

Committee report to Council	Agenda item 5.1
	Council
Proposed Property Divestments	29 November 2022

Committee Future Melbourne (City Transport, Infrastructure and Operations portfolio)

Presenter Cr Le Liu

Purpose

1. The purpose of this report is to seek Council endorsement of the proposed property divestments as set out in the recommendation of this report.

Consideration at Committee

2. Following consideration by the Future Melbourne Committee (the Committee) on 22 November (refer to Attachment 1), the Committee endorsed the recommendation as set out in paragraph 12 of the report from management.

Recommendation:

3. That Council:
 - 3.1 notes it has received, and considered the community's feedback (as noted in attachment 3 of the report from management) in relation to its proposal to sell the council owned land at:
 - 3.1.1 47-49 Canning Street, Carlton
 - 3.1.2 100-104 A'Beckett Street, Melbourne
 - 3.1.3 505-513 Abbotsford Street, North Melbourne
 - 3.1.4 30-38 Gatehouse Drive, Kensington
 - 3.2 commences a planning scheme amendment to rezone the land at 30-38 Gatehouse Drive, Kensington to a more appropriate zone
 - 3.3 finalises the statutory procedures in accordance with the *Local Government Act 2020* to sell by a competitive market process, at or above a reserve established by a market valuation:
 - 3.3.1 47-49 Canning Street, Carlton
 - 3.3.2 505-513 Abbotsford Street, North Melbourne,
 - 3.4 finalises the statutory procedures in accordance with the *Local Government Act 2020* to sell the land at 100-104 A'Beckett Street, Melbourne by competitive market process at or above a reserve established by a market valuation, yet still provide the opportunity to incorporate into the potential sale terms an incentive to provide affordable housing at the site
 - 3.5 enters into a two year lease with Midwives and Mothers Australia at 30-38 Gatehouse Drive, Kensington at a market rental while rezoning is considered
 - 3.6 notes any future proposal to sell 30-38 Gatehouse Drive, Kensington will require a new community engagement in accordance with section 114 of the Local Government Act 2020
 - 3.7 directs the Chief Executive Officer to apply the proceeds of sale to community infrastructure projects identified in the financial years 2022-23 and 2023-24 budget and communicate details of these projects to the community
 - 3.8 authorises the Director City Property to take all necessary actions and execute all necessary documents including each Contract of Sale and Vendor's Statement to implement the sale referred in paragraphs 3.3 and 3.4 above
 - 3.9 notes the results of the Community Engagement Process and resulting decision will be published on Participate Melbourne.

Council Report Attachment:

1. Future Melbourne Committee, Agenda item 6.5 22 November 2022 (Page 2 of 14)

Proposed Property Divestments

22 November 2022

Presenter: Roger Teale, General Manager Property, Infrastructure and Design

Purpose and background

1. The purpose of this report is to consider the community feedback in relation to Council’s proposal to sell four Council owned properties in accordance with section 114 of the *Local Government Act 2020* (the Act). A summary of the community feedback is in Attachment 2.
2. Council adopted the Sale and Acquisition of Land Policy in June 2019 (amended by Council on 25 October 2022) to guide decision making in relation to the disposal and acquisition of Council owned land.
3. The Property Portfolio Plan was endorsed by Council in September 2021 and guides property decisions for the period 1 July 2021 to 30 June 2022. Through the development of this plan, and in support of strengthening links to the 10 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 and/or return, or are surplus to requirements.
4. Four properties were identified for potential divestment and assessed against the sale criteria within the Sale and Acquisition of Land Policy:
 - 4.1. 47-49 Canning Street, Carlton
 - 4.2. 100-104 A’Beckett Street, Melbourne
 - 4.3. 505-513 Abbotsford Street, North Melbourne
 - 4.4. 30-38 Gatehouse Drive, Kensington
5. The four properties have been assessed taking into consideration the current and future demand of community infrastructure as identified in the Infrastructure Plan, Open Space Strategy, Affordable Housing Strategy and other relevant strategies and plans. The four properties did not meet the needs, nor were deemed suitable for any identified current or future Council delivered community, social or recreational infrastructure and services.
6. The property located at Gatehouse Drive, Kensington is currently zoned Local Government Zone and rezoning is required prior to any divestment. It is estimated that a rezoning planning scheme amendment will take 12-24 months.
7. Pursuant to section 114 of the Act, a formal statutory process has been carried out which included undertaking a community engagement process to ensure deliberative and targeted community participation.

