



12.3 Request for Proposals - City Services Surplus Land

Report Reference	SGC210713F12.3
Originating Officer	Manager City Property - Thuyen Vi-Alternetti
Corporate Manager	N/A
General Manager	General Manager City Development - Ilia Houridis

CONFIDENTIAL MOTION

That pursuant to Section 90(2) and (3)(d)(i) and (ii) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Corporate Governance, Manager City Property, Unit Manager Land & Property, Unit Manager Communications, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to Request for Proposals - City Services Surplus Land, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential relating to matters pertaining to commercial information of a confidential nature from the market in relation to proposals received for the City Services surplus land, the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

REPORT OBJECTIVE

This report provides Council with the outcome of the recent process seeking proposals from the market for the City Services northern parcel of surplus land and seeks Council's endorsement to progress long term lease negotiations with Buildtec.

REPORT HISTORY

Report Reference	Report Title
SGC191125F02	Future Land Strategy: City Services Surplus Land

EXECUTIVE SUMMARY

At the 25 November 2019 General Council meeting, Council considered a report regarding the surplus land to the north of City Services site and authorised Administration to test market interest for medium to long term lease of the site as currently presented.

A Project Brief was released seeking Request for Proposals (RFP) from the market to lease the site as is, refer Attachment 1. There were 109 downloads of the RFP by companies ranging from Property Developers and Agents, a supermarket chain and various businesses.

One submission was received from Buildtec proposing to lease the land and construct a bulky goods facility, refer Attachment 2. Buildtec are a long standing South Australian owned company and their proposal includes a potential tenant (Pet Stock) and other likely tenants including Baby Bunting and RSEA Safety Equipment. The initial submission proposes to lease the site from Council for 50 years, at a land rental of about \$211,000 per annum. This value is in line with the market valuation obtained by Administration in November 2020 of \$185,000 per annum.

Further discussions with Buildtec confirmed a 45 year term as their minimum lease term and would consider early exit options by including a mechanism to calculate an appropriate exit value for Council. At 45 years the total cash return to Council is \$17.2 million and \$5.4 million at year 20, allowing for an average annual escalation of a 2.5% CPI increase.

Based on the RFP submission it is proposed that Council progress negotiations with Buildtec to enter into a long term lease of up to 45 years incorporating potential exit options and financial implications for the options proposed.

RECOMMENDATION

That Council:

- 1. Notes the outcomes of the Request for Proposal process for the vacant land north of City Services.**
- 2. Endorses Administration to progress negotiations with Buildtec to enter into a grounds lease of up to 45 years for a bulky good facility on the vacant land north of City Services.**
- 3. Notes that following negotiations with Buildtec, a further report will be brought back to Council for consideration.**
- 4. In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, Request for Proposals – City Services Surplus Land, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d)(i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2021.**

DISCUSSION

Background

The surplus land is contained within Certificate of Title Volume 5494 Folio 674 and is an irregular shape of 7,539 square metres and has approximately 65 metres of frontage on Marion Road. The land was formally used as a plant nursery by Council prior to the redevelopment of City Services. The site is not classified as community land as it is used for Council operations and therefore there is no limitation on the term of the agreement or requirement to undertake public consultation should Council wish to enter into a long term lease.

Altus Traffic previously held a 12 month licence to use a portion of the land for car parking at a rate of \$518 plus GST per month. Altus Traffic is currently licensing the land from Council. The licence is currently in a holding over arrangement and can be terminated by giving one months notice. Altus Traffic have been advised of Council's RFP process and the outcome will likely impact on their current arrangement with Council.

At the 25 November 2019 General Council meeting, Council considered a report regarding the surplus land to the north of City Services site.

Council resolved the following:

1. *Notes the report outlining options for the surplus City Services land (the Land) being the northern 7,539m² portion of the land contained within Certification of Title Volume 5494 Folio 674.*
2. *Authorises Administration to test market interest for medium to long term lease of the site as currently presented.*

Request for Proposal Process

A RFP was released via the Tender SA website opening on 26 February 2021 and closed 23 April 2021. Further advertising was undertaken through advertisements appearing in the commercial properties section of The Advertiser and signage on the front of the site facing Marion Road during this period.

