Confidential Item

For Council meeting to be held on

Tuesday 7 March 2017 at 7.30 pm

Refer Item 11.9

Confidential Item

11.9 Confidential Report - Property Purchase - 174 Montacute Road, Rostrevor

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

Purpose of Report

To consider purchasing the property located at 174 Montacute Road, Rostrevor offered to Council through a private offer of sale.

Strategic Plan Link

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

Background

Council has been approached by Mr Raymond Gaud representing family members to purchase the property at 174 Montacute Road, Rostrevor.

The family's matriarch who until recently resided in the dwelling is now ill and will need to be placed in permanent care rendering the property vacant and required to be sold to enable the family to purchase a permanent residential care placement property. This placement is now becoming urgent and the family are offering the property to Council as the first option considering the location of the property abutting the Council owned Administration Building and Function Centre land holding at 172 Montacute Road, Rostrevor.

With the sale of the property now becoming vital for the family, an independent valuation of the property has not been able to be arranged in time for consideration however recent sales of similar properties in the Rostrevor area do provide Council with good evidence of the potential value of the site.

A review of similar properties sold within the suburb of Rostrevor suggests that the property could demand a sale price within the range of $450,000 to $550,000.

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 Administration Building and Function Centre site and has frontage to Montacute Road, Rostrevor.

The legal description of the property is 174 Montacute Road, Rostrevor being Certificate of Title Volume 5515 Folio 586, Allotment 1 in DP 7256 and is owned by H A M Gaud.

The site is regular in shape and has a frontage to Montacute Road of 20.31metres and a depth of 28.06 metres with a total allotment size of approximately 570 square metres.

Erected on the site is a contemporary style home built in the 1960s in very good condition considering its age and showing no sign of cracking, with even floors, and reasonable toilet, bathroom and kitchen facilities. Built in the 1960s it is constructed on concrete strip footings, has brick walls, timber framed windows and has three (3) good sized bedrooms and excellent and well maintained gardens and landscaping.

Signs of age with some wood rot to fascias and eaves are considered minor in nature and could be easily repaired.

All in all the dwelling is in good condition and could quite easily be rented out with no major work needed to achieve a potential $350 to $400 a week rent for the lease of the property.

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 and with the owners were very keen to have Council make a determination on the purchase of the property due to their elderly mother's deteriorating condition. Therefore a valuation has been determined by Staff using tools and information able to accessed through recent sales in the vicinity of the locality.

The more relevant sales evidence of similar size and style properties indicates that a value of the property on a dollar rate per square metre lies within the range of $750 to $840 per square metre and the four most recent examples used for this evidence had dwellings situated on the site that were all in similar or slightly better condition, however did vary in the size of the land holding illustrated by being sold at the different ends end of the range.

The sales examples evidence has been provided by realestate.com.au and are described as follows:

1. 350 Montacute Road, Rostrevor

Sold	12 November 2016
Price	$452,000
Land size	603 square metres
Price per square metre	$749 per square metre

2. 29 Savas Road, Rostrevor

Sold	2 February 2017
Price	$515,000
Land size	713 square metres
Price per square metre	$722 per square metre

3. 14 Sparks Terrace, Rostrevor

Sold	19 November 2016
Price	$477,000
Land size	570 square metres
Price per square metre	$836 per square metre

4. 36 Fairleys Road, Rostrevor

Sold	30 September 2016
Price	$500,000
Land size	611 square metres
Price per square metre	$818 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 $450,000 however it is also acknowledged that the strategic value to Council could potentially be worth a higher value to the average square metre rate applied.

At a mutually convened site meeting on 17 February 2017, Mr Gaud advised that on behalf of the family they were willing to accept a sale price of $500,000 although the family has been advised by selling agents that there is potential to earn a sale figure much higher than that should it be placed on the open market. This assumption has merit considering the current market, potential to further develop the land and also the condition of the home and its readiness to accept tenants without any further major works required.

The $500,000 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 $450,000 to $550,000 depending on the desired future use of the site.

Seeking Mr Gaud's written confirmation of the family accepting $500,000 for the sale of the property, Mr Gaud on behalf of the family has provided an email on 20 February 2017 advising that an informal offer has been received by the family from a potential purchaser with a cash offer of $538,000 with a 60 day settlement (see attached email).

The property, by the nature of its location abutting Council's existing land holding and being on the main Montacute Road, is considered to have a strong strategic value.

The purchase of the 174 Montacute Road, Rostrevor property could also provide Council with an opportunity to consider the future needs for the Community and will provide if so desired a further space to accommodate community groups and services as is demonstrated by the successful transformation of the 168 Montacute Road, Rostrevor property into an 'Arts Hub' and previous to that a counselling centre run by the Uniting Church of South Australia.

The opportunities are numerous and the purchase of this property may well be construed as a strategically sound 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 with a shortened settlement date so as to acquire the property quickly and have it tenanted in the near future deriving income almost immediately.

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.

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

Social Implications

The purchase of 174 Montacute Road, Rostrevor would provide Council with the opportunity to increase its land holdings in the immediate vicinity as it abuts the existing Montacute Road, Rostrevor land holding 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 174 Montacute Road, Rostrevor.

