

**CITY OF MARION
GENERAL COUNCIL MEETING
28 NOVEMBER 2017**

CONFIDENTIAL REPORT

Originating Officer: Adrian Skull, Chief Executive Officer
Vincent Mifsud, General Manager Corporate Services

Subject: Expression of Interest for Potential Property
Acquisition Opportunity at Morphetville

Report Reference: GC281117F07

If the Council so determines, this matter may be considered in confidence under Section 90(3)(b) of the *Local Government Act 1999* on the grounds that the report contains information that could prejudice the commercial position of the Council



**Adrian Skull
Chief Executive Officer**

RECOMMENDATION:

That pursuant to Section 90(2) and 90(3)(b) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Adrian Skull, Abby Dickson, Tony Lines, Vincent Mifsud, Kate McKenzie, Ray Barnwell, Carol Hampton and Victoria Moritz, be excluded from the meeting as the Council receives and considers information relating to the Expression of Interest for a potential property acquisition opportunity at Morphetville, 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 given the commercial information and disclosure of the information could reasonably be expected to prejudice the commercial position of the council.

REPORT OBJECTIVE

The purpose of this report is to seek Council direction on submitting an Expression of Interest for a potential Property Acquisition opportunity at 4 Gordon Terrace Morphettville.

EXECUTIVE SUMMARY

CBRE have advertised for sale by Expression of Interest (EOI) a 5,000 sqm property at 4 Gordon Terrace Morphettville, which is currently owned by Eureka Care Communities (Morphettville) Pty Ltd., a company registered in Queensland. This property was last sold on 24 June 2016 for a value of \$3,222,000 and was formerly a supported residential care facility. It has been vacant for approximately 8 weeks. It is important to note that the main building on this site is Heritage Listed.

The EOI is seeking the following information:-

1. Purchase Price excluding GST (the Offer);
2. Purchasing Entity;
3. Deposit (typically 5 to 10%); payable two days after the Form 1 under the Land and Business (Sale and Conveyancing) Act 1994 or the contract is signed, whichever is the later;
4. Settlement Terms (30 to 60 days is standard);
5. Any terms or conditions associated with the offer.

It is important to note that the potential acquisition of the property is based on an EOI and that by definition *Proponents preparing and lodging a submission should note that an invitation to lodge an EOI is not an offer but is an invitation to interested parties to lodge a submission and demonstrate their capability to undertake their submission.*

In considering whether or not Council should lodge an EOI the following critical documentation, which is expected to be tabled at the Council meeting, has been sought on the basis of ensuring the strictest confidence is maintained and, as a minimum, should be considered by Council in informing its decision:-

1. Independent Valuations x 2
2. Independent Engineering/Building Inspection report (Structural Condition and Building Code)
3. Independent Heritage Listing assessment

Given the limited information currently available and the risks this brings, Council should consider if it will lodge a non-binding EOI for the property and if so what that EOI ought to be.

The Expression of Interest closes at 4.00 pm (Adelaide Time) on Thursday 30th November 2017 (**Closing**).

The addition of a 5th Neighborhood Centre is a significant service and strategic decision for Council and the necessary Due Diligence work would require a minimum period of 4 to 6 months to be conducted.

Should Council resolve to submit a non-binding EOI for this potential acquisition, and this EOI is accepted by the vendor, it is crucial that thorough and extensive Due Diligence is conducted to enable Council to make a fully-informed decision as to whether or not to proceed with submitting a formal offer for the property.

