



**14.3** NOTICE OF INTENTION TO SELL 8 YORK STREET, ST KILDA WEST: CONSIDERING SUBMISSIONS OF RESPONSE

**EXECUTIVE MEMBER:** CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES

**PREPARED BY:** AARON LENDEN, PROPERTY TRANSACTION SPECIALIST  
ANTHONY SAVENKOV, HEAD OF PROPERTY PROJECTS

**1. PURPOSE**

- 1.1 To consider submissions received in response to a notice published in accordance with section 189 of the *Local Government Act 1989* advising of City of Port Phillip's intention to sell land at 8 York Street, St Kilda West, and to determine whether to proceed with the sale of that property.

**2. EXECUTIVE SUMMARY**

- 2.1 In accordance with Council's resolution of 4 March 2020, a notice was published of Council's intention to sell 8 York Street, St Kilda West, ("Notice").
- 2.2 At its meeting of 6 May 2020 Council noted the submission made in response to the Notice, and heard the submitter speak to its submission.
- 2.3 It also heard a statement read in support of the proposal from a community member responding to the agenda item.
- 2.4 Council is now asked to consider the community response and to determine whether it is to proceed with the sale of the property.
- 2.5 Officers have reviewed the submission and heard the matters raised – specifically: the impact of the coronavirus pandemic on realisable value; the opportunity to develop a two storey children's facility on the site (potentially also including a Parental & Child Health service); and the opportunity to use proceeds from a sale for Children's Services.
- 2.6 Officers recommend immediately proceeding with the sale of the property.
- 2.7 The rationale for this recommendation is outlined in section 5 of this report.
- 2.8 Money from a sale would be reinvested to improve Council's property portfolio – acquiring new assets and upgrading existing ones.

**3. RECOMMENDATION**

That Council:

- 3.1 Notes that it has received, heard and considered the submissions in response to its Notice of Intention to Sell 8 York Street, St Kilda West.
- 3.2 Resolves to sell 8 York Street, St Kilda West, by public auction.
- 3.3 Authorises relevant Officers to execute all the necessary processes required to enable the sale and transfer of land, including negotiating with the highest bidder if the property is passed in at auction, and affixing the Common Seal of Port Phillip City Council to the relevant documents.
- 3.4 Advises the submitter of the decision to sell the land and the reason(s) for the decision.



**4. KEY POINTS/ISSUES**

**Public Notice**

4.1 On 17 March 2020 a Council notice of intended sale was published in the *Port Phillip Leader* and *The Age* newspapers. It was also published on Council’s website.

**Responses Received**

- 4.2 One member of the community took up the opportunity to formally respond to the Notice – incorporated association Community Alliance of Port Phillip (“CAPP”).
- 4.3 The submission was noted at Council’s Ordinary Meeting of 6 May 2020, at which CAPP representative Ms Rhonda Small spoke in support of the submission. The CAPP submission included several elements, outlined in the table over the page.
- 4.4 At the same meeting, a statement was read on behalf of Mr Adrian Jackson, responding to the agenda item. Mr Jackson’s statement supported the proposal to sell the site, expressing the view that the fundamental appeal of the location would counter the potential impact of the novel coronavirus pandemic on realisable value.

*Table: matters raised in the CAPP submission*

Matter raised	Response
<p><b>Weakened market</b> The property is unlikely to attract its maximum value due to the coronavirus pandemic.</p>	<ul style="list-style-type: none"> <li>• The pandemic is undoubtedly a shock to the housing market. It is likely to reduce:                             <ul style="list-style-type: none"> <li>- market sentiment;</li> <li>- household disposable income;</li> <li>- household wealth; and</li> <li>- credit availability.</li> </ul>                             These are key short run determinants of housing price. However, the degree, speed and duration of impact is not predictable, and subject to offsetting factors such as:                             <ul style="list-style-type: none"> <li>- pent up demand;</li> <li>- withholding of supply;</li> <li>- government policy; and</li> <li>- price momentum.</li> </ul> </li> <li>• As at the time of writing this report, there is clear evidence that transaction volumes have substantially lowered. This suggests that price falls will follow.</li> <li>• Irrespective of the market shock, the local housing market is cyclically overvalued – being priced above the long term trend implied by the long term determinants of price: price-to-wages; price-to-rent; and price-to-cost of construction.</li> <li>• The local housing market is unlikely to be impacted uniformly – by the pandemic or the cyclical decline. Lower quality, “investment” properties, and higher risk development sites can be expected to be more affected. The subject property is a modest development opportunity in a quality, tightly held neighbourhood.</li> <li>• City of Port Phillip has a long term property portfolio, and is both a seller and buyer. Over the long term, market fluctuations have reduced</li> </ul>