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 may be some maintenance costs associated with the upkeep of the asset however this can be offset by the potential to earn as much as $18,000 per annum in rent.

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 174 Montacute Road, Rostrevor property a full risk assessment and property inspection would be undertaken prior to purchase and prior to any future use of the property.

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 174 Montacute Road, Rostrevor, however Community engagement may be needed should the proposed use of the property be changed.

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 3rd budget review for 2016/2017. 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 slightly above the offer already received by the owner of $538,000 would be in the order of $565,000 which includes:

- purchase price $540,000
- stamp duty and legal fees etc $25,000.

Depending on the intended use of the property, there may be future financial implications.

For example, should Council agree to use the dwelling as a Community centre or office space, the cost of redeveloping the building with improved facilities would need to be determined at that time. Regardless of the use of the building, there will be ongoing costs associated with maintenance and depreciation, which could be offset by rental or lease income.

Recommendation

That Council:

1. **authorise the Chief Executive Officer to make an offer for the purchase of the property at 174 Montacute Road, Rostrevor of $540,000 and to purchase the property on the condition 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**

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

3. **allocate funding of $565,000 at the third budget review for 2016/2017 to fund the purchase and associated transfer costs.**

From: Raymond G [mailto:raymondgaud@hotmail.com]
Sent: Monday, 20 February 2017 11:45 AM
To: Mario Scalzi
Subject: RE: 174 Montacute Road Rostrevor

Hello Mario,

Firstly may I thank you on behalf of my mother and brother, Heather and Christopher Gaud, as well as myself for attending our meeting at mums house last week, it was pleasure to meet you and chat with you also.

After our initial discussion regarding the sale of my mothers property at 174 Montacute Road Rostrevor, I had a family meeting at mums nursing home and informed them both of your inspection and price range of the worth and value of the property.

My brother Christopher and myself are jointly handling mums affairs with her knowledge and permission, and Christopher has been doing some research and "prospecting" to tend to the sale of the property privately without the need or going through an agent, hence my approach to the City of Campbelltown Council.

On Saturday Christopher had informed my mother of a genuine serious potential buyer who has submitted an offer to purchase the property for the amount of $538k with a 60 day settlement and not subject to any conditions of sale. Chris has told me the perspective buyer intends to rent out the home for 1 year, and then it will be demolished and redeveloped into I suppose 2 new allotments and homes being built.

Whilst this is a very attractive offer and with in range of the property value, my mother has asked that I respond to Council informing you as to what has progressed and give Council opportunity to respond. My mother is very attracted to her home and it has been family home since 1968, it has been cared for, loved and maintained and as she said, home is where the heart is, and all of her lasting memories of us and family and my late father.
The property is adjoining Council and will add value to the community and services offered by not only Council but local community organisations, which is a win win for all residents in the local area as well as Council itself.
Council have showed and expressed interest in the past and that is why on behalf of my mother and brother I reached out to, it has taken 49 years for this house to come on to the market and I believe as a businessman myself, that it is a once in lifetime opportunity to secure an asset that Council will never lose money on its investment and being adjacent it has more value and benefit that other property sales in Rostrevor, it is a unique holding due to location, and of course its condition.

With some help of some professionals in the Real Estate industry, not agents, I believe the offer made is fair and around the mark if the house was placed on the open market, maybe it would achieve more, but that is only speculation at this time.

I have told my mother sometimes money whilst it is important, should not only necessarily be the ultimate deciding factor of a business transaction, and I believe you informed my that Council would rent out or use the home as offices for local community groups that needing and searching for a base to operate from. So that is 1 important factor that my mum will consider before she signs a contract to sell her family home.

I was the under bidder at 77 Barnes Road Glynde for a run down 1920s red brick stone fronted bungalow, a 1 owner family residence on a corner block 0f 700sqm, I acquired the property because I

was not going to demolish the old home, but to restore it, keep its character, I did subdivide it later but the restored bungalow stands proud today still, with the children still taking photos and showing their elderly mother, fact!

As I honestly and genuinely indicated to you, I'm not interested in participating a Dutch auction or profiteering or play games, but my intentions are to look after my mothers interests now for her limited future and to also give her peace of mind without any regret or remorse with my brothers consent as well.

So I would like to give you and Council the invitation to respond this email, I would love to present to my mother and brother Councils firm and last offer to purchase mums house, before she accepts the other offer, as I've indicated I want to keep it simple, hassle and stress free, and I do believe working together on this, this can be achieved positively for all parties concerned.

Our family home will be sold one way or another, and I personally would prefer Council to be the new owner, not a profiteering developer.

Thank you once again Mario for all of your time and effort you have put into this matter and the consideration you have shown my elderly mother.

I look forward to hearing back from you and Council with anticipation in due course.

Please feel free to call me on 0406103016 at anytime if you have any questions or queries, and I will be only to happy to assist you.

Sincerely and kind regards

Raymond Gaud
On behalf of Mrs Heather Gaud and Mr Christopher Gaud

Sent from Mail for Windows 10