

Subject **4.1 Sale of the Former Council Chambers and Administration Centre, 162 Shellharbour Road, Warilla and adjoining lot, 4 Lake Entrance Road, Warilla (10218622)**

To the General Manager

Directorate: **Corporate Policy**
Department: **Infrastructure Services**

Manager: Max Boenisch – Group Manager Infrastructure Services
Author: Donna Flanagan – Manager Property & Recreation

Reason for Confidentiality

This item is classified CONFIDENTIAL under the provisions of section 10A(2) (c, d(i), d(ii)) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following:

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business

- (d) commercial information of a confidential nature that would if disclosed:
 - (i) prejudice the commercial position of the person who supplied it

 - (ii) confer a commercial advantage on a competitor of the council

This item, if discussed in the Open Meeting of Council, would be contrary to the public interest because it is premature at this time. The appropriate time for its full release such that the commercial position of the person who supplied it is not prejudiced, would be when the proposed sale is entered into.

Council will be considering the possible divestment of Lot 2 DP 833735 also known as the former Council Chambers and Administration Centre, 162 Shellharbour Road Warilla, and the adjoining land, being Lot 12 DP 1125335 also known as the Warilla Library and Peace Grove, 4 Lake Entrance Road, Warilla. Whilst any decision to sell such assets should be made in the public domain, early consideration of information pertaining to the sale is best conducted in confidential session, to enable candid debate of commercial details, options and strategies and to protect the public interest and the debate, from influence of vested interests at this early stage of consideration.

Summary

This report outlines the sale of Lot 51 DP 1198755 formally known as Lot 2 DP 833735 also known as the former Council Chambers and Administration Centre, 162 Shellharbour Road Warilla, and the adjoining land, being Lot 50 DP 1198755 formally known as Lot 12 DP 1125335, 4 Lake Entrance Road, Warilla.

This report also seeks approval to enter into a Lease Back Agreement for the Warilla Library and associated car parking and a Licence Agreement for the area relating to the Heritage Item, being the Lone Pine.

Background

At its Ordinary Council meeting of 10 December 2013 council resolved the following:

1. *That CBRE Real Estate commence the Expression of Interest process for the sale of Lot 2 DP 833735 (as amended to Lot 51 in the draft plan) as a single lot only or in conjunction with the sale of Lot 12 DP 112335 (as amended to Lot 50 in the draft plan).*
2. *That the subject parts of Shellharbour and Lake Entrance Road is dedicated as public road under Section 9 of the Roads Act 1993.*
3. *That the Mayor and General Manager, or his nominated delegate, be authorised to sign any documentation associated with the boundary adjustment and dedication under Council Seal.*

In accordance with the resolution, CBRE have undertaken an EOI process on our behalf for the sale of Lot 2 DP 833735 also known as the former Council Chambers and Administration Centre, 162 Shellharbour Road Warilla, and the adjoining land, being Lot 12 DP 1125335 also known as the Warilla Library and Peace Grove, 4 Lake Entrance Road, Warilla.

The subdivision of Lot 2 DP 833735 and Lot 12 DP 1125335 for the purpose of a boundary adjustment and road realignment was registered on 5 August 2014. These lots will be known as Lot 51 and Lot 50 DP1198755. (refer Attachment 1)

The marketing campaign commenced on the 15 March 2014 and consisted of advertisements being placed on Real Commercial via the internet, the Illawarra Mercury and Sydney Morning Herald and a notification on Councils webpage. A mail out was conducted to developers and investors, high net worth individuals and international investors. This consisted of in excess of 2800 potential purchaser groups.

The marketing campaign resulted in 47 groups requesting further information. The groups were sent the EOI document, instructions to execute a confidentiality agreement and details regarding the online data room. Of the 47 groups, 6 groups executed the confidentiality agreements and obtained access to the online data room.

The EOI process closed at 4pm Thursday 17 April 2014. The EOI document provided proponents with the option to submit on either:

- Lot 2 DP 833735, 162 Shellharbour Rd Warilla; and/or
- Lot 12 DP1125335, 4 Lake Entrance Rd Warilla

Council received EOI proposals from 4 respondents for the properties. All respondents opted to submit EOI proposals for both of the properties. Those respondents were:

- Falcondale Management Pty Ltd and/or Trymtrust Pty Ltd as trustees for Hyett Family Trust & Falcondale Superannuation Fund or nominee (**Falcondale**)
- Louis Mifsud & Nominees (**LM&N**)
- Stevens Holdings Pty Ltd & Development Group Pty Ltd (**SH&DG**)

- Talon Construction Group Pty Ltd ATF the Talon Construction Group Unit Trust
(Talon)

Following completion of phase one, Council shortlisted all respondents (now shortlisted proponents) to phase two of the competitive bid process.

