CONFIDENTIAL ORDINARY COUNCIL MEETING

CONFIDENTIAL MATTERS

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SERVICES COMMITTEE

Confidential Matters

17.1 REPURPOSING ASSETS - SALE OF LOT 1 MINGARI ST MUNNO PARA

Contact Person: Mr Simon Blom

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (d) of the Local Government Act 1999, this matter is confidential because it contains information that is commercially sensitive to an ongoing commercial negotiation.

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

17.1 REPURPOSING ASSETS - SALE OF LOT 1 MINGARI ST MUNNO PARA

Responsible Executive Manager : Mr Simon Blom

Report Author : Mr Edi Bergamin

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

Attachments : 1⇩. Concept Plan for Four Lot Sub-divison
2⇩. Executed Letter of Offer

PURPOSE

To seek Council approval for the sale of Lot 1 which is a portion of the whole site located at Lot 479 Mingari St Munno Para (ex- Munno Para Bowling site) to Leyton Property.

STAFF RECOMMENDATION

Council resolves:

a) The sale of Lot 1 as per the concept land division plan (Attachment 1) which is a portion of the existing Lot 479 Mingari Street Munno Para (CT 6156/288) for the agreed price of $4.29 Million (ex GST)

b) The site area for the proposed Lot 1 (Attachment 1) will be subject to the Final Plan of Division

c) Pursuant to the Local Government Act 1999, the Chief Executive Officer be granted the delegation to finalise the drafting and execution of the land sale contract for the sale of Lot 1 (Attachment 1)

COMMITTEE RESOLUTION **4278**

Council resolves:

a) **The sale of Lot 1 as per the concept land division plan (Attachment 1) which is a portion of the existing Lot 479 Mingari Street Munno Para (CT 6156/288) for the agreed price of $4.29 Million (ex GST)**

b) **The site area for the proposed Lot 1 (Attachment 1) will be subject to the Final Plan of Division**

c) **Pursuant to the Local Government Act 1999, the Chief Executive Officer be granted the delegation to finalise the drafting and execution of the land sale contract for the sale of Lot 1 (Attachment 1)**

EXECUTIVE SUMMARY

The Council owned property located at Lot 479 Mingari Street, Munno Para was resolved by Council as a surplus asset and to be sold. As a consequence, the subject property has been included in the current Repurposing Assets Project.

In accordance to Council's Sale and Disposal of Land and Other Assets Policy, an Expression of Interest was undertaken to market the subject site as four serviced Torrens Title lots of varying site area or as a whole site (as previously marketed). An acceptable offer was received for the largest Lot 1 which is a portion of Lot 479 Mingari St Munno Para.

This report seeks Council approval for the sale of Lot 1 Mingari St Munno Para as per the concept land division plan (Attachment 1) to Leyton Property and to proceed with the two stage land division process.

1. BACKGROUND

At the Ordinary Council Meeting on 26 August 2014, Council endorsed the Playford Sports Precinct Prudential Report which included the sale of both surplus property assets located at Lot 47 Oldham Rd Elizabeth South (ex Bi-Centennial tennis site) and Lot 479 Mingari St Munno Para (ex-Munno Para Bowling & Community Club). The sale proceeds from both sites were to be used for the capital project funding of the Playford Sports Precinct Project.

The community land classification for Lot 479 Mingari St Munno Para was formally revoked by Council at the Ordinary Meeting in January 2015. As a consequence, an Expression of Interest (EOI) process was undertaken for the sale of the whole site which followed with the selection of Emmett Property to develop a bulky goods development subject. To accommodate the latter, a Development Plan Amendment (DPA) was undertaken to rezone for a commercial zone which was approved by the Minister in June 2017.

During this period, Kaufland Australia identified the subject site as a strategic site to develop one of their large format retail centres and thus approached both City of Playford and Emmett Property to acquire the site. Due to the potential economic and employment benefits, the sale contract was assigned from Emmett Property to Kaufland Australia in February 2018. Kaufland Australia commenced the process to amend the approved DPA to accommodate the proposed large format retail development which was not successful. Consequently, the sale contract with Kaufland Australia was terminated in mid 2019 and the subject site has remained vacant since then.

In late 2019, the Repurposing Assets program was established to repurpose select surplus property assets to maximise commercial/financial return and attract capital investment and employment opportunities to City of Playford. Thus, one of the selected surplus assets is Lot 479 Mingari St Munno Para.

2. RELEVANCE TO STRATEGIC PLAN

2: Smart Living Program
Outcome 2.1 Smart development and urban renewal

This decision will assist Council's debt reduction strategy and also provide an opportunity for further capital investment, commercial development and employment opportunities in the City of Playford.

3. PUBLIC CONSULTATION

There is no requirement to consult the community on this matter.

4. DISCUSSION

For the subject site, the key issues that need to be considered regarding the sale of Lot 1 to Leyton Property, which is a portion of the whole site located at Lot 479 Mingari St Munno Para are:

- Property Description and Valuation
- Development Plan
- Past Property Transaction Timelines
- EOI – 2019/20
- Lot 1 Offer – Leyton Property
- Rate Revenue
- Land Division Costs & Options
- Land Sale Contract & CEO Delegation

4.1 Property Description and Valuation

The whole site is an island site with a total frontage to both Main North Road (eastern boundary) and Curtis Road (southern boundary) of approximately 320 metres. Secondary frontages to both Mingari Street and Myall Avenue of approximately 160 metres each. In accordance to DPTI traffic records, the current daily traffic volume is approximately 42,000 vehicles on Main North Road.

The site is generally level with service connections and no easements on the property.
The site was formerly utilised as the Munno Para Bowling and Community Club which is currently a vacant site since the demolition of the clubrooms and bowling facilities and the relocation of the Bowling club to new start-of-the art facility at Goodman Rd Elizabeth.

The whole site area is 27,387 sqm. The legal property description of the whole site is summarised as follows:

Site address	: Lot 479 Mingari Street, Munno Para
Certificate of Title	: Volume 6156 Folio 288
Plan Reference	: Deposited Plan 10441
Hundred	: Munno Para
Development Plan Zoning	: Precinct 50 – Munno Para Commercial

A property valuation by McGees Property was undertaken on 15 February 2019 and is summarised as follows:

Valuation approach	: Direct comparison
Rate ($/sqm)	: $262/sqm
Market Value	: $7,190,000 (ex GST)

The subject site, known as Lot 1 is a portion of the whole site as per the proposed land division concept plan (Attachment 1). The site area of the proposed Lot 1 is 11,000sqm with a 160m frontage to Main North Rd. Lot 1 will be subject to a land division process which will be discussed in a later section of the report.

4.2 Development Plan

Pursuant to the current City of Playford development Plan (consolidated 29 August 2019), the whole site is zoned Precinct 50 – Munno Para Commercial. A Development Plan Amendment (DPA) was undertaken to rezone the site from the previous residential zoning to the current Commercial zoning which was approved by the Minister of Planning on 21 June 2017.

The purpose of the DPA was to allow for future commercial development and employment opportunities. In reference to the City of Playford Development Plan, the principles of Development Controls for the subject site for the Precinct 50 – Munno Para Commercial zoning are:

- Development in the precinct should primarily accommodate larger-format commercial, bulky goods and office land uses;
- Development of convenience shops, including a supermarket, or a total gross leasable floor space of no more than 1500 sqm would be appropriate to service nearby residents and passing traffic;
- Site vehicular access is provided from Mingari Street and Myall Avenue. Additional access points are available from Main North Rd and Curtis Road (entry only lanes, no exit) subject to Council approval; and
- Development which includes open area display of goods should not occur within the precinct.

4.3 Past Property Transaction Timelines

Since the original Council Resolution on 23 April 2013 followed by the Council Resolution approving the Playford Sports Precinct Prudential Report on 26 August 2014, Council decided the whole site was a surplus asset and to be sold in accordance to Council's Sale and Asset Disposal Policy.

