

Management report to Council

Agenda item 6.2

Proposed sale of 34 – 60 Little Collins Street, Melbourne

Council

Presenter: Rick Kwasek, General Manager Infrastructure and Amenity

26 March 2024

Purpose and background

1. The purpose of this report is to seek Council approval to commence the statutory process to sell the Council owned property at 34-60 Little Collins Street, Melbourne (the Land).
2. Council adopted the Sale and Acquisition of Land Policy (SALP) in June 2019 to guide decision making in relation to the disposal and acquisition of Council owned land.
3. The Property Portfolio Plan was subsequently endorsed by Council in September 2021 and guides property decisions. Through the development of this plan, and in support of strengthening links to the ten year financial plan, an assessment was undertaken across Council's property portfolio to identify property assets that are either underutilised with a potential for greater use or return or are surplus to requirements.
4. A three-stage assessment process is undertaken for any proposed sale of Council land:
 - 4.1. Stage One involves a neighbourhood wide analysis assessment in accordance with the Property Portfolio Plan.
 - 4.2. Stage Two involves assessment against the six sale of land retention of land principles set out in the SALP.
 - 4.3. Stage Three involves a sale of land assessment to determine whether the land is suitable for sale in accordance with the sale of land criteria set out in the SALP.
5. The Land is owned by Council and subject to a 75-year lease agreement with Dexus, who own and operate an eight-storey car park, basement and retail premises on the Land. The lease agreement is due to expire on 30 June 2037. An electrical substation owned by CitiPower is also located on part of the Land, with a lease due to expire on 30 June 2037, with an option for a further 50-year lease.
6. The Land is included within a Capital City Zone 1 and DDO62-B4 Built Form Bourke Hill Area B4 overlay.
7. The Land is currently underutilised, provides an under value yield and is not being used for a current Council service.

Key issues

8. Following the Three Stage Sale of Land Assessment, the Land was identified as not being required for retention and suitable for potential divestment. The Land was identified as surplus to requirements as the Land does not meet the needs nor is deemed suitable for an identified current or future Council delivered community, social or recreational service. The Land is also unsuitable to be repurposed for community benefit. Options for alternate uses of the Land in the short term are limited due to the existing lease encumbrance on the Land until 2037 which extends past Council's planning for service delivery.
9. Market sounding has indicated that there is potential market interest in the sale of the Land on an as-is basis with the lease in place.
10. Subject to the Council proceeding with the sale, it is intended that the proceeds of the potential sale be reinvested into city-shaping infrastructure projects and the capital works program to provide vital community services
11. The proposed sale of the Land would not terminate the existing lease, meaning that unless a mutual agreement is reached to terminate the lease, the car park would continue to operate until 2037.

12. Before deciding on the sale of Council land, a formal statutory process pursuant to section 114 of the *Local Government Act 2020* (the Act) must be carried out, which includes undertaking a community engagement process. Subject to endorsement, a statutory community engagement process on the proposed sale of the Land will be undertaken in April 2024. Management will then consider feedback, ahead of a further report to Council for a decision on the proposed sale.
13. The sale of the Land has the opportunity to foster Council's strategic objectives by way of incentives in the potential sale terms e.g. affordable housing. These opportunities will be explored as a part of the proposed sale process, noting that any future development of the Land would be subject to the normal planning requirements and approvals.

Recommendation from management

14. That Council:
 - 14.1. Proposes to sell the council owned land at 34-60 Little Collins Street, Melbourne (the Land).
 - 14.2. Pursuant to section 114 of the *Local Government Act 2020*:
 - 14.2.1. authorises notices of Council's intention to sell the Land to be placed on Council's website
 - 14.2.2. undertakes a community engagement process (Community Engagement Process) in accordance with Council's Community Engagement Policy in relation to the proposed sale of the Land.
 - 14.3. Notes the Community Engagement Process on the proposed sale will be carried out by management under delegation.
 - 14.4. Notes the results of the Community Engagement Process on the proposed sale and resulting recommendations by management in respect to the proposed sale will be the subject of a further report to Council.

Attachments:

1. Supporting Attachment (page 3 of 3)

Supporting Attachment

Legal

1. Where the Council proposes to sell land, it must comply with the Act.
2. Pursuant to section 114(2) of the Act and before selling the land, the Council must:
 - 2.1. at least 4 weeks prior to the sale, publish notice of intention to do so on the Council's Internet site
 - 2.2. undertake a community engagement process in accordance with its community engagement policy;
 - 2.3. obtain from a person who holds the qualifications or experience specified under section 13DA(2) of the *Valuation of Land Act 1960* a valuation of the land which is made not more than 6 months prior to the sale.

Finance

3. It is proposed the Land be sold on the open market by a competitive public process (auction or EOI).
4. Management will obtain a valuation from a certified practicing valuer to assess the current market value of the Land, taking into account the highest and best use of the Land.

Conflict of interest

5. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

6. In developing this proposal, no Occupational Health and Safety issues or opportunities have been identified.

Stakeholder consultation

7. The Community engagement process will be carried out in accordance with Council's Community Engagement Policy.

Relation to Council policy

8. This report has been prepared in accordance with the SALP.

Environmental sustainability

9. In developing this proposal, no environmental sustainability issues or opportunities have been identified.