

Potential Land Acquisition Sturt Road, Marion

Originating Officer	Manager City Property - Megan Hayward
Corporate Manager	Manager City Property - Megan Hayward
General Manager	General Manager City Development - Abby Dickson
Report Reference	GC190611F07

Confidential



Confidential Motion

That pursuant to Section 90(2) and (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, Ray Barnwell, Kate McKenzie, Megan Hayward, Greg Salmon, Clare Benn Heather Michell, Victoria Moritz and Craig Clarke, be excluded from the meeting as the Council receives and considers information relating to Potential Land Acquisition, 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 information relates to commercial information that would on balance be disadvantageous to Council.

REPORT OBJECTIVE

To bring Council's Council attention to a strategic opportunity to purchase land adjacent Marion Sports and Community Club which specifically adjoins the croquet greens on the south side. The report outlines the opportunities and risk associated with purchasing this land and seeks Council's direction.

EXECUTIVE SUMMARY

The property at 244 Sturt Road Marion is located right next door to the Marion Sports and Community Club and specifically adjoins the croquet greens on the south side. It is an original 60s dwelling set on 900m2 of land.

The property originally came onto the market in April 2019. As soon as Administration became aware that the property was on the Market enquiries were made, however the property was already under contract.

Administration recently became aware that the property had been put back on the market when they were contacted by the recent purchaser of this property on Saturday 25 May 2019, seeking assistance in moving the property on from his recent acquisition. He stated that he has made an uninformed purchase decision and was seeking Councils assistance as follows; *"Is there anyone, or any builder, that the council knows, that can buy the home, or help in anyway"*.

The property had been held in the same family since 1964 and was marketed as *'a prime redevelopment parcel for a residential property, with the potential to fit 3 residential residences'*. At the time it was assumed by the speediness of the sale that the property was most likely sold to an investor on the Real Estate Agent's books, as it was under offer as soon as it was on the market and hence City of Marion (CoM) had no opportunity to acquire the property.

The property has been put the property back on the market and engaged the services of Ray White Real Estate. The asking price is \$450,000- \$490,000. The previous sale price was \$450,000. (Refer attachment 1:

land assessment report for full details).

The purchase of the property 244 Sturt Road on its own would not benefit Council's strategic objectives to acquire land adjacent the existing croquet site to support future development. Council would need to as a minimum secure both this site and the site to the north located at 6 Shelley Avenue. The two sites are currently valued at \$985,000 VG.

This report outlines the risk and opportunities associated with the potential acquisition of this property and seeks Council's direction.

RECOMMENDATION

That Council:

- 1. Notes the potential property acquisition at 244 Sturt Road Marion.**
- 2. Resolves not to submit an Expression of Interest for the property at 244 Sturt Road Marion.**
- 3. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, *Potential Land Acquisition Sturt Road* and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) 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 2019.**

OR

- 1. Approves submitting and Expression of Interest to purchase the property at 244 Sturt Road, Marion.**
- 2. Authorises the Chief Executive Officer to submit and Expression of Interest for the purchase of purchasing 244 Sturt Road, Marion offering up to \$400,000.**
- 3. Authorises the Chief Executive Officer to enter into negotiations with the owners of 6 Shelly Avenue, Marion with the view to purchase at a maximum purchase price of \$465,000 (VG Value) or alternatively the opportunity to enter into a legally binding agreement on the first right of refusal at a future point in time.**
- 4. Note a further report will be provided to Council on the outcomes of the negotiations.**
- 5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, *Potential Land Acquisition Sturt Road* and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) 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 2019.**

DISCUSSION

Background:

Council have identified in its 2019/23 4 Year Business Plan to review options for recreational facilities at 262 Sturt Road in 2021 and if feasible, commence implementation in 2021-22. The croquet greens are currently underutilised. Once a thriving sport and club, they currently only have around 11 members.

The croquet club has approached Administration earlier in the year to upgrade the greens and club room facilities, however the President has informed staff that they are struggling to keep going as they are not getting any new members and that they were heading for potential closure.

At the other end of the Marion Sports and Community Club the former ladies bowling greens and club rooms also sit unused. An EOI for a short term licence is soon to be undertaken for this site.

Just before the property came to the attention of Administration staff, Council had undertaken extensive inquiries into the potential to build an ice skating facility over the existing croquet greens area. This project did not proceed for a number of reasons, which included, but was not limited to, the significant traffic management concerns for the site, as Sturt Road is a DPTI road.

The purchase of additional land adjacent the croquet site would support future development of this site. The following sections provides Council with information on the risks and opportunities associated with the purchase of the property located at 244 Sturt Road Sturt.