The key property transaction/tasks that followed the latter Council decision up to the current Lot 1 Letter of Offer/sale contract, are summarised as follows:

Date	Property Task/Transaction
24 January 2015	Council revokes Community Land Classification
November 2015	EOI – 2 offers received • GIC (Masters site) : $6.82M • Emmett Property : $8.2M Emmett Property selected as preferred, followed by extensive negotiation period.
24 October 2016	Emmett Property – execution of Land Sale Contract and payment of $100K deposit
27 June 2017	DPA approved for commercial rezoning by Minister
5 October 2017	$300k deposit received from Emmett Property due to

	satisfaction of Condition – DPA rezoning
Jan-Feb 2018	Assignment of Land Sale contract by Emmett Property to Kaufland Australia (no Council approval required) to develop a large format retail development
5 February 2018	Resolution Deed "Land Holding" Settlement extended 12 months. Kaufland Australia pay $350k to Council for extension/ land holding fees payment.
30 April 2018	Kaufland Australia lodge the development application with the Co-ordinator General's Office
27 June 2018	Playford Bowling Club vacate site
30 Nov 2018	Kaufland Australia execute 2nd Resolution Deed for 3 month extension
28 Feb 2019	Kaufland Australia execute 3rd Resolution Deed for 3 month extension. Kaufland Australia pay $75k to Council for additional land holding fees payment for period Nov-18 to Feb-19
30 May 2019	Kaufland Australia execute 4th Resolution Deed for additional 1 month extension
May 2019	New Land sale contract drafted – Kaufland Australia as purchaser due to expiry date of Resolution Deed.
30 June 2019	Kaufland Australia withdraw, contract expired.
July 2019	Council refund $400k deposit to purchaser but retain the acquired land holding payments paid by Kaufland Australia
Sept-Oct 2019	Commencement of Repurposing Assets Project
October 2019	Executive endorsement of the initial fourteen (14) properties were identified as potential surplus assets for the Repurposing Assets program. This included the subject site located at Lot 479 Mingari St Munno Para
October 2019	EOI to appoint real estate agency to sell the whole site at Lot 479 Mingari St Munno Para McGees Property appointed as the real estate agency
December 2019	EOI for sale of whole site • 5 offers received • Prices offered range from $2m to $6.8M with conditions
January 2020	Amended EOI undertaken – review conditions and purchase price • One EOI registrant withdrew • Preferred tenderer selected – United Petroleum : $6M
Feb- March 2020	Ongoing negotiations with United Petroleum – preferred tenderer
30 April 2020	United Petroleum withdrew offer due to COVID 19 impact and as a consequence, decision to refocus future capital investment on eastern states
July -August 2020	EOI for sale 4 lot sub-division site – 3 offers received initially followed by Council counteroffer and revised offers submitted; • Leyton Property : Lot 1 - $4.29M with precommitment and non-refundable deposit subject to achieving milestones • Emmett Property : Lot 1 - $4.29M – conditional offer and refundable deposit • Hamra Developments : whole site -$7.2M with conditions, offer later withdrawn
Sept 2020	Letter of Offer for Lot 1 executed with Leyton Property for $4.29M Commence drafting of Land sale contract for Lot 1 – subject to

	Council approval
October 2020	Council approval for Lot 1 sale contract – **Purpose of this report**

4.4 Expression of Interest (EOI)

Since the previous Council decision to relocate the Bowling Club and sell the surplus site to Emmett Property/Kaufland Australia without a successful outcome, as part of the Repurposing Assets program the subject property has been placed on the market which aligns with Council's current strategy to reduce debt and attract capital investment and employment opportunities to the city of Playford.

In December 2019, an Expression of Interest (EOI) was undertaken for the sale of the whole site. A total of five (5) offers were received. All offers received were subject to conditions and the purchase prices were below the market value of $7,190,000 (ex gst). As a consequence, further negotiations continued with eventual selection of United Petroleum as the preferred tenderer.

Due to the impacts of COVID-19 on the commercial property market and the refocus of capital investment in the eastern states, United Petroleum formally withdrew their offer on the 30 April 2020.

As a consequence, a revised marketing strategy was developed to market the option to divide the subject site into smaller lots and the original option as a single lot. As a result of market feedback and analysis, the proposed sub-division option will provide four (4) serviced lots of varying size. In the current market, there's more demand for smaller commercial lots compared to the existing single lot (area = 27,387 sqm).

In July 2020, an EOI campaign was undertaken by the real estate agent, McGees Property to market the four (4) lot sub-division option with asking prices which are negoitable;

Lot No	Site Area(sqm)	Asking Price ($)	Rate ($/sqm)
1	11,000	$4,290,000	390
2	5800	$1,960,000	330
3	5100	$970,000	190
4	5400	$1,026,000	190
	Total	**$8,246,000**	

Note: All prices are GST exclusive and negotiable
All site areas are estimates, to be confirmed by plan of division

For the EOI, the lot sizes were indicative only and subject to market demand or purchaser requirements could be adjusted accordingly.

As a result of the revised marketing campaign for the EOI, three (3) conditional offers were received:

1) Leyton Property – Lot 1 and whole site
2) Emmett Property – Lot 1
3) Hamra – whole site

The offers were assessed and further information was requested including revised/increased purchase prices from each tenderer as part of the tender process. As a consequence, Hamra withdrew their offer.

Leyton Property offer for Lot 1 was selected as the preferred because the revised offer included the proposal to develop a petrol outlet and bulky goods retail outlet on the site and the increased purchase price matched the asking price. Whereas, the other tenderers had no pre-commitment which represented a greater risk to achieving a successful contract/settlement outcome.

No offers were received for the remaining Lots 2,3,4 during the EOI, but with the sale of Lot 1, market interest will focus on the remaining lots in the future.

4.5 Lot 1 Offer – Leyton Property

A letter of offer (Attachment 2) has been executed with Leyton Property as the preferred tenderer. Upon completion of negotiations, a land sale contract for Lot 1 will be executed subject to Council approval, the purpose of this report.

Key points of the executed letter of offer (Attachment 2) are:

a) Purchase price = $4.29M (exclusive GST).

b) Purchase of Lot 1 – 11,000 sqm (Attachment 1).

c) Retention of Deposit (non-refundable) upon satisfaction of Due Diligence (50% - $50,000) and then upon satisfaction of land division / planning consent (balance 50% - $50,000).

d) Special Conditions:

1. Due Diligence – 90 days for contract execution with an option for an extra 30 days.
2. Land Division by Council – 180 days from completion of Due Diligence.
3. Planning Consent for proposed commercial development by Leyton – 180 days from completion of Due Diligence.
4. Right of access to the site and market property after completion of Due Diligence.

e) Cost to relocate transformer and design / construct of Main North Road slip-lane for Lot 1, to be borne by purchaser, Leyton Property.

f) Land division process to be undertaken in 2 stage process to align land division and services augmentation costs (open space, contribution, sewer, water connection cost, etc). Stage 1 land division will create Lot 1 and a second single large lot (comprising Lot 2, 3, 4).

The Leyton Property offer to purchase Lot 1 is recommended due to the following key points:

a) The purchase price matches the asking price of $4.29M

b) Leyton Property provided a confirmation letter from each of the commercial tenants for a petrol outlet and a bulky goods retail firm as part of their offer

c) The purchase price rate of $390/sqm exceeds the market valuation rate of $262/sqm

d) The proposed commercial investment aligns with development plan zoning

e) Aligns with Council's objectives to attract commercial capital investment, new services and associated employment opportunities

f) Aligns with Council's objective to reduce the debt with the proceeds from the land sale and additional commercial rate revenue from both the vacant site initially and then in the future, the proposed commercial development

g) Following completion of the Due Diligence period, Council will be entitled to non–refundable portions of the deposit, thus mitigating Council's financial risk exposure to the Stage 1 land division costs

h) The risk of contract failure for Council is only in the Due Diligence period but Council's land division costs are minimal during this period

i) A two stage land division process has been agreed

j) Leyton Property are also supportive of masterplanning the whole site if required. This not critical to the land sale.

4.6 Rate Revenue

Currently, the vacant site receives no rate revenue under Council ownership whereas following the sale of the subject site as a whole or as a four (4) lot sub-division, Council will receive commercial rate revenue as listed below.

For both options, the Council rate revenue based on General rate for 2020 -2021 year including the Regional Landscape Levy for vacant commercial land are.

Option 1: Four (4) Lot sub-division

Lot No.	Estimated Site Area	Asking Sale Price	Estimated Rate Revenue
1	11,000 sqm	$4, 290,000	$11,744
2	5800 sqm	$1,960,000	$5,919
3	5100 sqm	$970,000	$3,443
4	5400 sqm	$1,026,000	$3,583

Option 2: Sale as a whole lot (as is)

Lot No.	Estimated Site Area	Asking Sale Price	Estimated Rate Revenue
Lot 479	27,300 sqm	$7,200,000	$19,020

Under Sec 179 *Local Government Act 1999* Council can adjust the rates payable at settlement. Also, the above rate revenue is based on vacant commercial land but with future commercial investment/development on the lots, the potential future commercial rate revenue received by Council will be significantly higher than listed for both options.

4.7 Land Division Options and Costs

Since the original Council Resolution in 2013, Council has attempted via EOI and conditional contracts to sell the subject site as a whole without success. This was predominantly due to the limited number of developers/purchasers with the capacity to develop large commercial sites.

Further to market feedback and analysis, in the northern region it was found that there is more demand for smaller commercial lots in the current market rather than large superlots. As a consequence, various sub-division options were assessed including the construction of new internal roads.

Due to the island site with adjoining services, the preferred sub-division option was for the creation of four (4) serviced allotments with existing road frontages as per the concept land division plan (Attachment 1). The preferred sub-division option has a lower capital cost compared to the other options considered because there's no requirement for the construction of new roads, footpaths, street lighting or service augmentation costs. The proposed four lots vary in site area from 5100 sqm to 11,000 sqm for Lot 1 which has approximately 160m frontage to Main North Road.