The competitive bid process 'Request for Final Offer' was on the basis of evaluation criteria, including financial and non-financial considerations. The purpose of phase two was to procure final proposals that are binding on the proponent. Council provided a further two weeks to enable shortlisted proponents to prepare and submit final offers.

Final Offers were received from 3 of the shortlisted proponents:

- LM&N
- SH&DG
- Talon

CBRE advised that Falcondale did not wish to participate further in the EOI process.

CBRE undertook a detailed evaluation of each of the final offers. Having regard to the evaluation criteria, CBRE recommended that LM&N should be elevated as the preferred proponent and were required to provide an executed contract for sale. CBRE also recommended that LM&N's offer be subject to a report to Council.

LM&N's offer for the purchase of both lots was \$4.05 million with 2.5% deposit. The offer also included a lease back arrangement of the Warilla Library site for a period of 18 months with a further option of another 6 months. The lease will also include 31 car parking spaces for library staff and patrons. The annual rental for the library and car parking spaces will be \$134,000 pa + GST plus outgoings. Council has negotiated that the heritage Item on the property being the Lone Pine will be relocated within six months of settlement with a further 3 months grace if required.

Settlement will occur on finalisation of the registration of the subdivision plan and is linked to the Business Activity Statement quarter end.

Council have been notified of a name change for LM&N since receiving their final offer. LM&N have indicated that the purchasing entity is Cel Bare Pty Ltd (for Cel Superannuation AFT Superannuation Fund)

Valuation

The property was valued by an independent valuer for an amount of \$4,100,000.

Current Tenants

There are four community tenants currently occupying the Warilla Council Chambers. Council officers have met with these tenants and advised them of the potential sale of the building. All tenants are being assisted in relocating.

Warilla Library

As stated previously a proposed lease back arrangement has been negotiated for the library and associated car parking for a period of 18 months with a further option of 6 months.

Council staff is investigating suitable sites for the relocation of the Warilla Library taking into consideration the requirements for a branch library. The relocation will be within the Warilla suburb.

Other Considerations

Council have engaged a Heritage Consultant to provide an assessment of heritage values associated with the Peace Grove, Freedom Wall and Lone Pine situated on Lot 12 DP112335, 4 Lake Entrance Road, Warilla.

The assessment will determine the significance of heritage values within the area, specifically the Freedom Wall, Lone Pine and Peace Grove. This will be used to determine appropriate management recommendations relating to identified heritage values and outline any constraints associated with relocating items and developing the site.

A consultative team has also been established in relation to the relocation of the Freedom Wall, Lone Pine and Peace Grove. This team consists of representatives from the RSL Sub-branch and Council Officers. A further report will be presented to Council on recommendations in relation to these items once all investigations have been undertaken.

It is proposed to enter into a Licence Agreement with Louis Mifsud & Nominees (Cel Bare Pty Ltd) for the area relating to the heritage item, that being the Lone Pine. The Licence Agreement will extinguish 14 days after the Heritage Item has been relocated. There will be no rental fee attached to this licence.

A time capsule is located within the site. Council is undertaking further investigations and this will be included in the further report to Council.

Legal and Policy Implications

Council Officers and CBRE Real Estate are required to follow all legal requirements in relation to the sale of the property. Council has engaged a legal and probity advisor to assist with the process.

Public and Social Impact

The public and social impact in relation to the sale of Lot 51 DP 1198755 formally known as Lot 2 DP 833735 also known as the former Council Chambers and Administration Centre, 162 Shellharbour Road Warilla will assist with the creation of the City Hub.

There will be no immediate impacts on the library services as a lease back arrangement has been negotiated.

A consultative team has been established in relation to the Freedom Wall, Lone Pine and Peace Grove to assist in negating any impacts on the community.