As a minimum such due diligence should include assessment and consideration of a Section 48 Prudential Management report that includes:-

- Risk Assessment
- Alignment with Council's Strategic Plan
- Conditions of sale and purchase
- Settlement terms and conditions
- Background information and history of the property
- Property interests report, including a Section 7 property search
- Community engagement
- Community needs analysis
- Community benefits and opportunities
- Developed strategy as to what the acquired property is intended to be used for
- Subdivision restrictions
- The additional ancillary legal and professional costs and stamp duty above the specified purchase price that will be incurred, which could be in the order of \$200,000 +
- Funding options
- Whole of Life costings
- Ability to generate future revenues

RECOMMENDATIONS

DUE DATES

That Council:

- | | |
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| 1. Notes the potential property acquisition opportunity at 4 Gordon Terrace Morphettville. | 28 Nov 2017 |
| 2. Resolves to submit a <u>non-binding</u> Expression of Interest (EOI) for the property at 4 Gordon Terrace Morphettville, noting the extensive Due Diligence required to be undertaken to enable an informed decision to be made. | 28 Nov 2017 |
| OR | |
| Resolves not to submit an Expression of Interest (EOI) for the property at 4 Gordon Terrace Morphettville. | |
| 3. Authorises the Chief Executive Officer to submit a <u>non-binding</u> EOI offering up to \$xxx excluding GST and providing a statement of proposed use. | 28 Nov 2017 |

4. Notes that the acquisition of the subject property would involve incurring additional ancillary legal and professional costs and stamp duty over and above the specified purchase price and are likely to be in the order of \$200,000 +. 28 Nov 2017
5. Delegates authority as required to the Chief Executive Officer to execute all documentation associated with the negotiations and transactions for the EOI, including to affix the company seal where required. 28 Nov 2017
6. Requests a subsequent report be brought back to Council outlining the final outcomes and result of all negotiations in relation to the EOI, including detailed and extensive Due Diligence in the form of a Section 48 Prudential Management report that includes:- 30 Jun 2018
- Risk Assessment
 - Alignment with Council's Strategic Plan
 - Conditions of sale and purchase
 - Settlement terms and conditions
 - Background information and history of the property
 - Property interests report, including a Section 7 property search
 - Community engagement
 - Community needs analysis
 - Community benefits and opportunities
 - Developed strategy as to what the acquired property is intended to be used for
 - Subdivision restrictions
 - The additional ancillary legal and professional costs and stamp duty above the specified purchase price that will be incurred, which could be in the order of \$200,000 +
 - Funding options
 - Whole of Life costings
 - Ability to generate future revenues
7. In accordance with Section 90(3) of the Local Government Act 1999 the Council orders that this report, Expression of Interest for Potential Property Acquisition Opportunity at Morphettsville and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) of the Act, except where 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 2017. 12 Dec 2017

DISCUSSION

EOI's have been sought by CBRE regarding a property located at 4 Gordon Terrace Morphetville. The property is currently owned by Eureka Care Communities (Morphetville) Pty Ltd a company registered in Queensland and has been vacant for approximately 8 weeks. The main building on this site is Heritage Listed.

This may present Council with a potential Land Acquisition opportunity.

The addition of a 5th Neighborhood Centre is a significant service and strategic decision for Council and the necessary Due Diligence work is extensive and would require a minimum period of 4 to 6 months to be conducted.

Given the limited information currently available and the risks this brings, Council should consider if it will lodge a non-binding EOI for the property and if so what that EOI ought to be.

In considering whether or not Council should lodge a non-binding EOI the following critical documentation, which is expected to be tabled at the Council meeting, has been requested and, as a minimum, should be considered by Council in making an informed decision about whether or not it should proceed with submitting an EOI. It is anticipated that this information will be tabled at the Council meeting on Tuesday 28th December and includes:-

1. Independent Valuations x 2
2. Independent Engineering/Building Inspection report (Structural Condition and Building Code) with a Building Code Assessment (BCA) and a Condition/Dilapidation Assessment
3. Independent Heritage Listing assessment

Should Council resolve to submit a non-binding EOI and that EOI is accepted, Council Administration will undertake an extensive Due Diligence assessment to ensure that Council is well informed before making a decision about whether or not to proceed with a formal purchase offer. The minimum Due Diligence requirements are detailed in the Executive Summary of this report.

CONCLUSION

This report seeks Council direction about submitting an Expression of Interest for a potential Property Acquisition opportunity at 4 Gordon Terrace Morphetville.