With the sale of Lot 1 to Leyton Property, Council will be required to undertake the land division process. To mitigate the risk of contract failure and cost exposure to Council in the land division process, a two (2) stage process land division will be undertaken as follows;

Stage 1: create two Torrens Title lots, Lot 1 and one large superlot (Lot 2,3,4 combined as one). The estimated time program for Stage 1 from contract execution to property settlement is 12 months assuming an allowance of 4 months for the Due Diligence process

Stage 2: sub-divide the large superlot into two/three/four/other lots as required by the market at the time

The development costs for the two(2) stage land division process for the proposed four(4) lot sub-division (Attachment 1) is summarised as follows;

Land Division Cost (all GST exclusive)	Stage 1 (Lot 1) Cost ($)	Stage 2 (Lot 2,3,4) Cost ($)	Total Cost ($)
RE agent commission (0.6%) and contract fee	$29,450	$34,550	$64,000
Internet, Advert, sign cost	$3,900	$8,800	$12,700
LD design and bdry survey	$7,500	$7,500	$15,000
Service augmentation costs for additional new lots (sewer, water)	$15,300	$30,900	$46,200
Open space contribution	$7,600	$15,200	$22,800
Easement allowance – for potential sewer and s/w if required by design for Lot 1	$30,000	n/a	$30,000
Consultants – detail survey and site contamination (completed)	$8,520(*)	0	$8,520
Site preparation and tree , signage clearing cost (Stage 1 work completed)	$4,590 (*)	$10,000	$14,590
Contingency (approx 10%)	$10,000	$10,000	$20,000
Total Land Division Cost	**$116,860**	**$116,950**	**$233,810**

NOTE:

1. **The costs associated with electricity augmentation associated with the existing transformer and the design and construction of a new Main North Road slip lane (entry only) will be borne by the purchaser, Leyton Property.**
2. The Stage 1 costs (*) have been expended for consultant costs (detail survey and site contamination report) and tree/signage removal costs in FY 2019/20.

For Stage 1 of the land division process, $30,000 has been allowed for the potential requirement for a sewer and water supply easement connecting the western boundary of the proposed Lot 1 and the services located in Mingari Street. The latter will be resolved during the Stage 1 land division design process.

4.8 Land Sale Contract and CEO Delegation

The executed letter of offer (Attachment 2) for the sale of Lot 1 to Leyton Property provides the negotiated parameters which will form the basis of the land sale contract which is to be drafted for execution by both parties. The latter is subject to receiving Council approval to proceed with the sale of Lot 1 to Leyton Property.

The draft land sale contract and associated special conditions will be drafted by Council's legal advisers, Norman Waterhouse and will be based on the standard contract for the sale of land prepared by the SA Law Society. As negotiated in the executed letter of offer (Attachment 2) the key parameters to be included in the draft land sale contract are as follows:

1. Purchase Price = $4.29 Million (excluding GST)
2. After completion of Due Diligence by Leyton Property, the Retention of Deposit at key milestones as agreed
3. Special Conditions (x4)
4. Two stage land division process
5. Cost to relocate transformer and design/construct of Main North Rd slip lane for Lot 1 to be paid by Leyton Property

As in done in previous land sales and associated contract execution by Council, to assist in the efficiency of the process Council has the option to delegate to the CEO or other senior officer (eg General Manager) to finalise the drafting and execution of the land sale contract in accordance to the *Local Government Act 1999*.

5. OPTIONS

Recommendation

Council resolves:

a) The sale of Lot 1 as per the concept land division plan (Attachment 1) which is a portion of the existing Lot 479 Mingari Street Munno Para (CT 6156/288) for the agreed price of $4.29 Million (ex GST)
b) The site area for the proposed Lot 1 (Attachment 1) will be subject to the Final Plan of Division
c) Pursuant to the Local Government Act 1999, the Chief Executive Officer be granted the delegation to finalise the drafting and execution of the land sale contract for the sale of Lot 1 (Attachment 1)

Option 2

Council reject the recommendation and advise staff to recommence negotiations with Leyton Property with the following parameters:

1. ______________________
2. ______________________
3. ______________________

Option 3

Council reject the sale of Lot 1 which is a portion of Lot 479 Mingari St Munno Para to Leyton Property.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

The recommended option to sell Lot 1 (Attachment 1) which is a portion of the whole site at Lot 479 Mingari St Munno Para to Leyton Property will allow Council to achieve its objectives in debt reduction and the key principles of the Repurposing Assets Project such as maximising commercial/financial return, positive community outcomes, capital investment and employment opportunities.

The key benefits to Council and the community for the recommended option, are summarised as follows:

- The nett sale proceeds from the sale of Lot 1 will reduce Council's debt,
- Aligns with Council's objectives to attract commercial capital investment, new services and associated employment opportunities,
- Proposed commercial development includes a petrol outlet and bulky goods retail outlets,
- New additional services to the City of Playford,
- Additional capital investment and employment opportunities,
- Council will receive rate revenue from both the vacant commercial site initially followed by the commercial development,
- Positive public and commercial market perceptions created by new commercial developments,
- The staging of the land division process will mitigate Council's risk to the timing of payment of the land division costs,
- The contractual risk associated with the sale of Lot 1 to Leyton Property lies predominantly in the 120 day Due Diligence period (includes potential 30 day extension) which allows the purchaser to terminate the contract. Post the Due Diligence period, the risk of contract failure is reduced due to the likelihood of the purchaser finalising precommittment with the relevant commercial tenants for the proposed development on Lot 1.

6.1.2 Financial Implications
The financial implications for the recommended option for the sale of Lot 1 to Leyton Property will provide capital revenue to reduce Council's debt and ongoing rate revenue for the vacant commercial site and then the future commercial development. The agreed purchase price for Lot 1 Mingari St Munno Para by Leyton Property is $4.29M minus the real estate agent commission, marketing costs, conveyancing costs and Stage 1 land division costs (estimated total = $103,750).

In FY 2019/20, $13,110 was spent due to the detailed survey ($5500), preliminary site contamination report ($3020), tree removal ($2990) and signage removal ($1600). These cost will be offset post settlement for Lot 1.

Upon execution of the land sale contract and satisfactory completion of the Due Diligence process by the purchaser, the Stage 1 land division process will be undertaken by Council during FY 2020/21. The majority of Stage 1 land division costs associated with the site services augmentation cost ($15,300), services easement ($30,000) and open space contribution for the new lot ($7600) will be incurred after planning consent and before Section 51 clearance and plan of division lodgement with the LTO. The requirement for a services easement for Lot 1 will be determined during the land division design.

The real estate agents commission and contract preparation costs will be paid at the time of property settlement.

Short-term = impacts on the current year budget

Long-term = impacts extending beyond one year, primarily implications on achievement of the LTFP and associated financial sustainability ratios

	Current Year 2020/21 $'000	Ongoing Post 2021/22 $'000
Operating Revenue	0	24,700
Operating Expenditure	0	0
Net Operating Impact	**0**	**24,700**
Capital Revenue – sale of Lot 1	(4,290,000)	(3,956,000)
Capital Expenditure – Stage 1 land division costs	103,750	116,950
Total Borrowings (Capital Investment)	**(4,186,250)**	**(3,839,050)**

Operating revenue of $24,700 represents rates revenue generated from the four (4) new Torrens Title serviced allotments as undeveloped vacant commercial land with an estimated capital value of $8.2 Million. The latter is based on the assumption that the four lots are sold at their asking price and the property settlements occur during FY 2021/22 and onwards.

The net operational impact of $24,700 per annum will need to be reviewed as part of the next year's budget process.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

During the EOI process, negotiations were undertaken with Leyton Property and the other tenderers to provide increased purchase prices and improved conditions. The purchase price of $4.29 Million as agreed by Leyton Property was set as asking price (high end) with the expectation it would be negotiated at a lower rate and consequently lower purchase price. The probability of achieving a successful outcome by re-negotiating the parameters of the Lot 1 sale with Leyton Property are low and high risk. Council must also consider the reputational risk if this current marketing campaign is unsuccessful due to the past unsuccessful attempts with Emmett Property and Kaufland Australia.

In accordance to Council's Long Tern Financial Plan (LTFP), the property settlement is scheduled for FY 2021/22 thus the associated capital revenue and ongoing rate revenue. This potential risk of the withdrawal of the Leyton Property offer will have an impact on achieving the LTFP objective and the reduction of Council's debt.

6.2.2 Financial Implications

The financial implication if Council administration re-negotiates the parameters for the sale of Lot 1 with Leyton Property will be dependent if further negotiations are successful or not. The risk of Leyton Property withdrawing the offer is high for the following key reasons;

- There's limited buyers for large commercial sites in the Northern region
- The current commercial real estate market has been impacted by COOVID-19
- Leyton Property have offered a purchase price rate of $390/sqm which exceeds the market valuation rate of $262/sqm (49% difference).

Thus with a potential withdrawal of the Leyton offer, the current site at Lot 479 Mingari St Munno Para will remain in Council ownership as undeveloped vacant land in the short to medium term, consequently no capital investment or annual rate revenue will be generated.

6.2 Option 3 Analysis

6.2.1 Analysis & Implications of Option 3

For Option 3, Council will retain ownership of the whole of Lot 479 Mingari Street Munno Para and will need to reconsider the repurposing options for the subject site which align with the Council's strategic objectives. Due to current market conditions, the key risk is that the site will remain vacant and contribute to a negative market perception towards the subject site, thus increasing the difficulty in selling or redeveloping the site in future.