Key issues

8. The community was asked for their feedback on the proposal to sell the four properties to contribute to city shaping infrastructure projects. The consultation was open between 4 July 2022 and 7 August 2022. The main feedback platform was an online survey on the Participate Melbourne website where respondents could indicate whether they supported or opposed the sale of each property, and explain the reasons for their response.
9. A corresponding social media campaign reached 66,512 people, generated 5,309 post engagements and drove 4,924 clicks. From a total of 66,512 people who were reached through social media, only 818 or 1.22 per cent actually chose to respond to the Participate Melbourne campaign.
10. The most frequent rationale for supporting property sale was based on the property currently being vacant, not used or used to its full potential. This was particularly the case for Canning Street which received the highest level of support for sale based on its current disuse.
11. Objections to the sale of the four properties were most often on the grounds that they should house community-oriented services. There was also aversion to the idea that the properties could be purchased by developers. Respondents implied that there would be greater acceptance for the sale of Council properties if assurance could be given the funds would directly benefit the community, especially by way of affordable housing.

Recommendation from management

12. That the Future Melbourne Committee recommends that Council:
 - 12.1. notes it has received, heard and considered the community's feedback (as noted in attachment 3) in relation to its proposal to sell the council owned land at:
 - 12.1.1. 47-49 Canning Street, Carlton
 - 12.1.2. 100-104 A'Beckett Street, Melbourne
 - 12.1.3. 505-513 Abbotsford Street, North Melbourne
 - 12.1.4. 30-38 Gatehouse Drive, Kensington
 - 12.2. commences a planning scheme amendment to rezone the land at 30-38 Gatehouse Drive, Kensington to a more appropriate zone
 - 12.3. finalises the statutory procedures in accordance with the *Local Government Act 2020* to sell by a competitive market process, at or above a reserve established by a market valuation:
 - 12.3.1. 47-49 Canning Street, Carlton
 - 12.3.2. 505-513 Abbotsford Street, North Melbourne,
 - 12.4. finalises the statutory procedures in accordance with the *Local Government Act 2020* to sell the land at 100-104 A'Beckett Street, Melbourne by competitive market process at or above a reserve established by a market valuation, yet still provide the opportunity to incorporate into the potential sale terms an incentive to provide affordable housing at the site
 - 12.5. enters into a two year lease with Midwives and Mothers Australia at 30-38 Gatehouse Drive, Kensington at a market rental while rezoning is completed
 - 12.6. notes any future proposal to sell 30-38 Gatehouse Drive, Kensington will require a new community engagement in accordance with section 114 of the *Local Government Act 2020*
 - 12.7. directs the Chief Executive Officer to apply the proceeds of sale to community infrastructure projects identified in the financial years 2022-23 and 2023-24 budget and communicate details of these projects to the community
 - 12.8. authorises the Director City Property to take all necessary actions and execute all necessary documents including each Contract of Sale and Vendor's Statement to implement the sale referred in paragraphs 12.3 and 12.4 above
 - 12.9. notes the results of the Community Engagement Process and resulting decision will be published on Participate Melbourne.

Attachments:

1. Supporting Attachment (Page 3 of 13)
2. Proposed Property Divestments table (Page 4 of 13)
3. Community Engagement Summary (Page 6 of 13)

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 six months prior to the sale.

Finance

3. Each piece of land will be sold on the open market by a competitive public process (auction or EOI).
4. Council will obtain a valuation from a certified practicing valuer to assess the current market value of the individual properties, taking into account the highest and best use of the property.

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 it has been identified that divesting surplus property that is vacant reduces safety concerns for Council staff, service providers and the general public.

Stakeholder consultation

7. The Community engagement process has been carried out in accordance with Council's Community Engagement Policy.
8. The community was asked for their feedback on the proposal to sell the four properties to contribute to city shaping infrastructure projects. The consultation was open between 4 July and 7 August 2022. The main feedback platform was an online survey on the Participate Melbourne website where respondents could indicate whether they supported or opposed the sale of each property, and explain the reasons for their response.

Relation to Council policy

9. This report has been prepared in accordance with the Sale and Acquisition of Land Policy.

Environmental sustainability

10. In developing this proposal, no environmental sustainability issues or opportunities have been identified however any proposals to use the properties for alternative purposes following divestment will require compliance with environmental sustainability requirements as per standard Planning or building permit processes.

