Confidential Item

For Council meeting to be held on

Tuesday 18 July 2017 at 7.30 pm

Refer Item 11.7

Confidential Item

11.7 Confidential Report – Potential Property Purchase – 32 Hectorville Road, Hectorville

TRIM Reference: B463 Property Officer, Mario Scalzi's Report

Purpose of Report

To consider purchasing the property located at 32 Hectorville Road, Hectorville being offered for general sale.

Strategic Plan Link

Strategy 2.5.6 Provide timely and relevant financial information to help make informed decisions

Background

Council has become aware of the sale of the 32 Hectorville Road, Hectorville property listed through Walter and Irvine Real Estate.

The 32 Hectorville Road, Hectorville property abuts the Council owned Melville Grove Hectorville Reserve

A review of similar properties sold within the suburb of Hectorville suggests that the property could demand a sale price within the range of $500,000 to $600,000.

Staff believe that it is reasonable for Council to consider purchasing the property due to it abutting an existing Council owned property and the potential for future considerations and/or consolidation of its land holdings in the area.

Discussion

The property is located adjacent to the Melville Grove Hectorville Reserve and has frontage to Hectorville Road, Hectorville.

The legal description of the property is 32 Hectorville Road, Hectorville being Certificate of Title Volume 5593 Folio 275, Allotment 51 in DP 3526 and it is owned by GEA Favaro.

The site is regular in shape and has a frontage to Hectorville Road of 16.81metres and a depth of 46.05 metres with a total allotment size of approximately 776 square metres.

Erected on the site is a contemporary style home built in the 1950s in reasonable condition considering its age with upgraded kitchen and living areas and reasonable toilet and bathroom facilities. Built in the 1950s it is constructed on concrete footings, has brick walls, timber framed windows and has four (4) bedrooms with reasonably maintained gardens and landscaping. The home has ducted air conditioning, solar panels and extensive garaging.

Staff undertook an inspection of the building on 30 June 2017 and signs of aging are evident and internally there is some cracking of walls consistent with a dwelling of this age. Of concern though is the enclosed rear verandah made into a living area with the existing domestic dwelling being retained which is not compliant and may need to be rectified.

As in past purchases the extent of any repairs and upgrades needed to enable the dwelling to be compliantly rented out is not known at this time however could be defined through a building inspection being undertaken as a condition of any purchase.

All in all the dwelling is in reasonable condition and could easily be rented for at least $300 per week.

In determining the current value of the property independent valuers were approached by Council to determine if a valuation could be undertaken in the near future however both companies were unable to commit to returning a valuation prior to this Council meeting.

The agent has been made aware of Council's interest and the processes involved for Council to make a determination on the potential purchase and have confirmed that they would provide Council with advice should a contract be presented prior to Council considering the purchase. The property has been listed on realestate.com.au for sale at $698,000 for over a month that Staff are aware of with no offer being successful to date.

A valuation of the property has been considered by Staff using tools and information regarding recent sales in the vicinity of the locality.

The more relevant sales of similar size and style properties have been considered and it is worth noting that a similar property at 21 Hectorville Road, Hectorville which abuts the Hectorville Road reserve near the Red Mill Café was sold on 1 June 2017 for $530,000.

The value of that property on a dollar rate per square metre is $807 and lies at the higher end of the range of $678 to $807 per square metre for the most recent examples of properties sold. These properties all had dwellings situated on the site that were all in similar or better condition, however did vary in the size of the land holding.

The sales examples have been provided by realtor.com.au and are described as follows:

1. 10 Eve Street, Hectorville

Sold	2 February 2017
Price	$388,000
Land size	572 square metres
Price per square metre	$678 per square metre

2. 7 Hectorville Road, Hectorville

Sold	16 May, 2017
Price	$520,000
Land size	680 square metres
Price per square metre	$764 per square metre

3. 21 Hectorville Road, Hectorville

Sold	1 June 2017
Price	$530,000
Land size	656 square metres
Price per square metre	$807 per square metre

4. 71 Hectorville Road, Hectorville

Sold	22 May 2017
Price	$545,000
Land size	699 square metres
Price per square metre	$779 per square metre

Based on the available data provided and using an average price for a square metre rate, the value of the property in comparison with similar and comparable sites would be approximately $587,432 however it is also acknowledged that the strategic value to Council could potentially be worth a higher value to the average square metre rate.