In accordance to Council's Long Tern Financial Plan (LTFP), the property settlement is scheduled for FY 2021/22 thus the associated capital revenue and ongoing rate revenue. This delay will have an impact on achieving the LTFP objective and the reduction of Council's debt.

6.2.2 Financial Implications

The financial implication if Council rejects the sale of Lot 1 to Leyton Property will be that the current site at Lot 479 Mingari St Munno Para will remain in Council ownership as undeveloped vacant land in the short to medium term, consequently no capital investment or annual rate revenue will be generated.

ATTACHMENT 1 - Concept Plan for 4 Lot Sub-division

LETTER OF OFFER

Vendor:

City of Playford
12 Bishopstone Road
Davoren Park, S.A. 5113

Purchaser:

Leyton Property Pty Ltd
Level 1, 22-26 Vardon Avenue
Adelaide, S.A. 5000

Land:

A portion of the land within Certificate of Title Volume 6156 Folio 288 and shown as "Lot 1" on the Preliminary Plan of Division in Annexure A (as may be varied before settlement to comply with any law or as determined by the Vendor) ('the Preliminary Plan'), being an area of approximately 11,000 square metres, comprising the eastern portion of the existing Lot 479 Mingari Street, Munno Para.

Price:

$4,290,000 plus GST

Deposit:

$100,000 payable on the execution of the Contract (by both parties) by bank cheque or by deposit of cleared funds to a nominated bank account of the deposit holder with the investment of the deposit at the Vendor's discretion.

Retention of Deposit by Vendor:

By mutual agreement between the parties, upon the satisfaction of the Special Condition 1 (Due Diligence), 50% ($50,000) of the deposit shall be released to the Vendor and shall be non-refundable in the event of the termination of this agreement. Further, upon the satisfaction of the Special Condition 2 and 3 (Planning Consent and Land Division), the balance 50% ($50,000) of the deposit shall be released to the Vendor and shall be non-refundable in the event of the termination of this agreement. unless caused by the vendors default. SOB

Date for Settlement:

Settlement is subject to and conditional upon the satisfaction of all conditions precedent. Settlement will be 30 days after satisfaction or waiver of the last of all the conditions precedent to settlement as set out in the Contract.

Special Conditions

1 Due Diligence

Settlement is subject to and conditional upon a Due Diligence (DD) period of 90 days from the date of Contract which DD shall allow the Purchaser to conduct any environmental or geotechnical tests and/or investigations at their cost to their satisfaction in respect of the portion of the Land and continue to negotiate with tenants for the project to be undertaken on the Land as well as any other investigations in its absolute discretion that it deems necessary. This DD period may be extended for a further 30 days by written notice by the Purchaser to the Vendor at any time up to 7 days prior to expiry of the initial DD period. The purchaser must forthwith notify the vendor in writing if the due diligence condition is not satisfied

2 Land Division

- Preliminary Plan (creation of Lot 1) to be approved and deposited in the LTO by the Vendor on or before 180 days from the date of satisfaction of Due Diligence (Special Condition 1)

- The land division is to be undertaken in a two (2) stage process as follows;
  i) Stage 1 - creation of Lot 1 as a Torrens Titled lot;
  ii) Stage 2 – creation of Lots 2,3 ,4 as Torrens Titled lots or as per market demand.

- The purchaser will be responsible for the following costs associated with Lot 1;
  i) Design and construction of slip lane for Main North Rd entrance into Lot 1;
  ii) Relocation of existing electrical transformer (if required).

- For the option of a site exit from Lot 1 onto Main North Rd, the purchaser will need to obtain DPTI approval (not shown in the Development Plan)

3 Planning Consent

Settlement is subject to and conditional upon the Purchaser at its cost in all things obtaining development plan consent for a bulky goods and retail fuel outlet development ('Proposed Development') including approval to remove all necessary trees located on the Land as may be reasonably required by the Purchaser on or before ~~120~~ 180 days from the date of satisfaction of Due Diligence (Special Condition 1).

4 Application and access

From the execution date of the Contract, the Vendor:

(a) consents to the Purchaser commencing the development application process for the Proposed Development, including the right to market the proposed project by way of onsite signage as well as internet and paper advertising after satisfaction of the DD period; and

(b) grants to the Purchaser and its contractors a licence to access the Land at any time during business hours and upon reasonable notice to the Vendor, solely for the purpose of installing on the Land signage about the Proposed Development;

(c) in exercising its rights under Special Condition 4(b), the Purchaser must obtain any necessary consents and approvals, maintain such insurances reasonably required by the Vendor and, if the Contract is terminated for any reason, must remove all of its property from the Land and make good any damage caused;

(d) and the Purchaser shall enter into good faith negotiations in relation to the establishment of certain design encumbrances that will be applicable for the overall land division of Lot 479 Mingari Street, Munno Para to establish a masterplan for the broader project to all parties mutual benefit, including future buyers of the balance of the land.

(e) Any access to the site by the purchaser or his agents is at their own risk (in all tasks)

Vendor as Statutory Authority

Nothing in the Contract will bind the Vendor in its capacity as a statutory authority pursuant to the *Local Government Act 1999 (SA)*.

The Vendor's acceptance of the above proposed terms is subject to any subsequent advice by its lawyers and the negotiation and execution of a sale contract (Contract) detailing the terms and conditions.

Council does not intend to be bound contractually by agreeing to this Letter of Offer.

Acceptance by the Parties

I, HAMISH BROWN ON BEHALF OF LEYTON PROPERTY as Purchaser confirm that the above accurately reflects the terms of our offer to purchase and confirm that this will form the Heads of Agreement upon execution by both parties to allow the parties to progress; the Vendor with the preparation of the formal Contract and the Purchaser with a preliminary start on DD.

Signed: Hamish Brown

Date: 4/9/2020

THE CITY OF PLAYFORD (by its delegate) confirms above is fundamentally acceptable and will form the basis of the Heads of Agreement and the preparation of the formal Contract.

Signed:

Simon Blom
(Print Name)

Date: 10.9.20

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 17.1 IS TO BE KEPT IN CONFIDENCE

Purpose

To resolve how long agenda item 17.1 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 91(7) of the Local Government Act 1999, the Council orders that the following aspects of Item 17.1 be kept confidential in accordance with Council's reasons to deal with this item in confidence pursuant to Section 90 (3) (d) of the Local Government Act 1999:

- Report for Item 17.1
- Attachment(s) for Item 17.1
- Minutes for Item 17.1

This order shall operate until the settlement of property, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.

COMMITTEE RESOLUTION 4279

Pursuant to Section 91(7) of the Local Government Act 1999, the Committee orders that the following aspects of Item 8.2 be kept confidential in accordance with Committee's reasons to deal with this item in confidence pursuant to Section 90 (3) (d) of the Local Government Act 1999:

- **Report for Item 8.2**
- **Attachment(s) for Item 8.2**
- **Minutes for Item 8.2**

This order shall operate until the settlement of property, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.

STAFF REPORTS

Confidential Matters

17.2 4 LANGFORD DRIVE, ELIZABETH MATTERS

Contact Person: Mr Simon Blom

Why is this matter confidential?

This matter is Confidential because TRY Australia have specifically requested any matters related to the Childcare Centre remain confidential due to the sensitive nature of their proposed exit from the centre. The report also refers to commercial detail which would be considered to detriment Council and provide advantages to third parties should the information be made publicly available.

Subject to an order pursuant to Sections 90 (3) (b) (d) (g) of the *Local Government Act 1999*, this matter is confidential because the report also refers to commercial detail which would be considered to detriment Council and provide advantages to third parties should the information be made publicly available.

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

17.2 4 LANGFORD DRIVE, ELIZABETH MATTERS

Responsible Executive Manager : Mr Simon Blom

Report Author : Mr Daniel Turner

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

Attachments : 1⇩. Alinea- Exclusive Dealing Advice - ***Confidential***

PURPOSE

To confirm disposal of the asset located at 4 Langford Drive, Elizabeth and provide direction to staff of the method and procedure to be taken prior to entering into a contract of sale.

STAFF RECOMMENDATION

1. Council agree to dispose of the property situated in Certificate of Title Volume 5549 Folio 106 and known as 4 Langford Drive, Elizabeth.

2. Pursuant to Section 49 of the Local Government Act and Council's Sale of Land and Other Assets Policy, Council resolves that the offer presented by Peter Page Holden is considered as 'being appropriate' to dispose of via direct negotiation.

3. Council to provide delegation to the CEO and General Manager City Assets to consider terms of the contract of sale to Peter Page Holden and for staff to prepare a draft contract of sale.

4. Staff to present a further report to Council at a later meeting and present final terms and contract conditions prior to contract execution.

EXECUTIVE SUMMARY

Following previous August 2020 Council endorsement (Resolution 4200) which acknowledged 4 Langford Drive, Elizabeth as surplus to Council requirements, staff have agreed to terminate the Lease with TRY Australia and commenced discussing an exit strategy with the Lessee. Staff have also commenced market engagement to determine repurposing of asset options for the property upon the Lessee vacating.