Themes	Explanation	Council response
Develop the property into affordable housing	The properties should be used for affordable housing	<p>The properties at Canning Street and Abbottsford Street have not been identified as suitable for affordable housing due to their small size and location and would not meet the requirements under the Melbourne Planning Scheme</p> <p>There is potential for the sale of A'Beckett Street to deliver on City of Melbourne's Affordable Housing Strategy 2020-2030 by providing purchasers an incentive to undertake the development of social / affordable housing on the site.</p>
Retain for community use	The property should be retained for community use or services.	<p>The properties were assessed taking into consideration the current and future demand of community infrastructure as identified in the Infrastructure Plan, Open Space Strategy, Affordable Housing Strategy and other relevant plans and strategies and did not meet the needs, nor were deemed suitable, for any identified current or future Council delivered community, social or recreational infrastructure and services.</p> <p>Previous family and children services delivered from the properties have either relocated to new integrated family and children centres in Lady Huntingfield, North Melbourne Child Care Centre, North Melbourne Community Centre or will be relocated into the new Munro Community Hub (to be opened in 2023).</p>
Retain for MAMA services	MAMA's services invaluable to the community, and the current location was felt to be optimal for providing these services.	Although valuable to the community, the services offered by MAMA Services are not run by CoM and do not align with existing service provision (i.e. MCHN). MAMA is a privately run, for profit business that services the community inside the city of Melbourne as well as surrounding suburbs.
Financial and Funds from potential sale of the property	Council should retain public assets.	<p>On top of the maintenance and renewal costs of the properties to bring the buildings up to a standard for community use (namely accessibility), this would require a significant investment which is currently unbudgeted.</p> <p>Low possibility of commercial activation due to significant works required.</p>

	Clarification and explanation on how the money from the sale would be used.	Council will apply the \$15 million proceeds of sale to community infrastructure projects identified in the financial year 2022-23 and 2023-24 budget.
Risk of being purchased by a developer and preservation of heritage value	Public asset should not be sold to developers which would lead to detriment of neighbourhood amenities.	Any future development plans would be subject to planning and heritage considerations under the Melbourne Planning Scheme.

Proposed Property Divestments: Community Engagement Summary Report November 2022

Introduction

As the City of Melbourne seeks new opportunities and ways to enable growth in the city, a proposal has been developed to sell four properties that are no longer being used for a Council service. If the properties are sold, the proceeds would be reinvested into city-shaping infrastructure projects and the capital works program.

The four properties are:

1. 47-49 Canning Street, Carlton
2. 100-104 A'Beckett Street, Melbourne
3. 505-513 Abbotsford Street, North Melbourne
4. 30-38 Gatehouse Drive, Kensington.

Before deciding on the sale of Council land, a formal statutory process pursuant to section 114 of the Local Government Act 2020 needs to be carried out, which includes undertaking a community engagement process to ensure community participation.

In November 2022 Council will receive a report and consider feedback at a Council meeting prior to deciding whether to sell the properties. Each property will be considered individually on its own merits, taking account of the community engagement response. Should Council decide to sell the properties, the sale process would begin early 2023.

This report presents the findings from the community's feedback on Council's proposal to sell the four properties.

The Community Engagement Approach

Engagement Objectives

- To seek and receive feedback from the community on the proposal to sell 4 properties.
- To educate the community on how the sale proceeds will be used to assist in funding Council's capital works program 2023/24.
- To raise awareness of the local government sale of land process and community engagement process objectives.

Engagement Approach

The City of Melbourne asked for feedback on the proposal to sell four properties to contribute to city shaping infrastructure projects. The consultation was open between 4 July and 7 August 2022.

The main feedback platform was an online survey on the Participate Melbourne website. Respondents could indicate whether or not they supported the sale of each property and explain the justification for their response. Respondents could choose which properties to comment on, so the four properties garnered different numbers of responses.

Current tenants of the properties were contacted in person, via telephone, and by email. Nearby residents were sent a letter about the proposal and offered an opportunity to provide feedback through Participate Melbourne. Paid social media ads were promoted via Council social media channels, and the proposal was also shared with and discussed at various community group meetings like the Kensington Community Network.