Risk & Opportunities

Site Assessment & Valuation

Attachment 1 to this report provides Council with a site assessment of 244 Stuart Road, Sturt including valuations.

Size of allotment

The purchase of the property 244 Sturt Road on its own would not benefit CoM. Council would need to as a minimum secure both this site and the site to the north, 6 Shelley Avenue. - See Appendix 3. These two sites are currently valued at \$985,000 VG.

6 Shelley Avenue

Should initial discussions with the freeholder to purchase 6 Shelley Avenue prove successful, Administration will obtain two independent valuations to support a proposed purchase price.

Should the freeholder not be looking to dispose of their interest at this stage, Administration will seek to enter into a legally binding contract for a first right of refusal to purchase the premises at a later date.

Purchase of Block

An alternative would be to consider the strategic purchase all of the 9 properties that make up the remainder of the block to Finniss Street. These properties are currently valued at \$4,245,000 VG. The estimated cost to Council in fees, charges and duties to purchase all 9 properties would be in the order of \$300,000. (Refer appendix 2: Ownership Details adjoining properties 30 may 2019).

Long term following the completion of the City Property Strategic Asset Management Plan, should it be determined that the Marion Sports and Community Club be expanded then the acquisition of all 9 properties could be considered by Council

Zoning

Should Council expand the use on the land in question, then it will be a change of use from residential, to a non-residential use upon that land. Any change of use application would be considered on its merits at the time, but could be non-complying. In which case Council would need to pursue a non-complying process.

Current Condition of property

Due to the current state of the property if Council were to purchase and sit on the property for a period of time, with the view to leasing it out, a reasonable investment would need to be made to bring it up to an acceptable standard of accommodation in the short term. The current owner commenced renovations and so a significant portion of kitchen has been removed. It is suggested around \$80,000 would be required to bring the property up to an acceptable standard.

The agent has informed administration that there is a healthy student accommodation market, with the proximity to Flinders University and Flinders Medical Precinct and there is the potential to attract up to \$150pw per room rental accommodation. This equates up to \$600pw if all 4 rooms were occupied.

An alternative for Council could be to purchase and demolish the house and clear the site, approx. \$12,000.

Given Council is not in the business of private rentals it is recommended should Council purchase the property that the house be demolished and it be retained as vacant land until utilised for development.

Strategic Alignment

At this point in time Council has not considered the future development opportunities for the croquet site and therefore the potential benefits of purchasing additional adjacent land is unknown. The site and its future opportunities will be considered as part of Council's City Property Strategic Asset Management Plan in place,

Should Council purchase the property at this point in time it will be doing so without the full suite of evidence and data to inform how this land will be developed in the future.

The worst case scenario here is that Council would need to on sell 244 Sturt Road, Marion in the future, as a subdivided residential block. It is anticipated however, that demand for a cleared subdivided residential block would be relatively high and Council would be able to fully recover all costs associated with the initial purchase.

Financial Impact

Council has the funding capacity to purchase both properties valued in the order of \$995,000

Conclusion

The Marion Sports and Community Club in its current format with its location, amenity and 5,000 strong club members is a significant site. It is the City's largest sporting complex and there is an opportunity to re imagine how this facility will look in line with the work of the City Property Strategic Asset Management Plan.

If Council determines that the purchase is warranted and would like to proceed with the purchase, then immediate conversations and negotiations would need to take place with the owners of 6 Shelly Avenue.

The opportunity is unique and the current owner needs an immediate sale. Administration have investigated the property in person and following this see the merit in its purchase now, at a purchase price of no greater than \$400,000 as various fixtures have been removed and improvements would be required.

As discussed above the purchase of 6 Shelly Avenue, Marion is required should Council wish to extend the Western boundary of the Marion Sports and Community Club. However, in order to move quickly and capitalize on the purchase of 244 Sturt Road, the purchase of 6 Shelley Avenue must be undertaken independently and not included as a condition of the 244 Sturt Road purchase.

Attachment

#	Attachment	Type
1	Appendix 1 Land Assessment 300519 - 244 Sturt Road Marion	PDF File
2	Appendix 2 Ownership details adjoining properties 30 May 2019	PDF File
3	Appendix 3 - Site plan	PDF File