These options include disposal via direct negotiation with Peter Page Holden, presenting to the open market via expressions of interest (EOI) and consideration into potential long term leasing opportunities.

A summary of the market engagement is as follows:

Direct Negotiation

Peter Page have now increased their offer to $760,000 with a 30 day settlement (or in line with Council requirements) and on an unconditional basis. This has increased from $720,000 presented at the previous Council meeting and is higher than the current market valuation of $750,000.

Specialist independent third party advice from Alinea (attached) has determined that the offer is a 'strong money for outcome offer' via direct negotiation and is considered a genuine market premium given associated terms and market conditions.

As TRY Australia have indicated they are looking to close the centre at the end of the year, direct negotiation also provides an opportunity for an outcome on the property without it becoming vacant for a period of time and increased risks of vandalism. Peter Page Holden have also that if they are unable to secure the site with vacant possession they will be required to source a land/property opportunity elsewhere.

Disposal Via open market EOI

Discussions with a commercial real estate agent has revealed that a sale price of approximately $750,000 may be achievable should it be presented to the open market although this is uncertain in the current market conditions. Furthermore, associated sale and marketing costs have been estimated at over $25,000 for a basic campaign. As such Council would likely achieve a net result less than $735,000 should the property be presented to the open market as a best case scenario should Peter Page Holden present the same offer via this process. This does not include the extra legal and other cost considerations and presents a risk that Peter Page Holden will find another suitable site / not offer on the property when presented to the open market.

Long term leasing options

Long term leasing opportunities of the asset were considered should Council decide to maintain ownership of the property. Discussions held with Peter Page Holden revealed this option would not be of interest. Information presented and discussed with third party professionals revealed the asset would not be financially viable to retain in Council ownership. Detailed financial information of Council's current position is provided within the discussion of this report.

1. BACKGROUND

On 22 June 2010 Council completed a service review of the Playford Community Children's Centre, investigating Council's assets and viability to continue and on 12 April 2011 Council made the resolution to cease management of the centre due to operating losses averaging

$125,065 per annum. This was attributed at the time to high staffing costs from employees on the Council EA as opposed to the childcare award.

On 22 November 2011 Council made the resolution to lease the property to TRY Australia Children's Services who since that time have indicated the service has not been profitable and have had increasingly high vacancy rates since occupying the premises. The Lessee has approached Council on a number of occasions to discuss termination of the lease with the most recent correspondence indicating annual losses have averaged in excess of $100,000 per annum throughout the entire lease period.

More recently, a risk / outcome rating assessment process was conducted which identified 4 Langford Drive, Elizabeth as one of eight (8) priority sites to focus on as part of Council's long term financial plan initially presented at the October 2019 services committee. Since this time, a strategic land use assessment (SLUA) has been completed by internal staff for further analysis of the asset.

Upon completion of the SLUA, staff presented a report in August 2020 which detailed the options and risks associated with disposal and leasing/retention of the asset as Childcare Centre/Community asset. Endorsement of this meeting was as follows:

1. Acknowledge the asset is surplus to Council requirements.

2. Agree to the lease termination at 4 Langford Drive, Elizabeth and authorise staff to negotiate an exit strategy with the lessee.

3. Staff to engage market to consider repurposing of asset options which will include open market disposal and direct sale or long term lease opportunities. Options to be presented to Council at a later meeting for delivery/investment decision.

Since this time staff have engaged the market in line with the above and have been liaising with TRY Australia in relation to an exit strategy and timing in line with Council endorsement.

2. RELEVANCE TO STRATEGIC PLAN

<u>4: Smart CBD Program</u>
Outcome 4.1 Expanded range of local services
Outcome 4.5 Commercial Growth

The decision will impact the Council's Smart CBD Program as the asset is included as a strategic parcel within the current CBD Masterplan together with the whole block bounded by Elizabeth Way, Langford Drive and Goodman Road. This is an area of interest due to the proximity to the train station and Mountbatten Square. Due to the relatively small size of the allotment and limited main road exposure, the site is not considered to have strong strategic significance unless amalgamated with an adjoining allotment fronting Philip Hwy/Elizabeth Way.

The outcome from this decision is considered to positively affect growth and diversification of local jobs in the CBD as the asset is anticipated to have increased local employment opportunities and commercial growth through a change of asset class. The asset is currently underutilised with inconsistent attendance and the majority of staff are casual employees that are sourced through local employment agencies.

Should direct negotiation be endorsed, there will be an expanded range of car brands to include Hyundai as well as increased mechanical servicing opportunities which will draw locals and visitors to the area.

3. PUBLIC CONSULTATION

Council resolved to revoke the community land status of 4 Langford Drive, Elizabeth in line with the *Local Government Act 1999*. A report completed by Maloney Field Services (2005) reviewed all Council land status and confirmed the asset was listed as 'Freehold'. As such there is no requirement to further consult with the community.

4. DISCUSSION

4.1 The current net operating position of the asset is $7,737 per annum however the property is in dire need of an uplift or refit, so this position is unsustainable. To uplift the property to a basic fit for purpose standard is estimated at $312,000. To refit the asset to a modern centre or for other use a Council outlay of approximately $825,000 ($1,250m²) would be required.

4.2 A financial analysis of current and assumed financial positions under various uplift/refit scenarios under Council ownership is shown below.

Current Financial Position			Assumed Financial Position (uplift)		Assumed Financial Position (Refit/Repurpose)
Annual Lease Income	$48,691		$48,691		$83,305
Rate Revenue	$3,123		$3,123		$3,123
Total Revenue	$51,814		$51,814		$86,428
Expenditure					
Maintenance	$3,895		$5,640		$8,509
Insurance	$2,266		$2,266		$5,640
Depreciation	$37,916		$46,816		$61,449
Interest			7,675		$20,295
Total Expenditure	$44,077		$62,397		$95,893
Net Operating Position	$7,737		-$10,583		-$9,465

Assumptions: Increased income expectation upon full refit. Maintenance, insurance and depreciation increase as capital expenditure spent. Interest amount calculation increase estimated from current debt

4.3 The Lessee had approached the market in an attempt to assign their lease to another operation which was unsuccessful, indicating there is limited or no other market interest to lease the asset in its current condition.

4.4 The asset is listed in the long term financial plan to be disposed of in the 2020/2021 financial year with a net value of $779,000. A third party market valuation has recently been completed on the property which indicates the actual estimated market value to be $750,000 based on a leased premises. Council should also note that the current written down value of the property which takes into consideration the depreciated value of money spent on the asset is $1,196,414.

4.5 There is sufficient childcare centre competitors in the catchment to cater for children in the event TRY Australia was to cease service. Discussions with TRY Australia indicated that current occupancy at the centre has been around 30-40% in recent years. The valuer indicated at the time of inspection occupancy was around 30% and advised that childcare centres with this level of occupancy are not sustainable.

4.6 There are currently 45-55 families that are utilising the service on an inconsistent basis. The majority of these families are on the highest rebate bracket meaning they are entitled to an 80% cost rebate. Should families require another service they may be required to pay slightly more at a competing centre. TRY Australia have an average daily rate of $85 a day whereas surrounding competitors are showing daily rates between $85 and $100 a day. Given the associated rebate, families may be up to $3 a day out of pocket upon closure of the centre.

4.7 Should this recommendation be endorsed, it is expected the outcome will maximise the employment benefits for the site creating an expected 16-17 full-time positions (not including jobs created during initial development period) on top of the 59 employees that are currently employed by Peter Page Holden. In contrast the current employment at TRY Australia is inconsistent with a small number of local employment being sourced as required through third party agencies. At the time of inspection, the premises was running with 4-5 staff members.

4.8 An impact assessment provided to Council staff indicates employment status at the centre currently consists of 4x full time, 2x part time and 4x casual staff or approximately 7 full time equivalents. Should Peter Page Holden secure the site, the net positive employment result (not including construction jobs) is estimated at approximately 9 full time equivalent roles (an increase from 7 to 16).

4.9 Assured full-time employment positions to be created by Peter Page Holden have been advised as follows:

- 2X Sales Consultants due to a new brand
- 1X Stock Controller in Administration
- 2X Apprentice Technicians
- 3X Technicians
- 1X Aftermarket Sales Person
- 1X Customer Relations Manager
- 1X Workshop Valet
- 3X New & Used Vehicle Detailers
- 2X Parts Interpreters

4.10 Whilst a historic Council decision was made to cease management of the centre, the original intention for the asset was for a Community Childcare Centre. The table summarised in the recommendation analysis considers Councils Sale of Land and Other Assets Policy and a decision should be made on balance and in its entirety to confirm the policy has been satisfied to dispose of via direct negotiation.

4.11 TRY Australia have indicated that they wish to vacate the premises by Christmas this year and are now working with Goodstart for child relocation and staff re-deployment. Council staff are working with TRY Australia to mitigate risks associated with vacating the premises and in particular are looking for assurance that alternative childcare is sourced for affected families.