Communications and Engagement Activities

Who we reached

- 283 letters sent to surrounding households and businesses
- 9,230 page visits by 7,368 different visitors on Participate Melbourne
- The corresponding social media campaign reached 66,512 people, 4,924 people clicked on the posts and 5,309 posted engagements
- Current tenants were contacted by email, phone and in person
- Emails sent to key stakeholders across CBD, Kensington, North Melbourne, Carlton neighbourhoods

Who we engaged

- 811 Participate Melbourne surveys
- 7 email submissions (including 2 late emails)

Number of respondents who offered an opinion on each property

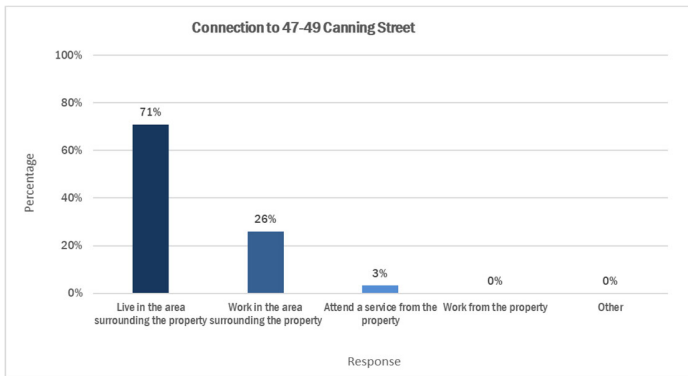
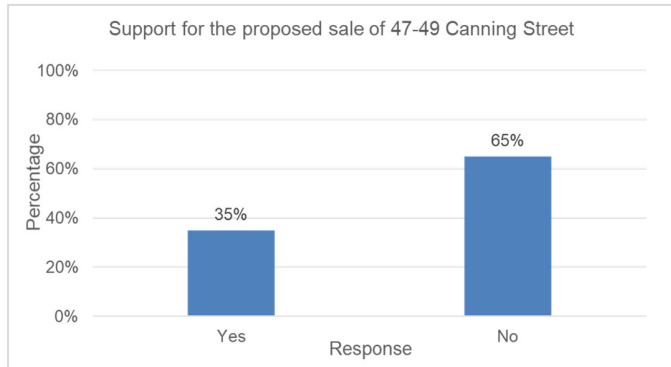
- 77-49 Canning Street, Carlton **246**
- 100-104 A'Beckett Street, Melbourne **250**
- 505-513 Abbotsford Street, North Melbourne **259**
- 30-38 Gatehouse Drive, Kensington **682**

Key findings

1. 35% supported the sale of 47-49 Canning Street and 65% supported its retention.
2. 19% supported the sale of 100-104 A'Beckett Street and 81% supported its retention.
3. 15% supported the sale of 500-513 Abbotsford Street and 85% supported its retention.
4. 8% supported the sale of 30-38 Gatehouse Drive and 92% supported its retention.
5. Respondents who supported the sale of the properties were most often on the following grounds:
 - Would like to see the proceeds used for improving Melbourne.
 - Believe that returning properties to the market could contribute to easing the housing crisis.
 - Believe that the funds from the sale of underutilised properties should be used to invest in social and affordable housing and other community purposes.
 - Support utilisation that activates the area and allows properties to meet their full potential.
 - Agree that properties are an eyesore and underutilised.
6. Respondents who supported the retention of the properties were most often on the following grounds:
 - Value having a community owned asset more than the one-off capital gain from selling an asset.
 - Would prefer underutilised council properties to be repurposed for community services or affordable housing.
 - Were worried about the properties being sold to developers and the buildings losing their heritage value.
 - Consider the current tenants offer high community value, with a large proportion expressing concern for current tenants.
 - The sale of the Gatehouse Drive property was opposed in significant numbers owing to passionate support for the current tenants (MAMA Services).
7. Respondents wanted to see more information on how proceeds would be used and the reasons for each individual property being surplus to Council requirements.
8. Respondents implied that there would be greater acceptance for the sale of council properties if assurance could be given that the funds would directly benefit the community, especially by way of affordable housing.
9. Regarding the properties at Canning Street, Abbotsford Street and A' Beckett Street, the majority of respondents identified their primary connection as living in the area.
10. For Gatehouse Drive, over half of respondents (73%) stated that their primary connection was attending a service at the property.
11. 75% of respondents to the community engagement were female. This may be explained by the fact that the property at Gatehouse Drive, which garnered by far the most feedback, is currently the site of MAMA Services.