The $698,000 asking price has been discussed with local real estate offices for their advice and all agree that the property could well achieve a sale price within the $500,000 to $600,000 depending on the desired future use of the site.

The property, by the nature of its location abutting Council's existing land holding and being on the main Hectorville Road, is considered to have strong strategic value as it provides Council with an opportunity to create additional open space in the area.

There is potential for the land to be subdivided so as to create an allotment housing the dwelling which could be leased whilst creating additional open space at the rear of the dwelling to be amalgamated into the reserve proper.

The opportunities are numerous and the purchase of this property may well be construed as a sound strategic decision to benefit the wider Community in the long term.

While considering all of the options, Staff recommend that the property be purchased and the Chief Executive Officer be authorised to offer an amount to finalise the sale. However this should be on condition that a satisfactory building inspection be undertaken of all structural and non-structural matters. In the event that the building inspection identifies concerns, then the Chief Executive Officer be authorised to reduce the offer by the cost associated to rectify the concerns.

Should Council be successful in purchasing the property it needs to resolve that the land be excluded from Community Land Classification which would enable Council to develop or consider options for the future of the site freely in the best interests of the Community.

Council is reminded of its 19 August 2014 resolution that it endorsed the proposed Strategic Open Space Land Purchasing Principles and Staff investigate the possibilities for strategic land acquisition to increase the amount and quality of open space throughout the City area as finances permit.

With this in mind it may be beneficial should the purchase be considered favourable to provide the Chief Executive Officer the ability to finalise a purchase.

Social Implications

The purchase of 32 Hectorville Road, Hectorville would provide Council with the opportunity to increase its land holdings in the immediate vicinity as it abuts the existing Melville Grove Hectorville reserve and will provide many options in the future for varied uses of the site.

Environmental Implications

There are no perceived environmental implications should Council decide to proceed with the potential purchase of 32 Hectorville Road, Hectorville.

Asset Management Implications

The asset management implications for this property will depend on its intended use. Should Council choose to use the property in the interim as a leased dwelling there will be some maintenance/repair costs associated with the upkeep of the asset however this would be offset by the potential income derived through its rental of approximately $15,000 per annum.

Should Council purchase the site, the land and buildings would be added to the asset register and depreciated accordingly.

Governance / Risk Management

Should Council decide to proceed with the purchase of the 32 Hectorville Road, Hectorville property a full risk assessment and property inspection would be undertaken prior to purchase.

In addition the Community Land Classification needs to be determined prior to Council taking possession of the property therefore it would be appropriate to also make that determination at this time should Council support the purchase of this property and resolve to exclude the land from Community Land Classification.

Community Engagement

No Community engagement is considered necessary should Council proceed with the strategic purchase of 32 Hectorville Road, Hectorville, however Community engagement may be needed should the proposed use of the property change.

Regional Implications

There are no regional implications in relation to this report.

Financial Implications

Council currently has no budget set aside for a purchase of this type, however it could be included in the 1st budget review for 2017/2018. Should Council decide to proceed with the acquisition, it would be classified as Capital-New expenditure, and would require Council to use its existing cash and investments to fund the purchase.

The full cost to acquire the property at a purchase price say of $550,000 (mid-range between $500,000 and $600,000) would be in the order of $575,000 which includes:

- purchase price $550,000
- stamp duty and legal fees etc $25,000

up to approximately $620,000 if the property was purchased for $587,000 (ie using the average square metre rate for similar properties in the area).

Depending on the intended use of the property, there may be an opportunity to realise an income to offset any maintenance costs.

Recommendation

That Council:

1. **authorise the Chief Executive Officer to make an offer for the purchase of the property at 32 Hectorville Road, Hectorville on the condition that Council obtain a building inspection prior to any offer being made which will determine the amount of the offer, and that the property shall be vacated on possession by Council, and should the offer be accepted authorise the Chief Executive Officer to finalise the purchase. The offer based on the average square metre rate and, subject to a satisfactory building inspection, should exceed no more than $587,000**

2. **resolve to exclude the land from classification as Community Land**

3. **allocate funding up to $620,000 at the first budget review for 2017/2018 to fund the purchase and associated transfer costs, if Council is successful in acquiring the property.**