4.12 Discussions with Peter Page Holden have revealed that they would not be interested in a long term lease of the asset and evidence determined throughout the SLUA process (and shown in the table in 4.2) have indicated a long term lease would not be financially viable for Council.

4.13 Engagement with Real Estate Agent has indicated that a result of approximately $750,000 could be achievable if presented to the market, however this is uncertain in the current economic climate. The agent has further quoted agency and marketing costs which would total in excess of $25,000 for a standard campaign not including legal/statutory costs which requires consideration in the overall net outcome to Council. Third Party advice from Alinea indicates costs to Council would likely be in the order $30,000 - $40,000 plus GST if presented to the open market.

4.14 Risks and implications for acknowledging the site as surplus to Council requirements were presented within the previous report. To summarise, as the asset is being utilised for a Community purpose (albeit managed by a third party) Council should be aware there is a risk of negative publicity upon the closure of the centre together with potential short term employment loss from TRY Australia employees. This will be mitigated through an agreed exit strategy for the Lessee to break their current lease. It should be noted that the current lease only has approx. 18 months left and at the end of this period, there would be no requirement for TRY Australia to provide any support relocating children and staff.

4.15 Peter Page have recently increased their offer to $760,000 which is above market value. The offer is also on an unconditional basis and would be prepared to settle as soon as an exit strategy was agreed with TRY Australia. It should be noted that Peter Page Holden require this site to expand their business and should they not be successful, they will be required to find another location which is likely to be outside the Elizabeth CBD and potentially in another Council area.

A summarised offer history from Peter Page Holden is as follows:

Date	**Offer**	**Terms / Conditions / Detail**	**Council Response**
26/11/2019	Not Provided. Request for Council to provide asking price	Subject to assigning lease to Peter Page Holden (PPH). Offer provided as Unsolicited Bid.	Council requested further details and indicated a value from Peter Page Holden would be required to consider further.
13/05/2020	$530,000	Offer based off of value determined by valuer general. Offer subject to assigning lease to PPH and provided as unsolicited bid.	Offer was rejected due to not achieving level of uniqueness required under Council Policy.
3/07/2020	$720,000	Subject to assigning lease to PPH. It was indicated in offer that the property was in a 'below par' state and that offer is believed to fair market value.	Endorsed by Council to consider direct negotiation as an option as a disposal option as part of market engagement. Staff responded to PPH advising offer was still under third party market value undertaken so would not be able to be considered under Council policy.

7/09/2020	$760,000	Subject to assigning lease to PPH who would be required to provide 3 months notice to vacate. Settlement within 30 days of contract execution.	Staff advised offer would be considered by Council for a determination to proceed with direct negotiation although staff expressed concerns of assigning lease and advised this may not be suitable.
24/09/2020	$760,000	Unconditional. 30 day settlement or agreement to settle with vacant possession / timeframe that suited Council.	PPH advised this would be presented to Council for a decision.

5. OPTIONS

Recommendation

1. Council agree to dispose of the property situated in Certificate of Title Volume 5549 Folio 106 and known as 4 Langford Drive, Elizabeth.

2. Pursuant to Section 49 of the Local Government Act and Council's Sale of Land and Other Assets Policy, Council resolves that the offer presented by Peter Page Holden is considered as 'being appropriate' to dispose of via direct negotiation.

3. Council to provide delegation to the CEO and General Manager City Assets to consider terms of the contract of sale to Peter Page Holden and for staff to prepare a draft contract of sale.

4. Staff to present a further report to Council at a later meeting and present final terms and contract conditions prior to contract execution.

Option 2

1. Present the asset to the open market via an expression of interest (EOI) campaign.

2. Any offers/outcome from the EOI campaign to be presented to Council for consideration prior to proceeding to contract.

Option 3

Council elects not to present the property to the market and provides direction to staff how to proceed with future asset use.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

- Direct negotiation with Peter Page Holden provides an opportunity to control the exit strategy/timing with TRY Australia and mitigate public perception risks.

- The recommendation provides certainty and highly likely provides the best Net financial benefit to Council.

- There will be a community impact from the closure of the centre which is to be mitigated by the Lessee exit strategy.
- Disposal of the asset via direct negation will achieve the long term financial plan (LTFP) timeline of achieving a result in the 2020-2021 financial year.
- The decision aligns with the original recommendation of the SLUA.
- Independent third party advice from Alinea has determined direct negotiation to provide the highest outcome to Council from a commercial perspective.
- The recommendation will allow Peter Page Holden to expand their business to include other car brands which will create employment, attract visitors to the area, provide commercial rates and will secure the company in the Playford Council for the foreseeable future.
- Staff were contacted on 07/10/20 and informed that Peter Page Holden have formally been offered the Hyundai franchise subject to having a suitable site. Should they be unable to secure 4 Langford Drive, they will be required to find another location for their business. Should this occur, it will likely have a negative effect on Council rates.
- Peter Page Holden have operated in Playford Council since 1971 and been an active contributor to the Playford Community such as creating employment, providing local mechanical apprenticeship opportunities and being a Playford commercial rate payer since this time. All of the above are expected to increase if the Langford Drive site is secured. Further to this, Peter Page Holden have consistently been an active contributor to the local community being a premier partner of Central Districts Football Club as well as being a sponsor for local sporting groups and charity provider to various organisations such as Playfords wheels in motion mentored driving program.

Staff have considered the Sale and Disposal of Land and other Assets policy and provide the following summary for Council consideration:

Policy Consideration	**Direct Negotiation Consideration**	**Meets Criteria?**
Encouragement of open and effective competition	Whilst Council have not been previously approached by any party to purchase the asset, directly negotiating with Peter Page would exclude other potential parties from having the opportunity to purchase the asset. This being said no party has been excluded from approaching Council and from presenting an offer. It is expected that the offer from Peter Page Holden will on balance provide the highest and best outcome for Council.	For Council Consideration
Obtaining value for money a) The contribution to Council's Long Term Financial and Strategic Management Plans b) Any relevant direct and indirect benefits to Council, both tangible and intangible; c) Efficiency and effectiveness; d) The costs of various	Taking Council's policy into consideration, these points would be met or exceeded with the offer currently presented aside from G which is considered negligible as indicated by Council's environmental team.	Yes

disposal methods; e) Administrative costs f) Risk exposure and g) The value of any associated environmental benefits		
Probity, Accountability, Transparency and Reporting	An extensive Strategic Land Use Assessment has been completed in which all matters were considered prior to making a determination. From a transparency perspective, there is a risk it may be seen by the Public that Council have not been fully transparent should the recommendation be endorsed.	For Council consideration
Sale must at least achieve at least the price indicated within an independent valuation unless Council members resolve otherwise	Current offer from Peter Page Holden is unconditional at $760,000. Independent Market Valuation has been determined at $750,000	Yes
Current usefulness, potential and preferred use of the land	Whilst a Childcare centre is considered an important service for the Playford community, advice/evidence suggests the centre is not viable nor does there appear to a potential to increase viability through an asset refit. Preferred use of the land would be to maximise the assets potential and viability in line with the development plan. Given the site adjoins the Peter Page Holden site and is likely a requirement for the company to continue business in this location for the foreseeable future, it is considered an outcome with Peter Page Holden would be the preferred use for the site.	Yes
Existence of local purchasers of the land	The lease is managed by an interstate not for profit business. The direct negotiation proposal is from an adjoining party who has had a presence in the area for nearly 50 years and has provided significant support to the local Community over the years.	Yes
Opportunity to promote local growth and development	Should Peter Page purchase the asset it will enable them to expand their business to include sales of other automotive brands and increase their car servicing capabilities. In turn this would provide local growth opportunities in the form of employment as well as attracting visitors to the area from across the state.	Yes
Original intention for the land	The initial intention for the land was to provide a community facility. Whilst the Peter Page Holden development would not be in line with this use, the current CBD masterplan shows the site being developed in future for multi-storey mixed use.	No. For Council consideration

Current and projected costs to Council to maintain the land	A financial feasibility has been completed which has determined that disposal of the asset provides Council with the best outcome from both a capital an operating aspect.	Yes
Cultural or historical significance of the land	There is no known cultural or historical significance over the land	Yes
Impact on the Community	Whilst disposal via direct negotiation could have an impact on the families that are utilising the service, this could be mitigated through the Lessee exit strategy. As the lease expires in approximately 18 months, this option provides the highest level of control to mitigate these risks.	Yes
Benefit and risk analysis	This has been completed as part of the SLUA process and in consideration of the repurposing of asset principles is believed on balance to provide the best outcome for Council.	Yes
Content of relevant CLMP's	Not applicable	Yes
Council legislation or other policies	Direct negotiation is possible under the sale and disposal of land and other assets policy if it is determined by Council that the conditions are deemed to satisfy the policy. This includes a price of at least equal to that of the independent valuation.	Yes

6.1.2 Financial Implications

Short-term = impacts on the current year budget.

Long-term = impacts extending beyond one year, primarily implications on achievement of the LTFP and associated financial sustainability ratios.

