

**14.1** OPPORTUNITY TO DIVEST A BOTTLE SHOP

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**1. PURPOSE**

- 1.1 To seek approval to commence the statutory process under Section 189 of the *Local Government Act 1989*, notifying the public of an Intention to Sell a surplus property at 174 Nott Street, Port Melbourne, and considering the responses to that notice.



**2. EXECUTIVE SUMMARY**

- 2.1 Thirty-two years ago City of Port Melbourne purchased the bottle shop at 174 Nott Street, Port Melbourne.
- 2.2 It is considered that the property is surplus to Council requirements.
- 2.3 It is recommended that the property be sold by public auction, subject to the existing lease.
- 2.4 Prior to making a final decision to sell the property, Council is required by the *Local Government Act 1989 (1/2020)* to seek and consider community feedback on an intention to sell.

**3. RECOMMENDATION**

That Council:

- 3.1 Resolves that the statutory processes under the *Local Government Act 1989* ("Act") be commenced to consider the sale of 174 Nott Street, Port Melbourne, (being the land described in Certificate of Title Volume 04054 Folio 616 and shown as Lot 1 on Title Plan 686995E), and authorises relevant Officers to carry out the administrative procedures necessary to enable Council to carry out its functions under section 223 of the Act.
- 3.2 Resolves to hear and consider any submissions received in response to public notice published pursuant to sections 189 and 223 of the Act.

#### 4. KEY POINTS/ISSUES

##### The property

- 4.1 The subject property comprises land of approximately 364m<sup>2</sup>, improved with an older style warehouse, of single storey, solid brick construction.
- 4.2 It sits at the end of a residential block, throwing distance from the main retail strip.
- 4.3 Its location is shown in **Attachment 1**.
- 4.4 It has three street frontages, and no set-backs.
- 4.5 Under the Planning Scheme the land is zoned Neighbourhood Residential.
- 4.6 It falls within the Heritage Overlay of the area. Also the Special Building Overlay, as it is liable to inundation by overland flows from the urban drainage system.

##### Current use

- 4.7 Over time the site has had many uses. It was first developed in the 1920s, and occupied by the Australian Chemical Manufacturing Company. In the subsequent decade it was occupied by the Carbox Chemical Company. During the 1940s it was the business premises of motor mechanic Sturt's Garage, and of the Melbourne Distillery Pty Ltd. During the 1960s and 70s it was occupied by a wine and liquor merchant.
- 4.8 It is currently used as a bottle shop, under a lease that expires in February 2026.
- 4.9 From the lease Council earns approximately \$100,000 of rent, being less than 0.05% of Council's total gross operating income. This gross rent is eroded by holding, maintenance, renewal and lease management costs.



Image above: the location of the subject site, outlined in red.

### Council need

- 4.10 The property was purchased by the former City of Port Melbourne in 1989, with an intention to convert it to a public carpark.
- 4.11 That did not occur.



*Image above: the subject property at around the time it was purchased by predecessor council City of Port Melbourne.*

- 4.12 Council's Transport Engineering unit confirms that the site is not required for carparking, nor does it support its conversion to a carpark.
- 4.13 Alternative uses have been considered, should the existing lease end. These include: community housing; park; community centre; customer service centre; and childcare centre.
- 4.14 It is considered that the property has no strategic Council purpose and it is not strongly suitable for another Council purpose.
- 4.15 Keeping it for income purposes is not compelling, as:
- its net income profile is not improving, and it faces upgrade costs;
  - once time and risk value is taken into account, its future value is no higher than its divested value; and
  - relative to alternative modes of investment, Council's direct commercial income producing property portfolio is of suboptimal scale to be cost effectively managed, and of grossly insufficient diversification from a risk perspective.
- 4.16 Additionally, Council's ownership of a liquor shop is ethically questionable and a reputational risk.

### Market use and value

- 4.17 The property was purchased in 1989 for \$650,000.
- 4.18 It is worth significantly more today.
- 4.19 The highest and best market use of the property is for residential redevelopment, though only marginally over so over the current retail use.



4.20 The property will be independently valued prior to any sale.

**Sale**

4.21 It is recommended that the property be sold, by public auction, and subject to the existing lease. A purchaser would take over the landlord responsibilities under the same terms.

4.22 The public auction method of sale is consistent with the State government's *Local Government Best Practice Guideline for the Sale, Exchange and Transfer of Land*, and helps ensure probity, accountability, transparency and value.

**5. CONSULTATION AND STAKEHOLDERS**

5.1 Prior to determining whether to sell the property, Council would consult with the community through a "Public Notice" inviting submissions to be published in the local newspaper, in accordance with the statutory procedures.

5.2 The current tenant will be informed of the statutory notice.

**6. LEGAL AND RISK IMPLICATIONS**

6.1 To sell or exchange the Property, 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.

**7. FINANCIAL IMPACT**

7.1 A sale of the property is anticipated to release significant community funds.

7.2 Our current approach is to place the proceeds of such sales into the Strategic Property Reserve for use in the acquisition or upgrade of Council property.

**8. ENVIRONMENTAL IMPACT**

8.1 The recommendation of this paper is not considered to give rise to any significant environmental implication.

**9. COMMUNITY IMPACT**

9.1 That the bottle shop continues to trade evidences a social want for liquor retailing.

9.2 However, there is no social need for a municipal council to own bottle shops.

9.3 Nor is there necessarily a need for a bottle shop at this site in the long term. There are alternative locations in the general area, should a physical presence be required.

9.4 Money from a sale would be reinvested to improve Council's property portfolio – acquiring new assets and upgrading existing ones.

**10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**

10.1 The proposed sale of this property falls under direction 6 – *Our commitment to you*.

**11. IMPLEMENTATION STRATEGY**

**11.1 TIMELINE**

11.1.1 If Council approves the recommendation of this report, Officers will commence the Intention to Sell process – one anticipated to take approximately four months.



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## 21 APRIL 2021

11.1.2 Subject to the outcome of that process, marketing and sale of the Property may follow – requiring several months, plus a settlement period.

### 11.2 COMMUNICATION

11.2.1 City of Port Phillip actively manages its property portfolio.

11.2.2 Selling property assets helps fund the delivery of higher performing ones.

## 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:** 20/17/06

**ATTACHMENTS** 1. Location of subject site