Link to Community Strategic Plan

The sale supports the following objectives and strategies of the Community Strategic Plan:

Objective: 2.3 A liveable City that is connected through places and spaces

Strategy: 2.3.1 Establish the Shellharbour City Hub as a vibrant civic, commercial and cultural precinct.

- Strategy: 2.3.2 Undertake all land use planning addressing social, economic and environmental principles whilst reflecting the current and future community's needs.
- Strategy: 2.3.4 Facilitate the provision of development that meets the changing needs and expectations of the community.
- Strategy: 2.3.5 Recognise, protect and celebrate heritage.
- Strategy: 2.3.6 Deliver sustainable management of the community's assets for current and future generations.
- Objective: 4.2 Supported by a Council that is responsive, accountable and financially viable.
- Strategy: 4.2.1 Undertake Council activities within a clear framework of strategic planning, policies, procedures and service standards.

Consultations

Internal

General Manager
Director Corporate Policy
Manager Property & Recreation

External

CBRE Real Estate
Marsdens Law Group
Walter Partners

Political Donations Disclosure

Not applicable

Recommendation

1. That Council enter into a contract for sale of Lot 51 DP 1198755 formally known as Lot 2 DP 833735 also known as the former Council Chambers and Administration Centre, 162 Shellharbour Road Warilla, and the adjoining land, being Lot 50 DP 1198755 formally known as Lot 12 DP 1125335, 4 Lake Entrance Road, Warilla for the amount of \$4.05 million with Louis Mifsud & Nominees (Cel Bare Pty Ltd)
2. That the Council enter into a Lease Back Agreement with Louis Mifsud & Nominees (Cel Bare Pty Ltd) for the lease of the Warilla Library including car parking for a period of 18 months with a further option of another 6 months for an annual rental fee of \$134,000 pa + GST plus outgoings.
3. That Council enter into a Licence Agreement with Louis Mifsud & Nominees (Cel Bare Pty Ltd) for the area relating to the Heritage Item being the Lone Pine.
4. That the Mayor and General Manager, or his nominated delegate, be authorised to sign under Council Seal, the Contract for Sale of Lot 51 DP 1198755 formally

known as Lot 2 DP 833735 also known as the former Council Chambers and Administration Centre, 162 Shellharbour Road Warilla, and the adjoining land, being Lot 50 DP 1198755 formally known as Lot 12 DP 1125335, 4 Lake Entrance Road, Warilla and other associated documentation.

- 5. That the Mayor and General Manager, or his nominated delegate, be authorised to sign under Council Seal, the Lease Back Agreement and other associated documentation for the lease of the Warilla Library including car parking for a period of 18 months with a further option of another 6 months.**
- 6. That the Mayor and General Manager, or his nominated delegate, be authorised to sign under Council Seal, the Licence Agreement and any other associated documentation for the area relating to the Heritage Item, being the Lone Pine.**

Approved for Council's consideration: _____

Attachments

1. Subdivision of Lot 2 DP 833735 and Lot 12 DP 1125335

Attachment 1 - Subdivision of Lot 2 DP 833735 and Lot 12 DP 1125335

PLAN FORM 2 (A2)

