CAMPBELLTOWN
CITY COUNCIL

Confidential Item

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For Council meeting to be held on

Tuesday 4 August 2015 at 7.30 pm

Refer Item 11.6

11.6 Possible Property Purchase - 37 Emery Road, Campbelltown

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

Purpose of Report

To consider purchasing the property located at 37 Emery Road, Campbelltown to potentially increase the car parking capacity and vehicular manoeuvrability adjacent to the current Council owned properties in De Conno Court and Emery Road, Campbelltown.

Strategic Plan Link

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

Background

The property at 37 Emery Road, Campbelltown is currently on the market for sale with an asking price of $529,000.

This property is adjacent to the property recently purchased by Council at 35 Emery Road, Campbelltown which is currently under demolition to improve the car parking provisions for the Campbelltown Tennis and Netball Club.

The property at 35 Emery Road, Campbelltown was a burnt out dwelling and purchased by Council 20 February 2015 for $395,000 for the strategic purpose of improving car parking provisions for the Campbelltown Tennis and Netball Club.

The property at 37 Emery Road, Campbelltown abuts the existing De Conno Court car park, so if purchased by Council would enable direct linkages to all car parking provisions in the locality.

Discussion

The property is being actively marketed with open inspections and an asking price of $529,000, Council Staff inspected the property on 22 July 2015.

The dwelling itself is in reasonable condition and with a thorough clean could be offered for rent with an anticipated weekly rental of $350 per week. The rear portion of the land could be cleared and incorporated into additional car parking area as it abuts the De Conno Court car park to the north and would provide a direct link and access to the proposed car park at 35 Emery Road.

The land size is approximately 700 square metres and to gauge a relevant value of the property recent land sales could be used to provide Council with an approximate starting offer, should there be consensus among Council that the purchase would be strategically beneficial to the Community.

Of course there is no better example of a sale price in the area than that of Council's recent purchase next door albeit the dwelling is in better condition than the property at 35 Emery Road, Campbelltown and able to be immediately offered for rent to obtain income for Council.

With 35 Emery Road Campbelltown being acquired for $395,000 this would equate to the land being worth $564 per square metre. With 37 Emery Road, Campbelltown having a valuable asset on site it could be argued that this property could well be worth over $500,000.

A developer may see this site as a good investment at the asking price of $529,000 if they were able to maximise the site area and achieve three (3) units as is being described by the selling agents. However for two allotments this figure may well sway potential purchasers to seek alternative sites. The site is located in the Residential Regeneration zone where the required frontage to achieve three (3) row dwellings would need to be twenty one (21) metres which this property fails to achieve being only eighteen (18) metres approximately. Council's planning staff have indicated that they would be unable to support a proposed development on the site of three (3) row dwellings which provides sufficient advice that the site at $529,000 is at the top end of a reasonable price range for properties in that part of Campbelltown.

Should Council consider the merit in proceeding with a potential purchase for strategic value it is considered that a reasonable purchase price in the $470,000 - $500,000 price range would provide the Community the added bonus of increased parking spaces and a direct linkage from Emery Road whilst enabling Council to receive a potential rental return of $18,000 per annum. Council may also consider subdividing and selling a portion of this property in the future.

Social Implications

A purchase of 37 Emery Road, Campbelltown would provide Council with the opportunity to further increase its land holdings around the popular sporting facility in Emery Road and provide further options for future possible expansion, car parking or redevelopment.

Environmental Implications

There are no environmental implications in relation to this report.

Asset Management Implications

The asset management implications for this property will depend on the intended use.

Should Council consider purchasing the property to use the 37 Emery Road, Campbelltown property for rent, then remediation, depreciation and ongoing maintenance costs will need to be considered and budgeted for.

There is a potential depreciation impact to Council from purchasing this property. However, the depreciation and maintenance costs could be offset by any rental income. Initial estimates suggest that Council could receive an annual rental income of approximately $18,000.

Should Council choose to use a portion of the 37 Emery Road, Campbelltown property for access to car parking, the cost of construction is estimated to be in the order of $50,000 with ongoing depreciation and maintenance costs. However no detailed plan and costings have been undertaken at this time.

Governance / Risk Management

Should Council decide to proceed with the purchase of the property a full risk assessment would be undertaken prior to purchase and prior to any future use of the property. It would be also recommended that a building inspection of the 37 Emery Road, Campbelltown site including a white ant report be obtained and made part of conditions of purchase.

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

Community Engagement

No Community engagement is considered necessary should Council proceed with the strategic purchase of the property at 37 Emery Road, Campbelltown. However should Council wish to purchase this property, the consultation in the proposed car parking improvements utilising the recently purchased 35 Emery Road property should be deferred pending the possible purchase and redesign of the car park accommodating the additional land holding.

Financial Implications

Council currently has no budget set aside for purchases of this type. 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 or take out additional borrowings.

The cost to acquire the property would be in the order of $510,000, which includes:

- purchase price of $480,000 for 37 Emery Road, Campbelltown
- stamp duty, agent fees, legal fees etc - $30,000.

Depending on the intended use of the properties, there will be future financial implications.

For example, the cost of constructing a car park/driveway link would be in the order of $50,000 making the total cost of purchasing 37 Emery Road, Campbelltown for this use $580,000.

While this purchase could be offset by the rental property the return on this outlay to Council would be in the order of 3.4%, which is higher than what Council currently earns in interest on its at-call deposits with the LGFA (Local Government Finance Authority).

The current adopted LTFP (Long Term Financial Plan) has some capacity to fund the purchase and will have a small negative impact on the operating result. However Staff would only recommend the purchase of this property if Council was committed to use it to improve the linkage between the two carparks.

Recommendation

That Council:

1. **authorise the Chief Executive Officer to negotiate with the selling agent to purchase the property at 37 Emery Road, Campbelltown and offer up to a maximum of $500,000. The offer should be based on a condition that the property purchase be subject to a favourable building and termite inspection report being obtained by Council and on that the property including the rear shed shall be vacated on possession by Council.**

2. **exclude this property from classification as Community Land.**