The RFP sought proposals to:

- lease the land as is, and
- proponents to provide details of the proposed development and/or use for the land,
- the proposed lease term and potential financial arrangements.

The RFP process provided Council with an opportunity to determine the level and type of market interest, allowing Council to end the process or option to progress to preparation of a detailed business case or alternatively proceed with negotiations from the suitable proponents for further consideration by Council.

There were 109 downloads of the RFP by a range of companies including property developers, property agents, supermarket chain and various building industry companies.

One proposal was received from Buildtec and the proposal has been assessed against the brief and confirmed to meet the necessary requirements. A concept plan of their proposal is provided in Attachment 2.

Buildtec Proposal

Buildtec is a South Australian owned business and have a history of 55 years, their proposal seeks to lease the site for 50 years, construct a bulky goods facility providing up to 4 tenancies. Buildtec have identified Pet Stock as a major tenancy with other interest shown by Baby Bunting and RSE Safety Equipment as tenants.

Buildtec have indicated they will be the property developer and builder of the development and are proposing to hold the development long term.

Administration met with Buildtec on 6 May 2021 to discuss their submission in more detail. Following the meeting Buildtec identified that they could consider a shorter term lease of 45 years. Buildtec also indicated at the meeting that they are prepared to provide options for year 25, 30, 35, and 40 with an agreed notice period and mechanism for calculating an exit value.

Following discussions with Buildtec on 2 July 2021 in relation to early exit arrangements options, they have provided Council with the following:

1. Termination of lease prior to Year 35

The exit value or purchase price by Council would be based on the difference between the current market value of the property (based on the capitalisation method) and the current market value of the unimproved land. This would be assessed by a licensed valuer jointly appointed by the parties.

2. Termination of Lease post Year 35

The exit value or purchase price by council would be based on the Insurance Replacement Cost of the built form improvements on the land which would be assessed by a licensed valuer jointly appointed by the parties.

The early exit arrangements provides Council with options to:

1. Terminate tenancy leases and use facility for Council purposes
2. Continue to lease to sub tenants for a period of time until alternative need identified
3. Terminate lease and demolish should Council require the site for alternative use

Buildtec were also requested to provide further details of similar developments they have undertaken (refer to Attachment 3) a summary of these include:

- Bridgestone, Edinburgh Park
- Spotless Services Dudley Park
- Commonwealth Dept of Defence, Dudley Park
- Global Meats, Wingfield
- Startrak Express Wingfield
- Fletcher Insulation, Wingfield
- Northern's Plumbtec Prospect and Agnes

Buildtec have submitted a rental proposal of \$28 per square metre, a total of \$211,092 per annum for the site. Administration sought a valuation in November 2020 which indicated a market land rent of \$185,000 per annum. At 45 years, the total cash return to Council is \$17.2 million and \$5.4 million at year 20, allowing for an average annual escalation of a 2.5% CPI increase.

It is recommended that Council progress Buildtec's proposal and commence negotiations to enter into a long term lease of up to 45 years. Following negotiations a further report will be presented to Council for consideration.

Confidentiality Provisions

As this proposal is currently under consideration, the proponent's information along with Council's current negotiating position is still considered commercial in confidence. Once negotiations are finalised and terms are agreed (which will be the subject of a future report to Council) consideration can be given at that time as to the release of minutes, reports and attachments. For the above reasons, it is recommended that the minutes, report and attachments are kept in confidence at this stage.

ATTACHMENTS

1. Attachment 1 Project Brief [**12.3.1** - 11 pages]
2. Attachment 2 RFP Phase 1 Build Tec Group [**12.3.2** - 52 pages]
3. Attachment 3 RFP Buildtec further information [**12.3.3** - 3 pages]