Community Engagement Feedback for each property

47-49 Canning Street, Carlton

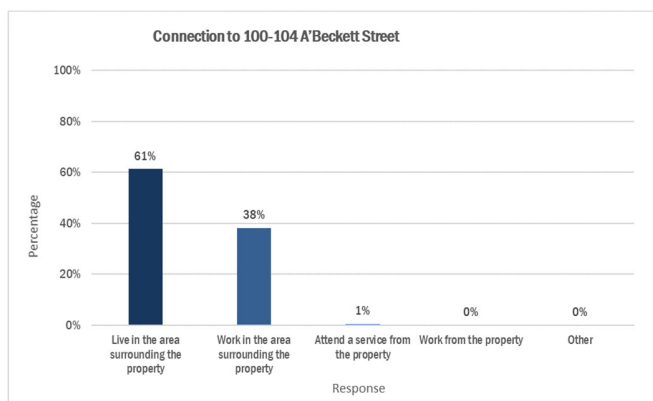
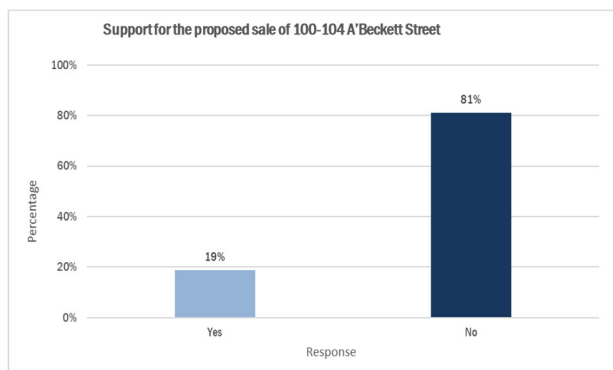


- > 35% supported the sale of the property.
- > 65% supported the retention of the property.
- > 246 (30%) respondents to the campaign commented on this property.
- > 71% of the respondents live in the area surrounding the property
- > 26% work in the surrounding area.

Summary of Comments

Respondents comments in support of sale	Respondents comments in support of retention
<ul style="list-style-type: none"> • Property is currently unused or not required (51 comments) • Support the potential capital gain from the sale (16 comments) • Support the investment in housing affordability (15 comments) • Building is run down or lacks aesthetic value (15 comments) 	<ul style="list-style-type: none"> • Support for the property to be used to provide affordable housing (71 comments) • General support for maintaining community ownership, the property could be used for something that will benefit the community (87 comments) • Oppose private development (21 comments) • Support heritage building protection (11 comments)

100-104 A'Beckett Street, Melbourne

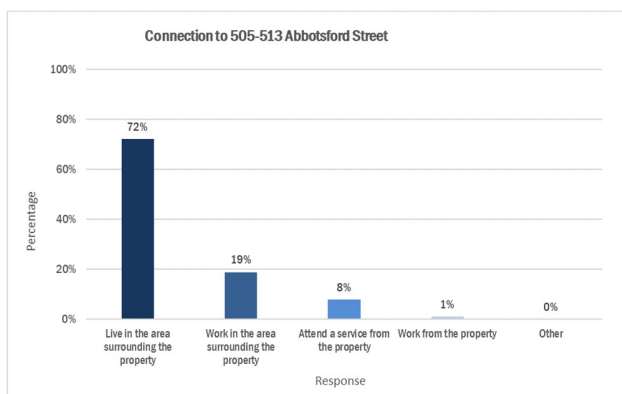
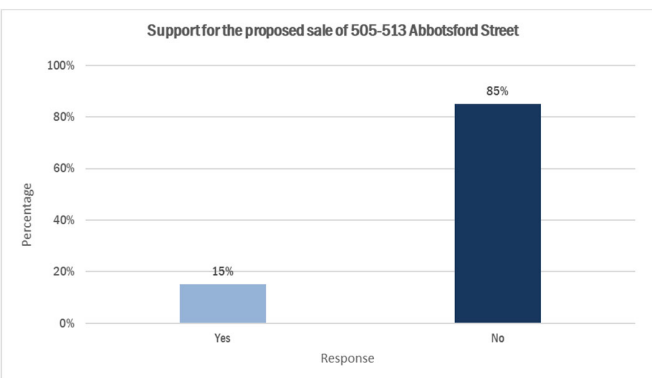


- > 19% supported the sale of the property.
- > 81% supported the retention of the property.
- > 250 (31%) respondents to the campaign commented on this property.
- > 61% of the respondents live in the area surrounding the property
- > 38% work in the surrounding area.