	<p>relevance, and whether the market is about to rise or fall is only knowable in hindsight.</p> <ul style="list-style-type: none"> <li>• City of Port Phillip keeps aware of market conditions and trends, though it is not within its portfolio strategy to try to precisely “time” markets – often an exercise in futility.</li> <li>• However, it does aim to achieve the highest possible sale price in the <i>given</i> market, and to sell for no less than market value. This is consistent with the <i>Local Government Best Practice Guideline for the Sale, Exchange &amp; Transfer of Land</i>.</li> <li>• The hope of future capital gain needs to be balanced against the certainty of significant property holding and maintenance costs. These include: gardening at \$5,200 a year; security at \$2,466; the fire levy of \$421; insurance of \$587. Maintenance and renewal on the building has averaged approximately \$15,000 yearly over the past five years.</li> </ul>
<p>continued....</p>	
<p>Matter raised</p>	<p>Response</p>
<p><b>Redevelopment potential</b> The property has been used for childcare/extended hours kinder and maternal and child health purposes for many years and its sale will be a loss to children’s services in the municipality. Council’s position that the property is not suited for redevelopment is noted. However potential to increase height to two storey and relocate the Eildon Road Centre to the premises.</p>	<ul style="list-style-type: none"> <li>• In City of Port Phillip there are over forty kindergartens and child care centres, some operated and/or owned by Council. (Additionally, there are a few registered family day care centres, and many in-home carers - e.g. nannies, au pairs). The relevant services team of Council has confirmed the property is redundant to its delivery needs.</li> <li>• The site is not considered to have value to the market for development as a child care centre. Among other things, it is too small for a contemporary facility, including a two storey one. The land area is only 544m<sup>2</sup>. A development would need to take into account development controls and inherent site constraints – for example, existing vegetation. (An arboricultural assessment is included as Attachment 2). Also, as the existing building has been vacant for several years the “existing use” rights have expired.</li> </ul>
<p><b>Funds allocation</b> If redevelopment for a new childcare facility is not possible, CAPP believes that any proceeds from the sale should be redirected to Council’s children’s services budget.</p>	<ul style="list-style-type: none"> <li>• Selling underperforming assets helps fund the development of higher performing assets. This is supported by the Strategic Property Fund, where the value realised by disposing property assets is kept for future reinvestment.</li> <li>• This supports the evolution of the property portfolio, and ensures that public assets reincarnate as public assets, rather than being consumed within any department’s operating budget.</li> <li>• Allocation to the Strategic Property Fund does not prevent the proceeds from any sale of Council property ultimately being used for acquiring or upgrading children’s facilities, if that was a strategic property need of Council at the relevant time.</li> </ul>

4.5 CAPP’s verbal address to Council broadly reflected the matters outlined in the table above, plus the additional items outlined in the table on the next page.