WARNING: CREAMING OR FOLDING WILL LEAD TO REJECTION

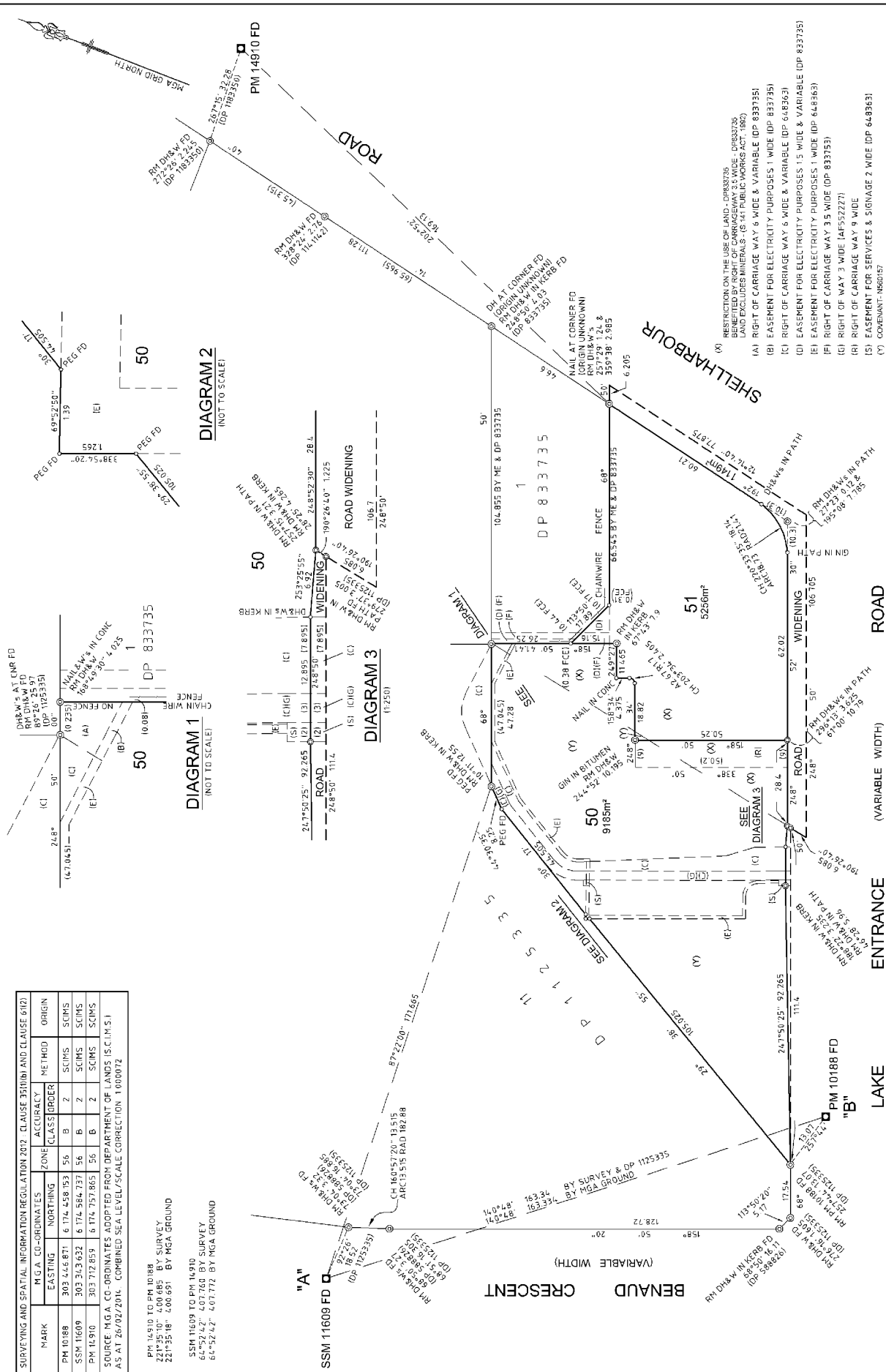
PLAN SHEET 1 OF 1 SHEETS

MARK	M.G.A. CO-ORDINATES	ZONE	ACCURACY CLASS	METHOD	ORIGIN
PM 10188	303 446 871 6 174 458 153	56	B	2	SCIMS
SSM 11609	303 313 632 6 174 584 737	56	B	2	SCIMS
PM 16910	303 772 859 6 174 757 865	56	B	2	SCIMS

SOURCE: M.G.A. CO-ORDINATES ADOPTED FROM DEPARTMENT OF LANDS (S.C.I.M.S.I) AS AT 26/02/2014. COMBINED SEA LEVEL/SCALE CORRECTION 1.000072

PM 14619 TO PM 10188
 22°15'30" 400.665 BY SURVEY
 22°15'35" 400.691 BY MGA GROUND

SSM 11609 TO PM 16910
 64°52'42" 407.760 BY SURVEY
 64°52'42" 407.772 BY MGA GROUND



Surveyor: Brendan Hugh Dallas Date of Survey: 22 May 2014 Surveyor's Ref: 26668278/129	ENTRANCE (VARIABLE WIDTH) ROAD LAKE	PLAN OF SUBDIVISION OF LOT 2 DP 833735 & LOT 12 DP 1125335 REPORT	LGA - SHELLHARBOUR Locality: WARILLA Subdivision No.: 110/03/2014 Lengths are in metres. (Reduction Ratio: 1:500)	Registered 5.8.2014	DP1198755
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