Summary of Comments

Respondents comments in support of sale	Respondents comments in support of retention
<ul style="list-style-type: none"> • Property is currently underutilised (17 comments) • Support for selling the property to allow Council to invest in other things that would benefit the community and to focus on revitalizing the area (9 comments) • Support for the proceeds from the sale of the property to be invested in community, affordable housing or sell to the State Government to be turned into affordable housing (25 comments) 	<ul style="list-style-type: none"> • Support for the property to be used as affordable housing for those in need (55 comments) • Support heritage protection (55 comments) • Oppose private development on this site (29 comments) • Support for community ownership (52 comments) • Need for community services, childcare or other community use (68 comments)

505-513 Abbotsford Street, North Melbourne

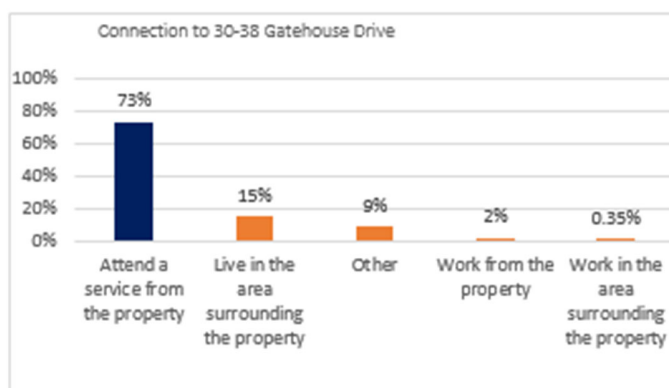
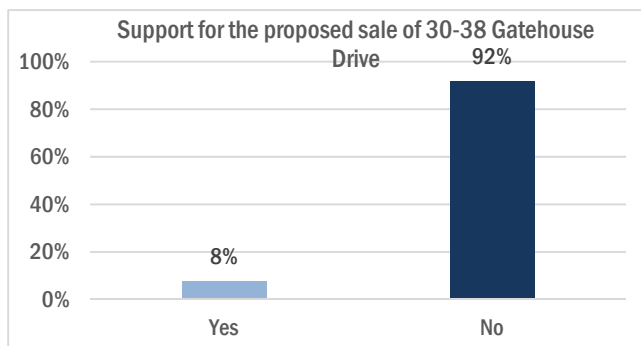


- > 15% supported the sale of the property.
- > 85% supported the retention of the property.
- > 259 (31%) respondents to the campaign commented on this property.
- > 72% of the respondents live in the area surrounding the property
- > 19% work in the surrounding area.

Summary of Comments

Respondents comments in support of sale	Respondents comments in support of retention
<ul style="list-style-type: none"> • The property could be put to better use and is not important enough to justify keeping, especially if it is expensive to upgrade (18 comments) • The sale could secure capital to invest in other areas that would be more beneficial to the community than the property is currently (17 comments) • The site could be sold and either turning into affordable housing or the profits could be invested into affordable housing (22 comments) 	<ul style="list-style-type: none"> • The site should be used for affordable housing (51 comments) • The building should be preserved for its heritage value (32 comments) • The property should be retained for community use or services (60 comments) • Retain for health services (55 comments) • Retaining community assets (43 comments) • Oppose private development (27 comments)

30-38 Gatehouse Drive, Kensington



- > 8% supported the sale of the property.
- > 92% supported the retention of the property.
- > 628 (84%) respondents to the campaign commented on this property.
- > 15% live in the area surrounding the property
- > 2% work in the surrounding area.
- > 73% accessed a service at the property

Summary of Comments

Respondents comments in support of sale	Respondents comments in support of retention
<ul style="list-style-type: none"> • The property could be used in other ways to benefit the community such as cafes, sporting or yoga facilities, a library or community centre (13 comments) • Selling the property would free up capital for the council to then invest in other projects to benefit the community (12 comments) • Property is not required (12 comments) • The building has minimal heritage or aesthetic value (7 comments) 	<ul style="list-style-type: none"> • Substantial support for MAMA’s “unique and distinct services” supporting maternal and infant health were seen as invaluable to the community (730 comments) • The property could be used for other community services or facilities (41 comments) • Site should be used for affordable housing (50 comments) • Private development is not wanted on this site (35 comments) • Community services should be prioritised for the site (49 comments) • Building is significant (11 comments)

Next steps

The community engagement findings have been shared with Council to inform the decision to sell or retain the four properties. Council will be reviewing this at the November 2022 Council meeting.