 per annum.

Ongoing agency property management costs are estimated at approximately \$1,000 per annum increasing proportionally with the rental (5.5% per annum).

- 7.4.5 The current rental is \$15,468 per annum based on the poor condition of the property (\$300 per week).

A similar size property in more reasonable condition would be likely to achieve \$24,700 per annum (\$475 per week). Cost for improvement would be estimated at \$80,000.

A similar size property with contemporary refurbishment would be likely to achieve \$33,700 per annum (\$650 per week). Cost for refurbishment would be estimated at approximately \$175,000.

- 7.4.6 If Council are to improve the property as per costs outlined in 7.4.5 there is a holding period required of 4 – 7 years to re-capture capital invested. A sale before this holding period would result in overcapitalisation from improvement works.

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8. IMPLEMENTATION STRATEGY

8.1 TIMELINE

- 8.1.1 A Public Notice will invite submissions from interested persons within 28 days of the publication date. The notice will be published in local newspapers as soon as practical.
- 8.1.2 Any submissions received may be heard and will be considered at the Council meeting on 6 December 2016.
The tenant and any interested person will be given the opportunity to make a submission and to be heard in person and have their views considered.
Any person making a submission will be informed of Council's decision and the reason for the decision.
- 8.1.3 If Council resolves to sell the property;
 - A notice to vacate under the Residential Tenancies Act 1997 is only issued if Council resolves to sell the properties after hearing any submissions received.
 - An independent market valuation will be obtained,
 - A real estate agent will be appointed as soon as possible to begin the sales campaign and take advantage of seasonal market conditions. This is anticipated for early March 2018.

8.2 COMMUNICATION

- 8.2.1 The proposal to sell the property at 122 Nott Street is considered due to limited strategic value for service delivery.
- 8.2.2 Proceeds from the proposed sale will help with future acquisition and development aligning with Financial Strategy & Budget 2017/18.
- 8.2.3 Current property market conditions are favourable for Council to receive a good price for the asset.

9. OFFICER DIRECT OR INDIRECT INTEREST

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