244 Sturt Road Marion

Ray White Real Estate – Sam 0401 757 819

Updated 30 May 2019

Certificate of Title	Certificate of Title Volume 5660 Folio 780
Land Description	Allotment 1 in Filed Plan 147235 in the area named Marion, Hundred of Noarlunga
Owner	Colin Wilfred Hersey
Area of Land	Approximately 867 sq m
Ward	Warriparinga
Ray White website link	https://raywhitebrighton.com.au/properties/residential-for-sale/sa/marion-5043/house/2116479
Asking Price	\$450,000 - \$490,000
Valuer General's Valuation	Site Value - \$520,000 Capital Value - \$520,000
Date of Last Sale	6/5/19
Amount of Last Sale	\$450,000
Valuation – Independent Valuer 1	Valuer not engaged
Valuation – Independent Valuer 2	Valuer not engaged
Description	<p>The property is advertised as:</p> <p>The house on 244 Sturt Road Marion is in its Original 1960's condition and set on approx. 900sqm. It is not often an opportunity to acquire a property of this size and in such a central location becomes available on the market.</p> <p>Ideal for the lovers of the 60's era to renovate an original property and with plenty of land to add an extension.</p> <p>Four good sized bedrooms, a centrally located bathroom with a separate toilet, lounge room and good sized kitchen. There is a covered back veranda, large back yard with a double sized shed.</p>
Encumbrances	Nil
Easements	Nil
Tenancy	Vacant
Heritage Listing	Not listed

244 Sturt Road Marion

Ray White Real Estate – Sam 0401 757 819

Updated 30 May 2019

Contamination	<p>Council's records indicate that there is no known contamination.</p> <p>Further information will be provided on the Property Interest Report when available from the land agent</p>
Zoning / Land Use	<p>Zoned – Residential Northern Policy Area 13</p> <p>Land Use – House</p>
Development Applications	Nil
Development Potential as part of the Marion Sports Club	<p>Any change of use application would be considered on its merits at the time.</p> <p>Consideration as to what the allotment will be used for , including its potential amenity impacts (i.e. if it is used as a car park then noise etc,) would impact any potential assessment.</p> <p>Unfortunately we could not provide a definitive answer one way or the other - this would be provided via an assessment.</p> <p>If the Marion Sports and Community Club are looking to expand their use(s) onto that land, then it will be a change of use to a non-residential use upon that land. To this end, it's worth considering that the Development Plan stipulates a number of non-residential uses such as "shop, office and consulting rooms, with a gross leasable area of more than 150sqm or "indoor recreational centre" or "car parking" as non-complying. Therefore, if the result is a change of use over that land to one which is deemed non-complying, then you would need to pursue a non-complying process.</p>
Drainage and other Council Infrastructure on the Land	None
Statutory Easements	<p>South Australia's electricity supply and transmission businesses have statutory easements over land where part of the electricity distribution or transmission system was on, above or under the land as at particular dates specified by legislation. This date changes from time to time. Where in existence, statutory easements provide electricity supply and transmission businesses with the right of entry to operate, repair, examine, replace, modify or maintain their equipment and to bring any vehicles or equipment onto the land and to install, operate and carry out work on any telecommunications cables or equipment that may be incorporated in or attached to their equipment.</p> <p>A statutory easement is not generally registered on the title for the land.</p>
Trees	Unable to determine from a desktop study. It appears that there is a large tree in the front yard.

244 Sturt Road Marion

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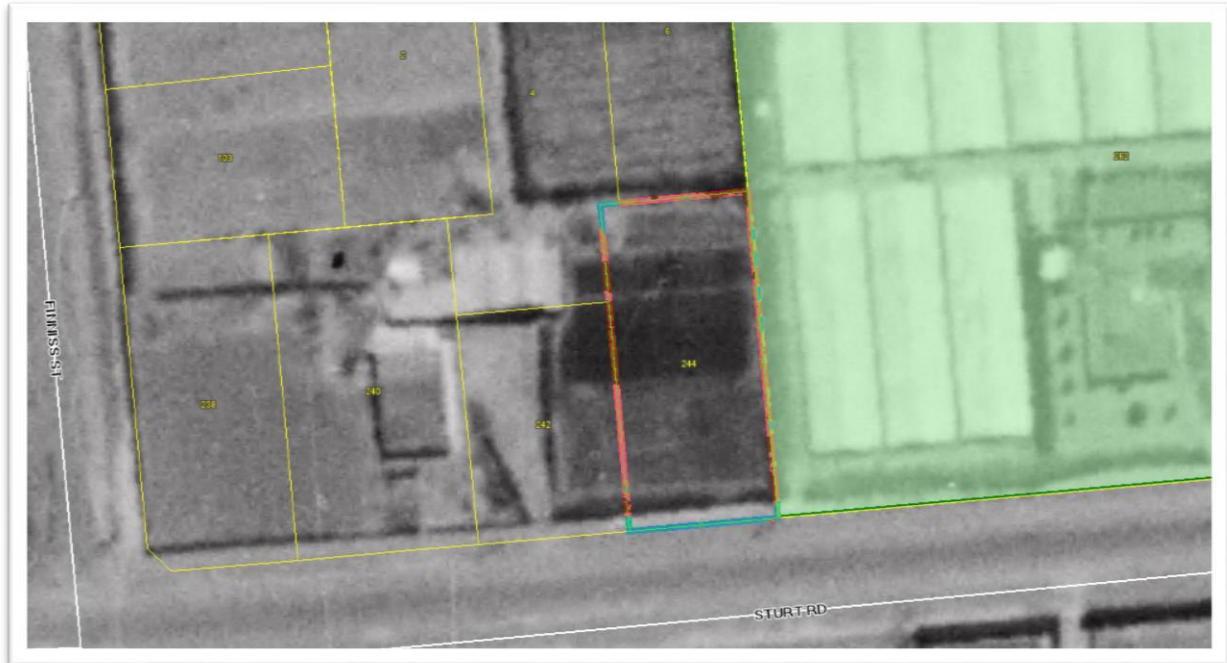
Updated 30 May 2019