Disposal to Peter Page Holden	
Ongoing Financial Position	
Annual Lease Income	-$48,691
Rate Revenue	$8,162
Total Revenue	-$40,529
Expenditure	
Maintenance	-$3,895
Insurance	-$2,266
Depreciation	-$37,916
Interest	-$18,573
Total Expenditure	-$62,650
Net Operating Position	$22,121

- Interest savings on current debt have been assumed from a net purchase price of $755,000 that is expected to be achieved through direct negotiation with Peter Page Holden.

- Rate revenue is based on an estimated capital value of $760,000 being provided by the Valuer General. Should capital improvements be developed over the site, it is anticipated the value and rates will increase accordingly.

- Insurance, maintenance and depreciation savings have been estimated from current costs attributed to the property.

- An annual lease income of $48,691 will no longer be received and is based off current income.

The net operational impact of positive $22,121 per annum will need to be reviewed (once off) as part of the of next year's budget process upon completion of settlement. The written down value (land value plus depreciated value of assets) and financial impact of potential impairment upon disposal will also need to be considered. The current WDV is $1,196,414 meaning the financial impact of potential impairment of the asset upon disposal is estimated at $436,414. This being said, evidence suggests that it would be reasonable to assume that any financial impact is likely to increase the longer the asset is held by Council.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

The major differences between Option 1 and Option 2 are as follows:

- Likely reduced Net income to Council.
- Risk Peter Page Holden may lose current Hyundai opportunity / relocate to another site.
- Uncertainty of purchase price, terms and conditions of other potential purchaser if presented to the open market.
- There will likely be less control of Lessee exit strategy.
- Higher level of public interest over outcome.
- Whilst evidence suggests sourcing another Childcare operator is unlikely (unless provided heavily discounted rent), there is an opportunity for Council to present to the market for Childcare/Community use.

6.2.2 Financial Implications

The financial implications are considered to be similar to Option 1 in Operating, however there is an assumed reduced Net result to Council in excess of Council from the disposal price due to associated professional fees, marketing costs and increased legal fees etc.

There is also a risk the property will become vacant for a period of time prior to new ownership/use takes place having an overall negative operating outcome to Council.

6.3 Option 3 Analysis

6.3.1 Analysis & Implications of Option 3

Analysis & Implications of Option 3 will be considered and presented to Council at a later date upon consideration of staff direction.

6.3.2 Financial Implications

Staff will consider financial implications and present to Council at a later date upon receiving further direction how to proceed if Option 3 is endorsed.

19 October 2020

Daniel Turner
Senior Property Officer
City of Playford
12 Bishopstone Road
Davoren Park, South Australia, 5113

Via email: DTurner@playford.sa.gov.au

ALINEA Group

Private & Confidential

Dear Daniel,

Re: Letter of Advice – Exclusive Dealings - 4 Langford Drive, Elizabeth SA

Purpose and Brief Overview of Context

The purpose of this commercial advice is to provide City of Playford (*Council*) with a Letter of Advice pertaining to Council entering into exclusive dealings with a single entity, Peter Page Holden (PPH) / the Purchaser.

Alinea Group has been requested by Council to review relevant available background information and context to the proposed exclusive dealings to confirm the extent to which Council has the potential to achieve fair market value or a market premium via exclusive dealings with PPH.

The primary driver for consideration by Council of entering into exclusive dealing with PPH is that Council has received an offer from PPH for 4 Langford Drive, Elizabeth SA (*Subject*) as a direct negotiation between PPH and Council, in accordance with Council's Sale and Disposal of Land and Other Assets Policy (Policy). PPH are interested in redeveloping the Subject (in conjunction with the adjoining property, in current ownership by PPH) as a multi-franchise car-yard operation. Council wishes to see the Subject divested for internal purposes, with redevelopment of the Subject (and adjoining property in ownership of PPH) considered a positive outcome for the surrounding commercial precinct.

On this basis, Council is seeking to enter into exclusive dealings on the Subject and is seeking to confirm that market value or a premium can be achieved given the unique circumstances and drivers behind this transaction. The alternative to this exclusive dealing process is for Council to consider an EOI process for the site. We provide comment on this alternative pathway and merits of this as an option.

Property Particulars

Subject details:

- Comprises a 3,403sqm (approximately) improved holding located at 4, Langford Drive, Elizabeth SA
- Certificate of Title Volume 5549 Folio 106 being Allotment 548, Filed Plan 113438
- Current Zoning: Regional Centre Zone
- Improvements include a circa 1970's brick construction building of approximately 660sqm (Gross Building Area) of average condition.
- The Subject is currently leased to a third party operator as a Childcare Centre, with the lease period expiring June 2022.

COMMERCIAL IN CONFIDENCE

Property Overview

The following image reflects the Subject configuration and location, noting outlines are indicative only:

Subject: ~3,404sqm

Entity

The entity of which Council is within current negotiations of the Subject, is Peter Page Holden.

Relative Preceding Documentation

We highlight that we have been provided with a copy of and have reviewed the following valuation report relating to the Subject.

Valuation Report (dated 21 May 2020)

- Instructed by Council (Daniel Turner), prepared by Knight Frank Valuation and Advisory Services South Australia (KF) for 4, Langford Drive, Elizabeth (Subject) for internal decision making purposes.
- The Report reflected a market value of $750,000 excluding GST.

Brief Background Context Overview

General

- In accordance with the Valuation Report prepared by KF, commencing July 2012 Council leased the Subject to Try Australia Childrens Services (Lessee) for the purposes of running a childcare centre. An initial term of 10 years expiring June 2022 was entered into, with 2 x 5 year renewal periods.
- Council is aware of the underperforming nature of the Lessee's business, with the Lessee unable to generate an economic return (profit) from the business operation throughout the duration of the full lease period to date. This has resulted in the incumbent incurring many years of losses. (*Council have advised that operational occupation capacity of the childcare centre is ~30%)*
- We have been advised by Council of the Lessee's intention for an early lease termination (vacation). *However, we are not aware of any formal documentation of this exit strategy which has been prepared to date.*
- Council have advised the current Lessee previously presented the market with an opportunity of re-assignment of lease, as an approach for the Lessee to remove themselves from the contractual obligations of the lease given the unprofitable nature of the business. It is understood by Council that this market testing resulted in no formal offers being received by the Lessee.
- Council is aware if the early lease termination does occur and the Subject becomes vacant while in Council ownership, Council is liable for ongoing holding costs (inclusive of direct internal management and administration costs), until the Subject is re-leased, noting additional costs associated with re-leasing of the Subject. It is further understood the improvements (building) are toward the end of their economic life at around 60 years old. The building is in fair condition and would necessitate capital expenditure by Council to re-lease the property. No estimate of capital expenditure has been provided by Council but it is understood this could be significant given the building would either have to be:
  - reconfigured given a childcare use has been demonstrated to be unviable both by Council and a private operator over many years; or
  - demolished and offered vacant to the market.
- As informed by Council, the Subject currently sits within their property divestment strategy portfolio, with Council having no need or future intention of use to support ongoing ownership of the Subject, and a preferred objective to repatriate capital to reduce Council debt.
- *We highlight the existing customers / clients of the child care centre are planned to be supported to relocate to another operating child care centre if divestment of the Subject proceeds. This will ensure the sale of the Subject by Council does not materially negatively impact upon those clientele or create any negative publicity. Such matter is thoughtfully being considered and managed within Council in direct negotiations with the Lessee.*

Offers

- We have been informed by Council that PPH presented Council with an unsolicited offer for the Subject on 13 May 2020 for an amount of $530,000 (exc. GST), reflective of the Site Value as determined by the Valuer General.
- The unsolicited offer of $530,000 (exc. GST) was not accepted by Council on the basis of the offer not achieving a level of uniqueness required under Council Policy for an unsolicited offer.
- As at 21 May 2020, Council had third-party KF prepare a Valuation Report on the Subject. This nominated a market value of $750,000 (exc. GST). *We highlight this valuation does not take into account an early expiration of lease term by the current Lessee.*
- In consideration of direct negotiations between PPH and Council, and consistent with Council's Sale and Disposal of Land and Other Assets Policy (Policy), an offer of $720,000 (exc. GST) was presented to Council by PPH as at 3 July 2020. *This offer included the re-assignment of the existing lease to PPH, allowing for vacant possession and full utilisation of the Subject by PPH.*
- Through ongoing discussions between PPH and Council, the offer of $720,000 (exc. GST) was not accepted by Council on the basis of the offer not achieving the third-party market valuation amount, whereby not being able to be considered under Council's Policy
- Further preliminary negotiations between PPH and Council has resulted in an offer of $760,000 (exc. GST) presented to Council by PPH as at 7 September 2020. *This offer is subject to assignment of lease to PPH allowing for vacant possession and full utilisation of the Subject by PPH, with the current Lessee to be provided a minimum of 3 months notice. Settlement of the purchase is proposed to occur within 30 days.*
- Ongoing preliminary negotiations have resulted in an adjustment of terms of sale as at 24 September 2020 in line with the offer of $760,000 (exc. GST), reflecting an unconditional 30 day settlement period or an agreement to settle with vacant possession / timeframe that is suitable to Council.