Table: Supplementary matters raised in the CAPP verbal statement

Further matter raised	Response
<b>The potential alternative of selling another children’s centre</b>	<ul style="list-style-type: none"> <li>The proposal at hand relates to the former children’s centre at 8 York Street, no other children’s centre.</li> <li>Council is undertaking a review of its children’s services. As a surplus property 8 York Street has little relevance to the property strategy outcomes of that service review and is therefore being put forward separately with this paper.</li> </ul>
<b>Exploring alternative uses for the site</b>	<ul style="list-style-type: none"> <li>Officers have considered alternative uses – for instance: community housing, open space, office accommodation. However, and as noted in the Council report of 4 March 2020, there appears no compelling operational need or strategic use for the property. The characteristics of the site and location limit its potential for Council needs.</li> </ul>

## 5. RECOMMENDATION RATIONALE

- 5.1 It is accepted that the housing market may soften, perhaps significantly, and may have already started softening. Even so, the local housing market is still near historic highs. Trying to “time the market” would artificially retard orderly development of Council’s property portfolio, and risks chasing financial value at the expense of creating public value.
- 5.2 The risk of a declining market can be partially mitigated – for instance with speed to market, strong advertising, and the quality of information provided to market. Ultimately, the property is a high quality one, and Council is not a forced seller, with no interest nor compulsion to sell for anything but full market price.
- 5.3 As the property has been unoccupied for several years, is considered surplus, and is an ongoing financial burden to keep and maintain, it is of community interest to convert it to financial firepower to deliver better property assets – based on Council’s priorities.
- 5.4 Selling the property will enable more productive development of the site than its current use, and by extension improve neighbourhood amenity.

### CONSULTATION AND STAKEHOLDERS

- 5.5 This public report follows those to the Ordinary Meeting of Council of:
  - 4 March 2020 (seeking approval to commence the statutory process and notify the public of an intention to sell); and
  - 6 May 2020 (to report submissions).
- 5.6 The process under section 223 of the *Local Government Act 1989* provides any person who has made a written response to the Notice an opportunity to be heard.
- 5.7 In addition to publishing formal Notice, supplementary communication was carried out, including a courtesy letterbox drop to thirty three owners/residents of neighbours in the street was completed on 26 February 2020.



# ORDINARY MEETING OF COUNCIL 20 MAY 2020

## 6. LEGAL AND RISK IMPLICATIONS

- 6.1 The section 223 process of the *Local Government Act 1989* arises because a submission was received in response to the public notice Council issued under section 189 of that legislation.
- 6.2 Should the coronavirus pandemic prevent the carrying out of traditional public auction, an alternative such as an online public auction will be undertaken.
- 6.3 Should the coronavirus pandemic prevent the carrying out of traditional inspections, then an alternative such as an online walk-through will be provided.

## 7. FINANCIAL IMPACT

- 7.1 Sale of the Property is anticipated to release substantial community funds. It will also save about \$10k yearly on holding costs.
- 7.2 Council's 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 No material environmental impacts are considered to arise from the adoption of the recommendations.

## 9. COMMUNITY IMPACT

- 9.1 Selling underperforming assets helps fund the development of higher performing assets. This directly impacts Council's operational productivity and the effectiveness of its service delivery.
- 9.2 It is also likely to improve neighbourhood amenity – given that the Property has been vacant for several years.

## 10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 This report supports transparent governance and an actively engaged community. The proposed sale of redundant property falls under direction 6: "Our commitment to you".

## 11. IMPLEMENTATION STRATEGY

### 11.1 TIMELINE

- 11.1.1 Should Council resolve to sell the land, Officers shall appoint a real estate agent to sell the property.
- 11.1.2 A marketing campaign is anticipated to be carried over four to six weeks, followed by public auction.
- 11.1.3 If the property is passed at auction, and remains unsold following subsequent negotiations with the highest bidder, then, in accordance with the *Best Practice Guidelines* it would be left on the market for private sale for an appropriate period of time.

### 11.2 COMMUNICATION

- 11.2.1 Officers shall notify the submitter of the decision and the reasons for the decision.



## ORDINARY MEETING OF COUNCIL 20 MAY 2020

- 11.2.2 Should Council adopt the recommendation, an advertising campaign for a sale of the property will be carried out in a way that adequately exposes the property to the market.

### **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:** 20/17/04

**ATTACHMENTS**

1. submission in response to Intention to Sell
2. arboricultural assessment