Rates and Taxes 2018/19 (per annum)	ESL	\$ tba
	Land Tax	\$ tba
	Council per annum approx	\$2,183.30
	SA Water per qtr	\$226.67
	Exemptions may be available from the beginning of the next financial year following the settlement date.	
	NOTE: The full details of the property are not available as at 30 May 2019	

244 Sturt Road Marion
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Historical Images

1949 Aerial Image



1999 Aerial Image



244 Sturt Road Marion
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Updated 30 May 2019

Current Images



244 Sturt Road Marion
Ray White Real Estate – Sam 0401 757 819
Updated 30 May 2019



244 Sturt Road Marion
Ray White Real Estate – Sam 0401 757 819
Updated 30 May 2019



244 Sturt Road Marion
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Updated 30 May 2019



244 Sturt Road Marion

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Updated 30 May 2019

ESTIMATED PURCHASE COSTS

Estimated purchase costs of 244 Sturt Road Marion as a stand alone purchase (see note above)	
Estimated adjustment of rates and taxes on the basis that settlement is in early July 2019 - Exemptions may be available from the beginning of the next financial year following the settlement date	\$1,000
Stamp Duty based on a \$500,000 purchase price	\$21,130
Lands Titles Office registration fee (fees will increase on 1 July 2019)	\$3,993
Conveyancing (inc GST)	\$880
Searches and disbursements	\$350
TOTAL	\$27,353

Ownership information of properties bounded by the Marion Croquet Club, Shelley Avenue,
Finniss Street and Sturt Road, Marion

Address	Certificate of Title	Date of purchase	Purchase price (if readily available at no cost)	VG's Capital Value
238 Sturt Road Marion	5656/754	25/11/2005	\$246,500	\$465,000
240 Sturt Road Marion	5477/260	7/11/1997		\$430,000
242 Sturt Road Marion	6066/577	24/9/1971		\$425,000
244 Sturt Road Marion	5660/780	6/5/2019	\$450,000	\$520,000
101 Finniss Street Marion	5117/203	24/10/2001		\$445,000
103 Finniss Street Marion	5369/130	22/3/2012	Pursuant to a will	\$445,000
2 Shelley Avenue Marion	6222/210	15/1/2014	\$447,500	\$500,000
4 Shelley Avenue Marion	6222/211	18/4/2017	\$594,000	\$550,000
6 Shelley Avenue Marion	5359/450	4/11/1996		\$465,000
TOTAL CAPITAL VALUE AS PER THE VALUER GENERAL'S ASSESSMENT				\$4,245,000

NOTES

1. The Valuer General's valuation may not reflect the actual market value of the property. As shown above, the recent sale price of 244 Sturt Road Marion is substantially lower than the Valuer General's value. This may be due to the condition of the dwelling.
2. Full property details are not available as at 30 May 2019
3. The Stamp Duties Act provides that where one or more purchases arise substantially out of one transaction, stamp duty is paid on the total of all purchase prices. A purchase of two or more of the properties above within a 12 month timeframe will be captured by this provision.

Estimated purchase costs of all nine properties as one transaction	
Estimated adjustment of rates and taxes on the basis that settlement is in early July 2019 - Exemptions may be available from the beginning of the next financial year following the settlement date	\$9,000
Stamp Duty based on a \$4,245,000	\$227,305
Lands Titles Office registration fee based on \$4,245,000 (fees will increase on 1 July 2019)	\$34,930
Conveyancing (inc GST) (subject to fee estimates)	\$9,000
Searches and disbursements	\$3,150
TOTAL	\$283,385

Site Plan

6 Shelley Ave



244 Sturt Road

Marion Croquet Club Site