Council's Objectives

We have been advised of Council's key objectives for the Subject, as noted below:

- The Subject currently sits within Council's property divestment portfolio, with Council having no further need or future intention of use to support ongoing ownership of the Subject. It is therefore surplus and approved for divestment.
- Council's endorsed financial strategy is to repatriate the capital from the divestment to reduce debt.
- Council seeks to ensure no liability for ongoing holding costs if the early lease termination by the current Lessee occur and the Subject becomes vacant.
- Council would not re-lease the property if it were to proceed with an on-market Expression of Interest campaign. This would see Council incur holding costs associated with maintaining and securing the site if the early lease termination by the current Lessee occurs and the Subject becomes vacant. Council seeks to avoid any such holding and maintenance costs and associated liabilities of managing the vacant premises.
- Council wishes to avoid incurring demolition costs of removing the building (given the age, condition and configuration of the building being such that the improvements are not be viable / worthwhile to retain if it were to be offered to market).
- *The current clients of the existing operation (child care centre) are to be suitably relocated to another operating childcare centre. This ensures the sale of the Subject by Council does not materially negatively impact upon those clientele or cause any negative publicity. This matter is thoughtfully being considered and managed within Council in direct negotiations with the Lessee.*

Peter Page Holden's Objectives

We have been advised by Council of PPH's key objectives for the Subject, as noted below:

- The Subject adjoins PPH's existing property holding (17 Elizabeth Way, Elizabeth (*Existing Holding*)) along the western boundary.
- Internal business operational change for PPH is currently occurring, from a single franchise to multi-franchise operation. This will result in PPH requiring a larger site footprint / expansion space (*influenced by GMH withdrawal from Australia*).
- Configuration of the Subject's alignment to PPH's Existing Holding provides for suitable expansion for the pending internal business operational change.
- Dated improvements on the Subject are appropriate for demolition, with the Subject and Existing Holding intended to be redeveloped according to PPH's planned future multi-franchise use (car-yard and workshop accommodation).
- Acquisition of the Subject with vacant possession or with a minimal vacation timeframe provided from the current Lessee. This will enable PPH to occupy the Subject at the earliest from the date of purchase.

PPH Drivers and Pricing Influences for the Subject

We highlight the key points below that have an influence on PPH's unique drivers to acquire the Subject from Council and will directly support Council's ability to optimise commercial terms and deal exclusively. These are:

- Commercial Drivers& Subject Specific Factors:
    - Expansion capability provided by the Subject for PPH's adjoining PPH Existing Holding, noting PPH's intended expansion. The significant cost of relocation for PPH to a larger precinct means that 'special use value' will be applicable for PPH, reflected in a premium to market value being able to be achieved by Council.
    - Location Goodwill with the Subject situated adjoining the Existing Holding of PPH, no goodwill will be lost for PPH in consideration of an alternative to relocating to another site which may detrimentally impact on PPH financially in regard to an existing and market awareness of the long-established presence within the Elizabeth CBD large format retail and commercial precinct.
    - Dated Improvements of the Subject enabling PPH to redevelop the Subject with customised new improvements and not have to retain buildings with any residual value or pay for buildings that have value to an alternative purchasers but may not have value to PPH. This will be reflected in the value of the land being maximised for Council.
    - Penalties or Commercial Implications for non-development of the Subject Site: no registered redevelopment encumbrances exist upon the Subject as lodged by Council, whereby redevelopment / utilisation of the Subject is only constrained by the limitations of the respective zoning.
    - Limited alternative sites in the catchment area with comparably unique / advantageous attributes as the Subject relative to the existing and operating PPH Existing Holding (adjoining) and suitable zoning.
    - Complimentary amenity including but not limited to close proximity to Elizabeth Shopping Centre and surrounding large format and general retail offering, supported by public transport (bus routes and train line).
    - No Identified Contamination: in accordance with the May 2020 Valuation Report as prepared by KF for 4, Langford Drive, Elizabeth there is no known contamination on the Subject.

Current Status of Negotiations and Pricing for the Subject

Given the above conditions, we note that preliminary negotiations with PPH have been favorable to Council with progressive and material increases in the commercial offer. We understand Council has successfully leveraged the unique buyer conditions to extract a premium to market value. This is considered to directly reflect the unique circumstance of PPH's adjoining ownership, their significant investments in the precinct and unique site specific factors that have 'special use value' to PPH. We are advised by Council of PPH's current offer of $760,000 (excluding GST), is subject to final approval by Council. We note this is a premium of the market value, albeit minor, of $10,000 (excluding GST) to the most recent Valuation Report prepared by KF (May 2020) of the Subject of $750,000 (excluding GST). However, this premium should be considered in the context of additional genuine direct financial savings to Council from:

- Demolition of the site – estimated to be in the order of $20,000-$40,000 + internal Council resource time; and
- Marketing and sale costs if an EOI were to be undertaken. This would incur costs in the order of $30,000 to $40,000 + GST inclusive of procurement processes, marketing expenses (media), sales agents commission, printing and photography. It would also incur significantly longer timeframes to transact relative to the current exclusive dealing option.

Further, we note that as at the date of the valuation by KF, the rental income was assumed to be receivable to end of the lease term. This is no longer the case with the Lessee anticipated to vacate shortly. This would have the impact of reducing the market value (all other factors being equal / unchanged).

For the above reasons, we consider the current offer is considered to be a strong premium to market and provide material financial value enhancements (including non-financial benefits such as internal resourcing and time value of money benefits from an earlier transaction outcome of the exclusive dealing option).

Current Market Volatility

We note that the most recent Valuation Report in respect to the Subject, prepared by KF dated 21 May 2020 takes into consideration the global and local economy's awareness and experience of a significant and rapid uncertainty and volatility as a result of the COVID-19 pandemic. The impacts of this continue to be seen in the global and local economy. It is clear though this significant economic and social disruption has the potential to flow on to property markets. This is likely to see a period of volatility in pricing over the course of 2020 and beyond, and reasonable potential for downward pressure in pricing of real estate assets.

We further note that since the previous valuation was completed by KF (May 2020), the Subject's lease covenant is likely to be terminated as instigated by the Lessee, pending vacancy of the Subject. This reduction in holding income is considered to impact upon the value of the Subject.

As such, we would strongly recommend Council take the opportunity to reach contractual close as quickly as possible to secure the current premium to market value currently being contemplated.

Conclusion

Based on our review and assessment of the above we conclude:

- As informed by Council, PPH's offer as at 24 September 2020 of $760,000 (exc. GST) meets pre-conditions of Council's Policy and direct negotiation criteria (along with further negotiations with PPH) with the offer reflecting a genuine and material premium to market value in accordance with the KF valuation dated 21 May 2020. This negotiation process has resulted in Council securing a strong value for money outcome from PPH on the Subject as desired.
- Council have no requirement to hold the Subject for any future development or other expressed objective.
- Council have a desire to repatriate capital from the divestment to reduce debt.
- Pending early termination of the current lease of the Subject will become a liability (cost) to Council in respect of holding costs and re-leasing costs or demolition of the improvements.
- Sale of the Subject will create a cash benefit to Council in regard to the lump sum purchase amount and ongoing commercial rates to be received as the site is owned and developed by PPH.
- PPH are an existing local business intending on utilising the Subject as a business operation expansion, supportive of investing in the local economy.
- PPH's offer reflects preferred and favorable conditions for Council in regards to a short-term 30 day unconditional settlement period.
- Council would liable for the associated costs relating to marketing and sale costs if an EOI were to be undertaken. This would incur costs in the order of $30,000 to $40,000 + GST inclusive of procurement processes, marketing expenses (media), sales agents commission, printing and photography. It would also incur significantly longer timeframes to transact relative to the current exclusive dealing option.

On the basis of the above, we are confident Council has a unique set of conditions that have optimised the commercial terms of the new proposed transaction and extracted a premium to market value for the Subject.

We note that final agreed market value may vary based on the influences on the commercial property market from COVID-19 and the pending termination of lease by the current Lessee. Given this, we recommend that completion of the negotiation and contract documentation process be expedited in order to mitigate risks of any consequential potential softening in market prices or constraints in liquidity of debt markets if the Subject acquisition is to be partially debt-funded by PPH.

Regards,

Ben Koop
Principal
Alinea Group
CC: Eloise Medhurst

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 17.2 IS TO BE KEPT IN CONFIDENCE

Purpose

To resolve how long agenda item 17.2 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 91(7) of the Local Government Act 1999, the Council orders that the following aspects of Item 17.2 be kept confidential in accordance with the Council's reasons to deal with this item in confidence pursuant to Sections 90 (3) (b) (d) (g) of the Local Government Act 1999:

- Report for Item 17.2
- Attachment(s) for Item 17.2
- Minutes for Item 17.2

This order shall operate until receiving confirmation from TRY Australia that the details of the report that can be released, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.

Pursuant to Section 91(9)(c) of the Local Government Act 1999, the Council delegates to the Chief Executive Officer the power to revoke this order at any time subject to receiving approval from TRY Australia and the Chief Executive Officer must advise the Council of the revocation of this order as soon as possible after such revocation has occurred.